



Dear reader,

We are delighted to be able to present you with our first LEG Housing Market Report NRW. In this report, we analyze the economic conditions and housing markets in the 54 districts and cities of North Rhine-Westphalia. In addition to being a major economic powerhouse, NRW is also Germany's largest federal state in terms of population with around 18 million inhabitants. This means that the LEG Housing Market Report NRW is probably the most comprehensive study of the key regions of a federal state available in Germany today.

We were particularly committed to initiating and preparing this report as, with over 90,000 residential properties throughout North Rhine-Westphalia, our knowledge of the local housing markets is second to none. As such, the study is our attempt to bolster market transparency and professionalism in the state's housing sector. As a major market player, this is a responsibility we feel obliged to assume.

We would like to take this opportunity to thank our partners at CB Richard Ellis, who compiled the necessary figures with their extensive market expertise and analyzed them in cooperation with our regional managers.

The LEG Housing Market Report NRW provides extensive information on the general economic situation, the rental market, the ownership market for both apartment buildings and individual apartments, and the ratio of housing costs to net available household income. What makes this evaluation unique is that it is probably the first time in North Rhine-Westphalia that the analysis has been broken down to the level of the individual postal codes in each city where this is statistically plausible.

The report contains a specially-developed scoring system, which ranks all the 54 locations analyzed in North Rhine-Westphalia according to the attractiveness of their housing markets. One of the trends identified by the study is that the major conurbations are showing stable population development, and hence a high level of consistency in terms of rents and purchase prices. By contrast, a number of smaller towns are facing a decline in the number of inhabitants, the impact of which can already be intensely felt on the housing markets.

We hope the first LEG Housing Market Report NRW makes for interesting reading and look forward to receiving your feedback.

Sincerely,

– Thomas Hegel –
Management Spokesman,
CEO

– Eckhard Schultz –
Managing Director,
CFO

– Holger Hentschel –
Member of Management,
HOO

City with the most expensive apartment buildings

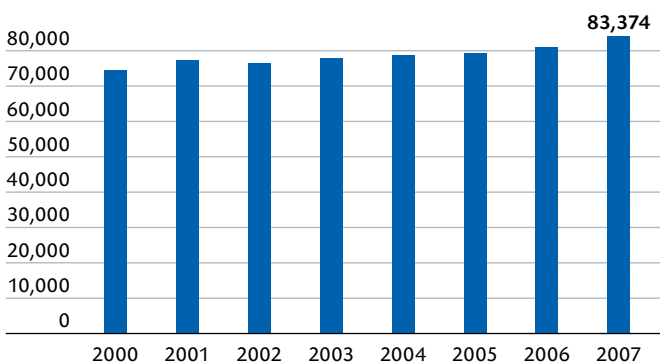
As well as its easily accessible location with Germany's third-largest airport, other positive features of Dusseldorf, the economic powerhouse in the heart of the Rhine-Ruhr metropolitan region, include Messe Düsseldorf with 25 world-leading trade fairs, and its reputation as a city of fashion. It is one of the few cities in North Rhine-Westphalia with constant popula-

tion growth, rising employment figures and relatively high purchasing power. The positive trends are also apparent on the property market. Prices for apartment buildings as well as owner-occupied apartments are at a high level and rose even further last high. The same pattern applies to rents. In addition to Cologne, the highest average prices are paid in Dusseldorf.

Macroeconomic data	Dusseldorf	NRW	Germany	Year
Residents	584,217	17,933,064	82,002,352	2008
Population density (residents/km ²)	2,690	526	231	2008
Population development in %	2.6	-0.4	-0.3	2000-2008
Population forecast in %	11.1	-3.7	-5.7	2008-2030
Households	323,961	8,533,917	39,533,292	2008
Household development in %	3.1	2.6	3.4	2000-2008
Household forecast in %	3.1	1.7	1.3	2008-2020
Buying power	119.9	101.3	100.0	2010
Per capita buying power in €	22,668	19,151	18,904	2010
Workers paying social insurance contributions	358,571	5,798,424	27,457,715	2008
Development of social insurance contributions	2.7	-1.8	-1.3	2000-2008

