

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,

Thomas Hegel
Management Spokesman,
CEO

Eckhard Schultz
Managing Director,
CFO

Holger Hentschel
Member of Management,
HOO

High earners better placed to absorb rent increases

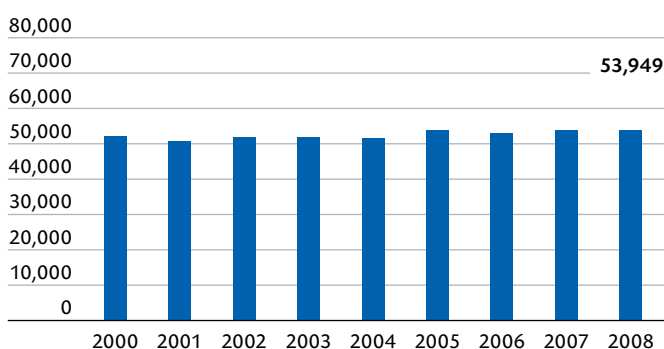
The Rheinisch-Bergischer Kreis is located in the south of North Rhine-Westphalia and consists of the six towns of Bergisch Gladbach, Burscheid, Leichlingen, Overath, Rösrath and Wermelskirchen and the two municipalities of Kürten and Odenthal. It is situated on the border between the Rhineland and the Bergisches Land and has around 277,000 inhabitants. The comparatively

high average annual purchasing power is notable: a figure of €23,824 per capita means that the Rheinisch-Bergischer Kreis is one of the most prosperous of the 54 housing market regions analyzed for the purposes of this report. This impressive household purchasing power is accompanied by a sustained high rental level that can be attributed to the pronounced demand for residential space.

Macroeconomic data	Rheinisch-Bergischer Kreis	NRW	Germany	Year
Residents	277,214	17,872,764	81,802,256	2009
Population density (residents/km ²)	636	526	230	2009
Population development in %	0.6	-0.8	-0.6	2000-2009
Population forecast in %	-1.9	-2.4	-3.6	2009-2025
Households	129,354	8,550,214	39,628,120	2009
Household development in %	6.3	2.8	3.7	2000-2009
Household forecast in %	4.4	1.5	1.1	2009-2020
Buying power	121.0	101.2	100.0	2011
Per capita buying power in €	23,824	19,921	19,684	2011
Workers paying social insurance contributions	65,749	5,766,861	27,380,096	2009
Development of social insurance contributions	-1.0	-2.4	-1.6	2000-2009

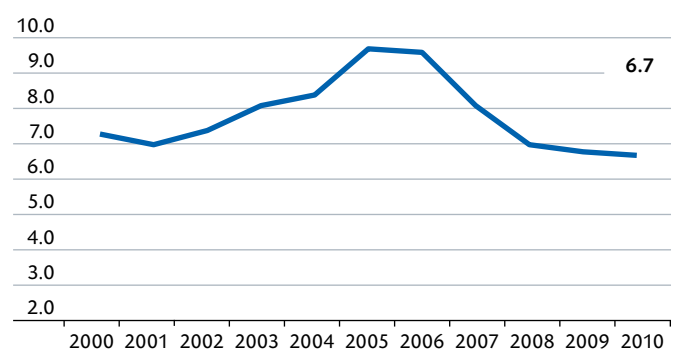
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product per employed person in €

