

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

Residential property market driven by peak in demand

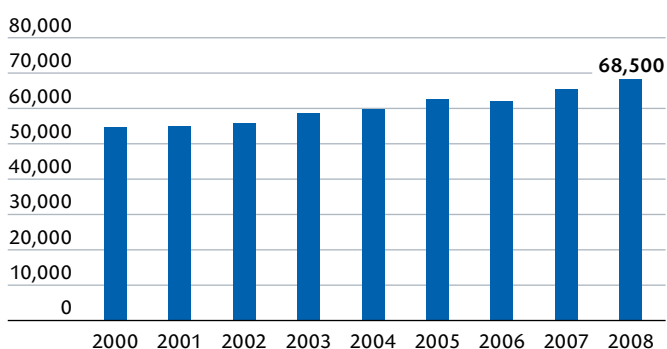
Duisburg is benefiting from its neighbors: the overheating on the Dusseldorf residential property market means that more and more buyers are looking instead to the city immediately to the north. According to the Duisburg Property Valuation Board, the number of buyers from the state capital has increased steadily over the past three years, with Dusseldorf accounting

for 12.6 percent of all external property buyers in 2010. The Duisburg housing market also enjoyed a rare peak in demand in 2010 among owner-occupiers and investors alike. Despite increased sales, the market remains characterized by lower-income population groups and the trend towards ageing that is affecting entire neighborhoods. The dismantling of empty apartments has already begun.

Macroeconomic data	Duisburg	NRW	Germany	Year
Residents	491,931	17,872,764	81,802,256	2009
Population density (residents/km ²)	2,144	526	230	2009
Population development in %	-4.5	-0.8	-0.6	2000-2009
Population forecast in %	-6.2	-2.4	-3.6	2009-2025
Households	241,612	8,550,214	39,628,120	2009
Household development in %	-2.5	2.8	3.7	2000-2009
Household forecast in %	-4.5	1.5	1.1	2009-2020
Buying power	88.4	101.2	100.0	2011
Per capita buying power in €	17,404	19,921	19,684	2011
Workers paying social insurance contributions	158,461	5,766,861	27,380,096	2009
Development of social insurance contributions	-0.9	-2.4	-1.6	2000-2009

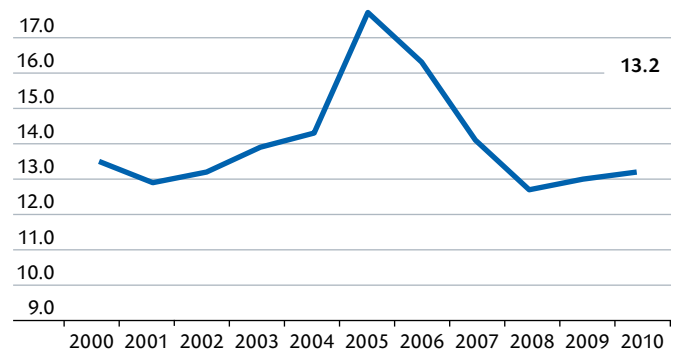
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

