

Diverse food and beverage concepts continue to lead retail activity

▲ 6,898 m²
Take-up

▶ 1,800 €/m²
Annual Prime rent

▶ 5.00%
Prime yield

Note: Arrows indicate change from Q1 2024

HIGHLIGHTS

- While the economic outlook is stronger than in recent years, tariffs and uncertainty are sources of risk.
- Retail take-up was on the low side through the first half of the year, but activity is limited by few quality availabilities and new development, particularly in the periphery.
- AAA locations experience almost no vacancies, while secondary and tertiary locations count some availabilities.
- High street prime rents remain stable at 1,800 €/m²/year (excl VAT).
- Investment surged higher on the back of Nextensa's sale of two Kanuf shopping centres amidst falling interest rates.



ECONOMY

Last year ended with modest economic expansion of 1.0%. STATEC maintains a more robust outlook, with GDP growth of 2.5% and 2.4% for 2025 and 2026, respectively. Volatility in the new US tariff regime has caused uncertainty in the economic, apparent in consumer sentiment that fell in Q1. Other business surveys are more mixed, with the industrial sector, for example, trendless in the first quarter. Luxembourg, however, is in a unique position as a financial centre to capture capital reallocation to Europe from spooked investors.

Inflation (NCPI) moderated notably into the final quarter of 2024, but has since spiked. The monthly average for Q1 is still a very modest 1.7%, and almost half that of the same period the year before. As a result, STATEC revised their inflation forecasts to 1.9% for both 2025 and 2026 (NCPI).

2.5%

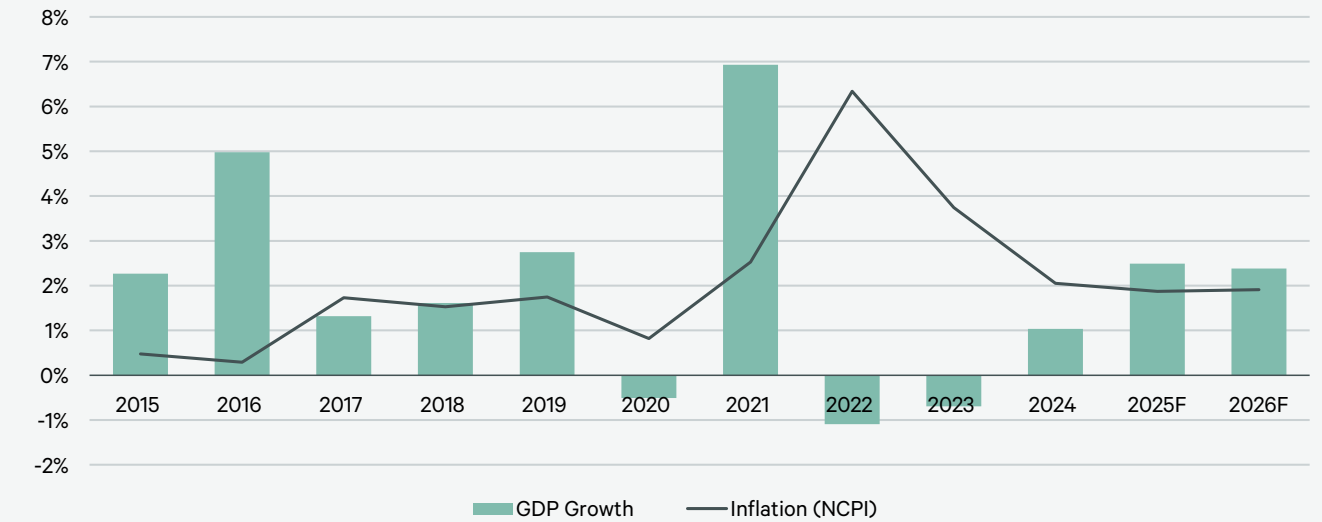
Forecast for 2025
Luxembourg GDP
growth by STATEC (as
of May 7)