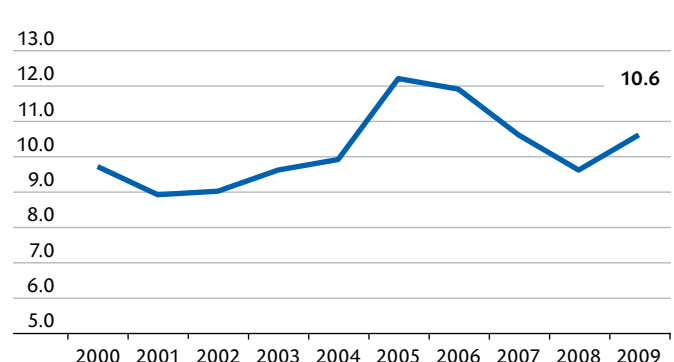
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

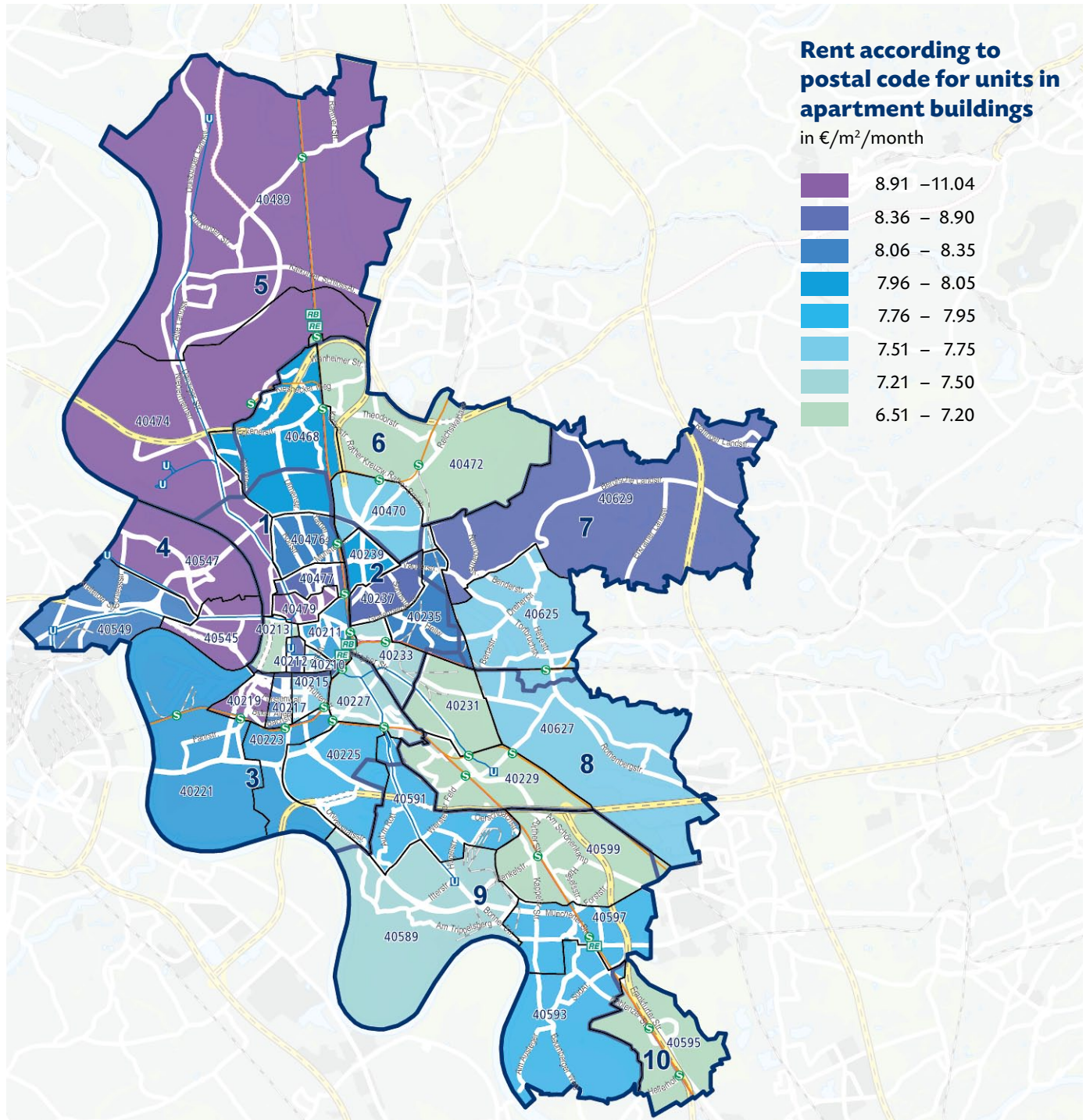


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Dusseldorf is the fourth-largest city in North Rhine-Westphalia and the ninth-largest city in Germany. As the state capital, the city is the political center of the most populous German state. Dusseldorf attracts jobseekers and students as well as tourists and culture enthusiasts.

The city of 584,217 inhabitants owes its role as a key national and European transport hub to its central location on the Lower Rhine. In terms of road traffic, the city is served by five expressways (A 44, A 46, A 52, A 57 and A 59) and five national

highways. As for rail travel, Dusseldorf boasts ICE train links in all directions with its two stations Hauptbahnhof (Central

European transport hub

Station) and Dusseldorf Flughafen (Airport). With its huge productivity, Dusseldorf is one of Germany's strongest eco-

nomics regions. Numerous state authorities and associations are based there. The city's key industries include advertising, European intellectual property, telecommunications, fashion, and consultancy. With 170 banks located there, Dusseldorf is the second-largest banking and stock exchange center in Germany following Frankfurt am Main. Many multinational companies have chosen the capital of North Rhine-Westphalia as a location for their offices, including Vodafone Germany, Metro AG, energy company E.ON, Rheinmetall, Henkel, Degussa, West LB, and HSBC.

Housing market in the state capital waiting on bottlenecks to clear

Dusseldorf is barely affected by demographic change – much less than most other German cities or the major cities and districts of the Rhine-Ruhr region. At the end of 2008, there were 584,217 people living in the state capital. Because the city is such an attractive place to live, work and study, Dusseldorf will continue to grow in future, according to