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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

Hochsauerlandkreis

Score 18 of max. 48

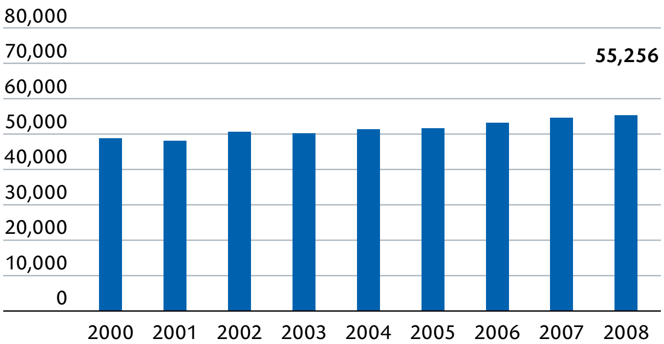
Slight increase in asking rents, differentiated according to market segment

Plenty of visitors, not so many inhabitants: between 2000 and 2009, the district in the east of North Rhine-Westphalia lost 4.2 percent of its inhabitants. There is no reversal of the trend in sight. By 2025 the district, which is popular with tourists, will be home to 9.8 percent fewer inhabitants than today, making it one of the five regions with the greatest population declines in the whole state. The housing market of the 10 towns and two municipalities is reacting to this with decreasing numbers of construction permits and completions and high vacancy rates. In parts of the town of Arnsberg, 15.6 percent of the housing supply in apartment buildings is unoccupied. This is the highest vacancy rate among the housing markets analyzed.

Macroeconomic data	Hochsauerlandkreis	NRW	Germany	Year
Residents	269,927	17,872,764	81,802,256	2009
Population density (residents/km²)	138	526	230	2009
Population development in %	–4.2	–0.8	–0.6	2000–2009
Population forecast in %	–9.8	–2.4	–3.6	2009–2025
Households	122,720	8,550,214	39,628,120	2009
Household development in %	0.8	2.8	3.7	2000–2009
Household forecast in %	–3.8	1.5	1.1	2009–2020
Buying power	96.8	101.2	100.0	2011
Per capita buying power in €	19,064	19,921	19,684	2011
Workers paying social insurance contributions	90,816	5,766,861	27,380,096	2009
Development of social insurance contributions	–4.3	–2.4	–1.6	2000–2009

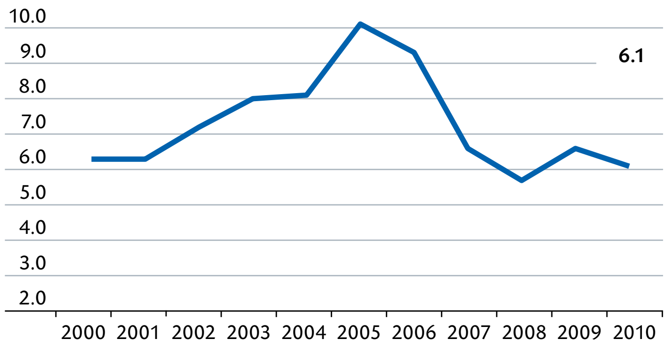
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

