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# LEG Housing Market Report NRW 2014

With HousingCostAtlas



LEG's executive board, from left:  
Holger Hentschel (COO), Thomas Hegel (CEO) and Eckhard Schultz (CFO)

**Dear reader,**

We are delighted to present the fifth edition of our extensive market analysis to you in the form of the LEG Housing Market Report NRW 2014. A great deal has happened since last year's publication. The scarcity of housing in some of North Rhine-Westphalia's cities became a top election campaign issue, certain residential districts in North Rhine-Westphalia were in the national spotlight due to overcrowding with immigrants from Southern and Eastern Europe, and the European Central Bank's low-interest policy further fuelled the run on real estate investments. But that's not all. With rent control and a number of regional action plans, politicians intend to exert a regulatory influence on the market development, which will bring significant changes with regard to landlords' flexibility. It is noteworthy to mention here that the market is willing to regulate itself – without political intervention. Although the continued strong demand for housing allowed landlords to raise asking rents again almost across the board, they were unable to match the sometimes extremely high growth rates recorded in the previous year. In the luxury segment in particular, the increase in asking rents not only lost momentum but in some cases the prices were even adjusted downward.

LEG Immobilien AG has positioned itself optimally in this eventful market environment. This is demonstrated not least by the more than satisfactory corporate development one year after our IPO, which gained us an Immobilien Manager Award in the Management category in February 2014. In figures: total assets climbed by more than 3.5 per cent in the 2013 financial year (31 December 2013 = €5,423.1 million). The net asset value amounted to just under €2.6 billion as of 31 December 2013. We achieved rent growth of 3.0 per cent per square metre in the free-financed portfolio in 2013 (on a like-for-like basis). On the one hand, this growth rate reflects the trend on the markets. However, it is also an indication of the quality of our property portfolio and the company's high level of property management expertise, of which we are very proud.

Of course we need to produce good figures – our investors and employees expect this from us. But we cannot implement our growth targets if our tenants are not satisfied. And our tenants come from a vast range of nationalities. Our Group now provides homes for people from 45 countries in its more than 95,000 apartments. As one of the biggest housing providers in North Rhine-Westphalia, LEG Immobilien AG thus also has a major social role to play. We are aware of this responsibility.

We therefore make an active contribution to the successful integration of new citizens, for example with language courses, training and job placement services, and assistance with dealing with public authorities. In addition, cultural events and tenant festivities help neighbourhood integration. Thus, our Group provides guidance and security, improves people's training and career opportunities, averts conflicts and promotes a positive way of living together. We even get involved abroad: for instance, LEG Immobilien AG was recently mentioned on the "DESWOS Roll of Honour" for its housing construction project in Southern India.

We would like to take this opportunity again to thank our project partners. CBRE has compiled a data pool that now covers five years and analysed it in close cooperation with our regional divisions, branches and customer centres.

We hope you find the report an interesting read!

Sincerely,

Thomas Hegel  
CEO

Eckhard Schultz  
CFO

Holger Hentschel  
COO

## Above-average asking rents and purchasing power

New tenants in the District of Siegen-Wittgenstein were again faced with price rises in 2013. The growth rate was slower than in the previous year, however, with monthly rents increasing by 1.7 per cent to €6.10 per square metre (2012: +5.4 per cent). Asking rents for high-quality apartments were unchanged year-on-year at €10 per square metre, making

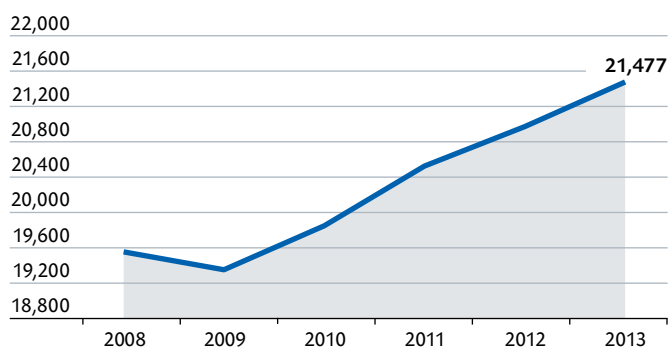
the district one of the most expensive in North Rhine-Westphalia in this market segment. The Aachen urban region and Rhein-Kreis Neuss are the only districts with rents in excess of €10. Despite comparatively high asking rents, the housing cost burden including heating (17 per cent) in the district is moderate as household purchasing power is also above-average.

