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

Score **34** of max. **48**

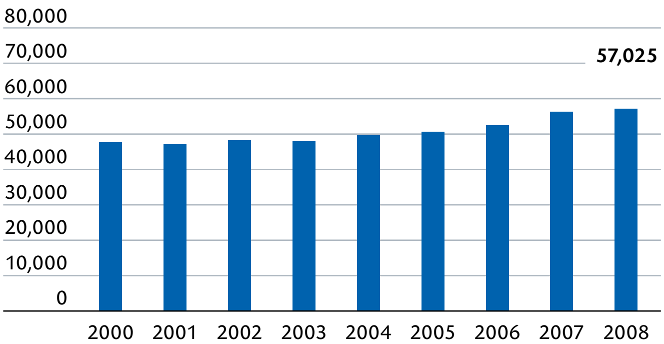
Positive population forecasts boost Paderborn residential market

The district of Paderborn in the east of North Rhine-Westphalia consists of seven cities and three communities. Paderborn holds a special position compared to many other districts covered in this report. No other predominantly rural residential market region will experience similarly high gains from immigration by 2025. The expected increase of around 7 percent in the development in household figures by 2020 will only be exceeded in five other districts in North Rhine-Westphalia. For the local residential market, this means high demand and rising prices. The asking rents for apartments in the upper market segment were up almost 7 percent compared to 2010.

Macroeconomic data	Paderborn, district	NRW	Germany	Year
Residents	299,106	17,872,764	81,802,256	2009
Population density (residents/km²)	241	526	230	2009
Population development in %	3.0	–0.8	–0.6	2000–2009
Population forecast in %	1.7	–2.4	–3.6	2009–2025
Households	130,670	8,550,214	39,628,120	2009
Household development in %	6.6	2.8	3.7	2000–2009
Household forecast in %	7.1	1.5	1.1	2009–2020
Buying power	95.2	101.2	100.0	2011
Per capita buying power in €	18,749	19,921	19,684	2011
Workers paying social insurance contributions	96,674	5,766,861	27,380,096	2009
Development of social insurance contributions	3.6	–2.4	–1.6	2000–2009

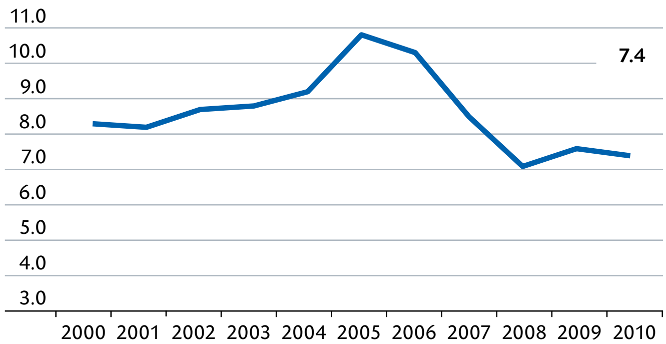
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

