

Limited available pipeline continues to keep vacancy in check over the medium term



Note: Arrows indicate change from previous quarter

HIGHLIGHTS

- Q3 take-up moderated after a strong second quarter
- The government continues to play an active role in the occupier and investment market this year
- Vacancy is effectively unchanged from the previous quarter at 3.9%
- Just 9,000 m² of available new space is expected in the final quarter of 2025
- Howald can be added to the list of submarkets with prime rent increases this year
- Office investment is still muted, with private offices and purchases for own acquisition the driving forces



ECONOMY

The muted expectations for economic growth remain unchanged this quarter at 1.0% for 2025 and 2.0% for 2026. Net trade remains challenging hindered by US tariffs and mixed demand for industrial products.

Economists have revised expectations for Inflation. NCPI has picked up through the summer, hitting 2.6% in September and the highest reading in the last 12 months. The forecast is now 2.1% for 2025 and 1.4% for 2026, according to STATEC.

Unemployment has ticked upwards to 6.1% for the month of September, also reaching highs not seen since mid 2021. The number of job vacancies for the last year, however, has been roughly stable.

1.0%

Forecast for 2025 Luxembourg GDP growth by STATEC (as of August 6)

DEMAND

Q3 letting and sales activity moderated from the first half of the year to just 24,456 m². Overall, year-to-date take-up in 2025 is 134,900 m². This is well above the same period from the last two years in both volume and deal count.

Deal were overall modest in size, averaging 556 m² for the quarter, with just five deals of more than 1,000 m². The public sector again was an important player, securing the 4,255 m² Immo-Swing building in Lux West, which is a market not typically known for recording the largest quarterly deals. Also in the Luxembourg market, the flex office operator IWG expanded into the Shift project in Howald and Hitec building in Cloche d'Or.

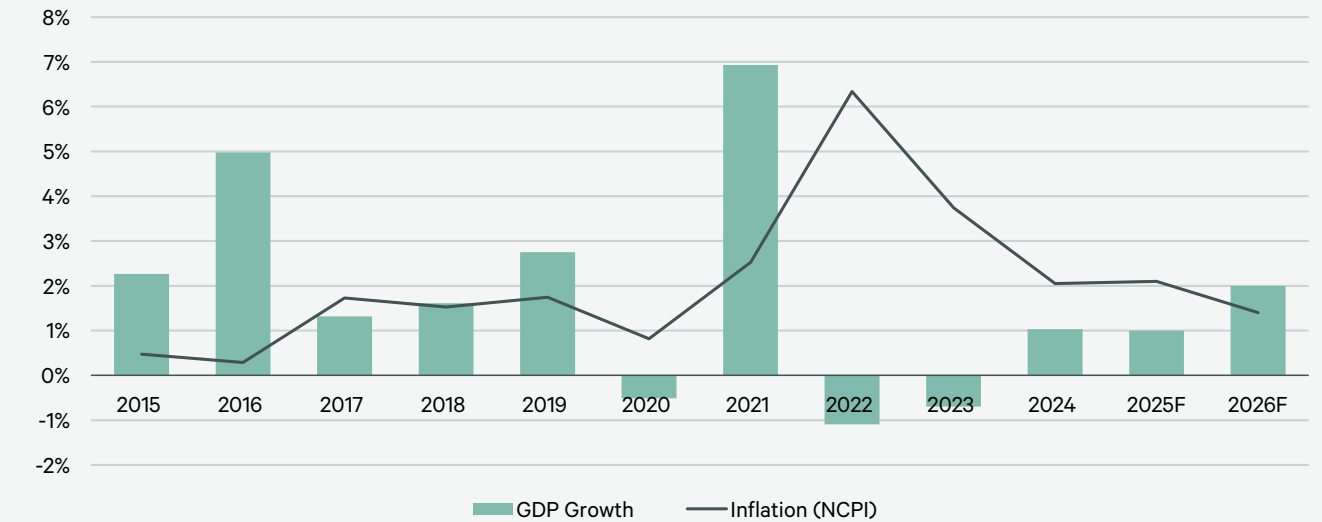
The banking, finance, and insurance sector (BFI) rounded out the rest of the top deals in the Howald, Airport and Station markets. Following these deals, the anticipated Shift project in Howald is now 50% pre-let ahead of its completion by the end of the year.