Macroeconomic data	Siegen-Wittgenstein, dist.	NRW	Germany	Year
Residents <sup>1)</sup>	274,882	17,545,987	80,585,684	June 2013
Population density (residents/km <sup>2</sup> )	248	523	229	2012
Population development <sup>1)</sup> in %	-0.7	0.1	0.4	June 2011 – June 2013
Population forecast in %	-7.2	-2.4	n/a	2011–2025
Households	128,100	8,619,900	40,561,600	2012
Household development in %	1.4	1.5	4.4	2002–2012
Household forecast in %	-1.6	2.5	3.1	2009–2025
Purchasing power	101.2	100.1	100	2013
Per capita purchasing power in €	21,477	21,248	21,220	2013
Workers paying social insurance contributions	105,724	6,050,508	28,920,588	2012
Development of workers paying social insurance in %	2.8	2.7	4.9	2002–2012

1) Forward projection based on 2011 census

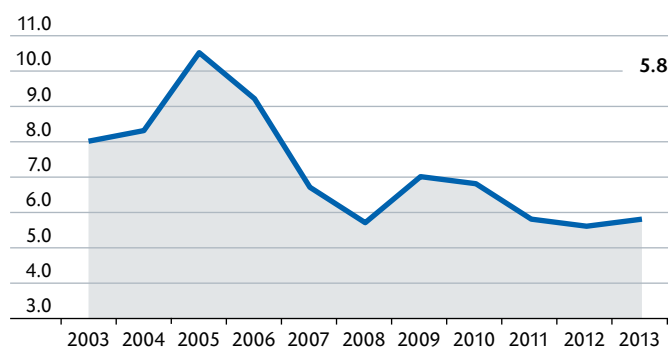
Source: NRW Statistics Office, BBSR (households), Michael Bauer Research (purchasing power), compiled by CBRE

**Purchasing power**  
per capita in €



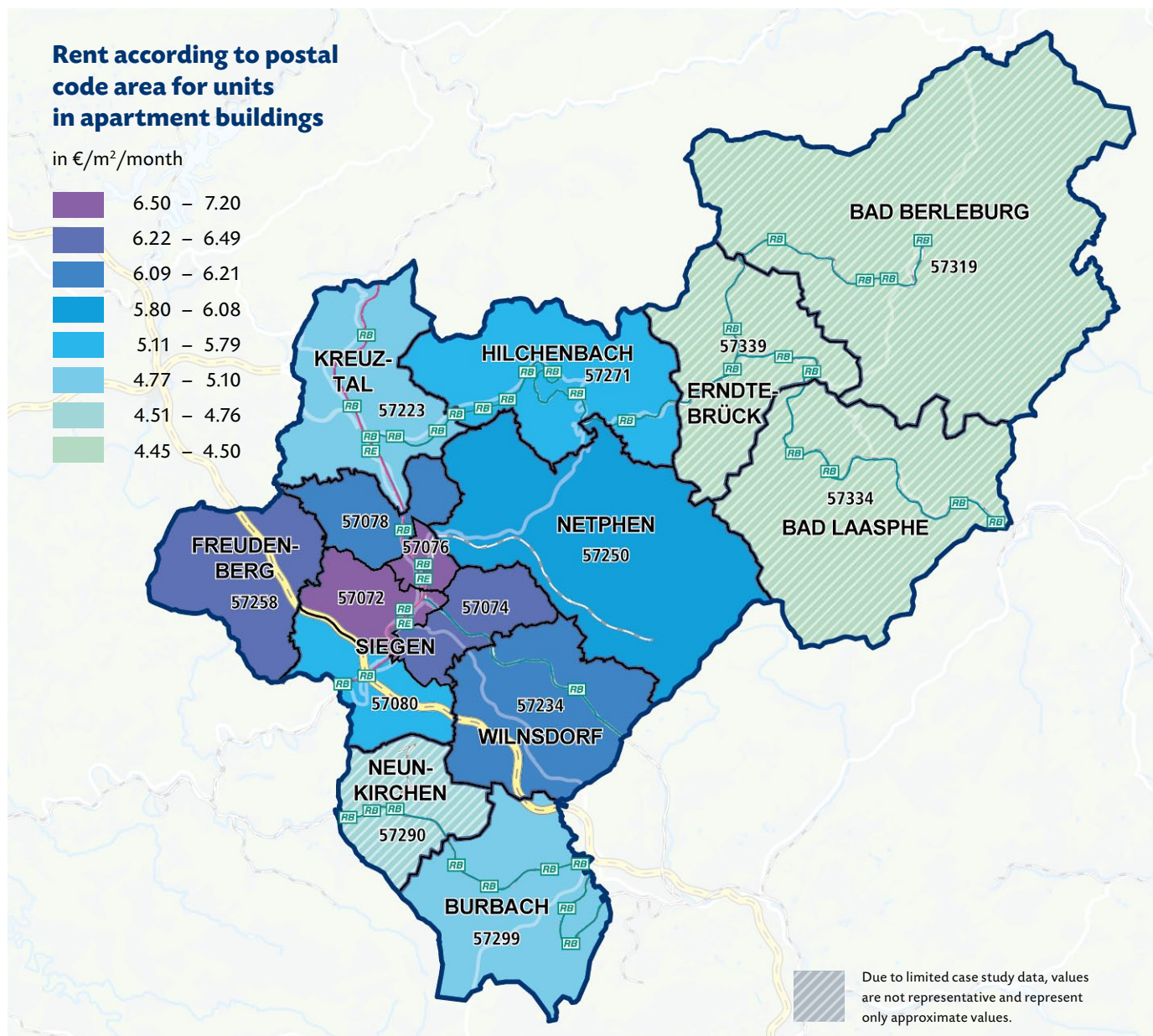
Source: Michael Bauer Research, compiled by CBRE

