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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

District of Aachen

Score 27 of max. 48

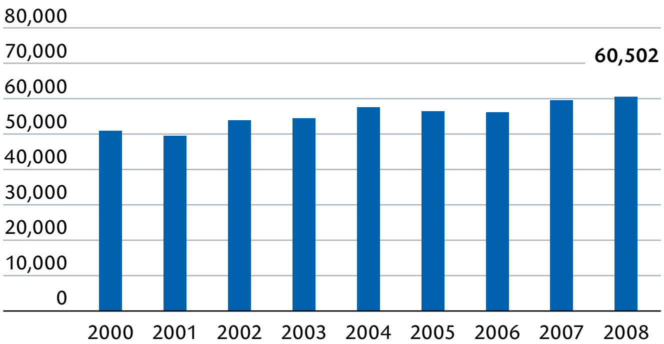
More construction permits, lower vacancy rates

The Aachen Urban Region (Städteregion Aachen) is an association of local authorities in western North Rhine-Westphalia comprised of the cities of Aachen, Alsdorf, Baesweiler, Eschweiler, Herzogenrath, Monschau, Stolberg and Würselen and the municipalities of Simmerath and Roetgen. It was created in October 2009 as the legal successor to Aachen district. The housing market in the urban region, which has 307,967 inhabitants, is presented on the following pages. Information on developments in the City of Aachen itself, which has 258,380 inhabitants, can be found on pages 44 to 49. Asking rents in the district increased to a lesser extent than in the City of Aachen in 2010, recording a comparatively moderate rise of 0.9 percent.

Macroeconomic data	Aachen, district	NRW	Germany	Year
Residents	307,967	17,872,764	81,802,256	2009
Population density (residents/km²)	571	526	230	2009
Population development in %	0.5	–0.8	–0.6	2000–2009
Population forecast in %	–0.3	–2.4	–3.6	2009–2025
Households	148,677	8,550,214	39,628,120	2009
Household development in %	6.1	2.8	3.7	2000–2009
Household forecast in %	6.1	1.5	1.1	2009–2020
Buying power	94.6	101.2	100.0	2011
Per capita buying power in €	18,630	19,921	19,684	2011
Workers paying social insurance contributions	71,942	5,766,861	27,380,096	2009
Development of social insurance contributions	–2.1	–2.4	–1.6	2000–2009

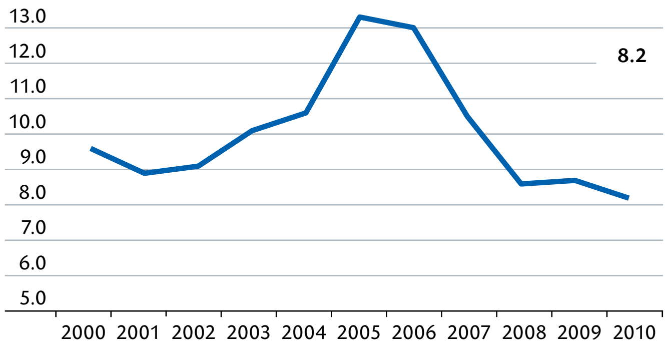
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

