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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 Gütersloh

Score 32 of max. 48

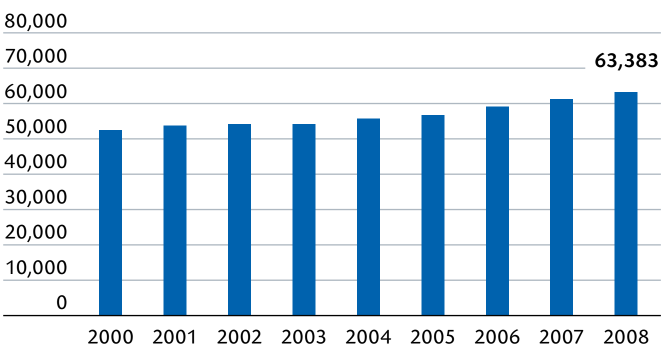
Low housing cost burden: Where prosperity meets low rents

In four of the 16 postcode areas in Gütersloh district, households have monthly purchasing power in excess of €4,000. The 353,514 residents of the district spend a comparatively low proportion of their household budget on rent excluding heating, with an average figure of around 10 percent. This is thanks to the low rental level, although asking prices did increase across all location and quality categories in 2010. In the upper market segment, the district saw some of the highest price rises in the whole of North Rhine-Westphalia. In terms of the number of residential construction permits and completions, too, only the four housing markets of Cologne, Münster, the Rhein-Sieg-Kreis and Steinfurt district recorded higher figures than Gütersloh in 2009.

Macroeconomic data	Gütersloh, district	NRW	Germany	Year
Residents	353,514	17,872,764	81,802,256	2009
Population density (residents/km²)	366	526	230	2009
Population development in %	2.4	–0.8	–0.6	2000–2009
Population forecast in %	1.5	–2.4	–3.6	2009–2025
Households	153,104	8,550,214	39,628,120	2009
Household development in %	7.1	2.8	3.7	2000–2009
Household forecast in %	6.3	1.5	1.1	2009–2020
Buying power	103.2	101.2	100.0	2011
Per capita buying power in €	20,310	19,921	19,684	2011
Workers paying social insurance contributions	134,247	5,766,861	27,380,096	2009
Development of social insurance contributions	2.8	–2.4	–1.6	2000–2009

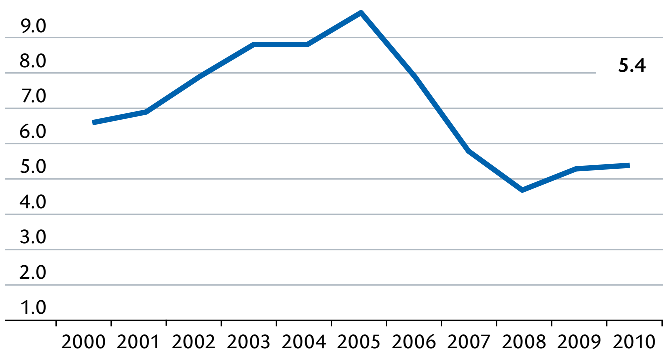
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

