

Newsec Property Outlook: Office vacancy is becoming a measure of quality, not weakness

Office markets across the Nordics and Baltics are splitting sharply between modern, high-quality offices and ageing stock. The latest Newsec Property Outlook shows that Grade A vacancy is below total market vacancy in every capital analysed, while occupiers increasingly renew their leases but take less space. Stockholm is the region's most polarised market, with just 4.6 percent Grade A vacancy against 13.5 percent for the market overall.

The new bi-annual report, based on Newsec's proprietary database of several million lease records spanning approximately 25 years, finds that the office market is not experiencing a uniform decline in demand. Instead, demand is concentrating in efficient, well-located buildings, while older and less competitive stock accounts for a growing share of vacancy.

"The headline vacancy rate increasingly tells us the wrong story. What matters is where the vacancy is. Across the Nordics and Baltics, the best offices remain remarkably resilient while older stock is being left behind. The vacancy problem is not an office problem, it is an old-office problem," said Max Barclay, CEO Newsec.

The divide is widest in Stockholm, where Grade A vacancy of 4.6 percent compares with 13.5 percent overall. Helsinki follows the same pattern, at 5.8 percent versus 15.3 percent, with Oslo and Copenhagen also showing materially lower vacancy in Grade A offices. The Baltic capitals broadly follow the same quality divide, although new supply plays a larger role, particularly in Vilnius.

The analysis also challenges the idea that shrinking office demand began with the pandemic. Newsec's Swedish dataset, covering around 356,000 lease observations since 2001, identifies 2016 as the turning point. Tenants renewing leases expanded their space by 7 percent in 2002–2009 and 30 percent in 2010–2015. From 2016–2019, they instead reduced it by 16 percent. Following a pause during the pandemic, the contraction deepened to 19 percent in 2023–2026.

"Covid did not create the trend, it interrupted it. The structural change had already happened. The modern leasing event is increasingly not a company moving out, but a company staying and handing back part of the floor. For owners, that is a fundamentally different problem from tenants abandoning the office altogether," said Max Barclay.

The same broad pattern is visible across the region. Average lease sizes have fallen substantially in Finland and Norway, while Baltic lease commitments remain anchored around five years. In Sweden, the median office unit has declined from around 225 square metres in the early 2000s to around 190 today, while the mean has fallen from approximately 670 to 525 square metres, showing that the largest occupiers have driven much of the contraction.

Tenant size is also a stronger predictor of retention than either sector or location. Swedish occupiers leasing less than 100 square metres renew only 39 percent of their leased space at expiry, compared with 76 percent for occupiers above 3,000 square metres. The public sector renews around 82 percent of its leases, while staffing and recruitment companies renew only 48 percent.

Prime locations, however, do not necessarily create greater tenant loyalty. Renewal rates are around 75 percent in the rest of Sweden, 62 percent in Stockholm CBD and 50 percent in Kista /Bromma. Newsecs analysis suggests a simple explanation: attractive, liquid markets offer occupiers more comparable alternatives when a lease expires.

“The winners in the next office cycle will not simply be the cities with the lowest vacancy. They will be the buildings that large occupiers are prepared to commit to for five years or more. Quality, efficiency and location are becoming the dividing line between durable income and structurally challenged space,” said Max Barclay.

For owners and investors, the implications are clear. Income durability is increasingly concentrated in prime, efficient and well-located assets capable of attracting large, established occupiers. Older and less competitive offices will increasingly need to compete through refurbishment, incentives, repricing or repositioning.

Newsec Property Outlook Autumn 2026 analyses structural changes in office leasing across the Nordic and Baltic markets, alongside updated property market insights and forecasts.

The full report is available via Newsecs insight channels.

Contacts

Elin Edelström

Head of Marketing and Communications, Newsec Group

Mobile: +46 790604080

Elin.Edelstrom@newsec.com

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