VANTAGE POINT

EUROPEAN OFFICE UPDATE

H1 2025

CUSHMAN & WAKEFIELD

Better never settles

Key Takeaways

Office leasing maintained its upward trajectory with the **VOLUME OF SPACE LET IN H1 2025 UP 1.7% ON A YEAR AGO**. Positive trend observed on an annual basis.

4

VACANCY FELL IN Q2 2025, POTENTIALLY MARKING AN INFLECTION POINT. Removal of sublease space might be a driver.

6

From a peak of completions this year, **COMMITTED OFFICE DEVELOPMENTS ARE FALLING**. A higher share of space under construction is pre-let.

7

Prime office rental growth remained robust at 4.2% pa. **OFFICES SAW A HIGHER SHARE OF MARKETS REPORTING ANNUAL GROWTH** underlining the depth of recovery.

8

Office investment activity is improving. **ONE THIRD OF MARKETS REPORTED AN INWARD YIELD SHIFT IN H1 2025**, more than on the high street and logistics.

10

Lenders are rotating back to office space as confidence returns. **LOANS UP TO 60% LTV AND MARGINS SUB 200BPS** and even lower in core cities.

12

EUROPEAN OFFICE

Economic Indicators

Growth in the Euro Area remained positive in the first half of the year. Most recent data points to a marginal weakening. GDP grew 0.1% in Q2, down from 0.6% in Q1, with growth slowing from 1.5% Y/Y in Q1 to 1.4% in Q2. Growth in Portugal and Spain was more robust at over 2%. More subdued growth reported in larger economies of France and Germany sub 1% Y/Y in Q2. Elsewhere, growth slowed in the UK to an estimated 1.2% Y/Y in Q2. We have seen solid growth in Czechia and Poland (>2% year on year) in Q2.

Wider geopolitical uncertainty and questions over a trade deal with the US held back growth in H1. With a trade deal now agreed, albeit at higher levels, the greater certainty should offer a platform to move forward.

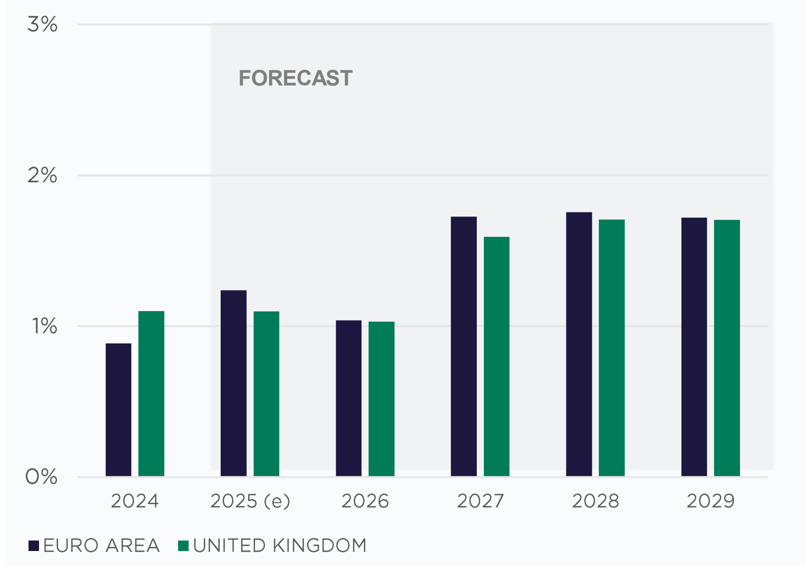
Services sector PMI continues to display low rates of expansion. Recent readings for the Euro Area show upward momentum in June and July. The UK is stable.

Unemployment rates continue to show marginal falls and sit at their lowest level for over a decade. The Euro Area unemployment rate sat at 6.2% in June 2025, unchanged on the previous month.

Inflation in the Euro Area also remains stable and within target rates. The deposit rate remains at 2%. Inflation sits below 2% in both France and Germany, but marginally above in the Netherlands and parts of Southern Europe. Higher levels are also observed elsewhere in the UK and some CEE markets.

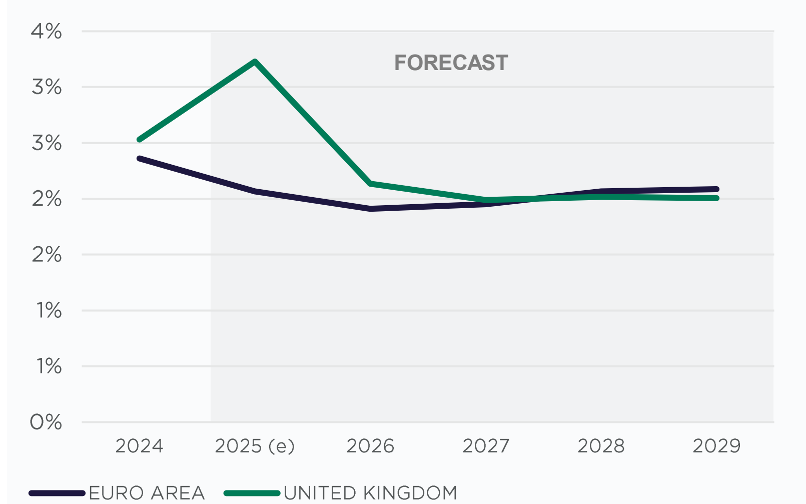
Looking forward the latest forecasts from Moody's point to broadly stable economic growth as we move into 2026, before picking up in 2027 with the risks finely balanced. As inflation hovers around target rates, the scope for further progressive cuts in base rates, are less likely. With unemployment at current lows, our expectation for office-based employment is for moderate growth. This should support a broader improvement in demand when combined with many corporates pushing for greater in-office attendance.

GDP GROWTH



Source: Cushman & Wakefield Research , Moody's Analytics
(Forecasts relate to Cushman & Wakefield Baseline Scenario – August 2025)

INFLATION RATES



Source: Cushman & Wakefield Research , Moody's Analytics
(Forecasts relate to Cushman & Wakefield Baseline Scenario – August 2025)

EUROPEAN OFFICE

Occupier Activity

Reflecting the broader economic uncertainty, office leasing activity has been broadly stable, with some upward momentum. A total of 2.6m sqm of space was leased in Q2 2025, up 10% compared Q1 2025 and 2.3% up on Q2 2024.