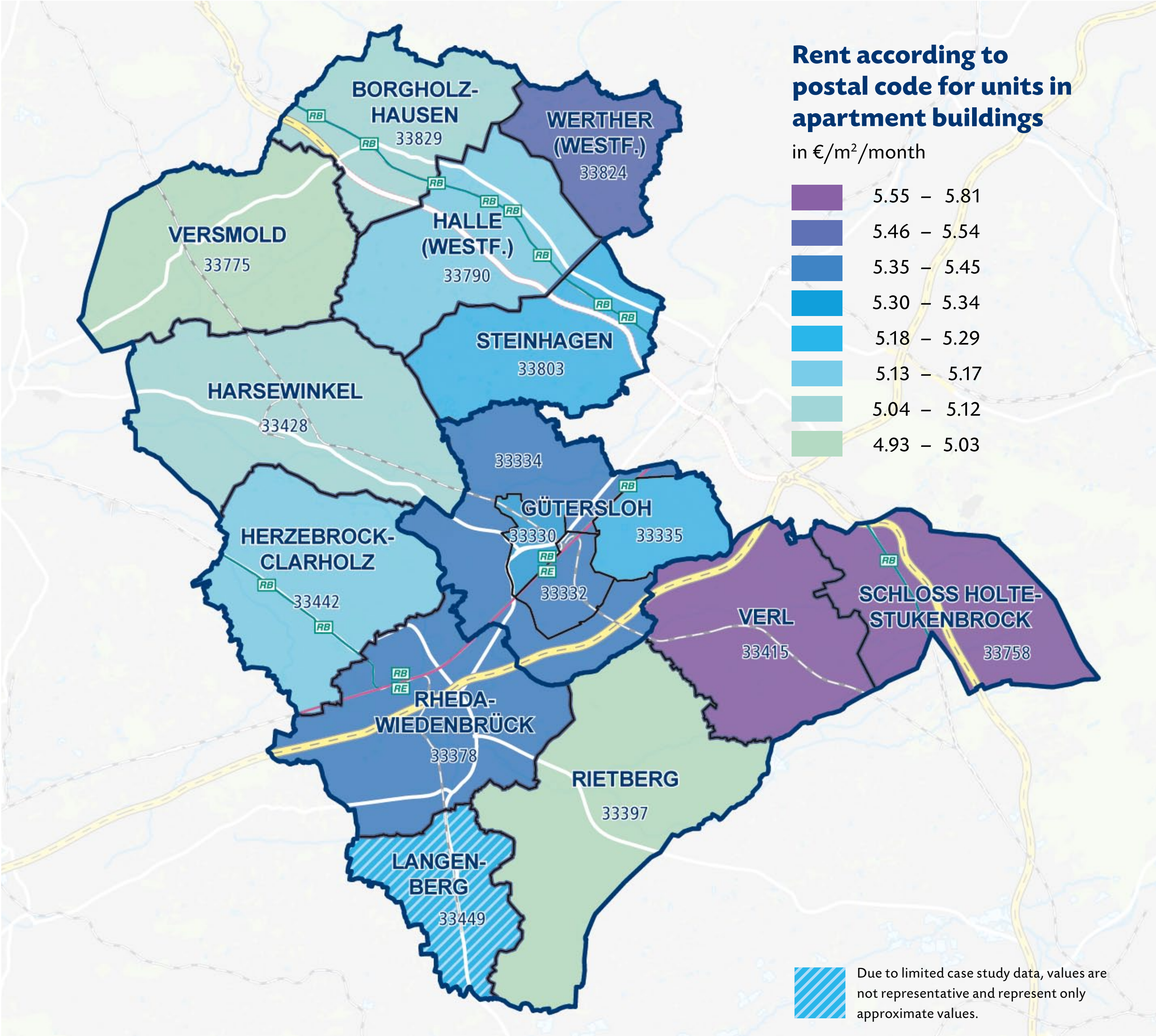


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Although Bertelsmann, Miele and more than 500 other companies have chosen to set up shop in Gütersloh, the district in the north-east of North Rhine-Westphalia is predominantly rural in nature. More than three-quarters of the 968 square kilometers in the district are taken up by arable and forested land that is used for agricultural purposes. Despite this, the economic structure is varied and is characterized in particular by the mechanical engineering, food and furniture industries. Major employers include Storck, Tönnies Fleischwerk and the kitchen manufacturer Nobilia. In recently years, companies from the media sector have also discovered the district, which belongs to Detmold administrative region. Gütersloh is also attractive for transportation and logistics companies, which benefit from its central location and good transport links in the form of the A 2 and A 33 highways and the B 55, B 64, B 61 and B 68 main roads. The logistics industry employs more than 5 percent of the workforce in Gütersloh. The employment market enjoyed particularly dynamic development between 2000 and 2009, with the number of employees subject to social security increasing by 2.8 percent. The unemployment rate of 5.4 percent in 2010 was one of the lowest figures among all of the housing markets analyzed for the purposes of this report.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.6	3.8	2.6	2.6	2.4	2.7
Permits for new buildings	1,852	1,598	1,531	959	1,162	1,246
Finished apartments	1,959	1,652	1,440	1,416	928	1,022
Housing stock	147,209	148,790	150,184	151,520	152,350	153,276
Housing stock in apartment buildings	39.4	39.4	39.3	39.3	39.3	39.3

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

Broad-based price growth for rental properties

In 2010, landlords benefited from the developments on the Gütersloh rental property market, which consists of ten towns and three municipalities with a total population of 353,514. In the lower market segment, monthly asking rents for apartments increased by 2.4 percent year-on-year to €4.10 per square meter. Meanwhile, asking rents in the upper price segment were 4.4 percent higher than in the previous year, meaning that average prime rents rose to €7.74 per square meter. Only Paderborn and Soest districts and the City of Münster saw higher rental growth in the upper market segment. Overall, asking rents across all market segments increased by 1.3 percent to €5.29 per square meter.

