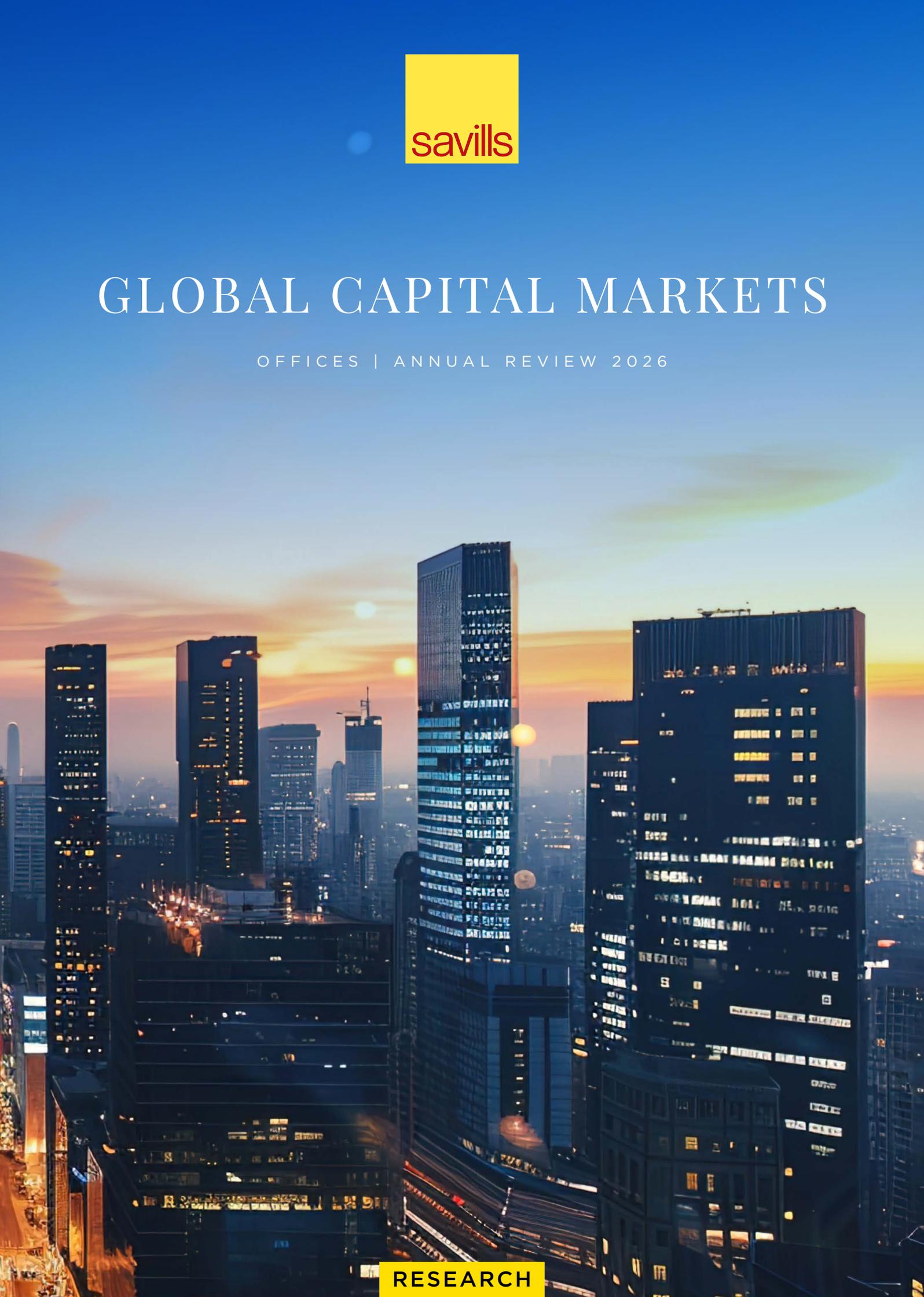




savills

GLOBAL CAPITAL MARKETS

OFFICES | ANNUAL REVIEW 2026



RESEARCH

GLOBAL SUMMARY

RESILIENCE AMID RISK

Global real estate investment rose by nearly 10% in 2025 in US-Dollar terms, or around 8% on a fixed-exchange-rate basis, given the nearly 8% decline in the trade-weighted value of the US dollar. This follows a similar increase in 2024, however, global activity remains around 20% below the pre-Covid-19 average, and 40% lower than the peak in 2021—though the latter is not necessarily a meaningful or indeed helpful benchmark.

