CBRE
CB RICHARD ELLIS

LEG
gewohnt gut.

LEG Housing Market Report NRW 2011

With HousingCostAtlas

Dear reader,

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

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

Gelsenkirchen

Score 15 of max. 48

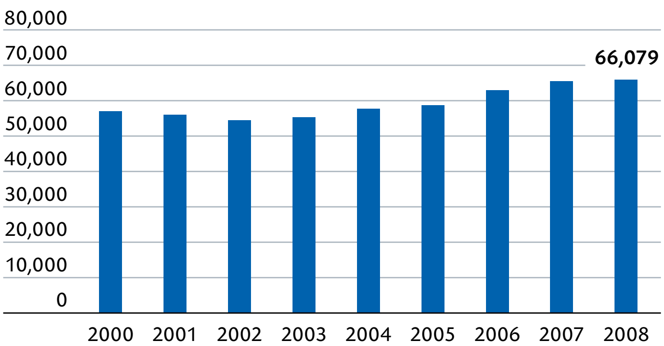
Significant economic and demographic challenges

The former coal-mining center of Gelsenkirchen continues to be faced with major challenges in terms of economic and demographic development. The population fell by 6.8 percent between 2000 and 2009, while the number of households declined by 5.5 percent in the same period. Efforts by the city to actively shape structural change have not yet led to a turnaround in income or population development, and Gelsenkirchen is expected to see further population decline in the future. The forecasted downturn in the number of households of almost 9 percent is the highest in the entire state. Such developments to date have affected the local housing market in the form of falling rents and purchase prices.

Macroeconomic data	Gelsenkirchen	NRW	Germany	Year
Residents	259,744	17,872,764	81,802,256	2009
Population density (residents/km²)	2,448	526	230	2009
Population development in %	–6.8	–0.8	–0.6	2000–2009
Population forecast in %	–8.4	–2.4	–3.6	2009–2025
Households	131,804	8,550,214	39,628,120	2009
Household development in %	–5.5	2.8	3.7	2000–2009
Household forecast in %	–8.9	1.5	1.1	2009–2020
Buying power	85.3	101.2	100.0	2011
Per capita buying power in €	16,785	19,921	19,684	2011
Workers paying social insurance contributions	73,230	5,766,861	27,380,096	2009
Development of social insurance contributions	–4.4	–2.4	–1.6	2000–2009

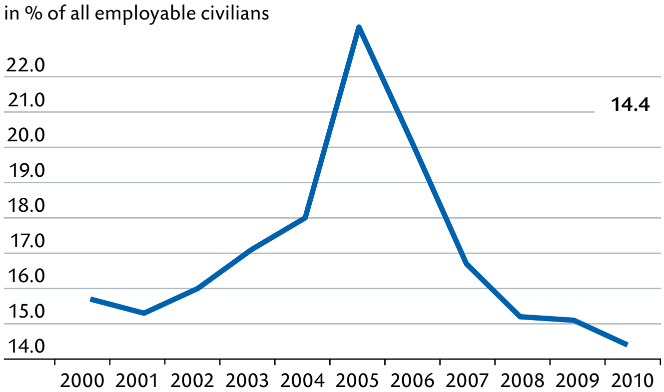
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

