REVIEW

OFFICE MARKET

EUROPE Q1 2025

RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

Q1 2025 OFFICE MARKET EUROPE

Office letting activity held firm in the first quarter of 2025, with take-up rising by 6% compared to the same period last year. The market remains characterized by a limited volume of large-scale transactions. With economic uncertainty, occupiers continue to favour smaller, high-quality space.

1.99 M sqm +8% y/y

TAKE-UP -18 CITIES (Q1 2025)

Significant deals

QUARTER	TENANT / SECTOR	LOCATION	SQM
Q1	Commerzbank AG Banking, financial services	Frankfurt	73,000
Q1	Siemens AG Manufacturing and construction	Munich	33,000
Q1	JP MORGAN Banking, financial services	Paris CBD	16,000
Q1	Bonelli Erede Professional services	Milan	14,500
Q1	Enter Air Transport	Warsaw	9,845
Q1	Everyday Software Technology, media and communication	Barcelona	7,905

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TAKE-UP

Letting in the 18 main European office markets amounted to 1.99 million sqm over Q1 2025 (+8% year-on-year). This result is close to the 5-year average (-2%). Uncertainty about the direction of the global economy, particularly with the new incoming US administration, took the edge off business confidence in Q1.

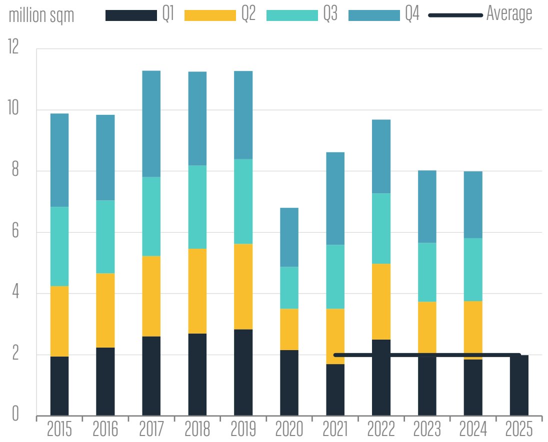
The six main German markets started 2025 with take-up rising by 14% compared to Q1 2024, despite a persistent gloomy economic background. Some markets experienced positive momentum, led by Frankfurt (204,000 sqm, +71%) which has recorded its highest Q1 level. Cologne (67,000 sqm, +139%) and Hamburg (111,000 sqm, +37%) also showed significant improvement while others slowed: Munich (137,000 sqm, -2%), Berlin (103,000 sqm, -29%), and Düsseldorf (39,000 sqm, -39%).

Take-up in Central Paris was down by 6% compared to last year (and to the five-year average), representing 388,000 sqm. The large-unit segment (> 5,000 sqm) remained the most affected segment (-24%). Paris CBD (+13% y.o.y) is in line with its 5-year average (+1%).

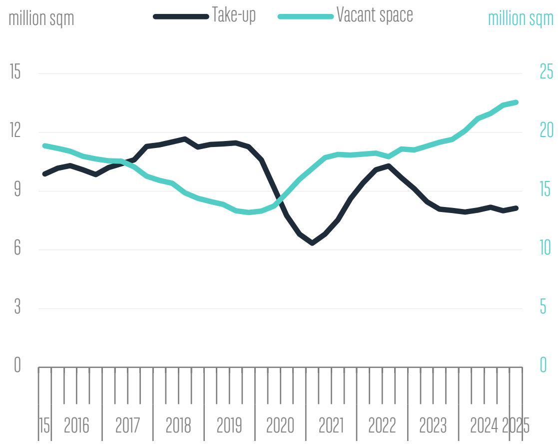
Central London take-up amounted to 292,000 sqm in Q1 2025, increasing significantly by 30% vs Q1 2024, driven by a strong rebound in submarkets such as West End (+81% y.o.y) and King's Cross (+76% y.o.y). Professional Services was the most active tenant sector in Q1 2025 accounting for 25% of market share, directly followed by Banking and Finance at 22%.

Despite mixed results, Q1 volumes exceeded the 5-year average in Madrid (127,000 sqm, -5% y.o.y) and in Milan (103,000 sqm, +11% y.o.y).

