

REVIEW

OFFICE MARKET

EUROPE H1 2025

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



H1 2025

OFFICE MARKET EUROPE

Office letting activity has sufficient momentum in demand that should persist into H2. Nonetheless, the market remains characterized by a limited volume of large-scale transactions that reflect the difficulties created by reduced office development.

3.99 M sqm **+6% y/y**
TAKE-UP - 18 CITIES (H1 2025)

Significant deals

QUARTER	TENANT / SECTOR	LOCATION	SQM
Q2	Workday Technology, media and communication	Dublin	38,663
Q2	European Commission Public administration	Brussels	22,360
Q2	BCR Banking, financial services	Bucharest	22,300
Q2	KPMG Banking, financial services	Frankfurt	20,700
Q2	F&G Banking, financial services	Madrid	21,000
Q2	Deloitte Advisory Banking, financial services	Barcelona	14,100

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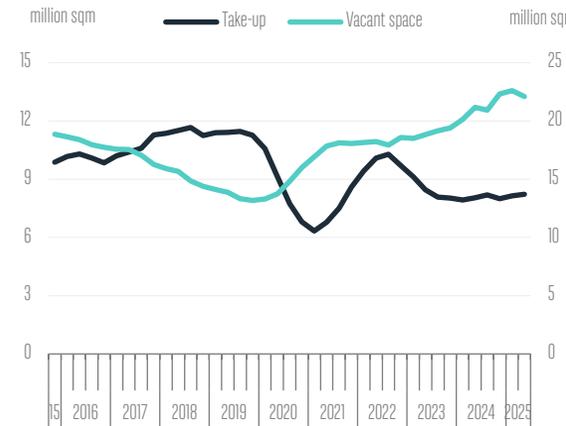
TAKE-UP

Letting in the 18 main European office markets amounted to **3.99 million sqm** over H1 2025 (+6% y.o.y). This result is **close to the 5-year average**. Market momentum currently exists in cities, though many tenants may eventually **end up postponing real estate decisions** if economic uncertainty caused by global trade disputes persists.

Germany's office markets - Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich - ended H1 with an impressive combined take-up of **1.30 million sqm**. The half-year result is thus 12% above H1 2024. The Frankfurt office market is by far Germany's most dynamic market with H1 take-up of 366,000 sqm. It is Frankfurt's **best half-year result since 2001**.

H1 take-up in Central Paris was **down by 12%** compared to last year at 700,000 sqm. The large-unit segment (> 5,000 sqm) remained the most affected segment (-31%). Paris CBD (+13% vs H1 2024) stays well below its 5-year average.

Office cycle (rolling year) Europe - 18 cities

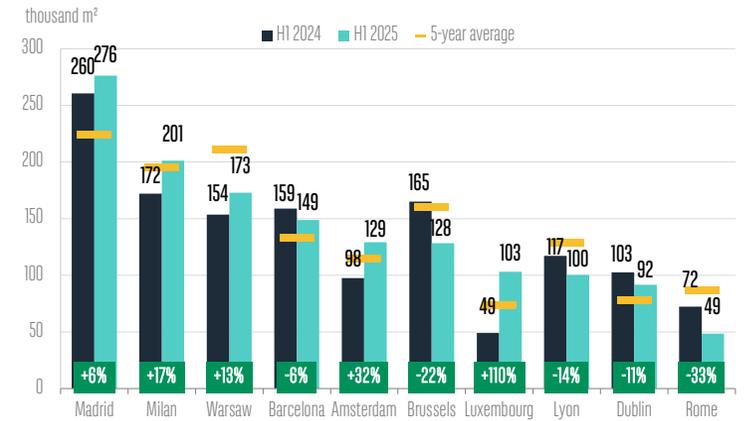
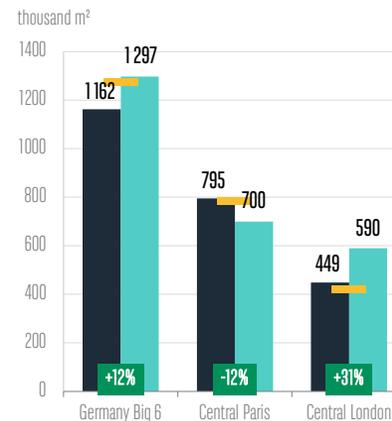


Central London take-up amounted to 590,000 sqm in H1 2025, **increasing significantly by 31%** vs H1 2024, driven by a strong rebound in submarkets such as West End (+66% y.o.y) and the Docklands (+46% y.o.y). Recent relocations indicate that some occupiers are **increasing the size of their office requirements**.

