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Fund Commentary: INTREAL Investment Fund Distributions Tend to Top Industry Average by 95 Basis Points Annually

- ◆ Cash-on-cash returns by open-ended institutional real estate funds of INTREAL equal 4.14 percent p.a. on average
- ◆ Collectively, open-ended institutional funds distribute 3.19 percent p.a. on average
- ◆ In 2022, INTREAL funds distributed c. 711 million euros in returns to their investors
- ◆ Many INTREAL funds focus on crisis-resilient asset classes such as logistics, residential and food-anchored retail

The open-ended institutional real estate funds administrated by IntReal International Real Estate Kapitalverwaltungsgesellschaft mbH (“INTREAL”)—Germany’s leading third-party AIFM—consistently earned higher cash-on-cash returns over the past ten years than the industry average. This was revealed by analysing the figures of the third-party AIFM and statistics released by the Bundesbank. On average, the distributions by INTREAL funds during the ten-year period starting in 2013 and including 2022 exceeded the average cash-on-cash returns distributed by all open-ended institutional funds, according to the Bundesbank. While the total fund landscape achieved an average annual distribution of 3.19 percent over the past ten years, INTREAL funds went beyond the four-percent mark with an average of 4.14 percent per year.

The Bundesbank statistics are based on total net fund assets worth 166 billion euros. The net fund assets of the institutional real estate funds that INTREAL administrates in its Partner Funds division have a combined value of 22.2 billion euros, implying a share of about 13.4 percent of the overall market. In sum, c. 711 million euros were paid out to the institutional investors of the INTREAL funds in 2022 alone, compared to 824 million euros in 2021.

Michael Schneider, Managing Director at INTREAL, commented: “We are glad to see that our funds and fund partners did so well. My explanation for the outperformance is mainly that we and our fund partners focus on our respective core competencies, and that our fund partners increasingly concentrated on asset classes that did better than the market average during the observation period. Cases in point include the asset classes logistics, residential and food-anchored retail. On top of that, it is quite evident that our active managers and proven specialists are particularly capable of generating extra performance and dividend values for their investors. For institutional investors, the cash-on-cash return is a decisive criterion because many players in this group are in turn subject to periodic payment obligations, e. g. on account of pension entitlements or benefit commitments under insurance contracts.”

The quoted net cash-on-cash returns still mirror the low interest rate environment of the past ten years, and strongly so. With a view to the future, Schneider said: “Going forward, real estate funds will have to earn even higher returns because the interest paid on competing investments, such as fixed income, has gone up. Such a ‘yield premium,’ also called illiquidity premium, is meant to make up for the fact that real estate is

less liquid than listed bonds, for instance. I have every expectation that the funds will manage to do so. Many of the properties administrated by us report significant rent increases while acquisitions are becoming more affordable again.”

The analysis of the INTREAL funds included all open-ended institutional real estate funds that INTREAL administrates in its Partner Funds division and for whom it acts as AIF management company. As of year-end 2022, these funds owned combined net fund assets worth 22.2 billion euros. The analysis of the industry figures are based on Bundesbank statistics. For this particular assessment, the figures of all open-ended real estate special AIF were examined.

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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 every service an AIF management company (KVG) provides without having to form one of their own. Options include the launching of open-ended and closed-end real estate funds or the outsourcing of AIFM back offices to INTREAL. Employing 495 staff, the INTREAL Group offers long-term real estate know-how along with detailed and highly professional fund management expertise.

In Luxembourg, the largest investment fund centre in Europe, INTREAL is represented by its subsidiary, INTREAL Luxembourg. INTREAL Luxembourg is an independent AIFM and central administrator for Luxembourg-domiciled real estate funds and real estate -related assets classes for German and international clients.

Through another subsidiary, INTREAL Solutions, the company makes its comprehensive real estate fund experience available to other market players within the scope of best-practice consultancy. These advisory services combine the IT subject with other specialist areas like ESG, risk management and process consulting.

INTREAL collaborates with a large number of third-party fund partners to administrate 294 investment funds with a combined investment volume of c. 63.7 billion euros (all figures as of the end of Q1 2023).