

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 cathedral city continues to attract new residents

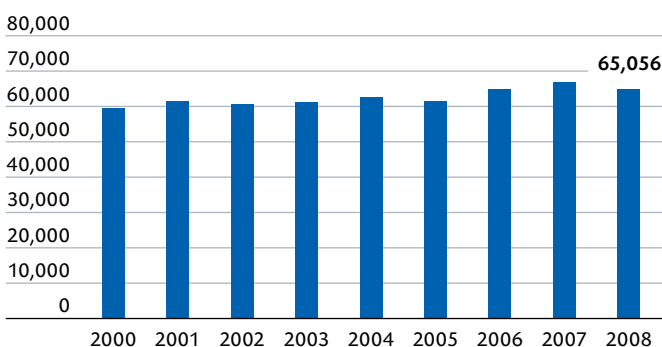
Cologne was particularly hard hit by the Second World War, with around 70 percent of its housing stock destroyed. Urban planning errors in the post-war years mean that extensive parts of the city known in Roman times as Colonia Agrippina remain rather unattractive: Neumarkt, Ebertplatz and Barbarossaplatz are just some examples of neighborhoods with little in the way of impressive construction. The new master plan for

the renovation of the inner city is intended to improve this situation, and the first design competitions are now in progress for the 20 individual projects making up the overall development strategy. Despite its limited attractiveness in terms of urban planning, Cologne is one of the most popular residential locations in North Rhine-Westphalia and has recorded a migration surplus over recent years.

Macroeconomic data	Cologne	NRW	Germany	Year
Residents	998,105	17,872,764	81,802,256	2009
Population density (residents/km ²)	2,469	526	230	2009
Population development in %	3.7	-0.8	-0.6	2000-2009
Population forecast in %	8.7	-2.4	-3.6	2009-2025
Households	535,169	8,550,214	39,628,120	2009
Household development in %	4.7	2.8	3.7	2000-2009
Household forecast in %	4.7	1.5	1.1	2009-2020
Buying power	110.7	101.2	100.0	2011
Per capita buying power in €	21,788	19,921	19,684	2011
Workers paying social insurance contributions	457,872	5,766,861	27,380,096	2009
Development of social insurance contributions	0.5	-2.4	-1.6	2000-2009

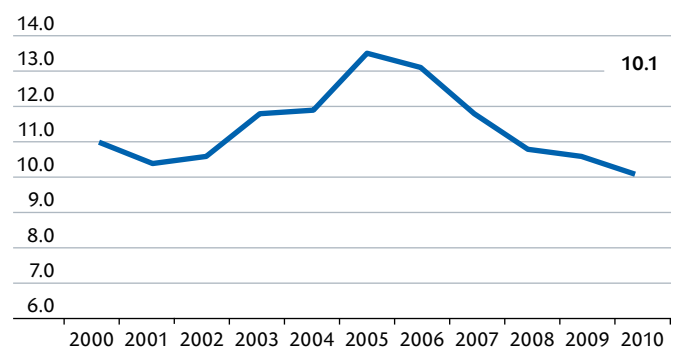
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

