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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

Essen

Score 23 of max. 48

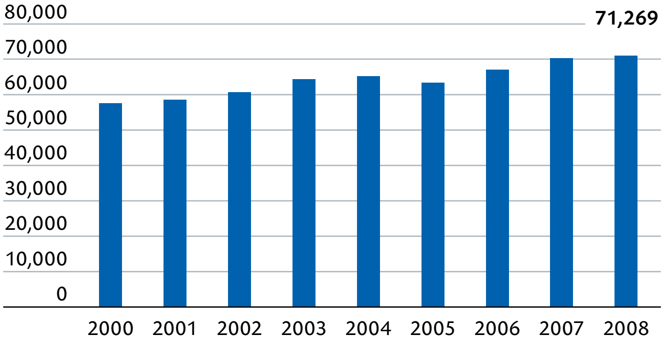
Prices for low-cost housing on the rise, prices for expensive housing falling

Essen is ushering in the turnaround on the housing market. The driving force behind this is the university district on the northern edge of the city, where more than 300 rental apartments and condominiums and 16 single-family houses are to be built over the coming years. The new district's park with artificial streams was completed last summer. The city wants these architecturally sophisticated buildings to attract wealthy target groups and families with children to move to the downtown area from their preferred areas in Essen's attractive southern green neighborhoods such as Kettwig, Bredeney and Rüttenscheid. It remains to be seen if the northern downtown area will be able to provide a counterpoint.

Macroeconomic data	Essen	NRW	Germany	Year
Residents	576,259	17,872,764	81,802,256	2009
Population density (residents/km²)	2,732	526	230	2009
Population development in %	–3.2	–0.8	–0.6	2000–2009
Population forecast in %	–3.5	–2.4	–3.6	2009–2025
Households	302,044	8,550,214	39,628,120	2009
Household development in %	–1.2	2.8	3.7	2000–2009
Household forecast in %	–3.1	1.5	1.1	2009–2020
Buying power	100.7	101.2	100.0	2011
Per capita buying power in €	19,829	19,921	19,684	2011
Workers paying social insurance contributions	221,015	5,766,861	27,380,096	2009
Development of social insurance contributions	–3.6	–2.4	–1.6	2000–2009

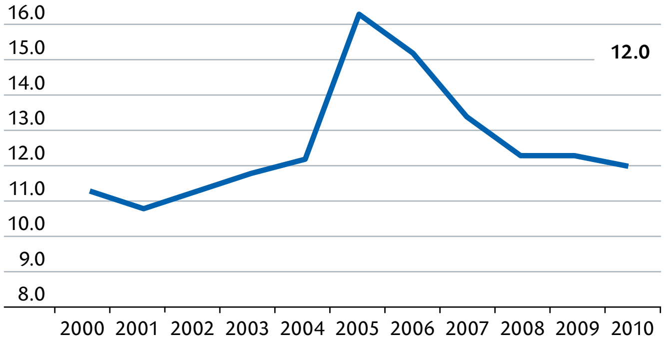
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

