RETHINKING EUROPEAN OFFICES

2030

RISKS AND OPPORTUNITIES FROM OBSOLESCENCE

CUSHMAN & WAKEFIELD

Contents

Key Takeaways

We see an acceleration in the risks of offices becoming obsolete. By 2030 we estimate over 170 million sqm of office stock is at risk of becoming obsolete in sixteen European cities. This is equivalent to more than six times the total office stock in Central London.

Western European markets face a greater challenge with nearly 80% of stock at risk in seven leading cities the reflecting a relatively older stock profile.

Repositioning of assets is likely to be the optimal solution in CBD locations with strong demand for best-in-class space and premium rents being achieved.

Higher vacancy in non-central locations is driving a widening discount in values. Here repurposing of assets is likely to be the best option with more favourable alternative use values.

The value differential between offices and other uses has narrowed since 2019 providing a greater incentive to consider alternative use types.

Clear strategic analysis is required at an asset level to determine the optimal solution.

MARKET	% OFFICE STOCK AT RISK OF OBSOLESCENCE
MILAN	86%
BARCELONA	81%
STOCKHOLM	81%
PARIS	80%
MADRID	77%
AMSTERDAM	77%
LONDON	76%
BRUSSELS	70%
FRANKFURT	70%
BERLIN	65%
LISBON	64%
DUBLIN	64%
MUNICH	60%
PRAGUE	47%
BUDAPEST	43%
WARSAW	40%

Source: Cushman & Wakefield Research

1 Executive Summary

LAST YEAR WE RELEASED A REPORT 'OBSOLESCENCE EQUALS OPPORTUNITY' [1] WHICH HIGHLIGHTED THE RISKS FACING EUROPE'S OFFICE MARKETS FOLLOWING SHIFTS IN OCCUPATIONAL DEMAND DRIVEN BY FACTORS SUCH AS CHANGING WORKING PATTERNS AND ENVIRONMENTAL REGULATIONS.

As more leases come up for renewal and corporates assess their occupational needs, we will see continued changes over the remainder of this decade and beyond, many of which are already being felt today.

Our previous analysis highlighted that 76% of office stock in the markets tracked was at risk of becoming obsolete by 2030 unless landlords actively invest in improving the quality of their space (repositioning) or seek alternative uses (repurposing).

IN THIS REPORT WE CONSIDER THE CHANGES IN THE GUISE OF THE THREE CRITICAL C'S:

CARBON

The real estate sector as a whole is responsible for around 40% of all greenhouse gas emissions[2], with investors and developers working hard to significantly reduce the impact development has on the environment. Occupiers are also demanding increasingly higher building standards delivering against energy efficiency and carbon emission targets that meet their corporate ESG goals. More importantly, individual countries are being required to set higher standards for building quality, notably through the introduction of the Energy Performance of Buildings Directive that came into force earlier this year[3].

COMMUNITY

This reflects the desire for occupiers to have the highest quality Grade A buildings in the best locations and with attractive amenities that espouse their corporate persona and help attract the best talent.

COST

This covers a multitude of issues reflecting the cost of improving or adapting buildings through to the rent and price points achievable in the market, alongside risks of holding vacant space for prolonged periods of time.

OUR UPDATED ANALYSIS SHOWS THAT POTENTIAL OBSOLESCENCE IS PREDOMINANTLY A WESTERN EUROPEAN PROBLEM WITH SEVEN REGIONAL CITIES WITH THE HIGHEST PERCENTAGE OF OFFICE STOCK (80%+) AT RISK OF BEING IMPACTED.

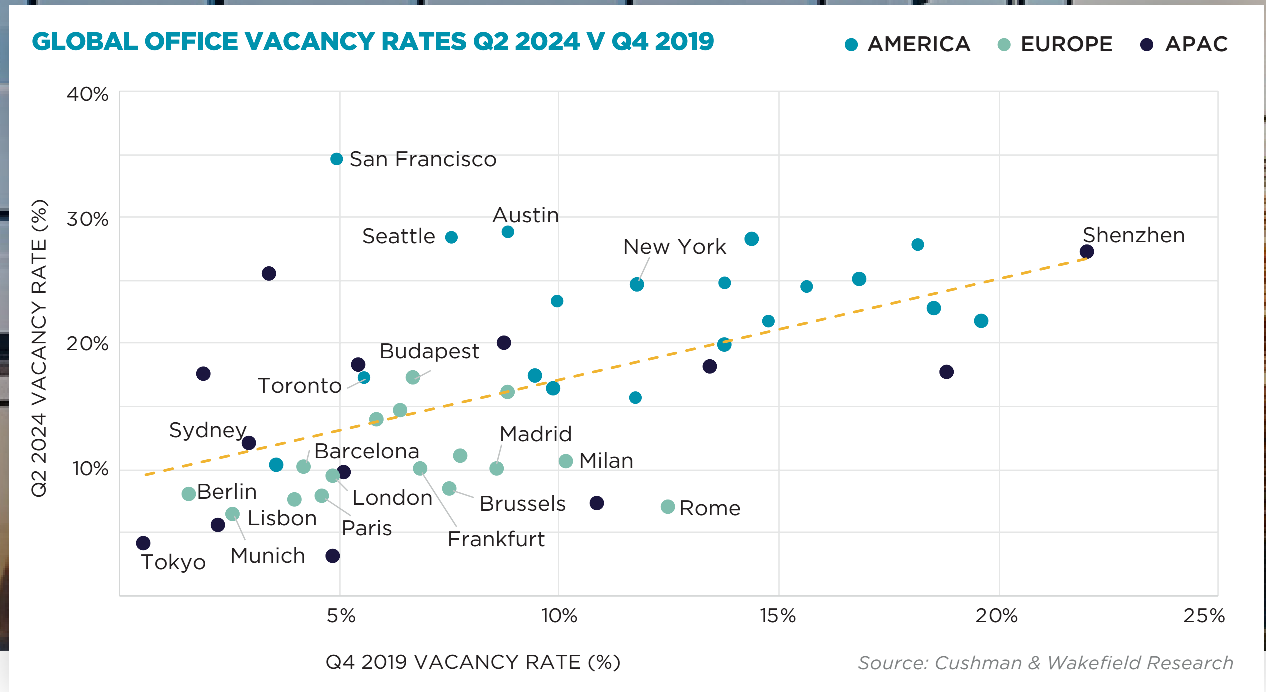
Within this new report we look at the key risks across markets, what might be drivers for obsolescence and relative locational factors around assets. This report is intended to stimulate conversations and focus real estate strategies for investors and occupiers alike, on the critical issues influencing the risks and opportunities posed by obsolescence together with key mitigation strategies?

