

PRESS RELEASE

EUROPEAN OFFICE MARKET: A CAUTIOUS START TO THE YEAR FOR BOTH OCCUPIERS AND INVESTORS

Following a rebound in confidence at the end of 2025, the European office market stalled in Q1 2026. In a context of economic and geopolitical uncertainty, take-up declined by 16% year-on-year, driven by a slowdown in large transactions, while investment volumes fell by 13%. The start of the year has been marked by caution, with both occupiers and investors adopting a more selective approach.

Leasing activity slows in Q1 2026

In the first quarter of 2026, leasing activity across Europe declined by 16%. Total take-up reached **1.67 million sqm** across the 18 main European markets*, significantly below the five-year average (-16%). This contraction is primarily due to a drop in transactions above 5,000 sqm across many markets.

In an uncertain economic and financial environment, occupiers are taking a more cautious stance, with a growing preference for smaller spaces and higher-quality buildings.

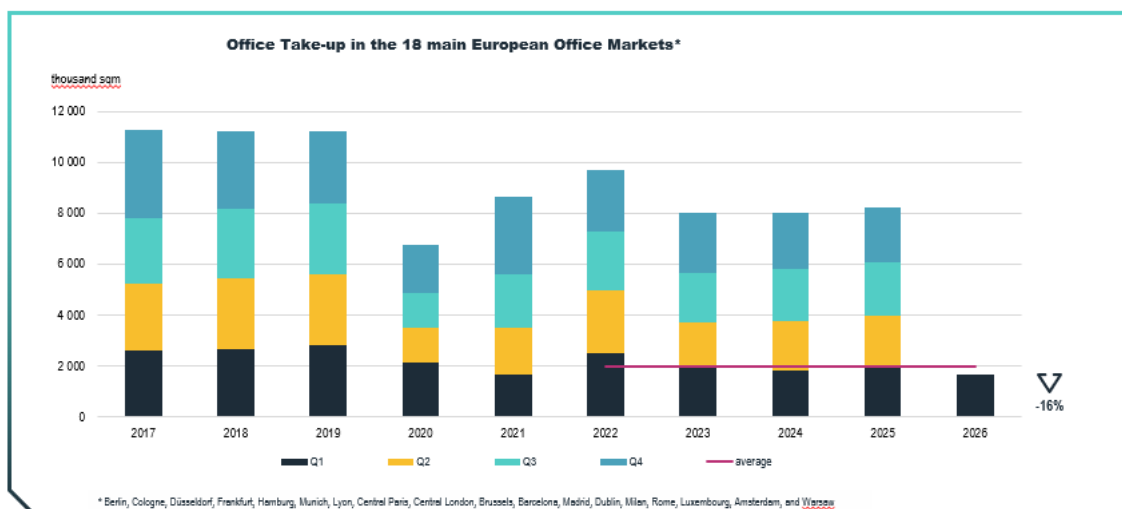
Take-up declined in **Paris** and **London** (-23% and -15% respectively). The six main German markets followed a similar trend, with an overall decrease of 12%, although performances vary between cities. **Munich** stood out, with take-up reaching **172,000 sqm in Q1** (+26% year-on-year), its highest quarterly level since 2022, supported by three transactions above 20,000 sqm. **Berlin** also performed strongly, with **146,000 sqm** transacted, up **42% year-on-year**.

Elsewhere in Europe, trends remained mixed: **Milan** and **Madrid** recorded significant declines (-36% and -25%), while **Barcelona** (+34%), **Dublin** (+21%), **Rome** (+11%) and **Brussels** (+11%) posted growth, highlighting a heterogeneous recovery across markets.



Office Take-Up in Europe

Letting volumes slowed in Q1 2026



Rising supply further reinforces market polarization

Office supply continued to increase across Europe, albeit unevenly. At the end of March 2026, the average vacancy rate reached **9.5%**, up 30 basis points year-on-year, despite limited new deliveries.

This trend reflects a growing imbalance between supply and demand and masks significant disparities between locations. Central business districts (CBDs) continue to benefit from constrained supply, particularly for modern, high-quality buildings, while vacancy rates are rising more sharply in peripheral areas and in older stock.

Average vacancy rates stand at **5.6% in CBDs**, compared with **11.2% in secondary markets**. This widening gap highlights increasing market polarisation and confirms occupiers' preference for central locations offering strong transport accessibility.

