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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 Höxter

Score 16 of max. 48

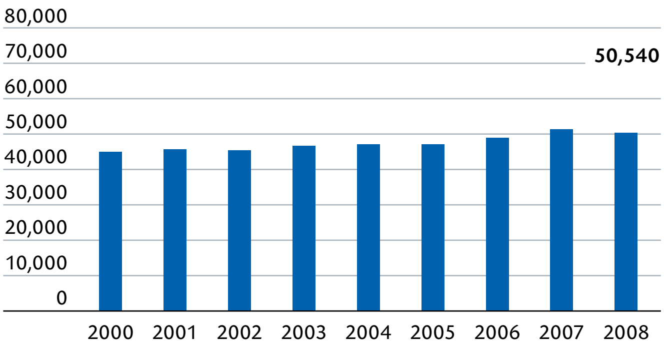
Bioenergy region draws in tenants with astoundingly low asking prices

With its 10 towns and 124 villages on a total area of 1,200 square kilometers, the Höxter District is one of the largest in all of NRW. Almost 60 percent of its land is used for agriculture, around 30 percent is forested. At 148,470 residents, its population density has decreased further in the past year. Instead of 125 people per square kilometer as in 2009, the figure for the district was only 124 in 2010. The declining population density is resulting in contracting demand for living space and therefore to lower prices. In the cheapest sub-market in the state – the town of Brakel – apartments are available from as little as €2.63 per square meter per month.

Macroeconomic data	Höxter, district	NRW	Germany	Year
Residents	148,470	17,872,764	81,802,256	2009
Population density (residents/km²)	124	526	230	2009
Population development in %	–4.7	–0.8	–0.6	2000–2009
Population forecast in %	–11	–2.4	–3.6	2009–2025
Households	64,957	8,550,214	39,628,120	2009
Household development in %	1.1	2.8	3.7	2000–2009
Household forecast in %	–0.8	1.5	1.1	2009–2020
Buying power	89.9	101.2	100.0	2011
Per capita buying power in €	17,689	19,921	19,684	2011
Workers paying social insurance contributions	40,632	5,766,861	27,380,096	2009
Development of social insurance contributions	–5.8	–2.4	–1.6	2000–2009

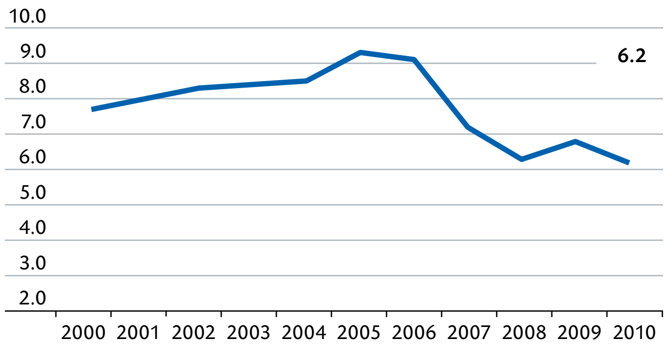
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

