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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	Eckhard Schultz	Holger Hentschel
Management Spokesman,	Managing Director,	Member of Management,
CEO	CFO	HOO

Bottrop

Score 22 of max. 48

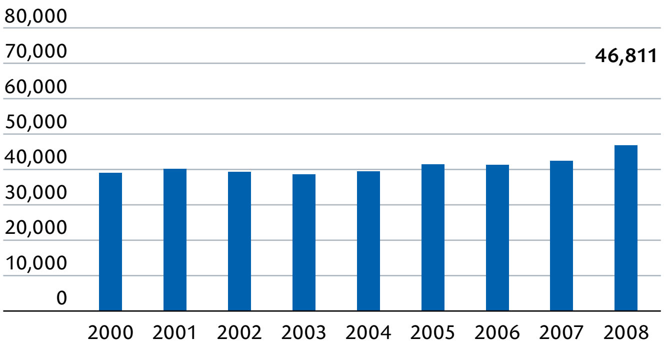
Coal-mining city becomes a model for energy consumption

Bottrop is the only city in the Ruhr area to still have an active coal-mining industry. The millions of euros invested at the Prosper-Haniel pit have secured the jobs of around 4,400 miners at RAG Deutsche Steinkohle for the time being. In light of the population decline, this sends out a positive signal for the second-smallest of the 54 housing markets included in this analysis. Between 2000 and 2009 alone, the city lost 2.8 percent of its residents, and a further 5.2 percent are expected to leave the Ruhr city by 2025. However, the expansion of mining and the prospects for grants worth millions as a result of the "Innovation City" project helped to improve the mood in Bottrop considerably in 2010, with the housing market showing stable trends.

Macroeconomic data	Bottrop	NRW	Germany	Year
Residents	117,241	17,872,764	81,802,256	2009
Population density (residents/km²)	1,188	526	230	2009
Population development in %	–2.8	–0.8	–0.6	2000–2009
Population forecast in %	–5.2	–2.4	–3.6	2009–2025
Households	54,243	8,550,214	39,628,120	2009
Household development in %	–0.2	2.8	3.7	2000–2009
Household forecast in %	–4.1	1.5	1.1	2009–2020
Buying power	96.8	101.2	100.0	2011
Per capita buying power in €	19,051	19,921	19,684	2011
Workers paying social insurance contributions	30,836	5,766,861	27,380,096	2009
Development of social insurance contributions	0.7	–2.4	–1.6	2000–2009

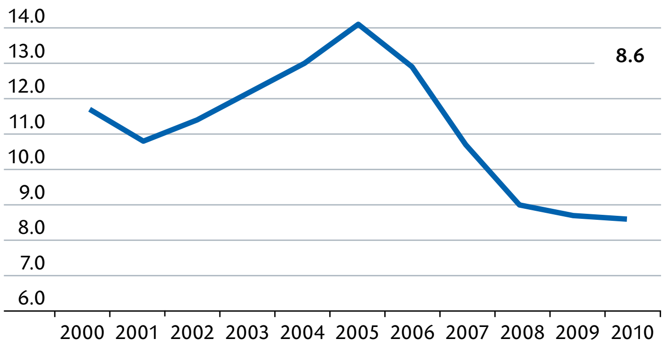
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