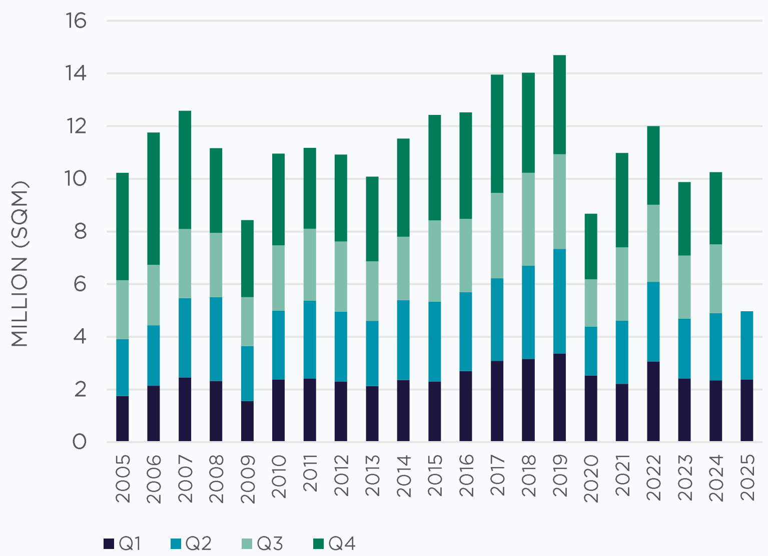
A total of 5.0m sqm was leased in H1 2025, a modest 1.7% increase on the 4.9m sqm leased in same period a year ago. It also sits marginally above the average for the previous five-year period. On a trailing annual basis, a total of 10.3m sqm was leased by the end of Q2 2025, a 2.5% increase on the same period a year ago. This underscores the mildly positive sentiment and growth within the sector.

Having turned negative in the previous two quarters, net absorption was only marginally negative in Q2 (-41,000 sqm). This compares with over (-500,000 sqm) in Q1 2025 and (-250,000 sqm) in Q4 2024. The uptick in activity and moderation in vacancy places the market on a firmer footing for the second half of 2025.

Whilst many corporates have a desire for Grade A space, availability does not always match the demand profile. Over the last twelve-month period, leasing of Grade A space in a subset of core markets totalled 3.1m sqm, a marginal fall (-1%) on the same period a year ago. In contrast leasing for Non-A space was marginally up (+0.3%).

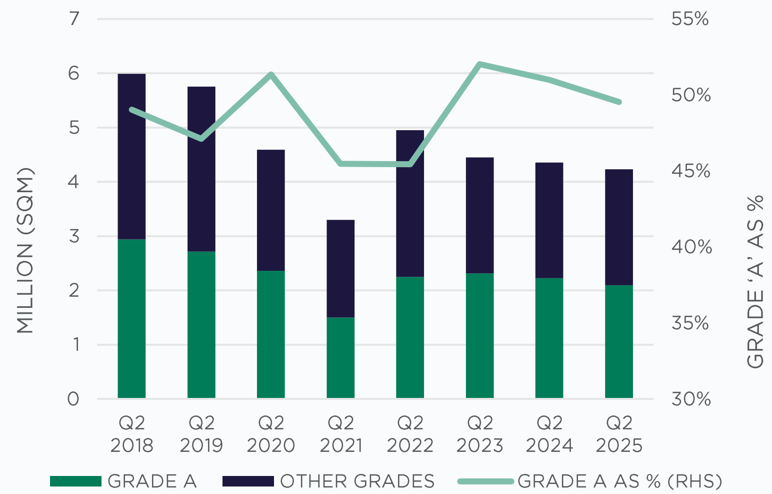
The trend reflects the wider desire in many markets for occupiers to focus on leasing in or around the core CBD, rather than outside the core. Occupiers are willing take a view on the grade of space over location, with access to transport hubs and amenity critical. Leasing of grade A space was positive on an annual basis in a number of key markets including Frankfurt, London, Madrid, Munich and Prague.

EUROPEAN OFFICE TAKE-UP BY QUARTER



Source: Cushman & Wakefield Research

OFFICE TAKE-UP BY GRADE



Source: Cushman & Wakefield Research

EUROPEAN OFFICE

Occupier Activity

When comparing activity on an annualised basis, just over half, 56% of markets posted an increase in leasing in the period Q3 2024-Q2 2025 compared with Q3 2023-Q2 2024.

A number of key markets posted growth on both an annualised basis and for the first half of 2025. Of note Frankfurt saw a 39% jump in leasing, with over 500,000 sqm let in the last twelve months, reflecting a number of significant deals concluding in the first half of the year in the banking and finance sectors. Hamburg also posted a solid performance over both periods. Amsterdam, London, Madrid, Milan and Warsaw also benefitted growth in leasing over the two corresponding periods.

Madrid has been supported by a strong economy and leasing in the training sector as well as industrial, professional and public sectors. In Italy, Milan benefitted from a stable economy and an increase in deals under 1,000 sqm as corporates seek to manage costs and optimise their office footprint.

London witnessed modest growth of 8% in the last twelve months compared with the previous twelve-month period driven by stronger activity in the West End. In H1 2025 we have seen a broader recovery with stronger leasing in both the City and East of London.

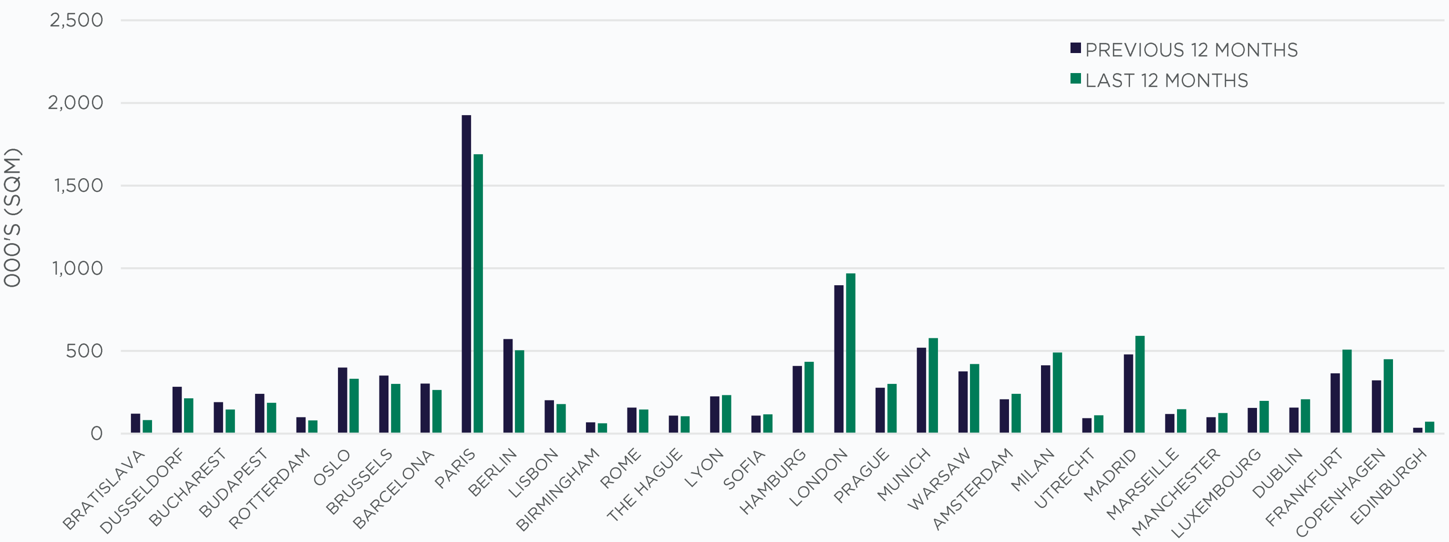
Munich and Prague also posted stronger year-on-year growth, although activity has been weaker in H1 of this year.

