December 2025

QUARTER 3 MARKET REPORT

GIIA

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Introduction

Infrastructure investment in 2025: can a record fundraising year translate into deals?

This year has set a new benchmark for infrastructure fundraising. By the end of September, private infrastructure funds had raised a cumulative US$200 billion, the first time the asset class has crossed this threshold within the first three quarters of the year.

[1]

[1] Infrastructure Investor (2025), Fundraising Report Q3 2025

Fundraising strategy

Overall, mega funds have captured a disproportionate share of inflows - around 80% of capital went to just six managers. However, as investors seek more differentiated strategies alongside these mega funds, there are signs of a resurgence in mid-market funds.

Strategy	Capital raised Q1-Q3 2025	Share of total
Core	US$18bn	9%
Core-Plus	US$75bn	38%
Value-Add	US$74bn	37%
Opportunistic	US$12bn	6%
Other (debt, Secondaries, FoF, Co-invest)	US$20bn	10%

Figure 1: Capital raised by strategy. Source Infrastructure Investor

The composition of infrastructure fundraising reflects a notable pivot towards higher return strategies. Core-plus and value-add funds now dominate, accounting for two thirds of the market. This is a reversal from last year, where value-add led the pack.[2] Meanwhile, interest in core strategy funds has waned, making up the lowest share of funds in five years. This trend underscores investors' willingness to take on more value creation risk (development, operational improvement) in pursuit of yield, given that traditional core infrastructure yields have tightened.

Fundraising sectors and regions

Capital has also tilted towards specific sectors, most notably the energy transition and digital infrastructure. Renewables now account for the biggest share in sector-focused fundraising 2025, overtaking digital and data centres which amassed over 45% of funds by the end of H1, helped along by the close of Brookfield's Global Transition Fund II (the largest sector-specific fund this year – US$ 20 billion).[3] Transport, power networks, social infrastructure and utilities have seen few dedicated funds this year, even though most private capital targets multi-sector strategies.

Geopolitical uncertainty shifted attention from North America to Europe in Q1, when almost all fundraising fell to Europe-focused funds. However, funds targeting North America have since edged back. As ever, multi-regional and global funds have attracted the lion's share of capital.

This picture does seem rosy for infrastructure at face value. However, the time taken to raise these funds, the pace of deployment into renewables - a sector which has seen difficulties over 2025, and a digital sector coming under more scrutiny from investors, policy makers and communities, could together be big blockers for infrastructure investors over the next 12 months.

[2] Infrastructure Investor (2025), Fundraising Report Q3 2025

[3] ibid.

Time on the road for fundraising

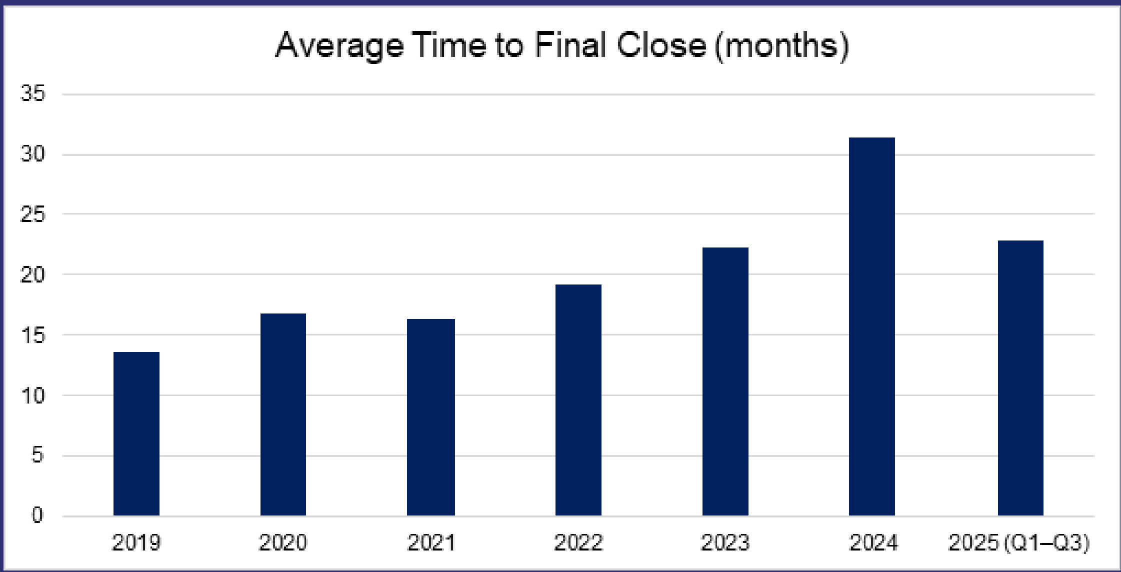

Figure 2. Average time taken for infrastructure funds to close. Source Infrastructure Investor

