MARKETBEAT

LUXEMBOURG

OFFICE Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
24,700 SQ M Take-Up 2026 Q2	▼	=
€23.5 MILLION Investment Volume 2026 Q2	▼	▼
4.60% Long-Term Prime Yield	=	=

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.

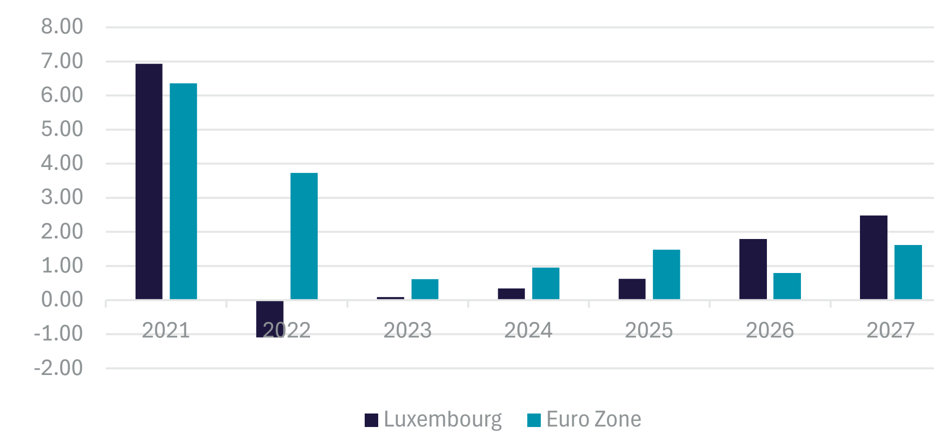
ECB RAISES INTEREST RATES

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

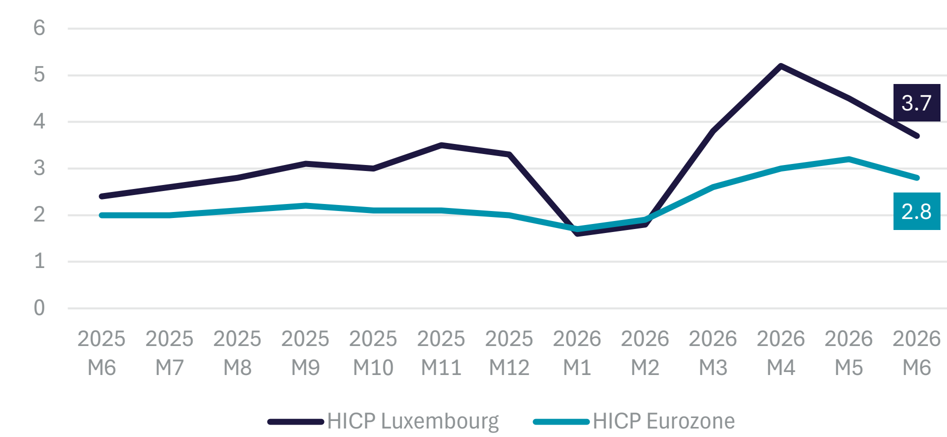
According to STATEC and ADEM, labour market indicators continued to send mixed signals. The number of registered resident jobseekers

GDP GROWTH (in % of change prev. year)



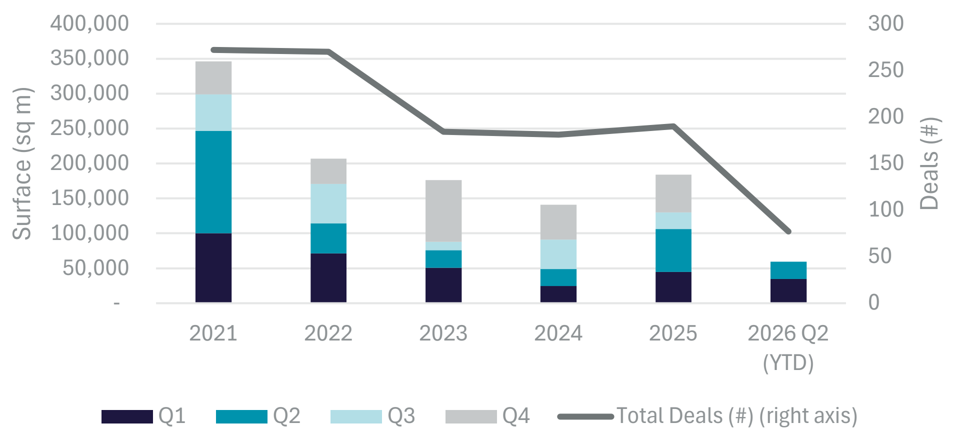
Source: Moody's Analytics (baseline scenario - July 2026)

