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LEG Housing Market Report NRW 2011

With HousingCostAtlas

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

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.

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

Rhein-Sieg-Kreis

Score 40 of max. 48

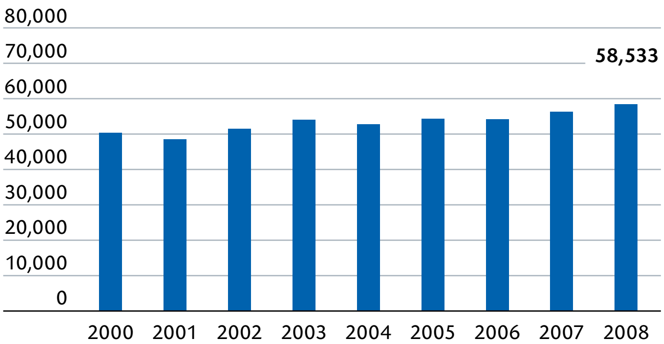
Positive development along the Rhine – population growth forecast

The Rhein-Sieg-Kreis is composed of 19 towns and municipalities and is bordered by the cities of Cologne and Bonn, although Bonn is practically an enclave within the district. The neighboring districts are the Rheinisch-Bergischer Kreis, the Oberbergischer Kreis, Euskirchen, the Rhein-Erft-Kreis and the districts of Altenkirchen, Neuwied and Ahrweiler in Rhineland-Palatinate state. Siegburg is the administrative center. Economic and demographic development in the district is extremely positive. The number of households is expected to build upon the strong growth recorded up until 2009 and continue to rise between now and 2020; accordingly, demand for housing will remain at a high level. In 2010, asking rents increased across all market segments.

Macroeconomic data	Rhein-Sieg-Kreis	NRW	Germany	Year
Residents	598,407	17,872,764	81,802,256	2009
Population density (residents/km²)	520	526	230	2009
Population development in %	3.7	–0.8	–0.6	2000–2009
Population forecast in %	2.5	–2.4	–3.6	2009–2025
Households	273,319	8,550,214	39,628,120	2009
Household development in %	9.3	2.8	3.7	2000–2009
Household forecast in %	9.4	1.5	1.1	2009–2020
Buying power	109.2	101.2	100.0	2011
Per capita buying power in €	21,486	19,921	19,684	2011
Workers paying social insurance contributions	126,940	5,766,861	27,380,096	2009
Development of social insurance contributions	2.0	–2.4	–1.6	2000–2009

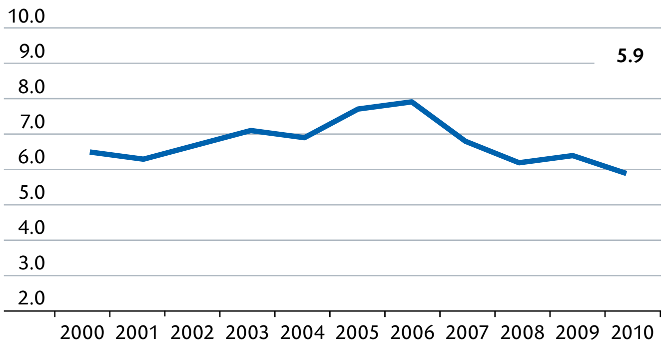
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

