

LEG Housing Market Report NRW 2011

With HousingCostAtlas





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.

LEG's managers, from left:
Thomas Hegel (CEO),
Holger Hentschel (HOO) and
Eckhard Schultz (CFO).

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

Low property prices and rents make for an attractive housing market

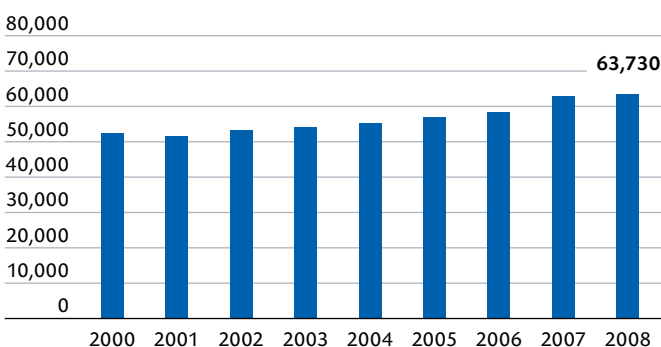
In Hagen, apartments in the upper market segment were the big loser in 2010, with asking rents per square meter falling by 4.3 percent compared with 2009, whereas rents for apartments in the lower market segment increased by 1.9 percent. Despite this, Hagen, which is situated at the south-eastern edge of the Ruhr area, remains one of the more affordable housing mar-

ket areas in North Rhine-Westphalia. Price development is undoubtedly linked to the local economy, which has yet to benefit from the wider upturn at present. The unemployment rate remains consistently high, while the number of employees subject to social security is falling sharply and the number of inhabitants and households is in decline.

Macroeconomic data	Hagen	NRW	Germany	Year
Residents	190,121	17,872,764	81,802,256	2009
Population density (residents/km ²)	1,196	526	230	2009
Population development in %	-6.4	-0.8	-0.6	2000-2009
Population forecast in %	-11.3	-2.4	-3.6	2009-2025
Households	94,350	8,550,214	39,628,120	2009
Household development in %	-5.3	2.8	3.7	2000-2009
Household forecast in %	-8.1	1.5	1.1	2009-2020
Buying power	95.1	101.2	100.0	2011
Per capita buying power in €	18,725	19,921	19,684	2011
Workers paying social insurance contributions	71,905	5,766,861	27,380,096	2009
Development of social insurance contributions	-9.7	-2.4	-1.6	2000-2009

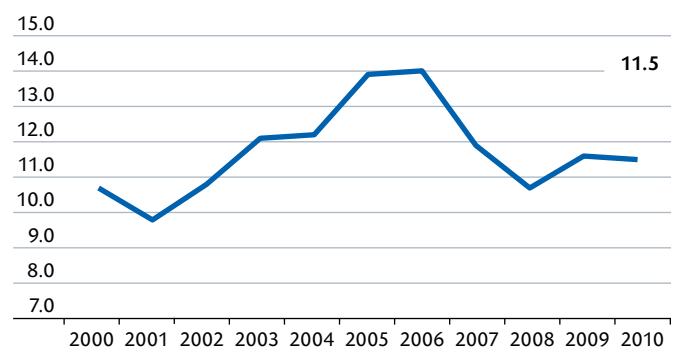
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €



