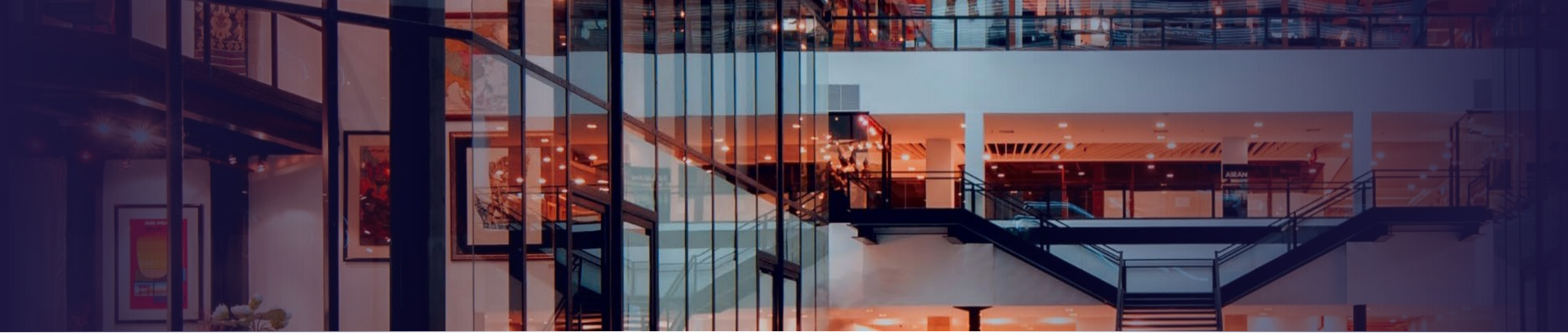
MARKETBEAT
LUXEMBOURG
RETAIL H1 2026



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
8,968 sq m Take-up H1 2026	▼	=
€145 /sq m/mo. Prime Rent High Street	=	=
4.50% Prime Yield High Street	=	=

ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
1.8% GDP Growth YoY 2026 (F)	▲	▲
6.2% Unemployment Rate 2026	▲	▼
3.7% Inflation Rate (HICP) June 2026	▲	▲

Sources: Moody's Analytics; Eurostat

GROWTH FORECAST REVISED SLIGHTLY DOWNWARDS

Moody's has lowered its **growth forecast** for the Luxembourg economy from 1.9% last quarter to **1.8% in the July baseline scenario**. The revision reflects a slowdown in private consumption, mainly because of lower spending on health and restaurant services and on automotive-related goods. The underlying trajectory nonetheless remains positive, up from an economic growth of 0.6% in 2025, supported by gross fixed capital formation and public investment in non-residential construction and metal/machinery purchases. For 2027, the baseline scenario points to growth of 2.5%.

INFLATION REMAINS WELL ABOVE THE EUROZONE AVERAGE

Luxembourg's annual **HICP inflation rate stood at 3.7% in June**, remaining above the eurozone average of 2.8%. This partly reflects Luxembourg's relatively **high exposure to the recent oil-price shock**, with fuel-price increases in April and May among the strongest in the eurozone (Eurostat). The HICP measure is also strongly influenced by expenditure from non-residents, including cross-border workers and tourists.

On the national index, prices crossed the threshold triggering **automatic wage indexation**, and wages, salaries and pensions were raised by 2.5% with effect from 1 June 2026, feeding through to services inflation in the months ahead.