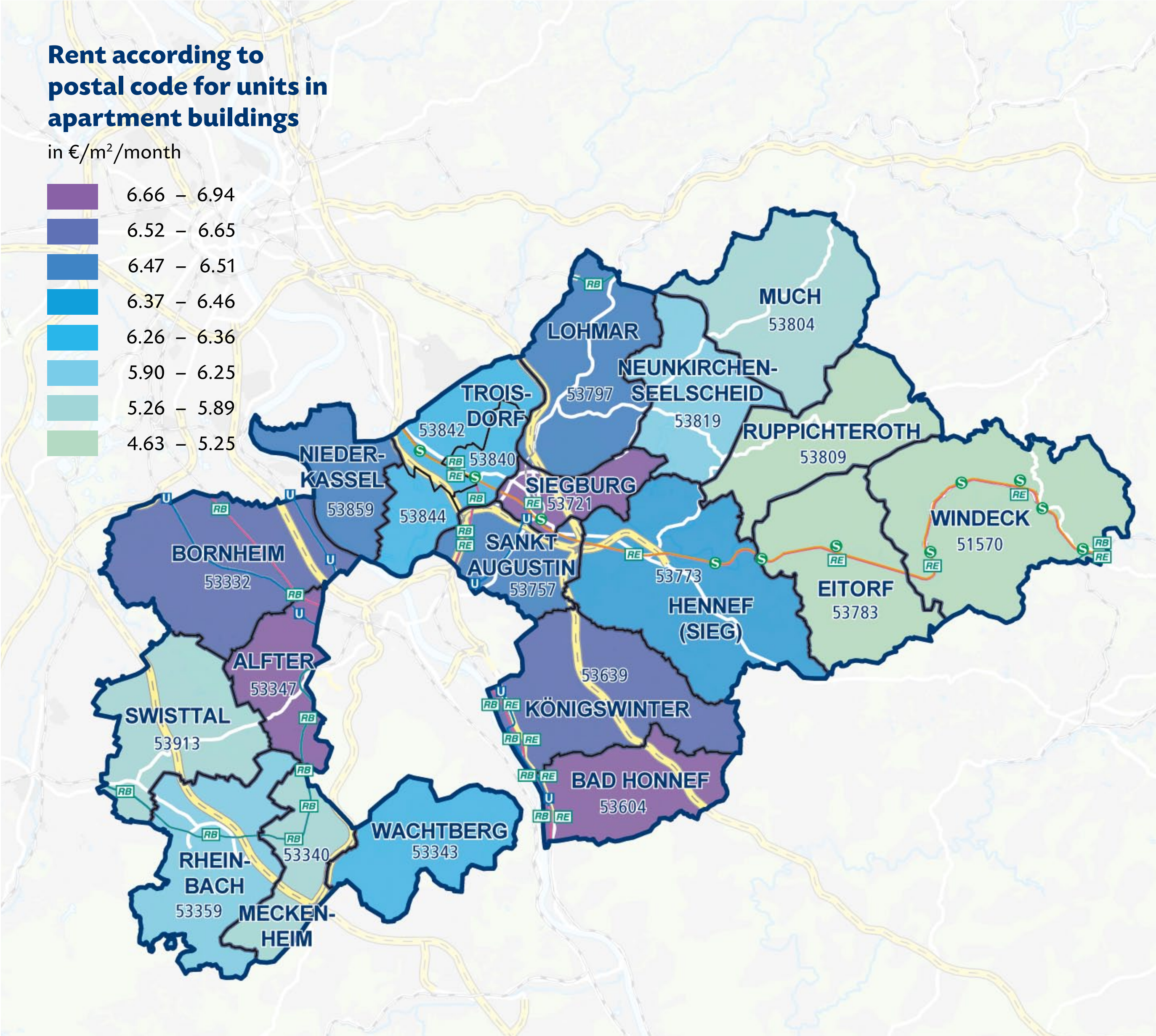


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The economic structure of the Rhein-Sieg-Kreis benefits to a great extent from its large population of science, research and educational institutions. For example, the district is home to the Fraunhofer-Institutszentrum in Sankt Augustin, the German Aerospace Center (DLR) in Cologne-Porz/Troisdorf, Bonn-Rhein-Sieg University with faculties in Sankt Augustin, Rheinbach and Hennef, and the International University of Applied Sciences Bad Honnef-Bonn, a private, state-recognized university for economics and management. The business landscape is largely dominated by small and medium-sized enterprises, with famous names including HIT Handelsgruppe and Degussa. The economy in the district is closely linked to that of the neighboring city of Bonn and has enjoyed highly stable development over recent years. The unemployment rate declined from 6.4 percent in 2009 to 5.9 percent in 2010 and is among the lowest in the state. The strong transportation infrastructure is also having a positive impact: with the A 3, A 59, A 61, A 555, A 560 and A 565 highways, the district is a key hub for the long-distance road network and is optimally connected to regional and trans-regional centers. Cologne/Bonn International Airport is partially located in the district and can be reached in around 25 minutes.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.8	n/a	n/a	1.8	3.0	3.7
Permits for new buildings	2,566	2,337	2,220	1,500	1,223	1,767
Finished apartments	2,863	2,648	2,341	1,746	1,633	1,370
Housing stock	248,586	251,207	253,475	255,136	256,690	257,969
Housing stock in apartment buildings	36.6	36.5	36.4	36.3	36.3	36.3

