

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

A suitable apartment on offer for every budget

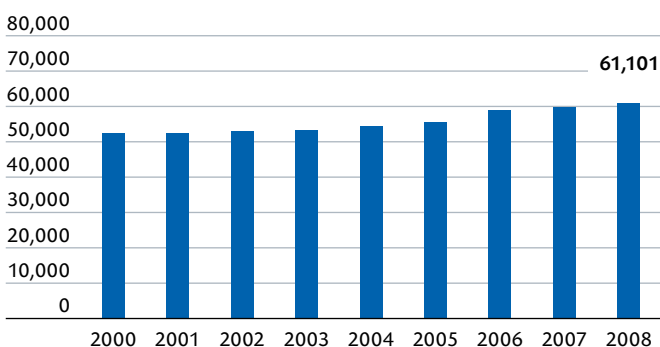
The Märkischer Kreis in the south-east of North Rhine-Westphalia consists of 15 towns and municipalities with a total population of 434,031. The largest town in the district, with around 96,000 inhabitants, is Iserlohn. There were no changes in the rental market in 2010. Overall, asking rents stagnated at the previous year's level, although the prices advertised

in both the lower and the upper market segment decreased. Due to the falling number of inhabitants and households in the future, further price decreases are not unlikely. The number of inhabitants will fall 10.8 percent by 2025, while the number of households will decrease by 2.4 percent by 2020. The vacancy rate in multi-story residential buildings is currently at 4.3 percent.

Macroeconomic data	Märkischer Kreis	NRW	Germany	Year
Residents	434,031	17,872,764	81,802,256	2009
Population density (residents/km ²)	411	526	230	2009
Population development in %	-5.1	-0.8	-0.6	2000-2009
Population forecast in %	-10.8	-2.4	-3.6	2009-2025
Households	200,617	8,550,214	39,628,120	2009
Household development in %	0.6	2.8	3.7	2000-2009
Household forecast in %	-2.4	1.5	1.1	2009-2020
Buying power	99.6	101.2	100.0	2011
Per capita buying power in €	19,612	19,921	19,684	2011
Workers paying social insurance contributions	156,487	5,766,861	27,380,096	2009
Development of social insurance contributions	-9.9	-2.4	-1.6	2000-2009

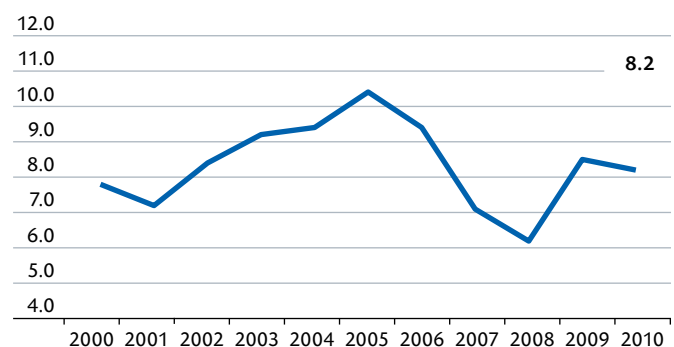
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