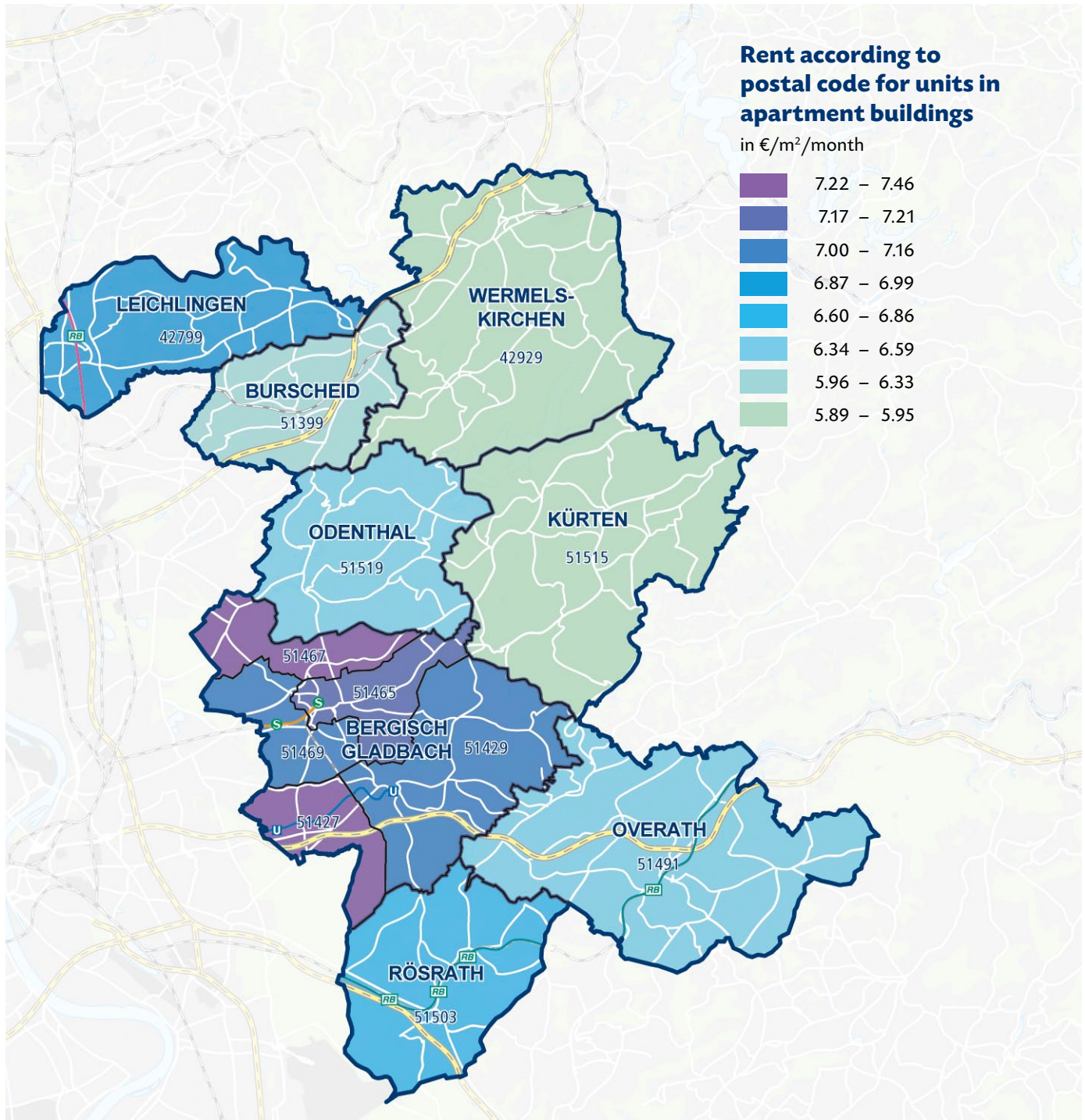


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The economy of the Rheinisch-Bergischer Kreis is dominated by small and medium-sized enterprises. It falls under the Cologne Chamber of Industry and Commerce, which numbers around 16,600 member companies in the district. The district has just under 66,000 employees subject to social security, two-thirds of whom are employed in the service industry. Although some 28,000 non-residents commute to the district to work, the number of residents who commute to destinations outside the district is almost twice as high (53,000). Unemployment has been falling since 2005 (9.7 per-

cent) and amounted to 6.7 percent in 2010. The largest private employers are concentrated on the towns of Bergisch Gladbach, Wermelskirchen and Burscheid in particular. For example, Bergisch Gladbach is home to the paper manufacturer Zanders, the food producer Krüger, the investment company Indus Holding and the biotechnology company Miltenyi Biotec. The DIY chain Obi has its head office in Wermelskirchen, while the caster manufacturer Tente has a production facility in the town. The major employers in Burscheid include Federal-Mogul and Johnson Controls. A number of small and

medium-sized companies are based at the Bergisch Gladbach-Moitzfeld technology center and technology park and the UPA1 business park in Wermelskirchen. With the A 1, A 3 and A 4 highways, the district enjoys three key connections to the surrounding region and beyond, while its proximity to the transport hub of Cologne means it has access to the long-distance road and rail network alike, with regional and local commuter trains transporting passengers to the surrounding area and to Cologne. Düsseldorf and Cologne/Bonn airports can be reached in 15 and 60 minutes respectively.

Average asking rents of €6.79 per square meter

With average annual purchasing power of €23,824 per capita, households in the Rheinisch-Bergischer Kreis have the highest purchasing power of all 54 housing market regions analyzed for the purposes of this report. In terms of the individual postcode areas, one sub-market is ranked in the top 10 in the entire state in terms of purchasing power: households in Odenthal (postcode 51519) in the west of the district have average monthly purchasing power of €5,027. Only parts of Düsseldorf, Mettmann and the Rhein-Kreis Neuss can boast higher figures, ranging from €5,217 (postcode 40489, Düsseldorf Kaiserswerth, Kalkum, Wittlaer, Angermund) to €6,428 (postcode 40212, Düsseldorf Stadtmitte). This meant that households in the district were better placed to absorb the slight rent increases in 2010 than residents of less prosperous regions. Across all market segments, asking prices in the district climbed by 0.6 percent to an average of €6.79 per square meter per month. Only one of the other 41 smaller towns and districts saw higher average monthly asking rents: the Rhein-Kreis Neuss, with a figure of €6.81 per square meter.

