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LEG Housing Market Report NRW 2011

With HousingCostAtlas

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

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.

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

Aachen

Score 29 of max. 48

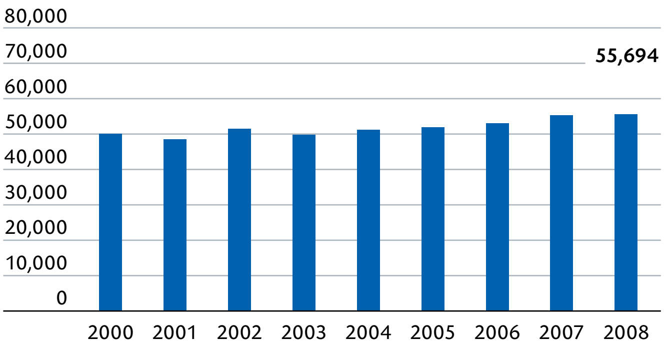
High demand keeps Aachen housing market buoyant

Aachen has approximately 260,000 inhabitants, including almost 40,000 students attending its four universities. The former imperial city is one of the youngest and most dynamic residential locations in North Rhine-Westphalia. And the cathedral city has no need to worry about its number of residents in the future either. Its population is expected to grow by 2.5 percent between now and 2025. Market researchers have long been forecasting significant growth prospects for the housing market in the region where Germany borders on the Netherlands and Belgium. Increases in value that can no longer be achieved in other locations are still possible today in Aachen. The price increases in the sub-market of apartment buildings speak for themselves.

Macroeconomic data	Aachen	NRW	Germany	Year
Residents	258,380	17,872,764	81,802,256	2009
Population density (residents/km²)	1,585	526	230	2009
Population development in %	5.7	–0.8	–0.6	2000–2009
Population forecast in %	2.5	–2.4	–3.6	2009–2025
Households	146,583	8,550,214	39,628,120	2009
Household development in %	4.2	2.8	3.7	2000–2009
Household forecast in %	5.1	1.5	1.1	2009–2020
Buying power	94.6	101.2	100.0	2011
Per capita buying power in €	18,630	19,921	19,684	2011
Workers paying social insurance contributions	112,543	5,766,861	27,380,096	2009
Development of social insurance contributions	–2.2	–2.4	–1.6	2000–2009

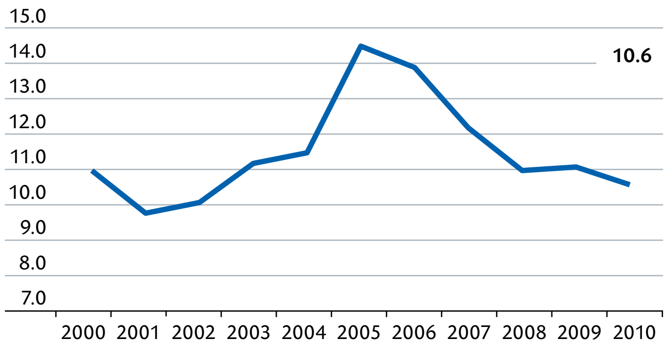
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