[1] Obsolescence equals Opportunity https://www.cushmanwakefield.com/en/united-kingdom/insights/obsolescence-to-opportunity-emea

[2] UNEP FI, 2022

[3] https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

2 Office Vacancy Lower Across Europe



POST PANDEMIC LEGACIES, GEOPOLITICAL EVENTS, WEAKER ECONOMIES, AND HIGHER INFLATION HAVE ALL ADDED PRESSURE ON GLOBAL OFFICE MARKETS, CULMINATING IN RISING VACANCY RATES.

Europe has not been immune. Having hit a low of 6.1% in Q4 2019 just ahead of the pandemic, office vacancy rose to 10.5% in Q2 2024, for the sixteen markets tracked in this report. However, compared to other regions Europe is less exposed.

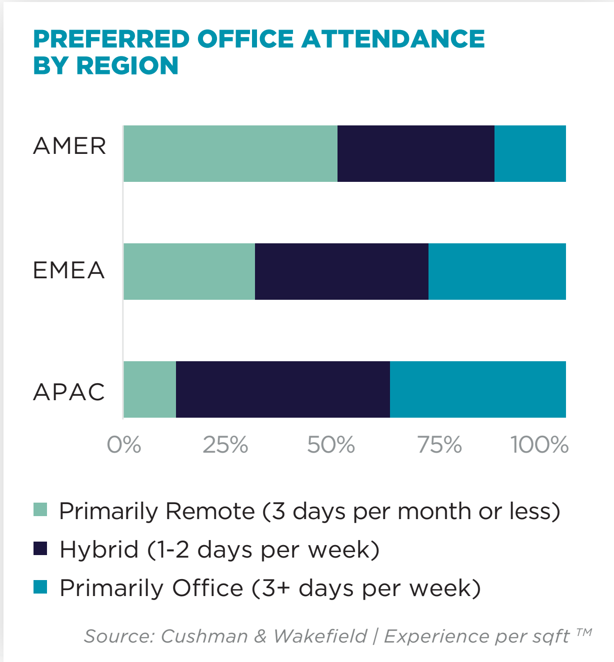
Of 18 key North American markets, vacancy post Q4 2019 has risen on average 1,100 bps to over 20%. This compared to 600 bps across APAC to an average of ca 15% and just 450 bps in Europe to an average of 10.5%. In some markets there have been significant shifts, notably San Francisco with vacancy in 2024 at over 30% compared to 5% pre-pandemic.

OF 18 KEY NORTH AMERICA MARKETS, VACANCY POST Q4 2019 HAS RISEN ON AVERAGE 1,100 BPS TO OVER 20%. THIS COMPARED TO 600 BPS ACROSS APAC TO AN AVERAGE OF CA 15% AND JUST 450 BPS IN EUROPE TO AN AVERAGE OF 10.5%.

Part of the reason for lower vacancy rates in many European markets - especially on the continent - is relatively lower work from home rates. The National Bureau of Economic Research 2023 Global survey[4] had the average work from home rate at below one day per week. The UK stands out as having a higher share of homeworking compared with its European peers at over 1.5 days per week. Although reported figures vary by survey, reflecting the sample size and the fact that work from home is typically managed informally.

One trend surveys show is a typically higher ratio of in-office attendance on the continent. A McKinsey[5] survey in 2023 showed employees in London working on average 3.1 days per week, versus 3.4 in Paris and 3.5 in Munich. A survey by Remit Consulting in the UK based on building access shows that office occupancy across London is running between 35-50%[6]. Our own data based on buildings managed in Spain shows an average use of nearly 55% in 2023[7].

Analysis from Cushman & Wakefield's own Experience Per sq.ft ™[8] survey highlights that across EMEA, close to a third of employees prefer to work three days per week or more in the office, with close to 40% preferring 1-2 days per week. Even at a local level there are nuances across markets and micro markets as some become more or less attractive to occupiers.



[4] NBER Working Paper Series, Why does working from home vary across countries and people, April 2024. Survey covering 34 countries with min sample 2,500 for many key countries of fulltime employees.

[5] McKinsey Global Institute, Empty spaces and hybrid places: The pandemic's lasting impact on real estate, July 2023.

[6] Remit Consulting ReTurn Report, 6 November 2024.

[7] Source Cushman & Wakefield Spain

[8] See https://www.cushmanwakefield.com/en/united-states/services/global-occupier-services/experience-per-sf

Western Europe Faces Biggest Challenge

3

IN TOTAL, WE ESTIMATE THAT OVER 170M SQM OF STOCK IS AT RISK OF BECOMING OBSOLETE ACROSS SIXTEEN EUROPEAN MARKETS.

This is equivalent to more than six times the total office stock in Central London. In volume terms, the majority of this 'at risk' stock is in Western European markets.

In seven key Western European markets close to 80% of stock is at risk of obsolescence - Amsterdam, Barcelona, London, Madrid, Milan, Paris, and Stockholm. Eastern European markets (Budapest, Prague, and Warsaw), all have lower risks of obsolescence and a lower volume of stock at risk, (averaging just 43%) and reflecting the fact that much of the built stock has been delivered over the last couple of decades. Since 2004, the office stock in Eastern European markets has more than doubled. In the West, most markets have seen stock grow by less than 20%. That said many Eastern European markets will be faced with increasingly ageing stock. We therefore foresee challenges rising up the agenda for landlords in these markets over the coming years.

