

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

Price explosion on Dusseldorf housing market comes to a halt

The trade fair city, the fashion city, the city of Die Toten Hosen – and now the city of Lena, too. Since hosting this year’s Eurovision Song Contest, Dusseldorf considers itself to be on an equal footing with other major European cities. The youth-oriented music event has worked wonders for the metropolis on the Rhine. In terms of the number of young people moving to the city, however, Berlin – which lost out in the race to

host the contest – remains one step ahead. Nevertheless, things are going much better for Dusseldorf than for most of its counterparts in the area, and the future looks just as bright for the debt-free city. The capital of North Rhine-Westphalia is characterized by rising employment and relatively high purchasing power. In relation to the high price level in Dusseldorf, however, affordable apartments again became more expensive in 2010.

Macroeconomic data	Dusseldorf	NRW	Germany	Year
Residents	586,217	17,872,764	81,802,256	2009
Population density (residents/km ²)	2,688	526	230	2009
Population development in %	3.0	-0.8	-0.6	2000–2009
Population forecast in %	8.8	-2.4	-3.6	2009–2025
Households	324,786	8,550,214	39,628,120	2009
Household development in %	3.4	2.8	3.7	2000–2009
Household forecast in %	2.9	1.5	1.1	2009–2020
Buying power	120.4	101.2	100.0	2011
Per capita buying power in €	23,708	19,921	19,684	2011
Workers paying social insurance contributions	348,980	5,766,861	27,380,096	2009
Development of social insurance contributions	3.0	-2.4	-1.6	2000–2009

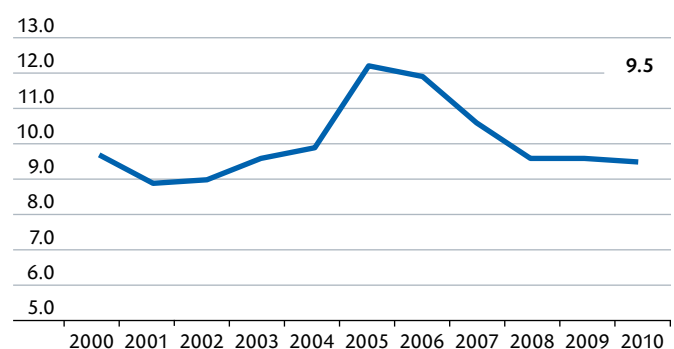
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

