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## Fund Commentary: Open-Ended Institutional Real Estate Funds Recorded a Net Cash Inflow of 8.8 Billion Euros in 2023

- ◆ Net fund assets in this segment grow to 182.2 billion euros
- ◆ Growth rate of 5.0 percent
- ◆ Eleven vehicles added to the total number of funds in 2023

The market segment of open-ended institutional real estate funds continued to grow even during the crisis year of 2023. Although the growth rate slowed, net cash inflows clearly remained in the positive range. This was revealed by relevant figures that the Bundesbank just released for the year 2023 as a whole.

As of 31 December 2023, the net fund assets of all open-ended institutional real estate funds had a combined value of c. 182.2 billion euros. That is almost exactly five percent more than the sum total twelve months earlier, which had been 173.5 billion euros. The number of funds barely changed, rising from 660 by year-end 2022 to 671 as of 31 December 2023, implying an increase by eleven vehicles.

Net cash inflows present the following picture: In total, c. 8.8 billion euros flowed into this fund segment in 2023. In 2022, inflows still amounted to c. 15.2 billion euros, which means the year-on-year decline in 2023 amounted to around 40 percent. However, this should be seen in the longer-term context: The annual figure for 2021 was c. 14.1 billion euros while the one for 2020 had been c. 10.5 billion euros.

What makes 2023 stand out is that—unlike in certain prior years—there was not a single month with negative cash inflows. December has traditionally been a particularly strong month. During the last month of the 2023, the funds collected the net sum of 1.6 billion euros.

Michael Schneider, Managing Director at INTREAL, commented: “Even open-ended institutional real estate funds cannot steer clear of the general market trend. Still, the figures confirm the important and established role that institutional real state funds have come to play in the portfolio allocation of institutional investors – even or especially in a market cycle whose risk level remains as high as it was.”

Schneider went on to say: “As far as I can see, the cash inflows are earmarked not so much for newly launched funds but rather for existing funds that kept moving ahead with their targeted investments. This would also explain the minimal change in the number of funds. The industry trend outlined above is reflected in the financials of INTREAL as well. While we continued to grow in 2023, we did so at a slower pace than in previous years.”

About the cash inflows, Schneider had this to say: “In many ways, the years 2015 through 2022 were exceptional. Net cash inflows are now returning to their long-term average. For the past ten years, that average is 11.1 billion euros annually.”

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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 305 investment funds with a combined investment volume of c. 65.6 billion euros (all figures as of the end of Q4 2023).