

Luxembourg Office Market

Office Q4 2019

267K
Take-Up sqm (YTD)

YoY Chg ▲ 12-Mo. Forecast ▲

€51
Prime Rent, (€/sq m/Month)

▲ ▲

4.00%
Prime Yield (3/6/9 Lease)

▼ ▼

ECONOMIC INDICATORS Q4 2019

3.2%
GDP Growth (2019)

YoY Chg ▲ 12-Mo. Forecast ▼

5.3%
Luxembourg Unemployment Rate

▼ ▲

45.9%
Cross-border Workforce

▲ ▲

Source: Oxford Economics, OECD

Economic Overview

GDP growth is forecasted to 3.2% in 2019 (stronger than initially expected) and 2.8% in 2020 amid subdued investment and persistent weakness in the euro area which should hamper further export dynamism. Private consumption should continue to drive growth and inflation is set to remain contained due to lower energy prices and transport becoming free in 2020. The buoyant labour market will keep creating jobs, though at a decreasing pace. Consequently, the unemployment rate is forecasted to decline only slightly. (Source: Oxford Economics, OECD)

Occupier Focus

The last quarter of 2019 recorded a solid take-up of approximately 101,500 sq m, pushing the total activity for the year to 267,000 sq m, one of the best levels ever recorded on the Luxembourg office market. The public sector accounted for almost 35% of the total take-up of 2019 boosted by the 39,700 sq m from the Court of Justice which was the largest transaction of the year. The largest private deals include Ferrero in their new HQ (29,500 sq m), Silver Holding in the *Royal Hamulus* (10,400 sq m) and Edmond de Rothschild in the *Dyapason* (10,100 sq m). The vacancy rate for the overall Luxembourg office market remains at a historically low 2.97%. Prime rents saw an increase to 51€/sq m/year in the CBD and 25.50€/sq m/year in the periphery.

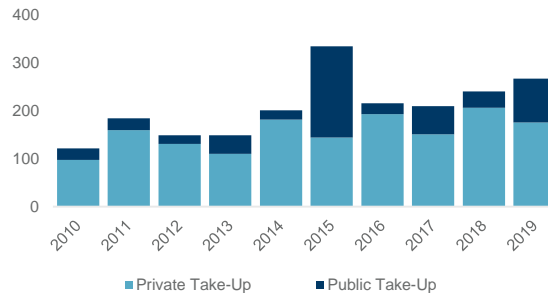
Investment Focus

The total office investment volume for the year reached an impressive EUR 1.3 bn with 'only' 18 transactions recorded. This figure was boosted by the best fourth quarter ever recorded on the Luxembourg office market (875 MEUR). The most notable investment deals in Q4 2019 include the purchase of the *Helios* for approximately 370 MEUR by Kildare Partners and the sale of *Les Terres Rouges* to IRET Development. The average transaction size in 2019 was around 70 MEUR, mainly due to the relatively low number of deals and the four transactions above 100 MEUR (wherefrom two above 200 MEUR). The prime yield in the CBD remained unchanged at 4% while the Station and Kirchberg districts witnessed a compression to 4.25%. The Cloche d'Or area also saw a compression and now stands at 4.50%.

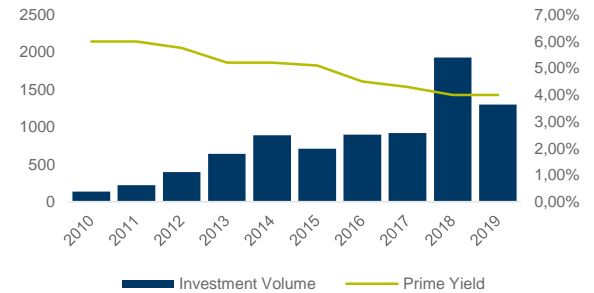
Outlook

Letting activity is expected to keep up the momentum with some large transactions still expected (such as European Parliament in the KAD Phase II). Furthermore, Luxembourg has been considered a 'Brexit winner' and should continue to attract UK-based companies looking to relocate. The low vacancy in the market should affect the take-up on the current stock and we therefore expect a high pre-letting activity with more and more build-to-suit constructions in 2020. The country's prime rent is expected to increase to 52€/sq m/month and the vacancy rate is forecasted to remain at a very low level. International Institutional demand is at a high in all market segments (both in the primary and secondary markets). The lack of prime assets on the market, however, is increasing competition and pressuring prices upward. Consequently, yield compression is continuing in prime markets but also crawling into the periphery where record prices were recorded.

TAKE-UP Private & Public Sector (000 SQM)



INVESTMENT VOLUME (MEUR, LHS) & PRIME YIELDS (% , RHS)



MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	AVAILABILITY (SQM)	VACANCY RATE	Q4 2019 TAKE-UP	YTD TAKE-UP	2020-2022 UNDER CONSTRUCTION (SQM)	PRIME RENT (€/sq m/month)	PRIME YIELD
CBD	862,000	7,500	0.9%	23,700	37,700	-	€51	4.00%
Kirchberg	1,190,000	11,000	0.90%	21,800	86,500	235,000	€37	4.25%
Station	421,000	16,000	3.8%	2,800	15,300	27,700	€36	4.25%
Cloche d'Or	452,000	19,500	4.3%	3,300	21,700	32,700	€32	4.50%
Other inner districts	249,000	17,400	7.0%	600	16,400	35,800	€33	5.25%
Decentralised districts	438,000	24,600	5.6%	47,200	54,200	38,700	€28.5	5.80%
Periphery	529,000	27,000	5.1%	2,100	35,000	94,800	€25.5	6.00%
Luxembourg (Overall)	4,141,000	123,000	2.97%	101,500	266,800	464,700	€51	4.00%

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Casa Ferrero	Airport Lux	Ferrero	29,500	Letting
Findel Business Center	Airport Lux	Etat Luxembourggeois	14,000	Sale
Royal Hamilius	CBD	Silver Holding	10,415	Letting
KAD2 (Phase I)	Kirchberg	Parlement européen	10,000	Letting
Rives de Clausen	CBD	MENJE	5,785	Letting
Rives de Clausen	CBD	MENJE	4,870	Letting

*Renewals not included in leasing statistics

KEY INVESTMENT TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Helios	Cloche d'Or	Hannover Leasing / Kildare Partners	5.50%	370
Les Terres Rouges	Esch-Belval	BIL / IRET Development	5.75%	150-200
Findel Business Center-Complexe B	Airport Lux	Giorgetti / Etat Luxembourggeois	-	108
Euronet / Munsbach Office Park	Munsbach	Goldman Sachs / UFG Fund	6.00%	92
Edison 7	Strassen	Immocroissance / Catella IM	5.50%	41

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER / DEVELOPER
3 rd Tower of the Court of Justice	Kirchberg	Court of Justice	75,000	
Casa Ferrero	Airport Lux	Ferrero	29,500	Besix RED & Giorgetti
Naos	Esch-Belval	ARHS, CNPD	13,700	Ethias & Foyer / Atenor

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