

# LUXEMBOURG Office Market Snapshot

Second Quarter | 2019



## MARKET INDICATORS

### Market Outlook

|               |   |   |
|---------------|---|---|
| Prime Rents:  | Prime rents in the CBD, Kirchberg and Station remained stable but are expected to increase later this year. | ▼ |
| Prime Yields: | Prime yields are expected to remain at 4% throughout the year.  | ► |
| Supply:       | Pipeline is still important though mainly committed and pre-let surfaces.                                   | ▼ |
| Demand:       | Demand is expected to pick up in the coming months with multiple transactions currently in the pipeline.    | ▼ |

### Prime Office rents – June 2019

| LOCATION                    | €           | €          | US\$        | GROWTH % |             |
|-----------------------------|-------------|------------|-------------|----------|-------------|
|                             | SQ M<br>MTH | SQ M<br>YR | SQ FT<br>YR | 1YR      | 5YR<br>CAGR |
| Luxembourg City (CBD)       | 50.00       | 600        | 67.3        | 0.0      | 2.1         |
| Luxembourg City (Station)   | 36.00       | 432        | 48.5        | 0.0      | 1.1         |
| Luxembourg City (Kirchberg) | 37.00       | 444        | 49.8        | 5.7      | 2.3         |

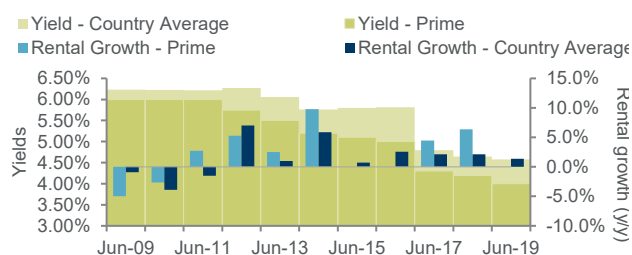
### Prime Office yields – June 2019

| LOCATION<br>(FIGURES ARE NET, %) | CURRENT | LAST | LAST | 10 YEAR |      |
|----------------------------------|---------|------|------|---------|------|
|                                  | Q       | Q    | Y    | HIGH    | LOW  |
| Luxembourg City (CBD)            | 4.00    | 4.00 | 4.20 | 6.15    | 4.00 |
| Luxembourg City (Station)        | 4.50    | 4.50 | 4.50 | 5.20    | 4.50 |
| Luxembourg City (Kirchberg)      | 4.50    | 4.50 | 4.50 | 6.50    | 4.50 |

NOTE: The above yields are for typical 6/9 leases.

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

A slight economic slowdown is expected for 2019 as GDP growth is forecasted at 2.3%. A more robust expansion is projected for 2020 with GDP expected to grow by 2.6%. The unemployment rate for 2019 is expected to stand around 5.3% and 5.1% in 2020. While inflation has slightly exceeded 2% at the beginning of the year, it is forecasted to decelerate to 1.7% before the end of the year and 1.6% in 2020.

## Occupier focus

The second quarter of the year recorded a take-up of around 24,000 sq m. With two rather weak quarters, the total activity for the first half of the year amounts to 42,000 sq m, making it the slowest start of the year since 2009. The low take-up does not necessarily stem from a weak demand, but from limited availability in the market and a lack of speculative developments which make finding a desired office space much more difficult. Furthermore, pre-letting activity was relatively strong this first half of the year, but the effects on the take-up will be reflected later this year at the delivery of the assets. Lastly, the final decision on Brexit should have an impact on the take-up but there has been a slowdown in Luxembourg's attractiveness as substitute for UK-based companies.

The vacancy rate for Luxembourg overall remained around 3%, one of its lowest levels ever recorded. Prime rents also remained stable at 50 €/sq m/month in the CBD, 37 €/sq m/month in the Kirchberg area and 36 €/sq m/month in the Station district.

## Investment focus

An investment volume of approximately 92 MEUR was recorded during the second quarter and around 150 MEUR for the first half of the year. Despite the weak start of the year, the investment pipeline for the next quarters is rather promising. Prime yields in all districts remained unchanged this quarter and stand at 4% in the CBD, 4.5% in the Station area.

## Outlook

Despite the low levels of take-up recorded during the first half of the year, the letting activity is expected to increase over the next few months with multiple letting transactions currently in the pipeline. The delivery of new office spaces in the CBD, Kirchberg and the Station area should lead to an increase in prime rents before the end of the year. A strong demand is still present on the investment market, but there is a clear lack of available products. Yet, the investment volume is also expected to increase mainly due to several transactions currently in the pipeline. Yields for prime products, however, are expected to remain at 4% for now.

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| LOCATION                    | BUILT STOCK<br>(SQ.M) | AVAILABILITY<br>(SQ.M) | VACANCY RATE<br>(%) | TAKE-UP Q2<br>(SQ.M) | TAKE-UP YTD<br>(SQ.M) | UNDER CONSTRUCTION<br>(SQ.M) |
|-----------------------------|-----------------------|------------------------|---------------------|----------------------|-----------------------|------------------------------|
| CBD                         | 839,800               | 2,400                  | 0.3%                | 4,911                | 9,927                 | 22,200                       |
| Kirchberg                   | 1,170,500             | 11,000                 | 0.94%               | 3,215                | 8,608                 | 247,400                      |
| Station                     | 421,500               | 12,500                 | 2.97%               | 7,438                | 9,514                 | -                            |
| Cloche d'Or                 | 450,000               | 25,500                 | 5.6%                | 2,017                | 2,017                 | 25,200                       |
| Other inner districts       | 249,100               | 16,800                 | 6.7%                | 1,732                | 3,729                 | 12,500                       |
| Decentralised districts     | 408,000               | 31,200                 | 7.6%                | 1,957                | 3,804                 | 50,100                       |
| Periphery                   | 507,000               | 27,000                 | 5.33%               | 2,539                | 4,294                 | 31,300                       |
| <b>Luxembourg (Overall)</b> | <b>4,045,900</b>      | <b>122,500</b>         | <b>3.03%</b>        | <b>23,809</b>        | <b>41,893</b>         | <b>388,700</b>               |

Source: Cushman & Wakefield

## Key Occupier Transactions

| PROPERTY        | SUBMARKET   | TENANT               | SIZE<br>(SQ.M) | TRANSACTION TYPE |
|-----------------|-------------|----------------------|----------------|------------------|
| Impulse         | Station     | Regus                | 6,450          | Letting          |
| Villa Servais   | CBD         | SNCD                 | 2,240          | Purchase         |
| Oksigen         | Kirchberg   | Triton International | 1.920          | Letting          |
| Vertigo Polaris | Cloche d'Or | Confidential         | 1.060          | Letting          |

Source: Cushman & Wakefield

## Key Investment Transactions

| PROPERTY      | SUBMARKET  | SELLER / BUYER              | YIELD | PRICE<br>€ MILLIONS |
|---------------|------------|-----------------------------|-------|---------------------|
| Nova          | CBD        | Immobel / Monceau Assurance | -     | 45                  |
| Edeleck       | Leudelange | Private / Trium Holding     | 6.9%  | 29                  |
| Villa Servais | CBD        | KBL Group / SNCI            | -     | 14.35               |
| Avenir 42     | CBD        | Private / Private           | -     | 3.38                |

Source: Cushman & Wakefield, Real Capital Analytics

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