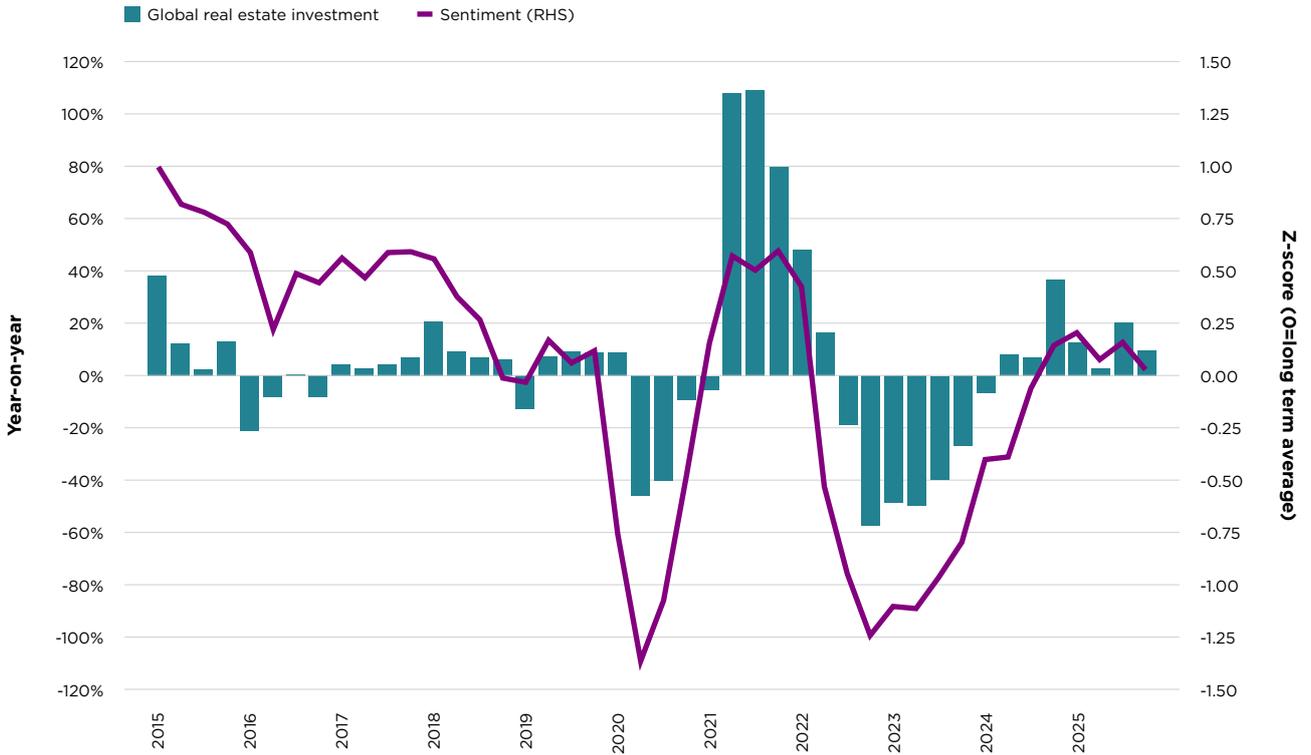
The US continues to lead the recovery, not least because it is the world's largest and most liquid real-estate market. Investment there increased by 18% in 2025 and now stands 30% above the 2023 low. In contrast, Europe and APAC were broadly flat on the year, although this statement masks considerable regional variation. In APAC, Greater China remains challenged by excess supply and a subdued leasing environment, while Australia, Japan, and South Korea continue to attract global capital, driven by mostly compelling fundamentals. Likewise, the narrative in Europe has been of diverging fortunes between core and peripheral markets, with the periphery outperforming.

Overall, the market is progressing through an incremental, often uneven recovery, characterised by few easy wins and punctuated by false starts. Volatility in early 2025, as financial markets responded to the early policy agenda from newly inaugurated US President Donald Trump—culminating in April's 'Liberation Day' tariff announcements—created some hesitation and delayed decision-making. After adjusting for the normal seasonal patterns, global real estate investment fell for two consecutive quarters at the start of the year, despite ending 2024 on a strong footing.

Momentum strengthened again in the second half, however, as delayed transactions moved forward. Deals are taking longer to close—a trend predating the tariff announcement—but they are still being completed. When viewed alongside other market signals, on investor sentiment, pricing, and wider liquidity conditions, the market continues to demonstrate good resilience.



GLOBAL: REAL ESTATE INVESTMENT AND SENTIMENT



Source: Savills research using Macrobond

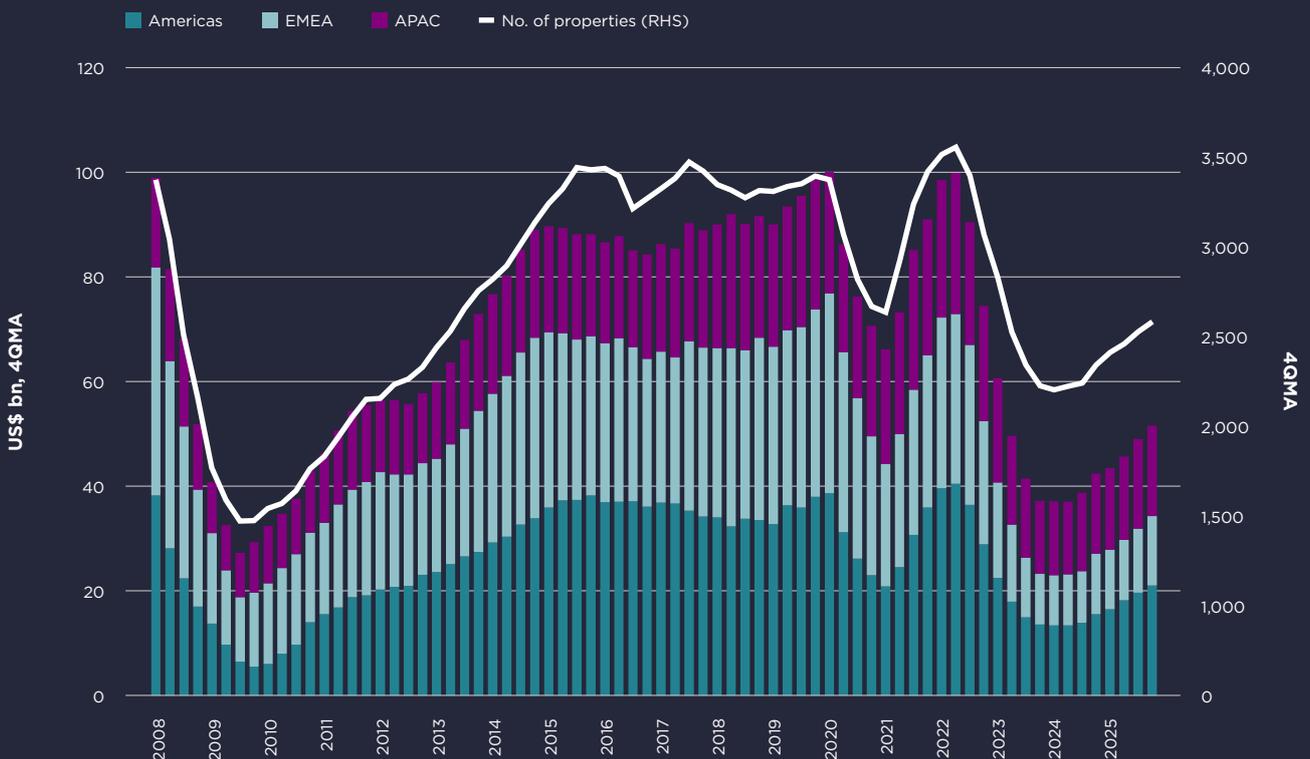
Indeed, a defining feature of the current economic cycle is resilience. Despite a succession of disruptive events, economic activity has repeatedly outperformed expectations for a more pronounced slowdown. Financial markets, too, appear increasingly accustomed to the volatility. Whether recent events in the Middle East challenge this uneasy status quo remains to be seen. However, investors are increasingly showing their willingness and ability to deploy capital irrespective of the noise.

