

MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
34,800 SQ M Take-Up 2026 Q1	▼	▬
€54 PER SQ M Prime Rent 2026 Q1	▬	▬
4.60% Long-Term Prime Yield	▬	▬

ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
1.9% GDP Growth YoY 2026 (F)	▲	▲
6.0% Unemployment Rate 2026	▲	▼
3.8% Inflation Rate (HICP) March 2026	▲	▼

Sources: Moody's Analytics, Eurostat

Q1 2026: STABILITY INTERRUPTED BY GEOPOLITICAL SHOCK

The first quarter of 2026 started stable in Luxembourg, with balanced conditions in January and February. However, **tensions in the Middle East** increased at the end of February, mainly due to the conflict involving Iran and disruptions in the Strait of Hormuz.

This situation caused volatility in energy markets. **Brent crude oil prices** increased significantly, rising from around USD 70 before the conflict to approximately USD 90-105 by the end of April. Although a ceasefire announced on 8 April and ongoing negotiations between the US and Iran helped stabilize the situation, uncertainty remains.

Financial markets also reacted to these events. The **Euro Stoxx 50** dropped by around 11% by the end of March but recovered afterwards, returning to roughly the same level year-to-date by the end of April.

Overall, the situation has **increased inflationary pressure** and made investors more cautious. For Luxembourg, which has a **service-oriented and open economy**, the direct impact is limited, but external conditions, such as financing and investor sentiment, have become more uncertain.

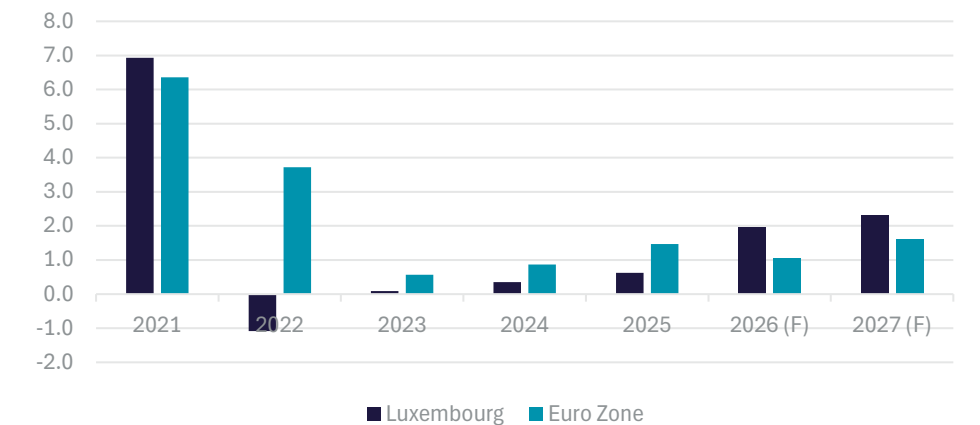
STAGFLATION RISKS AND THE MONETARY POLICY DILEMMA

Recent geopolitical tensions have increased concerns about **stagflation**, where economic growth slows while inflation remains elevated. The IMF has revised its outlook for the eurozone, **lowering its 2026 GDP growth forecast**, while **raising its inflation expectations**. In response, the ECB is expected to keep its **key interest rates** unchanged in April. However, the central bank faces a delicate balancing act: further rate increases could help contain inflation but risk putting additional pressure on an already fragile economic recovery.

At the same time, Luxembourg **government bond yields** have increased in line with broader eurozone trends, tightening financing conditions. Yields rose by nearly 20 basis points between February and March, reaching 3.12%, which is weighing on real estate investment conditions.

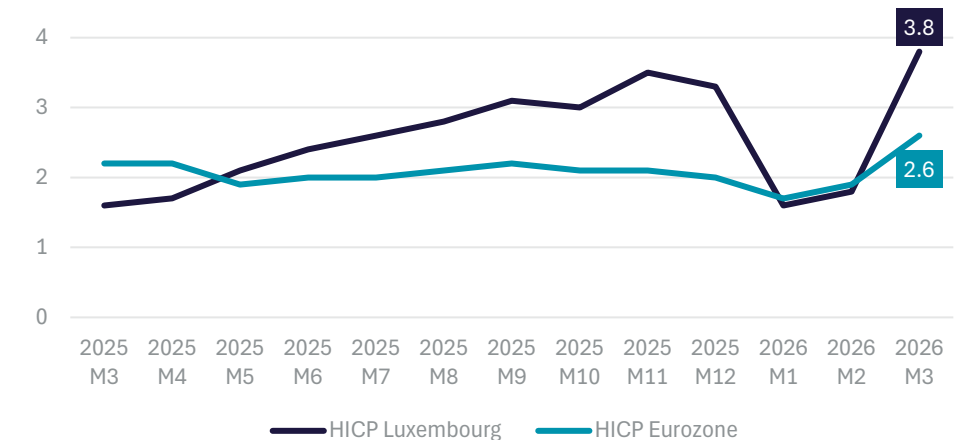
Luxembourg **HICP inflation** climbed back to 3.8% in March 2026, up from 1.8% in February and well above the eurozone average of 2.6%. Consumer confidence fell to its lowest level in a year.