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

Falling completions despite high growth in number of households

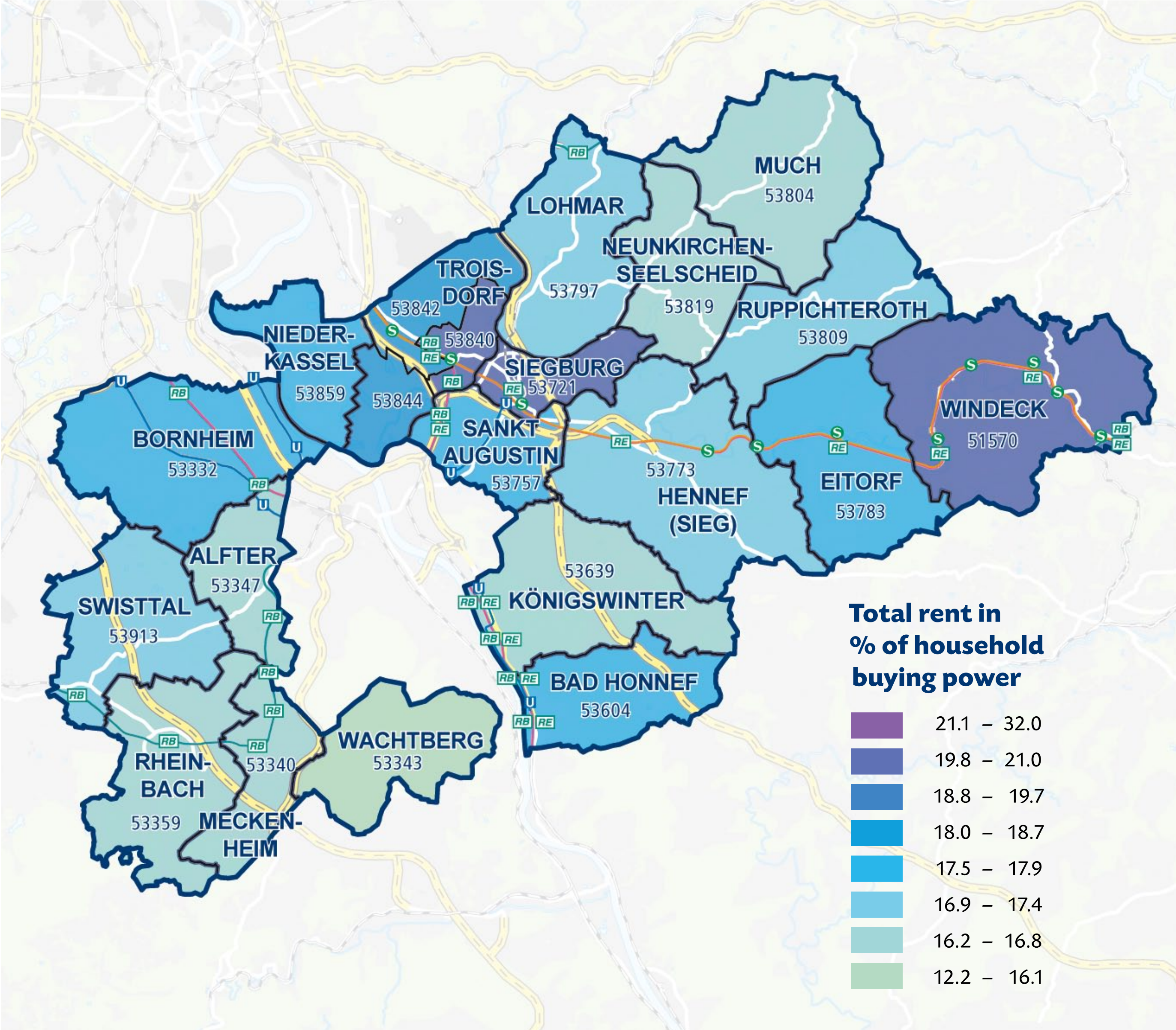
With almost 600,000 inhabitants, the Rhein-Sieg-Kreis is the third-largest housing market region covered by this report in terms of population. Landlords are benefiting from rising demand in the district: between 2000 and 2009, the population increased by 3.7 percent, while the number of households rose sharply by 9.3 percent. This trend is set to continue in future, with projected population growth of 2.5 percent between now and 2025 and the number of households forecast to rise by a further 9.4 percent by 2020. No other housing market region in North Rhine-Westphalia is expected to see such a pronounced increase in terms of household numbers. Nevertheless, this positive development is not yet reflected in the level of new construction activity: the number of completions has more than halved, from 2,863 units in 2004 to just 1,370 units in 2009. Residential construction approvals could be seen as a sign that a turnaround is on the cards. After the number of units approved dropped by half from 2,566 units in 2004 to 1,223 units in 2008, in 2009, the number increased for the first time in several years to 1,767 units.

