

# Luxembourg Residential Tenant Survey 2023

OCTOBER 2023



# Luxembourg Residential Tenant Survey 2023

**CBRE followed up its original analysis of the Luxembourg residential rental market with the second annual Residential Tenant Survey for 2023. More than 500 tenants in Luxembourg were questioned about different aspects of their tenancy to better understand the market. They shared their preferences on and features of their current and desired housing situation.**

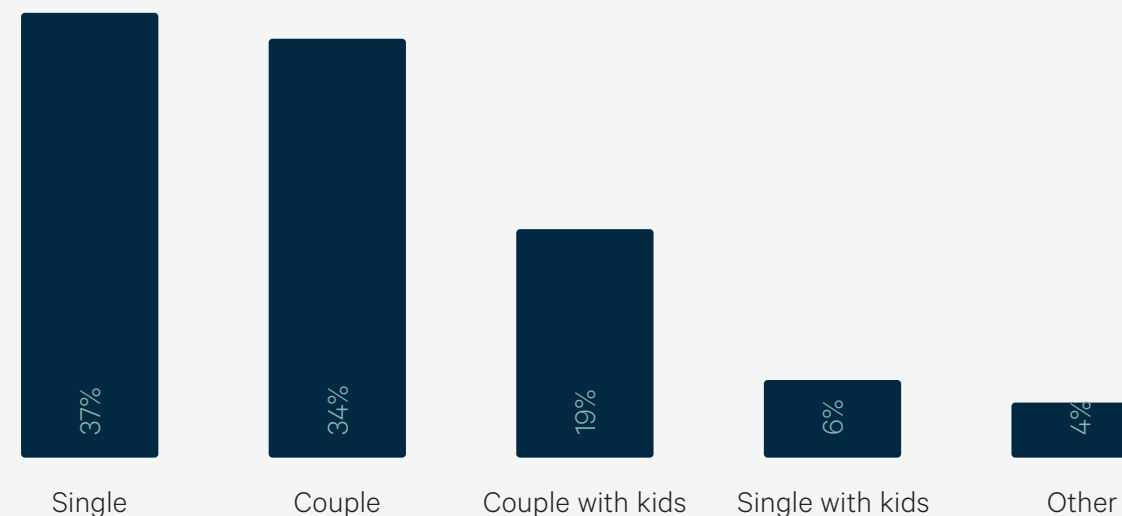
## INTRODUCTION

For the 2023 survey, 506 Luxembourg tenants formed a sample of the Grand Duchy. Respondents were relatively balanced, with a male/female ratio of 57/42 and an overall average age of 36.7 years.

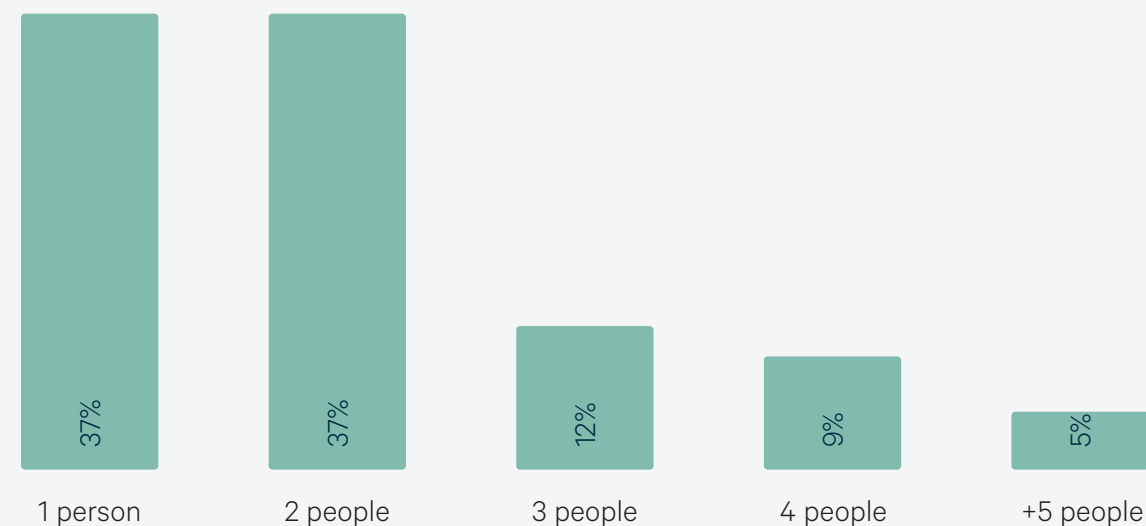
Single households (without children) were most common at 37% followed by couples (without children) at 34%. Households with children made up 25% of all respondents. This is also reflected in household size where almost three-quarters of households were made up of one or two people.

People by and large live alone or with their household (86%) versus sharing with others. Housing size follows household size, with the average rented home reported as 85 m<sup>2</sup>. Tenants, however, desire more square meters, both inside and out. People pay approximately 1,500 €/month in rent (plus charges) and are very price sensitive when choosing their home. Once a home is secured, the expected tenancy length is 6 years (median).

### What is your household status?



### How many people are there in your household?



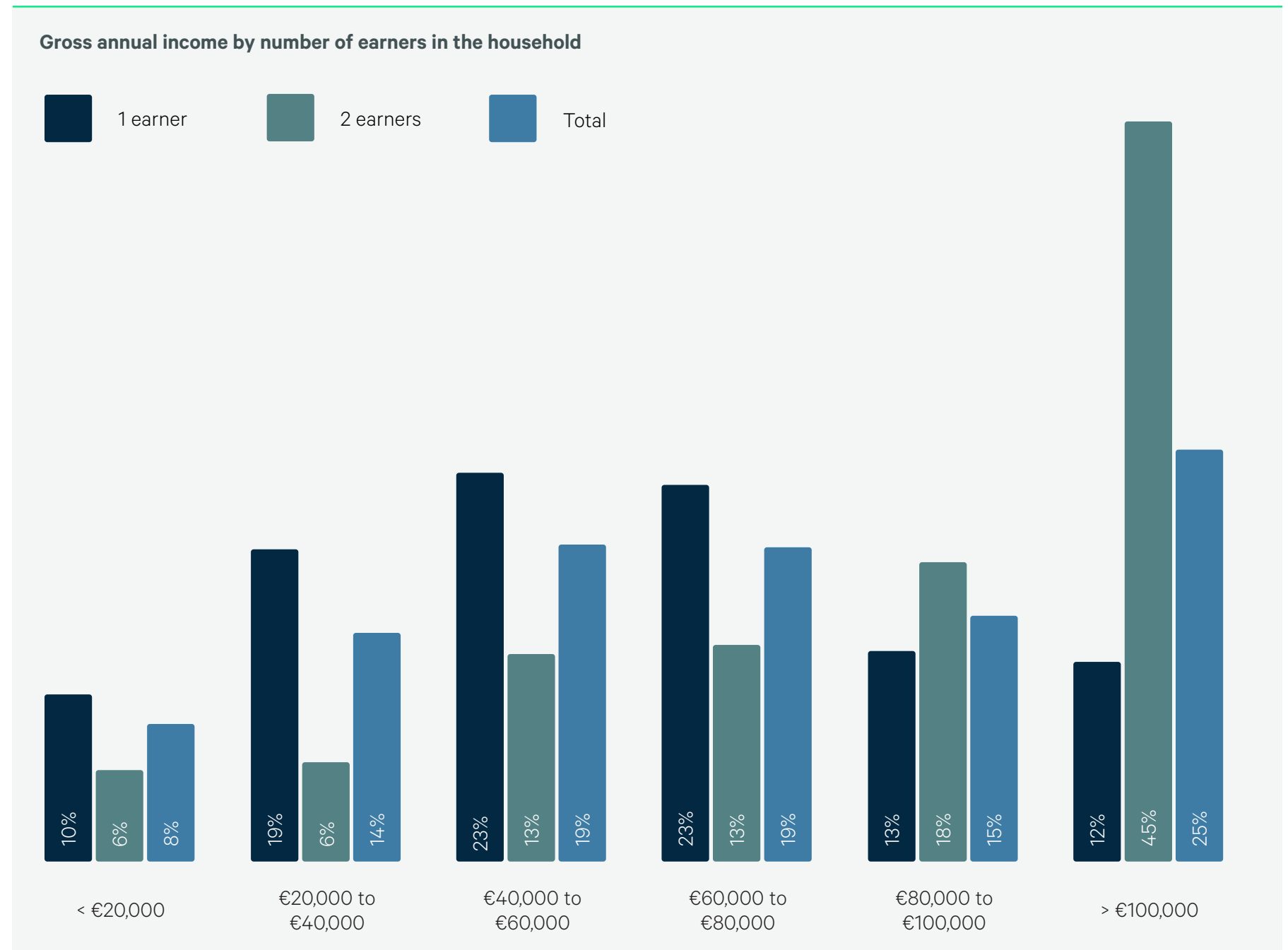
## INCOME

Income is a vital component in understanding housing decisions by price sensitive residential tenants. In this year's survey we asked more granular questions on this topic.

We identify households which have one or two income earners. The split is 61% have one earner and 39% have two earners.

In households with one income earner, 46% report gross income between €40,000 and €80,000 per year. The income distribution is balanced from the lowest to the highest options.

In households with two income earners, reported income follows an upward trend from low to high, with those communicating more than €100,000 annually the most common at 46%.



## APARTMENTS DOMINATE RENTED RESIDENTIAL STOCK

In terms of rented housing types, apartments are by far the most popular at more than three-quarters of the rented stock. Studios make up another 11%. Respondents were also able to select student rooms, of which 4% did. Houses for rent are less common and represent 5% (detached houses) and 4% (terraced houses) for a total of 9% of the rented stock.

## TENANTS SELDOM SHARE PROPERTY

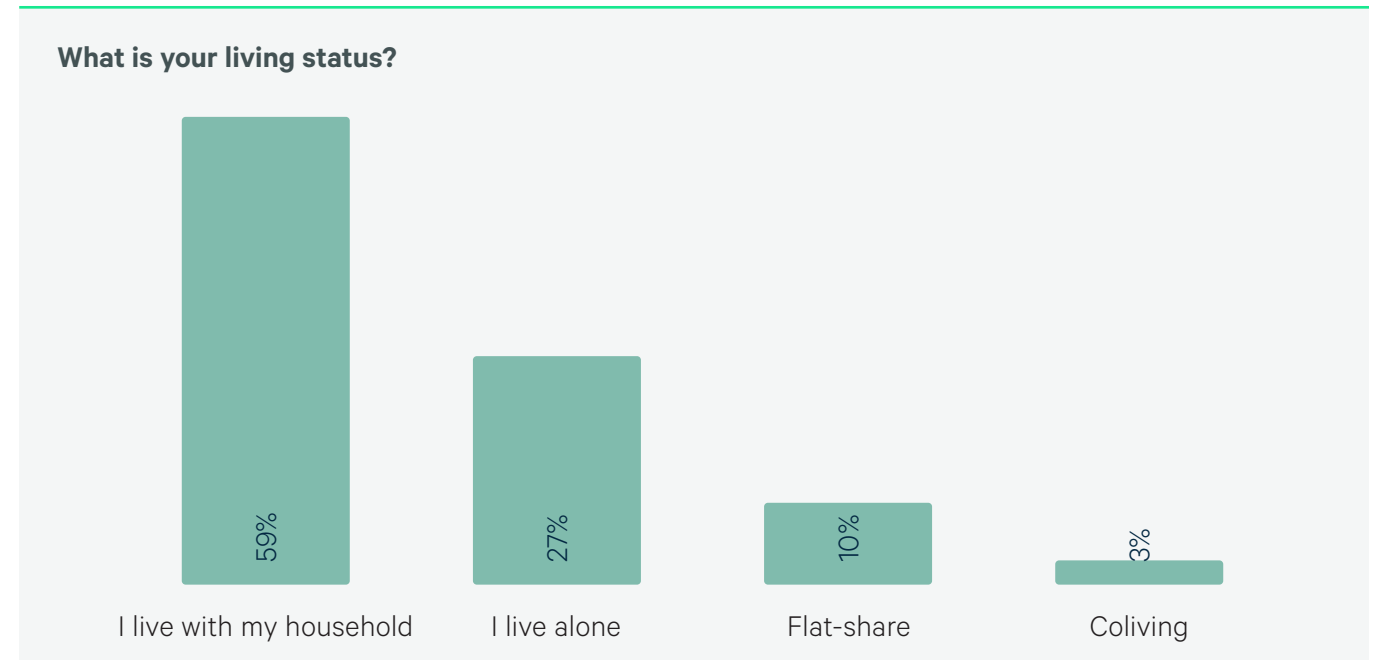
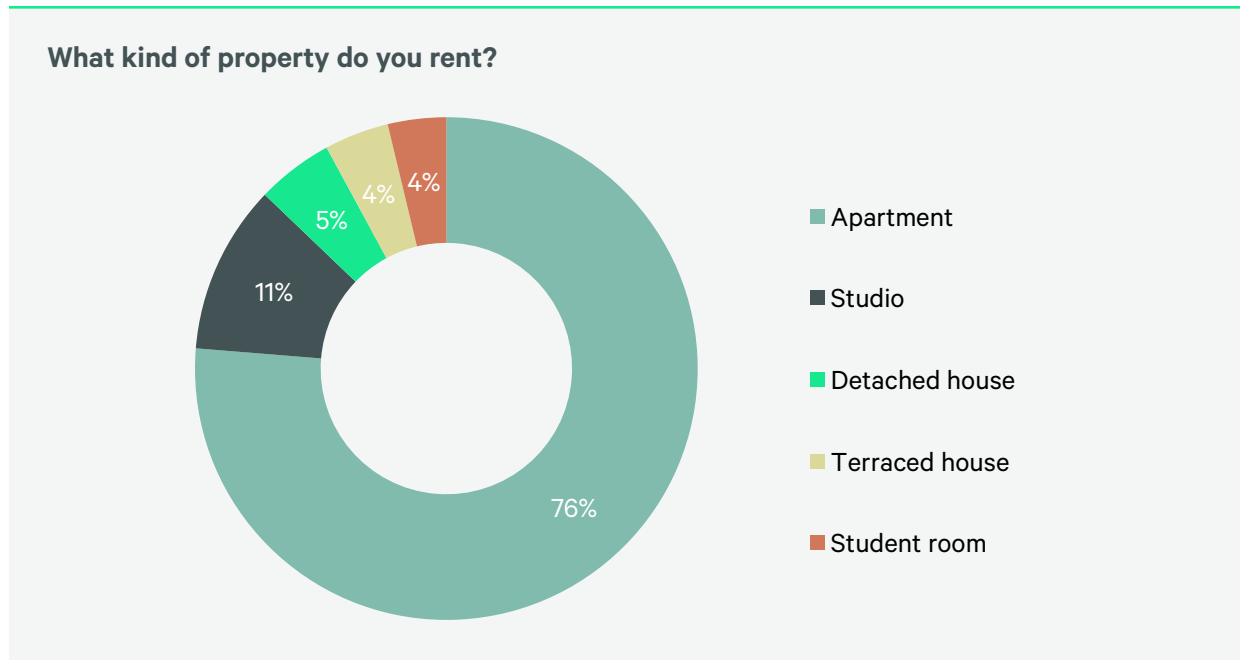
Tenants were asked about their living status. 59% live with their household, which is typically their family. More than one-quarter (27%) live alone. Just 10% share a flat with people outside of their household and 3% are in an organized coliving property.

