

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,

Handwritten signature of Thomas Hegel in blue ink.

Thomas Hegel
Management Spokesman,
CEO

Handwritten signature of Eckhard Schultz in blue ink.

Eckhard Schultz
Managing Director,
CFO

Handwritten signature of Holger Hentschel in blue ink.

Holger Hentschel
Member of Management,
HOO

Largest Ruhr region city sees falling prices across the board

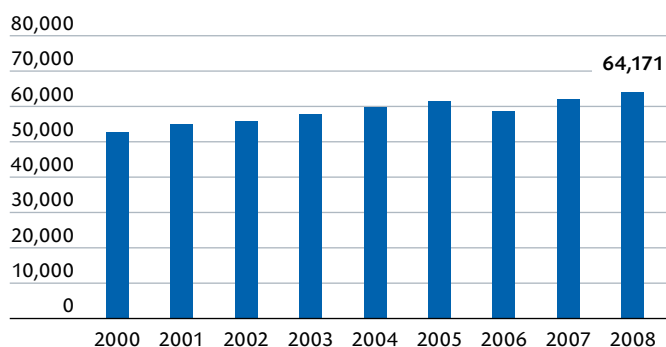
Throughout Germany, the renaissance in urban living has become a pronounced trend. In Dortmund – the largest Ruhr-region city – reurbanization is not yet taking place. Many of its current 89 districts used to be independent villages before their incorporation into the city and have retained their rural character up to the present. Households seeking accommodation value

the good infrastructure of the non-central locations and often move to areas close to those they are familiar with when moving. The biggest new construction project has the BVB soccer team and a golf course as its neighbors: in Hohenbuschei in Brackel in the east of Dortmund, a new district with around 1,000 residential units is being built. Marketing for the new district has already begun.

Macroeconomic data	Dortmund	NRW	Germany	Year
Residents	581,308	17,872,764	81,802,256	2009
Population density (residents/km ²)	2,091	526	230	2009
Population development in %	-1.3	-0.8	-0.6	2000–2009
Population forecast in %	-1.4	-2.4	-3.6	2009–2025
Households	295,347	8,550,214	39,628,120	2009
Household development in %	0.2	2.8	3.7	2000–2009
Household forecast in %	-2.7	1.5	1.1	2009–2020
Buying power	94.6	101.2	100.0	2011
Per capita buying power in €	18,615	19,921	19,684	2011
Workers paying social insurance contributions	197,214	5,766,861	27,380,096	2009
Development of social insurance contributions	0.7	-2.4	-1.6	2000–2009

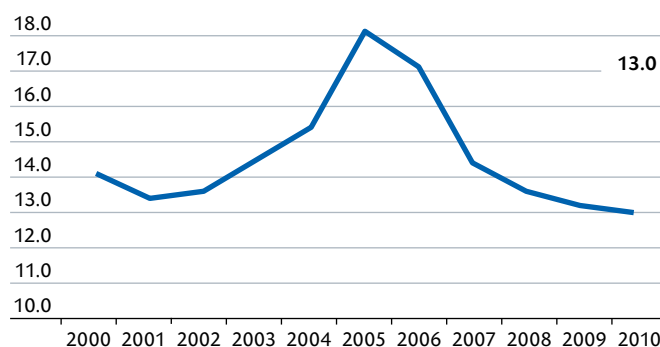
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

