

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

Former leather and mining town offers temptingly affordable luxury apartments

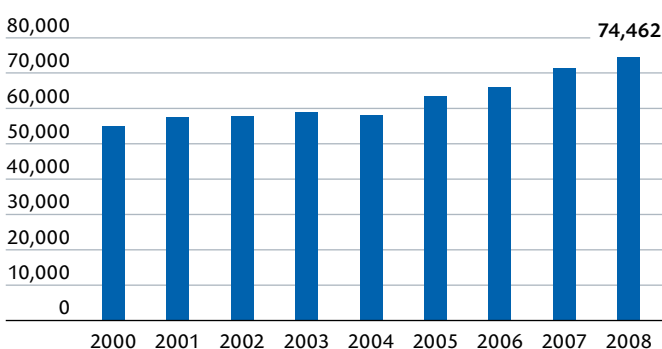
They come from Duisburg, Essen and Oberhausen – anyone who cannot find a high-quality, rural residential property in their own town often goes automatically to Mülheim an der Ruhr. In particular, Saarn, Selbeck and Mintard on the Ruhr river are attractive locations for tenants and buyers in the surrounding area. Yet in spite of these appealing sub-markets, forecasts

predict that Mülheim’s population, which is currently around 167,000, will shrink by 4.2 percent by 2025. The number of households will also decrease by 3.9 percent by 2020. New construction activity was already at a low level in 2009 with around 200 units completed and permits in place for the same number, while the vacancy rate increased slightly.

Macroeconomic data	Mülheim/Ruhr	NRW	Germany	Year
Residents	167,471	17,872,764	81,802,256	2009
Population density (residents/km ²)	1,872	526	230	2009
Population development in %	-3.1	-0.8	-0.6	2000-2009
Population forecast in %	-4.2	-2.4	-3.6	2009-2025
Households	84,790	8,550,214	39,628,120	2009
Household development in %	-0.8	2.8	3.7	2000-2009
Household forecast in %	-3.9	1.5	1.1	2009-2020
Buying power	110.9	101.2	100.0	2011
Per capita buying power in €	21,824	19,921	19,684	2011
Workers paying social insurance contributions	56,935	5,766,861	27,380,096	2009
Development of social insurance contributions	-3.9	-2.4	-1.6	2000-2009

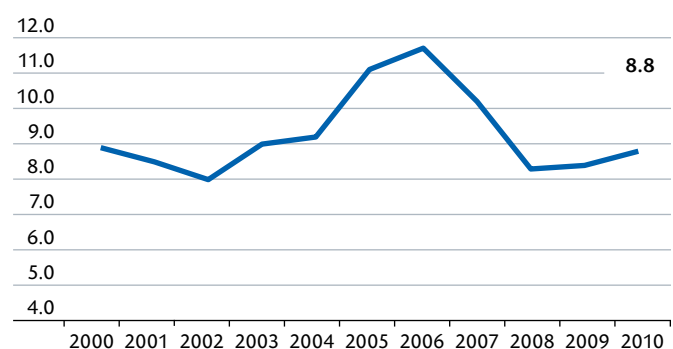
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

