CB RICHARD ELLIS

gewohnt gut.

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 Borken

Score 28 of max. 48

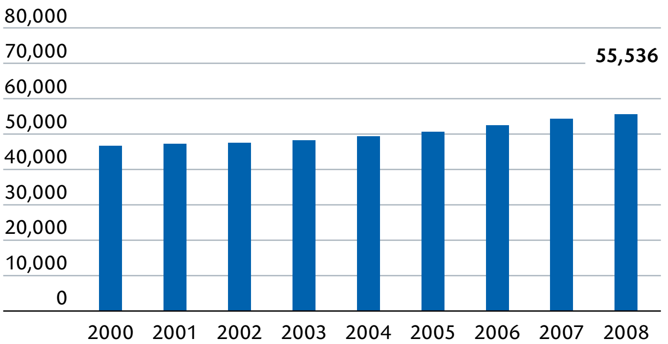
Low unemployment, positive population forecasts

Borken district in the west of North Rhine-Westphalia is composed of nine towns (Rhede, Bocholt, Borken, Gronau, Isselburg, Stadtlohn, Gescher, Vreden, Ahaus) and eight municipalities (Heek, Velen, Schöppingen, Reken, Legden, Heiden, Südlohn, Raesfeld). With around 41,000 inhabitants, the administrative center of Borken is the second-largest town in the district after Bocholt. Developments on the rental market followed the trend for the state as a whole: simple apartments commanded higher rents in 2010, while asking prices for luxury apartments declined. Average monthly rents did not exceed €8 per square meter in any of Borken's postcode areas. Asking prices for condominiums are above-average among the districts in the state.

Macroeconomic data	Borken, district	NRW	Germany	Year
Residents	369,666	17,872,764	81,802,256	2009
Population density (residents/km²)	261	526	230	2009
Population development in %	2.8	–0.8	–0.6	2000–2009
Population forecast in %	2.4	–2.4	–3.6	2009–2025
Households	147,593	8,550,214	39,628,120	2009
Household development in %	7.2	2.8	3.7	2000–2009
Household forecast in %	7.3	1.5	1.1	2009–2020
Buying power	93.8	101.2	100.0	2011
Per capita buying power in €	18,466	19,921	19,684	2011
Workers paying social insurance contributions	114,177	5,766,861	27,380,096	2009
Development of social insurance contributions	–1.0	–2.4	–1.6	2000–2009

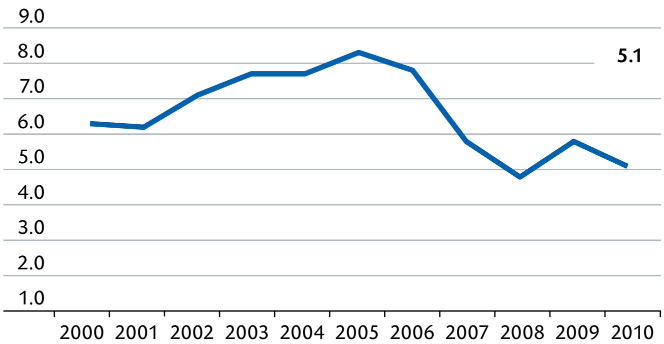
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