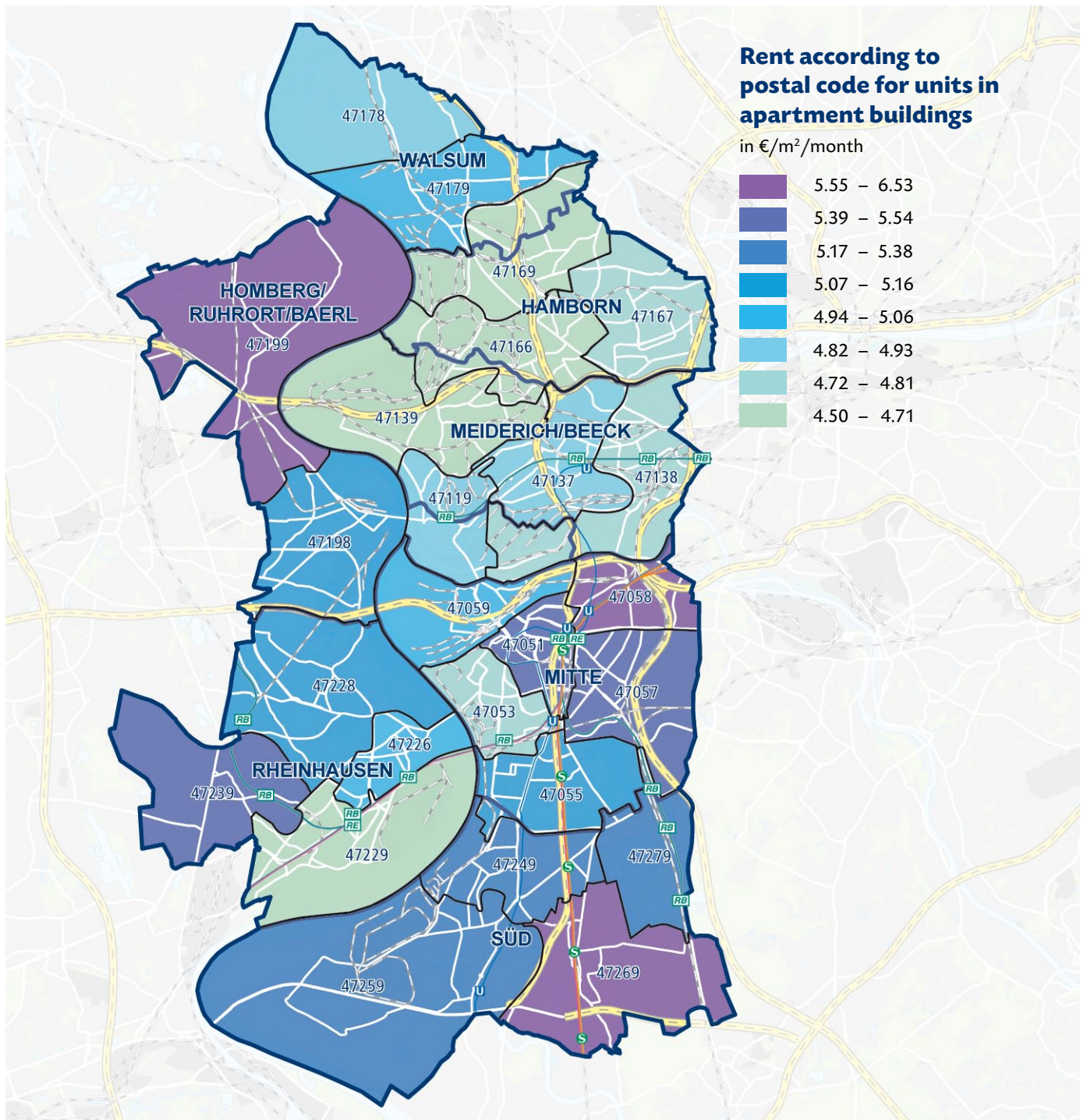


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Duisburg was affected by negative headlines in the past year: following the tragedy at the Love Parade, the city's flagship neighborhood – the Innenhafen office, residential and leisure area – was hit by a number of construction scandals. This resulted in a setback for the milestones that have already been achieved in terms of sustainably improving the image of the city at the confluence of the Rhine and Ruhr rivers. However, one encouraging development was the continued modernization of the city center. The CityPalais, which is home to a concert hall and

a casino, and the Forum shopping center are attracting residents as well as visitors from beyond the city. Another inner-city shopping mall, the Königsgalerie, is currently under construction. The mixed-use complex with 16,500 square meters of retail space and 3,500 square meters of office space will link the two high-traffic pedestrian areas of Königstraße and Sonnenwall. But Duisburg's economy is benefiting from more than just retail and the large number of industrial companies that remain in the city. The logistics sector also plays an important role in the local struc-

ture, with Duisburger Hafen AG enjoying substantial earnings growth in 2010. Other key industries in the Ruhr city include iron and steel, mechanical engineering and chemicals. The city's long tradition as a university and research location was revived with the foundation of the Comprehensive University of Duisburg in the early 1970s. The universities of Duisburg and Essen merged in 2003 to form the University of Duisburg-Essen, the youngest university in North Rhine-Westphalia and one of the 10 largest in Germany with around 32,000 students.

