

Hamburg, 24<sup>th</sup> of  
February 2020

## **INTREAL FUND COMMENTARY: MARKET FOR CLOSED-END FUNDS GROWS BY AROUND EUR 3.4 BILLION IN 2019**

- ◆ Bundesbank says net fund assets have risen from EUR 23.4 billion to EUR 26.8 billion
- ◆ INTREAL manages closed-ended AIFs with a volume of EUR 5.1 billion, focussing on institutional investors
- ◆ Assets of all open-ended funds eight times higher than all closed-end funds

After a few weaker years, the market for closed-ended property funds is growing, almost at a rapid pace in the last year. An analysis of Bundesbank statistics found that it rose by around 13% in 2019. While net fund assets for all funds came to just EUR 23.4 billion at the end of 2018, the figure climbed to about EUR 26.8 billion by the end of 2019. The trend can be seen even more clearly by looking back over 24 months (December 2017 to December 2019), with growth of 21% or around EUR 4.7 billion. The Bundesbank groups together closed-ended vehicles for private and institutional investors under the heading of closed-ended property funds.

Michael Schneider, Managing Director of INTREAL, commented: “The market for closed-ended property funds is once again experiencing a robust upward trend. Since the introduction of the new regulations under the German Investment Code, closed-ended property funds have been launched as investment KGs. With this, the closed-ended vehicles seem to have adopted a ‘new look’ and found their target customers and investment focal points again.”

### **Net inflows of one billion euro expected**

Looking ahead to 2020, Schneider said: “I think that the good performance will continue in 2020. I am anticipating net inflows of well over one billion euro for the year as a whole. We can also see the positive trend in talks that we are currently holding with providers. Various new closed-ended AIFs will come onto the market in the months ahead. Following the major market consolidation after 2008, a smaller number of providers has emerged who provide the market with new products on an ongoing basis.”

The KVG INTREAL service manages closed-ended AIFs with net assets of around EUR 5.1 billion. At around EUR 5.0 billion, closed-ended property special AIFs account for the lion’s share of this, and the figure is growing. By contrast, the share of closed-ended retail AIFs is far smaller at EUR 92 million. INTREAL did not establish any closed-ended funds for private investors in 2019. INTREAL does not have any specific plans for new vehicles in the next few years. By contrast, further products are being prepared for open-ended mutual funds and strong growth is expected.

The Bundesbank’s statistics recorded a total of 1,446 closed-ended property funds for institutional and private investors at the end of 2019. Schneider commented: “The raison d’être for closed-ended property funds is the two investor groups. They can be an interesting building block in asset investment for wealthy, experienced private investors with a long-term investor horizon and who are aware of the risks. This particularly applies to specialised funds involving a particular country allocation or foreign currencies, such

### **CONTACT**

Rueckerconsult: Daniel Kohler, Tel: +49 (0) 30 28 44 987 49, E-mail: [sohler@rueckerconsult.de](mailto:sohler@rueckerconsult.de)

as with US property. For institutional investors, closed-ended AIFs are used predominantly as club deals for large-volume individual investments with two to four investors. This opens up investment opportunities beyond the usual investment limits for individual properties in the open-ended special AIF.

## **Relatively small market for closed-ended funds**

All in all, however, closed-ended property funds remain significantly less important than their open-ended counterparts. Figures from the Bundesbank statistics show that they account for only about 12% of open-ended vehicles overall. According to the Bundesbank, the net fund assets of all open-ended property funds (mutual and special funds) came to EUR 226.2 billion in December 2019 and increased by EUR 28.3 billion in 2019 alone. Closed-ended property funds, on the other hand, come in at just around EUR 26.8 billion in net fund assets.

Both institutional and private investors rank the risk-diversified, open-ended funds high up on the popularity scale. This is turning closed-ended funds into a niche product for special investment cases and selected target customers only, both now and in the future.

