

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,

Handwritten signature of Thomas Hegel in blue ink.

Thomas Hegel
Management Spokesman,
CEO

Handwritten signature of Eckhard Schultz in blue ink.

Eckhard Schultz
Managing Director,
CFO

Handwritten signature of Holger Hentschel in blue ink.

Holger Hentschel
Member of Management,
HOO

Inexpensive living space rare between Rhineland and Lower Rhine

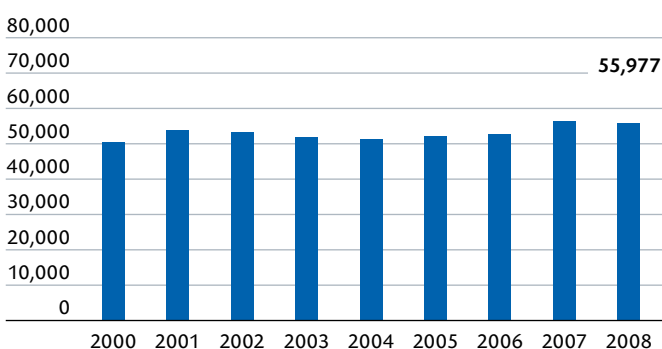
With a population 258,251, Mönchengladbach consists of four districts and 44 boroughs. The city lies on the left of the Lower Rhine and, as Germany's westernmost regional center, is part of the Düsseldorf administrative region. The city has not yet fully processed its structural change from being the center of the

textiles industry to being primarily a service location. This is shown by its high unemployment rate, which reached 11.5 percent in 2010. Demand for affordable living space is correspondingly high, though asking rents increased by almost 6 percent in the past year. The only areas to see higher inflation in rental prices were Düsseldorf and Cologne.

Macroeconomic data	Mönchengladbach	NRW	Germany	Year
Residents	258,251	17,872,764	81,802,256	2009
Population density (residents/km ²)	1,520	526	230	2009
Population development in %	-1.8	-0.8	-0.6	2000-2009
Population forecast in %	-3.4	-2.4	-3.6	2009-2025
Households	124,800	8,550,214	39,628,120	2009
Household development in %	-0.3	2.8	3.7	2000-2009
Household forecast in %	-1.7	1.5	1.1	2009-2020
Buying power	98.5	101.2	100.0	2011
Per capita buying power in €	19,381	19,921	19,684	2011
Workers paying social insurance contributions	85,620	5,766,861	27,380,096	2009
Development of social insurance contributions	-4.3	-2.4	-1.6	2000-2009

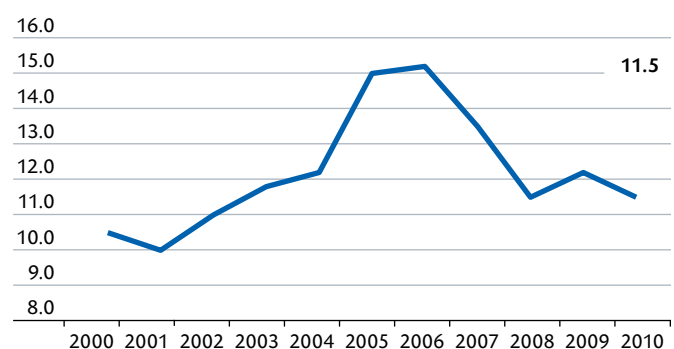
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

