

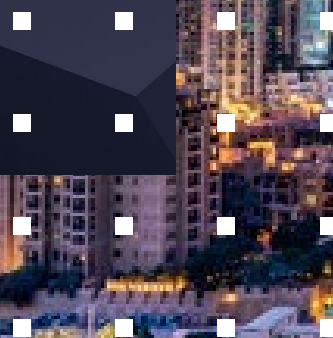
Savills Takes Stock: Global Capital Markets

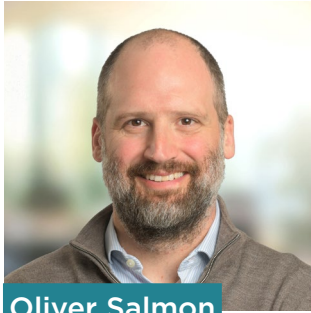
Offices Q3 2025



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Global outlook





Oliver Salmon

Director, World Research

From pause to progress

After a subdued second quarter, global real estate capital markets have shown clear signs of recovery in Q3 2025. Total investment reached US\$225bn in the quarter, representing a near 13% increase year-on-year. While part of this uplift can be attributed to a weaker US dollar, the underlying momentum remains strong—up 11.4% when measured in fixed exchange rates.

More importantly, forward-looking indicators suggest that the recovery has legs. Data on pending deals—transactions that are in contract but yet to be completed—point to a strong pipeline of activity heading into the final quarter. This is a reliable leading indicator, and supports our expectation that total investment will grow by 8% in 2025, representing a relatively robust performance given the persistent macro headwinds.

This positive third quarter outcome is particularly striking given the market's performance in Q2. On a seasonally adjusted basis, total investment rose by more than 7% in Q3, more than reversing the 3% decline seen in the previous quarter. At mid-year, the narrative was one of a market treading water, with investors cautious amid heightened economic uncertainty. The disruption caused by the 'Liberation Day' tariff announcements in early April was the principal reason for concern. However, it now appears that this led to temporary delays rather than a fundamental retreat from the market.

What's notable is that this shift in momentum has occurred without a material change in the broader macroeconomic environment. The economic backdrop remains complex, with ongoing concerns around trade policy,

institutional instability in the US, and geopolitical tensions. Yet, the investment market has begun to move forward, suggesting a renewed confidence among investors. Notably, many of the deals completing in the third quarter will have been originated during the chaos that followed Liberation Day.

Beyond the headline figures, there are several underlying trends that are indicative of a recovery that can be sustained. One of the most telling is the rise in average deal size, which reflects improving liquidity in larger lot sizes. The number of individual properties transacting for US\$100m or more rose by 14% on the year, while the value of portfolio and entity-level deals was 17% higher, as signs of life return to global M&A activity more generally. This is a clear signal that institutional capital is re-engaging, a critical inflection point for the market.

Moreover, many deals are attracting multiple competitive bids. This would suggest that buyers and sellers are increasingly aligned on pricing, consistent with a growing body of evidence in support of the conclusion that we are now past the trough in values. Genuine competition, especially for good quality assets, reflects a market that is transitioning from one driven by speculative interest and opportunistic buyers, to something more sustainable.

Sentiment indicators reinforce this view. After a dip in the second quarter, investor confidence has rebounded globally. This has happened despite little change to the interest rate backdrop. Bond yields remain elevated and increasingly detached from central bank policy rates, reflecting a rising risk premium, amid concerns over fiscal sustainability in many major developed economies. Despite this, this pricing environment appears to be largely accepted by both buyers and sellers, enabling more transactions to proceed.

All of this is happening despite continued macroeconomic uncertainty. While some clarity has emerged around tariffs, broader concerns remain unresolved. The latest IMF World Economic Outlook, titled "Global Economy in Flux, Prospects Remain Dim," paints a forlorn picture, highlighting risks related to trade fragmentation, institutional degradation, and geopolitical instability.



Nevertheless, the global economy continues to demonstrate remarkable resilience. This has been a consistent theme in recent years—from the outbreak of war in Ukraine and the inflationary surge that followed, to a generational spike in interest rates and a US President who continues to upend the traditional norms. Despite these challenges, markets are adapted and investors are finding a way to transact.

Interestingly, tariffs have now faded as a top concern to investors, replaced by growing speculation around a potential AI-driven bubble in equity markets. While some analysts highlight the risk around inflated valuations and highly concentrated equity market returns, those within the tech industry argue that it could be a “good bubble”—one driven by genuine innovation and long-term productivity gains. Both can be true at the same time.

Nevertheless, in the real estate sector, investors appear to have decided that now is the time to act. With development activity still muted, the supply of high-quality assets remains constrained. For occupiers seeking the best buildings in prime locations, the message is clear: they will need to pay a premium. This supply-demand dynamic is now a fundamental driver of market behaviour, and it’s encouraging the highly researched investors to re-enter the fray. Absent external shocks, momentum should build in the coming quarters.

Back to the office

Global office investment picked up sharply in Q3 2025, reflecting improved sentiment and a market that has now largely repriced and is again offering value to investors. Transactions totalled US\$48bn for the quarter—a 26% increase on the year. The office sector’s nascent recovery seen earlier in the year has continued to gain momentum, showing that much of the stigma that previously clouded office investments may have fully dissipated; investment for the first three quarters of 2025 rose to US\$136bn, about 14% higher than the same period last year.

Supply constraints continue to underpin the value proposition of prime offices.