The 13% of people who share their residence with people outside of their household are on average seven to nine years younger than those who live alone or within their household.

Given living costs in Luxembourg, those who live alone are on average older and earn higher incomes.

27%

*of tenants live by themselves in Luxembourg. The average age of those that do is 37.5 years.*



## MODESTLY SIZED RENTED HOUSING

Rented residences in Luxembourg are modest in size at 85 m<sup>2</sup>. Almost one-third are between 50 and 74 m<sup>2</sup>, excluding exterior space. An additional 29% are 75 to 99 m<sup>2</sup>, making 60% of all rented residences 50 to 99 m<sup>2</sup>. Overall, three-quarters of rented residences are under 100 m<sup>2</sup>. Average apartment sizes are slightly smaller at 80 m<sup>2</sup>.

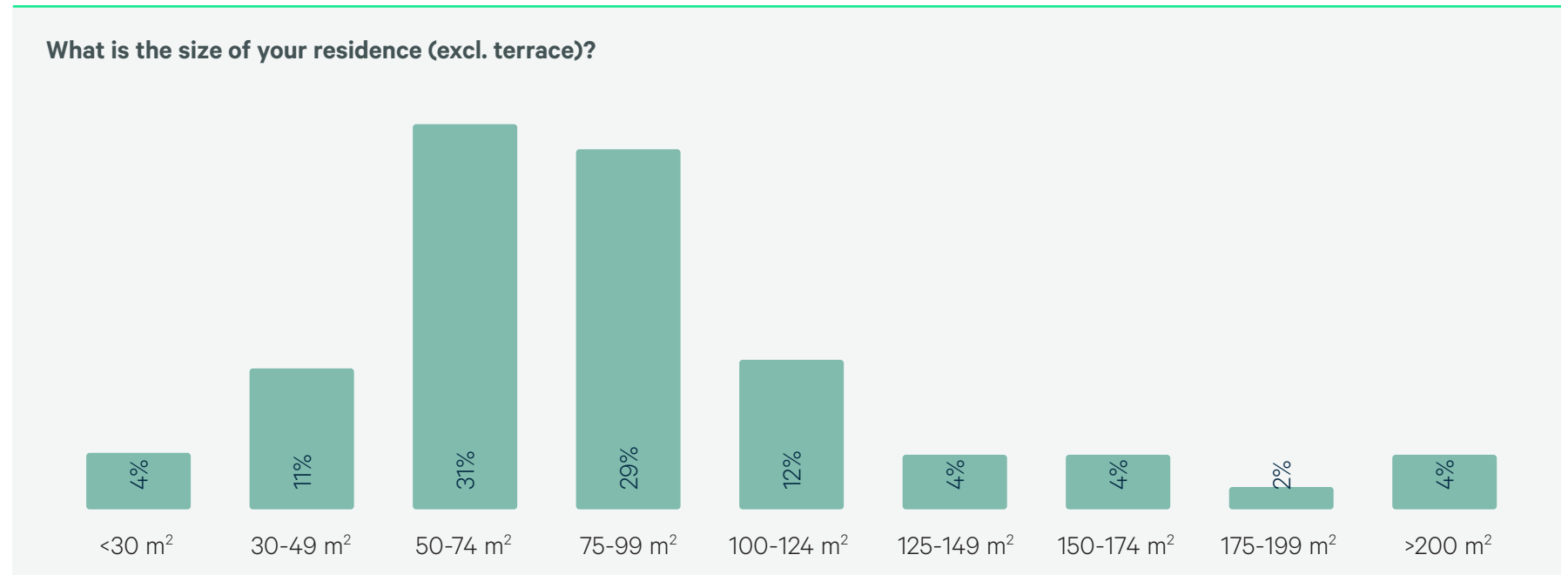
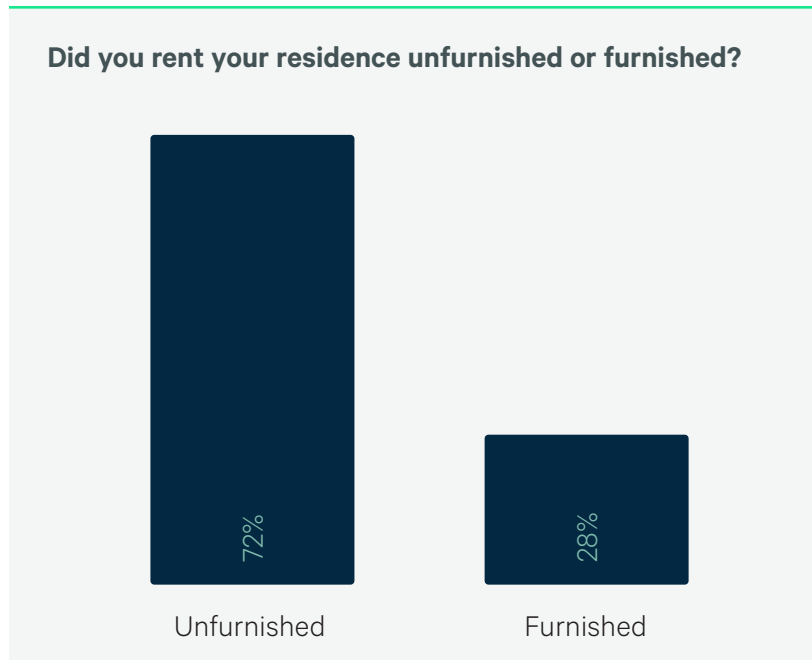
Perhaps surprisingly, there is very little difference in the size of residence based on reported income. Those with the lowest reported income have an average residence size of 76 m<sup>2</sup>, while those in the highest income bracket from the survey have an average residence size of 94 m<sup>2</sup>. Those with middle incomes fall between 79 and 88 m<sup>2</sup>. The quality, location, features and overall attractiveness of residences is likely the differentiator.

Household size is highly correlated with the size of residence. For every additional person in the household, average residence size increases 15 to 25 m<sup>2</sup>.

Approximately 72% of rented residences are unfurnished and 28% are furnished. Furnished residences are typically smaller at 74 m<sup>2</sup> versus unfurnished residences at 90 m<sup>2</sup>.

# 85 m<sup>2</sup>

*average rented residence size in Luxembourg. Three-quarters of all rented residences are under 100 m<sup>2</sup>.*



## HOUSING PRICES

The average rented housing price in Luxembourg is 1,497 €/month plus service charges of 193 €/month. This includes all forms of rented housing from student rooms and studios to detached houses.

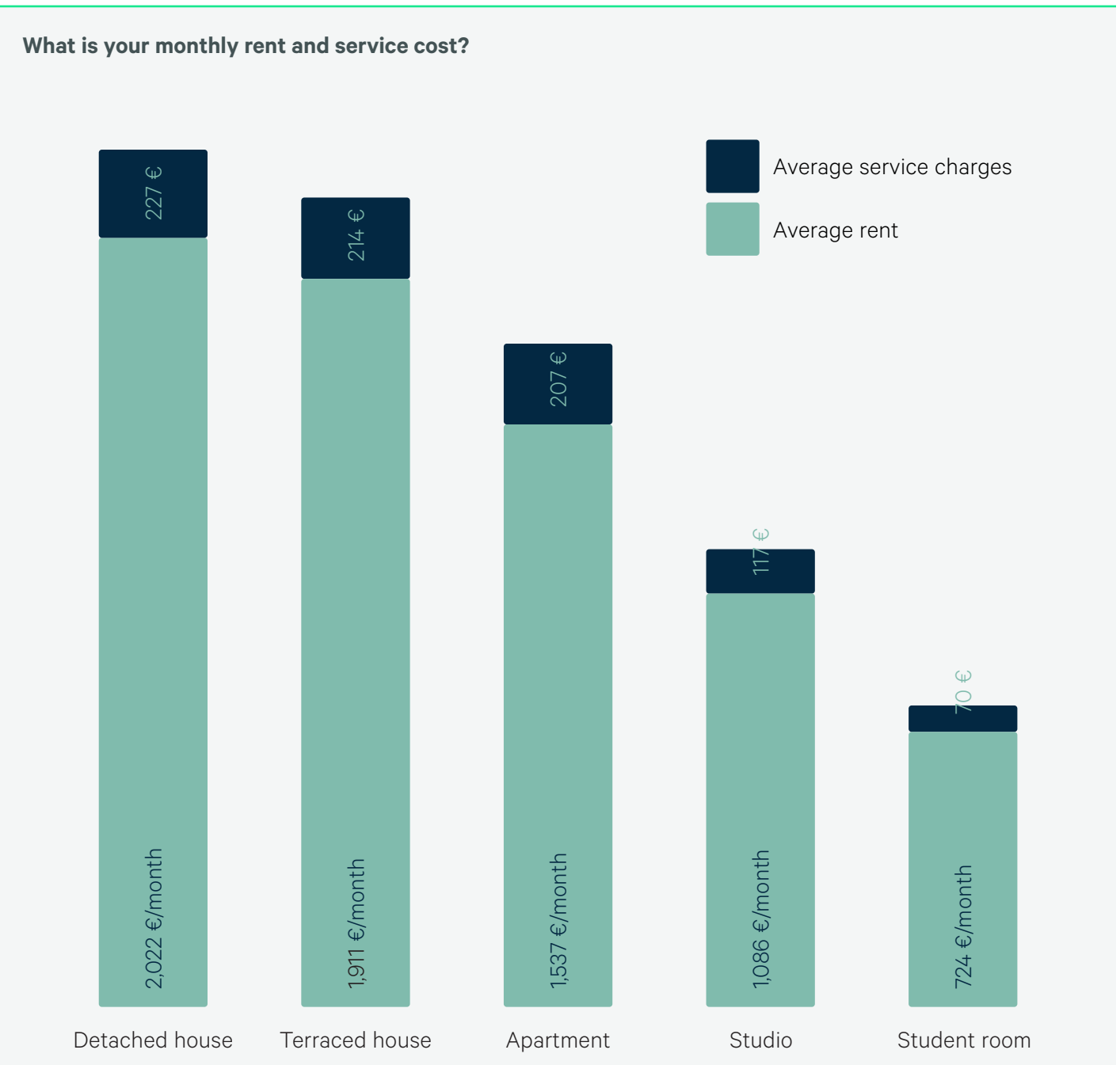
The average apartment price is 1,537 €/month plus service charges of 208 €/month. Student room aside, studios are the most affordable with an average rent of 1,086 €/month plus 117 €/month in service charges. Detached houses command the highest rents of 2,022 €/month plus 227 €/month in service charges.

Adjusted for size, the average rental price (all housing types) is 21 €/m<sup>2</sup>/month. Apartments prices are right at the overall average of 21 €/m<sup>2</sup>/month, while houses are the lowest at 12 €/m<sup>2</sup>/month and studios are at the high end of the traditional sector at 28 €/m<sup>2</sup>/month.

Households with two incomes pay on average 18% more than households with one income. Though, their home is on average 16% larger.

# 1,497 €

*average monthly rent for rented housing in Luxembourg. Service charges add another 193 €/month.*



## PRICE ABOVE ALL

Rental price continues to dominate tenants' considerations when choosing a place to rent. 87% of respondents say this factor is extremely or very important. The response is weighted 10 percentage points more heavily compared to last year's survey. The combination of continued rental growth and price pressures from high inflation are likely taking their toll on tenants, contributing to heightened price sensitivity.

The second most important factor is safety. 71% of tenants find this extremely or very important. Respondents placed more weight on this factor compared to the previous year.