INFLATION RATE (HICP in % of change)



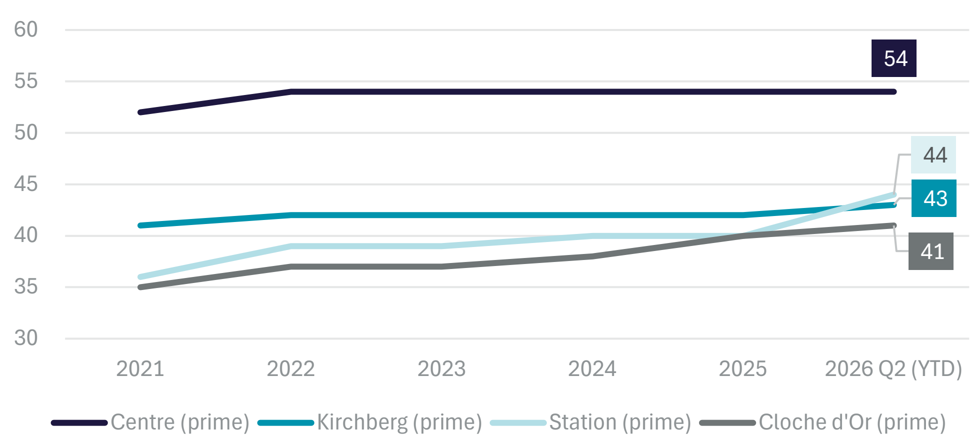
Source: Eurostat

TAKE-UP BY QUARTER



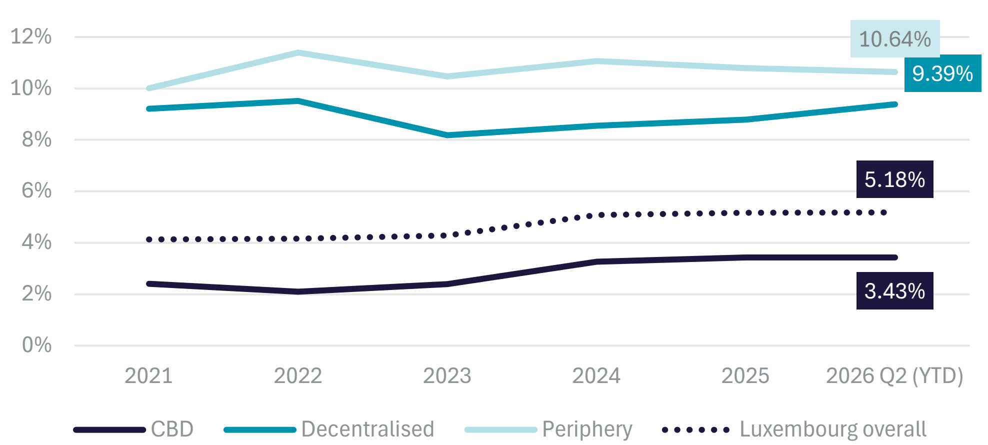
Source: Cushman & Wakefield

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



Source: Cushman & Wakefield

VACANCY RATE BY MARKET



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. Jobseekers were particularly concentrated in administrative support, information technology and banking-related occupations.

SMALLER DEALS WEIGH ON TAKE-UP

In **Q2 2026**, office take-up reached **24,700 sq m across 30 transactions**, bringing the total for the first half of the year to 59,500 sq m across 77 deals. This remains below the ten-year H1 average of approximately 110,000 sq m. However, annual volumes can vary considerably depending on the timing of large transactions, as illustrated by the relatively subdued activity in 2024 and the stronger performance recorded in 2025.