Price development in 2010 varied between the individual market segments. Asking rents in the upper market segment declined by 1.8 percent. At an average of €9.22, however, Cologne's eastern neighbor

remains one of the five near-city districts along the Rhine with prime rents in excess of €9 per square meter per month. Prime rents exceeded €9 per square meter in half of the individual sub-markets, approaching the €10 barrier in some cases. For example, asking rents in the upper market segment amounted to €9.96 per square meter in postcode area 51429 and €9.85 per square meter in postcode area 51427, both of which are situated in Bergisch-Gladbach. In contrast to the upper segment, monthly asking rents in the lower market segment rose sharply by 3.2 percent year-on-year to €5 per square meter. Only four of the 12 sub-markets in the district offered rents of less than €5 per square meter for households with lower purchasing power in 2010. Asking rents excluding heating in the lower market segment in postcode area 51427 (Bergisch-Gladbach, Alt-Refrath, Frankenforst, Kippekausen, Lustheide, Refrath) were only just below the €6 mark at €5.86 per square meter. By contrast, corresponding apartments were available from €4.45 per square meter per month in Burscheid (postcode area 51399) in the north of the district.

As the high overall level of prosperity in the district is unevenly distributed across the individual postcode areas, there is a certain variation in the housing cost burden for local households. The least favorable ratio of household purchasing power

to housing costs is found in postcode area 51465 (Bergisch Gladbach Gronau, Hebborn, Heidkamp, Stadtmitte, Herrenstrunden, Romaney, Sand), where rent excluding and including heating account for 14.3 percent (€551) and 20.2 percent (€780) of the average monthly household purchasing power of €3,860 respectively. Meanwhile, the housing cost burden in Odenthal (postcode 51519) is just 10.3 percent (€515) for rent excluding heating and 14.9 percent (€751) for rent including heating on account of the high average household purchasing power of €5,027 per month.

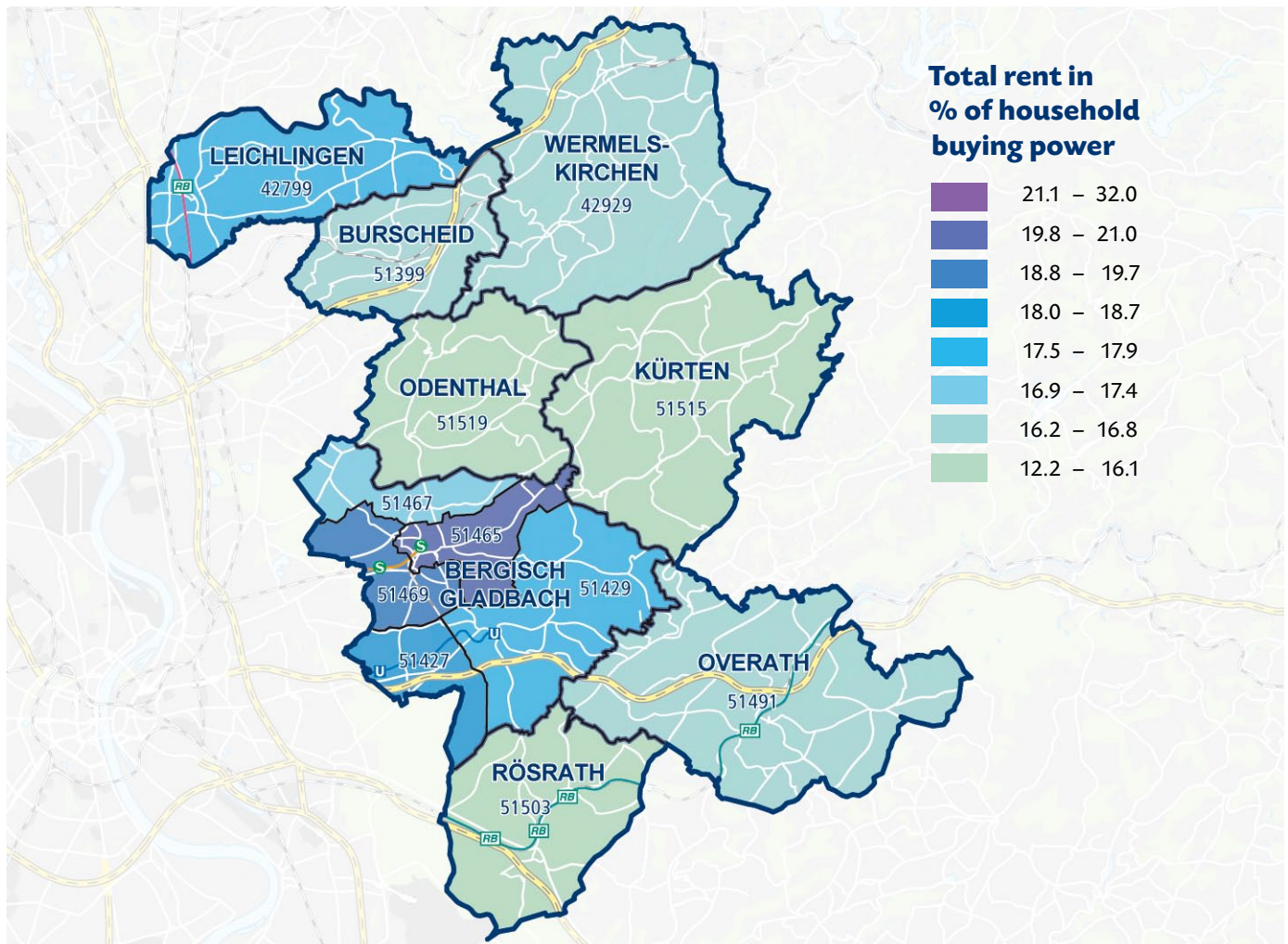
Asking rents in the Rheinisch-Bergischer Kreis will remain high in future, with continued positive development in terms of demand for housing. Although the total population is forecast to decline moderately by 2 percent between now and 2025, the reduction in the average household size means that the number of households in 2020 is set to be 4.4 percent higher than it is today, having already risen by 6.3 percent between 2000 and 2009. At the same time, new construction activity is relatively limited, with fewer than three residential units completed for every 1,000 inhabitants in 2009. The total number of completions was 712. The number of residential construction approvals has been dwindling since 2006 (1,002 units) and amounted to 644 units in 2009.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.4	1.9	3.0	2.3	1.9	3.3
Permits for new buildings	986	947	1,002	800	785	644
Finished apartments	1,095	1,131	732	892	643	712
Housing stock	127,698	128,804	129,515	130,395	130,997	131,677
Housing stock in apartment buildings	43.7	43.7	43.7	43.6	43.6	43.6

