

LEG Housing Market Report NRW 2011

With HousingCostAtlas





Dear reader,

The exceptionally widespread and positive response to the first LEG Housing Market Report NRW in 2010 demonstrated that we are on the right path. As such, we are delighted to be able to present this second edition to you. The 268-page report contains extensive, updated information on all of the housing markets in the 54 cities and districts of North Rhine-Westphalia. The LEG Housing Market Report NRW 2011 provides details of the economic and demographic conditions in the individual locations, the development of rents and purchase prices for apartments and apartment buildings, the level of construction activity, and vacancy rates. By compiling all of the available information, the report paints a multi-faceted picture of the living conditions experienced by the almost 18 million inhabitants of the state.

LEG's managers, from left:
Thomas Hegel (CEO),
Holger Hentschel (HOO) and
Eckhard Schultz (CFO).

One encouraging development relates to the data pool: whereas the analysis in the previous year was impaired to an extent by a lack of data, this situation has improved significantly in a number of regions. Although individual data sets for some of the less densely populated districts remain incomplete this year, the present analysis is almost certainly the most comprehensive evaluation of the regions of a federal state that is currently available in Germany.

The report is intended for anyone with an interest in or enthusiasm for the topic of residential property in North Rhine-Westphalia, be they tenants and owners, cities and municipalities, economic development corporations, urban planners, estate agents or investors. After all, the figures presented in the report highlight not only those areas where new construction activity will be particularly worthwhile in future, but also where new development concepts are expected to be implemented with a view to ensuring the sustainability of the respective location.

The analysis also documents the fact that demographic problem areas are found not only on either side of the Ruhr river, but also in a number of rural regions. With around 90,000 apartments in North Rhine-Westphalia, we know that the 12 major cities and 42 smaller housing markets in the state are far from synchronous in terms of their development – and that there is just a fine line between light and shade in some areas.

We would like to take this opportunity to express our particular gratitude to our research partner CB Richard Ellis, which, as in the previous year, compiled all of the data and evaluated it in conjunction with our regional and branch managers.

We hope the second LEG Housing Market Report NRW makes for interesting reading and look forward to receiving your feedback on the report and its location portraits, which can also be viewed on the LEG website by going to www.leg-nrw.de.

Sincerely,

Thomas Hegel
Management Spokesman,
CEO

Eckhard Schultz
Managing Director,
CFO

Holger Hentschel
Member of Management,
HOO

The former German capital is becoming the boom town on the Rhine

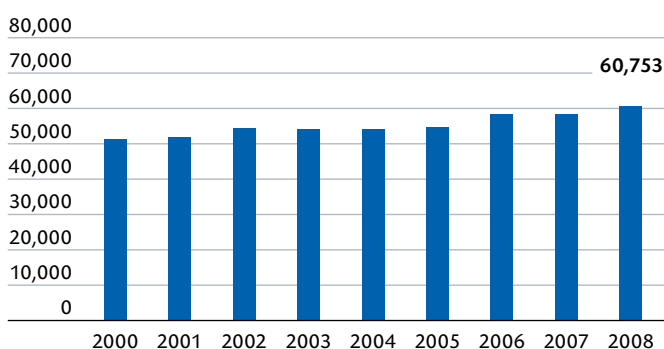
Bonn has coped well since the relocation of the German government to Berlin 12 years ago. Concerns about office vacancy rates have proved to be unfounded, while the entire capital city infrastructure continues to run at full capacity. The new federal quarter has become home to a number of international organizations, large corporations and the remaining German government

institutions. Further demand for space was generated with the opening of the "UN Campus" five years ago. With major telecommunications companies and the Caesar research center choosing to house their operations in Bonn, this has helped to further drive the city's evolution into a modern service, media and research location. Trends in the housing market in 2010 were inconsistent.