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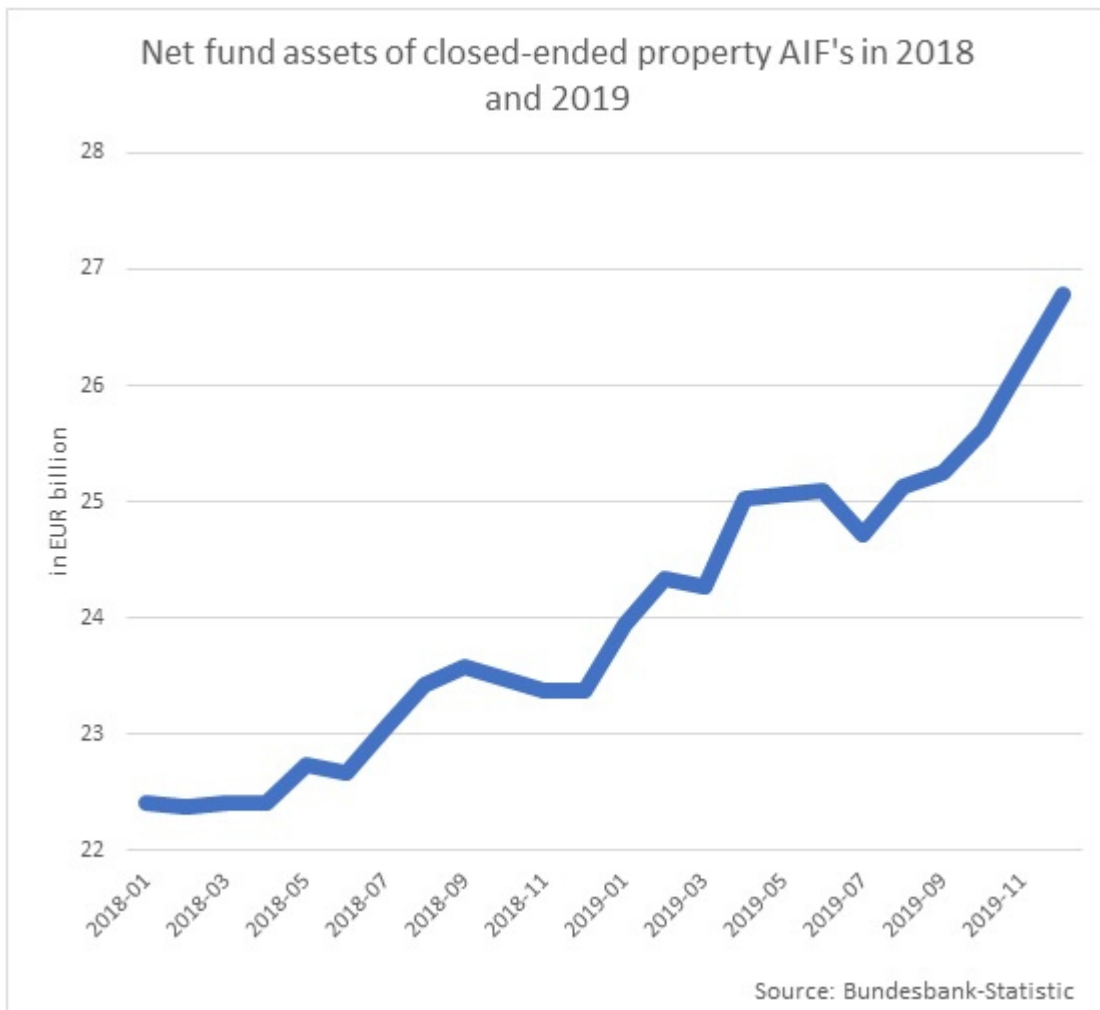
## **About INTREAL**

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 290 employees, the INTREAL Group has many years of property expertise and detailed, highly professional knowledge of fund administration.