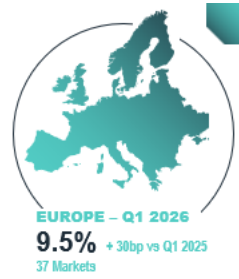
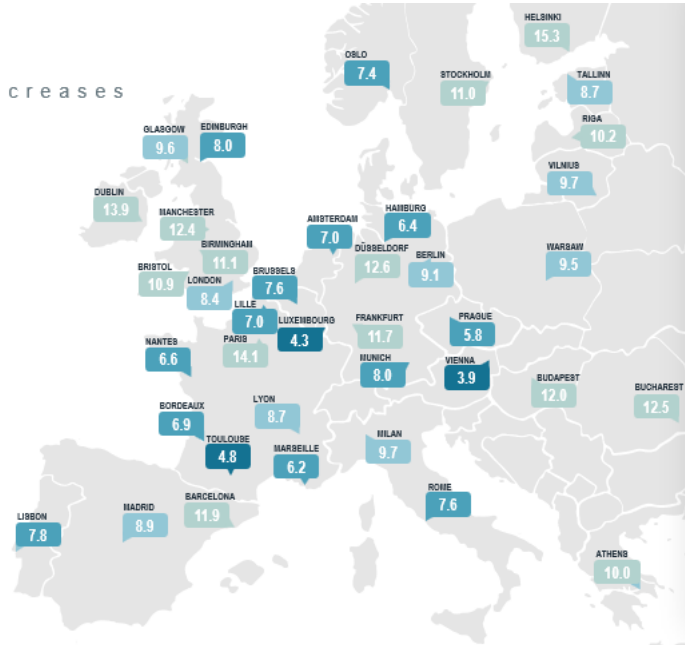


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Office Vacancy Rate

Available Space Increases



Source: BNP Paribas Real Estate Research

Prime rents continue to rise, but momentum may moderate

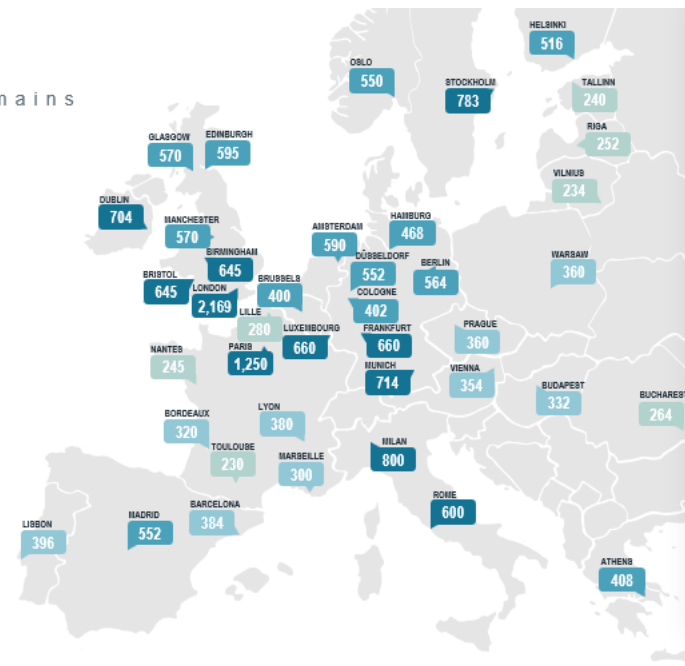
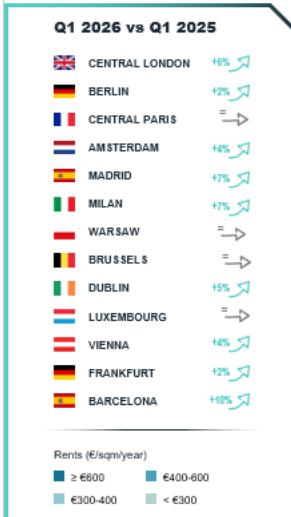
Prime office rents continued to increase in most major European cities, supported by the limited availability of new space in central locations.

Southern European markets stand out, with significant increases in **Barcelona (+10%)**, **Madrid and Milan (+7%)**, and **Rome (+4.5%)**. Over a 12-month period, **London** also recorded a notable increase (+6%).

However, Q1 2026 data suggests that rental growth may start to slow in several markets. Faced with high rental levels, some occupiers are increasingly considering secondary locations, provided they offer both accessibility and quality, which could help ease pressure on prime rents.

