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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 Lippe

Score 18 of max. 48

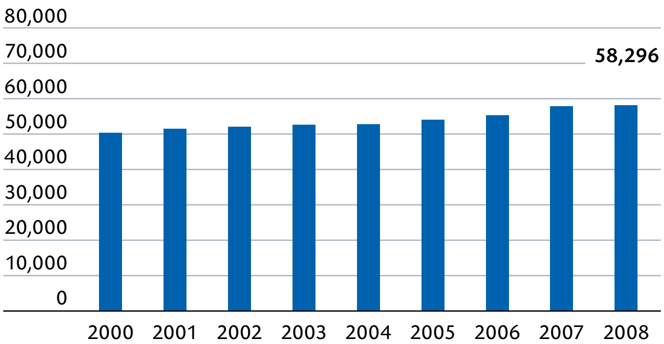
No changes in average asking prices

The Lippe district is home to roughly 353,000 inhabitants in 16 towns and municipalities in an area covering 1,246 square kilometers. This district in the north-east of North Rhine-Westphalia borders on the neighboring districts of Herford, Minden-Lübbecke, Schaumburg, Hameln-Pyrmont, Holzminden, Höxter, Paderborn and Gütersloh as well as the city of Bielefeld. Located in the administrative region of Detmold, the district is an important region for leisure and recreation thanks to its varied landscape and largely untouched nature. The Hermann monument and the Externsteine rock formation in the Teutoburg forest attract thousands of visitors each year. The number of residents has been decreasing for years, while the number of households is increasing.

Macroeconomic data	Lippe, district	NRW	Germany	Year
Residents	353,007	17,872,764	81,802,256	2009
Population density (residents/km²)	284	526	230	2009
Population development in %	–3.3	–0.8	–0.6	2000–2009
Population forecast in %	–7.7	–2.4	–3.6	2009–2025
Households	169,055	8,550,214	39,628,120	2009
Household development in %	2.8	2.8	3.7	2000–2009
Household forecast in %	0.5	1.5	1.1	2009–2020
Buying power	95.5	101.2	100.0	2011
Per capita buying power in €	18,797	19,921	19,684	2011
Workers paying social insurance contributions	108,071	5,766,861	27,380,096	2009
Development of social insurance contributions	–9.8	–2.4	–1.6	2000–2009

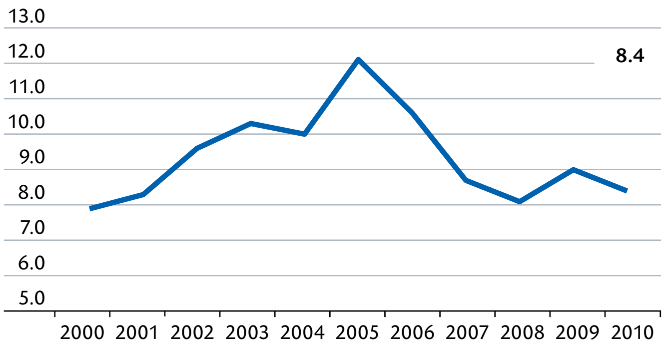
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

