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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

Bochum

Score 20 of max. 48

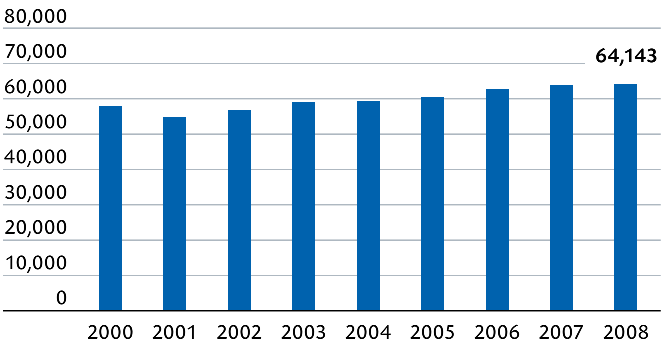
Affordable rent prices – in part due to smaller apartments

The former coal and steel city Bochum is struggling with the effects of a declining population. Between 2000 and 2009 alone, the number of inhabitants of Bochum dropped by 3.8 percent to 376,319. Forecasts indicate that this downward trend will only continue over the next two decades. Experts predict that in 2025, the Opel city will be home to 6.7 percent fewer inhabitants than is the case today. The number of households is expected to fall by 3.5 percent by 2020. Promotion of the areas of science and research in particular should help to mitigate the projected developments. Lower-income households in particular were the losers on the Bochum housing market in 2010, with rents in the lower segment continuing to climb.

Macroeconomic data	Bochum	NRW	Germany	Year
Residents	376,319	17,872,764	81,802,256	2009
Population density (residents/km²)	2,599	526	230	2009
Population development in %	–3.8	–0.8	–0.6	2000–2009
Population forecast in %	–6.7	–2.4	–3.6	2009–2025
Households	191,996	8,550,214	39,628,120	2009
Household development in %	–2.2	2.8	3.7	2000–2009
Household forecast in %	–3.5	1.5	1.1	2009–2020
Buying power	98.0	101.2	100.0	2011
Per capita buying power in €	19,285	19,921	19,684	2011
Workers paying social insurance contributions	135,506	5,766,861	27,380,096	2009
Development of social insurance contributions	–10.8	–2.4	–1.6	2000–2009

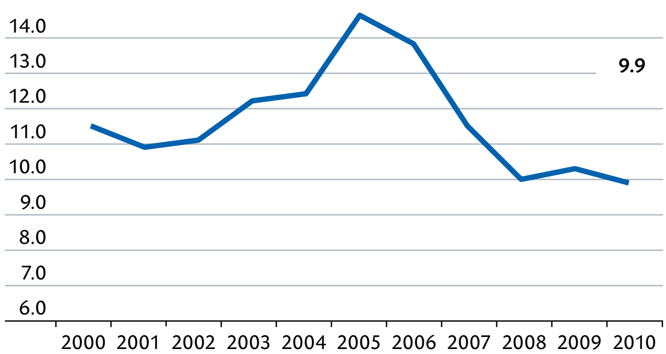
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