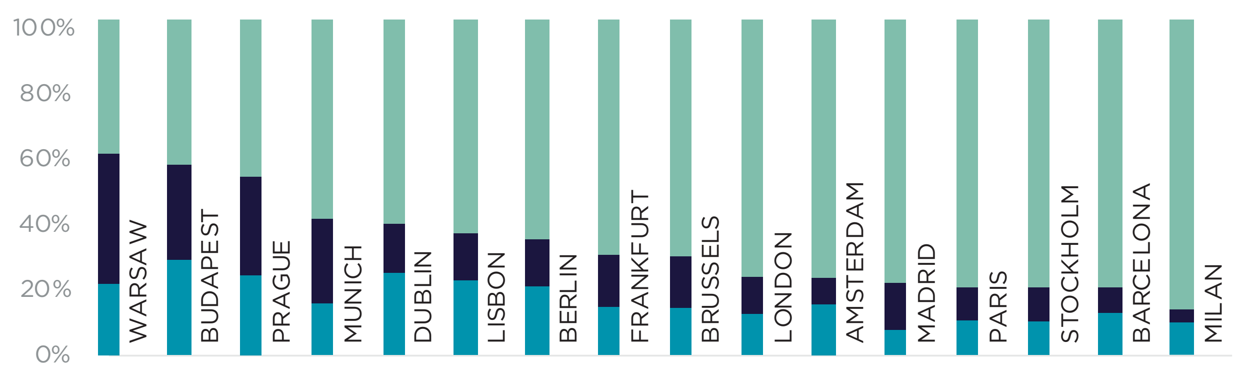
[9]In the UK MEES requirements require buildings to have an EPC of Grade E to be leased as of 2023, with a likely further increase to a Grade B in 2030. There are multiple exemptions currently in relation to these MEES, including the requirement for the costs of retrofitting works to be recouped over seven years through energy savings. The Netherlands has more stringent requirements today and by 2030.

Across Western markets the risk is not uniform. Munich (60%), Lisbon (64%), Dublin (64%) and Berlin (65%) have relatively lower risks compared to other Western markets tracked, reflecting the fact that much of the stock has been developed over the past two decades. Whilst the percentage of stock at risk in Berlin and Munich is not the highest, the total volume of stock at risk is higher than other cities. Office vacancy was close to 2% in Berlin until recent new developments have come online and as a result the solution may be more focussed on minor modifications to grade, location, or amenity.

In London, our analysis suggests the level of stock that is obsolete will reach 76% by the turn of the decade. With regulation already in place providing for more stringent ratings [9] this should accelerate the pace of change, especially with an improving economic landscape. Many landlords are actively upgrading or redeveloping buildings across the capital to meet these needs and the growing demands from occupiers as lease events emerge.

While we do not know how authorities in the UK will regulate and enforce the new changes in 2030, just as we do not know how other EU countries will react to the new directive, a failure to take action is not an option. Landlord's need to take responsibility for their assets and be prepared to take appropriate action sooner rather than later.

RISK OF OBSOLESCENCE BY MARKET BY AGE OF STOCK, 2030



Source: Cushman & Wakefield Research

4 Focus on Best-In-Class CBD Offices

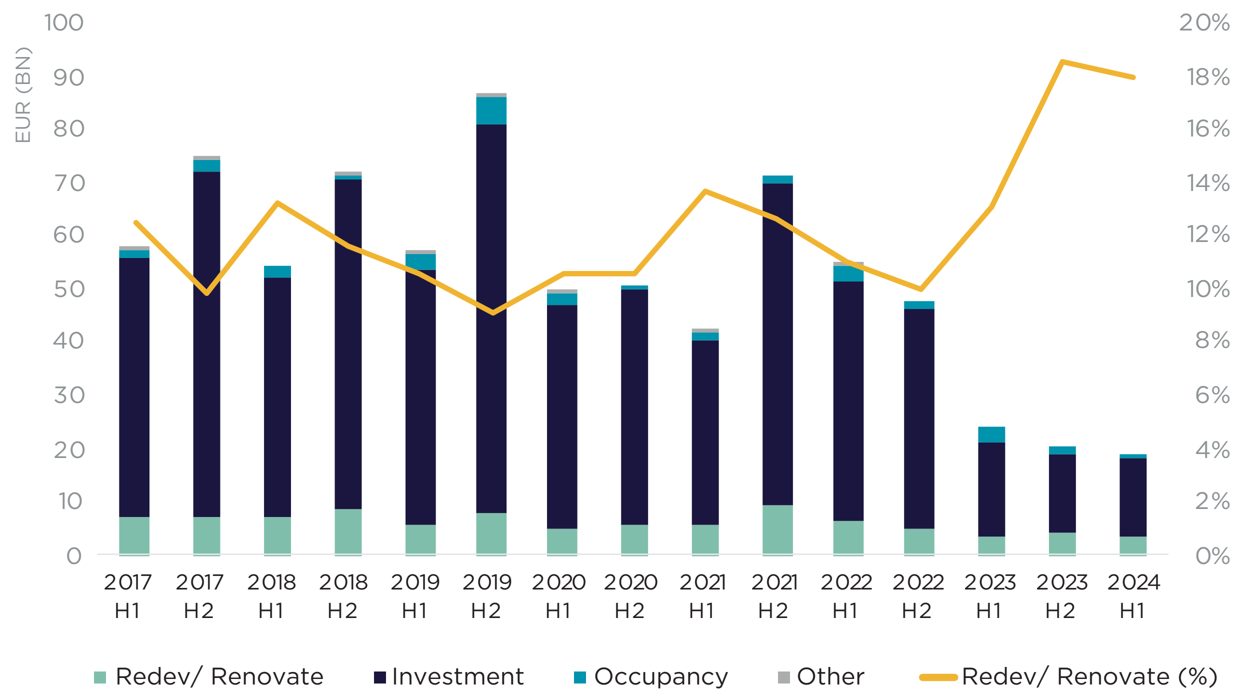
OCCUPIERS ARE TODAY FOCUSSED ON SECURING THE BEST-IN-CLASS, GRADE A OFFICE SPACE IN CENTRAL AREAS WITH ACCESS TO THE RIGHT AMENITIES AND BUILDINGS THAT MEET THE LATEST ENVIRONMENTAL STANDARDS.

