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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 Düren

Score 27 of max. 48

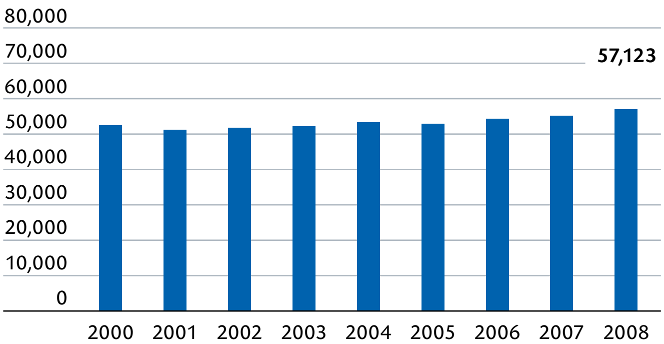
Funding for expansion and renovation of rental properties

Düren district, which has a population of 268,637, is only gradually recovering from the economic crisis. The unemployment rate stagnated at 8.1 percent between 2009 and 2010. With average purchasing power of €18,989 per capita, the district ranks in the bottom third of all the housing market regions analyzed. Developments on the housing market are unlikely to provide much comfort for tenant households, with asking rents across all market segments increasing slightly by 0.4 percent year-on-year. The further increase in the number of households that is forecast means that Düren district should continue to enjoy stable demand for housing in future.

Macroeconomic data	Düren, district	NRW	Germany	Year
Residents	268,637	17,872,764	81,802,256	2009
Population density (residents/km²)	286	526	230	2009
Population development in %	0.0	–0.8	–0.6	2000–2009
Population forecast in %	–3.3	–2.4	–3.6	2009–2025
Households	123,024	8,550,214	39,628,120	2009
Household development in %	5.3	2.8	3.7	2000–2009
Household forecast in %	6.2	1.5	1.1	2009–2020
Buying power	96.5	101.2	100.0	2011
Per capita buying power in €	18,989	19,921	19,684	2011
Workers paying social insurance contributions	72,341	5,766,861	27,380,096	2009
Development of social insurance contributions	–2.7	–2.4	–1.6	2000–2009

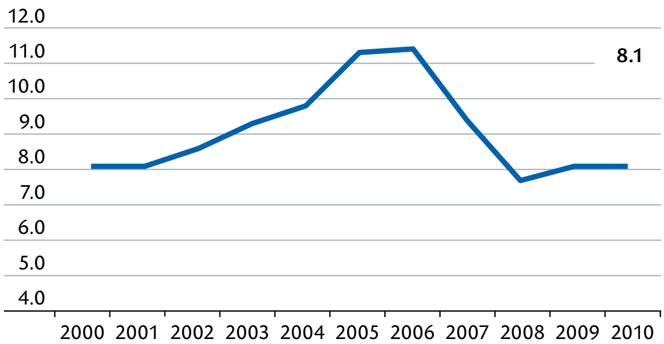
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