studies. For instance, the demographic report by the Institute for Housing Economics at the University of Münster in 2007 concluded that in the Dusseldorf region (including the cities of Dusseldorf, Cologne, Essen, Mülheim, Duisburg, Neuss, Krefeld, Monchengladbach, Leverkusen, Solingen, Wuppertal, Remscheid and the Viersen district), only Dusseldorf and Cologne will see population increases by 2040. All other cities and sub-regions will record losses to a greater or lesser degree. By 2020 (Dusseldorf Office for Statistics), the number of inhabitants is set to increase from around 584,000 to more than 600,000.

The attractive labor market also draws lots of new residents to the city every year. This is likely to remain the case over the next decade. Consequently, the rising demand for apartments caused by the growth in population cannot be met. 1,272 apartments were completed in Dusseldorf in 2007. A year later, the figure was just 688. According to a study by the Institute for Economic Research (IDW), demand for apartments is set to increase by 3.1 percent by

2025. Dusseldorf maintained its position as one of Germany's most expensive cities to live in 2009 – depending on the statistics, it is ranked between second and fourth. One reason for this is the annual purchasing power, which is among the highest in the whole of North Rhine-Westphalia at €22,668 per capita. Vacancies amount to 2.4 percent on average. There is a lack of apartments, not primarily for top earners, but mainly in the mid-price segment. Due to increasingly low availability and the ongoing rise in rent levels, there is insufficient accommodation for ordinary people because most people moving into the cities are households with higher incomes. The city's council and administration are aware of the low availability of suitable accommodation. They themselves have said that making new space available for residential construction is the top priority in Dusseldorf's urban development policy.