Macroeconomic data	Bonn	NRW	Germany	Year
Residents	319,841	17,872,764	81,802,256	2009
Population density (residents/km ²)	2,264	526	230	2009
Population development in %	5.8	-0.8	-0.6	2000-2009
Population forecast in %	9.2	-2.4	-3.6	2009-2025
Households	174,997	8,550,214	39,628,120	2009
Household development in %	6.1	2.8	3.7	2000-2009
Household forecast in %	6.1	1.5	1.1	2009-2020
Buying power	113.0	101.2	100.0	2011
Per capita buying power in €	22,238	19,921	19,684	2011
Workers paying social insurance contributions	145,722	5,766,861	27,380,096	2009
Development of social insurance contributions	3.8	-2.4	-1.6	2000-2009

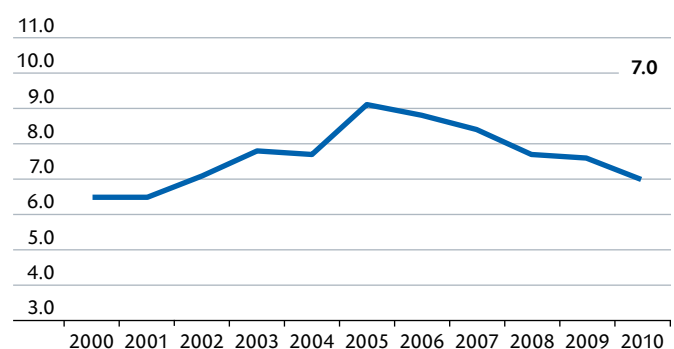
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