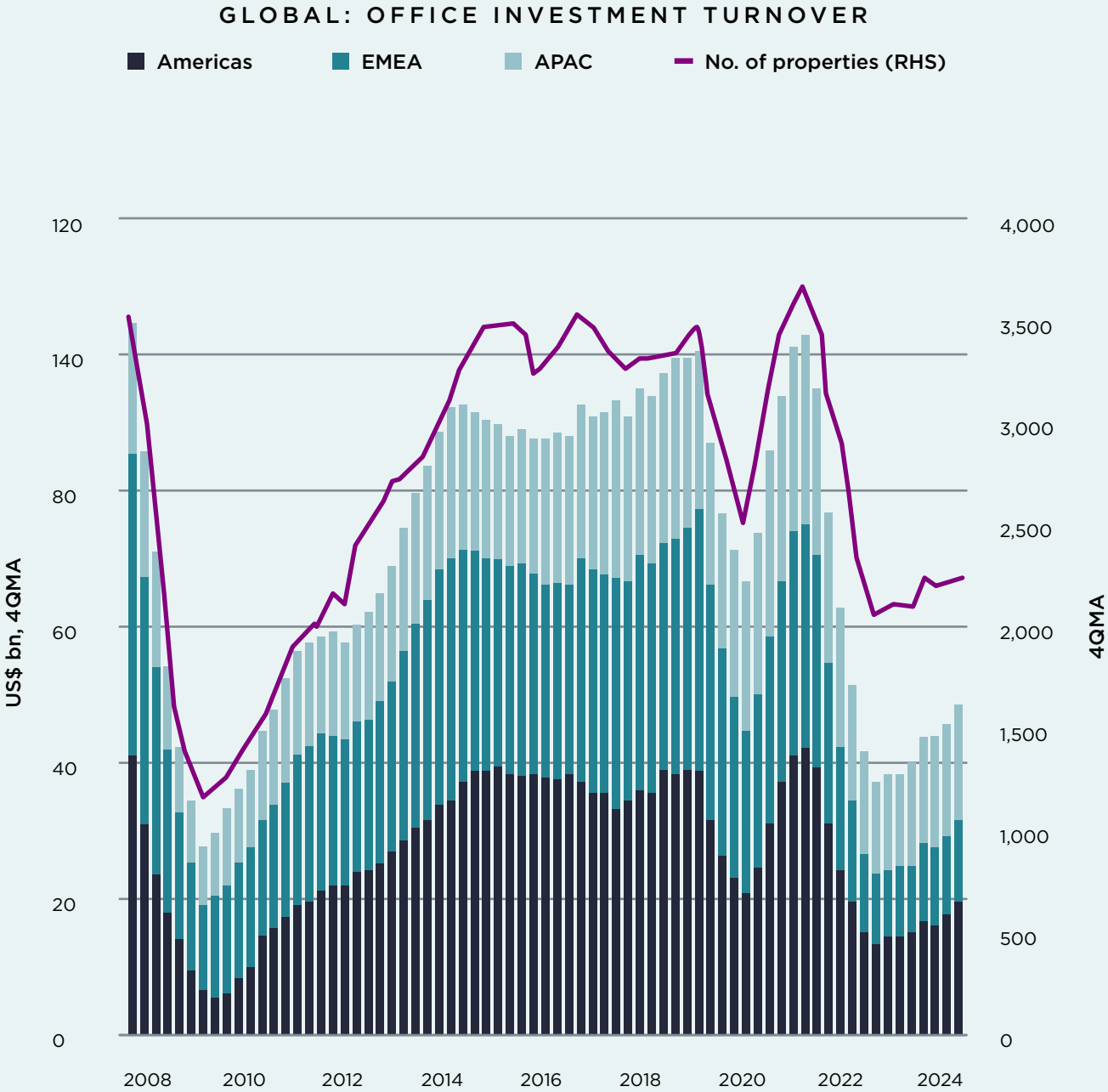
New development pipelines remain historically low in many markets, a situation unlikely to change soon. At the same time, an increasing number of companies are mandating employees’ return to the office, which is gradually translating into higher occupancy and demand for workspace. In the first half of

this year, 52% of top office leasing deals globally were expansionary—up from 26% in H1 2024.

Institutional capital has taken notice of the growing imbalance caused by the lack of supply of good quality space and the recovery of leasing demand.

Larger investors have notably re-entered the office market in 2025, targeting prime assets in global gateway cities. Major transactions this quarter include KKR and ViaNex GK’s purchase of a 44% stake in Shiodome Ciry Center in Tokyo for US\$885m, and BGO’s acquisition of Tower 730 in Seoul for US\$625m.

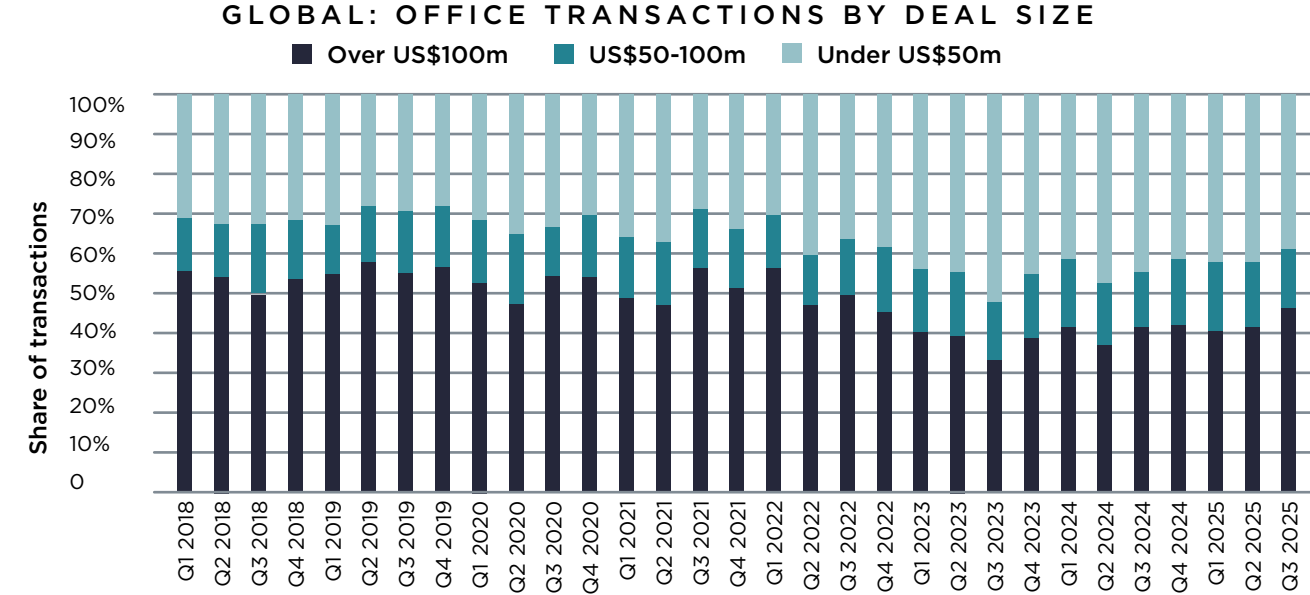
The presence of institutional capital is evident in the return of the big-ticket trophy transactions. Properties trading for a value in excess of US\$100m have made up 42% of all office deals this year—up from 39% in 2023-24. This quarter, nearly half of all deals were over this threshold, the highest share since Q3 2022.



