

SPOTLIGHT

EUROPEAN OFFICE LEASING

Commercial - European Offices – Q3 2026

KEY THEMES

European office take up reached 5.5m sq m during Q1-Q3 2026, down 3% YoY, and 4% down on the five-year average.

Prime CBD office rents grew by an average of 4.4% YoY in Q3 2026.

Since 2020, average prime non-CBD rents have risen by 17%, and average secondary CBD rents have risen 12%.

RESEARCH

European leasing activity expected to remain stable YoY



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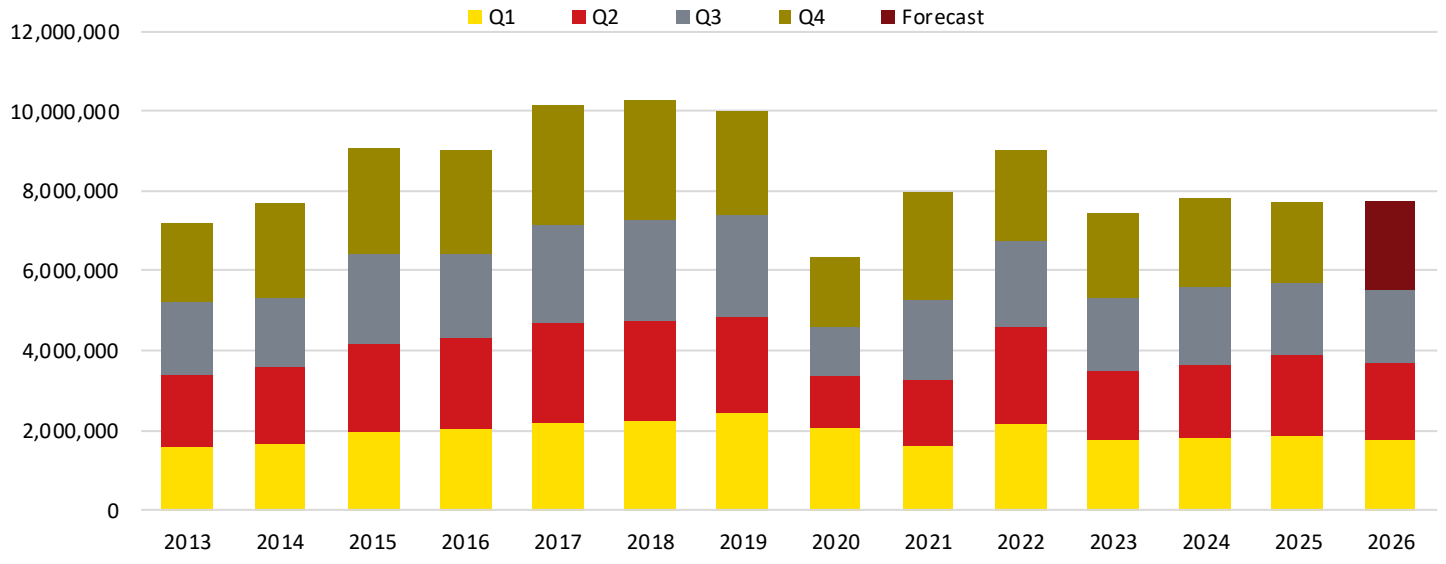
European office take up reached 5.5m sq m during Q1-Q3 2026, down 3% YoY, and 4% down on the five-year average, as larger office leasing deals took longer to complete amid elevated levels of geopolitical uncertainty. Occupiers remain in cost-control mode, as they manage energy price volatility arising from the US/Iran war. Brent Crude oil prices rose to as high as $116 per barrel during October, before easing back to around $95 per barrel by mid-November. Eurozone interest rates rose to 2.50% during September 2026, with a further rise to 2.75% anticipated in December 2026, and potential for a further rate rise to 3.00% in Q1 2027, according to Oxford Economics, which could serve to delay occupier capex spending.