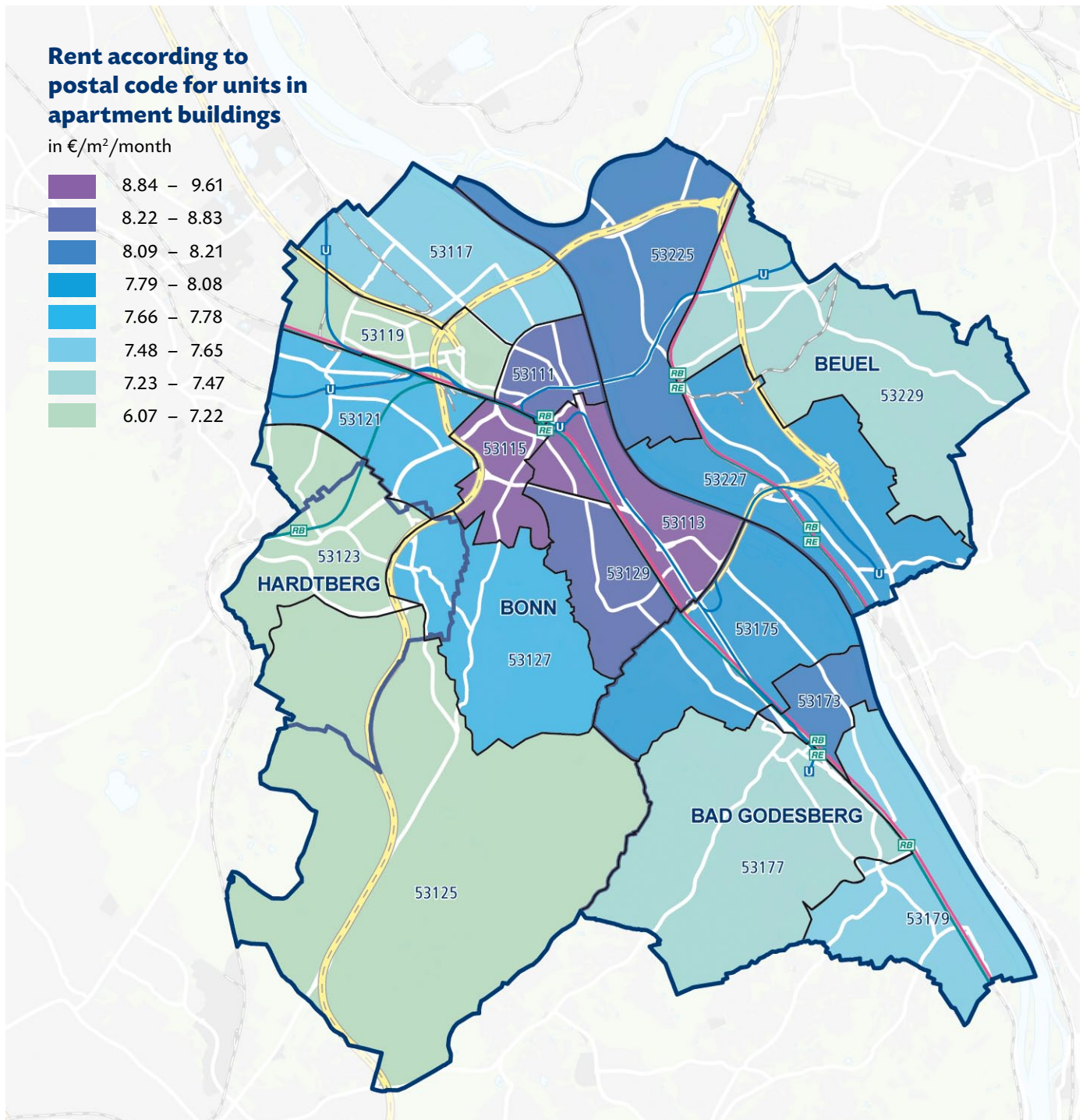


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The former capital, Bonn, is situated around 20 kilometers south of Cologne and is one of the 20 largest cities in Germany. Bonn is connected to the national road network via the A 59, A 555, A 562 and A 565 highways. The main railway station offers ICE connections, while the nearest international airport is Cologne/Bonn.

The city is one of the most economically successful locations on the Rhine. It is home to five listed companies: Deutsche Post World Net AG, Deutsche Postbank

AG, Deutsche Telekom AG, IVG Immobilien AG and SolarWorld AG. In terms of the market value of these companies, this puts Bonn in third place behind Munich and Dusseldorf. However, a number of important small and medium-sized companies are also headquartered in Bonn, including the broadcaster Deutsche Welle, the logistics specialist DHL and Haribo GmbH & Co. KG. They and their downstream service providers are helping to keep the Bonn commercial property market buoyant. Demand for space is high, with vacancy rates at a low 4.5 percent. The reten-

tion and relocation of various government authorities has also helped Bonn to maintain its status as a significant national and international administrative location. The institutions remaining in Bonn include the Federal Court of Audit, the Federal Cartel Office, the Federal Insurance Office and the United Nations. Today, however, growth is not limited to the administrative sector: research and technology, transport, communications and conference facilities are among the areas enjoying expansion. Unemployment declined from 7.6 percent in 2009 to 7 percent in 2010.

Inconsistent trends in the Bonn residential property market in 2010

Bonn has no concerns in terms of demographic development. The former federal capital is one of the regions of NRW enjoying the largest influx of new residents, with the population rising by 5.8 percent between 2000 and 2009. According to the State Statistical Office, this trend is expected to continue, with around 9.2 percent more people living in the city in 2025 than today. The number of households is forecast to rise 6.1 percent by 2020. This population growth is largely attributable to the city's positive natural birth ratio: Bonn is one of the few towns and cities in NRW to have a significant excess of births over deaths. This means that the prospects for landlords are similarly positive, with rents increasing once again in 2010. By contrast, the market for condominiums saw something of a turnaround in 2010. While purchase prices increased significantly in 2009, particularly in the luxury segment, there was a tangible slowdown on the price front in the past year – not least due to the higher number of completions. Although “only” 821 new apartments were handed over to their users in 2009, these properties mainly belonged to the upper quality segment, leading to a pronounced increase in supply in this sub-market. All in all, the number of residential units increased from 160,167 to 160,925 in 2009.

Despite the sustained high level of demand, the housing vacancy rate in Bonn increased slightly, from 1.5 percent in 2008 to 2.1 percent in 2009. Most Bonn residents – 71.9 percent in 2009 – live in apartment buildings. As the majority of residential properties are privately owned and only a few are owned by the municipal authorities, it is difficult for less well-off households to find affordable housing.