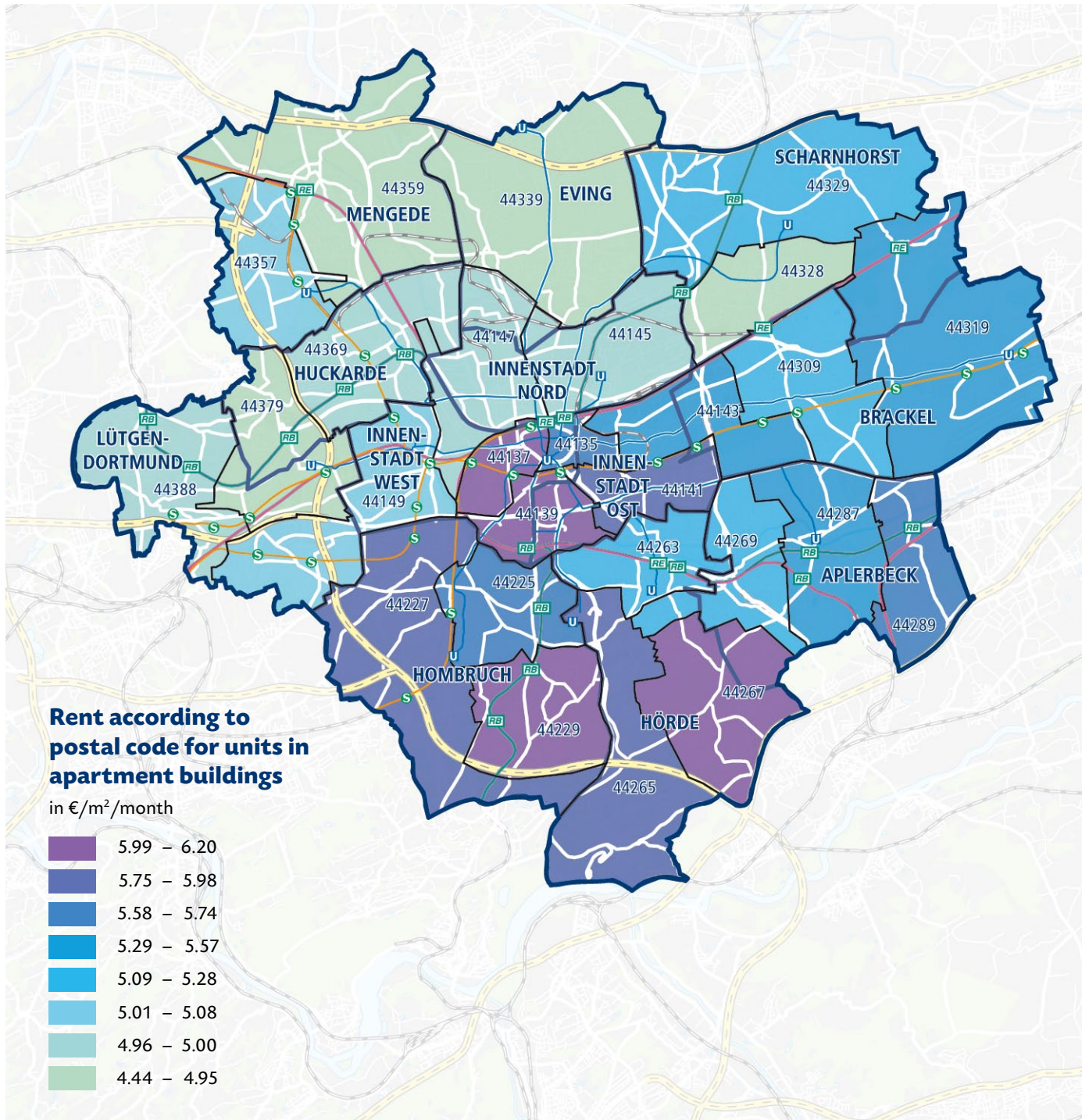


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Dortmund has experienced a rapid development in recent years, primarily as a center for future technologies. The former steel and brewery city has become an important technology location for many forward-looking industries, including IT, microtechnology, nanotechnology, logistics and increasingly biomedicine and robotics. Research and development, dynamic growth and close connections between the city, economics and science should make Dortmund an attractive economic location for additional companies and create jobs. Several further projects are planned or al-

ready under development, for instance on the site of the former Phoenix smelting works in the Hörde district, where a new development location for research, manufacturing, leisure and residential use is being constructed. An artificial lake has been created on the site. On the north bank, high-quality residential quarters are being built, with the main aim of attracting top-earners to the Hörde blue-collar district. Despite great efforts to strengthen local purchasing power, the traces of structural change still remain visible. The city will continue to shrink in future and 13

percent of Dortmund residents are still unemployed – chiefly because of the decline of coal and steel production. However, the unemployment rate has been falling rapidly since 2005 (18.1 percent). As a residential location, Dortmund is highly varied – from the exclusive residential area on the slope of the Ruhr Valley in the south to the plain and simple blue-collar housing estates in the north: as in Essen, Mülheim an der Ruhr and Duisburg, the east-west axis of the Ruhr highway (A 40, B 1) forms the border between up-market and low-cost areas.