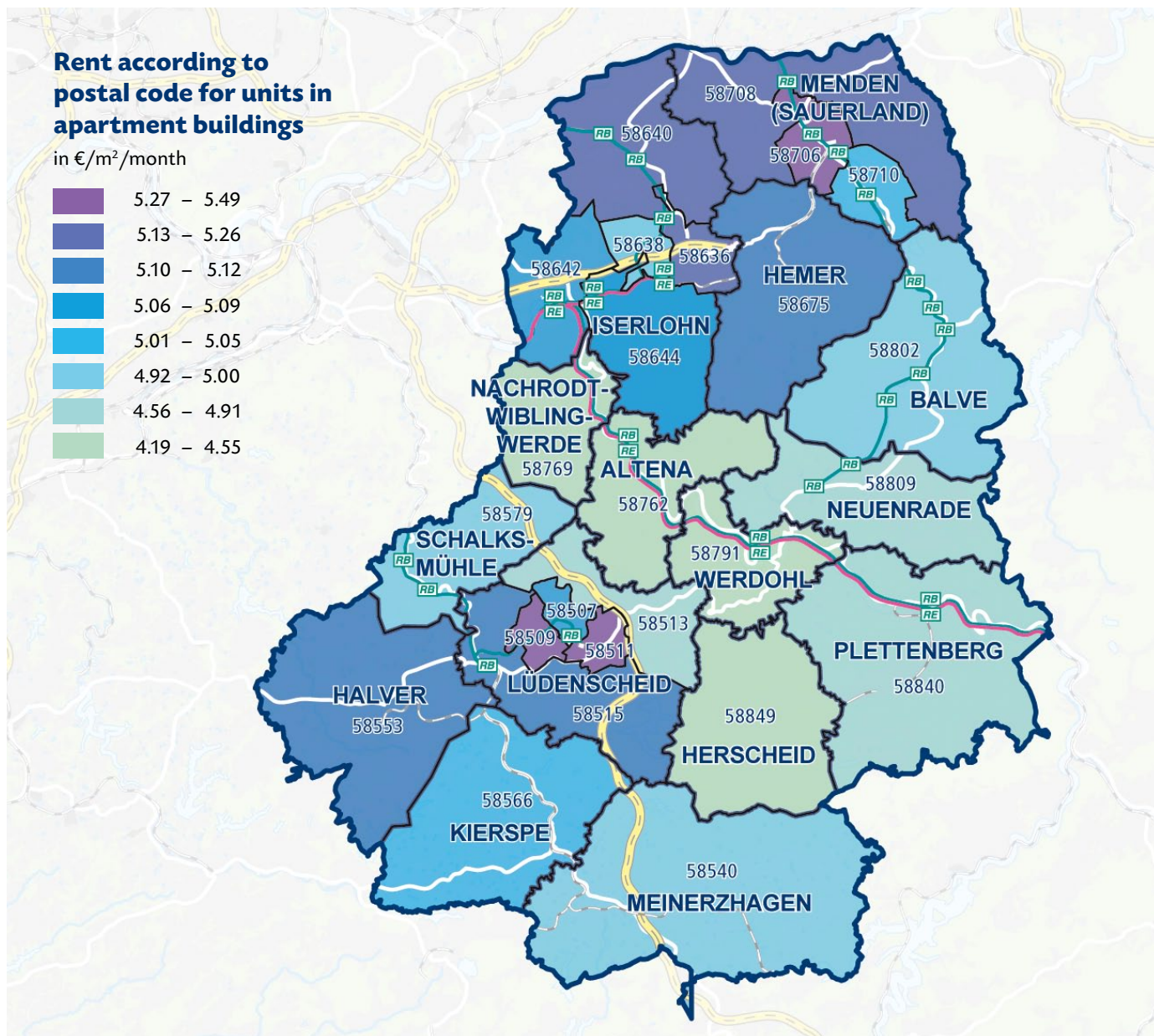


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Although the significance of the tertiary sector in the Märkischer Kreis is continuing to increase, industry is still the dominant economic area. Of the approximately 156,500 employees subject to social security deductions, almost half (around 75,000) work in the manufacturing industry. The service sector comes in second with a good 31,000 employees, followed by retail, transport and telecommunications. The district benefits from its proximity to

the centers in the Ruhr region. Despite this, the region is suffering as a result of companies leaving it. The field of metal processing in particular is shrinking. Just recently in February 2011, ThyssenKrupp closed its Bilstein factory in Werdohl, causing over 100 employees to lose their jobs. The town of Werdohl with its 19,000 inhabitants already has a poor record. The number of recipients of Hartz IV long-term unemployment benefits is extremely high, ac-

counting for 68.5 percent of the total number of unemployed people.

The Märkischer Kreis has good transport connections. The A 45 and A 46 highways provide access to the national road network, while the B 54, B 223, B 229 and B 515 main roads link the towns and municipalities of the district to one another. Cologne/Bonn, Düsseldorf und Dortmund airports are each approximately 70 kilometers away.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.5	3.7	4.0	4.2	4.3	4.3
Permits for new buildings	926	913	634	441	406	449
Finished apartments	1,346	749	650	702	595	364
Housing stock	203,533	204,251	204,862	205,511	206,060	206,347
Housing stock in apartment buildings	55.1	55.0	55.0	54.9	54.9	54.8

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

Asking rents remain unchanged at €5 on average

The 434,031 residents of the Märkischer Kreis have 206,347 residential units available to them. More than half of these (54.8 percent) are in apartment buildings. The proportion of households living in single-family or semi-detached houses is thus relatively low for a rural district. This is due to the urban structure of the district, where 12 towns compare to only three municipalities. Roughly half of all households were therefore affected by the changes in rental prices in 2010, but there were no major price fluctuations in comparison to the level in 2009. Average asking rents were unchanged at €5 per square meter per month. However, prices in the lower and upper market segment decreased slightly. Apartments in the lower market segment

were offered for €3.85 in the district, corresponding to a decline of 1.1 percent seen against 2009 levels. The prices per square meter advertised for properties in the upper segment fell by 1.7 percent year-on-year to €6.76 per square meter per month.