Office Prime Rents

Rental Growth Remains Strong



Source: BNP Paribas Real Estate Research

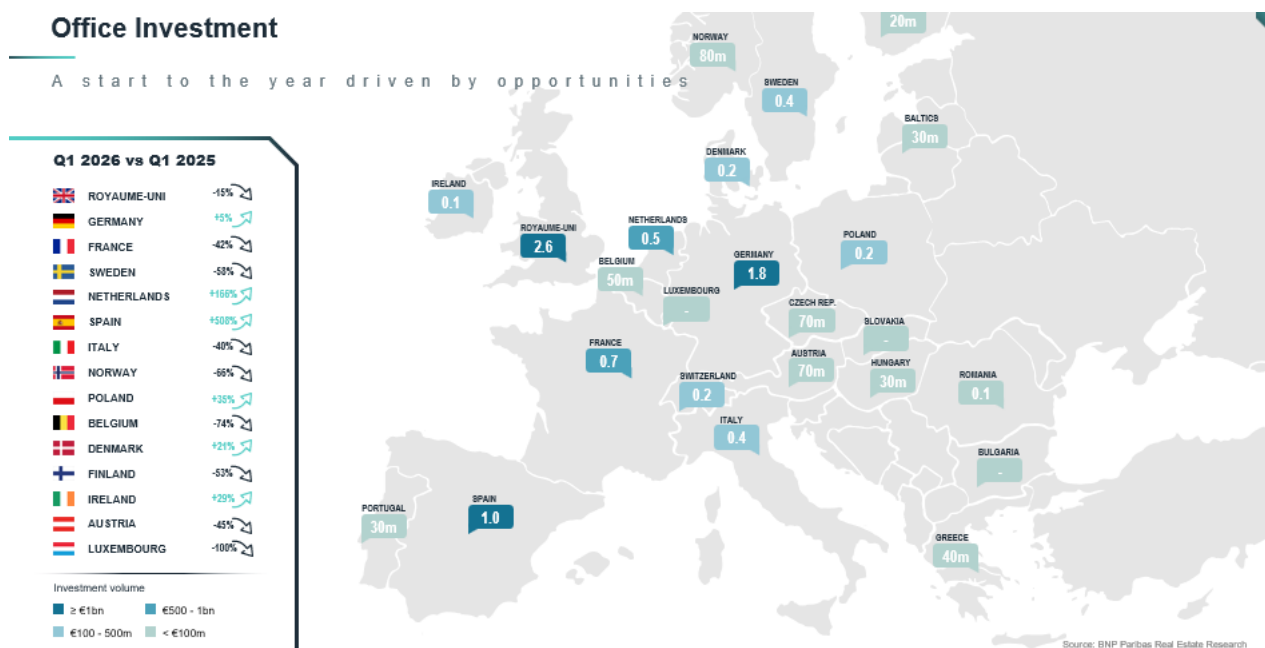
Investors adopt a wait-and-see approach amid uncertainty

In a context of renewed macroeconomic uncertainty (particularly regarding energy markets) inflationary pressures may re-emerge, while growth prospects in Europe are being revised downward. Against this backdrop, the real estate market remains resilient but has entered a phase of cautious observation.

While investors are adopting a more selective approach in the short term, market fundamentals remain solid, and demand for high-quality assets continues to support activity.

In Q1 2026, more than **€36 billion** was invested across Europe, representing a limited decrease of 7% year-on-year. On a rolling 12-month basis, volumes are up by 10%, in line with the momentum observed at the end of 2025. The slowdown at the start of the year reflects a pause rather than a market downturn.

The office sector mirrors this trend, with investment volumes declining by 13% to **approximately €9 billion**. This moderation reflects both a return to more normal activity levels after a strong end to 2025 and varied trends across markets. Cities such as **Amsterdam** and **Madrid** have shown relative resilience, maintaining solid levels of activity.



Contrasting dynamics across European markets

Market performances vary significantly across countries:

- **France** recorded a sharp decline (-42%) following a strong 2025, although Paris remains highly attractive and continues to concentrate most transactions.
- **The UK** saw a more moderate correction (-15%), with London maintaining its position as Europe's leading investment market.



- Germany stood out positively, with investment volumes rising by 5%, supported by a more favourable market sentiment.