Source: NRW Statistics Office, compiled by CBRE

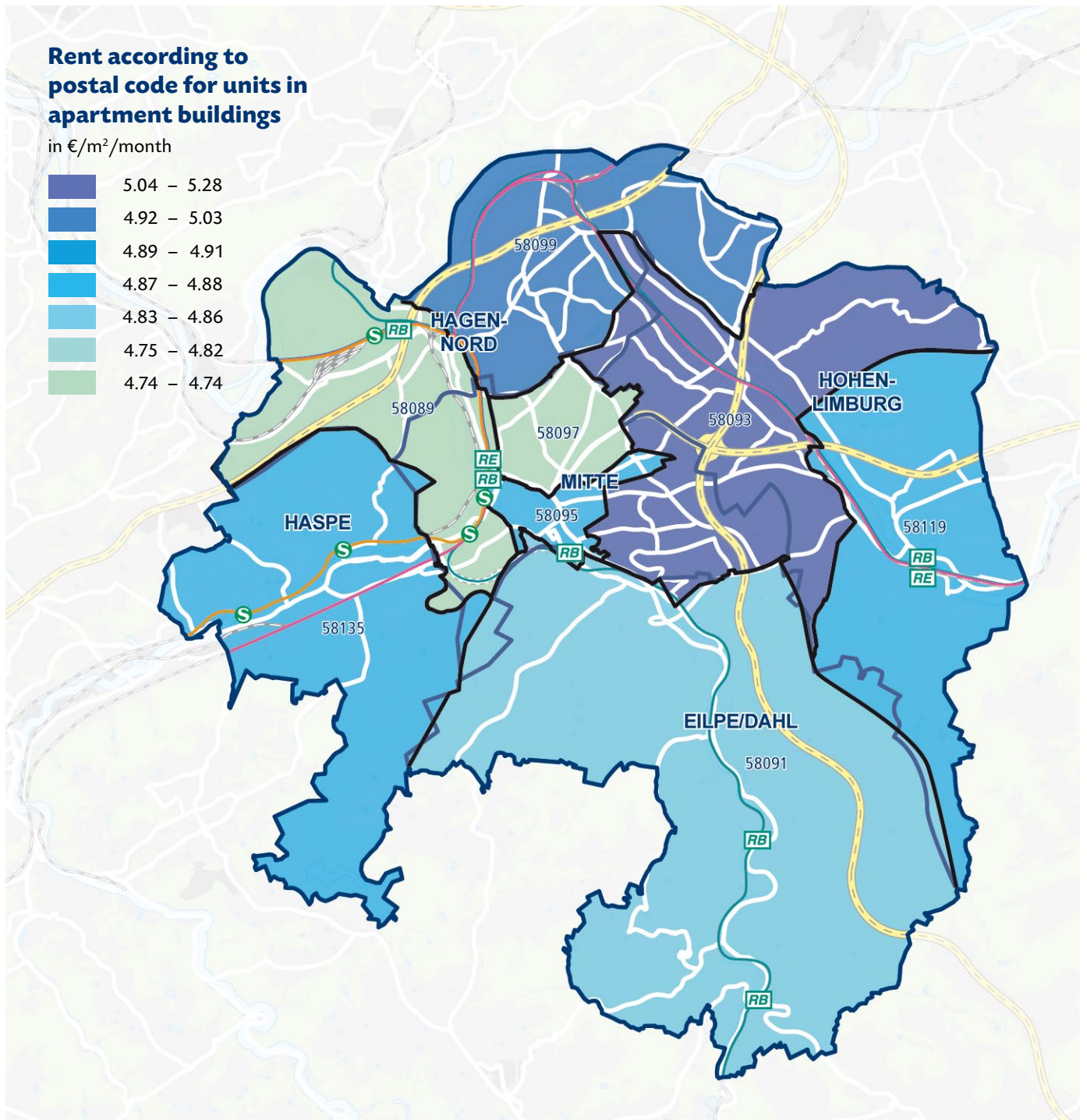
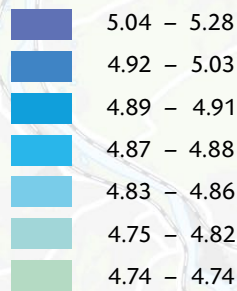
Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE

Rent according to postal code for units in apartment buildings

in €/m²/month



Economic structure

In the last century, the economic structure of Hagen, which has 190,121 inhabitants, was dominated by heavy industry. The city was home to a wide range of metal processing companies, such as Krupp-Hoesch and the battery manufacturer Varta. With a number of companies closing their doors or relocating abroad, thousands of jobs were lost. Other successful industries also enjoyed a comparatively brief period in the sun. The food industry, for example, was a key pillar of the local economy, but the closure of breweries and confectionery and biscuit producers in the 1990s led

to a further rise in unemployment. Nowadays, small and medium-sized enterprises in particular form the backbone of the local economy. The leading industries are electronics, mechanical engineering, vehicle construction and retail.

Big names in the region include Westfalia Werkzeugcompany, Dursty Getränkemärkte, the purchasing and marketing association Northwest Handel, and Douglas Holding. With the University of Applied Sciences for Public Administration and the two specialist faculties of the South West-

phalia University of Applied Sciences, research and education is another area of the local economy. Although Hagen has successfully developed new industry clusters over recent decades, unemployment remains high at 11.5 percent. The number of inhabitants and households has been in decline for a number of years. In terms of the cities and districts of North Rhine-Westphalia with the most pronounced negative development when it comes to the number of households, Hagen's figure of 8.1 percent puts it in second place behind Gelsenkirchen (8.9 percent).

