

MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
131,000 SQ M Take-Up 2025 (YTD)	▼	▬
€188 MILLION Investment Volume 2025 (YTD)	▼	▬
4.90% Prime Yield	▬	▬

ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
0.93% GDP Growth YoY 2025 (F)	▲	▲
5.88% Unemployment Rate 2025 (F)	▲	▼
3.1% Inflation Rate (HICP) September 2025	▲	▼

Sources: Moody's Analytics, Eurostat

SLOW BUT STABLE ECONOMIC GROWTH IN 2025

Luxembourg's economic outlook for 2025 has been revised downwards by Moody's, with GDP growth now **projected at 0.93%**. This adjustment reflects a **weaker global environment** and heightened uncertainty surrounding recent **U.S. tariff measures**. Across the Eurozone, growth is expected to slow, weighed down by the contraction in German industry, although Spain remains a key driver of expansion thanks to robust immigration and tourism activity.

Following a brief rebound at the end of Q4 2024, Luxembourg's GDP contracted again in early 2025, largely due to volatility in the **financial sector**. While **industry and construction** have shown modest improvement, these gains have yet to support a broader recovery. Overall, Luxembourg's economy is forecast to grow by **0.93% in 2025 and 2.11% in 2026**, indicating a stable yet cautious outlook.

INFLATION SLIGHTLY HIGHER DUE TO SEASONAL FACTORS

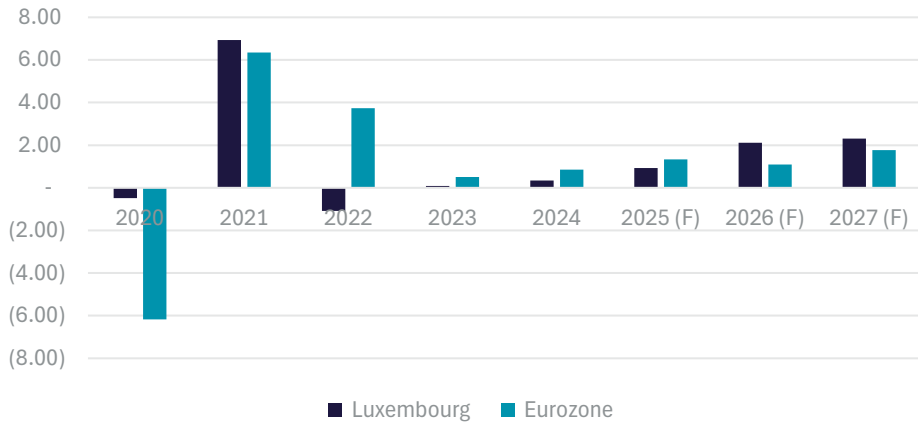
After holding steady at 2.0% for three consecutive months, **Eurozone inflation (HICP) increased to 2.2%** in September 2025. The increase leaves limited room for the ECB to further lower their key policy interest rates, which have remained unchanged since June of this year. For real estate investors, this stability offers a more predictable environment and growing confidence in financing conditions.

Luxembourg's inflation (HICP) stood at 3.1% in September, compared with 2.8% in August, mainly due to **seasonal increases** in education and childcare costs. It's one of the higher inflations in the eurozone, after the Baltic states and CEE countries.

LABOUR MARKET IS SLOWING DOWN

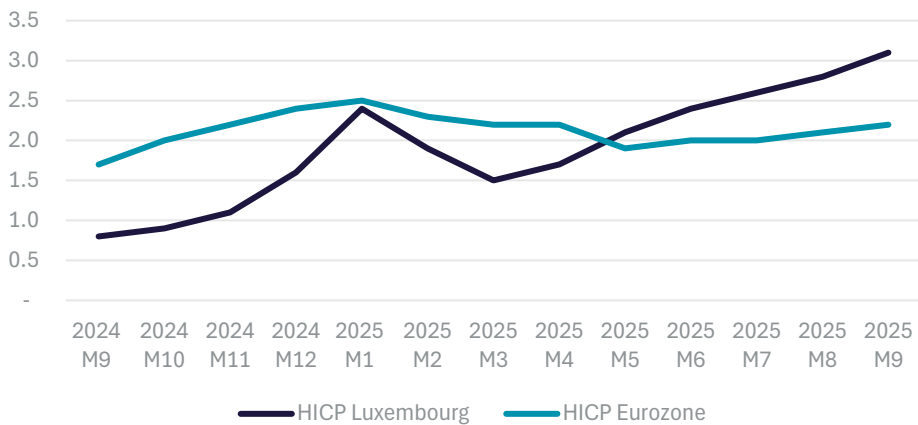
The unemployment rate is expected to rise **to 5.88% in 2025**, before easing slightly to 5.76% in 2026. Employment growth remains weak by national historical standards, reflecting softer economic activity and slower population growth. A modest **recovery is expected in 2026**, led by the **private non-financial sector**.