The IMF’s latest World Economic Outlook echoes this narrative. Its 2026 growth outlook is broadly unchanged to 2025, even if overall activity is still subdued relative to pre-Covid-19 norms. In particular, they highlight the ‘adaptability’ of the private sector, a sentiment that applies equally well to real estate. In an environment of higher interest rates, persistent inflation, and geopolitical uncertainty, the sector’s inherent illiquidity might be expected to deter activity in favour of safer, income-producing assets such as fixed income. Yet buyers and sellers are still coming together and transacting. Within this, larger assets and portfolios are trading with more frequency, showing an increased appetite to risk.

Risks do remain—from political pressure on the independence of the US Federal Reserve, to the concentrated nature of global equity markets, and the unsettled geopolitical backdrop including, at the time of writing, further instability in the Middle East. But despite the stopstart nature of the recovery, the trend is clearly upward. With the foundations for continued growth in place, we anticipate global investment to rise by a further 15% in 2026.

NO LONGER OUT OF OFFICE

GLOBAL: OFFICE INVESTMENT TURNOVER



Source: Savills research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.

The global office market staged a solid rebound in 2025, marking a pivotal year in the sector's post-pandemic recovery, with global investment rising by 18% year-on-year to US\$208bn.

Encouragingly, this resurgence was not confined to the early part of the year; the final quarter of 2025 delivered US\$67bn in turnover, a 17% increase on the year, underscoring sustained momentum.

The office sector also proved to be more popular with investors, taking a 23% share of global investment, up from 21% in 2024, and is a trend that we expect to pick-up momentum in 2026. This view is reinforced by the response to the 2026 INREV Investment Intentions Survey, that sees the office sector rise from fifth to third in the list of most preferred sectors globally.

OFFICES

The recovery is being driven by three key forces; a rebound in the US occupational market, the return of cheaper debt financing, and a constrained supply pipeline.

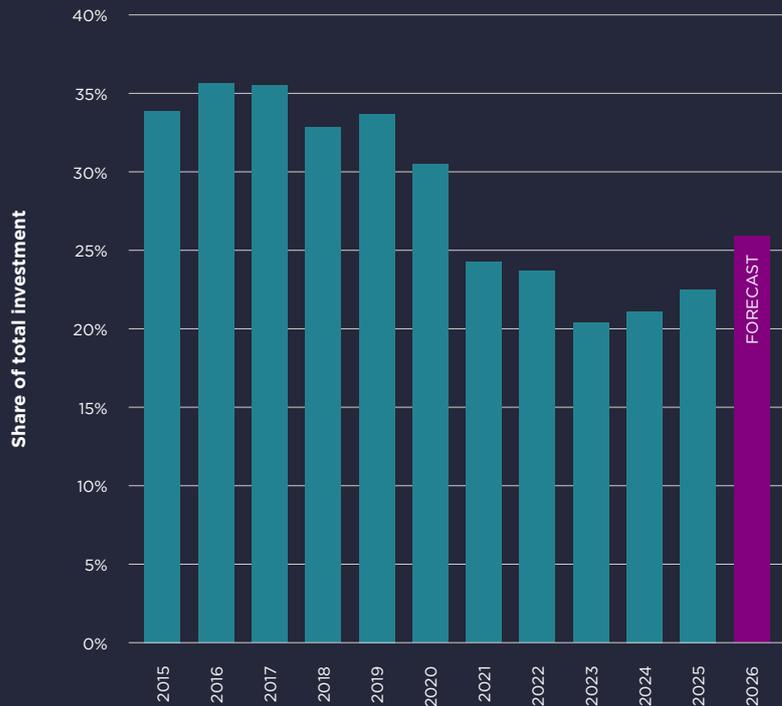
Falling interest rates and increased competition among lenders made financing more accessible, encouraging investors to re-enter the market. At the same time, a lack of new development across many global cities is creating favourable conditions for the owners of existing assets, particularly those aligned with occupier demand for quality, flexibility, and sustainability.

Meanwhile, 2025 represented a key inflection point for momentum and sentiment around the office sector in the US, which is important for both domestic and foreign investment, given many major institutional investors report to investment committees based in the US. Global investment into offices by US-based investors, both domestic and cross border, reached US\$87bn in 2025, 47% higher than in 2024.

However, the rebound was uneven. Prime and core assets led the way, while secondary offices continued to struggle. Older, less adaptable buildings continue to face limited demand, often requiring significant investment or repositioning to remain viable.

This divergence has become a defining feature of the current cycle. Investors are increasingly focused on asset quality, location, and future-proofing. This has led to a concentration of capital in a narrow band of high-quality assets, while a growing pool of stock faces the prospect of repositioning and repurposing, or obsolescence.

GLOBAL: OFFICE INVESTMENT



Source: Savills research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.

In line with the wider narrative, cross-border investment is also showing signs of renewed interest, accounting for 20% of total office transactions over the last 12 months—up from 17% in 2024. Though still below pre-pandemic levels, this uptick reflects a gradual return of international capital, particularly into global gateway cities. This was exemplified by Blackstone’s ¥346bn (US\$2.2bn) purchase of Tokyo Garden Terrace in February 2025.

More generally, institutional investors, both cross-border and domestic, re-emerged as a key buyer, registering their highest share of total office investment since 2022 at 24%, a trend reflected across all regions. The return of institutions has been reflected in transaction data via the growth in large ticket assets; throughout the year, over 1,300 offices globally traded for over US\$100m, a more than 150% increase when compared to 2024. Included within this list was the acquisition of Tower 730 in Seoul for KRW870bn (US\$625m) by BentalGreenOak, as well as New York’s largest deal in three years when RXR Realty, Elliott Management, and Baupost Group bought 590 Madison Avenue for US\$1.1bn.

The return of these buyers signals a broader re-engagement with the sector, driven by stabilising values and a belief that the worst of the correction is behind us. Looking ahead, this positive momentum is expected to continue and we forecast investment into offices to increase by 23% in 2026 and for offices to make up a 26% share of total investment, the highest since 2020.