24,456 m²

Q3 2025 office take-up in Luxembourg

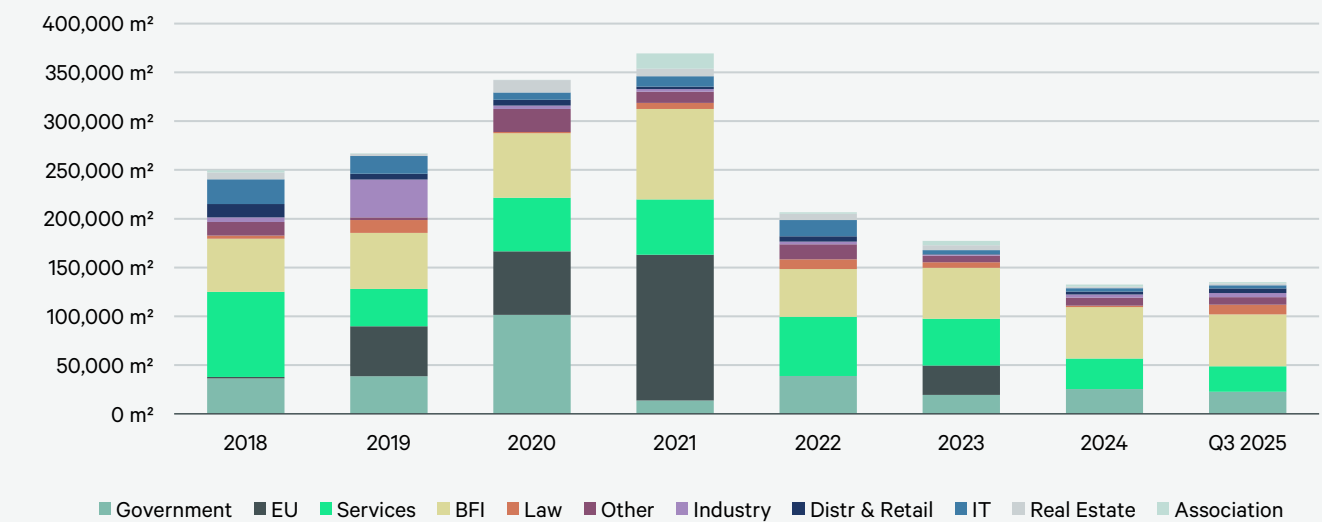
Luxembourg economic growth and inflation as of Q3 2025 (August 6 update)

Source: STATEC



Luxembourg office take-up (Q3 2025)

Source: CBRE Research



VACANCY

Approximately 196,000 m² of office space is considered vacant out of a total stock more than 5 million m², resulting in a very tight market of just 3.9%. This is effectively unchanged over the previous quarter, as availabilities remain very limited.

Cloche d'Or, Lux West and Esch-Belval saw notable decreases in vacancy this quarter. Station, on the other hand, recorded an uptick to north of 5% on account of several new deliveries with available space, particularly in Unicity. These are expected to be absorbed in due time.

3.9 %

Q3 office vacancy rate in Luxembourg

DEVELOPMENT

Q3 was an active period for office completions. No fewer than seven sites were wrapped up for more than 60,000 m². Of this amount 85% was committed upon completion. The Station district recorded the most completions - four buildings including Unicity and Corner Place de la Gare.

Looking ahead, little available space is expected to hit the market in the short term. The Shift in Howald - planned for Q4 of this year - is currently 50% pre-let.

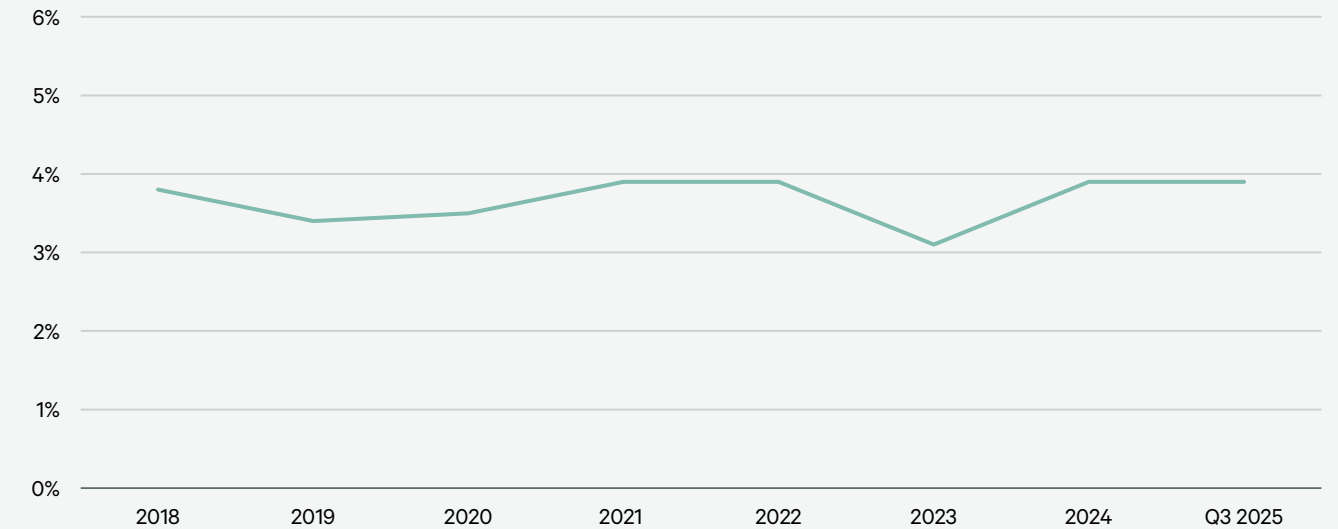
For 2026, the available pipeline is not much bigger. Just 40,000 m² is identified for the year. Overall, the remaining (combined) expected available space for 2025 and 2026 amounts to less than half of a typical year's worth of take-up.