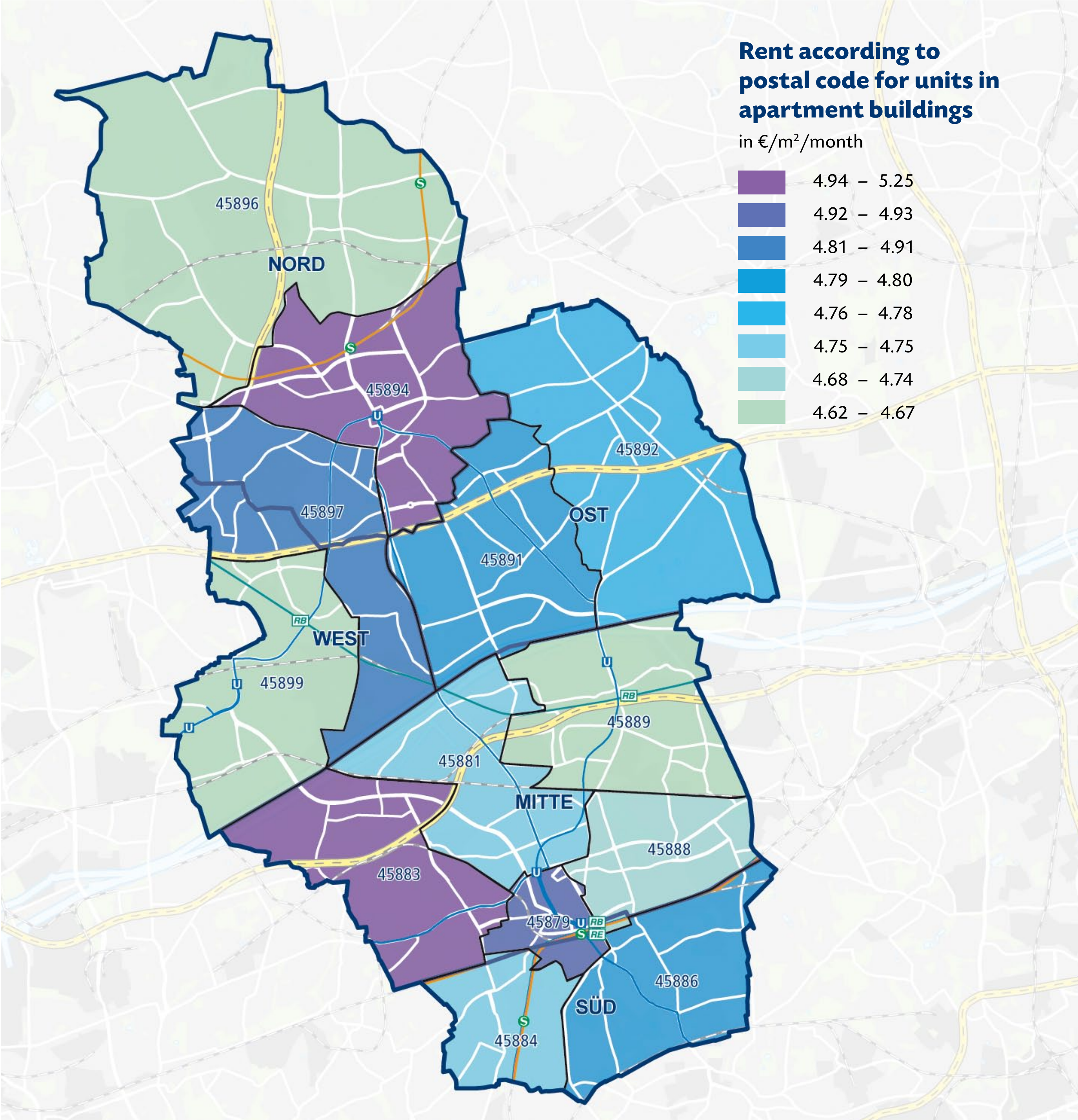


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The chemicals industry has been a key player in Gelsenkirchen's economic structure for a number of decades, with the former steel and mining center developing into one of the 10 most important locations in Western Europe for basic chemicals. The ultra-pure petrochemical materials developed in Gelsenkirchen are used in many areas of daily life.

The city's location means it is also attractive for logistics service providers. Key factors behind its success include four highways with 10 junctions and the canal port on the Rhine-Herne Canal with the highest turnover, which primarily handles oil and grain. Gelsenkirchen, Herne and Herten have entered into a logistics partnership entitled "Last Mile Logistics," which seeks to jointly develop space that is tailored to the specific requirements of the logistics industry. With the Rheinelbe science park, Gelsenkirchen is also evolving into a nationally recognized research location that is home to companies and research institutions from the areas of energy technology, information and communication technology, and health management. The city is increasingly also focusing on future-oriented technologies as a center for solar technology; for example, the production facilities of the solar cell manufacturer SolarWorld are located in the Schalke area of Gelsenkirchen, which is not only known for its famous football team, but was once also a major center for coal-mining.

Some former collieries have been repurposed and are now used as recreation parks, for example, such as the Nordsternpark in Gelsenkirchen-Horst.

Housing market faced with further population decline

The scars of deindustrialization and the subsequent structural change are still clearly visible in Gelsenkirchen. Although unemployment has fallen over recent years, from 23.4 percent in 2005 to 14.4 percent in 2010, the city still has the highest unemployment rate among all of the cities and districts of North Rhine-Westphalia included in this report. The number of inhabitants and households has also been in decline for a number of years. Between 2000 and 2009, the population fell by 6.8 percent while the number of households decreased by 5.5 percent. This was almost unparalleled among the 54 housing markets analyzed for the purposes of this report, with only Remscheid (population -6.6 percent, number of households -4.7 percent) and Hagen (population -6.4 percent, number of households -8.1 percent) seeing similar developments in the period under review.