This trend is strongest in APAC, with deals over US\$100m making up a larger share this year than they did in the heyday of 2015-19. By contrast, deals under US\$50m continue to dominate the US office market, reflecting the still nascent state of the recovery there. In Europe, while big-ticket deals haven't yet completed to the same extent, large assets are on the market and deals are pending.

The return of major single asset deals is likely to support growth in the global gateway cities, where a higher proportion of the stock is concentrated across these trophy-style assets. In the City of London, for example, nine deals worth over US\$100m have completed YTD, up from just 3 in the whole of 2024. The positive trend has even been felt in San Francisco which has seen 18 large ticket deals complete this year, doubled the number last year.

Despite these positive signs, the market remains highly bifurcated. Investor optimism—and capital—is concentrated on prime offices in desirable locations. The definition of what qualifies as ‘prime’ remains narrow; assets with strong tenants, green credentials, and in central locations are in high demand, while older or secondary offices (especially in non-CBD areas) continue to struggle to attract interest unless priced appropriately to reflect the limited demand.



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



EMEA (Europe, Middle East, Africa)

Office investment across EMEA showed tentative signs of revival in Q3 2025, amid improving sentiment and a gradual return of liquidity. European office investment was around €8.7bn (US\$10bn) for the quarter—13% higher than Q3 2024—bringing investment across the first three quarters to €27bn (US\$30bn), up 7% y/y.

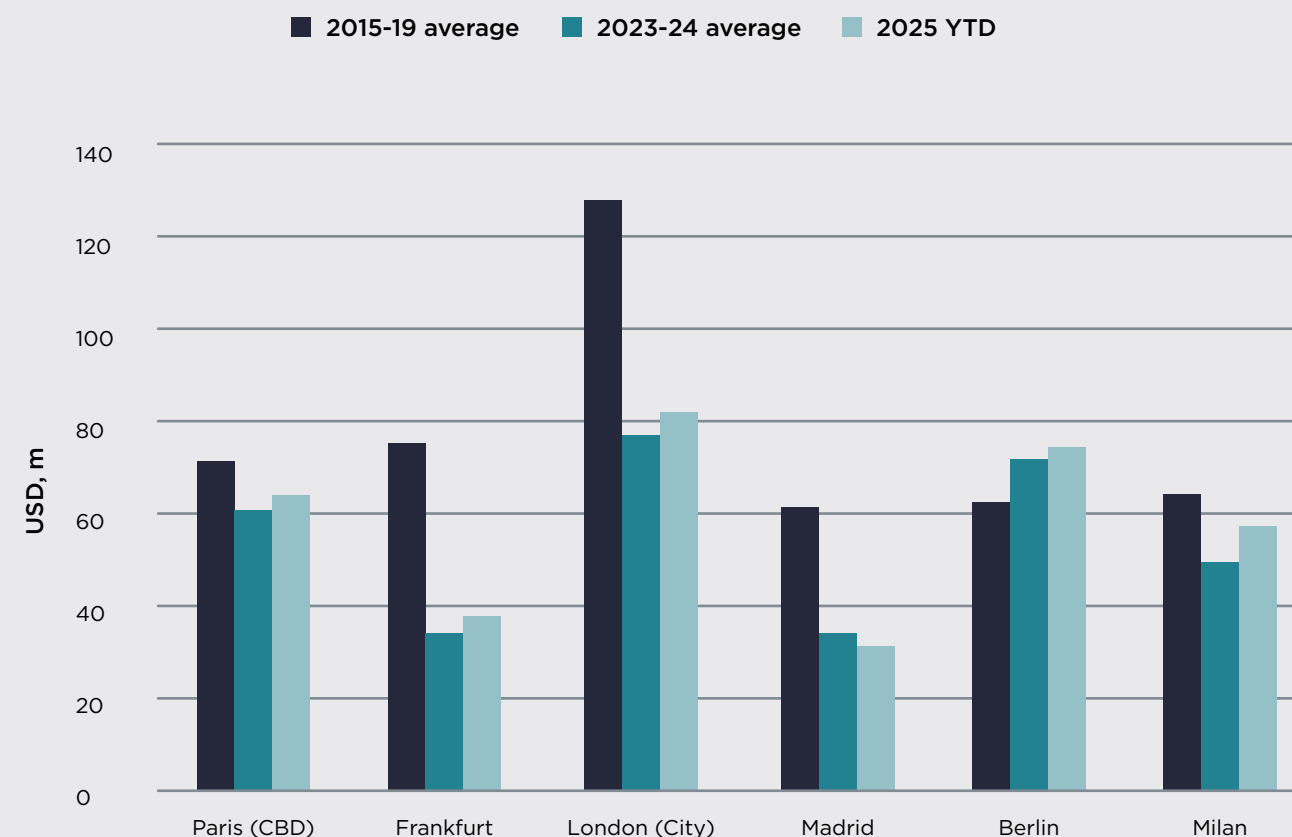
Several trophy office assets have come to market in Q3, underscoring renewed interest for prime opportunities—at the recent Expo Real conference in Munich, offices seemed to be welcomed into the spotlight once again. In Paris, Invesco launched the sale of the Capital 8 building with an asking price near €1bn (US\$1.2bn), while in Frankfurt the Opernturm tower is on the market for about €900m (US\$1.1bn). A strong vote of confidence for the region's office market was Blackstone's acquisition of the Trocadéro business centre in Paris for €705m (US\$825m), reportedly

backed by a €500m loan—the largest single-office financing in Europe since 2022.

