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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

District of Unna

Score 20 of max. 48

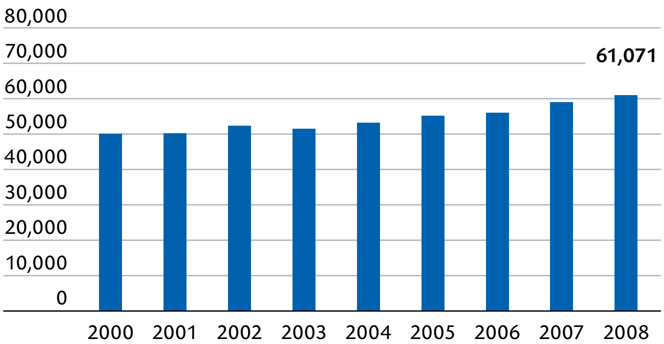
Further reduction in available properties for low earners

Unna district, which is made up of eight towns and two municipalities, is located in the center of NRW and forms part of the eastern Ruhr area. The south of the district belongs to the Sauerland region, while the northern areas are part of the Münsterland region. Unna is bordered by the districts of Coesfeld, Soest, Recklinghausen, the Märkischer Kreis and the cities of Hamm, Hagen and Dortmund. It is currently home to around 414,000 people, although the population has been in decline since 2000. The population is expected to fall by 8.4 percent between now and 2025, although the projected reduction in the number of households by 2020 is just 0.8 percent. The rental market in 2010 was mainly characterized by a slight downturn in asking rents.

Macroeconomic data	Unna, district	NRW	Germany	Year
Residents	414,056	17,872,764	81,802,256	2009
Population density (residents/km²)	765	526	230	2009
Population development in %	–4.1	–0.8	–0.6	2000–2009
Population forecast in %	–8.4	–2.4	–3.6	2009–2025
Households	186,708	8,550,214	39,628,120	2009
Household development in %	2.8	2.8	3.7	2000–2009
Household forecast in %	–0.8	1.5	1.1	2009–2020
Buying power	95.0	101.2	100.0	2011
Per capita buying power in €	18,696	19,921	19,684	2011
Workers paying social insurance contributions	101,235	5,766,861	27,380,096	2009
Development of social insurance contributions	1.9	–2.4	–1.6	2000–2009

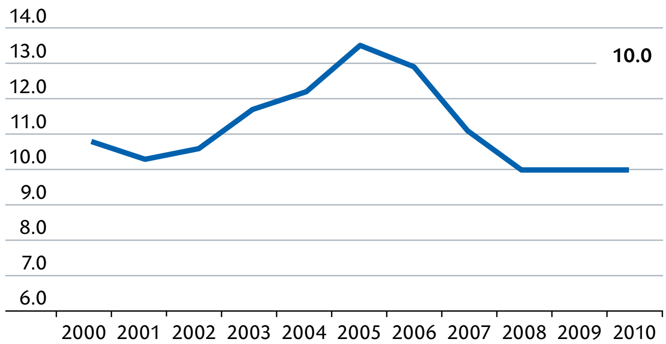
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

