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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 Herford

Score 23 of max. 48

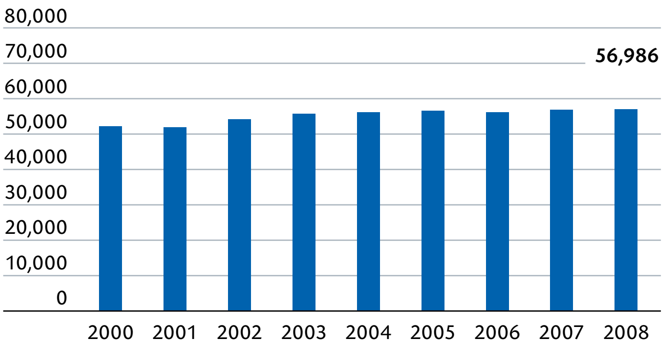
Predominantly rural market with a wide range of affordable housing

Herford district consists of six towns and three municipalities and has a population of 250,247. Despite the high proportion of urban areas, the housing market boasts a markedly rural structure, with almost two-thirds of all residential units located in detached and semi-detached houses. As such, the rental growth of 1.1 percent in 2010 to an average of €5 per square meter per month only affected a minority of residents. Thanks to the historically low unemployment rate (7.1 percent in 2010) and extremely high annual purchasing power of €19,738 per capita, the housing cost burden on residents in Herford district is moderate, even when compared with many of the other districts in the state of North Rhine-Westphalia.

Macroeconomic data	Herford, district	NRW	Germany	Year
Residents	250,247	17,872,764	81,802,256	2009
Population density (residents/km²)	558	526	230	2009
Population development in %	–1.8	–0.8	–0.6	2000–2009
Population forecast in %	–5.4	–2.4	–3.6	2009–2025
Households	120,716	8,550,214	39,628,120	2009
Household development in %	2.5	2.8	3.7	2000–2009
Household forecast in %	2.4	1.5	1.1	2009–2020
Buying power	100.3	101.2	100.0	2011
Per capita buying power in €	19,738	19,921	19,684	2011
Workers paying social insurance contributions	89,318	5,766,861	27,380,096	2009
Development of social insurance contributions	–7.8	–2.4	–1.6	2000–2009

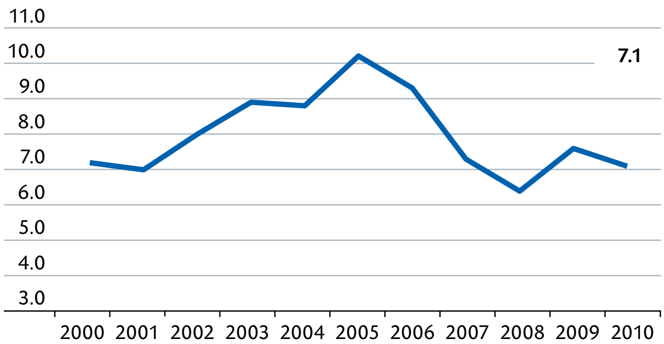
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

