Baku Office Market Overview

www.shre.kz

Q1 2026

Baku Office Real Estate Market Report – Q1 2026

Executive Summary
The Baku office real estate market entered 2026 with strong fundamentals supported by economic diversification, sustained growth in the non-oil sector, foreign direct investment, and continued urban development. Demand for modern Grade A and Grade B+ office space remained robust, particularly in prime business districts such as the Central Business District (CBD), Port Baku, White City (Ağ Şəhər), and emerging mixed-use developments.
The market continues to exhibit a pronounced flight-to-quality trend, with occupiers increasingly relocating from outdated office stock to modern, energy-efficient buildings that meet international standards. Vacancy rates for premium office assets remained low, while rental rates continued to increase moderately due to limited supply and strong tenant demand.
Although several office projects remain under development, pre-leasing activity has remained strong, limiting the impact of new supply on overall market conditions.

1. Market Dynamics and Economic Context

A. Macroeconomic Drivers
Baku's office market continues to benefit from Azerbaijan's economic diversification strategy and growth in non-oil sectors.
Economic Growth and Business Confidence
Economic activity remained resilient throughout 2025 and into early 2026, supported by:
- Growth in ICT and digital services;
- Expansion of financial services;
- Professional and business services growth;
- Infrastructure and urban development investments;
- Continued government spending on strategic development projects.

These factors continue to support corporate expansion and demand for modern office accommodation.

Baku as Azerbaijan's Business Hub
Baku remains the country's primary financial, administrative, and commercial center, hosting:
- International corporations;
- Financial institutions;
- Energy companies;
- Professional service firms;
- Technology and telecommunications companies;
- Government agencies and state-owned enterprises.

This concentration of economic activity continues to underpin demand for quality office space.
Urban Development
Major urban regeneration projects such as White City (Ağ Şəhər), Port Baku, Crescent Bay, and new mixed-use districts continue to reshape the city's commercial landscape and attract both domestic and international occupiers.

B. Supply and Market Segmentation
The total professional office stock in Baku is estimated at approximately 1.4 million sq. m. GLA.

Office Grade Segment	Share of Quality Stock	Estimated Area (GLA)	Market Condition
Grade A / A+	~20%	~280,000 sq. m.	Limited supply
Grade B+	~30%	~420,000 sq. m.	Strong demand
Grade B / C	~50%	~700,000 sq. m.	Increasing competition

The market remains characterized by a shortage of high-quality office space relative to growing tenant requirements. Modern office developments continue to command significant leasing interest before completion.

2. Occupancy and Rental Rate Analysis

A. Vacancy Rates
Vacancy rates remained stable and low across prime office assets during Q1 2026.

Office Grade Segment	Vacancy Rate (Q1 2026)	Market Status
Grade A / A+	4% - 7%	Tight market
Grade B+	7% - 10%	Healthy demand
Grade B / C	12% - 18%	Tenant competitive

The continued shortage of modern office accommodation in premium locations has maintained low vacancy levels across the top market segments.
Grade B and older office buildings continue to experience increasing competition as occupiers relocate to higher-quality premises.

B. Rental Rates
Prime rental rates continued to increase moderately during Q1 2026.

Office Grade	Average Monthly Rent (USD/sq.m./month)
Grade A / A+	USD 30 - 40
Grade B+	USD 20 - 28
Grade B / C	USD 12 - 20

Premium buildings within Port Baku, White City, and the Central Business District continue to command rents at the upper end of the market.
Demand from multinational corporations, financial institutions, energy companies, and professional service firms remains the primary driver of rental growth.

3. Key Market Trends

A. Flight-to-Quality Continues
The migration of occupiers toward modern office environments remains the dominant market trend.
Companies increasingly prioritize:

- International building standards;
- Modern engineering systems;
- Flexible floorplates;
- ESG compliance;
- Employee wellness amenities;
- Energy efficiency.

As a result, older office buildings continue to face pressure on occupancy and rental performance.

B. ESG and Sustainable Buildings
Environmental, Social, and Governance (ESG) considerations continue to gain importance in leasing decisions.
International occupiers increasingly prefer buildings featuring:

- Energy-efficient systems;
- Green building certifications;
- Smart Building technologies;
- Sustainable operational practices.

Developers are responding by incorporating higher environmental and technological standards into new office projects.

C. Flexible Workspace Expansion
Demand for serviced offices and coworking space continues to grow, driven by:

- Technology firms;
- International project teams;
- Start-ups;
- Hybrid working strategies.

Flexible workspace operators continue to expand their presence within major business districts.

D. New Development Pipeline
Several major commercial developments remain under construction and are expected to be delivered between 2026 and 2027.
Key office development areas include:

- White City (Ağ Şəhər);
- Port Baku expansion zones;
- Crescent Bay;
- Central Baku mixed-use developments.

High levels of pre-leasing activity suggest that a substantial portion of future office supply will be absorbed prior to project completion.

4. Investment Market
Investor interest in Baku's office sector remains strong.
Key investment drivers include:

- Stable economic growth;
- Increasing office demand;

- Attractive rental yields;
- Limited supply of institutional-grade assets;
- Ongoing urban regeneration projects.

Prime office assets in White City, Port Baku, and the CBD remain the most attractive targets for both domestic and international investors.

Conclusion and Outlook

The Baku office market entered 2026 in a stable and healthy position. Demand for modern office space continues to outpace supply in the prime segment, supporting low vacancy rates and steady rental growth.

The market remains increasingly polarized between modern Grade A assets and older office stock, with occupiers consistently favoring high-quality, ESG-compliant buildings in strategic locations.

Looking ahead, the delivery of new office developments during 2026-2027 is expected to improve tenant choice and increase overall market liquidity. However, strong pre-leasing activity and sustained demand suggest that prime rental rates will remain stable to moderately positive throughout 2026, while vacancy in Grade A buildings is expected to remain below historical averages.

For additional information regarding this market review,
Please contact: **Scot Holland LLP**
050051, 105 Dostyk Ave., 3rd floor
T: +7 (727) 258 1760

Roger Holland President
roger.holland@shre.kz

Evgeny Dolbilin Vice President
eugene.dolbilin@shre.kz

Sergey Matveyev Managing Director
sergey.matveyev@shre.kz

Serik Kabdrakhmanov Senior Valuation Manager
serik.kabdrakhmanov@shre.kz