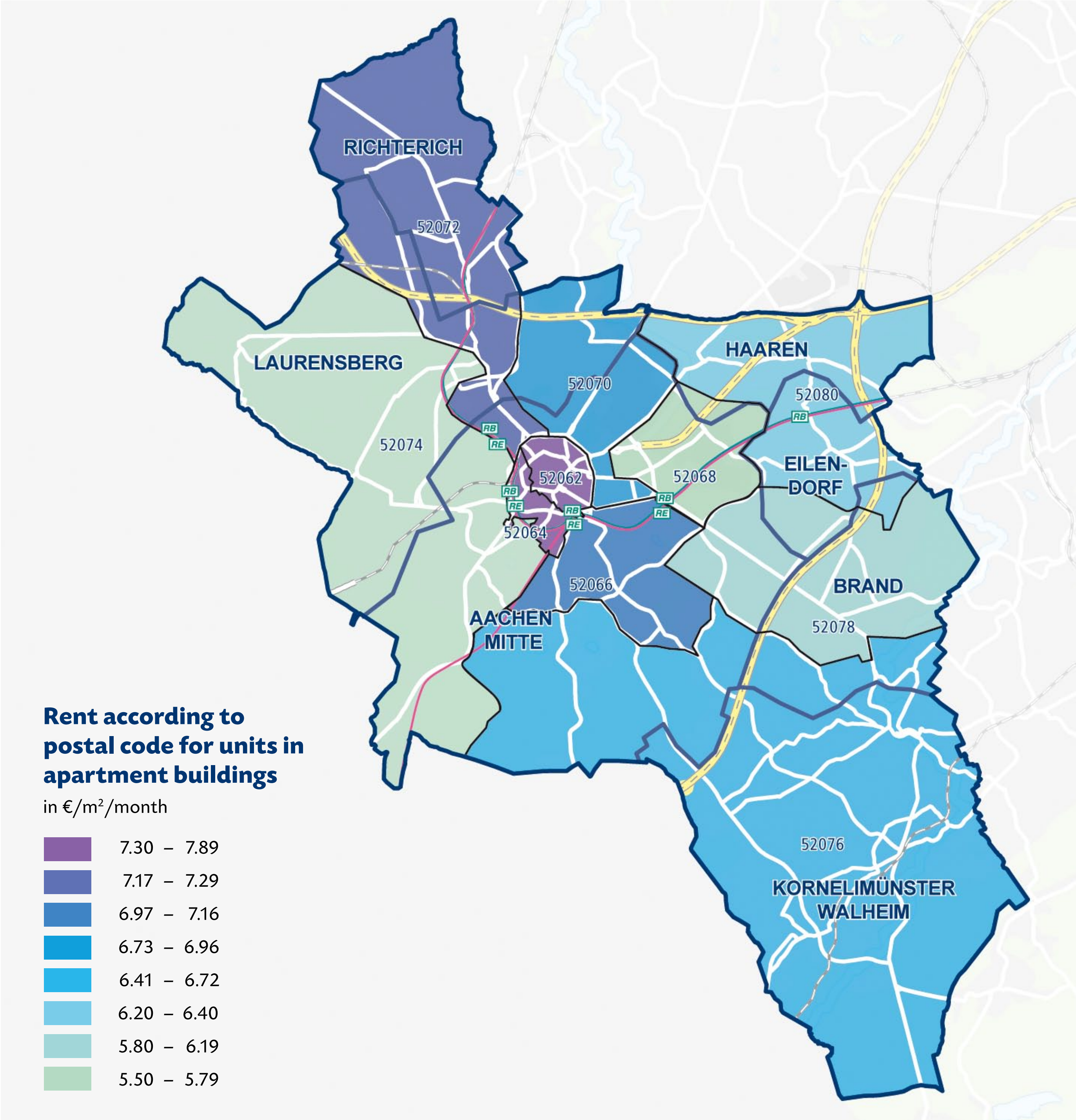


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Aachen, Germany's westernmost city, is located on the border with the Netherlands and Belgium (Meuse-Rhine Euroregion) on the northern edge of the Eifel mountain range and the Rhenish Massif. With 258,380 inhabitants, Aachen is one of the 15 biggest cities in North Rhine-Westphalia. The local economic structure benefits from the diverse university environment with close to 40,000 students. One outstanding institution here is RWTH Aachen University, which is globally renowned as an excellent training center for engineers and received the highest amount of public and private grants out of all German universities in 2008 at €193 million. The city intends to further expand the important area of research. The foundation for the RWTH Campus was laid last year. Here, Europe's largest campus is to be built in the coming years on the university's expansion site in the Melaten and Westbahnhof district. The area measuring nearly 55 hectares in the north-western part of the city will create space for 150 companies and roughly 10,000 jobs. The planned area with an investment volume of €2 billion will be developed in stages. Aachen's economic structure reflects its universities' educational focal areas.

A large number of high-profile electronics and automotive companies have their headquarters in and around Aachen, including Ericsson, Ford, Philips and Mitsubishi. Aachen has extremely good transport connections. The city is situated where the A 44 and A 4 highways meet and with a station on the Paris-Cologne-Ruhr rail line. The nearest airport is Maastricht-Aachen in the Netherlands, around 30 kilometers away.