Further decline in population and high vacancy rates

Property buyers paid a total of €98.5 million to acquire developed and undeveloped plots in Duisburg in 2010, 19.4 percent more than in 2009. The number of purchase agreements also increased by 2.1 percent to 3,280, which suggests that the average transaction volume was higher than in the previous year. The neighboring city of Düsseldorf accounted for a not insubstantial proportion of external property buyers in 2010 (12.6 percent). The annually updated buyer flow analysis shows that this trend started a number of years ago: in 2008, 7.8 percent of external buyers came from Düsseldorf, a figure that rose to 9.1 percent in the following year. This means that Duisburg is benefiting from the price advantage it has over the neighboring state capital, where prices for condominiums and apartment buildings have risen significantly since the onset of the economic crisis. The Düsseldorf market for owner-occupied properties saw the first signs of a slowdown in 2010, with asking prices declining by 1.5 percent as against the previous year. However, asking prices for apartment buildings increased by a further 7.7 percent year-on-year. Duisburg and some southern parts of Essen can offer suitable properties to Düsseldorf residents at low prices, meaning that locations

in Duisburg are clearly also attractive for buyer groups that would normally restrict their search to Düsseldorf neighborhoods.

In Duisburg city center, new selling space is being created with a view to improving the local retail landscape. Structural work on the new Königsgalerie shopping center – the conversion and expansion of an existing arcade – is already complete, while Forum Duisburg, one of the largest inner-city shopping centers, opened its doors in autumn 2008. Over recent years, the economic performance of the city, which has 491,931 inhabitants, has been unsatisfactory. A failure to attract young professionals is having a corresponding impact on the situation on the employment market, and the economic recovery that is being seen at both state and national level has yet to reach the city. In contrast to a number of housing market regions in North Rhine-Westphalia, unemployment continued to increase slightly in Duisburg in the past year. At 13.2 percent, the unemployment rate in the city is the second-highest in North Rhine-Westphalia, beaten only by Gelsenkirchen (14.4 percent). Accordingly, the local purchasing power index is a low 88.4 based on average available annual income of €17,404. Compared with the

state as a whole, only Gelsenkirchen (85.3), Herne (86.1) and Hamm (87.3) have lower purchasing power indexes.

A negative birth ratio and migration losses meant that Duisburg's population fell by 4.5 percent between 2000 and 2009, placing the city among the 10 cities and districts of North Rhine-Westphalia with the highest population decline. This trend will continue in future. According to the State Statistical Office, the number of inhabitants will decrease by a further 6.2 percent by 2025. The number of households, which is relevant in terms of housing demand, fell by 2.5 percent between 2000 and 2009 and is forecast to decline by a further 4.5 percent between now and 2020 according to the German Federal Statistical Office. Only Gelsenkirchen (-8.9 percent), Hagen (-8.1 percent), Remscheid (-5.9 percent), Herne (-5.4 percent) and Wuppertal (-4.7 percent) are expected to see a more pronounced decline.

This downturn in the number of inhabitants and households means that Duisburg has a comparatively high vacancy rate. According to the Techem-Empirica vacancy index, the active vacancy rate in 2009 was 5.5 percent, up 1.1 percent on the previous

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	6.4	6.2	5.2	4.4	4.4	5.5
Permits for new buildings	801	690	747	505	377	597
Finished apartments	866	668	591	884	502	365
Housing stock	257,340	257,866	258,152	258,948	259,178	259,289
Housing stock in apartment buildings	77.6	77.5	77.4	77.4	77.3	77.2

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

year. However, the distribution of vacancy rates across the various areas of the city is anything but uniform. In postcode area 47198 (Alt-Homberg, Hochheide), which is dominated by high-rise buildings, 10 percent of all apartments are empty, while the figure for Marxloh in northern Duisburg (postcode 47169) is 9.4 percent. By contrast, the areas of Overbruch, Vierlinden (postcode 47178), Aldenrade, Wehofen (postcode 47179), Bergheim (postcode 47228), Wedau, Bissingheim (postcode 47279) and Großenbaum, Rahm (postcode 47269) all have low vacancy rates of less than 3 percent.

Large selection of affordable apartments despite rising prices

The number of completions in Duisburg declined from 502 units in 2008 to 365 in 2009, meaning that less than one apartment was completed for every 1,000 inhabitants. However, the number of approvals rose from 377 units in 2008 to 597 in 2009. All in all, Duisburg's housing stock consists of around 259,000 units, with apartments in apartment buildings accounting for 77.2 percent of this figure.