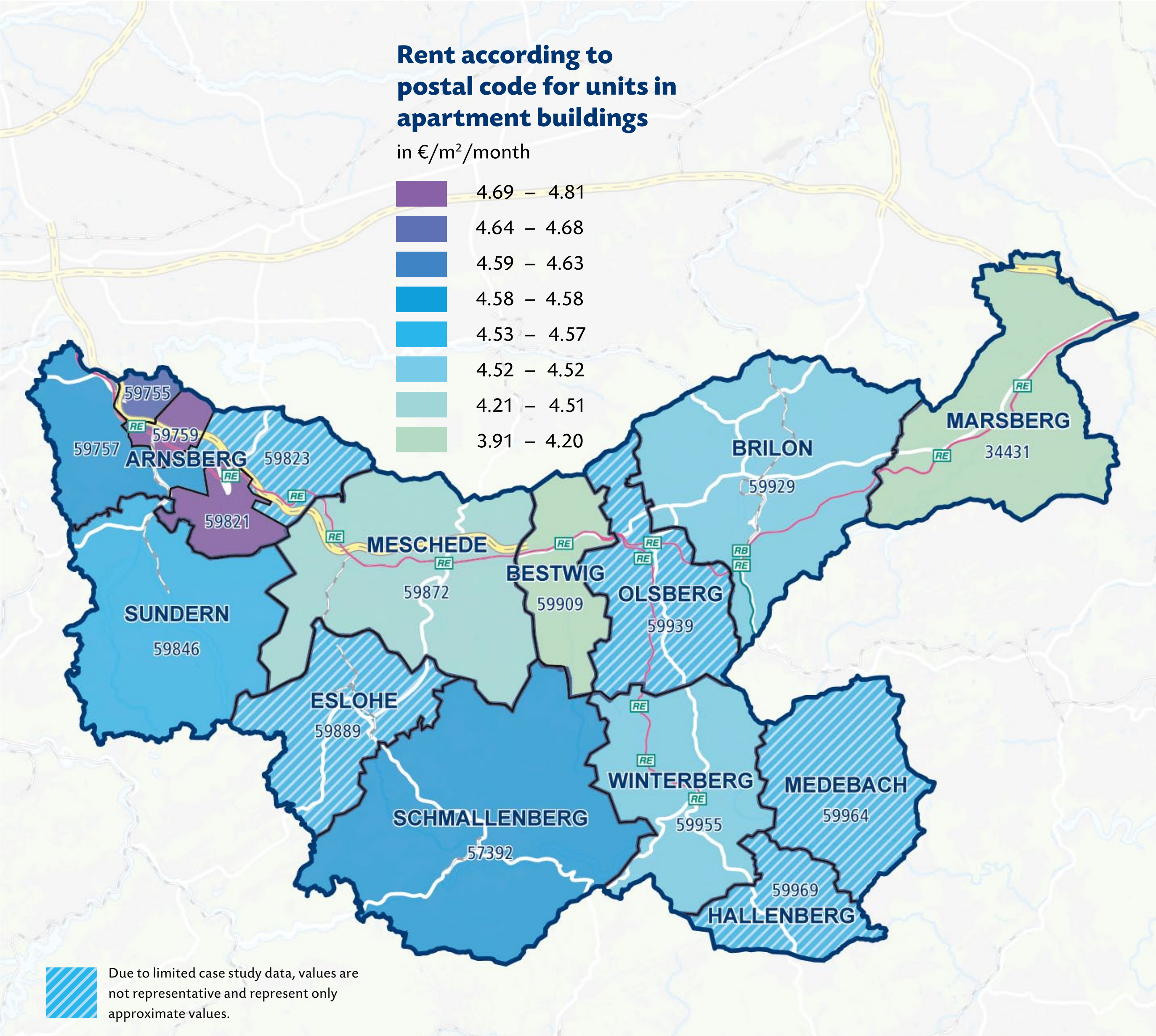


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The website of the Hochsauerland district advertises with the slogan "Live in green surroundings and work for global market leaders." Rightly so. The most important companies are active in the metal and foundry industry, various areas of the automotive supplier industry and in the wood, electrical and plastics industries. Well-known companies based in the district include Pfleiderer AG, the Wepa paper mill, the textile company Falke, the manufacturer of electrical goods Severin, the Veltins brewery and the automotive supplier Schroth. Despite the strong and in some cases internationally active companies, more than 40 percent of employees subject to social security deductions work in small and medium-sized companies in the manufacturing industry. Another key pillar of the local economy is tourism. Here, the Hochsauerland district benefits from its attractive low mountain range landscape with extensive forests and waterways, which attracts visitors for leisure and recreation the whole year round. The differentiated sector structure protects the district from major slumps on the employment market. In 2010, the unemployment rate was at a low 6.1 percent. The district has good transport connections, with the A 33, A 44 and A 46 highways and the B 7 and B 480 main roads passing through it.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	6.0	6.4	7.3	10.3	12.9	11.2
Permits for new buildings	803	796	740	448	341	339
Finished apartments	844	890	656	751	439	395
Housing stock	123,380	124,240	124,867	125,571	125,962	126,324
Housing stock in apartment buildings	36.1	36.1	36.1	36.0	36.0	36.0

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

Only five of 16 postcode areas still have no housing market data

The housing market in the Hochsauerland district consists of 10 towns and two municipalities, but is divided into 16 postcode areas. In the first LEG Housing Market Report NRW 2010, the analysis at a localized level was possible only to a limited extent due to a lack of data. For eight of the 16 postcode areas, there was no information available on asking rents, housing costs or vacancy rates. The situation in North Rhine-Westphalia's largest district by area has improved considerably. There are now only five sub-markets for which the number of cases is not high enough to draw reliable conclusions.

