

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,

Handwritten signature of Thomas Hegel in blue ink.

Thomas Hegel
Management Spokesman,
CEO

Handwritten signature of Eckhard Schultz in blue ink.

Eckhard Schultz
Managing Director,
CFO

Handwritten signature of Holger Hentschel in blue ink.

Holger Hentschel
Member of Management,
HOO

Weak purchasing power keeps rents under control

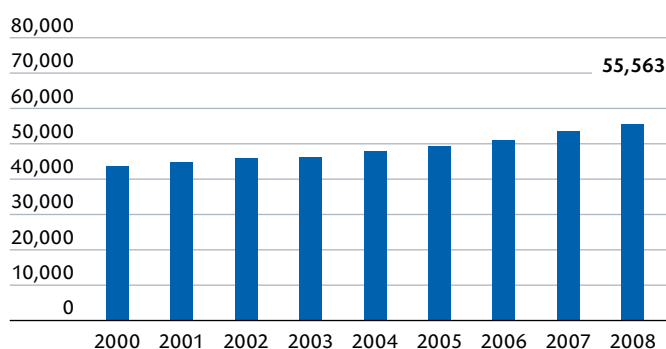
In Hamm, developments on the housing market in 2010 brought some unpleasant surprises for less well-off households in particular, with rents for simple apartments increasing by 4.2 percent to €3.89 per square meter per month. Although this remains affordable compared with the region as a whole, this is far from a favorable development

considering the below-average purchasing power of the local population, especially since Hamm is yet to enjoy the impact of the general economic upturn that has led to higher employment in many places: the unemployment rate was unchanged at a high 10.7 percent. Demand for affordable apartments remained high, resulting in lower vacancy rates.

Macroeconomic data	Hamm	NRW	Germany	Year
Residents	181,741	17,872,764	81,802,256	2009
Population density (residents/km ²)	802	526	230	2009
Population development in %	-0.4	-0.8	-0.6	2000-2009
Population forecast in %	-4.6	-2.4	-3.6	2009-2025
Households	80,947	8,550,214	39,628,120	2009
Household development in %	2.3	2.8	3.7	2000-2009
Household forecast in %	-0.6	1.5	1.1	2009-2020
Buying power	87.3	101.2	100.0	2011
Per capita buying power in €	17,180	19,921	19,684	2011
Workers paying social insurance contributions	52,661	5,766,861	27,380,096	2009
Development of social insurance contributions	-1.7	-2.4	-1.6	2000-2009

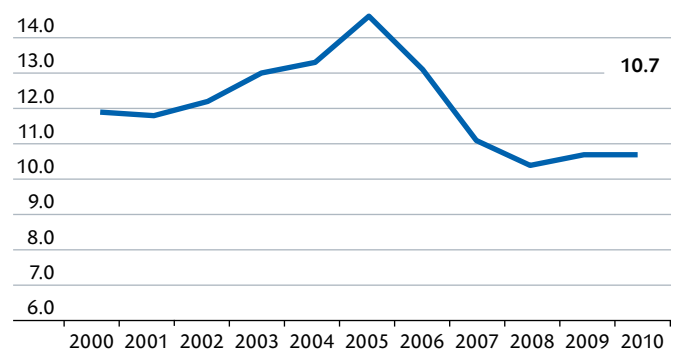
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

