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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 Warendorf

Score 22 of max. 48

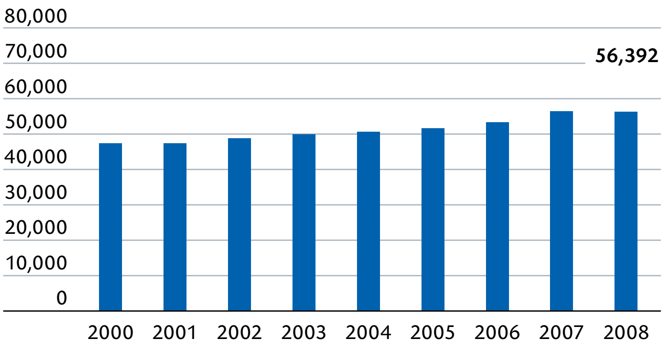
Tangible downturn in prices for apartments in the upper market segment

Warendorf district in northern NRW consists of nine towns and four municipalities, the biggest of which is Ahlen with around 54,000 inhabitants. Warendorf is bordered by the districts of Steinfurt, Gütersloh, Soest, Coesfeld and Osnabrück and the cities of Münster and Hamm. The district is characterized by a low proportion of homes in apartment buildings, which make up just 35.7 percent of the housing stock. As a result, only a certain set of residents were affected by the falling prices in 2010. Households looking for residential space in 2010 benefited from a stable overall price situation, with a sharp fall in rents in the lower segment.

Macroeconomic data	Warendorf, district	NRW	Germany	Year
Residents	279,003	17,872,764	81,802,256	2009
Population density (residents/km²)	212	526	230	2009
Population development in %	−0.5	−0.8	−0.6	2000–2009
Population forecast in %	−4.7	−2.4	−3.6	2009–2025
Households	122,272	8,550,214	39,628,120	2009
Household development in %	4.9	2.8	3.7	2000–2009
Household forecast in %	5.0	1.5	1.1	2009–2020
Buying power	98.5	101.2	100.0	2011
Per capita buying power in €	19,388	19,921	19,684	2011
Workers paying social insurance contributions	81,595	5,766,861	27,380,096	2009
Development of social insurance contributions	−3.2	−2.4	−1.6	2000–2009

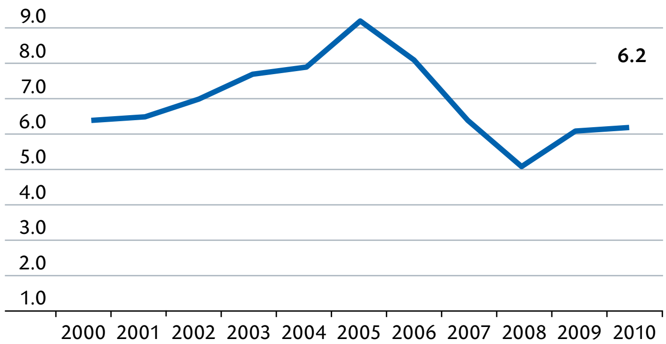
Source: NRW Statistics Office, Federal Statistics Office, GfK GeoMarketing, compiled by CBRE

