

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,

Thomas Hegel
Management Spokesman,
CEO

Eckhard Schultz
Managing Director,
CFO

Holger Hentschel
Member of Management,
HOO

High demand, hardly any vacancy: Landlords charge higher prices

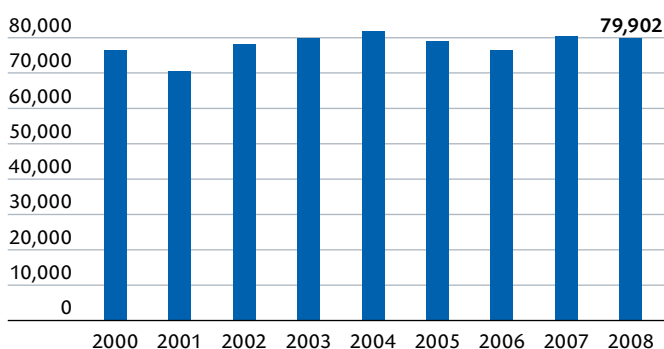
Leverkusen benefits from its location between Düsseldorf and Cologne: the economy is developing positively, the number of inhabitants is stable, and the high demand means that the residential vacancy rate is low. Landlords find attractive conditions in this city of 160,593 inhabitants, as the asking rent level is higher than in most other

small towns and districts in the state. Even apartments in the lower market segment cost almost €5 on average. Only in the neighboring cities of Düsseldorf and Cologne and in Bonn, Münster and the Rheinisch-Bergischer Kreis are asking rents in the lower segment above Leverkusen's level. Price decreases are not likely in the future either.

Macroeconomic data	Leverkusen	NRW	Germany	Year
Residents	160,593	17,872,764	81,802,256	2009
Population density (residents/km ²)	2,052	526	230	2009
Population development in %	-0.3	-0.8	-0.6	2000-2009
Population forecast in %	0.2	-2.4	-3.6	2009-2025
Households	78,077	8,550,214	39,628,120	2009
Household development in %	1.0	2.8	3.7	2000-2009
Household forecast in %	-0.1	1.5	1.1	2009-2020
Buying power	107.3	101.2	100.0	2011
Per capita buying power in €	21,121	19,921	19,684	2011
Workers paying social insurance contributions	66,281	5,766,861	27,380,096	2009
Development of social insurance contributions	-12.1	-2.4	-1.6	2000-2009

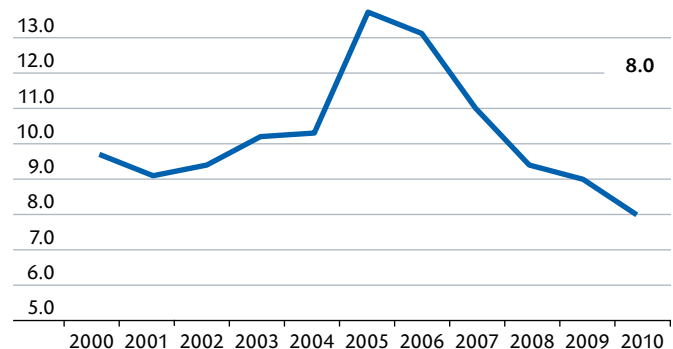
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