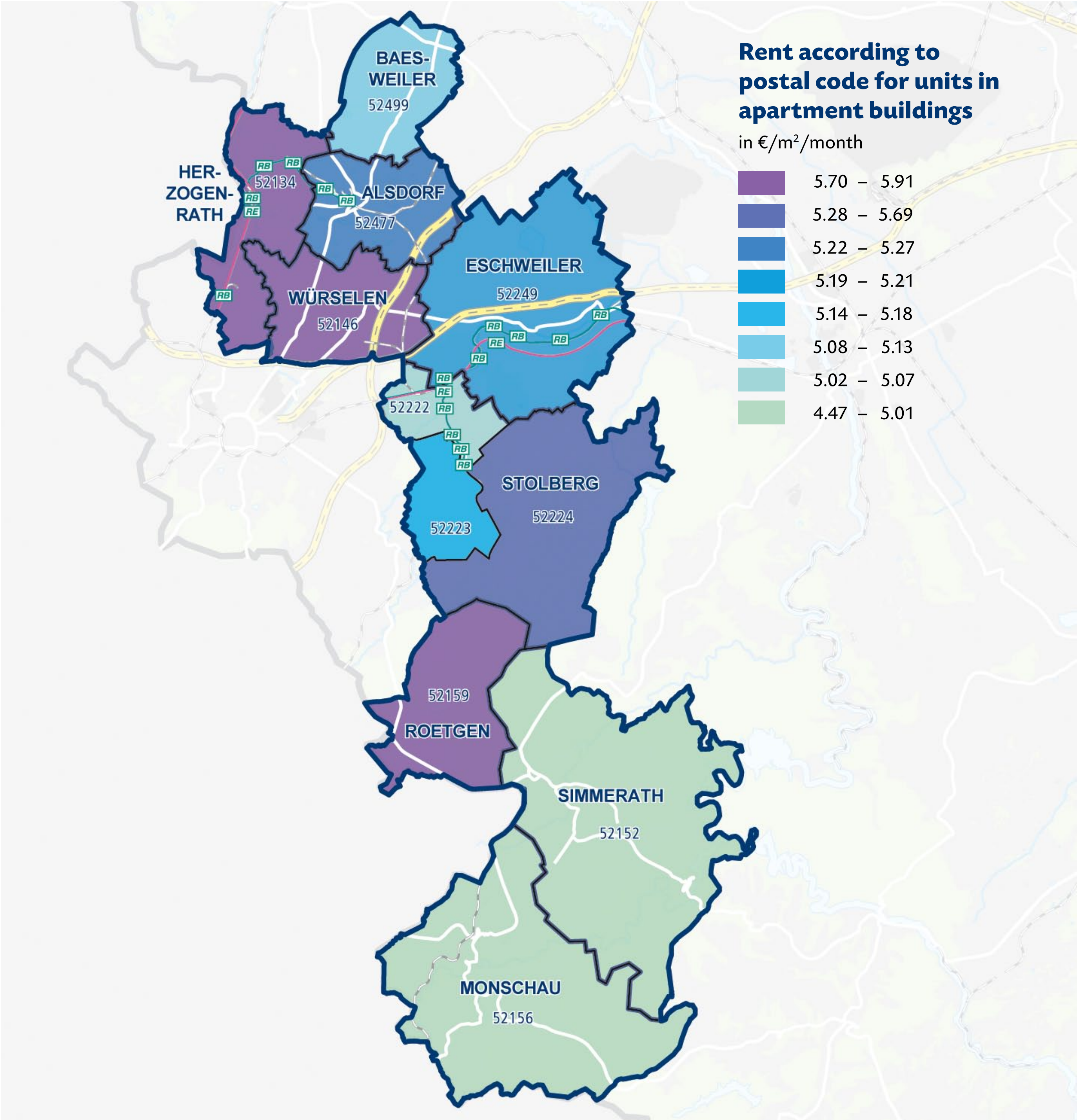


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Aachen has not been left untouched by the sea change in the German Federal Government's energy policy. Up to 16 additional wind turbines could be built in the region – six in the north and 10 in the Münsterwald forest. The state-of-the-art turbines will generate electricity for some 35,000 households. The Aachen area is already home to 11 wind turbines providing 7,000 households with electricity, nine of which are located in Vetschau. With this focus on renewable energies, a new industry cluster is establishing itself in the urban region. To date, the local economy has been characterized by agriculture and the manufacturing industries of paper, mechanical engineering, food, chemicals and the production of rubber and plastic goods. The service sector is dominated by information and telecommunications as well as research and development. The largest and best-known employers in the Aachen Urban Region are Cinram GmbH (production of CDs and DVDs for Warner Music, MGM and Twentieth Century Fox, among others), UPS, bofrost, Hermes, ALDI (distribution and training center), AIXTRON, Ericsson and Saint-Gobain.

There are no extremes in terms of prosperity in the region, which has an unemployment rate of just 8.2 percent. In statistical terms, residents are not among the wealthiest in the state: with annual purchasing power of €18,630 per capita, the region has a relatively weak purchasing power index of 94.6. However, the housing market is benefiting from the significant rise in the number of households, which is forecast to continue in future, and the transport infrastructure offers adequate opportunities to companies with an interest in locating themselves in the region.

Price growth in the City of Aachen fails to reach surrounding areas

In 2010, asking rents in the Aachen Urban Region increased to a lesser extent than in the City of Aachen. Across all location and quality categories, rents in the urban region rose by just 0.9 percent, compared with 3.9 percent in Aachen – the highest figure among all of the major cities in North Rhine-Westphalia. Developments in the upper and lower price segments also show that it is economically favorable to live to the east, north or south of Aachen. The growth rate for simple apartments was just 1.2 percent, and apartments in the lower market segment were available for less than €4 per square meter in the most affordable locations, such as Monschau (postcode 52156), Simmerath (postcode 52152), Baesweiler (postcode 52499) and parts of Stolberg (postcode 52223).