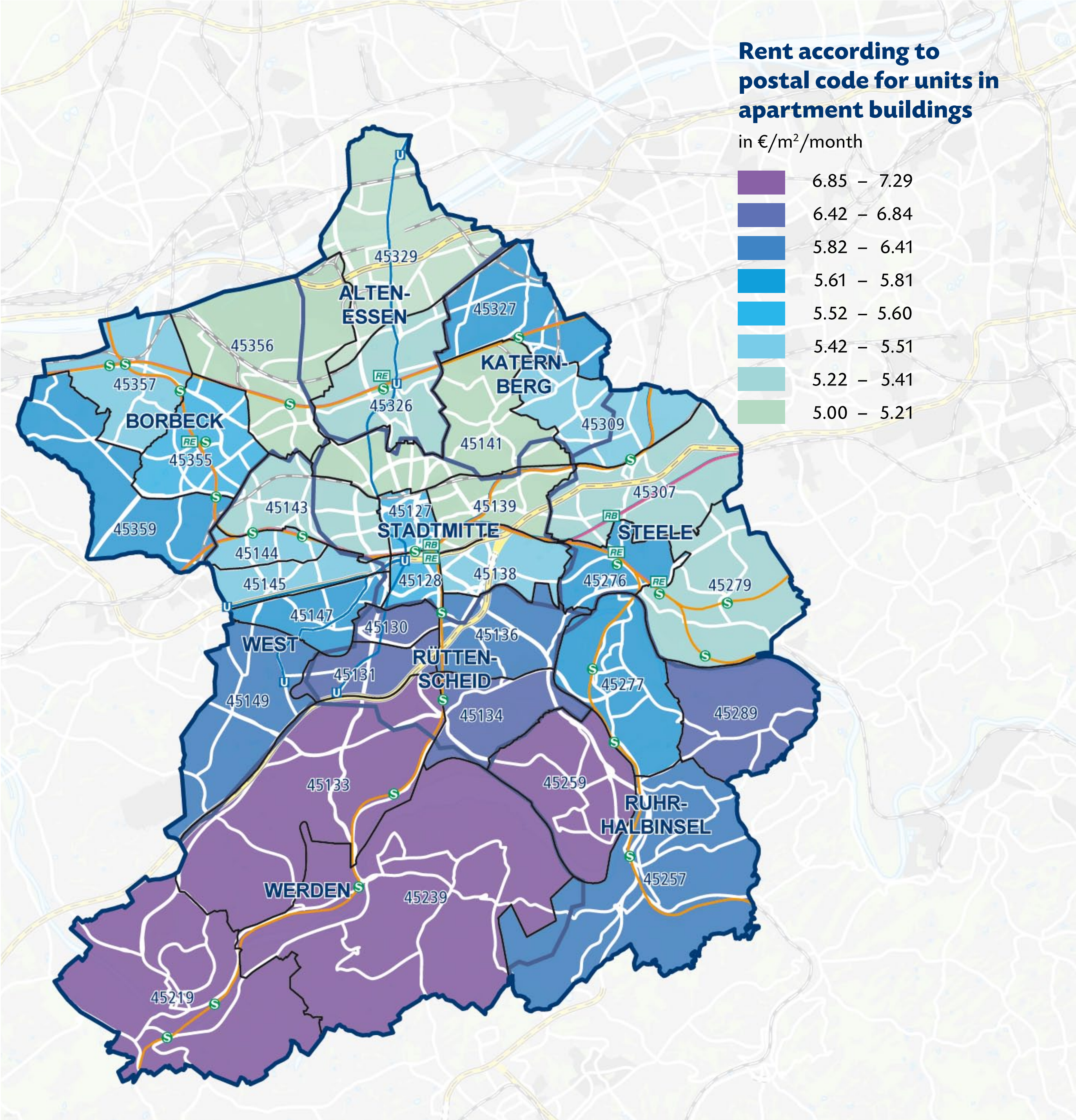


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Even back in the heyday of coal and steel production, Essen was a service-based city, and as such, was home to the headquarters of numerous major companies. The Ruhr-region city is now following on from these times again. Some 1,500 new office jobs were created just as a result of ThyssenKrupp›s relocation to Essen in summer 2010. The company is thus returning to its historical roots. The new corporate headquarters with approximately 100,000 square meters of office space was built in the 230-hectare "Krupp Belt" development area in the blue-collar district of Altendorf, site of the former Krupp cast steel factory. Essen City Council and the steel group intend to convert the entire area into a new district for work, living and leisure. The mammoth project, three times as big as Essen City, represents another step forward in the city's structural change.

Another focus is the development of the previously rather unattractive northern city center of Essen and the neighboring university district. Nearby, RAG Montan Immobilien is building its new headquarters on the site of the Zollverein coking plant. It is the first new construction project within the Zollverein UNESCO World Heritage Site and has a construction volume of €20 million. However, most corporations are located on the southern edge of the city. 18 of the 500 top revenue-generating German companies have their head office here, including Aldi Nord, E.ON Ruhrgas, RWE, Evonik and Deichmann. The key industries based in the city include energy and water supply, environmental technology, medicine, health and information and communication technology.

