

# Occupier and investment markets find solid footing in second quarter



Note: Arrows indicate change from previous quarter

## HIGHLIGHTS

- Q2 take-up was the strongest quarter since 2023 led by a large corporate pre-leasing The Waves
- Central markets were by far the most popular, accounting for more than three-quarters of activity in H1 2025
- Vacancy remains unchanged from the previous quarter at 4.0%
- Some 37,600 m<sup>2</sup> of available new space is expected in the second half of the year
- Several submarkets in Luxembourg City recorded increases in prime rent
- Office investment experienced the strongest quarter since Q4 2022, though institutional investors are still sitting on the sidelines



### ECONOMY

GDP growth has been revised downwards following expectations of a challenging international trade environment. The current forecast is just 1.0% and 2.0% for 2025 and 2026, respectively.

Vital for the real estate sector, the economic outlook for the construction industry has stabilized with signs of improvement. Both business surveys and labor expectations have seen upticks from their recent lows.

Inflation (NCPI) has picked up heading into the summer boosted by wage indexation. The latest results (July) shows 2.3%. STATEC forecasts similar inflation rate for 2025 (2.1%), though expects moderation in 2026 to 1.4%, notably under the 2.0% target inflation rate.

1.0%

Forecast for 2025 Luxembourg GDP growth by STATEC (as of June 25)

### DEMAND

Office letting and sales activity picked up again in the second quarter with some notable deals driving take-up higher. Overall, take-up through the first half of the year is 110,446 m<sup>2</sup>. This is more than twice the volume compared with the same period of the previous year and in line with the 10-year average.

The majority of large occupiers once again have targeted Luxembourg City as the location of their new offices, with three-quarters of all deals (by volume) in 2025 being secured here. In Q2, Kirchberg saw a large corporate taking The Waves project (13,975 m<sup>2</sup>), and Linklaters LLP will join KPMG in the Kronos project (5,468 m<sup>2</sup>). In Cloche d'Or, PwC pre-leased most of the Eosys project (9,500 m<sup>2</sup>).

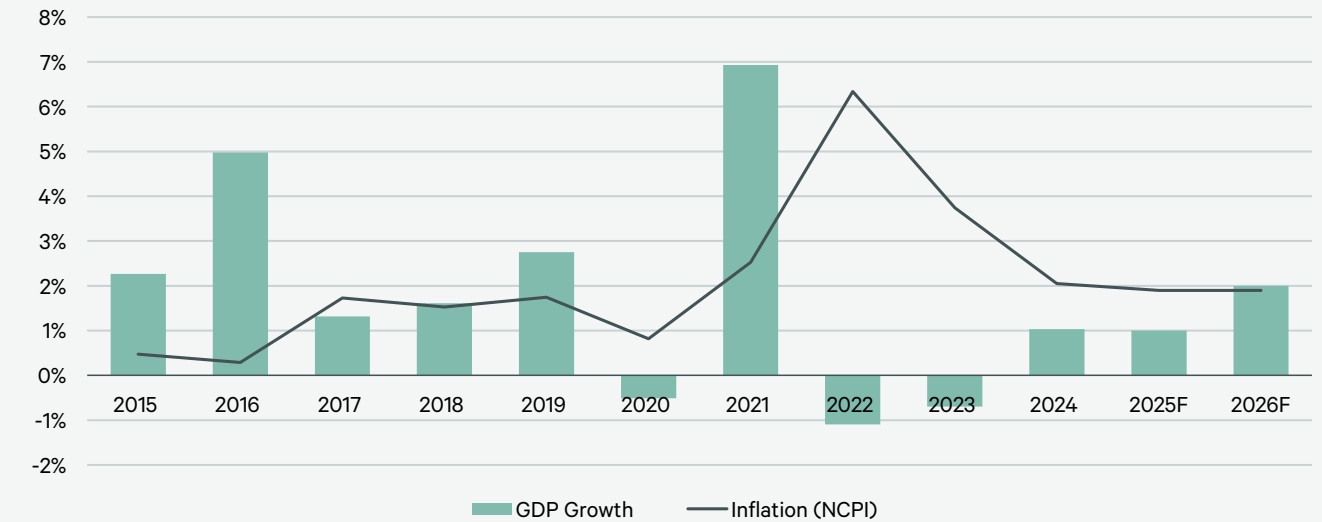
The public sector was active in central locations this quarter, securing almost 10,000 m<sup>2</sup> in total. The City of Luxembourg pre-leased 4,220 m<sup>2</sup> in The Bridge project, while the Luxembourg State secured 2,839 m<sup>2</sup> in Roosevelt 14 in the CBD.