By way of comparison, tenants in the City of Aachen saw asking rents in this segment increasing by 4.3 percent, with simply-appointed apartments in undesirable areas commanding an average of €4.50 per square meter. Apartments in the upper market segment are also substantially more affordable in the areas surrounding the university city, with growth of 1.3 percent in 2010. This meant that average monthly rents were no more than €7.98 per square meter even in expensive sub-markets such as Würselen (postcode 52146). Tenants would be required to pay an average of €10.32 per square meter for a similar apartment in the City of Aachen.

These price comparisons illustrate not only what has been known in the region for some time – that city apartments are more expensive than their equivalents in the countryside – but also that the Aachen Urban Region has one of the more balanced housing markets in North Rhine-Westphalia. Although wealth is limited to an extent, not least on account of the large number of students in the population, other developments of relevance to the housing market have shown a positive trend over recent years. While the number of inhabitants remained essentially unchanged between 2000 and 2009, rising by 0.5 percent, the number of households grew by 6.1 percent in the same period. The Aachen Urban Region is benefiting from the influx of students to the City of Aachen. With two waves of students graduating from high school simultaneously on account of the reduction in the number of years required to obtain the Abitur certificate, the city and the wider region are faced with the challenge of providing more housing for students. Statisticians expect the number of households in the urban region to continue to increase in future, with a similar growth rate between now and 2025 (+6.1 percent), while the number of inhabitants is forecast to remain more or less constant at -0.3 percent. This means that the prospects for landlords are positive. This is also reflected in the number of construction permits granted, which has increased again following a steady decline from 2005 onwards. In 2009, a total of 628 units were approved, up 102 on the previous year. The number of completions remained stable year-on-year at 529 units (previous year: 520 units), but has declined on the whole since 2006. The active vacancy rate was moderate at 2.8 percent, down on the prior-year figure of 3.2 percent. A postcode-based overview of housing costs shows that the areas around Aachen have heterogeneous wealth distribution accompanied by a varied price landscape. The prosperous households in Roetgen (postcode 52159) have an average of €4,849 available to them every month. Stolberg (postcode 52224, €4,140) is the only other postcode area with monthly household purchasing power in excess of €4,000. The lowest figure in the urban region is found in Alsdorf (postcode 52477), with average household purchasing power of just under €2,900. All of the other postcode areas have average monthly household purchasing power of between €3,000 and €4,000.