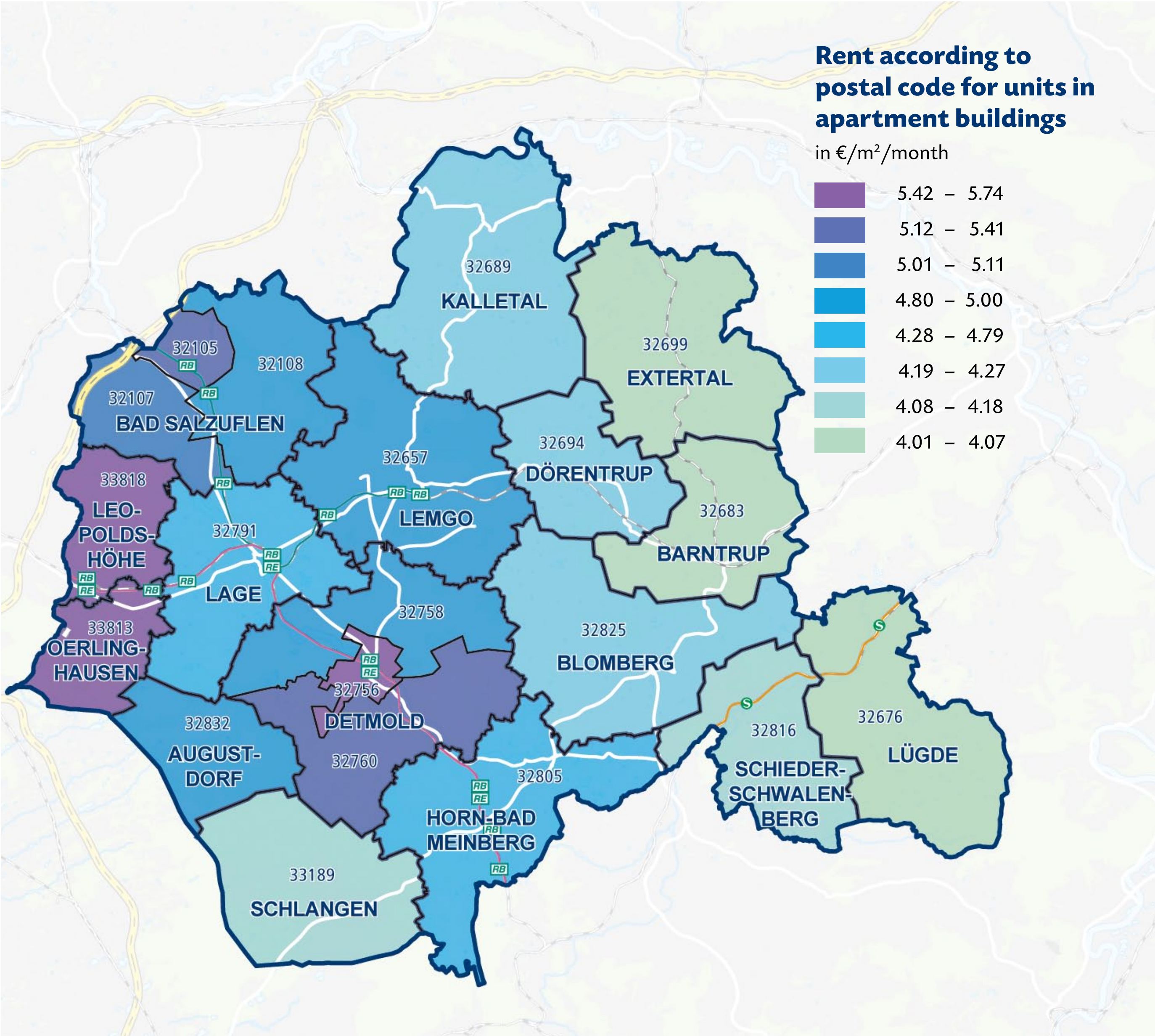


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Handball team TBV Lemgo is not the only nationally recognized organization in the district. Several internationally renowned small and medium-sized companies are also based in Lippe. Local business focuses on electrical engineering, furniture production, wood processing, mechanical engineering and plastics. In addition, companies in the medical technology industry and companies producing specialist machines, wood products, confectionery and tools are also located in the Lippe district. The largest employers include the electrical engineering companies Weidmüller and Phoenix Contact and the Maritim hotel chain. The furniture industry also plays an important role in the district. The carpentry school is one of the forerunners of today's East Westphalia-Lippe University of Applied Sciences, which has campuses in Detmold, Höxter and Warburg as well as the headquarters in Lemgo. The district's property market displayed clear upward trends in 2010. According to information from the local advisory committee, more purchase agreements were concluded in 2010 than in the previous year. Revenue also reflects the positive development of the market as a whole. At €373.5 million, it was roughly 20 percent higher than in the previous year. The number of purchase agreements increased from 2,989 in 2009 to 3,192 in 2010.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	5.6	5.7	4.6	4.4	4.6	4.9
Permits for new buildings	792	796	844	639	435	622
Finished apartments	938	950	681	765	590	440
Housing stock	159,868	160,784	161,429	162,166	162,705	163,120
Housing stock in apartment buildings	38.8	38.7	38.7	38.7	38.7	38.7