CONSUMER CONFIDENCE & RETAIL SALES

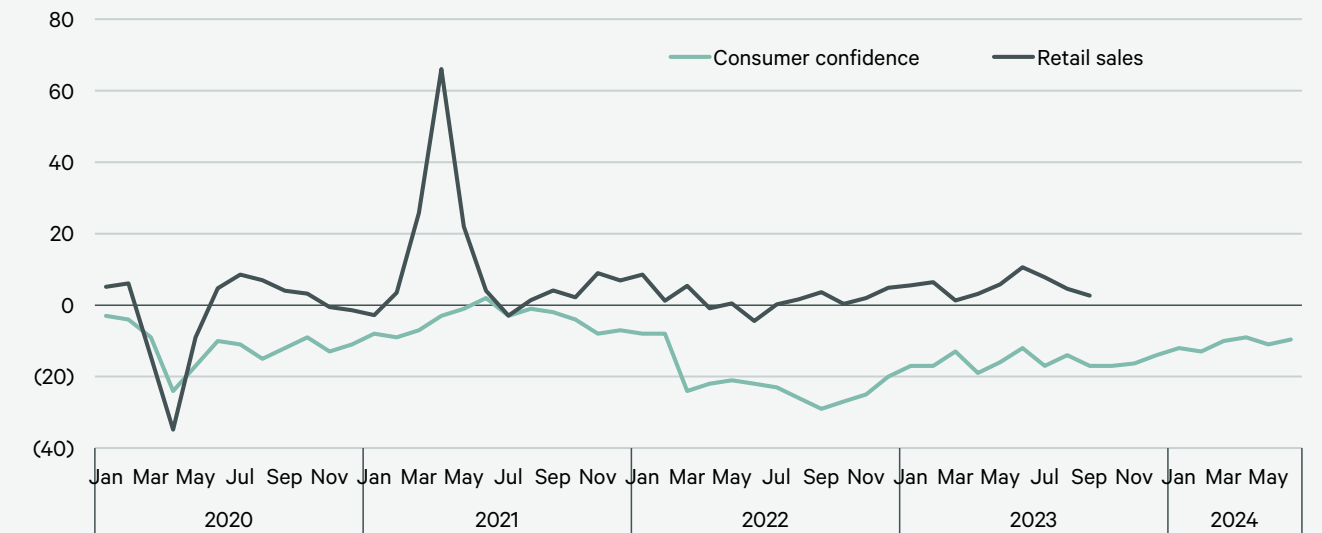
Consumer confidence picked up notably since the end of last year and has continued to strengthen through the first half of 2024. Consumers see a better financial situation over the next 12 months and better economic outlook over the next 12 months. Unemployment does remain a concern, however.

Retail sales data is behind, but other indicators show a positive evolution. Since the beginning of the year, optimism around making major purchases has been the highest in the last two years.

Luxembourg economic growth and inflation as of Q1 2025 (Feb 7 update) Source: STATEC



Luxembourg consumer confidence and retail sales (monthly changes) Source: BCL



DEMAND

Retail letting in Luxembourg moderated again in 2024 to 17,654 m² in an overall weak year. Q1 2025 got off to a better start with 6,898 m² of new deals which is in line if a bit low compared to recent first quarters. Despite the mixed take-up, demand is considered strong for retail space in Luxembourg. AAA high street locations and the best positioned shopping centre spaces are in high demand, but there is effectively no available space to meet these requests. Out-of-town offers are also extremely limited, with sufficient parking being a hurdle. Behind this dynamic, retailers are more discerning than ever, requiring the right store volume, dimensions and location before closing a deal, resulting in longer due diligence.

By sector, *food & beverage* continues to be a strong performer, accounting for 23% of take-up volume in 2024. Fast casual restaurants are expanding, and new entrants are opening in the Grand Duchy. New deals in this sector include O'Tacos on Avenue Monterey, Paul in Esch-sur-Alzette, Thai Station on Rue Notre Dame and Taberna Londrina on Avenue John F. Kennedy.