Spain is one of the strongest markets in Europe, especially Madrid, **led by Decentralized area**, where there is sustained demand. Strong performance in Barcelona's 22@ District (+37% y.o.y) where renewed interest in the location helped increase the city's take-up.

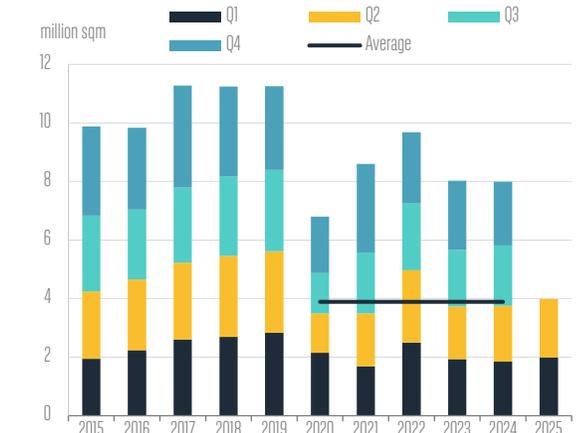
Milan's **office market welcomed growth** in take-up in H1, in terms of both sqm and the number of transactions, following two years of contraction in occupier activity levels. Rome's activity was limited in the second quarter as **larger transactions were absent**.

Office take-up by market



Source: BNP Paribas Real Estate

Office take-up Europe - 18 cities





H1 2025

OFFICE MARKET EUROPE

KEY FIGURES

+24% vs. Q2 2024
RIGA PRIME RENT

+5.3% vs. Q2 2024
PRIME RENTS (main markets)

+3.7% vs Q2 2024
NET EFFECTIVE AVERAGE RENTS (main markets)

The gap between prime and average rents is expanding reflecting the dichotomy of office markets.

Prime rental values are still driven by high demand for top space.

Average rents are growing at a slower pace as demand for secondary locations is weaker and requires higher incentives. However, this trend could diminish due to the reduction in the number of players willing to pay so much.



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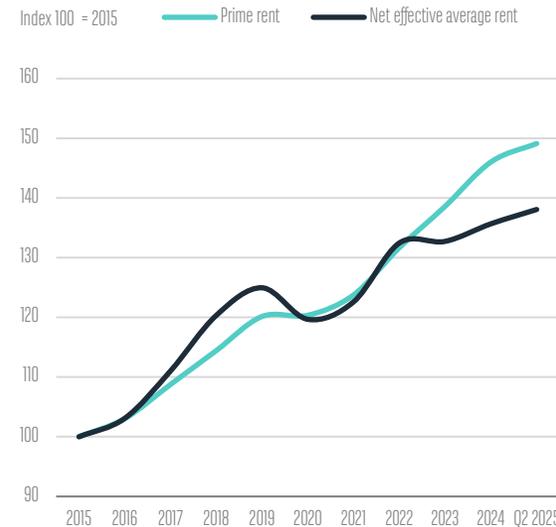


RENTS

The very low availability for grade A and the appeal of high-quality buildings located in the most sought-after districts continue to drive prime rents up. This phenomenon could be amplified by the increase in **return to office mandates** and a **restrictive office development** pipeline.

