

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

Greatest increase in rents out of all 42 small towns and districts

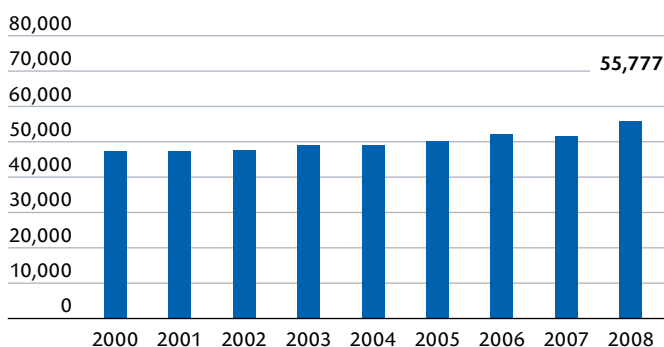
Herne is located at the northern edge of the Ruhr region between the cities of Bochum and Recklinghausen on the river Emscher. It belongs to the Westphalia-Lippe local authority and the Ruhr regional authority. It is the seventh smallest housing market in this report with 165,632 inhabitants. Although Herne saw a population decline of 5.1 percent between 2000 and

2009, with 3,255 inhabitants per square kilometer it still remains by far the most densely populated housing market out of all the towns and districts analyzed. Herne will also continue to shrink in the future. Nonetheless, low-cost accommodation in particular is in demand and rents in this segment rose by 3.3 percent year-on-year in 2010.

Macroeconomic data	Herne, district	NRW	Germany	Year
Residents	165,632	17,872,764	81,802,256	2009
Population density (residents/km ²)	3,255	526	230	2009
Population development in %	-5.1	-0.8	-0.6	2000-2009
Population forecast in %	-8.8	-2.4	-3.6	2009-2025
Households	83,241	8,550,214	39,628,120	2009
Household development in %	-3.8	2.8	3.7	2000-2009
Household forecast in %	-5.4	1.5	1.1	2009-2020
Buying power	86.1	101.2	100.0	2011
Per capita buying power in €	16,941	19,921	19,684	2011
Workers paying social insurance contributions	46,030	5,766,861	27,380,096	2009
Development of social insurance contributions	-5.0	-2.4	-1.6	2000-2009

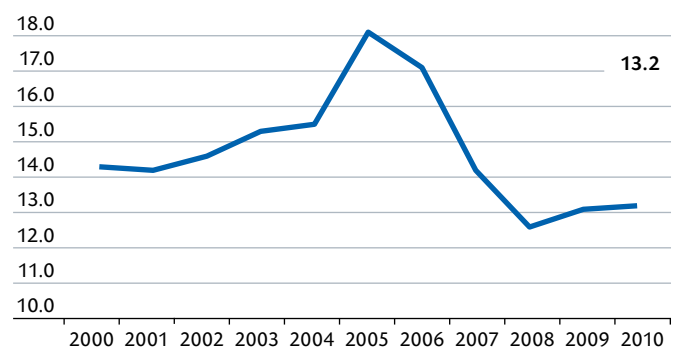
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €