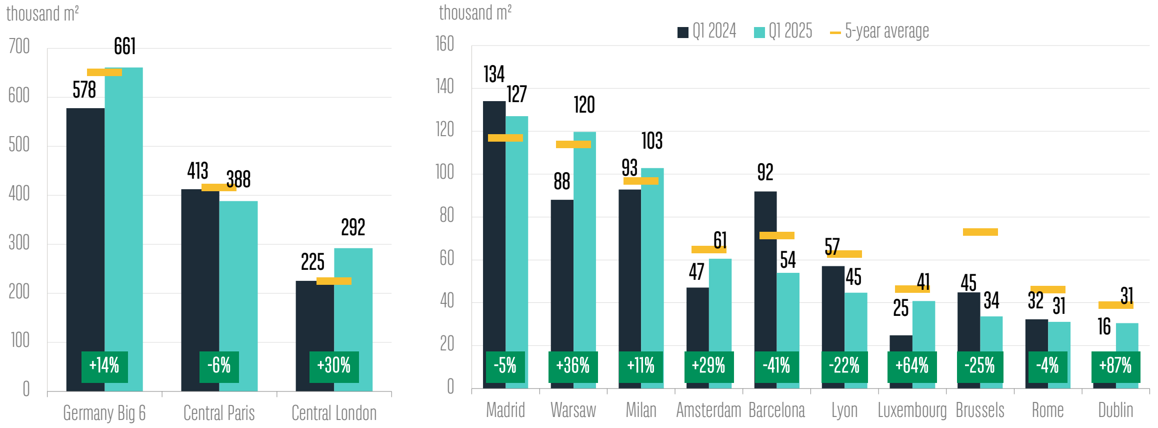
Office take-up
Europe - 18 cities



Office cycle (rolling year)
Europe - 18 cities



Office take-up by market



Source: BNP Paribas Real Estate

Q1 2025

OFFICE MARKET EUROPE

KEY FIGURES

+14% vs. Q1 2024
FASTEST GROWING PRIME RENT: BRUSSELS

+5.1% vs. Q1 2024
PRIME RENTS (main markets)

+5.0% vs Q1 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.

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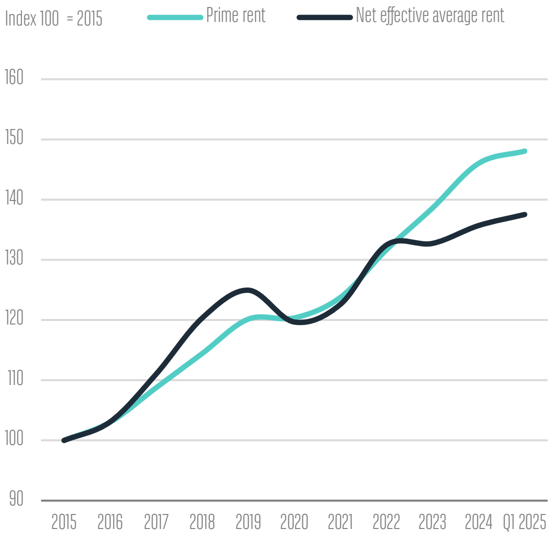
RENTS

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.

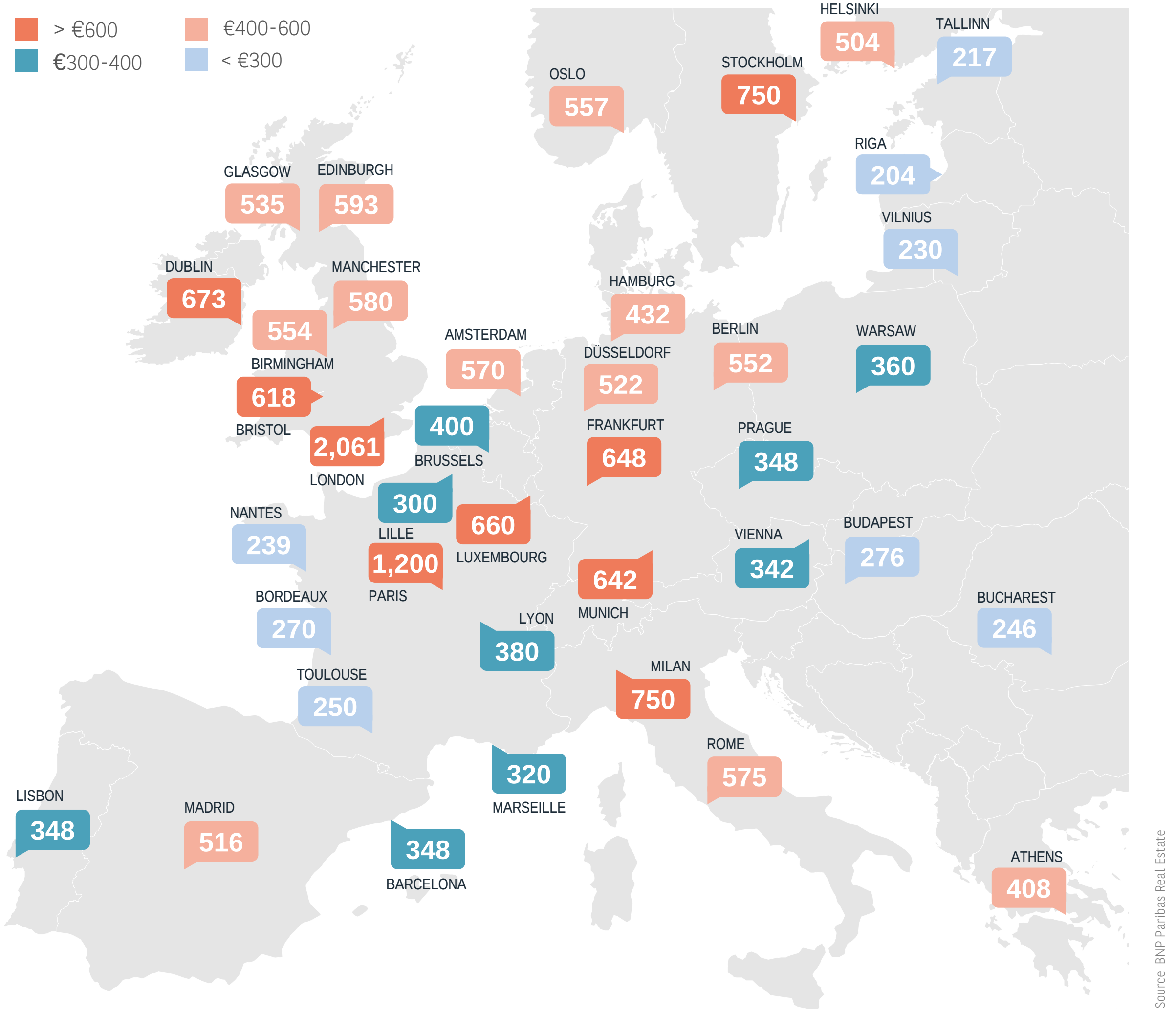
Over the past 12 months, Brussels (+14%), Central Paris (+12%), Frankfurt (+10%), Rome (+8%) and Milan (+7%) have seen the most significant increases in values. Some French regional markets also recorded interesting increases such as Bordeaux and Lyon (+12%).