**Unemployment rate**  
in % of all employable civilians



Source: Federal Labour Office, compiled by CBRE





## Structural characteristics

The District of Siegen-Wittgenstein is the most densely forested district in the whole of Germany. Population density is correspondingly low at 248 people per square kilometre – and the available space is set to increase further as the district faces the prospect of population decline. In mid-2013, the 11 towns and municipalities of the district were home to 0.7 per cent fewer people than in mid-2011, and the Statistical Office of North Rhine-Westphalia expects

the population to decline by 7.2 per cent in the period from 2011 to 2025. Only eight of the 54 housing market regions analysed are set to see more pronounced population decline. The number of households increased by 1.4 per cent between 2002 and 2012 but is also set to fall in the future, with the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasting a 1.6 per cent reduction between 2009 and 2025.

Poor employment prospects can be ruled out as a reason for the population decline, as the labour market in the European centre of the roller industry is in good health: in 2013, only 5.8 per cent of the employable residents were registered as unemployed, the eighth-lowest figure among the 54 cities and districts analysed in this report. At €21,477 per capita, purchasing power was above-average for North Rhine-Westphalia as a whole (€21,248).

Housing stock data	2005	2006	2007	2008	2009	2010	2011	2012
Completed apartments	790	614	628	356	390	392	378	366
Permits for newly built apartments	649	658	383	442	446	394	366	411
Housing stock <sup>1)</sup> (number of apartments)	129,441	130,020	130,639	130,936	131,266	137,522	137,827	138,167
Housing stock <sup>1)</sup> in apartment buildings in %	32.3	32.3	32.3	32.3	32.3	34.5	34.5	34.5
Vacancy rate in %	n/a	n/a	n/a	n/a	5.4	5.5	5.5	5.7

1) up to 2009 based on 1987 housing census, from 2010 based on 2011 housing census

Source: CBRE-empirica vacancy index, NRW Statistics Office, compiled by CBRE

## Asking rents in upper market segment remain at €10 per square metre

The housing market in the District of Siegen-Wittgenstein saw inconsistent development in 2013. Across all location and quality categories, monthly rents increased by 1.7 per cent to €6.10 per square metre. Landlords in the district had realised price rises of 5.4 per cent in 2012. Average rents for relatively modest apartments also increased slightly by 0.5 per cent to €4.02 per square metre. In 2012, prices for apartments in the lower market segment in the 11 towns and municipalities of the district had risen by 2.4 per cent. By contrast, prospective tenants with a focus on the upper market segment were not confronted with price rises. As in 2012, high-quality apartments between Freudenberg and Bad Laasphe were available for €10 per square metre per month. Despite this stagnation, the region on the northern border of Hesse state remains one of the most expensive in North Rhine-Westphalia for tenant groups with high standards in terms of location and quality.

Only seven of the 54 cities and districts analysed in this report had prices in excess of €10 for high-quality rental apartments, including six of the 12 major cities. The five-year analysis comes to a mixed conclusion for new tenants in the district. Since 2009, asking rents have increased by a relatively substantial €0.53 per square metre.

