

**Hamburg, 15 February 2018**

**Comments on property fund statistics 12/2017:**

**Open-ended mutual property-fund assets come close to pre-crisis level in 2017**

- IntReal expects new open-ended mutual property funds
- High inflows into open-ended mutual property funds and special funds
- IntReal anticipates fresh funds of between €8 billion and €10 billion for open-ended special funds in 2018
- Investment tax reform makes Germany more attractive as a fund location

Statistics from Deutsche Bundesbank and BVI at the end of the year show that the fund sector had a very good 2017. This holds true for both open-ended mutual property AIFs and open-ended special AIFs. BVI put net inflows in the mutual segment at €5.5 billion, once again considerably higher (around 30 percent) than in the previous year (2016: €4.2 billion).

At the end of 2017, open-ended mutual property funds therefore nearly returned to the level they were at before the great fund crisis. According to Deutsche Bundesbank, the industry reached its highest point so far with fund assets of €91.0 billion in April 2010. In the following five years, the sector shrank down to €77.9 billion (in January 2015). Since then, however, things have been improving rapidly. Within around three years, net fund assets increased back up to around €88 billion (at the end of December 2017).

Michael Schneider, Managing Director of IntReal, comments: "The development of open-ended mutual property AIFs is very gratifying overall. The growth is the result not only of existing funds from the established, major providers, but also of new products such as the Industria "Fokus Wohnen Deutschland" and SwissLife KVG "Working + Living" funds administered by IntReal as a third-party AIFM. I expect more product initiatives among mutual funds in the new year. We are seeing greater efforts in this direction on the market. However, the new funds are facing the challenge of finding suitable properties in the current phase of high prices.

The performance shows that private investors' confidence in open-ended property funds has returned once and for all. Schneider explains: "The product class meets many retail investors' needs with regard to property investments: The funds offer very stable performance and continual distributions, even for small investments. At the same time, certain structural defects – such as the mixture of institutional and private money – have been rectified and thus rules created for target customers that also allow flexible and manageable maximum holding periods of one or two years, for example."

**Contact:**

Rueckerconsult: Daniel Sohler, T +49 30 28 44 987 49, M sohler@rueckerconsult.de

### **Open-ended special AIFs obtain fresh funds of around €9.8 billion**

In the case of funds for institutional investors, open-ended special AIFs, the net inflows in 2017 were considerably higher. In total, this fund class gained around €9.8 billion. The sector's net assets grew from €64.5 billion at the end of 2016 to around €77.4 billion. According to BVI, net assets of closed-ended special AIFs increased to around €1.8 billion; net inflows were roughly €700 million. However, the actual figures for closed-ended special AIFs are likely to be much higher. BVI's statistics only cover products from members of the association, and not all fund providers are BVI members.