GDP GROWTH (in % of change prev. year)



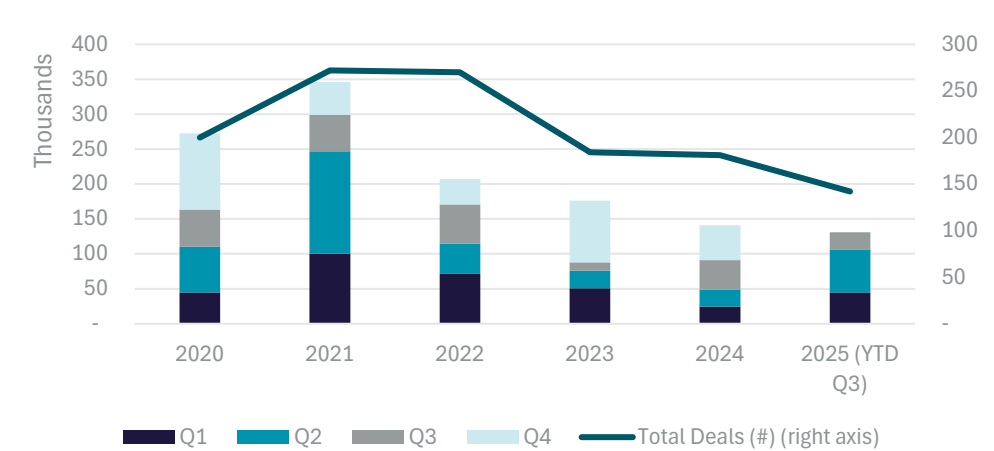
Source: Moody's Analytics (baseline scenario - October 2025)

INFLATION RATE (HICP in % of change)



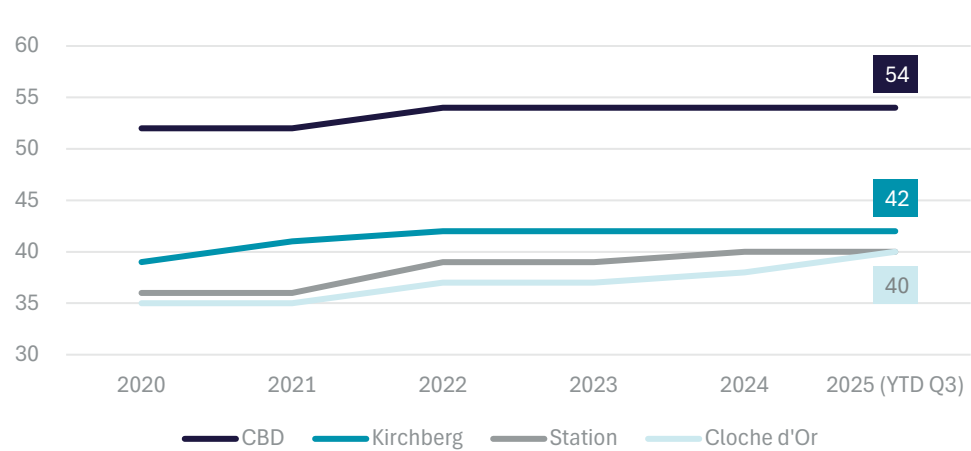
Source: Eurostat

TAKE-UP BY QUARTER (SQ M)



