

	YoY Chg	12-Mo. Forecast
122K Take-Up sq m (FY 2019)	↑	↓
€160 Prime High Street Rent (€/sqm/m)	—	↑
3.25% Prime High Street Yield	—	↑

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
3.2% GDP Growth (2019)	↑	↓
5.3% Unemployment Rate	↓	↑
46% Cross-border Workforce	↑	↑

Source: Oxford Economics, OECD, Statbel

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. Combined with the important demographic growth and continuous rise of the cross-border workforce, this should boost the retail sales in 2020.

Occupier Focus

More than 122,000 sq m of take-up recorded in 2019, the best year ever in Luxembourg, thanks to the opening of the *Auchan Cloche d'Or*, the *Royal Hamilius* in the city centre and the *Infinity Shopping* in the Kirchberg. The global picture is to be read carefully as the growing disparity between stronger areas and mid-tier centres without a clear consumer value proposition is set up to grow in the coming years with potential negative impacts on the vacancy rate and rental levels.

Prime rents stabilised at 160€/sq m/month in the Grand Rue (compared to 210€ in 2017). These are set to slightly increase as from the second half of 2020 with the opening of the *Royal Hamilius* and the global redevelopment of the city centre (namely place de la Poste and the further development of the tram) while they should decrease along the avenue de la Gare until completion of the works scheduled in the first semester 2021. Prime rents remain stable in the shopping centre and out-of-town sector, respectively standing at 115€ and 23€/sq m/month.

Investment Focus

No retail assets have been transacted in Luxembourg in 2019. Even if appetite remains strong, few opportunities currently exist in the market and limit therefore the investment activity. Prime yields have been stable in the different sectors compared to 2018. Prime yields in the high streets are to be found at 3.25%, 5.25% in the shopping centre and 6% in the out-of-town retail.

Outlook

The strong macroeconomic fundamentals should benefit to the retail sector in the coming months, though the take-up will undoubtedly be lower in 2020 as the pipeline is much more limited, without any major development to be delivered. Furthermore, 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. Food & Beverage activities will continue their exponential growth and play as key differentiator in the attractiveness of a centre. Worth mentioning as well the positive dynamics of sectors such as jewellery, optic and supermarket chains.

LUXEMBOURG TAKE-UP (000 SQM, LHS) AND # DEALS (RHS)



PRIME RENTS BY SECTOR (EUR/SQ M/MONTH)





MARKET STATISTICS 2019

SECTOR	PRIME RENTS Q4 2019 (€/sq m/m.)	PRIME YIELD
High streets	160	3.25%
Out-of-town retail	23	6.00%
Shopping centre	115	5.25%

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