Source: NRW Statistics Office, compiled by CBRE

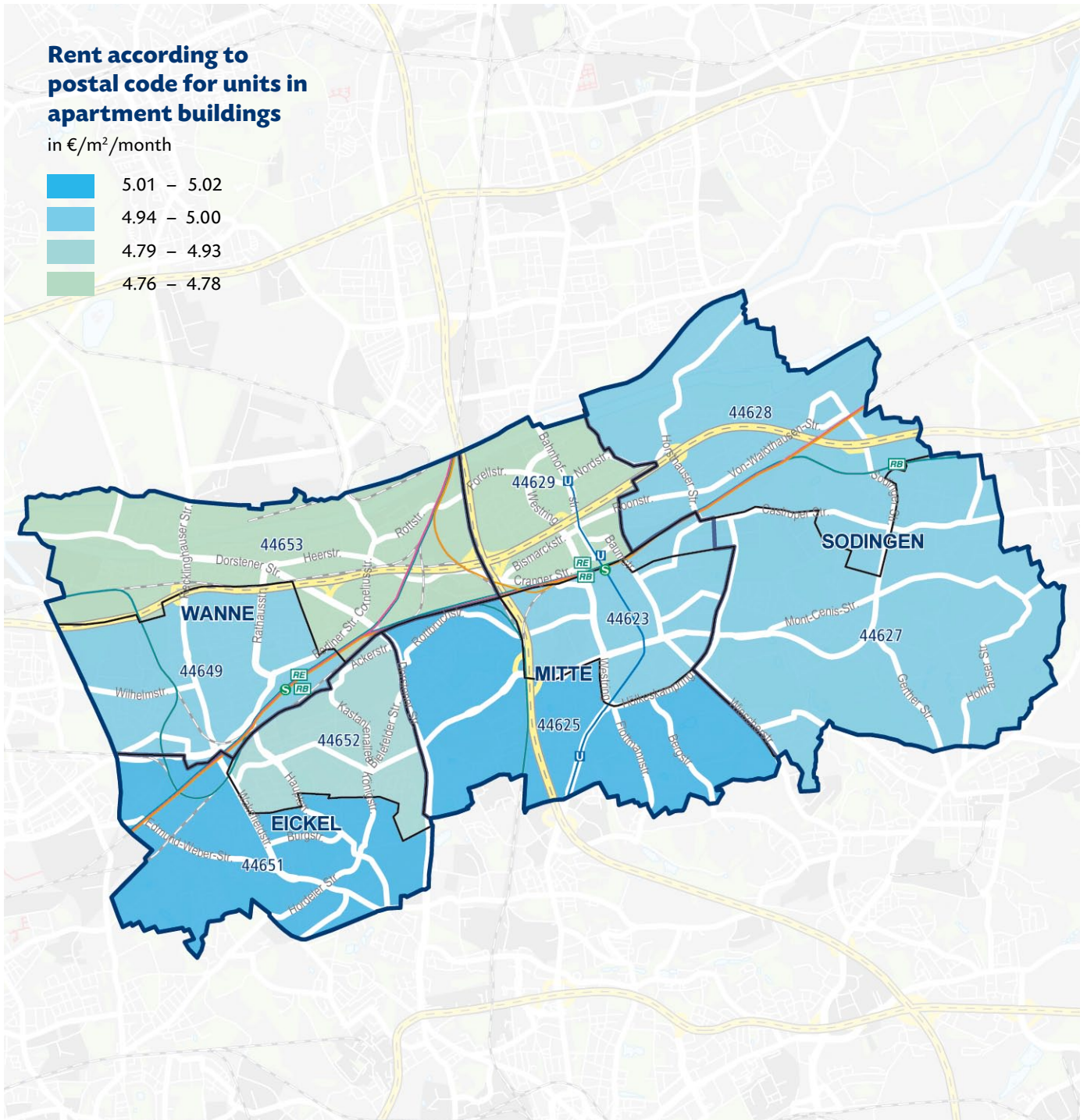
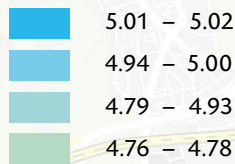
Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE

Rent according to postal code for units in apartment buildings

in €/m²/month



Economic structure

The traces of Herne's mining past are still clear to see in its urban landscape. Old shaft towers bear witness to the heyday of Herne's coal and steel industry. Particularly well-known on a national level were the Shamrock, Constantin, Mont Cenis and Friedrich der Große collieries, which were closed down in the late 1960s and in the 1970s. Germany's biggest mining corporation still manages its business from Herne today: the administrative headquarters of RAG Steinkohle AG is based in the city. With the decline of the coal and steel industry, Herne – like all other

industrial cities in the Ruhr region – had to establish new economic clusters. One focus here is the service sector, which now accounts for 70 percent of jobs. In the manufacturing industry, the key sectors are chemicals, mechanical engineering, logistics, engineering and recycling. Well-known companies based in Herne include Börnig, Phoenix AG, Schwing GmbH, Sasol, Evonik Degussa and Sanacorp Pharmahandel. However, structural change in Herne is not yet entirely completed, as is shown not least by the high unemployment rate of 13.2 percent. This

means that the economic upturn perceptible across the state has not yet spread to Herne. Annual purchasing power is correspondingly low at €16,941 per capita. Among all of the 54 housing markets analyzed, this is the second lowest figure after Gelsenkirchen (€16,785).

Herne has extremely good transport connections. The two highways A 42 (Duisburg-Dortmund) and A 43 (Münster-Wuppertal) and the B 226 provide a direct connection to the regional and national road network.