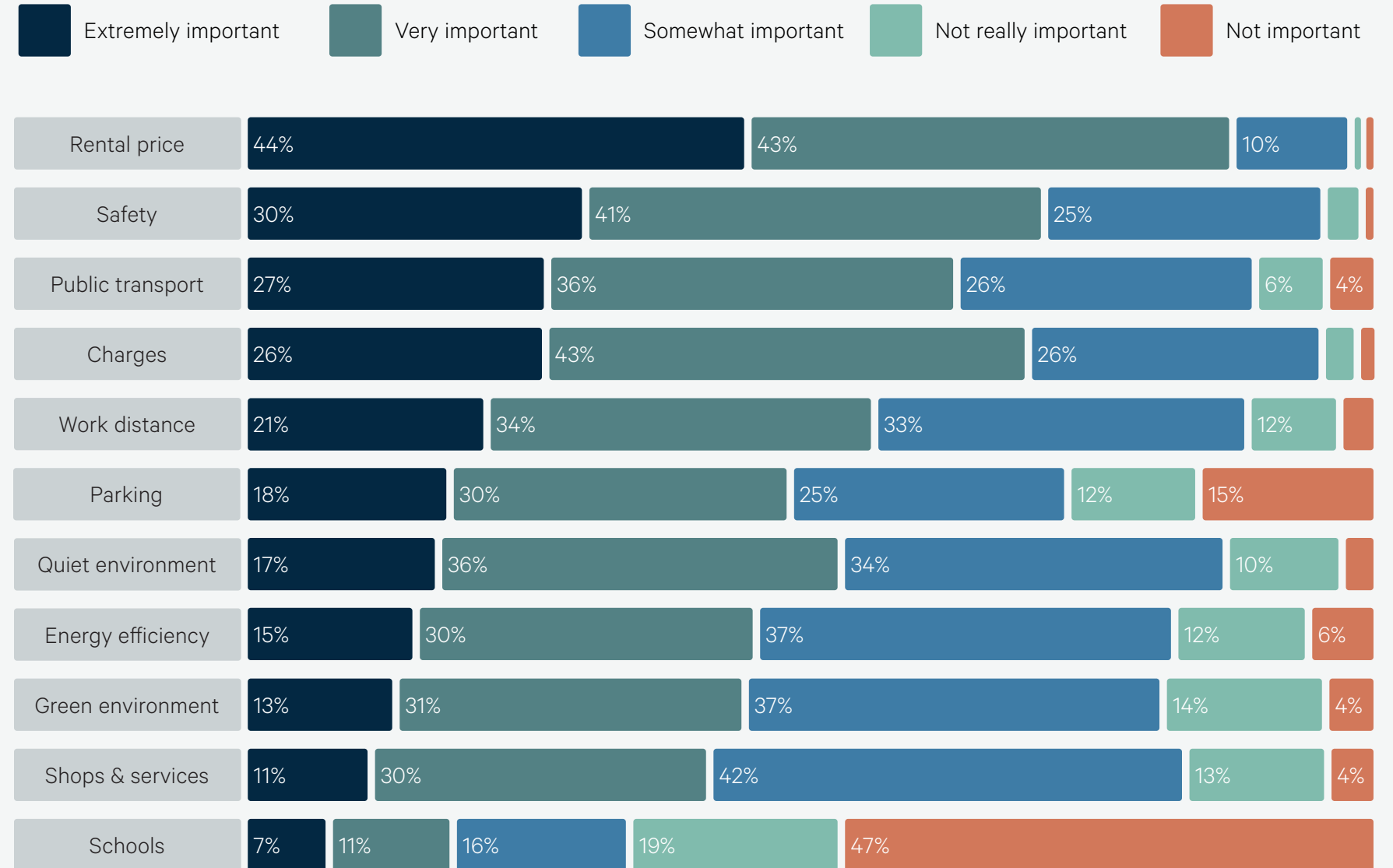
Tenants also highly value public transport, which is positive news for tram ridership and new residential developments within close proximity.

At the bottom of the spectrum are factors related to the environment. Quiet and green environments as well as energy efficiency are given rather moderate weights in terms of their importance to tenants.

Perhaps surprisingly, being located near shops and services is not ranked highly. This could be due to the relative accessibility of these amenities in residential districts in Luxembourg anyway.

School considerations are low, but of course this will be based on whether households have children or not. For families, 50% find having schools nearby as extremely or very important.

### How much value do you attach to the following characteristics when choosing a rental property?



## PREFERENCE FOR BUYING

Home ownership is a goal for many individuals and families. More than three-quarters of tenants would rather buy a home instead of renting. This is a modest decline from the previous year where 83% expressed a desire to purchase. Households with children show the strongest desire to buy a home, where as couples without children are the most content to rent.

## HIGH BARRIERS TO OWNERSHIP

For people who wish to buy a home, financial obstacles are keeping people from buying. Almost half of people (42%) who would like to buy a home do not have the required down payment. A further 21% lack the ability to maintain the monthly mortgage payment.

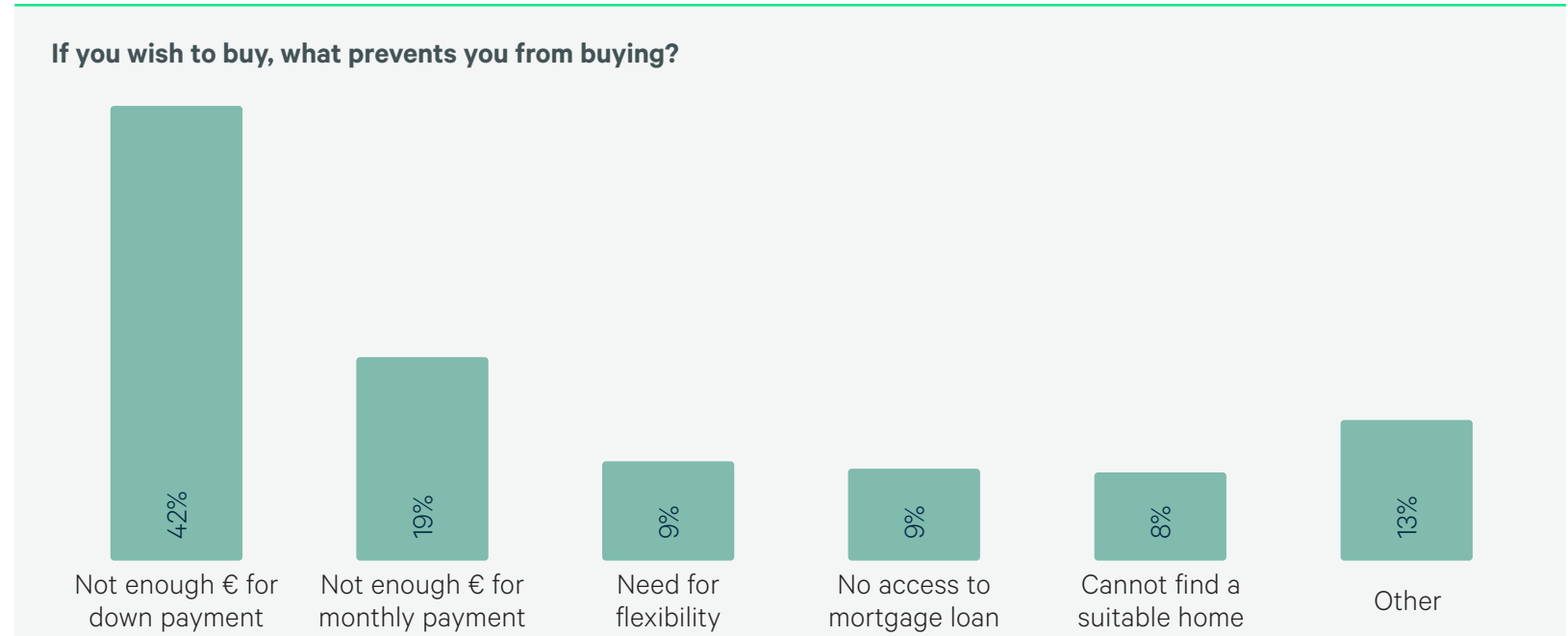
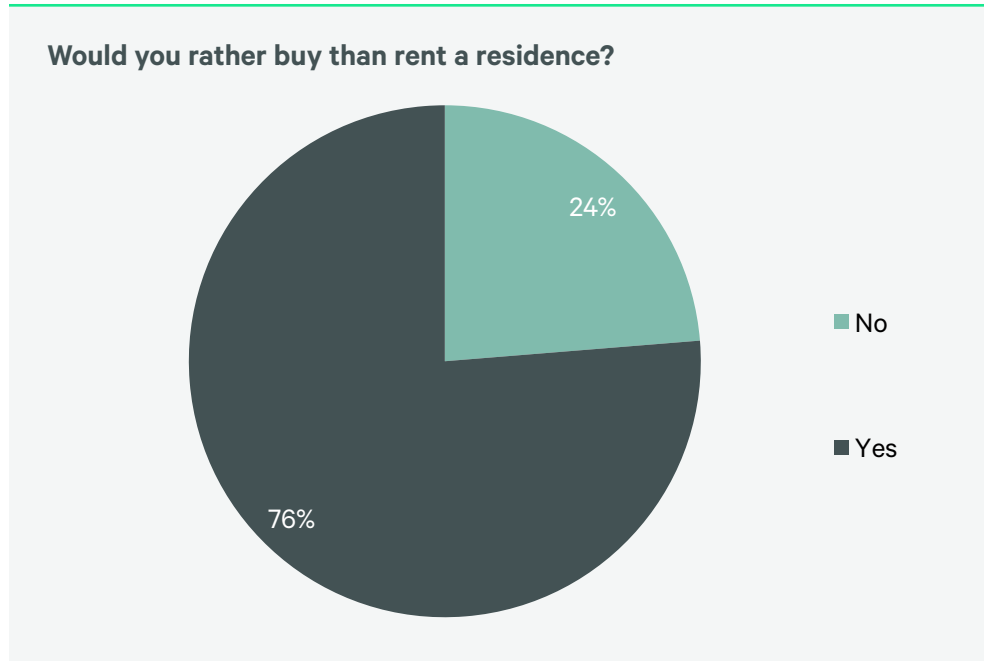
Less frequently cited are people who wish to buy a home, but their need for flexibility is holding them back (9%). People who chose this option are younger on average than those selecting the other options. Not having access to a mortgage (9%) or not being able to find a suitable home (8%) are other reasons.

Households can also differ in their challenges to home ownership. Those with children find the monthly mortgage payment more daunting, but have a lower need for flexibility than households without children.

With respect to *other* reasons respondents mentioned, *high prices* were the most often quoted, followed by *rising interest rates*.

# 76%

*of tenants in Luxembourg wish to buy a home. The biggest obstacles are financial, particularly the large required down payment.*



## TENANTS SAY NO TO HIGH PRICES

For the renters who said they do not wish to buy a home, the historically hot market with rising prices was a major turn off, as reported by 56% of respondents. Currently, though, the market is cooling and may provide opportunity for interested parties.

Owning a home requires time, money and other resources that not everyone is willing to commit. Renting offers flexibility that 23% of respondents prefer. Along the same line, 13% of respondents identify budget concerns as a reason not to buy.

## CLICK AND RENT

The most common way tenants find their residence is through the *advertiser's website* at 57%. Any landlord looking for a tenant will greatly increase their odds by offering their unit(s) on an online portal.

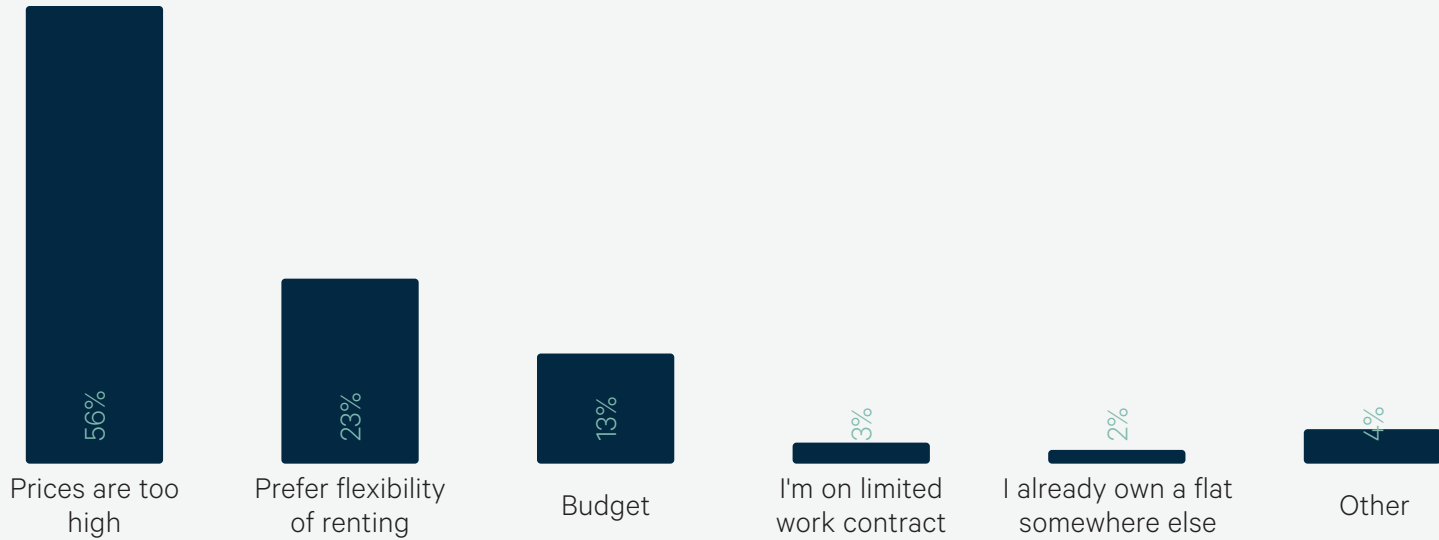
More than one-quarter (28%) of tenants relied on personal relationships to find their current residence. This includes through *word of mouth*, *knowing the owner* or *knowing the outgoing tenant*. Considering those in the *other* category, this figure rises to more than 30%.

*Other* ways of finding a place to rent include Facebook, social funds, university and an agency.

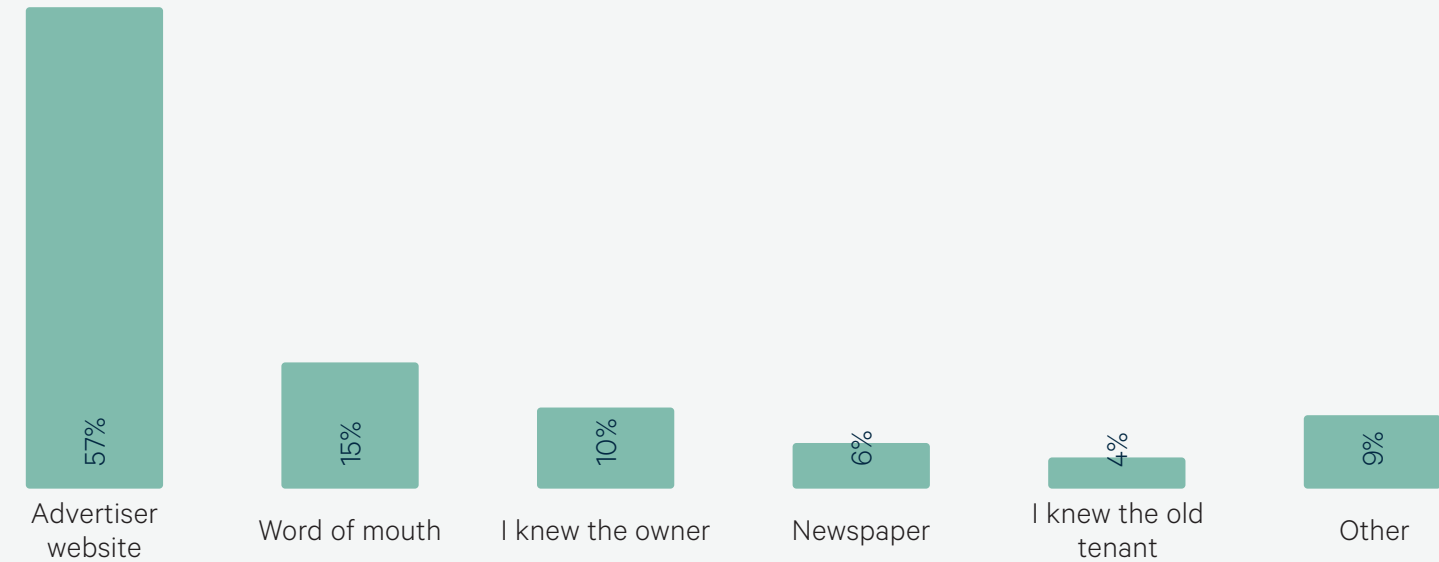
# 69%

*of tenants who do not wish to buy cite financial concerns for their reasons, whether it is high prices or general budgets.*

### If you do not wish to buy, what are your reasons?



### How did you find your current residence?



## WHAT TENANTS WOULD PAY MORE FOR

Tenants communicated features of their residence they would like to improve or add. More than one answer was possible.