Housing market remains divided – low-cost north and expensive south

Those living in Meerbusch or Dusseldorf will stay there." Estate agents are skeptical about the much-vaunted positive effects of ThyssenKrupp's relocation. Roughly 1,500 jobs were moved from the "Dreischeibenhaus" building in Dusseldorf to the new "Krupp Belt" district in Essen last summer. As expected, not all employees are now moving to Essen as well. Firstly, the city – which still has an unemployment rate of 12 percent despite the economic recovery – suffers from a bad public image. Secondly, only the southern parts of Essen are adapted to groups seeking higher-quality properties.

With 502 units completed in 2009, new construction activity has gradually halved since 2004. Less than one residential unit is completed for every 1,000 inhabitants. Although the number of construction permits – 564 units in 2008 and 587 in 2009 – has increased slightly, it is considerably lower than in the previous years, which saw approximately 900 construction permits. A major new construction project is taking place north of the Essen city center in an area that has been one of the less attractive sub-markets up to now due to its buildings and social characteristics. Over the next few years, 230 rental apartments, 100 condominiums and 16 single-family houses are to be built here in the "university district." With this ambitious neighborhood development, Essen is ushering in a turnaround for the less sought-after northern districts while also attracting new target groups to the city center. Whether the district will also be able to draw in tenants from outside Essen with its relatively expensive rental and purchase prices remains to be seen. New residents coming from outside the city would be desirable for the Ruhr-region city. Between 2000 and 2009, the number of inhabitants fell by 3.2 percent, with the number of households decreasing by 1.2 percent. Only a few cities in North Rhine-Westphalia experienced a comparable decrease in the same period. The Zollverein city faces further population declines in the future, too. The expected decrease in residents is estimated at 3.2 percent by 2025, with a 3.1 percent decline in the number of households.

Decline in luxury rents offsets previous year's increase

2010 was a year of decreasing prices in almost all major North Rhine-Westphalian housing markets – including Essen. The increase in rental prices in 2009 (up 2.7 percent) was almost fully offset by a slight decrease (down 1.2 percent) in the past year. There was a particularly pronounced downward trend in apartments in the upper market segment, where the 13.9 percent jump in prices to monthly rents of €9 per square meter in 2009 was followed by a 7.4 percent decrease to €8.33.

In Essen, as in the majority of cities in North Rhine-Westphalia, luxury properties were therefore the losers in terms of rental properties in 2010. There were only two other cities – Dusseldorf (down 9.1 percent) and Bochum (down 7.6 percent) – where owners of high-quality apartments saw greater price decreases. In contrast, owners offering apartments in the lower quality segment were able to charge higher rents than in 2009. Households seeking accommodation had to pay €4.30 per square meter per month for a simple apartment, 3.2 percent more than in 2009 (€4.16). Rental prices in the medium market segment now ranged between €4.55 and €7.44 per square meter per month. The level of residential rents in Essen was thus comparable to the level in Bielefeld (€4.57 to €7.67) or Bochum (€4.52 to €7.00).

In Essen, a mixture of different quality housing on the market meets a heterogeneous wealth structure. The industrial north, unattractive in terms of urban planning and with rather small apartments, contrasts with the green, higher-priced residential locations in the south with generally large apartments and houses. In postcode area 45143 (Altendorf, Westvier-

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.7	3.8	4.1	3.7	3.8	4.2
Permits for new buildings	1,517	903	858	898	564	587
Finished apartments	1,023	908	880	656	634	502
Housing stock	316,230	316,825	317,458	317,944	318,336	318,712
Housing stock in apartment buildings	81.7	81.6	81.5	81.4	81.4	81.3

