# Power scarcity drives convergence of private real estate and infrastructure investments



The traditional divide between private real estate and infrastructure investment is increasingly becoming less distinct, driven primarily by the rising scarcity of power and the demand for on-site energy solutions. This dynamic, often overshadowed in discussions about capital allocation, is reshaping how investors and asset managers approach these sectors.

Jacob Monroe, co-founder and CEO of Camion Energy, highlights the central role that power scarcity plays in this evolving landscape. He argues that investors willing to transcend the conventional separation between infrastructure and real estate stand to benefit from the growing need to integrate energy generation directly within real estate assets. This approach not only addresses urgent energy demands but also opens pathways for enhanced returns. The mounting pressures on power grids, alongside a push towards electrification—ranging from logistics to heavy industry—underscore the necessity for such integration.

Significant players have responded by merging their real estate and infrastructure platforms. New York-based private equity firm KKR, for example, consolidated its platforms in early 2024 with the explicit aim of improving coordination on power concerns within its real estate portfolio, as explained by Raj Agrawal, KKR’s global head of real assets. This strategy allows the firm to leverage expertise across sectors, aligning efforts to tackle energy availability and sustainability challenges. KKR’s vast real estate and infrastructure portfolios, with assets exceeding $80 billion in both domains, illustrate the scale at which such integration can be pursued, emphasizing the firm’s commitment to addressing emerging energy and infrastructure needs within real estate investments.

This trend is also evident among other institutional investors. Australian superannuation funds, including Australian Retirement Trust and AustralianSuper, have recently unified their respective real estate and infrastructure divisions, while London-based Phoenix Group and Abu Dhabi's Mubadala Investment Company have made similar moves. Manuel Dusina, head of real assets at Phoenix Group, stresses that on-site power generation is essential for powering the "mega-trends" shaping both sectors in the future. He notes the benefits of on-site generation for cost savings, energy independence, and carbon footprint reduction, while acknowledging that practical suitability depends on factors such as location and scale.

Julie Ingersoll, CIO of Americas direct real estate at CBRE Investment Management, highlights how energy concerns are now integral to asset selection across real estate sectors beyond traditional high-power demands like data centres. She describes how collaboration between infrastructure and real estate teams has intensified, with infrastructure experts advising on power availability, costs, and renewable feasibility—a partnership that was uncommon a decade ago.

Global logistics giant Prologis exemplifies early adoption of this integrated approach. Since 2007, it has pursued on-site power solutions such as rooftop solar installations, which currently generate over 550 megawatts globally with plans to surpass 1 gigawatt soon. Prologis views such capabilities as competitive advantages that attract tenants requiring substantial power, including those transitioning to electric vehicle fleets, like Maersk’s recent establishment of a 100-vehicle EV charging station powered by a multi-fuel heat pump in California. JT Steenkamp, Prologis Mobility's vice-president, encapsulates this shift succinctly: “You have to be an infrastructure player if you're a real estate player in the 2020s and beyond.”

Industry forecasts support the urgency of these adaptations. The Bank of America Institute projects a 2.5% annual increase in US electricity demand through 2034, while European governments anticipate even steeper rises in energy consumption, driven by factors including electrification of transport, automation, and the adoption of heat pumps. Amazon’s deployment of one million robots in its warehouses and McKinsey’s prediction of a 15% annual growth in heat pump demand for logistics further illustrate how these trends fuel power needs.

Thomas Bayerl, global head of illiquid assets at Munich-based MEAG, echoes the financial logic behind integrating infrastructure and real estate investments. MEAG’s extensive €15 billion real estate portfolio leverages capabilities from its illiquid assets team to deploy rooftop solar, enhancing property energy efficiency and unlocking higher profits. Industry observers like GRESB’s chief innovation officer Chris Pyke expect this synergy to compound asset value, with on-site generation and load flexibility creating new revenue streams analogous to traditional energy production.

However, experts caution that convergence is not without risks. Hugo Llewelyn, CEO of Newcore Capital Management, warns that improper risk assessment and communication can cause significant problems, such as when infrastructure revenue underpins real estate asset valuations. He points to historical failures like Southern Cross in the UK, where aggressive financial engineering and neglect of maintenance led to societal harm and investor losses, underscoring the need for balanced, responsible management.