Rents: Where price doesn't matter

Dusseldorf posted the sharpest rent increases of all cities in North Rhine-Westphalia between 2009 and 2010. Across all price and quality categories, rents climbed 5.7 percent to an average of €7.96. Whilst they fell slightly in the bottom segment

(-1.3 percent) in line with the North Rhine-Westphalia trend, they were up 20.4 percent in the top market segment. City-wide, rents now range from €5.85 to €12.10 per month per square meter in the mid-range segment.

In contrast to most cities in the Ruhr district, rents are higher in the north and lower in the south. The highest purchasing power (€4,608 to €4,952 per month) and the most popular residential areas with the biggest (76 to 80 square meters) and most expensive apartments (with rents per square meter of up to €15.82 including heating and housing costs of €873 to €1123 including heating) can be found to the north of the city center (Kaiserswerth, Angermund, Lohausen, Wittlaer, Stockum, postal code 40489, 40474), to the west on the left bank of the Rhine (Nieder-kassel, Oberkassel, postal code 40545, 40547), to the east of the city (Gerresheim, Grafenberg, Ludenberg, Hubbelrath, postal code 40629) and in the city center (Friedrichstadt, Stadtmitte, postal code 40212). In contrast, the least expensive residential areas are concentrated in the locations to the south of the city.

Lots of pricey properties in the west

The Oberkassel and Nieder-kassel districts on the left bank of the Rhine in the west are two of Dusseldorf's top lo-

Housing stock data	2004	2005	2006	2007	2008
Vacancy rate in %	2.7	2.7	2.5	2.4	2.4
Permits for new buildings	1,033	1,165	1,036	1,046	742
Finished apartments	1,154	784	1,068	1,272	688
Housing stock	321,946	322,708	323,770	325,055	325,711
Housing stock in apartment buildings	280,016	280,643	281,467	282,558	283,026

Source: Techem-empirica (vacancy), NRW Statistics Office, compiled by CBRE

cations. Whether for renovated art nouveau houses or the less common historically-inspired new builds: rents between Kaiser-Friedrich-Ring and Rheinallee are very high. With prices of up to €15.82 per square meter per month, housing costs into four digits (€1,123) and property sizes of 80 square meters on average, these Dusseldorf locations figure prominently in the hit-list of luxury residential locations. With a household purchasing power of €4,087, the residents have a correspondingly high income, but rent including heating does not take up such a high proportion of the monthly budget anywhere else in Dusseldorf. In Niederkassel and Oberkassel, tenants spend 27.5 percent - almost a third - of their household purchasing power on rent. Similar levels are only reached in Pempelfort (postal code 40479, 27.1 percent) and parts of Düsseldorf, Flingern Nord and Mörsebroich (postal code 40237, 26 percent).

The lowest rent charges measured by household purchasing power can be found in the postal code area that is also the most solvent in the whole of Dusseldorf: in Friedrichstadt and Stadtmitte (postal code 40212), just 16.5 percent of the monthly net budget (€4,952) is spent on rent including heating. Pempelfort, which has a high student population, has relatively high rents. Together with neighboring Derendorf, one of Dusseldorf's

most important development areas is situated here. Today, average housing costs in Pempelfort vary according to street. Tenants must pay up to €876 per month per square meter in the best areas (postal code 40479). On the edge of Derendorf and Golzheim (postal code 40476 and 40477), the charges are €731 and €690 respectively. Due to construction projects, fluctuation is higher than in most other districts. In the study period between the first quarter of 2009 and 2010, 927 apartments were available in postal code 40476 (Pempelfort, Golzheim, Derendorf). The only place where the figure was higher (1,122 apartments) is the Friedrichstadt/Stadtmitte district (postal code 40210).