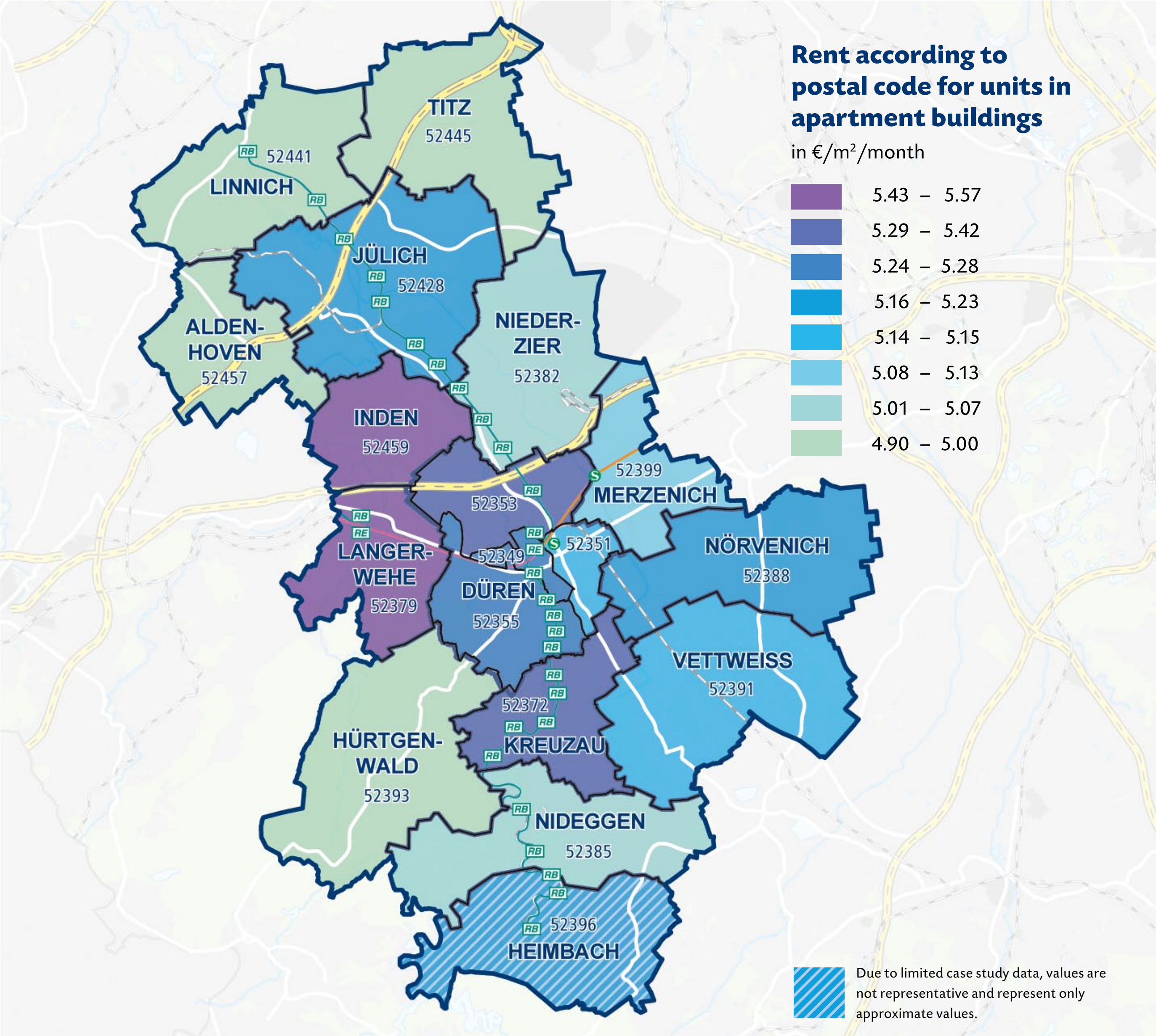


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Düren district, which describes itself as a green economic region, is located in the middle of the triangle formed by the cities of Aachen, Dusseldorf and Cologne/Bonn. More than 268,000 people live in the 15 towns and municipalities that fall within its 236-kilometer border. The administrative center is the town of Düren, which is connected to the surrounding region and beyond via the A 4 highway, linking it to the regional centers of Cologne to the north-east and Aachen to the west, as well as destinations in the Netherlands and Belgium.

Commercial and service structures such as the paper production and processing industry are key economic players in Düren district. The largest company in the district is the beverage carton manufacturer SIG Combibloc in Linnich. Other corrugated cardboard manufacturers are located in Jülich, which is also home to the largest research institution in Germany, Forschungszentrum Jülich (FZJ). Another important economic sector in Düren district is brown coal extraction from the open-cast mines in Inden and Hambach, the latter of which is the world's largest open-cast brown coalmine. The coal extracted is primarily used for power generation at three of the four coal-fired power stations in the vicinity.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	6.5	4.6	3.6	4.0	4.0	4.5
Permits for new buildings	733	873	787	503	400	453
Finished apartments	835	698	786	691	521	396
Housing stock	114,159	114,860	115,642	116,324	116,836	117,214
Housing stock in apartment buildings	35.9	35.8	35.7	35.6	35.6	35.5

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

District of Düren

Rents for luxury apartments up 2.9 percent on previous year

Düren district in the south-west of North Rhine-Westphalia is home to an unusual population trend: the number of inhabitants in 2009 was exactly the same as in 2000. However, the State Statistical Office is forecasting population decline of 3.3 percent by 2025. At the same time, the number of households – which is more relevant in terms of housing demand – is expected to rise sharply by 6.2 percent between now and 2020, having already grown by 5.3 percent between 2000 and 2009.