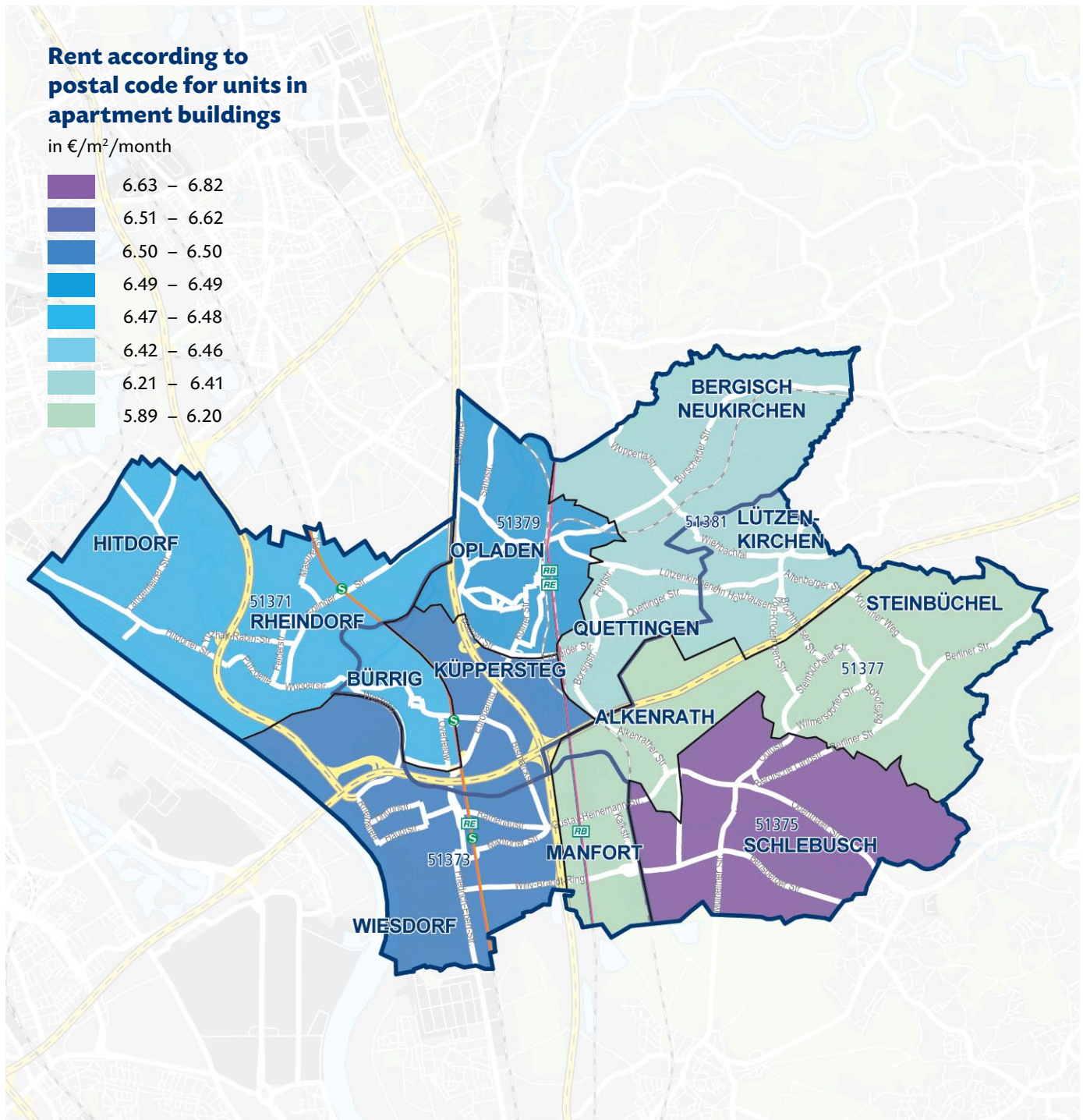


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The city of Leverkusen is located on the right bank of the Rhine and by the lower reaches of the Wupper. It thus forms part of both the Bergisches Land and the Rhineland. Due to its geographical proximity to Cologne, Leverkusen has always been in the shadow of the cathedral city. Outsiders mainly associate Leverkusen with the well-known Bayer chemical plant and the plant's soccer club, Bayer 04 Leverkusen. Leverkusen's local economy is still dominated today by the headquarters of Bayer AG, which is the city's biggest employer together with Lanxess AG. Another two

major pillars of the local economic structure are the automotive supplier and plastics processing industries. In addition, the automotive manufacturer Mazda is based in Leverkusen, as is Momentive Performance Materials, one of the biggest producers of silicon worldwide. Leverkusen is also home to the headquarters of brake pad manufacturer TMD Friction and of Kronos International, which is among the biggest global manufacturers of titanium dioxide pigments. The unemployment rate has fallen over the past years. Whereas in 2005 almost 14 percent of

Leverkusen residents of employment age were unemployed, by 2010 the rate had decreased to just 8 percent. Leverkusen is conveniently situated by the interchange of the highways A 1 (Saarbrücken-Cologne-Hamburg) and A 3 (Frankfurt-Cologne-Netherlands) and is thus well connected to the national road network. The A 59 leads directly to Dusseldorf. Via the Cologne-Dortmund and Cologne-Wuppertal rail lines, the city has access to the rail network at several stations. The international airport Cologne-Bonn is just under 30 kilometers away.

