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BREXIT: MORE AND MORE BRITISH ASSET MANAGERS SEEKING COOPERATION WITH GERMAN OR LUXEMBOURGISH THIRD-PARTY AIFMS

- ◆ Cooperation secures passporting benefits and retains the possibility of EU-wide fund sales
- ◆ Third-party AIFM is usually cheaper than establishing a branch office in an EU state

A no-deal Brexit is becoming an increasingly likely scenario. For this reason, interest from British real estate fund providers in cooperating with German or Luxembourgish third-party real estate AIFMs is soaring. Such cooperation will give British fund providers the ability to enjoy EU passporting privileges, to initiate their own funds and to sell fund units throughout the EU even after Brexit. The model is as follows: The real estate asset manager is based in the United Kingdom, and the third-party AIFM is based in Germany, for example. The latter launches the fund in accordance with German law. As the AIFM is licensed in Germany – and thus in the EU – the fund units may be sold throughout the EU via passporting rules.

Michael Schneider, Managing Director of INTREAL, commented: “In the past few months, and especially since the beginning of this year, we have been receiving an increasing volume of enquiries from asset managers in the United Kingdom. The advantages of cooperating with INTREAL are obvious: The fund providers spare themselves the costs of founding and maintaining an AIFMD-licensed branch office in the EU, while they can still initiate their funds and sell fund units EU-wide.”

Third-party AIFM is cheaper than a branch office in the EU

The alternative to a third-party AIFM for British fund providers would be to establish a branch office in an EU state and to register there as a UCITS (Undertaking for Collective Investment in Transferable Securities) or AIFM (Alternative Investment Fund Manager). INTREAL Managing Director Schneider: “The preferred destination countries are Ireland and Luxembourg because of their favourable legal conditions. However, this tends to be a solution for larger companies – appropriately resourcing a branch office in another EU country takes a lot of work and expense. According to experts, the assets under administration (AuA) have to amount to at least a billion euros – depending on the EU country – for the AIFM licensing alone to pay off.”

INTREAL has significant experience with British fund providers

INTREAL, a leading German third-party AIFM specialising in real estate funds, has been cooperating for years with asset managers from the United Kingdom that have deliberately chosen the second option. However, the cooperation so far has not been due to Brexit. Instead, the asset managers were persuaded by economic arguments such as faster product development and implementation and maximum flexibility in product and customer policy decisions.

CONTACT

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

The third-party AIFM provides all services relating to the launch and administration of the funds. It takes care of risk management, portfolio management, accounting, reporting to investors and supervisory authorities, fund controlling, etc. The fund partner does the “real estate work”. As a renowned specialist in its market segment, it contributes its expertise in buying, selling and ongoing management. This division of tasks is not only efficient, it is also increasingly appreciated and sought-after among investors.

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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 237 staff, the INTREAL 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 138 investment funds with a combined investment volume of c. EUR 24.4 billion (all figures as of 31/12/2018).

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