

March 2016

SPH newsletter special



LUXEMBOURG:
TOPICS AND TRENDS

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2015/2016

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Luxembourg's office real estate market is booming. 2015 has been the year of the mega-deals on the letting and on the investment side as well.

DEAR READERS!



For sure, some remember LuxLeaks about tax rulings for international holdings revealed in autumn 2014. For some time Luxembourg was in the headlines almost every day, malice often included. Meanwhile the storm has blown over: the impact was manageable, Luxembourg politicians stayed in office and Jean-Claude Juncker remained President of the European Commission.

A bit mocking as well were some reactions to the initiative of Luxembourg Government *spaceresources.lu* to position the Grand Duchy "as a European hub in the exploration and use of space resources". At least in the daily *Neue Zürcher Zeitung* one could read a warning to laugh too loud about this initiative and the reminder: "In 1988 Luxembourg was the first country to implement the new EU regulations for investment funds. The first mover advantage contributed to the fact that today Luxembourg is the leading country for cross-border fund distribution in Europe."

With our meanwhile third Luxembourg Special we will not take off into the space. We remain on the ground and with the fund topic. Facts are proving impressively that small Luxembourg is great in many respects and often playing in the first league. Although the real estate market is as small as the country itself, conditions are favourable and the market shows stability in the long term. No wonder, 2015 was a record year!

In preparation for this Luxembourg Special we had invited to a round table about real estate and investment in Luxembourg. The hope that participants will not only praise but also talk about challenges and difficulties became true. It was a concentrated discussion in good respect of content. So we decided to publish the talks the way they were going, without editorial rearrangement of certain topics, without shortening the statements too much and in the original manner of speaking. Already after the round table discussion I was convinced that readers – and investors – will benefit more by the word-by-word quotation of market players than by perfectly harmonised statements we all get too often. I hope you see it the same way.

Yours,

Andreas Schiller



The origins of Schengen Castle go back as far as 1390. Destroyed in 1812, the heritage property was then rebuilt using the original materials.

REGUS ACQUIRED SCHENGEN CASTLE

Regus, a global company renting out office and conference facilities worldwide, has acquired Schengen Castle in Luxembourg for EUR 11 million. The estate comprises approximately 5,000 square metres of living space and some 1.3 hectares of land. Schengen Castle has been owned by a religious order in Luxembourg since 1939. Approval therefore had to be granted by the Vatican and sale had to be authorised by the Archbishop of Luxembourg, the town council of Luxembourg City and the Luxembourg Interior Minister. Engel & Völkers in Luxembourg has brokered the transaction. February 2016

AG REAL ESTATE ACQUIRED OFFICE BUILDING ON KIRCHBERG

Belgian Group AG Real Estate, a wholly owned subsidiary of AG Insurance, has acquired an office building of about 10,000 square metres in the heart of the Kirchberg district. The building was the former headquarters of Banque LBLux S.A. Now the property has been let to the European Investment Bank for a fixed duration of six years, as from January 2016.

January 2016

STARWOOD CAPITAL ENTERED LUXEMBOURG MARKET

Starwood Capital Group has acquired, through a controlled affiliate, two office buildings in Luxembourg for a gross headline price of EUR 120 million. The terms of the transaction – the company's first investment in Luxembourg – were not disclosed. Totalling 26,295 square metres, the properties are located in Cloche d'Or. The transaction also includes zoned land to develop an additional 3,000 square metres.

July 2015

IVG IF ACQUIRED M2 PROPERTY IN STATION DISTRICT

IVG Institutional Funds GmbH, today's Triuva, has acquired M2, an office and retail property delivered in June 2010, from the developer Mavin Property Fund. The acquisition price amounts to approximately EUR 45 million. The property is located on Avenue de la Gare 42-44 in walking distance of the Luxembourg Central Station. The property has a lettable space of around 6,600 square metres, of which retail accounts for around 2,700 square metres and office space for 3,600 square metres.

July 2015

Laurent, 40 ans
Investisseur



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K2 Dolce (above) acquired by Union Investment is the third building of larger scheme in the Kirchberg office district. Already in 2014 Union Investment purchased the neighbouring buildings K2 Forte and K2 Ellipse (below).

UNION INVESTMENT ACQUIRED K2 DOLCE

Union Investment acquired office building K2 Dolce in the Kirchberg office district from German open-ended real estate fund UBS Euroinvest. K2 Dolce is added to one of Union Investment's institutional funds. The purchase price was not disclosed.

K2 Dolce is part of the larger scheme consisting of the six K2 office buildings developed by Belgian developer Codic between 2006 and 2008. The property totals approximately 8,700 square metres of office area, 630 square metres of archive area and 114 parking units. Only some months ago, in February 2014 Union Investment acquired the neighbouring buildings K2 Ellipse and K2 Forte for its retail fund Unilmmo: Deutschland.

January 2015

STILL UNDER CONSTRUCTION, BUT COMPLETELY LEASED: ROYAL20

Leasinvest Real Estate, via its 100 per cent subsidiary Leasinvest Immo Lux, has concluded a pre-letting agreement for 100 per cent of the office building Royal20, located Boulevard Royal in the centre of the city of Luxembourg. The rental contract has been concluded with the Luxembourg branch of the China Merchants Bank Co., Ltd., the 6th largest bank of China in assets scale.

The agreement will enter into force as of the reception of the office building Royal20, foreseen for the spring of 2016. The building will comprise approximately 5,000 square metres of office space. The rental contract was concluded for a period of 10 years with an annual rent of EUR 3 million.

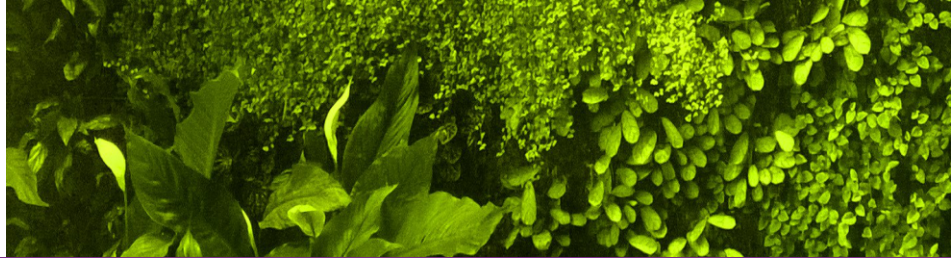
January 2015

AXA REAL ESTATE COMPLETED ACQUISITION OF MONNET 6

AXA Real Estate Investment Managers has completed the acquisition of all the shares of a company owning the Monnet 6 office building in the Kirchberg area from Deka Immobilien GmbH for EUR 32.2 million. The transaction was made on behalf of the Caesar Fund, a regulated fund for Italian institutional investors, launched by AXA Real Estate Investment Managers SGR S.p.A., an Italian regulated subsidiary of AXA Real Estate.