This is important in terms of attracting employees and creating the right working environment. Our own data shows that across Europe, grade A leasing accounts for half of activity, up from 40% pre-pandemic and around a third over a decade ago. Any landlord with assets with a significant lease event due in the next 2-3 years therefore needs to consider the options available to improve their building in order to retain the standing tenant or attract new ones.

Although higher rents are at odds with corporate cost control[10] being located centrally and having the right building and amenity is critical for business in being able to attract and retain the right talent. Firms will consider ways to thoughtfully reduce spend given the potential premium on rents.

OVER THE PAST COUPLE OF YEARS, OFFICE SALES WHERE REDEVELOPMENT OR RENOVATION IS THE BUYERS' MOTIVE HAS INCREASED TO CLOSE TO 20%. THIS IS ITS HIGHEST SHARE ON RECORD, AND WELL OVER THE PEAK AT AROUND 15% IN THE WAKE OF THE FINANCIAL CRISIS.

EUROPEAN OFFICE INVESTMENT BY OPPORTUNITY



Source: MSCI (Real Capital Analytics); Cushman & Wakefield Research

Since 2019, half of the sales involving redevelopment have been focussed in six key cities – Paris, London, Berlin, Munich, Madrid, and Frankfurt. Stockholm and Milan also sit high on the list with other German cities and Brussels witnessing sales totalling over €2.5bn over this period. Many of these markets have a high risk of obsolescence and/ or a high volume of stock that will require action. It is also clear that many owners are already actively seeking to improve assets through a range of value-add strategies.

Occupiers have become increasingly discerning in the location and type of space that they will take at a specific price point. This has meant some assets built during the pandemic, and in theory to the latest standards, struggle to attract tenants in recent challenging economic environment.

[10] According to Cushman & Wakefield's What Occupiers Want publication, keeping down costs is a critical factor for occupiers globally.

Increasingly, social inclusion[11] and diversity are important factors driving our cities and occupier decision making. As we look forward to developments over the coming years that will remain in place for decades to come, climate risks will increasingly rise up the agenda.

Understanding the impact climate change may have on the performance of office space in terms of heating and cooling in periods of peak demand or when fewer users are in the office being alert to future risks will be ever critical in future proofing developments in our cities[12].

[11]See Inclusive Cities Barometer https://www.cushmanwakefield.com/en/insights/inclusive-cities-barometer

[12]Climate Risk - Global Cities Outlook https://www.cushmanwakefield.com/en/insights/climate-risk-global-cities-outlook

CITY OF LONDON OFFICE RENTAL PREMIUMS

When engaging in the redevelopment or refurbishment of space, landlords want to be certain that any upgrades are features that tenants are willing to pay for through a premium in rent. In order to assess this, our UK research team has analysed office leasing deals which were above prime rent in the City Core between 2020 and 2024 H1 for the respective quarter the lease (or when a pre-lease) was agreed.

We then assess, for a range of building features, the proportion of buildings holding these specific features where the rent was either up to 10% above prime or those more than 10% above prime. Those assets with a higher share of specific attributes highlights the degree to which these help drive a premium in rent.

ACCREDITATION, LOCATION AND AMENITY DRIVE RENTAL PREMIUM

Building accreditations are a key attribute. Assets holding an EPC rating of A or B and BREEAM rating of Excellent or Outstanding featured in more than 90% of assets where the rent premium was over 10% above prime and in over 85% of assets where the rent was up to 10% above prime.

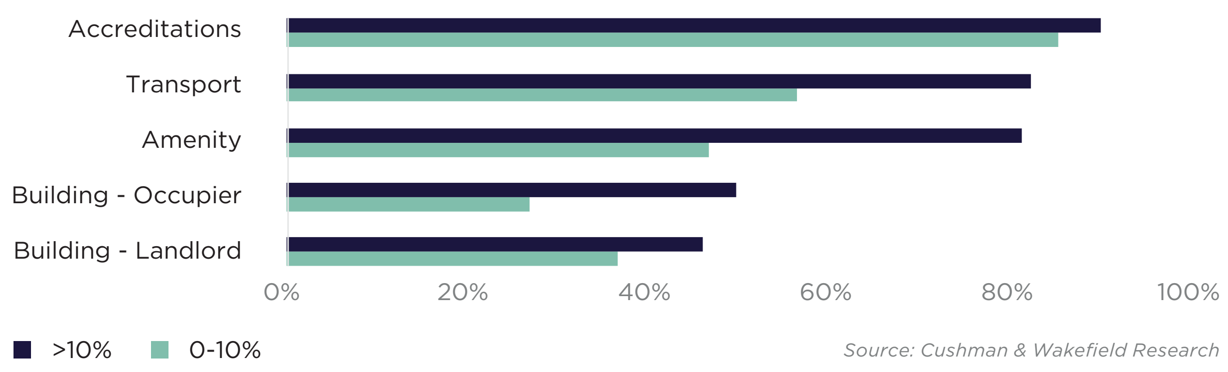
Close proximity to transport (i.e. a Crossrail, rail or tube station) and thus accessible for employees was also critical and a feature in over 80% of assets where the rent premium was over 10%. This underscores our analysis that highlights the differential between central and non-central locations.

Whilst you can't change a building's location, this could be a determining factor in future investment and or acquisition / disposal plans and knowledge around future planned infrastructure works. Amenity, (proximity to cafes and restaurants) was also evident in over 80% of leases where the rent was more than 10% above prime.

