

Hamburg, 9 July 2020

**FUND COMMENTARY:  
OPEN-ENDED PROPERTY FUNDS DEFY CORONAVIRUS CRISIS**

- ◆ Funds receive net inflows of around EUR 1.3 billion in months of March, April and May 2020
- ◆ Net inflows decline during crisis, but still clearly positive
- ◆ Fund assets of sector as a whole hit EUR 110 billion in April

Open-ended mutual property funds are holding their own in the coronavirus crisis. As current Bundesbank figures show, funds reported positive net inflows during the coronavirus crisis as well. Even in April, the month with the strictest shutdown regulations in Germany, funds generated net inflows of around EUR 300 million. In March, the second half of which was also heavily impacted by the crisis, funds amassed net inflows from investors of around EUR 670 million. This figure was EUR 380 million in May. By comparison, net inflows had amounted to EUR 1.9 billion and EUR 1.3 billion in January and February 2020. The figures show that while fund inflows have diminished during the crisis, they are still very positive. The sector's net fund assets are likewise developing well. At the height of the crisis – April 2020 – funds surpassed EUR 110 billion.

Michael Schneider, Managing Director of INTREAL, said: "Open-ended mutual property funds are proving highly resistant to the coronavirus crisis. We are a long way removed from the sort of scenarios we saw after the 2009 financial crisis, when huge sums were withdrawn from funds over a short space of time, and the vehicles faced severe liquidity problems. The moderate decline in inflows is likely mostly due to the fact that customers didn't go to their banks during the lockdown – even though they were open throughout."

Mutual funds are still mostly sold face-to-face at a bank or by a personal consultant. Schneider added: "Savings plans with fixed monthly premiums no doubt also contributed to stability. Savings plans in which private investors deposit fixed monthly amounts in a property fund were still going during the crisis."