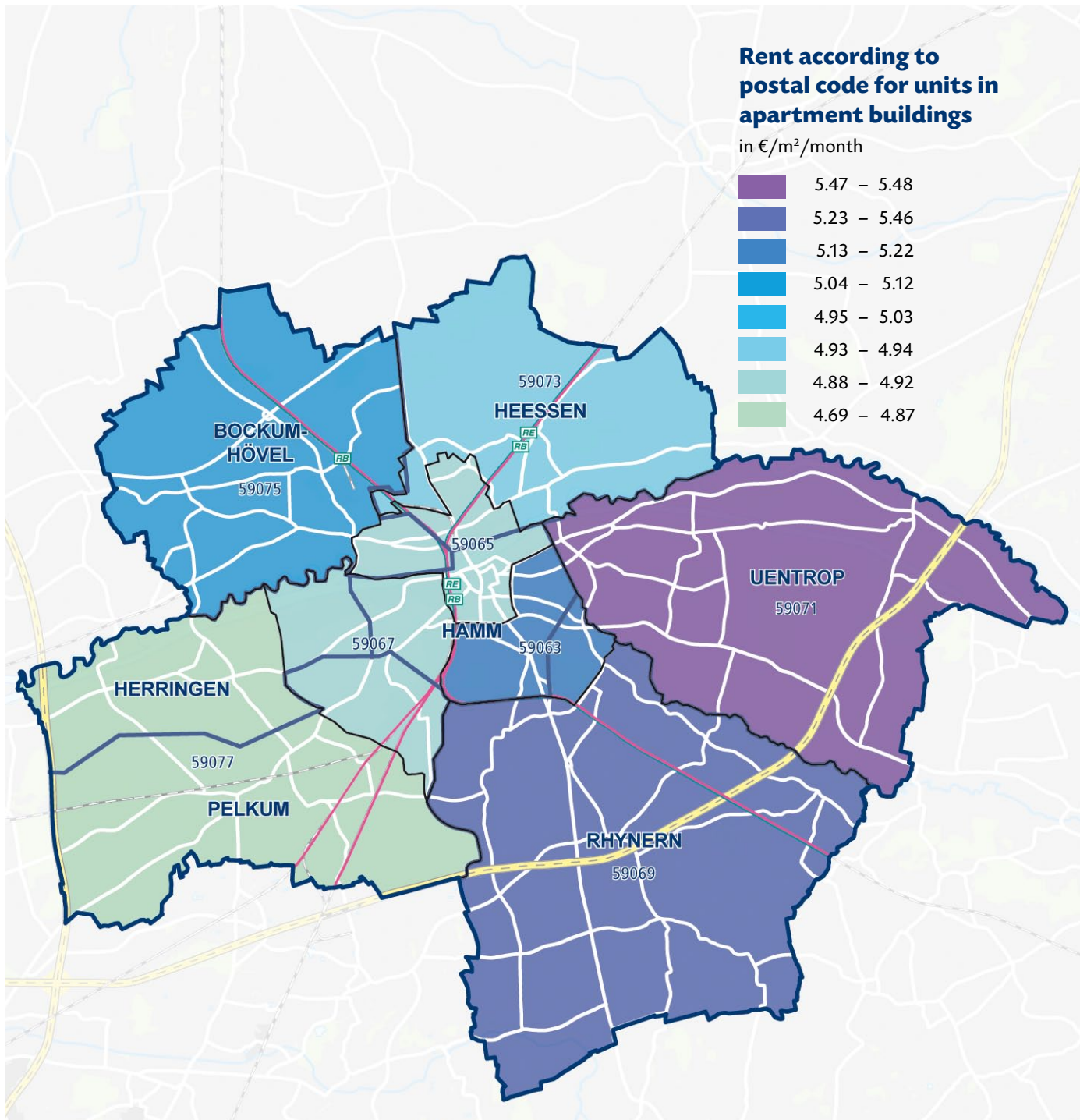


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Hamm is the regional link between the Ruhr area and the Münsterland and Sauerland regions. In the same way as the neighboring cities of Hagen, Unna and Dortmund, the city has had to adapt to an economic environment without coal and steel since the middle of the last century; however, this process of structural change remains incomplete. The chemical and automotive supply industries play a key role in the current business landscape. New economic clusters that are intended to bring growth and employment can be found in the areas of logistics, en-

ergy, healthcare and education. For example, the large number of hospitals and clinics in the city has become a significant factor in the local economy, while the arrival of the public Hamm-Lippstadt University of Applied Sciences alongside the existing private SRH Hamm University of Applied Sciences is expected to reinforce this positive development. Hamm is also working hard on renovating its inner-city areas: a new retail property with modern selling space is being constructed on the site of the former Kaufhalle department store. The building is scheduled to be

opened late next year, and a Dortmund-based construction and real estate company has invested several million euros in developing the site.

The city's attractive location in terms of transport links is enjoyed not only by logistics companies, but also by major retail brands including Plus, Edeka and Trinkgut. The city is connected via the A 1, A 2 and A 44 highways. Hamm is an important rail hub for the northern Ruhr area, with direct connections to Hagen, Wuppertal and Cologne as well as Münster and Paderborn.