A striking change during 2025 has been the time that funds spend on the road, to seek capital. The average fundraising period has stretched to around two years which, while an improvement on 2024's average of 31 months, is still below the historical norm.[4]

A key factor underlying the elongated fundraising cycle is the slower pace of capital recycling. With hefty allocations made in recent years, institutional LPs are at or near their target exposure levels, and the rate of distributions (capital returned from realised investments) has lagged behind new investments. Investors have noted that distribution ratios need to rise for fundraising to return to historical levels. Until the backlog of exits and liquidity events increases, fundraising will likely remain a longer haul. This denominator effect and liquidity constraints are risks that cloud the fundraising outlook. If market exits continue to be slow, managers will continue to spend longer on the road.

This raises the question: if funds are taking two years to raise capital, what happens in between these years and who will fill the gap?

[4] Infrastructure Investor (2025), Fundraising Report Q3 2025

New pools of capital

Tapping into private wealth is seen as the next frontier for alternatives, ready to revolutionise how capital is raised. Private wealth is a much larger pool of capital than that available from traditional LP, but is still under allocated to infrastructure.[5 6] However, tapping retail capital comes with its own challenges. Many financial advisors and high net worth investors are still unfamiliar or cautious about infrastructure compared to real estate or other alternatives. There is no track record of infrastructure success in the retail space, and that will require time. The difficulty with infrastructure is that most of it is operational, regulated or contracted, with large assets being hard to trade.

This means that liquidity must be managed carefully and cannot be promised daily, which can be seen as an issue for a retail investor. However, fund managers have started creating new entry points for the asset class. In 2022, KKR closed its Global Infrastructure Investors IV, which was open to private wealth platforms, family offices, and high net worth investors.[7]

So, with fundraising now high, and investors creating new vehicles to attract private wealth to the asset class, how easy will it be to deploy capital over the next 12 months?

Deployment and deal making challenges

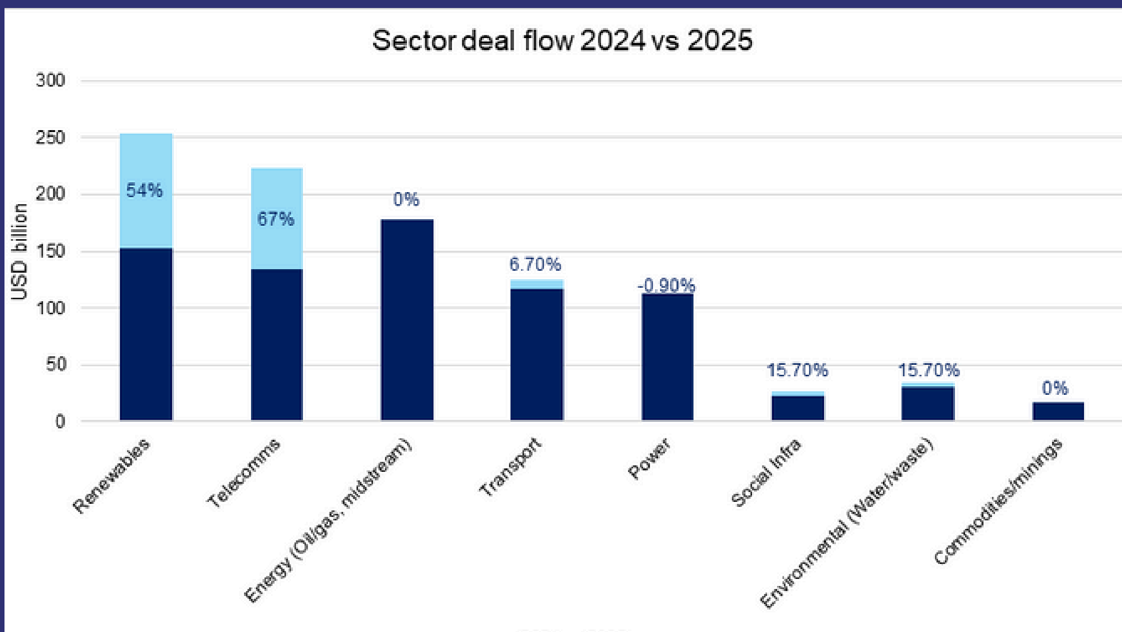

Figure 3. Year on year increase of infrastructure deal flow 2024 to 2025 Q3. Source Infralogic

