

Foreign & Direct Investment in Southeast Port & Intermodal Facilities

Freight in the Southeast
Institute for Trade and Transportation Studies



26 JANUARY 2010

ITTS University of Memphis

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The issues YOU are speaking about

- ‘Private/Public financing of freight transportation infrastructure is a compelling need that is being inadequately addressed.’

Critical Issues Impact in the Freight Transportation in the Southeast Region, CIFTS, Issue 4 – Fall 2009

- ‘A lot of cash is sitting on the sidelines looking to invest and this bodes well for the Southeast’,
Panellist on Monday



Role of Property Today in Ports and Logistics Properties

- Property: largest asset on port's balance sheet - typically an underperforming asset financially.
- Governments lack capital, ports now stand alone profit centres.
- Ports are now asset managers.
- Port property needs to be leveraged to modernise, expand port infrastructure.



Infrastructure trends and opportunities

- OECD estimates US\$70 trillion required for infrastructure development and improvement – 2030
- Average size of infra fund now US\$3.3b from US\$159m in '03; 'Dry Powder' for 2012 – US\$100b
- Current financial crisis has resulted less debt - opening door for more equity participation
- Although assets are priced at more realistic levels there are also lower return (IRR) expectations as well in the 15%-18% from 18%-20% in the 2006-2008 period



Illustrative Yields for Seaport Investments

| Asset segment | Risk | Avg cash yield (yrs 1-5) | Avg leveraged IRR | Capital appreciation potential |
|-------------------------|--------|--------------------------|-------------------|--------------------------------|
| Toll roads | Low | 4%-9% | 8%-12% | Limited |
| Seaports | Medium | 4%-7% | 15%-18% | Yes |
| Merchant power stations | High | 4%-12% | 15%-25% | Yes |

Source: JP Morgan



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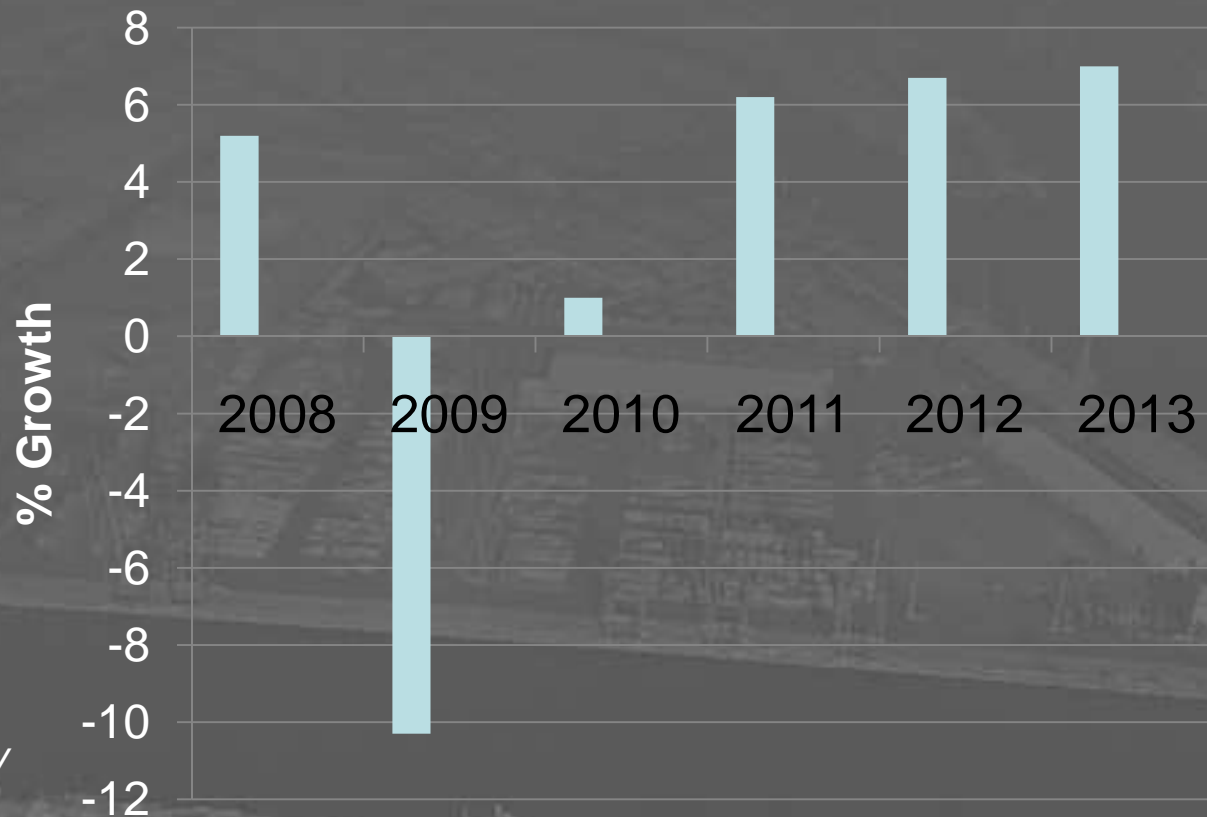
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Seaports Industry - Resilient

- 1982 worst year prior to this recession with 4.2% annual growth. By 2012 TEU traffic volumes will exceed 2008.