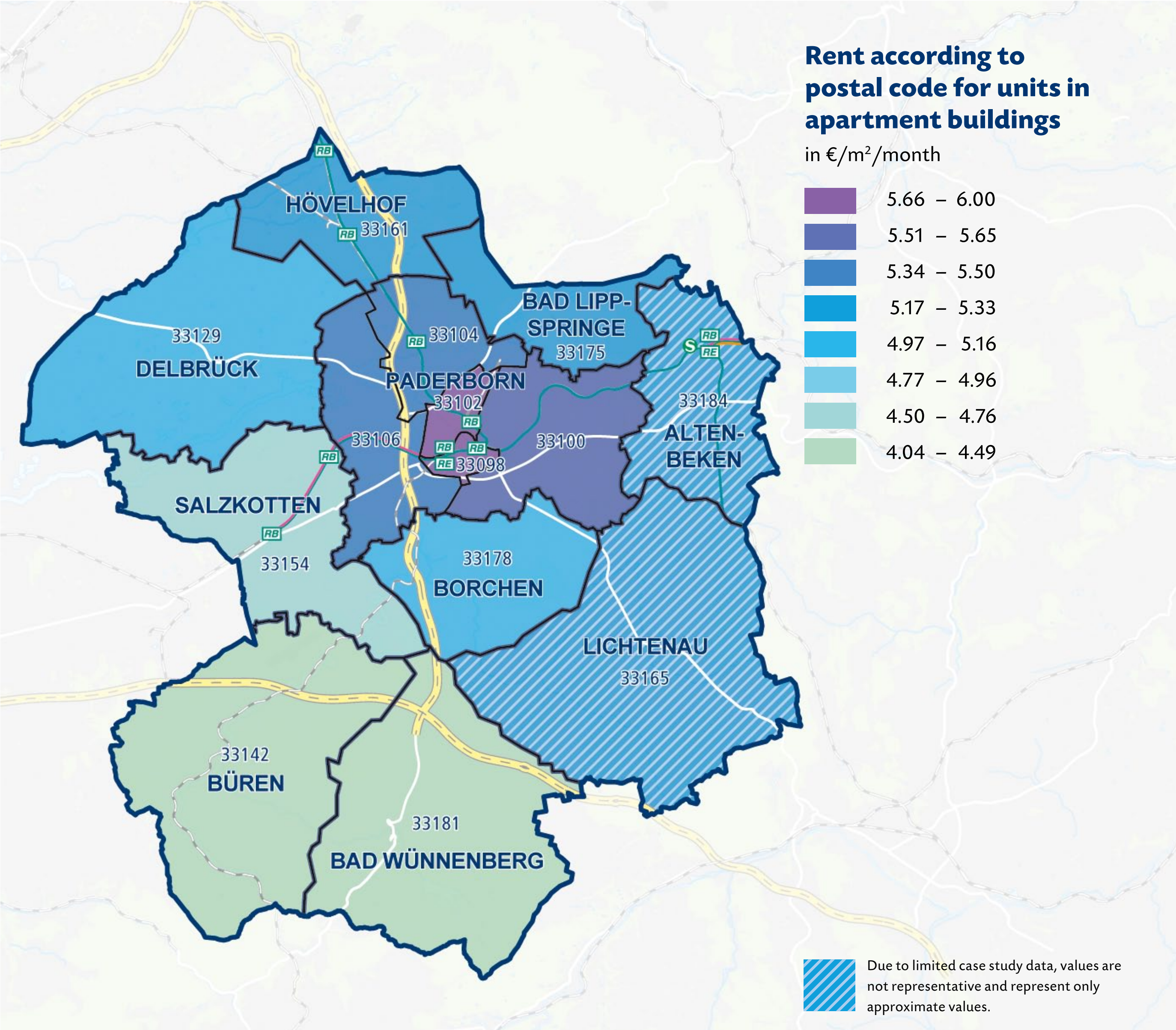


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The Paderborn District has a balanced industrial structure. It ranges from manual craft firms to small and medium-sized companies and business houses to corporations of international significance. In addition to information and communications technology, mechatronics and the food industry, the automotive, electronics/office equipment, mechanical engineering, toolmaking and mold construction sectors form the key areas of economic life in Paderborn. The main employers in the district include Benteler Automobiltechnik, Hella Leuchtensysteme, Wincor Nixdorf, Stute Nahrungsmittel, Deutsche Bahn and Siemens. The upswing in German industry has extended to Paderborn's economy as well, and is having a positive influence on its labor market. Between the years 2000 and 2009, the number of people in work and paying social security contributions in the district area increased by 3.6 percent. The unemployment rate has been in almost constant decline since 2005, when it reached 10.8 percent. In 2009, 7.6 percent of people fit for work in the area were unemployed, followed by only 7.4 percent in 2010. Science and research also have a secure place in the local make-up of the district. With its approximately 15,000 students, the University of Paderborn also enjoys a good reputation at an international level.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.4	2.5	2.7	3.5	3.7	3.7
Permits for new buildings	1,249	1,425	1,122	729	974	978
Finished apartments	1,589	1,425	1,194	1,084	723	767
Housing stock	124,685	126,075	127,202	128,237	128,910	129,623
Housing stock in apartment buildings	43.0	42.9	42.9	42.8	42.7	42.6

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

District of Paderborn

Available apartments became more expensive in all market segments in 2010

While the average asking rent level was below the average figure for North Rhine-Westphalia in the year 2010, peak rents in Paderborn were in the top third of all cities and districts. On the most expensive sub-market, central Paderborn (postcode area 33098), advertised peak rents hit the €10 mark in 2010. In the neighboring postcode area 33102 (central Paderborn, Schloß Neuhaus, Marienlohe), lessors demanded €9.04 per square meter per month. Asking rents in the upper market segment are therefore at a relatively high level on this market with nearly 300,000 inhabitants and a small town to rural feeling.