The multi-let asset comprises 4,485 square metres of office space over five storeys. The property also includes around 650 square metres of storage and archiving space, as well as parking for 141 cars. Built in 1992, Monnet 6 was extensively refurbished and modernized in 2012.

January 2015



REAL ESTATE & CONSTRUCTION

DSM DI STEFANO MOYSE's Real Estate & Construction practice has a long track record on complex real estate transactions in Luxembourg and across Europe, including acquisitions and project developments using Luxembourg investment vehicles.

DSM has become the Luxembourg firm of choice for a range of recognized international and Luxembourg project developers, investors (investment funds, family offices, high net worth individuals), credit institutions, real estate brokers, builders & contractors, architects and engineers, public institutions and private clients.

With nearly 20 years of experience in real estate matters, Partner Mario DI STEFANO leads the multi-lingual team. Our team advises on a full range of real estate law issues:

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LUXEMBOURG: ONE STEP AHEAD



Luxembourg is on its way to the future without neglecting traditions.

By quantity Luxembourg with an area of 2,586 square kilometres and almost 563,000 inhabitants is one of the smallest countries in Europe and the second smallest within the European Union. By quality, however, the country is often one step ahead and in different rankings it mostly outperforms other countries of Europe.

The small country is the one with the highest GDP per capita not only in Europe, but in the world. But not only people of Luxembourg origin are generating the GDP. From a total amount of 563,000 inhabitants are almost 46 per cent no native Luxembourg people. The strongest groups of people by other origins are the Portuguese (92,100), the French (39,400), Italians (19,500), Belgians (18,800), Germans (12,800), Brits (6,000) and the Dutch (4,000). And there are to add 164,800 cross-border commuters – 81,300 from

France, 41,900 from Germany, and 41,700 from Belgium. In other words: Luxembourg is the most international country within the EU.

Also with economic growth Luxembourg is at the forefront. In 2014 Luxembourg GDP grew by 4.1 per cent – average EU growth rate was at only 1.4 per cent. As stated by the European Commission in February 2016, Luxembourg's economic growth was at 4.7 per cent in 2015 and will be at 3.8 and 4.4 per cent in 2016 and 2017 respectively. At the same time the average economic growth in the EU is only at 1.5 per cent (in 2015), 1.9 per cent (in 2016) and 2 per cent (in 2017).

Not only by economic growth also by other macro-economic fundamentals Luxembourg is in better shape than its European neighbours. Government debt is below 30 per cent – after Estonia the lowest figure in the eurozone. Unemploy-

ment has increased in the years 2009 to 2014, but is now falling again and was at 6.1 per cent in November 2015. However, regarding unemployment Luxembourg has still need for some improvement, if it wants to outperform Germany (4.5 per cent), Czech Republic (4.6 per cent) and Austria (5.8 per cent).

One of the great advantages of Luxembourg is its multilingualism. Beside Luxembourgish, German and French are the official languages, English is a matter of course to a large extent, and the high internationality of the population causes that many other languages are also spoken and heard in country. In the Global Talent Competitive Index Luxembourg ranks three – following Switzerland and Singapore; the annual ranking of IMD International Institute for Management Development placed Luxembourg in 2015 as number one country within the EU regarding competitiveness and in the worldwide ranking

the country moved up from rank 11 to rank 6. According to the annual Global Financial Centres Index Luxembourg is – after London and Paris – on third place among the EU countries with the encouraging statement that the country has the potential to become even more important. And last but not least Luxembourg is number 9 worldwide and number 7 in Europe regarding information and communication technology, as stated by the most recent Global Information Technology Report of World Economic Forum. Taking into account the political and social stability of the Grand Duchy as well as the investment friendly climate, then it is at least partly comprehensible that all rating agencies are honouring Luxembourg with a triple A.



Luxembourg actively supports industries of the future like biotechnologies.

Two associations are quite common when thinking of Luxembourg: financial sector and European institutions. The 'European district' in Luxembourg City, comprising European Court of Justice, European Court of Auditors, parts of the European Commission, the Secretariat of the European Parliament, the European Investment Bank and Eurostat providing statistical information to the Institutions of the European Union is located on the Kirchberg Plateau. But also many banks settled in newly built office buildings in the Kirchberg district. The financial sector contributes almost one quarter to Luxembourg's GDP. Therefore it is one of the most important sectors for the country's economy.

However, Luxembourg's economy has still other strengths. An important sector is information and communication technology (ICT) with companies like Amazon, iTunes, eBay and Rakuten having their European headquarters in the country. The great advantage for ICT companies is the countrywide coverage by high-speed broadband internet access. With broadband coverage and capacities for international data transfer Luxembourg ranks first in Europe.

Great importance is also attached to the development of future technologies,

mainly biotechnologies and eco-technology. The University of Luxembourg and the publicly funded research centres are collaborating with a number of internationally renowned research institutions on three projects: a bio-bank, the Integrated Biobank of Luxembourg (IBBL), the Luxembourg Centre for Systems Biomedicine, and research in the field of validating markers for lung cancer. Out of these research centres are often developing start-ups further broadening these clusters.

Eco-technology might not generally be linked with Luxembourg; however, the Grand Duchy hosts about 200 eco-industries working in the fields of renewable sources of energy, waste management, water and eco-construction. They are supported in their work by 28 public-sector agencies and six research institutes.

And last but not least logistics is one of the booming sectors in the country. Here Luxembourg is benefiting from its geographical position: It is no more than 25 kilometres to the borders with Germany, France and Belgium, and in one hour flight distance there is to reach Amsterdam, Brussels, Frankfurt am Main, London, Paris and Switzerland, in two hours distance also Berlin, Copenhagen, Rome

and Barcelona. According to the World Bank's Logistics Performance Index (LPI), Luxembourg stands in 8th position of the countries with the best performance in logistics (2014). The logistics sector is based on three mainstays: air freight with Cargolux, one of the largest air freight companies in the world, LuxairCargo and CargoCenter, on rail freight with CFL Cargo and CFL Multimodal, and on river freight. Furthermore the first free zone of the Grand Duchy, Luxembourg Freeport, is located at Findel International Airport: an highly secured storing and trading platform for valuables, a hub mainly used by art collectors, museums and auctioneers.

