

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

Recklinghausen District similar to neighbors Essen and Dortmund

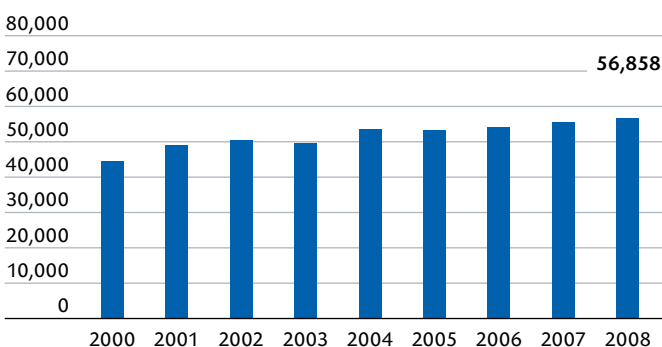
With around 633,000 inhabitants in 10 cities, the Recklinghausen District is the second-largest residential market in this report in terms of population figures. The district area is situated in the Münster administrative region in the north of the Ruhr region and marks the transition between the economically prosperous area around Münster and the struc-

turally weak Ruhr cities. The residential market resembles that of its industrial neighbors Essen and Dortmund – high unemployment figures and below-average per capita purchasing power of €18,880 with relatively constant household figures have driven up demand for affordable living space in Recklinghausen. As a result, asking prices have also risen in this area.

Macroeconomic data	Recklinghausen, district	NRW	Germany	Year
Residents	632,535	17,872,764	81,802,256	2009
Population density (residents/km ²)	835	526	230	2009
Population development in %	-3.8	-0.8	-0.6	2000-2009
Population forecast in %	-8.0	-2.4	-3.6	2009-2025
Households	302,423	8,550,214	39,628,120	2009
Household development in %	0.4	2.8	3.7	2000-2009
Household forecast in %	-2.1	1.5	1.1	2009-2020
Buying power	95.9	101.2	100.0	2011
Per capita buying power in €	18,880	19,921	19,684	2011
Workers paying social insurance contributions	158,834	5,766,861	27,380,096	2009
Development of social insurance contributions	-10.1	-2.4	-1.6	2000-2009

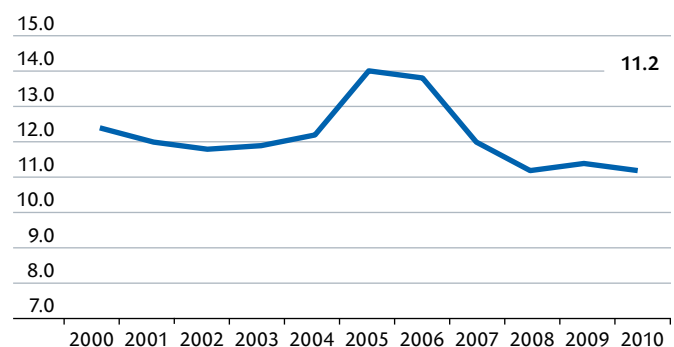
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