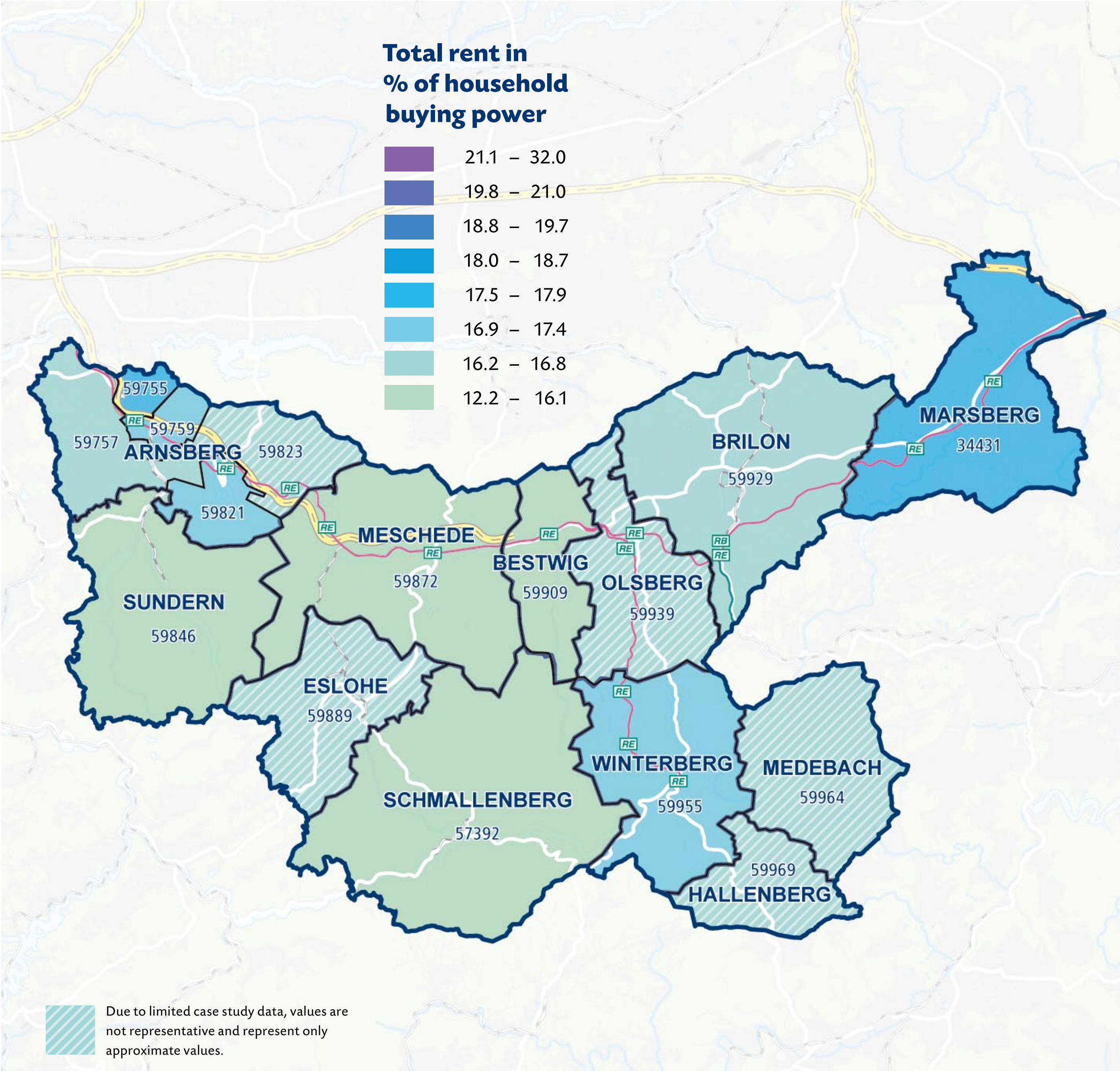
However, the fact that the residential vacancy rate in the district is strikingly high some cases has not changed since the last analysis. For instance, the town of Arnsberg still has the highest vacancy rate in North Rhine-Westphalia. Two postcode areas in Arnsberg are among the 10 urban areas and municipalities with the greatest oversupply in multi-story residential buildings in the state. Right at the top is Arnsberg Stadt (postcode 59821), where 15.6 percent of all properties in apartment buildings are unoccupied. Arnsberg postcode area 59759, with a vacancy rate of 11.8 percent, is also among the 10 sub-markets with the highest vacancy rates. In addition, the asking rents in both of these areas are very high. In sub-market 59821, apartments in the upper market segment were offered for an average €6.05 per square meter, while in the neighboring area 59759 they commanded prices of €5.75 per square meter per month. However, a downward trend in asking rents is indicated for the coming months. Another sub-market in the Hochsauerland district is noteworthy due to particular characteristics: in the municipality of Bestwig (postcode 59909), which has 11,300 inhabitants, tenants spend only 12.8 percent of their average monthly purchasing power of €3,574 on rent including heating. This is the second-lowest level out of all sub-markets examined. Only in Herscheid (postcode 58849) in the Märkischer Kreis was the ratio of purchasing power to housing costs more favorable for tenants, with an average monthly burden of 12.2 percent.