Founded in 2003, the University of Luxembourg has currently 6,200 students, about the half of them from foreign countries. From the beginning planned as a multilingual university, it is today an important driver of innovation clusters.

In short: Luxembourg has to offer much more than banks and financial services. And it can be a success model in Europe: The country once depending from steel industry succeeded to manage the structural change and has arrived not only in present age but at least partly already in the future. | **Marianne Schulze**



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LUXEMBOURG – VIEWS FROM INSIDE



They discussed about Luxembourg real estate market – about advantages, disadvantages and challenges of the future.

In January 2016 industry players, though active in different fields but all in real estate in Luxembourg gathered to a round table to discuss the pros and cons of the market.

How does Luxembourg look on an international comparison? What are its special characteristics?

Patrick Funk: Luxembourg has experienced a tremendous upturn in the real estate sector. It was extreme before the financial crisis, and although it weakened of course as a result of that crisis, the Luxembourg market has not suffered as much as markets in other countries. At the moment we are seeing another upswing, but the market is changing, above all in

the residential segment: Here the demand is not so much for houses, but for smaller apartments. That has a lot to do with the large number of people who work here but are from other countries; they want smaller apartments and rental apartments. And precisely that is hard to find.

Luc Wagner: Small apartments are indeed difficult to find among the existing housing stock. But even in new projects we are limited: On the one hand by development plans that allow for only a certain number of apartments – which leads to larger floor plans; and on the other by the requirement to provide one to 1.5 parking spaces per apartment. That means the more apartments you plan for in a project, the more parking spaces you need, and that's often no longer

economically viable. For that reason, in newer projects, too, there are few small apartments.

We have recently been hearing a lot about 'substance' as regards the companies based here. This 'substance' requires employee presence. How is that affecting the market in apartments?

Fabian Theis: The legislator stipulates that cross-border commuters who work in a company based in Luxembourg, can only work for a specified number of working days outside Luxembourg. And companies that are based here or want to base themselves here, need this 'substance'. That means enough qualified employees, and often these employees



Ralf Berweiler,
Managing Partner, Markinvest,
Luxembourg

"We are a property service provider based in Luxembourg and active here and in Germany as well. However, during the last year activities in Luxembourg decreased because the offer of assets to purchase was small."



Sheelam Chadha,
Director Investment Management,
Triuva, Brussels, Belgium

"Triuva, formerly IVG Institutional Funds, currently manages assets over 60,000 square metres in Luxembourg. We are owners of The Square on Kirchberg, headquarters of Clearstream, of Maison Seuil in the CBD, and last summer we acquired M2 a retail and office property at the Central Station."

are not Luxembourgers. These non-Luxembourgers don't want to or can't commute on a daily basis and so they look for somewhere to live in Luxembourg.

Markus Leininger: There is a report by the European Investment Bank which states that in the next five to ten years a large number of high net worth individuals will be moving to Luxembourg. That is connected with the fact that Switzerland is no longer such an attractive location and that the ones who are in Switzerland generally also have a company structure in Luxembourg. The big problem as I see it is to provide suitable accommodation for this clientele, aside from the one-room apartments. This clientele is looking for large villas, or larger houses, and we all know that that's very, very difficult in good locations. We shouldn't neglect this aspect, because these people, too, have to be present in Luxembourg.

Ralf Berweiler: But outside the city, too, finding a plot to build on is difficult, not to mention pricey. Most of these plots are in the hands of project development companies, and they decide everything. There are virtually no free plots for individual architect-built houses.

Fabian Theis: We are currently developing residences on Kirchberg and as soon as we begin to market them, there will be a high level of interest in the one-room apartments and the penthouses. You could just concentrate on these two types of accommodation. But architecturally, you can hardly do that.

Jürgen Primm: Returning to the question of houses: There is a spatial planning directive for the country as a whole that aims at increasing the density of existing development. And our district plans are drawn up in line with that objective. We have a density of around 1.0 – that still allows you to have some kind of view out. But in the first residential area that was developed in Belval, we were not able to market individual houses. Here

we have affordable terrace houses for families buying their first home. For the next phase of building we managed – at great effort – to isolate twelve plots which have more freedom. The plot sizes are between 300 and 350 square meters, which for Luxembourg conditions is practically luxurious. You're not going to be able to tempt high net worth individuals with that kind of offer. But it shows how difficult it is to develop a free lotissement in which the product is just one plot, in an area with a framework plan and with the possibility of engaging your own architect.

Luc Wagner: Imagine: twelve plots on 125 hectares of development land, that's nothing really. But even if you plan something like that and enter into initial talks with the Ministry of the Interior, you get immediate opposition and the whole process, above all the approval procedure, takes even longer than it already is – even under normal circumstances it's faster in the neighbouring countries. These impending delays mean that you end up dividing the plots up into smaller units after all.

Markus Leininger: Many private investors want to buy one-room apartments, but even on the commercial side there are many who want to invest in Luxembourg. Yet because of a lack of suitable properties on the market, it has become a bit difficult and when one does come up, then it's very expensive. I just have to look at the prices being asked for upcoming projects in Cloche d'Or. On the other hand there are family offices who say: top location, low yield – I'll take it!

Is it just in Luxembourg City that there is a lack of apartments? And does everybody want to live in the city? There is of course the surrounding area. What's the situation there?

Ralf Berweiler: The area around Luxembourg City is very popular as a place to



Mario Di Stefano,
Lawyer and Managing Partner,
DSM Di Stefano Moyse,
Avocats a la Cour, Luxembourg

"I am attorney-at-law in Luxembourg and Frankfurt am Main. I am quite active in the field of real estate law. Therefore our law firm has some insight in the development of Luxembourg real estate market as well as in trends in development, investment and financing. We have a look mainly at the legal side, but have also to take into account commercial aspects."



Patrick Funk,
Managing Partner, Manorial,
Luxembourg

"We are a Luxembourg company focusing on investment services. We have cooperation partners in France, Switzerland and Austria to provide our Luxembourg clients with services there. But the focus of our activities is clearly on Luxembourg."

live, there's no doubt about it. But there, too, it's hard to find the right products.

Patrick Funk: Many who move to Luxembourg look first in Luxembourg City. Because there you'd be close to your workplace and you can get about without a car. As soon as you go more than 10 kilometres away from the city, it becomes difficult with public transport. The further you go away from the city, the fewer apartments you can find, because they are harder to sell there, and if you want to rent there, then also you'll find nothing. What we are seeing more and more of recently is shared apartments, rented by two or three people. That brings higher rental income and it's in demand, above all in central locations.