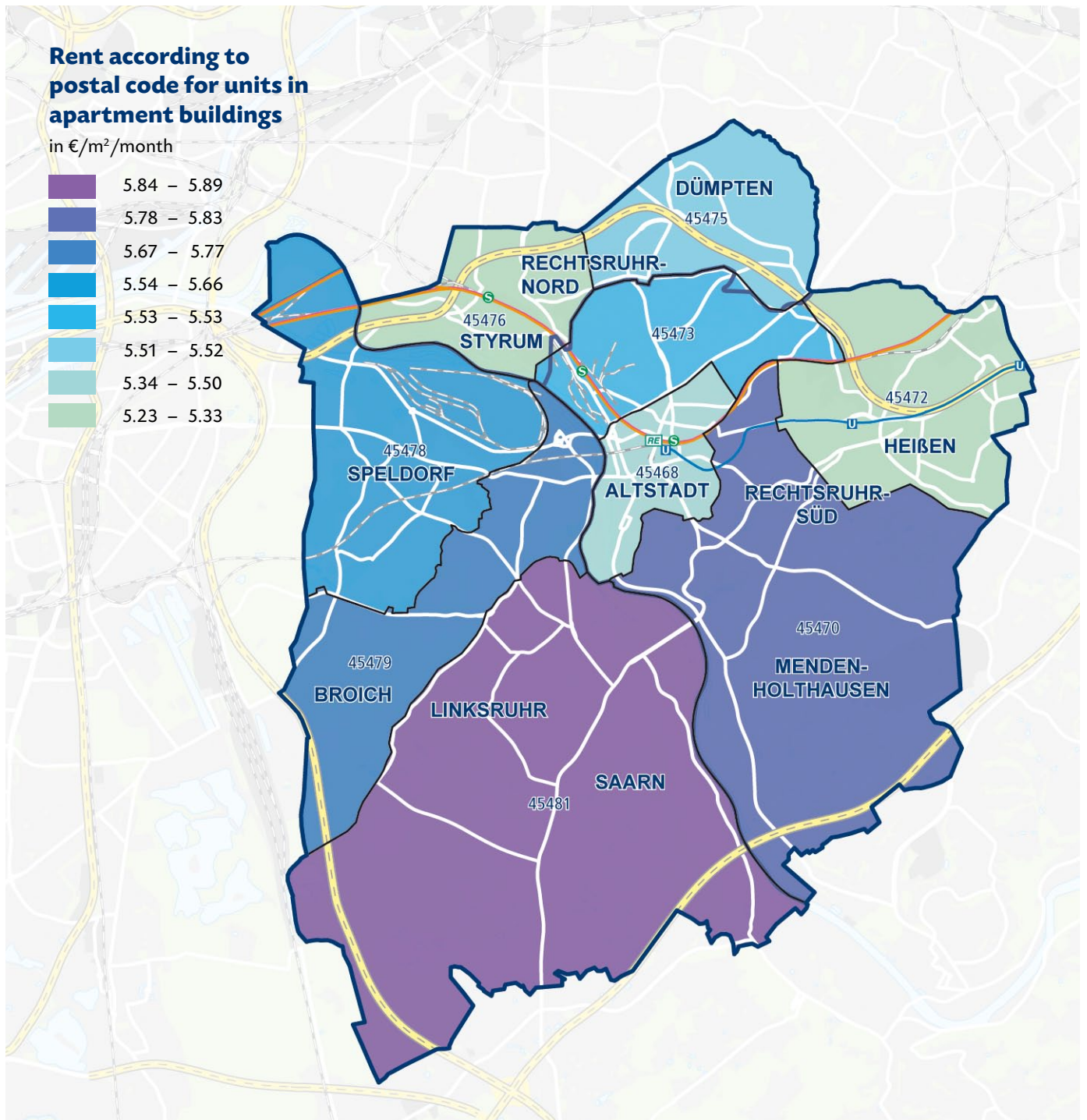


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Coal, steel and leather – for a long time, the citizens of Mülheim owed their affluence to these three branches of the economy. From 1967, as the first mining-free town in the Ruhr region, Mülheim was able to concentrate more quickly on the development of new industries than its neighboring cities. Today, the city is home to a number of companies in the retail and service sectors. The companies based here include the major retail chains Aldi Süd and Tengelmann-Holding with Plus and Medion, Siemens Sector Energy, Salzgitter Mannesmann, Mannes-

mannröhren-Werke and Thyssen Schachtbau. Many of the former leather factories on the banks of the Ruhr were converted into commercial or residential properties. Mülheim is also a well-known research location and is home to three major research facilities: Max-Planck-Institut für Kohlenforschung, Max-Planck-Institut für bioorganische Chemie and the Zenit Center for Innovation and Technology. The creative industries are a further growth sector in the area. In 2007, 3,000 people were employed – 1,400 of them liable to pay social security contributions –

in 440 companies in the cultural and creative industries and generated revenues of around €130 million. The most important sub-sectors of this industry are software/games, design, architecture, the publishing industry, performing and visual arts and advertising. Alongside Dortmund, Essen and Bochum, Mülheim has especially benefited from the development in the software/games industry in particular. Of all the sub-sectors of the creative industries, this area is responsible for the highest sales in Mülheim an der Ruhr and also provides the most jobs.

Slump in approval and completion figures for new construction

The greenest of all Ruhr areas saw a high level of new construction activity in 2007 and 2008. In 2008, 572 residential units were completed and permits were issued for a further 555. However, construction slumped by more than 50 percent in 2009. Only 199 units were completed and 205 permits issued. The vacancy rate in apartment complexes is currently 3 percent and has been rising since 2007 (2.2 percent). With per capita per year purchasing power of €21,824 and a purchasing power index of 110.9, the city of Mülheim has a high level of affluence. By nationwide comparison, only five residential market locations have higher purchasing power. The unemployment rate is roughly equal to the North Rhine-Westphalia state average at 8.8 percent.