Source: Techem-empirica (vacancy), NRW Statistics Office, compiled by CBRE tel), the economically weaker tenants with household purchasing power of €2,687 per month have living space of 60.4 square meters on average. In contrast, the prosperous households in Kettwig and Auf der Höhe (postcode 45219, household purchasing power of €3,961 per month) can enjoy 77.7 square meters. The residents with Essen's highest household purchasing power in postcode area 45133 (Bredeney, Schuir, €4,547 per month) also live in large homes with an average 75.5 square meters of living space. Overall, the industrial character of this Ruhr-region city is reflected not only in features of its urban development but also in the relatively small apartment sizes. Homes in Essen have an average 66.4 square meters of living space, putting them in 50th place out of the 54 sub-market examined in North Rhine-Westphalia. In contrast, Essen is right near the top in the state with regard to supply. With close to 24,000 properties available for rent, the city had the third highest supply in 2010. Only Cologne (around 31,000 properties) and Dusseldorf (around 25,700 properties) had a higher number of rental properties on offer in the same period. The majority of property listings related to downtown and northern locations. Nearly 2,700 rental apartments were advertised in postcode area 45128 (city center) in 2010. There were hardly any other postcode areas in North Rhine-Westphalia where potential tenants could choose from a pool of over 2,000 properties. In seven of the total 32 postcode areas in Essen, households seeking accommodation encountered more than 1,000 advertised properties. In addition to the city center, there were a large number of properties available particularly in the northern districts such as Stoppenberg (postcode 45141, 1,292 listings) and Katernberg, Altenessen (postcode 45327, 1,252 listings). Although the households in several Essen postcode areas have less than €3,000 per month, the notional economic burden for all households arising from their monthly housing costs is nonetheless moderate in comparison to other cities in North Rhine-Westphalia. The average household in Essen has €3,103 per month at its disposal, €370 of which (11.9 percent) is spent on rent excluding heating and €569 (18.3 percent) on rent including heating. In Dortmund, Duisburg, Gelsenkirchen and Wuppertal, tenant households have a similarly high proportion of their monthly budget left after housing costs. In Aachen, Bielefeld, Bochum, Cologne, Bonn, Dusseldorf and Münster, housing costs account for a higher proportion than in Essen.

Boom on investment market ends

The boom in purchase prices for condominiums in Essen in 2009 ended in 2010 with a decline of 5.5 percent. In the upper market segment, condominiums were now on the market for an average €2,350 per square meter and were thus 2.5 percent cheaper than in the previous year (€2,411). The price increase of 13.2 percent recorded between 2008 and 2009 was therefore corrected sufficiently on the Essen housing market.

It is notable that the downward trend already visible in 2009 for simple or poorly located apartments also continued in 2010. The price drop of 11.9 percent in 2009 was followed by a further decline of 4.3 percent last year. Condominiums in the lower market segment, which were still offered at €500 per square meter in 2009, are now on the market for €478. In contrast, the market for apartment buildings was stable. Across all locations and features, buyers faced a price increase of 1.5 percent to €737 per square meter. Purchase prices for properties in the lower market segment rose by 2.3 percent to €383 per square meter. Surprisingly, prices for luxury properties in this sub-market were significantly higher than the previous year's level. At €1,964 per square meter, the price for apartment buildings in the upper market segment was up 22.8 percent on 2009. Münster was the only city with a higher growth rate (27.1 percent) in the same period.

