MARKETBEAT

CENTRAL & EASTERN EUROPE

OFFICE Q2 2025

Better never settles

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CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
11.3% Vacancy Rate	▼	▼
205K YTD Net Absorption	▲	▲
126K YTD Completions	▼	▲

(Sqm, end of period)

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% CEE-6 Real GDP	▼	▼
4.3% CEE-6 Unemployment Rate	▲	▲
3.8% CEE-6 Inflation Rate	▲	▲

(Quarterly data, average YoY changes, seasonally adjusted)
Source: Moody's Economics

CEE OFFICE MARKETS NAVIGATE MODEST GDP GROWTH AMID PERSISTENT INFLATION

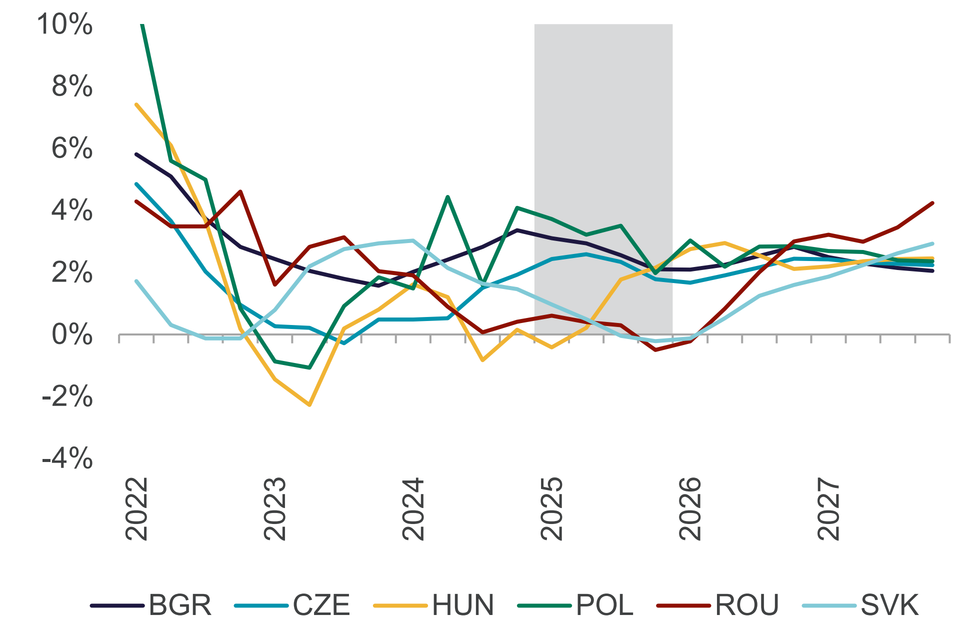
CEE-6 economies maintained modest momentum in Q2 2025, with GDP growth averaging 2.1% year-on-year across the region, though full-year projections stand at 2.0%. The economic landscape remains characterized by persistent inflation averaging 3.8% in Q2 and expected to reach 4.3% by year-end, with particularly elevated levels in Romania (7.1%) and Hungary (4.8%). Despite inflationary pressures, unemployment rates remain low at 4.3%, with Czechia (2.7%) and Poland (3.0%) having the lowest rates. This tight labor market sustains business confidence and workforce stability, encouraging companies to maintain or expand their office footprints to accommodate employees. The region faces demographic headwinds, with population decline of 0.4% in Q2; however, stable employment and a gradual economic recovery provide a foundation for continued office occupier demand.

QUALITY AND LOCATION STRATEGY DEFINE OFFICE MARKET EVOLUTION

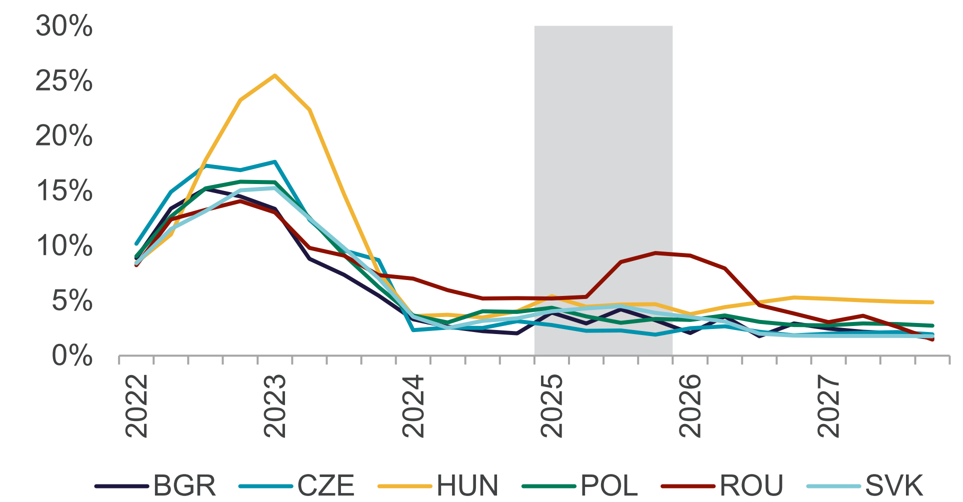
The CEE-6 office market in H1 2025 reflects a decisive shift toward quality over quantity, with occupiers demonstrating strong preference for Grade A space with robust ESG credentials in core CBD locations. Companies are increasingly focused on transforming their offices into strategic assets that attract and retain talent in tight labor markets, prioritizing high-quality, modern facilities over cost considerations.