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

Asking rents in the upper segment at €10 in Extertal

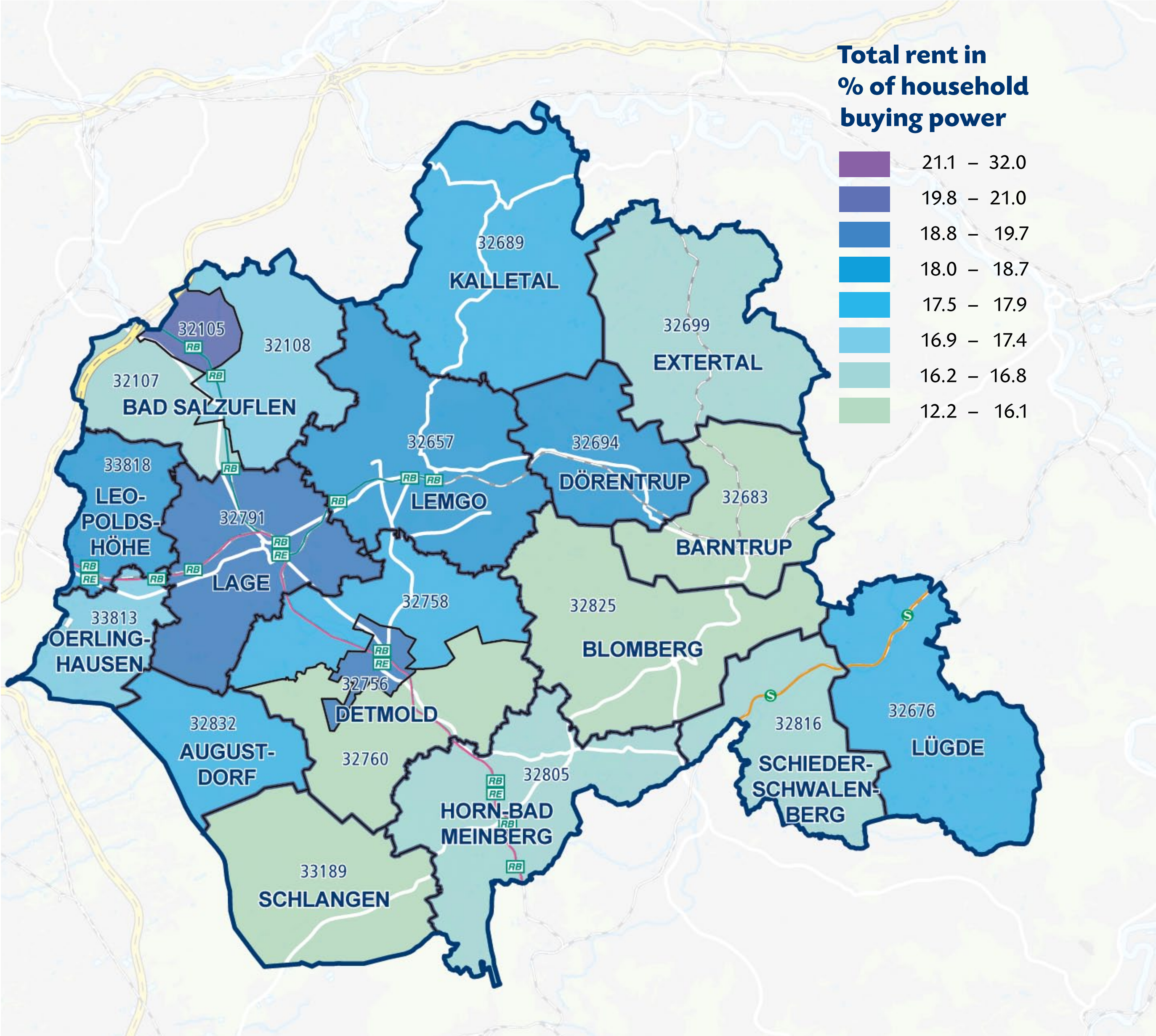
Households seeking accommodation benefited from the stable asking prices on the rental market in the Lippe district in 2010. Rents in the 10 towns and six municipalities of the district did not change in any market segment as compared to 2009. Lower-segment properties in the district were on the market for €3.64 per square meter per month. Prices advertised for properties in the upper segment averaged €7.50 per square meter per month. Tenants in the Lippe district faced average prices per square meter of €5. This means that the district is still one of the more affordable housing market regions in North Rhine-Westphalia. In contrast to the stability of prices in the Lippe district as a whole, the price level in the 20 individual postcode areas varied widely. For instance, in the town of Schieder-Schwalenberg (postcode 32816) in the south-east of the district, properties in the upper market segment were offered for €5.10 per square meter per month. Prime rents advertised in the town of Blomberg (postcode 32825, €5.22) were also at a low level. In contrast, the prime rents demanded in the more expensive markets such as Detmold-Heiligenkirchen, Berlebeck, Hiddesen, Schling (postcode 32760), the towns of Bad Salzuflen (postcode 32105), Oerlinghausen (postcode 33813), Horn-Bad Meinberg (postcode 32805), Leopoldshöhe (postcode 33818) and Extertal (postcode 32699) topped €8 per square meter. Hardly any other housing market regions in North Rhine-Westphalia have such a varied localized price level in terms of asking rents as the Lippe district.