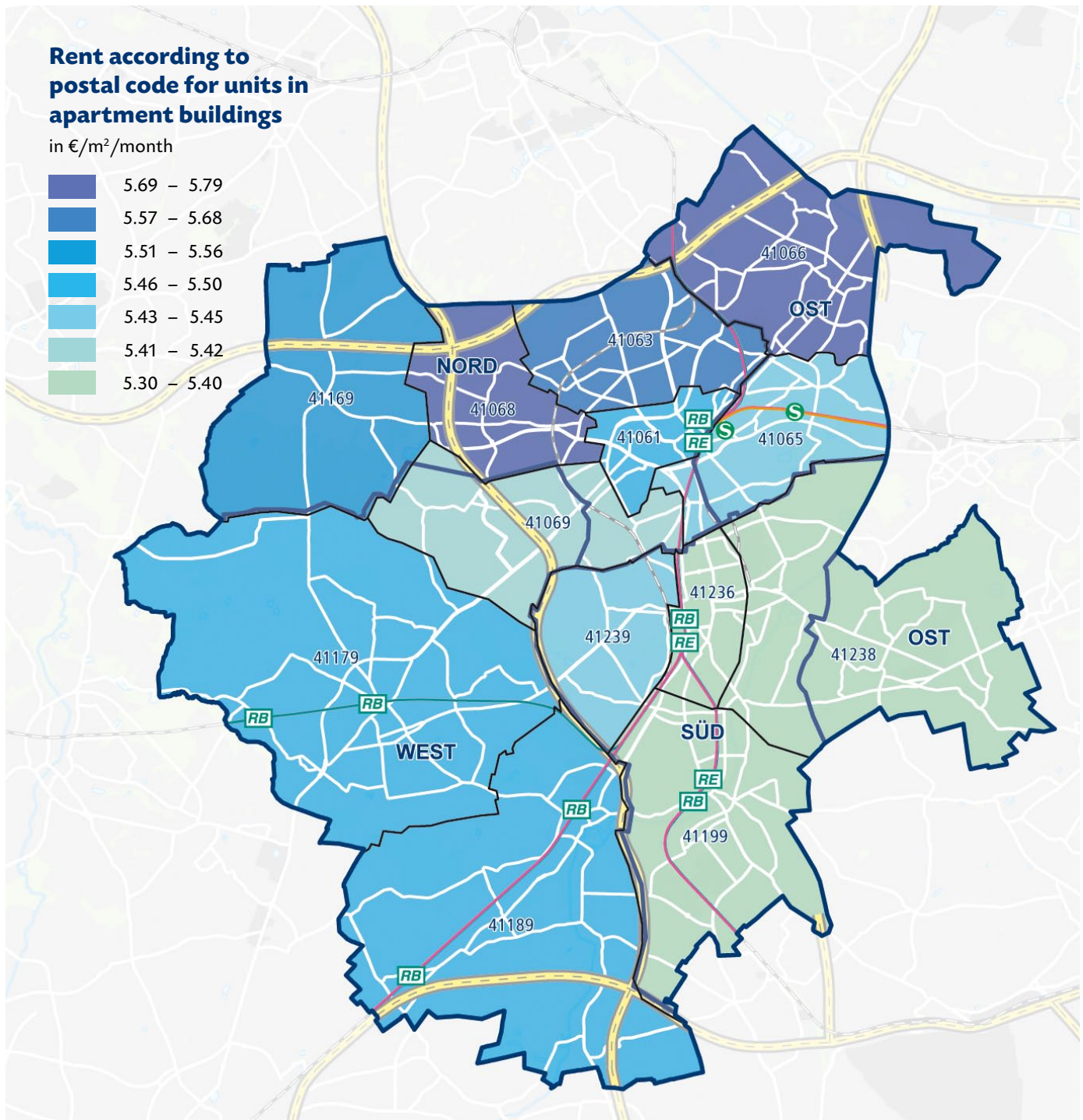


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The city has existed with its current boundaries since the local government reorganization of January 1, 1975. Then, the old independent city of Mönchengladbach was merged with the independent city of Rheydt and the office of Wickrath (Grevenbroich District) to form the new independent city of Mönchengladbach. Mönchengladbach has a long and successful history in the textiles and clothing industry. However, the decline in this former leading industry and the associated economic consequences have not yet been fully made up for. Only 7 percent of the

population is still working in the textiles industry today.

The most important products of its broad economic structure today include machine tools and spinning frames, automatic conveyor mechanisms, signaling installations, electronic registration machines and transformers, printed materials and foods, drink and tobacco. There are also breweries in Mönchengladbach that mainly produce Lower Rhine top-fermented dark beers. The better known employers include DS Technologie, FedEx,

Gardeur and C&A Textillogistik. There was another coup for efforts to promote trade and industry in the area in 2010, also in the field of textile logistics. The famous fashion and lifestyle company Esprit and the logistics service provider Fiege were together persuaded to establish a pan-European logistics center in Mönchengladbach. The new, 76,000-square meter building is being built in a 120-hectare regional park in the south of Mönchengladbach. The center is expected to lead to the creation of 520 new jobs and 50 training positions by 2012.

Strongest price rises in lower segment out of 42 locations

As one of the venues of the FIFA Women's World Cup, the city of Mönchengladbach is hoping that this major event will lead to a tangible stimulus. The economic performance of recent years has been average. The number of people in employment and paying social security contributions declined by 4.3 percent between 2000 and 2009. Over the same period, the unemployment rate climbed from initially 10.5 percent (2000) to 15 percent (2005). In spite of the virtually constant decline in this figure since 2005, at 11.5 percent it was still higher in 2010 than in 2000. This is the sixth-highest figure out of all 54 residential market regions analyzed in this report. In terms of its demographics, the city of Mönchengladbach is facing fewer challenges than a number of other locations. The decline in the population over the period from 2000 to 2009 was relatively moderate at 1.8 percent. The number of households, the relevant factor for residential demand, decreased by only 0.3 percent over the same period. Births and immigration to the area will also compensate for mortality and migration to some degree in future as well. According to calculations by the Statistical Office of North Rhine-Westphalia, Mönchengladbach will lose 3.4 percent of its residents by 2025. Losses will be greater than this by then in 22 out of 54 cities and districts. By contrast, the number of households is expected to decline by only 1.7 per-