Reduced speculative development activity supports this quality-focused dynamic, with developers increasingly pursuing built-to-suit arrangements and pre-lease commitments. Prime office rents continued their positive momentum, growing 3.8% year-on-year across CEE-6 markets, reflecting strong demand for best-in-class properties. Investment activity showed encouraging improvement, with pricing compression creating opportunities for capital deployment in well-located, sustainable office assets.

REAL GDP GROWTH (PPP)

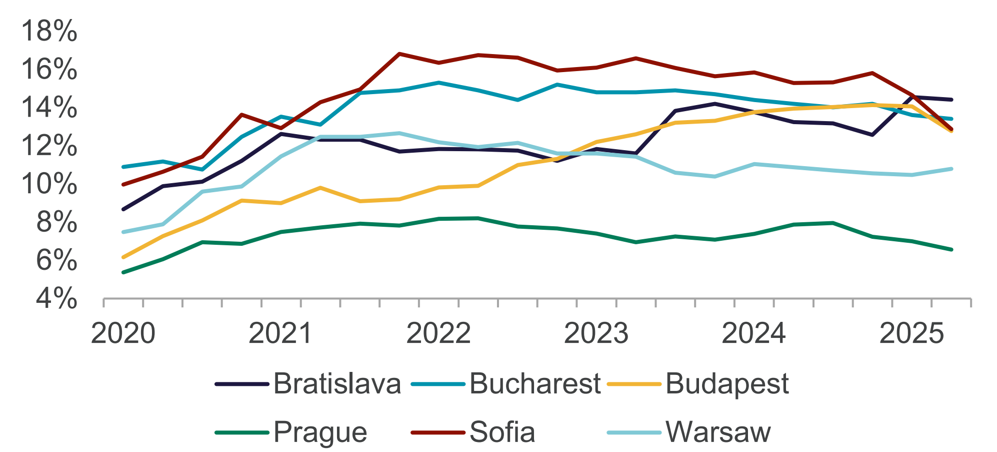


INFLATION RATE (HICP, YOY)

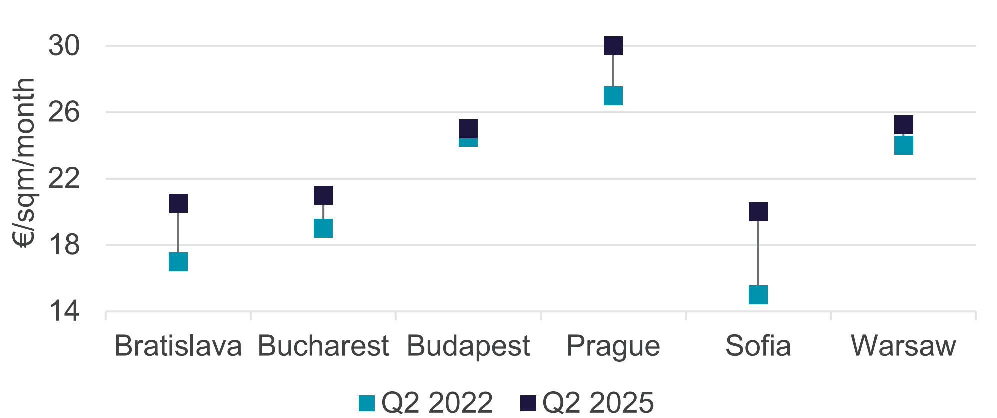


NET ABSORPTION/ NEW SUPPLY

VACANCY RATE



PRIME RENT



LEASING ACTIVITY HOLDS STEADY DESPITE BROADER UNCERTAINTY

Office leasing activity across CEE-6 capital cities maintained its upward trajectory in H1 2025, with gross take-up reaching 1.07 million sq m, though down 12% year-on-year. The decline masks a more positive underlying trend—net absorption turned positive across all markets and grew 23.5% in H1 2025. Lease renewals dominated activity, reflecting occupiers' focus on optimizing existing locations amid economic uncertainty. Owner-occupier transactions gained momentum in several markets, notably Budapest. Warsaw led regional activity, with 301,400 sq m leased in H1, while demand accelerated in Bucharest during Q2, following a slower start to the year. The preference for Grade A space in core CBD locations intensified, supported by companies prioritizing access to transport hubs and quality amenities.

