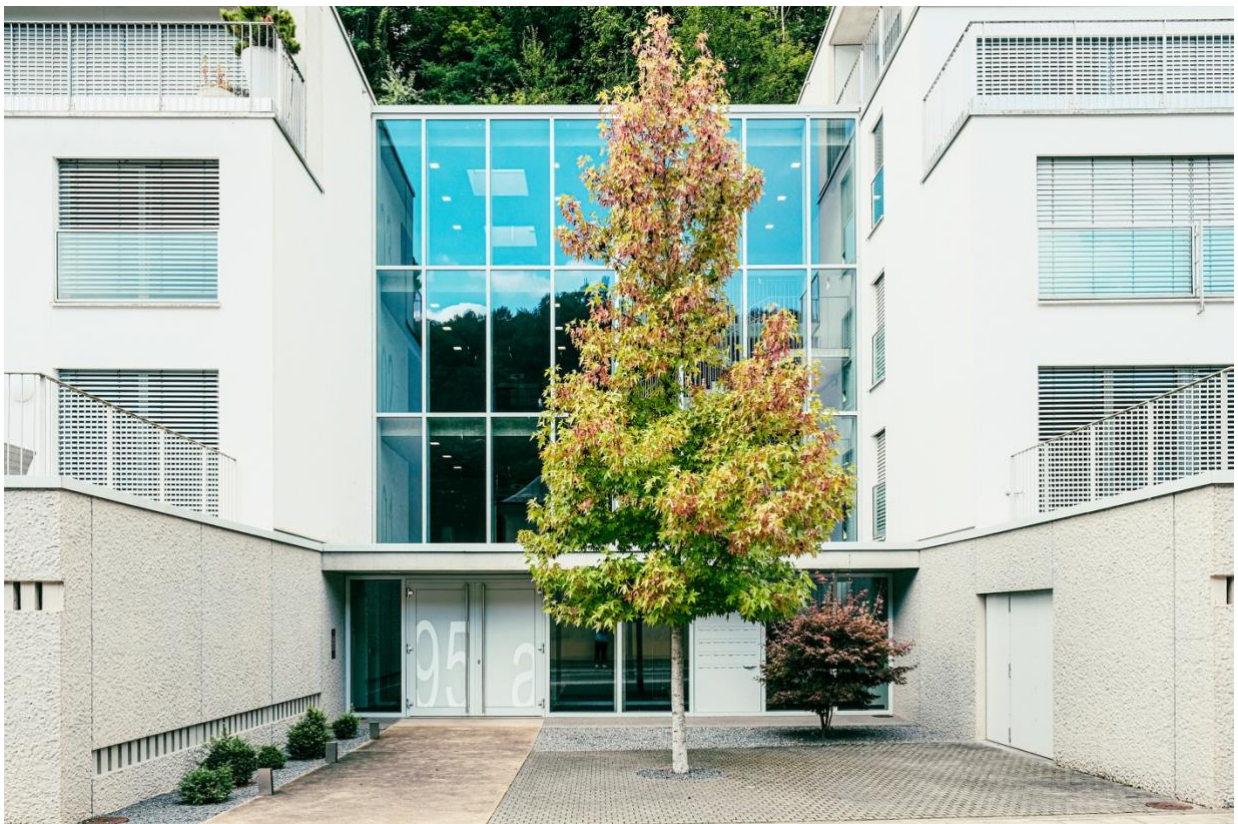


REAL ESTATE INVESTMENT IN LUXEMBOURG

INVESTOR INFORMATION



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REAL ESTATE INVESTMENT IN LUXEMBOURG

BENEFITS FOR A FOREIGN INVESTOR INVESTING IN REAL ESTATE IN LUXEMBOURG

There are several advantages for a foreign investor to invest in real estate in Luxembourg:

1. **Economic and political stability:** Luxembourg is known for its economic and political stability. This makes the country attractive to foreign investors, who are looking to invest in a safe and stable environment.
2. **Strong economic growth:** Luxembourg is known to have one of the most dynamic economies in the European Union, with a higher growth rate and a high GDP per capita. The average growth of the Luxembourg economy over the last 5 years is 2.1% including the Covid years, which is almost four times higher than in the Eurozone. Employment in the country is increasing by an average of 3.1% per year. The minimum wage in Luxembourg is the highest in the European Union: more than 2,350 euros per month in 2022.
3. **Favourable taxation:** Luxembourg is known to have a favourable tax regime for foreign investors investing in real estate.

Examples of these tax benefits include :

- **Capital gains tax reduction:** When a foreign investor sells a real estate property in Luxembourg, he can benefit from a capital gains tax reduction. For capital gains realised on the sale of a property, foreign investors can benefit from a total or partial exemption from capital gains tax, depending on their country of residence and the bilateral tax agreement between Luxembourg and that country.

Luxembourg has entered into bilateral tax agreements with several countries, which generally provide that capital gains on real estate realised by tax residents of these countries in Luxembourg are only taxable in their place of residence. Foreign investors should check the specific terms of the tax agreement between their country of residence and Luxembourg to determine whether they can benefit from a tax exemption on capital gains on real estate.

