REVIEW

OFFICE MARKET

EUROPE Q1 2026

RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

Q1 2026 OFFICE MARKET EUROPE

Office letting activity slowed in the first quarter of 2026, with take-up declining by 16% compared with Q1 2025, due to a lack of large-scale transactions.

Against an uncertain economic and financial backdrop, occupiers continue to favour smaller and high-quality space.

1.67 M sqm
TAKE-UP -18 CITIES (Q1 2026) **-16% y/y**

Significant deals Q1 2026

TENANT / SECTOR	LOCATION	SQM
Dassault Systèmes Technology, media and communication	Greater Paris	23,400
JetBrains Technology, media and communication	Munich	21,000
DZ Bank AG Banking, financial services	Frankfurt	20,800
E.ON Manufacturing and construction	Munich	20,500
Comune di Roma Public administration	Rome	8,000

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TAKE-UP

Office take-up across the 18 main European markets totaled 1.67 million sqm in Q1 2026, marking a 16% decline year-on-year. Activity is also 16% below the five-year average, reflecting contraction in large-scale transactions across many markets.

The **six main German markets** started 2026 with take-up down 12% year-on-year. Munich led the ranking (172,000 sqm, +26% vs Q1 2025), supported by three deals above 20,000 sqm, followed by Berlin, which also recorded strong momentum (146,000 sqm, +42%). Hamburg ranked next, though take-up was considerably lower (91,000 sqm, -18%), while Frankfurt failed to match the exceptional level reached in Q1 2025 (82,000 sqm, -60%).

Take-up in **Central Paris** declined by 23% year-on-year (-17% versus the 5-yr average), amounting to 308,000 sqm. The large-unit segment (>5,000 sqm) slowed particularly sharply (-48%).

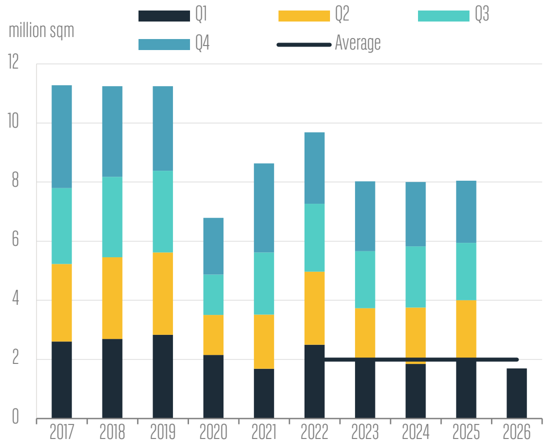
Central London take-up reached 242,000 sqm in Q1 2026, down 15% year-on-year. Activity remained strong in developing markets such as Southbank, which recorded its most active quarter since the pandemic, while core markets like the West End showed signs of recovery, with take-up up 23% year-on-year following a muted 2025.

Barcelona recorded Q1 2026 office take-up in line with its five-year average (72,000 sqm, +34% y/y), while **Madrid** saw a slowdown to 95,000 sqm (-25% y/y).

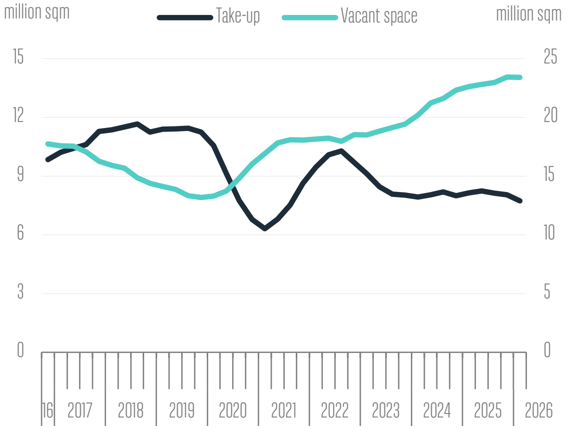
In Italy, **Milan** recorded a 36% decrease in take-up in Q1 2026. By contrast, **Rome** experienced an 11% increase in transactions. Activity in both markets remains around one third below the five-year average.