The Station district picked up in terms of new deals over the last three quarters. SportsDirect signed for new space over 1,000 m² here. Negotiations are ongoing for notable retailers that could provide a boost here.

On the other side of Pont Adolphe, the CBD and main high streets have recorded significant recent new deals totalling more than 3500 m². Grand Rue welcomes Finsbury Shoes, Natan and Jimmy Fairly; Rue Philippe II welcomes Rob-Carrérouge and Rue de la Poste will see a new Zegna in the same building as Louis Vuitton and Messika. Concept store (f)Utile is opening two stores in the city centre.

VACANCY

Vacancy remains polarized in the Luxembourg market. Primary shopping streets and AAA locations face almost no vacancies on account of limited supply and high demand. In the CBD, Grand Rue and Rue Philippe II continue to perform well.

Vacancy is instead concentrated in secondary and tertiary locations, with transitioning markets experiencing stubbornly high availabilities. Avenue de la Gare in the Station district is one prominent example, though redevelopments and ongoing negotiations are expected to revitalize this area.

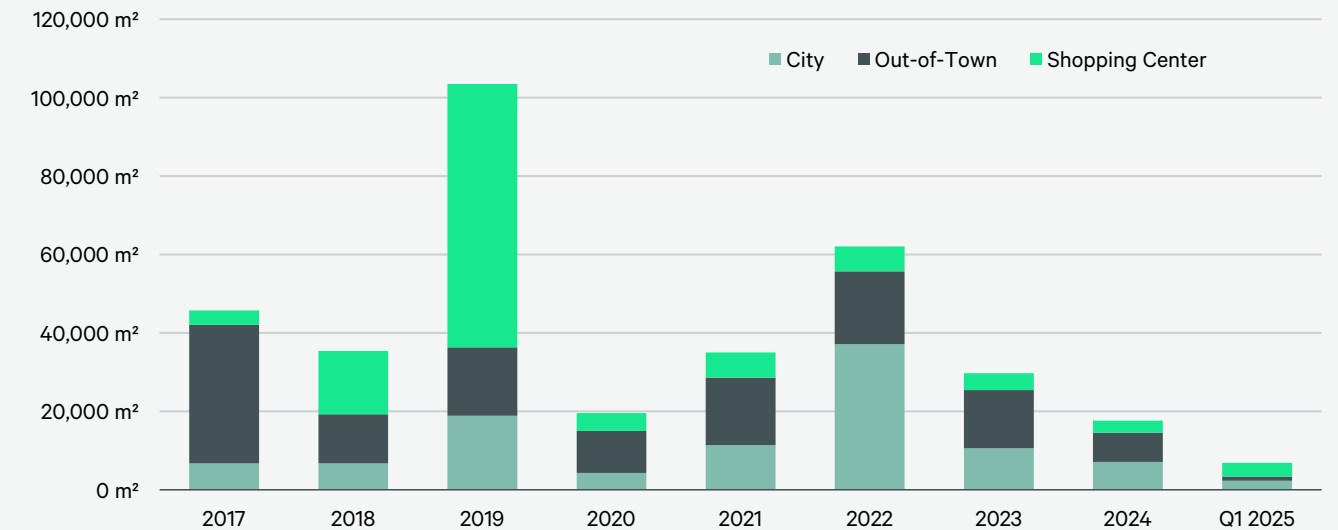
Occupancy is holding up very well in shopping centres and out-of-town locations. The best locations have even noted inquiries despite being 100% let.