Source: Drewry



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Challenges in developing an intermodal facility at a port

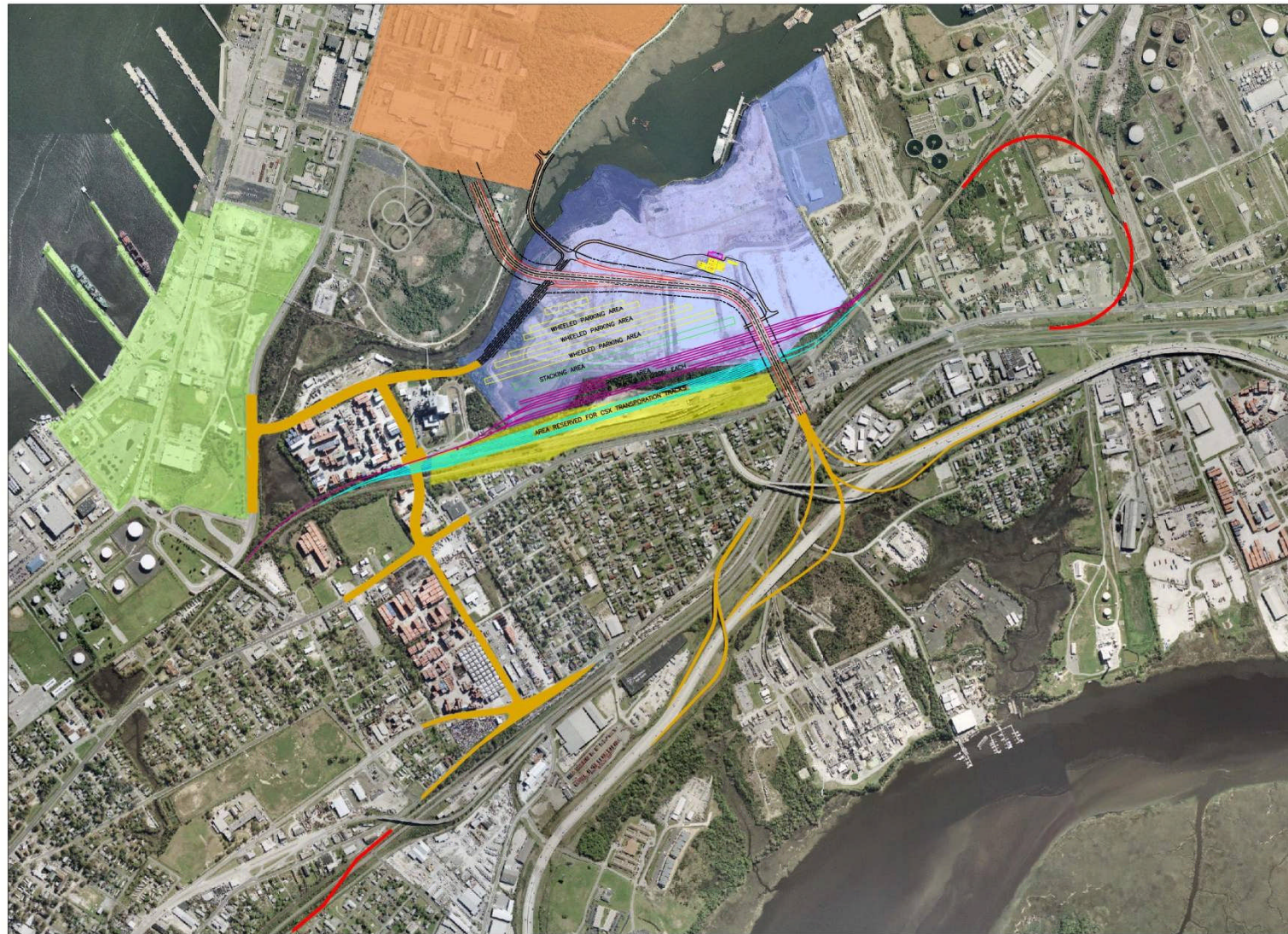
- Political – rail and roadways across municipalities
- Ecological (eg, environmental impact).
- Addressing competing rail lines and their demands for ‘equal but separate facilities’.
- Addressing port issues as in effect one is building a ‘port within a port’.
- Ports and governments understanding private sector financial performance needs and investment horizons.



Charleston South Carolina – Emerging US Market



Macalloy Intermodal Site Charleston South Carolina



Access Road Realignment
Bridge Alternative

SCALE: 1"=400'-0"
March 11, 2008

Thank you

*Helping you navigate
the world of port properties*

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