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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

Dist. of Siegen-Wittgenstein

Score 27 of max. 48

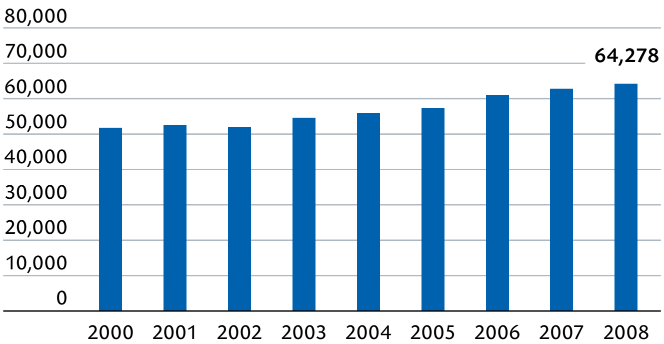
Falling prices in the lower market segment, vacancy rate on the rise

With a population of 284,405 and a population density of 252 inhabitants per square meter, Siegen-Wittgenstein district is one of the less densely populated districts in North Rhine-Westphalia, no doubt due in part to its high proportion of forested land. The district consists of seven towns and four municipalities. Last year, it was not possible to provide information on the housing market in three of the 15 postcode areas due to the low number of properties advertised, namely the towns of Bad Berleburg and Bad Laasphe and Erndtebrück municipality. In 2010, asking rents in the district were far from uniform across the individual market segments. With the number of households set to decline between now and 2020, demand for housing is expected to fall.

Macroeconomic data	Siegen-Wittgenstein, dist.	NRW	Germany	Year
Residents	284,405	17,872,764	81,802,256	2009
Population density (residents/km²)	252	526	230	2009
Population development in %	−4.0	−0.8	−0.6	2000–2009
Population forecast in %	−8.1	−2.4	−3.6	2009–2025
Households	127,065	8,550,214	39,628,120	2009
Household development in %	1.4	2.8	3.7	2000–2009
Household forecast in %	−2.0	1.5	1.1	2009–2020
Buying power	99.6	101.2	100.0	2011
Per capita buying power in €	19,610	19,921	19,684	2011
Workers paying social insurance contributions	103,649	5,766,861	27,380,096	2009
Development of social insurance contributions	−2.5	−2.4	−1.6	2000–2009

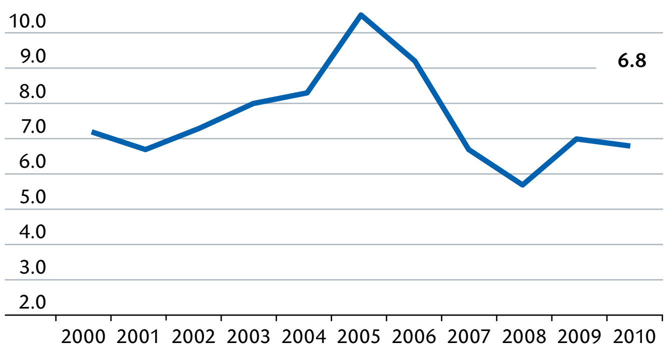
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