In Munich there have been more deals over 10,000 sqm, so recent falls reflect a reduction in activity for smaller spaces.

Prague also posted growth (Y/Y) although activity was marginally lower in H1 25 versus H1 24.

Berlin, Brussels and Paris all reported weaker activity to varying degrees over the half year and on an annualised basis. Activity in Berlin has been curtailed by few large-scale deals. Weaker activity in Brussels reflects a lack of depth in the market with a handful of larger deals masking weakness at the lower end. Paris has struggled from a weaker economy with occupiers delaying decisions.

OFFICE TAKE-UP (RANKED BY GROWTH LOW TO HIGH)
Q3 24-Q2 25 v Q3 23-Q2 24



Source: Cushman & Wakefield Research

EUROPEAN OFFICE

Vacancy

In the second quarter office vacancy declined marginally, falling just below 9.7%. Excluding a brief respite in Q1 2020, this is the first fall since Q3 2019 ahead of the pandemic. Vacant space was 0.4% lower at 31.3m sqm.

More than half (56%) of markets tracked showed a reduction in vacancy over the quarter compared to 47% reporting a fall on Q4 2024 and 38% a year ago. This underlines the gradual improving trend.

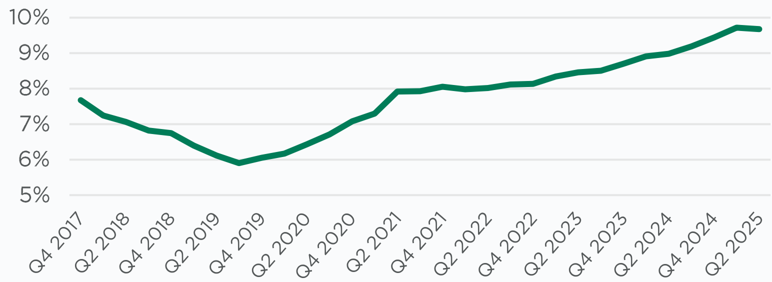
The drop is welcome and may mark an inflection point, albeit we need to see developments over the coming quarters before confirming a sustained drop. We still expect a high level of completions over the second half of this year, which could place upward pressure on volume of vacant space in the absence of any substantial pick-up in demand in the short term.

With leasing activity still subdued, the reduction in vacant space may partially reflect the removal of vacant sublease space from the market as we have seen in London. With occupational levels increasing, many occupiers are now taking back space that was previously surplus to requirements. This will support a downward trend in vacancy.

In terms of absolute vacancy, many key markets saw an increase compared to the start of the year. Berlin, Frankfurt, Munich and Paris, all saw increases in the region of 10%. London saw a more modest 1% increase.

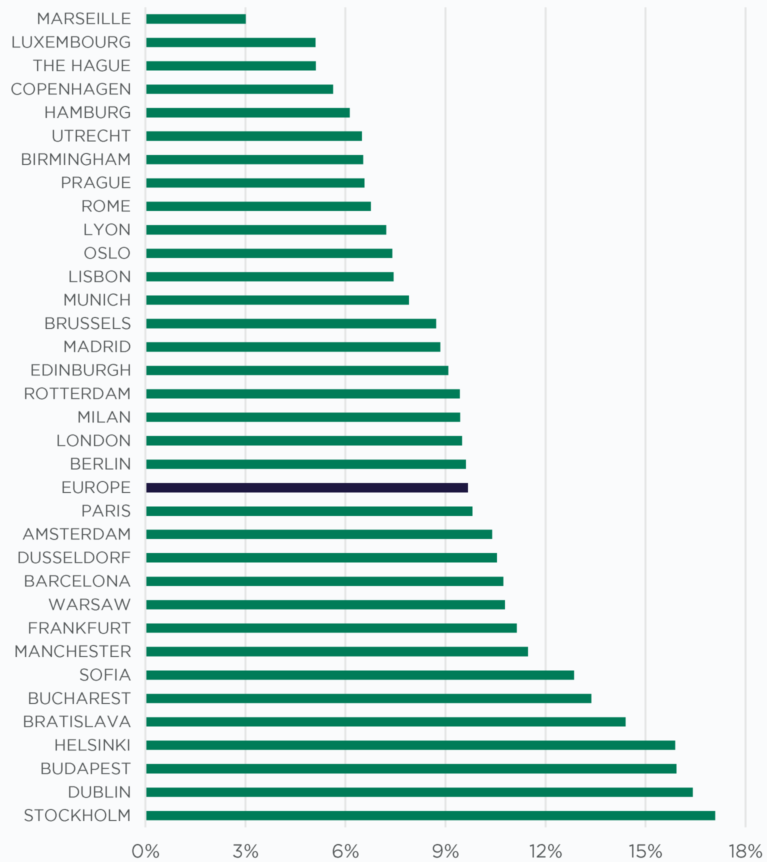
Amsterdam saw a noticeable drop (20%), partly reflecting stronger levels of demand in H1 2025. Prague and Budapest were also down in the region of 10% and mostly outside the CBD. Dublin has also seen a modest reduction. Stockholm has the highest vacancy across core European markets driven by higher levels in the periphery, with vacancy in the CBD lower than the European Average.

EUROPEAN OFFICE VACANCY RATIO



Source: Cushman & Wakefield Research

OFFICE VACANCY RATIO BY KEY MARKET (Q2 2025)



Source: Cushman & Wakefield Research

EUROPEAN OFFICE

Development

Committed office development continues to fall. At the end of Q2 2025 a total of 10.2m sqm of office space was under construction, a reduction of 4% over the first half of the year, and a more significant 17% reduction on a year ago. In the wake of higher finance rates, build costs and broader market uncertainty, developers turned the taps off to new construction activity. It now sits at its lowest level since Q4 2016. As activity falls, we have seen a continued uptick in the volume of space that has been pre-committed, rising to 47%, its highest share since Q4 2015.

The reduction in activity is not uniform. Just over one-third of markets reported a fall in activity, with major markets of Berlin (-10%), Paris (-22%) and Milan (-19%) reporting a reduction in construction activity.