Housing market: Southern and eastern areas undergoing modernization

The east of Dortmund is becoming increasingly attractive. Admittedly, the housing market in the soccer champion city is divided – similarly to Essen and Duisburg – between an industrial and therefore simple and affordable north and a green, generally expensive south. However, the majority of new properties are currently being built in the eastern district of Brackel. In the new construction area Hohenbuschei, located near the training ground of the BVB soccer team, roughly 960 residential units are being developed on a 31-hectare area. Seven hectares are set aside for commercial space, including for leisure and wellness use. Together with the second major project – the new residential locations by the now completed Phoenix Lake in the Hörde district – Dortmund is gaining a surge of modern residential properties. The two projects are starting to make their mark on local statistics. A total of 1,077 new residential units were approved in 2009, up by 578 on 2008. After a previously declining trend, the number of residential construction permits increased from 750 to 884 units in the same period.

Like its neighbors in the Ruhr region, Dortmund suffers from generally weak purchasing power and decreasing population figures. The local administration intends for these new projects to draw in not only Dortmund residents wishing to move but

also potential tenants from the surrounding area. However, so far the strategy has had only limited success. Firstly, Dortmund residents display a particular neighborhood loyalty and only rarely leave their original district when moving. Secondly, the city has not yet managed to halt the depopulation trend. Between 2000 and 2009, Dortmund lost 1.3 percent of its inhabitants. Although the State Statistical Office anticipates that the decline will account for only another 1.4 percent by 2025 in terms of the number of inhabitants, the number of Dortmund households is expected to fall more significantly by 2.7 percent by 2020. With a purchasing power index of 94.6, Borussia Dortmund's hometown is among the North Rhine-Westphalian locations with lower than average purchasing power overall. Its residents have only €18,615 per capita at their disposal per year. This puts Dortmund in 45th place among the 54 housing markets in North Rhine-Westphalia in terms of purchasing power.

Its character as a workers' city that grew with steel, coal and breweries also cannot be remedied in terms of the buildings in a short space of time. The dominance of homogeneous housing developments that were built on a large scale for coal miners and steelworkers has put its stamp on Dortmund to this day. It can also be seen statistically in the comparatively small apartments. The average apartment size in Dortmund is

only 65.6 square meters, putting the soccer city in 52nd place among the 54 housing markets analyzed in North Rhine-Westphalia. Only in Herne (64.8 square meters of living space on average) and Gelsenkirchen (64.3 square meters) do people live in smaller areas in statistical terms.

Price barometer is no longer "fine" for landlords

"Houses in Dortmund selling like hotcakes" was the headline in a major local Dortmund newspaper this spring. And the Sparkasse bank announced that 100 residential properties had been sold via its brokerage service alone. The positive mood conveyed by estate agents, banks and real estate associations with regard to the past year is not substantiated in CB Richard Ellis's market analysis. The roller coaster ride of rental and purchase prices came to a halt in 2010. Across all Dortmund market segments, rental properties were on the market for 1.6 percent less than in 2009. Only potential tenants for properties in the lower market segment faced somewhat higher prices in 2010. Starting rents rose by 1.2 percent to €3.97 per square meter. With the increases in the low-price segment, Dortmund is in line with the trend to some extent. In 10 of the 12 major cities, asking prices for low-cost housing continued to rise in 2010. However, the soc-

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.4	3.9	3.3	2.6	2.8	3.1
Permits for new buildings	916	855	1,451	989	499	1,077
Finished apartments	1,299	902	1,331	957	750	884
Housing stock	305,718	306,577	307,765	308,447	309,084	309,817
Housing stock in apartment buildings	77.7	77.5	77.4	77.3	77.2	77.1

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

cer city still remains a relatively affordable residential location. Cheaper housing in the lower market segment can be found in only Duisburg (€3.93 per square meter per month) and Gelsenkirchen (€3.62 per square meter per month).