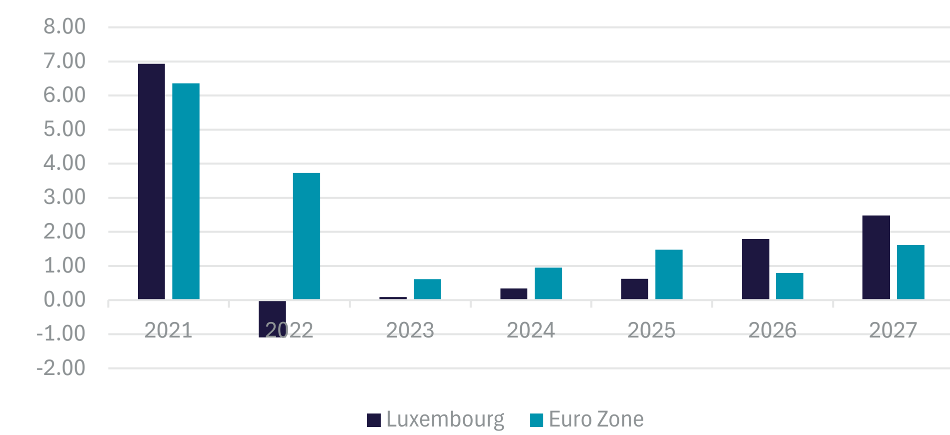
ECB RAISES INTEREST RATES

The ECB raised its **key interest rates by 25 basis points**, taking the deposit rate to 2.25%. Moody's analysts expect a second rate hike later this year, depending on oil price developments and inflation. Given the modest magnitude of the expected rate increases, the impact on economic growth is likely to remain moderate, with the tightening primarily serving as a signalling measure.

MIXED SIGNALS FROM THE LABOUR MARKET

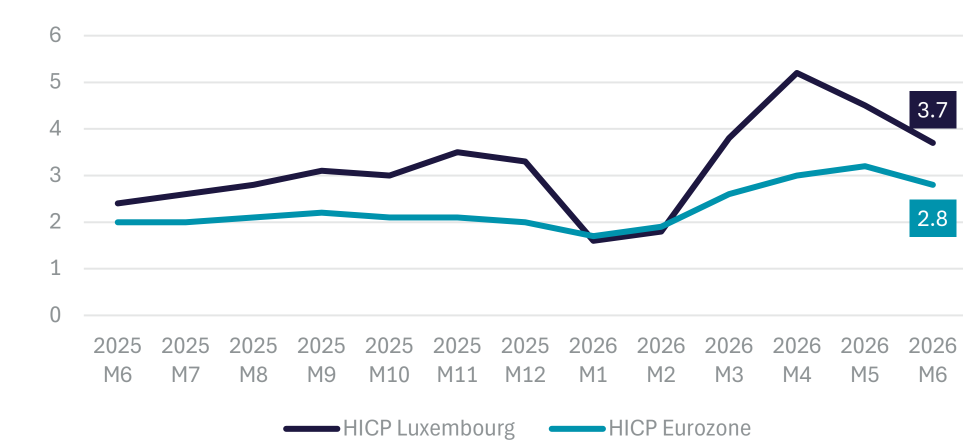
According to STATEC and ADEM, labour market indicators continued to send mixed signals. The number of registered resident jobseekers

GDP GROWTH (in % of prev. year)



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

INFLATION RATE (HICP in % of change)