Let's look at the commercial market: Triuva invests only in commercial property. Why is Triuva investing in Luxembourg and is it happy with developments so far?

Sheelam Chadha: One of the major advantages we see is that the lettings market is extremely strong, demand for office space is good and we don't have problems with letting. We have tenants who are trying to renegotiate lettings that are due to terminate in a few years time. Are we concerned by the fact that the market is heavily geared to the financial sector? I would say no. The European Commission accounts for 20 percent of our tenants, so one of the advantages of Luxembourg, of course, is the institutions. They diversify the portfolio and they will remain there. Another fact about Luxembourg: The market reacts very quickly to global financial demand and with the arrival of especially the Chinese banks new tenants are coming into the market and we see that this is having a positive impact on lack of supply, the rent, and rental growth. As long as we invest in Luxembourg we will stay in the central districts that at the moment are Kirchberg, CBD, Central Station. But also Luxembourg has invested a lot in its in-

frastructure – if you look at the tram that is going to be developed. This will have a big impact on other CBD markets, especially at Cloche d'Or which we are looking at too. So in general it's a market where we know when we buy a building in the best location we will have strong enough demand to get it let.

If I understand you correctly, then it's prime time for developers?

Jürgen Primm: You have to look at the whole chain. We are offering plots on which you can build. You first have to get to that stage. Then we need developers who are ready to engage in a project that isn't CBD, Boulevard Royal, but which still has the same qualities and security in terms of tenant mix, and who also then have an investor behind them. In Belval developers placed over 20,000 square meters of rented office space in funds, mainly Belgian funds. I was also present at many talks with German funds, for whom the risk profile above all for anything outside CBD and Kirchberg, is simply still too high. The third big problem that we have is ticket size: Our office buildings offer between 7,000 and 10,000 square meters, with an indexed rent of EUR 20 – 22 upwards – from that you can calculate how high the investment is. These are not the sums that a classic investment fund is interested in. There's a gap here. And there's a big discrepancy between what one side is looking for and the other side actually asks for: Everyone dreams of at least 1,500 square meters, single tenant, open space – but the demand is for 150 square meters, 400 square meters.

Mario Di Stefano: You see it in the average sizes of rented space. These are much smaller than you might think. They are 500, sometimes up to 650 square meters, but not more.

Sheelam Chadha: Our clients are insurance and pensions funds and we focus on the core locations. I am not saying we

exclude Belval. Cloche d'Or is another location - there have been some discussions as to whether it is an emerging district or not, but what we see is that Luxembourg City has invested heavily in these areas. So it could be interesting in future. But at the moment we are concentrating on CBD, Station and Kirchberg. What is interesting with Kirchberg is the way the government controls the land there. We know we can always calculate our cash flows because we know there won't be 20 new buildings erected alongside it in the next 20 years.

Markus Leininger: The feedback from the investors is: Cloche d'Or is difficult to sell. But in the foreseeable future, I think this location has potential. Then today's "not really" will turn into tomorrow's "Yes, I'll invest there". Then CBD, Kirchberg and Cloche d'Or will be the big three locations. Until now investors are not prepared to pay the prices the developers are asking for. It is very expensive. But in a few years it will be even more expensive.

Luc Wagner: I don't want to disillusion anybody about Luxembourg City. But I am convinced that the solution for Luxembourg lies in decentralisation. In future it will be ever more difficult to find tenants for the office buildings in Luxembourg City, simply because they can't get their people there. Luxembourg is 30 years behind the times when it comes to infrastructure.

Jürgen Primm: And the tram alone won't solve that.

Luc Wagner: We won't be able to catch up now, it's impossible. The traffic problem is getting worse and worse. I am sure that areas close to the borders such as Belval will become increasingly more attractive because you just can't get into Luxembourg City any more. Even Cloche d'Or will be a problem, because, whatever direction you come from, you first have to go into town, in or

The tram

Actually the idea of a tram is nothing new in Luxembourg, because up to 1964 there had been 24 kilometres tramway in Luxembourg City. Since the end of 1950s lines were closed step by step and replaced by busses. Today the historic tram can be seen in a museum in Hollerich district.

Since 1991 there are considerations to 'revive' the tram, but again and again the decision has been put off. In 2005, Jean-Claude Juncker, at this time Prime Minister of Luxembourg, argued decidedly for a tramline from the Central Station onto the Kirchberg. In 2014, finally, the Chamber of



Deputies approved the project to build a tramway. The initial phase to be opened in 2017 will run from Luxexpo on the Kirchberg Plateau to Pont Grande-Duchesse Charlotte (Red Bridge) and will be enlarged step by step via city centre to Central Station. In the following phases the net will be extended from Central Station to Gasperich and Cloche d'Or and from Luxexpo to Findel, location of Luxembourg's international airport.

Kirchberg

Kirchberg is a district in the north-east of the Luxembourg City centre and located across the Alzette River on a plateau. Its main access is the Grand Duchess Charlotte Bridge. The government of Luxembourg acquired the 365 hectares of land in the 1950s. In 1961 the Fonds d'urbanisation et d'aménagement du Plateau de Kirchberg (Fund for the Urbanisation and Development of the Kirchberg Plateau) has been founded with the aim to develop a new part of the city for the installation of the European institu-



tions. This Fund is controlling the urban development on Kirchberg Plateau, the sale of land plots and the development on these plots including architectural design of each building. Who wants to develop any kind of property, needs the approval of and has to cooperate with the Fund.

der then to go to Cloche d'Or, perhaps by tram. Going forward, concentrating so much on the centre of Luxembourg is, in my view, a misjudgement.

Markus Leininger: That's right when you look at it from Luxembourg. But when someone from abroad looks at Luxembourg, someone who hasn't got this in-

sight, he asks: Where are the established locations? And they are Kirchberg, CBD, railway station. With Belval the comment is: "Where's that? Oh, much too far away." The perception is first: far off, not Luxembourg City. And there has to be an enormous difference in yield. Investors who know Luxembourg, who know their way around here, understand the situ-



Markus Leininger,
Managing Partner, SIMRES, Luxembourg

"We are a Private Equity Advisory Group in Luxembourg providing services for real estate investors all across Europe. We concentrate on optimising financial issues and advise on the composition of company structures."



Jürgen Primm,
Development Coordinator,
Agora, Luxembourg

"Agora is a typical Luxembourg company – it is owned 50:50 by the state and ArcelorMittal, formerly named Arbed. It is the development company of Belval, one of the several projects to transform an industrial brownfield into a new living area. Belval is the most advanced project. On 120 hectares 1.3 million square metres gross floor area will be developed, half of it is a public programme, the other half is for private purpose. Currently 430,000 square metres are completed and there is hardly any function for human life you don't find at Belval except a cemetery and a maternity clinic."

ation, but for international investors it's incredibly difficult to assess the value of decentralized locations.

