

MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
62,000 sq m	▲	▼
Take-Up 2026 Q3		
€275 MILLION	▲	▼
Investment Volume 2026 Q3		
5.00%	▲	=
Prime Yield		

ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
1.7%	▼	▲
GDP Growth YoY 2026 (F)		
6.3%	▲	▼
Unemployment Rate 2026		
5.2%	▲	▼
Inflation Rate (HICP) September 2026		

Sources: Moody's Analytics, Eurostat

GROWTH FORECAST SLIGHTLY LOWER

Moody's has slightly lowered its outlook for Luxembourg. **GDP growth is now forecast at 1.7% in 2026**, rising to 2.5% in 2027 and around 2.9% in 2028. The euro zone is expected to grow by 1.0% in 2026 and 1.5% in 2027. Growth relies mainly on the financial sector and public services (STATEC). Exports of financial services should drive the recovery, while private consumption and investment slow after a drop in confidence and higher interest rates (European Commission).

Unemployment remains higher than a year ago. The rate reached **6.5% in September**, with 20,269 resident jobseekers registered at ADEM, 7.1% more than a year earlier (ADEM/STATEC). Moody's expects an average of 6.3% for 2026 and 6.1% in 2027.

ECB RAISES RATES A SECOND TIME

As expected last quarter, the ECB raised its **key interest rates by another 25 basis points** in September, taking the deposit rate to 2.50%. It now expects inflation to stay above its 2% target until 2028. Mid October, Christine Lagarde said there are no signs yet of energy prices spreading to the wider economy, but that it is closely monitored. Markets still expect a third hike before year-end.

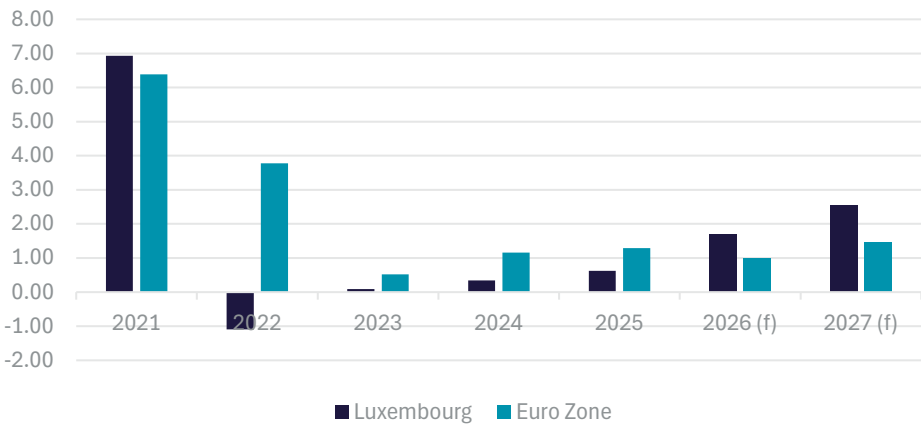
Luxembourg's **10-year government bond yield rose to 3.70% in September**, its highest level since 2010 and around 50 basis points above June (Eurostat). With prime CBD office yields remaining stable at 4.90%, the spread with the bond yield shrank from around 170 to 120 basis points.

INFLATION CLIMBS TO 5.2%

After a dip to 3.4% in July, inflation rose again. **Luxembourg's HICP inflation reached 5.2% in September**, up from 3.7% in June. The gap with the euro zone (3.8%) widened to 1.4 percentage points. Moody's now forecasts **average HICP inflation of 3.9% in 2026 overall**, falling back to 2.4% in 2027.