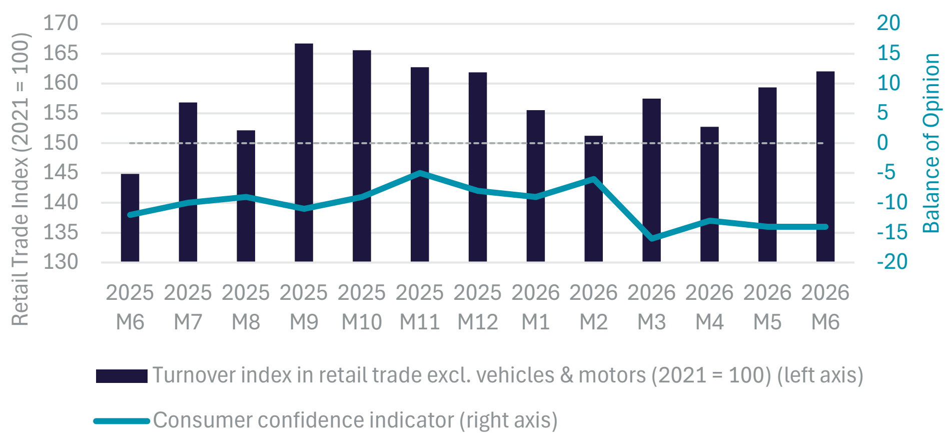


Source: Eurostat

LUXEMBOURG

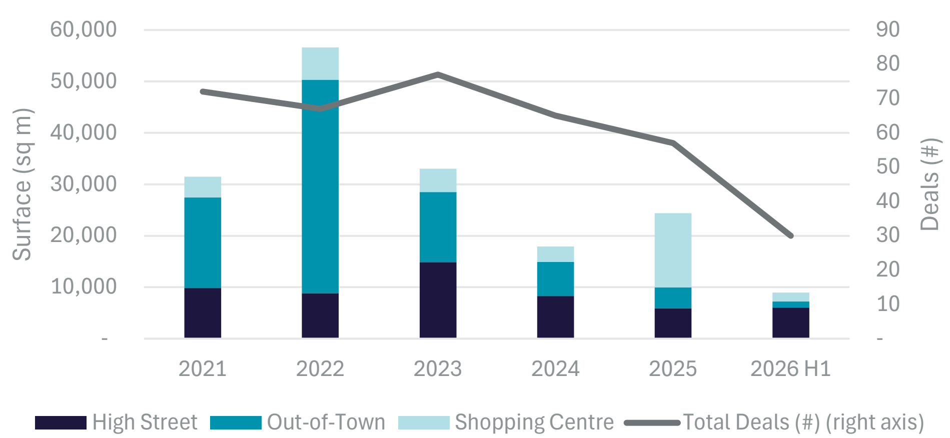
RETAIL H1 2026

RETAIL TRADE & CONSUMER CONFIDENCE



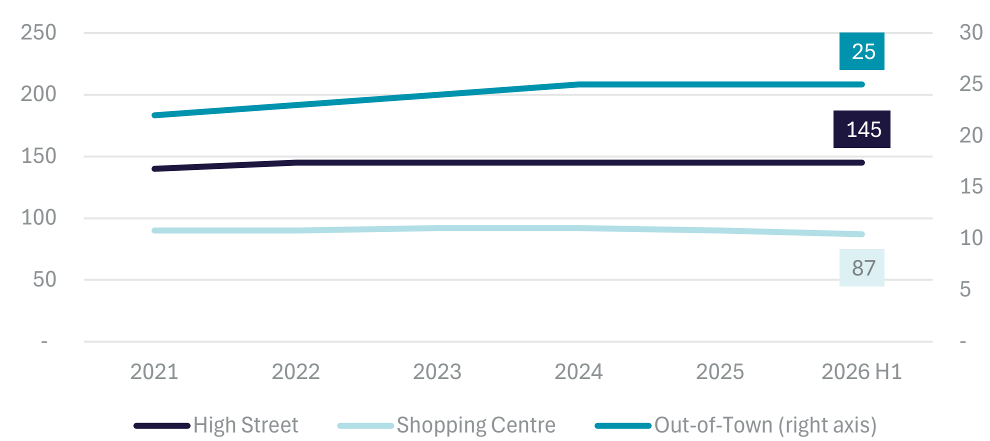
Source: STATEC; Banque centrale du Luxembourg (BCL)

TAKE-UP BY SEGMENT



Source: Cushman & Wakefield

PRIME RENTS BY SEGMENT (EUR/SQ M/MONTH)



Source: Cushman & Wakefield

Increased by 9.7% year-on-year in June. At the same time, employers reported an increase as well of 7.2% in new job opportunities compared with June 2025.

CAUTIOUS CONSUMERS, SALES STABLE IN Q2 2026

Luxembourg's **retail turnover was higher year-on-year in H1 2026** but growth stalled early in the year. Net retail turnover index excluding motor vehicles averaged 156.4 (2021=100) in H1 2026 against 140.0 a year earlier, up around 12%, yet the **first quarter came in roughly 5% below Q4 2025** as household spending slowed with a dip concentrated in food, beverages and tobacco.