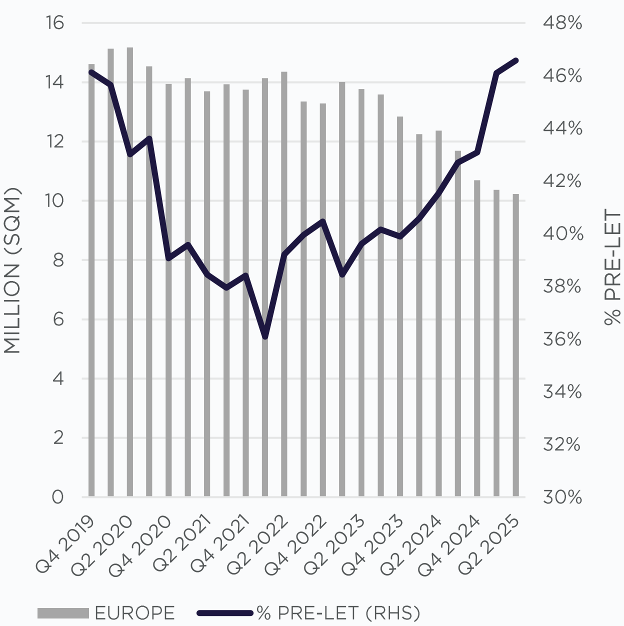
A number of markets have reported an increase over H1, including Brussels (+41%), Frankfurt (+13%), Marid (+11%) and London (+6%) reflecting stronger demand or lack of suitable Grade A space in specific markets.

A total of 2.3m sqm was completed in the first half of the year. We still expect close to 3.4m sqm to complete over the remainder of 2025.

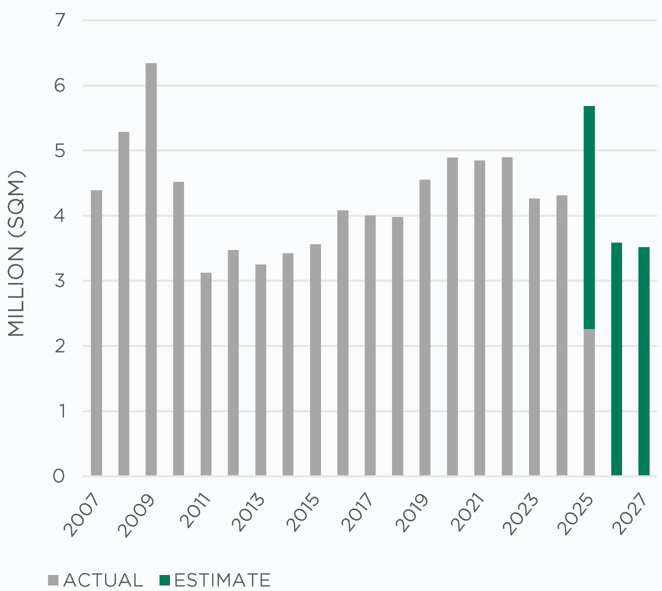
Importantly, looking forward, we do see a significant reduction in expected completions moving into 2026 and 2027, with just over three million square metres expected to complete in both years. This will be a noticeable reduction on this year and would take annual completions back to 2015 levels assuming schemes do not get pushed back.

The reduction in activity has been welcome in a period of weaker leasing activity. With expectations for demand to improve, developers should analyse local trends and consider new starts to tap into future demand and likely rental growth for the best located space.

CONSTRUCTION ACTIVITY



HISTORIC AND FUTURE COMPLETIONS



Source: Cushman & Wakefield Research

EUROPEAN OFFICE

Rental Growth

Prime office rents continue to increase, with the European average up 1.1% Q/Q in Q2 2025, in line with a 1.2% Q/Q increase in the previous two quarters. Office rents have remained positive at the European level for seventeen consecutive quarters. Growth remained robust at 4.2% Y/Y, albeit down from a rate of 5% per annum at the end of 2024. They remain well above the long run annual average of 2.2% since 1993.

Only high street rents (+4.4% Y/Y) posted stronger growth of the core sectors as at Q2 2025. We see widespread growth across Europe with nearly three quarters of office markets posting year-on-year growth in Q2, the highest share of all sectors.

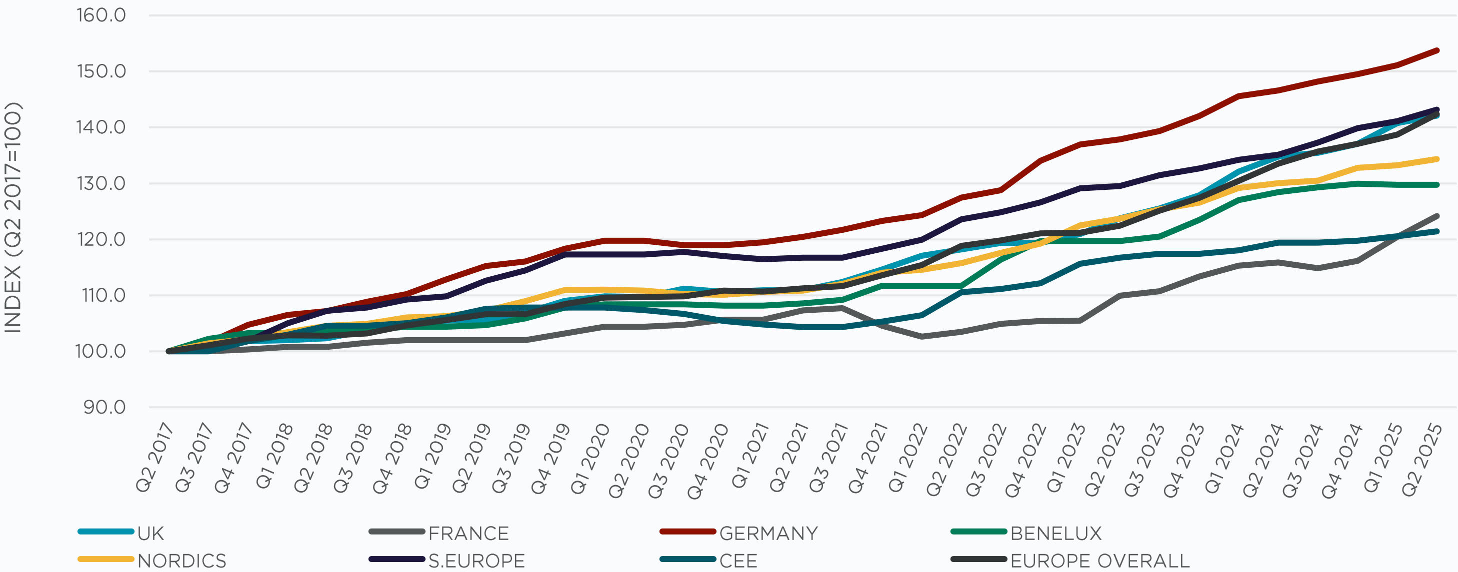
On an annual basis France, Southern Europe, the UK and Germany have seen some of the strongest growth rates above the European average. London's West End saw the strongest Y/Y growth at 16.1%, with rents in the City Core up 7.3%. More modest growth was observed in the key five regional cities. This reflects strong demand and lack of supply for the best located space.