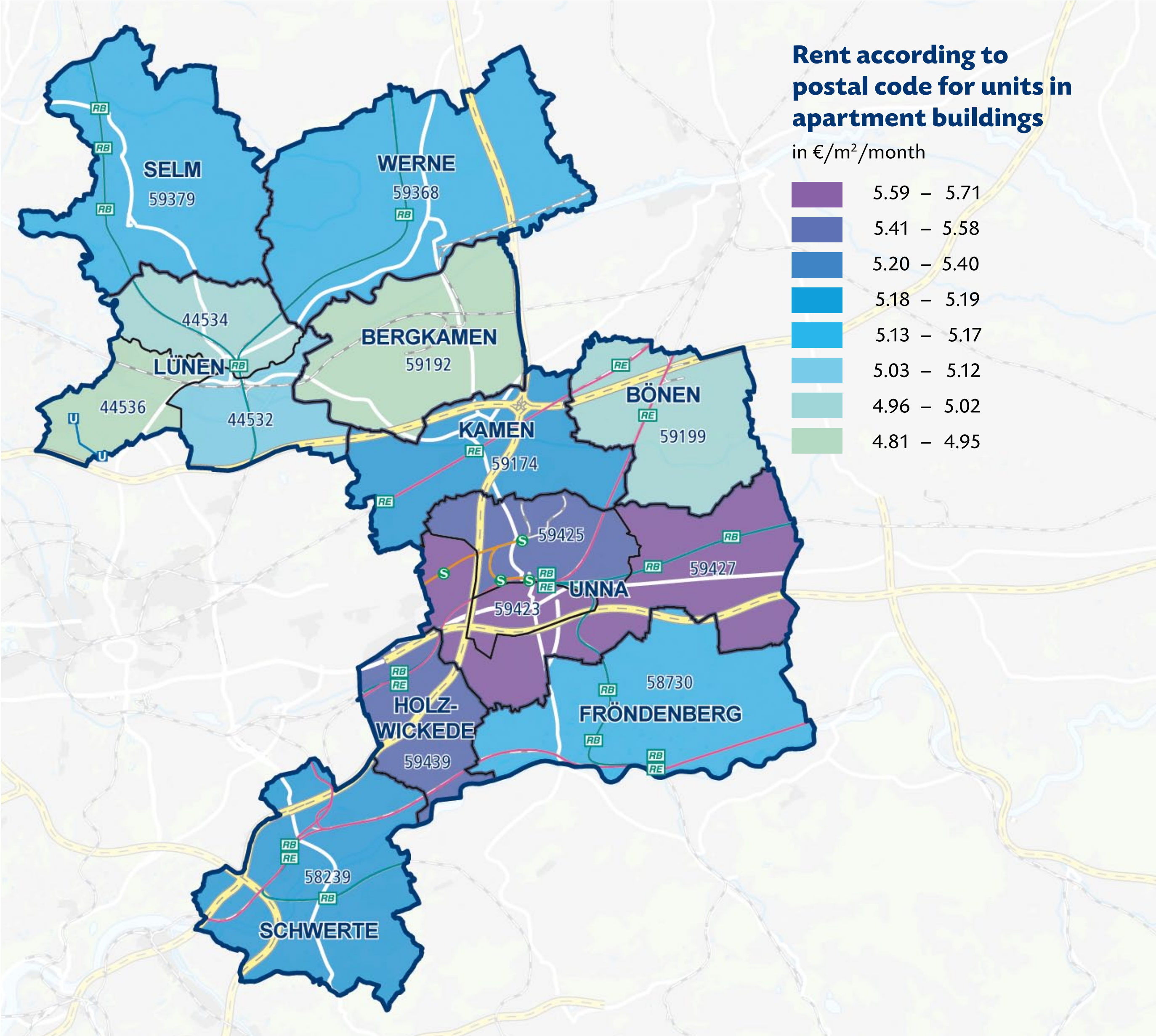


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

As in the other cities in the Ruhr area, coal and steel were once the main drivers of the regional economy in Unna. New clusters have since been defined as part of the process of structural change, such as healthcare, life sciences, mechanical engineering, factory automation, sustainable recycling management and tourism. Key pillars of the current economic landscape, which is dominated by small and medium-sized enterprises, include electrical engineering, IT, food and beverages, chemicals, plastics processing and precision engineering/optics. The district is also one of the most important locations for logistics in North Rhine-Westphalia, playing host to high-profile companies such as DHL, DPD and Metro. Other major employers include the bakery chain Kamps; Evonik, the operator of the coal-fired power station in Lünen; and Remondis, the largest German company in the water and recycling management industry.

The nationwide economic upturn has yet to have an impact on the employment situation in the district. After falling from its initial level of 13.5 percent in 2005, the unemployment rate has stagnated at 10 percent since 2008. This puts Unna in the bottom third of all 54 housing market locations analyzed in this report. The number of employees subject to social security increased by 1.9 percent between 2000 and 2009.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.7	2.9	3.8	3.7	4.2	3.0
Permits for new buildings	1,151	1,358	1,220	753	919	710
Finished apartments	969	1,269	1,037	1,037	668	748
Housing stock	186,712	187,850	188,777	189,778	190,368	191,067
Housing stock in apartment buildings	53.5	53.4	53.3	53.2	53.2	53.1

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

District of Unna

District offers affordable asking rents with a general downward trend

In 2010, Unna was home to one of the areas with the lowest asking rents in all of North Rhine-Westphalia: Bönen (postcode 59199), where apartments in the lower market segment were available for €2.98 per square meter per month. This meant that the municipality at the edge of the eastern Ruhr area with a population of 18,600 was one of just four postcode areas in the state to record asking rents of less than €3 per month in the past year. All in all, monthly asking rents in the lower market segment in Unna increased by 1 percent year-on-year to €4 per square meter. By contrast, advertised prices in the upper market segment declined by 1.2 percent to €6.98 compared with 2009. Asking rents also decreased year-on-year across all location and quality categories, with landlords in the district demanding an average of €5.06 per square meter per month, 1.2 percent less than in the previous year.