EMEA

EUROPE, MIDDLE EAST, AFRICA

Office investment across EMEA found renewed momentum in 2025, with sentiment improving and larger transactions re-emerging as confidence gradually returned to the sector.

Total office investment for the year reached €47bn (US\$53bn), up 15% year-on-year, supported by a particularly strong Q4, which saw turnover climb to €19bn (US\$21bn), a 25% uplift on the same period in 2024. The rebound in activity suggests that liquidity is slowly re-entering the market, with a growing pool of investors willing to deploy capital into high-quality opportunities.

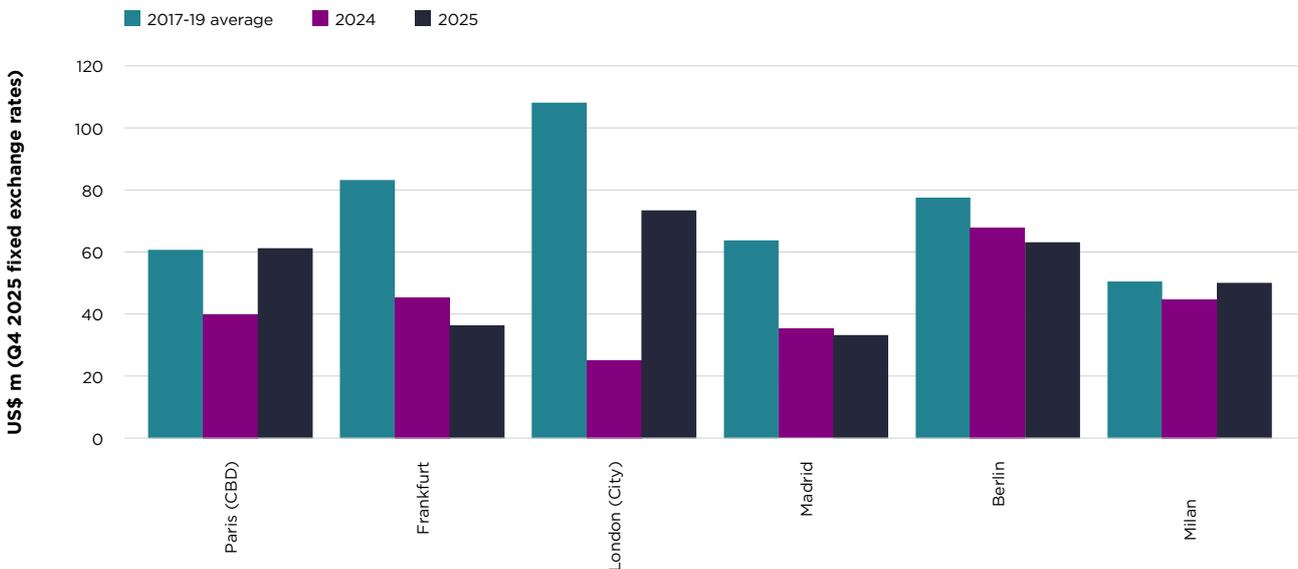
Activity was strongest in the UK, where office investment rose 32% year-on-year to £13bn (US\$17bn) in 2025,

supported by a return of institutional capital and a marked increase in larger deal sizes, headlined by NBIM's purchase of a 25% stake in a portfolio of 175 offices across London's West End from Grosvenor for £280m (US\$351m). The French market also experienced a notable pick-up in activity, with turnover rising by 49% to €6.7bn (US\$7.6bn), while investment in Germany remained relatively flat on the year with modest growth of 1%, reaching €5.6bn (US\$6.3bn).

A notable emerging theme in favour of offices is the potential rebalancing of institutional portfolios.

After several years of heavy investment in the logistics and living sectors, offices have gradually been reduced to a smaller share of overall allocations. Now, following a period of repricing and clearer signs of stabilising occupational markets, institutions appear to have a renewed capacity—and appetite—to re-engage with the sector. This shift is beginning to show up in the transaction data, with offices recording an increase in sector share for the first time since 2022.

EUROPE: AVERAGE TRANSACTION SIZE



Source: Savills research using MSCI RCA. Based on independent reports of properties and portfolios. Individual property transactions only.

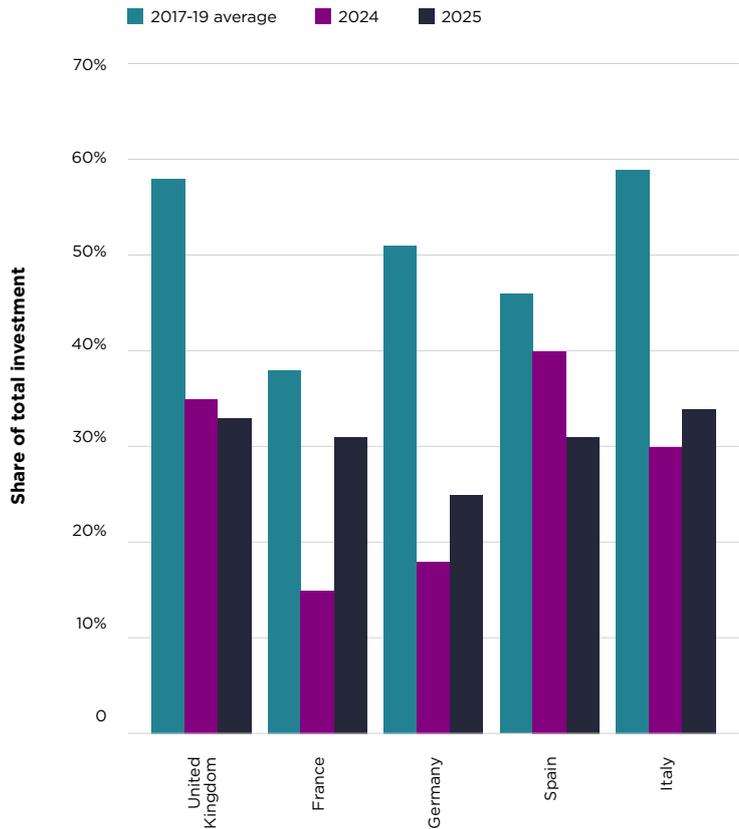
Cross-border capital also strengthened its position in the region, with its share of total office investment rising from 29% to 35% in 2025. The largest individual office deal in EMEA was US-based Blackstone’s acquisition of the Trocadéro business centre in Paris for €705m (US\$825m). However, despite headline-grabbing deals like this, cross-border investment remains below pre-pandemic averages, indicating there is still further room for recovery in international participation.