Jürgen Wiegand: When I came to Luxembourg 15 years ago, the tram was being talked about back then. Why does everything take so long and what are the reasons for it?

Luc Wagner: I can't say why things take so long, but discussions about whether to have the tram or not have been going on for 30 years. We have found in Luxembourg that it's always easier to go along with the investors and get the properties built than to decide whether to set up a giant building site in the city. What's clear is that developments on the property market are always faster than everything else. For a city to function well, you can reckon on a ratio of 2.5 inhabitants to one workplace. In Luxembourg this ratio is reversed: We have 0.7 inhabitants per workplace. And that means the whole problem of traffic and infrastructure just isn't solved. I agree with you, people from outside Luxembourg don't see that, but I believe that sooner or later it will become very obvious.

Jürgen Primm: From the point of view of institutional investors all's right with the world. All the big firms are sitting in the CBD or on Kirchberg. KPMG has built a new property on Kirchberg and has moved to there from a decentral location. Arendt & Medernach are also new tenants there. BGL BNP Paribas is concentrating all its offices on Kirchberg. That means, within twelve months 5,000 workplaces have been located there. The real question, however, is: How do these people get there?

Mario Di Stefano: You need to also look at this from the legal side. All the measures that the politicians and lawmakers put in place since 2003 are aimed at steering developments. Some of these measures make sense, but some of them have not achieved their pur-

pose, for example reducing the rental and purchase prices of apartments. The Plans Sectoriels are based on outdated information and were drawn up without consulting local players, for example the local councils; these plans are an attempt to plan the whole country as regards housing, traffic, commercial space, in a top-down process. This whole thing was pushed through doggedly until it became law, but then they noticed that it doesn't work at all. We mentioned Cloche d'Or: What do you see in Cloche d'Or? It is a relatively monolithic office location with little infrastructure. Strict regulations limited the number of parking spaces that could be built. Public transport isn't the best. The question is: Do I want to go into this border region, or do I want to be in the city? I have two types of employee in Luxembourg: those who want to live an urban life – they don't want to go to Munsbach, Wasserbillig or Windhof – and those who want to live with their family in a house in the countryside. The latter of course is ever more difficult, because there is so little space available. Some local councils are pursuing a very rigorous densification strategy, because they have no other choice. And all of that is reflected in the building regulations. And the regulations are the reason why there are constant legal problems when you try to get a project development ready for building. It takes a long time. In the past the developers said: Thank you that it has taken ten years. My margins today look very different. If I had been ready ten years ago, I would have earned much less money. The market has intercepted the legal difficulties and the financing costs. But how long will this go on?

**About that infrastructure:
The Luxembourgers love their cars,
don't they...**

Patrick Funk: Oh yes, the car is a Luxembourg's pride and joy. But you have to realise that Luxembourgers have never benefited from a well functioning public



Fabian Theis,
Managing Director, IIG Luxembourg
Investment Group, Luxembourg

"IIG Luxembourg is active in real estate investment and private equity and our clients are mainly from Luxembourg and the bordering regions."



Luc Wagner,
Architect and Managing Partner,
wwplus architects, Luxembourg

"We are a Luxembourg company, I am Luxembourger myself and we are working mainly in the field of urban planning, architecture, public and private real estate developments."



Jürgen Wiegand,
Director Business Development,
LRI Invest, Luxembourg

"I am working in Luxembourg since 16 years and have been active in different fields of the real estate business – in private banking, as a bank's asset manager and now with an investment administration company."

transport system, because there never was one. So for all those who lived outside Luxembourg City, the car was a must. And there Luxembourg is really 30 years behind, other cities and countries have done much better work on this.

Luc Wagner: Future generations will have a very different approach to the car than what we have known. Before it was almost unthinkable to live without a car, today the young people often don't want one at all.

Mario Di Stefano: I see this change of sentiment also in our young people: The car no longer has the status it once had. And that applies also to employers: they are also viewed differently. People no longer come into a company with the idea of staying there the rest of their lives. Today they are much more flexible and altogether they take on much less ballast, and the car is an example of that. 'Urban living' means also that people use public transport more, that you've got car-sharing, electric cars that you can hire by the hour – and we'll see more of that in the future in Luxembourg too.

Fabian Theis: You've still got the problem of the commuters, for example the ones who come in from Trier to Luxembourg by car. You can go by bus or by train, but with the bus you are sitting in the same traffic jams as you are in the car. And the number of commuters will continue to rise.

Markus Leininger: That all speaks in favour of decentralised locations.

Mario Di Stefano: You have to differentiate. The situation for German cross-border commuters is different to that of the French or the Belgians. There are relatively good rail connections with France. With Germany, to put it mildly, the service is modest, and for that reason many Germans are forced to come in by car. Belgium is a bit in between these two. So the situations are very different, and you have to remember the number of cross-border commuters from France is also much higher than those from Germany.

Jürgen Primm: Many German companies who set up a subsidiary in Luxembourg have German employees and

they all have to live somewhere. These people often look to Trier, because it's easier to find an apartment there. They then join the morning traffic jams. As there are only villages on the Luxembourg side of the Mosel, that will never be a big relief location. There were a few attempts to set up such relief locations in Schengen and Mondorf, but that all failed. The only thing that works a little is Capellen, for commuters from Belgium. With us in Belval, things are starting to move faster, and in the direction of Trier there are occasional initiatives on the Mosel, like Grevenmacher.

Ralf Berweiler: But there really aren't many offers of that kind.

Luc Wagner: I think that the companies have to become more innovative in this regard. We have introduced car sharing from the office, with the result that people who had two cars have now sold one. We have a car-sharing route to Trier, one to Saarbrücken – and they work well. For the decentral locations you simply have to ask the question: What is a good location? If it's only a place to work, then that is certainly not a good location.

Why does everybody want to be in Luxembourg City? Because it has everything that people want of a city: housing, shopping, culture, restaurants etc. In the end it's multifunctionality that really makes somewhere a good location. So, as with decentral structures, you have to develop all these functions together, and not produce a monoculture.

Jürgen Primm: I am in full agreement with that, because that is precisely our agenda. But we have been left a bit alone by the political decision-makers. Because mistakes like Leudelange, between Belval and the inner city, have "skimmed the cream" as it were. Many of the office users who would actually have had an ideal location in Belval, are now sitting in Leudelange with the argument that it's only two minutes from there to the edge of the city. Leudelange is now packed full, and there's no end in sight – the next office building is already under construction. That was never the plan, because Leudelange is a commercial district. But today manufacturers can hardly find anywhere to set up in the whole country, any site that is affordable at any rate. That is the next structural problem on the horizon.