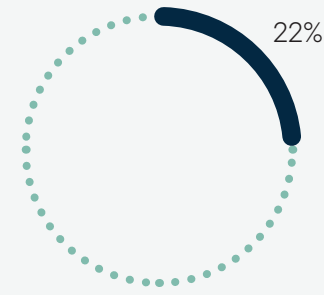
Outdoor space was the dominant feature tenants miss in their units. Having a garden (22%) and/or a terrace (21%) made up 43% of responses. Being able to enjoy the outdoors, sun and fresh air is very important to Luxembourg renters.

While the improvements to public transport have been applauded, the Grand Duchy is still dominated by cars. Parking can be a challenge, with 15% of tenants willing to pay more for a parking space.

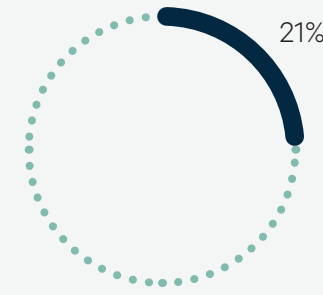
A more energy efficient property was only mentioned by 13% of tenants. This could be because renters believe that their residence is energy efficient enough rather than not being interested in a higher performing home.

Having a top floor unit or more bike storage is not something for which many tenants are willing to pay extra.

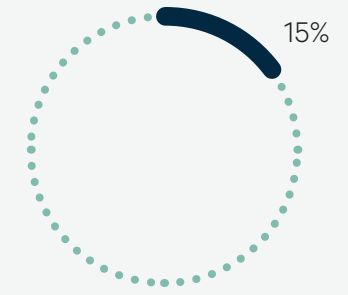
### What would you like to pay more for?



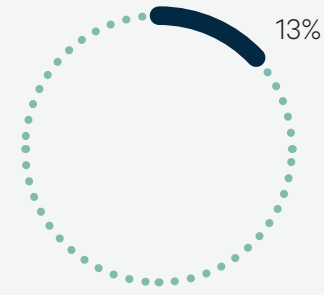
Garden



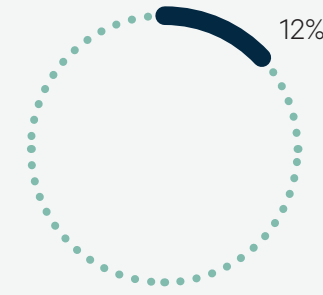
Terrace



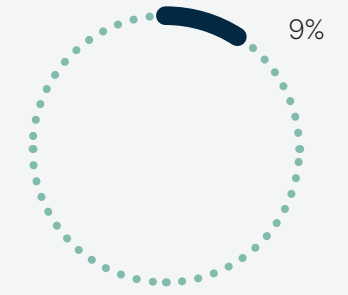
Parking space



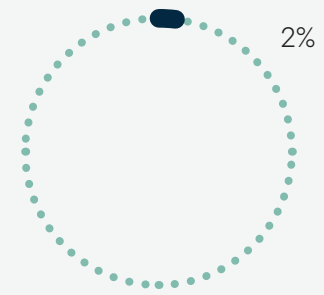
Energy efficiency



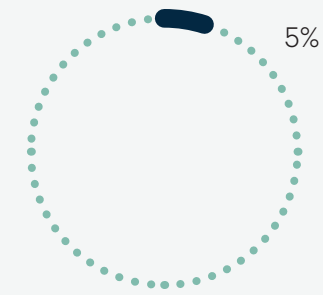
High speed internet



Top floor



Bike storage



Others

## APARTMENT BUILDING PREFERENCES

We asked tenants who live in larger apartment buildings of at least ten units what services and extras they would like to have. As amenities are more cost effective in larger buildings, developers should take note. More than one answer was possible.

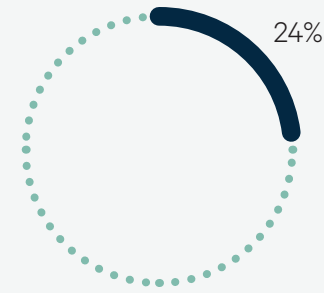
Remaining the most requested feature from last year is the presence of a fitness room at 24% of total responses. The desire to get into shape so close to home appears to have some staying power.

Shared green spaces are moderately popular choices. A rooftop terrace or garden command 16% and 14% of the vote, respectively.

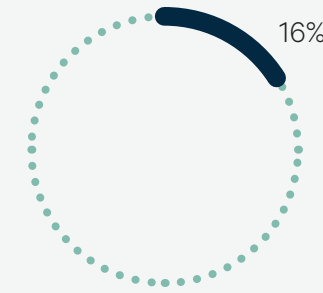
No doubt growing in importance is the presence of charging stations for electric cars. Year-to-date (January to July 2023), electric and hybrid cars accounted for 48.5% of new cars in Luxembourg<sup>1</sup>. That has led to 14% of tenants wanting their buildings to have a more robust charging infrastructure.

Tenants are less enthusiastic about a concierge, dry cleaning services and nurseries.

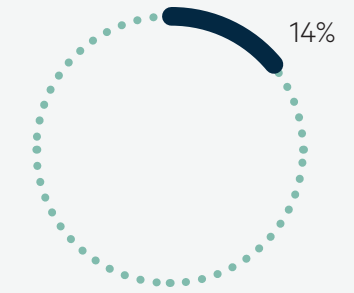
### If you live in a large apartment building, which services or extras would you like to have in the building?



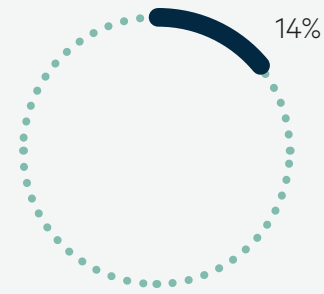
Fitness



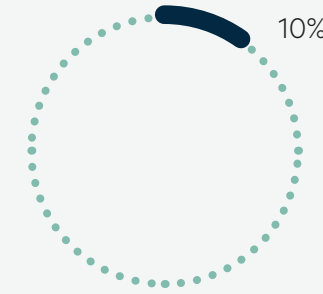
Shared rooftop terrace



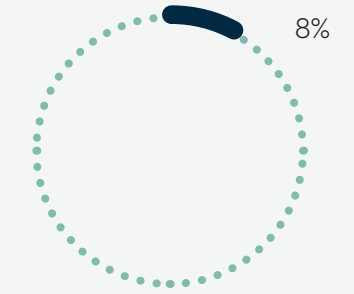
Shared garden



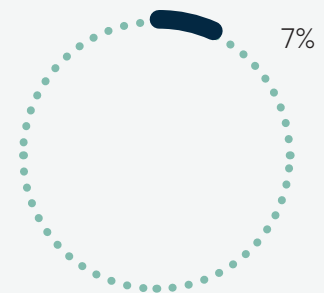
Charging station for electric cars



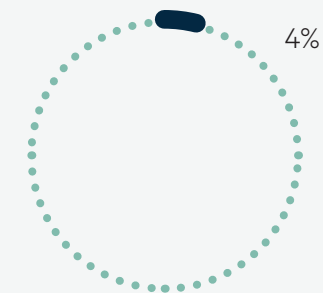
Leisure space



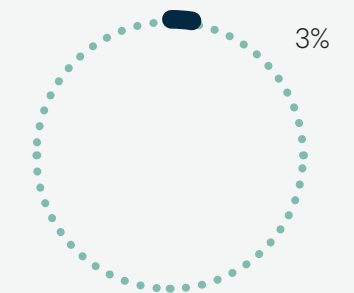
Concierge



Dry cleaning



Nursery



Other

<sup>1</sup>ACEA

## CURRENT RENTAL TIME

Respondents also reported information about their current and planned tenancy length. The average current tenancy length in Luxembourg is 3.8 years, and the median length is 2 years.

One-quarter of tenants have been in their property for approximately one year, followed by two years (21%) and three years (13%). More than two-thirds of tenants have been in their current residence for three years or less.

While there is a bias to shorter time periods, there is a long tail that reaches 28 years. Overall, 8% of tenants have been in the rental property for more than ten years.

# 3.8

*years is the average current tenancy length in Luxembourg.*

## EXPECTED TENANCY LENGTH

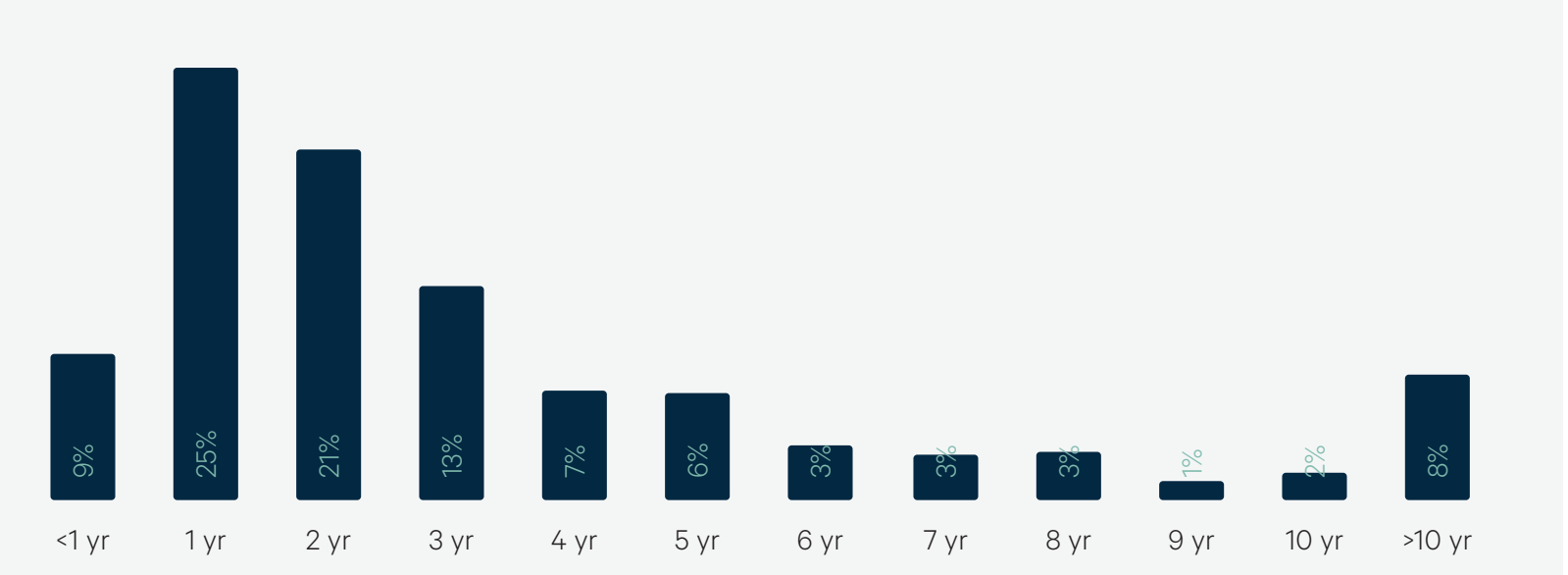
Tenants expect to stay in their current residence for an additional 5.2 years on average. The median reported time is 3 years.

The most frequently chosen options were one, two and three years, with 56% of the responses. Five and ten years were more common, but are likely influenced by the fact that they are round, easy numbers to respond with.

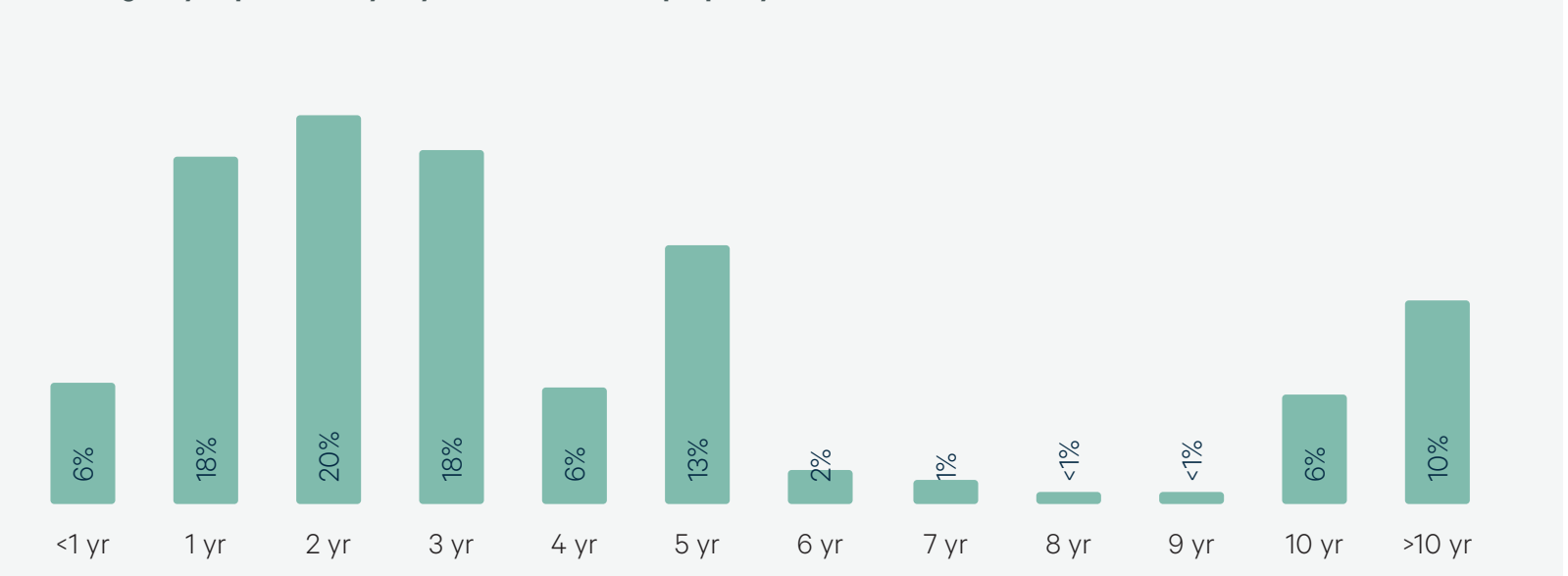
The combination of current tenancy length and expected tenancy length is 9.0 years on average, with a median of 6 years. Given the standard lease contract is 1 year with tacit renewal, this is a relatively long leasing period.