Looking ahead, the consensus among industry leaders is that tighter integration or outright unification of real estate and infrastructure teams will become the norm. Monroe foresees that growing power scarcity and tenant preferences for grid-independent sites will drive this trend, supported by the capacity of larger funds to absorb initial infrastructure investment costs and enhance overall asset quality. Ingersoll anticipates the development of hybrid investment strategies blending real estate and infrastructure, which could reshape private market approaches globally, reflecting a new normal where cross-asset collaboration is imperative to compete and succeed.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.perenews.com/the-hidden-driver-behind-the-convergence-of-real-assets/), [[2]](https://www.perenews.com/the-hidden-driver-behind-the-convergence-of-real-assets/)
* Paragraph 2 – [[1]](https://www.perenews.com/the-hidden-driver-behind-the-convergence-of-real-assets/), [[2]](https://www.perenews.com/the-hidden-driver-behind-the-convergence-of-real-assets/)
* Paragraph 3 – [[1]](https://www.perenews.com/the-hidden-driver-behind-the-convergence-of-real-assets/), [[3]](https://www.kkr.com/invest/real-estate), [[4]](https://www.kkr.com/invest/infrastructure)
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## Bibliography

1. <https://www.perenews.com/the-hidden-driver-behind-the-convergence-of-real-assets/> - Please view link - unable to able to access data
2. <https://www.perenews.com/the-hidden-driver-behind-the-convergence-of-real-assets/> - The article discusses the increasing convergence between private real estate and infrastructure sectors, driven by the growing scarcity of power and the need for on-site power generation. It highlights how companies like KKR have merged their real estate and infrastructure platforms to address power concerns and collaborate more effectively. The piece also features insights from industry leaders such as Jacob Monroe of Camion Energy and Raj Agrawal of KKR, emphasizing the importance of integrating energy solutions into real estate assets to meet rising power demands and enhance returns.
3. <https://www.kkr.com/invest/real-estate> - KKR's Real Estate platform offers a comprehensive suite of investment strategies, including Core+, Opportunistic, and Real Estate Credit, across the Americas, Europe, and Asia. With over $82 billion in assets under management and a team of more than 140 investment professionals, KKR leverages its global network and market presence to identify and execute attractive opportunities across the capital structure and risk/reward spectrum. The platform's connected insights and trusted partnerships enable it to deliver a wide range of solutions to meet the needs of both investors and industry participants seeking strategic capital partners.
4. <https://www.kkr.com/invest/infrastructure> - KKR's Infrastructure platform focuses on critical infrastructure assets across the Americas, Western Europe, and the Asia Pacific region. With over $83 billion in assets under management and a dedicated team of more than 130 infrastructure executives, KKR employs a risk-based approach to find assets that offer strong downside protection and the potential to capitalize on growth in a changing world. The platform's alignment and collaboration across KKR's global network enable it to source and execute attractive opportunities, delivering essential services to evolving economies.
5. <https://media.kkr.com/news-details/?news_id=e5ee83e3-1f32-4dae-9a85-329a1e0614c8> - KKR's investment in Enilive, a company dedicated to biorefining, biomethane production, and smart mobility solutions, aligns with KKR's strategy to support transformative energy projects across Europe. This partnership aims to accelerate sustainable mobility and the energy transition, contributing to the decarbonization of transportation. KKR's global infrastructure platform and local expertise are expected to help Enilive scale its impact and expand internationally, supporting the transition towards an increasingly decarbonized offering for sustainable mobility.
6. <https://media.kkr.com/news-details/?news_id=f9583a23-a2b5-4c31-be81-580fd1e8dd55> - KKR, in partnership with the Skip Essential Infrastructure Fund, acquired a majority stake in Queensland Airports, encompassing airports in Gold Coast, Townsville, Longreach, and Mt Isa. This investment reflects KKR's approach to infrastructure investment in the Asia Pacific region, combining local knowledge with its global network and operational expertise. The partnership aims to drive growth initiatives and better serve passengers from Australia and abroad, highlighting KKR's commitment to critical infrastructure assets in the region.
7. <https://media.kkr.com/news-details/?news_id=ee6e0228-caf7-4b9c-be4e-23ee8d04f882&type=1> - KKR and Capital Group formed an exclusive strategic partnership to create public-private investment solutions, aiming to broaden access to private market investment opportunities. This collaboration leverages the complementary capabilities and cultures of both firms, with plans to launch public-private investment solutions focused on fixed income strategies. The partnership reflects the growing interest in alternative investments and the desire to provide individuals with access to high-quality investment solutions.