130,000 m²

total Luxembourg office pipeline expected for 2025

Luxembourg office vacancy (Q3 2025)

Source: CBRE Research



Upcoming office completions

Source: CBRE Research, developer



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 Q3 at 54 €/m²/mo (excl VAT) in the CBD. Howald saw an increase in prime rent this last quarter. Earlier this year, prime rents increased in Station and Cloche d'Or.

Weighted average achieved rents dipped this quarter to 32.5 €/m²/mo (excl VAT; rolling 12 months). This follows the medium and long term trend of increasing rents.

INVESTMENT

Commercial real estate investment was very modest in Q3 at just €56 million, bringing the YTD total to almost €650 million. Investment was varied but still lacked large international investors we saw evidence of in Q1.

In terms of office investment, LaLux acquired the Cubus C1 building in Howald from Befimmo. The building from 2010 is approximately 72% occupied. On a smaller scale, a Dutch family office acquired an office in Limpertsberg from Zenith International.

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 €/m²

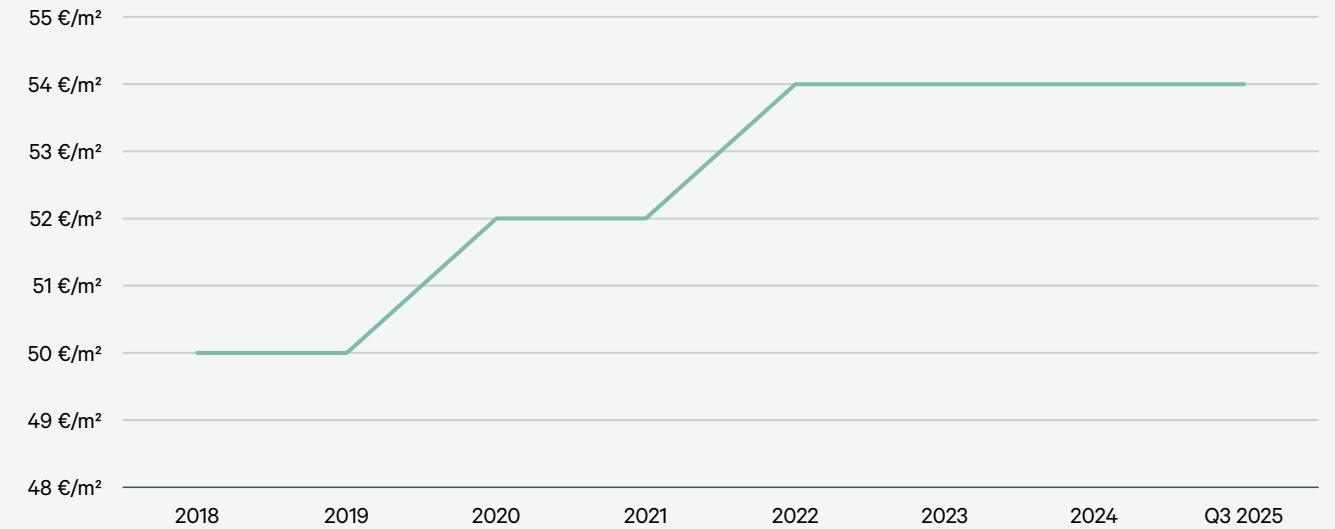
Prime office rent in Q3 2025

€650 mn

CRE investment in Luxembourg in YTD Q3 2025

Luxembourg prime office rent (Q3 2025)

Source: CBRE Research



CRE office investment in Luxembourg (Q3 2025)

Source: CBRE Research



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