Households without children tend to have a much shorter expected tenancy length compared to households with children by as much as six years. These households are also younger on average and may speak to expectations of better housing options in the future.

### How long have you been living in your current rental property?



### How long do you plan to stay in your current rental property



## TENANTS DESIRE A LARGER HOME

A significant 43% of tenants reported that they are planning to leave their current residence within the next two years. One-third of them said the desire for a larger home is the primary reason for leaving.

In a distant second place is the desire for a more affordable property. As seen earlier, tenants are price sensitive and many are continually on the hunt for better value. Better surroundings (10%) and a location closer to work (6%) were less common reasons.

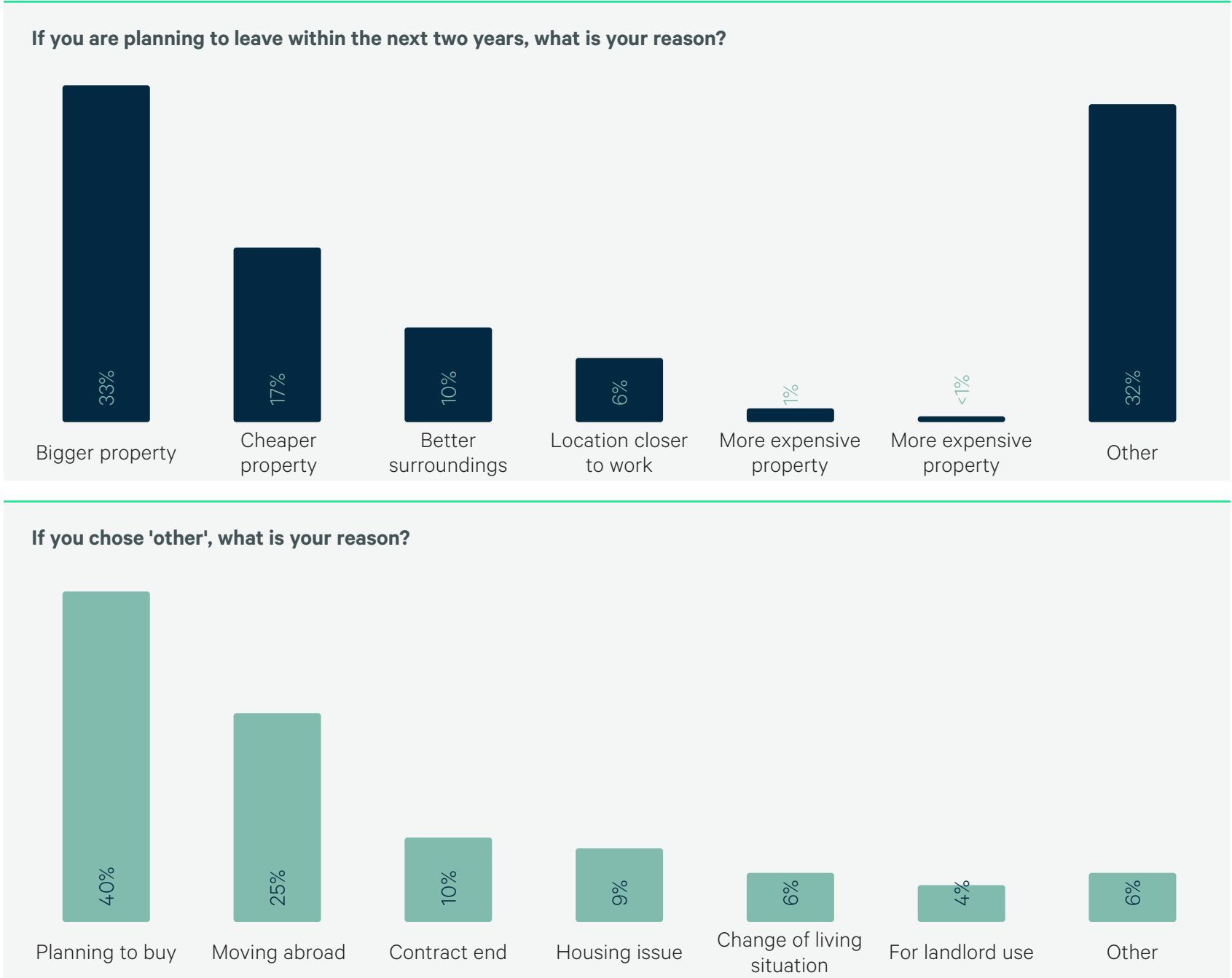
Almost one-third of respondents had other reasons for leaving their current residence, suggesting the motivations for housing choice are very particular to the individual and the property.

## FINDING YOUR RESIDENCE

Despite the challenging market, the allure of home ownership remains strong. Of the one-third of people who indicated *other* reasons for moving in two years, *planning to buy* was the most frequent choice at 40%.

Given Luxembourg's petite size and open, internationally-oriented economy, there is a steady flow of workers moving through the Duchy. One-quarter of the other reasons for leaving their residences (and 8% of all reasons) are that tenants are moving abroad.

Other cited reasons for leaving are tenants nearing the end of their contract (10%), experiencing some housing issue (9%) such as poor insulation, or a change of living situation (6%) such as moving in with a significant other.



## WORKING FROM HOME

Attitudes towards homeworking have barely budged since last year and have crystallised around a distinct structure. There is a clear preference for the extremes - everyday or no time homeworking - and a balanced approach. Very few people propose working a half of a day or four days from home.

16% of people prefer to be full time in the office, while 12% desire full time homeworking. The sweetspot is two days per week working from home. 31% of respondents chose this option. The weighted average of all choices also supports the two days per week preference.

The oldest workers are overly represented at the extremes. Those preferring to work full time from home have the highest average age, while those preferring a half a day or no time working from home have the second and third highest average ages, respectively. The respondents preferring to work from home two days per week have the youngest average age at nine years younger than the fulltime homeworking crowd. There appears to be a clear desire for balance from younger workers.

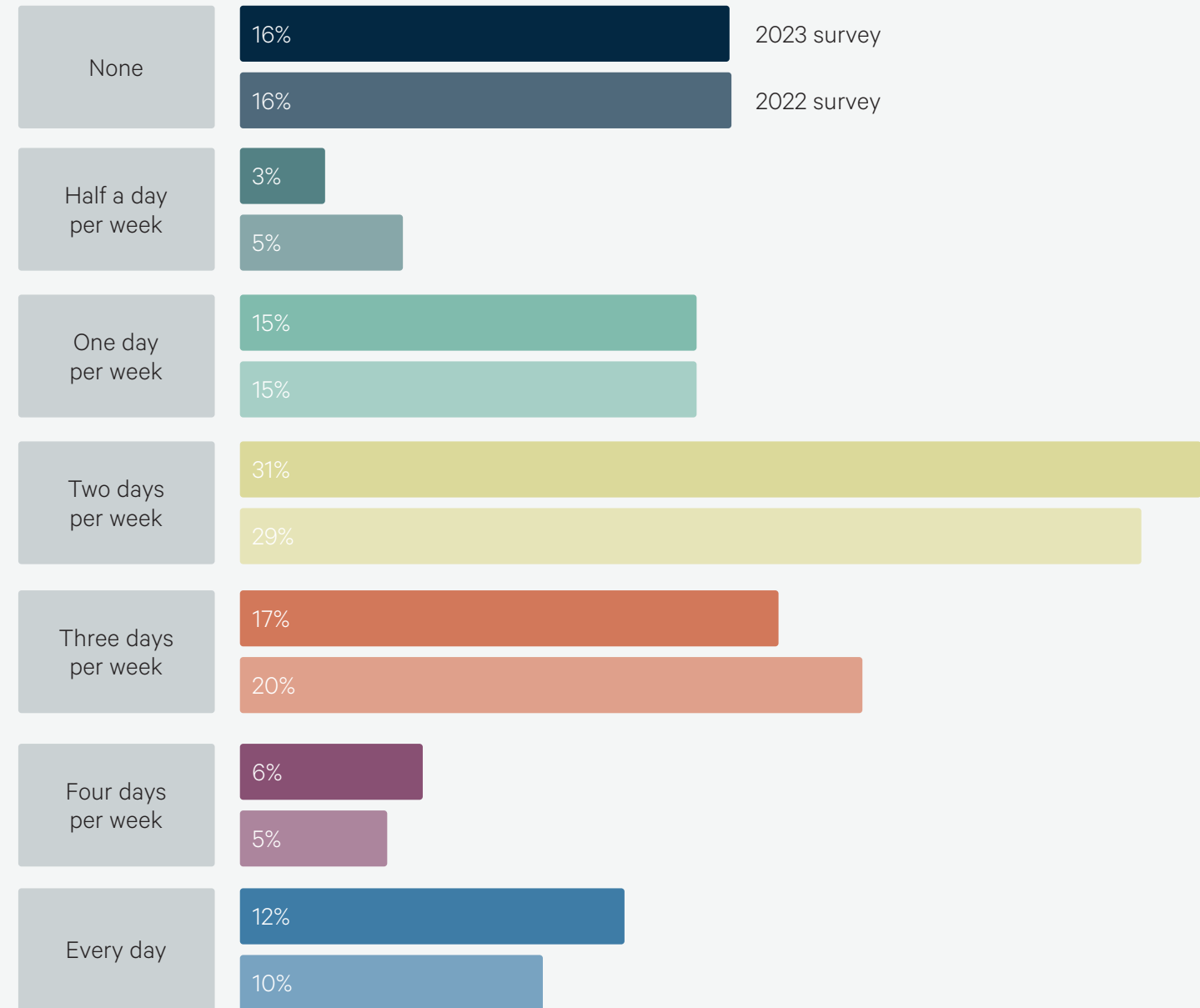
A larger home may be expected to accommodate a more comfortable and better-equipped office that is suitable for homeworking. Home size, however, is more strongly correlated with age than it is with homeworking preference.

Differences in homeworking preferences emerge from household status. Single households (without children) tend to prefer more time in the office. Couples - both with and without children - prefer more time homeworking.

# 31%

*of residential tenants believe working from home two days per week strikes the right balance for them.*

### How many days per week would you like to work from home?



# Contacts

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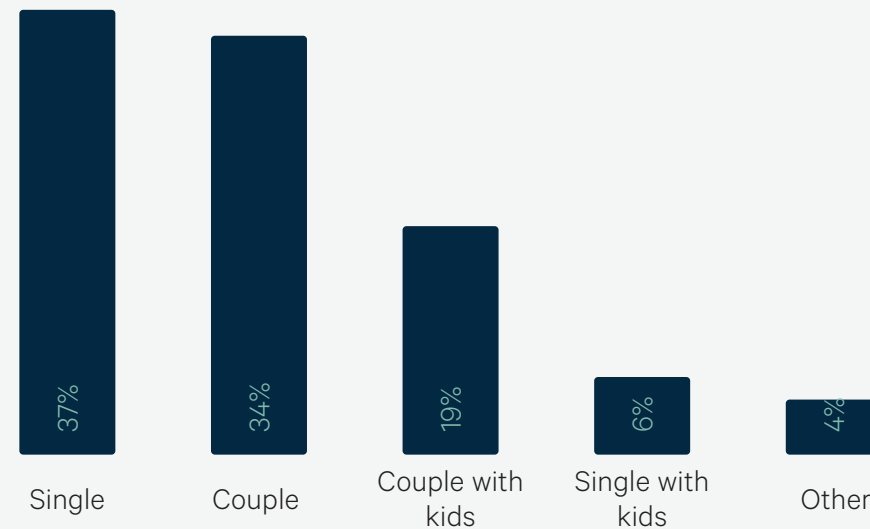
## INTRODUCTION

For the 2023 survey, 506 Luxembourg tenants formed a representative sample of the Grand Duchy. Respondents were relatively balanced, with a male/female ratio of 57/42 and an overall average age of 36.7 years.

Survey respondents indicated that the current macro environment is weighing on their financial outlook, with a majority taking a more pessimistic view compared to the previous survey. As a result, consumers have reduced their spending and adopted more cost-saving measures, with some interesting exceptions.

After the forced adoption of e-commerce through the pandemic, consumers have pulled back from their tech and done more of their shopping in physical stores. Still, the convenience of retailers having an integrated online and physical store operation is preferred by the majority of shoppers. Finally, more than half of consumers are still willing to pay more for sustainable products despite the tighter purse strings.

