

LUXEMBOURG

Retail Q2 2020

8,500sq m
H1 2020 take-up



150 €/sq m/m.
High Street Prime Rent



3.25%
High Street Prime Yield



Source: Cushman & Wakefield

LUXEMBOURG ECONOMIC INDICATORS Q2 2020

-6.2%
GDP Growth



6.8%
Unemployment rate



0.18%
Consumer Price Index (% change)



Source: Oxford Economics

ECONOMY: Rebound expected in 2021 after strong economic blow in 2020

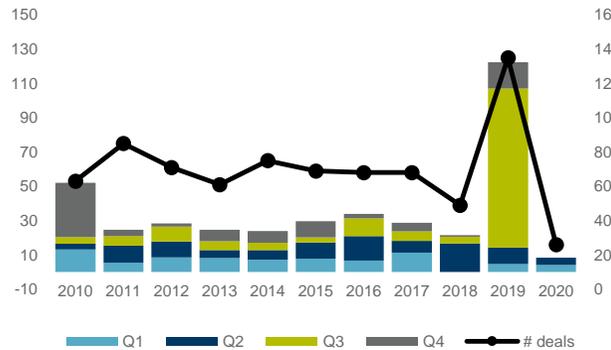
Luxembourg's economy will contract this year due to the impact of the coronavirus pandemic and the containment measures. The combined supply, demand and financial shock of the crisis has led to a revised economic growth forecast of -6.2% for 2020. Moreover, the risks remain on the downside, linked to the effectiveness of the containment measures in Luxembourg (as well as in other countries) and the long-term consequences of disruption to the economy. Unemployment is expected to rise to 6.8% in 2020 and decrease again in 2021. The situation is however expected to ease in 2021 with a rise of the GDP growth and a decrease of unemployment rate.

LETTING MARKET: Activity on the downside in H1

The COVID-19 crisis accelerate the reshaping previously observed in the retail sector. The growing shift towards the online retail and the lockdown observed during most of the second quarter led to a strong decrease of the activity (both in number of deals and surfaces) in H1 2020 where a low 8,500 sq m of take-up was recorded, below the 5-years average (excluding the exceptional 2019). Main streets and shopping centres suffered more than the out-of-town retail though encouraging signs are recently observed with footfalls on a slight upward.

A new correction of the prime rents has been observed in the high streets segment, it stands now at 150 €/sq m/month (compared to 160€ last quarter). A decrease is also observed in the shopping centres while the prime rents in the out-of-town segment remain stable. The trend for the coming months is to a stabilization at these levels. However, depending on the evolution of the sanitary crisis, the situation could be very different before the end of the year.

TAKE-UP (in 000s SQ M)



INVESTMENT (MEUR, LHS) AND PRIME YIELDS (% , RHS)





INVESTMENT MARKET: Towards an increase of the prime yields?

No investment transaction has been recorded in Q2. As a result, 51 MEUR have been invested in retail assets since the beginning of the year with the purchases of the *Walfer Shopping Centre* and the *Retail Park Sandweiler* respectively for 27 MEUR and 24 MEUR. Few opportunities currently exist in the market and the COVID-19 crisis could negatively weigh on investors' appetite and therefore limit the investment activity.

As no activity is observed, prime yields have been stable these last months and still stand at the 2018 levels. 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. However, if the situation should last in the coming months and if investors' appetite remain low, we could observe a slight increase of the prime yields in the different segments before the end of the year.

OUTLOOK: Historical resilience of the Luxembourg market

This unprecedented situation will have a long-term impact on the whole retail market in Europe and will contribute to a strong reshaping of the sector in the coming years.

Nevertheless, Luxembourg seems to recover slightly better than expected, supported by its strong economy and highlighting once again its historical resilience. As an example, Government and many private owners have played the game to support retailers and have granted free or discount rents to their tenants.

MARKET STATISTICS

SUBMARKET	PRIME RENT (EUR/SQ M/MONTH)	PRIME YIELD (%)
HIGH STREET	150	3.25%
OUT OF TOWN RETAIL	23	6.00%
SHOPPING CENTRE	100	5.25%

CEDRIC VAN MEERBEECK

Head of Research & Marketing Belgium & Luxembourg
+32 2 629 02 86 / cedric.vanmeerbeek@cushwake.com

VIRGINIE CHAMBON

Leasing Agency Luxembourg
+352 27 21 33 04 / Virginie.Chambon@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.