Asking rents for top properties decreased in 2010. Instead of €8.06 (2009), properties in the upper market segment were offered for an average of €7.62 per square meter per month in 2010, corresponding to a decline of 5.4 percent. The price curve for Dortmund thus reflects the trend for the state as a whole. In most major cities in North Rhine-Westphalia, falling prime rents are indicating a relativization and normalization of the price level. Both 2008 and 2009 saw exaggerated prices in many locations, particularly in the luxury segment. In Dortmund, rents in the upper price segment rose by 7.5 percent between 2008 and 2009. This year's adjustment shows that this growth was not sustainable.

With median asking rents of €5.19 per square meter per month, Dortmund's tenants enjoy low housing costs – as is also confirmed by an analysis of the national housing costs table. Out of their average household purchasing power of €3,010 per month, the local households spend an average of €340, or 11.3 percent, on rent excluding heating and €537 (17.9 percent) on rent including heating. This value appears unremark-

able. However, in comparison to the housing cost burdens in the other 11 major cities in North Rhine-Westphalia, it can be seen that only households in Gelsenkirchen spend a higher proportion of their monthly budget on rent excluding and including heating than those in Dortmund.

A small sum for the tenants in the south, but a lot of money for those in the north: one feature of the Dortmund housing market is the regional distribution of "housing cost savers," that is, households that spend a comparatively low proportion of their monthly budget on rent. On the one hand, housing cost savers live in two of the Dortmund postcodes with the highest purchasing power: the southern districts of Loh, Niederhofen, Höchsten, Sommerberg (postcode 44267) and Kirchhörde, Lückleberg, Bittermark (postcode 44229). However, there are also housing cost savers in the economically weaker north, for example in 44339 (Holthausen, Brechten, Eving, Lindehorst, Kemminghausen) and in 44359 (Mengede, Heide-Mengede, Nette, Groppebruch). In these four areas, the housing costs (including heating) account for between 15 percent and 16.3 percent of monthly purchasing power. By way of comparison, in particularly popular and expensive districts of Aachen, Münster and Düsseldorf, residents spend up to 32 percent of their money – or double the percentage – on housing.

