Communiqué de presse

New decline in office activity in Luxembourg in 2024

Luxembourg, le 28 janvier 2025 – As a major player in corporate real estate consulting worldwide, JLL presents its annual analysis of the office market and real estate investment in Luxembourg for the year 2024, offering a detailed overview of the sector's trends and performance.

<u>**Occupier market:**</u>

Take-up is at its lowest since 2011:

*"It's another year without significant take-up," says **Emna Rekik, Country Lead at JLL Luxembourg**. "Occupiers have maintained a cautious attitude towards their real estate decisions. The lack of visibility on growth prospects and ESG issues have held back occupiers in their decision-making. Paradoxically, rents continue to grow, which is to the advantage of existing owners."*

Key figures to remember:

While 2023 was supported by two transactions of over 25,000 sqm, 2024 recorded only one transaction of over 10,000 sqm. Take-up fell to **133,321 sqm, a 24% drop** on an annual basis. Historically, this is the lowest level since 2011, i.e., in the midst of the eurozone crisis.

However, the number of transactions is up 2% to **174 deals, which remains below the five-year average of 215 transactions.**

Major transactions:

Despite a contrasting year, the annual review reveals several strategic large-scale transactions that marked the market:

• Take-up by the **Luxembourg State** of 11,291 sqm in the Laccolith building in Cloche d'Or to house the Rent Commission.

• Take-up by the **Luxembourg State** again of the last phase of the Terres Rouges project in Esch / Belval, for just under 10,000 sqm.

• **State Street** leaves Kirchberg to settle in Cloche d'Or in the Stairs project, on 9,700 sqm.

• Another departure from Kirchberg, but this time to Skypark in the Findel airport district: **Deutsche Bank** will occupy 7,077 sqm there.

• Finally, it should be noted that Howald is regaining good momentum, notably with EY's acquisition of the Show building, totaling 6,172 sqm.

Lessons from 2024:

*"A trend is confirmed: locations near the tram line are very popular, as showed by the market dynamics in Cloche d'Or, Howald, and the airport. However, it would be wrong to say that the Periphery districts have lost their appeal with the extension of the tram network. In fact, we observe on the contrary that the transactional volume as well as the average size of transactions in the Periphery have been rather stable in recent years," explains **Jonathan Morand, Director Office Agency at JLL Luxembourg.***

*"This market segment has long been dominated by SMEs, large corporates and public administrations are historically established in the Center districts and what we call the City Belt," analyzes **Pierre-Paul Verelst, Head of BeLux Research at JLL**.*

The other notable fact is the return of the Luxembourg State, which doubles its share in the transactional volume to 20%, but especially of the financial sector, which largely dominates the market with 42% of the total take-up compared to 23% in 2023. We have already seen this in the recent past, banks are very mindful of the quality of buildings both in terms of sustainability and proximity to services for their employees.

Availability that is slightly decreasing, and remains well below the European average:

Total deliveries are down 60% compared to 2023, with previous years marked by the completion of large buildings, including the European Parliament in Kirchberg. Over the past twelve months, 82,182 sqm have been delivered, of which 20% was available at the time of delivery.

This decline in deliveries comes at the right time as it corresponds to the decline in demand, so the **vacancy rate is slightly down to 4.16%** compared to 4.19% a year ago. In volume, this represents 193,191 sqm immediately available for occupation.

While availability in the Center districts remains almost unchanged at 3%, it has been halved in Belval where it is now only 4.1%, following the occupation of the last phase of Terres Rouges by the State. However, in the City Belt, a marked increase was observed following the delivery of Skypark: 7.6% is vacant compared to 6.4% a year ago. Slight increase also in the Periphery to 8.6% against 8.1% twelve months ago.

It is likely that vacancy will increase slightly during the year 2025 due to a delivery volume representing more than double that of 2024 at nearly 200,000 sqm, of which a substantial part is pre-leased, notably by the European Commission.

On a European scale, rental vacancy in Luxembourg remains very reasonable, with the average being 8.5%.

Rents almost unchanged... but will increase significantly in 2025-2026:

After having slightly increased in certain districts in 2023 and given the difficult context, rents are taking a pause.

• In the CBD, €54 / sqm / month remains the norm around Boulevard Royal, while in the Station district, new properties are renting at €40 / sqm / month.

• Stability also in Cloche d'Or at €38 / sqm / month and in Kirchberg at €42 / sqm / month.

• After having increased significantly in 2023, no change in the Findel Airport district at €32 / sqm / month.

• If we look at the Periphery and Esch / Belval, no change either at €24 / sqm / month.

These values are excluding VAT.

For 2025 and 2026, JLL expects a significant increase in most districts due to limited availability and construction costs that remain well above historical averages. Market conditions should become more favorable to owners.

Investment market:

Volumes apparently on the rise, but attention to details:

"Central banks on both sides of the Atlantic have lowered their respective rates several times, which has contributed to gradually reducing financing costs. Although in the aftermath of Donald Trump's election there is still a lot of volatility in the bond market, the risk premium for real estate compared to bonds is gradually rebuilding," ***analyzes Pierre-Paul Verelst, Head of Research at JLL BeLux.***

Are we on the verge of an upturn in the investment market? In 2024, investment volumes increased to €606 Mln compared to €531 Mln a year ago. But attention to details. Indeed, sales for own occupation represented close to a third of the total volume, and moreover 36% of the volume represents off-plan sales (VEFA) of residential buildings to the Kirchberg Fund and the City of Luxembourg.

"In the office segment, one of the most important European transactions was carried out in Luxembourg with the Royal Park, confirming the attractiveness of this market for global investors," explains ***Vincent Van Brée, Head of Capital Markets at JLL BeLux****. "The rate cuts by the European Central Bank are indeed a good omen as it opens the door to a compression of real estate yields already at the beginning of 2025. If we take into account the expected rise in rents in 2025-2026, we think that valuations will start to rise again, which should create a climate more conducive to sellers."*

And Vincent Van Brée concludes: *"After three difficult years, the indicators are encouraging for investing in real estate, with the risk premium vis-à-vis other long-term asset classes, notably bonds, having gradually re-created itself. Moreover, commercial real estate benefits on the one hand from the still sustained rise in rents for new projects and on the other hand from the indexation of rents for existing buildings. The allocation for this asset class should therefore regain the interest of managers."*

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Offices	Average 2019-2023	2023	2024	Evolution
Stock (sqm)	4,426,985	4.612.652	4.642.270	+0,6%
Total take up (‘000 sqm)	270,247	176.013	133.321	-24%
Number of transactions	215	170	174	+2%
Availability (‘000 sqm)	163,962	193.237	193.191	=
Availability rate (%)	3,7%	4,2%	4,2%	-3 bps
Completions (‘000 sqm) – total/year *Of which speculative (‘000 sqm)*	148.847 sqm *26.783 sqm*	204.870 sqm *52.842 sqm*	82.182 sqm *24.685 sqm*	-60% *-53%*
Prime rent (€/sqm/month + VAT)	52	54	54	=

Investment market	5-year average	2023	2024	Evolution
Prime office yield in % (3/6/9 leases)	3,96%	4,75%	4,75 %	=
Investment volume in million EUR (transactions >2.5 MEUR)	1,227	531	606	+14%

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