Features that may attract occupiers such as higher floors, landmark views or dedicated terracing were less common and in no more than 50% of deals more than 10% above prime rent or less than a third for those up to 10%. With the number of assets possessing these features smaller, we would expect these proportions to be smaller.

Equally, landlord driven features like provision of gyms, flexible workspace or communal terracing were also less common features and were seen in fewer than 50% of transactions with a premium above 10%. Again, the abundance of gym operators in the City of London, means on-site provision is much reduced.

ABOVE PRIME 2020-24H1 TRANSACTIONS BY BROAD CATEGORY SCORE



Source: Cushman & Wakefield Research

CASE STUDY

Torre Pujades, Barcelona Spain

Torre Pujades is a 10,213 sqm office building in the 22@ District of Barcelona. It sits a couple of metro stops from the City Centre and is an attractive location for many occupiers with shops, universities and other amenities close by. The asset was previously owned and occupied by a single company but when the building became vacant. C&W advised the client in defining a new concept to reposition the building and convert it into a multi-tenant office building.

Solutions were proposed to improve the efficiency of the plant, optimize the user experience by incorporating new services and common spaces, as well as actions to adapt the building to ESG requirements and improve technical performance. The building is now Certified LEED Gold and WELL. More efficient floorplates were created. Common spaces were incorporated into the building including the provision of a sports activity room, changing rooms, terracing, and meeting rooms in order to provide a better customer experience.

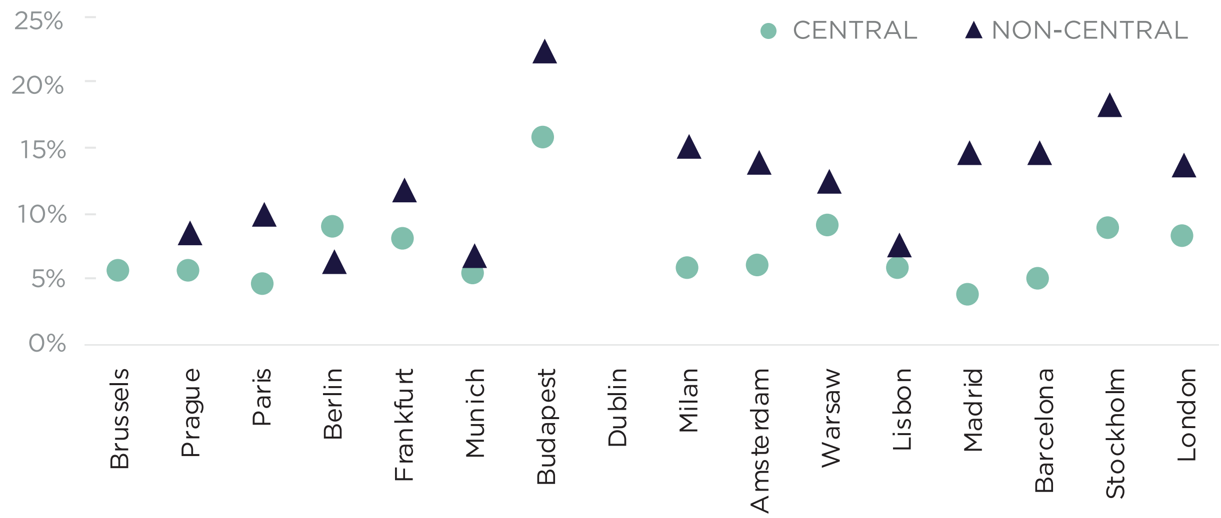
5 Non-Central Locations Most At Risk

SINCE THE PANDEMIC, LOCATION HAS BECOME AN INCREASINGLY IMPORTANT DRIVER FOR OCCUPIERS KEEN TO MAXIMISE ACCESSIBILITY.

This is evident from the data which shows much lower vacancy rates in central locations versus non-central submarkets. On average, vacancy is 550bps higher in non-central locations versus central areas. This can vary across markets. With high vacancy and locations increasingly less desirable, there are greater risks of assets becoming stranded in these outer areas.

ON AVERAGE, VACANCY IS 550BPS HIGHER IN NON-CENTRAL LOCATIONS VERSUS CENTRAL AREAS.