These deals indicate that buyers and sellers are converging on pricing, thawing a market stalemate that had lasted nearly two years. The return of large transactions and ample debt for prime deals marks a turning point for European offices, even if the recovery is in its infancy.

This trend is most obvious in the City of London, where the average deal size has risen to £61m (US\$80m) in 2025, more than doubled the figure for last year which was £25m (US\$33m). This is underpinned by a strong occupational market; vacancy fell to 7.4%, with grade A assets significant lower at just 2.6%. The lack of supply is pushing rents up and a new record of £145 per sqft has been achieved, although it's expected that this will be surpassed in the near future.

EUROPE: AVERAGE TRANSACTION SIZE OF OFFICES



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

Despite the positive headlines, Europe’s office sector remains highly bifurcated. Investors and lenders continue to be highly selective based on asset quality and location. In France, for example, while prime Paris CBD office yields are around 4%, similar properties in La Défense might trade closer to 7.5%, a 350bps gap, which reflects the higher risk perception outside the core—pre-Covid-19, this gap was around 100bps. This yield spread mirrors fundamentals: prime CBD offices enjoy sub-4% vacancy (often effectively full), while outer districts struggle with oversupply and rising empty space.

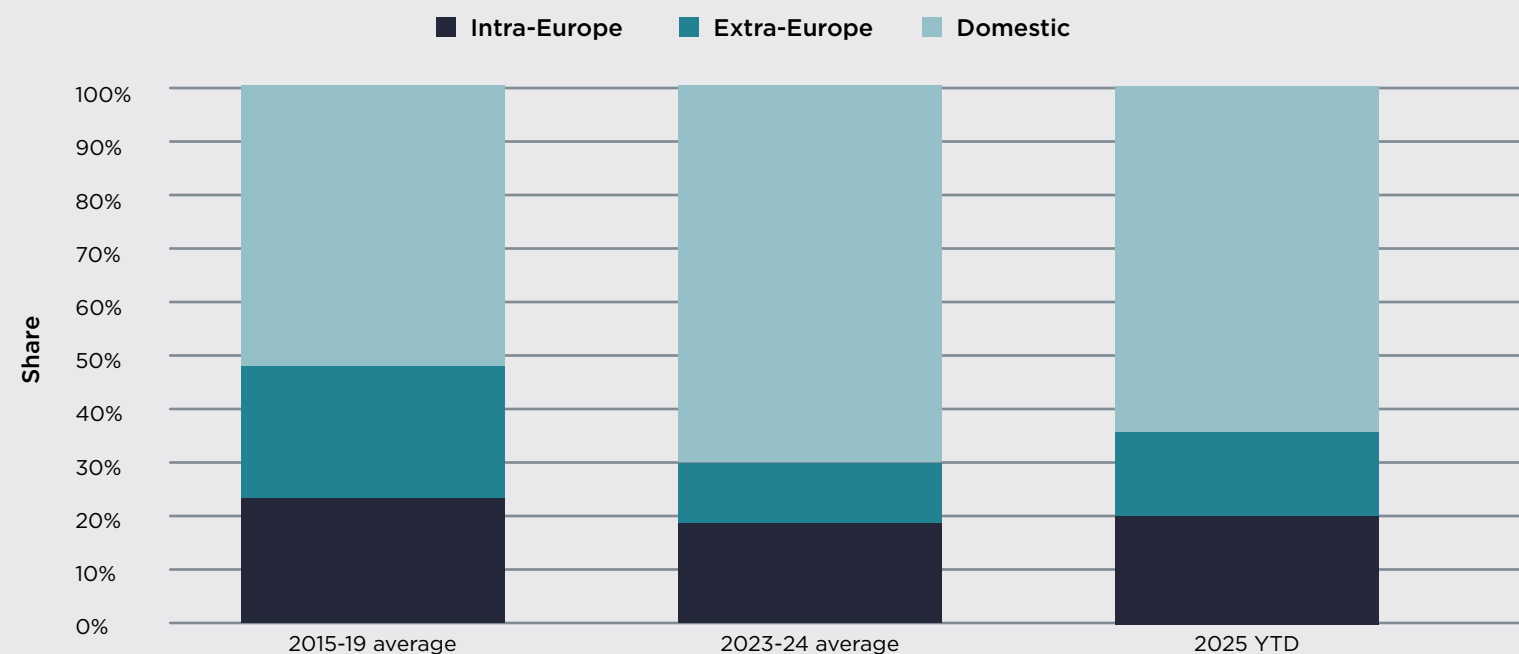
This trend is also evident in Dubai, with sustained tenant demand and minimal new supply continuing to underpin market strength. Average prime rents have risen by as much as 30-35% on the year as a consequence. The market is expected to remain landlord friendly, although the maturing strata office sector, combined with new grade A completions in 2026, will provide a greater pool of options and alleviate some existing supply constraints.

Germany is struggling to attract investors back to offices, with domestic institutions still preferring residential. However, with Opernturm and a number of other large office assets coming to market, sentiment going forward is more positive. Frankfurt’s occupier market has been a bright spot—office take-up has hit 4.9m sq ft in the first three quarters of 2025, setting a new record.