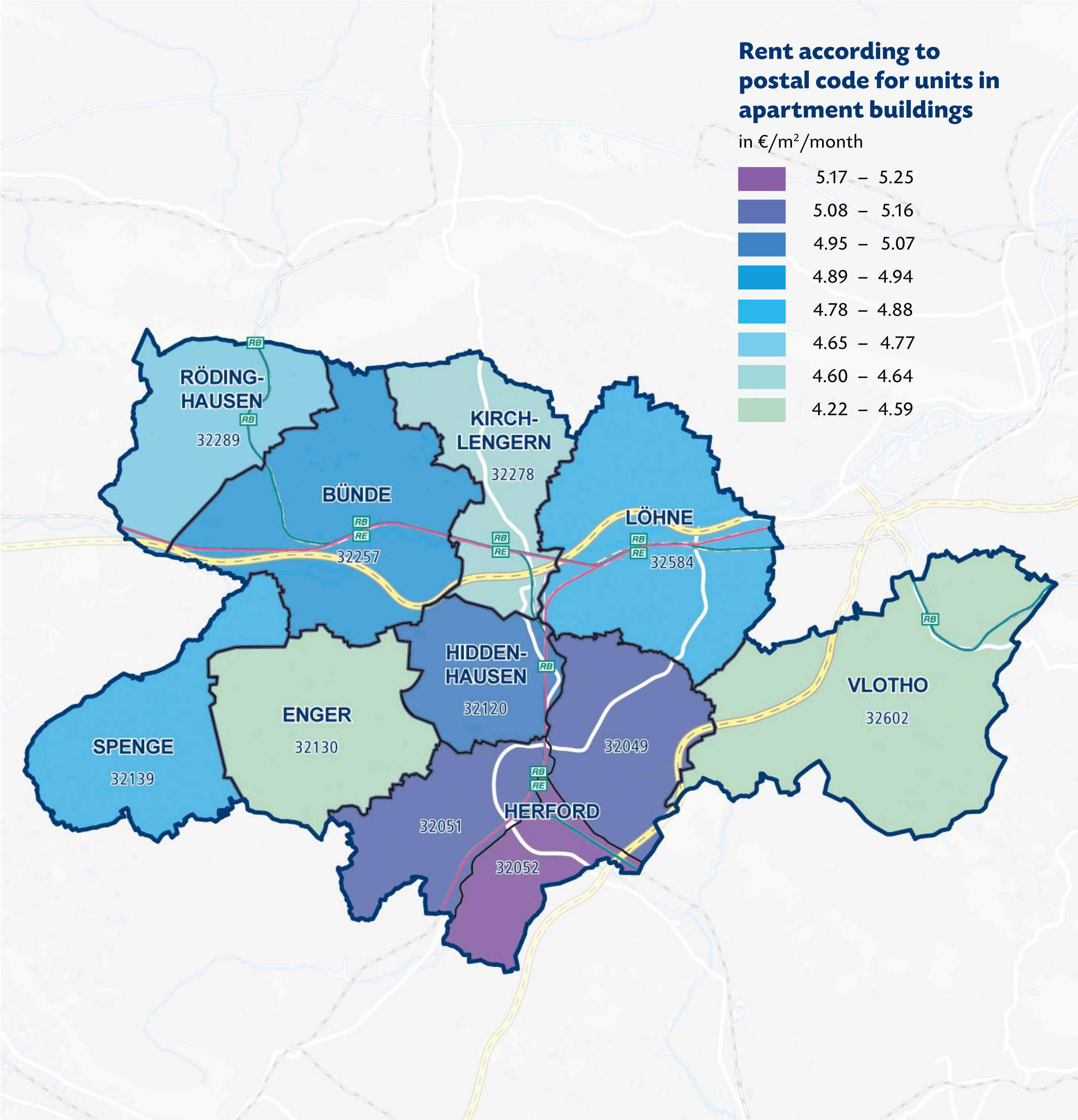


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Herford district in the north-east of North Rhine-Westphalia can look back on a long tradition as a center for cloth-weaving and cigar production. The region has been able to successfully compensate for the loss of its main industries, although textiles remain a key pillar of the local economic structure even today: a large number of major companies from the textile industry are based in Herford and the surrounding area, including Ahlers, Leineweber and Bugatti. Herford is also considered to be a center for the European kitchen and furniture industry. The district maintains its leading position in this segment through high-profile companies including Poggenpohl, SieMatic, Häcker Küchen, Imperial, Hettich Unternehmensgruppe and Stiegelmeyer. Around one-third of all kitchens manufactured in Europe are produced in Herford. There is no shortage of space for new residential developments in the largely rural district. The nine towns and municipalities of the district market their commercial space via a joint portal for Herford district. Companies looking to relocate to the area are attracted by the good transport links that are used by a number of logistics firms, for example. The A 2 and A 30 highways connect the district to the trans-regional centers of the Ruhr area as well as to Berlin via Hanover.

The general economic recovery is only reaching Herford gradually. Although the number of employees subject to social security declined by 7.8 percent between 2000 and 2009, initial signs of an upturn on the local employment market are now emerging: after rising to 7.6 percent in the previous year, the unemployment rate decreased once again to 7.1 percent in 2010.

Residential property market stable despite population decline

Herford district comprises the six towns of Herford, Löhne, Spenge, Bünde, Vlotho and Enger, and the three municipalities of Hiddenhausen, Kirchlengern and Rödinghausen. With around 65,000 inhabitants, the administrative center of Herford is the largest town in the district. Despite the high proportion of urban areas, Herford's housing market is rural in nature, with a population density of just 588 people per square kilometer. The percentage of residential units in apartment buildings is also low at 35.8 percent. As in many other districts in North Rhine-Westphalia, the number of approvals and completions in Herford has declined steadily over recent years. A total of 472 new apartments were completed in 2008, a figure that fell to just 417 the following year, while the number of construction permits granted in Herford district decreased from 509 to 461 in the same period. The forecast population decline will reinforce this trend over the coming years.