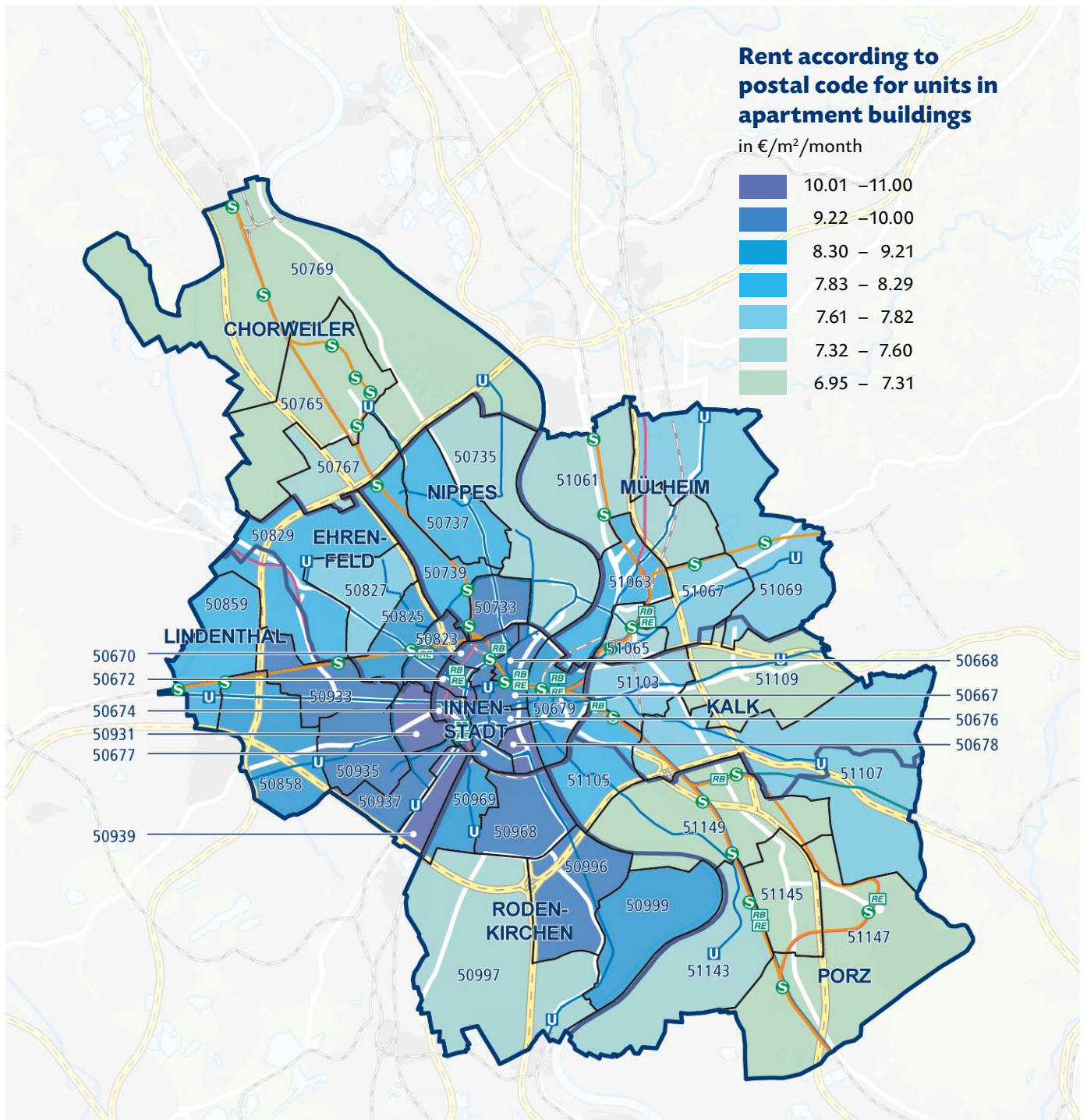


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

With almost 1 million inhabitants, Cologne is the most populous city in North Rhine-Westphalia and the fourth most populous in Germany after Berlin (3.4 million), Hamburg (1.8 million) and Munich (1.3 million). Cologne/Bonn Airport, extensive ICE connections and direct access to several motorways mean that Cologne enjoys excellent transport links.

The cathedral city's economy benefits from a healthy mix of industries. With WDR, RTL, Deutschlandradio, various publication houses, music labels and a

large number of small and medium-sized suppliers and ancillary businesses, the media and creative economy in particular has

Media and creative economy on the rise

developed into an outstanding industrial cluster. Insurance is also an important employer in Cologne, with companies includ-

ing AXA, DEVK, Generali, Gothaer and HDI-Gerling employing around 23,000 people.

Meanwhile, industry and manufacturing remains a key pillar of the local economy, employing around 82,000 people – more than a quarter of them in the vehicle construction sector. With more than 44,000 students registered at Cologne University and around 16,500 at the University of Applied Sciences, the city is also one of the biggest locations for higher education in Germany.

Largest market in the entire state for tenants and buyers

Cologne is the largest city in North Rhine-Westphalia and has comfortably the largest range of properties for rental and purchase by private users. Around 31,000 apartments were advertised for rent in the period from April 2010 to March 2011, compared with around 26,000 in the neighboring state capital of Dusseldorf. The difference between Cologne and the other cities in the state is even more pronounced when it comes to the sub-market for owner-occupied properties: owners advertised more than 10,000 apartments for sale in 2010, compared with around 6,300 in Dusseldorf.