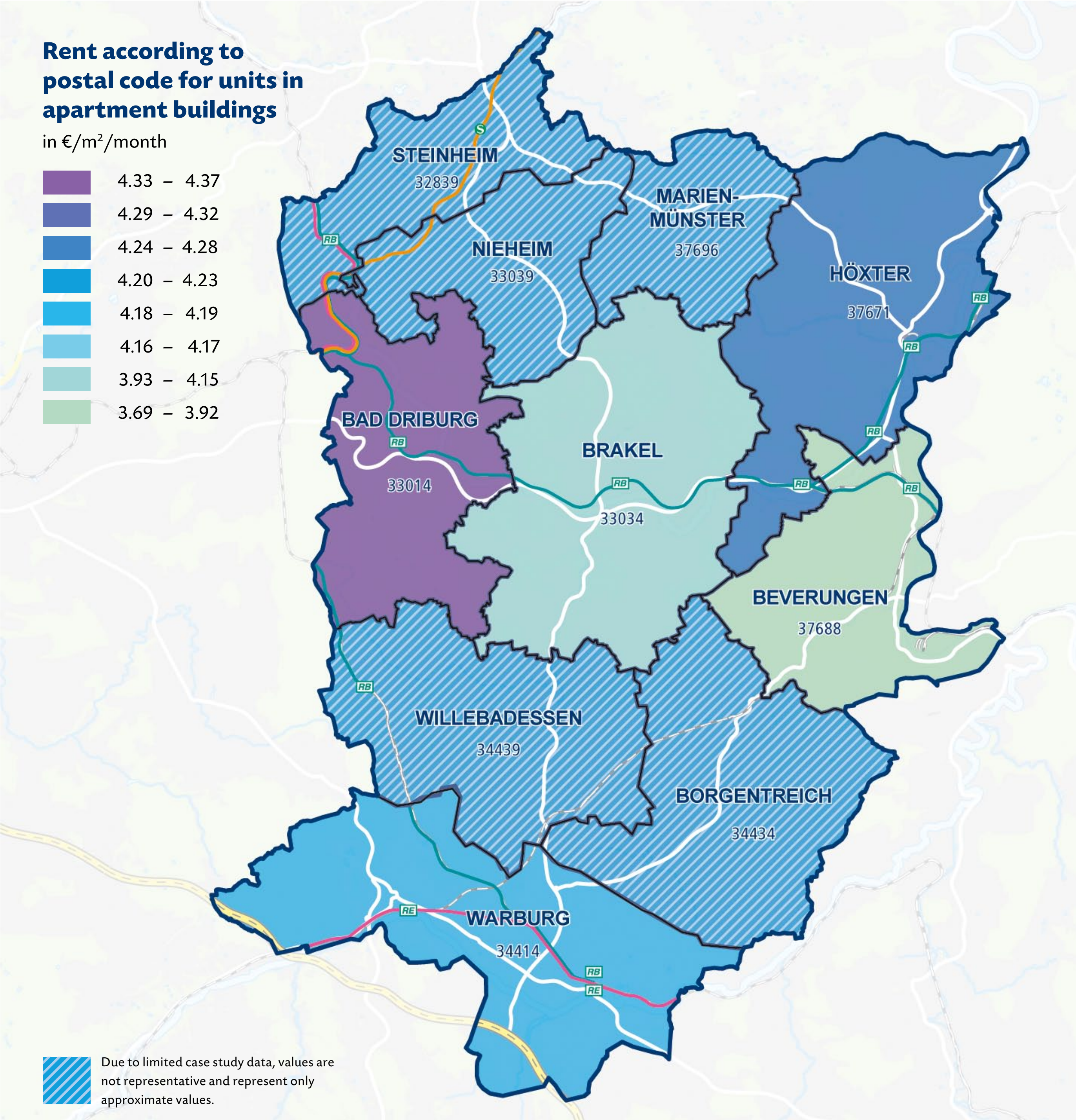


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Under the motto "We draw our bioenergy from the reserve," the Höxter District qualified as one of 25 winning regions in a national competition to identify bioenergy regions in Germany. The district's goal is to become a self-sufficient region in terms of energy supply by using bioenergy. Agriculture and forestry have always dominated the local economy of this countryside district. The district intends to benefit more from this in future and to take advantage of the local biomass potential it has on its doorstep. The SME economic structure is characterized by manufacturing industry companies in addition to service providers and retailers. Healthcare is also a pillar of the local economic make-up. The Weserbergland Clinic in Höxter and the wellness clinics of Bad Driburg are famous well beyond the district's borders. Last but not least, tourism also contributes a large share to the area's prosperity thanks to its attractive location in the Weser Hills and, in the east, the Teutoburg Forest Natural Park. As Höxter's economy is built on a broad footing, its labor market is comparatively well balanced. The region also benefited from the recent economic upswing. In 2010, only 6.2 percent of the district's residents fit for work were unemployed after 6.8 percent the year before. Since peaking at 9.3 percent in 2005, the unemployment rate has therefore been falling almost constantly. Past population declines and those forecast for the future could be related to the district's rural structure and its relatively isolated location. There are no highways that pass through Höxter. The only national route is the A 44 (Dortmund-Kassel) on the southwestern edge of the district.

District of Höxter

Verified figures unavailable for half of all sub-markets

The Höxter District area is divided into 10 towns and the same number of postcode areas. As described in the first report one year ago, analyses of rent prices, vacancies and availability are only possible for half of all these sub-markets on account of the low number of cases. Comparative statements on the development of residential markets can only be made for the five cities of Bad Driburg (postcode area 33014), Brakel (postcode area 33034), Warburg (postcode area 34414), Höxter (postcode area 37671) and Beverungen (postcode area 37688).