Deploying capital in 2025 has been challenging. Global transaction activity has grown in value terms, coming from new greenfield developments rather than acquisitions. There has been a 22% year-on-year increase in total capital deployed in the first nine months of 2025.[8] However, brownfield M&A activity has seen the weakest deal volume in recent years, even though overall deal value rebounded. Sector deal flow broadly reflects this year's record fundraising focusing primarily on renewable and digital. However, deal flow in grid, power and transport networks has been flat.

5 Bain & Company, Private asset investing desperately needs new market infrastructure.

6 Thinking Ahead Institute (2025), Global Pension Assets Study 2025.

7 Nasdaq (2023), "KKR closes $17 billion global infrastructure fund.".

8 Infralogic, transactions and dealflow database

Regional deal activity

Region	Deal Value Q1-Q3 2025 (USD)	YoY trend
U.S.	398	+42%
UK	96	+81%
Continental Europe	185	Mixed. Strong in some weak in others
Asia-Pacific	140	Moderate growth (select mega deals)
RoW (Latam/MEA)	140	Moderate growth (few large projects)

Figure 4. Regional deal flow in Q1-Q3 2025 with year-on-year trend. Source Infralogic

From a regional perspective, deal activity so this year has been uneven. The U.S. has remained the largest market by deployment and Europe has seen pockets of activity – especially the UK – while others have stagnated.

The U.S. market has been dominated by mega cap project financing like the US$21.2 billion Calcasieu Pass 2 LNG development, as well as data infrastructure and energy transactions.[9] Dominance in data centres is evident and has contributed two-thirds of global data centre investment by value. In fact, data centres have had an outsize impact on GDP growth, which without them would have been only 0.1% this year. And while sentiment towards data centres is still attractive, it is now softening.[10]

Europe's picture is mixed. The UK has stood out with an impressive 81% jump in deal flow year-on-year, bolstered by renewable energy projects and large refinancings. Sentiment towards the UK has improved, investors noting a clearer infrastructure strategy and proactive initiatives such as the government inviting Australian pension capital and advancing regulatory reforms in energy and water.[11] These have contributed to the most positive investment environment in recent years. Nevertheless, UK activity remains constrained by the same planning and permitting issues as elsewhere. Instead, activity has been driven by large players and refinancings, with smaller domestic investors less active. There is also a trend among both UK and mainland European GPs to go after the mid-market (<US$500m), where competition is thinner.

This raises the question, if funds are taking two years to raise capital, what happens in between these years and who will fill the gap?

In continental Europe, investment levels vary by country. Poland saw a jump in deal activity, driven by renewable energy and grid investments. The Nordics, which have always been rated highly by investors, have seen sentiment cooling due to volatility in power prices. France has been challenging political uncertainty and protectionist tendencies make it hard for international investors to create a foothold. Italy has offered many opportunities in energy and telecoms infrastructure, but inconsistent policy and regulatory shifts temper enthusiasm.

The common issue across Europe is the bureaucratic processes that slow projects down, Investors note that the region is good at implementing regulations but not as good at rapidly delivering projects. If Europe does not pick up the pace in bringing deals forward and cutting red tape, capital will look elsewhere. Such about turns have already been seen earlier in the year, moving to Europe to mitigate U.S. policy volatility, and then sharply reverting once the Administration provided clarity on tariffs and tax credits. However, there are a number of tailwinds that work in Europe's favour: policies targeting energy independence, and data sovereignty, can all create strong deal pipelines, but execution of these pipelines will be the challenge going into 2026.

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9 Infralogic, transactions and dealflow database
10 Fortune (2025), "Without data centers, GDP growth was 0.1% in the first half of 2025, Harvard economist says," October 2025
11 GIIA (2025), Q4 2025 Infrastructure Pulse Survey

Headwinds to deployment in 2026

There are several issues that have impacted deal activity this year and could spill over into 2026, dampening the long-awaited deal flow comeback.

High valuations and return compression.

Many core assets were priced at very low yields, and recent changes to base rates have made those valuations look rich. However, sellers have been reluctant to lower price expectations, leading to a stalemate in the M&A market. Until the valuations gap closes, either through earnings growth or price corrections, deal making in core assets will remain sluggish.

Permitting and planning delays.

