



ACTIVITIES IN *Luxembourg*

Despite the health crisis, demand in the Luxembourg residential market has increased, leading to upward pressure on prices.

Customers are looking for comfortable outdoor spaces and are placing greater emphasis on single-family homes on the outskirts.

During 2021 we worked on new acquisitions. Immobil Luxembourg signed an acquisition agreement in June, subject to the prior condition of obtaining the *PAP* and the *convention d'exécution*. It concerns the acquisition of a plot of land of around 8,300 m² in Godbrange, to the north of Luxembourg City.

We have sold land owned by Immobil within the Laangfur PAP. This is an asset deal with the potential to build on more than 25,000 m².

The marketing of our residential projects during this year has been successful. For the River Place project, 34% of the apartments are reserved (12 units). For the Canal 44 project in Esch-sur-Alzette, 92% of the apartments are sold or reserved (67 units). In addition, we have delivered 162 apartments in the Infinity development.

Concerning Livingstone, all the apartments have been sold. Buyers have been found for three commercial spaces with a surface area of 1,700 m².

The structural works of the Nova project have been completed. We are totally redeveloping an office building dating from 1992. Located on the Place de l'Étoile, it benefits from a particularly strategic position. It's right in the heart of the capital in the immediate vicinity of Kirchberg and close to motorway connections.

In our current and future projects, sustainability remains at the heart of our thinking. Infinity offers an environment where one can live without a car. Intuitive pedestrian connections between two parts of the district that were previously separated are at the core of this urban concept.

At River Place, the use of natural construction elements, the installation of green roofs, solar panels and rainwater collectors, combined with the low-energy AAA-label, translate our sustainability ambitions into a vibrant urban project.

The historic façade of the Canal 44 project (1938) has been renovated to preserve the original memory of the neighbourhood. To the rear, three new residences will be built around a quiet, green garden that contributes to the biodiversity of the city centre.



160,000 m²
Luxembourg portfolio

1,373
residential units¹

34,900 m²
offices

"In our current and future projects, sustainability remains at the heart of our thinking."

Olivier Bastin

Managing Director,
Immobel Luxembourg



PROJECTS OVERVIEW

Name	Surface (m ²)	Location	Use	Building period	Immobel share
Infinity	33,300	Luxembourg	Mixed-use	Working & Shopping: Q4 2017/Q4 2019 Living: Q4 2017/Q1 2021	100%
Polvermillen	27,000	Luxembourg	Residential	Q3 2022/Q2 2025	100%
Laangfur ²	25,500	Luxembourg	Mixed-use	Q2 2026/Q2 2028	100%
Kiem	23,300	Luxembourg	Mixed-use	Q3 2023/Q2 2025	70%
Schoettermarial	22,400	Luxembourg	Residential	Q3 2027/Q3 2029	50%
Mamer	13,800	Mamer	Residential	Q3 2022/Q4 2024	100%
Livingstone - Lot2a	13,700	Luxembourg	Mixed-use	Q3 2018/Q1 2021	33%
Livingstone - Lot1	12,700	Luxembourg	Mixed-use	Q3 2020/Q2 2023	33%
Rue de Hollerich	11,500	Luxembourg	Mixed-use	Q1 2023/Q4 2026	100%
Livingstone - Lot2b	9,700	Luxembourg	Mixed-use	Q4 2018/Q2 2021	33%
River Place	7,900	Luxembourg	Residential	Q2 2022/Q2 2024	100%
Godbrange	6,900	Luxembourg	Residential	Q3 2024/Q3 2026	100%
Canal 44	6,200	Esch-sur-Alzette	Residential	Q2 2022/Q3 2024	100%
Thomas	5,600	Strassen	Offices	Q3 2027/Q1 2029	100%
Nova	4,200	Luxembourg	Offices	Q1 2021/Q4 2022	100%
Scorpio ³	3,700	Luxembourg	Offices	Q4 2025/Q2 2027	100%

See more projects details
on our corporate website



1. The totality of the residential units, not taking into account the share of Immobel in the respective projects.
2. Project sold as asset deal in 2021.
3. Via Immobel BeLux Office Development Fund.