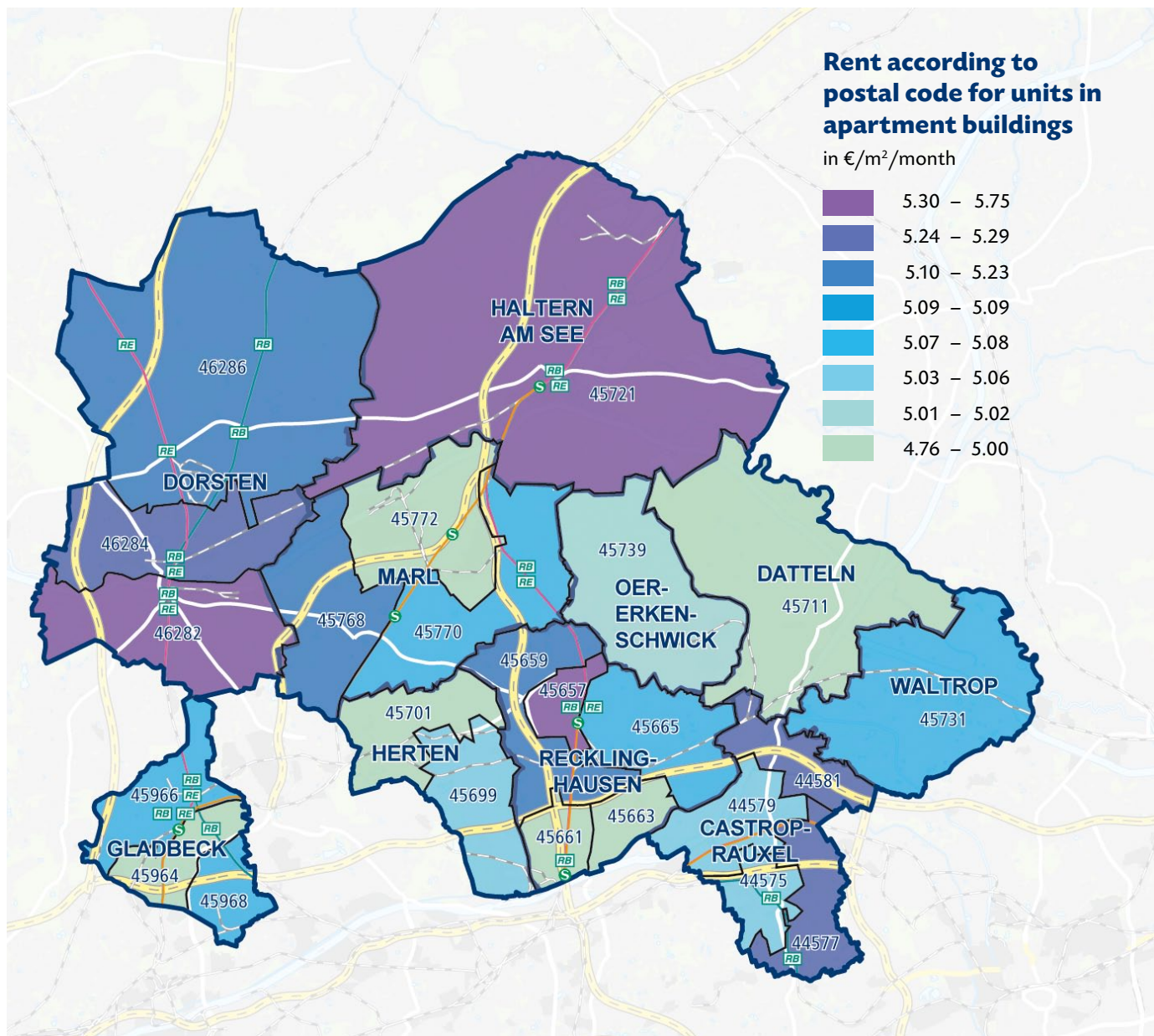


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Even in the post-industrial age, the chemicals industry still dominates Recklinghausen's economic make-up. Marl Chemicals Park, home to around 30 companies, is the largest combined site for the chemicals industry in Germany. It employs 10,000 people. Other revenue generators in the largely SME-dominated economic make-up include the automotive sector, mining, mechanical engineering, mechatronics, the service sector, the metal industry,

electrical engineering, the textiles and plastic industry, wholesale and retail and the health sector. Well-known companies in the area include Evonik Industries, Ineos, Lanxess, Linde and Oxea. Important employers in the Recklinghausen District are Rütgers Chemicals in Castrop-Rauxel, Hella KGaA Hueck & Co. in Recklinghausen and RBH Logistics in Gladbeck. According to a recent office market study by BulwienGesa AG, there are still space re-

quirements for service providers and administrations. In the coming years, the office market in the city of Recklinghausen will require 85,000 square meters of additional space. Space is hard to find mainly in the inner city. The Recklinghausen District is connected to the highways A 2 (Oberhausen-Berlin Ring), A 31 (Bottrop-Emden), A 52 (Viersen-Marl District) and A 43 (Kreuz Wuppertal Nord-Kreuz Münster Süd).

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.2	3.6	3.9	3.7	3.9	3.5
Permits for new buildings	1,299	1,438	1,473	1,061	1,067	859
Finished apartments	1,335	1,436	1,226	1,231	956	921
Housing stock	298,466	299,784	300,734	301,821	302,671	303,444
Housing stock in apartment buildings	60.8	60.7	60.6	60.5	60.4	60.4

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

Recklinghausen asking rents falling sharply in upper market segment

In 2010, landlords for the upper residential market segment were hit by sharp price decreases on the residential market. The asking rents for corresponding properties declined by 4.1 percent to €6.77 per square meter per month within one year. Thus, Recklinghausen belongs to the group of residential markets where peak rents average at less than €7 per square meter. This was only true of 10 out of the 54 locations in 2010. Even across all features and locations, apartments in Recklinghausen were available for less than in the year before in 2010. Overall, average advertised prices fell by 1.2 percent to €5.10 per square meter per month. In contrast to the price declines overall and in the upper market segment,

prices for apartments in the lower market segment in Recklinghausen increased by 1.5 percent as against the previous year to €4 per square meter per month.

