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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 Viersen

Score 29 of max. 48

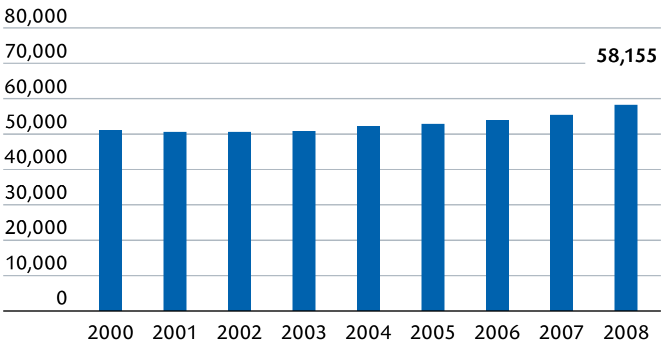
Expensive housing in the east, more affordable areas in the west

Viersen district in western NRW consists of the five towns of Nettetal, Viersen, Willich, Kempen and Tönisvorst as well as the municipalities of Grefrath, Brüggen, Niederkrüchten and Schwalmtal. The district is home to some 302,000 people. While the population remained essentially unchanged between 2000 and 2009, the number of households increased by 6.8 percent in the same period – a trend that is set to continue. As such, the housing market in Viersen district is benefiting from rising demand, which is also reflected in a high price level compared with other districts. In 2010, asking rents in the lower market segment increased by almost 2 percent.

Macroeconomic data	Viersen, district	NRW	Germany	Year
Residents	301,797	17,872,764	81,802,256	2009
Population density (residents/km²)	539	526	230	2009
Population development in %	0.3	–0.8	–0.6	2000–2009
Population forecast in %	–3.5	–2.4	–3.6	2009–2025
Households	134,183	8,550,214	39,628,120	2009
Household development in %	6.8	2.8	3.7	2000–2009
Household forecast in %	4.2	1.5	1.1	2009–2020
Buying power	104.6	101.2	100.0	2011
Per capita buying power in €	20,585	19,921	19,684	2011
Workers paying social insurance contributions	83,994	5,766,861	27,380,096	2009
Development of social insurance contributions	–6.5	–2.4	–1.6	2000–2009

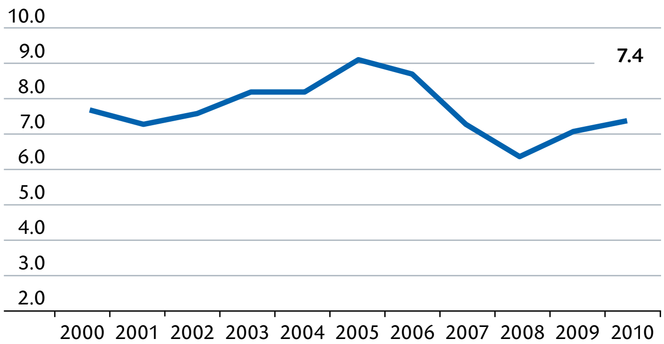
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