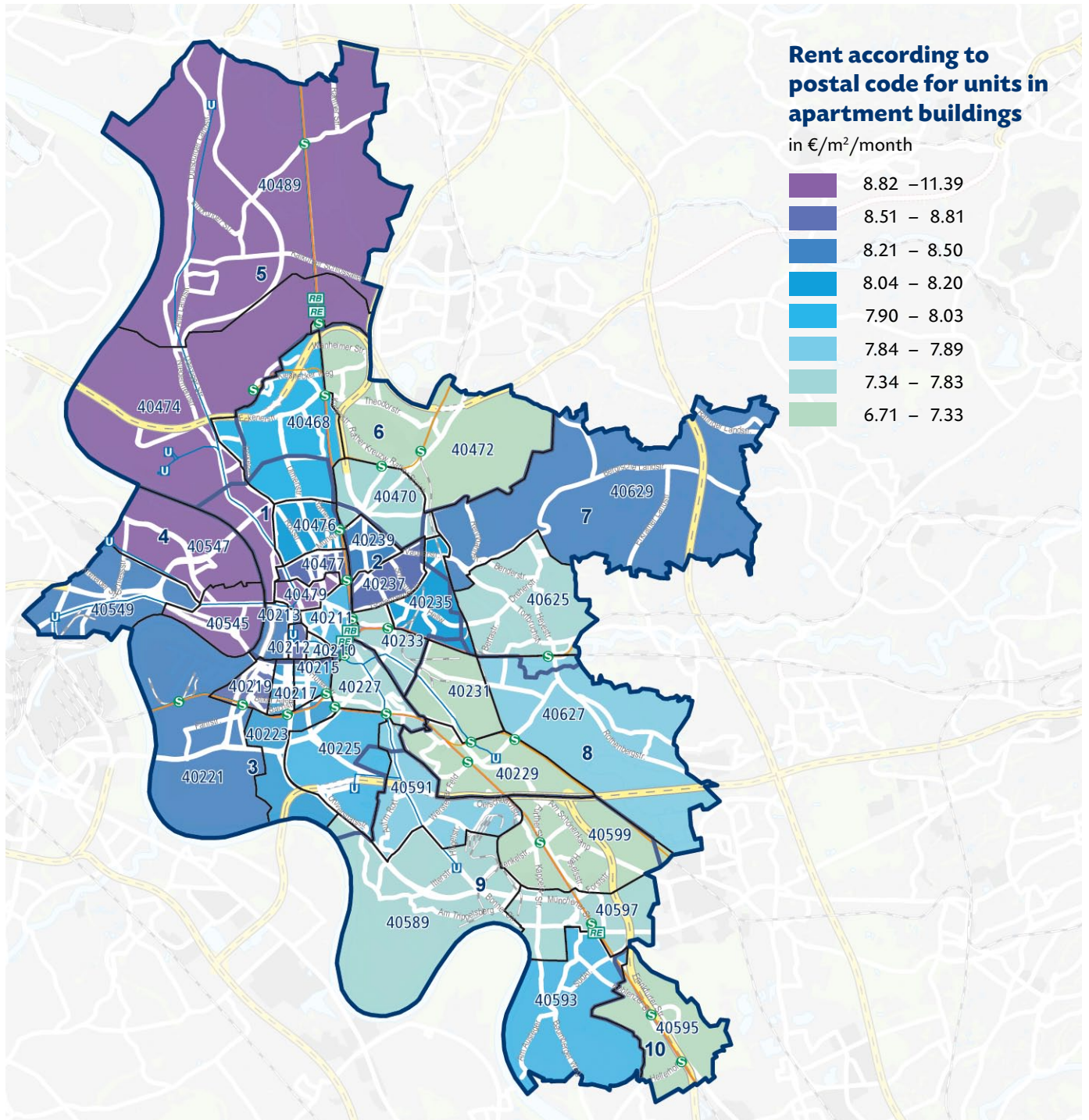


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The seven listed stock corporations domiciled in Dusseldorf have a combined market value of around €88 billion, making the metropolis on the Rhine the second largest location in this respect after Munich. A strong basis of small and medium-sized enterprises and a varied industrial structure provide support for the state capital even in times of crisis. The key industries include advertising, European intellectual property, telecommunications, fashion and consultancy. With 170 banks, Dusseldorf is also the second-largest banking and stock exchange center in Germany after Frankfurt am Main.

A number of multinational companies are based in the city, including Vodafone Ger-

Second largest location in Germany in terms of company market value

many, Metro AG, E.ON, Rheinmetall, Henkel, Degussa, West LB and HSBC. In ad-

dition, 450 Japanese companies from a wide range of sectors are situated in or around Dusseldorf. Unemployment declined slightly from 9.6 percent in 2009 to 9.5 percent in 2010. At €23,708 per capita, Dusseldorf recorded the second highest average purchasing power in 2010 after the Rheinisch-Bergischer Kreis (€33,824). Its 588,169 inhabitants enjoy accessibility provided by the five highways (A 44, A 46, A 52, A 57 und A 59) and five main roads, as well as ICE rail links. Dusseldorf International Airport – the third largest in Germany – is only 15 minutes from the center.

Increasing number of single-person households presents challenge

While the Bergisches Land cities of Remscheid, Solingen, Wuppertal and most of the cities in the Ruhr region are faced with a further population decline between now and 2025, the state capital is expected to keep gaining new inhabitants year after year. According to the State Statistical Office, the population is forecast to rise by 8.8 percent by 2025. Only Bonn will see stronger growth in the same period (+9.2 percent), while Dusseldorf's neighboring city of Cologne takes third place with forecast population growth of 8.7 percent. Taken as a whole, the three cities on the Rhine will benefit from the depopulation in the surrounding area. In the period from 2000 to 2009, population growth in Dusseldorf amounted to exactly 3 percent, while the number of households increased by 3.4 percent. The growth in approvals and completions was not enough to combat the threat of a housing shortage, particularly in the lower and middle price segment. The number of construction approvals in Dusseldorf rose from 742 units in 2008 to 1,085 in 2009, thereby returning to the levels recorded between 2004 and 2007. Although completions also increased from 688 units in 2008 to 711 in 2009, this still represents a not inconsiderable downturn compared with the figure of more than 1,000 units recorded in both 2006 and 2007.