Rents in Paris CBD grew 11.2% compared to a year ago, with rents starting to increase in La Defense for best-in-class space, alongside stronger growth in Lyon (11.3% Y/Y).

Across Southern Europe, the continued strength of the Spanish economy and positive demand for space has led to a further uplift in rents in Barcelona (6.9% Y/Y and Madrid (4.9% Y/Y).

With the exception of Berlin, where rents have remained static under rising availability, growth was evident in other key cities led by Munich (+7.8%) and Dusseldorf (+7.1%). Frankfurt also posted strong growth of 5.2% per annum in the core CBD reflecting activity in a number of higher priced developments.

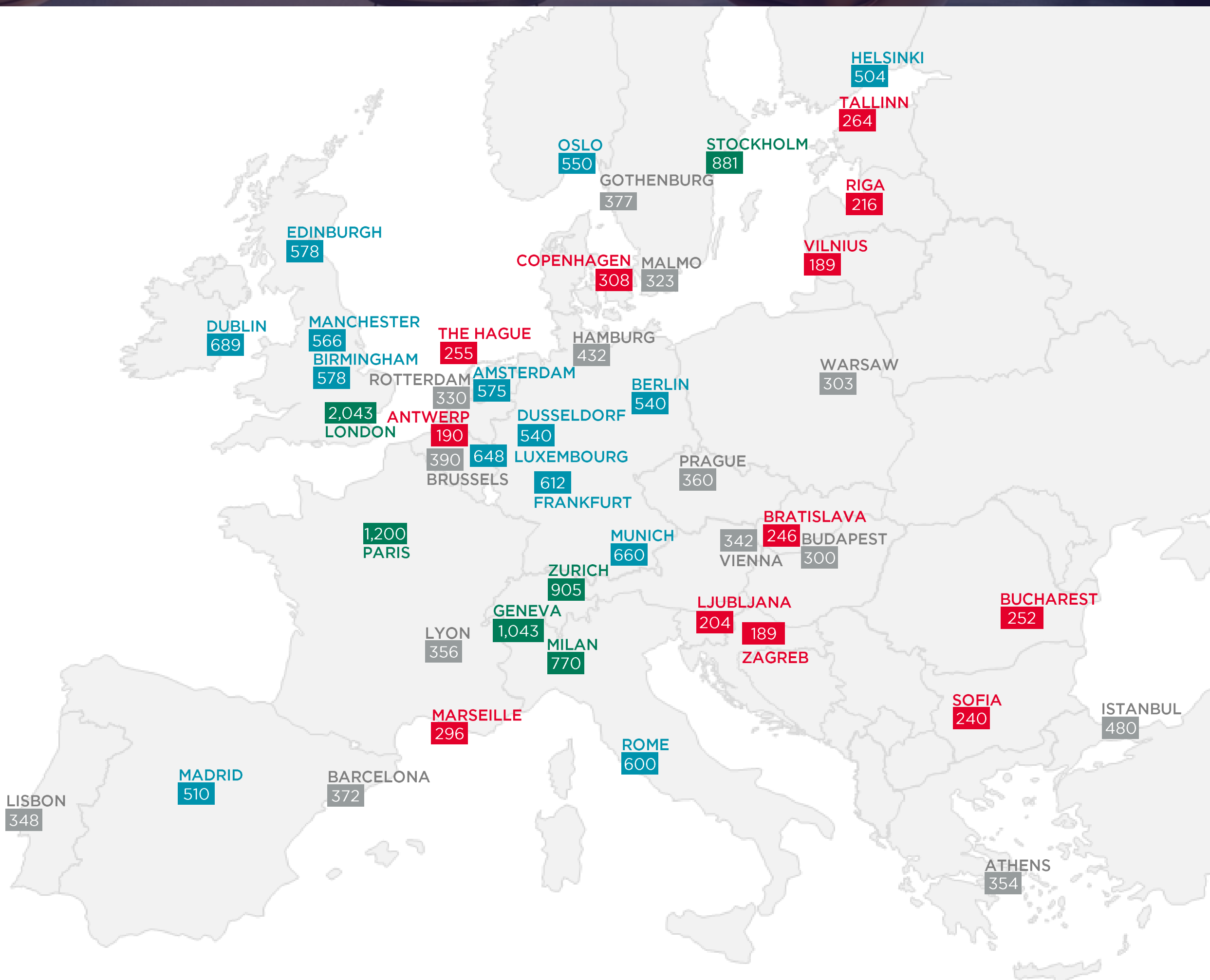
PRIME OFFICE HEADLINE RENT INDICES BY MARKET (Q1 2017=100)



Source: Cushman & Wakefield Research

EUROPEAN OFFICE

Rental Growth



PRIME OFFICE RENTAL LEVEL Q2 2025

- €100-299/sqm/year
- €300-499
- €500-699
- €700+

Source: Cushman & Wakefield Research

Exchange rates (Q2 2025): EUR-GBP = 0.86; EUR-DKK = 7.46; EUR-SEK = 11.13; EUR-NOK = 11.64; EUR-CHF = 0.93; EUR-USD = 1.15

Rental growth across Germany has been more robust over recent years than in many other European cities. This is partly explained by the fact that construction cost inflation in Germany has been running above core CPI.

Prime rents in all German CBD's also sit well below levels in other core European cities like London and Paris.

At €660/sqm/pa, Munich is the most expensive German city ahead of Frankfurt. Levels are roughly half those in Paris CBD (€1,200) and well below the €2,000 level in London's West End and below the €1,100 level in London's City Core. Rents in Geneva, Milan, Stockholm and Zurich exceed levels in German cities.

This provides scope for further growth. Higher rents are typically observed in core Northern European cities, with the lowest in smaller markets especially in the East of Europe's borders and in some second-tier markets.

EUROPEAN OFFICE

Investment Market

Against the backdrop of a weak economic environment, geopolitical uncertainties and volatility in financial markets, investment activity remained subdued. In H1 2025 €100bn was invested across all asset classes, a 5% increase on H1 2024. Offices saw a modest reduction over the same period (-2%) with €20bn invested - below the five-year average of €38bn.

Momentum is moving towards the upside. Q2 volumes were up on the same period a year ago, pushing annual volumes to €44bn, a 9% increase on the €40bn a year ago.

The UK, driven by Central London, was the most invested market. Close to €8bn has been invested in London offices in the last twelve months, close to double its nearest rival city of Paris (€4.0bn). Stockholm (€2.4bn), Madrid (€1.6bn) and Berlin (€1.3bn) rounded out the top five cities for office investment.

