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IntReal increases assets under administration by €5 billion to €18.6 billion in 2017

- Number of funds under administration rises to 114
- Number of properties under administration increases by 228 to 857
- Similar growth expected in 2018
- IntReal also anticipates more open-ended mutual property funds in new year

IntReal International Real Estate KVG mbH (IntReal) posted further rapid growth in 2017. After growing by around a third in 2016, assets under administration (AuA) increased by around 38 percent in 2017. At the end of 2017, AuA reached approximately €18.6 billion (end of 2016: €13.5 billion). There was a similarly positive development in funds under administration and in the number of associated properties: A total of 83 property funds were administered at the end of 2016, whereas a year later there were 114. The portfolios of these funds comprised 857 properties as at the end of 2017 (previous year: 629 properties).

Michael Schneider, Managing Director of IntReal, comments: "2017 was a very successful year for us and we continued to build on our position as a leading third-party AIFM. I am very proud of these impressive results, particularly in view of the complex regulatory requirements that we had to implement with our fund partners during this period. In this context, I would like to mention the preparations for the German investment tax reform and MiFID II, both of which came into force at the start of the year."

Partner Funds business unit accounts for two-thirds of total AuA

The majority of total AuA is attributable to the Partner Funds business unit, whose assets under administration increased from €7.7 billion (end of 2016) to €12.2 billion at the end of 2017. As well as the existing fund partners, additional new fund partners with attractive fund models also made a successful start in 2017. The total number of partner funds rose to 64 (end of 2016: 44). IntReal's Partner Funds business unit offers national and international asset managers a platform for launching and administering regulated property investment funds that gives them access to institutional and private investors.

Trend towards increased outsourcing of back office by management AIFMs

AuA in the AIF Administration Services business unit amounted to approximately €6.5 billion at the end of 2017 (2016: €5.4 billion). In this business unit, IntReal takes on business management and back-office activities for other AIFMs. Here, too, we successfully gained additional customers who will process their back-office activities via IntReal in future, allowing them to focus on active management tasks for their existing funds and planned new funds. The previous reluctance on the part of some AIFMs to outsource back-office tasks has subsided in many cases under the pressure of growing regulation and the associated

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administrative duties. With regard to this development, Schneider comments: "Efficiently and flexibly organised new AIFMs with their back office outsourced right from the start are setting new market standards here in the property fund sector."

Fast growth also brings challenges

"This rapid growth also presents challenges for our planning," Schneider admits. "Our top priority is to maintain our high quality standards. To this end, we made numerous additions to our workforce as planned in 2017. The number of employees went up by 72 – from 139 at the end of 2016 to 211 at the end of 2017. But targeted hiring of new staff is just one approach. At the same time, we are investing heavily in training and development for our existing employees. We are also working on continuously improving all processes and exploiting the potential offered by digitisation. With regard to this last aspect, we are very well positioned with our IT subsidiary IntReal Solutions in particular."

Growth in 2018 expected to be similar to 2017

Looking ahead to 2018, Michael Schneider says: "I expect to see growth on at least a comparable scale in the current year. I also anticipate growth and new funds in the area of open-ended mutual property AIFs. In this regard, we are in talks with various different companies that have signalled plans for new products. As before, I expect the segment of open-ended special AIFs to see strong further growth."

Investment tax reform and MiFID II cause additional work

As of the start of this year, IntReal now has to fulfil new regulatory duties. Schneider explains: "This relates to the investment tax reform and also the topic of MiFID II, specifically with regard to data templates for MiFID II reporting. Overall, MiFID II and the investment tax reform have considerably increased our administrative burden."

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

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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.

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