

## MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
<b>179,000</b> sq M Take-Up 2025	▲	▬
<b>€333</b> MILLION Investment Volume 2025	▲	▬
<b>4.90%</b> Prime Yield	▬	▬

## ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
<b>0.57%</b> GDP Growth YoY 2025 (F)	▲	▲
<b>5.97%</b> Unemployment Rate 2025	▲	▼
<b>3.3%</b> Inflation Rate (HICP) December 2025	▲	▼

Sources: Moody's Analytics, Eurostat

## MODEST GROWTH WITH GRADUAL IMPROVEMENT AHEAD

Luxembourg's economy is projected to close 2025 with a growth of **0.57%**, following a limited expansion earlier in 2024. Weaker investment activity and softer exports continue to weigh on short-term performance, while private consumption remains supported by wage indexation and improving household confidence.

Growth is expected to strengthen to **2.29% in 2026** and **2.31% in 2027** according to the forecasts of Moody's, supported by easing **financing conditions and improving domestic demand**. Stabilized interest rates should stimulate investment and support exports of financial services, a key pillar of Luxembourg's economy.

## INFLATION MODERATES AS ENERGY PRICES EASE

Luxembourg's HICP inflation remains above the eurozone average in 2025. After fluctuating throughout the year, HICP reached **3.3% in December 2025**, compared to 1.9% in the euro area.

**Services and wage-related pressures** continue to support price growth, while **energy effects** have been more volatile during the year. Looking ahead, inflationary pressures are expected to ease in 2026 as energy prices stabilise and broader price dynamics normalise.

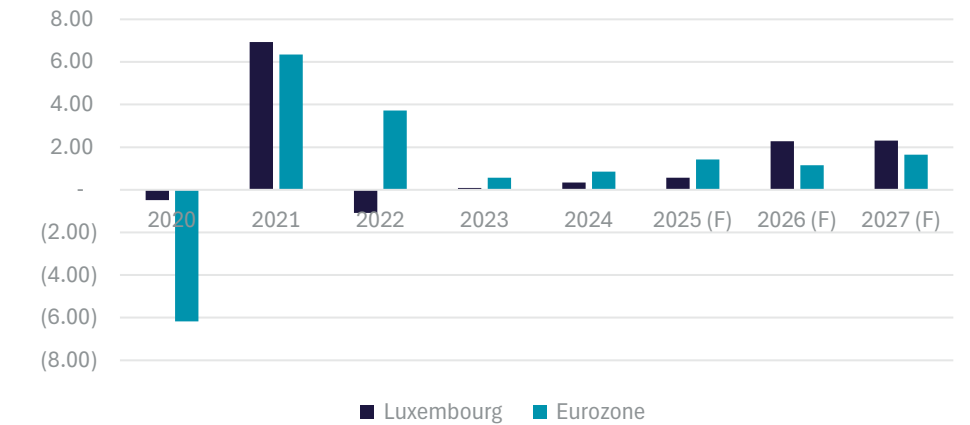
The gradual stabilisation of HICP and improved financing conditions should provide **greater predictability for investment decision-making heading into 2026**.

## LABOUR MARKET SHOWING SIGNS OF ADJUSTMENT

Employment growth has slowed in line with softer economic activity. The unemployment rate increased to **5.97% in 2025**, and will decrease gradually to **5.84% in 2026** and **5.77% in 2027**, as economic growth strengthens.

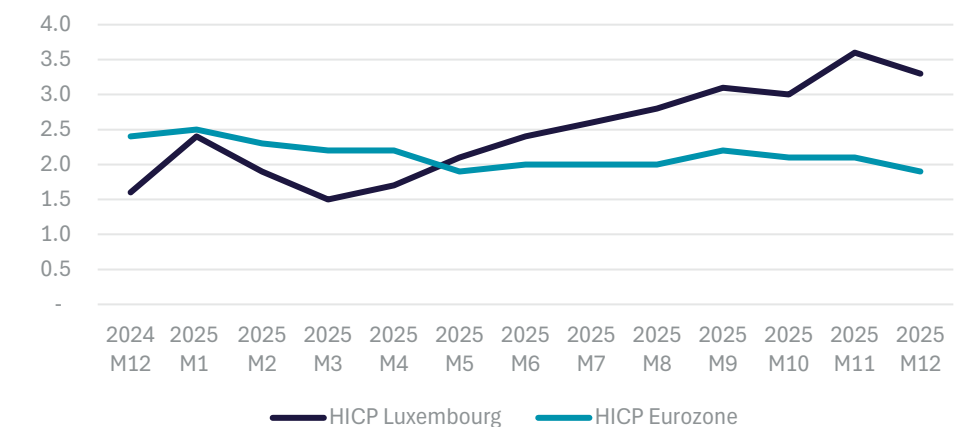
Despite short-term adjustments, Luxembourg's labour market remains structurally supported by **cross-border employment and the resilience of the financial and public sectors**.