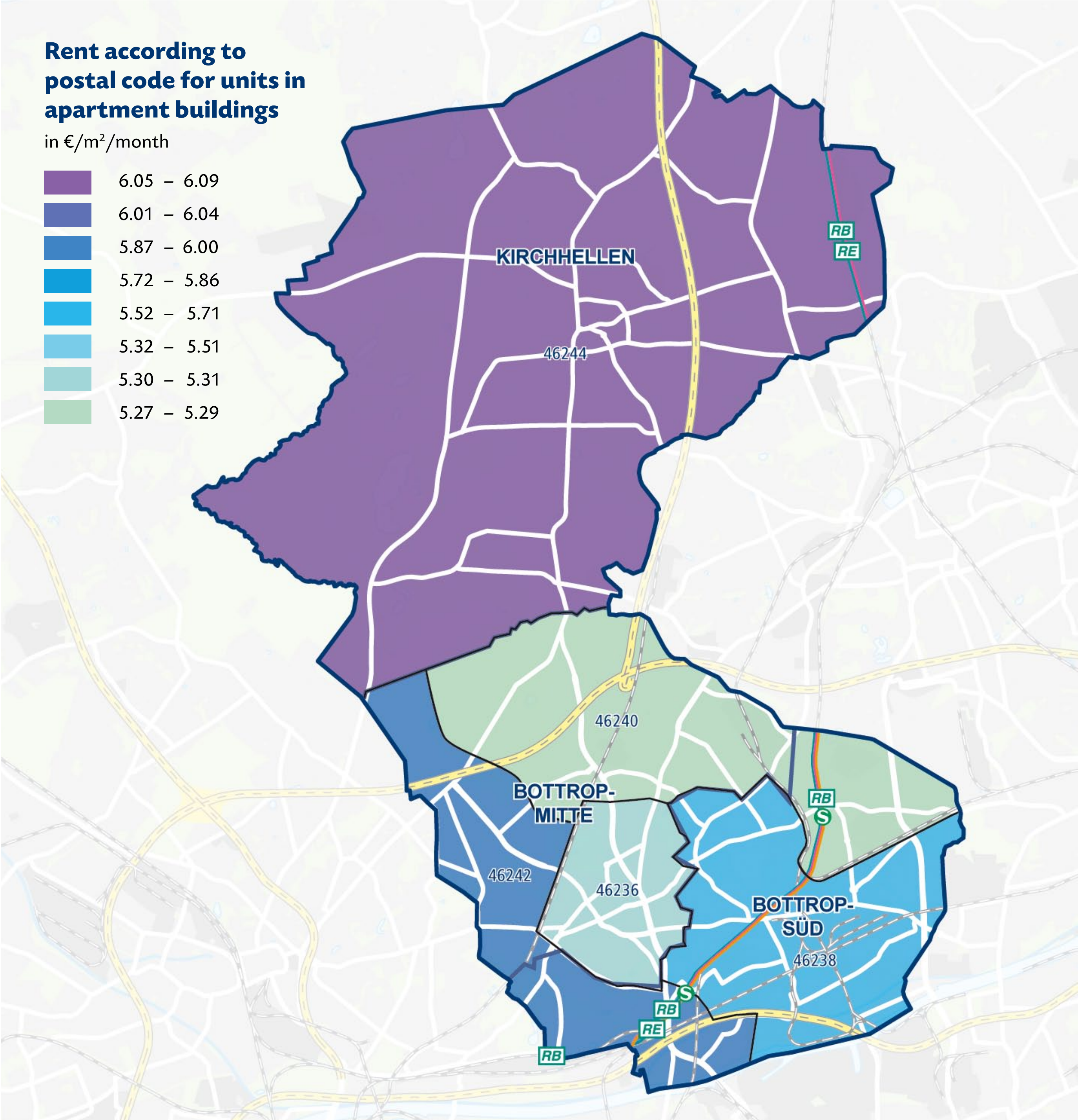


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

It may prove to be the last great mining investment in Germany: a total of €100 million has been pumped into the construction of a new coalface at the Prosper-Haniel pit. Seven years before the end of government subsidies for mining, the big-budget project was opened in May of this year. The construction of the seventh face at a depth of 1,159 meters is initially intended to improve below-ground logistics. New coal deposits will then be mined from 2014 onwards. But coal is far from the only key driver in the local economy. A lively network of small and medium-sized enterprises has established itself over recent decades, with a particular focus on packaging, recycling, logistics, publishing, the automotive industry, and food production. The favorable transport situation means that a number of logistics companies are also located in Bottrop. In addition to freight forwarders, particularly notable residents of Bottrop include the logistics centers of Netto (discount stores) and Deichmann (shoe retail). The sea change affecting the energy industry at present has also reached the city. Having come out on top in the future-oriented "Innovation City" project, the coal-mining center will now be converted into a model city for energy consumption. The initiative, which comprises a total of 22 individual projects, is aimed at reducing CO_2 emissions in the Bottrop pilot area by 50 percent between now and 2020 through integrated measures in the areas of mobility, energy efficiency, decentralized energies, urban redevelopment and smart energy. The City of Bottrop beat off strong competition in the first selection round to become one of the five finalists alongside Bochum, Essen, Mülheim and the joint bid by Gelsenkirchen/Herten.