65,500 m<sup>2</sup>

Q2 2025 office take-up in Luxembourg

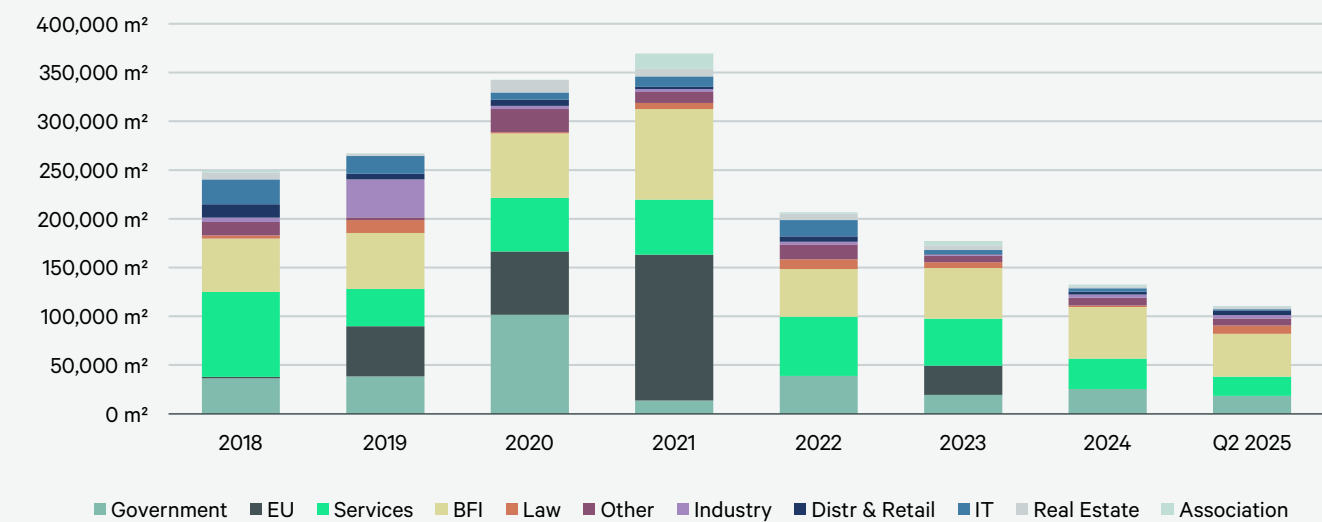
Luxembourg economic growth and inflation as of Q2 2025 (June 25 update)

Source: STATEC



Luxembourg office take-up (Q2 2025)

Source: CBRE Research



### VACANCY

Approximately 200,600 m<sup>2</sup> of office space is considered vacant out of a total stock of almost 5 million m<sup>2</sup>, resulting in a very tight market of just 4.0%. This is effectively unchanged over the previous quarter, as availabilities remain very limited.

Central markets did see vacancy ease upwards this quarter. The seems in contradiction to the high take-up activity, but these were primarily pre-leasings that do not impact current vacancy and even highlight that there is insufficient immediately available space.

4.0 %

Q2 office vacancy rate in Luxembourg

### DEVELOPMENT

Four office projects of some 15,000 m<sup>2</sup> were completed in Q2, bringing the first half total to 31,900 m<sup>2</sup>. Q2 projects include, The Edge in Howald (fully occupied), Project Colonnade in the CBD, Heidekraut in Howald and Goethe 22 in Station, the latter three of which are still fully available.

For the remainder of 2025, some 240,000 m<sup>2</sup> is expected to be completed, of which just 37,600 m<sup>2</sup> (16%) remains available for lease. The European Commission's Jean Monnet 2 is the largest planned office. However, those with availabilities include Shift in Howald, Unicity in Station and Ettelbruck One in the periphery.

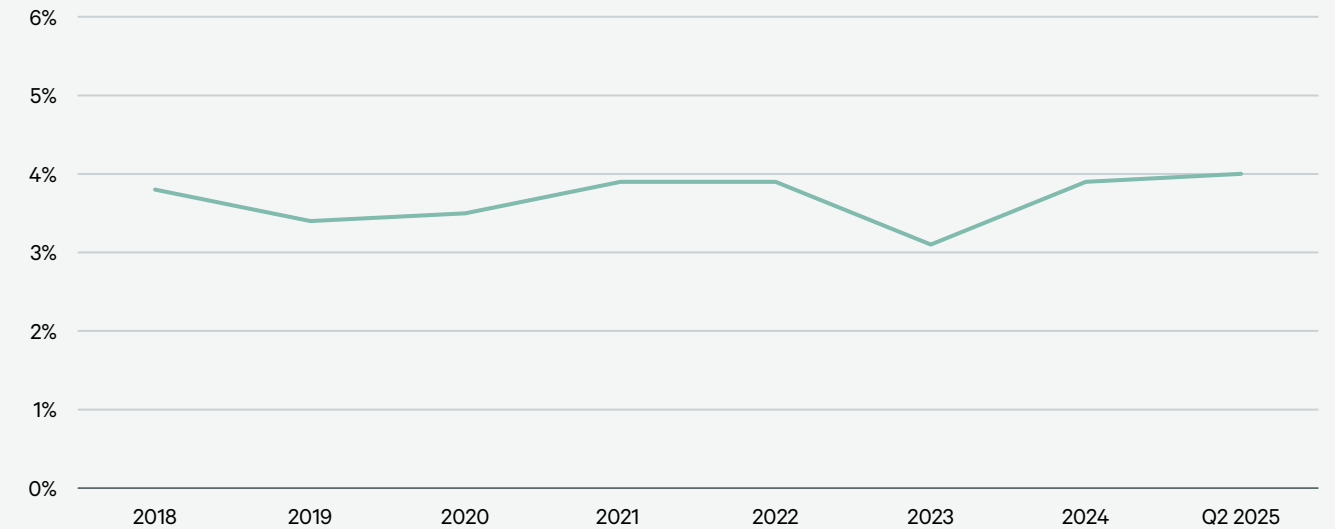
For 2026, some 252,000 m<sup>2</sup> of new and refreshed space is planned for completion. Of this amount, just 47,000 m<sup>2</sup> (19%) is still available for lease. Overall, the remaining (combined) expected available space for 2025 and 2026 amounts to less than half of a typical year's worth of take-up.