Gross domestic product
per employed person in €

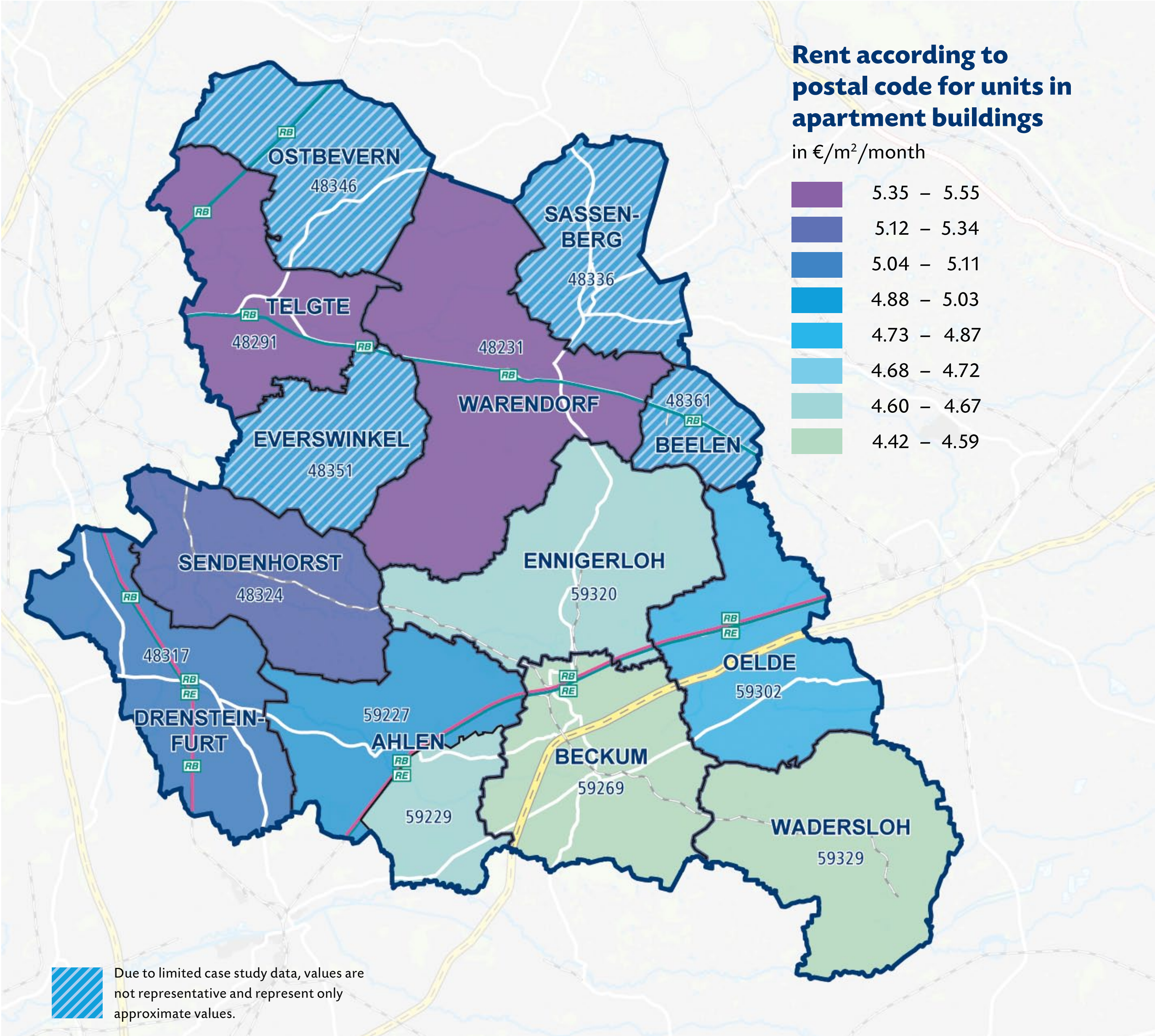


Source: NRW Statistics Office, compiled by CBRE

Unemployment rate
in % of all employable civilians



Source: Federal Labor Office, compiled by CBRE



Economic structure

Farmland and forests account for around 84 percent of the total area of the district. Agriculture continues to play an important role in the local economy, with no fewer than 3,000 farms and craft firms based in the district. The number of people employed by industrial and manufacturing companies is also notably high: at 30,000, these sectors account for more than one-third of the 81,000 jobs in the district. Public and private services lag behind with a share of 17.7 percent, while the retail sector accounts for 15 percent of the workforce.

One of the key areas of Warendorf's economic landscape is mechanical engineering, with a particular focus on agricultural technology. A number of well-known companies have their headquarters or production facilities in Warendorf district, including the domestic appliance manufacturer Miele, the bathtub and shower cubicle manufacturer Kaldewei, the fire protection company Gloria, and the dairy giant Humana Milchunion. The recent economic upturn has yet to have an impact on employment in the district. Unemployment has been on the rise since 2008 (5.1 percent) but remains at a relatively low level of 6.2 percent.