The future for the Ruhr city and its 259,744 inhabitants is no more positive. According to the State Statistical Office, the population is forecast to decline by a further 8.4 percent by 2025, while the German Federal Statistical Office expects the number of households to decrease by 8.9 percent between now and 2020. Other than the city of Hagen, which is expected to see a downturn in the number of households of 8.1 percent, no other city in North Rhine-Westphalia is confronted with similarly bleak demographic forecasts.

Gelsenkirchen is seeking to strengthen the local economy by expanding the areas of energy technology, information and communication technology, and health management. The city is also adopting a particularly strong focus on education. Gelsenkirchen University of Applied Sciences, which has faculties in Bocholt and Recklinghausen, has established itself in the university landscape of North Rhine-Westphalia. Another institution of note is Hans-Schwier Vocational College, which is home to all students in the state who are studying professions with only a small number of trainees. However, these extensive efforts have yet to result in tangible success in terms of population development or prosperity. The former steel and mining center is in the middle of a period of structural change and is struggling to offset the loss of industrial jobs in other industries. Accordingly, the local purchasing power index in Gelsenkirchen is the lowest in the state at just 85.3. With annual purchasing power of €16,785 per capita, the home of FC Schalke 04 finds itself in last place among the cities and districts in North Rhine-Westphalia, behind Herne (€16,941) and Hamm (€17,180).

Good times for tenants: Falling rents across the city

The challenges facing Gelsenkirchen over the coming decades also concern the housing market. At 4.8 percent, the vacancy rate is the second-highest among the 12 major cities after Duisburg (5.5 percent), and this figure has risen by 1.5 percent since 2006. The number of approvals increased slightly, from 205 in 2008 to 233 in 2009, while the number of completions rose from 172 to 236 units in the same period. However, completions remain low at less than one apartment per 1,000 inhabitants.

The Gelsenkirchen housing market is characterized by pronounced regional differentiation. Unlike the majority of cities along the A 40, including Essen, Mülheim an der Ruhr, Duisburg and Dortmund, residential locations do not follow the typical pattern of cheaper areas in the north and more expensive areas in the south. In 2010, affordable asking rents were avail-

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.4	3.6	3.3	3.5	3.9	4.8
Permits for new buildings	381	395	256	159	205	233
Finished apartments	256	348	517	198	172	236
Housing stock	141,214	141,535	142,030	142,069	142,175	142,285
Housing stock in apartment buildings	84.5	84.4	84.3	84.2	84.2	84.2

Source: Techem-empirica (vacancy), NRW Statistics Office, compiled by CBRE able in the far north of the city, e.g. in Hassel, Scholven (postcode 45896), the southeast in Bulmke-Hüllen, Bismarck (postcode 45889) and the south-west in Gelsenkirchen, Beckhausen, Horst, Heßler (postcode 45899). All in all, the range of asking rents was extremely narrow in 2010, with monthly rent excluding heating ranging from €4.62 to €5.25 per square meter.

Buer residents enjoy high purchasing power

Residents of the city generally make a very clear distinction between Gelsenkirchen and Buer. Inhabitants of Buer (postcode 45894) see themselves as having comparatively little in common with the rest of the city in economic and cultural terms. At €3,595, monthly household purchasing power is significantly higher than the city-wide average of €2,812. With the exception of Buer, none of the 13 postcode areas in Gelsenkirchen exceed the €3,000 barrier in terms of monthly purchasing power. Average apartment sizes are also the second-largest within the city boundaries at 69.5 square meters, beaten only by Rotthausen (postcode 45884). In 2010, the median monthly asking rent in Buer across all market segments amounted to €5.25 per square meter – the highest among Gelsenkirchen›s postcode areas. Due to the high level of household purchasing power, the monthly rental burden amounts to just 10.2 percent for rent excluding heating and 16.0 percent for rent including heating. No other postcode area in the city can boast a more favorable ratio of tenant purchasing power to housing costs.

In turn, this means that many of the city's less well-off households are required to spend a greater proportion of their budget on rent. In postcode area 45879 (Altstadt, Neustadt), for example, rent excluding heating accounted for 12.8 percent of the average monthly purchasing power of €2,599, while rent including heating accounted for 20.5 percent. With 1,153 apartments advertised in 2010, Altstadt and Neustadt had the second-highest number of available properties after Hassel, Scholven (postcode 45896; 1,575 apartments advertised). It is difficult to say how marketable the properties on offer in the Altstadt and Neustadt areas of Gelsenkirchen really are, but the highest vacancy rate in the city – 7.9 percent – suggests that a certain number of apartments have proven to be fundamentally unmarketable.