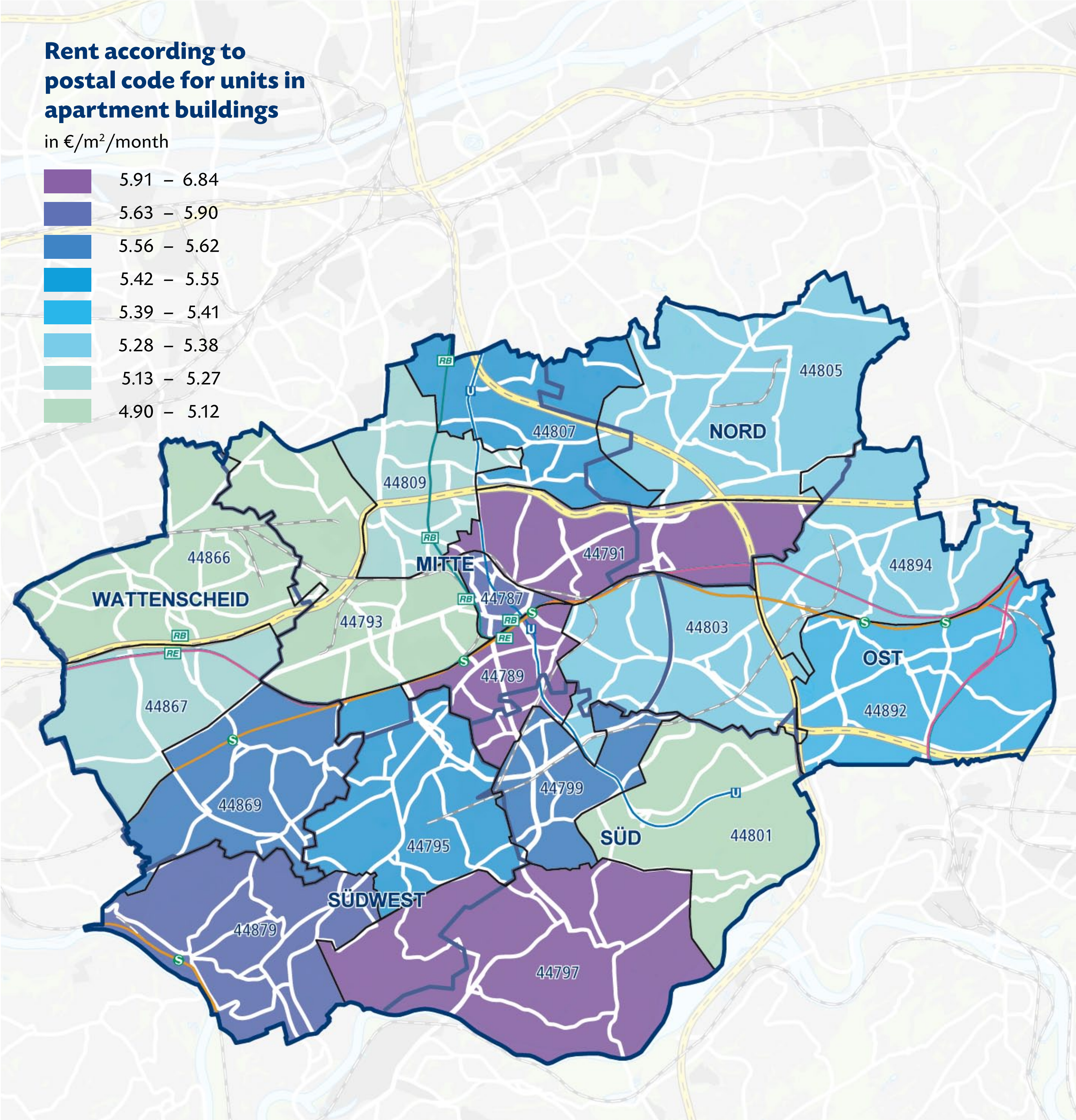


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Like Essen, Dortmund and Duisburg, the former coal and steel city Bochum is doing everything possible to master the leap from the era of production to that of services and a knowledge-based economy. The technology district is a milestone for this. In the immediate vicinity of the Ruhr University Bochum, a 12-hectare area was developed in the mid 1990s for realizing and bundling existing research and development potential. Now the district is to gain an unusual new building, the TQ13. The building will consist of two organically shaped structures constructed in accordance with the principles of East Asian feng shui. The 8,000 square meters of floor space are aimed particularly at tenants from the IT industry, who are expected to benefit from the proximity to the university. The technology cluster also includes the Canadian Blackberry inventor Research in Motion (RIM), which employs 210 people at its production site in Bochum.