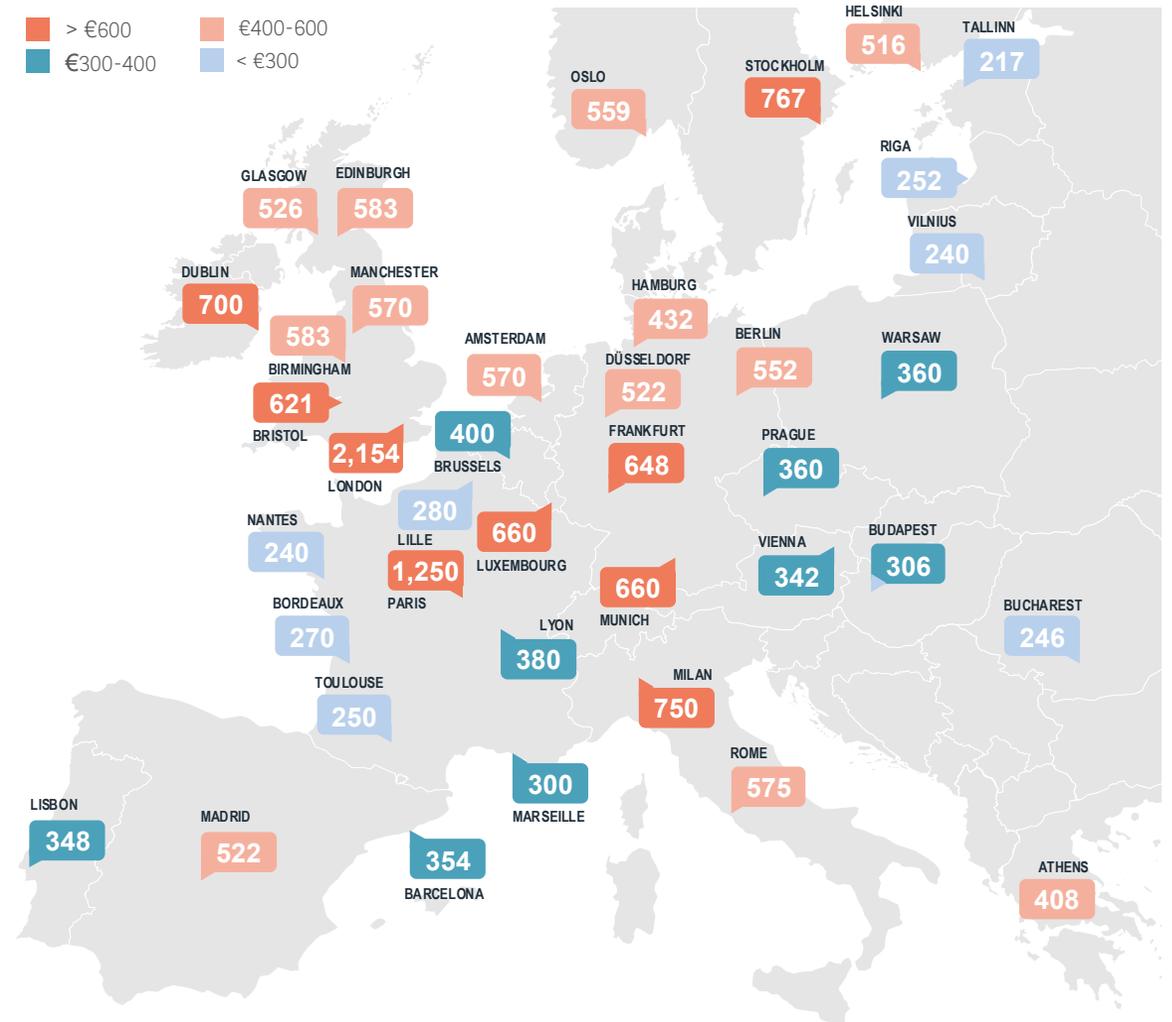
Over the past 12 months, Riga (+24%), Central Paris (+14%), Frankfurt (+10%), Helsinki (+8%) and Milan (+7%) have seen the most significant increases in values. Some French regional markets also recorded strong increases such as Toulouse (+25%), Bordeaux (+13%) and Lyon (+9%).

The focus on quality over quantity should continue to support prime rents over the coming quarters, albeit at slower pace. We expect further rises (between 2% and +3%) over the next couple of years. Despite rents continually rising, real estate decisions are primarily influenced by the retention of talents rather than securing the lowest cost workspace.



Office prime rents in Europe €/sqm/year

- > €600
- €400-600
- €300-400
- < €300



Source: BNP Paribas Real Estate



H1 2025

OFFICE MARKET EUROPE

Low availability prevails in central submarkets, particularly for new buildings that provide high quality accommodation.

Much higher vacancy rates are found in peripheral office districts and for second-hand space.



9.1% **+55 bp vs Q2 2024**
VACANCY RATE (38 MARKETS)

5.3%
CBD AVERAGE VACANCY RATE (13 MARKETS)

10.7%
NON-CBD AVERAGE VACANCY RATE (13 MARKETS)

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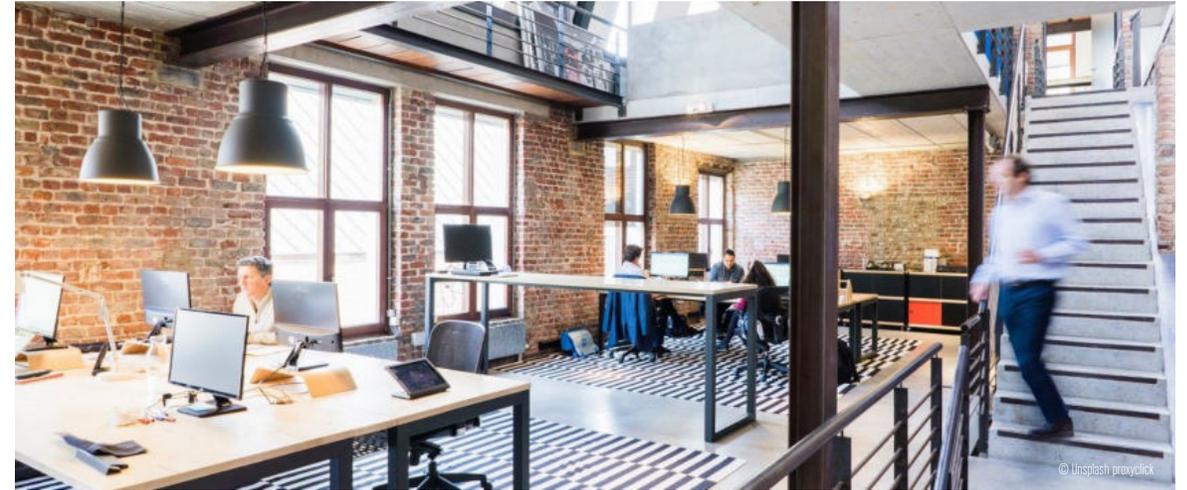