Market activity remains concentrated in **smaller transactions**, with 17 of the 30 deals completed in Q2 involving **less than 500 sq m**. In addition to a lower number of transactions compared with last year, the average deal size for H1 2026 declined to approximately 773 sq m. This indicates that the slowdown reflects both fewer transactions and smaller space requirements.

The **banking, finance and insurance sector** remained the main source of activity, accounting for 13 of the 30 transactions recorded during the quarter. However, these were predominantly smaller deals, representing a combined take-up volume of approximately 6,600 sq m.

The standout transaction of Q2 was the forward purchase of **The Rock by an owner-occupier,** as announced by the joint venture of Nextensa and Promobe. The approximately 9,500 sq m building is scheduled for completion in mid-2027 and is partly (30%) pre-let to Citibank. The purchaser, Hôpitaux Robert Schuman, intends to occupy the remaining 70% of the building, with this owner-occupied space therefore included in take-up. The reported purchase price for the entire building was €120 million.

PRIME RENTS MOVE HIGHER

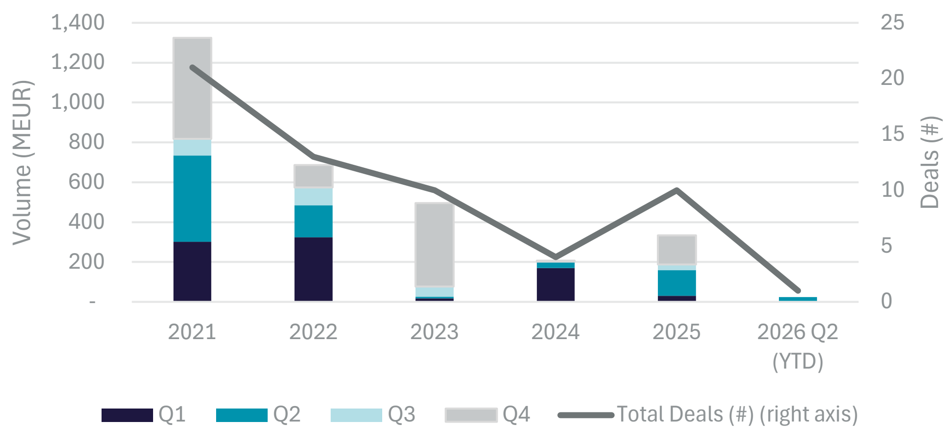
Prime rents increased this quarter, reaching **€44 per sq m per month in the Station district, €43 in Kirchberg and €35 in decentralised locations**. The increase was particularly notable in the decentralised market, bringing prime rents in line with levels recorded at The Shift in 2025 and more recently for pre-letting activity at The Edge by Goodman.

Further increases may follow in the main **CBD districts over the coming quarters**, supported by continued upward pressure on rents for high-quality, well-located assets.

OUTLOOK

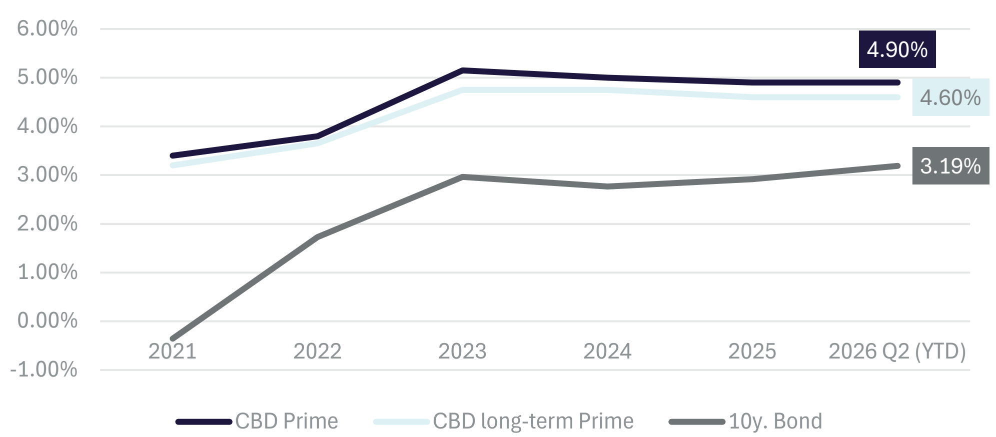
- **Economic growth** is expected to remain positive but modest, supported by investment, public spending and services exports. However, weaker consumption and ongoing geopolitical tensions continue to weigh on the forecasts.
- **Inflation** is likely to remain elevated, with higher energy prices and 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.
- **Office demand** is likely to remain selective, with activity concentrated in smaller requirements and take-up still dependent on a limited number of larger transactions.
- **Prime rents** may continue to rise, particularly for high-quality space in well-located buildings, while the broader market remains more balanced.
- **Investment activity** will need to improve in H2, although higher financing costs and a narrower yield spread may continue to limit transaction volumes.