Hagen in decline: High vacancy rate, low level of new construction

Land, apartments and houses with a total value of €200.6 million changed hands in Hagen in 2010. Compared with the figure for 2009 (€169.5 million), this represented an impressive recovery for the housing market in the former steel center. According to calculations by the local Property Valuation Board, however, turnover remained lower than the average for the past 10 years (€235 million p.a.). The low prices for building plots were particularly notable: property developers had to pay around €200 per square meter of land including opening, while prices in some development areas were even lower at €180 per square meter. In terms of land for the construction of apartment buildings, too, prices in Hagen are low at between €190 and €270 per square meter. The Property Valuation Board believes this downturn in prices to be attributable to the excess supply on the Hagen housing market and problems concerning the marketability of condominiums. Low demand and falling prices: these economic and demographic factors are having an adverse impact on the residential property market in Hagen. Furthermore, the city has yet to enjoy the post-crisis upturn that has benefited most of the other cities and districts in North Rhine-Westphalia in the form of reduced unemployment. The unemployment rate in 2010 remained essentially unchanged year-on-year at 11.5 percent. Between 2000 and 2009, the number of employees subject to social security declined by 9.7 percent. The

population fell by 6.4 percent in the same period on the back of migration losses as well as a negative birth ratio. Only Gelsenkirchen (-6.8 percent) and Remscheid (-6.6 percent) recorded higher population declines among the 54 housing market regions analyzed in North Rhine-Westphalia. This trend seems unlikely to turn around, with the State Statistical Office forecasting a further decline in the population of 11.3 percent between now and 2025, while the number of households is expected to fall by 8.1 percent by 2020.

Apartments for less than €4 per square meter are far from a rarity

The population decline is already reflected in the high vacancy rate (5.3 percent). However, new construction activity increased slightly, with 251 units completed in 2009 compared with 243 in the previous year, while the number of construction permits remained largely unchanged year-on-year at 297 (2009: 304). Despite this, asking rents in Hagen responded to the lack of an economic upturn. The high level of demand for affordable accommodation led to a price increase in the lower market segment of 1.9 percent to an average of €3.70 per square meter per month. In contrast, demand for apartments in the upper market segment declined, with advertised prices falling by 4.3 percent to €6.56 per square meter. Only Dusseldorf,

Bochum, Essen, Duisburg, Dortmund, Gelsenkirchen and Warendorf district recorded larger downturns in the upper market segment.

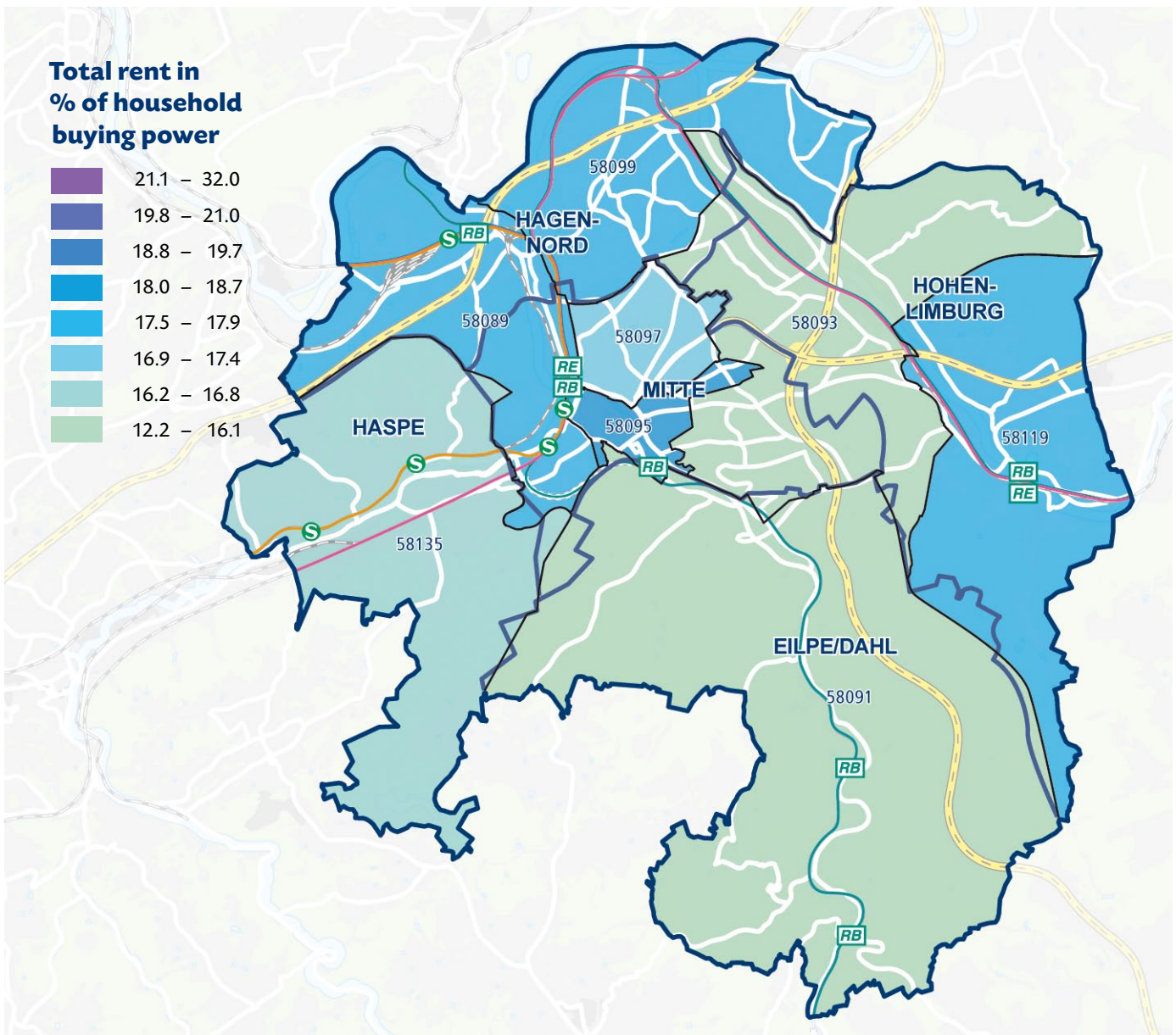
A detailed analysis of the postcode areas in Hagen shows that the housing cost burden in the district is moderate. Prospective tenants in all eight postcode areas can find asking rents in the lower market segment of less than €4 per square meter. In addition, prime rents in the upper market segment only exceed €7 in the sub-market of Berchum, Emst, Eppenhause/Hassley and Holthausen (postcode 58093). With high household purchasing power of €4,035 per month and mean asking rents of €5.28 per square meter, rent excluding heating in this postcode area accounts for just 9.7 percent (€389) of the monthly household budget, while the figure for rent including heating is a mere 15.1 percent (€611). The highest housing cost burden in the district is found in Mittelstadt (postcode 58095), where households are required to spend 11.6 percent (€330) of their monthly budget on rent excluding heating and 18.7 percent (€533) on rent including heating. Across all location and income categories, tenants in Hagen have average monthly household income of €3,243, of which 10.3 percent is committed to rent excluding heating and 16.6 percent to rent including heating – low figures compared with the other 41 small cities and districts in North Rhine-Westphalia.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.6	3.9	4.3	4.8	4.7	5.3
Permits for new buildings	285	502	328	196	304	297
Finished apartments	500	377	379	310	243	251
Housing stock	104,116	104,450	104,804	105,052	105,216	105,427
Housing stock in apartment buildings	79.2	79.1	79.0	78.9	78.9	78.8