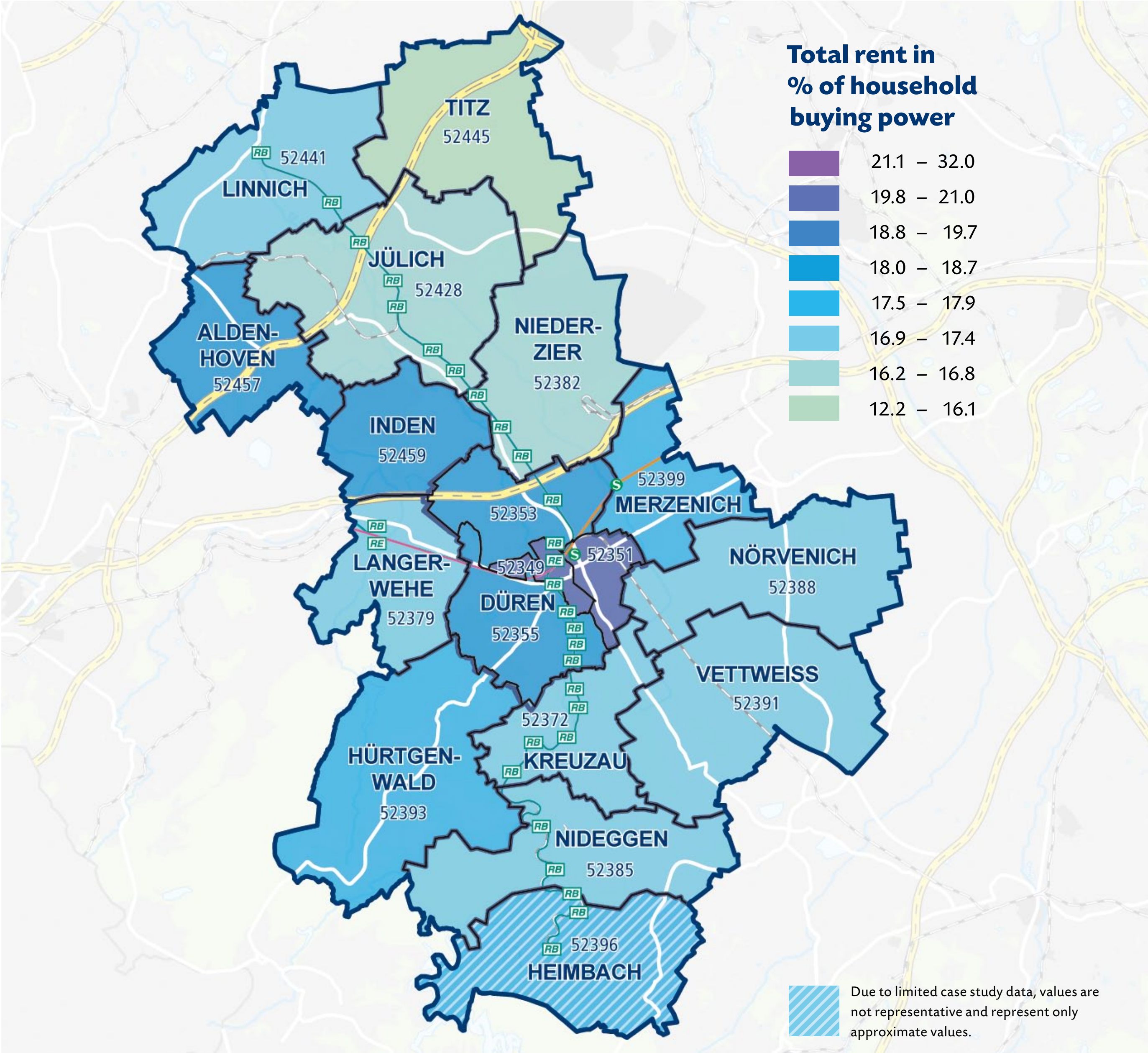
In light of this stable demand situation, the district is benefiting from funding in the amount of €4.7 million granted by the state government as part of its 2011 housing promotion program. These funds are intended to encourage new development and the accessible and energy-efficient renovation of the existing housing stock in order to ensure that low-income households continue to have access to affordable accommodation in future.