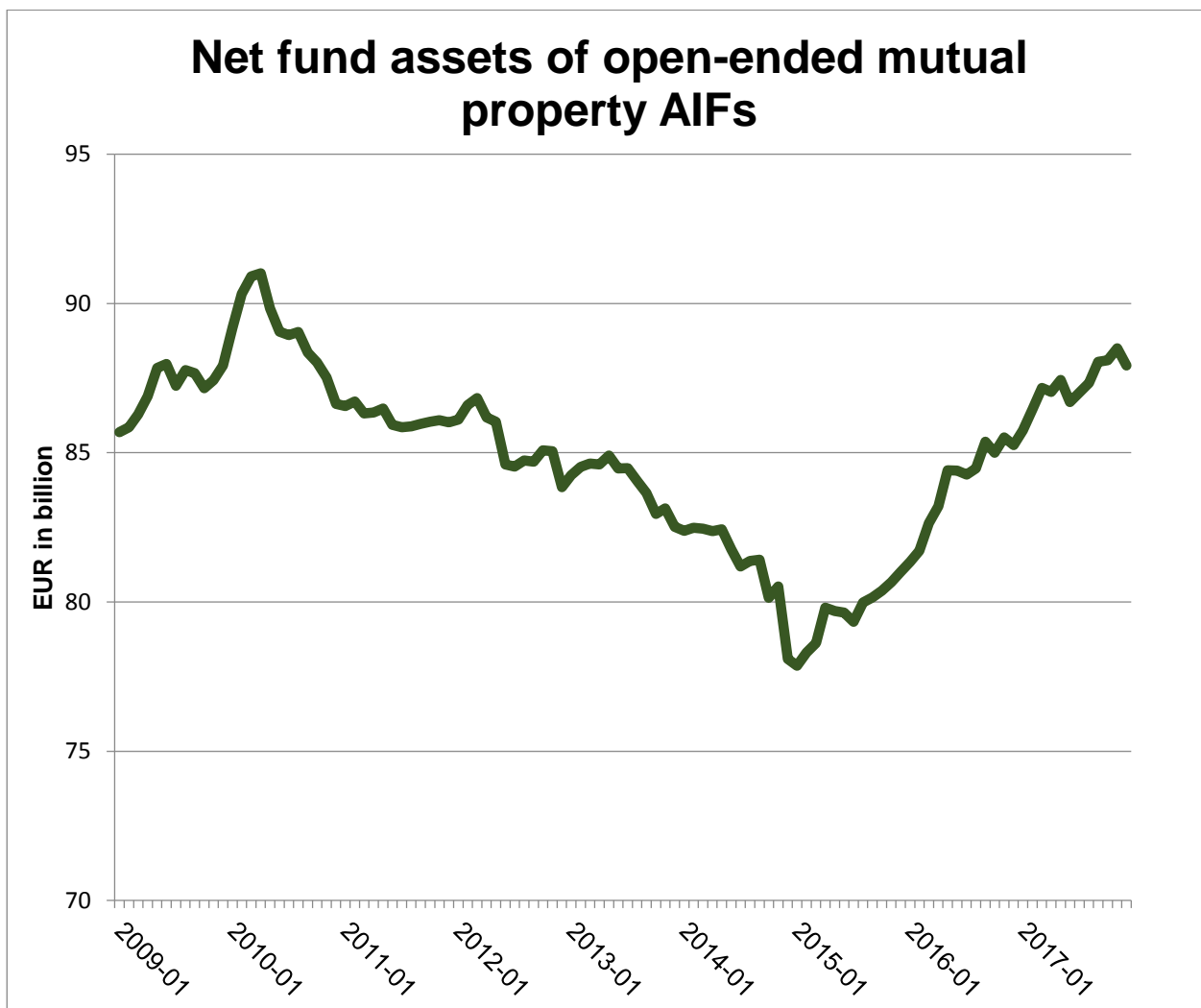
Schneider comments: "I see no end to the boom in the special AIF segment and expect inflows in 2018 that are at least on a par with 2017 – i.e. between around €8 billion and €10 billion. This development is gratifying for the third-party AIFMs on the market, as it means further growth opportunities that are not limited just to the open-ended special AIF segment. The growing acceptance of the "new" German legal form of Investment KG, i.e. the closed-ended special AIF, is especially beneficial for large-scale individual properties. Further opportunities are offered by the investment tax reform that came into force at the beginning of the year. For the first time, funds can now have different tax configurations. For example, customer-specific investment alternatives can be represented in future by setting up funds to be transparent or opaque with regard to tax, according to investors' needs. Here, Germany has now become much better and more competitive than other European fund locations.

### **Further progress on regulation**

However, regulatory requirements for AIFMs have also increased considerably. The investment tax reform and MIFID II alone, which both came into force at the start of the year, pose significant challenges for our processes and IT. As a rule, we have to meet these additional costs without equivalent additional income. This means, for example, that we have to keep digitalising our processes and making them more efficient."

#### **Contact:**

Rueckerconsult: Daniel Sohler, T +49 30 28 44 987 49, M sohler@rueckerconsult.de



Source: IntReal / Bundesbank

*Note on image rights*

*These images may be used for the purposes of reporting on IntReal. Please use the following source: IntReal. The images may only be processed for ordinary usage.*

**About IntReal**

As a third-party AIFM, IntReal concentrates exclusively on the business of launching and managing regulated real estate funds on behalf of third parties under the German Capital Investment Act (KAGB). The platform lets clients take advantage of all the options of a real estate AIFM without having to set up one in their own right. Options include the launching of property funds or the outsourcing of AIFM back offices. Employing 211 staff, the IntReal

**Contact:**

Rueckerconsult: Daniel Sohler, T +49 30 28 44 987 49, M sohler@rueckerconsult.de

Group offers long-term real estate know-how along with detailed and highly professional fund management expertise.

IntReal collaborates with a number of third-party fund partners to administrate 114 investment funds with a combined investment volume of c. EUR 18.6 billion (all figures as of 31/12/2017, not including the business mandates of IntReal Solutions).

IntReal is a fully-owned subsidiary of Warburg-HIH Invest Real Estate GmbH in Hamburg, and part of the HIH Real Estate Group.

**Contact:**

Rueckerconsult: Daniel Sohler, T +49 30 28 44 987 49, M sohler@rueckerconsult.de