The Ruhr-region city also has national significance as a university city with over 30,000 students. The Ruhr University is one of the 10 biggest German universities. Although there is a focus on research and development, with 15,000 active companies Bochum remains an industrial city with a particular focus on the steel and automotive industries. Prestigious companies such as Adam Opel AG and Deutsche BP AG are now based in Bochum. Bochum also plays an important role among the cities of the Ruhr region as a theater city. Around 40 stages and troupes of actors of all kinds form a key part of the city's cultural life and also have national significance.

Housing market: buyers' confidence in the Bochum market has fallen

There were once 81 small collieries and large mine shafts in Bochum. The first mine to close was the small colliery Lieselotte, which discontinued extraction back in 1958. The last pit in Bochum – the Hanover-Hannibal colliery – closed in 1973. However, it is not just the surviving shaft towers that bear witness to Bochum's great past as a center of hard coal extraction, but also the numerous mining settlements shaping the cityscape and the housing market. To this day, they have left their mark on the current property statistics together with other typical industrial settlements. With an average apartment size of only 66.9 square meters, Bochum is one of the markets with the smallest apartments in the whole state. Of the total 54 locations analyzed in North Rhine-Westphalia, Bochum ranks 48th in the category of apartment size. In the postcode area 44793 (Günningfeld, Hordel) west of the city center, the buildings have apartments measuring just 55.2 square meters on average. In no other district of Bochum – or in the whole of North Rhine-Westphalia – do people live in such small areas in statistical terms. It is notable that rent excluding heating is also very low in this sub-market, amounting to just €282 per month. In comparison to the rest of the state, only the residents of the Hochsauerland municipality Bestwig (postcode 59909, €259), the town of Werdohl in the Märkischen Kreis (postcode 58791, €273) and the Gelsenkirchen districts of Hassel and Scholven (postcode 45896, €279) pay less.

Overall, the soccer city with its 376,319 inhabitants is among the more affordable rental markets in North Rhine-Westphalia. On the one hand, this has to do with the relatively low purchasing power. The inhabitants of Bochum have an average of €19,285 per year at their disposal. In comparison to the other 53 housing markets, the former steel city is in the bottom third with an unemployment rate of 9.9 percent. Purchasing power is slightly below average compared to the rest of the region. Despite great efforts to establish new industrial clusters and boost the local economy, the number of employees in Bochum subject to social security deductions dropped by 10.8 percent between 2000 and 2009.

The number of inhabitants shrank by 3.8 percent in the same period. According to forecasts by the State Statistical Office, the downward trend in the population will continue. In 2025, the Opel city is expected to be home to 6.7 percent fewer inhabitants than today. The number of households is expected to fall by 3.5 percent by 2020. Construction activity has been in step with the population development in recent times. The slight increase in residential construction permits from 494 units in 2008 to 544 units in 2009 was offset by a slight decline in completions from 424 units in 2008 to 400 apartments in 2009. The vacancy rate has been relatively stable since 2004 and was at 3 percent in 2009, with the greatest oversupply concentrated in the west and north-west of the city. In the postcode area 44867 (Wattenscheid/Westenfeld), roughly 6.1 percent of the apartments had no tenants in 2010, while in Günningfeld/Hordel (44793) 5 percent of rental properties were empty. In contrast, the Techem-empirica vacancy index reports hardly any oversupply in the Bochum sub-markets of Weitmar (postcode 44795, 0.9 percent), south of the city center, and Altenbochum/Laer (postcode 44803, 0.6 percent), east of the city center. Although the small numbers involved in some cases mean that these figures are meaningful to a limited extent only, they nonetheless indicate at least a trend for individual locations in Bochum.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.0	3.4	3.4	2.9	3.0	3.0
Permits for new buildings	332	273	581	678	494	544
Finished apartments	618	285	340	448	424	400
Housing stock	191,245	191,385	191,626	191,961	192,213	192,484
Housing stock in apartment buildings	78.6	78.6	78.5	78.4	78.4	78.3