DEVELOPMENT PIPELINE CONTRACTS TO HISTORIC LOWS

New supply across CEE-6 capitals reached just 99,200 sq m in Q2 2025, less than half the 2015-2021 quarterly average of 220,000 sq m. Total H1 2025 completions of 125,800 sq m marked a 43.5% decrease year-on-year, bringing total stock to 22.2 million sq m—virtually flat compared to the previous year. Development activity continues to shift toward built-to-suit projects, exemplified by Budapest, where 83% of the 472,000 sqm under construction is pre-committed. The region-wide construction pipeline stands at 1.19 million sq m, with Prague recording its highest development activity in five years. Speculative development remains constrained by elevated construction costs, financing challenges, and developers' cautious approach. Several markets, including Sofia and Bratislava, are expected to see minimal new completions through 2026.

RENTS: GROWTH MOMENTUM SUSTAINED ACROSS PRIME LOCATIONS

Prime office rental growth remained robust at 4.2% year-on-year across Europe, with CEE-6 markets contributing to this positive momentum. Bratislava recorded notable increases, with prime rents reaching €20.50/sq m/month in Q2—up €2.50 since Q4 2023—and further growth to €21.00 expected by year-end. Warsaw prime rents ranged from €22 to 27 in central locations, with the strongest growth for new completions. Budapest CBD rents have remained stable at €25 since Q1 2023, although submarkets such as Central Buda and the Váci Corridor have posted solid gains. Prague maintained prime rents at €30 in the city center, while Sofia saw rates edge up to €20 in the CBD amid single-digit vacancy. The limited availability of Grade A space, particularly in core locations, is expected to support continued rental growth across the region into 2026.

OUTLOOK

- With limited new supply and positive net absorption, **vacancy rates** should continue their gradual decline from current 11.34% average, particularly benefiting well-located Grade A buildings.
- **Prime rents** likely to increase 2-3% annually through 2026, with strongest growth in supply-constrained core CBD locations and newly delivered/refurbished properties.
- **New construction** starts will stay closely tied to pre-leasing commitments, with purely speculative projects rare.
- Occupiers increasingly prioritize **Grade A space in central locations** with access to transport infrastructure, widening the performance gap between prime and secondary assets.
- Older buildings without clear ESG upgrade pathways or central locations face mounting challenges, with some markets seeing increased **redevelopment opportunities** for off-spec stock.

MARKET STATISTICS

MARKET	STOCK (SQM)	AVAILABILITY (SQM)	VACANCY RATE	CURRENT QTR TAKE-UP (SQM)	YTD TAKE-UP (SQM)	YTD COMPLETIONS (SQM)	UNDER CONSTRUCTION (SQM)	PRIME RENT (SQM/MONTH)
Bratislava*	1,764,500	254,200	14.41%	36,500	99,400	0	40,000	€20.50
Bucharest	3,429,500	459,600	13.40%	70,100	121,300	0	132,300	€21.00
Budapest	4,426,100	565,200	12.77%	120,000	212,900	5,100	470,600	€25.00
Prague	3,938,900	258,800	6.57%	164,800	253,100	15,300	212,600	€30.00
Sofia	2,336,300	300,500	12.86%	40,700	86,500	20,200	204,100	€20.00
Warsaw	6,329,300	682,700	10.79%	154,700	301,400	85,200	133,100	€25.25
CEE-6 TOTALS	**22,224,600**	**2,520,900**	**11.34%**	**586,800**	**1,074,700**	**125,800**	**1,192,700**	

**Note: In Q1 2025, Bratislava stock has been adjusted to exclude owner-occupied buildings.*

KEY LEASE TRANSACTIONS, Q2 2025

MARKET	PROPERTY	SUBMARKET	TENANT (SECTOR)	SIZE (SQM)	TYPE
Prague	Smíchov City South	Prague 5	ČEZ	44,200	Pre-completion
Bucharest	The Bridge 1	Center – West	BCR Erste	24,000	Renewal + Expansion
Kraków	Dot Office		Shell	22,900	Renewal
Warsaw	Multimedialny Dom Plusa	Mokotów (Służewiec)	Polkomtel	22,700	Renewal
Budapest	IP West	South Buda	BYD	17,800	Owner-occupier deal
Kraków	Green Office		Motorola Solutions	17,100	Renewal
Prague	Rohan City A2	Prague 8	Banka Creditas	16,800	Pre-completion
Budapest	Gateway Offices	Váci Corridor	(Confidential)	13,800	Renewal
Warsaw	Bokserska Office Center	Mokotów (Służewiec)	EnterAir	9,900	Owner-occupier deal
Bratislava	Westend Plaza	Outer City	(Public)	9,200	Renewal

KEY COMPLETIONS, Q2 2025

MARKET	PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQM)	OWNER/DEVELOPER
Warsaw	The Bridge	Centre	Santander Bank	47,000	Ghelamco
Warsaw	Office House	Centre	Emagine, Maersk, Crowe	27,800	Echo Investment
Sofia	Smart Tower	Sofia	Own use	13,000	Vision Project Development
Prague	NR7	Prague 1	Scott.Weber	4,500	Crestyl
Budapest	Rhodium Irodaház	Váci Corridor		2,800	FITOUT Zrt.
Budapest	Wagner Palota	CBD		2,300	Optinvest
Prague	VN62	Prague 1		2,100	ČMN

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