As institutions and international buyers return to the market, so too is liquidity for larger asset sizes, signalling that some investors are once again willing to commit to scale when asset quality and location align with their strategies. At the same time, interest is beginning to re-emerge for large value-add opportunities, although success in this segment hinges more than ever on the specificity of location—investors remain cautious, and mis-priced secondary assets continue to face elevated scrutiny. For all strategies, location remains the defining factor, with capital continuing to gravitate toward the most established and resilient districts within core cities.

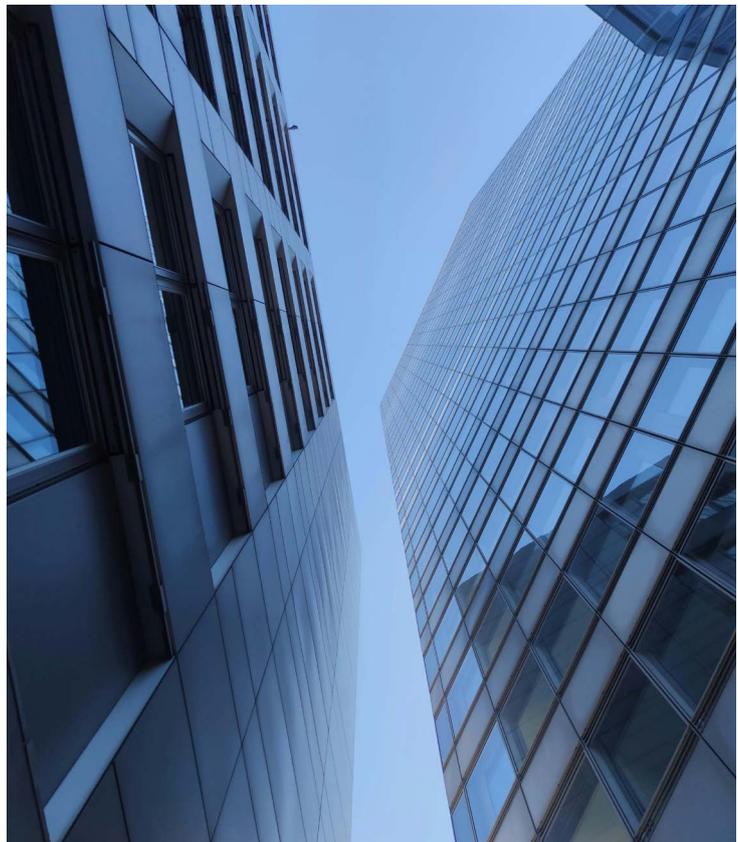
Despite the improvement in transaction activity, equity deployment is still lagging debt, reflecting the disparity between lenders—who have gradually become more active—and equity investors, who remain discerning and often slower to commit capital. This dynamic is particularly evident among US private equity groups; while appetite was intense in London last year, their activity has been more measured across the wider region in 2025.

Looking to 2026, activity in Southern Europe is expected to soften slightly, not necessarily due to a lack of investor interest, but primarily because of limited product availability—particularly for high-quality, institutionally preferred assets. Conversely, a gradual return of German funds is anticipated, especially in outbound strategies, which should help deepen liquidity across select European markets.

EUROPE: CROSS BORDER OFFICE INVESTMENT



Source: Savills research using MSCI RCA. Based on independent reports of properties and portfolios.