INVESTMENT VOLUME BY QUARTER



Source: Cushman & Wakefield

PRIME YIELDS



Source: Cushman & Wakefield; Moody's Analytics

NEW SUPPLY LED BY LOSCH HEADQUARTERS

Around 12,500 sq m of new office space was added in Q2 2026. The largest completion was **Losch Luxembourg's new headquarters** in Kockelscheuer, providing approximately 9,800 sq m. Located in the municipality of Roeser, outside Luxembourg's traditional office submarkets, the building was occupied by the company in early April.

INVESTMENT ACTIVITY REMAINS LIMITED

Investment volume in the office sector reached **€23.5 million in Q2 2026**, entirely accounted for by the acquisition of the **FiftyTwo office building** by a private Luxembourg investor. This brought the total for H1 2026 to a similarly low level as in 2023, well below the ten-year H1 average of approximately €415 million. A stronger second half of the year would therefore be needed to close part of this gap.

FiftyTwo is located in the Belair/Merl district, close to the Station submarket. The building provides approximately 3,300 sq m of office space and was originally constructed in the 1970s before being renovated in 2018–2019.

YIELD SPREAD NARROWS SLIGHTLY

In the absence of core transactions, **prime yields remained stable** at 4.90% for the CBD and 4.60% for long-term prime assets. **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 office 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 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.

KEY OCCUPIER TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	OCCUPIER	GLA (SQ M)	DEAL TYPE
The Rock	Cloche d'Or	Hôpitaux Robert Schuman	6,644 (70%)	Purchase (100%)
Roosevelt 10-12	CBD	Luxembourg State	3,256	Letting
The Henri	CBD	Medical Properties Trust	645	Letting

KEY INVESTMENT TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER / BUYER	GLA (SQ M)	PRICE (MEUR)
FiftyTwo	Belair/Merl	ICN / Private	3,300	23.5
-	-	-	-	-
-	-	-	-	-

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

MARKET INDICATORS

SUBMARKET	INVENTORY (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	2026 Q2 TAKE-UP (SQ M)	2026 YTD TAKE-UP (SQ M)	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/month)	PRIME YIELD
Luxembourg (Overall)	**4,914,182**	**254,663**	**5.18%**	**24,716**	**59,495**	**405,018**	**54**	**4.90%**
Central Business District (CBD)	3,622,051	124,110	3.43%	18,507	34,762	359,606	54	4.90%
Centre	897,184	21,684	2.42%	7,582	8,680	-	54	4.90%
Kirchberg	1,432,106	35,374	2.47%	164	7,373	240,143	43	5.15%
Cloche d'Or	510,188	24,994	4.90%	8,821	11,282	98,111	41	5.15%
Station	514,177	28,281	5.53%	1,378	6,007	4,216	44	5.10%
Other inner districts	268,396	13,777	5.13%	562	1,420	17,136	35	6.00%
Decentralised	556,943	52,305	9.39%	4,651	19,965	22,461	35	6.50%
Periphery	735,188	78,248	10.64%	1,559	4,768	22,951	26	6.50%

Source: Cushman & Wakefield

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