Compared with the previous year, monthly asking rents for apartments fell by 1 percent to a median of €5 per square meter. However, there was varied price development in the different segments. In the lower market segment, apartments were available for €3.93 per square meter per month. Although this represented a year-on-year increase of 3.3 percent, the lower market segment in Duisburg continues to offer the lowest asking rents among the 12 largest cities in North Rhine-Westphalia alongside Gelsenkirchen (€3.62) and Dortmund (€3.97). The peer group comparison for the upper market segment shows similar results. High-quality apartments in Duisburg were available for an average of €7.09 per square meter per month, down 5.5 percent

on the previous year. Among the 12 major cities in the state, only Gelsenkirchen has lower asking rents in the upper market segment, coming in at €6.44 per square meter. Prices in all of the other cities are higher, with Düsseldorf occupying first place (€12.92 per square meter).

A differentiated analysis of asking rents in the individual postcode areas of Duisburg shows that rents are particularly low in the neighborhoods to the north-east of the city, while the higher-priced areas are broadly demarcated by the Rhine river and the Ruhr highway (A 40). In 2010, the lower market segment in 12 of Duisburg's 25 postcode areas saw monthly asking rents excluding heating of less than €4 per square meter – and, in some cases, significantly less.

This affordability reflects the conditions on the market, as the former steel and coal city has comparatively below-average monthly household purchasing power of €2,909. The only postcode area where residents have more than €4,000 at their disposal is Baerl (postcode 47199), where the average monthly purchasing power amounts to €4,505, whereas monthly purchasing power is less than €3,000 in no fewer than 17 of the 25 postcode areas. Only Gelsenkirchen has lower household purchasing power than Duisburg, with an average monthly figure of €2,812.

Although affordable apartments have become more expensive, the housing cost burden in Duisburg is moderate, with rent including and excluding heating accounting for 18.1 percent and 11.3 percent of the average monthly budget respectively. This is one of the lowest figures among the 12 major cities in North Rhine-Westphalia, with only Dortmund (17.9 percent) and Gelsenkirchen (17.8 percent) enjoying a lower ratio of rent including heating to household purchasing power. Three areas of Duisburg are among the neighbor-

hoods with the lowest housing costs in the entire state. In the northern postcode area 47139 (Beeck, Beeckerwerth), rent excluding heating for apartments with an average size of around 61 square meters amounts to just €283 per month – the sixth-lowest figure in North Rhine-Westphalia. Compared with the region as a whole, rent excluding heating is also particularly low in postcode areas 47138 (Obermeiderich) and 47229 (Friemersheim), where the average apartment size is 61.3 square meters and 62.2 square meters respectively.

Investment market: Stable prices for owner-occupied properties, apartment buildings on the wane

Trends in the Duisburg residential property investment market in 2010 were inconsistent. While purchase prices for condominiums remained unchanged year-on-year, asking prices for apartment buildings fell by 7.7 percent. As in the previous year, the median asking price for condominiums in 2010 was €945 per square meter. Asking prices in the lower market segment declined by 4.8 percent year-on-year to €342 per square meter, while asking prices in the upper market segment rose by 1.5 percent to €1,990 per square meter. Only Gelsenkirchen has a lower price level in the upper market segment (€1,896).

A total of 593 apartment buildings were advertised for sale in Duisburg, an increase as against the previous year (438 properties). However, the median asking price of €575 per square meter was down 5.7 percent year-on-year. The downturn in prices was more pronounced in the upper market segment (-3.2 percent to €1,203) than in the lower market segment (-0.7 percent to €258), where asking prices remained relatively stable. Only Gelsenkirchen had more affordable apartment buildings than Duisburg in 2010, with an average asking price of €515 per square meter.