Tenants paid more in 2010, buyers substantially less

Potential tenants in Bonn had to accept higher rents in 2010, with asking rents across all market segments rising by 2.1 percent compared with 2009. This placed the former federal capital towards the top of the list of major residential markets experiencing price growth in the past year. Rents declined year-on-year in seven of the 12 major cities of North Rhine-Westphalia, while only two cities saw higher rental growth for potential tenants than Bonn: rents in the university cities of Münster and Aachen appreciated by 4.2 percent and 3.9 percent respectively over the course of the year, thereby demonstrating once more that cities with a university or other institution of higher education enjoy a more sta-

ble and economically independent demand situation and are protected from substantial price fluctuations. Low-cost and, in particular, small apartments saw the most significant price rises in 2010, with Bonn households having to pay monthly rents of €5.42 per square meter for such properties – 4.9 percent more than in the previous year. Rents for apartments in the upper market segment saw more moderate development, with monthly rents rising by “only” 2.4 percent year-on-year to €11.82 per square meter. In the middle market segment, rents in the UN city ranged from €5.94 to €10.40 per square meter per month.

The price trends at postcode level also underline the fact that there were no bargains to be had in any of Bonn's sub-markets in 2010. Only one postcode area saw asking prices for apartments fall below the magic €5 threshold: in Nordstadt and Tannenbusch (postcode 53119), monthly rents for simply appointed apartments in less good locations amounted to €4.58 per square meter. Although this may seem cheap compared with the other residential locations in the city, even Bonn's most affordable sub-market saw rental growth of €0.24 per square meter or just under 6 percent over the course of the year.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.2	1.8	2.0	2.0	1.5	2.1
Permits for new buildings	782	1,324	1,062	1,193	738	883
Finished apartments	980	651	1,037	955	972	821
Housing stock	157,010	157,581	158,547	159,332	160,167	160,925
Housing stock in apartment buildings	72.2	72.1	72.1	72.0	72.0	71.9

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

Second most expensive place to live in North Rhine-Westphalia

Prospective tenants are faced with high rents in the popular areas in the inner city and to the south of the city center in particular. In Südstadt and Gronau (postcode 53113), owners of high-quality apartments demanded monthly rent excluding heating of up to €14.62 per square meter. No other postcode area in Bonn saw higher rental prices. The second most expensive residential location in 2010 was the neighboring postcode area 53115 (Poppelsdorf, Südstadt), where tenants were required to pay €13.97 per square meter. Although residents in these two postcode areas have extremely high purchasing power, a comparatively large proportion of their monthly budget goes towards rent. The average household in postcode area 53113 has available monthly income of €3,737, with rent including heating accounting for 26.3 percent of this figure. Meanwhile, residents of the neighboring postcode area 53115 have to spend 24 percent of their average monthly income of €3,595 on rent including heating. In the postcode areas with the highest purchasing power in the city, monthly housing costs are lower at €853 (postcode 53127, Lengsdorf, Ippendorf, Venusberg) and €734 (postcode 53125, Hardthöhe, Brüser Berg, Ückesdorf, Röttgen, Duisdorf). In Lengsdorf, Ippendorf and Venusberg, rent including heating accounts for 20.1 percent of monthly household purchasing power, while the figure for postcode area 53125 (Hardthöhe, Brüser Berg, Ückesdorf, Röttgen) is just 17.9 percent.

The state-wide housing cost table shows that households in Bonn spend more than one-fifth of their monthly budget (21.8 percent) on rent. In other words, the unfavorable ratio of household purchasing power to housing costs not only affects the particularly well-off parts of the city,

but applies throughout the former capital. Among the 12 largest cities in North Rhine-Westphalia, Bonn is only outranked by Cologne and Münster in this respect. Households in Cologne spend 23.5 percent of their average monthly budget of €3,334 on rent including heating, while rents in Münster account for 21.9 percent of the average monthly budget of €3,482.

Investment market: 19.1 percent more for an apartment building

The Bonn investment market for residential property was characterized by inconsistent trends in 2010. While the previous year's growth trend for rented apartment buildings continued, purchase prices for condominiums fell. However, the city remains an attractive proposition for private buyers. Many investors chose to invest in real estate in the wake of the economic crisis in 2008. This increased demand led to a significant rise in prices for owner-occupied properties in many of the markets of North Rhine-Westphalia. This development was particularly pronounced in the Bonn investment market, which investors consider to be particularly secure on account of the city's economic prosperity and healthy population forecasts. As such, the slight downturn in purchase prices in 2010 can be seen more as a return to normality than a risk factor.