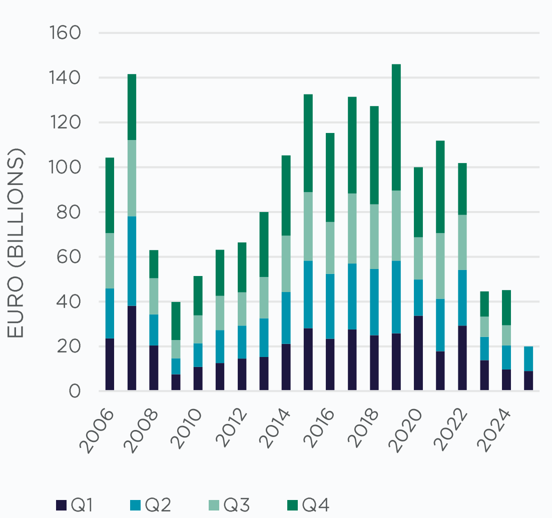
Private companies and individuals have been the biggest investors in the sector and were net buyers into offices. Unlisted funds were also active but have been net sellers over the last twelve months. Institutions have also been divesting from the sector.

One key trend observed over recent quarters has been the uptick in cross border investment, with domestic activity flat or down marginally. European cross border investment has risen 15% year on year. Capital from outside the region has more than doubled in the last twelve months albeit from a lower base.

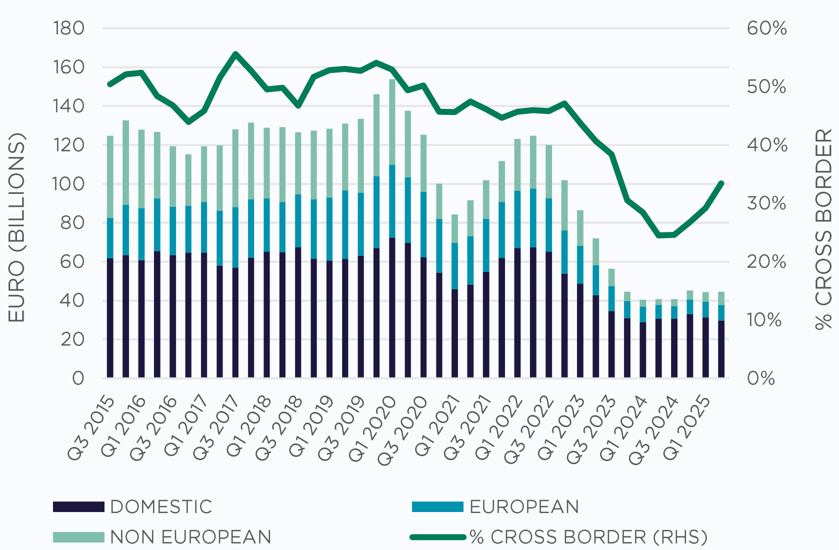
Over the last twelve months €2.4bn has been invested from North American sources, double the level a year ago, with a further €1.8bn from Asian capital, more than 150% higher over the same period. The vast majority (just over 50%) of this capital €2.2bn flowed into London, with over 70% flowing into the UK. Germany attracted around 8% with France a further 6% with Berlin and Paris the primary targets.

More positive fundamentals, higher occupancy, especially in core areas is helping to drive more capital into the sector. We expect to see further improvements in activity moving forward.

EUROPEAN OFFICE INVESTMENT VOLUMES



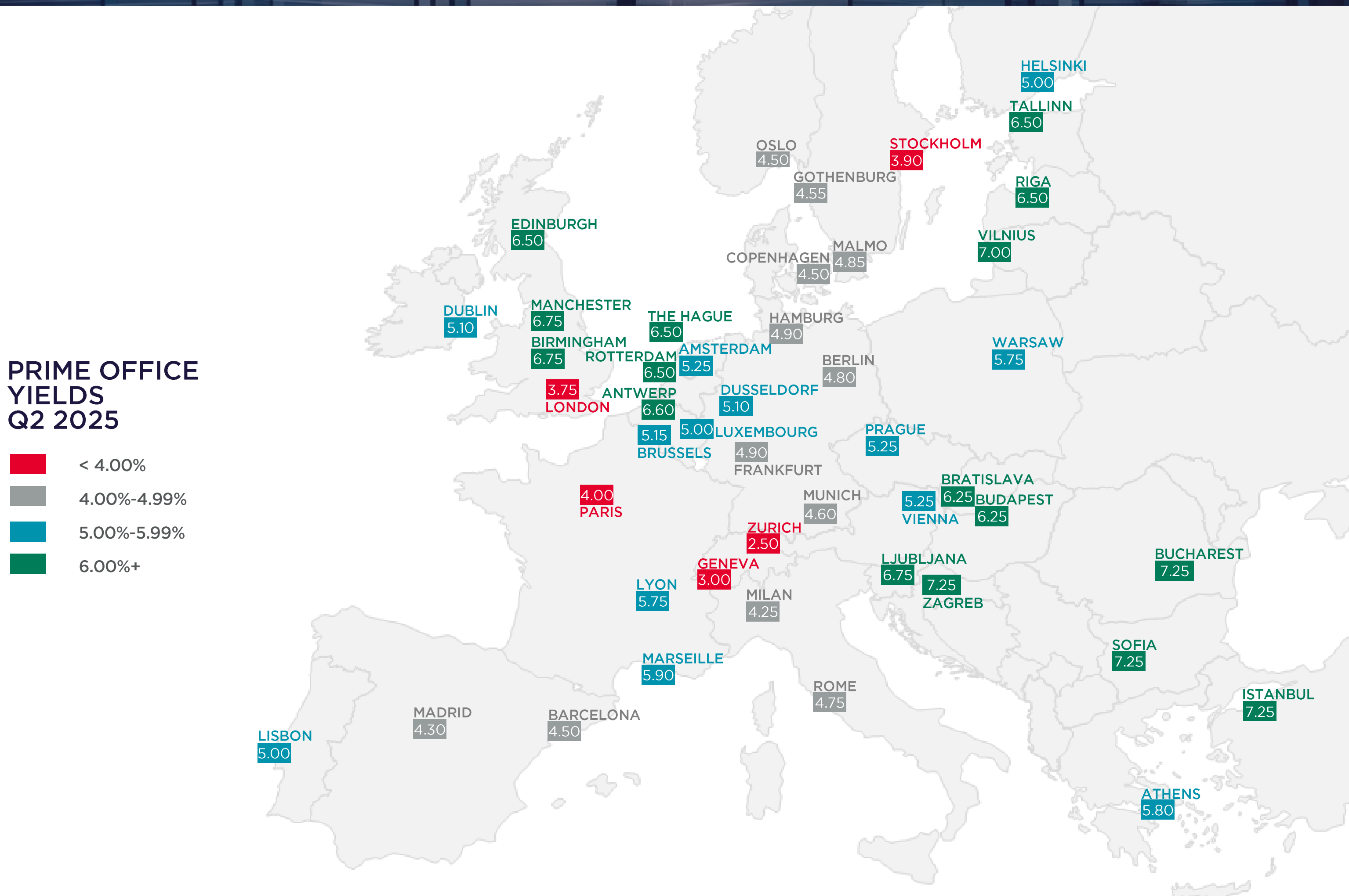
EUROPEAN OFFICE INVESTMENT BY CAPITAL SOURCE*



Source: MSCI (Real Capital Analytics), Cushman & Wakefield Research
**Rolling annual*

EUROPEAN OFFICE

Investment Market



Source: Cushman & Wakefield Research

Prime office yields at the European level have edged inwards for four consecutive quarters. At the end of Q2 2025 the average prime office yield stood at 5.40%, compared to 5.47% at the start of the year and 5.53% this time last year. The gradual movement is welcomed but sits well above a low of 3.87% in Q1 2022. Compared to other sectors, we have seen a greater inward shift, with the exception of retail parks, underscoring the improved sentiment towards best in class, well located offices.