## GDP GROWTH (in % of change prev. year)



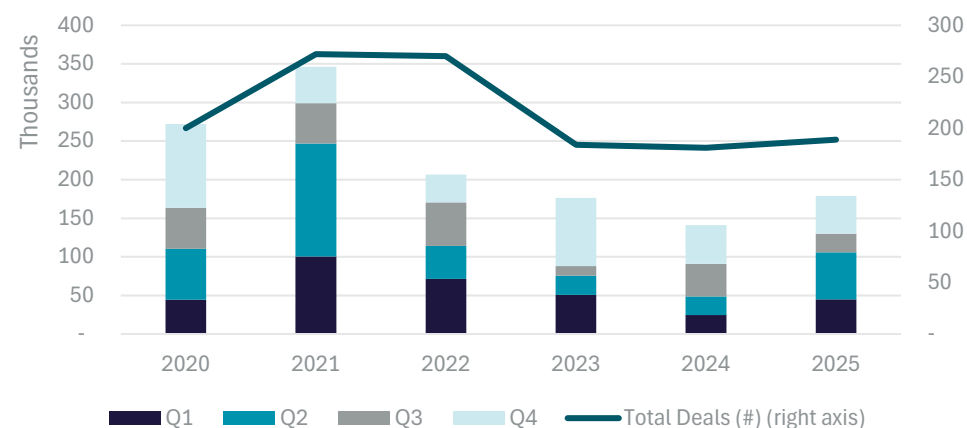
Source: Moody's Analytics (baseline scenario - January 2026)

## INFLATION RATE (HICP in % of change)



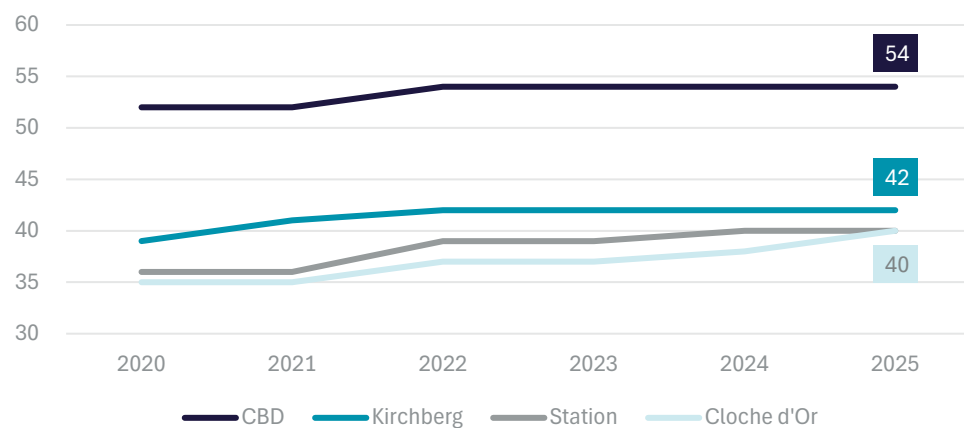
Source: Eurostat

TAKE-UP BY QUARTER (SQ M)



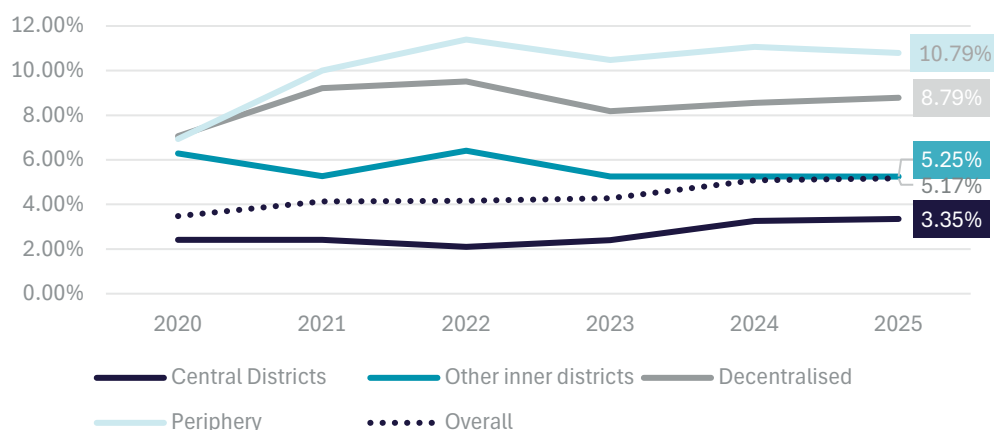
Source: Cushman & Wakefield

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



Source: Cushman & Wakefield

VACANCY RATE BY MARKET



Source: Cushman & Wakefield

TAKE-UP IMPROVES BUT REMAINS BELOW LONG-TERM AVERAGE

Leasing activity strengthened in the fourth quarter of 2025, with **49,068 sq m transacted across 48 deals**. This represents the most active quarter of the year and reflects several larger transactions being finalised towards year-end.