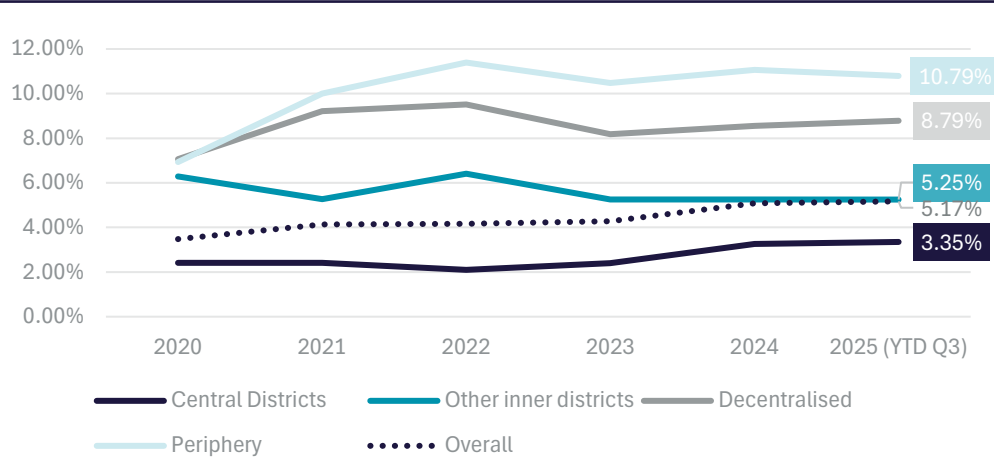
Source: Cushman & Wakefield

PRIME RENT - CENTRAL DISTRICTS (€/SQ M/YEAR)



Source: Cushman & Wakefield

VACANCY RATE BY MARKET



Source: Cushman & Wakefield

OCCUPIER ACTIVITY REMAINS BELOW LONG-TERM AVERAGE

Year-to-date take-up reached **131,000 sq m**, with 25,000 sq m recorded in Q3. Following a particularly strong second quarter, activity slowed during the summer months. Although the year-to-date volume exceeds the level recorded over the same period last year, it remains **20% below the 10-year average**. The slower activity reflects a more cautious attitude among occupiers, many of whom are opting to extend existing leases or postpone relocation plans until the economic outlook becomes clearer. In addition, **decision-making processes have become increasingly volatile**, with some letters of intent being withdrawn at a late stage.

Private companies and corporates accounted for 84% of total take-up this year, reaffirming their dominant role in driving market activity and maintaining market dynamics. Whereas public bodies were key occupiers in 2020-2021, **private sector demand now leads**, particularly from the banking, finance and insurance industries.

Looking ahead, **Q4 is expected to deliver stronger results**, with several transactions already completed and others in advanced negotiation stages likely to close before year-end.

INCREASE IN PRIME RENT IN THE CLOCHE D'OR DISTRICT

Prime headline rent in the **Cloche d'Or** district has been **revised upward from €38 to €40/sq m/month**. Recent pre-letting transactions for premium developments, such as Terraces and Eosys, confirm this new benchmark.

In both the **CBD (€54/sq m/month)** and **Kirchberg (€42/sq m/month)**, prime rents have remained stable for now. However, new completions are being marketed at slightly higher levels, supported by sustained demand and the scarcity of top-grade office space. Concrete evidence from upcoming transactions will determine whether headline rents adjust accordingly. In contrast, the **Station** district is expected to remain stable at **€40/sq m/month**, in line with its more moderate activity levels.

Overall, the outlook for prime rental growth across Luxembourg's main districts remains positive, supported by continued demand for quality assets.

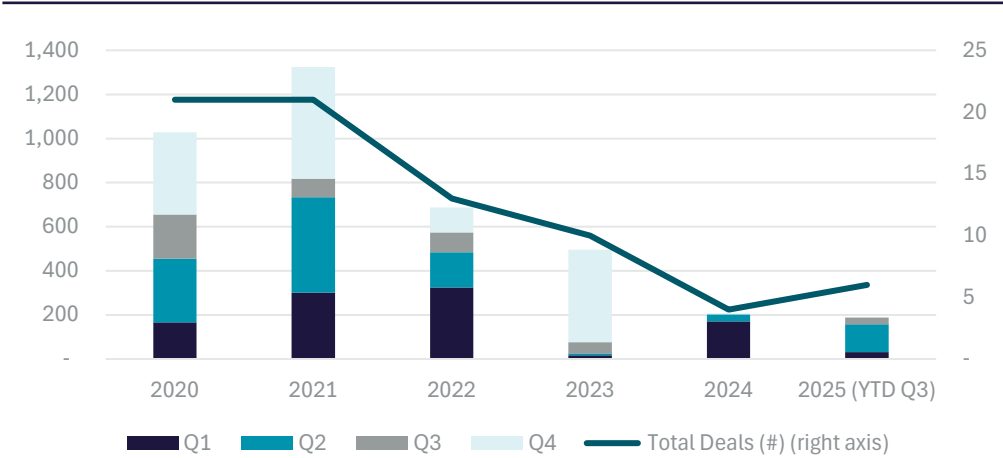
STRONG QUARTER OF DELIVERIES

Q3 marked a busy quarter for completions, with **around 78,000 sq m delivered**, including Skypark Phase II (85% let) and BGL BNP Paribas' Sekoia Tower (fully occupied). The pipeline for 2025 now totals around 250,000 sq m, with a large share of the premises under construction already pre-let.

