LEG Housing Market Report NRW 2011

With HousingCostAtlas

Dear reader,

LEG's managers, from left:
Thomas Hegel (CEO),
Holger Hentschel (HOO) and
Eckhard Schultz (CFO).

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 Olpe

Score 32 of max. 48

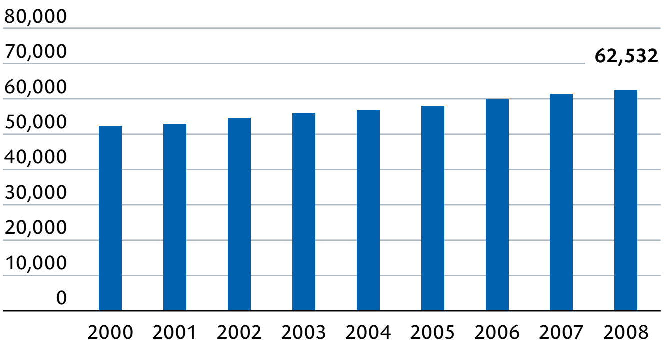
Residential market commentary suffers from incomplete data

The district of Olpe consists of four cities and three communities, of which Olpe is the administrative center and Lennestadt is the largest city with around 27,000 people. With a population of almost 140,000 people on 710 square kilometers, it is one of the most sparsely populated districts in the state. It has fewer than 200 inhabitants per square kilometer. According to forecasts by the Statistical Office, the district will suffer a decline in its population in future. The number of people living in the district is expected to decrease by 4.5 percent by 2025. As this will be countered by an increase in the number of households, tenants in the Olpe District will have to get used to a higher share of single-person households in terms of demand for apartments.

Macroeconomic data	Olpe, district	NRW	Germany	Year
Residents	139,666	17,872,764	81,802,256	2009
Population density (residents/km²)	197	526	230	2009
Population development in %	–1.1	–0.8	–0.6	2000–2009
Population forecast in %	–4.5	–2.4	–3.6	2009–2025
Households	56,973	8,550,214	39,628,120	2009
Household development in %	5.9	2.8	3.7	2000–2009
Household forecast in %	1.6	1.5	1.1	2009–2020
Buying power	101.2	101.2	100.0	2011
Per capita buying power in €	19,924	19,921	19,684	2011
Workers paying social insurance contributions	46,219	5,766,861	27,380,096	2009
Development of social insurance contributions	3.9	–2.4	–1.6	2000–2009

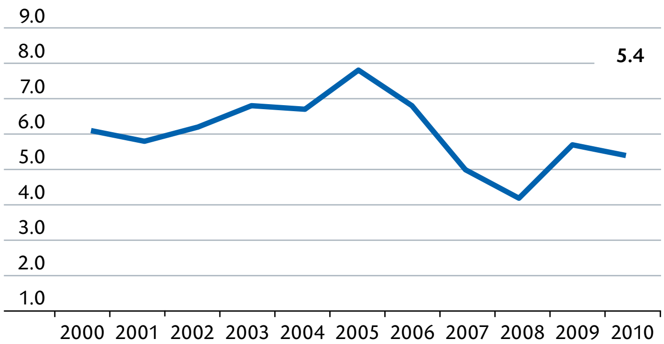
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