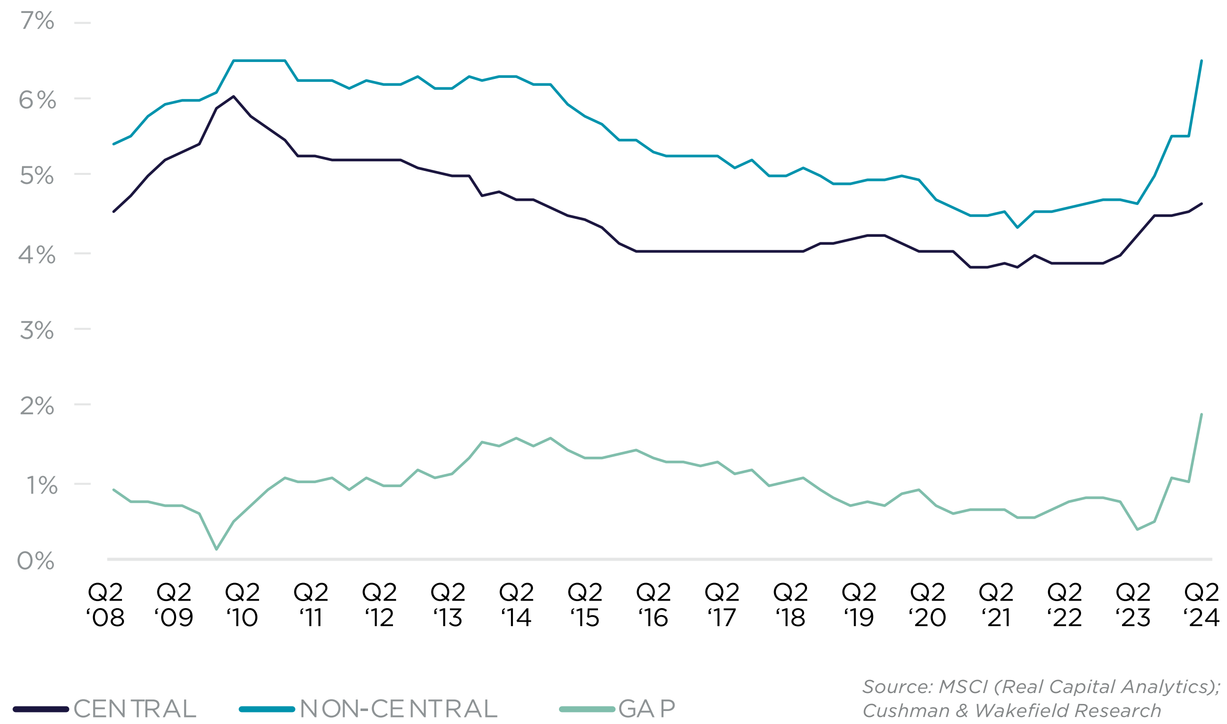
OFFICE VACANCY IN CENTRAL AND NON-CENTRAL LOCATIONS Q2 2024



Source: Cushman & Wakefield Research

Investment markets are pricing in these risks. Data from MSCI at the European level shows a clear gap emerging between the top quartile yield for offices in central locations versus non-central areas. Whilst yields have moved out in both locations, there has been a far greater increase for assets in non-central areas. The gap is now close to 200bps, its highest level on record.

EUROPEAN OFFICE TOP QUARTILE YIELD BY LOCATION



Source: MSCI (Real Capital Analytics); Cushman & Wakefield Research

Markets predicted to have relatively higher levels of obsolete stock by 2030 include Amsterdam, Barcelona, London, Madrid, Milan, Paris Stockholm. In most of these markets, vacancy is significantly lower in central locations versus outer areas.

This highlights how market fundamentals in central areas may provide an opportunity for the repositioning of assets.

THIS CONTRASTS WITH A GREATER RISK AROUND VACANCY IN OUTER AREAS AND THE NEED FOR A DETAILED MARKET REVIEW TO ASSESS THE OPTIONS FOR REPURPOSING ALONGSIDE REPOSITIONING OF ASSETS. IN OUR VIEW REPURPOSING IS LIKELY TO MORE OFTEN BE THE OPTIMAL ROUTE IN OUTER AREAS.

DEPENDING ON THE LOCATION AND THE DEGREE TO WHICH AN AREA MIGHT BE BLIGHTED BY VACANCY, ADDITIONAL LOCAL OR NATIONAL INTERVENTION IN THE FORM OF INCENTIVES AND/OR FLEXIBLE PLANNING (INVESTMENT/ TAX BREAKS) MIGHT BE REQUIRED TO BRING FORWARD CHANGE.

CASE STUDY

Stockley Park, Uxbridge, UK

Stockley Park emerged in the mid-1980's making it the oldest business park in the UK. It sits to the West of London near Uxbridge and in close proximity to Heathrow Airport. The out-of-town market is increasingly having to find ways to compete with city centre locations that are often considered to be more aligned with modern working practices.

Advice is ongoing but C&W initially completed a comprehensive study on a 100,000 sqft office building on the park with various repurposing and repositioning strategies considered. ESG and Sustainability considerations were key components of the study.

An occupational demand study, along with soft market testing, culminated in a strategic approach to asset management with preference in favour of an office to mixed-use, healthcare-led proposal. A key challenge was that conversion to a non-traditional employment use contravenes current planning policy – as such, C&W engaged with the local planning authority to provide market justification for change of use.

Ultimately, the exit yield profile of a private healthcare provider is likely to be more attractive than the existing use, unlocking substantial additional value for the freeholder.

6 Lower Office Values Relative to Other Uses Drives Repurposing of Assets

IN MANY EUROPEAN CITIES OCCUPIERS OFTEN DESIRE THE CHARACTERISTICS THAT BUILDINGS OF ARCHITECTURAL MERIT PROVIDE. SOME WILL HOWEVER BE SUBJECT TO SOME FORM OF LISTING, CONSERVATION, OR PRESERVATION ORDER.

Yielding these up to modern day standards might be relatively more costly and complex. Equally the 'E' in ESG is critical to occupiers across Europe. New regulations could make upgrades uneconomical as cost and carbon collide. At the same time, maintaining the rich heritage these buildings provide is important.

Under the new directives, EU member states could use their own powers to offer lower energy performance thresholds for certain assets or even provide financial incentives to support works. At this stage it is unknown what assets would be covered.

DATA FROM MSCI SHOWS VALUES PER SQM FOR OFFICES STILL REMAIN HIGH RELATIVE TO OTHER ASSETS, TYPICALLY LYING SECOND ONLY TO RETAIL, ALBEIT THERE ARE SOME LOCAL NUANCES. AT THE SAME TIME THE VARIANCE BETWEEN USES HAS NARROWED. IN 2019 OTHER VALUES FOR OTHER USES WERE ON AVERAGE 24% LOWER THAN OFFICES, TODAY THAT IS JUST 11%.

Any powers to aid the upgrade of buildings, maintaining their economic use and architectural merit must be worth pursuing to ensure the fabric of these buildings can maintained and creating a win-win for both cost and carbon.