The Dusseldorf housing market as a whole is faced with a specific set of challenges. Traditional family households – which the

city is attempting to attract through free pre-school places, among other things – are in the minority in the state capital. According to its own calculations, 49.3 percent of the 321,000 households in the city were single-person households, 31 percent were two-person households, and only 10 percent of all households were home to three or more people. This means that the average household size from a statistical perspective is 1.84 people. Within North Rhine-Westphalia, only Aachen (52.9 percent) and Cologne (51.2 percent) have a higher proportion of single-person households.

Highest price growth among affordable apartments

The massive growth in rents and purchase prices made for an exciting residential property market in Dusseldorf last year, particularly in the high-price segment. However, this trend has now come to a halt, and even well-off potential tenants and buyers appear to be taking prices into consideration to a greater extent when making their decisions. At the very least, this is underlined by the trends over recent months, with rental growth across all location and quality categories increasing by just 0.5 percent in 2010. This development is moderate compared with the growth rates in Münster (4.2 percent) or Aachen (3.9 percent). The average monthly rent in Dusseldorf is now €8 per square meter, beaten

only by Cologne with an average of €8.28. Unlike in the previous year, there was contrasting price development in the lower and upper market segments. Average monthly asking rents for simple or poorly-situated apartments amounted to €5.80 per square meter, up 11.9 percent on the previous year. No other city in North Rhine-Westphalia saw similarly strong rental growth in the low-price segment. Only the Cologne market came anywhere near, with rents for apartments in the lower market segment rising by 8.4 percent year-on-year. This price development in the lower market segment represents a substantial burden for low- and medium-income households in Dusseldorf, particularly since around 24,000 of the total housing stock of 331,350 apartments are subsidized, while the number of households entitled to subsidized housing is around 35,000.

Rents for attractive luxury properties fell sharply by 9.1 percent over the course of the year. This means that Dusseldorf finds itself in a special position this year: although rents for high-quality apartments declined significantly in 10 of the 12 major cities in North Rhine-Westphalia, the downturn in Dusseldorf was the most pronounced. Potential reasons for this development include the new construction activity focused on the high-end segment and the resulting increased supply. Despite falling prices, however, one Dusseldorf postcode area leads the way in terms of

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.7	2.7	2.5	2.4	2.4	3.0
Permits for new buildings	1,033	1,165	1,036	1,046	742	1,085
Finished apartments	1,154	784	1,068	1,272	688	711
Housing stock	321,946	322,708	323,770	325,055	325,711	326,459
Housing stock in apartment buildings	87.0	87.0	86.9	86.9	86.9	86.9

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

having the highest asking rents excluding heating in the entire state: tenants in Oberkassel and Niederkassel (postcode 40545) pay an average of €11.39 per square meter per month.

Although monthly rents are on the high side, Dusseldorf's households are not required to spend the largest share of their monthly budget on rent including heating: 21 percent of their average household purchasing power of €3,648 per month goes towards rent. By contrast, households in the neighboring city of Cologne spend 23.5 percent of their average household income of €3,334, while the figures for Bonn are 21.8 percent and €3,564. As in the previous year, however, the statistics for the individual areas of Dusseldorf show that there is a considerable geographical discrepancy in terms of the housing cost burden. As a rule of thumb, high rents and housing costs are generally found in the north and north-west of the city, while low rents and housing costs are found in the south and south-east. The highest monthly rents – €11.39 per square meter excluding heating, €18 including heating – are still found in the prestigious neighborhoods of Niederkassel and Oberkassel (postcode 40545). Rent including heating in these two sub-markets on the left bank of the Rhine account for 26.4 percent of monthly household purchasing power (€4,451). By contrast, the most favorable ratio of purchasing power to housing costs is found in postcode area 40212 (Stadtmitte), where the highest available

household income in the city and, indeed, the entire state – €6,428 per month – is accompanied by average monthly housing costs of just €656 excluding heating and €886 including heating. This means that the residents of this postcode area spend a mere 10.2 percent of their monthly budget on rent excluding heating and 13.8 percent on rent including heating. Residents of Dusseldorf with low household income

High housing costs in the north

in particular are required to spend a relatively large proportion of their budget on housing costs. For example, tenants in Oberbilk (postcode area 40227) have an average monthly budget of €3,112 at their disposal – lower than any other postcode area in the city. With monthly rents including heating amounting to €638, this means that housing costs account for 20.5 percent of available household income.