MARKET ANALYSIS: LUXEMBOURG

I. Office market in Luxembourg

A. Luxembourg city

Luxembourg City faced good demand but limited availabilities in 2021. Major central districts (CBD, Kirchberg, Station, Cloche d'Or) are facing vacancies of less than 3%. Take-up, then, is more reliant on pre-letting new projects.

Activity in projects and new building drove a record year of office take-up in Luxembourg City – namely the 127,000 sqm new build of the European Parliament in Kirchberg. BGL BNP Paribas pre-let 18,000 sqm, also in Kirchberg. Station also experienced increased activity, recording almost 10% more take-up volume year-over-year from the Post Luxembourg acquisition of their new HQ (27,700 sqm) and the OPOCE pre-letting of Mercier (18,000 sqm).

Market dynamics supported the stability of prime rents through the year.

B. Periphery

Activity in the periphery was more moderate in 2021. While the number of deals increased by 25% year-over-year, total volume decreased by the same amount. Still, large deals closed, including three deals of more than 10,000 sqm. These were a bank pre-letting 17,303 sqm in Esh/Belval, the Red Cross pre-letting 13,400 sqm in Howald and Union Investment letting 10,759 sqm in the Airport market.

Vacancy was also mixed following two large vacancies in Leudelange and Howald, the former being the result of a new completion with available space. Despite that, the continuation of quality projects and general market stability has seen upward pressure for some prime properties.

C. Demand

Office demand in the form of take-up had a record year of 369,505 sqm in 2021. This is an increase of more than 7% over an active 2020. Even net of the European Parliament's deal, the volume was close to the ten-year average for the market. The European institutions were responsible for 149,445 sqm (40%) of take-up volume and more than doubling their contribution from the year before. This helped make-up for the lower activity from the Luxembourg public sector. The banking, finance and insurance (BFI) sector increased year-over-year to 92,913 sqm from previously mentioned deals. Services remained steady in 2021 after securing an additional 56,527 sqm.

D. Vacancy

Approximately 177,000 sqm of office space was considered vacant in Q4 2021 out of a total stock of 4.593 million sqm, putting the vacancy rate at a low 3.9% at the end of the year. City districts remain tight: vacancy is at or less than 2% in the CBD, Kirchberg and the Station districts. Outside of Luxembourg, Airport, Bertrange and Strassen all noted decreases in vacancy from the previous year. The growing Esch/Belval market has noted a steep decline in availabilities to less than 3% today.

E. Development

Completions picked up in 2021 to 198,000 sqm, though the European Parliament KAD2 building was almost two-thirds of this. Overall, just 27,460 sqm of new space was available at the time of completion. The largest was the Buzz City (16,000 sqm) office in Leudelange.

G. Rent

The letting market and supply and demand dynamics are such that rental values are well-supported. Given the current market environment, prime rents in Luxembourg are stable at 52 €/sqm/month in the CBD (excluding VAT). Prime rents are also stable in other major markets such as Cloche d'Or 35 €/sqm/mo (excl VAT) and Station at 38 €/sqm/mo (excl VAT) and Kirchberg at 42 €/sqm/mo (excl VAT) .

Peripheral markets have seen steady growth in popularity for their accessibility, relative affordability and quality offer. As a result, there was upward pressure in rents in 2021 that led to an increase in Munsbach to 25 €/sqm/mo (excl VAT).

H. Investment

CRE investment in Luxembourg totalled €1.578 billion in 2021, which is almost identical to the year before. Approximately one-fifth of this capital originated within Luxembourg, though Belgian investors were the most prominent sources of capital this year. Five deals closed for more than €100 million, primarily driven by office investment.

The Cloche d'Or district continued an active year with €523 million of investment in 2021. Next door, the small market of Howald saw €363 million of investment which is even more than the established Kirchberg district.