Investment market: Price increases from 2009 adjusted downwards

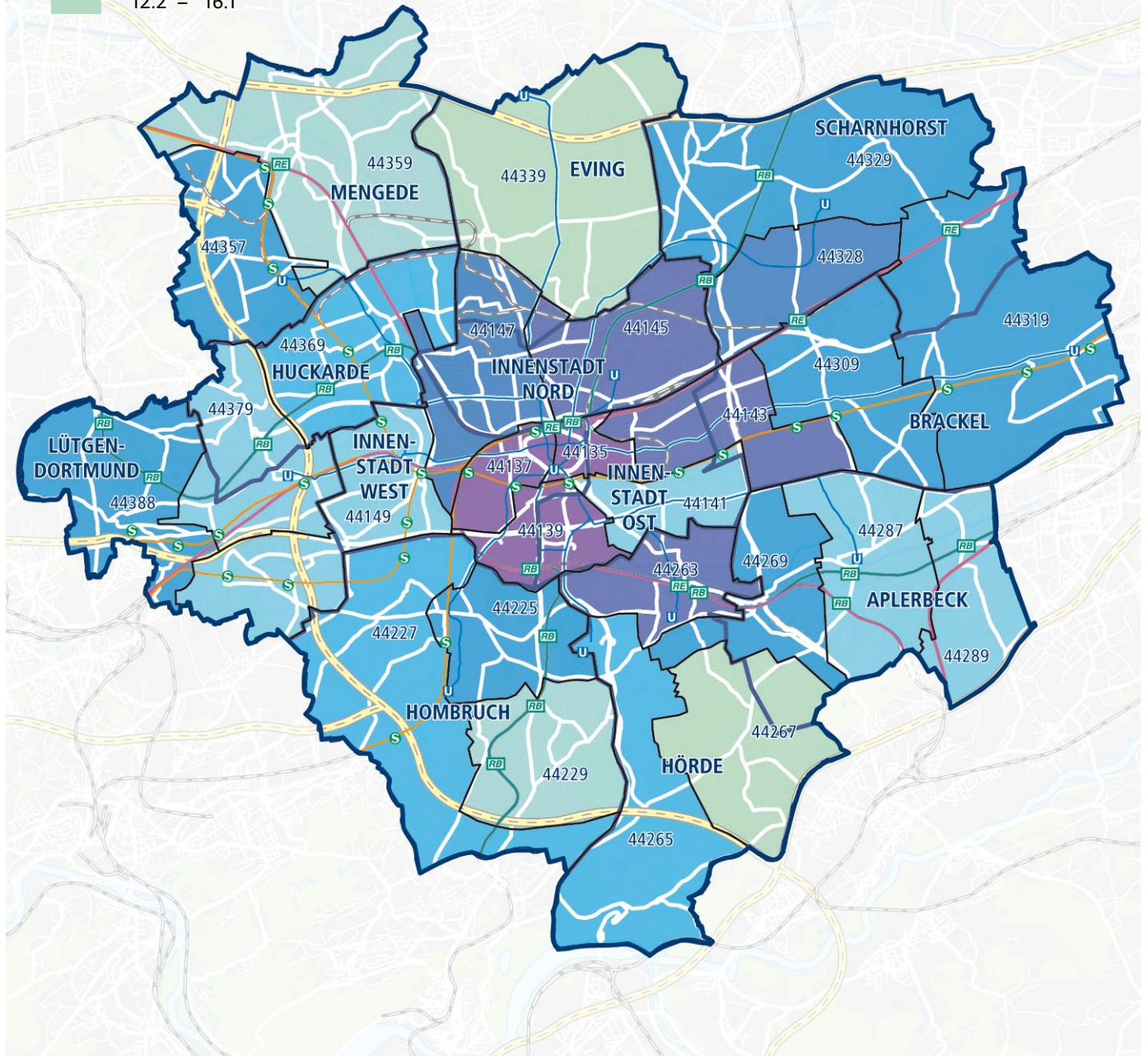
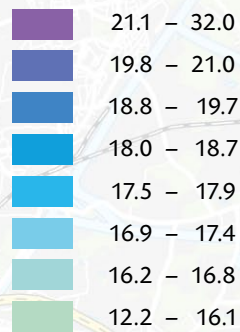
The Dortmund market for condominiums performed more weakly in 2010 than in 2009. Here, too, a normalization of the prices set in. Across all locations and categories of features, purchase prices fell by 1.2 percent as against the previous year. Apartments therefore cost a median amount of €1,094 per square meter, roughly the same amount as in the neighboring cities of Essen (€1,090) and Bochum (€1,160). Simple properties were on the market starting from €380 per square meter, down 3 percent on the previous year's price. As in the majority of major cities in North Rhine-Westphalia, asking prices for properties in the upper market segment experienced a slight downturn, decreasing by 1.1 percent. However, the decrease in Dortmund is far from the biggest price decrease in this segment in Bochum (down 7.6 percent). With regard to purchasing apartment buildings, buyers in Dortmund exercised caution in 2010. Simple properties were on the market starting from €291 per square meter, down 3.4 percent on the previous year's price. Prices for high-quality apartment buildings fell by 4.6 percent. One square meter of a high-quality apartment building in an excellent location therefore cost only €1,546. Only Duisburg (€1,203), Gelsenkirchen (€1,111) and Wuppertal (€1,493) had lower asking prices than this in 2010.