Like many other Ruhr area cities, Mülheim is also being affected by aging and negative growth. The city lost 3.1 percent of its population between 2000 and 2009. While the reduction in the number of households was less severe at 0.8 percent, forecasts are predicting a further decline in population and household figures. The Statistical Office of North Rhine-Westphalia is anticipating that approximately 4.2 percent fewer people will be living in Mülheim by 2025. The number of households, which is expected to decline at a slower rate than population figures in many other cities and districts, will also diminish in Mülheim. The Statistical Office is

forecasting a contraction of 3.9 percent by 2020, which makes Mülheim one of the 10 residential market regions in North Rhine-Westphalia with the highest forecast reductions in numbers of households.

Lowest housing costs rate in North Rhine-Westphalia

A clear trend was evident on the Mülheim rented accommodation market in 2010. Asking prices are rising significantly in the lower market segment while coming down in the upper segment. In 2010, prospective tenants saw a rise in prices in the lower market segment of 3.7 percent as against the previous year to €4.42 per square meter per month. By contrast, asking rents in the upper market segment dropped by 3.8 percent as against 2009 to €8.02 per square meter. Across all features and locations, asking rents were relatively stable, dipping slightly by 0.3 percent as against the previous year. On average, landlords were therefore seeking €5.54 per square meter per month for apartments in Mülheim.

Given their relatively high affluence, households in Mülheim spent a propor-

tionately lower share of their monthly budget on housing costs. With an average household purchasing power of €3,659 per month, 10.1 percent (€370) went towards rent not including heating and 15.6 percent (€571) towards rent including heating. Compared to the housing cost expenses in the 54 cities and districts covered in the residential market report, Mülheim households pay very little. Based on the full city or district area, no other market pays as low a percentage for housing costs including heating. Within Mülheim, the costs of rent without heating are below 10 percent of household purchasing power in two postcode areas, 45481 (Saarn/Minttraad, Broich, Saarn, Saarn/Selbeck) and 45470 (Holthausen, Mitte, Heißen-Fulcrum, Mitte-East). Rent including heating amounts to 14.1 percent in these areas. Only a few sub-markets in North Rhine-Westphalia have similarly low costs. This low housing cost ratio is due to the high purchasing power of €4,421 (postcode area 45481) and €4,527 (postcode area 45470) in these sub-markets.

The good ratio between housing costs and purchasing power is also reflected in the occupancy figures: Only 1.2 percent of apartment complex units are vacant in the postcode area 45481. This part of town is therefore one of the 10 sub-markets with the lowest vacancy rates in all of North Rhine-Westphalia.