Housing stock data	2004	2005	2006	2007	2008	2009
Vacancy rate in %	3.9	4.4	4.5	4.0	3.6	3.0
Permits for new buildings	1,191	832	869	746	664	743
Finished apartments	1,433	1,010	886	785	637	597
Housing stock	115,375	116,317	117,112	117,834	118,417	118,944
Housing stock in apartment buildings	36.1	36.0	35.9	35.8	35.7	35.7

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

District of Warendorf

Comparatively low housing cost burden for Warendorf residents

A number of housing market regions in North Rhine-Westphalia have seen a slowdown following the price rises in the upper market segment in 2009, some of which were substantial in nature. This includes Warendorf district, where monthly asking rents in the upper market segment declined by 4.4 percent year-on-year to €6.65 per square meter in 2010. All in all, asking rents in this segment were low compared with all of the locations analyzed for this report, with only six of the housing markets in North Rhine-Westphalia offering more affordable high-end apartments in the past year.

By contrast, the downturn in the lower market segment was only marginal, with average asking rents of €3.70 per square meter per month – 0.5 percent less than one year previously. Monthly asking rents across all location and quality categories remained essentially unchanged year-on-year, slipping by 0.2 percent to an average of €4.89 per square meter. This means that Warendorf offers extremely affordable average rents compared with the rest of the 54 housing market locations analyzed in this report: in 2010, the district was only beaten in this respect by Höxter district (€4.22), Hochsauerlandkreis district (€4.55), Gelsenkirchen (€4.78), Minden-Lübbecke district (€4.84) and Hagen (€4.85).

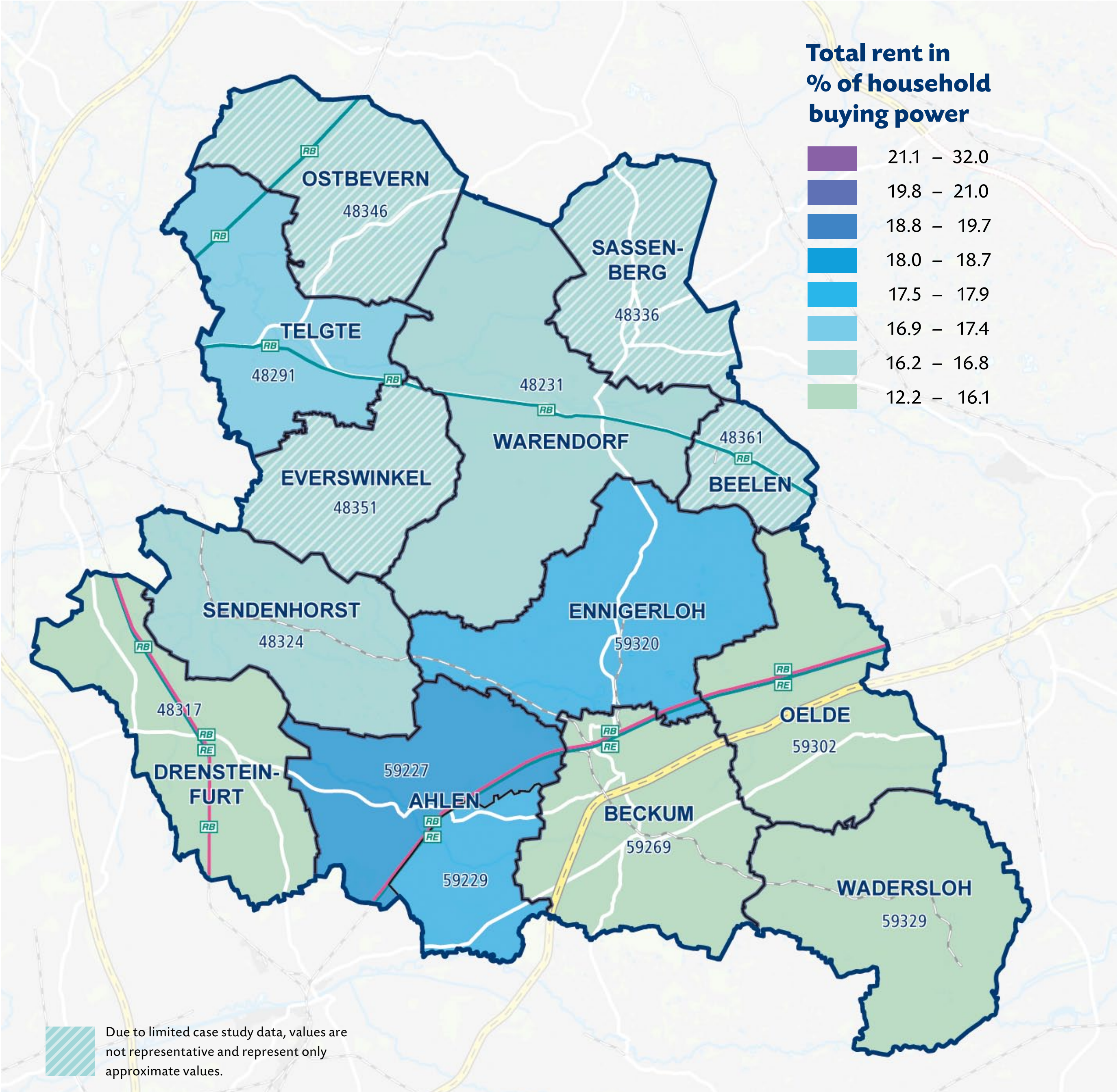
The low asking rents in Warendorf district are accompanied by an average level of prosperity. Households in Warendorf are required to commit just 10.1 percent (€379) of their average monthly household purchasing power of €3,744 to rent excluding heating and 16.3 percent (€612) to rent including heating. In other words, the housing cost burden is comparatively low. In statistical terms, the most favorable ratio of wealth to housing costs is enjoyed by tenant households in Wadersloh (postcode 59329), where rent excluding and including heating accounts for just 8.6 percent (€316) and 14.4 percent (€531) of the average monthly household purchasing power of €3,693 respectively. By contrast, households in the town of Ahlen (postcode 59227) are faced with the highest housing cost burden, with rent excluding heating accounting for 11.4 percent (€391) of the average household purchasing power of €3,413, while rent including heating accounts for 18.4 percent (€627).