By contrast, there was no sign of normalization in the apartment building investment segment. This asset class was the surprise champion of the year in almost all of North Rhine-Westphalia's 12 major cities. Only three saw falling purchase prices for apartment buildings, while the sustained high level of demand led to further price growth in the remaining nine – and Bonn recorded the highest growth rate of all. In 2010, an apartment building in Bonn cost an average of €1,771 per square meter, up a hefty 19.1 percent on the previous year.

Asking prices for high-quality properties were 17 percent higher than in the previous year, at up to €3,050 per square meter. Only Düsseldorf (€3,790) and Münster (€3,058) saw higher prices for similar properties in 2010. Apartment buildings in the lower market segment were available for €756 per square meter, up 9.4 percent year-on-year.

Luxury properties less favored by buyers

In 2010, Bonn was one of 10 of the 12 major cities in North Rhine-Westphalia to see falling prices in the sub-market for condominiums. However, this decline was comparatively moderate at 3.3 percent across all location and quality categories. The average price for a condominium at the start of 2011 was €1,611 per square meter, placing Bonn in the upper segment of the major cities in North Rhine-Westphalia along with Düsseldorf, Cologne and Münster. One notable development was that prices for luxury apartments declined somewhat more sharply than for simple apartments, with the sellers of high-quality owner-occupied properties asking for an average of €3,134 per square meter – 1.1 percent less than one year earlier. By contrast, purchase prices for properties in the lower quality category fell by just 0.2 percent in the same period to €876 per square meter. Compared with the other 11 top locations in North Rhine-Westphalia, price-conscious buyers in Bonn were required to pay more even for properties in the lower market segment. Only Düsseldorf (€959 per square meter) and Cologne (€956 per square meter) saw higher purchase prices for simple condominiums. In the middle market segment, prices ranged from €1,045 to €2,848 per square meter. The negative price trend on the Bonn market for owner-occupied properties will continue over the coming months.