Duisburg

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
47051	918	4.00	5.39	8.09	4.4	68	368	573	2,854	12.9	20.1
47053	867	3.86	4.73	6.50	8.6	65	307	501	2,539	12.1	19.7
47055	616	4.20	5.16	6.64	5.9	63	327	518	2,765	11.8	18.7
47057	902	4.47	5.54	7.48	3.4	65	357	551	2,829	12.6	19.5
47058	595	4.52	5.61	7.54	3.9	65	366	561	3,090	11.8	18.2
47059	232	3.98	5.06	6.63	6.6	62	316	503	2,711	11.6	18.6
47119	560	4.00	4.93	6.54	6.1	67	332	535	2,598	12.8	20.6
47137	1,030	3.94	4.88	6.14	5.5	63	305	493	2,659	11.5	18.5
47138	610	3.65	4.75	6.00	6.4	61	292	476	2,813	10.4	16.9
47139	489	3.83	4.61	5.83	6.3	61	283	466	2,763	10.2	16.9
47166	731	3.64	4.66	5.95	8.3	68	317	521	2,612	12.1	19.9
47167	685	3.60	4.81	6.46	4.8	70	337	547	2,740	12.3	20.0
47169	753	3.55	4.50	6.25	9.4	69	308	514	2,739	11.3	18.8
47178	512	3.92	4.92	6.91	1.4	69	341	549	2,808	12.2	19.6
47179	376	4.00	5.06	6.90	2.5	71	358	570	2,820	12.7	20.2
47198	788	3.83	5.12	7.50	10.0	68	350	555	2,920	12.0	19.0
47199	93	4.74	6.53	8.33	n/a	78	512	748	4,505	11.4	16.6
47226	488	3.99	4.96	5.89	6.3	69	343	550	2,562	13.4	21.5
47228	311	4.06	5.16	7.13	2.6	67	343	543	3,507	9.8	15.5
47229	560	4.16	4.71	6.00	5.1	62	293	480	3,019	9.7	15.9
47239	330	4.47	5.51	8.00	[2.2]	68	373	576	3,540	10.5	16.3
47249	469	3.71	5.38	7.50	6.6	67	363	565	2,950	12.3	19.1
47259	484	4.05	5.31	7.83	3.0	65	344	539	3,279	10.5	16.4
47269	260	4.53	6.01	8.87	2.8	71	424	636	3,687	11.5	17.3
47279	451	4.20	5.23	6.23	2.6	58	305	480	3,007	10.1	15.9
Ø	14,110 ³⁾	3.93	5.00	7.09	5.5	66	330	528	2,909	11.3	18.1
Ø NRW	378,959 ³⁾	4.13	5.76	10.00	3.6	71	408	621	3,463	11.8	17.9

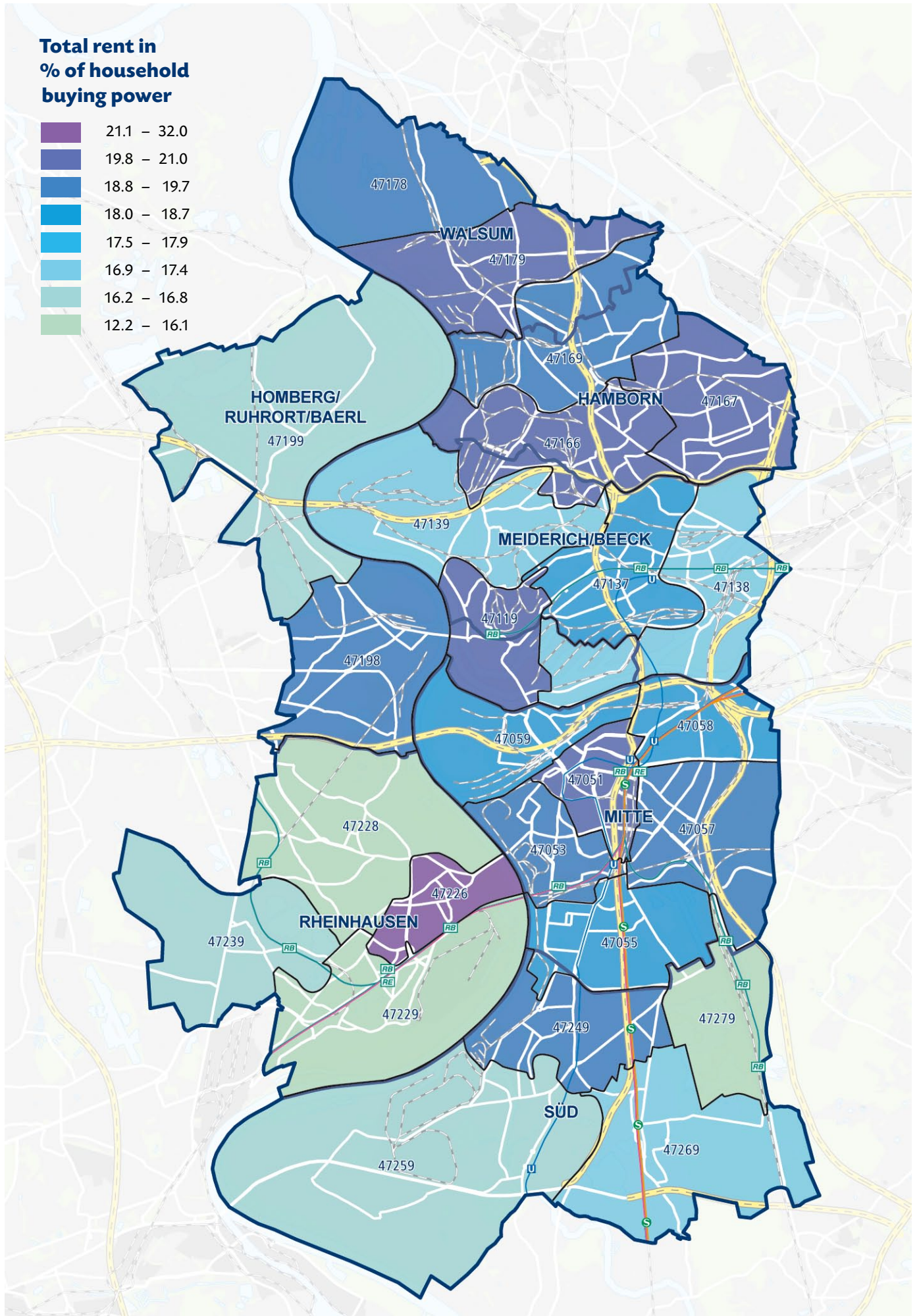
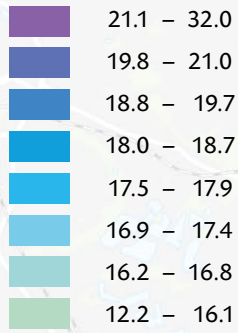
1) [Falling number of limited significance] 2) includes €3.00 operating cost/m² (DMB operating cost index 2010) 3) Total of offers