GDP GROWTH (in % of change prev. year)



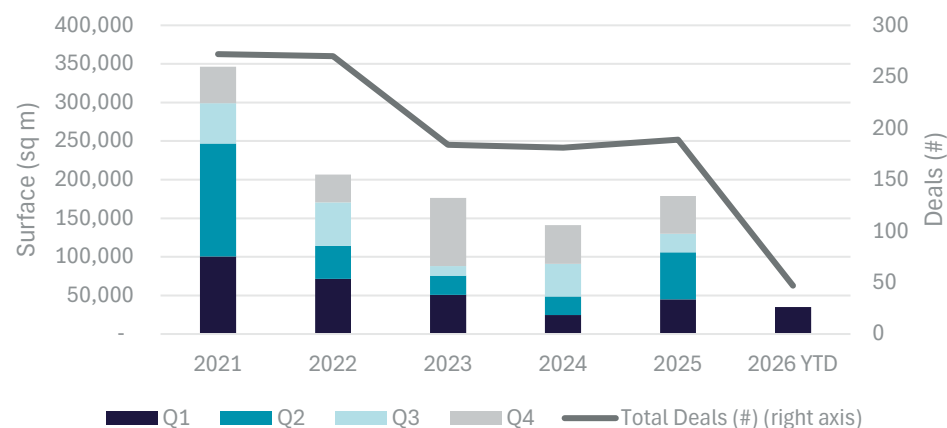
Source: Moody's Analytics (baseline scenario - April 2026)

INFLATION RATE (HICP in % of change)



