

Investing In Water

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By Mark Seruya



With all the snow and rain we received this winter, and after the storms and flooding that hit last fall, it's hard to imagine that most of the United States is experiencing moderate to severe drought conditions. And it is even more difficult to conceive that, for much of the world, water is in increasingly short supply.

Weather runs in cycles and a place that is wet today could be dry for the next several years. Potable water is one of the major difficulties facing the human race, now and for generations to come.

As the world population explodes, and third world countries develop, demand for drinking water will become an ever more serious issue.

How do we deliver clean drinking water to human populations across the globe? How do we provide water to irrigate crops in once verdant areas that now are experiencing drought? And, in the United States in particular, at what point will we be forced to invest billions of dollars to upgrade and expand our aging water infrastructure?

The good news is that companies worldwide are working on these exact issues and making great progress. Worthy of consideration, therefore, are water utility companies, construction companies that build or rebuild water infrastructure, engineering companies and a host of others related to water conservation and even companies that make the needed equipment.

The world population recently passed the seven billion mark and is climbing steadily, thus food, fuel and water supplies will soon be far surpassed by demand.

Given these circumstances and the rising incidences of drought, now in areas across the US in addition to other continent it is clear that methods to obtain and distribute water should be a major societal priority.

The United Nations is forecasting that by the end of this decade there will be 27 urban areas worldwide with populations of 10 million or more—nearly a three-fold increase in just a few decades—all with sharply increased demand for water.

Water for these urban systems typically comes from deep wells and surface reservoirs. When the surface stockpiles dwindle, the water table may be depleted as well. Finding methods to maintain or even increase the supplies for these areas may very well produce an entirely new industry.

Even as it stands now the water supply industry is likely to experience continued growth through the coming decade. Water filtration systems, pumping systems, desalination plants, and irrigation and distribution systems all will have a place in a growing market segment.

Interestingly, in Israel, the Jewish National Fund has shifted its emphasis from tree planting to a range of environmental issues that center around water use.

Domestically, the American Water Works Association says that repairing or upgrading America's water system will cost around \$1 trillion through the year 2035.

The Association's recent report says, "We face the need for massive reinvestment in our water infrastructure over the coming decades. The pipe networks that were largely built and paid for by earlier generations last a long time, but they are not immortal."

The cost of replacing aging water system facilities is likely to escalate from \$13 billion in 2010 to \$30 billion in 2040—and that does not include the cost of expansion, which the Association says could add at least \$20 billion to the annual expenditures.

Companies that make machinery and filtration systems for improved wastewater management and irrigation systems not only are attractive for investments, they will create demand that boosts spin-off industries such as manufacturers of piping, valves, motors, pumps, gaskets, o-rings and the specialized tools needed to install and service them.

Desalination will likely become a more attractive option as advancements in technology reduce its cost and increase its productivity. Although desalination, even with a huge increase in capacity, will be a small factor in the overall issue, it may nonetheless provide opportunity for investment.

The earth is not running out of water. It has plenty. But fresh water, in the right places at the right time, is another issue.

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