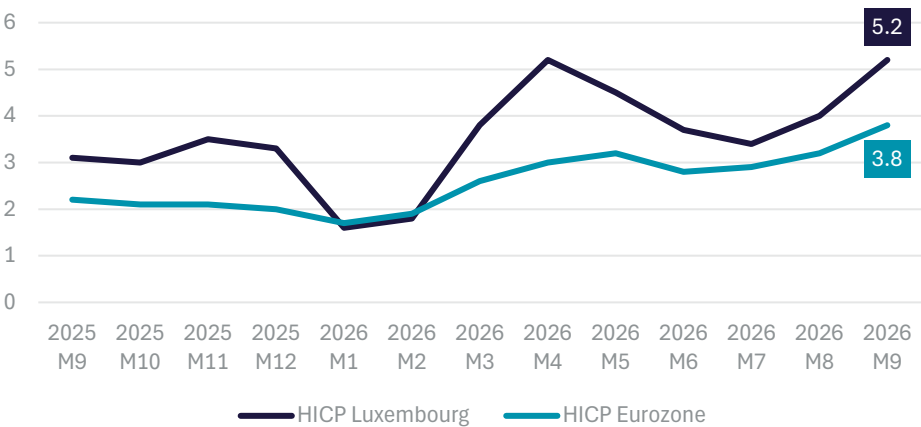
Despite this, no new wage indexation is expected soon. In its August forecast, STATEC expects the next tranche only in Q3 2027.

GDP GROWTH (in % of change prev. year)



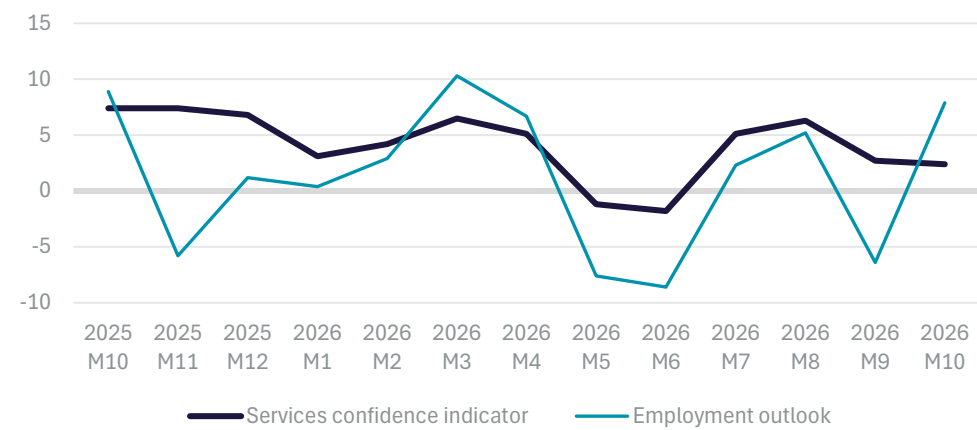
Source: Moody's Analytics (baseline scenario - October 2026)

INFLATION RATE (HICP in % of change)