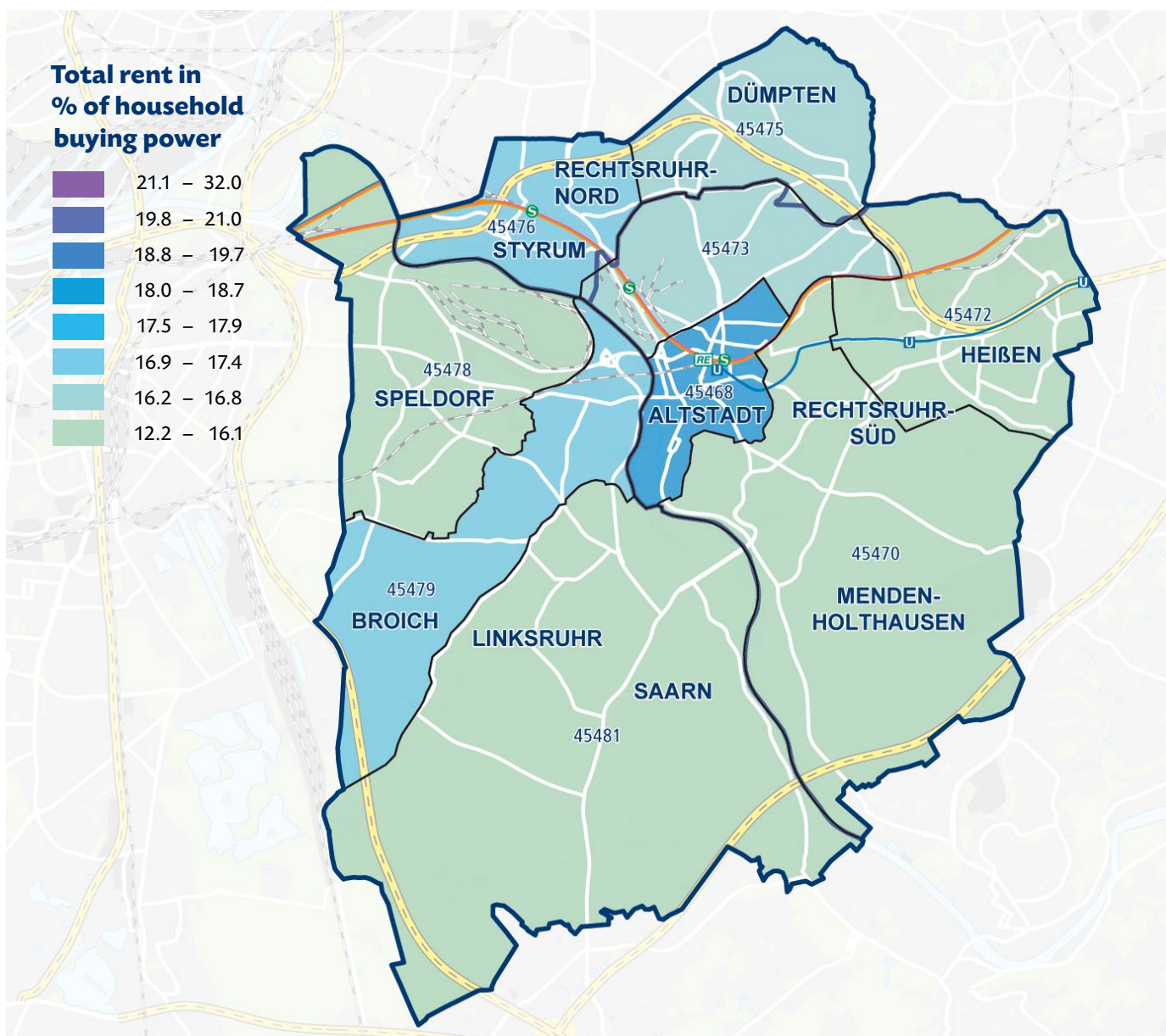
Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.0	2.6	2.5	2.2	2.3	3.0
Permits for new buildings	365	225	332	510	555	205
Finished apartments	362	298	315	482	572	199
Housing stock	90,720	90,959	91,249	91,695	92,225	92,274
Housing stock in apartment buildings	73.9	73.9	73.8	73.6	73.2	73.2

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
45468	1,004	4.42	5.50	7.96	5.4	68	374	578	3,200	11.7	18.1
45470	514	4.25	5.83	9.14	4.1	72	423	640	4,527	9.3	14.1
45472	526	3.91	5.33	7.65	2.1	64	342	535	3,625	9.4	14.8
45473	599	4.54	5.53	7.02	2.3	62	343	529	3,274	10.5	16.2
45475	533	4.47	5.52	7.09	2.5	62	343	530	3,243	10.6	16.3
45476	591	4.17	5.23	6.92	2.2	65	339	534	3,147	10.8	17.0
45478	677	4.45	5.66	8.62	2.7	69	389	595	3,790	10.3	15.7
45479	482	4.69	5.76	7.43	2.5	68	392	596	3,493	11.2	17.1
45481	655	4.65	5.89	8.62	1.2	70	414	624	4,421	9.4	14.1
Ø	5,581 ³⁾	4.42	5.54	8.02	3.0	67	370	571	3,659	10.1	15.6
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

45468 Holthausen, Mitte, Mitte East, Eppinghofen, **45470** Holthausen, Mitte, Heißen-Fulerum, Mitte East, **45472** Holthausen, Heißen-Fulerum, Mitte East, **45473** Dümpten, Mitte, Mitte East, Styrum, **45475** Dümpten, Mellinghofen, **45476** Mitte, Styrum, **45478** Speldorf, Broich, **45479** Speldorf, Saarn/Mintard, Broich, Saarn, **45481** Saarn/Mintard, Broich, Saarn, Saarn/Selbeck

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

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
(Residential Valuation, CB Richard Ellis GmbH)

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Concept and project management:

Katja Binnyus, Thomas Rücker (RUECKERCONSULT GmbH)

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