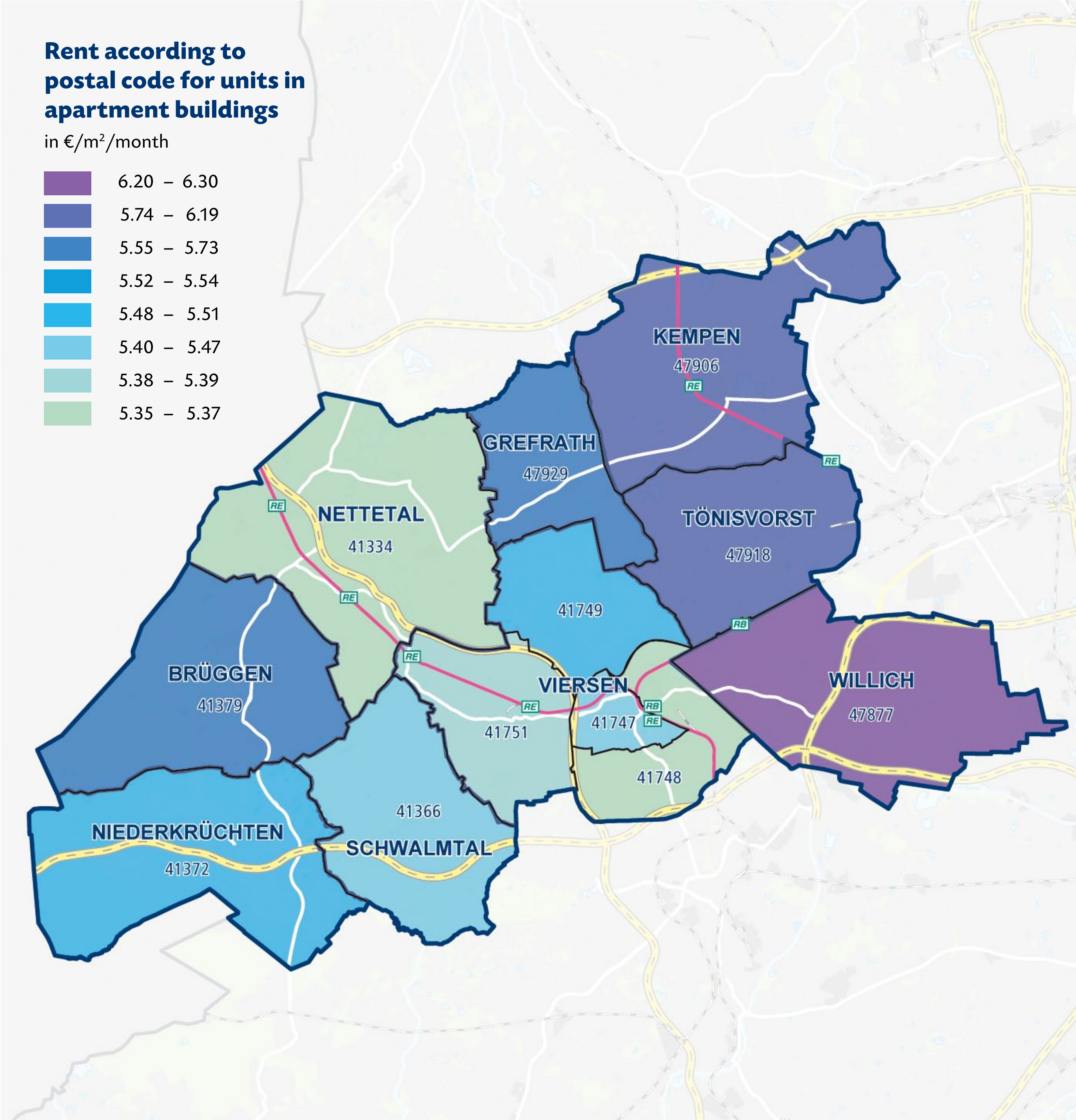


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

The economic structure of Viersen district is dominated by small and medium-sized production and service companies, but is also home to a large number of multinational corporations. For example, the confectionary manufacturer Mars and the retail chain Kaiser's Tengelmann have their German headquarters in Viersen, while the electronics group Canon is based in Willich and Griesson de Beukelaer is domiciled in Kempen. Key focal points for companies looking to move to the area include the Mackenstein (Dülken) and Münchheide (Willich) industrial estates and the Dutch-German Venete development area, which are contributing to the solid economic growth in the towns of Nettetal, Willich and Kempen. However, the local economic landscape is also characterized by agriculture, including crop and livestock farming. Kempen, for example, is known for cabbage growing, while Tönisvorst has a number of apple orchards.

The recent economic upturn has not affected the employment situation in the district. In contrast to the state-wide trend, the unemployment rate increased from 6.4 percent in 2008 to 7.1 percent in 2009 and 7.4 percent in 2010. However, purchasing power has risen sharply: while the average figure for the district was €19,830 per capita in 2009, this increased to €20,585 in the past year. With its location between the cities of Mönchengladbach, Krefeld and Dusseldorf, and its proximity to the Dutch border, Viersen district enjoys good transportation connections with the Netherlands-Lower Rhine-Rhine area transport axis. The closest international airport is in Dusseldorf, located approximately 30 kilometers away.

Pronounced regional differences in the upper market segment

The housing market in Viersen district is characterized by an east-west divide. The good to very good residential locations with the highest asking rents are found on the eastern border with Krefeld, at the axis of Kempen (postcode 47906), Tönisvorst (postcode 47918) and Willich (postcode 47877). Central and western areas of the district are more affordable, particularly Nettetal (postcode 41334) and parts of the town of Viersen (postcodes 41748 and 41751). Price trends over the past year have done little to change this geographical distribution. As such, monthly asking rents in 2010 across all location and quality categories were unchanged as against the previous year, with apartments commanding an average of €5.71 per square meter. This is a high figure compared with all of the cities and districts in North Rhine-Westphalia: only 12 of the 54 housing market locations analyzed in this report saw higher average rents than Viersen district in 2010.