Consumer confidence followed the same path, falling to -16 in March and **averaging -14 across Q2**, driven almost entirely by pessimism about the wider Luxembourg economy (-33 in April and May) rather than households' perceptions on their own finances. With intended spending on major purchases still firmly negative (-20 in June), turnover is holding up in value terms.

FEWER LARGE OCCUPIER DEALS, BUT STEADY DEAL COUNT

Retail take-up in Luxembourg totalled **8,968 sq m across 30 transactions in the first half of 2026**, split between 2,911 sq m in Q1 (12 deals) and 6,057 sq m in Q2 (18 deals). Volume is down 53% year-on-year against the 18,905 sq m recorded in H1 2025 and sits 32% below the five-year H1 average of some 13,200 sq m.

The contrast between volume and activity is the story of the half-year. **Deal count fell only 14% YoY** (30 vs 35) and is broadly in line with historic norms, while **transacted floorspace halved**. Average deal size dropped to 299 sq m from 540 sq m in H1 2025. That comparison is flattered on the 2025 side, however: last year's first half was lifted by a handful of large pre-lettings, including Engelhorn (5,000 sq m) and a 2,600 sq m foodhall at GridX, and Nike's 1,355 sq m unit at Cloche d'Or.

Fitness led by volume in H1 2026, on the back of Basic-Fit's 1,690 sq m letting on Avenue de la Gare. This was the largest deal of the half-year and accounted for 19% of take-up on its own. **Food & beverage** remained the most active sector by deal count, with eight transactions totalling 1,642 sq m (18% of volume).

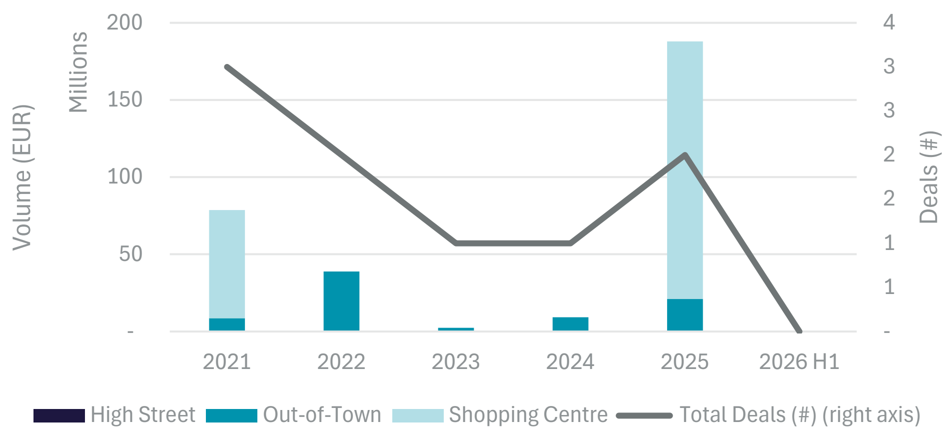
PRIME RENTS HOLD, SHOPPING CENTRES SOFTEN

Prime rents were broadly stable over the first half of 2026. Prime high street rents on Grand-Rue hold at **€145/sq m/month**, and prime out-of-town units remain at **€25/sq m/month**. Shopping centres saw a slight correction, to **€87/sq m/month**, reflecting more selective demand.

