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## INFLOWS INTO OPEN-ENDED MUTUAL PROPERTY FUNDS: TOO MUCH MONEY FOR TOO FEW PRODUCTS

- ◆ Inflows into open-ended funds climb to EUR 7.3 billion in the first eight months of 2019
- ◆ Year-on-year increase of more than 100%
- ◆ More than 90% of inflows going to the four major providers
- ◆ Other new providers and funds launching

Net inflows into open-ended mutual property funds have risen by more than 100% compared to the same period of the previous year in the first eight months of 2019, according to BVI. Inflows amounted to around EUR 7.3 billion between January and August in 2019, after around EUR 3.5 billion in the same period of 2018. This is also significantly higher than in previous years: Inflows had amounted to EUR 4.1 billion in the first eight months of 2017 and EUR 3.9 billion in the same period of 2016.

Which fund issuers have benefited especially from this cash wave? Despite there being various new providers of open-ended mutual property funds, the majority (92%) of the fresh money – around EUR 6.7 billion – went to the four major providers. Union Investment claimed the biggest amount at EUR 2.1 billion, followed by the Deka Group with EUR 1.7 billion. Third place goes to the Deutsche Bank subsidiary DWS at EUR 1.7 billion, with Commerz Real taking the fourth spot with around a billion euro.

Michael Schneider, Managing Director of INTREAL, commented: “These very high inflows show that there is currently too much money for too few products. Demand from private investors is set to keep on rising given the threat of negative interest rates on private accounts as well. However, the established funds and providers are apparently having difficulty in quickly investing such large amounts under their existing fund strategies. As a result, almost all providers have pulled the ripcord and some are now working with restrictive quotas for their funds.”

How are things looking for the “new” funds to be had? Swiss Life AIFM is one of the most successful of the “new” providers this year with its Working & Living open-ended fund. The company has increased its net fund volume by around EUR 209 million in the first eight months of 2019. The KanAm Grund Group and its Leading Cities Invest fund have taken in net new cash of around EUR 140 million. The service AIFM INTREAL, which manages multiple mutual funds, has reported impressive net growth of around EUR 114 million in this segment. For example, in addition to funds for several AIFMs, INTREAL manages Fokus Wohnen Deutschland, the fund from INDUSTRIA that specialises in residential property.

INTREAL’s Managing Director Schneider feels that “taking the established, conventional sales structures into account, the popularity being enjoyed by new products is very encouraging. However, investors are also happy to see providers – new and established alike – starting up other product alternatives. This way the distribution of demand can shift more towards new products moving ahead. On the one hand this is because the old funds have called a halt. On the other, it is because of the new funds with attractive and alternative investment strategies out there. One example of this is ‘Habona Nahversorgungsfonds Deutschland’, which was launched recently and only invests in food retailers that operate at a local level.”

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## **About INTREAL**

As a third-party AIFM, INTREAL focuses exclusively on launching and administering regulated property funds for third parties in accordance with the German Investment Code (KAGB). Companies can use the platform to take advantage of all the capabilities of a property AIFM without having to found one themselves. For example, both open-ended and closed-ended property funds can be launched and AIFMs' back office activities can be outsourced to INTREAL. With 260 employees, the INTREAL Group has many years of property expertise and detailed, highly professional knowledge of fund administration.

INTREAL administers 141 funds via a wide range of external fund partners, with a total investment volume of around EUR 27.2 billion (all figures as at 30 June 2019).

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