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Fund Commentary: Combined Net Assets of European Real Estate AIF Drop Below One Trillion Euros in 2023

- ◆ Net cash inflow of +2.9 billion euros in 2022
- ◆ Another 50 funds added to the total in 2023

2023 proved a challenging year of the European real estate investment fund industry. This can be seen in the figures released by the European Fund and Asset Management Association (EFAMA). During the fourth quarter, the net fund assets of all real estate AIF in Europe dropped back below the mark of one trillion euros for the first time in seven consecutive quarters, having crossed the threshold in Q1 2022. By the end of 2023, the total net assets amounted to 999.4 billion euros, down from 1,064 billion euros by year-end 2022. This implies a drop by c. 65 billion euros.

While the net cash inflow remained positive throughout the first nine months of 2023, the trend clearly reversed into the negative range with -1.6 billion euros. However, a look at the full year of 2023 still shows a net cash inflow of +2.9 billion euros at the bottom line. Germany took the lead with cash inflows totalling 6.9 billion euros. Conversely, countries like the United Kingdom or Austria reported clear outflows.

Yet despite the decline in net fund assets, the total number of real estate AIF increased in 2023. Having counted 3,861 funds by year-end 2022, EFAMA reported 3,911 funds a year on – after another 50 funds had been added.

Reassuring Cash Inflow in Germany

Rudolf Kömen, Conducting Officer of INTREAL Luxembourg, commented: “2023 was a difficult year for the real estate fund industry. With this in mind, it is all the more reassuring to note that new funds continue to be launched. And cash inflows have been just as reassuring – especially in Germany.”

Kömen had stated about the market in general and INTREAL in particular: “I’m glad to say that, despite the inclement market environment, we managed to increase the real estate assets under our administration to more than 65 billion euros in Germany and Luxembourg, which are major European fund domiciles. I’m convinced that the market consolidation across Europe will come to an end in the course of 2024. We are currently in promising talks with potential fund partners. I expect that we will initiate and administrate several new funds, also in Luxembourg before the end of 2024.”

Michael Schneider, Chairman of the Board of Directors of INTREAL Luxembourg and Managing Director of INTREAL, added: “We share this view, also for our German fund business. In Luxembourg, we see additional advantages that Luxembourg as domicile has for launching funds of the currently popular infrastructure asset class. We intend to exploit these growth impulses in 2024.”

Set up in 1974, EFAMA represents the European investment industry across asset classes (both UCITs and AIFs). EFAMA issues monthly and quarterly statistics on the European fund market. The EFAMA statistics take the figures of INTREAL and INTREAL Luxembourg into account through the companies’ membership

in Germany's Federal Association for Investment and Asset Management (BVI) and the Association of the Luxembourg Fund Industry (ALFI), respectively.

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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 520 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 such as infrastructure or private debt for German and international clients.

Through its subsidiaries, INTREAL Solutions and REAX Advisory, the company makes its comprehensive real estate fund experience available to other market players within the scope of best-practice consultancy. INTREAL Solutions provides consulting services in the IT sector, whereas REAX Advisory acts as management consulting firm, helping to organise processes and structures more efficiently, to cut costs, to manage risks or to develop and implement ESG strategies.

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).