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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

Krefeld

Score 24 of max. 48

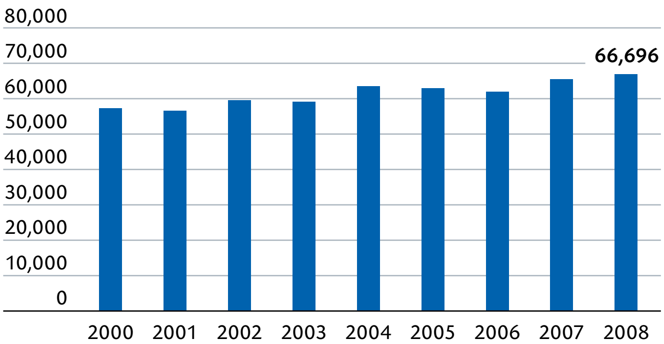
Uneven distribution of affluence and housing cost burden

The former silk weaving center shares the fate of many cities in North Rhine-Westphalia: its population is shrinking. Between 2000 and 2009, the number of inhabitants in Krefeld fell by 1.9 percent, with the number of households decreasing by 1.3 percent. And the current trend is forecast to continue in the future, too. In view of the high unemployment rate of 11.3 percent – one of the 10 highest in the whole state – it is not easy to gain new inhabitants. In addition, households wishing to relocate encounter a relatively high level of asking rent in this city of 235,414 inhabitants. Affordable locations are rare and tend to be found in the south and south-east of the city.

Macroeconomic data	Krefeld	NRW	Germany	Year
Residents	235,414	17,872,764	81,802,256	2009
Population density (residents/km²)	1,701	526	230	2009
Population development in %	–1.9	–0.8	–0.6	2000–2009
Population forecast in %	–4.3	–2.4	–3.6	2009–2025
Households	114,434	8,550,214	39,628,120	2009
Household development in %	–1.3	2.8	3.7	2000–2009
Household forecast in %	–3.1	1.5	1.1	2009–2020
Buying power	99.3	101.2	100.0	2011
Per capita buying power in €	19,544	19,921	19,684	2011
Workers paying social insurance contributions	88,605	5,766,861	27,380,096	2009
Development of social insurance contributions	–9.1	–2.4	–1.6	2000–2009

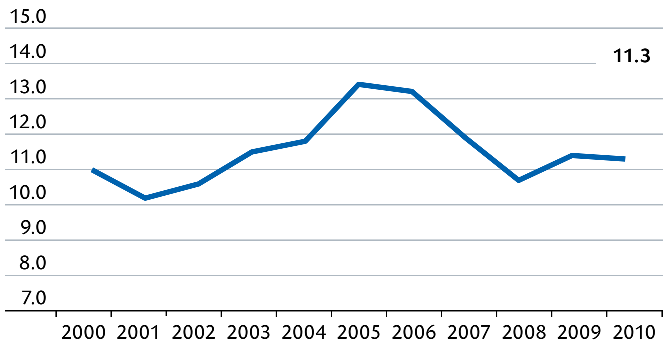
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