Investment market: Prices for luxury properties on the slide

Prices for condominiums are seeing a downward trend. Although asking prices for high-quality apartments in top locations remain higher than in any other city in

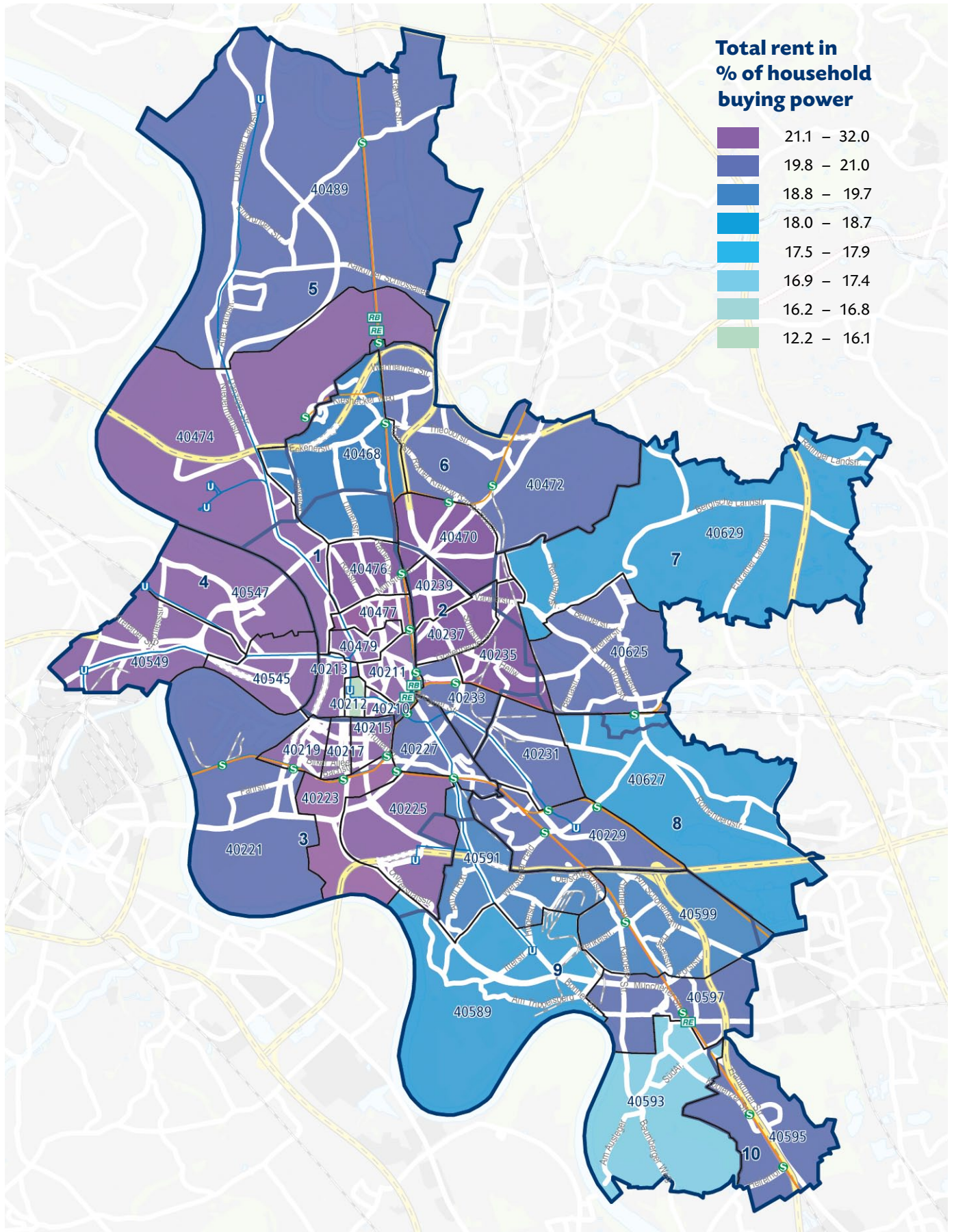
NRW at €3,525 per square meter, this figure is 5.5 percent lower than in the previous year. Only three other major cities experienced a more dramatic fall in purchase prices in the upper market segment: Bochum (-7.6 percent), Wuppertal (-6.6 percent) and Aachen (-6.2 percent). However, this development should be seen in the context of the way the market performed in the previous year: luxury apartments appreciated by 30 percent between 2008 and 2009, meaning that the current downturn can be seen as a first sign of normalization. The fact that condominiums in Dusseldorf remained attractive for investors and users alike in 2010 is demonstrated not least by the positive development of the lower price segment. The average purchase price for a basic apartment in a simple location was €959 per square meter, 3.6 percent more than in the previous year. Only five of the 12 major cities saw price growth in the lower market segment in the past year, and the only city to see a sharper increase than Dusseldorf was Aachen (+8.5 percent).