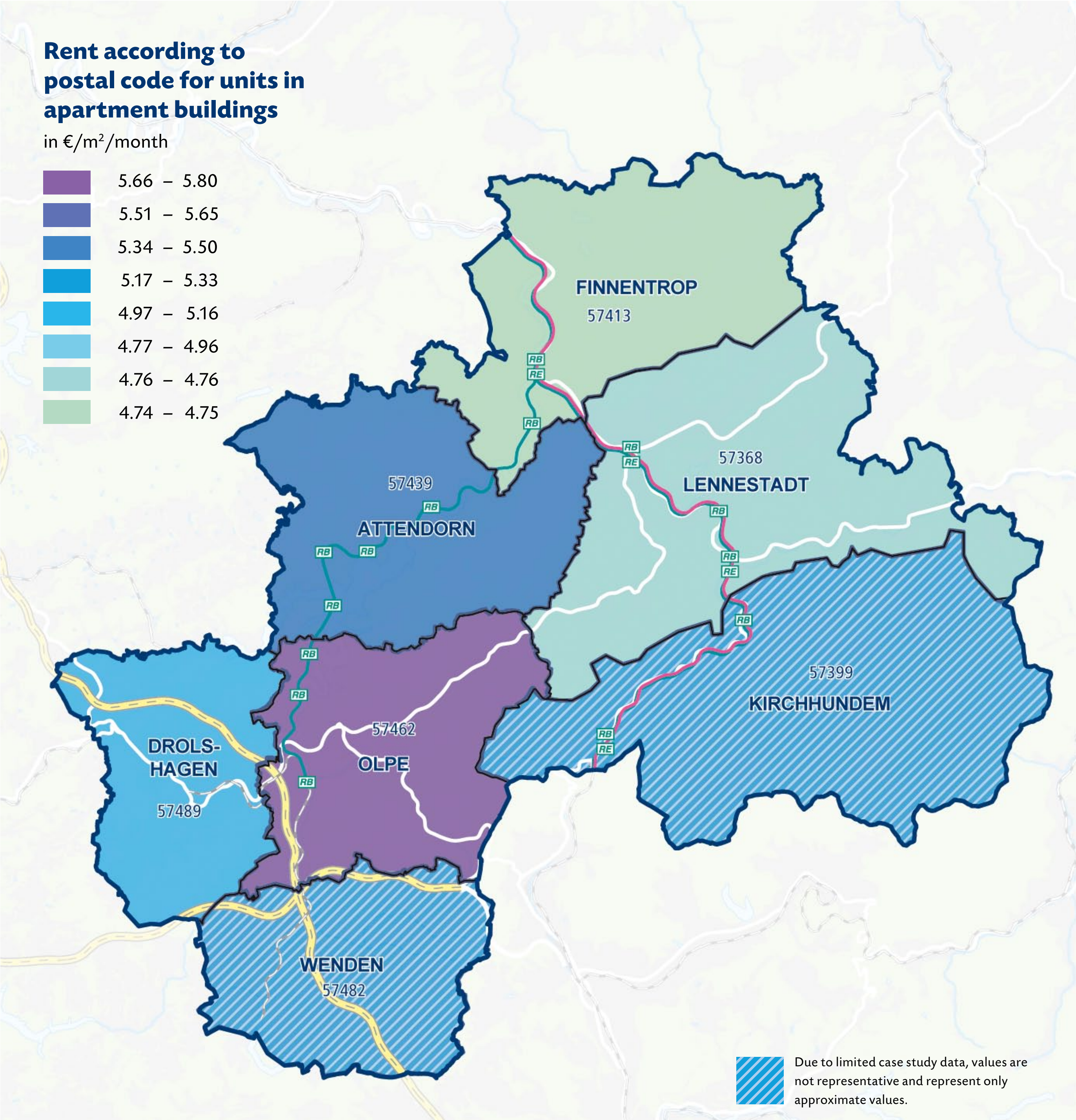


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The district in the south of North Rhine-Westphalia lies between the woody nature parks of Homert, Ebbe- and Rothaargebirge, which cover more than 90 percent of the district's area. In addition to the attractive upland landscapes, the three lakes Ahauser Stausee, Listersee and Biggesee are among the main attractions for tourists in Olpe. The leisure and tourism industry therefore plays a significant role in the local economic structure. Other than this, economic life in the district is characterized by a relatively balanced industry structure – industry, manual crafts, retail and services are all equally strong contributors to the region. The manufacturing industry is dominated by the sectors of metal production and processing and mechanical engineering. The biggest employers in the region include the sanitation and heating engineering company Viega, the automotive suppliers Mubea, Kirchoff, Kemmerich Group and Gedia and the manufacturer of specialist machinery and bending technology Tracto Technik. The southwestern Phalian automotive supply industry is set to soon receive a boost that will benefit Olpe as well. Supported by funding from the North Rhine-Westphalia and the European Union, Attendorn will be building one of two new automotive centers. At the two centers, companies will find both the necessary equipment and experts for extensive and complex research projects. They will also provide their employees with new and advanced training. The Olpe District is well connected in terms of its infrastructure, whereby the A 4 (Aachen-Görlitz) and the A 45 (Dortmund-Aschaffenburg) are the most important routes between the district and its immediate and national surroundings.

District of Olpe

Economic strength combined with inexpensive rents

According to the Committee of Experts for Property Values in the Olpe District, residential property was a much sought-after investment class in 2010. Exactly 302 one- and two-family houses were sold, only 10 fewer than in the previous year. In the segment for condominiums, 176 properties changed hands in the past year. According to the report, one and two-family houses were sold for an average of €150,000. This figure has remained relatively constant since 2008. As in previous years, the majority of one- and two-family houses sold were in the price category between €100,000 and €200,000. Only 21 properties were sold for more than €250,000 in 2010.

