

SPOTLIGHT



AI AND EUROPEAN OFFICES: SEPARATING HYPE FROM HIRING REALITY

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KEY THEMES

Economic growth and business sentiment, rather than AI, are the most significant drivers of office-based employment growth.

ECB analysis indicates that firms that invest in AI are nearly 2% more likely to hire additional staff than those that don't.

Savills Central London data indicates that professional services occupier requirements are at their strongest level on record.

To what extent is AI actually having an impact on office-based hiring across Europe?



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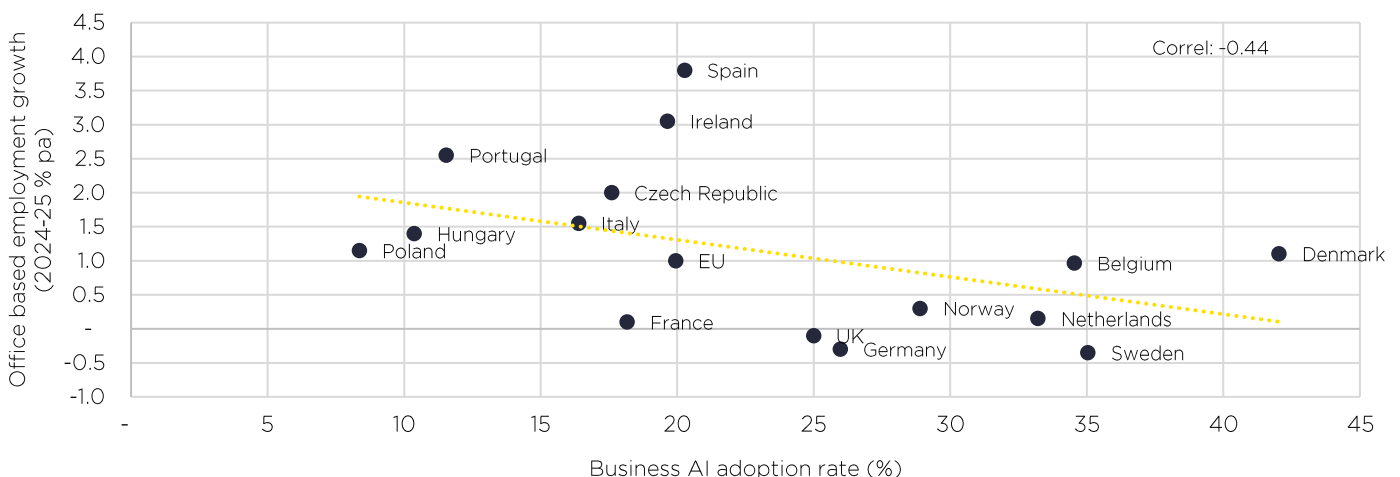
With many questions arising off the back of increasing AI adoption, hiring sentiment and the future impact on white collar jobs, we delve deeper into some of the recent economic, employment and business AI adoption data impacting office-based jobs across Europe.

AI adoption and office-based employment

Firstly, there is only a weak-moderate negative relationship (Chart 1, correlation - 0.44) between the proportion of businesses using AI and office-based employment growth since 2024, according to data from Eurostat and Oxford Economics. Nordic and Western European markets are the most active AI adopters, but their slower employment growth reflects labour shortages and high-income status rather than displacement by AI. Indeed, lower growth economies are more likely to explore AI as a tool to boost productivity growth, increasing overall adoption rates. On the other hand, Southern and Central Eastern European markets have reported stronger office-based employment growth, supported by a buoyant tourism sector and strong domestic demand, respectively.

Importantly, correlation does not imply causation. Indeed, [survey data from the European Central Bank](#) in March 2026 indicates that companies that make significant use of AI are about 4% *more likely* to take on additional staff. In other words, AI-intensive firms tend to hire, rather than fire. Much the same can be said of investment into AI: firms that invest in AI are nearly 2% more likely to hire additional staff than those that don't.