Mario Di Stefano: The discussion we are having now will just get more urgent in the coming years when the Plans Sectoriels come back, the plans that were on ice provisionally. The debate about this is not over. For the structuring of commercial districts, for example, the Plans Sectoriels envisaged upper limits on the space in office buildings that are integrated into a commercial district. The reason was that smaller firms, too, should have the chance to buy an office building. But I think that argument is non-sensical. There are many adjustments that the politicians have to make in the coming years and the main issues are precisely these problems: traffic on the one side, development on the other, decentralisation, housing and living near work. Just what form these solutions will take and how

they can be legally implemented in a workable way – that is a great challenge especially with the increasing number of workplaces and inhabitants that Luxembourg will be facing.

Jürgen Primm: Living near work is becoming a clear competitive factor. In recent years we had a lot of contact with the university: they were looking for a new principal, a new director for the LIST Luxembourg Institute of Science and Technology and a new director for the LISER Luxembourg Institute of Socio-Economic Research. Fortunately all of them managed to find an apartment close to the university. It was essential for them to have a high-quality home within walking distance, and that included culture and places to go out in the evening. If you want to hire top scientists, then all this is an absolute must.

We are talking here primarily about work and accommodation, not about retail. Doesn't this segment play such a big role in Luxembourg?

Jürgen Primm: The Luxembourg retail trade happens in Trier. But, seriously, there is only a very limited retail range in Luxembourg: three, four big shopping centres, two of them in the hands of Luxembourg families; there's Auchan and soon another Auchan hypermarket which will probably be a fund product. Every now and then there are inquiries from brokers about specialist retail centres, but these generally don't amount to anything because of land prices.

Mario Di Stefano: The demand is there, and there are some investors who are massively investing or have invested in retail in Luxembourg. But the range on offer is limited, although a few projects are in the pipeline. I think that retail space will increase in the coming years in Luxembourg. That is also the will of the policy makers. They don't want to experience again what has happened on the Belgian border: there IKEA opted

for a location on the other side of the border because it just didn't work out on the planning and approval side here. Another example is an agricultural cooperative that wanted to located to Merttert, but landed in the end in Perl, not just because the conditions for them were better there, but because they quickly got planning security on the way to their goal. From Luxembourg they didn't even get a time frame to help them plan how to get this project moving.

Markus Leininger: That's what I don't understand in Luxembourg. I see how quickly things are implemented in the financial sector, how fast the reactions are, how quickly products are created and solutions found. On the other hand in the property sector you feel as if you might be in Italy. Why is the speed of reaction so tremendously slow in the property sector?

Mario Di Stefano: The simple answer is: Politically it's much easier. Nobody understands a new law on securitization vehicles, for example, so there's little opposition politically. In the property sector, however, there are so many people who all want to have a say, and everybody thinks they know how it works, and all of them are engaging in a certain clientelism. That is sometimes the problem: There are too many players in the property sector, there are all kinds of people and associations and authorities, who with practically no integrated approval procedure have to take part in a project. This lack of integration is the big problem.

On the subject of sectors of importance for the future: Will the financial sector with all the regulations remain as strong as it is now, will it shrink or will it grow?

Markus Leininger: I think Luxembourg is changing. The big banks are reducing their workforce, on the other hand we are seeing the family offices come

to Luxembourg. We'll have more smaller structures because as a financial location Luxembourg is a hub in Europe.

Sheelam Chadha: I agree with that. The market has changed a lot during the last ten years, it used to be heavily based on private banking. What is interesting in Luxembourg is that it adapts very quickly to global needs and is diversifying away from the pure banking sector into other areas, e.g. logistics, ICT, Fintech etc. I believe the future market in Luxembourg will remain strong even if it goes through a downturn.

Ralf Berweiler: It's true that private banking is losing ever more significance. In its place the funds industry is continuing to gain ground. Also many foreign companies who are moving into Europe are interested in Luxembourg. For that reason I see a positive economic development for the location of Luxembourg.

Fabian Theis: The advantage of Luxembourg – not just today, but for decades – is: When something happens and new regulations are needed, then it happens here faster than in other countries. It's also a mature location with a high cultural offering. That makes the location attractive, including for those who come from outside.

Jürgen Wiegand: What has been said about private banking is certainly correct, when you look at it through German eyes. When I came to Luxembourg, there were 220 banks here, most of them German. So the German subsidiaries and German offices in Luxembourg were reduced, but from a very high level. But you also have to recognise that private banking with other clients – from Asia, Russia – is very much growing. Asset management activities in the banking area have indeed left Luxembourg, there's hardly any left. In terms of financial services providers, however, portfolio management and risk management are indeed in strong demand, es-

Substance requirements

LuxLeaks did not only reveal tax advantages for certain companies in Luxembourg but put also focus on the fact that some companies are officially registered in Luxembourg and benefiting from the respective tax advantages, however, these presence has been often more or less symbolic. There was no economic activity in the country and nearly no staff, only an address, a desk and a telephone.

Meanwhile 'substance' is required, i.e. verifiable economic activity by in Luxembourg active staff of respective professional qualification is necessary and to be proved.

These substance requirements also limit commuters' possibilities to work more than a certain amount of days per year from their home office – they have to be present in Luxembourg and doing their job there.

pecially in the context of property and AIFMD. As a funds location Luxembourg has significant advantages, because there's a lot of competence in this area concentrated here. And in the financial industry in particular there is an excellent network.

Markus Leininger: When you work in the financial sector, then you talk to two, three lawyers here in the city and they then get things moving. That's what I meant before: In the financial sector it's relatively fast, perhaps also because there is great expertise here. By contrast that is not the case in Germany. Although there is a lot of expertise there, things are picked over endlessly. In Luxembourg however, you can really make progress. The German KAG is a case in point: for two years there was a discussion about whether it was a good thing or a bad thing. The funds industry all the while was kept waiting. And at an event organised by a firm of international lawyers, the Luxembourg representative then said: Ladies and Gentlemen, I don't understand what the problem is: Come to Luxembourg, it's all so much easier there.