A postcode-based analysis also shows a wealth gap between households in the north and north-west of the district, which enjoy monthly household purchasing power in excess of €4,000, and the slightly less affluent households in the municipalities in the south and east. However, any analysis of Warendorf district is hindered by the fact that the data pool remains incomplete. As in the first LEG Housing Market Report NRW 2010, it was not possible to obtain reliable information on asking rents, housing costs and vacancy rates for the town of Sassenberg (postcode 48336) or the municipalities of Ostbevern (postcode 48346), Everswinkel (postcode 48351) and Beelen (postcode 48361) due to the low number of properties advertised.

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
48231	182	3.99	5.37	7.50	3.1	78	420	654	3,885	10.8	**16.8**
48291	102	3.97	5.55	6.96	[4.1]	83	463	712	4,092	11.3	**17.4**
48317	95	3.82	5.08	7.12	[2.4]	81	413	656	4,246	9.7	**15.5**
48324	75	4.00	5.12	6.48	[3.6]	82	418	663	4,003	10.4	**16.6**
48336	24	n/a	n/a	n/a	n/a	83	n/a	n/a	3,973	n/a	**n/a**
48346	19	n/a	n/a	n/a	n/a	73	n/a	n/a	4,231	n/a	**n/a**
48351	32	n/a	n/a	n/a	n/a	84	n/a	n/a	4,187	n/a	**n/a**

Postal code allocation

48231 Warendorf, City, **48291** Telgte, City, **48317** Drensteinfurt, City, **48324** Sendenhorst, City, **48336** Sassenberg, City, **48346** Ostbevern, **48351** Everswinkel, **48361** Beelen, **59227** Ahlen, City, **59229** Warendorf, **59269** Beckum, City, **59302** Oelde, City, **59320** Ennigerloh, City, **59329** Wadersloh



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
48361	28	n/a	n/a	n/a	n/a	86	n/a	n/a	3,784	n/a	**n/a**
59227	272	3.88	4.95	6.94	2.7	79	391	627	3,413	11.4	**18.4**
59229	278	3.63	4.67	6.18	1.3	71	331	544	3,032	10.9	**17.9**
59269	365	3.67	4.58	6.57	5.3	75	345	570	3,537	9.7	**16.1**
59302	175	3.46	4.80	6.55	2.1	79	379	616	3,951	9.6	**15.6**
59320	119	3.66	4.67	6.00	[3.3]	83	388	637	3,605	10.7	**17.7**
59329	62	4.00	4.42	5.82	n/a	71	316	531	3,693	8.6	**14.4**
Ø	1,828[3]	3.70	4.89	6.65	3.0	78	379	612	3,744	10.1	16.3
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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