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MARKET ANALYSIS: LUXEMBOURG

I. OFFICE MARKET IN LUXEMBOURG

A. LUXEMBOURG CITY

2016 continued the trend of a strong office letting and investment market in Luxembourg. City districts outperformed recent years, as areas like the CBD, Kirchberg, Gasperich and Station remain attractive prospects for occupiers and investors.

B. PERIPHERY

Office markets outside of the city are relatively limited. The Airport area has seen an impressive absorption of vacant space, while Esch-Belval has limited availabilities. Closer to the city, Strassen and Bertrange have been the target of significant investment.

C. DEMAND

Total office take-up in Luxembourg registered 219,000 m² in 2016. Though a decrease year-over-year, 2016 was still one of the best post-crisis years for the office market. City districts performed well at 169,000 m², while decentralised and peripheral areas claimed 50,000 m² of office take-up.

Banking and finance and business services were the star performers in 2016, with 89,900 m² and 62,000 m² of take-up, respectively. Government and EU activity was fairly quiet.

D. VACANCY

Approximately 227,500 m² of stock was vacant at the end of 2016, putting the vacancy rate at a healthy 5.7%. City districts remain very tight: vacancy is 2.6% in the CBD, 4.6% in the Kirchberg area, and 6.6% in the Station district. The markets outside of the city vary significantly. The Airport and Esch-Belval maintain low availabilities while other select districts push upwards of 17%.

E. DEVELOPMENT

Office development was relatively low in 2016, around 85,000 m². For 2017, 217,700 m² is expected to come online, followed by 173,000 m² in 2018.

F. RENT

The strong letting market and moderate new supply means rents are well supported. Prime rents are highest in the CBD at €46/m²/mo. Average rents for the City districts are €35.6/m²/mo, while the peripheral average is €23/m²/mo.



G. INVESTMENT

Total CRE investment in Luxembourg was recorded at €1.38 billion, the highest figure since 2007.

Office investment was the biggest driver at more than €1 billion.

Key stats: 5.7% vacancy; 46eur/sqm/mo prime rent; 4.25% prime yield.

sources: CBRE

II. RESIDENTIAL MARKET IN LUXEMBOURG

A. LUXEMBOURG CITY

Massive population growth from strong international immigration combined with a robust economy and high spending power has driven residential real estate in Luxembourg. Prices for new build apartments have been pushed above 6,000 €/m² within the city.

B. REGIONS

As the city becomes expensive and crowded, people are increasingly looking towards decentralised and peripheral areas for more accommodating values. Luxury developments are underway for those still wanting comfort, though prices of 5,000 to 6,000 €/m² are still commonplace.

C. POPULATION

Last year the Luxembourg population grew by 13,290 people (2.36%) to 576,249. Foreigners, already more than 45% of the population, made up 10,550 of this figure, while Luxembourgers added the remaining 2,740.

D. HOUSING STOCK

New stock increased by 3,021 units in 2014 (the latest figures). Of these, 1,744 (57.7%) were apartments.

New residential development has largely been concentrated in the most populous areas such as Luxembourg City (489 apartments in 2014), Esch (381 apartments), and Capellen (185 apartments).

E. PRICES

Residential real estate prices escalated further in 2016, as demand continues to outpace supply. The average sale price for all apartments in Luxembourg in 2015 was €395,101 or 4,899 €/m². For existing apartments this was €356,483 or 4,470€/m². The latest figures through Q3 show prices for all apartments at 5,312 €/m² and existing apartments at 4,851 €/m².

F. NEW BUILDS

Exit prices for new apartments in Luxembourg averaged €457,313 in 2015, a 7.0% increase year-over-year. This translates to a relative price of 5,589 €/m². In Q3 2016 this was €454,036 or 6,182 €/m².



Zooming in, Strassen claims the highest average transaction prices for new apartments at 7,592 €/m² through Q3 2016 and ranging from 6,522 to 8,948 €/m².

New building permits count 3,705 through September 2016, approximately 5% down from same period in 2015.

Key stats: 454,036 EUR avg apartment prices for new builds through Q3 2016; 3,705 residential permits through Sept 2016; 46.7% foreigners residing in Luxembourg as of Jan 1, 2016.

sources: Statec, LISER



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