Like the cities of Aachen, Bonn and Münster, the district capital of Paderborn benefits from student demand groups as a result of its university. Thus, asking rents in the entire district area increased by 1.1 percent as against the previous year in all market segments. On average, landlords were therefore seeking €5.33 per square meter per month for an average apartment in 2010. However, prices for apartments in the lower and upper market segments, which each account for 10 percent of the market volume observed, were on the rise. Asking prices for simple apartments climbed by 2.6 percent to a total of €3.92 per square meter per month. In spite of the high increase, in 2010 Paderborn was still one of the 15 out of 42 smaller North Rhine-Westphalia residential market regions in which households with lower purchasing power could find apartments going for square meter prices of less than €4 per month.

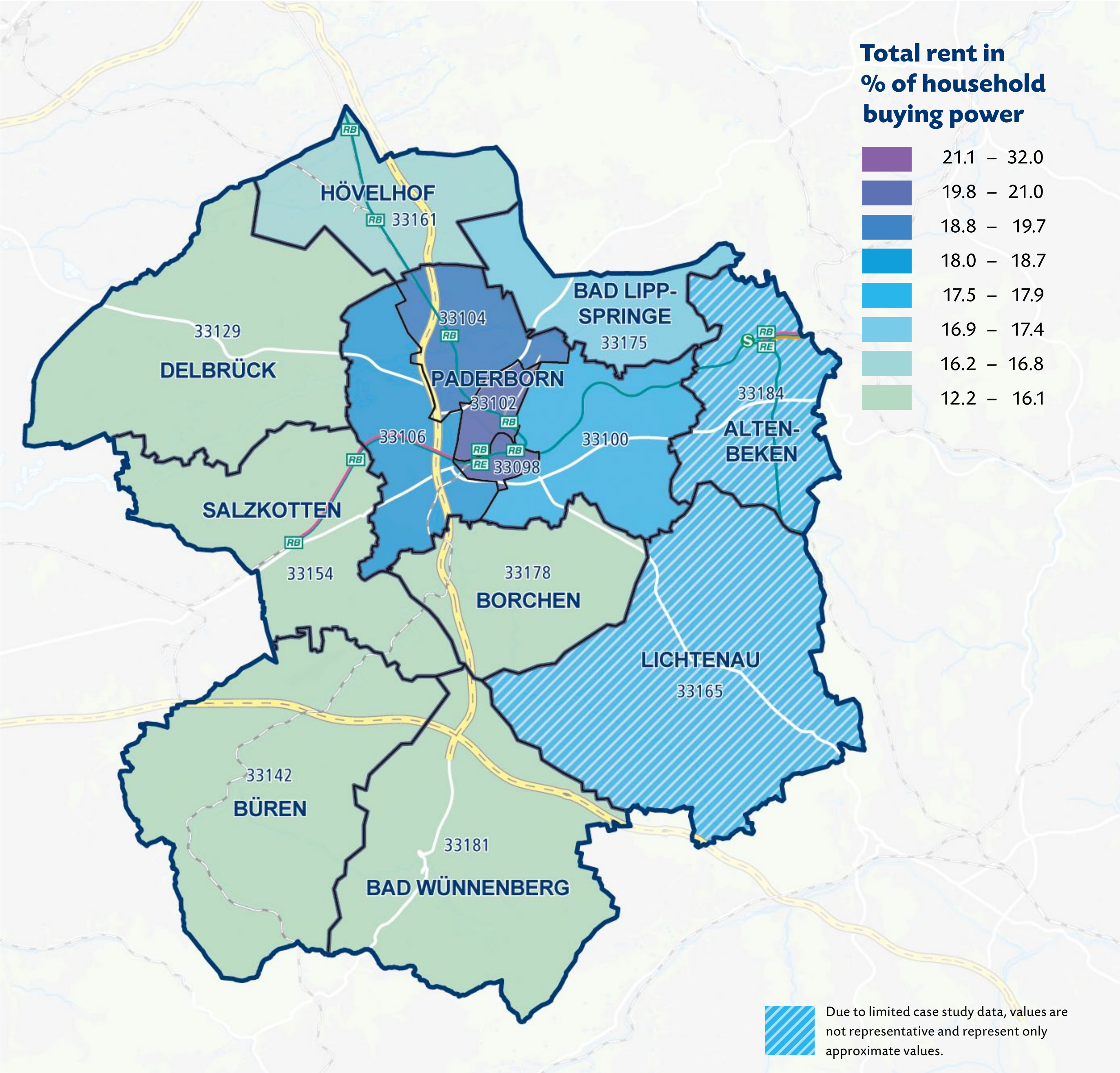
For properties in the upper market segment, asking rents increased by a significant 6.8 percent within one year. Tenants were not confronted with such a strong increase in peak rents in any of the 42 smaller residential market regions in this report. Corresponding apartments were offered in Paderborn for an average of €8.63 per square meter per month. Only the postcode area 33142 (city of Büren) had peak rents below the €7 mark at €6.94 per square meter per month.