The rental market in the 11 towns and eight municipalities that make up the district clearly reflects the sustained high level of demand for residential space. In 2010, monthly asking rents across all location and quality classes increased by 1.6 percent year-on-year to €6.36 per square meter. However, the upper and lower market segments both saw more pronounced price rises. Asking rents in the upper segment rose by 3.5 percent to €9.34 per square meter per month. Only five of the 42 smaller cities and districts included in this report saw prime rents in excess of €9: in addition to the Rhein-Sieg-Kreis, these were the Rhein-Kreis Neuss (€9.78), the Rhein-Erft-Kreis (€9.55), the Rheinisch-Bergischer Kreis (€9.22) and Mettmann district (€9.21). It is notable that these five districts form a ring around the economically and demographically prosperous cities along the Rhine – Bonn, Cologne and Dusseldorf. Prospective tenants in the Rhein-Sieg-Kreis were also faced with higher asking rents for apartments in the lower market segment in 2010, with advertised rents increasing by 3.3 percent year-on-year to €4.65 per square meter. The most affordable apartments in this segment were available in Windeck (postcode 51570, €3.54), while the most expensive sub-market was Alfter (postcode 53347), with average asking rents of €5.30 per square meter.

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
51570	187	3.54	4.63	6.58	n/a	83	384	633	3,045	12.6	**20.8**
53332	1,076	5.00	6.55	10.00	n/a	76	496	723	4,123	12.0	**17.5**
53340	553	3.51	5.89	8.21	n/a	81	477	720	4,442	10.7	**16.2**
53343	425	4.77	6.33	8.67	n/a	80	506	745	4,729	10.7	**15.8**
53347	522	5.30	6.82	9.12	n/a	73	496	714	4,408	11.3	**16.2**
53359	626	4.66	6.17	9.04	n/a	73	451	670	4,078	11.1	**16.4**
53604	703	5.11	6.94	10.31	n/a	73	509	729	4,115	12.4	**17.7**
53639	955	4.79	6.63	11.00	n/a	76	502	730	4,374	11.5	**16.7**
53721	1,491	5.13	6.67	10.00	n/a	74	491	712	3,467	14.2	**20.5**
53757	1,251	5.00	6.48	10.07	n/a	72	467	683	3,878	12.0	**17.6**

Postal code allocation

51570 Windeck, **53332** Bornheim, City, **53340** Meckenheim, City, **53343** Wachtberg, **53347** Alfter, **53359** Rheinbach, City, **53604** Bad Honnef, City, **53639** Königswinter, City, **53721** Siegburg, City, **53757** Sankt Augustin, City, **53773** Hennef (Sieg), City, **53783** Eitorf, **53797** Lohmar, City, **53804** Much, **53809** Ruppichteroth, **53819** Neunkirchen-Seelscheid, **53840** Troisdorf, City, **53842** Troisdorf-Spich, Altenrath, **53844** Troisdorf-Berheim, **53859** Niederkassel, City, **53913** Swisttal



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
53773	1,177	5.00	6.44	8.68	n/a	76	491	720	4,164	11.8	**17.3**
53783	339	4.17	5.20	7.07	n/a	79	413	651	3,634	11.4	**17.9**
53797	632	4.87	6.51	9.75	n/a	75	490	716	4,103	11.9	**17.4**
53804	379	4.32	5.31	7.37	n/a	83	440	689	4,105	10.7	**16.8**
53809	227	4.15	5.15	8.00	n/a	84	434	686	3,966	10.9	**17.3**
53819	519	4.87	5.95	9.60	n/a	78	466	700	4,183	11.1	**16.7**
53840	842	5.00	6.35	8.48	n/a	71	453	667	3,327	13.6	**20.1**
53842	526	4.96	6.36	8.20	n/a	72	458	674	3,697	12.4	**18.2**
53844	619	4.83	6.36	7.81	n/a	75	476	700	3,871	12.3	**18.1**
53859	686	5.08	6.51	8.55	n/a	73	473	690	3,909	12.1	**17.7**
53913	299	4.51	5.74	8.40	n/a	79	454	691	4,082	11.1	**16.9**
Ø	14,034[3)]	4.65	6.36	9.34	3.7	75	479	705	3,978	12.0	17.7
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

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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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