Brussels and **Dublin** recorded similar take-up volumes (37,000 sqm), up by +11% and +21% respectively.

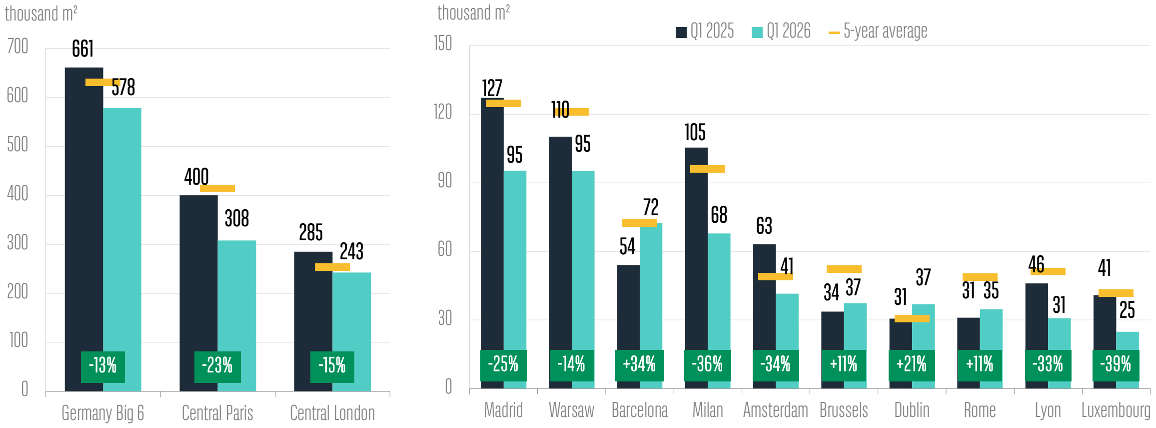
Office take-up
Europe - 18 cities



Office cycle (rolling year)
Europe - 18 cities



Office take-up by market



Source: BNP Paribas Real Estate Research

KEY FIGURES

+10.3% vs. Q1 2025
BARCELONA PRIME RENT

+4.2% vs. Q1 2025
PRIME RENTS (main markets)

+2.4% vs. Q1 2025
NET EFFECTIVE AVERAGE RENTS (main markets)

The gap between prime and average rents is widening, highlighting an increasing polarization in the office market.

Prime rents remain supported by strong demand for top-quality space, while average rents are growing more slowly due to a weaker demand for secondary locations and the need for higher incentives.

This trend may moderate over the medium term, as fewer occupiers are willing to absorb higher rental levels.

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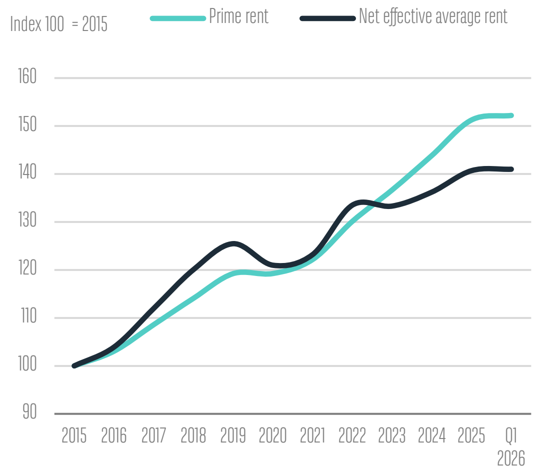
RENTS

Prime office rents across Europe continue to rise, supported by very limited Grade A supply and sustained demand for high-quality buildings in the most sought-after locations. However, Q1 2026 data suggest that this upward trend may begin to soften in several markets.