In 2010, households looking for accommodation were faced with an only moderate year-on-year increase in asking prices. Monthly rents across all location and quality classes declined by 0.9 percent to an average of €4.78 per square meter compared with 2009. Unlike in the other top 12 cities, prices for apartments in the lower market segment declined significantly by 2.2 percent year-on-year, corresponding to monthly rents of €3.62 per square meter. In Resse, Resser-Mark (postcode 45892), monthly asking rents in the lower market segment amounted to just €3.04 per square meter – the eighth-lowest of the 873 postcode areas examined in North Rhine-Westphalia. Postcode areas with even lower rents excluding heating in the corresponding segment are only found in Minden-Lübbecke, Lippe, Höxter, Unna and Paderborn.

Asking prices in the upper market segment also declined in 2010. At €6.44 per square meter, monthly rent excluding heating for the apartments advertised was down 4.4 percent year-on-year. Herne (€6.19 per square meter per month), Höxter district (€6.07 per square meter per month) and Hochsauerlandkreis district (€6.05 per square meter per month) were the only housing markets in North Rhine-Westphalia to record lower prime rents than Gelsenkirchen. The discrepancy between Gelsenkirchen and the neighboring top 12 cities is clear: asking rents for apartments in the upper market segment in Bochum amounted to €7.70 per month, while the figure for Essen was €8.33.

Buyers remain skeptical in light of volatile property market

Similarly, there was little in the way of good news on the Gelsenkirchen real estate investment market, with the price fluctuations that were observed in the various segments in 2009 continuing into 2010. After falling by 3.9 percent in 2009, asking prices for owner-occupied properties declined by a further 2.7 percent in 2010, averaging €818 per square meter across all location and quality classes compared with €840 in the previous year. This means that asking prices for condominiums in Gelsenkirchen remain substantially lower than in the other top 12 cities. Having decreased by 18.3 percent in the previous year, asking prices in the lower market segment fell by a further 15.3 percent to €254 per square meter in 2010. By contrast, the average price for advertised apartments in the upper market segment increased by 5.6 percent year-on-year to €1,896 per square meter. No other market among the top 12 cities recorded lower figures than Gelsenkirchen in either the lower or upper market segment.

Developments on the Gelsenkirchen market for apartment buildings were inconsistent. Asking prices across all segments remained essentially unchanged, increasing slightly by 0.4 percent to €515 per square meter. However, purchase prices declined by 3.3 percent in the lower market segment (from €215 to €208 per square meter) and by 2.5 percent in the upper market segment (from €1,139 to €1,111 per square meter).

Gelsenkirchen

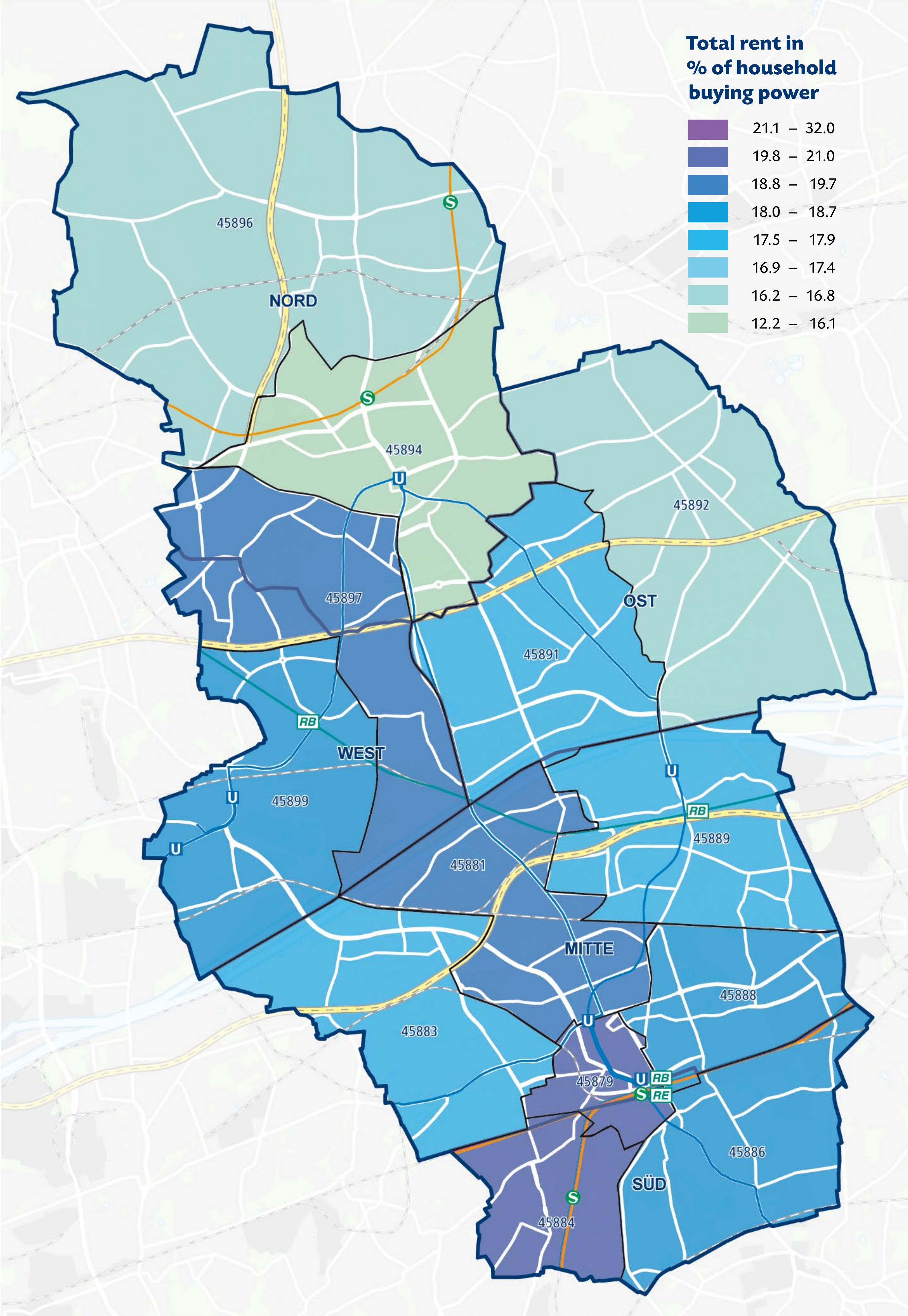
Housing market, cost, and expenditure ratio according to postal code

