Press Release

INTREAL

Hamburg, 6 December 2023.

INTREAL Fund Commentary: Open-Ended Public Real Estate Funds and Institutional Funds Grew during the First Nine Months of 2023 – but at a Notably Slower Pace than during the Prior-Year Period

- Institutional funds grew by c. 4.4 billion euros to 177.9 billion euros
- Net fund assets of public funds grew by c. 1.3 billion euros to 132.3 billion euros

Net fund assets of open-ended real estate public funds and institutional funds kept on growing during the first nine months of 2023 – but did so at a notably slower pace than they had during the same period last year. This was revealed by an analysis of figures the Bundesbank released for the first nine months of 2023.

A comparison of the two categories shows that institutional funds outperformed public ones. The total net fund assets of all open-ended institutional real estate funds equalled 173.4 billion euros by the end of 2022. Nine months later, that figure was 177.9 billion euros, an increase by 4.5 billion euros.

A look at the net cash inflows shows that these amounted to 6.5 billion euros during the first nine months of 2023. For the sake of comparison: Inflows during the same period last year still came to 11.1 billion euros. In other words, the inflows decreased by around 40 percent.

Michael Schneider, Managing Director at INTREAL, commented: “These figures very much match our own observation. The number of new funds has gone down, but that is not the same as saying there are no new funds at all. Funds continue to be initiated and subscribed for the use classes residential, logistics and food retailing. In addition, some of the funds already launched still have open capital commitments. These are drawn down and invested in emerging opportunities. Cases in point include, without being limited to, selected office and government buildings.”

Open-Ended Public Real Estate Funds Saw Cash Inflows to the Tune of 1.3 Billion Euros

In the case of the open-ended public real estate funds, the sector’s net fund assets climbed from 131.0 billion euros by year-end 2022 to 132.3 billion euros by the end of September. Here, net cash inflows during the first nine month of the year, totalling 1.3 billion euros, were around 70 percent lower than they had been during the prior-year period (4.2 billion euros).

Michael Schneider commented: “Cash inflows for public funds dried up much faster year over year than was the case with institutional funds. That being said, the bottom line still shows modest growth. There is a chance that 2024 will see higher repayment levels in line with contractual notice periods of 24 or 12 months, as the case may be.”

In regard to the overall situation, the head of INTREAL had this to say: “The market is entering a consolidation phase. We will not be seeing the high cash inflows and growth rates of recent years again any time soon. Given the currently available alternative investment options in the fixed income sector, the market will temporarily flatline on a lower level. However, what makes me optimistic for both fund categories are the following aspects: If long-term interest rates were to stabilise on their current level or indeed were to fall, real estate fund investments would remain a highly attractive investment class within the scope of risk-diversified portfolio allocations, particularly so if predictable regular payouts are of material significance. This explains why our institutional funds receive barely any redemption requests from institutional investors. Whenever the odd request does come in, we sit down for talks and usually manage to convince those investors who have long-term horizons that now is not the best of times to start selling real estate, which is what such a payout tends to necessitate. With that in mind, investors will generally change their minds and decide to keep their stakes in a given fund. On top of that, many professional investors are closely watching the real estate market lest they miss the right moment for fresh investment opportunities. By contrast, what makes me confident when it comes to public funds – aside from the effective contractual notice periods – are, on the one hand, the high liquidity and occupancy rates and, on the other hand, the low leverage ratios. Even when faced with temporarily increased cash outflows, fund managers are thus left with plenty of possibilities for action in order to cushion these before it become necessary to sell off real estate at inopportune times or to actually wind down a given fund."

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 526 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 asset 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 302 investment funds with a combined investment volume of c. 65.3 billion euros (all figures as of end of Q3 2023).

CONTACT Rueckerconsult: Peter Dietze-Felberg, **T** +49 30 28 44 987 62, **M** dietze@rueckerconsult.de