Another positive sign for the European office sector is the return of cross border investors. International buyers have made up one-third of all office deals YTD—the highest market share since 2022. The US continues to be the top cross border buyer in EMEA, but Norwegian and Japanese investors have also been increasingly active.



EUROPE: SOURCE OF CAPITAL IN OFFICE TRANSACTIONS



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

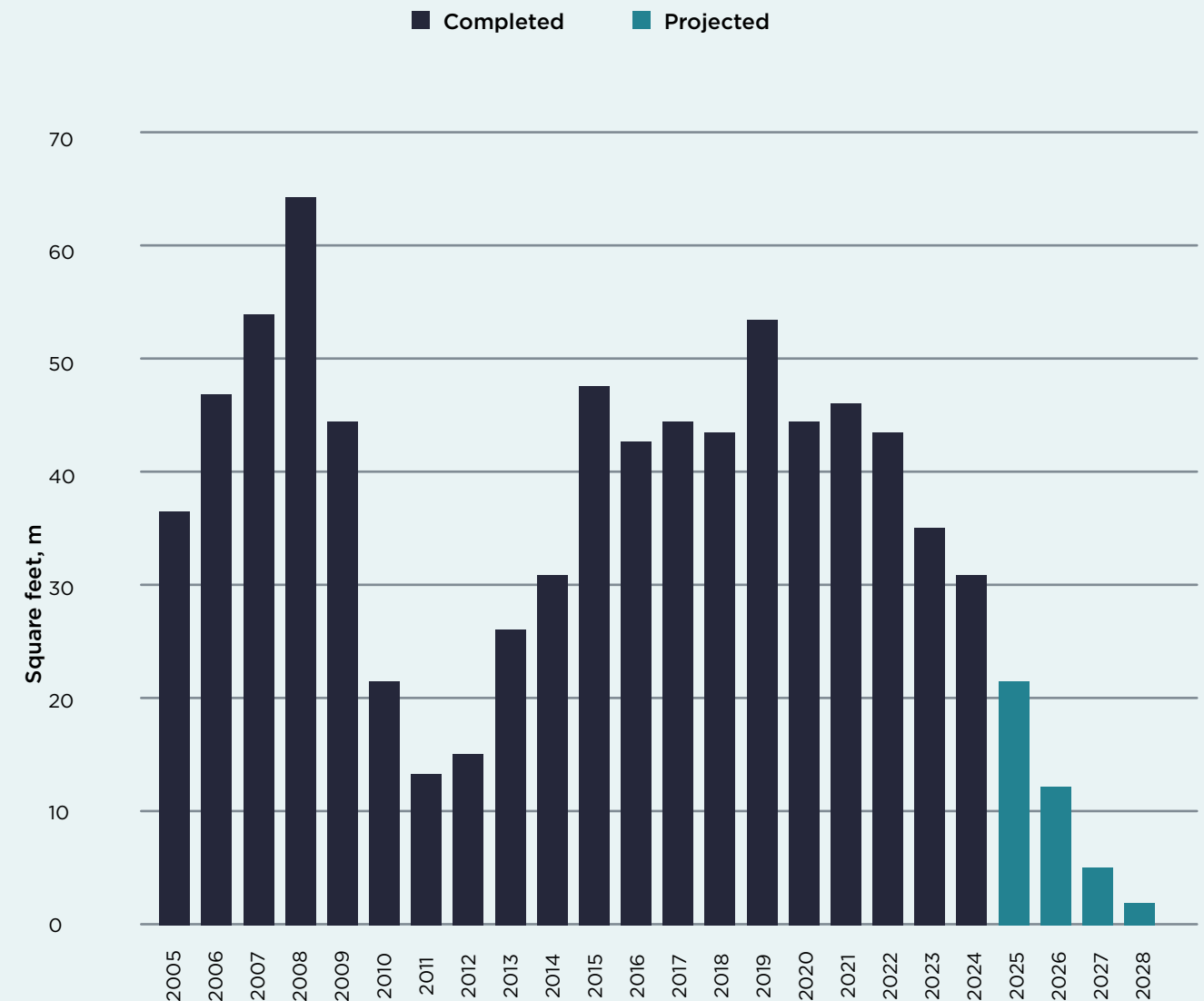
North America

The US office market continued its sharp recovery in Q3, with investment of US\$19bn representing a 40% increase on the year, outperforming all other major sectors in terms of growth in the process. As a consequence, the office sector accounts for nearly 17% of total real estate investment so far this year, up from a low of 13.7% in 2023. Both individual asset sales and larger portfolio and M&A deals are significantly up on the year, highlighting the broad-based nature of the recovery. Deal size is also improving, with the number of trades over US\$100m up by 42% year-to-date, reflecting improved liquidity for larger trophy assets. This is supporting a stronger rebound for CBD offices, which have now outperformed suburban offices for the last 18 months.

Distressed sales have been a catalyst for a recovery in capital markets.

According to Trepp, Commercial Mortgage-Backed Securities (CMBS) delinquency rates reached a new peak of 11.8% in October. At the end of Q3, MSCI estimated a value of US\$59bn of distressed offices in the US, an increase of roughly US\$9bn from a year earlier, while sales out of distressed situations rose by 80% over the same period. One of the largest deals announced this quarter was the acquisition of the Americas Tower in New York by Norges Bank Investment Management (NBIM) and Beacon Capital Partners—with the previous owners reportedly struggling to service the US\$450m loan on the property.

AMERICAS: US OFFICE SUPPLY PIPELINE



Source: Savills Research using CoStar Group.

New York continues to lead the recovery. In the Manhattan market, investment in the first three quarters of this year already exceeds the full year outturn in 2024. Included within this was the largest deal of the quarter, the acquisition of 590 Madison Avenue by the joint venture partnership of RXR Realty, Elliott Management and Baupost Group for \$1.1bn.