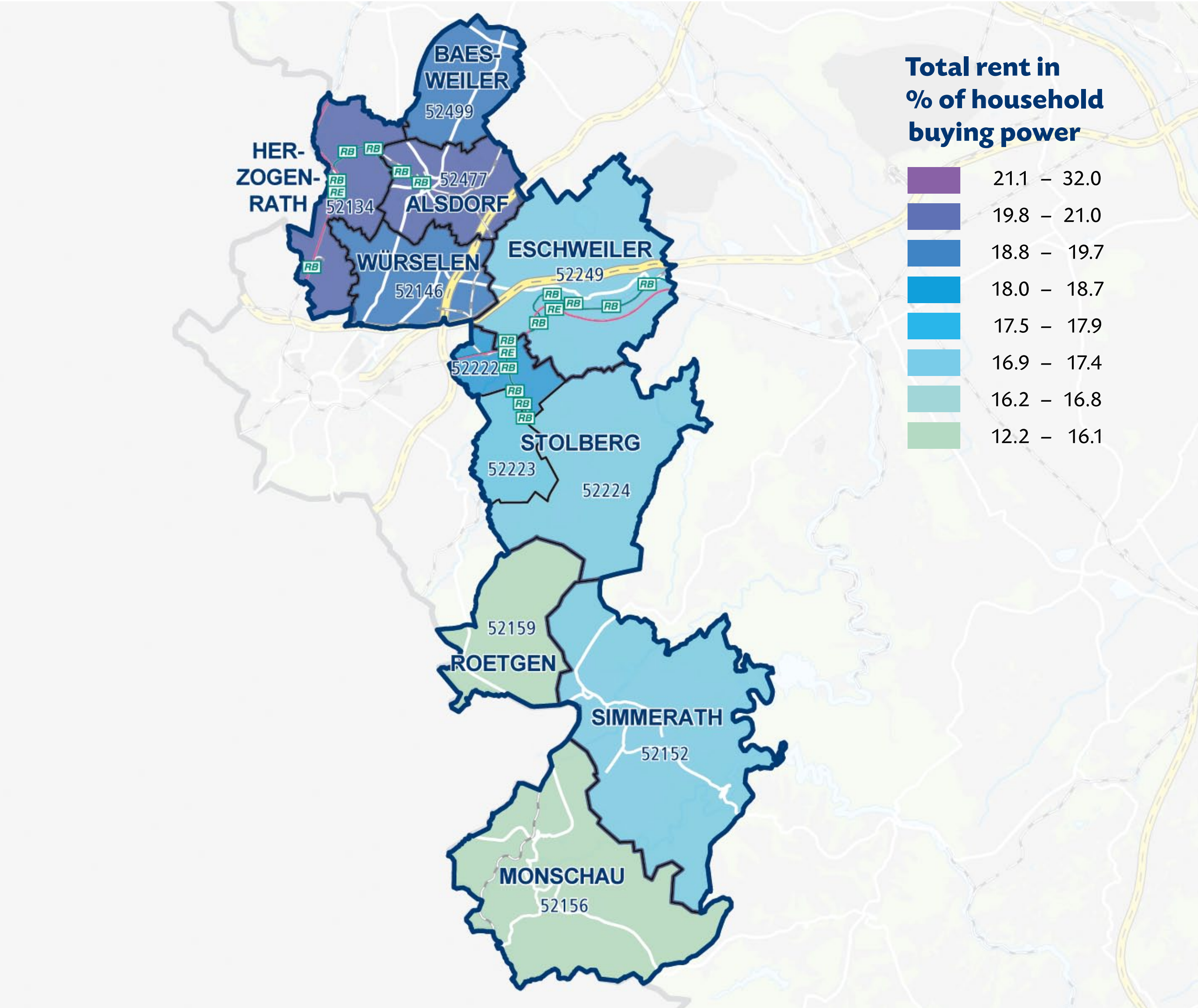
Average asking rents in the sub-market ranged from €4.47 per square meter in Monschau (postcode 52156) to €5.90 in Roetgen (postcode 52159). Tenant households in Monschau spent the smallest proportion of their monthly budget on housing in 2010, with rent excluding heating accounting for 9.3 percent (€358) of their household purchasing power of €3,850, and rent including heating accounting for 15.5 percent (€597).

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.3	3.8	3.6	3.9	3.2	2.8
Permits for new buildings	755	770	763	606	526	628
Finished apartments	1,047	689	800	679	529	520
Housing stock	136,006	136,622	137,380	137,992	138,501	138,995
Housing stock in apartment buildings	42.3	42.2	42.1	42.0	41.9	41.9

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

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
52134	587	4.41	5.75	7.54	2.7	77	441	671	3,279	13.4	**20.4**
52146	710	4.57	5.91	7.98	3.3	74	435	656	3,451	12.6	**19.0**
52152	121	3.88	5.00	6.92	n/a	80	401	641	3,747	10.7	**17.1**
52156	78	3.66	4.47	6.27	n/a	80	358	597	3,850	9.3	**15.5**
52159	82	4.60	5.90	7.29	n/a	86	505	761	4,849	10.4	**15.7**
52222	443	4.02	5.05	6.67	[3.0]	70	355	566	3,113	11.4	**18.2**
52223	252	3.98	5.17	7.00	[5.5]	73	376	594	3,420	11.0	**17.4**
52224	112	4.00	5.29	6.53	n/a	85	452	708	4,140	10.9	**17.1**
52249	894	4.18	5.20	6.94	2.7	70	366	577	3,354	10.9	**17.2**
52477	410	4.14	5.22	6.99	3.7	73	383	602	2,894	13.2	**20.8**
52499	247	3.92	5.10	7.57	4.4	76	389	618	3,136	12.4	**19.7**
Ø	3,936[3]	4.12	5.36	7.38	2.8	74	397	618	3,095	12.8	20.0
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

52134 Herzogenrath, City, **52146** Würselen, City, **52152** Simmerath, **52156** Monschau, City, **52159** Roetgen, **52222** Stolberg (Rhld.), City, **52223** Stolberg, **52224** Stolberg, **52249** Eschweiler, City, **52477** Alsdorf, City, **52499** Baesweiler, City

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

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

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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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