Over the full year, total take-up reached **179,000 sq m across 189 transactions**, marking an improvement compared to 2024. Nevertheless, activity remains approximately 23% below the ten-year average, highlighting a market that has not yet fully returned to historic levels.

A clear preference for high-quality space persisted, with 65% of total take-up concentrated in **grade A buildings**. The majority of activity was recorded in **Cloche d'Or**, followed by **Kirchberg**, confirming the continued attractiveness of well-connected office districts. A notable contributor to Q4 performance was the commercialisation of **Skypark Business Center**, which accounted for nearly 20,000 sq m across seven transactions during the quarter. In addition, a significant pre-letting transaction was signed by Lombard Odier at **The Terraces** in Cloche d'Or, a project scheduled for completion in the first half of 2027.

PRIME RENTS HOLD FIRM ACROSS KEY SUBMARKETS

Prime office rents remained stable in Q4 2025 across Luxembourg's main office districts, reflecting balanced market conditions and a continued focus on high-quality space.

In the **CBD**, prime rents hold at **€54/sq m/month**, maintaining its position as the most expensive office location in the country. **Kirchberg** remains stable at **€42/sq m/month**, while **Cloche d'Or**, following an upward adjustment last quarter, continues to stand at **€40/sq m/month**.

The stability in headline prime rents is supported by the sustained preference for grade A buildings, which accounted for a **significant share of take-up in 2025**. Demand continues to concentrate on modern, energy-efficient buildings in established office districts, while secondary stock remains more exposed to competitive pressure.

VACANCY REMAINS STABLE AMID LIMITED NEW SUPPLY

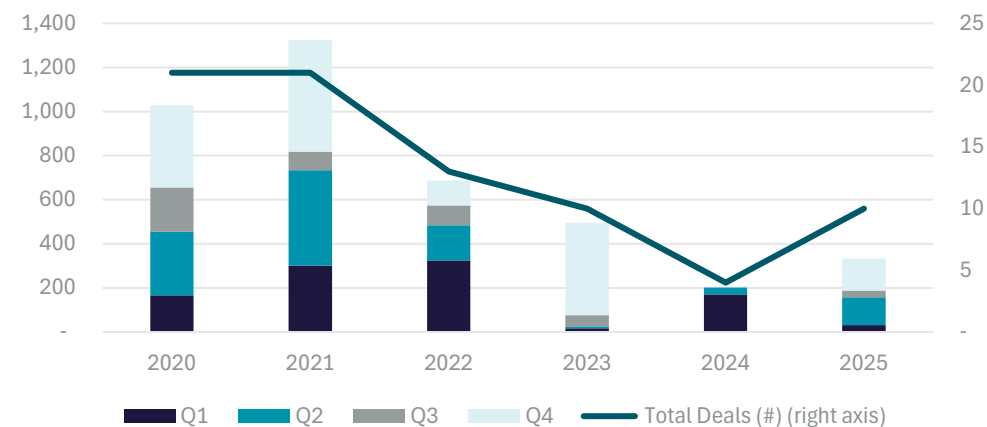
Vacancy levels remained broadly stable in Q4 2025. In the **central districts**, vacancy stands at **3.43%**. Across the **overall Luxembourg market**, the vacancy rate amounts to **5.20%**, indicating relatively balanced supply-demand conditions.

**New supply** remained limited during the quarter, with approximately **22,900 sq m of new office space** delivered to the market. This included the completion of **The Waves and AXS - The Shift**.