Housing market, cost, and expenditure ratio according to postal code

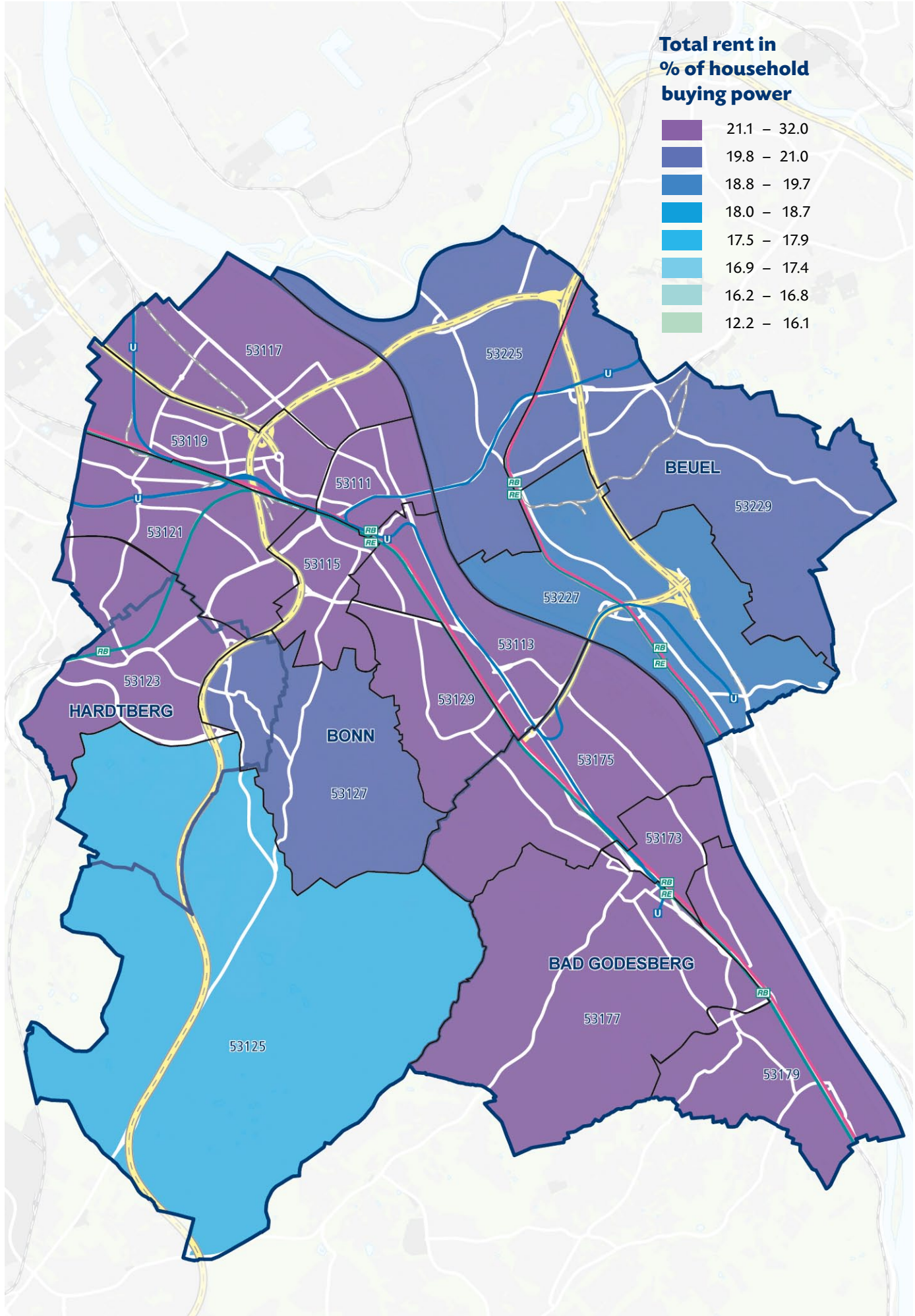
Housing data						Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m ² /month	Median basic rent in €/m ² /month	Basic rent in top market segment in €/m ² /month	Vacancy 2009 in % ¹⁾	Apartment size Ø in m ²	Basic housing cost Ø in €/month	Total housing cost ²⁾ Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
53111	647	5.65	8.83	12.33	2.3	63	559	748	3,171	17.6	23.6
53113	374	7.00	9.61	14.62	[1.6]	78	749	982	3,737	20.0	26.3
53115	489	6.12	9.26	13.97	[1.6]	70	652	864	3,595	18.1	24.0
53117	440	5.39	7.65	10.50	n/a	71	541	753	3,341	16.2	22.5
53119	720	4.58	6.07	8.95	1.0	74	447	668	3,087	14.5	21.7
53121	279	6.00	7.78	11.67	[1.0]	68	530	734	3,397	15.6	21.6
53123	557	5.28	7.22	10.65	[5.0]	75	543	769	3,295	16.5	23.3
53125	527	5.67	6.61	8.89	n/a	76	505	734	4,102	12.3	17.9
53127	385	6.08	7.68	10.74	n/a	80	613	853	4,244	14.5	20.1
53129	429	6.51	8.50	11.03	[1.1]	65	555	752	3,499	15.9	21.5
53173	387	6.23	8.18	11.50	n/a	77	628	858	3,826	16.4	22.4
53175	485	6.28	8.08	11.15	4.0	72	584	801	3,518	16.6	22.8
53177	667	6.02	7.47	11.00	2.1	78	581	814	3,849	15.1	21.2
53179	564	5.68	7.50	11.03	n/a	76	569	797	3,591	15.9	22.2
53225	687	6.03	8.21	11.76	[1.8]	64	528	721	3,445	15.3	20.9
53227	397	5.88	8.00	12.65	n/a	67	535	735	3,758	14.2	19.6
53229	498	5.16	7.27	10.30	[4.5]	73	528	746	3,730	14.2	20.0
Ø	8,532 ³⁾	5.42	7.76	11.82	2.1	72	560	776	3,564	15.7	21.8
Ø NRW	378,959 ³⁾	4.13	5.76	10.00	3.6	71	408	621	3,463	11.8	17.9

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

Source: CB Richard Ellis; based on data from: IDN Immodaten, GfK GeoMarketing (buying power data), Techem-empirica (vacancy)