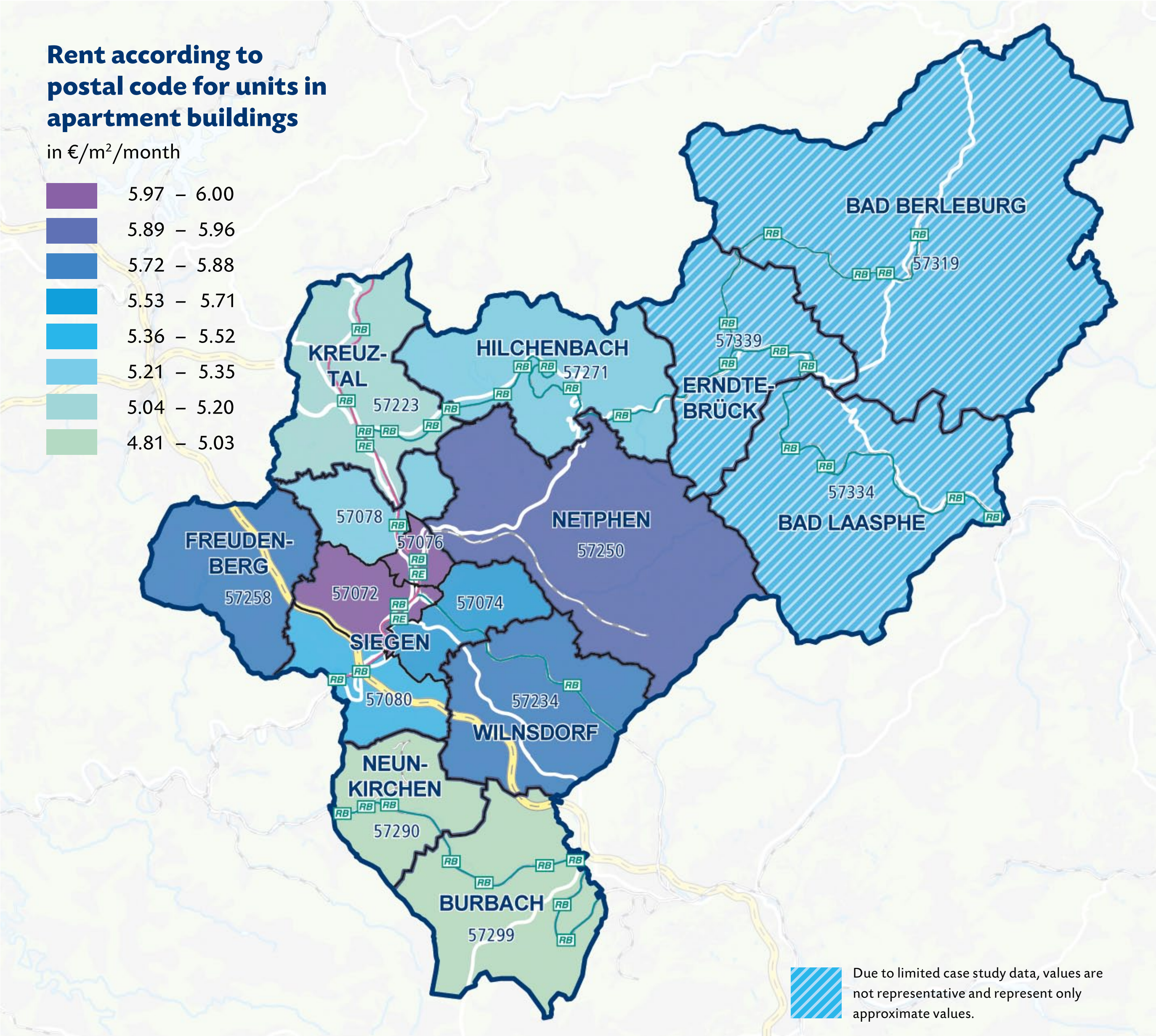


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Siegen-Wittgenstein district forms part of the wider natural landscape of the Rhenish Massif. In terms of the total area covered by natural forests and woodlands, Siegen-Wittgenstein is the most densely forested district in the whole of Germany. Accordingly, forestry has always played a significant role in the local economic structure. Metal processing companies and small and medium-sized craft firms are among the other key revenue generators. Prominent companies in the region include the Schäfer Group, which is globally active within the metal processing industry; SMS Siemag, a global market leader in the field of metallurgical plant and rolling mill technology; and Utsch AG, a multinational manufacturer of vehicle license plates. Internationally, Siegen-Wittgenstein is particularly well known for its breweries. The town of Kreuztal is home to Krombacher, one of the largest private breweries in Germany. The towns and municipalities of Siegen-Wittgenstein district are served by the A 4 and A 45 highways, which provide connections to regional centers. The B 54 and B 62 main roads also link the municipalities to the surrounding area at a regional level. The nearest international airport is Cologne/Bonn, around 110 kilometers away.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	6.6	5.3	5.5	4.6	4.4	5.4
Permits for new buildings	779	649	658	383	442	446
Finished apartments	945	790	614	628	356	390
Housing stock	128,693	129,441	130,020	130,639	130,936	131,266
Housing stock in apartment buildings	33.6	33.6	33.5	33.5	33.5	33.5

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

Dist. of Siegen-Wittgenstein

Prime rents exceed €9 in seven postcode areas

Households in Siegen-Wittgenstein district had to accept high asking rents in 2010. Advertised rents for apartments in the upper market segment exceeded the €9 mark in seven of the 15 postcode areas. In the seven towns and four municipalities that make up the district, average asking rents for corresponding properties amounted to €8.89 per square meter, 0.9 percent higher than in the previous year. This places the district in the top third of all 54 housing market locations analyzed for the purposes of this report in terms of asking rents for corresponding properties. In the lower market segment, monthly asking rents declined by 2.6 percent year-on-year to €4.06 per square meter. This meant that Siegen-Wittgenstein district was one of the few housing market regions in North Rhine-Westphalia to record falling rents in this segment: only seven of the 54 locations analyzed saw lower asking rents in 2010 than in 2009, and the downturn in Siegen-Wittgenstein was the most pronounced of all.