Economic recovery causes rents to rise in Leverkusen

This summer, the international soccer world has been directing its gaze at Bochum, Sinsheim, Dresden, Berlin and... Leverkusen. The city was one of the venues for the 2011 FIFA Women's World Cup. It has experience in events of this scale due to its internationally renowned soccer club Bayer 04 Leverkusen. Soccer and chemicals – this is what the city, founded in 1930, is primarily famous for. Its industrial past shapes the city up to the present.

Economically, the inhabitants of Leverkusen have it good. The city's residents have purchasing power of an average €21,121 per capita per year, and the purchasing power index is 107.3. This puts the residents of the Bayer city in 11th place in comparison with the other 53 housing markets examined in this report. The high household purchasing power of an average €3,557 per month is surprising in view of the fact that the number of employees subject to social security deductions in Leverkusen decreased by 12.1 percent between 2000 and 2009. In comparison to the development in the other towns and districts, this was the third largest loss in this period. Only in Remscheid (down 14.1 percent) and Wuppertal (down 14.7 percent) was there a greater decline than in Leverkusen. However, the local economy seems to have been recovering again over the past years. For instance, the unemployment rate has been decreasing significantly since 2005 (13.7 percent) and also decreased further last year. In 2009, 9

percent of Leverkusen residents of employment age were unemployed, but in 2010 the figure was only 8 percent. In terms of demographics, the city is one of the residential locations in North Rhine-Westphalia that is not recording any major losses. The stable number of inhabitants and households is thanks not least to its attractive location between the growing regions of Cologne and Dusseldorf. Several other cities of a similar size – including Herne with 165,632 inhabitants, Mülheim an der Ruhr with 167,471 inhabitants and Solingen with 160,992 inhabitants – have been facing significant population declines in recent years, which are also set to continue in the future. In Leverkusen, however, the number of inhabitants decreased only slightly by 0.3 percent between 2000 and 2009, while the number of households rose by 1 percent in the same period. In the coming years, the city of 160,593 inhabitants can also plan on a relatively constant number of residents. According to forecasts, 0.2 percent more people will live in Leverkusen by 2025 as compared to today. The number of households is expected to fall by only 0.1 percent by 2020. Stable demand also ensures that the vacancy rate remains low. In 2009, only 1.8 percent of the apartments in multi-story residential buildings were unoccupied.

The conditions on the housing market are thus attractive for landlords and are reflected in the rental prices. In 2010, asking rents rose by 0.8 percent across all lo-