Although rents remained stable on the whole, asking rents in the upper market segment declined slightly by 0.4 percent to €7.97 per square meter. This already negligible development should also be seen as a relativization of the trend recorded in the previous year: asking rents for corresponding properties increased almost across the board in North Rhine-Westphalia in 2009, with a growth rate of 4.4 percent in Viersen. As in the majority of the housing markets analyzed, asking rents in the lower market segment also increased compared with the previous year, rising by 1.9 percent to €4.29 per square meter per month. This meant that asking rents in the lower market segment in Viersen district also ranked in the top third for the state as a whole. Similar prices for households with limited purchasing power can be found in locations such as Essen (€4.30), Bielefeld (€4.28) and Wuppertal (€4.27).

Moderate housing costs due to relative prosperity

A postcode-based analysis of asking rents shows that affordable residential properties are something of a rarity in all of the sub-markets in Viersen district. None of the 12 postcode areas offered apartments in the lower market segment for less than €4 per square meter per month. The lowest initial rents were recorded in Viersen-Dülken (postcode 41751) at €4 per square meter, while landlords in Willich (postcode 47877) demanded €4.85 per square meter. The pronounced price differences in the upper market segment are typical of rural districts like Viersen. While corresponding apartments were advertised for as little as €6.88 per square meter per month in Nettetal (postcode 41334), asking rents in Kempen (postcode 47906) amounted to €9.19. In Willich (postcode 47877), apartments in the upper market segment were available for an average of €8.65 per square meter.

As prosperity is distributed relatively unevenly across the five towns and four municipalities that make up the district, there is a corresponding variance in the housing cost burden. In the postcode area with the lowest monthly purchasing power – 41747 (Viersen City) – housing costs pose the greatest burden, with rent excluding and including heating accounting for 13.2 percent (€385) and 20.5 percent (€598) of the average monthly household budget of €2,914 respectively. By contrast, households in Tönisvorst (postcode 47918) enjoy a significantly lower housing cost burden thanks to their high household purchasing power of €4,004: rent excluding heating accounts for just 10.8 percent (€431) of this amount, while the figure for rent including heating is 16 percent (€641). This sub-market also has a low housing cost burden compared with the state as a whole.

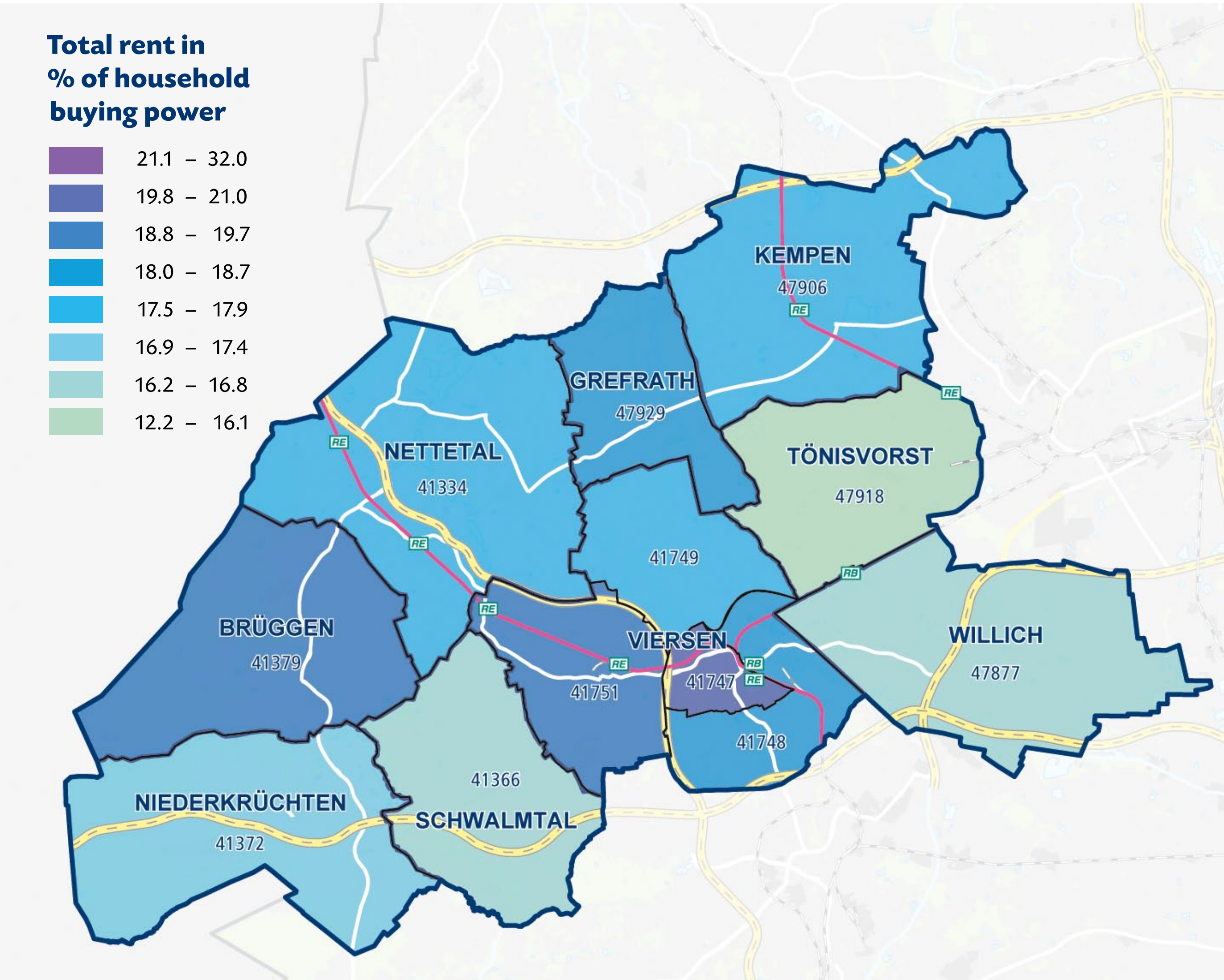
Construction activity in Viersen district is continuing to decline: 963 apartments were approved and 848 completed in 2006, compared with just 672 approvals and 562 completions in 2009. This means that fewer than two apartments were completed for every 1,000 inhabitants.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	2.5	2.7	2.5	3.1	3.1	3.2
Permits for new buildings	837	838	963	594	572	672
Finished apartments	1,088	718	848	775	619	562
Housing stock	133,241	133,919	134,781	135,579	136,159	136,662
Housing stock in apartment buildings	38.5	38.4	38.2	38.2	38.1	38.1