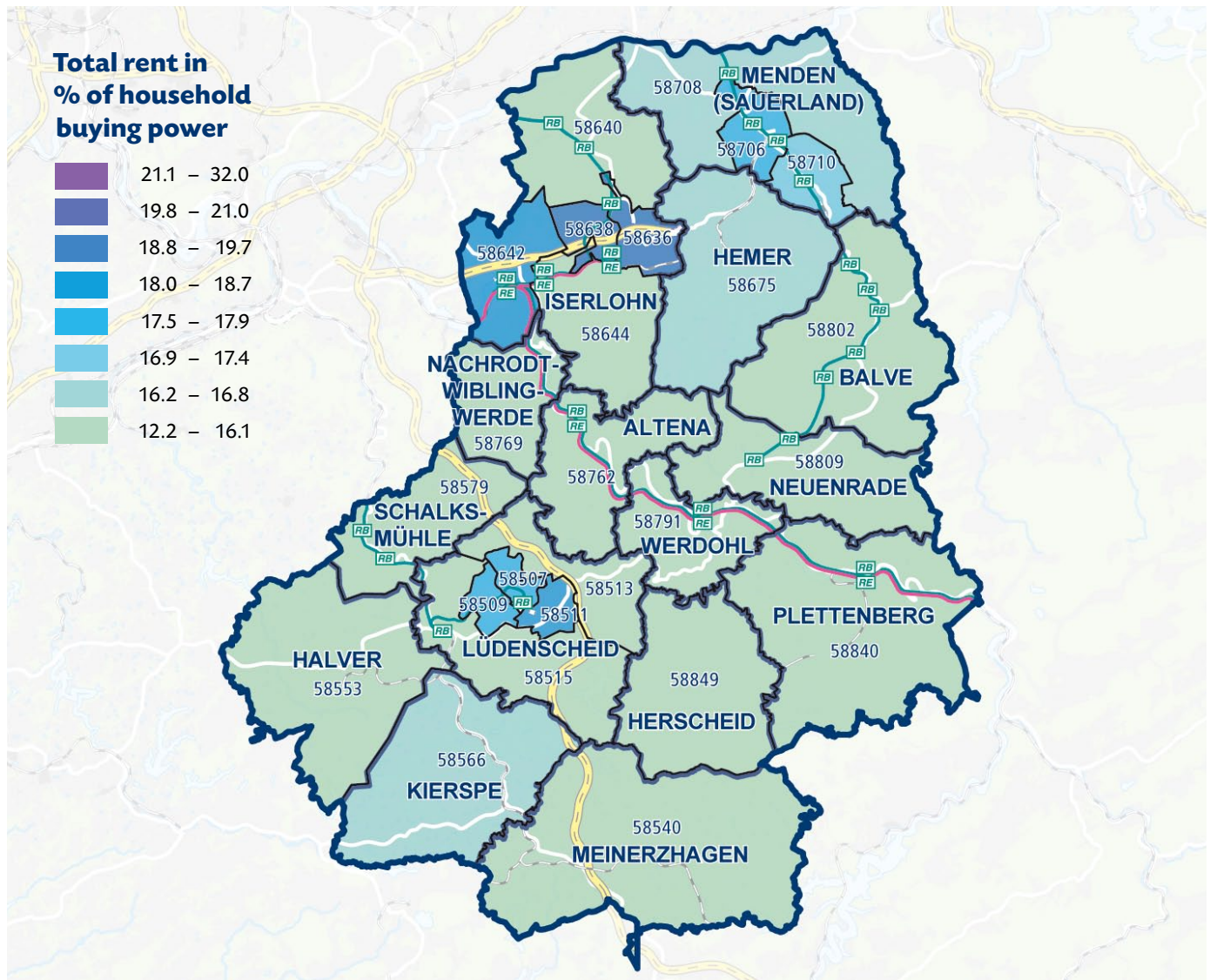
Households with lower purchasing power could find apartments offered for less than €4 per square meter per month in 11 of the district's 25 postcode areas. In Altena and Werdohl in particular, average starting rents were at a very low level of approximately €3.50. Average rents here were also among the cheapest in the district at €4 and €4.41 respectively. In six sub-markets, prime rents were €7 or more; in postcode area 58515 (Lüdenscheid-Brügge,

Hellersen, Bierbaum) they amounted to as much as €8.08 per square meter per month. Overall, our analysis shows that wealth is generally unevenly distributed in the Märkischer Kreis. In five of the 25 postcode areas, households were recorded as having purchasing power of more than €4,000 per month. In contrast to this, in postcode area 58636 (Iserlohn-Mitte, Sümmern) monthly household purchasing power is below the €3,000-mark. The housing cost burden in relation to asking rents is moderate. Households in the Märkischer Kreis spend an average of 10 percent (€353) of their monthly purchasing power on basic rent excluding heating costs and 16 percent (€565) on rent including heating costs.