Asking rents below €7 per square meter per month

Even in comparison to the other cities with a mining past, Herne has a special position economically and demographically. With the exception of Gelsenkirchen, no other Ruhr-region municipality has lower average purchasing power per capita, and the population decline is the highest in the region. The Ruhr-region city currently has 165,632 inhabitants. Despite a declining population, it has the highest population density in the state, with 3,255 people per square kilometer. Between 2000 and 2009, the city of Herne lost 5.1 percent of its residents. This means that the city ranks fourth, together with the Märkischer Kreis, among the locations with the greatest population declines across the state. Only Gelsenkirchen (down 6.8 percent), Remscheid (down 6.6 percent) and Hagen (down 6.4 percent) recorded more significant declines in the same period. There will not be a turnaround in the trend in the future, either. According to forecasts by the North Rhine-Westphalia State Statistical Office, the number of inhabitants of Herne is set to fall by another 8.8 percent by 2025. The number of households will also decrease significantly. The anticipated decline of 5.4 percent by 2020 will impact the local housing market. The vacancy rate in multi-story residential buildings increased by 1.2 percentage points year-on-year to 5.2 percent in 2009, and completions remain at a low level of less than 100 apartments, equi-

alent to less than one residential unit for every thousand inhabitants. The number of construction permits is also only just above the 100-unit mark.

Asking prices up for simple apartments

Across all locations and quality categories, rental properties on the market in Herne were 3.3 percent more expensive than in the previous year. This meant that Herne residents faced the greatest price increase out of all 42 small towns and districts analyzed. In the whole of North Rhine-Westphalia, the rise in rents across all market segments was higher only in Münster (up 4.2 percent) and Aachen (up 3.9 percent). There were substantial price increases in the lower market segment, where asking prices rose by 3.3 percent year-on-year. Providers in the low-price segment charged an average €3.88 per square meter per month. In contrast, there was clearly less demand for properties in the upper market segment. Here, prices per square meter fell by 4.2 percent year-on-year to €6.19 per month. Herne is thus among the 21 of the 42 small towns and districts in North Rhine-Westphalia where asking rents in the upper segment decreased in 2010, and is also among the 18 of the 42 locations where households with lower purchasing power could find apartments on offer for

less than €4 per square meter per month. A comparable rent level in the lower market segment is seen, for example, in Hamm (€3.89 per square meter per month) and in the Märkischer Kreis (€3.85).

