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FUND COMMENTARY: SHARE OF RESIDENTIAL PROPERTIES IN OPEN-ENDED PROPERTY FUNDS RISES TO AVERAGE OF 2.1%

- ◆ Residential still a niche category despite growth
- ◆ Service AIFM INTREAL forecasting significant increase for residential properties in mutual funds
- ◆ Individual specialist funds invest exclusively in residential properties
- ◆ By contrast, residential share around 35% in open-ended special property funds

Open-ended mutual property funds are increasingly looking to residential properties: Their share in fund portfolios has risen moderately in recent years, accounting for 2.1% of net target rent as at 30 June 2020. By comparison, this figure had been 1.1% one year ago (30 June 2019) and 1.0% the year before that (30 June 2018). This information comes from figures by the German fund association BVI. However, BVI statistics also show that the average residential share is still relatively low overall. By contrast, the major categories of “Office/medical practice” and “Retail/food” are at 54.1% and 25.1% according to the BVI.

Michael Schneider, Managing Director of INTREAL, commented: “Before the financial crisis in 2008, there were practically no apartments in open-ended mutual property funds. Several products specialising in residential properties have been launched since then. In particular, these include FOKUS WOHNEN DEUTSCHLAND from INDUSTRIA WOHNEN, Unilmmo Wohnen ZBI from Union Investment and WERTGRUND WohnSelect D from WERTGRUND.”

But other, more recent funds also have comparatively high residential shares, such as grundbesitz Fokus Germany, which has a residential share of around 27%¹, or Swiss Life REF (DE) European Real Estate Living and Working, with a residential share of 16%.²

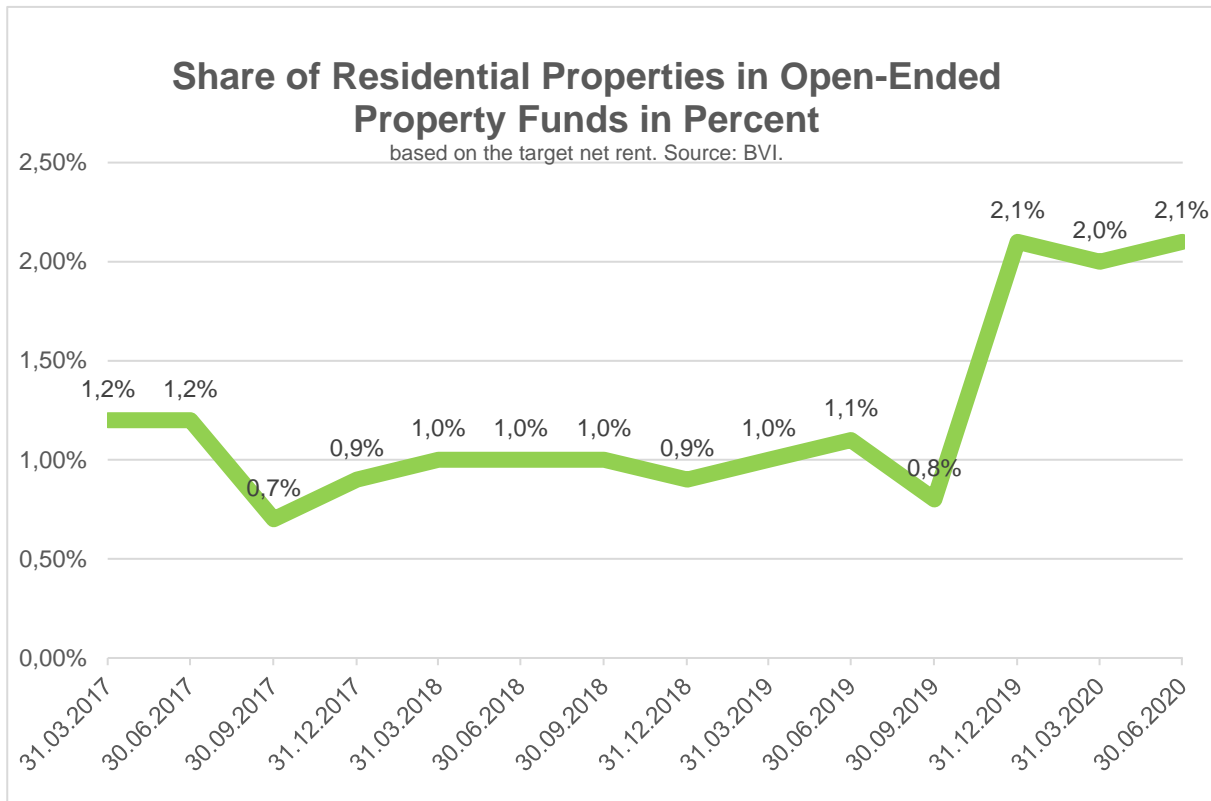
Michael Schneider says: “I expect that the residential share of funds will rise significantly moving forward. Special funds, which are usually several steps ahead of mutual funds, show us where we’re headed: The trend towards more residential is much clearer here. While their residential share had been just 6% in 2014, by 2019 it was a mighty 35%.³ The true extent of this rise becomes even clearer when you look at the market growth over this period: While the net fund assets of all special funds were still EUR 47.1 billion at the end of 2014, by the end of 2019 it was around EUR 104 billion.”

The coronavirus crisis will accelerate the change in investment modes in mutual funds. “During the crisis, residential properties have once again demonstrated their economic independence and resilience. That’s exactly what private investors – the target group for mutual funds – are looking for. At the same time, other categories in which funds traditionally also invest – mainly hotels and non-food retail – are no longer as sought-after,” is Schneider’s analysis.

¹ Fund figures for grundbesitz Fokus Deutschland September 2020

² <https://www.livingandworking.de/zahlen-und-fakten/> [retrieved on 21 October 2020]

³ BVI Yearbook 2020, page 75.



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

INTREAL administers 186 funds via a wide range of external fund partners, with a total investment volume of around EUR 35.7 billion (all figures as at the end of the third Quarter of 2020).