Housing market: "Singles city" Aachen wants to attract more families

Keyword "family-friendly": Aachen has been attracting attention for some years now with a noteworthy campaign. The local administration has undertaken to position Aachen as a family-friendly city. The campaign recognizes the work of residents who get involved in promoting families – from organizing holiday activities to lunches for children from disadvantaged backgrounds. Companies that help their employees achieve a better work-life balance can also be nominated to receive an award. Aachen has good reason for running this campaign: family-friendly policies encourage young professionals and their families to stay in the city. Almost 40,000 students are registered with universities in Aachen, but the majority move away again after completing their studies. The high proportion of students correlates to the household structure. According to calculations by the State Statistical Office from fall 2010, 52.9 percent of Aachen's residents live alone – more than in Cologne (51.2 percent) and Dusseldorf (49.3 percent). The proportion of family households is correspondingly low. The population development has been positive in recent years: Between 2000 and 2009 alone, the number of inhabitants of Aachen grew by 5.7 percent. Bonn was the only city to see higher population growth (5.8 percent). The number of households in Aachen increased by 4.2 percent in the same period. And this positive population development is set to continue over the next two decades. According to calculations by the State Statistical Office, the number of inhabitants will increase by 2.5 percent by 2025, with the number of households rising by 5.1 percent.

As is the case almost everywhere in the state, the need for residential space in Aachen is higher than construction activity. The number of construction permits increased from 443 units in 2008 to 568 in 2009, but the number of completions dropped considerably in the same period. In 2009, 370 new residential units were handed over to their users, compared to 548 in the previous year. The total number of existing units increased from 128,836 to 129,181. The vacancy rate rose from 1.9 percent in 2008 to 2.8 percent in 2009, placing Aachen comfortably in the middle of the housing markets in North Rhine-Westphalia.

Highest increase in rental prices in the whole of North Rhine-Westphalia

In view of the current developments, Aachen's landlords have reason to feel relaxed about the future. Demand for housing will develop stably over the next two decades on the basis of the household development and thanks to the large number of students. And the positive trend of rising prices per square meter (from property owners' point of view) continued in 2010, too. Across all locations and quality categories, rents in Aachen rose by 3.9 percent. Only in the university city of Münster was there a greater increase of 4.2 percent. However, landlords in Aachen charged higher prices than in 2009, particularly for simple apartments. Tenants had to pay €4.50 per square meter per month for an apartment in the lower market segment in 2010, up 4.3 percent on the previous year. The price rise in the upper market segment was more moderate. Here, prices per square meter averaged €10.32 per month, equivalent to a 1.8 percent increase as against 2009. However, the positive trend relates mostly to city locations. Towns such as Würselen in the immediate surroundings of the university city were unfortunately unable to benefit to the same extent.

Aachen was not the only city where rents rose again following the boom year 2009. Tenants in the university cities of Münster, Cologne, Bonn and Dusseldorf faced higher costs in 2010 than in the same period of the previous year. In the other seven major cities in the state, the rise in rents came to a halt in 2010. The price development thus emphasizes once again that housing markets with demand from students react less sensitively to economic fluctuations. However, Aachen lags behind the other university cities mentioned above in terms of prosperity. Each resident there has an average of €18,630 per year at his or her disposal, putting them in 44th place among the 54 North Rhine-Westphalian markets. Despite the economic upturn throughout

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.2	1.8	1.8	2.1	1.9	2.8
Permits for new buildings	412	426	557	452	443	568
Finished apartments	278	530	333	332	548	370
Housing stock	127,214	127,741	128,052	128,345	128,836	129,181
Housing stock in apartment buildings	76.0	76.0	75.9	75.9	75.8	75.7

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

Germany, the unemployment rate is still at 10.6 percent, although it has been falling since 2005.

The household purchasing power of €3,095 per month, which is lower than average for the region, meets with very high rents and housing costs in Aachen. For instance, prime rents in seven of the 10 postcode areas were above the 10-euro mark per square meter. For one square meter of living space in the upper market segment, households had to pay up to €12.50 per month in Central Aachen (postcode 52062), €11.51 in Laurensberg, Horbach (postcode 52072), €11.29 in Haaren and other parts of Laurensberg (postcode 52070) and €11.09 in Hanbruch and Ronheide (postcode 52064). In all of these districts, tenants spend roughly a quarter or more of their monthly budget on rent. In the postcode area Central Aachen (postcode 52062), the housing cost burden was particularly high. At €2,339, household purchasing power in this part of Aachen was among the lowest in the urban areas, while the average rent of €7.89 per square meter across all market segments was the highest in Aachen. Owners charged €5.12 per month for living space in the lower market segment, while in the upper market segment rent excluding heating cost up to €12.50 per square meter. Rent including heating accounted for more than 30 percent of monthly household purchasing power in Central Aachen – the highest level in the urban area. In the whole of North Rhine-Westphalia, only the households in Altstadt South in Cologne (postcode 50678) had a higher housing cost burden (32 percent).