San Francisco, Los Angeles, Washington DC, and Dallas complete the top five markets for year-to-date investment. For San Francisco, there has been a marked improvement in its capital and occupational markets this year. Investment across the first three quarters totalled US\$6.5bn, a near 200% increase from the same period last year. One key deal in Q3 was a US\$365m acquisition by Apple of a four-building office campus in Silicon Valley—its third major deal in the area this year. On the occupational side, although San Francisco's availability remains high at 33.6%, this is a fall of 300bps from Q3 last year, underpinned by AI-driven sublease demand.

Although new construction remains active in some markets, including Miami and Dallas, this is largely driven by a specific need, with strong pre-leasing in the wellness and tech-oriented clusters. Nationwide, the development pipeline has shrunk significantly, with only 12.2m sq ft expected to be completed next year—the lowest level of delivery on record. This supply constraint is expected to support future rent growth and occupancy in premium assets. This lack of pipeline is a key reason for optimism in capital markets.



APAC (Asia Pacific)

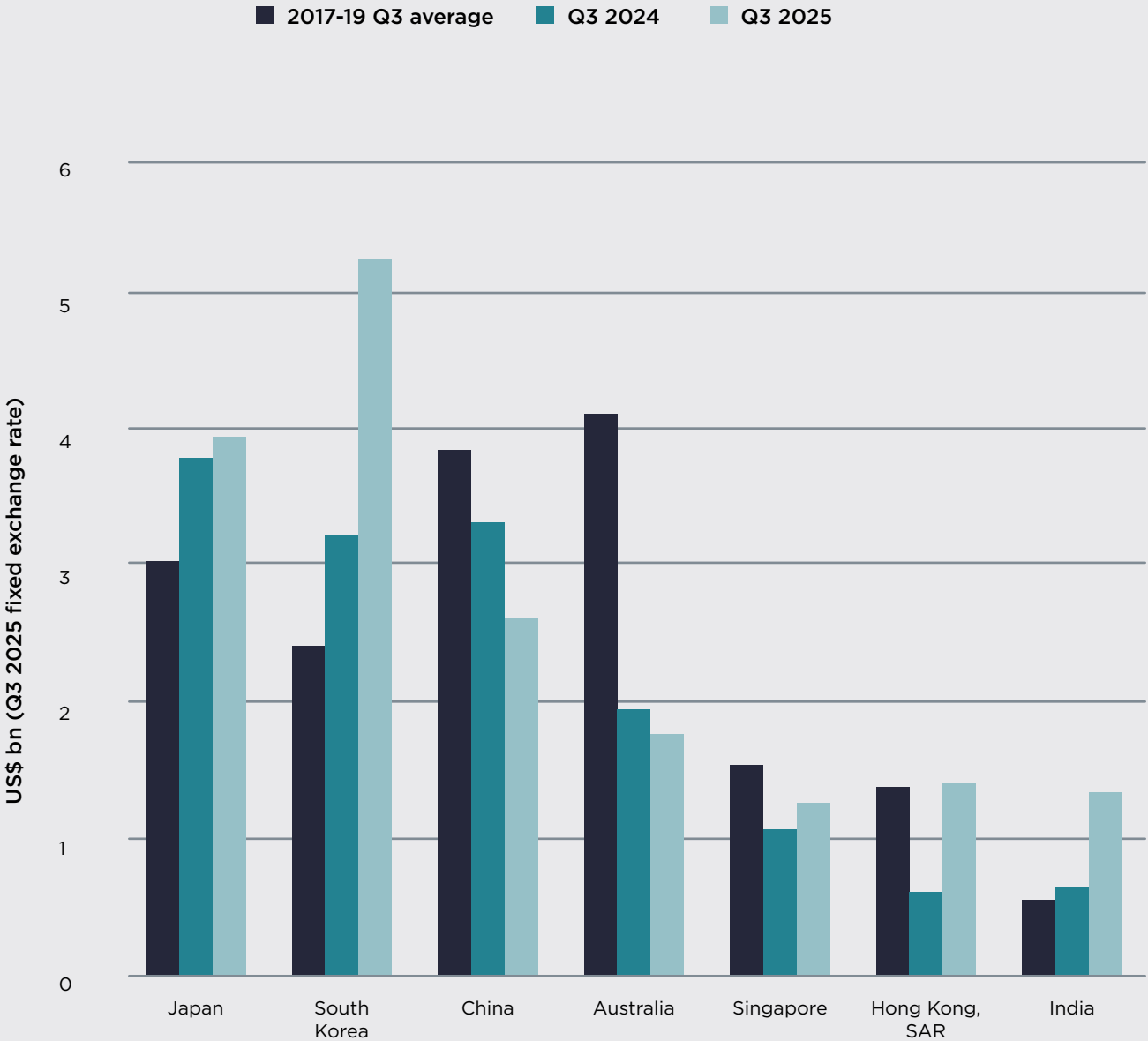
Investment in APAC reached US\$18bn this quarter, 20% higher on the year. While the Chinese office market is sluggish, markets in Japan and Korea have remained as bright spots in the region, and Hong Kong had its best quarter since 2023.

The leasing market in Hong Kong is showing tentative signs of stabilisation, underpinned by the financial services sector and IPO-related expansions; the city topped global IPO fundraising in H1, supported by new listings of mainland Chinese companies, and an increase in global appetite for regional assets. Prime grade A rents are starting to stabilise, but secondary offices continued to see declines. Investment in Q3 was HK\$11bn (US\$1.4bn), more than double the same figure in 2024, largely due to the Hong Kong Stock Exchange (HKEX), which acquired their own headquarters, consisting of nine floors of Exchange Square for HK\$6.3bn (US\$810m).

On the mainland, Shanghai’s office market remains under pressure. Vacancy fell slightly in Lujiazui, but remains elevated citywide as new supply continues to outpace demand, with overall grade A vacancy at 23.5%. The third quarter marked the fourth consecutive quarter of falling investment turnover in Shanghai, with just CNY5.2bn (US\$721m) transacting, a near 50% fall on the year. Across the whole of China, the picture is similar, with investment down by more than 40% on the year. Cross border investors, while largely absent on the buy side, have been behind 45% of disposals year-to-date.