Source: CB Richard Ellis; based on data from: IDN Immodaten, GfK GeoMarketing (buying power data), Techem-empirica (vacancy)

Postal code allocation

47051 Altstadt, **47053** Dellviertel, Hochfeld, **47055** Wanheimerort, **47057** Neudorf, **47058** Duisern, **47059** Kaßlerfeld, Neuenkamp, **47119** Ruhrort, Laar, **47137** Mittel-, Untermeiderich, **47138** Obermeiderich, **47139** Beeck, Beeckerwerth, **47166** Alt-Hamborn, **47167** Neumühl, **47169** Marxloh, **47178** Overbruch, Vierlinden, **47179** Aldenrade, Wehofen, **47198** Alt-Homberg, Hochheide, **47199** Baerl, **47226** Hochemmerich, **47228** Bergheim, **47229** Friemersheim, **47239** Rumeln-Kaldenhausen, **47249** Angerhausen, Buchholz, Wanheim, **47259** Huckingen, Hüttenheim, Ungelsheim, Mündelheim, **47269** Großenbaum, Rahm, **47279** Wedau, Bissingheim

**Total rent in
% of household
buying power**



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

http://www.boris.nrw.de/borisplus//data/GMB/GMB_111_2011_frei.pdf

http://www.kreis-dueren.de/aktuelles/presse/presse_kat.php?pm=/aktuelles/presse/wirtschaft/155010100000029321.php

<http://www.kreis-coesfeld.de/fileadmin/ZfA/downloads/zfa-bericht-2011-05.pdf>

<http://www.hohenbuschei.de/>

<http://www.it.nrw.de/>

<http://www.duesseldorf.de/statistik/stadtforschung/sachthemen/bevoelkerung.shtml>

Annual Statistics for City of Münster, 2009, http://www.muenster.de/stadt/stadtplanung/pdf/Jahres-Statistik_2009.pdf

Annual Statistics for City of Münster, 2010, http://www.muenster.de/stadt/stadtplanung/pdf/Jahres-Statistik_2010_Bevoelkerung.pdf

http://www.oberbergischer-kreis.de/imperia/md/content/cms200/demographie/zahlen_daten_fakten_2010_2.pdf

<http://www.wirtschaftsstandort-oberberg.de>

http://www.muelheim-business.de/cms/softwaregames_bildet_den_leuchtturm_der_kreativwirtschaft_in_muelheim1.html

http://www.kreis-lippe.de/Konzern_Kreis_Lippe/Fachbereich_Vermessung_Kataster/Fachgebiet53/Documents/Flyer_2011.pdf

http://www.kreis-olpe.de/standard/page.sys/details/eintrag_id=1807/content_id=1147/156.htm

GLOSSARY

Scoring: Ranking of the 54 districts and cities of North Rhine-Westphalia and the 11 other most populous cities in Germany in terms of the attractiveness of their property market.