With a per capita purchasing power of €19,924, the residents of the Olpe District rank 18th out of 54, middle of the range for North Rhine-Westphalia. The unemployment rate has recently declined slightly. In 2009, 5.7 percent of the district's residents fit for work were unemployed, in 2010 this figure was only 5.4 percent. This is one of the lowest figures in the entire state. Only the districts of Coesfeld, Steinfurt, Borken and Gütersloh had a lower rate of unemployment in 2010. With 197 inhabitants per square kilometer, Olpe is relatively sparsely populated. And forecasts state that the region will also face population decline in future. Between 2000 and 2009, the four cities and three communities in the district lost a total of 1.1 percent of their residents. The current trend is expected to continue and accelerate slightly, resulting in a decline of 4.5 percent by 2025. By contrast, the trends in household development are positive. Between 2000 and 2009, the number of households rose by 5.9 percent and, according to forecasts, will increase by a further 1.6 percent by 2020. As in other cities and districts, this development is due to an increase in the number of one-person households. In regions without a university, these are less likely to be student households and are above all small pensioner households. Demographic forecasts have no influence on new construction activity in the Olpe District. The number of new construction permits for residential units increased from 318 in 2008 to 403 in 2009, but is still well below the level for 2004 to 2006 at 550 to 634 units. The number of residential units completed rose slightly as against the previous year from 309 to 319, but the discrepancy between this and 2004 to 2006 (552 to 699 units) is still considerable.

Around 28 percent of all residential units are situated in apartment buildings. Asking rents for rented apartments declined by 0.8 percent year-on-year in 2010 across all locations and features. Thus, the asking price for an apartment in the district was €5.24 per square meter per month. Asking rents were therefore below the level of the neighboring district of Siegen-Wittgenstein, where apartments were available for an average of €5.52 per square meter per month. By contrast, asking rents were more reasonable in the districts to the north of the Hochsauerland District (€4.55) and the Märkisch District (€5).

The small-scale analysis remains incomplete for the Olpe District on account of the low case numbers. As a result, vacancy rates are unknown or statistically uncertain in all postcode areas. Furthermore, statements on asking rents are not possible in two submarkets on account of the low number of offers. However, the figures available document that households in the Olpe District have a high level of affluence on average. With an average household purchasing power of €3,934 per month, the three cities of Drolshagen (postcode area 57489), Olpe (postcode area 57462) and Attendorn (postcode area 57439) have a figure in excess of €4,000. This high purchasing power is coupled with quite a moderate rent level. For example, the average housing costs for rent not including heating were 10.2 percent (€401) of the monthly household net. Rent including heating amounts to 16 percent (€631) in these areas. Costs for rent including heating were only lower in Mülheim an der Ruhr (15.6 percent) and the Märkisch District.