- **Property tax exemption:** Foreign investors can also be exempted from property tax on the properties they own in Luxembourg.
 - **Tax treatment of rental income:** In general, rental income received by a foreign investor in Luxembourg is subject to Luxembourg income tax. However, Luxembourg has concluded tax treaties with many countries to avoid double taxation of rental income. These treaties allow the foreign investor to deduct the taxes paid in Luxembourg from the taxes due in his country of tax residence.
 - **Tax treatment of interest on real estate loans:** Interest paid on real estate loans in Luxembourg can be deducted from foreign investors' taxable income. This can significantly reduce their tax burden.
4. **Central location:** Luxembourg is located in the heart of Europe, making it an ideal location for companies and/or investors looking to expand into the European market.
 5. **Dynamic real estate market:** The Luxembourg real estate market is constantly evolving, with a growing demand for residential and commercial properties. This offers opportunities for investors looking to realise medium and long-term capital gains.

THE LUXEMBOURG PROPERTY MARKET

Luxembourg is known for its high-end property market, with luxury properties offering spectacular views and high quality amenities.

The real estate market :

The Luxembourg real estate market has experienced strong growth in recent years, recording record prices. However, the COVID-19 pandemic has had an impact on the real estate market, with a drop in demand for properties in 2020. But since then, the market has stabilized and started to recover in 2021, and is on the rise again with an increase in property demand and a recovery in real estate transactions in 2022 and 2023.

Property prices :

The Luxembourg real estate market is characterized by high prices. According to a study by the Banque et Caisse d'Epargne de l'Etat, prices rose by 7.6 percent in 2021, reaching an average of 8,301 euros per square meter for an apartment and 1,300,000 euros for a single-family home.

The most expensive areas are in the city center of Luxembourg, while prices are more affordable outside the city. In the city center prices can reach up to 18,000 euros per square meter for an apartment due to a very limited supply of available properties.

The city center of Luxembourg is the most sought after and most expensive area in the country. Districts such as Pfaffenthal where the apartment for sale is located, Kirchberg, Belair and Limpertsberg are the most popular due to their proximity to European institutions and international companies.

In the media, there is frequent talk of a record increase in real estate prices. What are the reasons for this?:

The figures are indeed impressive, especially since this phenomenon has been repeated for several years. Figures from Statec (Luxembourg's National Institute for Statistics and Economic Studies) and the Housing Observatory indicate an average increase of 14.5% for 2020.

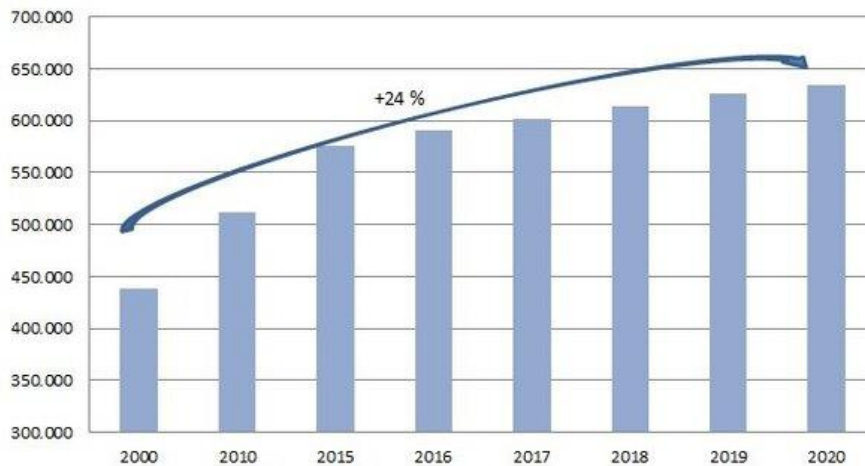


Source : [Statec](#) – Residential sales price statistics.

The high prices of the real estate market are the direct consequence of the flagrant imbalance between the supply and the demand of housing on our territory.

On the demand side

The population has increased by almost 24% in 10 years (from 512,029 in 2010 to 634,730 in 2020, i.e. 122,701 more people to be accommodated). This is a very strong growth of the resident population, mainly due to the economic attractiveness of Luxembourg.



Source : [Statec](#) - Natural movements and population migration 1891-2020

Note that :

- Approximately 80% of this increase is explained by the arrival of new residents from abroad, and 20% by the natural surplus between births and deaths.
- The economic growth of recent years has favored job creation, especially in the service sector, and has thus attracted a large number of new residents with relatively high purchasing power.
- Statec data show that national employment is growing in the same proportions as cross-border employees; there is therefore very strong pressure on the demand for housing in Luxembourg, particularly as the time spent in transport continues to increase.
- The relocation of activities to Luxembourg as a result of the Brexit has had an impact on the demand for real estate. In 2020, analysts have estimated that the Brexit will create more than 3,000 jobs in Luxembourg, mainly as a result of the relocation of activities, while Luxembourg for Finance puts forward a potential figure of 5,000 jobs created in the medium term. Such an impact (between 0.56% and 1% of total domestic employment in Luxembourg) of such a scale does not exist in neighboring countries.