During Q1-Q3, Dublin performed strongest against its five-year average level of demand, as it continues to benefit from an expansion from AI occupiers taking space- OpenAI took a further 7,500 sq m in Dublin, whilst Klaviyo signed for 5,300 sq m.

London City and West End continue to outperform their five-year average levels of demand. Overall Central London leasing activity in Q3 demonstrated continued occupier confidence, with three transactions exceeding 10,000 sq m, accounting for just over a quarter of space acquired. The largest transaction of the quarter, and the year so far, was Jane Street's 43,000 sq m pre-let at One Spitalfields, Bishops Square, on a 20-year lease, with occupation expected in 2029. In Berlin, the largest transaction was a 40,000 sq m letting to BVG (Berliner Verkehrsbetriebe), Berlin's public transport operator, which will consolidate several existing locations into one single site.

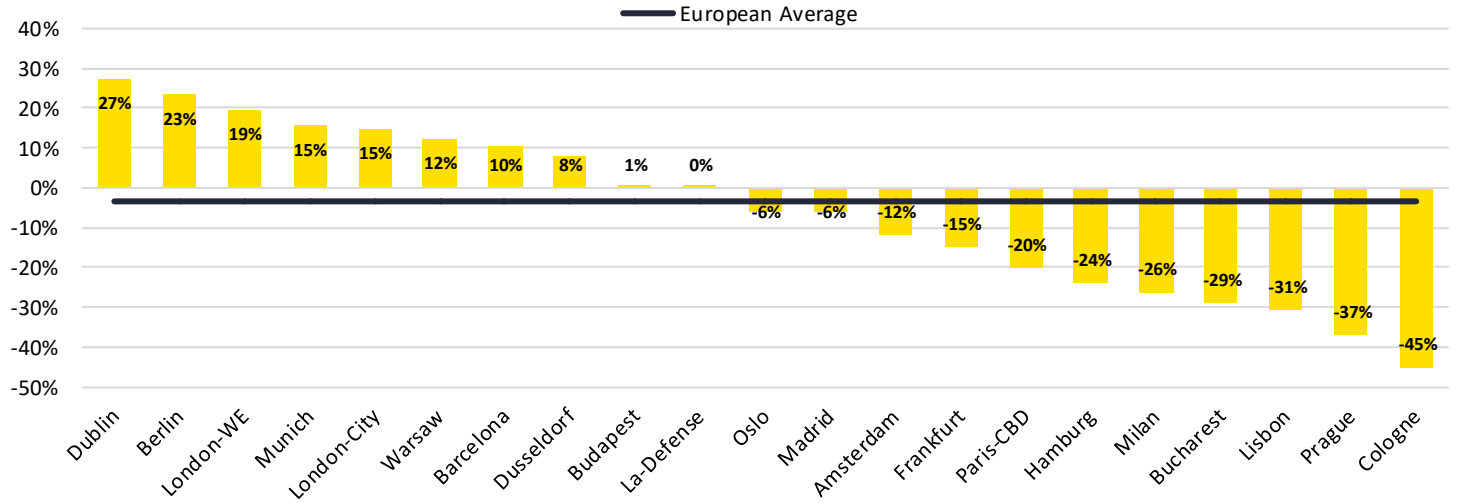
Businesses remain uncertain around the potential impact of AI on their future headcount requirements. However, Savills analysis indicates that even once controlling for future GDP growth prospects, countries with higher business AI adoption rates are **more** positive on hiring than those countries with lower AI adoption rates. The tech sector has benefitted as a result of increased corporate funding to AI companies, rising from 14% of European office take up in H1 2025, to 22% in H1 2026.