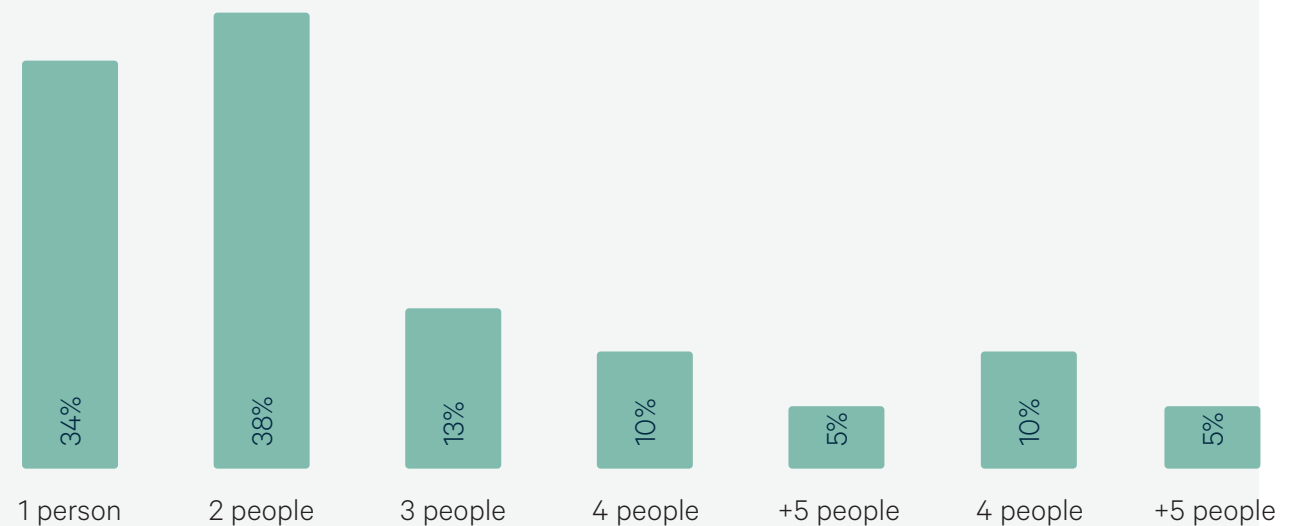
### What is your household status?



**36.7** years

*average age of residential tenants in Luxembourg. The survey sample ranges from 18 to 76 years of age.*

### How many people are there in your household?



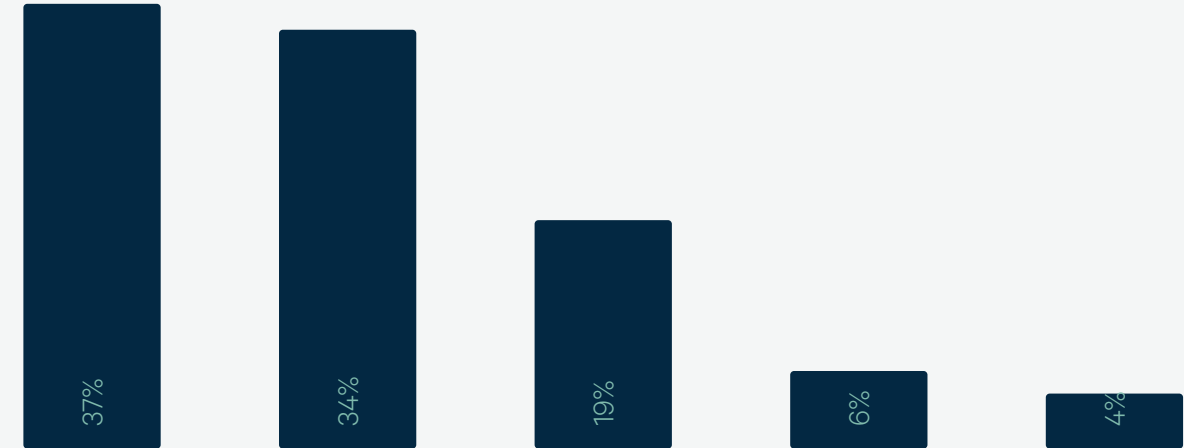
## HOUSEHOLDS

The curren

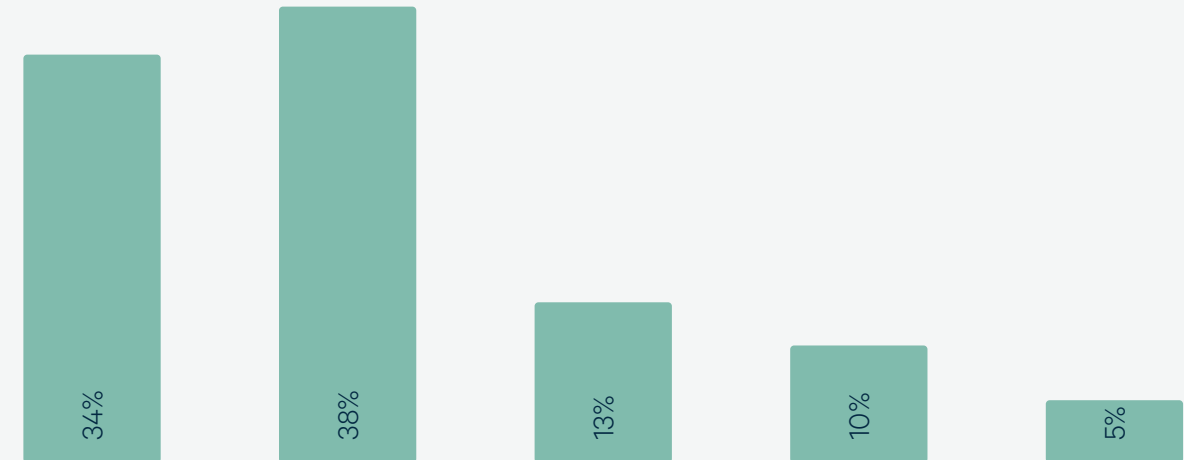
25%

*of respondents have not changed their shopping habits in the face of a weakened macro environment*

### What is your household status?



### How many people are there in your household?

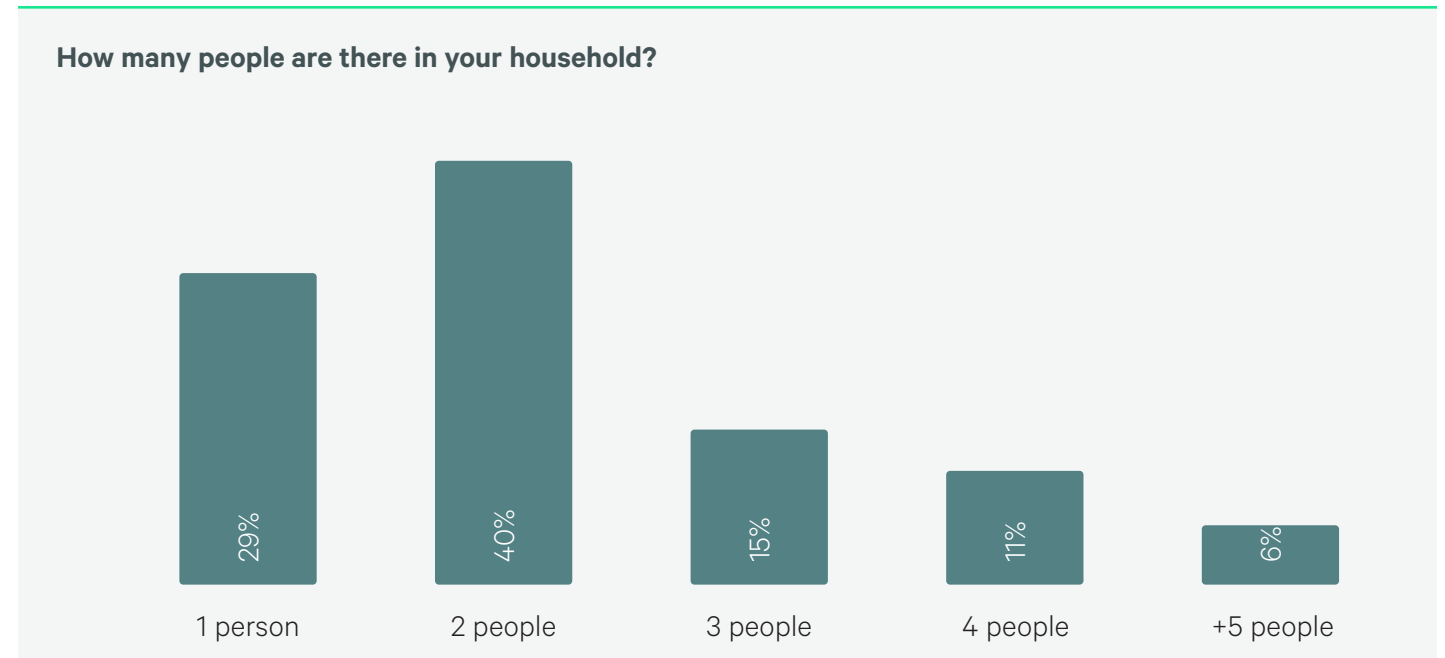
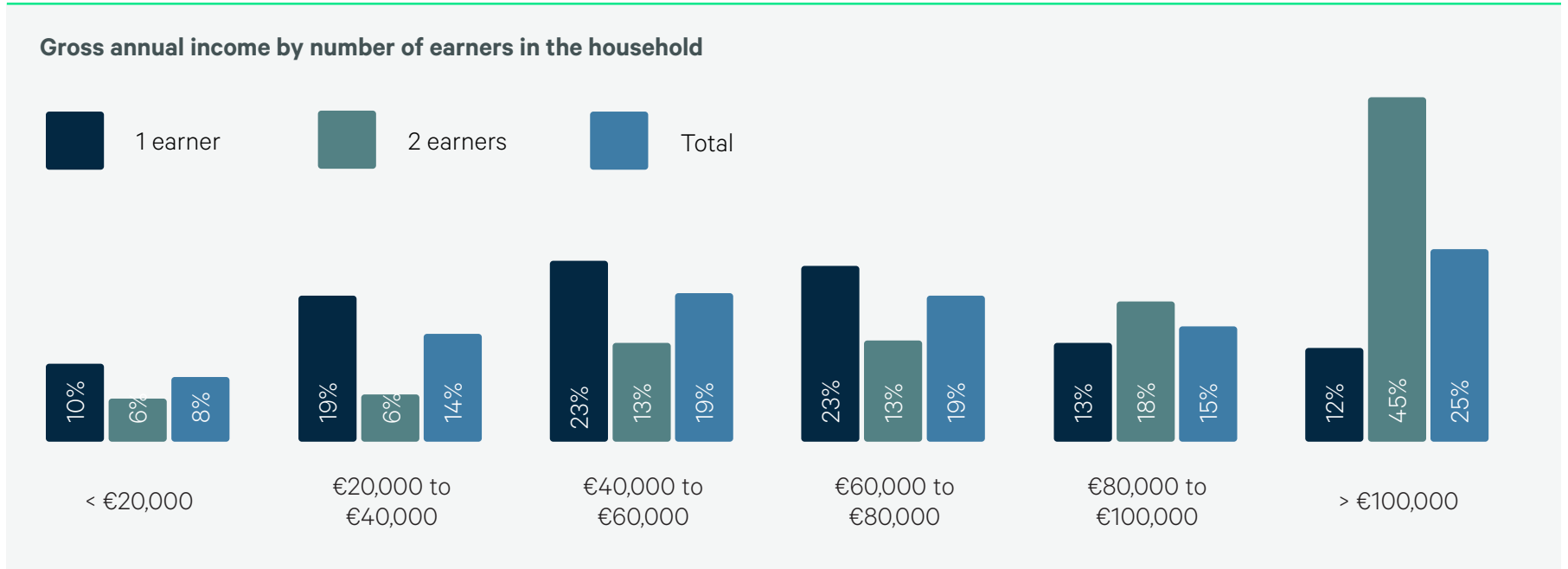


## INCOME

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## CONSUMERS CONCERNED WITH FINANCIAL POSITION

The tumult of recent years appears to have caught up with households. Their outlook has taken a decidedly pessimistic stance after the generally neutral view from last year's survey.

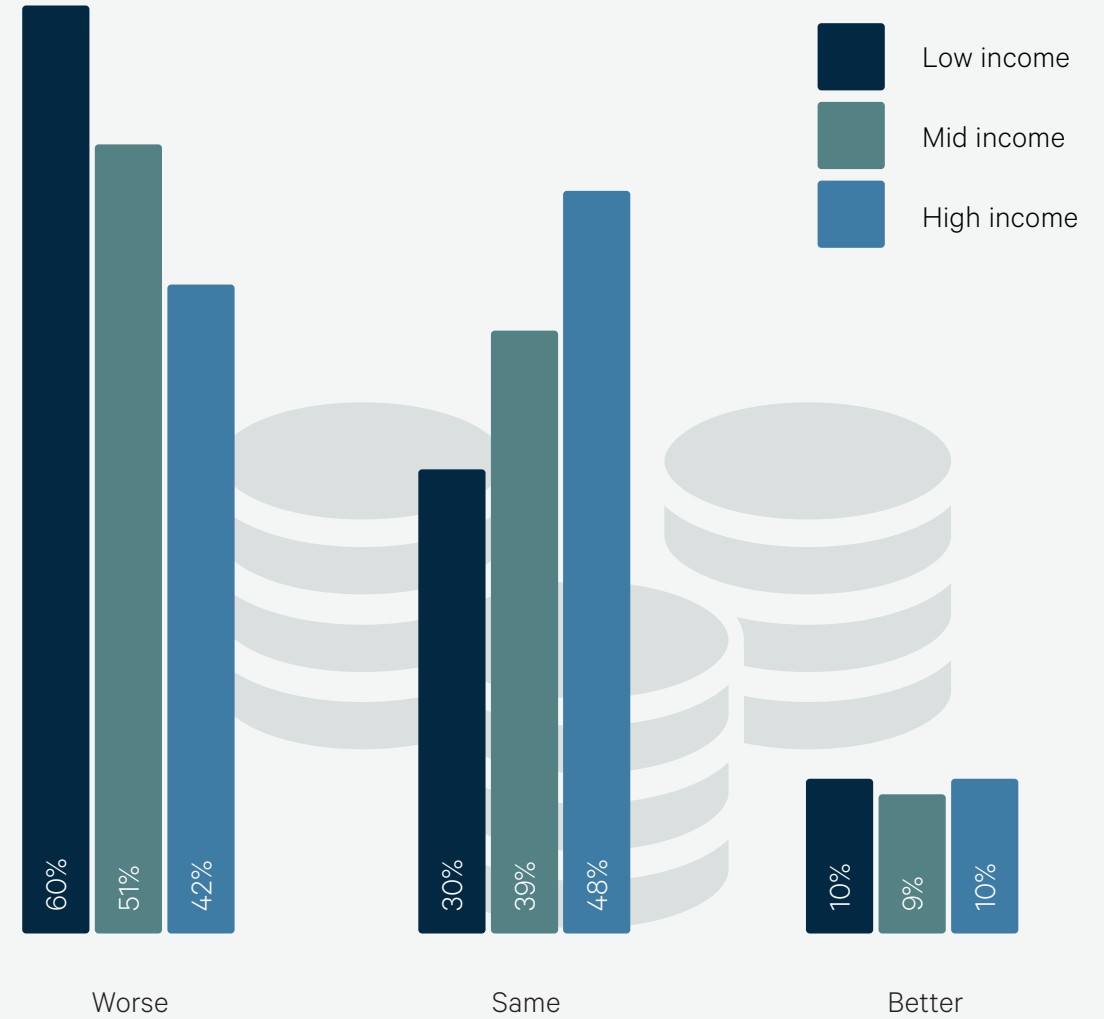
The economic situation from inflation to interest rates to energy concerns is weighing on households. When asked about their expected financial situation in light of the current environment, 39% thought it would remain the same compared to just 9% who thought it would improve and 52% who expected it to worsen.