The Dusseldorf market for apartment buildings continued the positive trend recorded in the previous year, with purchase prices across all location and quality classes rising by 7.7 percent during the period under review. However, prices for properties in the lower and upper market segments, each of which accounts for 10 percent of the market, declined by 23.2 percent and 8.7 percent respectively compared with the previous 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 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
40210	808	4.88	7.85	12.50	4.3	68	532	735	3,262	16.3	22.5
40211	791	6.00	8.00	12.67	3.3	69	553	760	3,270	16.9	23.3
40212	112	5.46	8.56	14.95	[3.5]	77	656	886	6,428	10.2	13.8
40213	572	4.86	8.24	15.25	4.2	75	618	843	3,891	15.9	21.7
40215	942	6.22	7.90	11.42	3.4	63	501	691	3,170	15.8	21.8
40217	539	6.47	8.13	12.97	3.4	69	560	766	3,237	17.3	23.7
40219	564	5.26	8.61	13.06	3.0	62	535	722	3,236	16.5	22.3
40221	479	5.06	8.50	12.02	1.9	67	571	773	3,893	14.7	19.8
40223	856	5.70	8.04	11.03	1.9	65	524	720	3,244	16.2	22.2
40225	467	6.25	8.00	12.05	3.1	67	534	734	3,326	16.0	22.1
40227	1,245	6.04	7.37	10.69	3.6	62	454	638	3,112	14.6	20.5
40229	668	5.69	7.27	9.75	3.6	65	472	667	3,321	14.2	20.1
40231	498	5.63	7.30	10.00	3.4	64	468	660	3,190	14.7	20.7
40233	804	6.06	7.51	11.25	3.6	62	467	653	3,134	14.9	20.8
40235	788	6.00	8.19	11.48	2.0	70	577	788	3,465	16.6	22.7
40237	901	6.67	8.75	13.71	3.2	77	670	900	3,683	18.2	24.4
40239	770	6.32	8.27	13.75	3.1	73	608	829	3,494	17.4	23.7
40468	734	6.14	8.03	12.16	3.2	64	513	705	3,653	14.1	19.3
40470	632	5.31	7.83	11.06	2.4	70	546	755	3,483	15.7	21.7
40472	925	5.80	7.21	11.00	3.2	70	501	710	3,564	14.1	19.9
40474	500	5.75	9.01	15.26	3.8	85	768	1,023	4,820	15.9	21.2
40476	1,179	6.13	8.16	12.43	3.9	70	570	779	3,207	17.8	24.3
40477	872	6.57	8.67	13.33	3.5	65	565	761	3,350	16.9	22.7
40479	597	6.42	8.86	13.63	2.9	71	632	845	3,495	18.1	24.2
40489	773	5.88	9.43	13.73	1.9	87	821	1,082	5,217	15.7	20.7
40545	690	7.91	11.39	18.00	2.5	82	931	1,176	4,451	20.9	26.4
40547	558	6.75	9.88	14.84	2.1	74	733	956	4,308	17.0	22.2
40549	502	5.98	8.30	13.67	4.7	70	583	794	3,587	16.3	22.1
40589	620	5.82	7.55	10.56	3.1	64	482	674	3,665	13.2	18.4
40591	544	5.63	7.89	11.29	1.7	62	493	680	3,563	13.8	19.1
40593	305	5.55	7.91	10.66	2.9	71	562	775	4,450	12.6	17.4
40595	328	4.94	6.71	8.86	[5.9]	71	475	687	3,466	13.7	19.8
40597	621	6.25	7.83	10.98	3.1	69	542	749	3,723	14.5	20.1
40599	580	5.36	7.00	9.46	2.5	64	449	641	3,308	13.6	19.4
40625	839	5.94	7.76	10.75	2.2	72	560	776	3,706	15.1	20.9
40627	606	6.10	7.87	10.26	2.8	74	585	808	4,355	13.4	18.5
40629	547	5.93	8.21	11.60	[1.5]	78	641	876	4,712	13.6	18.6
Ø	25,714 ³⁾	5.80	8.00	12.92	3.0	70	557	766	3,648	15.3	21.0
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