Over the first half of 2025, a third of key markets tracked reported an inward yield shift, with the remaining two thirds largely stable. This is ahead of high street and logistics with around a quarter reporting inwards shifts and highlights a broader based recovery for the best assets.

Over the last six months, the greatest inward yield movement has been across Benelux, UK and CEE markets.

Specifically, we have seen inward shifts in Rotterdam (-25bps to 6.50%) and The Hague (-50bps to 6.50%). In the UK, the primary movement has been in London with both City and West End yields edging in 25bps to 5.50% and 3.75% respectively in Q2. Both Prague and Sofia registered 25bp inward shifts to 5.25% and 7.25% respectively.

Finance Market

The reduction in borrowing costs has supported investor sentiment and demand. The ECB made four cuts over the first half of 2025 on the back of lower inflation rates. Having ended 2024 at 3% the deposit rate now stands at 2% following a 25bp cut in June.

Persistently higher inflation in the UK has led to just two cuts in H1, albeit a further cut was made in early August, with rates now at 4%.

Market and geopolitical uncertainties have led to some volatility over the course of H1, notably the UK, with the five year swap trending lower to 3.65% from just over 4%. Euro swaps, where inflation has been more stable have been largely unchanged.

The most recent Financial Stability Review from the European Central Bank struck a more positive tone for commercial lending as structural risks to the banking sector were seen as low. This sentiment has been echoed in the latest CRE Lending Report from Bayes Business School which highlights debt markets recovering to varying degrees.

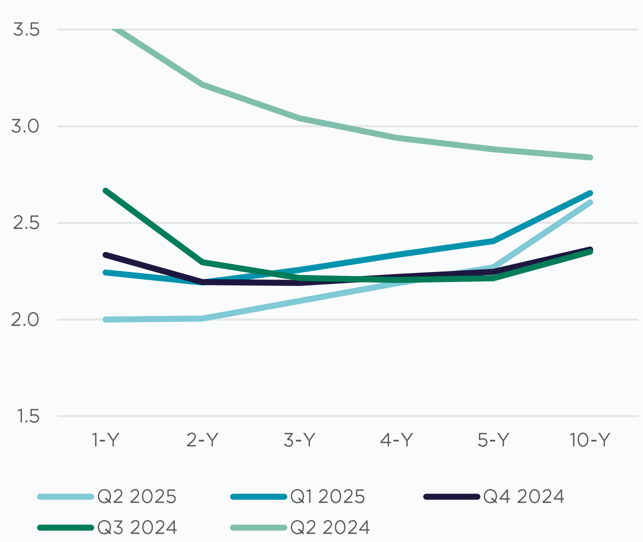
Greater risks are observed for poorer quality assets. A degree of risk is observed for offices in terms of quality and demand. Improved occupational levels, positive demand and lower vacancy, especially in core central areas, means we see those risks dissipating.

We have observed lenders moving back into the office sector as confidence in core, well located assets improves.

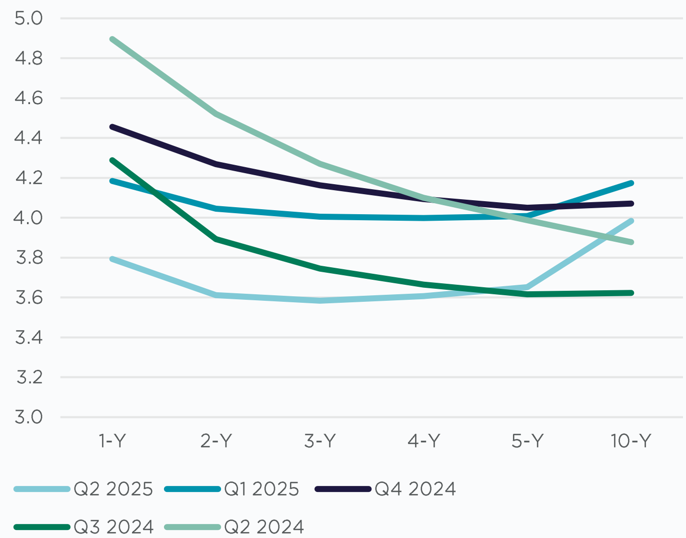
Bank lenders have increased leverage levels on core office financing up to 60% LTV at competitive margins below 200 bps, reflecting a notable improvement in lending terms. Lower margins in the low to mid 100's are observed within core European cities.

Non-bank lenders continue to expand their market presence, providing borrowers with increasingly flexible and high leverage funding options.

EURO SWAP CURVE



UK SWAP CURVE



Source: Cushman & Wakefield Research, Bloomberg

Obsolescence

Changing user requirements, cost control and increased ESG requirements, including pending legislation, will all impact how we occupy and utilise office space. The volume of space, location and access to increased amenity have also moved up the agenda in terms of occupier requirements post pandemic. With offices across Europe typically let on a five to ten year term, having access to the right space is ever more critical as lease events feed through. Needs may vary by user and market. Our analysis already shows a focus on better quality stock in a central location.

How resilient is Europe's office stock in core markets? Where are the risks and importantly opportunities?

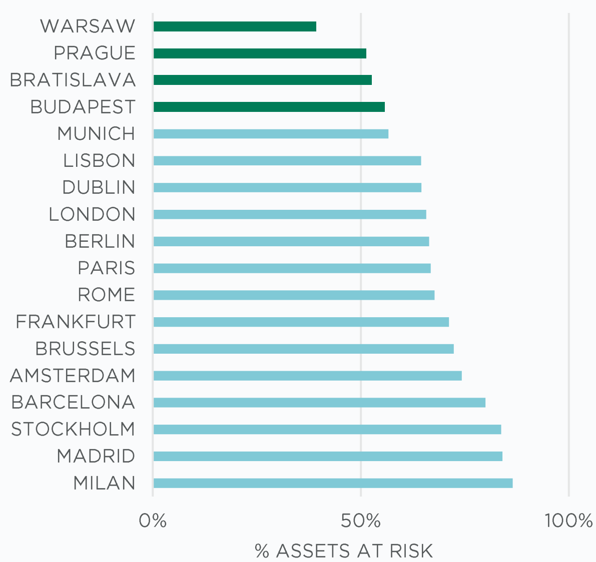
We have previously assessed risk by looking at the age of stock. More modern buildings tend to offer greater flexibility and may require fewer upgrades to meet user requirements. Older stock might present greater challenges. That is not to say buildings of architectural heritage are not sought after. In some markets occupiers place greater value on their features.