Investment market: Fall in prices for expensive apartments

The Aachen residential property investment market displayed varying trends in 2010. Purchase prices for condominiums dropped 3.6 percent across all categories of features and locations. In contrast, prices for apartment buildings went up 10.2 percent. However, both trends require closer interpretation. Firstly, the increase in the apartment building segment should be viewed in light of the fact there were fewer than 80 offers to purchase properties. Secondly, greater declines than in any other housing market region in the state are to be regarded as a correction of the previous year's soaring prices. In Aachen, as in six other major cities in the state, condominiums in the upper market segment came out the losers in 2010 in Aachen as well. Prices in this sub-market decreased by 6.2 percent. Nonetheless, one square meter in a well-located, high-quality property still cost €2,731. Aachen thus ranks relatively highly in comparison to the other major cities in North Rhine-Westphalia. However, the downturn in prices in the luxury segment this year followed extremely high growth in the previous year. Between 2008 and 2009, purchase prices for luxury properties in Aachen had risen by 29.2 percent. The opposite development was seen in the lower price segment. Asking prices for apartments in this market segment had been 5.4 percent lower in 2009 than in 2008, but increased by 8.5 percent in 2010. The median price in the lower segment was €796 per square meter. In no other major North Rhine-Westphalian city could sellers of simple condominiums generate such a high price increase. Simple owner-occupied properties were more expensive in 2010 than in the previous year in only five of the 12 major cities; in the other markets, purchase prices decreased.

Taking into account a relatively low number of offers, price developments can be derived for apartment buildings in Aachen. Apartment buildings in the city were 10.2 percent more expensive than in the previous year. Prices in the mid-range segment ranged between €626 and €2,021 per square meter. At an average of €578 per square meter, buyers in the lower market segment had to pay 29.1 percent more than in the year before (€448). In contrast, the 1.7 percent increase in the high-end segment to €2,543 was moderate. With regard to prime rents, Aachen is therefore in fifth place out of the 12 major cities in North Rhine-Westphalia but is still considerably behind Dusseldorf (€3,790), Münster (€3,058), Bonn (€3,050) and Cologne (€2,833). However, according to forecasts by CB Richard Ellis the upward trend in apartment building prices should continue in the coming months.