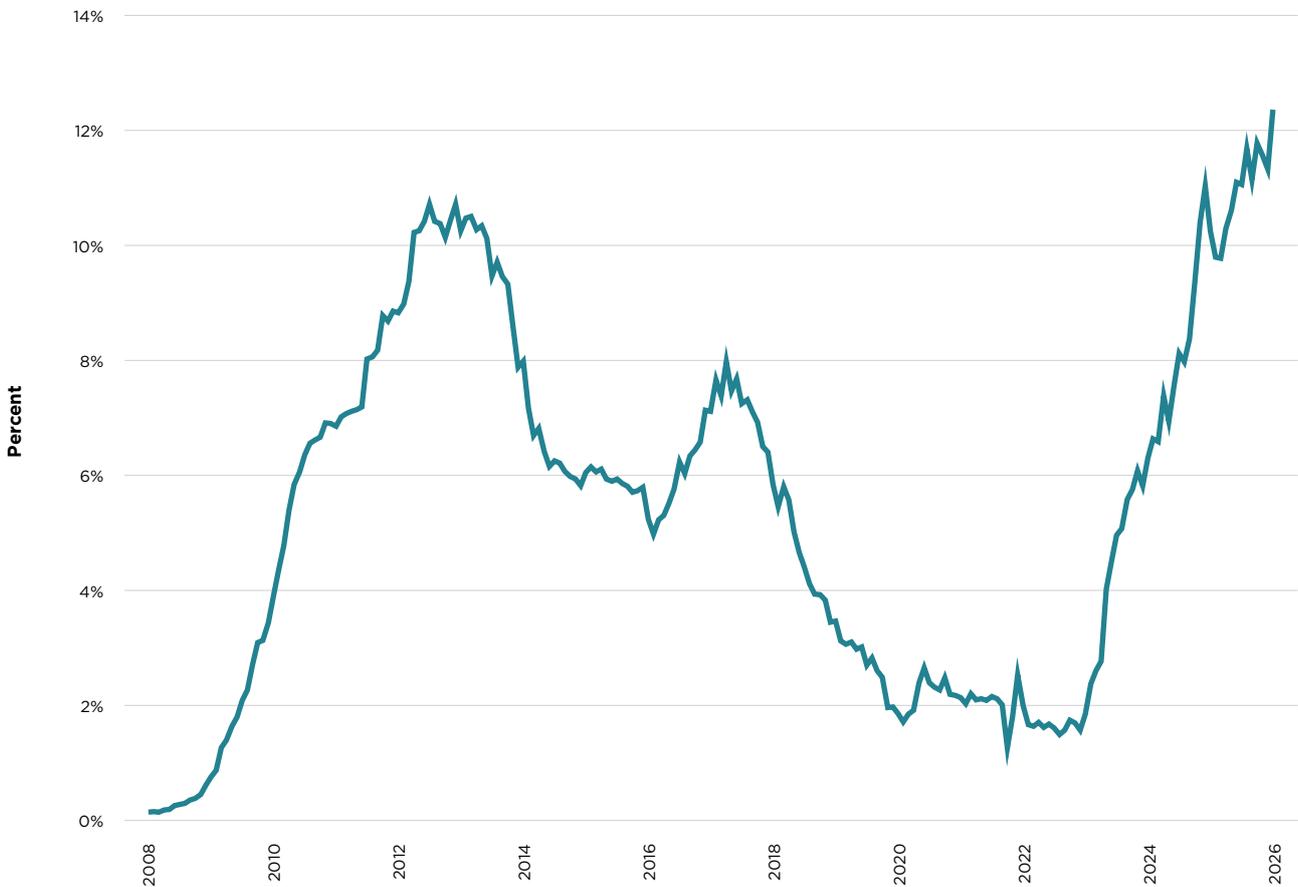


NORTH AMERICA

The US office market had a strong 2025, with total investment activity reaching US\$80bn, a 38% rise year-on-year. The last 12 months have represented a turning point for the office sector in the US, and 2025 marked the return of institutional capital, following a steady improvement in the underlying occupational dynamics. However, domestic institutions remain net sellers of US offices, reflecting a base level of caution amongst many buyers, some of whom will likely be preoccupied with managing legacy assets to return to the market with any great conviction. Instead, private investors and opportunistic user-buyers continue to lead transactional activity.

Underlying caution is valid as distress in the office sector continues to accumulate, albeit at a decelerating pace. Offices account for around 48% of total distressed commercial real-estate loans in the US, according to MSCI, broadly unchanged from a year prior. However, newly distressed office loans grew by US\$14bn in 2025; an increase, but much lower than 2024's figure of US\$32bn. Delinquencies, however, remain concentrated in the office segment, and by January 2026, the CMBS delinquency rate for offices reached a high of 12.3%, roughly 200bps higher than late 2024.

US: OFFICE CMBS DELINQUENCY RATE



Source: Savills Research using Trepp. Based on percentage of loans 30+ days delinquent.

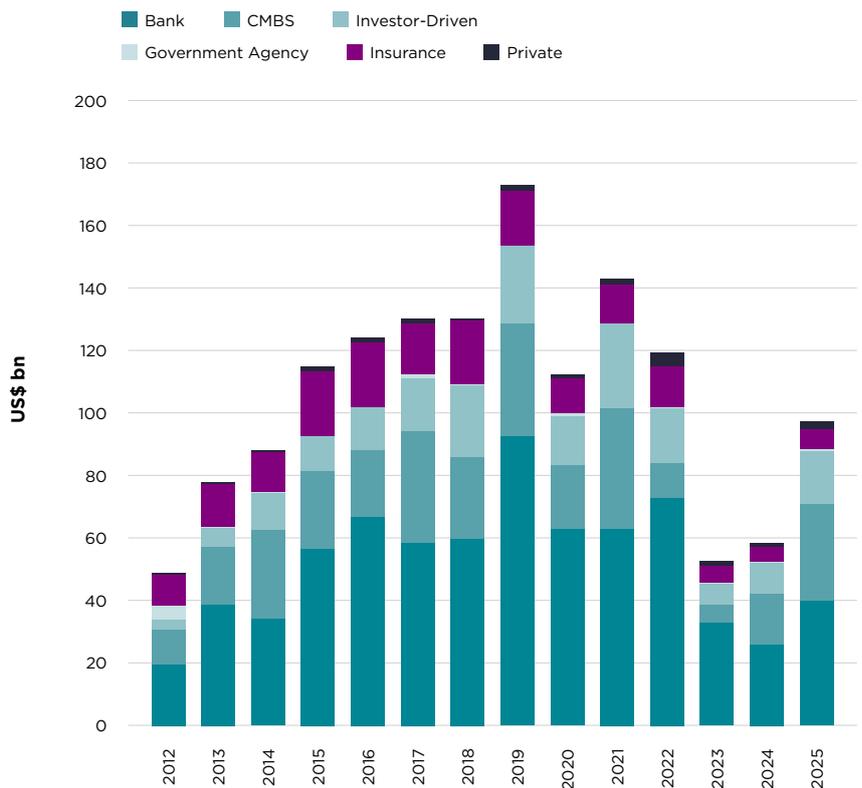
Despite lingering concerns around overall distress in the sector, new issuance of CMBS has picked up, reflecting the broader recovery in transaction activity and the two-tiered nature of the market. Originations rose sharply to US\$29bn in 2025, up from US\$9.4bn the previous year, as lenders and investors became more comfortable with underwriting new deals in a stabilising market. With pricing and liquidity still uneven across the sector, asset selection has become increasingly critical, given vacancy rates remain elevated, with investors placing greater emphasis on submarket resilience, tenant strength, and the durability of income streams.

This renewed selectivity was evident in June, when Blackstone acquired a 46% interest in 1345 Avenue of the Americas in New York for US\$644m, partnering with Fisher Brothers, which also increased its majority stake in the building. The transaction was supported by a US\$850m CMBS refinancing, **underscoring both the appetite for high-quality assets and the rebound in the use of structured finance to facilitate office investment activity.**

New York continues to lead the recovery in the US, with US\$14.6bn of capital deployed throughout 2025, a 40% increase on the year. This improvement is largely supported by the turnaround in the occupational data—43m sqft of space was leased throughout 2025 in Manhattan, the highest annual total since 2014, and face rents in trophy assets rose by as much as 12% on the year.



US: OFFICE LOAN ORIGINATION BY LENDER



Source: Savills research using MSCI RCA. Based on independent reports of properties and portfolios.

But the recovery is broadening out, and 2025 proved to also be a good year in San Francisco. Leasing activity rose by 67% on the year and investment by over 150% in 2025 to US\$9.1bn year-on-year, making it the city's best year since 2021. This is largely thanks to the boom in the tech industry. Apple, for example, has acquired five assets totalling US\$1.1bn around the greater San Francisco area over the last 12 months alone.