6,898 m²

Q1 2025 retail take-up in Luxembourg

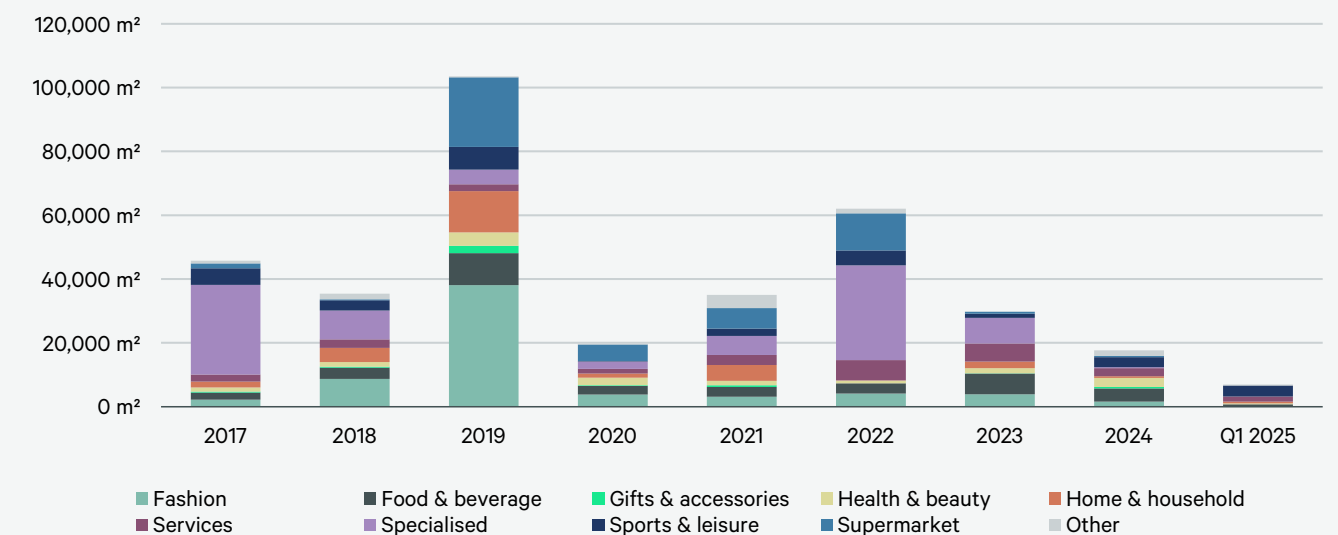
Luxembourg retail take-up by format

Source: CBRE Research



Luxembourg retail take-up by sector

Source: CBRE Research



DEVELOPMENT

Recent retail development in Luxembourg has typically taken the form of ground floor space in mixed-use developments with some exceptions in peripheral areas. This was the case in 2023 when 11,600 m² of space was delivered such as the Arc (670 m²) and Connex Plaza Gare (1,200 m²), both in the Station district.

In 2024, approximately 11,000 m² of new and refreshed space will come to market. The majority of this will be in Esch-Belval, as the new town continues to develop. To the northeast of the city, the first phase of LuxAirport's Airport City project will add around 3,000 m² of shopping floor space this year. 2025, however, will see several landmark developments open their doors. One is the Grid X in Wickrange (22,000 m² retail), and a second is the Cactus (58,385 m²) in Lallange. Additionally, the highly anticipated Hôtel des Postes (3,000 m²) in Luxembourg centre will be open for guests and include a hotel, restaurant and boutiques.

Overall, new retail development is modest in Luxembourg. There is demand from retailers for more retail park-style options including from discounters, supermarkets and leisure. But with a requisite for plentiful parking and moderate rents, new prospects are very limited, particularly given the administrative challenges in developing these products and high land prices throughout the Grand Duchy.

RENTS

Demand for well-located retail properties is strong, but the recent economic uncertainty and current dynamics has caused some frictions in the market. Prime rent on the Grand Rue is believed to have moderated last year to 150 €/m²/month (1,800 €/m²/year) and just off of their highs. For the Station market, prime rents are estimated at 52 €/m²/month (625 €/m²/year), which remains off the cyclical highs.