Rental growth in the lower market segment is affecting households with low purchasing power. An analysis at postcode level also shows that affordable residential space is now available in just a small number of sub-markets: only 4 of the 14 postcode areas in the district were able to offer apartments in the lower market segment for less than €4 per square meter per month. In addition to Bönen, these were Bergkamen (postcode 59192, €3.55), Werne (postcode 59368, €3.75) and Lünen-Brambauer (postcode 44536, €3.89). In all of the other sub-markets, initial rents ranged from €4 in Selm and Lünen-Horstmar (postcodes 59379 and 44532) to €4.35 in Holzwickede (postcode 59439). While the differences in these areas were a matter of cents, the price range in the upper market segment was comparatively broad: apartments in Bergkamen (postcode 59192) were available for €6.13 per square meter, whereas monthly asking rents in Werne (postcode 59368) in the north-east of Unna district amounted to €8.18. This heterogeneous price landscape is accompanied by relatively even wealth distribution in the towns and municipalities that make up the district: at €2,882, only postcode area 44536 (Lünen-Brambauer) has average household purchasing power of less than €3,000 a month.

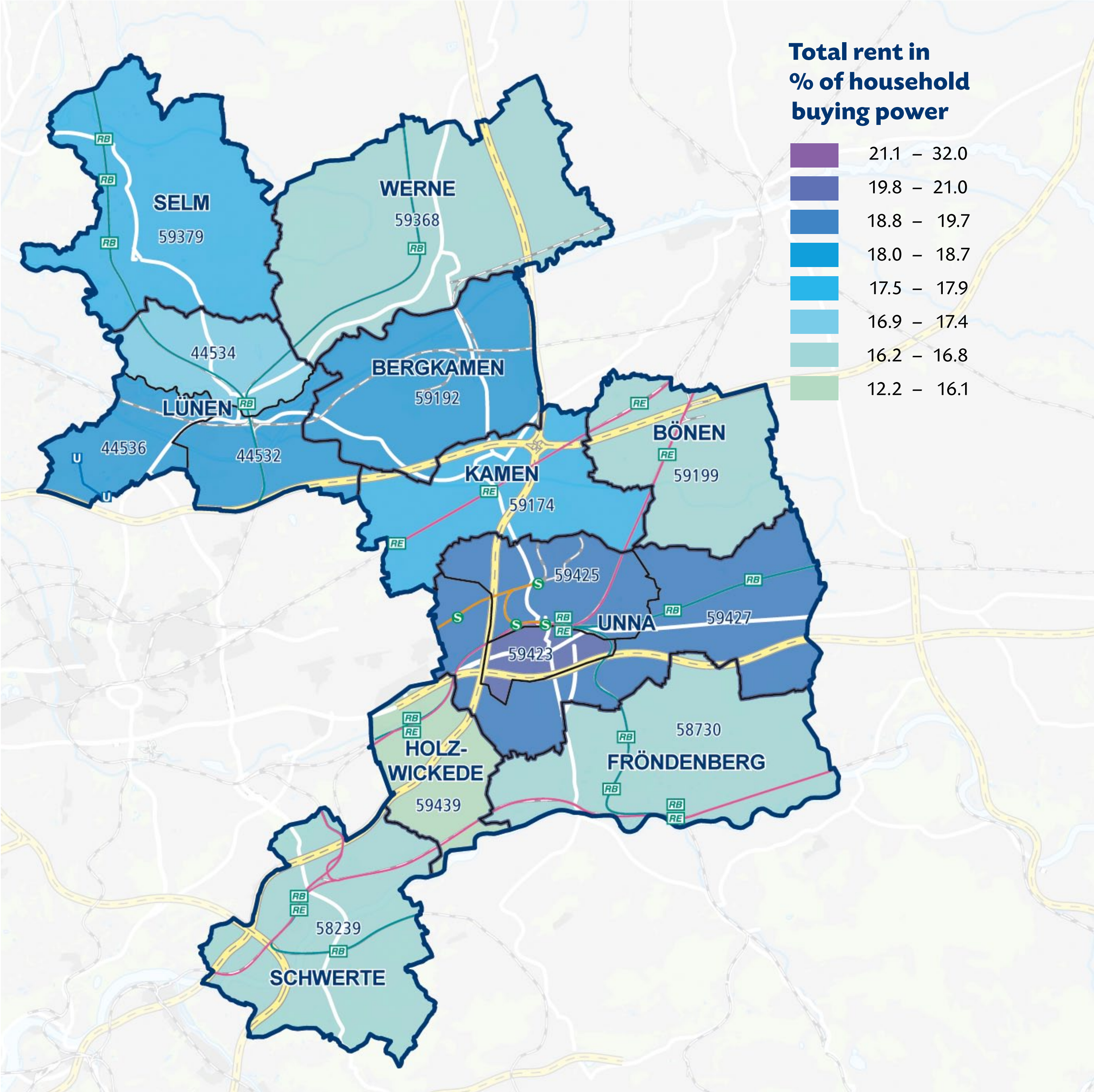
The average housing cost burden varies throughout the district. While households in central Unna (postcode 59423) spend 20.7 percent (€654) of their monthly budget of €3,155 on rent including heating and 13.6 percent (€428) on rent excluding heating, the high purchasing power of €3,966 enjoyed by households in Holzwickede (postcode 59439) means that rent including and excluding heating accounts for just 15.3 percent (€605) and 9.9 percent (€391) of this figure respectively.