Rising prices affect simple apartments in less desirable locations

Hamm is getting smaller. The medium-sized Westphalian city is expected to lose 4.6 percent of its current population of 181,741 between now and 2025. Although forecasts by the German Federal Statistical Office show that the number of households will only decline by 0.6 percent by 2020, this development will still have consequences for the local housing market, which is already one of the economically weakest in North Rhine-Westphalia. The city's inhabitants have average annual purchasing power of €17,180 per capita. Although this is €544 more than in the previous year, a purchasing power index of 87.3 means that Hamm is ranked 52nd of the 54 housing markets in the state in terms of prosperity. The economic upturn over the past year has not enabled local companies to create more jobs: the number of employees subject to social security declined slightly by 1.7 percent in the past year, while the unemployment rate in the city stagnated at an extremely high level of 10.7 percent between 2009 and 2010.

This means that one key characteristic of the Hamm housing market is that inhabitants are forced to pay comparatively high rents despite their relatively low income. The average household budget in the Westphalian city is €3,085 per month, of which 11.7 percent or €361 is accounted for by rent excluding heating and 18.7 percent or €578 by rent including heating. In the

neighboring municipalities of Warendorf, Soest, Coesfeld and Unna, the relationship between purchasing power and the housing cost burden is considerably more favorable in many cases. Taking one of Hamm's northern neighbors, Warendorf, as an example, households are required to commit just 10.1 percent or €379 of their average monthly purchasing power of €3,744 to rent excluding heating, while rent including heating accounts for 16.3 percent or €612. The lower burden posed by monthly housing costs is attributable not only to lower rents, but also to the higher level of average income in Warendorf.

The housing market in Hamm is also characterized by a pronounced east-west divide. The expensive residential areas in the west of the city – Uentrop (postcode 59071) and Rhynern (postcode 59069) – are balanced by the more affordable locations in the east – Pelkum, Herringen (postcode 59077) and Herringen, Mitte, Pelkum, Rhynern (postcode 59067). Rental development over the past year has done little to change this basic structure, and it is notable that less well-off tenant groups in particular were faced with higher prices. Rents in the lower market segment increased by a hefty 4.2 percent per square meter over the course of the year, meaning that households on a budget were required to pay at least €3.89 per square meter per month for new accommodation. The vacancy rate even fell on the back of the high level of

demand for affordable housing, declining from 4.1 percent in 2008 to 3.7 percent in 2009. In contrast, there was a downturn in demand for particularly high-quality properties, with landlords unable to enforce similar price rises. Growth in monthly rents of 0.3 percent to €6.54 per square meter meant that development in the luxury segment of Hamm's housing market was comparatively moderate.