European office take up (sq m)



Source: Savills

European office take up Q1-Q3 2026 vs five-year average



Source: Savills

Average prime office rents rise by 4.4% YoY

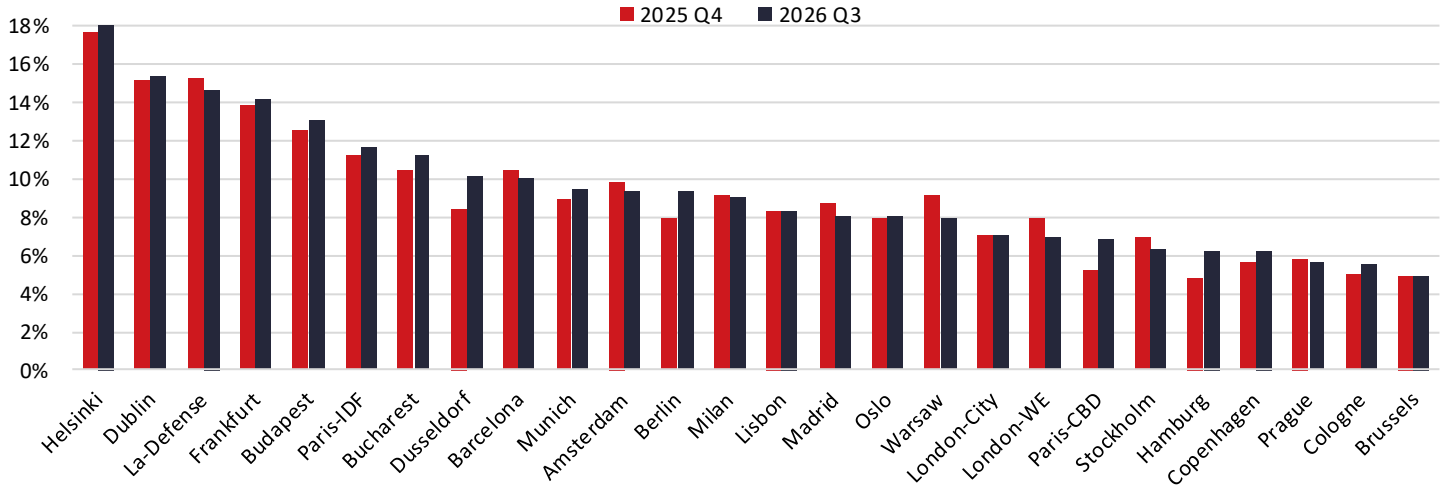
Overall, there remains a healthy pipeline of requirements, and we expect overall European leasing activity in 2026 to remain in line with last year, as occupiers finalise deals before year end. For all the geopolitical uncertainty, Europe's economic growth has remained positive, but modest, with Oxford Economics upgrading its 2026 Eurozone growth forecast from 0.9% to 1.1%. Into 2027, GDP growth is expected to rise to 1.2%, driven by small increases in France and Germany, whilst CEE is expected to perform the strongest, followed by Southern Europe and the Nordics. European employer hiring sentiment is currently at its highest level since January, although it remains significantly lower than the levels recorded during 2022/23. All else equal, this should help support a modest increase in take up in 2027.

Average European office vacancy rates remained stable at 9.5% through 2026. Over the course of 2026, increases across the German top 6 cities and Paris CBD have been offset by falls in Madrid, Barcelona, London WE and Warsaw. Average CBD vacancy rates hover around the 5% mark, whilst prime CBD vacancy rates average circa 2-3%, providing upward pressure on prime rents for well-located central space.

From a development perspective, higher inflation and energy costs will further push back new starts, with stronger rental growth or additional yield compression required to provide sufficient profit for developers. In the meantime, asset managers renovating older CBD stock to prime will stand to benefit from a more subdued development pipeline.