However, the extensive nature of the local market cannot hide the fact that accommodation in Cologne is already hard to come by, and the number of construction approvals is continuing to decline. Although the city has announced its intention to construct 1,000 new units of subsidized housing every year, an average of just 680 such apartments came onto the market every year between 2000 and 2008. The total number of approvals fell significantly from 2,974 units in 2008 to 1,901 units in 2009, while the number of completions is little more than a drop in the ocean: a total of 3,250 apartments were handed over to their users in 2008, and the figure for 2009 was even lower at 2,809. This comparative lack of new development is accompanied by a continuous rise in the number of peo-

ple looking for accommodation. Cologne is one of the winners in terms of population growth in North Rhine-Westphalia. The number of people with their primary residence in Cologne increased by 3.7 percent between 2000 and 2009 alone, while the number of households – which is more relevant in terms of housing demand – rose by 4.7 percent in the same period. The cathedral city will remain attractive for job-seekers, trainees and students in future. According to the Statistical Office of North Rhine-Westphalia, the population is expected to grow by a further 8.7 percent by 2025, while the number of households in 2020 will be 4.7 percent higher than the current level.

Cologne ahead of Dusseldorf in terms of average rents

Rental price development in Cologne reflects the mismatch between supply and demand on the housing market. Monthly rents across all location and quality classes increased by a further 2.1 percent between 2009 and 2010, a similar development to the neighboring city of Bonn. Only Aachen (+3.9 percent) and Münster (+4.2 percent)

saw higher rental growth than Cologne and Bonn. However, the current trend on the Cologne housing market is characterized by the fact that apartments in the lower market segment in particular have become more expensive over the past 12 months. At 8.4 percent, this segment saw the largest price rises, meaning that an apartment now costs an average of €5.61 per square meter per month – a figure that is beaten only by Dusseldorf, where monthly rents for corresponding properties amount to €5.80.

In contrast to price development in the lower market segment, there was a tangible improvement in the situation for better-off tenants in 2010, with asking prices per square meter falling by 0.9 percent compared with 2009. This helped to put the high price rises in the previous year into perspective: in 2009, rents for luxury apartments in Cologne increased by 9.9 percent year-on-year. As in many other cities in North Rhine-Westphalia, this means that tenants in this segment benefited from the normalization of prices. Despite stagnation in terms of rental growth in the luxury segment, Cologne is this year's leader among the cities of North Rhine-Westphalia when it comes to average rents. The average monthly rent for an apartment in the cathedral city amounted to €8.28 per square meter, €0.17 more than in 2009. By contrast, asking rents in the supposed luxury market of

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	1.7	1.5	1.5	1.7	1.4	2.2
Permits for new buildings	2,694	2,802	3,523	3,690	2,974	1,901
Finished apartments	3,143	2,284	2,973	2,467	3,250	2,809
Housing stock	513,281	515,186	517,548	519,589	522,001	524,301
Housing stock in apartment buildings	81.9	81.9	81.9	81.8	81.7	81.7

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

Dusseldorf only amounted to €8.00 per square meter.

Households in Cologne have the highest housing cost burden of all cities and districts in North Rhine-Westphalia, with rent including heating accounting for 23.5 percent of the average monthly household purchasing power of €21,788. The slight downturn in unemployment in Cologne has done little to change this situation: in 2010, 10.1 percent of Cologne residents were unemployed, 0.5 percent less than in the previous year. This means that the comparatively high rents and housing costs in Cologne are accompanied by a rather average level of prosperity. This is underlined by the data for postcode area 50678, Altstadt-South, where asking rents excluding heating for apartments in the upper market segment are €18.60 per square meter and average monthly housing costs including heating amount to €954. With average purchasing power of €2,983, this means that residents in this popular part of town spend 32 percent of their household purchasing power on rent including heating. There is a similarly unfavorable relationship between wealth and housing costs slightly to the north within Altstadt-South, in postcode area 50676, where tenants spend 29.5 percent of their monthly budget (€839 of €2,848) on housing costs. By contrast, housing costs account for a significantly lower proportion of monthly household

purchasing power in areas to the south of the inner-city ring road in particular. This primarily relates to the six of Cologne's 45 postcode areas with average monthly household purchasing power in excess of €4,000. For example, households in Rodenkirchen and Hahnwald (postcode 50996) spend 21.2 percent of their monthly budget of €4,399 on rent including heating, while the figure for Hürth and Weiss (postcode 50999) is 21 percent, or €894 of total household purchasing power of €4,264.