Elsewhere, Los Angeles, Washington DC and Miami round out the top five metropolitan areas for investment in the US, but in a sign that the office market is still trading well down on historical norms, out of the best performing cities in the US, only Miami is surpassing pre-Covid-19 turnover, with the US\$3.6bn traded in 2025 representing a 30% increase on its 2017-19 average.

APAC

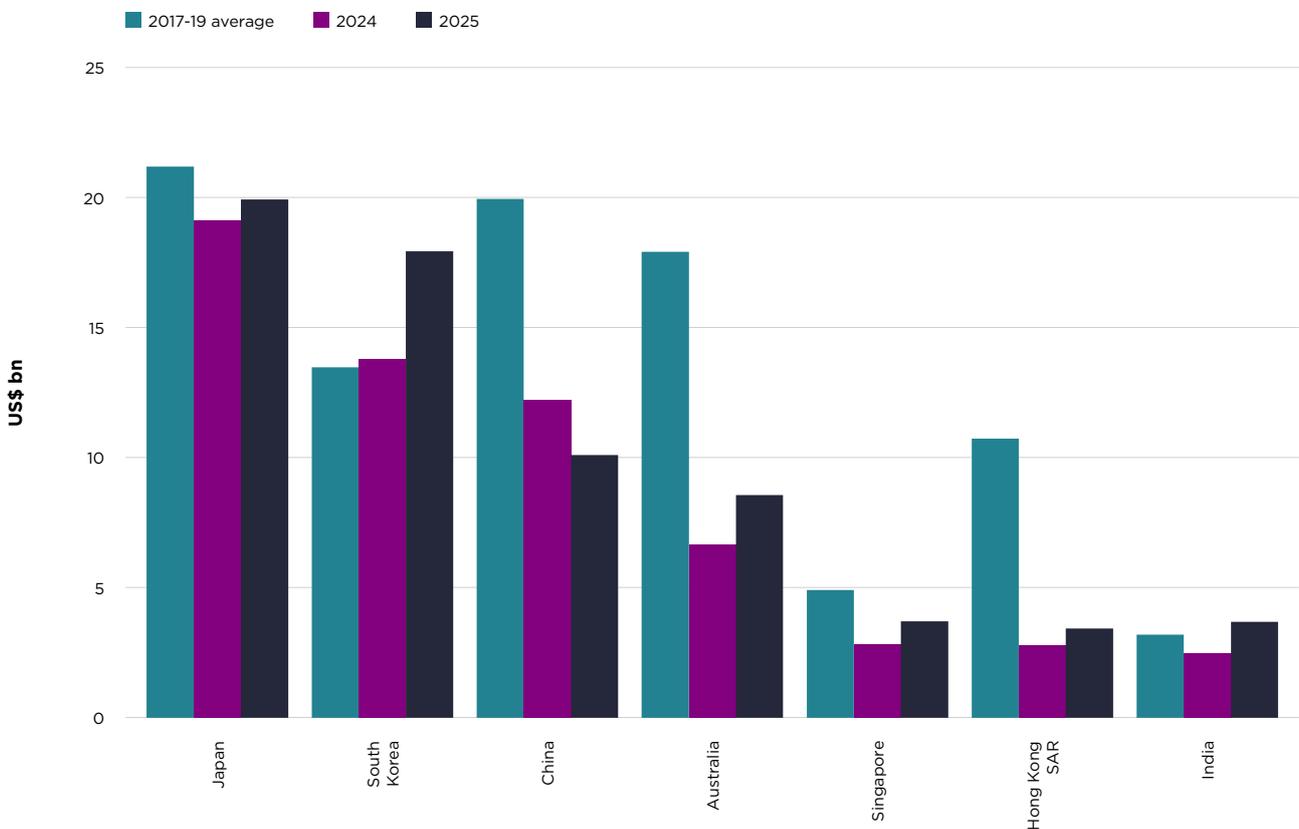
ASIA PACIFIC

Investment across the APAC region strengthened in 2025 as a whole, rising 10% year-on-year to US\$68.5bn, although activity softened towards year-end, with Q4 activity 4.7% lower than the same period in 2024. While China continued to see a contraction in office investment, markets such as Japan and South Korea remain standout performers.

Shanghai’s office market remained under pressure in 2025. New completions pushed Grade A supply up by over 500,000 sqm, with end-year vacancy at 23.6%. Rents fell a further 2.4% on the quarter and 15.4% on the year, returning to mid-2000 levels in the process.

Investment in Chinese offices continued to weaken as a consequence, falling 17% over the year to CNY73bn (US\$10bn), reflecting cautious sentiment towards the sector. Cross-border activity was particularly subdued, with foreign capital accounting for just 2% of total investment, the lowest share on record. With a further 3.3m sqm of new supply scheduled for delivery in 2026–27 in Shanghai, downward pressure on both rents and occupancy is expected to persist.

APAC: OFFICE INVESTMENT



Source: Savills research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.

In Hong Kong, investment in offices seems to be improving. Over 2025, investment activity hit HK\$27bn (US\$3.4bn), up 23% on the year, with almost HK\$23bn (US\$3bn) of acquisitions completing in the second half. The office leasing market is navigating a period of mixed signals, however. Vacancy rose to its highest level in over a decade in Q4, yet demand is starting to improve, led by financial services firms amid a recovering local economy, and increased IPO activity from Mainland China. Prime rents were down on the year but edged up on a quarter-on-quarter sequential basis, suggesting early signs of stabilisation.

In Seoul, the prime office market remains one of the region’s most resilient. Vacancy held steady at near historic lows of around 3.7%—reflecting five consecutive years of demand exceeding supply. With only one prime building completed since 2022, limited availability is supporting continued solid rental growth; prime rents rose by 5% over 2025, more than double the rate of inflation. Investment turnover was up 35% on the year, reaching KRW25tn (US\$18bn), supported by deals such as the KRW1.9tn (US\$1.4bn) sale of the Pangyo Tech1 tower. There is limited supply anticipated over the coming years, somewhat due to financing constraints, and pre-leasings suggest a strong and stable outlook through to 2028.

Japan also remained a pillar of stability in the region. Office investment reached JP¥3tn (US\$20bn) by the end of 2025, up 10% on the year, with prime yields holding steady at 2.6% despite some upward pressure on bond yields. In Tokyo’s central five wards, Grade A vacancy tightened to pre-pandemic lows, supported by sustained corporate demand and limited availability of large floor plates. Although average rents remain below 2019 levels, supply constraints point to further rental growth in 2026, with the staggered pipeline of new supply unlikely to alter the prevailing market tightness.