However, rent excluding heating increased by just €20 to €427 in the period from 2009 to 2013. This is due to the lower average size of the apartments advertised in 2013: while the properties available in 2009 had an average size of 73 square metres, this figure had fallen to 69.9 per cent by 2013. This reduction of 3.1 square metres serves to lessen the burden posed by higher asking rents. Similarly, new tenants in the District of Siegen-Wittgenstein were required to spend an average of €645 per month on rent including heating in 2013, €20 more than four years previously. Increased prosper-

ity is also cushioning the impact of higher housing costs, with residents of Siegen-Wittgenstein enjoying a further improvement in their already advantageous economic situation between 2009 and 2013. Households had average purchasing power of €3,789 in 2013, €322 more than four years previously. Accordingly, the housing cost ratio excluding heating amounted to 11.3 per cent, 0.5 percentage points more than in 2009, while rent including heating accounted for 17 per cent of monthly purchasing power, down one percentage point on 2009. All in all, unchanged or falling housing cost ratios were reported in 22 of the cities and districts analysed in this report.

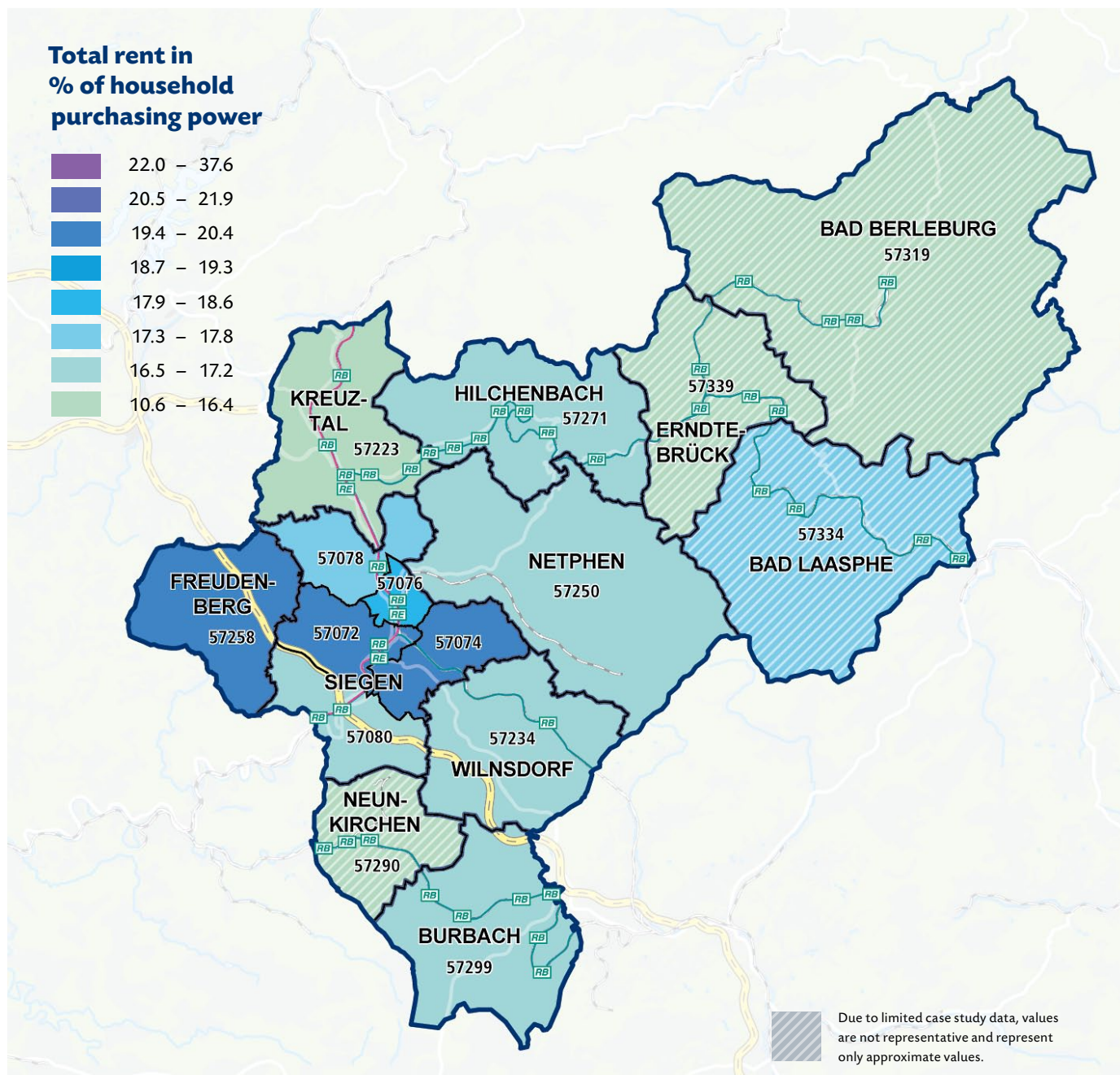
However, the individual sub-markets saw some considerable variation in terms of housing cost ratios, which ranged from 14.6 per cent (including heating) in Kreuztal (postal code 57223) through to 20 per cent in Siegen – Kaan-Marienborn, Bürbach, Feuersbach (postal code 57074).