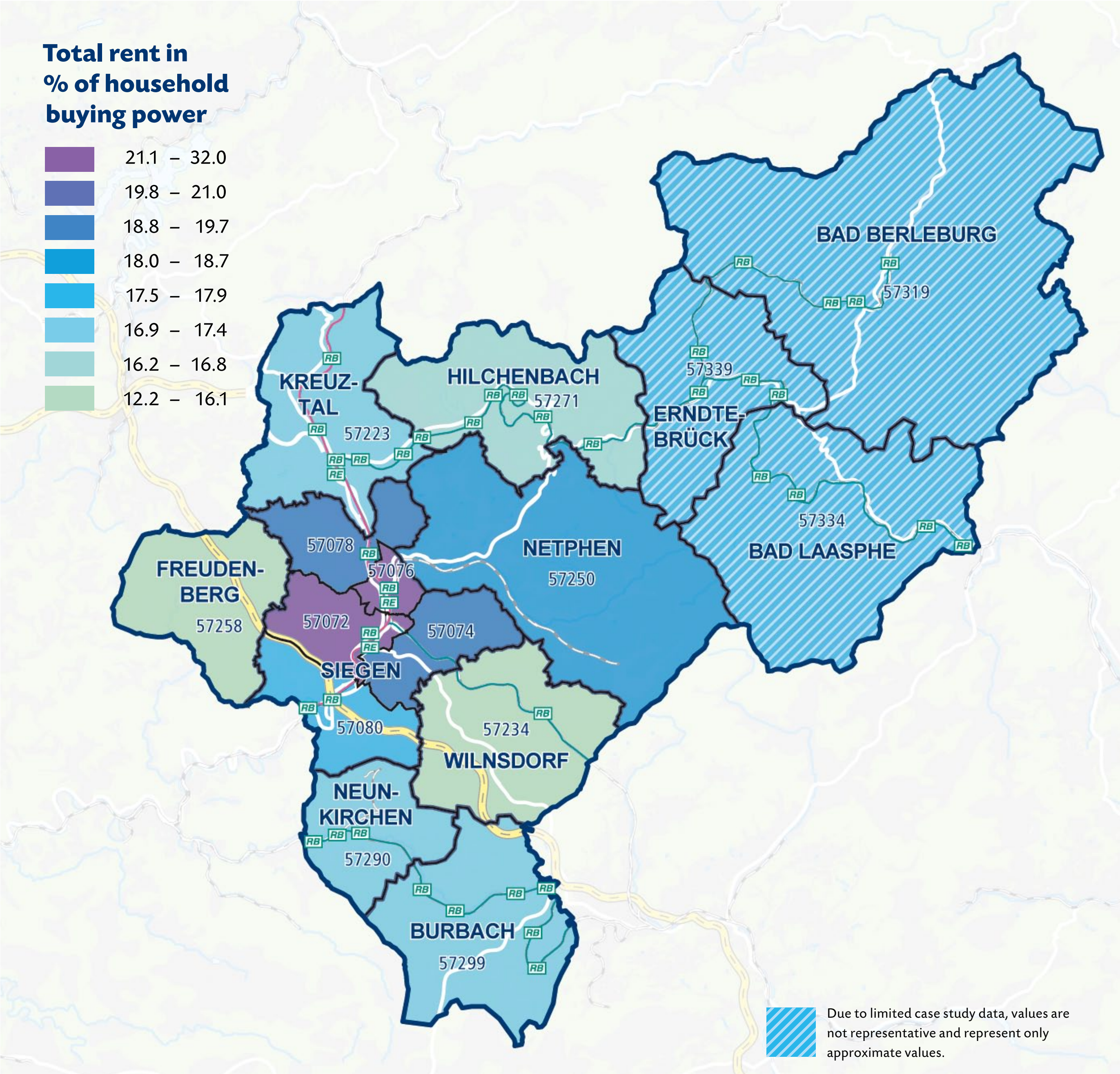
However, an analysis of all the properties advertised in the past year shows a different picture, with rents per square meter declining only moderately by 0.8 percent across all location and quality categories. This meant that the average monthly asking rent for an apartment was €5.52 per square meter. Looking at price trends at the postcode level, however, it is clear that the district has a highly differentiated price landscape and a similarly heterogeneous wealth structure among its population. Less prosperous residents are required to pay comparatively high rents, leaving less of their monthly household purchasing power available for other outgoings. The highest housing cost burden is found in postcode area 57072 (Siegen-Weidenau, Seelbach, Trupbach): of the average household purchasing power of €3,142 per month, 14.7 percent (€462) went towards rent excluding heating and 22.1 percent (€694) towards rent including heating. Households in postcode area 57076 (Siegen-Weidenau, Geiswald, Bürbach) are faced with a similar housing cost burden, with rent excluding and including heating accounting for 14.2 percent (€446) and 21.3 percent (€669) of the average monthly household purchasing power of €3,137 respectively. By contrast, housing costs in postcode area 57234 (Wilnsdorf), which boasts the highest level of household purchasing power in the district, came to just 9.9 percent (€406) excluding heating costs and 14.9 percent (€613) including heating.