These are a recurring theme and one of the main bottlenecks in deploying capital. While governments have been working hard to identify projects ready for investment and removing barriers, translating plans into shovel ready, bankable projects has been slow. Long permitting processes, environmental approvals, and community opposition all delay projects in western markets. Investors note that execution risk is still high, even though there is policy support on paper, and actual delivery is lagging. This has a dragging effect on both greenfield and brownfield opportunities.

Policy and regulation.

The policy environment has been uncertain, and this volatility could run into 2026. Uncertainty has flowed both from the U.S. and Europe. In America, the debate around Section 899, which would have allowed higher tax on certain U.S. sourced income, briefly injected additional uncertainty into the market.[12] While Section 899 was removed from the bill at a federal level, this could be a headwind should it be picked up at the state level, where restrictions on foreign ownership are being talked about. The U.S. 2026 midterm elections could also have an impact. There is already an impact from U.S. the 'sunsetting' of IRA tax credits following which projects must now start building before Jun 2026 to qualify for credits, compressing the investment horizon and renewable pipeline into just four years. Europe too has seen regulatory fragmentation across member states, which continues to impede investor confidence. National level permitting regimes, divergent subsidy framework and growing protectionist policies all complicate cross-border investment. The progress of Germany's infrastructure and defence funds through the legislative process will be eagerly watched by investors, who question how the funds will crowd-in private capital.

Supply chains.

Infrastructure is facing acute shortages of critical equipment and expertise, creating bottlenecks in execution. Key components such as transformers, switch gear, and wind turbine parts are in short supply, driving up costs and extending delivery times. In fact, power transformer orders now take two to four years to fulfill, more than double the pre-2022 norm. Furthermore, 2025 has not been smooth for global supply chains, with the U.S. renegotiating trade deals with its partners, creating uncertainty on new supply chain systems. The lack of trade deal with China, and increasing tariffs, place greater price pressure on complicated infrastructure projects, creating issues in sub-sectors like offshore wind, globally.

[12] Section 899 was a proposed U.S. tax law that aimed to increase taxes on foreign investors and companies from countries that impose "unfair foreign taxes" on U.S. entities, such as Digital Services Taxes (DSTs) or Undertaxed Profits Rules (UTPR).

Headwinds to deployment cont.

Competition for deals.
The sheer volume of undeployed capital in 2026 will mean that when attractive opportunities do arise, competition will be intense. Large-cap deals that come to the market may see heavy bidding from mega funds and sovereign investors, pushing expected returns down. Many funds are shifting focus to smaller deals, or niche market segments. This is highlighted by the growth in mid-market deal flow and in alternative deal types such as refinancing and recapitalisations rather than large acquisitions. GIIA members note that refinancing and continuation vehicles for ageing assets have been a big theme, and that assets from 2016-18 vintages that have underperformed are being restructured rather than sold outright. While this provides some deployment for credit and secondaries strategies, it may not be enough to absorb the bulk of dry powder in 2026.

Investor sentiment.
While broadly positive on infrastructure's long-term outlook, is still cautious in execution. LPs are committing capital, but taking longer to approve individual deals, and the investment committee cheque-signing process remains slow and even more stringent. GPs report that they often have to forgo large equity tickets, because co-investors or LPs hesitate due to risk profile or timing.[13]

Conclusion

The first three-quarters of 2025 have proved a landmark for infrastructure fundraising, highlighting the asset classes appeal and maturation. Yet it has also exposed the strains in the market's ability to deploy capital efficiently amid macroeconomic shifts and operational hurdles. While infrastructure is generally attractive and a growing investment area, it is not immune to the laws of supply and demand. An oversupply of capital facing a constrained supply of deals can lead to interesting outcomes.

However, as the world's need for resilient, sustainable infrastructure continues to increase, the fundamental drivers remain intact. If anything, the current M&A blip is likely to be a temporary phase as the markets adjust to new conditions. Going into 2026 we expect to see an increase in activity, especially as interest rates stabilise, a possible broadening of investment targets, and continued policy efforts to facilitate infrastructure development.

[13] GIIA (2025), Q4 2025 Infrastructure Pulse Survey

About GIIA

Global Infrastructure Investor Association

Promoting private investment in infrastructure

GIIA is the membership body for the world's leading investors in infrastructure, and advisors to the sector, who collectively represent US $2.18 trillion of infrastructure assets under management across 68 countries. Our members are investing today to provide the smart, sustainable and innovative infrastructure needed for our communities and economies to thrive.