Whether providers can expect similarly stable rent levels in future, too, remains to be seen. Like numerous other regions in North Rhine-Westphalia, the district is experiencing a decline in its population. Between 2000 and 2009, the number of residents fell by 3.3 percent. According to forecasts by the North Rhine-Westphalia State Statistical Office, the number of inhabitants in the region around Lemgo and Detmold will decrease by another 7.7 percent by 2025. The State Statistical Office calculates that the number of households, which rose 2.8 percent between 2000 and 2009, will remain relatively constant with a slight increase of 0.5 percent by 2020. Despite the rising number of households, the number of property completions in the Lippe district has been falling since 2004. In contrast to the 950 apartments completed in 2005, only 440 units were completed in 2009. The number of construction permits increased year-on-year from 435 to 622 units. The active vacancy rate in multi-story residential buildings rose slightly from 4.6 percent in 2008 to 4.9 percent in 2009.

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
32105	727	4.21	5.40	8.04	4.2	74	399	620	3,126	12.8	**19.8**
32107	147	4.05	5.07	7.90	[3.7]	72	366	582	3,477	10.5	**16.7**
32108	244	4.03	5.00	6.67	[4.3]	74	371	593	3,481	10.6	**17.0**
32657	289	3.66	5.00	7.21	3.6	77	383	613	3,358	11.4	**18.2**
32676	57	3.11	4.07	5.60	[6.6]	79	322	560	3,181	10.1	**17.6**
32683	109	3.07	4.01	5.53	[5.8]	78	313	547	3,475	9.0	**15.8**
32689	123	3.16	4.21	5.54	[6.6]	80	335	574	3,229	10.4	**17.8**
32694	71	2.88	4.20	6.40	[6.2]	84	351	602	3,246	10.8	**18.5**
32699	101	3.33	4.06	10.00	[5.3]	79	320	557	3,322	9.6	**16.8**

Postal code allocation

32105 Bad Salzuflen, City, **32107** Bad Salzuflen-Werl-Aspe, **32108** Bad Salzuflen-Wüsten-Retzen, **32657** Lemgo, City, **32676** Lügde, City, **32683** Barntrup, City, **32689** Kalletal, **32694** Dörentrup, **32699** Extertal, **32756** Detmold Center, **32758** Detmold-Heidenoldendorf, Pivitsheide (Vogtei Heiden), Pivitsheide (Vogtei Lage), **32760** Detmold-Heiligenkirchen, Berlebeck, Hiddesen, Schling, **32791** Lage, City, **32805** Horn-Bad Meinberg, City, **32816** Schieder-Schwalenberg, City, **32825** Blomberg, City, **32832** Augustdorf, **33189** Schlangen, **33813** Oerlinghausen, City, **33818** Leopoldshöhe



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
32756	609	4.21	5.42	7.68	4.2	76	410	637	3,354	12.2	**19.0**
32758	227	3.75	4.97	6.94	5.1	80	400	642	3,638	11.0	**17.6**
32760	286	4.00	5.21	8.00	3.6	75	390	614	4,072	9.6	**15.1**
32791	326	3.60	4.73	6.07	5.0	82	387	633	3,354	11.5	**18.9**
32805	247	3.53	4.60	8.63	6.3	72	331	547	3,256	10.2	**16.8**
32816	63	3.00	4.08	5.10	[7.7]	79	321	557	3,318	9.7	**16.8**
32825	78	3.21	4.22	5.22	5.0	79	334	571	3,597	9.3	**15.9**
32832	86	3.84	4.85	5.78	[9.8]	77	373	604	3,373	11.1	**17.9**
33189	52	3.50	4.11	7.46	[10.7]	80	326	565	3,611	9.0	**15.6**
33813	210	4.17	5.51	8.13	[5.8]	76	420	649	3,829	11.0	**17.0**
33818	51	4.00	5.74	8.65	[3.2]	77	440	670	3,682	11.9	**18.2**
Ø	4,103[3]	3.64	5.00	7.50	4.9	76	382	611	3,450	11.1	17.7
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/m^2 (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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