The latest developments are connected to the rise in the number of households in Gütersloh and the prosperity of the local population. Although unemployment increased slightly, from 5.3 percent in 2009 to 5.4 percent in 2010, the Gütersloh employment market enjoyed extremely dynamic development in the period from 2000 to 2009 in particular: the number of employees subject to social security increased by 2.8 percent, while the unemployment rate almost halved between 2005, when it peaked at 9.7 percent, and 2008. The population also saw positive development of 2.4 percent between 2000 and 2009, while the number of households increased by 7.1 percent in the same period. According to forecasts, the current trends will continue, thereby guaranteeing stable population and household figures for the future. The State Statistical Office expects the population to grow by 1.5 percent between now and 2025, while the number of households is forecast to increase by a further 6.3 percent by 2020. Only eight of the 54 housing market regions in North Rhine-Westphalia are expected to see higher growth in the number of households.

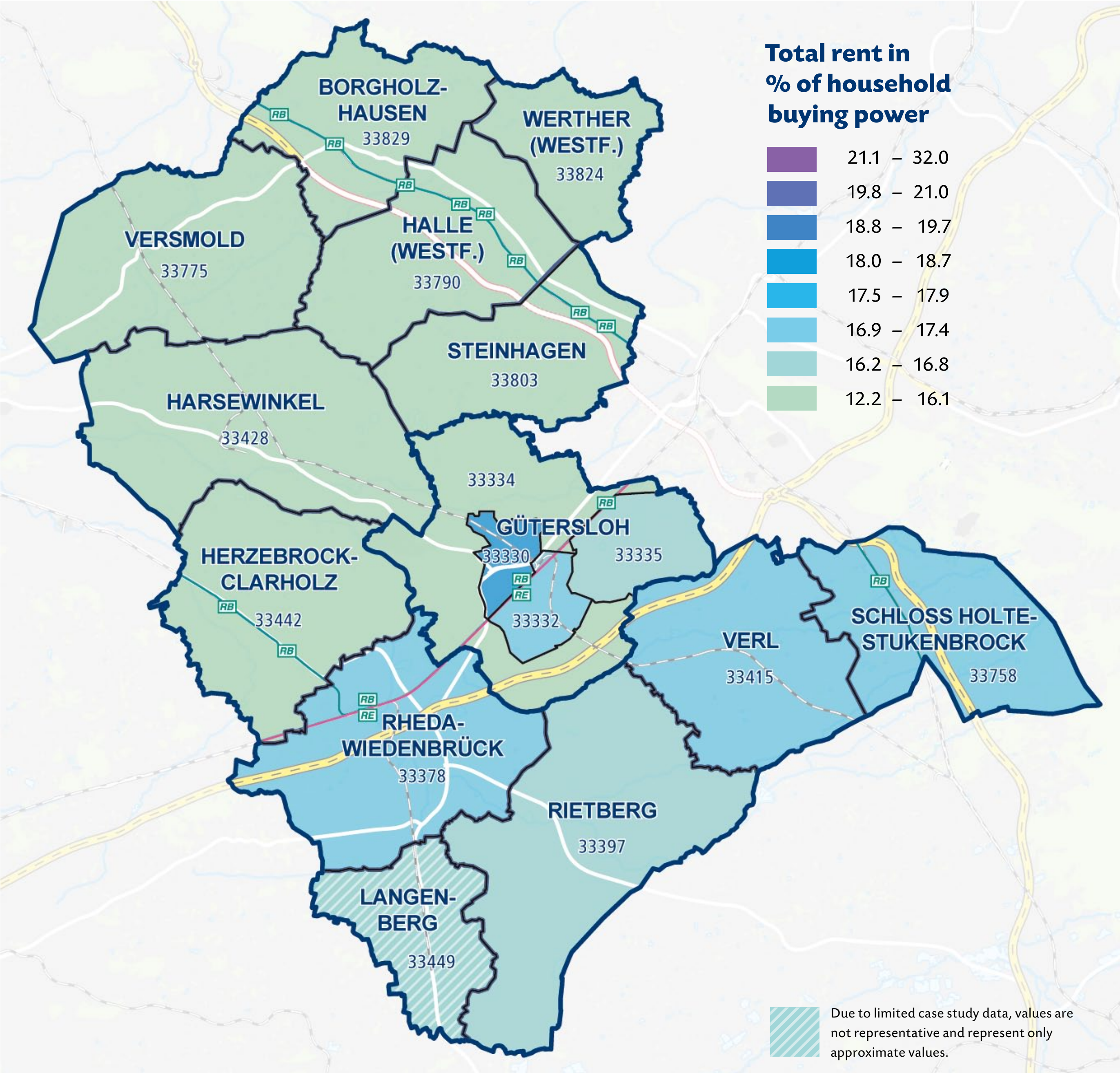
The still moderate asking rents are accompanied by a strong economy. Despite rising prices, prime rents in the upper market segment did not exceed the €9 barrier in any of the 16 postcode areas of the district. Households in Gütersloh have average monthly purchasing power of €3,864. Four of the postcode areas – Verl (postcode 33415), Herzebrock-Clarholz (postcode 33442), Steinhagen (postcode 33803) and Harsewinkel, City: Marienfeld (postcode 33428) – recorded average monthly household purchasing power of more than €4,000.