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

Bochum's landlords don't have an easy job adjusting prices upwards. Some 17,597 of the total 192,484 apartments are subsidized housing. The previous year's price increases in the upper market segment were relativized in 2010. Apartments in the top segment were offered for €7.70 per square meter per month. The prices advertised were thus 7.6 percent lower than the 2009 level. In contrast, households seeking accommodation in the lower market segment encountered higher asking prices than in the previous year. With rents at €4.25 per square meter, the growth rate was 4.7 percent. The highly localized development in the individual postcode areas of Bochum shows that Bochum has a very heterogeneous level of prosperity in a relatively uniform price environment that has clear upper limits. Only two sub-markets had landlords demanding prime rents over €10 (excluding heating) per square meter: In the city center (postcode 44787), asking prices in the upper market segment were up to €11.11 per square meter per month (excluding heating), while in Stiepel to the south (postcode 44797) they were up to €10.25 per square meter per month.

Moderate purchasing power stops rents from skyrocketing

However, in light of the average purchasing power of households in Stiepel of €4,556 per month, the burden posed by housing costs is moderate. In this postcode area, which has by far the highest monthly household purchasing power in Bochum, housing costs for the apartments with an average size of 75.9 square meters amount to an average of €520 excluding heating and €747 including heating. This means that rent excluding heating takes up 11.4 percent of the monthly budget, and rent including heating accounts for 16.4 percent. In contrast, prime rents in the city center (postcode 47787) meet with the lowest household purchasing power (€2,560 per month) of all of the city's postcode areas. Tenants here pay €388 per month for rent excluding heating and €591 for rent including heating. In percentage terms, this means they spend 15.2 percent of their budget on rent excluding heating and 23.1 percent on rent including heating. The housing cost burden is therefore higher in the city center than in any other Bochum postcode area. The housing cost burden is also relatively high in the districts of Bochum-Werne (44791) and City Center South (44789). Households in the sub-market Innenstadt-Süd face rental prices ranging from €4.51 per square meter per month in the lower market segment to €8.11 per square meter per month in the upper market segment, but have a budget of "only" €2,810 per month on average. €393 of this (14 percent) is spent on rent excluding heating and €591 (21 percent) on rent including heating. The ratio of purchasing power to housing costs is similar for their neighbors in Bochum-Werne. Here, households spend €425 of an average €3,013 per month on rent excluding heating, corresponding to 14.1 percent. Rent including heating accounts for €637, or 21.1 percent of net household income.

Investment market: Properties in the upper market segment end 2010 as the losers

According to information from the local advisory committee, 2,367 purchase agreements were concluded in Bochum last year, up roughly 3 percent on the previous year. A total of 513 single-family and semi-detached houses changed hands for a total value of €122 million, 169 apartment buildings for €48 million and 860 condominiums for €87 million. The extensive transaction business initially seems to suggest that there was "business as usual" on the Bochum investment market last year. However, this is by no means the case, as this year's assessment by CB Richard Ellis shows. Condominiums in particular lost considerable value in 2010. Although supply had increased year-on-year with 2,461 apartments for sale (2009: 2,108 apartments), asking prices were down 6 percent across all locations and quality categories. Advertised properties cost an average of €1,160 per square meter in 2010, compared to €1,234 in the previous year. Asking prices for apartments in the lower market segment sank by 6.6 percent to €520 per square meter. The downturn in prices for properties in the upper market segment was even more significant. The 9.6 percent increase in purchase prices in 2009 was followed by a decrease of 7.6 percent in 2010. High-quality apartments in excellent locations were on the market for an average of €2,115 per square meter in 2010. Only in Dortmund (€2,088), Duisburg (€1,990) and Gelsenkirchen (€1,896) were high-quality condominiums offered at lower prices last year. The previous year's price increase was thus not lasting in Bochum either.