cent by 2020, which means that there will still be sufficient residential demand in future. The relatively constant demand is accompanied by a low level of new construction activity. Permits were issued for only 263 new apartments in 2009 after 500 in the year before. The number of buildings completed also declined markedly as against the previous year. 312 new residential units were completed in 2009 after 498 in the year before. Measured against the number of inhabitants, the new construction rate is relatively low at around 1.2 units per 1,000 inhabitants.

Relatively consistent average rent levels in city area

In 2010, the Mönchengladbach rented accommodation market was characterized by a high price surge for asking rents in the lower market segment. The high demand drove strong mark-ups on advertised rents. As a result, the asking prices for a corresponding apartment increased by 5.9 percent to €4.43 per square meter per month. Price indicators did not rise this sharply in any of the 42 smaller residential markets analyzed. In the whole of North Rhine-Westphalia, only Düsseldorf and Cologne saw higher price increases at 11.9 percent and 8.4 percent respectively. In contrast to the lower market segment, asking rents for apartments in the upper segment were vir-

tually constant, dropping 0.2 percent year-on-year to €7.42 per square meter. Asking prices in Mönchengladbach remained stable across all market segments, averaging at €5.48 per square meter as in 2009. One unusual feature of this residential market is its low average rent range. The lowest average asking rents not including heating were €5.30 per square meter, recorded in the 41199 postcode area (Geistenbeck, Kamphausener Höhe, Sasserath). In the most expensive postcode area 41068 (Venn, Waldhausen, Dorthausen, Großheide) average asking prices were €5.79 per square meter. The difference between the lowest and highest asking rents in the city area was therefore less than €0.50 in 2010.

However, given the variance in purchasing power, housing costs differ considerably in the individual sub-markets. For example, households in the 41169 postcode area (Hardt, Rasseln) with the highest purchasing power per household spent less than 15 percent (€566) of their monthly budget for rent including heating. In the 41061 postcode area (Stadtmitte, Rheindahlen, Eicken, Waldhausen), costs amount to 20.8 percent, however. The high cost of rent in this part of the city is due to the low average household purchasing power of €2,901. At €2,891, only the sub-market of Rheydt, Geneicken, Mülfort, Heyden (postcode 41236) had a lower household purchasing power within the city area.