And while the fallout from Covid particularly depressed the outlook for lower income families, the current environment has a much more uniform effect on households, regardless of wealth. Only 9 to 10% expected an improvement in their financial situation across low, medium and high income levels.

# 39%

*of respondents expect their financial position to remain the same*

### Expectation of consumers' financial situation given the current economic environment



## FINANCES

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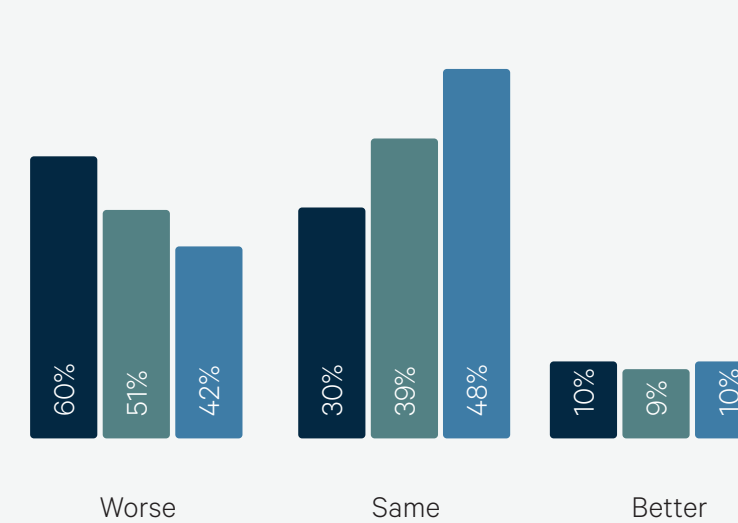
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## HOUSEHOLDS

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Expectation of consumers' financial situation given the current economic environment



## SHOPPERS SHOWING RESTRAINT

The current market uncertainty is having an effect on most consumers' shopping behavior. Just 25% of those surveyed indicated they have not changed their buying behavior.

High income households are more resilient to the economic situation, with 41% reporting no change to their shopping habits.

Very few people are actually buying more, more frequently and/or more expensive goods, with each option receiving 5% or fewer selections.

Less positive for retailers, buying less, more cheaply and shopping less frequently were the most common answers among respondents. Simply buying less received 44% of the vote.

# 25%

*of respondents have not changed their shopping habits in the face of a weakened macro environment*

In the current environment of inflation, rising interest rates and volatile energy prices, how does your buying behavior changed?



## CHANGE IN SHOPPING BEHAVIOR APPARENT

Consumers have made some drastic changes to their shopping behavior and leisure activities over the last year that aligns with their financial outlook.

Reducing *eating out at restaurants* and *shopping in stores* were the most frequently cited examples how consumers were reducing their spending, reported by 61% and 55% of respondents, respectively. More consumers reduced the level of these activities than those who maintained the same level over the last year. A big exception to this is among the youngest age group (18 to 24y) who were the only age group more likely to continue these activities than reduce them.

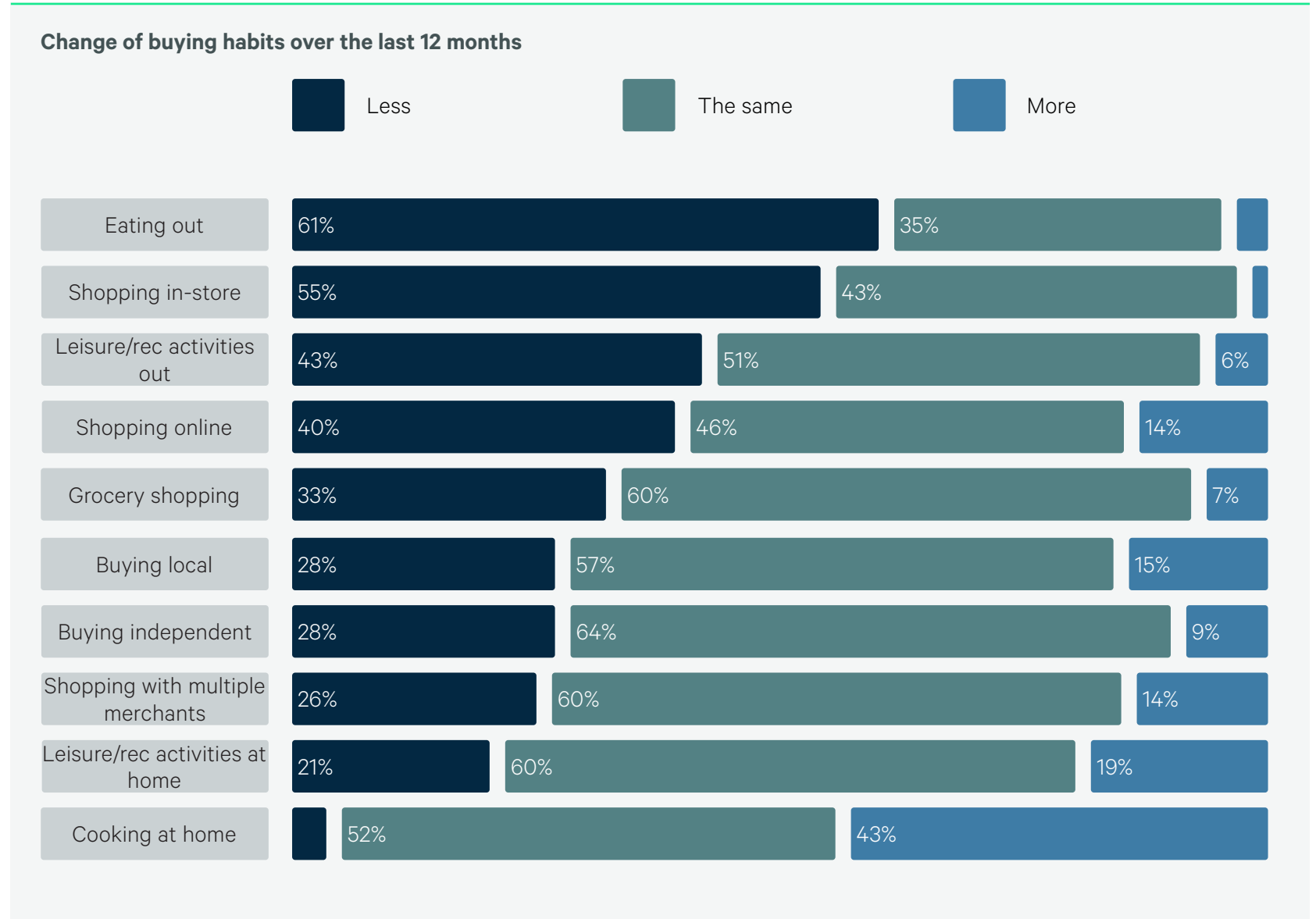
The activities that were chosen as remaining the same over the last year include *buying independent* (64%), *leisure activities in the home* (60%), *shopping with multiple merchants* (60%) and *grocery shopping* (60%). For the latter, however, one-third of respondents reduced their shopping.

On the flip side, *cooking at home* received the most positive change; 43% of respondents have expanded their culinary skills.

Almost all behavioral changes were heavily influenced by reported income, where respondents with lower income reduced spending-intensive activities to a much larger degree than higher income respondents.

Men and women are broadly aligned in the shopping changes over the last year. Thoughts on *shopping at independent retailers* and *leisure activities at home* are almost identical between men and women.

The largest differences appear in *grocery shopping* and *in-store shopping*. Women are more likely to have reduced their shopping in both categories, whereas men appear more set in their ways.



## RETAIL FORMAT POPULARITY

Given the analysed changes in behavior, visitations to retail locations are down compared to the last consumer survey. Still, retail establishments make up an important part of consumers' activities and are frequently visited.

Of the three primary retail formats, shopping centres remain the preferred destination. Half of all respondents reported visiting one at least once per month this past year. One-third of all respondents reported visiting a retail high street at least once per month. Just 10% of consumers said they visit a retail park at least once per month, but frontier workers who regularly travel along routes with retail parks are believed to frequent them more so than full-time Luxembourg residents. Almost two-thirds of respondents eat at a restaurant at least once per month, and 69% of respondents visit a supermarket at least once per week.

Young adults (18 to 24 years) are more likely to frequent shopping centres, high streets and retail parks than any other age group by a margin of 11 to 13 percentage points compared to the average. The oldest age group (55 to 64 years) is the least likely to visit these establishments. There are no notable shopping frequency differences for supermarkets and restaurants across age.

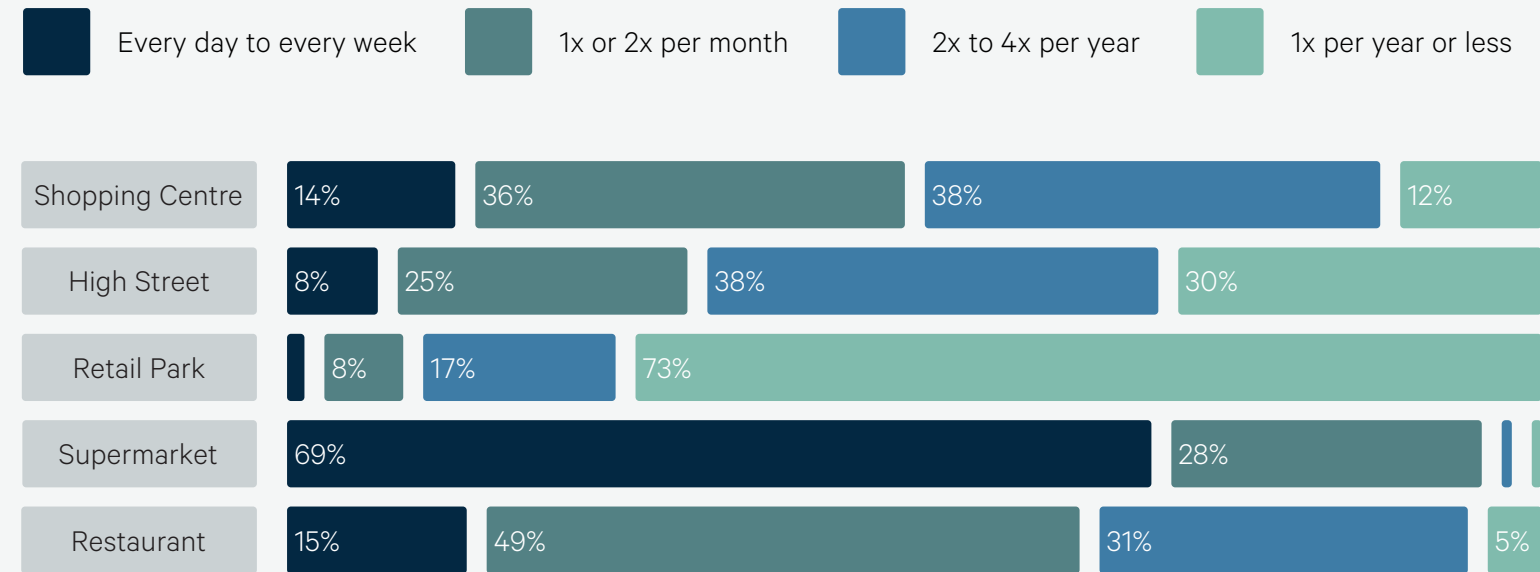
Geography also plays an important factor. Those living in Luxembourg City are much more likely to frequent shopping centers, high streets, and, to a lesser extent, retail parks. Though, this could be capturing some of the age effect.

With respect to finances, lower income households tend not to visit shopping centres, high streets or restaurants as often as others. Those reporting higher incomes only significantly differ from the others in their frequency of eating at restaurants, with more than three-quarters doing so at least once per month.

# 50%

*of respondents visit a shopping centre at least once per month, making it the most popular retail format in Luxembourg*

### Frequency of visits by retail format



## IN STORE VS ONLINE

E-commerce adoption accelerated during the pandemic but has since given back some of its market share. When asked about their most recent purchase, 73% of respondents said it was made in-store, a two percentage point increase compared to the last consumer survey. The physical store remains central to the way Luxembourgers shop.