Market sentiment was positive, and yields were under pressure in 2021, particularly for office assets. Prime investment yield is now estimated at 3.30%.

Key stats: 3.9% vacancy in Q4 2021; 52 €/sqm/mo prime rent; 3.30% prime investment yield,

sources: CBRE

II. Residential market in Luxembourg

A. Population

As of January 1, 2021, the population of Luxembourg counted 634,730. Growth moderated against its ten-year average but still recorded 1.38% year-over-year. The foreign population is 47.2% of the Luxembourg population and fell slightly year-over-year, following the trend from its 2018 high.

B. Market overview

The Luxembourg residential market continued to see increasing prices supported by high population growth, a robust economy, and an accommodative environment including continued low interest rates. Supply struggles to keep pace with the expanding population, though, pushing up prices and more moderate earners to the periphery of the city. Average apartment prices in Q3 2021 were €651,875, which is an 11.8% increase y-o-y. In relative terms this is 8,166 €/sqm. Growth has been led by existing apartment sales (+15.5% y-o-y) over new construction (+6.2% y-o-y). The number of transactions picked up this year (Q4 2020-Q3 2021 vs Q1 2020-Q4 2020) as travel has become easier and restrictions have eased. Rents have seen more moderate appreciation versus prices.

C. Luxembourg city

Luxembourg City grew 1.8% to a population of 124,509 as of January 1, 2021. Demand for residential properties is high, supported by the strong population growth, being the centre of the Duchy's economy, and continued low interest rates. Average transaction prices for existing apartments are 10,900 €/sqm, up approximately 1,000 €/sqm (10%) from the year before. The highest tier of apartments can be over 14,000 €/sqm. New build apartments average 11,500 €/sqm, with the highest tier achieving 16,000 €/sqm.

D. Regions

As the city becomes expensive and crowded, people are increasingly looking towards decentralised and peripheral areas for more accommodating values. Luxury developments are underway for those still wanting comfort, though prices of 5,500 to 8,500 €/sqm are still commonplace. New projects can commercialise for prices more than 8,000 €/sqm.

E. Leasing

New lease regulations have been debated in parliament for more than a year with no final result. The goal of such legislation is to strengthen tenants' rights, particularly for the lower- and middle- income earners who are most financially burdened by the high residential costs.

Rental evolution is mixed but generally up. For the year leading to Q2 2021, the average asked rent in Luxembourg was 1,519 €/month, or 31.4 €/sqm/month. This was a decrease from the year before on a nominal basis, but an increase on a relative basis. Luxembourg City has the highest relative asking rents at 36.3 €/sqm/month, followed by Leudelange (36.0 €/sqm/month) and Mamer (35.5 €/sqm/month).

F. New builds

Recent new build apartment transaction prices in Luxembourg have moderated recently to €662,914 or 8,011 €/sqm for Q3 2021, partly as a result of increased sales in the Luxembourg periphery and elsewhere. These prices are on average about 2% higher than existing units, narrowing from 15% from the year before. Considering deals from the last four quarters to be more resilient to outliers, the gap widens to 8%.

Just Strassen and Bertrange record new build apartment prices higher than Luxembourg City (Q4 2020-Q3 2021). These are 12,874 €/sqm and 12,393 €/sqm, respectively, to Luxembourg City's 12,206 €/sqm.

22% more residential building permits were issued in the first nine months of 2021 compared to a similar period the year before, standing at 4,621. Multi-unit residential developments drove this higher, while the number of single-family units was relatively unchanged. The greater permit activity was concentrated in Luxembourg City, increasing by 40% to 1,234. PAPs and general development schemes are moving forward after decreased activity in 2020. The Cantons of the Centre and South increased by 23% to 2,271 residential permits.

Key stats: €583,072 average apartment price in Q3 2021; 36.3€/sqm/month asking rent in Luxembourg City in Q3 2021; 22% increase in residential permits in Luxembourg YTD Q3 2021

sources: Statec, LISER, Observatoire de l'Habitat, AtHome

As per 31 December, 2021