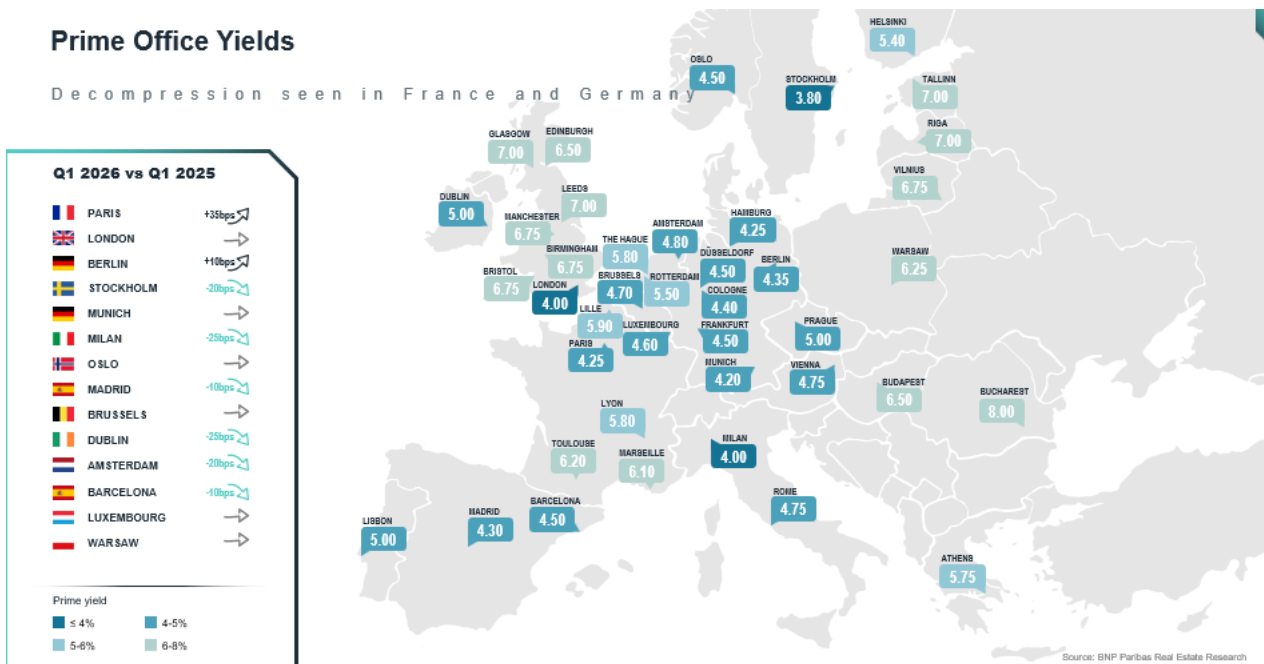
Peripheral markets gained momentum: the Netherlands (+166%) and Spain (more than €1 billion invested, fivefold increase year-on-year) illustrate the strong return of investors, while Ireland confirmed its recovery.

Yield adjustments remain limited despite financial uncertainty

Central banks are operating in an increasingly uncertain environment, with renewed inflationary pressures linked to geopolitical tensions, raising the prospect of further interest rate hikes. In this context, real estate yields have remained broadly stable, although there are signs of slight upward pressure in some markets, notably in **Paris (4.25%)** and **Berlin (4.35%)**.

“Markets have already largely priced in adjustments in valuations in a context of tighter financing conditions. While current uncertainties may still trigger temporary fluctuations in yields, these adjustments should remain limited in both scale and duration,” said **Etienne Prongué, Head of International Investment Group (IIG) at BNP Paribas Real Estate**.

At the same time, increased investor selectivity continues to shape the market, with a clear preference for core assets in the most liquid markets. Prime rental growth remains a supporting factor, helping to mitigate the impact of potential further yield adjustments.



*Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Lyon, Central Paris, Central London, Brussels, Barcelona, Madrid, Dublin, Milan, Rome, Luxembourg, Amsterdam, Warsaw

About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: Property Development, Transaction, Consulting, Valuation and Property Management. BNP Paribas Real Estate as a one stop shop company, supports owners, leaseholders, investors and communities thanks to its local expertise across 23 countries, spanning Europe (direct presence and Alliance network), Asia (platforms) and North America (Alliance network). BNP Paribas Real Estate is a part of the BNP Paribas Group, a global leader in financial services.

As a committed stakeholder in sustainable cities, BNP Paribas Real Estate intends to spearhead the transition to more sustainable real estate: low-carbon, resilient, inclusive and conducive to wellbeing. To achieve this, the company has developed a CSR policy with four objectives: to ethically and responsibly enhance the economic performance and use of buildings; to integrate a low-carbon transition and reduce its environmental footprint; to ensure the development, commitment and well-being of its employees; to be a proactive stakeholder in the real estate sector and to build local initiatives and partnerships.

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