Essen

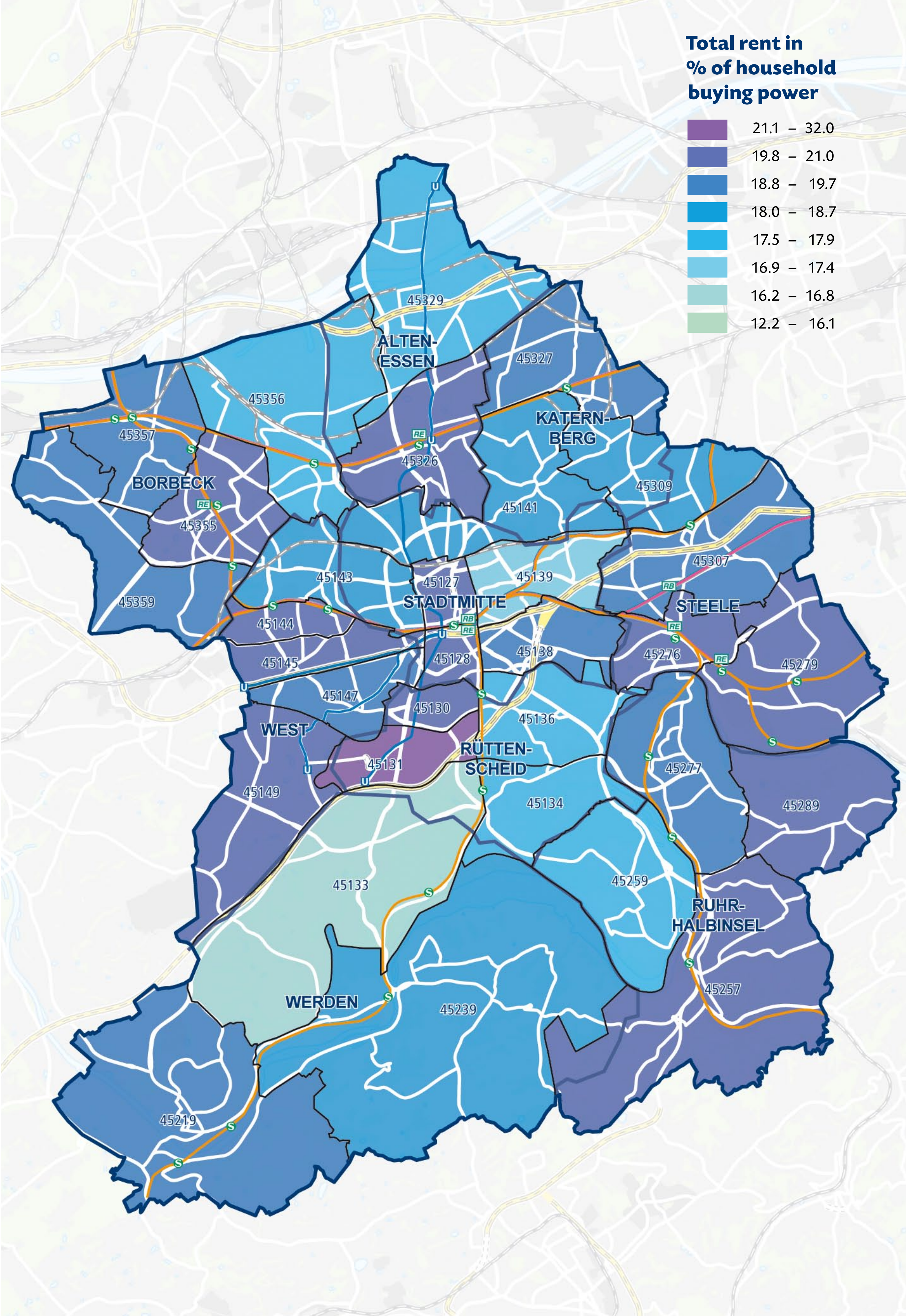
Housing data						Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m²/month	Median basic rent in €/m²/month	Basic rent in top market segment in €/m²/month	Vacancy 2009 in %[1]	Apartment size Ø in m²	Basic housing cost Ø in €/month	Total housing cost[2] Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
45127	1,507	4.29	5.53	7.92	9.3	64	356	549	2,768	12.9	**19.9**
45128	2,693	4.17	5.58	8.89	4.0	67	374	575	2,896	12.9	**19.9**
45130	543	5.00	6.60	9.35	3.4	67	441	641	3,052	14.4	**21.0**
45131	367	5.02	6.67	10.27	3.0	70	470	681	3,128	15.0	**21.8**
45133	418	5.00	7.12	10.93	2.5	76	538	764	4,547	11.8	**16.8**
45134	339	5.00	6.82	10.45	[2.6]	72	492	709	4,005	12.3	**17.7**
45136	502	4.57	6.07	8.52	1.9	69	419	627	3,548	11.8	**17.7**
45138	851	4.41	5.51	7.83	4.3	66	363	560	2,983	12.2	**18.8**
45139	863	3.99	5.04	7.00	[5.9]	62	314	500	2,875	10.9	**17.4**
45141	1,292	3.80	5.00	6.29	3.4	64	321	513	2,824	11.4	**18.2**
45143	1,164	4.22	5.24	6.81	6.9	60	317	498	2,687	11.8	**18.5**
45144	793	4.55	5.45	6.85	[7.0]	64	348	539	2,663	13.1	**20.3**
45145	841	4.51	5.50	7.50	3.7	64	351	542	2,684	13.1	**20.2**
45147	1,061	4.82	5.80	8.18	3.3	63	365	554	2,825	12.9	**19.6**
45149	205	4.79	6.35	9.32	[1.9]	74	472	695	3,489	13.5	**19.9**
45219	385	4.88	6.92	11.36	[1.5]	78	538	771	3,961	13.6	**19.5**
45239	503	5.24	7.29	10.00	2.8	75	550	776	4,165	13.2	**18.6**
45257	387	4.66	6.18	8.57	[2.5]	73	451	670	3,359	13.4	**20.0**
45259	327	5.28	7.29	9.67	[4.5]	68	499	705	4,008	12.5	**17.6**
45276	477	4.42	5.65	7.87	2.3	70	393	602	2,868	13.7	**21.0**
45277	391	4.61	5.76	7.80	[2.7]	67	385	586	3,039	12.7	**19.3**
45279	612	4.14	5.31	7.66	6.0	72	385	602	2,866	13.4	**21.0**
45289	225	5.26	6.77	9.00	[3.0]	78	530	765	3,719	14.2	**20.6**
45307	849	4.13	5.25	6.67	12.0	67	350	550	2,853	12.3	**19.3**
45309	573	4.30	5.50	6.44	[5.5]	64	354	547	2,993	11.8	**18.3**
45326	764	4.24	5.22	7.01	4.0	66	344	541	2,733	12.6	**19.8**
45327	1,252	4.35	5.61	6.48	[4.8]	64	361	553	2,860	12.6	**19.4**
45329	736	4.26	5.13	6.51	4.4	64	328	520	2,914	11.3	**17.8**
45355	1,002	4.29	5.54	7.07	3.2	67	369	569	2,793	13.2	**20.4**
45356	375	4.04	5.08	6.90	[3.6]	64	324	515	2,917	11.1	**17.6**
45357	743	4.19	5.44	7.06	3.2	65	353	548	2,898	12.2	**18.9**
45359	765	4.53	5.81	7.84	2.5	66	383	581	3,056	12.5	**19.0**
Ø	23,805[3]	4.30	5.58	8.33	4.2	66	370	569	3,103	11.9	18.3
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