Bottrop housing market characterized by pronounced north-south divide

With just 117,241 inhabitants, the northern Ruhr city of Bottrop is the second-smallest of the 54 housing markets analyzed in the LEG Housing Market Report NRW. Only Remscheid district (111,422 inhabitants) is smaller and, like Bottrop, is expected to see further population decline in future. The number of residents in the mining city of Bottrop fell by 2.8 percent between 2000 and 2009 alone. The number of households remained largely unchanged during the same period, decreasing by just 0.2 percent, and currently totals around 54,200. However, the forecast contraction in the number of inhabitants and households will have an adverse effect on the Bottrop housing market. According to the Statistical Office of North Rhine-Westphalia, the former mining capital is expected to lose around 5.2 percent of its current population by 2025, while the number of households will decline by 4.1 percent. The effects of structural change, with a large number of job losses and population decline, can still be clearly felt in Bottrop. However, the prospect of grants worth millions and a green future had a positive effect on the mood in the Ruhr city in 2010, and it also finds itself in a somewhat better economic position than in 2009. In line with the state-wide trend, unemployment fell from 8.7 percent in 2009 to 8.6 percent in 2010, meaning that it has declined consistently since peaking at 14.1 percent in 2005. Annual local purchasing power is also rather high for a Ruhr city at €19,051 per capita, putting Bottrop households ahead of their neighbors in Oberhausen (€18,173) or Recklinghausen district (€18,880). Furthermore, the level of vacancies is unusually low: after amounting to 3.1 percent in 2008, the active vacancy rate for the urban area declined to just 2.1 percent in 2009.

Tenants in Bottrop were not faced with significant price changes in 2010. Rents per square meter across all location and quality categories remained largely unchanged, increasing by a moderate 0.4 percent. This reflects the trend in most of the smaller cities and districts in North Rhine-Westphalia, which were not exposed to the extreme fluctuations in demand and prices that were seen in the major cities in the state. Tenants looking for apartments in the lower market segment were faced with a slightly higher growth rate, with monthly asking rents increasing by 1.1 percent year-on-year to €4.25 per square meter, while advertised rents in the upper market segment increased by 0.9 percent to €7.63. In the middle market segment, monthly rents ranged from €4.53 to €7.07 per square meter. However, it must be noted that asking rents of €7 per square meter do not pose an equal burden for all Bottrop residents, as wealth distribution across the five postcode areas is uneven.

The average monthly household purchasing power of €4,005 in central Kirchhellen, Kirchhellen South/Grafenwald, Kirchhellen Northwest, Kirchhellen-Northeast and Fuhlenbrock-Wald (postcode 46244) in the north of Bottrop is significantly higher than in the southern areas of the city, where household purchasing power ranges from €3,020 in Northeast, Batenbrock North, Batenbrock South, Welheim Ebel/Welheimer Mark (postcode 46238) to €3,255 in Southeast, Fuhlenbrock-Heide, Fuhlenbrock-Wald, Ebel/Welheimer Mark, South (postcode 46242). This north-south divide is reflected in asking rents: while tenants in the prosperous district of Kirchhellen are faced with prime rents of up to €8.79 per square meter per month, none of the other sub-markets analyzed broke through the €8 barrier. However, the housing cost ratio in Bottrop is not only favorable for the households with the greatest purchasing power in the northern part of the city, where rent expenses account for just €454 (11.3 percent) of the available monthly budget excluding heating and €678 (16.9 percent) including heating. The housing cost burden is also lower in postcode area 46240 (Northeast, Fuhlenbrock-Wald, Stadtwald, Eigen, Batenbrock-North, Boy, Welheim) than it is in the other postcode areas, coming in at 10.6 percent (€339) excluding heating and 16.6 percent (€532) including heating.