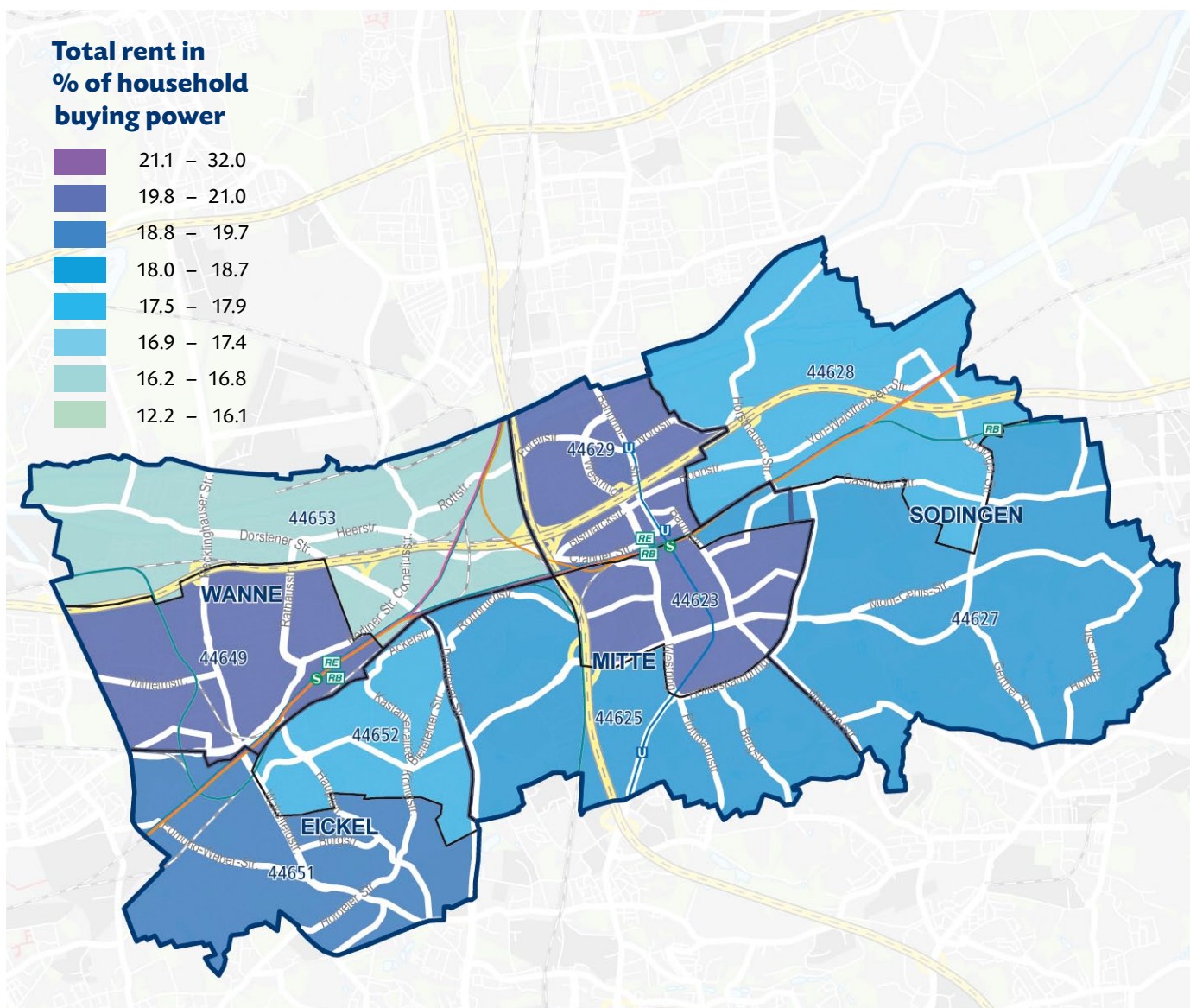
An analysis of the localized market development also shows that, despite price increases, starting rents remained below the €4 mark in six of Herne's nine postcode areas in 2010. Households seeking accommodation find the lowest asking rents in postcode area 44653 (Wanne, Wanne South, Unser Fritz, Baukau West). In the lower market segment, apartments here are advertised for €3.57 per square meter per month. However, the low prices are also reflected in small apartment sizes. The average apartment in this sub-market, characterized by miners' settlements, measures only 59.4 square meters. Out of all 864 postcode areas analyzed in North Rhine-Westphalia, this area therefore has the third-smallest apartment sizes. Only in Günnigfeld, Hordel in Bochum (postcode 44793, 55.2 square meters) and Wedau, Bissingheim in Duisburg (postcode 47279, 58.3 square meters) are apartments smaller on average. In addition to the cheap asking rents, with average rent excluding heating of €283 per month households in postcode area 44653 also have the lowest housing cost burden in Herne. Rent excluding heating accounts for 10.2 percent of monthly household purchasing power.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	5.3	5.2	5.4	4.0	4.0	5.2
Permits for new buildings	341	136	114	49	75	104
Finished apartments	170	263	178	105	62	94
Housing stock	84,642	84,884	85,062	85,165	85,180	85,257
Housing stock in apartment buildings	80.5	80.4	80.3	80.3	80.3	80.2

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
44623	904	4.00	5.00	6.57	[5.9]	66	328	526	2,625	12.5	20.0
44625	653	4.07	5.02	6.09	[2.8]	64	319	510	2,812	11.3	18.1
44627	378	3.75	5.00	6.72	[4.7]	70	348	557	2,981	11.7	18.7
44628	225	3.85	5.00	6.05	n/a	64	320	511	2,905	11.0	17.6
44629	288	3.65	4.78	6.43	[4.2]	69	328	534	2,653	12.4	20.1
44649	746	3.82	5.00	6.00	[6.5]	65	326	521	2,584	12.6	20.2
44651	455	4.00	5.02	6.52	[6.2]	67	335	535	2,844	11.8	18.8
44652	543	3.89	4.93	5.88	n/a	61	303	487	2,736	11.1	17.8
44653	394	3.57	4.76	5.65	n/a	59	283	461	2,782	10.2	16.6
Ø	4,586 ³⁾	3.88	5.00	6.19	5.2	65	324	518	2,767	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

44623 Mitte, Herne South, Baukau East, **44625** Mitte, Sodingen, Herne South, Holsterhausen, **44627** Mitte, Sodingen, Holthausen, Böring, **44628** Mitte, Sodingen, Holthausen, Horsthausen, **44629** Mitte, Horsthausen, Baukau East, **44649** Wanne, Röhlinghausen, Baukau West, Crange, **44651** Wanne South, Röhlinghausen, Eickel, **44652** Wanne, Wanne South, Holsterhausen, Eickel, **44653** Wanne, Wanne South, Unser Fritz, Baukau West

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

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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 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)

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Concept and project management:

Katja Binnyus, Thomas Rücker (RUECKERCONSULT GmbH)

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