37,600 m<sup>2</sup>

expected available space in the remaining 2025 pipeline

Luxembourg office vacancy (Q2 2025)

Source: CBRE Research



Expected office completions in 2025

Source: CBRE Research



## RENTS

Overall, prime rents remain well-supported. Modern demands for ESG-compliant spaces and inflation in construction prices in the face of very little available space are driving forces.

The overall prime rent for Luxembourg holds in Q1 at 54 €/m<sup>2</sup>/mo (excl VAT) in the CBD. Other submarkets have seen an increase in prime rents this quarter, including Station and Cloche d'Or.

Weighted average achieved rents increased notably this quarter to 34 €/m<sup>2</sup>/mo (excl VAT) following the deals completed at record high rents. This follows the medium and long term trend of increasing rents.

## INVESTMENT

Commercial real estate investment continued to rebound from the last two years, seeing more than €200 million closed in Q2 to bring the half year total to almost €600 million. In a marked change from recent quarters, offices dominated the investment landscape. What remains the same, however, is that private investors and public institutions are driving the market.

While investment took place in and outside of Luxembourg City in Q2, investors clearly preferred the city locations. Charlotte 10 in the CBD, Vertbois in Kirchberg and The Bridge in Station were snapped up. Further afield, Urbaterre Bloc B in Leudelange also transacted.

Overall, the sentiment is moving towards narrower bid/ask spreads and a return to more activity in the investment markets. This should bring greater clarity to pricing, which has stabilized for prime offices.

*Note: Total investment figures include all property types inclusive of commercial land, projects and purchases for own occupation.*

# 54 €/m<sup>2</sup>

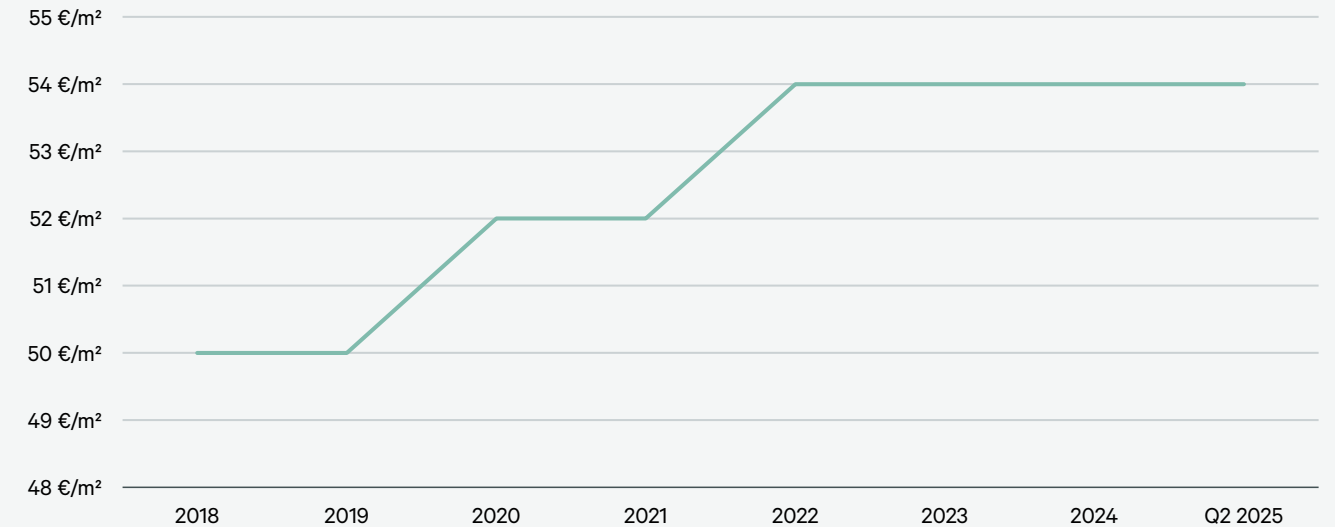
Prime office rent in Q2 2025

# €600 mn

CRE investment in Luxembourg in H1 2025

Luxembourg prime office rent (Q2 2025)

Source: CBRE Research



CRE office investment in Luxembourg (Q2 2025)

Source: CBRE Research



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