The district saw a downturn in population of 1.8 percent in the period from 2000 to 2009 – a relatively low figure compared with many other housing market regions in North Rhine-Westphalia. However, this development will intensify over the coming years. The State Statistical Office expects the number of inhabitants to decline by a further 5.4 percent by 2025, although the number of households – which is more relevant in terms of housing demand – is forecast to increase by 2.4 percent between now and 2020. This means that the trend recorded in previous years will continue, as the number of households rose by 2.5 percent in the period from 2000 to 2009.

Moderately positive price barometer across all locations

Tenant households from Rödinghausen to Vlotho were not affected by any significant changes in 2010. Asking rents increased by 1.1 percent year-on-year across all location and quality categories, meaning that the average apartment in Herford cost €5 per square meter per month. The price rise in the lower market segment was less pronounced; more simply appointed apartments were available for €3.77 per square meter per month, representing a minimal increase of 0.4 percent as against 2009. Meanwhile, advertised prices in the upper market segment fell slightly by 0.3 percent to €6.72 per square meter. Compared with the other largely rural housing markets in the state, Herford ranks in the upper mid-table in terms of asking rents.

One particular characteristic of the Herford market is the wide range of affordable housing that is available throughout the region. For households on a budget, nine of the 11 postcode areas offer apartments in the lower market segment for less than €4 per square meter. At €4.17 per square meter, average prices in this segment only exceed the €4 barrier in Herford-Laar, Herringhausen (postcode 32051) and Herford-City, Elverdissen (postcode 32052). Prime asking rents in all sub-markets were moderate, with only the towns of Löhne (postcode 32584, €7) and Spenge (postcode 32139, €7.18) achieving rents of €7 or more per square meter. In Kirchlengern (postcode 32278), prime rents were less than €6 per square meter.