The Bochum property market for apartment buildings developed relatively stably, with asking prices decreasing only slightly by 0.4 percent year-on-year across all location and quality categories. Properties in the lower market segment were on the market for €342 per square meter in 2010, corresponding to a decline of 1.3 percent as against 2009. Asking prices for apartment buildings in the upper market segment increased in comparison to 2009. At €1,694 per square meter, buyers were paying 4.3 percent more than in the previous year. However, the upward trend in this sub-segment can be seen as a relativization of the development in the previous year, when the prices advertised for luxurious apartment buildings in Bochum decreased by 9.7 percent.

Bochum

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

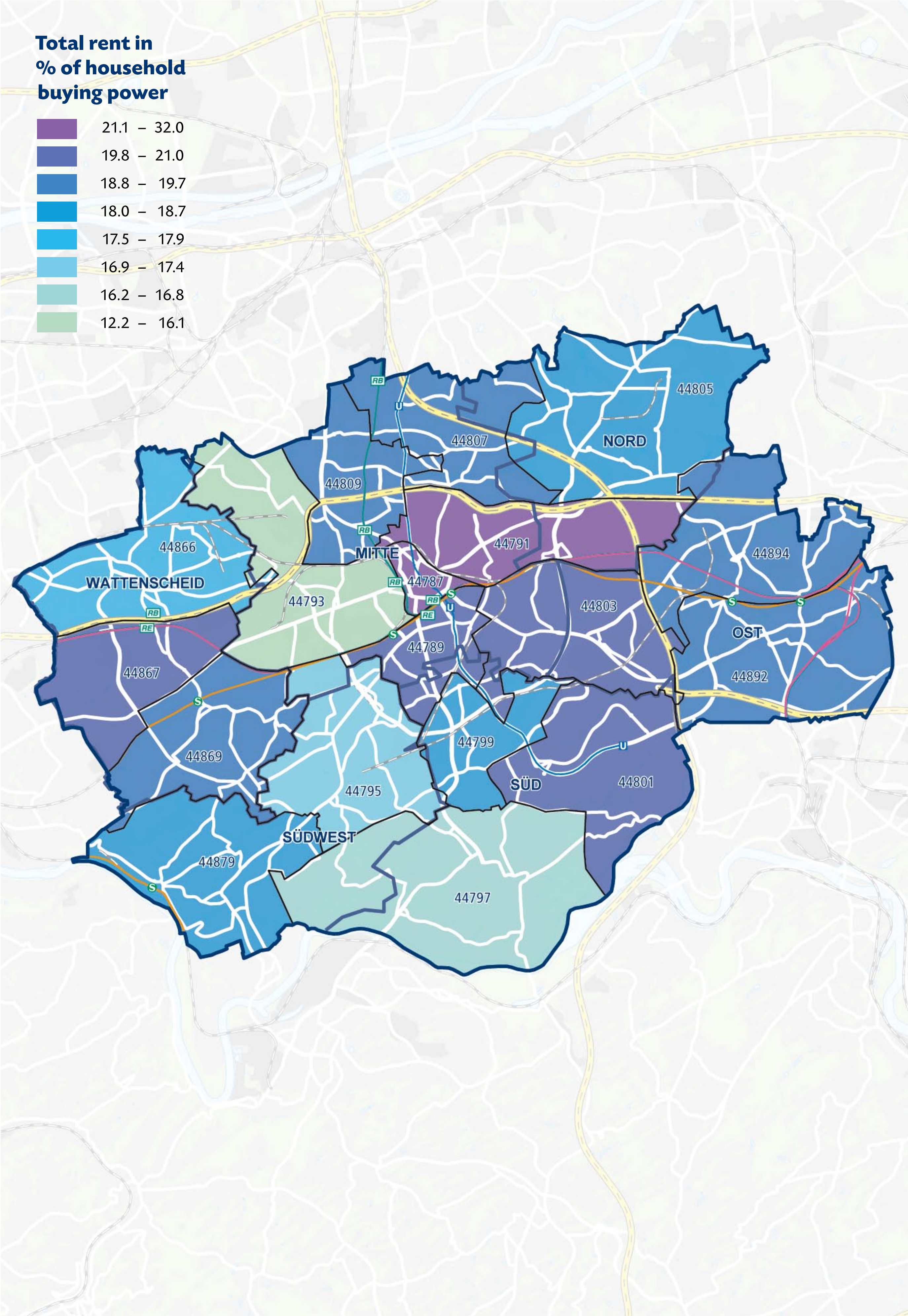
Housing data						Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m^2/month	Median basic rent in €/m^2/month	Basic rent in top market segment in €/m^2/month	Vacancy 2009 in %[1]	Apartment size Ø in m^2	Basic housing cost Ø in €/month	Total housing cost[2] Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
44787	344	4.51	5.73	11.11	[4.1]	68	388	591	2,560	15.2	**23.1**
44789	504	4.51	5.93	8.11	2.8	66	393	591	2,810	14.0	**21.0**
44791	329	4.49	6.00	8.57	[3.4]	71	425	637	3,013	14.1	**21.1**
44793	733	4.20	5.11	6.70	[5.0]	55	282	448	2,856	9.9	**15.7**
44795	773	4.54	5.55	7.61	[0.9]	63	349	537	3,094	11.3	**17.4**
44797	279	4.84	6.84	10.25	[4.3]	76	520	747	4,556	11.4	**16.4**
44799	236	4.16	5.56	8.27	n/a	68	379	584	3,125	12.1	**18.7**