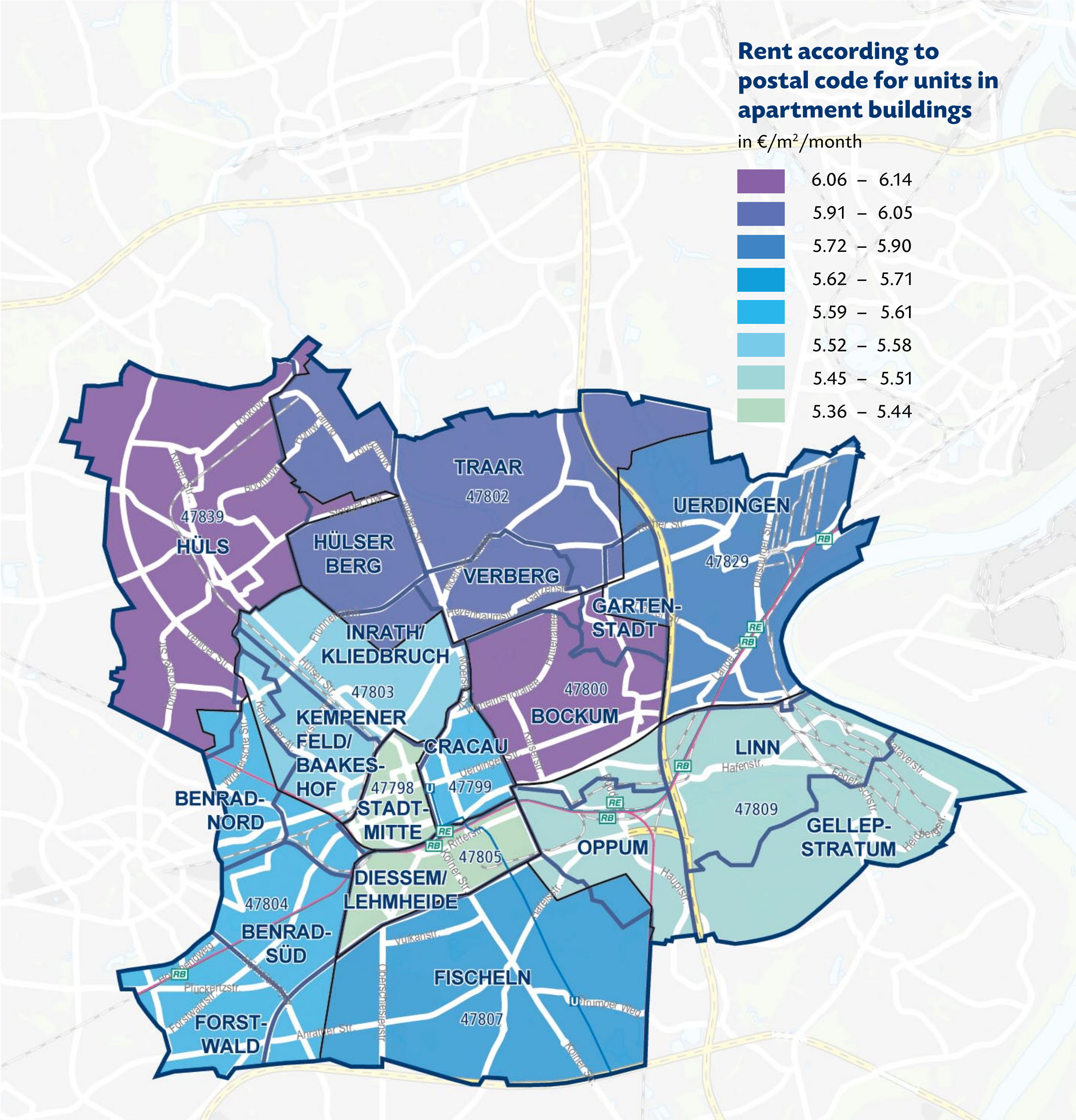


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Krefeld's economic upswing began with the arrival of a number of Mennonite families in the 17th century. These families brought velvet and silk weaving to the city, leading over time to the development of the textile industry. Krefeld was and is primarily known on a national level for its tie manufacturing. More than a third of all ties made in Germany are produced here. The textile industry continues to play a major role in the local economic environment. Several of the companies based there specialize in the production and refinement of industrial textiles. However, the economic backbone consists of companies in the chemicals, mechanical engineering, food, beverages, tobacco, medical technology and information technology sectors. The best-known of these include Bayer AG with its factory in Uerdingen, Henkel AG, ThyssenKrupp Nirosta GmbH, Siemens Mobility, Toshiba and Canon. The economic recovery has affected Krefeld's employment market only marginally. In the past decade, the unemployment rate has always been above the 10 percent mark; in 2010 it was 11.3 percent.

The town of Krefeld benefits from good transportation connections. It is not only logistics companies that value the container handling capacity at the Rhine harbor in Linn and the good connections to the three highways. Via the A 44, A 40 and A 57, Krefeld is linked to one of Europe's highest density motorway networks. Rail connections to the ICE railway stations in Duisburg, Dusseldorf and Cologne also guarantee access to the national and international rail network. Dusseldorf's international airport is conveniently located around 20 kilometers away.

Krefeld

High vacancy rate and weak forecasts cause asking rents to fall

The Krefeld housing market shows a clear north-south divide: the most popular locations with the most expensive properties are concentrated in the northern districts of Hüls, Hülser Berg, Inrath/Kliederbruch (postcode 47839), Hülser Berg, Traar, Verberg, Uerdingen (postcode 47802) and Stadtmitte, Gartenstadt, Verberg, Bockum (postcode 47800). More affordable properties are found in postcode areas 47809 (Fischeln, Bockum, Oppum, Linn), 47798 (Stadtmitte, Inrath/Kliedbruch, Cracau) and 47805 (Fischeln, Dießem/Lehmheide). The price trends in the past year have not changed this structure at all. Across all locations and quality categories, advertised residential rents in Krefeld dropped slightly by 0.4 percent. An average apartment now cost €5.58 per square meter per month. Compared with the price level in the other 41 small towns and rural districts in North Rhine-Westphalia, the former silk city therefore enjoys a comfortable middle ranking. Although asking rents remained relatively stable overall, the price development in the different market segments varied. In the lower market segment, the clear strong demand led to a rise in asking rents. Apartments in the lower market segment cost €4.46 per square meter per month, 4.4 percent more than in 2009. This means that on the whole Krefeld is one of the more expensive housing markets in North Rhine-Westphalia for lower-income groups. Only Dusseldorf (up 11.9 percent), Cologne (up 8.4 percent), Mönchengladbach (up 5.9 percent), Bonn (up 4.9 percent) and Bochum (up 4.7 percent) saw a higher price increase in the lower segment than Krefeld. The rise in cheaper rents in 2010 contrasted with relatively stable prices in the upper market segment. Rental properties in this segment were on the market for €7.80 per square meter, 0.3 percent lower than in the previous year.