45127 City center, **45128** City center, **45130** Südviertel, Holsterhausen, **45131** Margarethenhöhe, **45133** Bredeney, Schuir, **45134** Rellinghausen, Stadtwald, **45136** Südostviertel, Bergerhausen, Rüttenscheid, **45138** Südost, Huttrop, **45139** Ostviertel, Frillendorf, **45141** Stoppenberg, **45143** Altendorf, Westviertel, **45144** Frohnhausen, **45145** Frohnhausen, **45147** Fulerum, **45149** Haarzopf, **45219** Kettwig, Auf der Höhe, **45239** Fischlaken, Werden, Heidhausen, **45257** Byfang, Kupferdreh, Dilldorfer Höhe, **45259** Helsingen, **45276** Steele, **45277** Überruhr, **45279** E-Freisenbruch, Bergmannsfeld, Hörsterfeld, **45289** Burgaltendorf, **45307** Kray, Leithe, **45309** Schonnebeck, **45326** Altenessen, **45327** Katernberg, Altenessen North, **45329** Karnap, Altenessen North, **45355** Gerschede, Bochold, **45356** Bergeborbeck, Vogelheim, Altenessen South, **45357** Dellwig, **45359** Frintrop, Bedingrade, Schönebeck



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
45329
ALTEN-ESSEN
45327
45356
KATERN-BERG
45357
45326
BORBECK
45309
45141
45355
45307
45143
45127
45139
45359
STADTMITTE
STEELE
45144
45276
45138
45145
45128
45279
45147
45130
45136
WEST
RÜTTEN-SCHEID
45131
45277
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RUHR-HALBINSEL
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WERDEN
45239
45219

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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