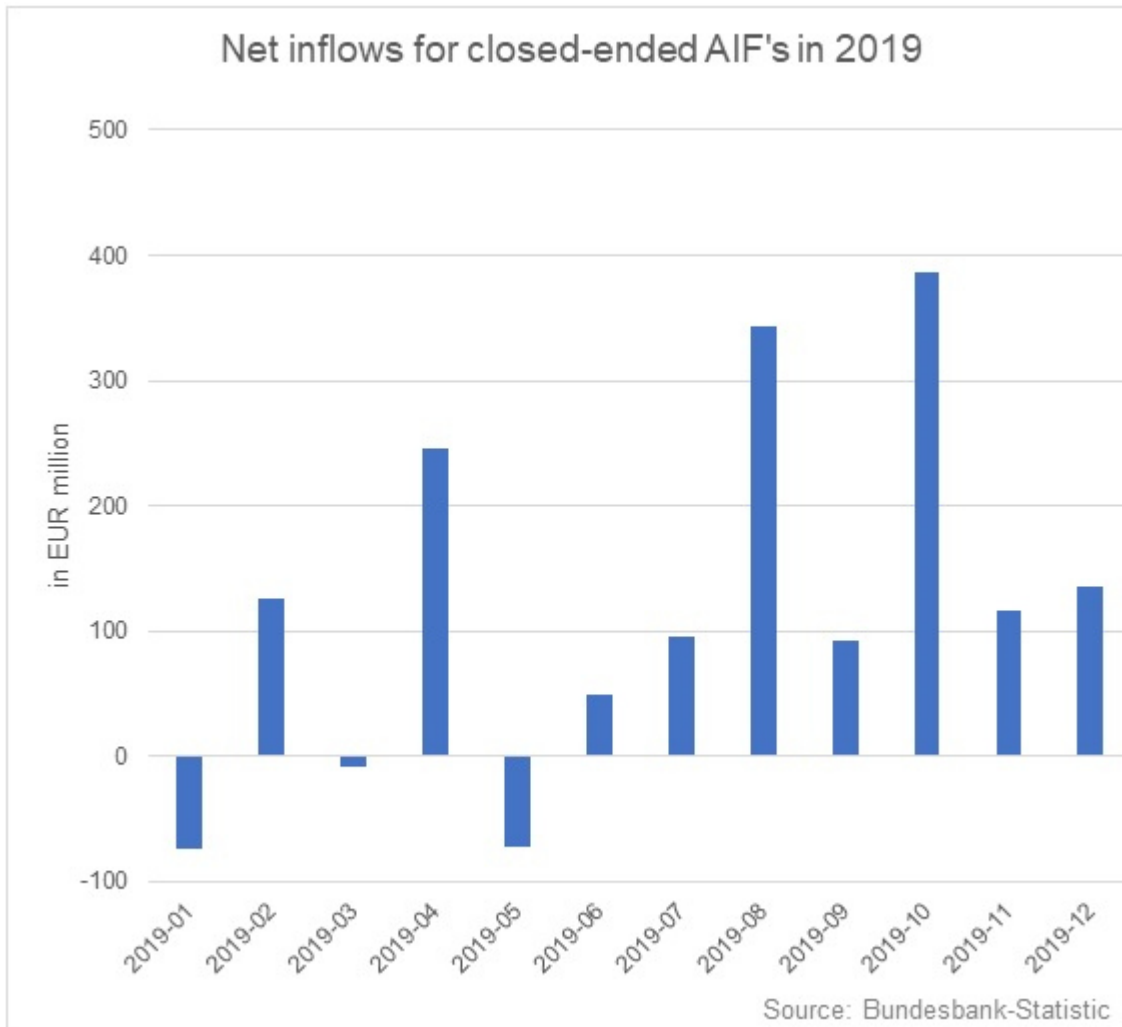
INTREAL administers 161 funds via a wide range of external fund partners, with a total investment volume of around EUR 31.1 billion (all figures as at 31st of December 2019).

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Source: Bundesbank statistics



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