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
44135	1,024	4.20	5.65	8.54	4.9	66	373	571	2,689	13.9	21.2
44137	506	4.66	6.00	8.54	3.1	64	382	573	2,541	15.0	22.6
44139	565	4.88	6.13	8.33	3.5	67	413	616	2,657	15.6	23.2
44141	495	3.95	5.83	9.62	3.2	70	408	618	3,627	11.2	17.0
44143	571	4.27	5.55	7.27	1.8	63	350	539	2,687	13.0	20.0
44145	1,099	3.75	5.00	6.50	7.9	64	319	511	2,531	12.6	20.2
44147	752	4.02	5.00	6.60	4.6	60	299	478	2,466	12.1	19.4
44149	493	4.00	5.08	7.28	1.9	64	325	517	2,968	10.9	17.4
44225	562	4.50	5.63	8.96	3.0	64	360	552	2,956	12.2	18.7
44227	288	4.45	5.91	8.30	6.7	65	381	574	3,291	11.6	17.5
44229	396	4.77	6.20	8.71	[1.9]	75	466	692	4,267	10.9	16.2
44263	641	4.30	5.26	7.60	2.3	62	329	516	2,531	13.0	20.4
44265	261	4.69	5.95	8.00	2.0	75	449	675	3,818	11.7	17.7
44267	272	4.40	5.99	9.27	[1.4]	74	444	666	4,450	10.0	15.0
44269	455	3.95	5.15	7.50	1.9	70	359	568	3,069	11.7	18.5
44287	497	3.92	5.50	8.13	1.8	71	391	604	3,550	11.0	17.0
44289	298	4.51	5.63	8.00	[2.3]	68	386	591	3,491	11.0	16.9
44309	657	4.33	5.28	6.97	1.2	66	347	544	2,926	11.9	18.6
44319	485	3.97	5.29	7.02	2.3	69	364	570	3,135	11.6	18.2
44328	353	3.23	4.59	5.75	1.3	68	313	517	2,737	11.4	18.9
44329	211	4.27	5.09	6.39	[2.1]	71	359	571	3,048	11.8	18.7
44339	1,169	3.65	4.90	6.65	1.5	60	294	473	2,942	10.0	16.1
44357	463	4.09	5.07	6.52	2.0	67	337	537	2,895	11.7	18.6
44359	669	4.03	4.44	6.06	[1.9]	69	305	511	3,134	9.7	16.3
44369	749	3.90	5.00	6.23	[2.8]	62	309	495	2,817	11.0	17.6
44379	700	3.89	4.93	7.03	2.2	63	313	503	2,888	10.8	17.4
44388	784	3.81	5.00	7.00	3.7	66	331	530	2,908	11.4	18.2
Ø	15,415 ³⁾	3.97	5.19	7.62	3.1	66	340	537	3,010	11.3	17.9
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)

Total rent in % of household buying power



Postal code allocation

44135 City Center, **44137** City Center West, Dorstfeld, **44139** City Center South, **44141** City Center East, **44143** Körne, Wambel, **44145** City Center North, **44147** Huckarde, City Center North, **44149** Somborn, Kley, Oespel, Wischlingen, **44225** Hombruch, Renninghausen, Kleinholthausen, **44227** Eichlinghofen, Menglinghausen, Großholthausen, Krukul, Schneeschanze, **44229** Kirchhörde, Lücklemborg, Bittermark, **44263** Hörde, **44265** Wellinghofen, Wichlinghofen, Buchholz, Syburg, **44267** Loh, Niederhofen, Höchst, Sommerberg, **44269** Benninghofen, Schüren, **44287** Aplerbeck, Aplerbeckermark, Berghofen, **44289** Sölde, Sölderholz, Lichtendorf, **44309** Wambel, Brackel, **44319** Husen, Fleier, Asseln, Wickede, **44328** Scharnhorst, **44329** Lanstrop, Hostedde, Derne, **44339** Holthausen, Brechten, Eving, Lindenhorst, Kemminghausen, **44357** Brüninghausen, Oestrich, Bodelschwingh, Kolonie Westhausen, **44359** Mengede, Heide-Mengede, Nette, Groppenbruch, **44369** Deusen, Huckarde, Jungferntal, **44379** Marten, Kirchlind, Rahm, **44388** Lütgendortmund, Böwinghausen, Holte, Dellwig

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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