The advertised prices for rental apartments remained largely stable in 2010 compared with the previous year. Asking rents across all location and quality categories rose by a moderate 0.4 percent, although certain segments saw more substantial price rises. In 2010, apartments in the upper market segment were offered for an average of €7.20 per square meter per month, a year-on-year increase of 2.9 percent. Meanwhile, monthly asking rents in the low-price segment rose by 1.8 percent to €4 per square meter. However, apartments are still available for less than €4 per square meter per month in four of the 18 postcode areas in the district (postcode 52459, Inden, €3.51; postcode 52457, Aldenhoven, €3.34; postcode 52393, Hürtgenwald, €3.16; and postcode 52388, Nörvenich, €3.98). A postcode-based analysis shows that asking rents at the northernmost and southernmost edges of the district were generally lower. The mid-market price range was comparatively narrow, with average rents stretching from €4.90 per square meter in Hürtgenwald (postcode 52393) to €5.57 per square meter in Langerwehe (postcode 52379). The highest monthly asking rents for apartments in the upper market segment were found in Langerwehe (postcode 52379) at €7.92 per square meter. Households in Düren city center (postcode 52349) and Düren East, Niederau and Krauthausen (postcode 52351) were faced with the highest housing cost burden, with rent excluding heating accounting for more than 13 percent of average monthly household purchasing power and rent including heating accounting for almost 21 percent. This is due to the low level of household purchasing power of less than €3,000 per month. In all other postcode areas, monthly household purchasing power varied between €3,199 and €3,972.

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
52349	523	4.03	5.28	7.75	n/a	73	386	604	2,887	13.4	**20.9**
52351	471	4.20	5.14	7.33	[5.7]	73	373	591	2,839	13.1	**20.8**
52353	186	4.21	5.42	7.05	n/a	69	372	578	3,199	11.6	**18.1**
52355	154	4.02	5.25	7.14	n/a	78	407	640	3,431	11.9	**18.7**
52372	150	4.22	5.31	7.00	n/a	79	417	652	3,757	11.1	**17.4**
52379	135	4.09	5.57	7.92	[3.7]	72	403	620	3,667	11.0	**16.9**
52382	85	4.12	5.07	6.70	n/a	77	388	618	3,711	10.5	**16.7**
52385	101	4.11	5.07	7.15	n/a	75	380	605	3,588	10.6	**16.9**
52388	165	3.98	5.21	6.52	n/a	77	401	632	3,671	10.9	**17.2**

Postal code allocation

52349 Düren city center, **52351** Düren East with Niederau and Krauthausen, **52353** Düren-Merken, Echtz, Hoven, Birkesdorf, Mariaweller, Arnoldsweller, **52355** Düren-Konzendorf, Derichsweller, Gürzenich, Rölsdorf, Birgel, Berzbuir, Kufferath, Lendersdorf, Niederau, Krauthausen, **52372** Kreuzau, **52379** Langerwehe, **52382** Niederzier, **52385** Nideggen, City, **52388** Nörvenich, **52391** Vettweiß, **52393** Hürtgenwald, **52396** Heimbach, City, **52399** Merzenich, **52428** Jülich, City, **52441** Linnich, City, **52445** Titz, **52457** Aldenhoven, **52459** Inden



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
52391	81	4.00	5.15	6.15	n/a	84	431	683	3,916	11.0	**17.4**
52393	58	3.16	4.90	6.50	n/a	90	440	710	3,972	11.1	**17.9**
52396	21	n/a	n/a	n/a	n/a	71	n/a	n/a	3,305	n/a	**n/a**
52399	82	4.31	5.13	6.57	n/a	85	437	693	3,911	11.2	**17.7**
52428	415	4.00	5.23	7.50	[3.0]	76	398	627	3,737	10.7	**16.8**
52441	183	4.00	5.00	6.88	n/a	75	373	596	3,483	10.7	**17.1**
52445	134	4.09	5.00	7.04	n/a	80	398	637	3,955	10.1	**16.1**
52457	142	3.34	5.00	6.96	[3.5]	81	404	647	3,538	11.4	**18.3**
52459	64	3.51	5.44	14.00	n/a	78	426	661	3,584	11.9	**18.4**
Ø	3,150 3)	4.00	5.18	7.20	4.5	76	392	619	3,484	11.2	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)

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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