After a subdued start to the year, Australia’s office capital markets are turning a corner. Although, the first three quarters of 2025 have seen AU\$5.5bn (US\$2.8bn) of office investment, 5% lower than the same period last year, several large transactions are pending suggesting a potential rebound in Q4.

APAC: OFFICE INVESTMENT

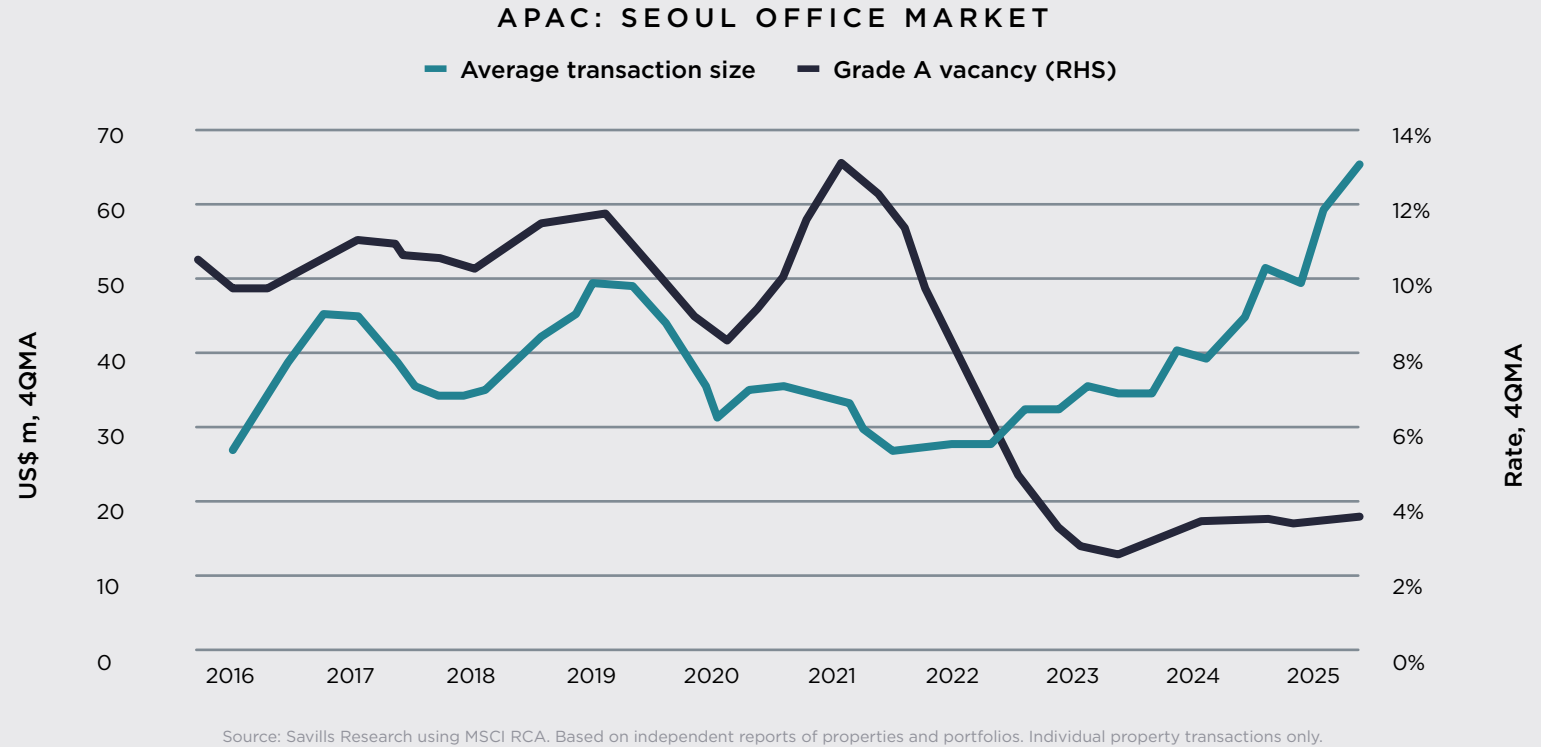


Source: Savills Research using MSCI RCA. Based on independent reports of properties and portfolios.

Investor sentiment is improving due to interest rate cuts and stabilising values—yields are unchanged, capital values are bottoming out, and total returns have turned positive. Sydney dominates the Australian office market, accounting for 70% of acquisitions, thanks to a strong leasing market where incentives tightened and rents rose.

Investment in Japanese offices totalled ¥566bn (US\$3.8bn) in Q3, broadly unchanged on the year. Investor sentiment remains robust, underpinned by intense competition for new opportunities, as leasing fundamentals continue to improve. In Tokyo, despite high levels of new supply, grade A vacancy in the central five wards fell to just 0.7% in Q3, and rents rose over 10% on the year. Scarcity of prime space is accelerating relocation decisions and rental momentum. Investor demand almost certainly exceeds the available stock coming to market, and just two deals (the sales of Shiodome City Center and Shinjuku Maynds Tower) made up half of investment turnover this quarter.

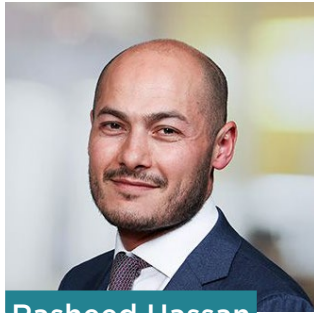
In South Korea, Seoul’s prime office market also remains robust. Vacancy across major districts is low, and rental growth continues to outpace inflation. With no major new supply due to come onboard until 2026, rental momentum is expected to continue. Investment year-to-date in South Korea reached KRW 19 tn (US\$13 bn), on track to surpass the previous record set in 2021; in Q3 alone, 10 assets were recorded by MSCI having completed for over US\$100m. As a result, our benchmark yield has fallen by 10bps to 4.15%. Underpinning this is increased activity from cross border investors – overseas buyers currently make up 14% of market share, the highest since 2018.