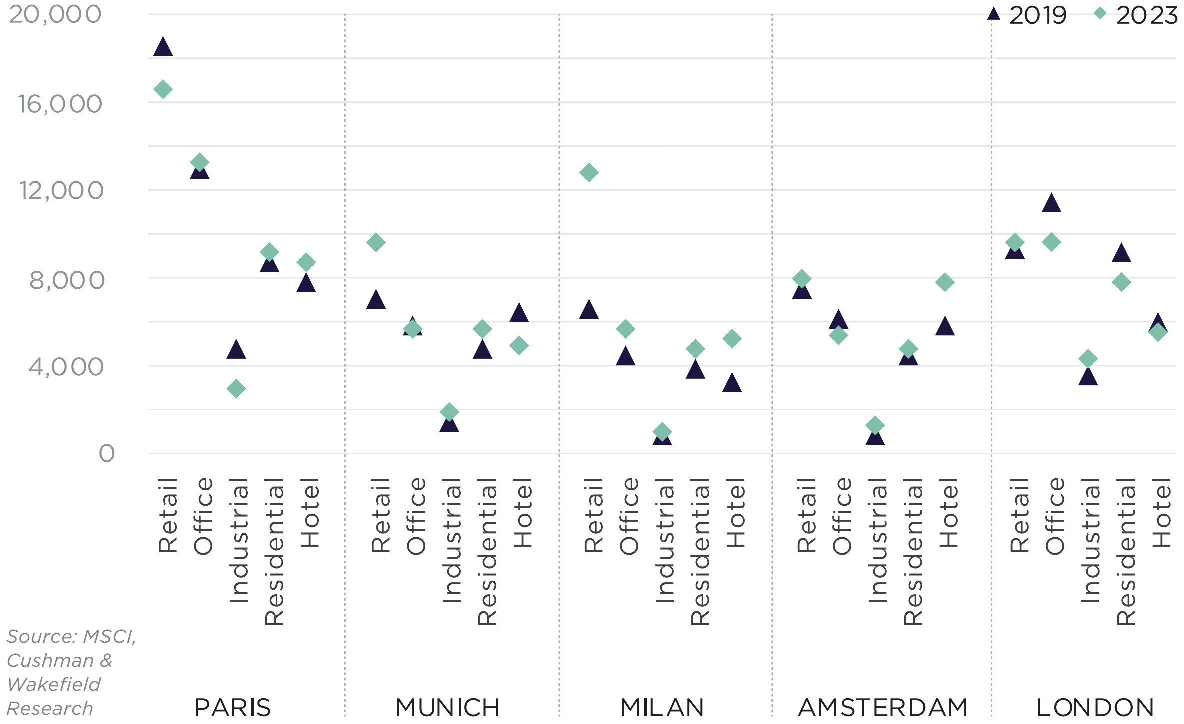
Having clear, flexible, and efficient planning policies at a local or national level will also be critical for developers in being able to move schemes forward. In areas where we may see increased obsolescence risks, especially where use as an office is no longer in demand, appropriate zoning and supportive planning policies that offer a more pragmatic approach to the challenges markets face will be critical.

Understanding market dynamics, costs, and relative impacts of demand from different use profiles will be critical in advising policy makers on the way forward. This could be at an asset level, or having consideration for broader placemaking of wider areas, enabling a mix of uses that is attractive for residents or occupiers in the area. This will be critical for landlords where they may seek a change of use whilst seeking to minimise any prolonged period of vacancy.

Where repurposing is an option, consideration needs to be given to alternative use values. Whilst values have fallen for offices over the past couple of years, the same is also true of other use classes. All real estate classes have been impacted to a greater or lesser degree by the higher interest rate environment.

Data from MSCI shows values per sqm for offices still remain high relative to other assets, typically lying second only to retail, albeit there are some local nuances. At the same time the variance between uses has narrowed. In 2019 other values for other uses were on average 24% lower than offices, today that is just 11%. This could help drive conversion.

CAPITAL VALUES BY PROPERTY TYPE AND SELECT MARKETS (EURO/SQM)



Source: MSCI, Cushman & Wakefield Research

Understanding trends at a local level will be critical. Where repurposing to another use, or indeed looking at reducing risk through a mix of uses needs careful consideration. Understanding where markets sit within the current cycle and timings of any recovery for different asset classes is critical. Our TIME[13] score can help investors manage the cycle and relativities across different geographies and uses to help devise and manage effective asset management strategies.

Core central business districts thrive more off business users. Whilst some may attract tourism, this could be specific to certain localities and may limit the range of alternative uses. Hotels and residential tend to be the predominate alternative use in CBD areas. Something we have seen recently in central areas of Barcelona. Retail and leisure tend to predominate on the ground floor of offices in central areas and may be part of the existing mix, albeit this element being ancillary to wider office use. Moving out of central areas to peripheral locations the range of alternative uses may also increase. This will depend on local dynamics. Often residential can predominate, but other uses including healthcare, medical facilities, lab space or data centres could be options, or indeed logistics facilities.

[13] https://www.cushmanwakefield.com/en/insights/time-score

CHALLENGE OF STRUCTURAL VACANCY

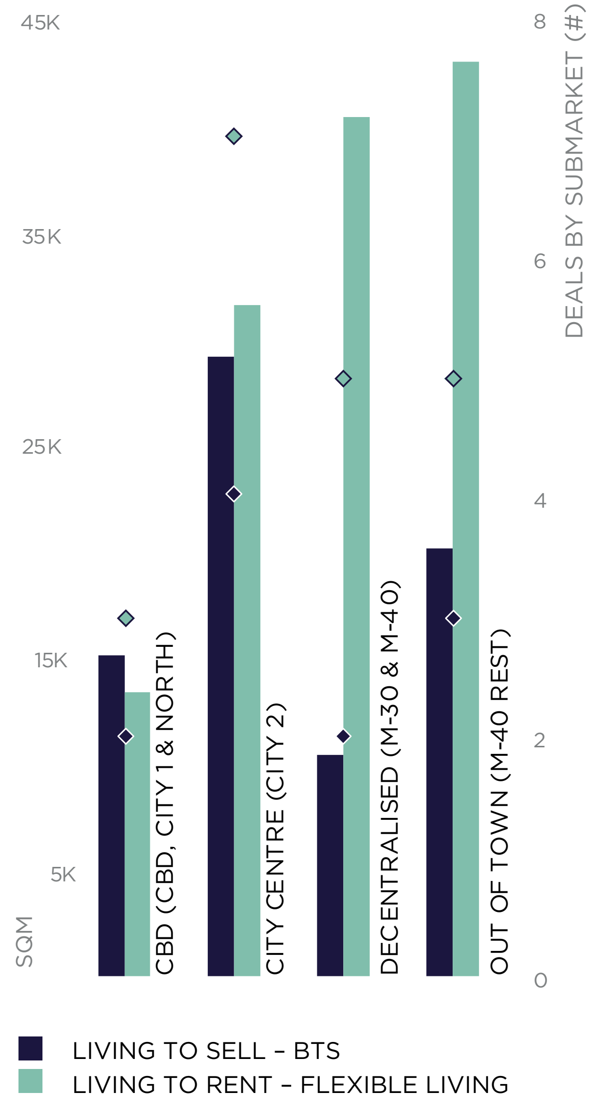
Rethinking Madrid

At 81% and 77% respectively, the Spanish cities of Barcelona and Madrid sit high on our list for having a high proportion of stock at risk of becoming obsolete. Both cities have a mix of older and more modern stock.