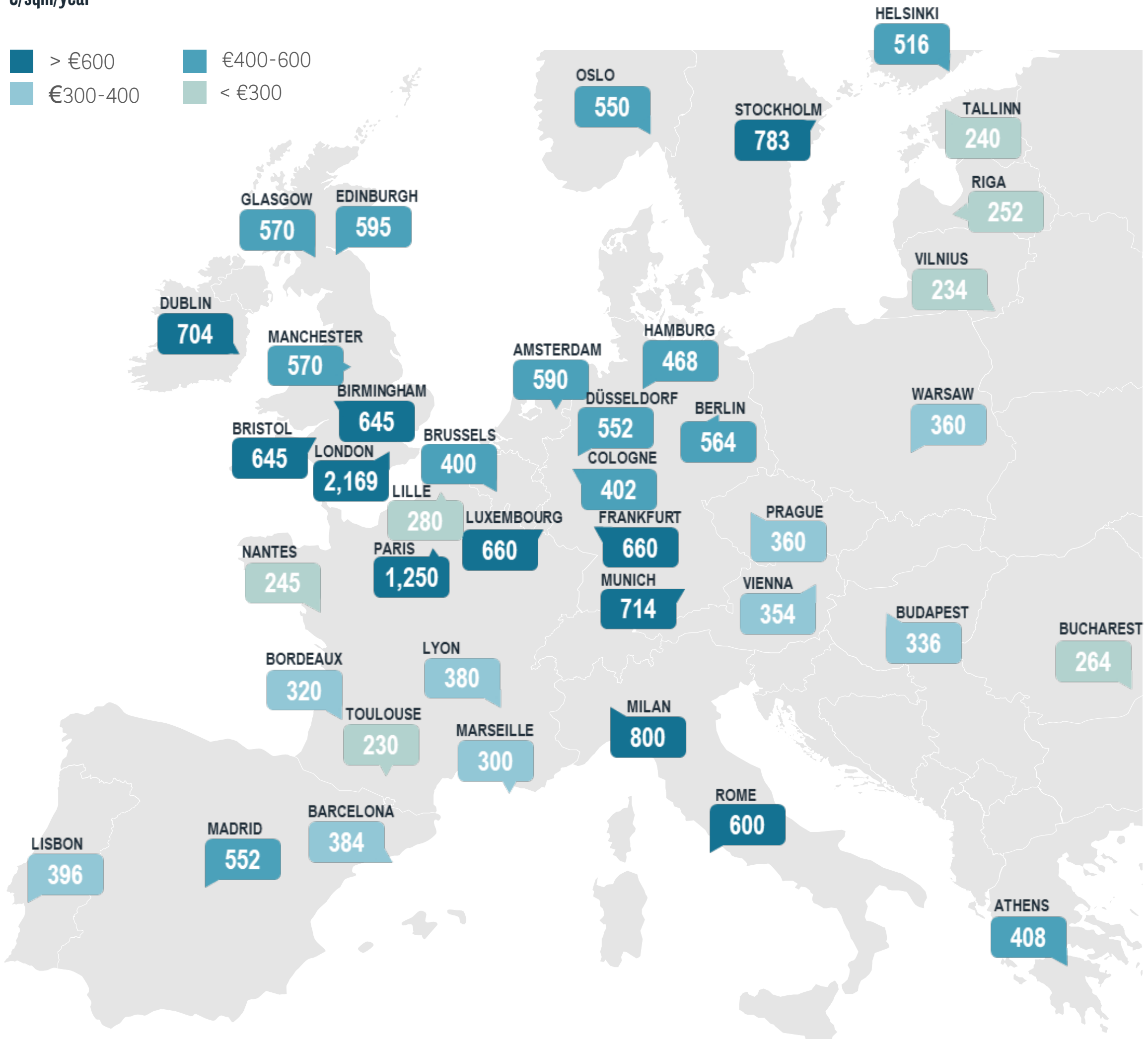
Over the past 12 months, prime rental growth has been particularly strong in Barcelona (+10%), Milan and Madrid (+7%) and Central London (+6%).

The scarcity of modern space in central locations is pushing some occupiers towards more affordable fringe markets, especially where rental discounts versus CBDs are significant.