Postal code allocation

53111 Central Bonn, **53113** Gronau, Südstadt, **53115** Poppelsdorf, Südstadt, **53117** Buschdorf, Auerberg, Bonn-Castell, Graurheindorf, **53119** Nordstadt, Tannenbusch, **53121** Endenich, Weststadt, Dransdorf, **53123** Lessenich, Meßdorf, **53125** Hardthöhe, Brüser Berg, Ückesdorf, Röttgen, Duisdorf, **53127** Lengsdorf, Ippendorf, Venusberg, **53129** Kessenich, Dottendorf, **53173** Godesberg-Villenviertel, **53175** Friesdorf, Plittersdorf, Hochkreuz, **53177** Bad Godesberg, Godesberg North, Schweinheim, Alt-Godesberg, Pennenfeld, Muffendorf, Heiderhof, **53179** Lannesdorf, Mehlem, Rüngsdorf, **53225** Schwarzrheindorf, Vilichrheindorf, Central Beuel, Vilich, Geisler, **53227** Ramersdorf, Limperich, Oberkassel, Beuel East, Holtorf, **53229** Vilich, Pützchen, Bechlinghoven, Küdinghoven, Hoholz, Holzlar, Vilich-Müldorf



DIRECTORY OF SOURCES

Federal Statistics Office

Federal Labour Officet

Statistical Office of North Rhine-Westphalia

Committee of Valuation Experts for Cities and Districts in NRW

IDN ImmoDaten

GfK GeoMarketing GmbH

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GLOSSARY

Scoring: Ranking of the 54 districts and cities of North Rhine-Westphalia and the 11 other most populous cities in Germany in terms of the attractiveness of their property market.

Population forecast: Forecast of the population as prepared by the German Federal Statistical Office. The model applied is based on assumptions with regard to the development of the birth rate, life expectancy and the net migration rate.

Household forecast: Forecast of the number of households as prepared by the German Federal Statistical Office. The model applied is based on the figures from the micro-census on the development of private households in the period from 1991 to 2009. The results of the 12th coordinated population projection are taken into account.

Household purchasing power: The income available to private households from employment and self-employment including transfer benefits (unemployment benefits, child allowance, family allowance, annuities, pensions, training assistance, capital gains, income from agriculture and forestry, income from letting and leasing, etc.). Source: Gesellschaft für Konsumforschung.

Purchasing power index: Per-capita purchasing power of the district or city compared with the national average (Germany = 100). Source: Gesellschaft für Konsumforschung.

Multiple: Purchase price (excluding incidental costs)/gross rental income (before deduction of non-recoverable management costs).

Median: The numerical value separating the higher half of a sample from the lower half such that 50 percent of the values in the sample are contained in the upper and lower halves respectively.

Lower market segment: The segment containing the cheapest 10 percent of the available properties in the entire sample.

Upper market segment: The segment containing the most expensive 10 percent of the available properties in the entire sample.

Entire market segment: All of the available properties recorded via IDN Immodaten in the respective period, adjusted for duplicates.

Price range in the middle market segment: The range of asking rents covered by 80 percent of the available properties recorded.

Housing cost burden: Proportion of the monthly purchasing power of a household accounted for by rent excluding and including heating. Formula: Housing costs (excluding/including heating) x 100 / monthly household purchasing power.

Vacancy rate: The ratio of the active housing stock in apartment complexes for which no rent is being paid to the total active housing stock. Empirica calculates vacancy rates based on the settlement of utility costs by Techem.

Residential construction approvals: Approved construction measures for apartments in residential and non-residential buildings, including existing measures. Source: Statistical Office of North Rhine-Westphalia.

Residential construction completions: Completed apartments in residential and non-residential buildings, including existing measures. Source: Statistical Office of North Rhine-Westphalia.

Housing stock: Total number of apartments in residential and non-residential buildings.

IDN Immodaten: Germany-wide database of properties available for rental and purchase, with around 1.8 million adverts from more than 100 sources added every month.

Housing costs (excluding heating): Average apartment size x rent excluding heating per square meter (median).

Housing costs (including heating): Average apartment size x (rent excluding heating per square meter (median) + utility costs of €3.00).

MASTHEAD

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