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 €/m ² /month	Median basic rent in €/m ² /month	Basic rent in top market segment in €/m ² /month	Vacancy 2009 in % ¹⁾	Apartment size Ø in m ²	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
58089	1,945	3.62	4.74	6.54	9.9	69	327	534	3,012	10.9	17.7
58091	347	3.83	4.84	6.69	6.6	69	334	541	3,452	9.7	15.7
58093	237	3.80	5.28	7.58	3.1	74	389	611	4,035	9.7	15.1
58095	1,827	3.80	4.88	6.50	5.9	68	330	533	2,842	11.6	18.7
58097	670	3.64	4.74	6.50	4.8	68	325	530	3,078	10.6	17.2
58099	275	3.81	5.00	6.62	1.8	69	344	551	3,126	11.0	17.6
58119	367	3.68	4.88	6.50	3.5	72	353	570	3,264	10.8	17.5
58135	759	3.60	4.88	6.05	5.8	67	329	531	3,183	10.3	16.7
Ø	6,427 ³⁾	3.70	4.85	6.56	5.3	69	333	540	3,243	10.3	16.6
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

58089 Haspe, Altenhagen, Vorhalle, **58091** Eilpe, Dahl, Rummenohl, **58093** Berchum, Emst, Eppenhausen, **58095** Hochschulviertel, Mittelstadt, **58097** Boele, Hochschulviertel, Mittelstadt, **58099** Boele, Lennetal, **58119** Hohenlimburg, Lennetal, **58135** Haspe

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 Düsseldorf
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, Düsseldorf (Montage: Gornig Design);
p. 1: Ansgar M. van Treeck, Düsseldorf

Concept and project management:

Katja Binnyus, Thomas Rücker (RUECKERCONSULT GmbH)

DISCLAIMER 2011 LEG/CB Richard Ellis

Information herein has been obtained from sources which are accessible to the public, (or, in certain cases, in exchange for a fee) and believed reliable. While we do not doubt its accuracy, we have not verified each piece of information and cannot make any guarantees about it, barring willful intent and gross negligence. It is your responsibility to independently confirm its accuracy and completeness.

The information contained in this market report may not be used, reproduced or published without prior written permission of LEG and CB Richard Ellis.