Price growth for condominiums draws to a halt

According to IDN Immodatenbank, more than 10,000 owner-occupied properties were available for sale in 2010 – more than in any other housing market in North Rhine-Westphalia. However, price development in the largest market in the state was far from uniform. While purchase prices for apartments in the simple segment remained essentially unchanged year-on-year, rising by just 0.3 percent, asking prices in the luxury segment climbed by 5.2 percent. Only Bielefeld (+7.5 percent) and Gelsenkirchen (+5.6 percent) saw more pronounced price growth in the upper market segment. However, this development must be seen in the context of the extremely high growth rate in the previous year: between 2008 and 2009, purchase prices for

high-quality condominiums in Cologne increased by 15.5 percent. The more muted upward trend over the past year suggests that the market has absorbed the threat of a price bubble. At the start of this year, a high-quality property cost an average of €3,420 per square meter – €105 less than a comparable property in Dusseldorf. In the middle market segment, prices ranged from €1,118 to €2,935 per square meter. The average price declined by 3.2 percent year-on-year to €1,825 per square meter, and a further downward price trend for owner-occupied properties is expected in future.

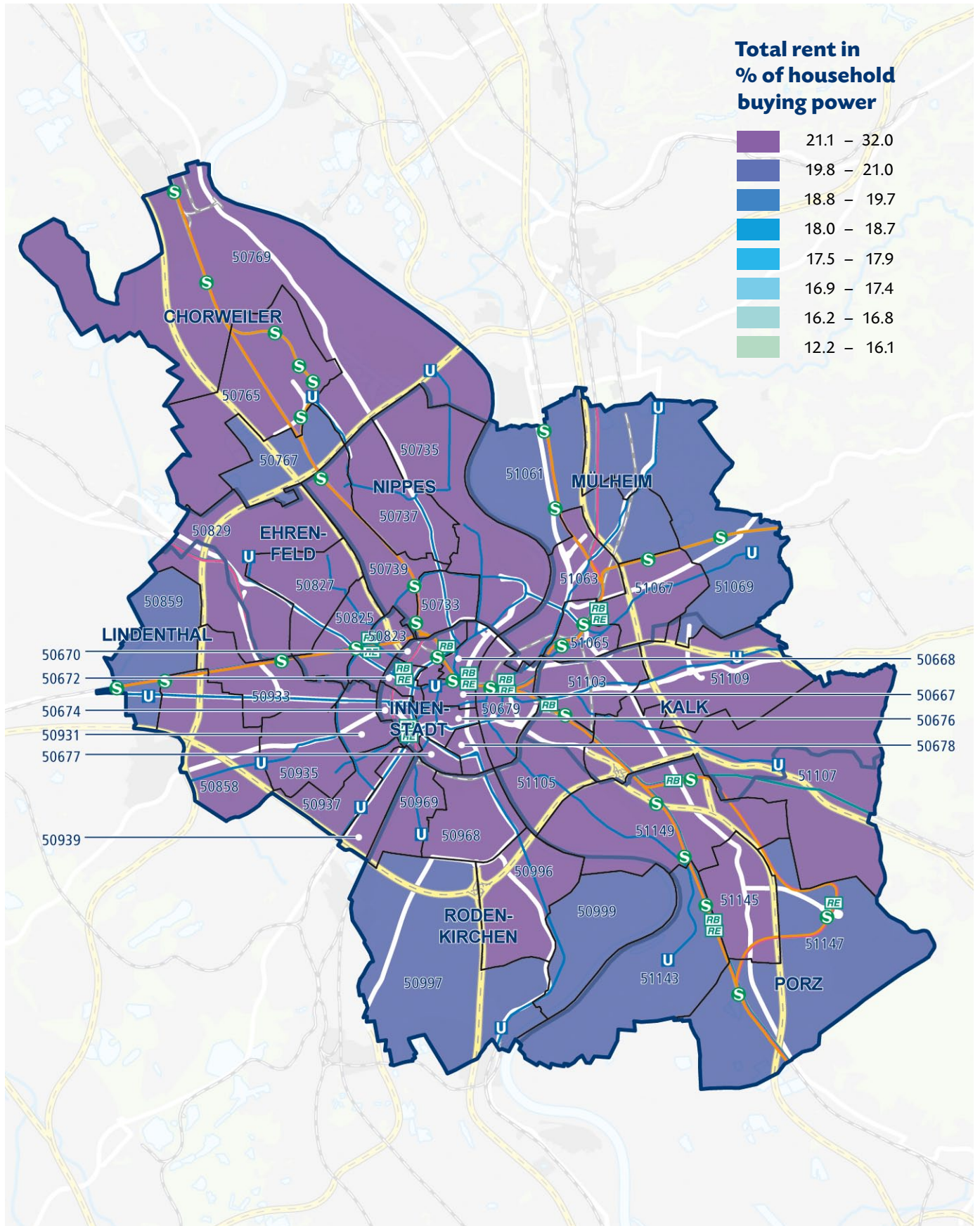
With 402 properties advertised, the availability of apartment buildings in Cologne was extremely modest in 2010 compared with the size of the market, and there were positive trends in terms of price development. Average properties in simple locations were available from €525 per square meter, 7.8 percent more than in 2009. In the same way as for condominiums in the upper market segment, high-quality apartment buildings saw price appreciation, with the average price increasing by 2.6 percent year-on-year to €2,833 per square meter as of year-end 2010. Across all location and quality classes, apartment buildings in Cologne now cost an average of €1,434 per square meter – 5.8 percent more than in the same period of the previous year.