The significant downturn in prices in the lower market segment correlates with another notable feature of the Siegen-Wittgenstein housing market: the high vacancy rate. In 2009, 5.4 percent of units in apartment complexes were vacant, up 1 percent on the previous year. This represented a turnaround following the downward vacancy trend in the previous years. The submarket of Siegen-Weidenau, Geiswald, Birlenbach (postcode 57078) had a vacancy rate of 11.3 percent.

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
57072	379	4.10	6.00	9.05	4.6	77	462	694	3,142	14.7	**22.1**
57074	169	4.62	5.54	8.55	2.9	71	396	610	3,186	12.4	**19.2**
57076	111	4.51	6.00	9.49	3.6	74	446	669	3,137	14.2	**21.3**
57078	131	4.09	5.33	7.50	11.3	72	382	598	3,185	12.0	**18.8**
57080	120	4.28	5.50	9.15	[8.1]	72	397	614	3,452	11.5	**17.8**
57223	187	3.69	5.07	7.69	5.6	75	382	609	3,612	10.6	**16.9**
57234	110	4.63	5.88	9.67	[4.9]	69	406	613	4,099	9.9	**14.9**

Postal code allocation

57072 Siegen-Weidenau, Seelbach, Trupbach, **57074** Siegen-Kaan-Marienborn, Bürbach, Feuersbach, **57076** Siegen-Weidenau, Geiswald, Bürbach, **57078** Siegen-Weidenau, Geiswald, Birlenbach, **57080** Siegen-Eiserfeld, Niederschelden, Gosenbach, Eisern, **57223** Kreuztal, City, **57234** Wilnsdorf, **57250** Netphen, City, **57258** Freudenberg, City, **57271** Hilchenbach, City, **57290** Neunkirchen, **57299** Burbach, **57319** Bad Berleburg, City, **57334** Bad Laasphe, City, **57339** Erndtebrück



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
57250	128	4.14	5.89	9.43	[2.1]	80	471	711	3,891	12.1	**18.3**
57258	104	4.29	5.73	9.49	[2.0]	72	414	631	3,916	10.6	**16.1**
57271	114	4.29	5.24	9.51	6.3	76	399	627	3,829	10.4	**16.4**
57290	88	3.82	4.81	7.50	[11.8]	80	387	628	3,627	10.7	**17.3**
57299	105	3.91	5.00	7.86	[7.3]	80	401	641	3,784	10.6	**16.9**
57319	22	n/a	n/a	n/a	[4.0]	80	n/a	n/a	3,998	n/a	**n/a**
57334	9	n/a	n/a	n/a	[2.2]	61	n/a	n/a	3,674	n/a	**n/a**
57339	7	n/a	n/a	n/a	n/a	72	n/a	n/a	3,989	n/a	**n/a**
Ø	1,784 3)	4.06	5.52	8.89	5.4	75	415	640	3,593	11.5	17.8
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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