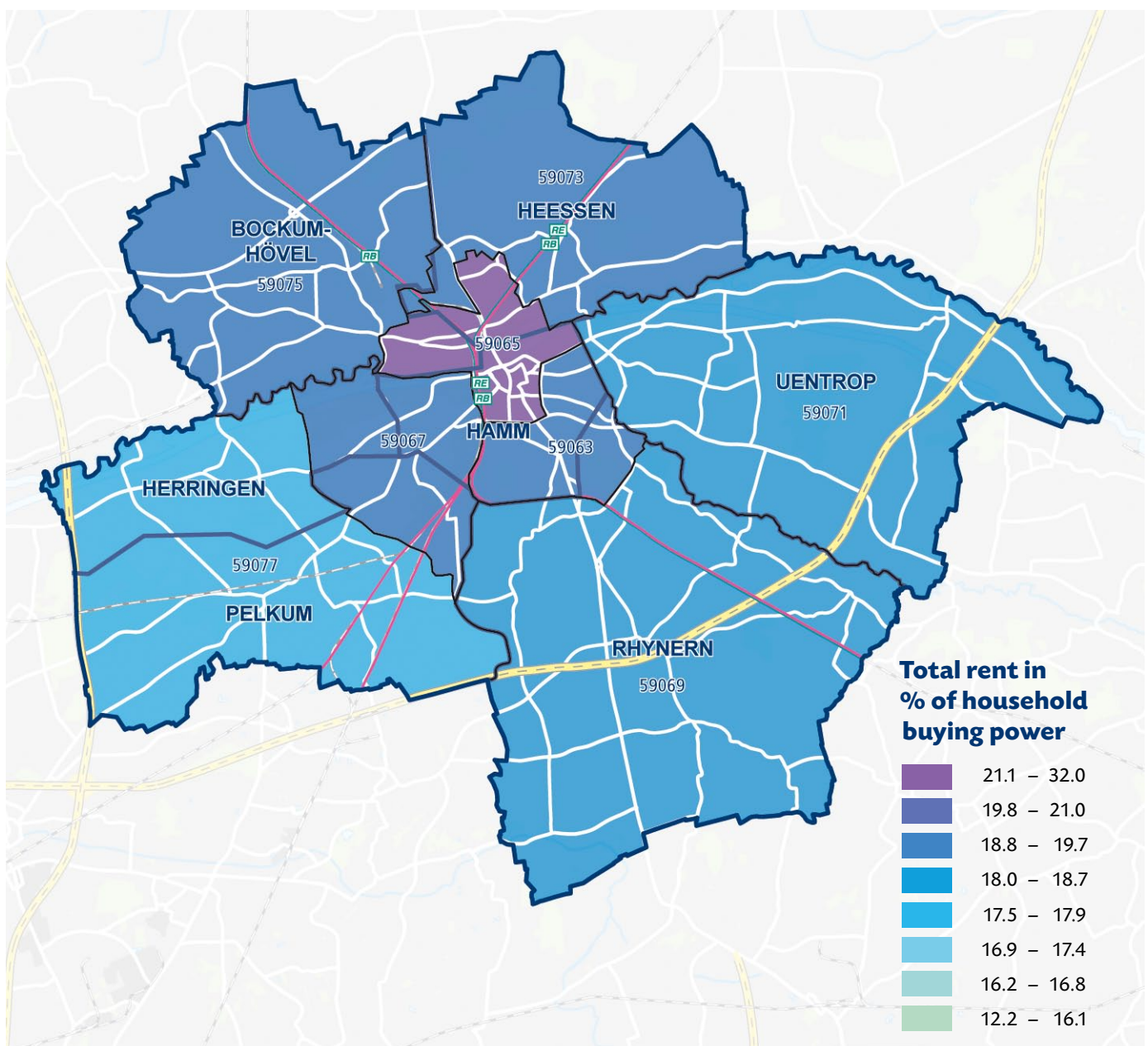
A good half of all households in Hamm are affected by changes in rents as, unlike the neighboring rural districts, the city's housing market is extremely urban in nature. More than half of all properties – 56.2 percent of a total of 84,808 units – are located in apartment buildings. An analysis of the individual postcode areas underlines the price trend for Hamm as a whole: although rents are under control, the housing cost burden for the local population is extremely high. Four of the eight postcode areas (postcode 59065 Bockum-Hövel, Heessen, Mitte; postcode 59067 Herringen, Mitte, Pelkum, Rhynern; postcode 59075 Bockum-Hövel, Heessen; postcode 59077 Herringen, Pelkum) offered simple properties for less than €4 per square meter per month, while none of the sub-markets exceeded the €8 barrier in the luxury segment. Only the two expensive sub-markets in the west of the city saw monthly rents in excess of €7 per square meter: Uentrop (postcode 59071) at €7.50 and Rhynern (postcode 59069) at €7.04.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	4.2	4.2	4.7	4.4	4.1	3.7
Permits for new buildings	445	646	418	456	367	324
Finished apartments	579	578	388	760	394	258
Housing stock	82,642	83,174	83,530	84,232	84,613	84,808
Housing stock in apartment buildings	56.5	56.4	56.3	56.3	56.2	56.2

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 ³⁾ Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
59063	251	4.14	5.15	6.68	3.0	73	378	598	3,069	12.3	19.5
59065	515	3.89	4.92	6.19	4.0	73	361	580	2,726	13.2	21.3
59067	351	3.93	4.90	6.02	3.5	69	336	542	2,767	12.1	19.6
59069	104	4.00	5.45	7.04	[2.7]	79	432	670	3,704	11.7	18.1
59071	196	4.07	5.48	7.50	2.6	77	422	653	3,531	11.9	18.5
59073	203	4.07	4.94	6.19	3.7	73	360	578	2,997	12.0	19.3
59075	309	3.95	5.11	6.86	3.2	70	357	566	3,012	11.8	18.8
59077	325	3.73	4.69	6.08	5.6	70	330	541	3,019	10.9	17.9
Ø	2,254 ³⁾	3.89	5.00	6.54	3.7	72	361	578	3,085	11.7	18.7
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

59063 Mitte, Pelkum, Rhyrnern, **59065** Bockum-Hövel, Heessen, Mitte, **59067** Herringen, Mitte, Pelkum, Rhyrnern, **59069** Rhyrnern, **59071** Uentrop, **59073** Bockum-Hövel, Heessen, **59075** Bockum-Hövel, Heessen, **59077** Herringen, Pelkum

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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