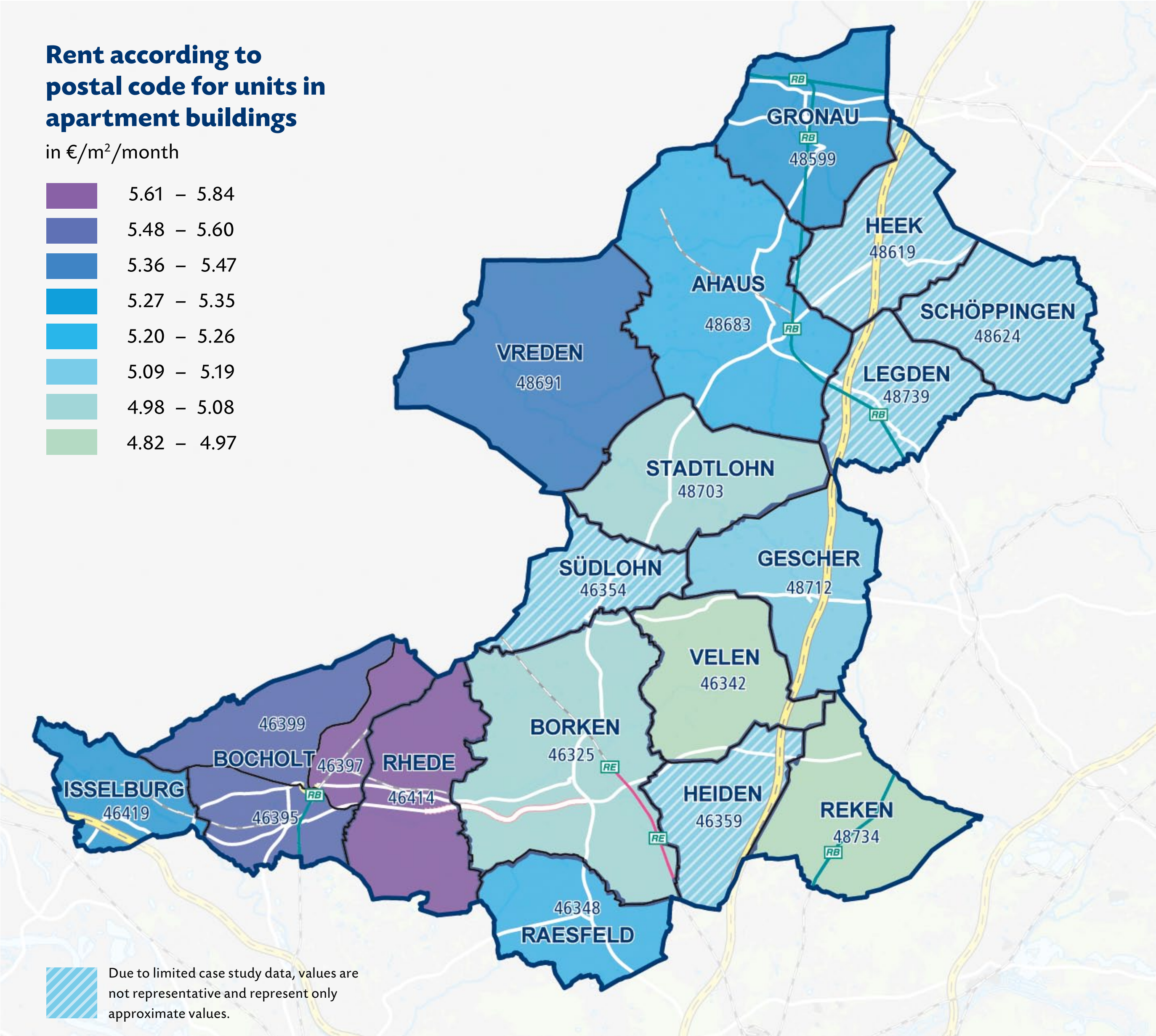


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The general economic upturn has also reached Borken district. Unemployment fell from 5.8 percent in 2009 to 5.1 percent in 2010, giving Borken the third-lowest unemployment rate among all 54 housing markets analyzed in North Rhine-Westphalia. Only Steinfurt (5 percent) and Coesfeld (3.9 percent) have lower levels of unemployment. The rather average annual purchasing power of residents in the district (€18,466 per capita) is offset by positive population development: the number of inhabitants increased by 2.8 percent between 2000 and 2009, while the number of households grew by 7.2 percent in the same period. By 2025, the nine cities and eight municipalities in the district are expected to play home to 2.4 percent more residents, with the number of households forecast to rise by a further 7.3 percent. This means that the outlook is positive, including for companies. The majority of the businesses located in the district are from the agricultural and transportation industries. Apart from a handful of larger companies, such as the telephone manufacturer Gigaset Communication and the furniture manufacturer Hülsta, the region remains largely dominated by small and medium-sized enterprises. With more than 200 companies and 6,000 employees, the Bocholt industrial park is the largest contiguous industrial area in North Rhine-Westphalia.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.7	2.1	2.5	2.5	2.4	2.9
Permits for new buildings	2,074	1,603	1,902	1,281	1,077	1,144
Finished apartments	2,043	1,875	1,990	1,643	1,143	1,007
Housing stock	139,009	140,786	142,704	144,267	145,303	146,206
Housing stock in apartment buildings	26.7	26.7	26.8	26.7	26.8	26.8