Large apartments in the north

The lowest entry-level rents are in the southern districts of Benrath, Garath, Hellerhof and Urdenbach (postal code 40595). The lowest rents per square meter per month start at €4.59. At €666 including heating, housing costs here are just over half the usual level in the luxury locations of the city. The apartments are relatively large, at over 70 square meters. The smallest apartments are spread across the entire city and all qualities of location. In the up-

market Friedrichstadt district (postal code 40215, 40217), they are 60 square meters, as is the case in Flehe, Wersten and Himmelgeist (40223, 40225) in the low-cost south. The average apartment size is biggest in Niederkassel and Oberkassel, at 80 square meters. Only the northern single-family house areas of Angermund, Kalkum, Lohhausen, Kaiserswerth and Wittlaer have similar sizes.

Investment: Prices for up-market properties up 30 percent on the previous year

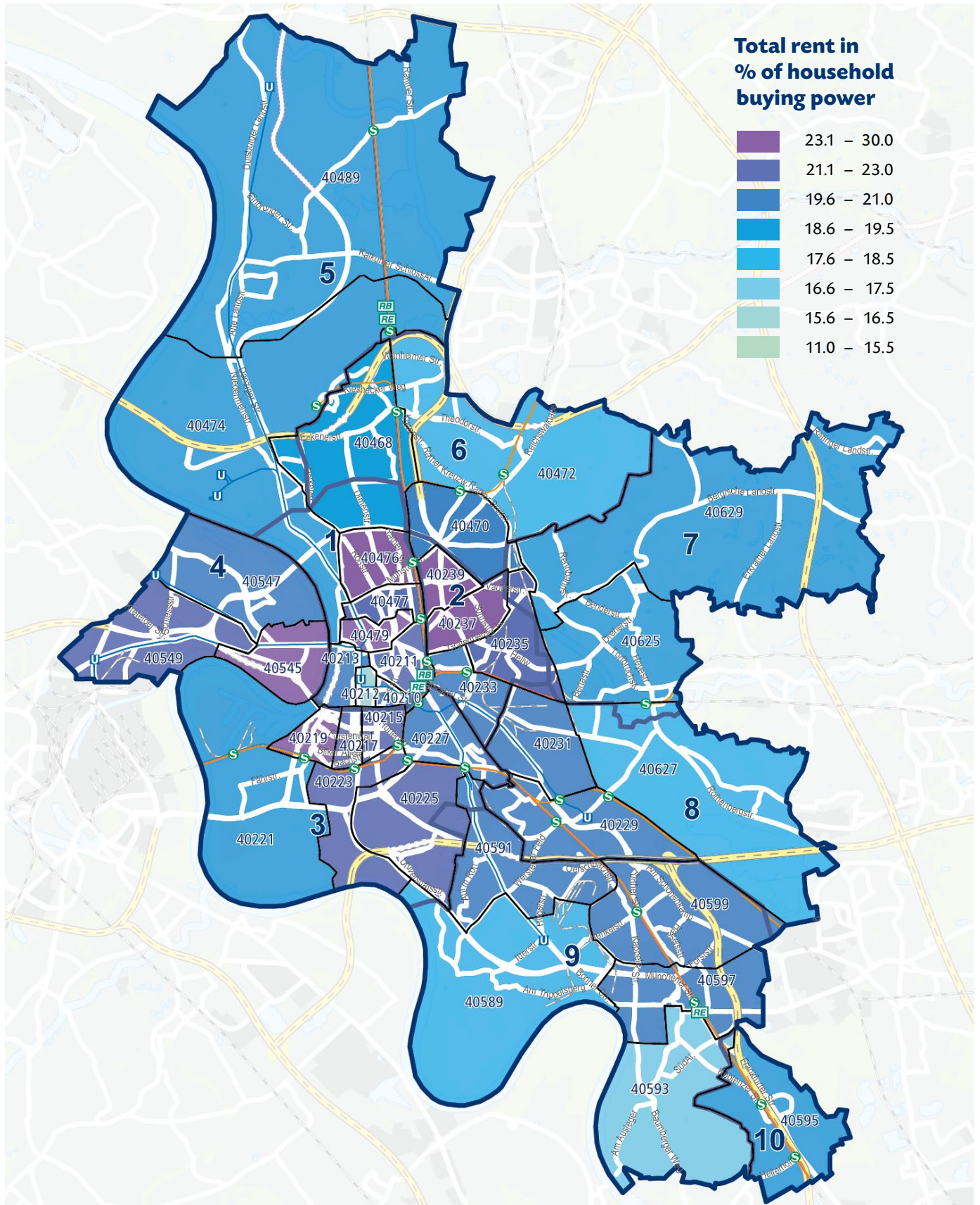
The Dusseldorf residential property investment market showed clear signs of overheating in 2009. For instance, purchase prices for apartment buildings climbed 6.2 percent in the study period (see CBRE chart). At 25.4 percent, the increase in the top market segment was more dramatic than in the bottom segment, where prices actually fell significantly (-4.8 percent). The purchasing market for owner-occupied apartments showed similar trends. On average, an apartment in Dusseldorf costs €1,871 per square meter. Prices range from €926 in the bottom range to €3,729 per square meter in the luxury segment. Compared with 2009, the prices of owner-occupied apartments rose by 2.4 percent. However, the level also increased much more sharply in the luxury segment here, with a rise of 30 percent year-on-year.