Today, the residential market of the Höxter District is already largely influenced by shrinking tendencies. Between 2000 and 2009, this mainly rural district lost 4.7 percent of its residents. While the number of households grew by 1.1 percent over the same period as a result of households getting smaller, the decline in the population is expected to continue further in the coming years. According to forecasts by the North Rhine-Westphalia State Statistical Office, the number of inhabitants in Höxter's municipalities will decrease by another 11 percent by 2025. According to forecasts, only Hagen (11.3 percent) and Remscheid (11.2 percent) will be hit by harder population declines than the Höxter District. While the number of households in Höxter is only set to decrease moderately by 0.8 percent by 2020, the demand structure will be dominated by a rising number of single-person households with older residents in future. The development on the residential market already reflects the tense situation. The number of construction permits issued fell from 171 in 2008 to 126 in 2009. With 186 apartments completed, construction activity rose slightly compared to the previous year (172 units), but the share of unused units in apartment complexes is relatively high at 4.7 percent. It is believed that 7.5 percent of all apartment complex units in Beverungen (postcode area 37688) are vacant. While the vacancy rate is not very meaningful given the low number of cases, it does indicate a certain trend.

Asking rents of €6.05 in the upper market segment

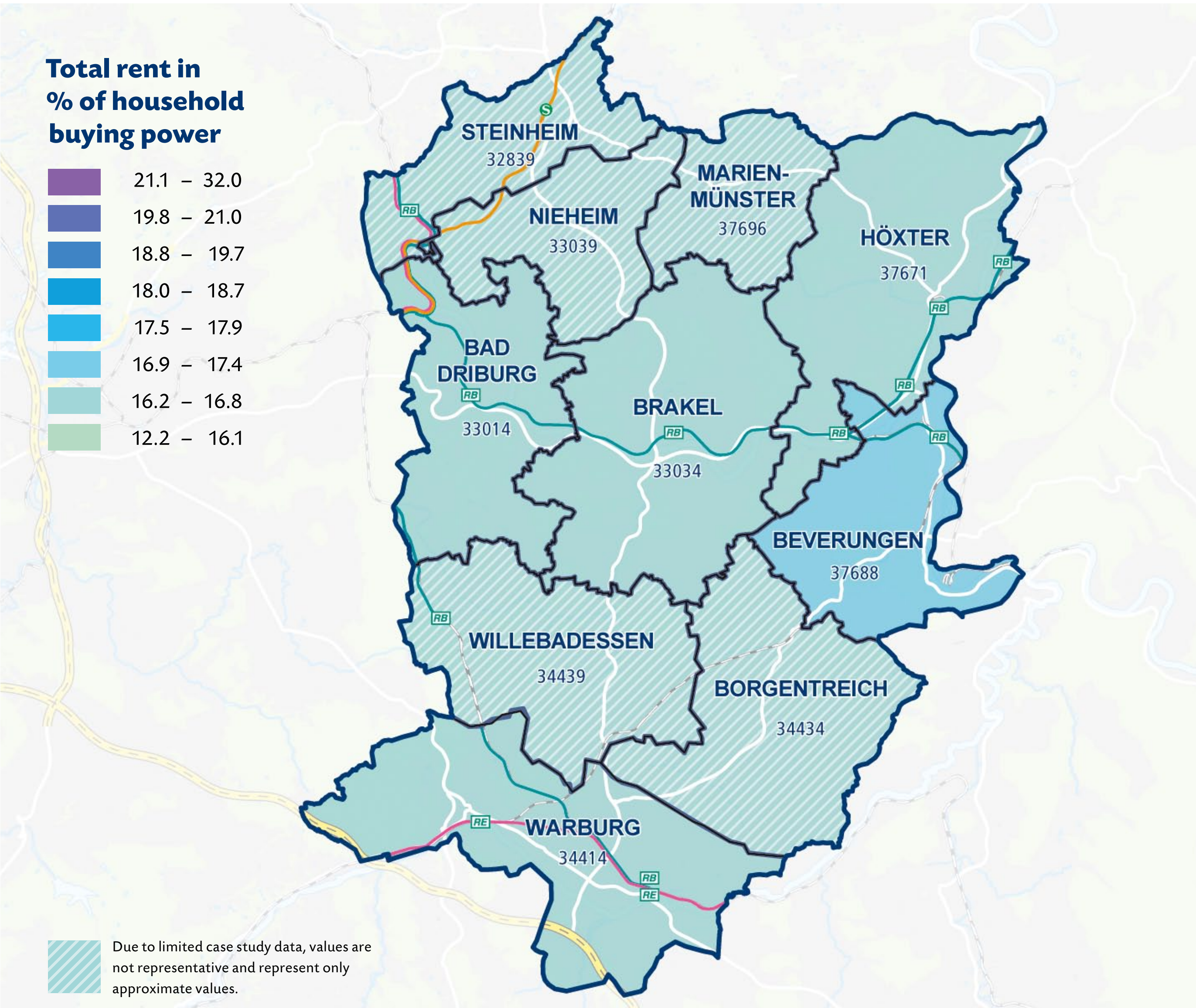
In spite of price increases in 2010, tenants are still living cheaply in the Höxter District. While asking rents rose by 1.9 percent across all location and price categories, an average apartment in the district can be had for a still affordable €4.22 per square meter per month. Thus, Höxter has the lowest average asking rents out of all 42 small towns and districts of North Rhine-Westphalia. Prospective tenants can find a similar price level in the Hochsauerland District, where apartments are available for €4.55 per square meter per month on average. The price developments on the various market segments are unusual. In the upper and lower market segment, prices bucked the state-wide trend in 2010. While square meter prices for simple apartments rose in 37 out of 42 locations analyzed, in Höxter they dropped significantly by 2.1 percent. The already low price level fell further on account of dwindling demand. Tenant households with low purchasing power were able to find apartments advertised from €3.12 per square meter per month in Höxter. The cheapest rents excluding heating of all postcode areas examined in this report were found in Beverungen (postcode area 37688) in the east of the district. The average asking price per square meter for an apartment in this small town, population 14,300, was €3.69, lower than any other sub-market in North Rhine-Westphalia. However, prices continued to rise in the upper market segment. Here, Höxter was among the 21 out of 42 residential market regions where asking prices increased further in 2010. Tenants faced growth of 4.4 percent in the district's 10 towns. The price per square meter and month for an excellently located, well-equipped apartment is now €6.07. Despite the increase, this is still a good price. Lower rental prices for such apartments can only be found in the Hochsauerland District at €6.05per square meter per month.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	4.6	3.9	5.6	4.9	4.9	4.7
Permits for new buildings	415	324	209	156	171	126
Finished apartments	636	346	352	177	172	186
Housing stock	62,982	63,315	63,663	63,837	63,987	64,157
Housing stock in apartment buildings	27.8	27.8	27.7	27.7	27.6	27.6