On the offering side

The current supply of new housing is not keeping pace with the country's growth. Even though the supply is increasing at a rapid pace, it is not keeping up with demand. In the Western world, the average household has between 2 and 2.5 people. According to the latest Statec projection, between 5,600 and 7,500 homes should be created each year, depending on the economic growth scenario.

However, only 3,987 housing units were completed in 2018, for an annual surplus of 5,390 households. this lack of property mechanically creates upward pressure on prices, allowing only the most affluent households to access property.



The imbalance on the market between supply and demand generates a certain upward pressure on prices.

THE APARTMENT FOR SALE

Site : <https://www.95a.lu/en/>

The neighborhood

The Pfaffenthal district, in the historic city center of Luxembourg, is located on the left bank of the Petrusse. It has become an important center thanks to the state-of-the-art funicular, which is only 5 minutes away from the apartment and is connected to the national railway network, to the tramway of the modern business district of Kirchberg and to the airport. The tramway is part of the free public transport network of the city of Luxembourg and serves many destinations throughout the city.

The Pfaffenthal panoramic elevator, 10 minutes away from the apartment, is a free public transportation system that allows visitors and residents to reach the upper city in 10 minutes on foot while enjoying a panoramic view of the city. This elevator has helped to make Pfaffenthal more accessible and the most popular area for residents and investors.



The apartment

Site : <https://www.95a.lu/en/>

Breathtaking view with a spacious outdoor terrace of 58 m2

Located on the second floor of a contemporary residence with strong character, this superb apartment has a harmonious layout. All the living rooms -kitchen, living room, office, bedroom- open onto a spacious outdoor terrace of 58 m2 offering a breathtaking view of the Grand Duchess Charlotte Bridge in vermillion red.



Exceptional finishes

Site : <https://www.95a.lu/en/>





BREAKDOWN OF THE SALES PRICE

This is based on the price of the apartments in the city center (+/- 14.000/18.000 €) by integrating the added value brought by the terrace of 58 M2 in the city center which is calculated as follows :

One m2 of terrace in the city center is calculated by the agencies with a coefficient oscillating between 30 % and 50 % of the habitable M2. It is 30% that has been applied in the calculation of the selling price.

- Surface of the apartment : 91,5 M2
- Terrace area (58,5 * 0,3) : 26,15 M2
- Total : 117,65 M2
- Price of the M2 applied: 14.364 €
- SELLING PRICE : 14.364 € x 117,65 M2 = 1.690.000 €

Adds 2 large indoor parking spaces (very rare in downtown) : 2 * 80.000 € : 160.000 €

Selling price with the two parking spaces :

1.850.000 €, the added value of the top-of-the-range finishes has not been valued in the calculation of the selling price and constitutes an additional advantage for the investor (+/- 150.000 € : Boffi kitchen, Porro dressing room, fitted terrace.....).

RENTING

The apartment being located at 10 minutes walk from the du [Kirchberg](#) (by the [funicular](#)) the "furnished" rental is the most profitable for an investor.

Kirchberg :

Crossing the Grand Duchess Charlotte Bridge, commonly known as the "red bridge", or taking the funicular from the Pfaffenthal (5 minutes from the apartment) to reach the new Kirchberg district in [Luxembourg City](#), the discovery begins with the Grand Duke Jean MUDAM museum of modern art. It was designed by Ieoh Ming Pei, a Sino-American architect also known for having designed the Louvre pyramid in Paris. A glass cathedral erected on a former Vauban fort, the Gothic chapel is decorated with subversive stained glass windows by the artist Wim Delvoye. A few meters away, more than 800 vertical columns rise to form the peristyle of the Philharmonie's Grand Auditorium.

The district is also one of the three seats of the European Union institutions. It is home to the Court of Justice of the European Union, the European Investment Bank and the European Court of Auditors.

The apartment for sale, in the city center, could be rented furnished at a price of 5.000 € per month.

PROFITABILITY AND EVOLUTION OF REAL ESTATE PRICES IN LUXEMBOURG

With a rent of 5.000 €, the profitability by taking into account only the rents would be of 3,24 %/year. To this profitability it is necessary to add the evolution of the real estate prices in Luxembourg on the medium and long term.

Over the past 10 years, real estate prices in Luxembourg have increased significantly due to the high demand for housing in the country according to data from Statec (the National Institute of Statistics and Economic Studies in Luxembourg). Between 2011 and 2021, prices of apartments have increased by almost 70% in Luxembourg and 120% for apartments in the city and 145% in the city center,

In the years to come, this increase is expected to continue as demand remains very strong and land available for construction very scarce.

If we take a "conservative" trend of 120% instead of 145% over 10 years on an investment of € 1,850,000 the return would be :

LRent : $12 * 5000 = 60.000$ €/year (+ 3 % index per year) x 10 years : Sum of the rents over 10 years	707 936,16 €
Value increase over the next 10 years (+ 120%, 1,850,000 + 120%)	4.070.000 €
Total Rent + Capital gain - initial investment over 10 years : 707.936,16 € (Rent over 10 years) + 4.070.000 € (Capital gain over 10 years - 1.850.000 € (Initial investment)	2.927.936,16 € 13%/year yield