Housing data					Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m <sup>2</sup> /month	Median basic rent in €/m <sup>2</sup> /month	Basic rent in top market segment in €/m <sup>2</sup> /month	Apartment size Ø in m <sup>2</sup>	Basic housing cost Ø in €/month	Total housing cost <sup>1)</sup> Ø in €/month	Household purchasing-power Ø in €/month	Basic rent in % of household purchasing power	Total rent in % of household purchasing power
57072	579	4.80	6.88	11.30	65	445	647	3,338	13.3	<b>19.4</b>
57074	277	5.06	6.36	9.79	67	427	636	3,185	13.4	<b>20.0</b>
57076	197	4.92	7.20	11.86	61	442	634	3,494	12.7	<b>18.1</b>
57078	205	4.81	6.14	10.00	65	398	601	3,439	11.6	<b>17.5</b>
57080	132	4.64	5.79	8.00	67	388	598	3,621	10.7	<b>16.5</b>
57223	273	3.49	5.00	8.06	73	363	589	4,029	9.0	<b>14.6</b>
57234	102	4.58	6.17	9.50	77	477	719	4,228	11.3	<b>17.0</b>

### Postal code allocation

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





Housing data					Housing cost					
Postal code	Number of rental offers	Basic rent in bottom market segment in €/m <sup>2</sup> /month	Median basic rent in €/m <sup>2</sup> /month	Basic rent in top market segment in €/m <sup>2</sup> /month	Apartment size Ø in m <sup>2</sup>	Basic housing cost Ø in €/month	Total housing cost <sup>1)</sup> Ø in €/month	Household purchasing-power Ø in €/month	Basic rent in % of household purchasing power	Total rent in % of household purchasing power
57250	152	4.33	5.91	8.80	76	447	683	3,962	11.3	<b>17.2</b>
57258	97	4.54	6.25	9.13	86	535	802	4,120	13.0	<b>19.5</b>
57271	114	4.51	5.40	8.25	79	426	671	4,066	10.5	<b>16.5</b>
57290	35	n/a	n/a	n/a	n/a	n/a	n/a	4,022	n/a	<b>n/a</b>
57299	55	3.97	5.00	7.88	83	415	674	3,919	10.6	<b>17.2</b>
57319	24	n/a	n/a	n/a	n/a	n/a	n/a	3,901	n/a	<b>n/a</b>
57334	29	n/a	n/a	n/a	n/a	n/a	n/a	3,871	n/a	<b>n/a</b>
57339	15	n/a	n/a	n/a	n/a	n/a	n/a	4,326	n/a	<b>n/a</b>
Ø	2,286 <sup>2)</sup>	4.02	6.10	10.00	70	427	645	3,789	11.3	17.0
Ø NRW	284,848 <sup>2)</sup>	4.30	6.15	11.43	72	445	671	3,590	12.4	18.7

1) includes €3.12 operating cost/m<sup>2</sup> (DMB NRW operating cost index 2012) 2) total of offers

Sources: CBRE; based on data from: empirica-systeme, Michael Bauer Research (purchasing power)

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State Statistical Office for North Rhine-Westphalia

## GLOSSARY

**Population forecast:** Forecast of the population as prepared by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR). 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 Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR). The model applied is based on the figures from the BBSR's population forecast.

**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: Michael Bauer Research GmbH.

**Purchasing power index:** Per-capita purchasing power of the district or city compared with the national average (Germany = 100). Source: Michael Bauer Research GmbH.

**Vacancy rate:** Active housing stock (apartments only) available for immediate use, as well as vacant apartments which are not presently being offered for rent due to faults, but which could also be activated in the medium term. Source: CBRE-empirica vacancy index.

**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.

**Entire market segment:** All of the available properties recorded via empirica-systeme GmbH in the respective period, adjusted for duplicates.

**Top market segment:** The segment containing the most expensive 10 percent of the available properties in the entire sample.

**Bottom market segment:** The segment containing the cheapest 10 percent of the available properties in the entire sample.

**Price range in the middle market segment:** The range of asking rents covered by 80 percent of the available properties recorded.

**Multiple:** Purchase price (excluding incidental costs) / gross rental income (before deduction of non-recoverable management costs).

**Residential construction completions:** Completed apartments in residential and non-residential buildings, including existing measures. Source: Statistical Office of North Rhine-Westphalia.

**Residential construction approvals:** Approved construction measures for 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. Source: Statistical Office of North Rhine-Westphalia.

**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 €3.07).

**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.



## MASTHEAD

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