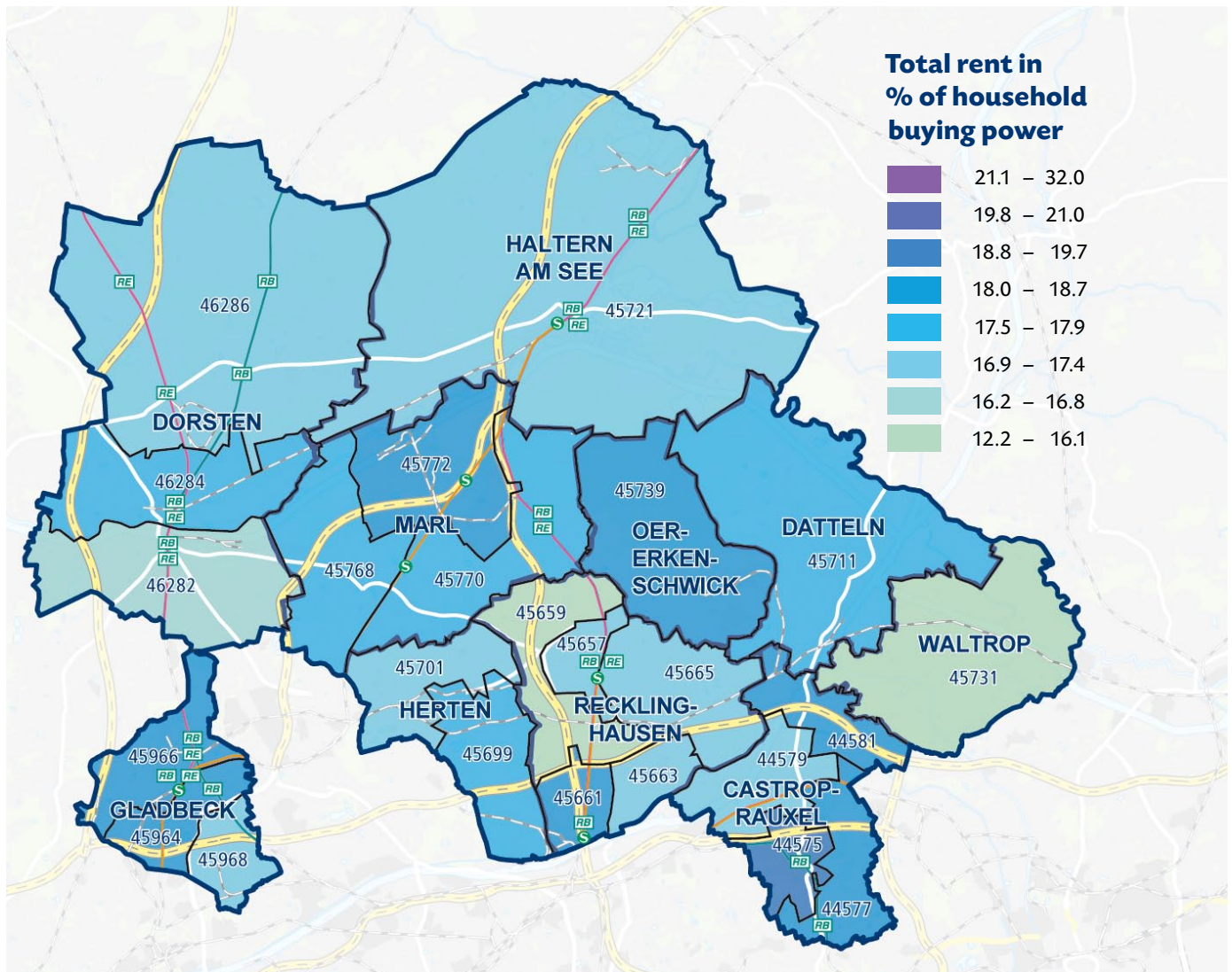
Rising asking prices for apartments in the lower market segment, falling rents in the upper segment – this is a trend observed in many structurally weak locations in this year's LEG residential market report. Especially in places where high unemployment figures and low household purchasing power inflate demand for low-cost living space. In Recklinghausen, the number of people in employment and paying social security contributions declined by 10.1 percent between 2000 and 2009. The

state-wide economic recovery has also not yet had a significant effect on Recklinghausen's labor market. The district's unemployment rate declined only slightly from 11.4 percent in 2009 to 11.2 percent in 2010. Falling household and population figures also signal that the district and its landlords will be facing changing demand in the long term and further reductions in the upper market segment. The population is set to decline by a further 8 percent by 2025, the number of households by 2.1 percent by 2020. New construction activity has already reacted to falling demand in the past five years. The number of buildings completed fell from more than 1,400 units in 2005 to 921 apartments in 2010.