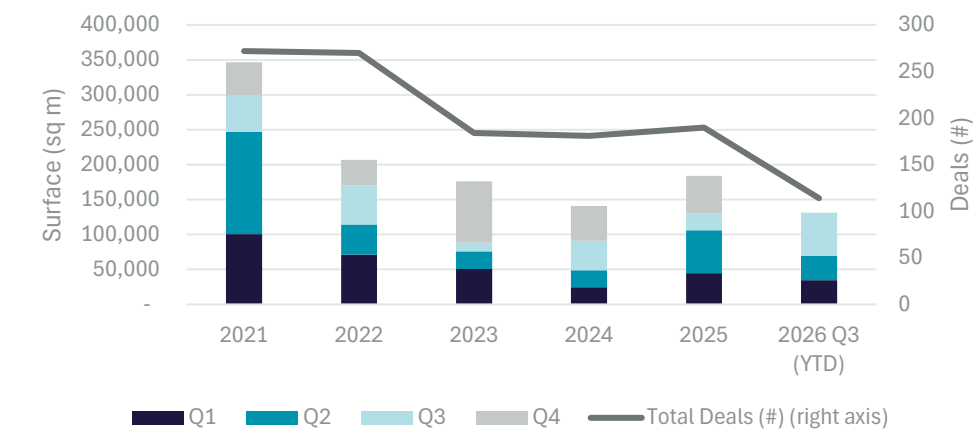
Source: Eurostat

BUSINESS OPINION SURVEY IN SERVICES



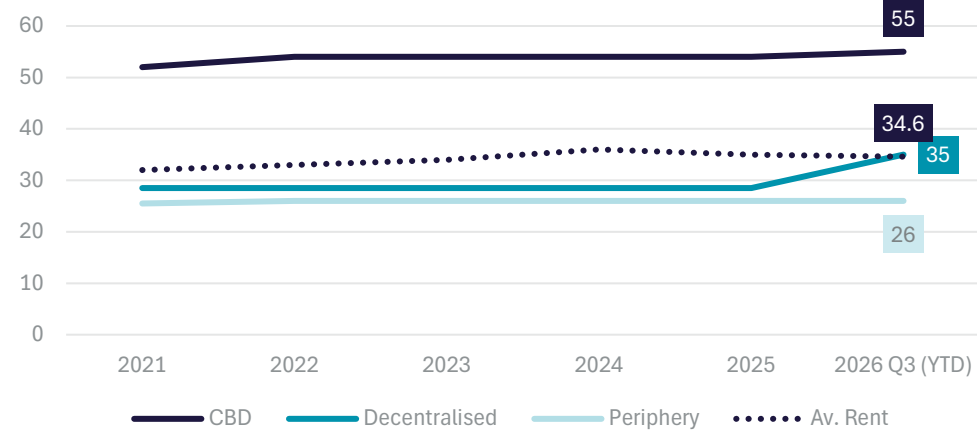
Source: Statec

TAKE-UP BY QUARTER



Source: Cushman & Wakefield

PRIME RENTS (€/SQ M:MONTH)



Source: Cushman & Wakefield

CONFIDENCE IN SERVICES RECOVERS

Confidence in the services sector improved in Q3, after turning negative in May and June. The indicator averaged 4.7 over the quarter, against 0.7 in Q2, and eased to 2.4 in October (STATEC). Hiring expectations turned positive again in October, at 7.9 after -6.4 in September. Firms' assessment of their current employment level stays negative, at -4.7 in October.

EY LETTING LIFTS TAKE-UP

Office take-up reached ~62,000 sq m in Q3 2026, across 36 transactions, more than double the volume of a year earlier. Two deals account for most of it. **EY leased ~30,000 sq m in Crystal Park in Cloche d'Or**, the building PwC will vacate in 2027. It is the largest letting since PwC's pre-letting of Campus in 2022. In Capellen, NSPA took up ~12,000 sq m in its two new office buildings. The rest of the market remains small-scale: 21 of 36 deals were below 500 sq m, and the CBD's seven transactions totalled only ~1,700 sq m. Over the first nine months, take-up stands at ~131,300 sq m, in line with 2025. This includes the Losch headquarters (~9,800 sq m), now added to Q2. With 114 deals, 2026 records its lowest nine-month deal count since at least 2021.

After Cloche d'Or and Capellen/Mamer/Windhof, the Station district recorded the highest volume, with eight deals for ~4,600 sq m. The largest was a semi-public entity taking ~2,300 sq m in Grève 10. Leudelange recorded ~3,300 sq m across three deals, led by Ispace Europe (~1,800 sq m) in BUZZ and WISAG (~1,500 sq m) in Triologie. In Kirchberg, Gimpel Private Markets leased ~1,300 sq m in Axento.

Banking, finance and insurance firms signed the most deals (15), but for small spaces, totalling ~5,500 sq m. Logistics and transport companies followed with ~5,300 sq m over five deals. Lettings accounted for around three quarters of the volume, and NSPA's own development for close to a fifth. Pre-lettings were limited to The Butler, and owner-occupier purchases were marginal. This could change next quarter if the own-occupation sale of Nextensa's High 5 is closed.