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

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

http://www.boris.nrw.de/borisplus//data/GMB/GMB_111_2011_frei.pdf

http://www.kreis-dueren.de/aktuelles/presse/presse_kat.php?pm=/aktuelles/presse/wirtschaft/155010100000029321.php

<http://www.kreis-coesfeld.de/fileadmin/ZfA/downloads/zfa-bericht-2011-05.pdf>

<http://www.hohenbuschei.de/>

<http://www.it.nrw.de/>

<http://www.duesseldorf.de/statistik/stadtforschung/sachthemen/bevoelkerung.shtml>

Annual Statistics for City of Münster, 2009, http://www.muenster.de/stadt/stadtplanung/pdf/Jahres-Statistik_2009.pdf

Annual Statistics for City of Münster, 2010, http://www.muenster.de/stadt/stadtplanung/pdf/Jahres-Statistik_2010_Bevoelkerung.pdf

http://www.oberbergischer-kreis.de/imperia/md/content/cms200/demographie/zahlen_daten_fakten_2010_2.pdf

<http://www.wirtschaftsstandort-oberberg.de>

http://www.muelheim-business.de/cms/softwaregames_bildet_den_leuchtturm_der_kreativwirtschaft_in_muelheim1.html

http://www.kreis-lippe.de/Konzern_Kreis_Lippe/Fachbereich_Vermessung_Kataster/Fachgebiet53/Documents/Flyer_2011.pdf

http://www.kreis-olpe.de/standard/page.sys/details/eintrag_id=1807/content_id=1147/156.htm

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

Publisher:

LEG Management GmbH
Roßstraße 120
40476 Düsseldorf
Tel. +49 211 4568-329
Fax +49 211 4568-300
jens.schoenhorst@leg-nrw.de
www.leg-nrw.de (also for partial downloads of the LEG Housing Market Report NRW)

Editorial:

Jens Schönhorst (responsible under German press law),
Miriam Beul-Ramacher

Market data:

Dr. Henrik Baumunk, Michael Schlatterer MRICS, Kristina Kröger
(Residential Valuation, CB Richard Ellis GmbH)

Graphics/Layout:

Storkan Informationsdesign
Cover design: Gornig Design

Housing cost maps:

Baumgardt Consultants, Gesellschaft für Marketing und Kommunikation bR

Photos:

Cover: Max Hampel, Düsseldorf (Montage: Gornig Design);
p. 1: Ansgar M. van Treeck, Düsseldorf

Concept and project management:

Katja Binnyus, Thomas Rücker (RUECKERCONSULT GmbH)

DISCLAIMER 2011 LEG/CB Richard Ellis

Information herein has been obtained from sources which are accessible to the public, (or, in certain cases, in exchange for a fee) and believed reliable. While we do not doubt its accuracy, we have not verified each piece of information and cannot make any guarantees about it, barring willful intent and gross negligence. It is your responsibility to independently confirm its accuracy and completeness.

The information contained in this market report may not be used, reproduced or published without prior written permission of LEG and CB Richard Ellis.