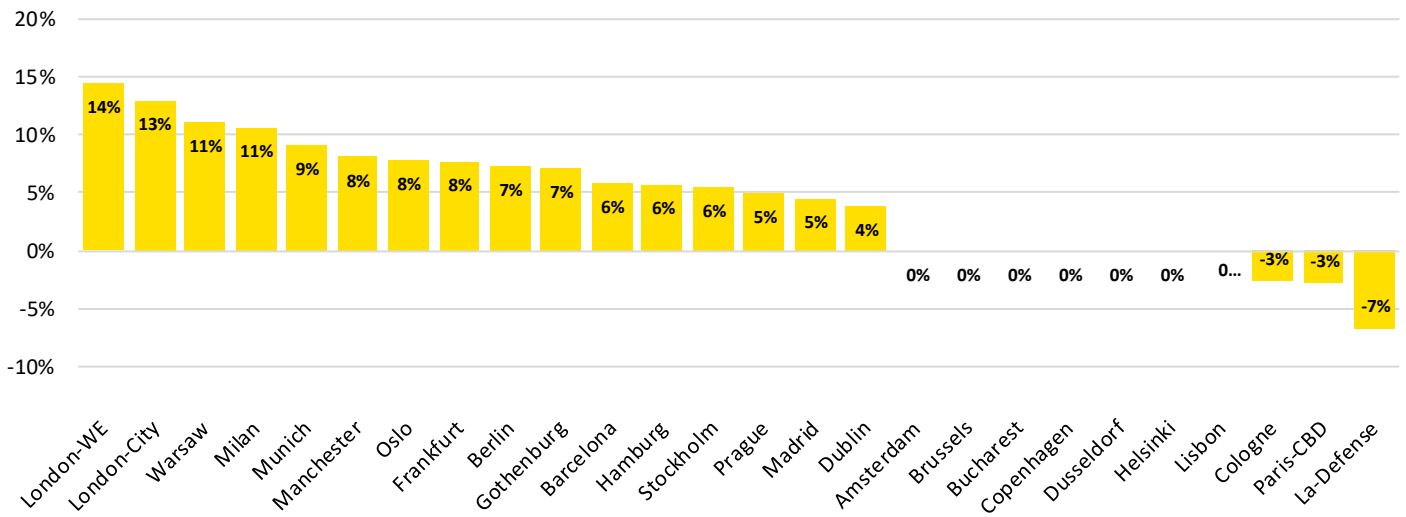
Prime CBD office rents grew by an average of 4.4% YoY in Q3 2026, lifted by London City (+14%), London West End (+13%) and Warsaw (+11%) given lower vacancy rates and resilient international occupier activity. On top of this, average fit-out costs rose by 6% YoY across European markets, which continues to extend occupier decision making periods.

European office vacancy rates (%)



Source: Savills

European prime office rental growth (% YoY)



Source: Savills

ABBA office rents analysis: Time to take a chance on non-CBD?

The pandemic marked a turning point for office occupier preferences, as location and quality of buildings have become more important for occupiers to attract and retain talent. More occupiers are therefore competing for fewer prime buildings across European CBD office markets. As such, prime CBD rents have risen by 22% since the start of 2020.

So where have landlords observed the strongest rental growth- Grade A assets in Grade B locations (AB), or Grade B assets in Grade A locations (BA)? Across a sample of 14 European office markets, average prime non-CBD rents have risen by 17% and average secondary CBD rents have risen 12% over the same period.

Particularly in markets where minimum energy efficiency regulations are most mature, prime non-CBD rents have outperformed secondary CBD rents since Q1 2020, by 50 percentage points (pp) in London and by 12pp in Amsterdam. Secondary CBD rents have outperformed prime non-CBD most significantly in Milan (33pp) and Warsaw (28pp) over the same period. In Paris CBD, prime rental growth has outperformed non-CBD by 27pp over the same period, whilst secondary CBD stock has outperformed prime non-CBD by 6pp.

Of course, Grade B location can vary significantly between cities: broadly, it refers to established office districts outside the prime CBD core, with good but not best-in-class connectivity and amenities, but what qualifies as "Grade B" in a large, multi-nodal market such as London or Paris will look very different to a smaller, more compact city such as Amsterdam or Stockholm.

So, what does this mean for landlords?