PRIME RENTS RISE IN THREE DISTRICTS

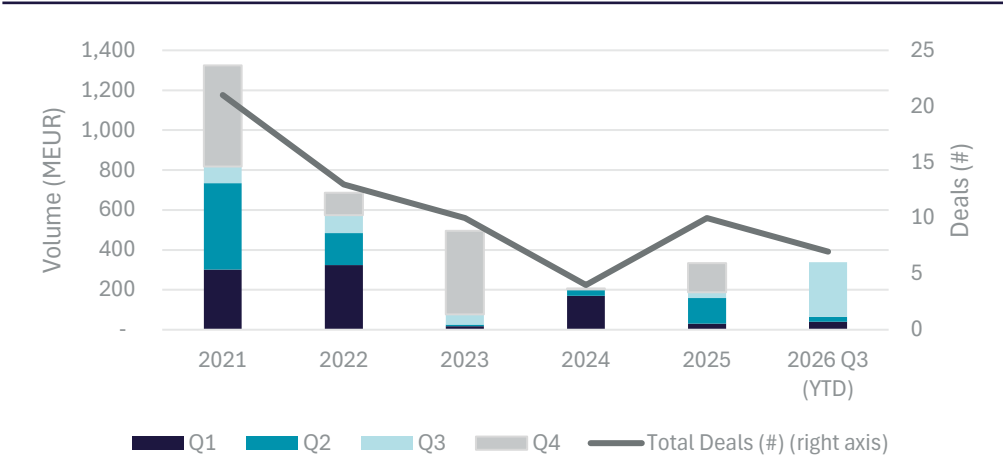
Prime rents continued to rise, driven by lettings in a small number of new, high-quality buildings. In the CBD, deals in The Henri lifted the prime rent to **€55/sq m/month**. Station and Cloche d'Or also moved up, supported by recent lettings in Unicity and new projects by Grossfeld, the joint venture of Nextensa and Promobe. Kirchberg and the decentralised markets remained stable.

The gap between the best buildings and the rest of the market is widening. Asking rents in upcoming CBD projects reach €58-60/sq m/month.

OUTLOOK

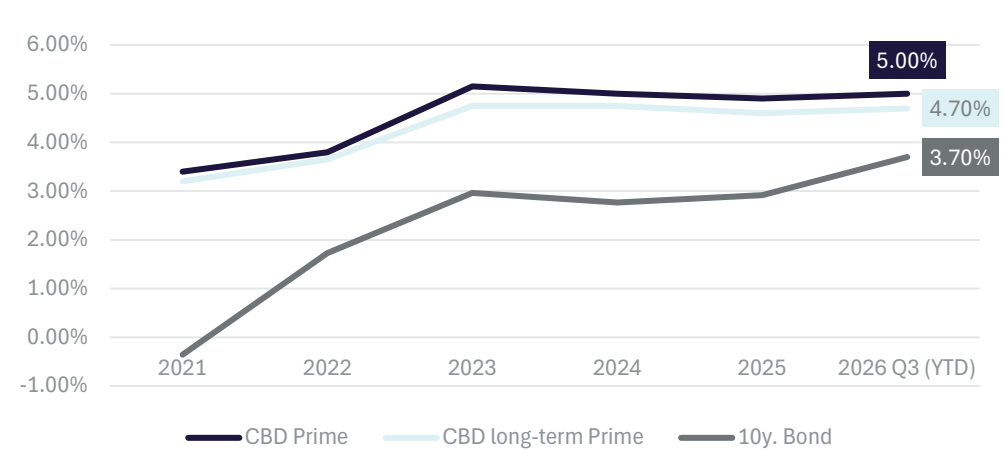
- **Economic growth is expected to stay ahead of the euro zone**, at 1.7% in 2026 and 2.5% in 2027, supported mainly by the financial sector and public services.
- **Inflation** is likely to stay well above target after the jump to 5.2% in September, keeping pressure on labour costs.
- **Financing costs** are expected to rise further, with a third ECB hike likely before year-end.
- **Take-up** is expected to remain dependent on a few large transactions, with most demand coming from small occupiers.
- **Prime rents** are expected to keep rising, with potential for €56/sq m/month in the CBD and €44 in Kirchberg by year-end.
- At around €339m after nine months, **investment volume already exceeds the 2025 full-year total of €333m**.
- **Prime yields will remain sensitive to bond yields and investor demand**, with further increases possible if financing conditions tighten further.

