

The Savills logo, consisting of the word "savills" in a lowercase, sans-serif font, is positioned within a bright yellow rectangular box at the top center of the page. The background of the entire page is a photograph of a modern, multi-story office building with a grid-like facade of concrete columns and large glass windows. The building's architecture is clean and minimalist, with a light-colored concrete finish. The windows reflect the surrounding environment, including trees and other buildings. The overall tone of the image is professional and contemporary.

SPOTLIGHT

# EUROPEAN OFFICE LEASING

Commercial - European Offices - Q4 2025

## KEY THEMES

European office take up remained stable year-on-year during 2025 and is forecast to rise by 3% in 2026.

European office vacancy rates rose by 40 bps YoY to 9.0%, although remained stable on a quarterly basis.

Average rent-free periods for European prime office space fell over the course of 2025.

RESEARCH

# 2026 take up to rise 3% YoY



**Mike Barnes**  
European Office Research Director

## Economic overview

The Eurozone economy continues to chug along, with GDP growth forecast at 1.1% in 2026 and 1.6% in 2027, according to Oxford Economics. Across Europe, CEE and Southern European economies are expected to record the strongest GDP growth in 2026, driven by stronger domestic demand and investment. Western European economic prospects remain more sluggish as exports drag on headline numbers, albeit a stronger performance is expected in 2027. However, the Eurozone Services PMI reached 51.9 in January 2026, indicating modest economic expansion as hiring sentiment reached its highest level in 12 months. Meanwhile, the Eurozone unemployment rate remains at a record low of 6.2%.

## Occupational market

European office take-up remained stable year-on-year (YoY) in 2025, as a strong first half was offset by a slowdown in activity during H2. The final quarter of 2025 saw take-up fall by 10% YoY, as occupier caution remained elevated and geopolitical factors extended the length of decision-making periods. However, requirements remain strong and Savills anticipates a 3% YoY increase in take-up in 2026.

Frankfurt (+45%) and Dublin (+40%) performed most strongly against their respective five-year averages, led by megadeals signed by Commerzbank and Workday. Southern European and CEE markets continue to support headline leasing figures, driven by strong domestic economies. More generally, the banking and technology sectors became more active over the course of last year. A record €21bn of venture capital investment

into European-headquartered artificial intelligence (AI) companies was raised in 2025, rising by 31% YoY. We anticipate that rising levels of corporate funding into the AI sector will support the wider tech sector's leasing demand through 2026. In Dublin, for example, we are seeing more examples of fast-growing AI companies expanding from flexible office space into conventional office space.

## The AI ultimatum

Whilst AI continues to grab the news headlines, we believe the technology will augment office-based roles, rather than automate roles, as it becomes more widely adopted. C-suite executives are becoming more dissatisfied with the return on investment and productivity gains from AI, and are increasingly cautious around data security, autonomy of agentic AI applications, along with unknown future regulations associated with the technology.

As with previous technological boosts, we expect AI to increase job displacement in the short to medium term, as employers navigate what it means for their businesses' headcounts and displaced workers look to retrain and upskill. Over the longer term, new roles will emerge — including AI engineers and cyber officers — and employee tasks will shift towards verifying AI-generated outputs. Employers are increasingly seeking AI-enabled employees across all business sectors, who are able to utilise AI for basic, repetitive tasks, which is having a negative impact on the demand for graduate-level jobs. Nevertheless, the Eurozone Employment Expectations indicator is at its highest level in 12 months, and Oxford Economics still anticipates

European office-based employment will rise by 4% over the next decade.

