

# LUXEMBOURG Retail Market Snapshot

Second Quarter | 2019



## MARKET INDICATORS

### Market Outlook

- Prime Rents:** Prime rents decreased in the high streets recently. The outlook for the rest of the year is stable in every sector. ▶
- Prime Yields:** Prime yields at their historical low level in every subsector and expected to remain stable. ▶
- Supply:** Important pipeline in 2019 with the deliveries of significant and iconic projects ▼
- Demand:** Stable and opportunistic occupier demand, though retailers are cautious and deals take more time. ▶

### Prime Retail Rents – June 2019

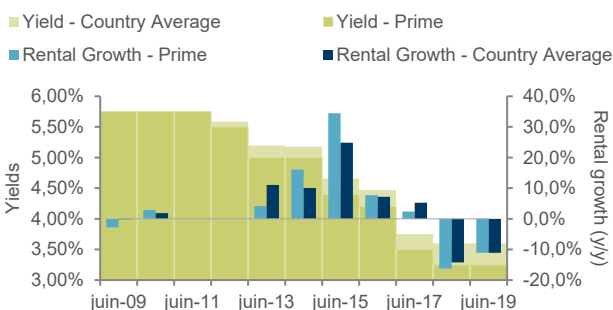
|   | €<br>SQ.M<br>MTH | €<br>SQ.M<br>YR | US\$<br>SQ.FT<br>YR | GROWTH % |             |
|---|------------------|-----------------|---------------------|----------|-------------|
|   |                  |                 |                     | 1YR      | 5YR<br>CAGR |
| <b>HIGH STREET SHOPS</b>                          |                  |                 |                     |          |             |
| Luxembourg City (Grand Rue)                       | 160              | 1,920           | 215                 | -11.1    | 2.0         |
| Luxembourg City (Avenue de la Gare)               | 80               | 960             | 108                 | -11.1    | 0.0         |
| <b>OUT OF TOWN RETAIL<br/>(STAND ALONE UNITS)</b> |                  |                 |                     |          |             |
| Luxembourg City                                   | 23.00            | 276             | 2.6                 | 9.5      | 5.0         |

### Prime Retail Yields – June 2019

| HIGH STREET SHOPS<br>(FIGURES ARE NET, %)                         | CURRENT | LAST | LAST | 10 YEAR |      |
|---|---------|------|------|---------|------|
|   | Q       | Q    | Y    | HIGH    | LOW  |
| Luxembourg City (Grand Rue)                                       | 3.25    | 3.25 | 3.25 | 5.75    | 3.25 |
| Luxembourg City (Avenue de la Gare)                               | 4.30    | 4.30 | 4.30 | 5.75    | 4.30 |
| OUT OF TOWN RETAIL<br>(STAND ALONE UNITS)<br>(FIGURES ARE NET, %) | CURRENT | LAST | LAST | 10 YEAR |      |
|   | Q       | Q    | Y    | HIGH    | LOW  |
| Luxembourg City   | 6.00    | 6.00 | 6.00 | 7.00    | 6.00 |
| SHOPPING CENTRES<br>(FIGURES ARE NET, %)                          | CURRENT | LAST | LAST | 10 YEAR |      |
|   | Q       | Q    | Y    | HIGH    | LOW  |
| Luxembourg City   | 5.25    | 5.25 | 5.25 | 5.50    | 5.25 |

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

GDP growth for the Luxembourg economy is forecasted to increase to 2.3% in 2019, far above the European average. The unemployment rate is also expected to increase slightly to 5.2% after reaching 5% in the end of 2018. Household spending is seen decelerating, although a tight labor market and low inflation should cushion any slowdown. Luxembourg economy remains quite robust compared to its neighbours.

## Occupier focus

Close to 15,000 sq m of take-up (in 35 deals) were recorded in Luxembourg during the first half of the year, perfectly in line with the 5-years average.

Activity is mainly observed in the retail parks and the shopping centres, while remaining subdued in the high street segment. Retailer Action, with 2,000 sq m in the retail park *Sandweiler* and in the *Boomerang Strassen Shopping Centre* is one of the most active in Luxembourg. The biggest transaction is signed by Traffic in the Belval Plaza II (1,900 sq m).

A new decrease of the high street prime rent has been observed in Q2 to stand at 160€/sq m/month compared to 180€ previous quarter and 210€ late 2017. However, the opening of the *Royal Hamilius* end 2019 will undoubtedly revert the trend. Prime rents are stable in the other segments.

The *Cloche d'Or Shopping Centre* has been delivered this quarter and will contribute to a significant boost to the activity with more than 100 retail units complementary to the Auchan supermarket.

## Investment focus

No retail assets have been transacted since the beginning of the year. Even if appetite remains strong, few opportunities currently exist in the market and limit therefore the investment activity.

## Outlook

The strong macroeconomic fundamentals should benefit to the retail sector, though the difficulties of the city centre put retailers under pressure. New important retail schemes will boost the activity in 2019 in the shopping centres and retail parks while activity will remain limited on the investment market as few opportunities exist.

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