INVESTMENT VOLUME BY QUARTER



Source: Cushman & Wakefield

PRIME YIELDS



Source: Cushman & Wakefield; Moody's Analytics

KEY OCCUPIER TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	OCCUPIER	GLA (SQ M)	DEAL TYPE
Crystal Park	Cloche d'Or	EY	30,000	Letting
The Butler	Bertrange	IWG	2,200	Pre-letting
Buzz	Leudelange	Ispace Europe	1,831	Letting

KEY INVESTMENT TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER / BUYER	GLA (SQ M)	PRICE (MEUR)
Crystal Park	Cloche d'Or	Sogécap / Undisclosed	30,000	~160
Churchill 5	CBD	EHP / Foreign private investor	3,400	~42
Rue de Plaetis 5	CBD	KanAm / Easternmed	3,000	~35

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

OVER 20,000 SQ M COMPLETED

Two projects were completed in Q3 2026, adding 20,845 sq m of new office space. In Capellen, the NATO Support and Procurement Agency (NSPA) received the keys to two new office buildings of ~12,000 sq m at the end of July. The buildings were developed by the Administration des Bâtiments Publics and are fully occupied by NSPA. In Cloche d’Or, Grossfeld delivered The Stairs (~8,845 sq m).

INVESTMENT VOLUME RISES SHARPLY

Office investment reached **€275m in Q3 2026**, across five transactions, against €30m a year earlier. One deal accounts for more than half of the volume: Sogécap sold Crystal Park in Cloche d’Or for ~€160m, shortly after EY signed for the full building. The CBD recorded three transactions. Churchill 5 was acquired by a foreign private investor for €42m, Rue de Plaetis 5 was sold for ~€35m, and Radbury changed hands for an undisclosed price. Outside the city, the built-to-suit let to BorgWarner in Bascharage was sold for ~€38m.

Over the first nine months, investment totals ~€339m, 80% above the same period in 2025. This is the highest nine-month volume since 2022. Large lot sizes are returning, but the market still relies on a few transactions.

YIELD SPREAD NARROWS

Investment volume rose sharply in Q3, but activity remained concentrated in a limited number of transactions. **Prime yields moved out by 10 bps in the CBD to 5.00%** and by 10 bps for long-term prime to 4.70%. As bond yields rose faster, the spread between the CBD prime yield and the 10-year government bond yield narrowed.

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.

MARKET INDICATORS

SUBMARKET	INVENTORY (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	2026 Q3 TAKE-UP (SQ M)	2026 YTD TAKE-UP (SQ M)	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/month)	PRIME YIELD
Luxembourg (Overall)	4,935,027	254,663	5.16%	62,018	131,285	405,018	55	5.00%
Central Business District (CBD)	3,630,896	124,110	3.42%	39,933	74,695	359,606	55	5.00%
Centre	897,184	21,684	2.42%	1,697	10,377	-	55	5.00%
Kirchberg	1,432,106	35,374	2.47%	2,036	9,409	240,143	43	5.25%
Cloche d’Or	519,033	24,994	4.82%	30,507	41,789	98,111	42	5.25%
Station	514,177	28,281	5.50%	4,622	10,629	4,216	45	5.25%
Other inner districts	268,396	13,777	5.13%	1,071	2,491	17,136	35	6.10%
Decentralised	556,943	52,305	9.39%	4,957	24,922	22,461	35	6.60%
Periphery	747,188	78,248	10.47%	17,128	31,668	22,951	26	6.60%

Source: Cushman & Wakefield

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