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
42799	654	5.01	6.96	9.33	[2.3]	75	521	745	4,207	12.4	17.7
42929	450	4.47	5.89	7.80	[4.4]	73	429	648	3,904	11.0	16.6
51399	518	4.45	6.01	7.90	[4.8]	76	456	684	4,178	10.9	16.4
51427	1,010	5.86	7.46	9.85	[3.5]	74	550	772	4,142	13.3	18.6
51429	1,134	5.41	7.15	9.96	n/a	78	560	795	4,453	12.6	17.9
51465	821	5.38	7.19	9.12	n/a	77	551	780	3,860	14.3	20.2
51467	820	5.42	7.22	8.97	n/a	75	538	762	4,424	12.2	17.2
51469	871	5.26	7.00	9.20	n/a	75	528	754	3,830	13.8	19.7
51491	682	4.89	6.44	8.48	n/a	75	482	706	4,366	11.0	16.2
51503	1,007	5.15	6.76	9.11	n/a	75	505	729	4,589	11.0	15.9
51515	636	4.67	5.92	8.00	n/a	77	457	688	4,298	10.6	16.0
51519	412	5.11	6.57	8.53	n/a	78	515	751	5,027	10.3	14.9
Ø	8,195 ³⁾	5.00	6.79	9.22	3.3	76	514	741	4,241	12.1	17.5
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

42799 Leichlingen (Rheinland), City, **42929** Wermelskirchen, City, **51399** Burscheid, City, **51427** Bergisch Gladbach-Alt-Refrath, Frankenforst, Kippekausen, Lustheide, Refrath, **51429** Bergisch Gladbach-Gronau, Hebborn, Heidkamp, Stadtmitte, Herrenstrunden, Romaney, Sand, Asselborn, Bärbroich, Herkenrath, Bensberg, Bockenberg, Kaule, Lückerrath, Moitzfeld, Alt-Refrath, Frankenforst, Kippekausen, Lustheide, Refrath, **51465** Bergisch Gladbach-Gronau, Hebborn, Heidkamp, Stadtmitte, Herrenstrunden, Romaney, Sand, **51467** Bergisch Gladbach-Hand, Katterbach, Nußbaum, Paffrath, Schildgen, Gronau, Hebborn, Heidkamp, Stadtmitte, Herrenstrunden, Romaney, Sand, **51469** Bergisch Gladbach-Hand, Katterbach, Nußbaum, Paffrath, Schildgen, Gronau, Hebborn, Heidkamp, Stadtmitte, Herrenstrunden, Romaney, Sand, Bensberg, Bockenberg, Kaule, Lückerrath, Moitzfeld, **51491** Overath, City, **51503** Rösrath, City, **51515** Kürten, **51519** Odenthal

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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