Overall, the development in the district of 269,927 inhabitants in 2010 was unremarkable. Across all locations and categories of features, asking rents rose moderately by 1.1 percent to €4.55 per square meter per month. With regard to average rents, the market is thus one of the cheapest residential locations in the state. It is notable that the prices advertised for apartments in both the lower and the upper market segment decreased. Simple apartments were on the market for as little as €3.50 per square meter, making them 0.5 percent cheaper than in the previous year. Rents for luxury apartments were down 2.1 percent to €6.05 per square meter per month. The projected population decline of 9.8 percent by 2025 will no doubt continue to significantly influence demand, rent levels and vacancy rates in the future.

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
34431	62	3.22	4.10	5.28	n/a	81	331	572	3,189	10.4	**17.9**
57392	120	3.64	4.58	6.44	[13.7]	74	340	562	3,776	9.0	**14.9**
59755	304	3.80	4.67	6.29	7.4	76	354	581	3,286	10.8	**17.7**
59757	90	3.93	4.58	5.86	[16.3]	83	379	628	3,779	10.0	**16.6**
59759	81	4.16	4.69	5.75	11.8	74	347	569	3,364	10.3	**16.9**
59821	249	3.50	4.81	6.05	15.6	76	364	591	3,486	10.4	**16.9**
59823	44	n/a	n/a	n/a	n/a	72	n/a	n/a	3,742	n/a	**n/a**
59846	270	3.70	4.57	6.88	[11.1]	78	357	592	3,801	9.4	**15.6**

Postal code allocation

34431 Marsberg, City, **57392** Schmallenberg, City, **59755** Arnsberg, City, **59757** Arnsberg, City, **59759** Arnsberg, City, **59821** Arnsberg, City, **59823** Arnsberg, City, **59846** Sundern (Sauerland), City, **59872** Meschede, City, **59889** Eslohe (Sauerland), **59909** Bestwig, **59929** Brilon, City, **59939** Olsberg, City, **59955** Winterberg, City, **59964** Medebach, City, **59969** Bromskirchen, Hallenberg, City



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59872	170	3.54	4.50	5.94	[12.9]	75	337	562	3,659	9.2	**15.3**
59889	35	n/a	n/a	n/a	n/a	75	n/a	n/a	3,653	n/a	**n/a**
59909	87	3.38	3.91	5.31	n/a	66	259	458	3,574	7.3	**12.8**
59929	72	3.43	4.52	6.06	[5.7]	77	346	575	3,479	9.9	**16.5**
59939	36	n/a	n/a	n/a	n/a	83	n/a	n/a	3,353	n/a	**n/a**
59955	54	3.29	4.52	5.85	[11.0]	76	342	570	3,293	10.4	**17.3**
59964	11	n/a	n/a	n/a	n/a	67	n/a	n/a	3,351	n/a	**n/a**
59969	13	n/a	n/a	n/a	n/a	77	n/a	n/a	3,376	n/a	**n/a**
Ø	1,698[3]	3.50	4.55	6.05	11.2	76	345	573	3,529	9.8	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

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