However, in the context of hybrid working, cost savings alone are insufficient: fringe locations must also offer strong transport connectivity and a clear identity to attract demand. Where these conditions are met, selected fringe markets may continue to see rental growth.



Office prime rents in Europe
€/sqm/year



Source: BNP Paribas Real Estate Research

Q1 2026 OFFICE MARKET EUROPE

Vacancy continues to rise across Europe, reflecting subdued occupier demand rather than excess supply, with Central London and Madrid standing out.

9.3% +25 bp vs Q1 2025
VACANCY RATE (34 MARKETS)

5.6%
CBD AVERAGE VACANCY RATE (13 MARKETS)

11.2%
NON-CBD AVERAGE VACANCY RATE (13 MARKETS)

VACANCY

At the end of Q1 2026, the overall European vacancy rate reached **9.3%,** representing an increase of 25 basis points year-on-year. Rises in vacancy are unlikely to be driven by new supply, as development activity remains constrained and a significant proportion of upcoming schemes has already been pre-let.

While vacancy rates are rising across most markets, Central London and Madrid stand out, having recorded declines in vacancy rates of 110 bps and 65 bps respectively.

Vacancy levels remain highly polarized geographically. In prime CDBs, availability continues to be tight, with vacancy rates standing at 1.2% in Barcelona CBD (-180 bp), 3.5% in Milan CBD (+35 bp), 3.5% in Munich CBD (+20 bp). By contrast, vacancy continues to increase across many peripheral submarkets, reflecting weaker occupier demand and a growing mismatch between available space and tenant requirements.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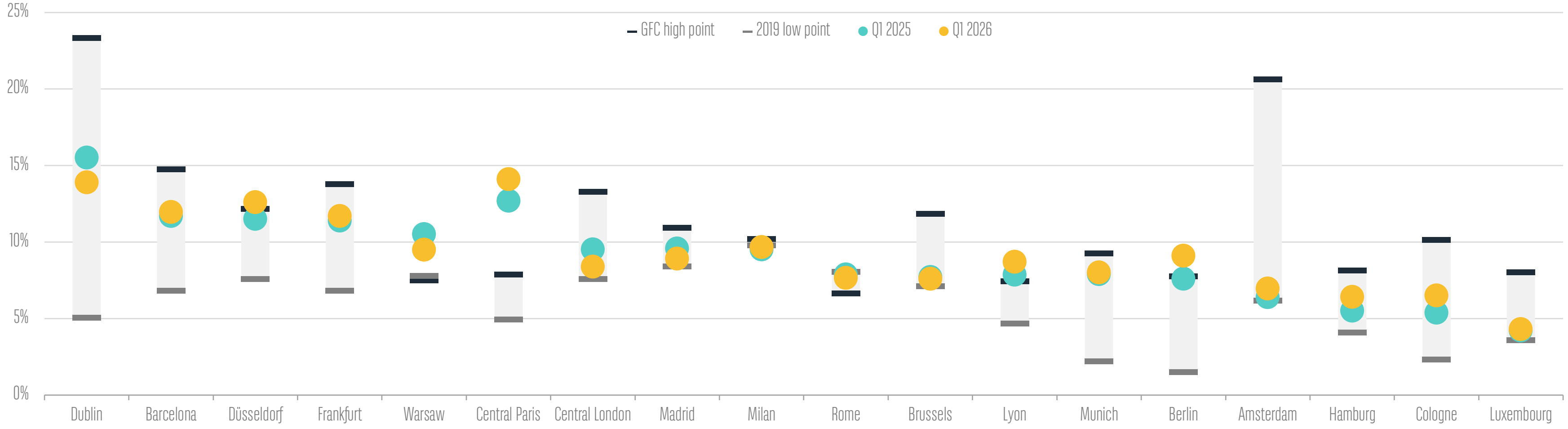
Vacancy rate



Source: BNP Paribas Real Estate Research

GLOSSARY

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 warehousing, 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.

CONTACTS

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