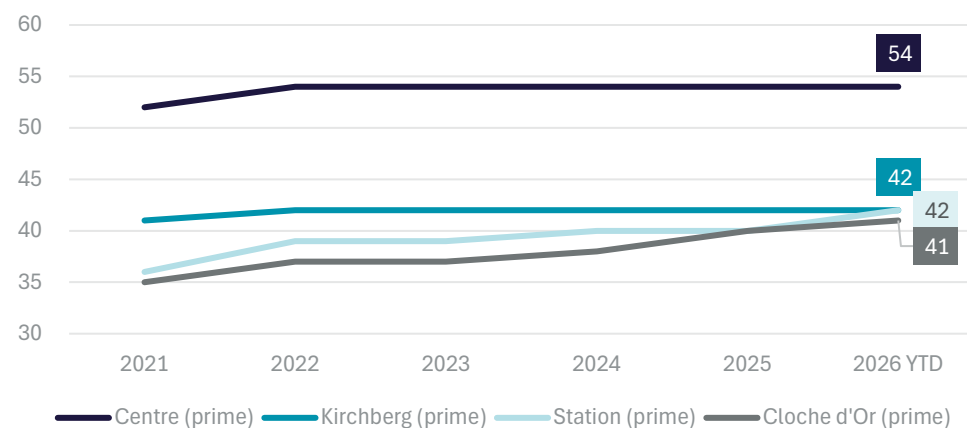
Source: Eurostat

TAKE-UP BY QUARTER



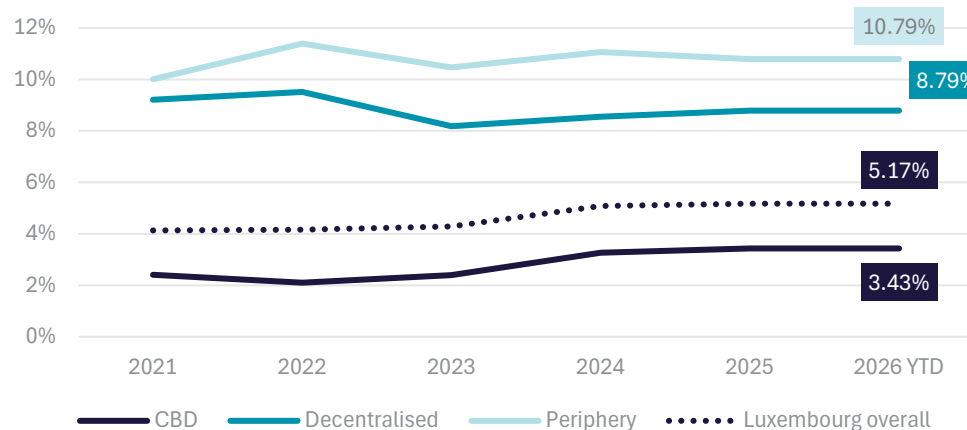
Source: Cushman & Wakefield

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



Source: Cushman & Wakefield

VACANCY RATE BY MARKET



Source: Cushman & Wakefield

TAKE-UP OPENS 2026 ON A SOFT NOTE

Leasing activity in Q1 2026 totalled **34,800 sq m** across **47** transactions, making it one of the quieter starts to a year, below the ten-year average of 55,650 sq m. However, take-up this quarter was heavily influenced by a single large owner-occupier deal: the **State of Luxembourg's 10,000 sq m purchase of Newton** in Strassen. Excluding this transaction, underlying take-up would have been closer to 25,000 sq m, in line with the slower quarters observed in 2023 and 2024.

Private sector activity remained dominated by small to mid-sized deals, with an average transaction size of around 535 sq m, excluding the Newton purchase. **Banking, finance and insurance** remained the most active occupier segment, accounting for roughly 12,100 sq m across 18 transactions.

Activity was **well spread across submarkets**. Kirchberg led central leasing with around 7,100 sq m across 8 deals, followed by Station (4,600 sq m) and Cloche d'Or (2,500 sq m). **Decentralised markets** were unusually active at 15,500 sq m, thanks to the Newton transaction in Strassen and the activity in the Bertrange submarket. As in recent quarters, occupiers continued to favour grade A, energy-efficient stock in well-connected locations.

PRIME RENTS HOLD FIRM IN THE CITY CENTRE, WITH UPWARD PRESSURE ACROSS OTHER CENTRAL BUSINESS DISTRICTS

Prime rents in Luxembourg's **centre** remained stable in Q1 2026 at **€54/sq m/month**, reflecting limited availability of high-quality space. In contrast, other central districts are showing signs of upward movement. In **Kirchberg**, prime rent held at **€42/sq m/month**, but is expected to increase to €43-44/sq m/month by year-end, supported by ongoing negotiations. The **Station** district has already recorded a rise from **€40 to €42/sq m/month**, despite relatively modest letting volumes, indicating sustained demand for well-connected space. Similarly, **Cloche d'Or** saw an increase from **€40 to €41/sq m/month**.

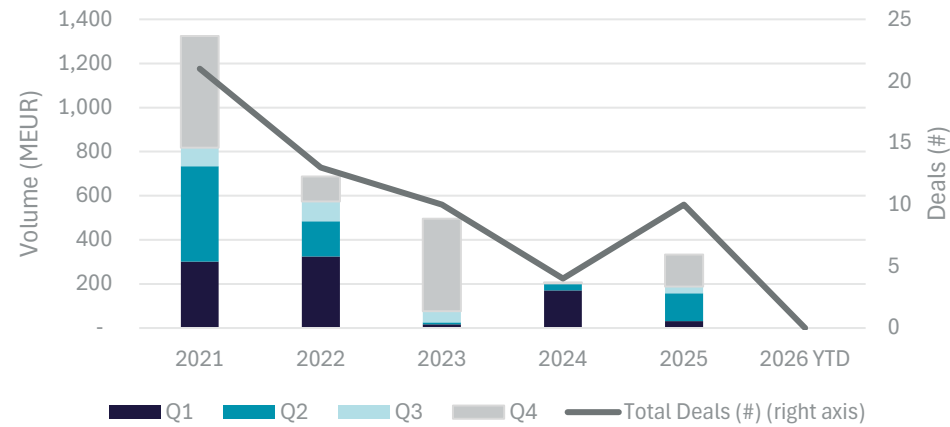
VACANCY AND PIPELINE: LITTLE NEW SPACE ADDED

Vacancy remained low in the main central districts in Q1 2026, continuing the trend seen in recent years. Only **limited additional space** came to the market during this quarter, which kept availability tight for high-quality offices. This is especially relevant in the central business districts, where occupiers looking for modern, energy-efficient space. The development pipeline will therefore remain an important factor for future market balance.