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

Borken approves and constructs more apartments than Dusseldorf

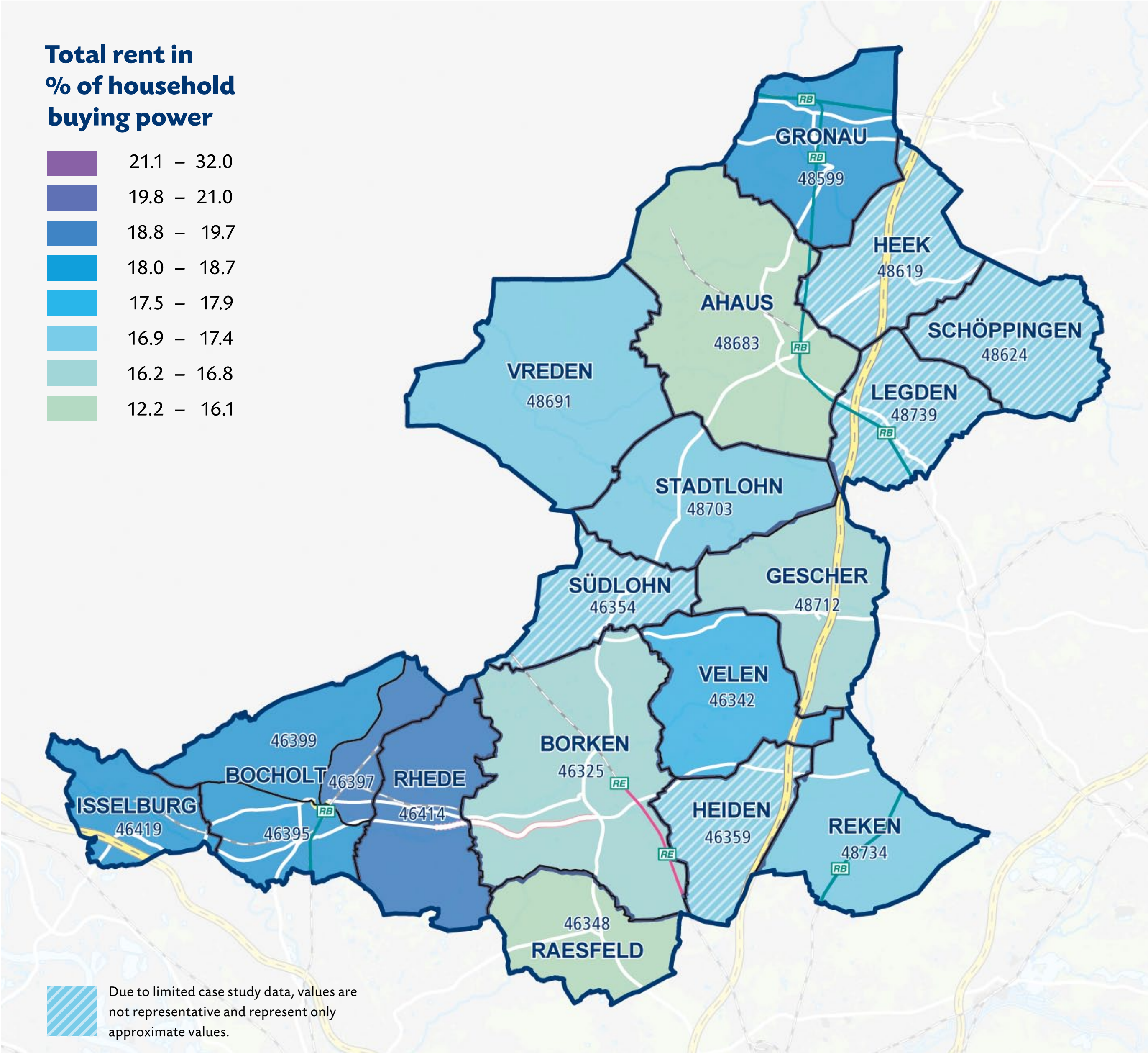
Within Germany, it is the Swabians who are widely known for their propensity towards homebuilding. Certain districts in North Rhine-Westphalia are no slouches when it comes to new construction activity, however, and Borken with its 369,666 inhabitants is one of them: a total of 1,077 apartments were completed and a further 1,144 approved in 2009. By way of comparison, the major city of Dusseldorf – with a population of 586,217 – saw 1,085 approvals and 711 completions in 2009. In addition to this lively construction activity, Borken district is characterized by its comparatively low rents. Even in the upper market segments, landlords can only demand average monthly rents of around €7.14 per square meter at present, meaning that asking prices fell by 2.6 percent compared with the previous year. The downward trend in the luxury segment was offset by price rises in the lower market segment. Simply appointed apartments or apartments in poor locations were available from an average of €4 per square meter per month, 2.5 percent more than in 2009. Across all location and quality categories, asking rents in the district increased by 1.8 percent year-on-year. However, landlords are unlikely to be faced with sharp downturns in future. Although only 26.8 percent of the district's housing stock is located in apartment buildings and only a small number of these apartments are rented, the positive forecast in terms of the number of households will have a stabilizing effect on rents and purchase prices at the very least. The most expensive sub-markets in 2010 were Rhede (postcode 46414) in the south of the district, where apartments in the upper market segment commanded prime rents of up to €8, as well as the City of Bocholt (postcode 46399) with prime rents of €7.75 and Vreden (postcode 48691) with a figure of €7.52. For price-sensitive tenant households, four of the 19 postcode areas offered apartments with asking rents of less than €4 per square meter: Vreden (postcode 48691) at €3.64, Reken (postcode 48734) at €3.82, Ahaus (postcode 48683) at €3.90 and Stadtlohn (postcode 48703) at €3.95. Due to the small number of properties advertised, it was not possible to make conclusive statements about price levels and vacancy rates in five of the postcode areas. In the previous year, seven sub-markets in Borken district had insufficient data.