The data calculated also reflect in other sub-disciplines that the development on the residential market in Paderborn differs from that of the neighboring districts of Höxter, Hochsauerland District, Soest and even the city of Bielefeld. The rising rents are an expression of consistently high demand brought about by the correspondingly high number of prospective tenants. Between 2000 and 2009 alone, the number of households in the Paderborn District increased by 6.6 percent. Over the same period, the number of residents increased by 3 percent. Only five residential market regions had higher increases in the same timeframe. And the demographic future also looks promising for Paderborn. With a forecast increase in household figures of 7.1 percent by 2020, Paderborn takes sixth place in North Rhine-Westphalia after the Rhine-Sieg District and the districts of Kleve, Heinsberg, Euskirchen and Borken.

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
33098	438	4.81	6.00	10.00	3.0	70	423	634	3,058	13.8	**20.7**
33100	368	4.29	5.53	8.33	[3.1]	71	395	610	3,415	11.6	**17.8**
33102	488	4.49	5.78	9.04	[2.7]	70	405	615	2,991	13.5	**20.6**
33104	208	4.14	5.50	8.15	[2.1]	72	398	615	3,207	12.4	**19.2**
33106	301	4.43	5.36	7.67	n/a	74	397	619	3,397	11.7	**18.2**
33129	147	3.85	5.00	7.03	[3.4]	80	399	638	3,970	10.0	**16.1**

Postal code allocation

33098 Central Paderborn, **33100** Paderborn-Benhausen, Dahl, Neuenbeken, Marienloh, **33102** Central Paderborn, Schloß Neuhaus, Marienloh, **33104** Central Paderborn, Sennelager, Sande, Marienloh, **33106** Central Paderborn, Schloß Neuhaus, Elsen, Sande, **33129** Delbrück, City, **33142** Büren, City, **33154** Salzkotten, City, **33161** Hövelhof, **33165** Lichtenau, City, **33175** Bad Lippspringe, City, **33178** Borchen, **33181** Bad Wünnenberg, City, **33184** Altenbeken



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
33142	221	3.50	4.36	6.94	n/a	80	351	592	3,748	9.4	**15.8**
33154	144	3.50	4.71	7.74	[4.3]	80	378	618	3,900	9.7	**15.9**
33161	143	3.96	5.30	7.08	[1.9]	77	410	641	3,851	10.6	**16.7**
33165	28	n/a	n/a	n/a	n/a	75	n/a	n/a	3,726	n/a	**n/a**
33175	407	4.16	5.18	8.89	[7.8]	73	379	598	3,510	10.8	**17.0**
33178	107	3.83	5.00	8.21	n/a	74	370	591	3,979	9.3	**14.9**
33181	75	2.90	4.04	7.11	n/a	86	348	606	3,795	9.2	**16.0**
33184	44	n/a	n/a	n/a	n/a	76	n/a	n/a	3,795	n/a	**n/a**
Ø	3,119[3]	3.92	5.33	8.63	3.7	74	394	616	3,497	11.3	17.6
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)

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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