Cologne

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
50667	387	5.10	10.00	15.00	[2.1]	71	708	920	3,734	19.0	24.7
50668	431	7.63	10.00	17.35	[0.6]	66	659	857	3,164	20.8	27.1
50670	622	7.14	10.00	13.64	2.3	67	673	875	3,009	22.4	29.1
50672	445	5.00	11.00	17.66	[1.8]	68	747	951	3,320	22.5	28.6
50674	659	7.74	10.15	14.33	1.6	61	620	804	3,008	20.6	26.7
50676	755	6.51	10.00	14.26	[2.2]	65	645	839	2,848	22.7	29.5
50677	351	7.05	10.00	13.79	[1.0]	64	644	837	3,030	21.3	27.6
50678	592	5.99	10.28	18.60	[1.5]	72	739	954	2,983	24.8	32.0
50679	443	6.77	9.18	11.73	n/a	69	633	840	3,017	21.0	27.8
50733	856	6.97	9.23	12.35	4.0	67	616	816	2,964	20.8	27.5
50735	1,513	4.55	7.60	11.00	[3.2]	74	563	785	3,069	18.3	25.6
50737	415	6.00	8.06	10.56	[1.6]	69	555	762	3,123	17.8	24.4
50739	581	6.00	7.98	12.00	1.9	67	534	735	3,085	17.3	23.8
50765	552	4.78	6.95	9.95	0.7	75	520	745	3,442	15.1	21.6
50767	305	4.76	7.37	10.38	[0.9]	73	536	754	3,790	14.1	19.9
50769	698	5.19	7.27	9.71	2.0	75	549	776	3,442	15.9	22.5
50823	780	6.77	9.67	13.28	[1.0]	62	600	786	2,917	20.6	26.9
50825	548	6.51	9.04	13.45	[2.5]	63	564	752	2,980	18.9	25.2
50827	435	5.82	7.75	11.70	[2.2]	65	502	696	3,083	16.3	22.6
50829	312	5.39	8.00	11.67	[2.4]	69	556	764	3,482	16.0	21.9
50858	967	6.28	8.87	12.42	[0.7]	76	671	898	4,137	16.2	21.7
50859	658	5.94	8.29	10.93	[1.9]	76	631	859	4,155	15.2	20.7
50931	467	7.58	10.14	14.39	[1.5]	67	677	878	3,435	19.7	25.6
50933	773	6.78	9.71	15.19	[2.4]	76	735	963	4,152	17.7	23.2
50935	465	7.36	10.00	13.42	[3.7]	73	727	945	4,194	17.3	22.5
50937	676	7.43	10.00	12.42	[1.6]	64	642	835	3,170	20.3	26.3
50939	392	7.46	10.04	12.86	n/a	61	615	799	3,385	18.2	23.6
50968	923	6.91	9.24	12.00	6.5	74	686	909	3,822	18.0	23.8
50969	407	6.49	8.93	12.00	1.7	62	550	735	2,930	18.8	25.1
50996	720	6.16	9.27	15.00	n/a	76	706	935	4,399	16.1	21.2
50997	476	5.18	7.50	10.89	n/a	71	533	746	3,692	14.4	20.2
50999	634	5.70	8.63	11.15	n/a	77	664	894	4,264	15.6	21.0
51061	565	5.54	7.35	10.37	1.2	69	507	714	3,413	14.9	20.9
51063	997	5.71	7.89	12.08	[1.3]	64	503	694	2,910	17.3	23.9
51065	713	5.93	7.49	10.00	[2.1]	66	494	692	2,949	16.8	23.5
51067	915	5.51	7.71	10.50	[1.0]	68	526	730	3,188	16.5	22.9
51069	1,000	5.87	7.73	10.23	2.2	71	550	764	3,641	15.1	21.0