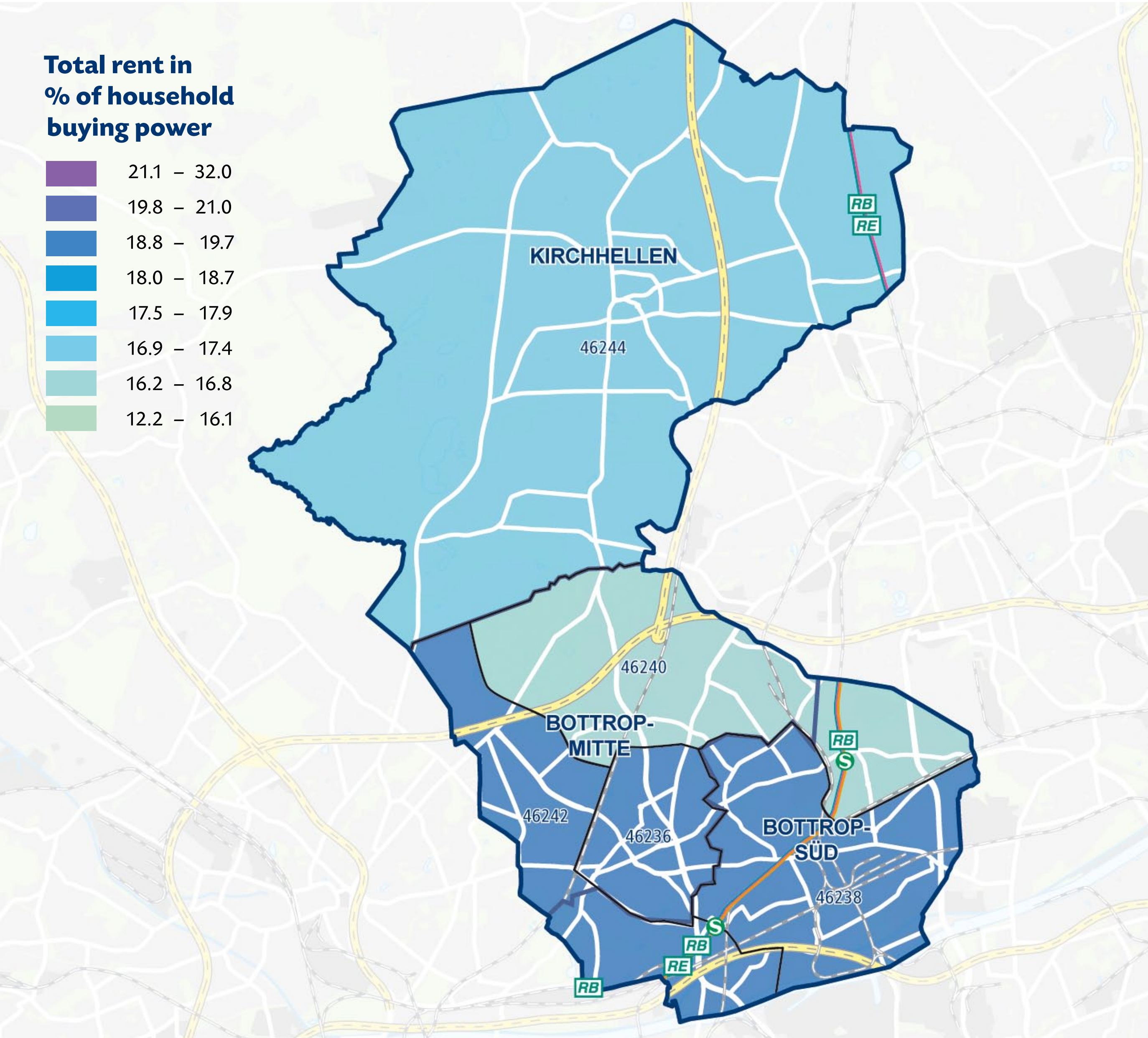
Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.9	2.6	3.0	2.6	3.1	2.1
Permits for new buildings	164	251	181	170	154	224
Finished apartments	268	275	149	220	171	121
Housing stock	55,162	55,418	55,525	55,725	55,868	55,971
Housing stock in apartment buildings	61.3	61.3	61.3	61.3	61.2	61.1

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
46236	700	4.09	5.31	7.65	3.2	72	384	601	3,158	12.2	**19.0**
46238	306	4.22	5.71	7.03	2.1	67	381	580	3,020	12.6	**19.2**
46240	295	4.09	5.27	7.00	[1.7]	64	339	532	3,211	10.6	**16.6**
46242	295	4.66	6.00	7.79	[1.9]	70	419	629	3,255	12.9	**19.3**
46244	297	4.52	6.09	8.79	[1.2]	75	454	678	4,005	11.3	**16.9**
Ø	1,893[3]	4.25	5.54	7.63	2.1	70	389	599	3,301	11.8	18.2
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

46236 Altstadt, Northeast, Southwest, **46238** Northeast, Batenbrock North, Batenbrock South, Welheim, Ebel, Welheimer Mark, **46240** Northeast, Fuhlenbrock-Wald, Stadtwald, Eigen, Batenbrock North, Boy, Welheim, **46242** Southwest, Fuhlenbrock-Heide, Fuhlenbrock-Wald, Ebel, Welheimer Mark, Süd, **46244** Central Kirchhellen, Kirchhellen South, Grafenwald, Kirchhellen Northwest, Kirchhellen Northeast, Fuhlenbrock-Wald

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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