OUTLOOK

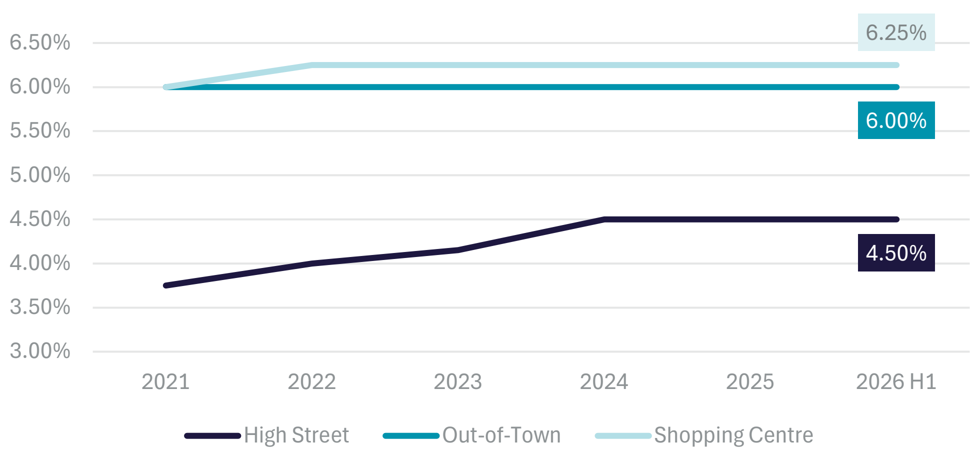
- **Economic growth** is expected to remain positive but modest, supported by investment, public spending and services exports. However, weaker consumption and ongoing geopolitical tensions continue to weigh on the forecasts.
- **Inflation** is likely to remain elevated, with higher energy prices and the June wage indexation expected to maintain pressure on labour costs and services inflation.
- **Interest rates** may rise further, depending on inflation and oil-price developments, weighing on the cost of financing.
- **Occupier demand** should stay broadly stable in H2, with volumes dependent on whether any large-format requirement lands. The pipeline of small and mid-sized deals is intact.
- **A first benchmark investment transaction** is the main variable to watch on the investment side. Any well-let prime asset brought to market in H2 would set pricing for the cycle; without one, yields are likely to remain unchanged in 2027 on limited evidence.

INVESTMENT VOLUME BY SEGMENT



Source: Cushman & Wakefield

PRIME YIELDS BY SEGMENT



Source: Cushman & Wakefield

A QUIET HALF YEAR IN INVESTMENT AFTER A RECORD IN 2025

No retail investment transactions were recorded in the **first half of 2026**. This follows a record 2025, when volumes were driven by a small number of large deals including the sale of two Knauf shopping centres. The absence of activity reflects a lack of product being brought to market rather than a lack of investor appetite; Luxembourg's retail investment market is small enough that a **single quarter without a completed deal is not unusual**, and the year-on-year comparison against 2025 will remain distorted by last year's exceptional volume.

PRIME YIELDS STABLE, AWAITING EVIDENCE

Prime yields were unchanged over the half-year. **High street yields stand at 4.50%, prime out-of-town assets at 6.00% and prime shopping centres at 6.25%**. With no transactions completed in H1 2026, these levels reflect our view of where prime product would trade rather than evidence from recent deals, and the next benchmark transaction will be an important test of pricing.

Luxembourg's **ten-year government bond yield** stood at **3.19%** at the end of June (Eurostat), after rising to 3.27% in May. As a result, the spread between prime retail yields and the considered risk-free rate narrowed slightly.

DEFINITIONS

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

KEY LEASE TRANSACTIONS H1 2026

PROPERTY	SUBMARKET	TENANT	GLA (SQ M)	TYPE
Av. de la Gare 14	High Street	Basic-Fit	1,690	Letting
Brill 5	Out-of-Town	Medi-Market	648	Letting
Burger Brands	Shopping Centre	Belval Plaza	476	Letting

KEY INVESTMENT TRANSACTIONS H1 2026

PROPERTY	SUBMARKET	SELLER / BUYER	GLA (SQ M)	PRICE (MEUR)
-	-	-	-	-

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

ANNECHIEN VEULEMANS
Associate Director I Research
annechien.veulemans@cushwake.com

JEAN BAHEUX
Int. Partner I Head of Retail Agency
jean.baheux@cushwake.com

JONATHAN DELGUSTE
Partner I Head of Retail High Street
jonathan.delguste@cushwake.com

GREGORY LAMARCHE MRICS
Partner I Head of Valuations & Advisory
gregory.lamarche@cushwake.com