In light of these figures, the monthly rental burden for households in Gütersloh district is moderate. On average, rent excluding and including heating account for 10.3 percent (€399) and 16.2 percent (€626) of the monthly household budget respectively. There was a high level of new construction activity in 2009, with a total of 1,022 residential units completed and a further 1,246 units approved – figures that are beaten only by the cities of Münster and Cologne, Steinfurt district and the Rhein-Sieg-Kreis.

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
33330	474	4.13	5.30	7.67	3.5	73	389	609	3,308	11.8	**18.4**
33332	282	4.29	5.45	8.33	1.9	73	397	615	3,624	11.0	**17.0**
33334	171	4.46	5.44	6.92	1.9	74	400	621	3,888	10.3	**16.0**
33335	137	4.07	5.29	8.93	1.6	74	394	617	3,754	10.5	**16.4**
33378	234	4.05	5.36	7.16	2.0	80	428	667	3,830	11.2	**17.4**
33397	110	4.08	4.93	6.88	2.0	82	406	654	3,967	10.2	**16.5**
33415	154	4.12	5.81	7.32	2.7	81	473	717	4,235	11.2	**16.9**

Postal code allocation

33330 Gütersloh city center, Blankenhagen, **33332** Gütersloh city center, Nordhorn, Sundern, Kattenstroth, **33334** Gütersloh-Pavenstädt, Isselhorst, Spexard, Gütersloh South, Niehorst, Ebbesloh, Hollen, **33335** Gütersloh-Friedrichsdorf, Avenwedde, **33378** Rheda-Wiedenbrück, City, **33397** Rietberg, City, **33415** Verl, **33428** Harsewinkel, City: Marienfeld, **33442** Herzebrock-Clarholz, **33449** Langenberg, **33758** Schloß Holte-Stukenbrock, City, **33775** Versmold, City, **33790** Halle (Westf.), City, **33803** Steinhagen, **33824** Werther (Westf.), City, **33829** Borgholzhausen, City



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33428	113	4.00	5.09	7.73	3.8	75	383	609	4,066	9.4	**15.0**
33442	70	4.24	5.14	6.67	[3.2]	76	392	621	4,103	9.6	**15.1**
33449	38	n/a	n/a	n/a	[2.0]	88	n/a	n/a	3,819	n/a	**n/a**
33758	133	4.28	5.57	7.36	[3.2]	81	450	692	3,992	11.3	**17.3**
33775	192	3.70	5.02	8.33	4.9	75	377	603	3,768	10.0	**16.0**
33790	195	4.04	5.14	7.00	3.3	72	373	590	3,952	9.4	**14.9**
33803	251	4.00	5.27	8.13	3.3	76	398	625	4,114	9.7	**15.2**
33824	165	4.23	5.54	8.00	[2.0]	71	392	605	3,887	10.1	**15.6**
33829	80	3.76	5.04	7.50	n/a	73	366	584	3,836	9.5	**15.2**
Ø	2,799 3)	4.10	5.29	7.74	2.7	76	399	626	3,864	10.3	16.2
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)

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

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)

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