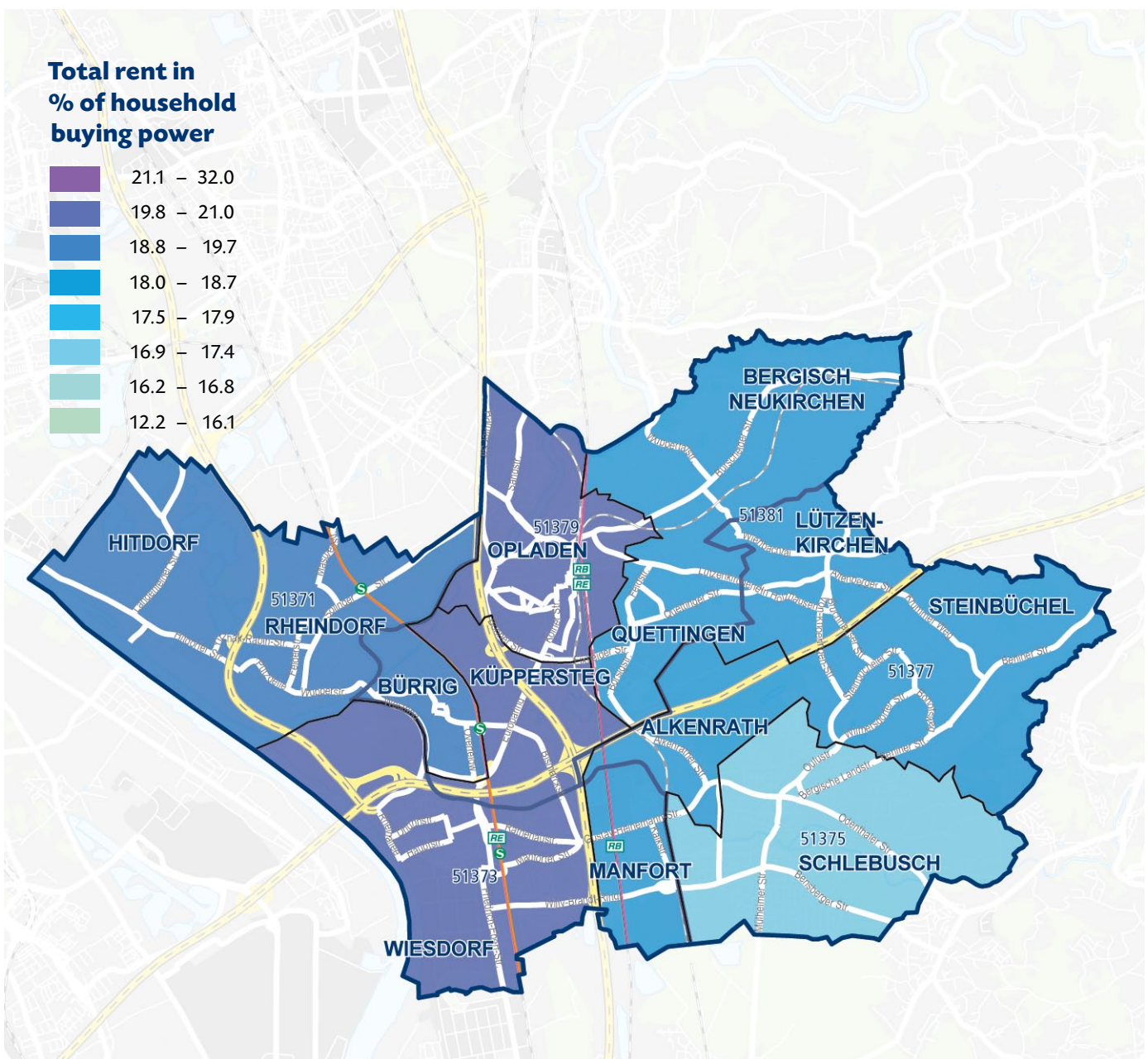
cations and quality categories to reach an average of €6.44 per square meter per month. This was cheap in comparison to Dusseldorf (€8) and Cologne (€8.28). However, measured against the rents in the other small towns and districts in North Rhine-Westphalia, the price level in Leverkusen was comparatively high. Only in six of the 41 smaller housing market regions did the average apartment cost more than €6 per square meter per month. It is notable that the rents advertised in both the lower and the upper market segment increased more substantially than the average advertised rent. Simply appointed apartments were offered for €4.94 per square meter in 2010, up by 4 percent in comparison to 2009. In the upper segment, asking rents in Leverkusen rose by 2.2 percent to €8.98 per square meter per month. The high price level is reflected in the monthly expenditure of Leverkusen households. Housing costs account for a relatively large proportion of the high monthly household purchasing power, which ranges between €3,352 in postcode area 51379 (Opladen) and €3,961 in postcode area 51375 (Schlebusch, Rheindorf, Waldsiedlung). The highest housing cost burden is for households in postcode areas 51379 (Opladen) and 51373 (Opladen, Wiesdorf, Küppersteg), where nearly 14 percent of net monthly income is spent on rent excluding heating and 20.1 percent on rent including heating.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.5	2.8	2.8	2.2	2.0	1.8
Permits for new buildings	363	206	431	289	287	216
Finished apartments	423	211	274	937	310	325
Housing stock	76,163	76,351	76,587	77,469	77,769	78,079
Housing stock in apartment buildings	68.9	68.9	68.8	68.6	68.5	68.4

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 ²⁾ Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
51371	613	4.68	6.47	9.00	1.9	69	449	657	3,473	12.9	18.9
51373	691	5.29	6.50	9.17	2.0	71	464	679	3,371	13.8	20.1
51375	748	5.22	6.82	9.39	0.6	70	479	690	3,961	12.1	17.4
51377	571	4.70	5.89	7.86	1.8	72	421	636	3,401	12.4	18.7
51379	980	5.20	6.49	8.49	2.6	71	460	672	3,352	13.7	20.1
51381	845	4.74	6.39	8.98	1.6	72	459	675	3,751	12.2	18.0
Ø	4,448 ³⁾	4.94	6.44	8.98	1.8	71	457	670	3,557	12.8	18.8
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

51371 Wiesdorf, Rheindorf, Hitdorf, Bürrig, **51373** Opladen, Wiesdorf, Küppersteg, **51375** Schlebusch, Rheidorf, Waldsiedlung, **51377** Steinbüchel, Manfort, Alkenrath, **51379** Opladen, **51381** Lützenkirchen, Bergisch Neukirchen, Quettingen

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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