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
58507	195	4.31	5.08	6.08	5.3	69	350	557	3,183	11.0	17.5
58509	189	4.23	5.49	7.50	[1.7]	71	392	606	3,452	11.4	17.6
58511	302	4.03	5.29	7.00	5.9	71	376	589	3,238	11.6	18.2
58513	116	4.00	4.62	6.65	n/a	73	338	557	3,692	9.1	15.1
58515	80	3.90	5.12	8.08	n/a	75	386	613	4,389	8.8	14.0
58540	141	3.95	5.00	6.69	[5.0]	74	368	588	3,857	9.5	15.2
58553	129	4.08	5.11	6.10	3.3	77	395	627	4,017	9.8	15.6
58566	153	3.98	5.02	6.38	[2.8]	77	388	620	3,765	10.3	16.5
58579	75	3.57	5.00	6.57	[7.5]	73	365	584	4,032	9.0	14.5
58636	566	4.07	5.16	7.20	3.5	72	371	587	2,974	12.5	19.7
58638	330	4.13	5.00	6.35	3.4	72	359	574	3,007	11.9	19.1
58640	200	4.04	5.25	7.11	3.6	69	361	567	3,640	9.9	15.6

Postal code allocation

58507 Lüdenscheid-Gevelindorf, Wehberg, **58509** Lüdenscheid-Ober-Lösenbach, Lösenbach, Oeneking, **58511** Lüdenscheid-Vogelberg, **58513** Lüdenscheid-Gevelindorf, Wehberg, Rathmecke, Dickenberg, **58515** Lüdenscheid-Brügge, Hellersen, Bierbaum, **58540** Meinerzhagen, City, **58553** Halver, City, **58566** Kierspe, City, **58579** Schalksmühle, **58636** central Iserlohn, Sümmern, **58638** central Iserlohn, **58640** Iserlohn-Hennen, Sümmern, central Iserlohn, **58642** Iserlohn-Letmathe, **58644** Iserlohn-Kesbern, Letmathe, central Iserlohn, **58675** Hemer, City, **58706** Menden (Sauerland), City, **58708** Menden (Sauerland), City, **58710** Menden (Sauerland), Stadt-Lendinghausen, **58762** Altena, City, **58769** Nachrodt-Wiblingwerde, **58791** Werdohl, City, **58802** Balve, City, **58809** Neuenrade, City, **58840** Plettenberg, City, **58849** Herscheid



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 ³⁾ Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
58642	262	4.13	5.09	6.56	2.3	74	374	595	3,178	11.8	18.7
58644	347	3.95	5.08	6.50	3.2	67	340	541	3,595	9.5	15.0
58675	548	4.00	5.11	6.86	3.1	71	363	576	3,420	10.6	16.8
58706	357	4.08	5.36	7.33	4.3	72	387	604	3,445	11.2	17.5
58708	219	4.20	5.26	6.84	3.8	75	393	617	3,791	10.4	16.3
58710	291	4.16	5.05	6.65	[6.1]	68	343	547	3,242	10.6	16.9
58762	194	3.50	4.41	6.57	8.5	66	293	493	3,445	8.5	14.3
58769	95	3.18	4.29	6.04	n/a	72	308	523	3,726	8.3	14.0
58791	616	3.55	4.19	5.08	[5.2]	65	273	468	3,404	8.0	13.7
58802	92	4.00	5.00	6.25	[11.0]	74	372	595	3,899	9.5	15.2
58809	68	3.91	4.91	6.54	[2.1]	70	343	553	4,040	8.5	13.7
58840	166	3.68	4.64	5.90	3.8	71	330	544	3,811	8.7	14.3
58849	84	3.69	4.55	6.92	[6.8]	65	296	491	4,025	7.4	12.2
Ø	5,815 ³⁾	3.85	5.00	6.76	4.3	71	353	565	3,528	10.0	16.0
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

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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

Publisher:

LEG Management GmbH
Roßstraße 120
40476 Düsseldorf
Tel. +49 211 4568-329
Fax +49 211 4568-300
jens.schoenhorst@leg-nrw.de
www.leg-nrw.de (also for partial downloads of the LEG Housing Market Report NRW)

Editorial:

Jens Schönhorst (responsible under German press law),
Miriam Beul-Ramacher

Market data:

Dr. Henrik Baumunk, Michael Schlatterer MRICS, Kristina Kröger
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Concept and project management:

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