Across the district as a whole, owner-occupied properties were available for an average of €1,295 per square meter, with the advertised purchase price for 80 percent of all properties ranging from €843 to €1,987 per square meter. This meant that average prices were towards the higher end of the list when compared with the other districts in North Rhine-Westphalia: only seven districts recorded higher asking prices for condominiums.

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
46325	295	4.04	5.07	6.53	2.9	79	400	637	3,818	10.5	**16.7**
46342	84	4.07	4.91	7.70	n/a	84	413	666	3,772	11.0	**17.6**
46348	100	4.30	5.20	6.44	[2.0]	80	414	653	4,157	10.0	**15.7**
46354	39	n/a	n/a	n/a	n/a	76	n/a	n/a	3,843	n/a	**n/a**
46359	25	n/a	n/a	n/a	n/a	83	n/a	n/a	3,909	n/a	**n/a**
46395	65	4.31	5.50	7.00	[2.4]	79	435	673	3,686	11.8	**18.3**
46397	106	4.30	5.76	7.39	1.0	77	442	673	3,494	12.7	**19.3**
46399	114	4.19	5.48	7.75	2.5	82	448	693	3,790	11.8	**18.3**
46414	59	4.05	5.84	8.00	[0.7]	83	483	732	3,851	12.6	**19.0**

Postal code allocation

46325 Borken, City, **46342** Velen, **46348** Raesfeld, **46354** Südlohn, **46359** Heiden, **46395** Bocholt, City, **46397** Bocholt, City, **46399** Bocholt, City, **46414** Rhede, City, **46419** Isselburg, City, **48599** Gronau (Westf.), City, **48619** Heek, **48624** Schöppingen, **48683** Ahaus, City, **48691** Vreden, City, **48703** Stadtlohn, City, **48712** Gescher, City, **48734** Reken, **48739** Legden



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
46419	75	4.24	5.31	7.09	n/a	81	428	669	3,657	11.7	**18.3**
48599	342	4.04	5.33	7.50	[9.4]	73	392	612	3,286	11.9	**18.6**
48619	43	n/a	n/a	n/a	n/a	81	n/a	n/a	3,850	n/a	**n/a**
48624	14	n/a	n/a	n/a	n/a	77	n/a	n/a	3,340	n/a	**n/a**
48683	371	3.90	5.21	7.33	[2.8]	75	392	618	3,888	10.1	**15.9**
48691	70	3.64	5.45	7.52	[1.5]	74	403	625	3,704	10.9	**16.9**
48703	84	3.95	5.00	6.50	n/a	82	412	659	3,886	10.6	**17.0**
48712	83	4.47	5.12	7.60	n/a	71	362	574	3,538	10.2	**16.2**
48734	121	3.82	4.82	6.44	[2.5]	82	393	638	3,784	10.4	**16.9**
48739	20	n/a	n/a	n/a	n/a	78	n/a	n/a	3,689	n/a	**n/a**
Ø	2,110[3)]	4.00	5.16	7.14	2.9	78	401	634	3,699	10.8	17.1
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)

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