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 cost2) Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
32839	36	n/a	n/a	n/a	5.1	73	n/a	n/a	3,520	n/a	**n/a**
33014	146	3.27	4.37	6.47	[6.6]	74	322	542	3,355	9.6	**16.2**
33034	95	2.63	4.15	6.94	[4.5]	83	345	594	3,636	9.5	**16.3**
33039	37	n/a	n/a	n/a	n/a	77	n/a	n/a	3,385	n/a	**n/a**
34414	87	3.33	4.19	5.81	[4.4]	79	332	570	3,514	9.5	**16.2**
34434	21	n/a	n/a	n/a	n/a	91	n/a	n/a	3,581	n/a	**n/a**
34439	23	n/a	n/a	n/a	n/a	74	n/a	n/a	3,328	n/a	**n/a**
37671	227	3.51	4.28	5.93	3.0	73	310	528	3,198	9.7	**16.5**
37688	73	3.00	3.69	5.00	[7.5]	77	284	515	3,054	9.3	**16.9**
37696	12	n/a	n/a	n/a	n/a	67	n/a	n/a	3,460	n/a	**n/a**
Ø	757[3)]	3.12	4.22	6.07	4.7	76	321	549	3,375	9.5	16.3
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

32839 Steinheim, City, **33014** Bad Driburg, City, **33034** Brakel, City, **33039** Nieheim, City, **34414** Warburg, City, **34434** Borgentreich, City, **34439** Willebadessen, City, **37671** Höxter, City, **37688** Beverungen, City, **37696** Marienmünster, 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

http://www.boris.nrw.de/borisplus//data/GMB/GMB_111_2011_frei.pdf

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http://www.kreis-lippe.de/Konzern_Kreis_Lippe/Fachbereich_Vermessung_Kataster/Fachgebiet53/Documents/Flyer_2011.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

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