VACANCY

The overall European vacancy rate stood at **9.1%** at the end of the quarter, rising by **+55bp** compared to the same period last year.

Many European countries are seeing the transformation of office spaces into other uses. In Germany, high levels of demolitions/conversions - notably outside the City Centre - have occurred since 2021 and will **help reduce** vacancy in the coming years. Vacancy reduction could also be amplified by the ongoing **limited deliveries** of new offices.

In the most-sought-after districts, vacancy remains very low (2.5% in Barcelona CBD, 2.7% in Milan CBD, 3.3% in Munich CBD). In contrast, vacancy continues to climb in many peripheral office districts. This dichotomy highlights the requirement put on buildings by occupiers for central locations and transport connectivity. Second-tier assets remain vacant longer and are likely to be re-leased with higher incentives or, failing that, converted into other uses.



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Vacancy rate



Source: BNP Paribas Real Estate



BNP Paribas Real Estate continually works to produce indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. **Our goal is to actively contribute to market transparency.** Consequently, we present those definitions and indicators which are strictly comparable, so that our readers can understand BNP Paribas Real Estate market data.

Exchange Rates into € are the average value observed over the quarter.

LETTINGS & SALES

Take-Up represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period.

It does not include space that is under offer

- A property is deemed to be "taken-up" only when contracts are signed, or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or construction stage
- All deals (including pre-lets) are recorded in the period in which they are signed
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation
- Quoted take-up volumes are not definitive and are consequently subject to change.

The breakdown of take-up by business sector is compatible with the European NACE code.

Vacant space represents the total floor space in existing properties, that is physically vacant, ready for occupation in the next three months (this period covers fit-out time) and being actively marketed at the survey date. Vacancy includes sublet space (except in Germany), and where possible, vacant sub-let space is recorded separately.

Vacancy Rate represents the total vacant floor space divided by the total stock at the survey date.

Development Pipeline represents the total amount of floor space for all developments under construction and/or schemes including major refurbishments (see definition below) that have the potential to be built in the future. Proposed schemes must have secured planning permission but remain unimplemented at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use.

Completions represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

Under Construction represents the total amount of floor space in properties where construction has commenced on a new development or a major refurbishment at the survey date. It does not include sites being cleared for possible development in the future.

Property that is under construction but pre-let or for owner occupation is recorded separately where appropriate.

Major Refurbishments represents refurbishments, where building work must involve either structural alteration, and/or the substantial replacement of the main services and finishes. The quality of the floor space must have been substantially improved from its previous condition to offer accommodation of a modern standard – although not necessarily to the standard of a completely new building.

Prime Rent represents the top open-market rent at the survey date for an office unit:

- of standard size commensurate with demand in each location
- of the highest quality and specification
- in the best location in a market

Actual transactions are used to support the headline prime rental quoted, but one-off deals, which do not represent the market, are disregarded. If there are no prime transactions during the survey period a hypothetical rent is quoted, based on expert opinion of market conditions.

Central London includes the following districts: West End, Midtown, City, Docklands, Southbank, Western Fringe and Northern Fringe.

Central Paris includes the following districts: CBD, Paris out of CBD, La Défense, Western Crescent and Inner Rim.

INVESTMENT

Commercial Real Estate Investment volume covers all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period. It includes **office buildings, retail, industrial and logistic warehousings, hotels** and others (healthcare, senior housing, data centres, life science, leisure, car parks, parts of portfolio which can not be split up by product and development sites). This classification is applicable to Pan-European studies; however local market practices may vary across countries. Quoted investment volumes are not definitive and are consequently subject to change.

Initial Net Yield is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

Prime Yield represents the low open-market yield at the survey date for an office unit. Its calculation follows the same rule as the prime rent.



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H1 2025

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