Housing data						Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m²/month	Median basic rent in €/m²/month	Basic rent in top market segment in €/m²/month	Vacancy 2009 in %1)	Apartment size Ø in m²	Basic housing cost Ø in €/month	Total housing cost2) Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
45879	1,153	3.85	4.92	7.33	7.9	67	332	534	2,599	12.8	**20.5**
45881	820	3.72	4.75	6.22	5.6	61	288	469	2,492	11.5	**18.8**
45883	444	3.84	4.95	6.24	3.9	65	323	519	2,911	11.1	**17.8**
45884	387	3.74	4.75	6.19	4.4	71	337	551	2,703	12.5	**20.4**
45886	859	3.69	4.80	6.27	6.5	66	318	517	2,813	11.3	**18.4**
45888	915	3.59	4.74	6.00	6.6	62	293	479	2,650	11.1	**18.1**
45889	374	3.56	4.62	6.09	[4.0]	65	301	496	2,775	10.8	**17.9**
45891	435	3.97	4.80	6.79	3.8	65	310	504	2,818	11.0	**17.9**
45892	257	3.04	4.78	6.47	2.2	63	300	489	2,955	10.2	**16.5**
45894	597	4.00	5.25	7.67	2.6	70	365	574	3,595	10.2	**16.0**
45896	1,575	3.35	4.67	5.54	5.8	60	279	458	2,791	10.0	**16.4**
45897	403	3.76	4.91	6.49	5.0	69	337	544	2,861	11.8	**19.0**
45899	1,061	3.20	4.66	5.77	4.4	63	295	485	2,668	11.1	**18.2**
Ø	9,280 3)	3.62	4.78	6.44	4.8	64	307	500	2,812	10.9	17.8
Ø NRW	378,959 3)	4.13	5.76	10.00	3.6	71	408	621	3,463	11.8	17.9

1) [Falling number of limited significance] 2) includes €3.00 operating cost/m² (DMB operating cost index 2010) 3) Total of offers
Source: CB Richard Ellis; based on data from: IDN Immodaten, GfK GeoMarketing (buying power data), Techem-empirica (vacancy)

Postal code allocation

45879 Altstadt, Neustadt, **45881** Schalke, Schalke North, **45883** Feldmark, Heßler, **45884** Rotthausen, **45886** Ückendorf, **45888** Bulmke-Hüllen, **45889** Bulmke-Hüllen, Bismarck, **45891** Gelsenkirchen, Erle, **45892** Resse, Resse-Mark, **45894** Buer, **45896** Hassel, Scholven, **45897** Buer, Beckhausen, Horst, **45899** Gelsenkirchen, Beckhausen, Horst, Heßler


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
NORD
45896
45894
45892
OST
45897
45891
WEST
45899
45881
45889
MITTE
45888
45883
45879
45886
SÜD
45884
S
U
RB
RE

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