Elsewhere, India experienced robust demand in 2025, with office investment rising 49% year-on-year to INR321bn (US\$3.7bn), following the expansion of global occupiers into Bengaluru and Mumbai. The office sector made up 62% of real estate investment in 2025, up from 45% last year. One of the year’s most significant transactions was 360 One Asset’s INR24bn (US\$280m) acquisition of a 1.9m sq ft site in Pune for a major Global Capability Centre (GCC) campus. With India’s role in global corporate services continuing to grow, office investment is expected to remain strong throughout 2026.

Finally, Sydney delivered one of the strongest performances in APAC in 2025, with AUD13bn (US\$8.6bn) transacting in the year—33% higher than in 2024. Institutional buyers represented nearly half of all acquisitions, reflecting renewed confidence in the market. Looking ahead, while the path of interest rates remains uncertain, Sydney’s significant repricing in recent years limits further yield expansion risk.



MARKET VIEW



RASHEED HASSAN

Head of Global Cross Border Investment
shares his view on the market



We cannot say for certain that 2026 will be a smooth journey, and Q1 has already seen several geopolitical events unfold. However, I am feeling more positive than I have for some time. Despite all the turbulence, 2025 was better than 2024, and sitting here today, it already feels like 2026 will be better again.

Lower interest rates and increased competition amongst lenders is reducing the cost of debt and helping to gently improve asset pricing, and there is growing confidence in market fundamentals, particularly in the momentum of rental growth.

The sectors that investors will deploy into are expanding, as are the target geographies. There is increasing evidence of improving allocations towards real estate and a rebalancing of commitments between debt and equity strategies. Within this, larger assets and portfolios are trading with more frequency, showing an increased appetite for risk.

So what else can we hope for? I am always focused on improvements in investment turnover. This should help boost activity through a virtuous circle; as turnover accelerates, confidence grows, and that confidence then breeds a feeling that people can be more positive in their underwriting. In turn, this will support pricing, therefore making the prospect of selling more appealing for those investors who have been holding out in recent years. In order for turnover to keep rising, we do need the motivation to sell to increase as that is the start of the cycle.

The statistics summarising last year and evolving from the start of this are supporting the fact that the base of buyers is expanding, and when coupled with the improvements in pricing, this should provoke more owners to believe that 2026 is the right time to at least test the market with assets.

MARKET VIEW



PRIME OFFICE YIELDS, Q4 2025 (AS AT END OF DECEMBER)

City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Hong Kong (CBD)	2.04%	No change	40%	3.3%	1.2%	-1.0%
Tokyo	2.60%	No change	60%	1.6%	4.1%	2.6%
Singapore	3.88%	No change	55%	2.4%	5.7%	1.7%
Paris	4.00%	No change	55%	3.7%	4.3%	0.4%
Seoul	4.15%	No change	60%	4.0%	4.4%	0.8%
Milan	4.25%	Down	55%	4.3%	4.1%	0.7%
Berlin	4.40%	No change	55%	3.7%	4.4%	1.6%
Frankfurt	4.50%	No change	55%	3.7%	5.4%	1.7%
Madrid	4.65%	No change	55%	4.1%	5.3%	1.4%
Shanghai (Lujiazui)	5.25%	Up	50%	3.5%	7.0%	3.4%
London (City)	5.25%	Down	60%	5.1%	5.5%	0.7%
New York	5.50%	No change	55%	6.0%	4.9%	1.3%
Sydney	5.85%	No change	53%	5.4%	6.4%	1.1%
Dubai	6.75%	No change	50%	7.0%	6.5%	2.6%
Los Angeles	8.00%	No change	55%	6.0%	10.4%	3.8%
Mumbai	8.25%	Up	60%	9.5%	6.4%	1.7%

Source: Savills Research and Macrobond

Note: Yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Values based on end-of-quarter data. See Methodology for details.

KEY TRANSACTIONS

590 MADISON AVENUE, NEW YORK, US



Tenant: Multiple including LVMH, American Securities, Apollo Global Management, the Corcoran Group.

Lease length (WAULT):
Undisclosed

Area: 1 million sqft

Price/NIY: US\$1.1bn/Undisclosed

Vendor: State Teachers: Retirement System of Ohio and EJME

Vendor nationality: United States

Purchaser: RXR Realty, JV Elliott Management, JV Baupost Group

Purchaser nationality:
United States

Other comments: The acquisition of 590 Madison Avenue, known as the former IBM building, is the first billion-dollar office transaction in New York since Google purchased St. John's Terminal in Hudson Square for US\$2.1bn in 2022.

TOKYO GARDEN TERRACE KIOICHO



Tenant: Multiple, including LY Corporation, MetLife Insurance, Dai-ichi Life Insurance.

Lease length (WAULT):
Undisclosed

Area: 2.4 million sqft

Price/NIY: JP ¥ 400bn (US\$2.6bn)/ Undisclosed

Vendor State Teachers:
Seibu Holdings

Vendor nationality: Japan

Purchaser: Blackstone

Purchaser nationality:
United States

Other comments: Mixed-use asset, comprising two Grade A offices, 135 residential units, a hotel and exhibition space, and retail space. Reported to be the largest recorded foreign investment in the Japanese real estate market.

METHODOLOGY

Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a fully let hypothetical grade A asset; for logistics, this is a big-box facility located in a prime location, let to a single good profile tenant on a 10-15-year open-market lease, for office, it is a building located in the CBD of over 50,000 sq ft in size, and for living, it is an asset of institutional scale in a prime location. The typical LTV and cost of debt represent the anticipated lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-year government bond yield (as a proxy for the relevant risk-free rate of return) from the net initial yield. Data is end-of-quarter values.



Savills Research

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Oliver Salmon
Global Capital Markets
World Research
+44 (0) 20 7535 2984
oliver.salmon@savills.com



Rasheed Hassan
Global Capital Markets
Head of Global Cross Border Investment
+44 (0) 20 7409 8836
rhassan@savills.com



Charlotte Rushton
Associate
World Research
+44 (0) 20 7016 3856
charlotte.rushton@savills.com