

JLL - From Mobility to Value Creation: how free public transport has changed commercial real estate in Luxembourg



JLL conducted a study on the impact of free mobility on the office market in Luxembourg.

The Grand Duchy of Luxembourg was the first country in the world to offer free public transport throughout the entire country, for both citizens and visitors. JLL examined the impact of this new development on the office market.

Here are the key findings.

A Response to Employee Needs: The opening of the first section in 2017, followed by extensions to Findel and Howald in 2025, fundamentally changed mobility. The planned extensions by 2035, combined with railway network modernization, will continue to create a dense and efficient network covering the entire country. The cornerstone of this proactive policy was free transport for everyone starting in 2020.

The free transport and network extension align with one of the key messages from JLL's recently published Employee Barometer, which identified commute time from home to workplace as one of

the main concerns for employees working in Luxembourg.

What Do Transaction Data Tell Us? JLL BeLux's Research department analyzed all office transactions since 2020, identifying buildings located within a 10-minute walk of a tram or train station in the Grand Duchy.

From an Occupancy Perspective:

- Of the 1.3 million m² transaction volume signed since early 2020, 71% is located within 10 minutes of public transport (tram or train)
- The average transaction size along public transport routes exceeds the average size of transactions not served by tram or train by 210%

From a Rental Value Perspective: Rents obtained in buildings along tram or train routes are 30% higher than rents for buildings not connected to public transport. This finding must be contextualized, as the highest rents are achieved in new buildings, which have been concentrated for several years in locations served by tram or train.

Conclusions for Future Developments: Developers have long understood that locations with excellent accessibility via public transport and road networks have the best chance of finding tenants. However, connection to the public transport network is fundamental but cannot replace building quality and sustainability.

When Public Transport Connection Revitalizes Underperforming Districts: The Cases of

Howald and Findel: According to JLL's study, while central districts show very low vacancy rates and high rents, secondary locations are increasingly considered credible alternatives by occupants, especially when there is a direct and fast public transport connection.

Two Luxembourg examples stand out: Cloche d'Or and its Howald extension, and the Findel airport district.

Since the tram extension project, many occupants from the CBD or Kirchberg have decided to relocate to Cloche d'Or, including State Street from Kirchberg, and Intesa San Paolo and Baker McKenzie from the CBD. The evolution is even more striking in Howald, which previously suffered from relatively high vacancy rates. The tram project and new high-quality developments have significantly increased rents and attracted tenants like Cardif Lux Vie from the CBD.

The Findel airport district renewal is perhaps even more impressive. Now connected to Kirchberg and downtown by tram, this district, which previously suffered from relatively high structural vacancy, now competes directly with central districts. The Skypark project opening, with its multiple services including a hotel, has attracted major tenants such as Deutsche Bank, previously

established in. Rents have soared 28% compared to 2020, and rental vacancy has been significantly reduced despite the speculative delivery of Skypark.

Conclusion: JLL's study highlighted that the beneficial impact of the tram on Luxembourg's office market is real, both from a demand and rental value perspective. However, developers cannot ignore the equally pressing requirement for building quality and sustainability. The combination of these factors has enabled the development and success of previously underperforming districts that now have a promising future.