Aachen

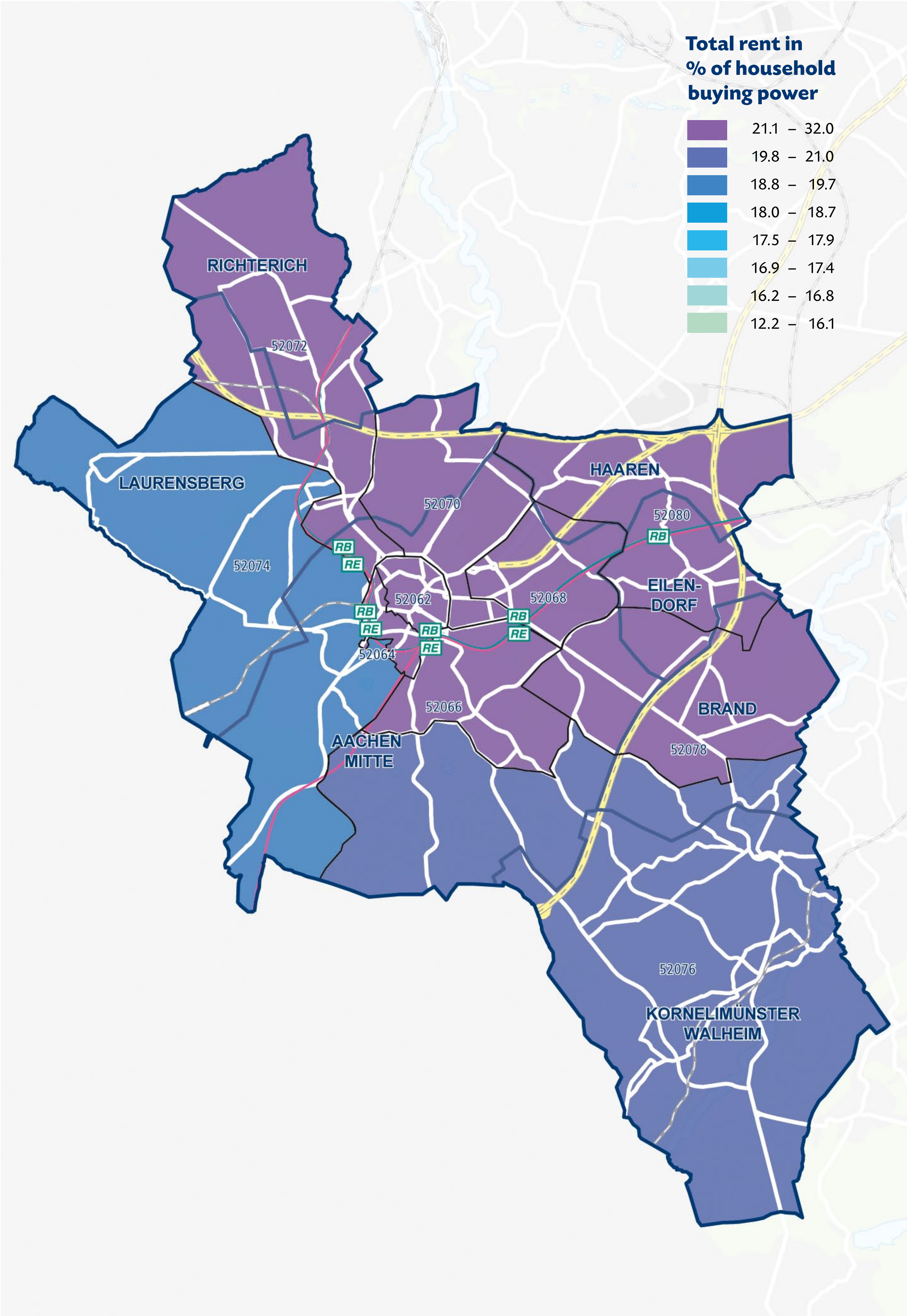
Housing market, cost, and expenditure ratio according to postal code

Housing data						Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m²/month	Median basic rent in €/m²/month	Basic rent in top market segment in €/m²/month	Vacancy 2009 in %[1)]	Apartment size Ø in m²	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
52062	443	5.12	7.89	12.50	5.1	66	524	724	2,339	22.4	**30.9**
52064	468	5.41	7.30	11.09	[2.4]	65	475	670	2,358	20.1	**28.4**
52066	680	5.14	6.97	10.97	2.0	65	454	649	2,754	16.5	**23.6**
52068	2,322	4.21	5.50	7.93	[2.8]	70	383	593	2,288	16.8	**25.9**
52070	489	5.05	6.94	11.29	3.0	69	476	682	2,578	18.5	**26.5**
52072	335	5.02	7.22	11.51	[1.3]	73	524	741	3,038	17.2	**24.4**
52074	418	4.61	5.74	10.77	[1.5]	71	407	619	3,239	12.6	**19.1**
52076	209	4.94	6.49	10.17	[3.1]	83	538	787	3,829	14.1	**20.5**
52078	288	4.91	6.14	8.32	[0.8]	74	455	678	2,898	15.7	**23.4**
52080	342	4.90	6.34	8.50	1.4	74	466	687	2,960	15.8	**23.2**
Ø	5,994[3)]	4.50	6.24	10.32	2.8	70	434	643	3,095	14.0	20.8
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

52062 Central Aachen, **52064** Hanbruch, Ronheide, **52066** Burtscheid, **52068** Rothe Erde, Forst, **52070** Haaren, Laurensberg, **52072** Richterich, Laurensberg, Horbach, **52074** Laurensberg, Vaalserquartier, Orsbach, **52076** Brand, Sief, Hahn, Waldheim, **52078** Brand, city center, Frost, Krummerück, **52080** Eilendorf, Haaren


Total rent in % of household buying power
21.1 – 32.0
19.8 – 21.0
18.8 – 19.7
18.0 – 18.7
17.5 – 17.9
16.9 – 17.4
16.2 – 16.8
12.2 – 16.1
RICHTERICH
52072
LAURENSBERG
52074
52070
HAAREN
52080
RB
RE
52062
52068
EILEN-
DORF
52064
52066
BRAND
AACHEN
MITTE
52078
52076
KORNELIMÜNSTER
WALHEIM

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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