OUTLOOK

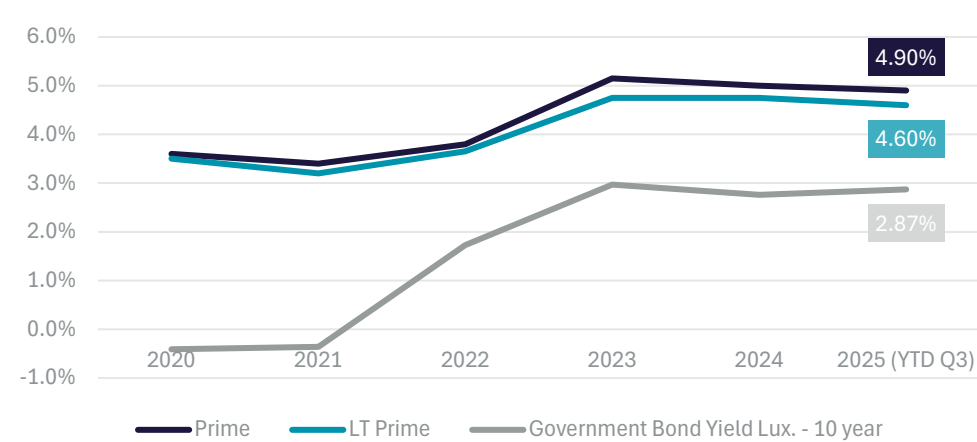
- **Luxembourg's economy** is forecast to grow by 0.93% in 2025, with growth projected to increase to 2.11% in 2026 and 2.31% in 2027.
- **Unemployment rate** is expected to edge down to 5.76% in 2026 and to 5.72% in 2027.
- **Financing conditions** are expected to remain **stable** in the period to come, offering a more predictable investment climate.
- **Take-up** will record **stronger activity in Q4**, however, annual volumes are likely to remain below the 10-year average.
- Upward pressure is expected for the **prime rents in the CBD and Kirchberg districts**, after an upward correction of the rental level of Cloche d'Or this quarter.
- **Limited activity on the investment market** is likely to continue in the short term, with volumes well below historical averages and market sentiment broadly unchanged from previous quarters.
- **Prime yields** are expected to remain **stable** in the near term, as no new market evidence suggests adjustments.

INVESTMENT VOLUME BY QUARTER (€ MILLION)



Source: Cushman & Wakefield

PRIME YIELDS



Source: Cushman & Wakefield; Moody's Analytics

KEY OCCUPIER TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	OCCUPIER	GLA (SQ M)	DEAL TYPE
Immo-Swing	Belair/Merl	Ministère des Finances	4,255	Letting
The Shift	Howald	Banking Circle	2,426	Letting
Liberté 12	Station	Blue Origin	855	Letting

KEY INVESTMENT TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER / BUYER	GLA (SQ M)	PRICE (MEUR)
Cubus C1	Howald (Decentralised)	Befimmo / Lalux Assurances	4,955	30

Transactions in the table include key transactions in the market, and are not necessarily closed by Cushman & Wakefield.

With the new completions factored in, the **overall vacancy** remained at a **stable level of 5.17%**, with the central districts showing continued strength at 3.35%, highlighting again the resilience of prime office locations.

A SINGLE INVESTMENT TRANSACTION RECORDED IN Q3

Investment volume reached **€188 million across six transactions year-to-date**, reflecting the continued slowdown in the Luxembourg investment market. Only one deal was recorded in Q3, the **Cubus C1 building in the Howald district**, acquired by Lalux Assurances for around €30 million. The purchase marks a strategic consolidation, as Lalux already owns the two other buildings within the Cubus campus complex.

Overall, investment activity remains limited, with volumes **widely below the 10-year average** for a typical year-to-date period to Q3. Market sentiment has remained broadly unchanged compared to last quarter.

PRIME YIELDS REMAIN STABLE

Prime yields remained stable in Q3, as no new market evidence emerged to justify further adjustments. Following last quarter's revision, **the prime yield stands at 4.90%**, with the **long-term prime at 4.60%**. The Luxembourg 10-year government bond yield remained around 2.87%, keeping the yield spread broadly unchanged compared to previous quarters.

DEFINITIONS

- **Take-up:** total gross lettable area (GLA) in sq m of new occupier transactions, including new leases, expansions and owner-occupations, but excluding renewals and pre-letting transactions without valid permits.
- **Prime rent:** consistently achievable headline rent for a new, well-located, high-specification unit of standard size, excluding rental incentives.
- **Prime yield:** consistently achievable gross initial yield for a grade A property, fully let on a long lease to a strong covenant in a prime location.

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