A comparison of the city's 11 postcode areas shows that wealth is unevenly distributed in Krefeld and meets with an equally heterogeneous rental price structure. For instance, households in two areas have monthly purchasing power of over €4,000. In Hülser Berg, Traar, Verberg and Uerdigen (postcode 47802), households have €4,732 per month at their disposal, and the neighboring postcode area 47800 (Bockum, Stadtmitte, Gartenstadt, Verberg) is also one of the city's more prosperous residential districts, with average monthly purchasing power of €4,003 per household. In contrast, monthly purchasing power is below the €3,000 mark in three of the 11 areas. In light of the unevenly distributed wealth, the housing cost burden also varies considerably within the urban area. In postcode area 47798 (Stadtmitte, Inrath/Kleidbruch, Cracau), rent excluding heating accounts for 13.9 percent (€366) of the average household purchasing power of €2,639, while rent including heating accounts for 21.5 percent (€568). In contrast, the housing cost burden for rent excluding heating in the more affluent north is lower than 10 percent in some cases. Tenants in Hülser Berg, Traar, Verberg and Uerdigen (postcode 47802) have average household purchasing power of €4,732 per month, of which only 8.8 percent (€416) is spent on rent excluding heating and 13.2 percent (€625) on rent including heating. The rent burden is very low not only by Krefeld standards but also in comparison to other towns and districts in North Rhine-Westphalia.

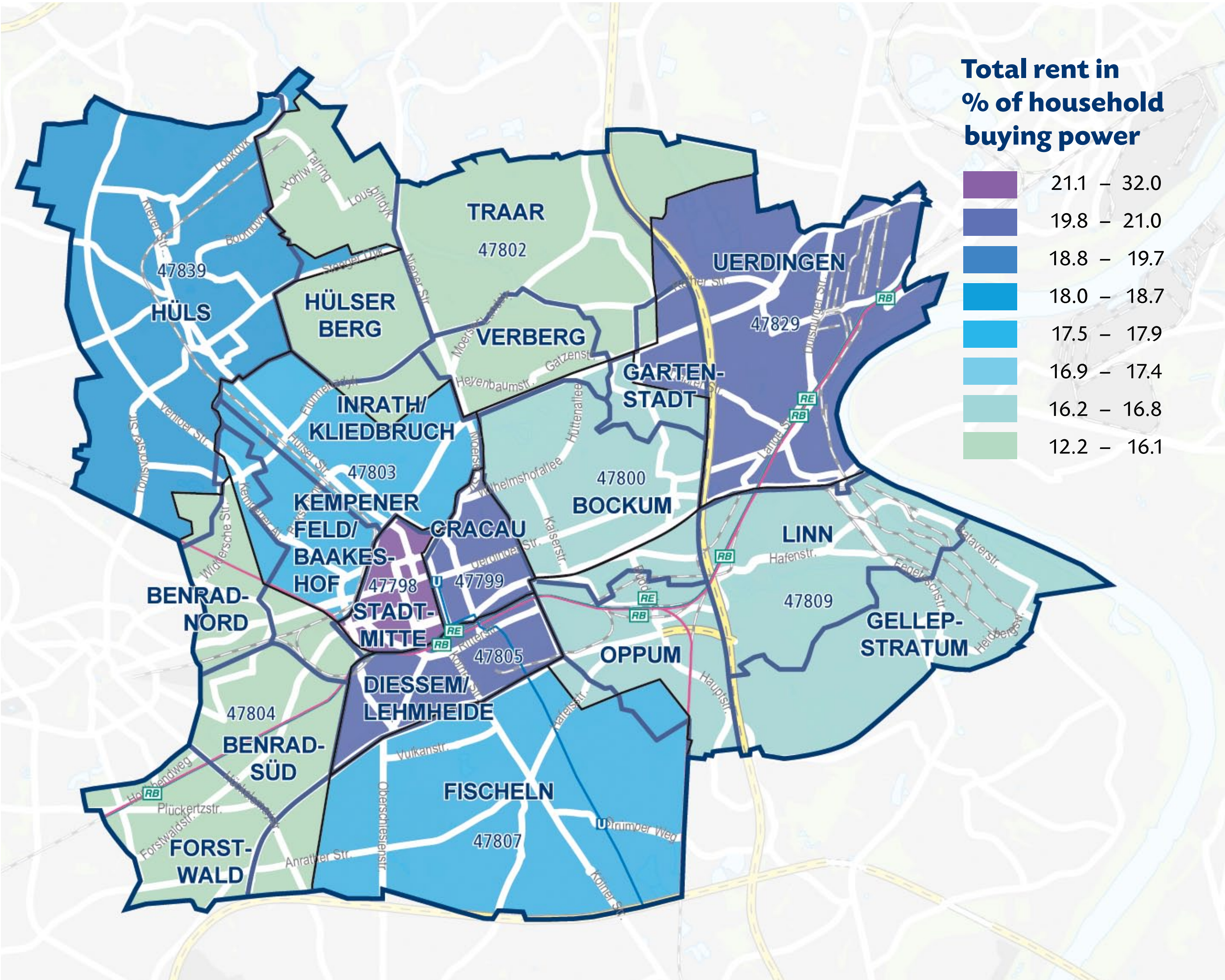
In 2010, households seeking accommodation could find the most offers in the Krefeld sub-market 47798 (Stadtmitte, Inrath/Kleidbruch, Cracau), where almost 2,500 properties were advertised. In the postcode areas of Bockum, Stadtmitte, Cracau, Dießem/Lehmheide (postcode 47799, 1,523 listings) and Bockum, Stadtmitte, Inrath/Kliedbruch, Cracau (postcode 47803, 1,209 listings), more than 1,000 properties were on offer. One striking feature of Krefeld's housing market is the high vacancy rate in multi-story residential buildings. In 2009, 5.9 percent of all rental properties in apartment buildings were empty, up 0.8 percentage points as against 2008. In some sub-markets, the vacancy rate in 2009 even exceeded the 8 percent mark. For instance, in postcode area 47798 (Stadtmitte, Inrath/Kliedbruch, Cracau), which also had the largest number of available apartments in 2010, close to 9 percent of all rental properties in multi-story residential buildings were empty.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	6.1	6.4	5.6	5.4	5.1	5.9
Permits for new buildings	317	291	331	259	180	212
Finished apartments	464	450	337	309	206	220
Housing stock	122,476	122,892	123,193	123,396	123,562	123,764
Housing stock in apartment buildings	69.4	69.2	69.2	69.1	69.0	68.9