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 €/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
41334	722	4.11	5.37	6.88	3.3	78	417	649	3,624	11.5	**17.9**
41366	360	4.22	5.47	7.04	4.1	75	410	635	3,892	10.5	**16.3**
41372	203	4.30	5.51	7.71	[2.9]	78	428	661	3,909	10.9	**16.9**
41379	308	4.30	5.55	7.59	[4.4]	84	467	720	3,771	12.4	**19.1**
41747	886	4.22	5.40	7.43	4.3	71	385	598	2,914	13.2	**20.5**
41748	372	4.27	5.35	7.53	4.8	69	371	579	3,098	12.0	**18.7**
41749	359	4.29	5.51	8.00	3.1	69	381	589	3,299	11.6	**17.9**
41751	648	4.00	5.38	8.04	2.3	70	378	588	3,113	12.1	**18.9**
47877	1,014	4.85	6.30	8.65	1.9	71	445	657	3,958	11.2	**16.6**
47906	565	4.41	6.19	9.19	4.7	75	461	685	3,871	11.9	**17.7**
47918	701	4.66	6.18	7.71	2.6	70	431	641	4,004	10.8	**16.0**
47929	218	4.36	5.59	7.76	[2.5]	76	422	649	3,568	11.8	**18.2**
Ø	6,356[3]	4.29	5.71	7.97	3.2	73	416	635	3,634	11.5	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

41334 Nettetal, City, **41366** Schwalmtal, **41372** Niederkrüchten, **41379** Brüggen, **41747** Viersen, City, **41748** Viersen-Oberbeberich, **41749** Viersen-Süchteln, **41751** Viersen-Dülken, **47877** Willich, City, **47906** Kempen, City, **47918** Tönisvorst, City, **47929** Grefrath

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

Publisher:
LEG Management GmbH
Roßstraße 120
40476 Dusseldorf
Tel. +49 211 4568-329
Fax +49 211 4568-300
jens.schoenhorst@leg-nrw.de
www.leg-nrw.de (also for partial downloads of the LEG Housing Market Report NRW)

Editorial:
Jens Schönhorst (responsible under German press law),
Miriam Beul-Ramacher

Market data:
Dr. Henrik Baumunk, Michael Schlatterer MRICS, Kristina Kröger
(Residential Valuation, CB Richard Ellis GmbH)

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Concept and project management:
Katja Binnyus, Thomas Rücker (RUECKERCONSULT GmbH)

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