OUTLOOK

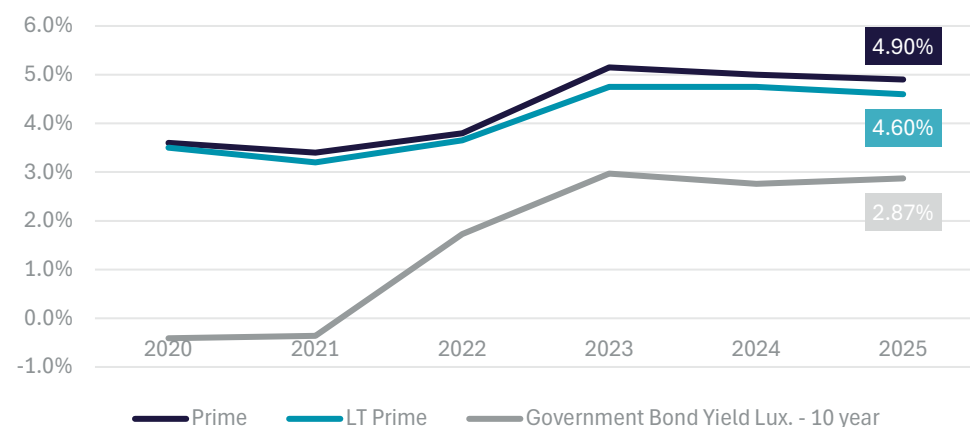
- **Economic growth** is expected to **strengthen gradually** into 2026 and 2027, supported by easing financing conditions and improving domestic demand.
- **HICP inflation** is projected to **moderate** over the coming quarters, providing greater stability in operating and financing environments.
- **Take-up** is expected to remain concentrated in **prime locations**, with demand continuing to favour **grade A**, energy-efficient buildings.
- **Vacancy rates** in central districts are likely to remain contained, given the limited pipeline and sustained occupier interest in high-quality space.
- **Prime rents** are expected to hold firm across CBD, Kirchberg and Cloche d'Or, **with further rental growth** dependent on sustained pre-letting activity in new developments.
- **Investment activity** is expected to **remain selective**. Yield levels are anticipated to remain broadly stable in the near term.

INVESTMENT VOLUME BY QUARTER (€ MILLION)



Source: Cushman & Wakefield

PRIME YIELDS



Source: Cushman & Wakefield; Moody's Analytics

KEY OCCUPIER TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	OCCUPIER	GLA (SQ M)	DEAL TYPE
Skypark Business Park	Airport	Luxair	9,738	Letting
The Terraces	Cloche d'Or	Lombard Odier	4,500	Pre-letting
The Rock	Cloche d'Or	CitiBank	2,490	Letting

KEY INVESTMENT TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	SELLER / BUYER	GLA (SQ M)	PRICE (MEUR)
Prince Henri 37-39	CBD	Bank of China / ImmoValor	2,166	15.4
Printzipal	Cloche d'Or	ICN / AG Real Estate	5,930	50
Monnet 8	Kirchberg	Unicredit / LLC Real Estate	10,000	40

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

INVESTMENT ACTIVITY PICKS UP IN Q4 BUT REMAINS BELOW HISTORICAL LEVELS

Investment activity strengthened in the fourth quarter of 2025, with **four transactions** recorded for a total volume of **approximately €145 million**. The quarter was notably supported by the acquisition of **Boulevard Prince Henri 37-39** by **ImmoValor** for redevelopment, representing a volume of €15.4 million. In addition, the recently completed **Printzipal** office building in Cloche d'Or was acquired by **AG Real Estate** for approximately €50 million, underlining continued investor interest in modern, well-located assets.

These transactions bring **total investment volume** for 2025 to **€333 million across 10 registered deals**. While this represents an improvement compared to last year, volumes remain **well below the ten-year average**, reflecting a market that continues to operate with selective capital deployment and limited product availability.

PRIME YIELDS REMAIN STABLE

Prime office yields showed **no movement in Q4**, reflecting stable pricing conditions in a market characterised by limited transaction evidence.

Prime yield stands at **4.90% for central business districts**, while the **long-term prime yield remains at 4.60%**, indicating continued investor appetite for high-quality, well-let assets in established locations. The absence of significant yield compression or outward movement suggests that pricing expectations between buyers and sellers remain broadly aligned.

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	2025 Q4 TAKE-UP (SQ M)	2025 TAKE-UP (SQ M)	UNDER CONSTRUCTION (SQ M)	PRIME RENT (€/sq m/month)	PRIME YIELD
Luxembourg (Overall)	4,895,674	254,663	5.20%	49,068	178,833	447,671	54	4.90%
Central Business District (CBD)	3,613,315	124,110	3.43%	26,191	131,609	377,187	54	4.90%
Centre	897,184	21,684	2.42%	2,861	13,720	-	54	4.90%
Kirchberg	1,432,106	35,374	2.47%	5,523	33,319	240,143	42	5.15%
Cloche d'Or	510,188	24,994	4.90%	11,022	50,189	106,956	40	5.15%
Station	511,465	28,281	5.53%	2,739	17,984	6,928	40	5.10%
Other inner districts	262,372	13,777	5.25%	4,046	16,398	23,160	35	6.00%
Decentralised	556,943	52,305	9.39%	19,932	32,322	22,461	30	6.50%
Periphery	725,416	78,248	10.79%	2,945	14,902	48,023	26	6.50%

Source: Cushman & Wakefield

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