Dusseldorf

Housing data						Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m ² /month	Median basic rent in €/m ² /month	Basic rent in top market segment in €/m ² /month	Vacancy 2008 in % ¹⁾	Apartment size Ø in m ²	Basic housing cost Ø in €/month	Total housing cost ²⁾ Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
40210	1,122	4.83	7.34	9.81	[3.0]	63	462	651	3,214	14.4	20.3
40211	622	5.96	7.98	11.14	2.1	63	503	692	3,123	16.1	22.1
40212	94	4.78	8.36	12.54	[5.9]	72	602	818	4,952	12.2	16.5
40213	744	4.58	7.00	12.55	[2.7]	72	504	720	3,590	14.0	20.1
40215	717	6.04	7.65	10.19	1.5	60	459	639	3,028	15.2	21.1
40217	432	6.39	8.17	12.38	[2.1]	60	490	670	3,007	16.3	22.3
40219	500	5.51	8.92	13.07	[1.1]	59	526	703	2,976	17.7	23.6
40221	446	4.61	7.99	11.00	[0.6]	64	511	703	3,605	14.2	19.5
40223	683	6.00	7.96	10.20	[1.0]	62	494	680	3,100	15.9	21.9
40225	368	5.61	7.86	10.00	1.8	61	480	663	3,139	15.3	21.1
40227	914	5.73	7.23	9.18	2.2	60	434	614	3,023	14.4	20.3
40229	455	5.60	7.12	8.67	[2.6]	64	455	647	3,229	14.1	20.1
40231	468	5.49	7.20	8.57	[2.2]	62	443	627	3,120	14.2	20.1
40233	652	5.71	7.49	10.00	3.8	60	449	629	3,036	14.8	20.7
40235	650	6.07	8.08	10.34	[3.9]	65	525	720	3,271	16.1	22.0
40237	731	6.33	8.71	12.00	2.4	75	653	878	3,373	19.4	26.0
40239	645	6.28	8.00	10.75	2.2	70	560	770	3,252	17.2	23.7
40468	637	6.00	7.96	10.91	[2.3]	60	477	657	3,400	14.0	19.3
40470	529	6.05	7.73	9.64	3.3	65	502	697	3,380	14.9	20.6
40472	601	5.73	7.17	9.33	5.3	62	444	630	3,494	12.7	18.0
40474	369	6.01	8.98	13.98	1.6	76	682	910	4,694	14.5	19.4
40476	927	6.23	8.25	11.54	1.6	65	536	731	3,053	17.6	23.9
40477	710	6.58	8.50	12.00	3.1	60	510	690	3,113	16.4	22.2
40479	585	6.30	9.17	13.76	[2.5]	72	660	876	3,233	20.4	27.1
40489	536	5.20	8.92	12.50	[1.5]	80	713	953	4,958	14.4	19.2
40545	728	7.50	11.04	15.82	2.5	80	883	1,123	4,087	21.6	27.5
40547	486	6.48	9.74	13.80	1.6	67	653	854	4,220	15.5	20.2
40549	413	5.71	8.31	12.70	[2.4]	65	540	735	3,485	15.5	21.1
40589	419	5.53	7.34	9.33	3.1	63	463	652	3,603	12.8	18.1
40591	458	5.76	7.91	10.18	1.9	62	490	676	3,373	14.5	20.0
40593	293	5.47	7.78	10.00	[2.7]	68	529	733	4,303	12.3	17.0
40595	284	4.59	6.51	8.00	n/a	70	456	666	3,409	13.4	19.5
40597	431	6.19	7.95	10.00	[1.3]	65	517	712	3,480	14.9	20.5
40599	402	5.01	7.03	8.21	[2.6]	65	457	652	3,284	13.9	19.9
40625	527	5.93	7.56	9.38	[1.7]	64	484	676	3,479	13.9	19.4
40627	438	6.15	7.70	9.55	[1.9]	72	555	771	4,239	13.1	18.2
40629	421	5.59	8.48	10.84	[2.0]	76	645	873	4,608	14.0	18.9
Ø	20,437³⁾	5.85	7.96	12.10	2.4	70	557	767	3,477	16.0	22.1