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
44575	789	4.00	5.06	6.92	[1.5]	68	346	552	2,838	12.2	19.4
44577	289	4.10	5.24	6.67	1.3	68	355	558	2,976	11.9	18.7
44579	248	4.38	5.05	7.00	n/a	65	328	522	3,001	10.9	17.4
44581	251	4.15	5.24	6.56	n/a	72	378	595	3,185	11.9	18.7
45657	642	4.23	5.40	7.78	3.8	74	398	619	3,592	11.1	17.2
45659	321	4.15	5.23	6.99	[3.7]	71	370	583	3,759	9.9	15.5
45661	294	3.89	4.81	6.00	[4.3]	72	348	564	3,060	11.4	18.4
45663	454	3.43	4.76	6.26	5.5	67	319	519	3,082	10.3	16.9
45665	583	4.12	5.08	6.50	3.0	69	351	558	3,276	10.7	17.0
45699	809	3.89	5.04	6.15	4.0	66	332	529	2,970	11.2	17.8
45701	571	4.00	5.00	6.04	2.9	68	338	541	3,156	10.7	17.2

Postal code allocation

44575 Castrop-Rauxel, City; Behringhausen, Obercastrop, Castrop, Rauxel, **44577** Castrop-Rauxel, City; Bövinghausen, Merklinde, Frohlinde, Schwerin, Dingen, Deininghausen, **44579** Castrop-Rauxel, City; Habinghorst, Pöppinghausen, Bladenhorst, Rauxel, **44581** Castrop-Rauxel, City; Heinrichenburg, Beckum, Ickern, **45657** Central Recklinghausen, Nordviertel, Paulusviertel, Westviertel, **45659** Recklinghausen-Hillerheide, Hochlar, Speckhorn, Bockholt, Stuckenbusch, Beising, Börste, **45661** Recklinghausen-Grullbad, Hochlar, **45663** Recklinghausen-König-Ludwig, Röllinghausen, Süd, **45665** Recklinghausen-Berghausen, Essel, Hillen, Ostviertel, Suderwich, **45699** Herten, City of Disteln, **45701** Herten, City of Westerholt, **45711** Datteln, City, **45721** Haltern am See, City, **45731** Waltrop, City, **45739** Oer-Erkenschwick, City, **45768** Marl, City, **45770** Marl, City, **45772** Marl, City, **45964** Gladbeck, City, **45966** Gladbeck, City, **45968** Gladbeck, City, **46282** Dorsten, City, **46284** Dorsten, Stadt, **46286** Dorsten, City



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
45711	642	3.84	5.00	6.85	[2.1]	74	371	594	3,358	11.0	17.7
45721	451	4.46	5.75	7.54	[2.0]	81	466	709	4,102	11.4	17.3
45731	461	4.25	5.07	7.65	[4.5]	72	363	578	3,588	10.1	16.1
45739	421	3.91	5.02	6.44	[2.5]	75	374	598	3,327	11.3	18.0
45768	640	4.11	5.17	6.89	2.9	70	359	568	3,237	11.1	17.5
45770	1,011	4.02	5.07	6.17	5.3	70	357	568	3,216	11.1	17.7
45772	540	3.99	5.00	6.72	2.8	72	360	576	3,157	11.4	18.2
45964	669	4.04	5.00	6.48	2.5	70	351	562	3,021	11.6	18.6
45966	379	3.81	5.08	6.63	4.9	71	360	573	3,109	11.6	18.4
45968	888	4.16	5.08	6.25	[3.1]	62	315	501	2,955	10.7	17.0
46282	608	4.18	5.48	7.59	[3.0]	77	424	656	3,913	10.8	16.8
46284	469	4.10	5.27	7.00	[4.8]	75	396	621	3,511	11.3	17.7
46286	327	3.88	5.11	6.67	[5.0]	82	419	664	3,931	10.6	16.9
Ø	12,757 ³⁾	4.00	5.10	6.77	3.5	71	361	573	3,310	10.9	17.3
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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