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
47798	2,493	4.40	5.43	7.32	8.9	67	366	568	2,639	13.9	**21.5**
47799	1,523	4.48	5.59	7.97	8.0	68	378	580	2,833	13.3	**20.5**
47800	753	4.65	6.14	8.67	4.4	71	434	647	4,003	10.9	**16.2**
47802	212	4.73	6.00	8.33	[2.2]	69	416	625	4,732	8.8	**13.2**
47803	1,209	4.39	5.56	7.97	4.6	68	378	582	3,266	11.6	**17.8**
47804	387	4.50	5.61	7.64	3.7	67	376	577	3,609	10.4	**16.0**
47805	668	4.32	5.36	7.25	6.2	66	357	556	2,705	13.2	**20.6**
47807	438	4.47	5.67	7.60	1.9	68	389	594	3,385	11.5	**17.6**
47809	544	4.65	5.45	7.44	6.9	66	358	555	3,403	10.5	**16.3**
47829	469	4.62	5.80	7.64	4.0	70	409	620	3,111	13.1	**19.9**
47839	295	4.50	6.07	8.07	[2.4]	72	439	656	3,644	12.0	**18.0**
Ø	8,991[3]	4.46	5.58	7.80	5.9	68	379	583	3,274	11.6	17.8
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

47798 Stadtmitte, Inrath, Kliedbruch, Cracau, **47799** Bockum, Stadtmitte, Cracau, Dießem, Lehmheide, **47800** Bockum, Stadtmitte, Gartenstadt, Verberg, **47802** Hülser-Berg, Verberg, Traar, Uerdingen, **47803** Bockum, Stadtmitte, Inrath, Kliedbruch, Cracau, **47804** Fischeln, Hüls, Benrad-Süd, Forstwald, **47805** Fischeln, Dießem, Lehmheide, **47807** Fischeln, Krefeld, **47809** Fischeln, Bockum, Oppum, Linn, **47829** Uerdingen, Gartenstadt, **47839** Krefeld, Hüls, Hülser Berg, Inrath, Kliederbruch

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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Graphics/Layout:
Storkan Informationsdesign
Cover design: Gornig Design

Housing cost maps:
Baumgardt Consultants, Gesellschaft für Marketing und Kommunikation bR

Photos:
Cover: Max Hampel, Dusseldorf (Montage: Gornig Design);
p. 1: Ansgar M. van Treeck, Dusseldorf

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