44801	357	3.71	4.90	8.33	[1.0]	77	377	607	3,030	12.4	**20.0**
44803	508	4.16	5.38	8.00	0.6	69	373	580	2,892	12.9	**20.1**
44805	461	4.29	5.38	7.50	[2.1]	67	362	564	3,116	11.6	**18.1**
44807	259	4.42	5.42	7.24	[2.9]	67	362	562	2,875	12.6	**19.5**
44809	480	4.17	5.19	6.97	2.6	65	337	532	2,724	12.4	**19.5**
44866	845	4.04	5.03	6.50	3.4	65	327	522	2,909	11.2	**17.9**
44867	241	4.38	5.24	7.05	[6.1]	70	368	578	2,903	12.7	**19.9**
44869	388	4.48	5.57	7.78	[4.9]	71	395	608	3,222	12.3	**18.9**
44879	519	4.00	5.63	7.50	[2.0]	70	397	608	3,246	12.2	**18.7**
44892	499	4.50	5.40	7.18	[2.4]	70	378	588	3,004	12.6	**19.6**
44894	506	4.29	5.35	7.22	[3.0]	66	353	552	2,891	12.2	**19.1**
Ø	8,261[3]	4.25	5.42	7.70	3.0	67	362	563	3,035	11.9	18.6
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/m^2 (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

44787 City Center, **44789** City Center South, **44791** Bochum, Werne, **44793** Günnigfeld, Hordel, **44795** Weitmar, **44797** Stiepel, **44799** Wiemelhausen, **44801** Querenburg, **44803** Altenbochum, Laer, **44805** Gerthe, Harpen, Hiltrop, **44807** Bergen, Riemke, Grumme, **44809** Hofstede, Hamme, **44866** Wattenscheid, Leithe, **44867** Wattenscheid, Westenfeld, **44869** Eppendorf, Höntrop, **44879** Linden, Dahlhausen, **44892** Langendreer, **44894** Langendreer, Holte



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
44805
NORD
44807
44809
44791
MITTE
44866
WATTENSCHEID
44787
44793
44803
44894
OST
44789
44867
44892
44869
44799
SÜD
44801
44795
SÜDWEST
44879
44797

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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