Chart 1: Business AI adoption rate 2025 and office-based employment growth (2024-25 % pa)



Source: Eurostat, Oxford Economics

Economic growth is the main driver of office-based employment growth

Economic growth is a more prominent driver of the EU's office-based employment growth on a historical basis (correlation coefficient: +0.825, Chart 2). Other regional factors have contributed indirectly to office-based employment growth, including; domestic political uncertainty, exposure to energy price rises and employment regulations (particularly the ease of hiring/firing post pandemic and minimum wage increases). Looking forward, current hiring sentiment is weakest in Germany and France, reflective of modest economic outlooks, rather than necessarily businesses' AI adoption.

Normalised hiring trends

Europe is returning to a normalised hiring market, following elevated job vacancy rates in 2022-23, and given the pandemic related job displacement, the transition was never going to be immediate. In the tech sector for example, many employers over-hired and labour-hoarded. Since then, employers are taking a more strategic approach to hiring workers.

More generally, businesses are in exploratory mode with AI adoption, encouraging employees to utilise AI, to test how effective it might be for their business.

In the professional services sector, AI-related concerns of lower future employment resulted in a number of service providers' company valuations recording sharp falls. However, as it stands, the EU's job vacancy rate for the professional

services sector is in line with the pre pandemic average at 2.4%. In the UK, Savills Central London data indicates that professional services' live occupier requirements are at their strongest level on record, indicating that demand remains strong, even if leases are taking longer to complete due to ongoing geopolitical uncertainty.

AI companies continue to expand across Europe at an aggressive pace in 2026. Databricks signed for 13,000 sq m at the Rock, Amsterdam, after taking 100,000 sq ft at Derwent's Network building, London at end 2025. In Dublin, OpenAI is reviewing sites for 100,000 sq ft to scale up in the city, and Anthropic has announced plans to expand in Paris and Munich.

Supply side challenges

There remain challenges on the supply side for employment growth across Europe. Firstly, an ageing population and lower birth rate has reduced the EU's working age population by four million people over the last ten years. It's no surprise then, that the EU's unemployment rate remains at a record low of 5.8%, as the hiring market becomes increasingly competitive.

Secondly, hiring remains particularly difficult in an environment where workers are reluctant to jump ship, due to geopolitical uncertainty. Employees are risk-averse and do not want to take the risk of being 'last-in, first-out' at a new company. LinkedIn data indicates that the ratio of applications to applicants in 2025 fell in Ireland (-3.9% YoY), the UK (-9.4%), France (-5.6%) and Germany (-4.4%) -

employees are waiting for a more dynamic employment market, before making themselves available to industry.

Cost management and ‘AI-washing’

Companies are becoming under increasing pressure to illustrate how they are utilising AI to reduce costs, given the amount they have already invested in applications. Even the more-responsive employment market in the US shows that, despite corporate announcements of job cuts, the actual number of monthly job layoffs remains in line with the long-term average.

The Challenger, Gray & Christmas labour market report indicates that AI was cited for 5% of job layoffs in the US during 2025, which has risen to 8% of job cuts in early 2026. However, many companies which have cut costs to maintain profit margins have blamed job layoffs on AI, rather than internal business mismanagement.

Graduate hiring hiatus

What is clear is that entry-level hiring has fallen faster than for experienced hires. Adzuna data indicates that the number of UK graduate job vacancies has fallen by 45% YoY. However, there are external factors, including increases in both employers’ national insurance contributions and minimum wages.

What’s more, entry-level hiring is more cyclical by nature- as with any economic downturn, when business confidence is lower, investment falls, and employers freeze discretionary hiring (particularly entry-level roles) in the first instance.

Another structural disruptor for office demand

It’s not like the office sector has been immune to structural changes in recent history. Densification of office space in the early 2010s, Brexit and Covid are all examples of changing occupier preferences, as companies adjust to the new ways of work, during which time, office-based employment has only grown across Europe. In the short term, companies opt to renew leases, rather than seek new premises, but occupiers are seeking better quality, more modern and well-connected office space across CBD locations in order to appeal to the workforce.

