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Prudent Portfolio: Can Infrastructure Upgrades Present an Investment Opportunity?

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Pilots and travelers of our metro area's busy airports will likely agree that various infrastructure changes would make transportation much easier and more convenient. Be it more runways and space to maintain the aircrafts, or more parking options and different terminal layouts, there is always room for improvement to increase travel ease and accessibility.

Some of those issues will be addressed in the coming year as The Port Authority of New York and New Jersey moves forward with its approved 2018 budget of \$8 billion, which includes \$3.4 billion for capital expenditures.

In addition to the region's major airports, the agency controls six bridges and tunnels, the World Trade Center site and the Port of New York and New Jersey. The agency anticipates net operating income of \$1.5 billion in 2018.

The focus on massive improvements to port facilities, bridges, tunnels and the transportation infrastructure provide investors with myriad investment opportunities, across several industrial sectors, and the demand is likely to keep growing.

Furthermore, the tristate interstate highways have a large number of infrastructure projects proposed or in the works – just look at all the orange cones. The projects range from highway widening to commuter rail upgrades, along with repairs to numerous bridges. Granted, there are issues with funding all these projects, but the simple fact remains, the projects directly affect the traveling public and sooner or later must be done.

Another infrastructure improvement that seems to always be on the back burner is upgrading the air traffic control system. The current system is considered safe; however, it also was created when annual passenger levels in the United States were a fraction of today's one billion annual fares. The system nonetheless will require extensive upgrading in the foreseeable future, which will require a massive investment in state-of-the-art electronics.

Simply put for investors, that means construction and engineering firms, may be worth a look. The same goes for the manufacturers of heavy equipment.

Industrial firms that produce cement, steel, asphalt, wire and cable and lighting will be needed. Electronics, which carry its own weight in the stock market, are necessary for everything from tracking commercial aircraft and an increasing number of drones, to implementing new high-tech toll plazas on limited access highways.

Of course, indiscriminate buying is not recommended. As with any investment, careful research is key. There are multiple companies in each of these categories. Some may have bright, profitable futures. Others may not. Some may pay a dividend that is right for your portfolio. Others may not. Before making any investment, investors should weigh the risk.

Infrastructure investment, in many cases, is truly a long-term opportunity and commitment. The need for nationwide repairs, replacements and upgrades is not going away any time soon and neither are the investment opportunities they represent.

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