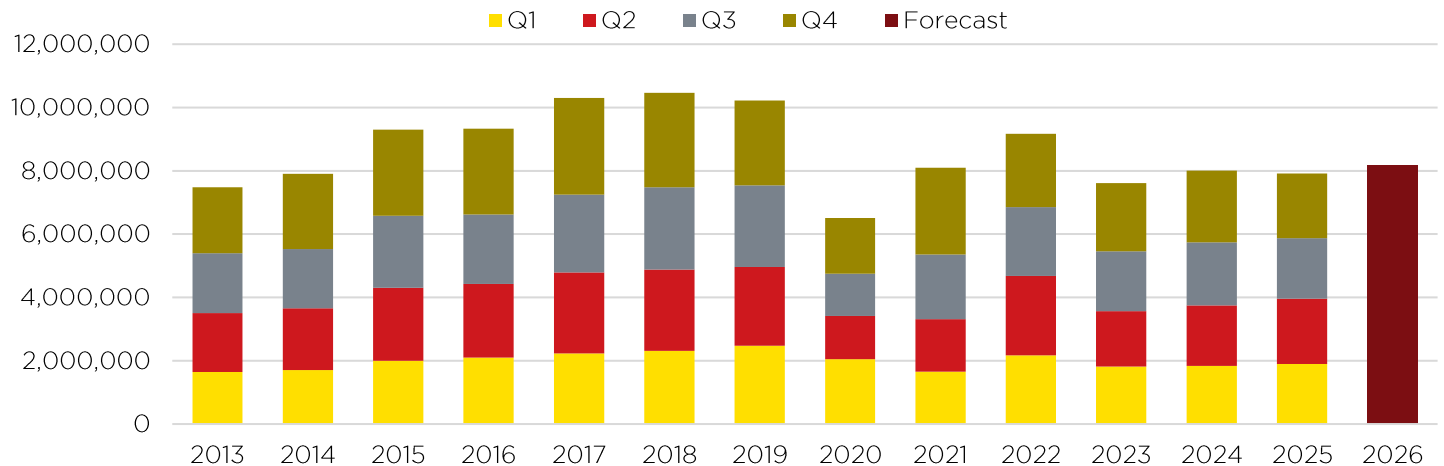
## Supply

European office vacancy rates rose by 40 basis points YoY to 9.0%, although they remained stable on a quarterly basis. Anecdotally, prime vacancy rates average circa 2-3% across the major European markets; however, we do not expect the development pipeline to increase until well into 2027. More generally, vacancy rates rose on an annual basis in Amsterdam, Paris CBD, Gothenburg and several German cities, while they fell in Dublin, Barcelona, Manchester and Warsaw.

Office occupancy rates are much less of a concern for landlords than 12-24 months ago. Investment banks and investment managers now view five days in the office as the norm, whilst management consultants and lawyers are increasing office attendance. Occupiers are opting for higher-quality offices in prime CBD locations to differentiate themselves against competitors in the fight for talent. This is driving headline rents upwards, creating a polarised market between prime and secondary stock.

A more pressing concern for office landlords is around future capex requirements. MSCI data indicates that capex as a percentage of average office capital values hovers just below the 3% mark — the highest level since 2008. Asset managers are taking advantage of underpriced, centrally located older office stock with a buy-fix-sell strategy to return to undersupplied European cities, in order to capture rental uplift.

## European office take up (sq m)



Source: Savills

# Prime rents continue to outperform

Prime office rents grew by an average of 3.4% last year, led by London City (+18%, boosted by a higher number of prime deals), Frankfurt (+13%) and Munich (+7%). Warsaw (+6%) and Budapest (+7%) also recorded strong growth after previous rental stagnation, given a shortage of prime stock. In 2026, we anticipate an average prime rental growth of 3.7% across European markets.

## Lease incentives rose

Average rent-free periods for European prime office space declined over the course of 2025 from 13% to 12% of lease value, although they remain at historically generous levels. Incentives fell in Oslo, Munich, Madrid and Dublin, as a shortage of new deliveries continues to restrict occupiers.

A growing concern for occupiers signing new leases remains the cost of relocating. Landlords are contributing more generously to overall fit-out costs for new leases in order to maintain their headline rent. In Dublin, landlords are implementing fitted space in order to lease older Grade B

stock for 500-1,000 sq m lot sizes. We expect more landlords to increase the provision of fitted space in continental Europe throughout 2026.

## Can investors afford to be more optimistic with their prime office rental growth assumptions?

Despite improving sentiment towards the office sector, investors' rental growth assumptions have tended to underplay the potential for the sector.