Productivity puzzle

Governments and businesses remain desperate for a new stimulus to boost productivity, as European headquartered AI companies raised a record level of venture capital funding in 2025. But AI has had no visible impact on productivity so far, given employees are not yet utilising AI applications effectively. AI applications will continue to improve the quality of outputs by refining their algorithms through machine learning techniques.

For productivity to rise, either output needs to increase or employment/ hours worked needs to fall, neither of which has happened. Even if some tasks are now being completed more quickly as a result of AI, there is no evidence to show that the time saved is being used for innovation/ increased business output.

Outlook

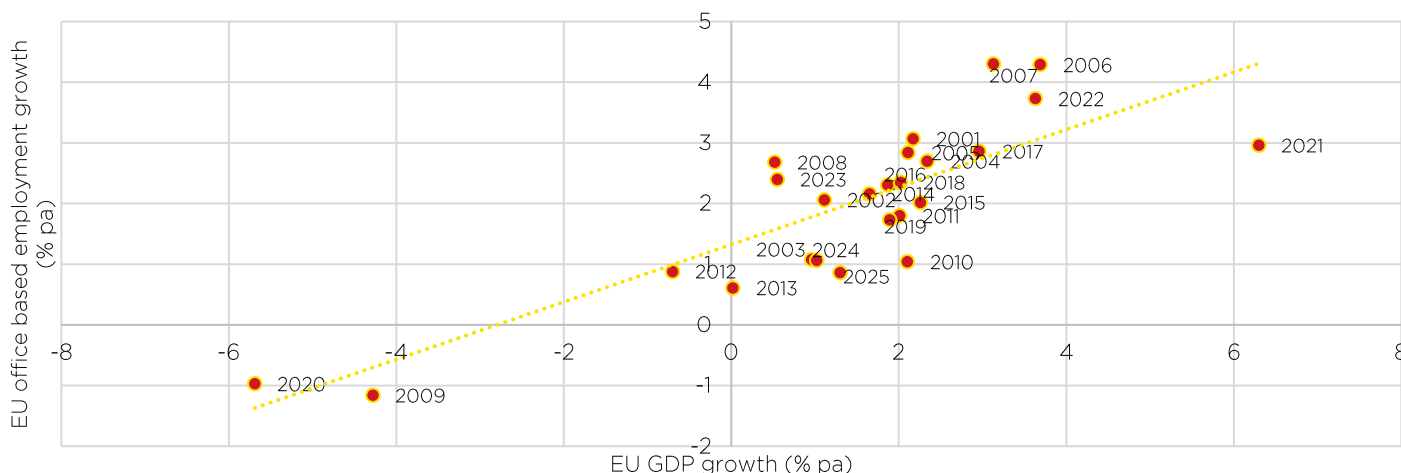
AI adds an additional layer of uncertainty among both employers and employees, however, companies which are currently investing in AI are more likely to be hiring going forward.

Office based employment growth will come from stronger economic growth across Europe. Policy makers should focus on the macro reforms laid out in Mario Draghi’s 2024 report on EU competitiveness, including cutting red tape, increasing investment in technology and securing supply chains.

In the short term, overall hiring sentiment remains soft, given weaker economic growth and geopolitical uncertainty, and is expected to remain relatively modest in 2026. Although there is no evidence to suggest a change in the number of job layoffs so far, more focus over the next 6-12 months will be around whether employers choose to rehire for newly vacant roles or tighten their belts.

Employment markets are now entering a more normalised environment, and Europe is at as-close-to full employment as it has ever been, so hiring new staff is becoming tougher. Over the medium to long term, employees will adapt and harness new skills, supporting office-based employment growth of circa 4% over the next ten years, according to Oxford Economics, creating additional office demand.

Chart 2: EU office-based employment growth and GDP growth (% pa)





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