We have previously assessed risk by reference to the current age of existing stock and using historic and future completions alongside additional market insights from teams to estimate the share of stock that would be most at risk, deemed as being greater than twenty years old.

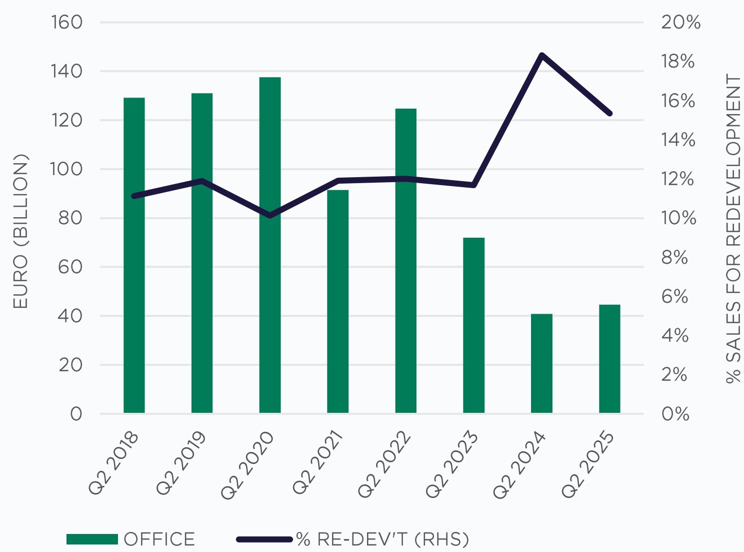
Our latest analysis continues to highlight greater risks in Western European markets with Milan, Madrid and Stockholm occupying top spots. Markets that have seen significant development in recent years including Berlin, Dublin and London sit mid-table while Eastern European markets where significant development has occurred over recent decades all sit bottom of the table. Even here assets are not immune from the need for change.

Positively, over the last three years we have seen an increase in the share of sales for redevelopment opportunity. Many existing owners are also upgrading buildings when vacant to a greater degree. Growing legislation should see these risks fall. Assets no longer fit for purpose may be removed from stock (in time), subject to planning conditions, leading to further falls.

STOCK AT RISK OF OBSOLESCENCE



INVESTMENT SALES BY BUYER INTENTION



Source: Cushman & Wakefield Research

EUROPEAN OFFICE

Outlook

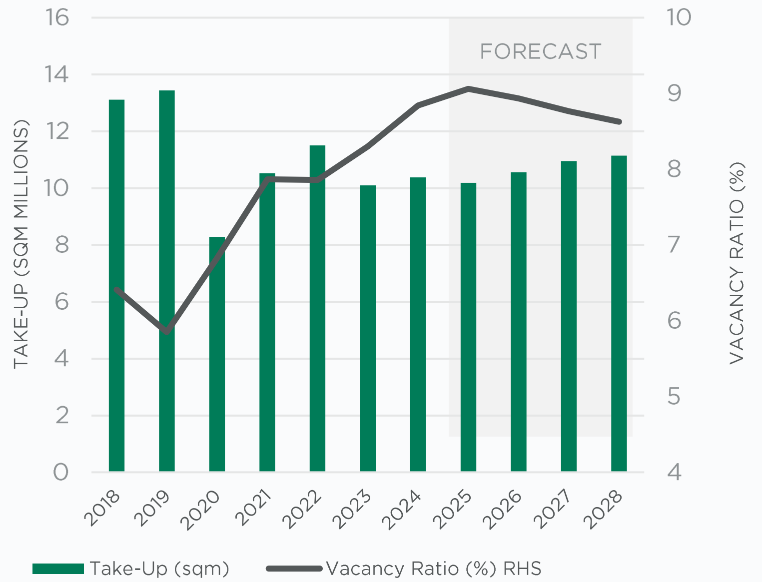
As uncertainties that have dominated the market in the first half of the year begin to clear, there is some upside to the outlook for the market. Leasing activity for the full year of 2025 is likely to be broadly in line with 2024. As we move forward into 2026 greater certainty, higher office occupation and rising demand will support an overall increase in leasing activity.

Vacancy which is starting to show signs of turning is likely to end the year ahead of last year, but is expected to have reached an inflection point by the end of the year, if we are not already there today.

Reduced construction activity, higher demand and the removal of sublease space will all contribute to falling vacancy rates as we look beyond this year.

As inflation subsides the strong levels of rental growth in recent years are likely to moderate, slowing to around 2% per annum across many markets. In the near term, in markets where we see a shortage of Grade A space, we could expect greater rental increases on better quality second-hand space. This could support a return of development activity in select markets or micro-markets where Grade A space is in short supply, supporting stronger prime rental growth.

EUROPEAN OFFICE TAKE-UP AND VACANCY



Source: Cushman & Wakefield Research (Q1 2025 forecasts)

PRIME OFFICE RENTAL GROWTH FORECASTS

	2023 (Y/Y % chg)	2024 (Y/Y % chg)	2025F (Y/Y % chg)	2025F-2026F Avg	2027F-2028F Avg
FRANCE	2.7	3.9	2.8	2.3	1.9
GERMANY	6.0	5.3	3.1	2.4	1.9
BENELUX	4.7	3.6	2.0	1.8	1.5
NORDICS	6.1	4.9	2.7	2.4	1.9
CEE	5.3	3.6	2.4	2.1	1.8
ITALY	5.5	4.3	4.8	3.5	2.3
SPAIN	4.5	6.5	3.5	2.4	1.9
UK	9.3	6.8	6.8	4.9	3.5
EUROPE AVERAGE	5.6	4.8	3.4	2.7	2.1

Source: Cushman & Wakefield Research (Q1 2025 forecasts)

NIGEL ALMOND
Head of EMEA Office Research & Insight
nigel.almond@cushwake.com

JAMES YOUNG
President – Markets, APAC & EMEA
james.young@cushwake.com

PAUL BOURSICAN
Head of Offices, EMEA Capital Markets
paul.boursican@cushwake.com

JEAN-PHILIPPE CARMARANS
Head of International Cross Border EMEA
Valuation & Advisory
jean-philippe.carmarans@cushwake.com

DAVID GINGELL, CFA
Co-Head of Equity, Debt & Structured
Finance - EMEA
david.gingell@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 2024, 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

Better never settles

CUSHMAN & WAKEFIELD