1) [Falling number of limited significance] 2) includes €3.00 operating cost/m² (DMB operating cost index 2010) 3) Total of offers

Source: IDN Immodaten, GfK GeoMarketing (buying power data), Techem-empirica (vacancy), compiled by CBRE



Postal code allocation

40210 Friedrichstadt, Stadtmitte, **40211** Pempelfort, Stadtmitte, **40212** Friedrichstadt, Stadtmitte, **40213** Altstadt, Carlstadt, Friedrichstadt, Pempelfort, Stadtmitte, Unterbilk, **40215** Friedrichstadt, **40217** Friedrichstadt, Unterbilk, **40219** Hafen, Unterbilk, **40221** Bilk, Flehe, Hafen, Hamm, Unterbilk, Volmerswerth, **40223** Bilk, Flehe, Unterbilk, **40225** Bilk, Flehe, Himmelgeist, Oberbilk, Wersten, **40227** Eller, Flingern South, Oberbilk, **40229** Eller, Lierenfeld, Oberbilk, Unterbach, Vennhausen, **40231** Eller, Lierenfeld, **40233** Flingern North, Flingern South, Lierenfeld, Oberbilk, Stadtmitte, **40235** Flingern North, Flingern South, Grafenberg, **40237** Düsseldorf, Flingern North, Mörsenbroich, **40239** Düsseldorf, Mörsenbroich, **40468** Derendorf, Golzheim, Lichtenbroich, Stockum, Unterrath, **40470** Düsseldorf, Grafenberg, Lichtenbroich, Mörsenbroich, Rath, **40472** Düsseldorf, Hubbelrath, Lichtenbroich, Rath, Unterrath, **40474** Golzheim, Kaiserswerth, Lohausen, Pempelfort, Stockum, **40476** Derendorf, Golzheim, Pempelfort, **40477** Derendorf, Golzheim, Pempelfort, **40479** Pempelfort, **40489** Angermund, Kaiserswerth, Kalkum, Lohausen, Wittlaer, **40545** Niederkassel, Oberkassel, **40547** Lörick, Niederkassel, Oberkassel, **40549** Heerd, Lörick, Oberkassel, **40589** Benrath, Flehe, Himmelgeist, Holthausen, Itter, **40591** Eller, Holthausen, Itter, Oberbilk, Wersten, **40593** Benrath, Garath, Urdenbach, **40595** Benrath, Garath, Hellerhof, Urdenbach, **40597** Benrath, Hassels, **40599** Benrath, Hassels, Holthausen, Reisholz, **40625** Gerresheim, Ludenberg, **40627** Gerresheim, Unterbach, Vennhausen, **40629** Gerresheim, Grafenberg, Hubbelrath, Ludenberg, Rath

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