As the number of households in the district is expected to fall only slightly, future demand for housing is likely to be relatively stable. According to the German Federal Statistical Office, the number of households will decline by 0.8 percent between now and 2020, meaning that Unna can look forward to more positive development than the neighboring districts of Recklinghausen (-2.1 percent) and the Märkischer Kreis (-2.4 percent); it will, however, be beaten by other neighbors such as Coesfeld (+6.6 percent) and Soest (+1.1 percent).

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
44532	711	4.00	5.03	6.84	3.1	70	350	559	3,028	11.6	**18.4**
44534	633	4.25	5.02	6.67	[0.4]	68	340	543	3,143	10.8	**17.3**
44536	756	3.89	4.88	6.19	[3.4]	67	326	526	2,882	11.3	**18.3**
58239	1,017	4.21	5.19	7.00	2.5	75	388	612	3,638	10.7	**16.8**
58730	319	4.21	5.13	6.55	3.2	78	400	634	3,796	10.5	**16.7**
59174	865	4.20	5.19	7.47	2.9	71	371	585	3,309	11.2	**17.7**
59192	1,279	3.55	4.81	6.13	4.8	71	344	558	3,043	11.3	**18.3**

Postal code allocation

44532 Lünen, City of Horstmar, **44534** Lünen, City of Nordlünen, **44536** Lünen, City of Brambauer, **58239** Schwerte, City, **58730** Fröndenberg/Ruhr, City, **59174** Kamen, City, **59192** Bergkamen, City, **59199** Bönen, **59368** Werne, City, **59379** Selm, City, **59423** Central Unna, **59425** Unna-Königsborn, Mühlhausen, Afferde, **59427** Unna-Billmerich, Lünern, Hemmerde, Massen, Kessebüren, **59439** Holzwickede



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
59199	159	2.98	5.00	6.76	[2.3]	66	330	529	3,215	10.3	**16.4**
59368	433	3.75	5.17	8.18	[2.2]	78	402	635	3,813	10.5	**16.7**
59379	435	4.00	5.17	6.67	[7.6]	75	390	617	3,487	11.2	**17.7**
59423	424	4.15	5.67	7.53	3.2	76	428	654	3,155	13.6	**20.7**
59425	330	4.09	5.53	7.43	2.3	76	419	646	3,296	12.7	**19.6**
59427	211	4.26	5.71	7.37	[2.3]	79	451	688	3,567	12.6	**19.3**
59439	302	4.35	5.47	7.05	[2.8]	71	391	605	3,966	9.9	**15.3**
Ø	7,874[3)]	4.00	5.06	6.98	3.0	72	366	582	3,351	10.9	17.4
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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