No information on vacancies

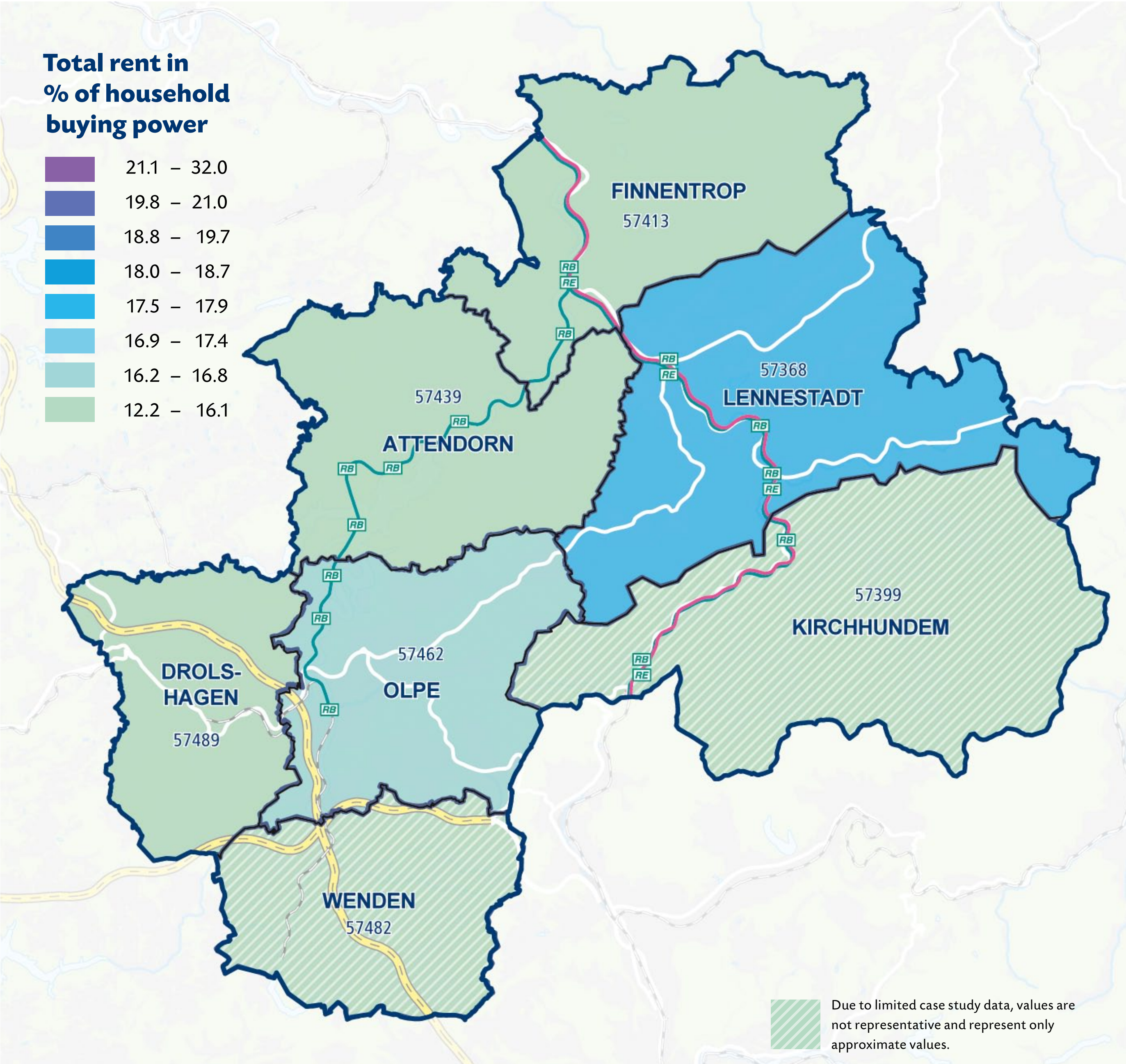
Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	n/a	4.6	6.1	3.9	2.7	2.8
Permits for new buildings	634	546	550	291	318	403
Finished apartments	699	552	575	450	309	319
Housing stock	57,153	57,692	58,247	58,656	58,939	59,234
Housing stock in apartment buildings	28.2	28.2	28.2	28.2	28.2	28.3

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 €/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 cost2) Ø in €/month	Household buying power Ø in €/month	Basic rent in % of household buying power	Total rent in % of household buying power
57368	54	3.80	4.76	13.84	[2.6]	83	394	643	3,635	10.8	**17.7**
57399	22	n/a	n/a	n/a	n/a	79	n/a	n/a	3,975	n/a	**n/a**
57413	51	3.81	4.74	6.25	n/a	69	325	530	3,833	8.5	**13.8**
57439	106	4.29	5.50	7.78	n/a	73	399	617	4,171	9.6	**14.8**
57462	132	4.50	5.80	9.00	n/a	75	434	659	4,064	10.7	**16.2**
57482	48	n/a	n/a	n/a	[5.0]	87	n/a	n/a	3,918	n/a	**n/a**
57489	67	4.11	5.16	6.58	n/a	79	406	641	4,003	10.1	**16.0**
Ø	480 3)	4.00	5.24	8.00	2.8	77	401	631	3,934	10.2	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)



Postal code allocation

57368 Lennestadt, City, **57399** Kirchhundem, **57413** Finnentrop, **57439** Attendorn, City, **57462** Olpe, City, **57482** Wenden, **57489** Drolshagen, City

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

http://www.boris.nrw.de/borisplus//data/GMB/GMB_111_2011_frei.pdf

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http://www.kreis-lippe.de/Konzern_Kreis_Lippe/Fachbereich_Vermessung_Kataster/Fachgebiet53/Documents/Flyer_2011.pdf

http://www.kreis-olpe.de/standard/page.sys/details/eintrag_id=1807/content_id=1147/156.htm

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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