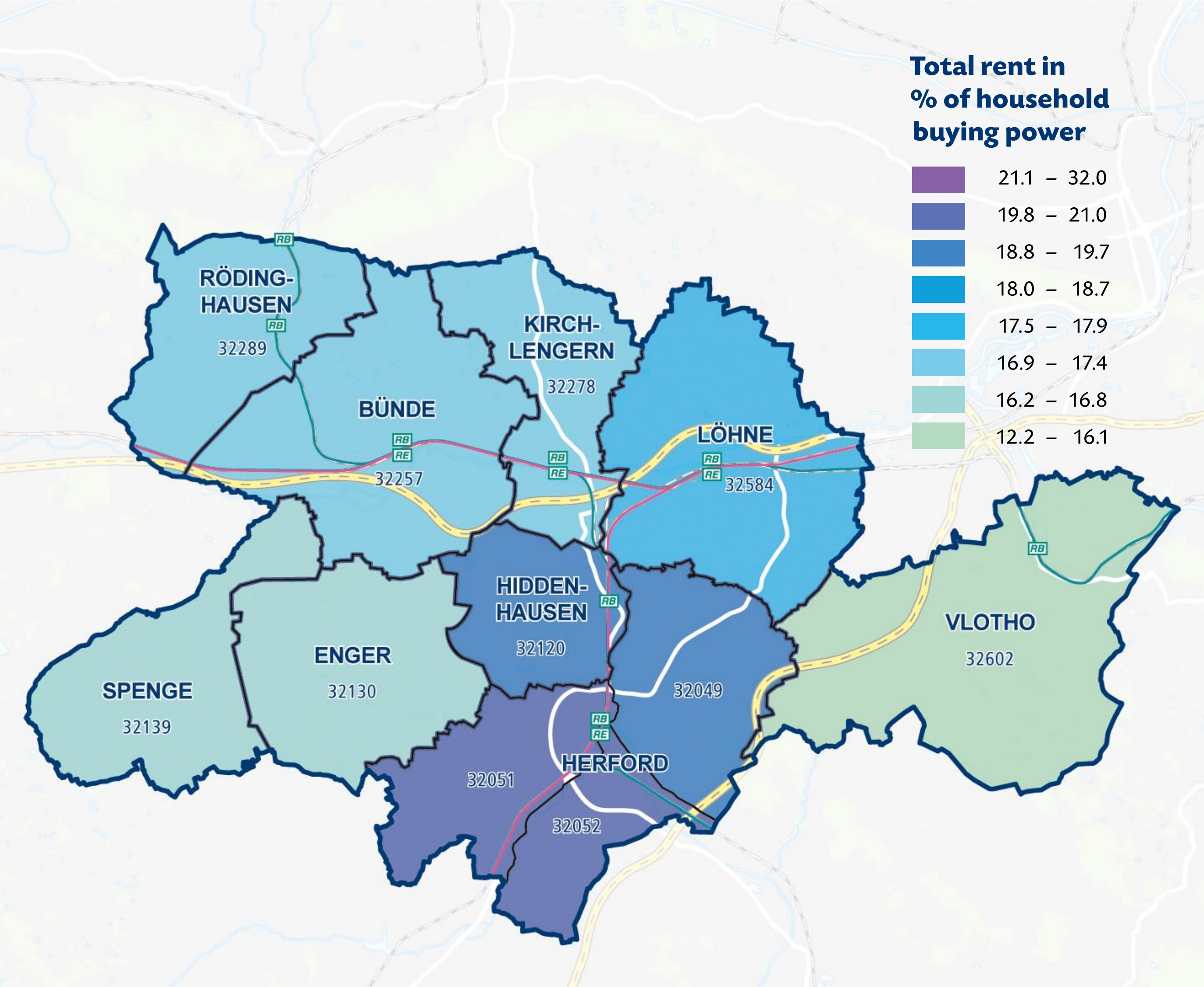
Because these comparatively affordable rents are accompanied by a balanced situation in terms of wealth, households in Herford are only required to spend a relatively small proportion of their average monthly budget of €3,515 on rent. The housing cost burden in the past year amounted to 11.3 percent (€396) of monthly household purchasing power for rent excluding heating and 18 percent (€633) for rent including heating, meaning that the figures for Herford district were lower than for many other districts in North Rhine-Westphalia. This favorable relationship between (low) rents and (high) prosperity is particularly pronounced in Vlotho (postcode 32602), where the high average monthly purchasing power of €3,724 per household is accompanied by housing costs of just €329 excluding heating and €562 including heating – meaning that residents are required to commit just 8.8 percent of their household purchasing power to rent excluding heating and 15.1 percent to rent including heating.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	4.0	3.2	4.0	3.7	4.0	4.1
Permits for new buildings	797	738	719	575	509	461
Finished apartments	809	860	799	720	472	417
Housing stock	113,452	114,216	114,983	115,668	116,102	116,475
Housing stock in apartment buildings	36.1	36.0	35.9	35.8	35.7	35.8

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 €/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
32049	376	3.71	5.15	6.88	3.9	75	388	613	3,180	12.2	**19.3**
32051	165	4.17	5.16	6.64	[2.9]	81	419	663	3,199	13.1	**20.7**
32052	439	4.17	5.25	6.91	3.6	79	413	650	3,251	12.7	**20.0**
32120	153	3.63	5.00	6.36	[5.6]	80	398	637	3,351	11.9	**19.0**
32130	252	3.99	4.58	6.25	[1.8]	79	364	602	3,725	9.8	**16.2**
32139	185	3.26	4.80	7.18	n/a	78	375	609	3,688	10.2	**16.5**
32257	430	3.91	4.92	6.67	3.5	81	400	644	3,743	10.7	**17.2**
32278	104	3.74	4.62	5.79	n/a	83	382	630	3,617	10.6	**17.4**
32289	51	3.50	4.67	6.80	n/a	83	389	639	3,747	10.4	**17.1**
32584	514	3.88	4.88	7.00	[4.8]	79	388	626	3,542	10.9	**17.7**
32602	167	3.48	4.22	6.50	[6.9]	78	329	562	3,724	8.8	**15.1**
Ø	2,836[3]	3.77	5.00	6.72	4.1	79	396	633	3,515	11.3	18.0
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

32049 Herford-Falkendiek, **32051** Herford-Laar, Herringhausen, **32052** Herford, City-Elverdissen, **32120** Hiddenhausen, **32130** Enger, City, **32139** Spenge, City, **32257** Bünde, City, **32278** Kirchlengern, **32289** Rödinghausen, **32584** Löhne, City, **32602** Vlotho, City

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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