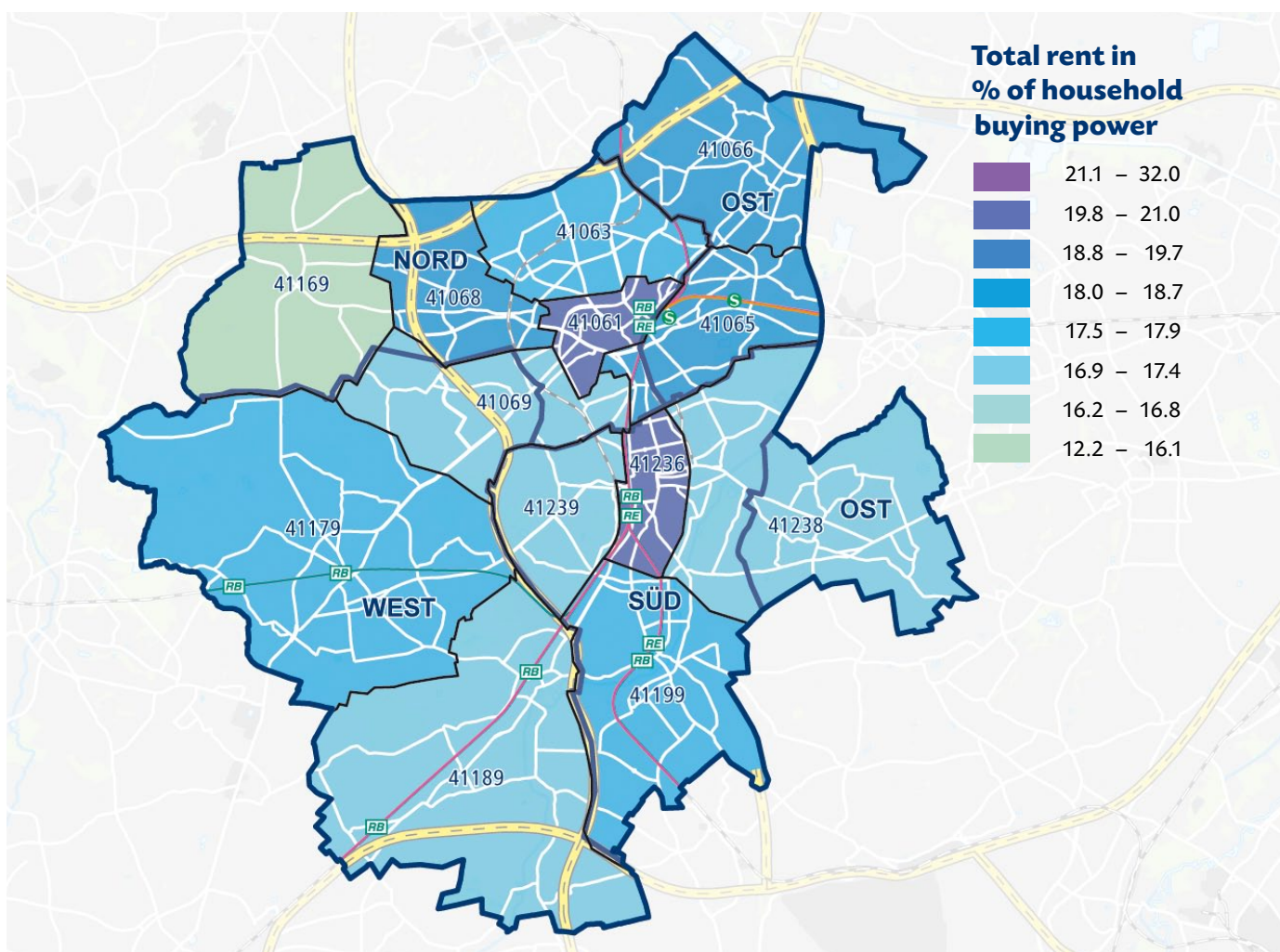
Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.3	2.9	3.1	3.9	4.2	4.6
Permits for new buildings	452	404	491	256	500	263
Finished apartments	503	431	542	253	498	312
Housing stock	125,611	126,027	126,565	126,790	127,259	127,558
Housing stock in apartment buildings	61.6	61.5	61.5	61.5	61.4	61.3

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 ³⁾ Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
41061	1,750	4.45	5.50	7.50	6.1	71	390	603	2,901	13.4	20.8
41063	921	4.50	5.65	8.15	5.1	70	396	606	3,433	11.5	17.7
41065	1,069	4.38	5.44	7.50	3.2	67	367	570	3,065	12.0	18.6
41066	429	4.38	5.71	7.41	3.8	72	412	629	3,398	12.1	18.5
41068	430	4.33	5.79	7.68	4.8	70	406	617	3,424	11.9	18.0
41069	462	4.40	5.42	7.30	4.9	67	363	563	3,237	11.2	17.4
41169	203	4.74	5.56	7.32	[1.4]	66	367	566	3,799	9.7	14.9
41179	417	4.44	5.50	7.14	3.9	74	405	626	3,584	11.3	17.5
41189	459	4.47	5.50	8.00	4.0	75	410	634	3,664	11.2	17.3
41199	976	4.20	5.30	6.91	5.0	70	372	583	3,288	11.3	17.7
41236	1,580	4.50	5.40	7.18	5.4	71	381	593	2,891	13.2	20.5
41238	1,076	4.44	5.39	7.38	4.7	70	376	585	3,404	11.0	17.2
41239	824	4.54	5.45	7.08	3.5	68	369	572	3,306	11.2	17.3
Ø	10,596 ³⁾	4.43	5.48	7.42	4.6	70	383	594	3,279	11.7	18.1
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

41061 Stadtmitte, Rheindahlen, Eicken, Waldhausen, **41063** Stadtmitte, Hardt, Windberg, Eicken, Großheide, **41065** Lürrip, Hardt, Hardterbroich, Pesch, Hermges, **41066** Neuwerk, Bettrath, Uedding, **41068** Venn, Waldhausen, Dorthausen, Großheide, **41069** Holt, Ohler, Hehn, Dahl, **41169** Hardt, Rasseln, **41179** Rheindahlen, Broich, Genhülsen, Günhoven, **41189** Wickrath, Wanlo, Herrath, Saarhof, **41199** Geistenbeck, Kamphausener Höhe, Sasserath, **41236** Rheydt, Geneicken, Mülfort, Heyden, **41238** Rheydt, Hardt, Geneicken, Mülfort, **41239** Rheydt, Rheydt-West, Hockstein, Pongs

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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