51103	1,177	5.55	7.65	10.81	2.3	60	460	641	2,927	15.7	21.9
51105	746	6.00	7.90	11.05	1.5	62	494	681	2,992	16.5	22.8
51107	754	5.90	7.76	10.53	[3.8]	73	563	781	3,577	15.7	21.8
51109	734	5.15	7.24	9.82	n/a	73	530	750	3,496	15.2	21.5
51143	725	5.96	7.50	10.00	n/a	72	536	751	3,582	15.0	21.0
51145	1,002	5.58	7.12	9.28	[2.3]	73	517	735	3,230	16.0	22.7
51147	945	5.88	7.00	9.70	[3.8]	71	497	710	3,499	14.2	20.3
51149	682	5.34	7.07	10.00	2.1	71	502	716	3,372	14.9	21.2
Ø	31,013 ³⁾	5.61	8.28	12.65	2.2	69	575	783	3,334	17.2	23.5
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

50667 Altstadt North, **50668** Altstadt North, **50670** Altstadt North, **50672** Altstadt North, **50674** Altstadt South, **50676** Altstadt South, **50677** Altstadt South, **50678** Altstadt South, **50679** Altstadt South, **50733** Nippes, **50735** Niehl, Riehl, **50737** Longerich, Weidenpesch, **50739** Bilderstöckchen, **50765** Chorweiler, Auweiler, Esch, **50767** Heimersdorf, Lindweiler, Pesch, **50769** Roggendorf, Worringen, Merkenich, **50823** Neu-Ehrenfeld, **50825** Ehrenfeld, **50827** Ossendorf, Bickendorf, **50829** Vogelsang, Mengenich, **50858** Junkersdorf, **50859** Lövenich, Weiden, **50931** Lindenthal, **50933** Müngersdorf, Braunsfeld, **50935** Lindenthal, **50937** Sülz, **50939** Kettenberg, **50968** Bayental, Marienburg, Raderberg, **50969** Zollstock, **50996** Rodenkirchen, Hahnwald, **50997** Meschenich, Rondorf, Immendorf, **50999** Hürth, Weiss, **51061** Stammheim, Flittard, Höhenhaus, **51063** Böcking-Park, **51065** Buchheim, **51067** Holweide, **51069** Dellbrück, **51103** Kalk, Höhenberg, **51105** Humboldt-Gremberg, **51107** Ostheim, Rath, Heumar, **51109** Merheim, Brück, **51143** Zündorf, Langel, Porz, **51145** Porz, Urbach, Elsdorf, **51147** Flughafen, Wahnheide, Gregel, Wahnwind, **51149** Gremberg-Hoven, Westhoven

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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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

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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

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