Population forecast: Forecast of the population as prepared by the German Federal Statistical Office. The model applied is based on assumptions with regard to the development of the birth rate, life expectancy and the net migration rate.

Household forecast: Forecast of the number of households as prepared by the German Federal Statistical Office. The model applied is based on the figures from the micro-census on the development of private households in the period from 1991 to 2009. The results of the 12th coordinated population projection are taken into account.

Household purchasing power: The income available to private households from employment and self-employment including transfer benefits (unemployment benefits, child allowance, family allowance, annuities, pensions, training assistance, capital gains, income from agriculture and forestry, income from letting and leasing, etc.). Source: Gesellschaft für Konsumforschung.

Purchasing power index: Per-capita purchasing power of the district or city compared with the national average (Germany = 100). Source: Gesellschaft für Konsumforschung.

Multiple: Purchase price (excluding incidental costs)/gross rental income (before deduction of non-recoverable management costs).

Median: The numerical value separating the higher half of a sample from the lower half such that 50 percent of the values in the sample are contained in the upper and lower halves respectively.

Lower market segment: The segment containing the cheapest 10 percent of the available properties in the entire sample.

Upper market segment: The segment containing the most expensive 10 percent of the available properties in the entire sample.

Entire market segment: All of the available properties recorded via IDN Immodaten in the respective period, adjusted for duplicates.

Price range in the middle market segment: The range of asking rents covered by 80 percent of the available properties recorded.

Housing cost burden: Proportion of the monthly purchasing power of a household accounted for by rent excluding and including heating. Formula: Housing costs (excluding/including heating) x 100 / monthly household purchasing power.

Vacancy rate: The ratio of the active housing stock in apartment complexes for which no rent is being paid to the total active housing stock. Empirica calculates vacancy rates based on the settlement of utility costs by Techem.

Residential construction approvals: Approved construction measures for apartments in residential and non-residential buildings, including existing measures. Source: Statistical Office of North Rhine-Westphalia.

Residential construction completions: Completed apartments in residential and non-residential buildings, including existing measures. Source: Statistical Office of North Rhine-Westphalia.

Housing stock: Total number of apartments in residential and non-residential buildings.

IDN Immodaten: Germany-wide database of properties available for rental and purchase, with around 1.8 million adverts from more than 100 sources added every month.

Housing costs (excluding heating): Average apartment size x rent excluding heating per square meter (median).

Housing costs (including heating): Average apartment size x (rent excluding heating per square meter (median) + utility costs of €3.00).

MASTHEAD

Publisher:

LEG Management GmbH
Roßstraße 120
40476 Dusseldorf
Tel. +49 211 4568-329
Fax +49 211 4568-300
jens.schoenhorst@leg-nrw.de
www.leg-nrw.de (also for partial downloads of the LEG Housing Market Report NRW)

Editorial:

Jens Schönhorst (responsible under German press law),
Miriam Beul-Ramacher

Market data:

Dr. Henrik Baumunk, Michael Schlatterer MRICS, Kristina Kröger
(Residential Valuation, CB Richard Ellis GmbH)

Graphics/Layout:

Storkan Informationsdesign
Cover design: Gornig Design

Housing cost maps:

Baumgardt Consultants, Gesellschaft für Marketing und Kommunikation bR

Photos:

Cover: Max Hampel, Dusseldorf (Montage: Gornig Design);
p. 1: Ansgar M. van Treeck, Dusseldorf

Concept and project management:

Katja Binnyus, Thomas Rücker (RUECKERCONSULT GmbH)

DISCLAIMER 2011 LEG/CB Richard Ellis

Information herein has been obtained from sources which are accessible to the public, (or, in certain cases, in exchange for a fee) and believed reliable. While we do not doubt its accuracy, we have not verified each piece of information and cannot make any guarantees about it, barring willful intent and gross negligence. It is your responsibility to independently confirm its accuracy and completeness.

The information contained in this market report may not be used, reproduced or published without prior written permission of LEG and CB Richard Ellis.