OFFICES Q3 2025

Market view





Rasheed Hassan

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

It seems real estate capital markets have shaken off another economic shock, this time from the US tariff policies, and investment turnover is increasing again. The resilience of the real estate markets continues to play out and it shows us that there remains a steady flow of capital from existing and new sources for the sector.

As we approach the new year, there are reasons to be positive. From a macro perspective, interest rates are falling (save for Japan), inflation is largely under control, resolutions to the war in the Middle East are emerging, I could go on. In the real estate markets, as referenced in these reports, every sector is experiencing rental growth—at least in the majority of geographies—the volume of larger transactions is increasing, and we continue to see growing evidence of yield compression. We are even seeing more

positive than negative news about offices, including in the US...who knew?!

There are areas that remain challenging. We have highlighted logistics rents on the US West Coast, and continuing difficulties in the Greater China markets. In the round though, these are largely contained to specific markets, and in a general sense we can be positive.

More of a worry for me personally right now is the negativity emanating from the equity markets. There is a growing view that there is a bubble waiting to burst, driven by the AI sector, and that issues are emerging in the private credit space. These issues are causing the start of a sell-off and price falls in equities. Just when we thought we were through the extended period of major disruption, we could be at the start of something else.

What does this mean for real estate?

AI and the tech sector more broadly is clearly closely correlated with the data centre market, which is booming, so we could see a slow down here. If there really is an issue in the private credit space, then the lending environment more generally could tighten, albeit I feel that the sheer weight of capital will mean that overall the debt markets will remain very much open for business.

PRIME OFFICE YIELDS, Q3 2025 (AS AT END-SEPTEMBER)

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	2.04%	➡	40%	3.5%	1.1%	-1.0%
Tokyo	2.60%	➡	60%	1.3%	4.6%	1.0%
Singapore	3.88%	➡	55%	2.6%	5.4%	2.0%
Paris	4.00%	➡	55%	3.7%	4.4%	0.5%
Seoul	4.15%	⬇	60%	4.0%	4.4%	1.2%
Milan	4.25%	➡	55%	4.3%	4.2%	0.7%
Berlin	4.40%	➡	55%	3.7%	4.5%	1.7%
Frankfurt	4.50%	➡	55%	3.7%	5.5%	1.8%
Madrid	4.65%	➡	55%	4.1%	5.3%	1.4%
Shanghai (Lujiazui)	5.00%	⬆	50%	3.5%	6.5%	3.1%
London (City)	5.25%	⬇	60%	5.3%	5.2%	0.5%
New York	5.50%	➡	55%	6.0%	4.9%	1.3%
Sydney	5.85%	⬇	53%	5.4%	6.4%	1.6%
Dubai	6.75%	➡	50%	7.0%	6.5%	2.6%
Los Angeles	8.00%	➡	55%	6.0%	10.4%	3.8%
Mumbai	8.25%	⬆	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.

Methodology: Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a hypothetical grade A building located in the CBD, over 50,000 sqft in size, fully let to a single good profile tenant on a long lease. The typical LTV and cost of debt represent the anticipated competitive 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 ten-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.

If there is broader contagion and we see a widespread decline in equity market pricing, then in the near term we could see a focus on certain parts of the real estate markets, as investors look to the security of real assets with predictable contractual income streams, which is clearly a positive. This could also lead to price appreciation for the most scarce / prime assets, as the focus moves (particularly from private investors) to safe haven items, which is when the flight to core real estate is akin to the flight to gold.

However, looking beyond the near term, a meaningful drop in the value of equity markets is not a positive, as we will start to see the denominator effect play out, where groups become 'over-allocated' to real estate simply because the values of their equity investments have fallen. This is a particular issue for the largest global institutional investors, who invest within relatively clear allocation parameters. These investors have a dramatic effect on global real estate markets, as they drive turnover both through their direct investing activity, as well as their investment into funds.

When the institutional investors pause, it gives room for private investors to be more active, which is a common trend we see during moments of challenge, as they are less accountable to investment committees, but the weight of this capital is not equal, particularly for larger transactions.

Fortunately, owing to the recent boom in equity markets, many institutions will be under-allocated to real estate going into the new year, which could represent a boon for fundraising. Let's hope this latest potential storm is contained to a teacup. This is what I will be asking Santa for anyway.



OFFICES Q3 2025

Key transactions



Pangyo Tech One Tower, Seoul, South Korea

Tenant:	Hyundai Motor, Naver, Kakao
Lease length (WAULT):	Undisclosed
Area:	2.1 m sqft
Price/NIY:	KRW 2.0tn (US\$1.4bn) / 3.7%
Vendor:	Mirae Asset and GIC
Vendor nationality:	South Korea and Singapore
Purchaser:	Korea Investment Real Asset Management, Kakao Corporation, NH Prime REIT, and Samsung Securities
Purchaser nationality:	South Korea
Other comments:	The sale is reported to be the largest transaction in the history of the country's office market, attracting bids from major cross border investors.



Americas Tower, New York, US

Tenant:	HSF Kramer, Practising Law Institute , Kramer Levin, Mill Point Capital, Starr
Lease length (WAULT):	Undisclosed
Area:	975,000 sqft
Price/NIY:	US\$543m / Undisclosed
Vendor:	CalSTRS JV Silverstein Properties
Vendor nationality:	US
Purchaser:	NBIM and Beacon Capital Partners
Purchaser nationality:	Norway and US
Other comments:	Despite being 100% occupied, the previous owners were reportedly struggling to service the US\$450m loan taken out against the office, which was also due for refinancing. CalSTRS and Silverstein Properties had originally bought the property for US\$1bn in 2007.



**Savills Research**

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors.

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