

LUXEMBOURG Retail Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Prime rents decreased in the high streets recently. The outlook for the rest of the year is stable in every sector. ►
- Prime Yields: Prime yields at their historical low level in every subsector and expected to remain stable. ►
- Supply: Important pipeline in 2019 with the deliveries of significant and iconic projects ▼
- Demand: Huge new projects like *La Cloche d'Or* and *Galerias Lafayette* have absorbed an extraordinary demand year-to-date, leading now to a very low demand. ▲

Prime Retail Rents – September 2019

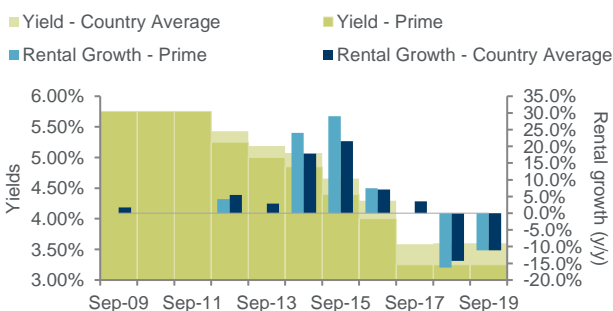
	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
HIGH STREET SHOPS					
Luxembourg City (Grand Rue)	160	1,920	201	-11.1	0.6
Luxembourg City (Avenue de la Gare)	80	960	101	-11.1	0.0
OUT OF TOWN RETAIL (STAND ALONE UNITS)	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Luxembourg City	23.00	276	2.4	0.0	5.0

Prime Retail Yields – September 2019

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Luxembourg City (Grand Rue)	3.25	3.25	3.25	5.75	3.25
Luxembourg City (Avenue de la Gare)	4.30	4.30	4.30	5.75	4.30
OUT OF TOWN RETAIL (STAND ALONE UNITS) (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Luxembourg City	6.00	6.00	6.00	7.00	6.00
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Luxembourg City	5.25	5.25	5.25	5.50	5.25

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

The GDP growth in Luxembourg is set to reach a high 3.1% in 2019 while the International Monetary Fund reviewed its global economic forecasts on the downside recently. The unemployment rate is at a low 5.4% and the cross-border workers are strongly increasing as Luxembourg is benefitting from strong economic fundamentals. Population is also set to rise strongly in the coming years. Household spending, even on a slight downside, will remain higher than in neighbouring countries.

Occupier focus

More than 100,000 sq m have been recorded since the beginning of the year in Luxembourg, thanks to the opening of *La Cloche d'Or* and significant transactions in the *Royal Hamilius* in the city centre or in the *Infinity Shopping* in the Kirchberg.

As such, 2019 is the best year ever recorded in Luxembourg though we should remain cautious regarding the evolution of the activity in the city centre where we still observe an inequation between supply and demand. Some retail units remain vacant in the high streets.

After having decreased since 2017, prime rents stabilised at 160€/sq m/year in the Grand Rue (compared to 210€ in 2017). These are set to remain stable in the coming months but should slightly increase on a mid-term perspective with the opening of the *Royal Hamilius* while they should remain stable along the avenue de la Gare.

Investment focus

No retail assets have been transacted since the beginning of the year. Even if appetite remains strong, few opportunities currently exist in the market and limit therefore the investment activity. Prime yields are therefore stable at 3.25% in the high streets.

Outlook

The strong macroeconomic fundamentals should benefit to the retail sector and activity will be at record high in 2019. The still growing competition of online retail and new consumers' habits constraint retailers to adapt. The retail units need to adapt as well in order to follow these trends.

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