In Madrid our local research team has analysed trends in the recent past and looked at possibilities for the future, with a focus on assets with higher levels of structural vacancy - those with vacancy rates at 30% or more over the last 5 years, or vacant buildings, without taking into account new pipeline that has come into the market during the last 24 months.

Already across Madrid, over 300,000 sqm of office asset have been converted to other allowed uses by urban regulation since 2020, with over 700,000 sqm also upgraded back into office use. A high proportion of the stock converted from offices (70%) has been to residential uses understanding residential use as housing solutions either for sale or for CF production models, with the remainder converted to hotels, medical and other uses. Over 90% of the stock converted was graded B or C, thus typically poorer stock, with most conversions taking place outside the core CBD – either in the city centre or more so within the outer M30 and M40 areas.

RENT OR SALE?
SQM & # OF DEALS BY SUBMARKET

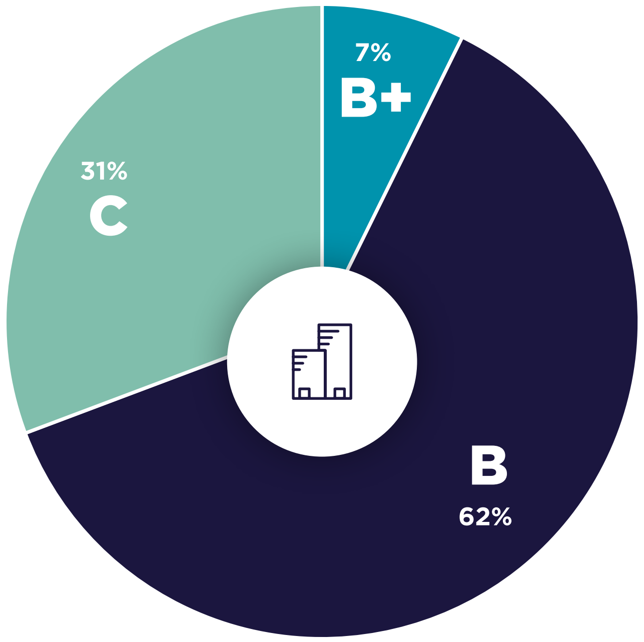


Source: Cushman & Wakefield Research

This is only the start of the journey. Analysis of buildings above 3,000 sqm with vacancy in excess of 30% (avoiding new pipeline) reveals there is 1.13m sqm of offices in 141 buildings that are at risk, and over time many will see their performance ratings deteriorate to the point that we estimate over 60% of assets will have an EPC rating of C or below today.

Whilst today a high share of assets have been converted to residential, our analysis suggests that less than 10% of these assets at risk could be converted to residential/ multifamily residential.

GRADING OF OFFICE ASSETS CONVERTED



Source: Cushman & Wakefield Research

As we move forward all parties face a conundrum. For older stock in central areas, how do you bypass regulations to ensure buildings of architectural merit are not blighted by tighter regulations?

Equally how do you manage repurposing of assets in outer areas that may not be suited to immediate conversion to alternative uses.

Five-point plan

CLEAR ANALYSIS IS REQUIRED AT AN ASSET LEVEL TO DETERMINE THE OPTIMAL SOLUTION. WE WOULD SUGGEST ADOPTING A FIVE-POINT PLAN IS CRITICAL TO AVOID THE RISKS OF AN ASSET BECOMING OBSOLETE.

Assess building against current and future risks and options for repositioning and/ or repurposing.

Review of market fundamentals together with a demand analysis.

How does legislation impact options available now or potentially in the future.

Planning and redevelopment considerations.

Cost versus return analysis.

Conclusions

THE FACTORS SHAPING THE VIBRANCY OR OBSOLESCENCE OF CITIES OR INDIVIDUAL ASSETS ARE MANY AND VARIED.

Investors need to consider these carefully as they seek value from real estate transactions in the next decade. Equally, occupiers need to understand how these trends impact their choice of location.

In conclusion, we believe the following factors will help shape the real estate market in the next few years driving investment decisions and asset management strategies.

Legislation is in place that will drive stricter building standards by the end of the decade and in years to come as the industry seeks to be carbon neutral by 2050.

Growing risk of offices becoming obsolete by 2030 either functionally, financially, or legally. There is a clear East/ West divide with Western European markets at far greater risk.

Vacancy risk is relatively low across Europe versus North America, many continental markets have seen a stronger return to office supporting underlying demand for space.

We anticipate a growing divide between best in class, centrally located assets and those in peripheral locations where vacancy risk is often greater.

Landlords need to understand their space and whether repositioning or repurposing is the best strategic approach.

Clear, flexible, and efficient planning policies at a local or national level will be critical for developers in being able to move schemes forward.

Tax breaks, reduced targets or other incentives may be required to help ensure schemes are brought forward, enabling governments to meet targets and avoid assets falling into disrepair.

Nigel Almond

Head of EMEA Office Research

nigel.almond@cushwake.com

Emma Swinnerton

Head of RETHINKING EMEA

emma.swinnerton@cushwake.com

James Young

Head of Investor Services,
EMEA & APAC

james.young@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

Better never settles