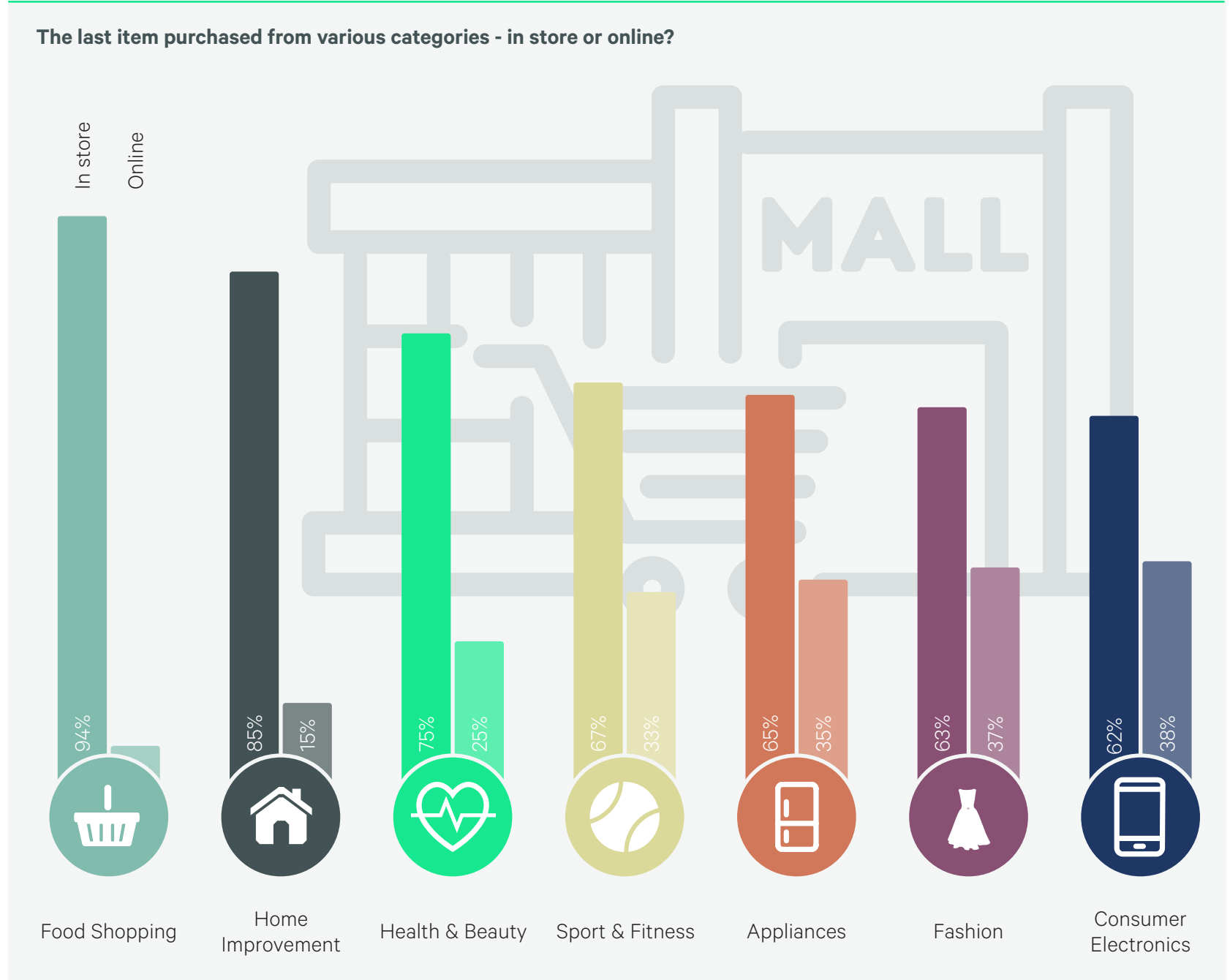
Breaking this question down into goods of various categories, 62% to 94% of consumers responded that they did their last shopping in a physical store. Grocery shopping had the largest share of in-store purchases at 94%. This is up from last survey's results by seven percentage points and highlights the challenges with online food shopping.

The next most common goods to be purchased in a store include health and beauty (75%), sport and fitness (67%), appliances (65%) and fashion (63%). These are virtually unchanged from last year's survey in their in-store/online distribution.

Consumer electronics are the most likely to have been purchased online at 38% (62% purchased in-store), up three percentage points from the previous survey.

# 73%

*of consumers report their last purchases were made in a physical store*



## HOME DELIVERY STILL PREFERRED

The cautionary approach to spending and uptick in physical retail preference is further supported by a general pull-back in e-commerce. From general online shopping to food and grocery delivery, the frequency with which consumers have taken advantage of these options is down compared to last year.

Direct home delivery is still the preferred e-commerce option, with 80% of respondents doing so in the last year. 51% of respondents order goods for home delivery at least once per month, down from 58% the year before. 13% of respondents order items once per week or more.

Ordering online for in-store pick-up is an important part of the omnichannel experience, with half of all respondents using this option in the last year. Almost a quarter do so at least once per month.

## CONSUMERS LOSE INTEREST IN GROCERY DELIVERY

A range of technological developments and new offers have made food and grocery delivery more accessible, but significant hurdles still remain.

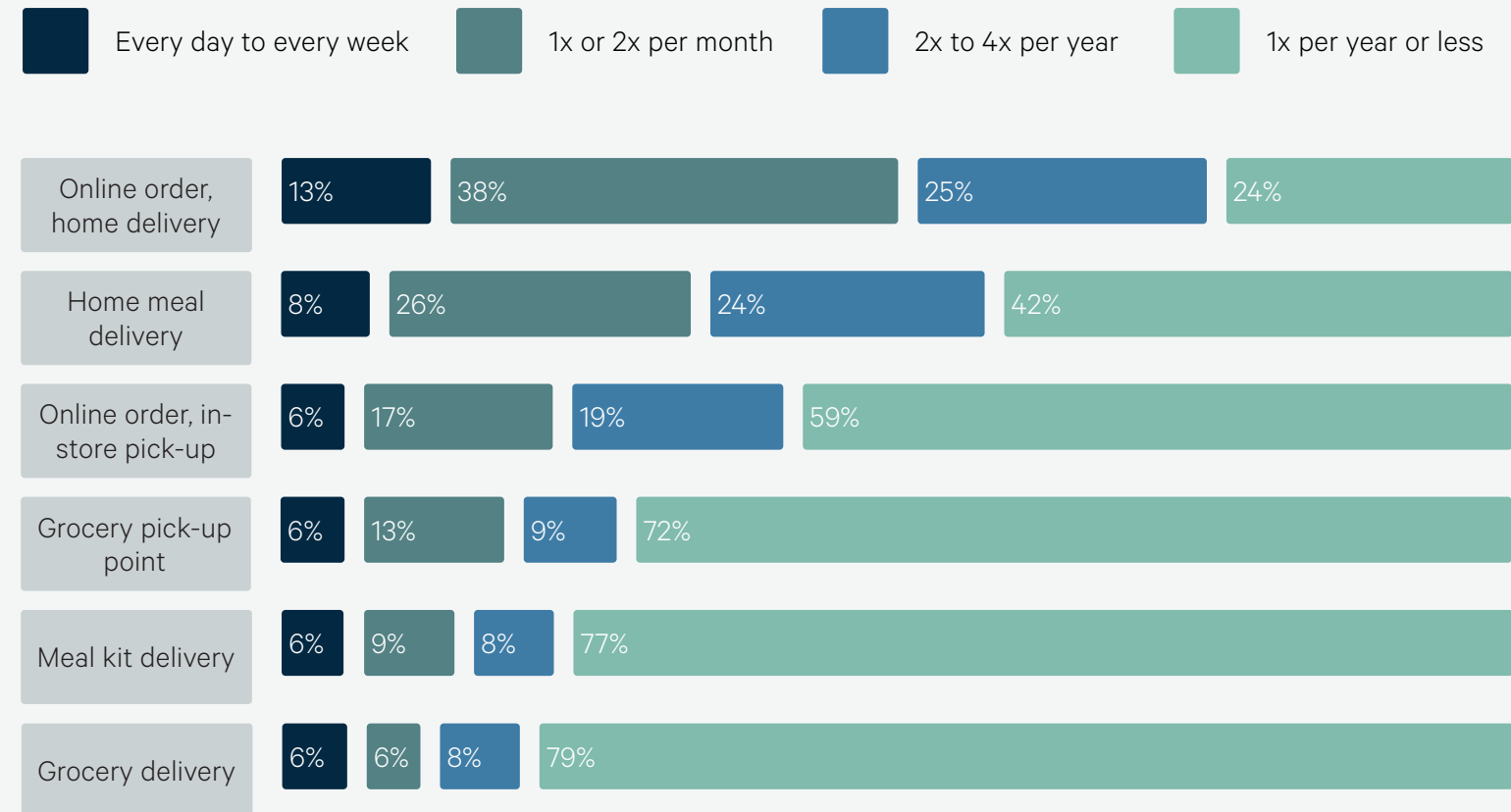
With respect to groceries, three-quarters of respondents rely solely on the physical store for their food. 12% of people rely on home grocery delivery as a regular service, using it at least once per month. Grocery pick-up points are a more popular service, with 19% using them at least once per month. Still, more than two-thirds of those surveyed prefer to do their own shopping in-store.

Home meal deliveries are popular, with 69% of respondents using the service last year. One-third of those surveyed make it a habit of at least once per month. And while meal kits are regularly used by 15% of people, almost three-quarters have not experimented with it in the last 12 months.

# 51%

*of consumers order goods online for home delivery at least once per month*

### Frequency of retail activity



## IMPORTANT CRITERIA FOR ONLINE SHOPPING

As e-commerce matures, consumers are clear and consistent in their demands from online retailers: they want fast, free and secure service.

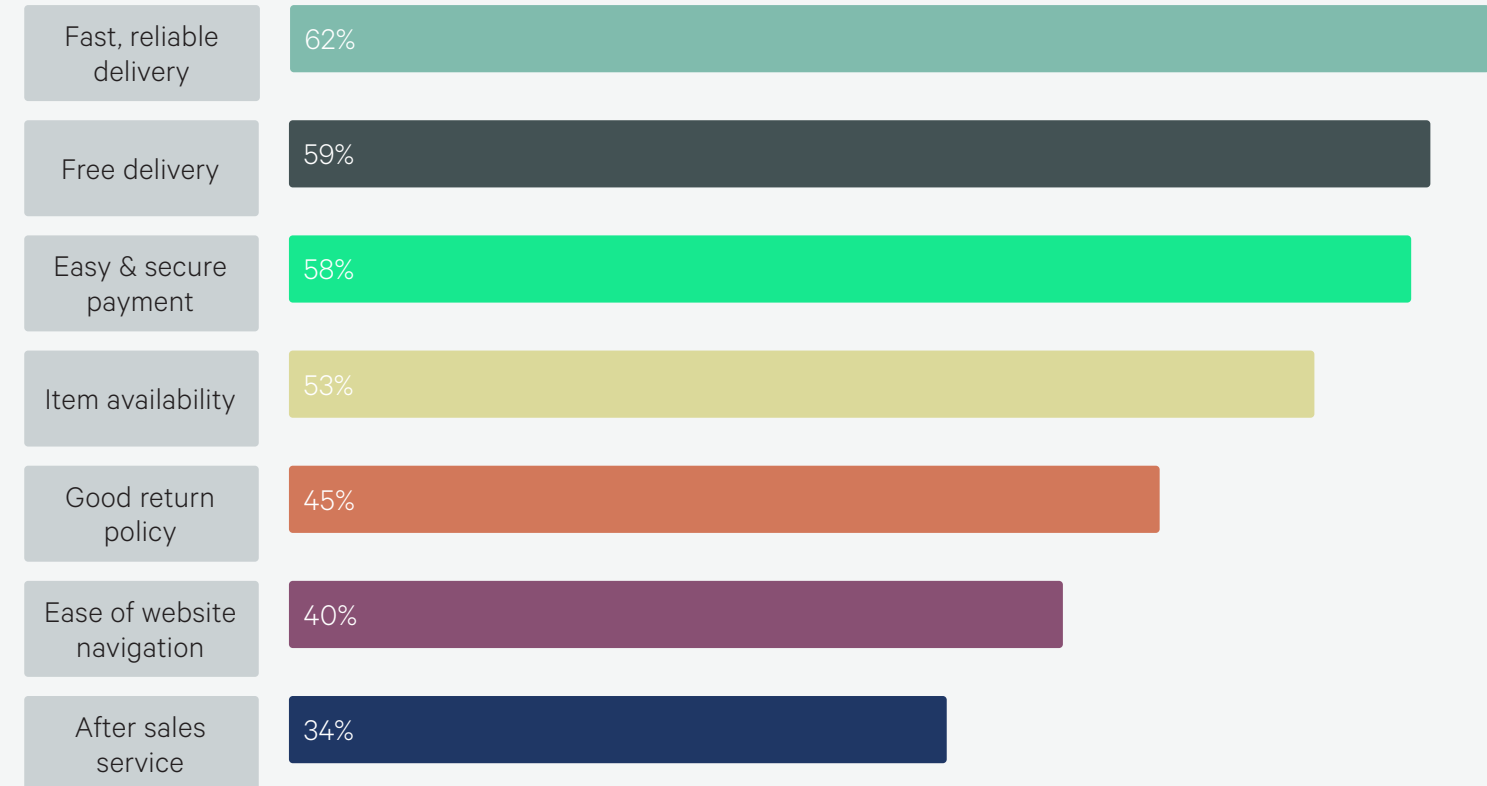
The most important criteria when shopping online is *fast, reliable delivery*, cited by 62% of respondents. Just behind, *free delivery* (59%) and *easy and secure payment* (58%) are the next most popular answers. Finally, *item availability* (53%) completes the answers chosen by more than half of respondents.

*After sales service* declined slightly over the year from 38% to 34% of the vote.

# 62%

*of respondents desire fast, reliable delivery from online retailers*

### Important criteria when shopping online



## SUSTAINABILITY

With pressure on finances, the decision to shop more sustainably and pay the premium that it usually entails is a difficult one. Still, most respondents find it important enough to do so, with 56% willing to pay extra for a sustainable/ecological product in today's environment.

Households that report higher income show a greater willingness to pay more for sustainable goods at 68%. By contrast, those in the lower income bracket report less willingness at 36%.

Between men and women and across ages there is no significant difference in attitudes towards buying in a more ecologically-friendly fashion despite the challenges of today's environment. 54% to 59% report a willingness to do so.

68%

*of high earners are willing to pay more for a more sustainable/ecological product in today's environment*

### Respondents willing to pay more for a more sustainable/ecological product in today's macro environment



**OMNICHANNEL OPPORTUNITIES**

Some retailers can thrive purely online or with a physical store, but most will benefit from an omnichannel offer that includes both options seamlessly working together for a convenient shopping experience. More than half of respondents report the physical presence of a store influences their online shopping behavior.

The reasons for appreciating a physical store when shopping online differ. 30% of respondents highlighted the store's ability to handle complaints or returns, while 22% indicated their desire to try on or test a product before buying.

In a departure from previous years, the oldest age group (55 to 64 years) voiced the most support for physical stores at 69%.

For those who do not find a physical store influences their online shopping, 28% prefer to shop for well-known brands and 21% buy from international retailers or small websites, although they do not have a physical presence in Luxembourg. Young adults (18 to 24 years) most consistently prefer well-known online brands at 40%.

52%

*of respondents prefer to know an online store also has a physical presence*