The flight to centrality remains the norm. 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.



Office prime rents in Europe

€/sqm/year



Low availability prevails in central submarkets, particularly for new buildings that secure demand.

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

9.1% +70 bp vs Q1 2024
VACANCY RATE (35 MARKETS)

5.3%
CBD AVERAGE VACANCY RATE (13 MARKETS)

10.6%
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 +70bp compared to the same period last year.

Vacancy expansion in numerous markets is the consequence of growing geographical and quality mismatch in supply and demand.

Within the main European markets, contrasting patterns are also visible between districts. In the most-sought-after districts, availability remained very low (2.8% in Milan CBD, 3.0% in Barcelona CBD, 3.2% in Munich CBD, 4.2% in Paris 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.


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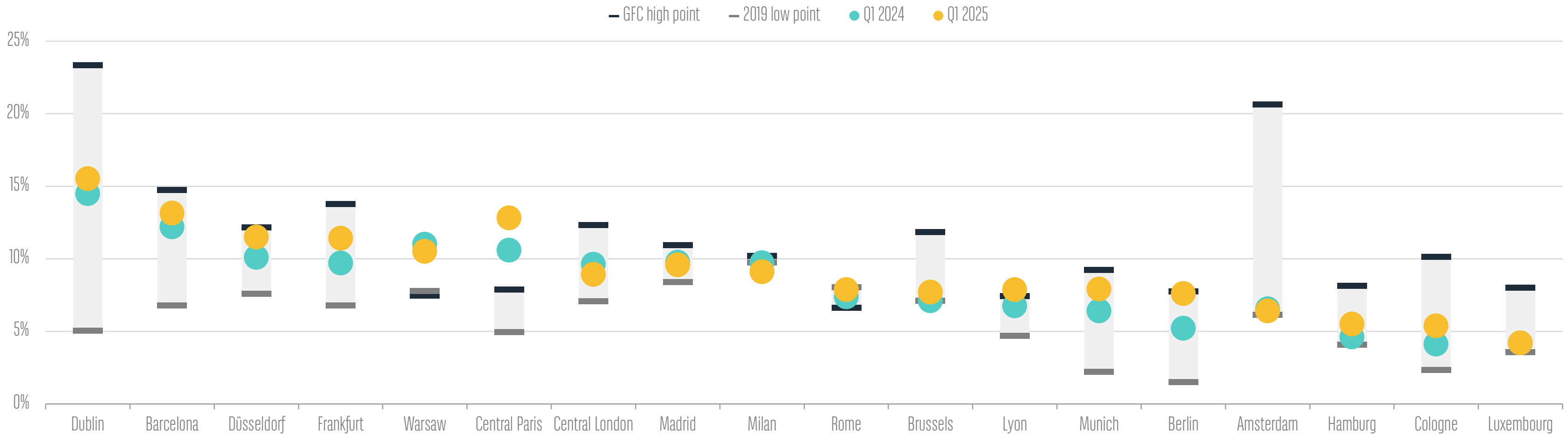
Vacancy rate



Source: BNP Paribas Real Estate

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 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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