Retail rents across the other major formats - shopping centre and out-of-town - are mostly stable with some movement. Prime shopping centre rents are estimated at 108 €/m²/month (1,300 €/m²/year), and out-of-town prime rents are estimated at 25 €/m²/month (300 €/m²/year).

3,000 m²

Hôtel des Postes mixed-use project in the Luxembourg centre to open in 2025

1,800 €/m²

Estimated annual prime high street rent in Luxembourg

Upcoming retail developments

Source: CBRE Research, architect/developer websites



INVESTMENT

Retail investment averages around €60 million annually. The last two years recorded exceptionally low investment in an environment of rising interest rates, low liquidity and economic uncertainty. The transactions include the private acquisition of Avenue de la Porte Neuve (2023) and private acquisition of Rue du Brill 11 (2024).

Early in 2025, investment in retail assets surged higher to €173 million. The driving force was the Nextensa sale of Knauf Schmiede and Knauf Pommerloch to Wereldhave. Both of these out-of-town shopping centres are close to the Belgian border and highlight the strong trans-border retail dynamic in the Grand Duchy. Additionally, Forum Estates had a supermarket asset in Luxembourg that also transferred ownership with the Cibus Nordic Real Estate acquisition.

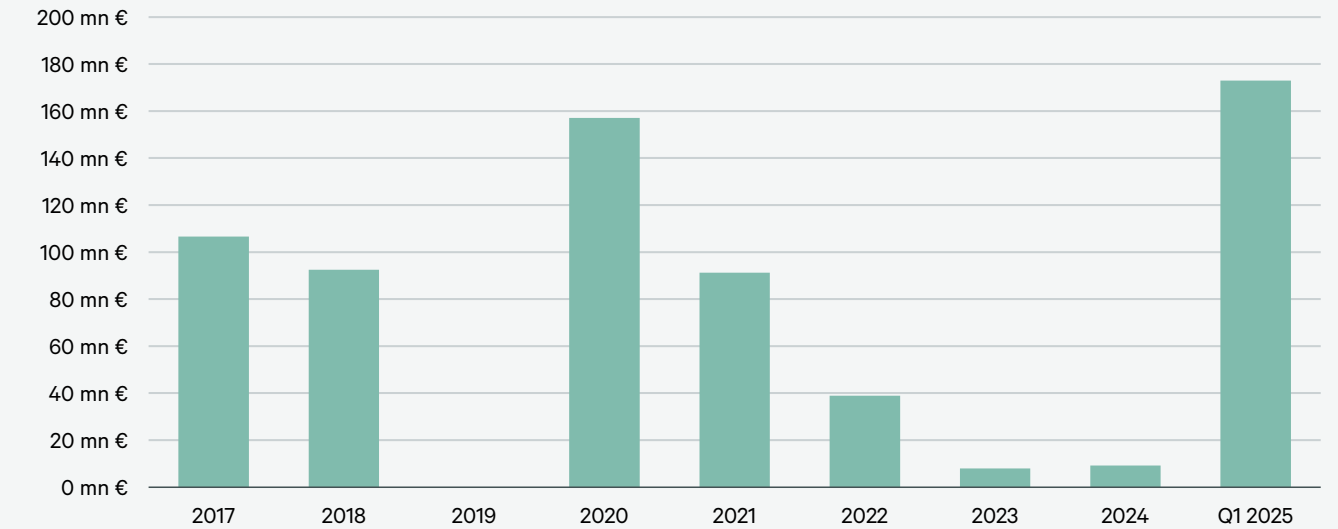
Prime retail investment yields are believed to be stable early in the year. Overall, the solid fundamentals and positive outlook for Luxembourg as an economy and retail market still hold over the longer term.

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

The two Knauf shopping centre deals highlight the continued attractiveness of Luxembourgish retail assets despite two difficult years

Retail investment in Luxembourg

Source: CBRE Research



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