With prime CBD vacancy rates so low and development constrained by higher costs, rental growth continues to surpass expectations, and occupiers are likely to be forced to seek alternatives.

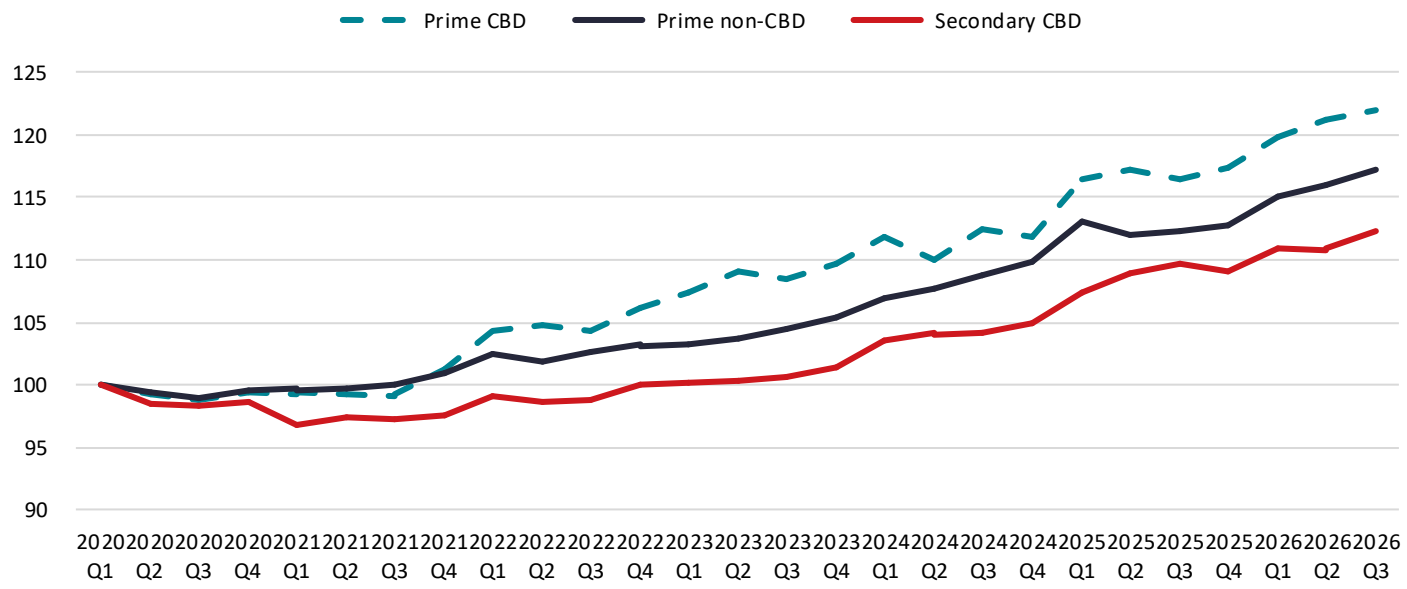
Asset managers looking to upgrade secondary CBD to prime will be rewarded through rental uplift. Landlords seeking to upgrade brown to green CBD offices will clearly require money, money, money. Despite refurbishments costs remaining at elevated levels, Savills analysis indicates that the average payback period of upgrading secondary CBD to prime across Europe has fallen by a third since 2019.

My, my, how can I resist you?

The non-CBD opportunity is becoming compelling. As we head into 2027, occupiers seeking new space may be forced to look to edge of core/ periphery markets. Non-CBD yields remain elevated, which should create value for landlords where there is good connectivity to the city core, a strong amenity offering and well-established tenant mix.

With prime CBD space scarce and refurbishment costs still high, landlords who upgrade secondary CBD stock or back well-connected, high-quality non-CBD assets now should be best placed as occupiers look beyond the core. In this market, the winner takes it all.

European office rent index by location/quality (2020 Q1=100)



Source: Savills

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