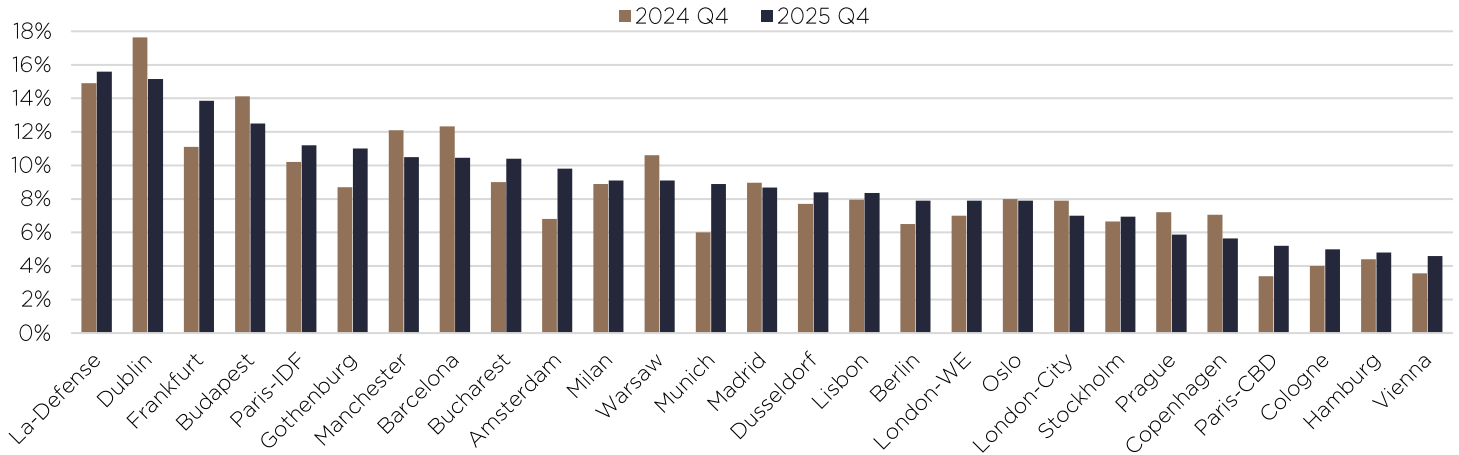
At the start of 2021, the IPF Consensus forecast average European office rental growth of 1.1% per annum (pa) for the 2021-2025 period. Savills analysis indicates that over the same period, prime rents grew by an average of 3.6% pa. Of course, the Eurozone recorded record inflation following Russia's invasion of Ukraine in 2022, but the supply-demand dynamics continue to deliver market-level rental growth which far outstrips investors' expectations. Average prime rents are now more than 10% above where investors expected them to be at the start of the forecasting period.

One reason has been the dearth of new office developments. Construction costs have risen by more than 40% since 2021, although they are expected to grow at circa 3% pa, according to BCIS, which should support the return of new development in 2027. In the meantime, value-add capital will seek to upgrade older, well-located stock to capture rental growth.

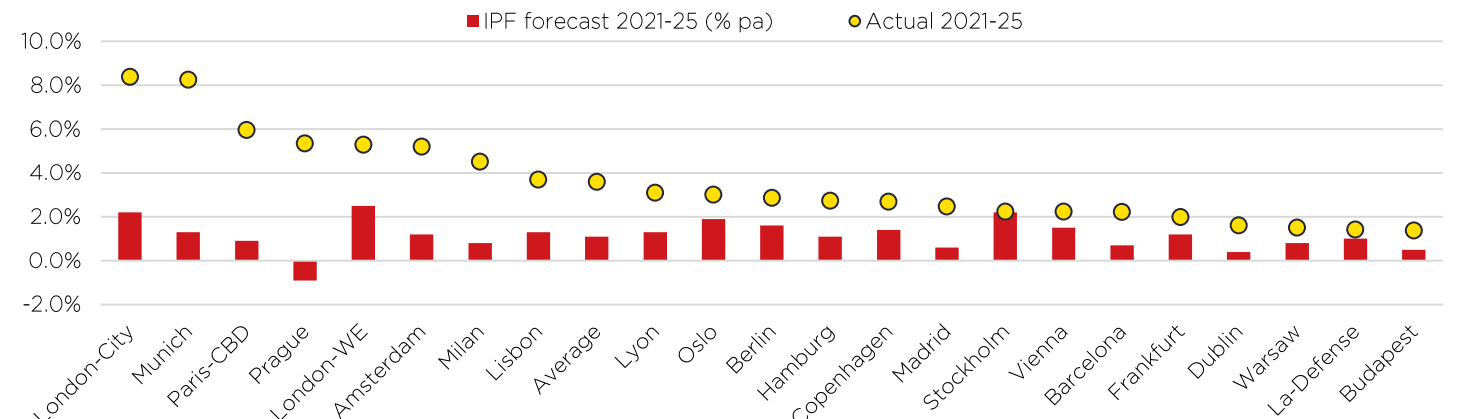
Of course, the rental story is not the same across the board. MSCI data shows that the spread between the top and bottom quartiles of European office rental growth is at its widest level in nine years. The market continues to bifurcate as occupiers opt for higher-quality stock in central locations.

Office occupational markets are holding up well, which is supporting investor sentiment back towards the sector. As investors justifiably become more optimistic with their rental growth assumptions, we expect bidding on prime assets to intensify.

European office vacancy rates (%)



IPF consensus forecast vs actual prime rental growth (last five years, % pa)



Source: Savills



## Savills Research

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