Mario Di Stefano: There is another point that we should not neglect: the whole discussion about LuxLeaks and tax base erosion. Many people have painted a gloomy picture: it's all over,

the big companies would be leaving Luxembourg and there would be no corporate headquarters here any more. I think this is unlikely to be as big a problem for Luxembourg as feared. There will be two types of company: those who want the tax advantages, but are otherwise not interested in the location and they are now moving out or just not coming here. There will be others who say: OK, the rules have changed, so I'll have to think a lot more about where I have my substance, where I have my activities. That is an opportunity for Luxembourg. Because these companies will then create more jobs, they will need more office space and it might lead to an increase in demand rather than a decrease.

Jürgen Primm: Basically I am optimistic, because the hard location factors are very positive when compared to other countries. We have here a very committed business and real estate community which is multinational and has a broad base of experience. Also on the side of the Luxembourg administration – which came a bit under fire in our talks – there are very many really capable people who also have a broad horizon. You can do great things with these people. What I have grown to appreciate in Luxembourg is the pragmatism, the ability to really tackle the urgent issues and if need be to readjust them.

FINANCIAL CENTRE LUXEMBOURG

Luxembourg and financial services industry are literally forming a 'tandem'. It has been for a long time the banks shaping the profile of the financial centre Luxembourg. The banking sector is still playing an important role, but it is not the only financial segment Luxembourg made the most of it.

For a long time private banking was one of the first associations linked with Luxembourg. One of the reasons was that the country held on to the principle of bank secrecy. Only since January 1st, 2015 bank secrecy in Luxembourg has been abolished and Luxembourg based banks – that means also the subsidiaries of banks from other EU countries – have to provide the respective national authorities with account information about their customers. By this banks in Luxembourg have lost at least a part of their business purpose with the result that many banks have reduced staff and that the number of foreign banks in Luxembourg has decreased.

Nevertheless, still 143 banks from nearly all countries in Europe including Russia, but as well from the US, Canada and Brazil, the Middle East, Japan and China are present in Luxembourg.

With the new tax transparency some already forecast that Luxembourg financial centre would lose ground. But that would mean that Luxembourg financial centre would be based only on the function of a tax haven. A much more stronger pillar than private banking is the investment fund industry. In this field Luxembourg has achieved a leading position in Europe. More than 3,900 investment funds are established according to Luxembourg law managing net assets with a value of EUR 3,000 billion (September 2015). Luxembourg is the number one



Clearstream, a company of Deutsche Börse AG, is based in Luxembourg.

country in cross-border fund distribution in Europe and the second largest investment fund centre in the world after the US.

A third pillar is the insurance sector: Based in Luxembourg are 51 life assurances from all over the world managing EUR 21 billion of premiums as well as 226 captive reinsurances whose parent companies are active in different sectors – from industry to distribution and transport, from banks to telecommunication, from chemistry to agrifood companies.

No question, Luxembourg has potential and is willing to strengthen its position as financial centre. Foundations are already laid. There is vast expertise in all aspects of risk and asset management; Luxembourg Stock Exchange (LuxSE) holds a 20 per cent share of all internationally listed securities; Clearstream, one of the world's important International Securities Depositories, is based in Luxembourg; and there is a large number of corporate service

providers and lawyers specialised in the financial sector.

Too, the country is already on its way into the future fostering innovation and becoming a leader in digital finance services. While for example in Germany there are many debates about the abolishment of banknotes and coins, in Luxembourg FinTech companies are already in the starting holes and developing concepts for the future of e-commerce, of e-payment and for virtual money, in short: for the digital economy.

Though Luxembourg is much more than only a financial centre, the financial sector remains to be an important part of the country's economy and is one of the drivers of GDP growth. And no one should be mistaken about Luxembourg – with some developments they are rather quick, much quicker than in other countries. So FinTech solutions might be established here quicker than anywhere. | **Christiane Leuschner**



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LOCATED IN THE PERIPHERY BUT URBAN



Urban living outside Luxembourg City, with some green around and at affordable prices: that is why Belval is attracting.

It is one of the most ambitious brown-field projects in Europe: the redevelopment of the once largest steelworks in Luxembourg into a new living area. Since meanwhile 15 years Belval is being developed and the former brown-field area has changed into a lively urban district with high quality of life.

It is some 20 kilometres from Belval to Luxembourg City centre, and the border to France is running directly behind the railway station Belval-Université. That is what in Luxembourg is named a 'peripheral location'. However, in many respects this periphery is much more 'urban' than some decentralised locations in Luxembourg City where office buildings are dominating and a reasonable mixture of functions is missing.

In the year 2000 development company Agora has been founded. It is a public private partnership consisting of the Luxembourg state and the ArcelorMittal steel group. ArcelorMittal is the successor company of Arbed that once produced steel and iron in the area of today's Belval. Purpose of Agora was and is to revitalise the former industrial site into a new living area. And different to many other projects of this kind they started not with office projects but with Rockhal, the largest concert venue in Luxembourg, opened in 2005. It was one year later that the first office building and new landmark of Belval, the Dexia, today BIL headquarters have been delivered.

Due to the master plan from 2002 approximately 1,35 million square metres of gross floor area will be developed – 600,000

square metres of public and 750,000 square metres of private space. Of private space approximately 300,000 square metres are allotted to office, 350,000 square metres to housing, and 100,000 square metres are dedicated to shopping, leisure, hotel and service facilities, all of them developed by private companies.

Today 541,000 square metres or almost 40 per cent of the overall development programme are finished or under construction, 1,400 out of more than 8,000 inhabitants expected are already living in Belval, and 4,600 out of planned 25,000 working places are established. Furthermore Belval is meanwhile 'university city': Since autumn 2011 the University of Luxembourg is present here with its Luxembourg Centre for Systems Biomedicine (LCSB), in 2014 started the relocation of



Belval offers high quality of life for all living and working here.

other faculties and institutes, among them LIST Luxembourg Institute of Science and Technology and LISER Luxembourg Institute of Socio-Economic Research. Only the Faculties of Law, Economics and Finance and parts of the Faculty of Science, Technology and Communication are still located in Luxembourg City.

With a stock of almost 185,000 square metres Belval is not only the biggest 'peripheral' office location, it has the lowest vacancy rates as well. Occupiers are mainly small and medium-sized enterprises active in the financial sector and in the field of architecture, medical companies and a lot of IT companies – all who don't attach importance to a 'representative address', but to a lively urban environment, a well connected location and affordable rents being in Belval in a range of EUR 20 – 24 per square metre and month. In 2016 and 2017 office stock will continue to grow by further 41,000 square metres. The two biggest projects are Maison de Nombre with 19,400 square metres and Maison des Matériaux comprising some 15,000 square metres. Both, Maison de Nombre and Maison des Matériaux, will be occupied by the University. And with some most recently signed agreements the offer of speculative office space will be enlarged.