**Calls to return funds very low during crisis**

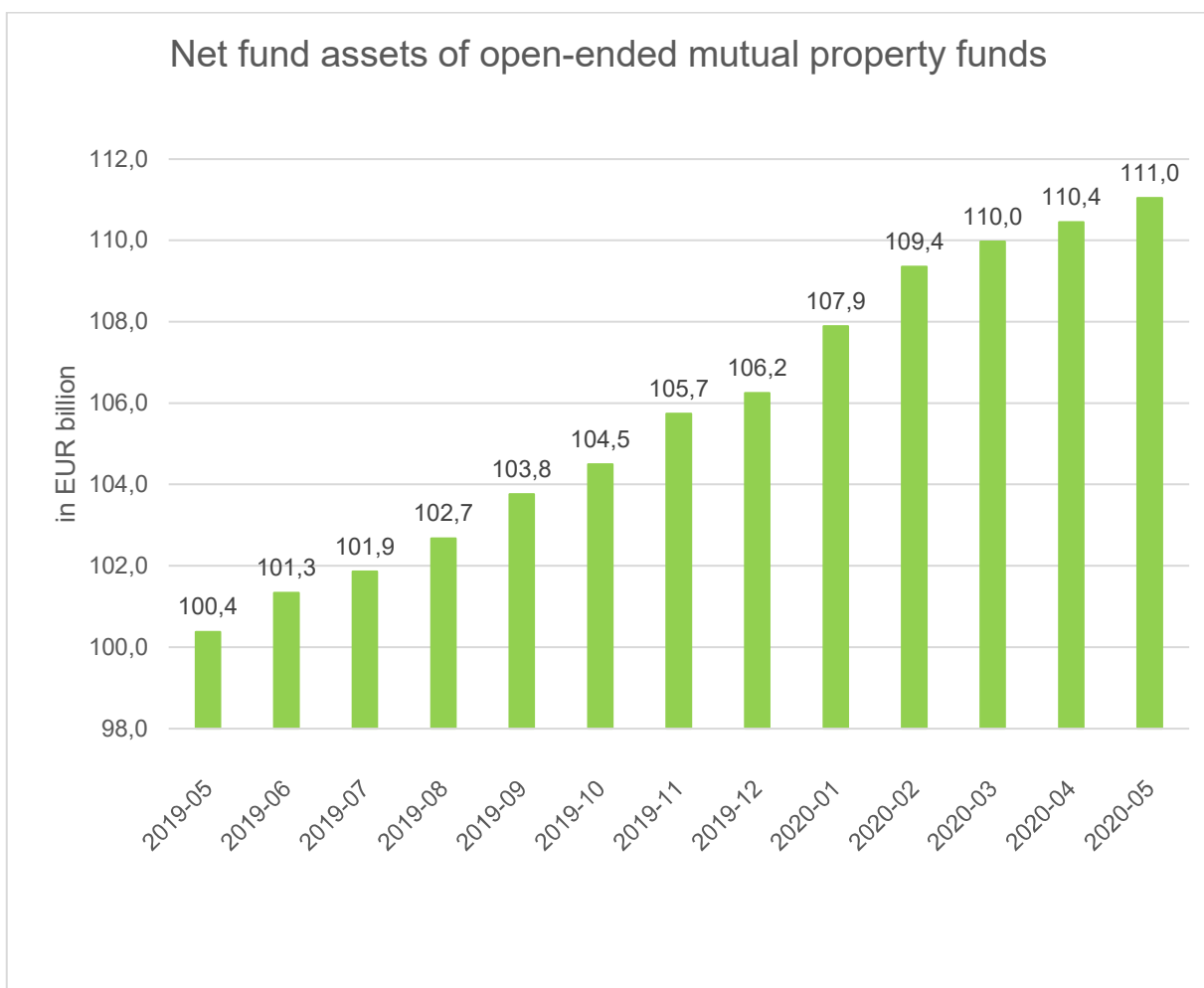
Another key indicator of fund stability is requests by investors to have their assets released. Owing to the notice periods, the funds will not have to return such investments for another year. "There are no public figures for the sector as a whole. However, as far as the funds managed by INTREAL are concerned, we can say that the amounts returned in March and April were very low. In total, they account for less than 1% of fund assets. The liquidity buffers currently on hand can handle this no problem," said Schneider.

"In my opinion, open-ended property funds will be among those to benefit from the crisis in future as well," said INTREAL's managing director. "The high volatility on the stock markets and the extension or expansion of the zero interest rate policy is causing a run on 'concrete gold'. Other fund classes experienced high cash outflows during the crisis. For example, equity funds for private investors reported a drop in inflows of EUR 5.7 billion in March."

**CONTACT**Rueckerconsult: Daniel Sohler, T +49 30 28 44 987 49, M [sohler@rueckerconsult.de](mailto:sohler@rueckerconsult.de)

**Wide-ranging impact on different property types**

Nevertheless, there have been differences within open-ended property funds as well. Schneider explains: “The funds that are doing best during the crisis are those that largely focus on crisis-resistant asset classes, such as residential, logistics and ‘systemically important retail’. According to the BVI’s quarterly analysis from the end of March 2020, residential currently accounts for 2.0% and logistics for 4.2% of properties in all open-ended property funds. The situation is mixed for food and retail, the second-most important type of use at 25.3%. While properties with food retail tenants and other retailers that remained open in the shutdown phase on account of being systemically important are performing well, the situation has been difficult in some cases for other retailers and shopping centres in particular, which also have a high share of food outlets. All properties with tenants that work in travel are naturally having an even harder time of it. Obviously this primarily means hotels, but also traditional office users such as travel agencies or tour and flight operators. At around 54% on average, the most important type of use for open-ended property funds is the office segment, where the split between core and non-core is likely to widen again. As open-ended property funds typically follow a core strategy, I expect to see a stable performance from office properties – provided that their tenants do not predominantly operate in industries that have been badly affected by the crisis.”



**CONTACT**

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

INTREAL administers 175 funds via a wide range of external fund partners, with a total investment volume of around EUR 33.3 billion (all figures as at the end of the first Quarter of 2020).

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