OUTLOOK

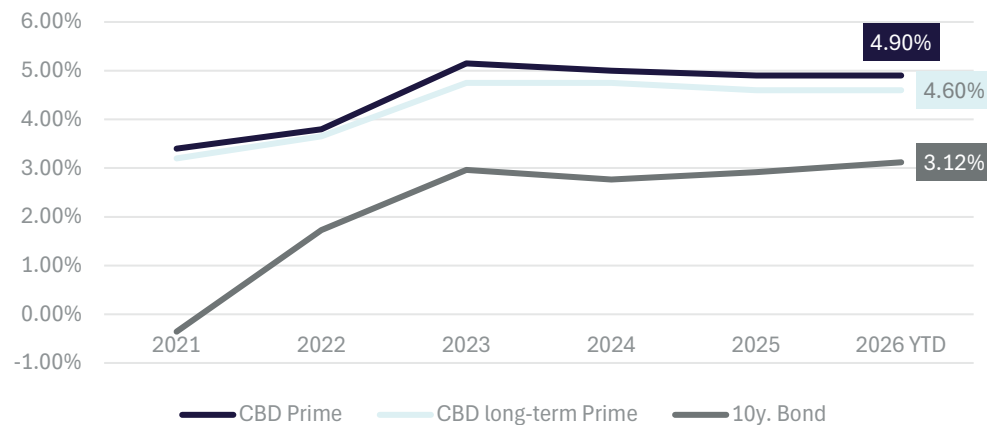
- **Geopolitical tensions** are expected to continue driving volatility in energy markets, adding uncertainty to Luxembourg's growth and inflation outlook.
- **Stagflation risks remain** with slower growth combined with sticky inflation, leaving ECB policy decisions finely balanced and financing conditions tight on elevated long-term bond yields.
- **Letting activity** in the coming quarters will largely depend on a limited number of ongoing deals.
- **Vacancy rates** in central districts should remain broadly contained given the limited pipeline.
- **Prime rents** are expected to hold **firm**, with further **rental growth** dependent on sustained pre-letting activity in new developments.
- **Investment activity** is expected to remain **modest** in the near term, reflecting current market conditions and continued caution from investors. **Yields** are likely to stay broadly **stable**.

INVESTMENT VOLUME BY QUARTER



Source: Cushman & Wakefield

PRIME YIELDS



Source: Cushman & Wakefield; Moody's Analytics

KEY OCCUPIER TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	OCCUPIER	GLA (SQ M)	DEAL TYPE
Newton	Strassen	State of Luxembourg	10,000	Purchase
Atrium Business Park	Bertrange	La Mondiale	3,073	Letting
IJK	Kirchberg	SS&C	2,011	Letting

KEY INVESTMENT TRANSACTIONS Q1 2026

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

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

INVESTMENT MARKET PAUSES ON UNCERTAINTY

Investment activity in Luxembourg’s office market was very limited in Q1 2026, with **no completed office investment transactions** recorded over the quarter. This contrasts with a relatively active Q4 2025 (€145 million) and reflects a slow start to the year, combined with a more cautious investor approach as geopolitical tensions in the Middle East increased and eurozone bond yields moved higher.

PRIME YIELDS REMAIN STABLE

Prime office yields showed no movement in Q1 2026, consistent with the absence of transaction evidence. **Prime yield** stands at **4.90% for the CBD**, while the **long-term prime yield** remains at **4.60%**, unchanged over the quarter.

The 10-year Luxembourg government bond yield increased up to around 3.12% by the end of Q1, in line with the broader eurozone trends. As a result, the **spread between prime yields and risk-free rates** has narrowed, reducing the relative attractiveness of real estate and contributing to a wider bid-ask gap. A stabilisation of bond yields could support a gradual return of activity, particularly for core assets.

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 Q1 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%	34,779	178,833	447,671	54	4.90%
Central Business District (CBD)	3,619,339	124,110	3.43%	15,968	131,609	377,187	54	4.90%
Centre	897,184	21,684	2.42%	1,751	13,720	-	54	4.90%
Kirchberg	1,432,106	35,374	2.47%	7,126	33,319	240,143	42	5.15%
Cloche d'Or	510,188	24,994	4.90%	2,461	50,189	106,956	41	5.15%
Station	511,465	28,281	5.53%	4,629	17,984	6,928	42	5.10%
Other inner districts	268,396	13,777	5.13%	-	16,398	23,160	35	6.00%
Decentralised	556,943	52,305	9.39%	15,519	32,322	22,461	30	6.50%
Periphery	725,416	78,248	10.79%	3,292	14,902	48,023	26	6.50%

Source: Cushman & Wakefield

ANNECHIE N VEULEMANS
Associate I Research
annechien.veulemans@cushwake.com

SEBASTIEN BEQUET
Int. Partner I Country Head Luxembourg
sebastien.bequet@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for occupiers and investors with approximately 53,000 employees in over 350 offices and nearly 60 countries. In 2025, the firm reported revenue of \$10.3 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.

©2026 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield ("CWK"). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK's securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.