Housing in Luxembourg is urgently in demand. Supply is small and prices are high. That is nothing new in the country, but the situation is getting worse. From the start of the Belval project 350,000 square metres have been dedicated to residential space, i.e. 2,850 units and approximately 1,000 rooms in special projects like private student homes or houses for elderly people. Public developments as student homes are not included. Meanwhile 657 residential units are delivered, and another 266 units are under construction. The range of residential units is from studios to apartments with one, two or three rooms, from semi-detached to individual houses. While in Luxembourg City the average price per square metre residential area is more than EUR 6,000, in Belval currently one has to pay up to EUR 5,000 per square metre in a new building with state-of-the art energy standards. And this price is still below the country average of EUR 5,500 per square metre.

People want to go shopping and spend there leisure time where they live and work. The Rockhal was one of the first leisure and entertainment facilities developed in Belval. Meanwhile on Place de l'académie, the central public place of Belval, a modern cinema has opened

with seven screens. The screen in the hall for premieres is as big as 350 flat screens together, and there is seating for up to 550 people. Plus there are two other cinemas, each with seating for 250, and four with seating for 120 people.

And around Place de l'académie restaurants, bars and cafés have established, there are fitness studios and service facilities including hotels, the large shopping centre Belval Plaza and a 19-hectare park to relax and to recreate but also with possibilities to exercise some sports.

Although the urban development project Belval will keep the responsible people still busy for some more years, there is already now to state that the idea of a lively urban district has already become reality: Latest since the University is located in Belval the area is really 'jumping'. It is attracting because it comprises all urban functions and this multi-functionality has been Agora's main goal from the beginning. Of what avail is the nicest office location when there are no restaurants, no cafés and no shopping possibilities, when nobody wants to spend his leisure time there, but leave the spot immediately after the end of working hours? Belval proves that 'urban life' is something to experience not only in Luxembourg City but also in other well-

LOOKING BRIGHT: THE OFFICE PROPERTY MARKET IN LUXEMBOURG

The year of the mega-deals JLL headlined its most recent office market report Luxembourg 2015. In fact, it has been the best year since long – regarding both, take-up and investments. At the same time vacancies are low and rents increasing. In short: the market is booming.

Luxembourg office market is offering a prime time for real estate developers – there is no other way of putting it. Low vacancies, high demand, attractive rents, investors in search of investment opportunities – in such market conditions one can make nearly no mistake. No wonder that speculative developments in Luxembourg are increasing.

Already 2014 had been a very successful year, but 2015 has broken all records: according to JLL take-up was at 231,000 square metres – again 15 per cent higher than 2014 and 40 per cent higher than the average of the last ten years.

However, the result is partly caused by several transactions of more than 10,000 square metres while the median size of lettings is at 250 square metres as Inowai Property Partners states. And these mega deals are mainly caused by European institutions: they signed four of the seven lease agreements of this size. The consequence is that in 2015 the contribution of European institutions to total take-up rose to 27 per cent versus 11 per cent on average over the last five years.

Looking at the locations where institutions and companies prefer to rent office space then it is clearly the Kirchberg



Office real estate is in demand – by tenants and investors as well.

district and the city centre, the Central Station district and Cloche d'Or. In these four districts are concentrated approximately 70 per cent of the total stock of office real estate in Luxembourg amounting to 3,663 million square metres (Q3, 2015). If Cloche d'Or is still part of the city centre or a rather decentralised location in Luxembourg City is open to dispute. Fact is that availability of office space is very low in Kirchberg district and in the city centre, but significantly higher in Cloche d'Or.

In 2015 brokers in Luxembourg had to face the threat of a drying of the vacancy due to the European Commission's demand for 50,000 square metres representing about 35 per cent of total vacancy in Luxembourg, periphery included. The

vacancy rate dropped to 3.8 per cent, but due to a few speculative developments and second hand properties being vacated the vacancy rate stabilised at 4.1 per cent at end of the year. As JLL states, vacancy rate in Luxembourg remains one of the lowest in Europe, only London having a lower vacancy rate.

However, there are significant differences by district. While in Kirchberg district nearly no space is available – vacancy rate was at 1.5 per cent end of 2015 –, it is 4.6 per cent in the city centre and 2.9 per cent in the Central Station district. In more decentralised locations – in this case Cloche d'Or is included – vacancy rate is at 5.9 per cent. The rates will increase at least for short time when new projects are delivered to the market.



A sovereign wealth fund of Abu Dhabi bought in on Royal Hamilius project in CBD.

According to JLL a total of 132,000 square metres of office space will be completed in 2016, of which approximately 62,000 square metres are speculatively developed. And again there is to note that speculative projects are mainly concentrated in Kirchberg district, city centre and Central Station district, on locations with the highest demand.

Following the curve of rental values in Luxembourg it seems to have only one direction: upwards. After 2008 rental growth rates decreased a bit but there was no drop like in many other office markets in Europe. Since 2011 rents in Luxembourg are rising again and that in all locations. However, there is a broad range of rental prices depending from districts and locations. The highest rents – EUR 45 per square metre and month – are asked and paid in the CBD. In both, Kirchberg and Central Station district rents are at EUR 34 – 35 per square metre and month, and also in Cloche d'Or rents increased to EUR 29.50 per square metre and month.

There is often to hear lamentation that nearly no investment products are available in Luxembourg. But looking at the transaction volumes of the last two years, they seem to contest the assertion of lack of product. In 2014 transaction volume exceeded the one billion mark for the first time since 2008 – it amounted to EUR 1.085 billion, and last year this threshold was exceeded again in only

nine months. End of September 2015 transaction volume amounted to EUR 1.12 billions and almost two third of all commercial investments are allotted to office real estate.

The height of transaction volumes is partly due to high prices. In Luxembourg all kinds of property are much more expensive than in other countries – that is nothing new. But what is changing since five years is the origin of money invested in commercial real estate. After the financial crisis up to 2013 the investment market was dominated by local and Belgian buyers. In 2014 many German investors have been on the shopping spree in the Grand Duchy, and in 2015 money from the Middle East entered the market – or more precisely: a sovereign wealth fund of Abu Dhabi that invested in the Royal Hamilius project in the CBD, developed by Codic.

There is no doubt that Luxembourg's real estate market is booming and it is prime time not only for developers, but investors as well. The small slowing-down Luxembourg property market had to experience in the wake of the financial crisis is at least balanced and despite all prophecies of waning demand following the abolishment of bank secrecy the letting market is strengthening again and more stable than ever. | **Christiane Leuschner**

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