Baku Office Market Overview

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Azerbaijan

Baku Real Estate Market Q2 2026 Report

The Baku office real estate market in Q2 2026 continued to demonstrate resilient demand for modern Grade A and B+ office space, particularly in central business districts and strategically developing areas such as Baku White City, Port Baku and the wider Khatai-Nizami corridor.

Market conditions remain supported by the continued expansion of non-oil economic activity, investment in fixed assets, strong growth in information and communication services, transportation and trade, as well as ongoing urban and infrastructure development.

The market remains clearly segmented. Modern, professionally managed office buildings with high-quality engineering, parking, security and international-standard specifications continue to attract the strongest tenant interest, while older and less efficient properties face greater competition.

The second quarter of 2026 was characterized by stable demand, continued flight-to-quality and a gradual expansion of modern commercial stock. Prime rental levels remained firm, while the growing availability of modern premises provided tenants with somewhat greater choice.

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1. Market Dynamics and Economic Context

A. Macroeconomic Influence

Baku's office market remains closely connected to the overall economic performance of Azerbaijan.

During January-June 2026, Azerbaijan's GDP reached approximately AZN 65.2 billion, representing real growth of 0.8%. Non-oil and gas GDP increased by 1.5%, reaching approximately AZN 45.6 billion. The strongest growth among major service sectors was recorded in transportation and storage, information and communication, and retail trade.

The structure of economic growth continues to support demand for professional office space.

- Business and Professional Services: The expansion of financial, consulting, professional and corporate services continues to generate demand for modern office accommodation.
- Information and Communication: Information and communication services increased by 7.5% in real terms during H1 2026, reinforcing demand from technology and digitally oriented companies.
- Transportation and Logistics: Transportation and storage services increased by 8.0%, supporting demand from logistics, trading and regional distribution companies.
- Retail and Trade: Retail trade turnover increased by 3.7%, supporting broader business activity and demand for corporate premises.
- Investment: Investments in fixed assets reached approximately AZN 9.30 billion during H1 2026, demonstrating continued investment activity across the economy.

The combination of service-sector expansion, investment and infrastructure development continues to provide a supportive environment for Baku's commercial real estate market.

B. Supply and New Development

The Baku office market continues to experience a gradual increase in the availability of modern commercial space.

Prime areas remain dominated by high-quality business centers and mixed-use developments, while older office stock continues to account for a substantial part of the overall market.

The current supply structure can broadly be described as follows:

Office Grade	Typical Age & Standard	Location Preference	Primary Tenant Profile
Grade A (Prime)	Modern buildings, professional management, advanced engineering, parking and high-quality amenities	Central Business District, White City, Port Baku, major business corridors	International Organizations, MNCs, Major Banks, Energy Companies, Large Local Corporations
Grade B+	Modernized or relatively new buildings with good infrastructure and services	CBD fringe, Khatai, Nizami and established business locations	Growing local companies, regional offices, professional services, NGOs
Grade B/C	Older buildings, variable infrastructure, limited amenities	Secondary locations and older commercial areas	SMEs, local businesses, startups and price-sensitive tenants

A continuing flight-to-quality remains one of the defining characteristics of the market.

Corporate tenants increasingly prefer modern buildings because they provide:

- stronger corporate image;
- better employee working environments;
- modern engineering;
- improved security;
- reliable telecommunications;
- parking;
- professional property management;
- greater energy efficiency.

Baku White City remains one of the clearest examples of this trend. Its Class A Office Building provides modern office accommodation and holds BREEAM environmental certification, while offering approximately 350 underground and surface parking spaces.

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2. Occupancy and Rental Rate Analysis

A. Vacancy Rates

Vacancy continues to vary significantly according to property quality, location and office configuration.

Prime Grade A buildings in established business locations continue to demonstrate relatively tight availability, particularly for smaller, fully fitted and immediately occupiable premises.

At the same time, the increasing supply of modern office space means that tenants have more choice when considering larger office blocks.

Indicative market vacancy levels are estimated as follows:

Office Grade Segment	Estimated Vacancy Rate (Q2 2026)	Market Trend
Grade A (Prime)	~5-10%	Tight / Stable
Grade B+	~10-18%	Stable
Grade B/C	~20-30%+	Higher availability
Older / Non-professional premises	High	Increasing pressure

The market therefore remains highly segmented.

Prime assets benefit from limited availability and strong corporate demand, while secondary properties increasingly need to compete through pricing, flexible lease terms and location.

The most difficult premises to secure are generally smaller, fully fitted offices in high-quality buildings and prime business locations.

B. Rental Rates

Rental rates remain firm for modern office premises, with the highest levels recorded in premium business centers and strategically located Class A buildings.

Current market listings provide evidence of substantial rental levels in Baku's prime submarkets. For example, office accommodation in Baku White City is currently being marketed at approximately AZN 4,200 per month for 110 sq. m, including building services, while other fitted office units in the area are offered at higher levels depending on size, configuration and specification.

Based on current market evidence, indicative rental ranges are:

Office Grade	Typical Q2 2026 Rental Range (USD/sqm/month)	Market Position
Grade A (Prime)	$25-35+	Firm / Premium
Grade B+	$18-25	Stable to Moderate Growth
Grade B	$12-18	Stable / Competitive
Grade C	$8-13	Price-sensitive

Rental rates remain indicative and vary depending on:

- location;
- building quality;
- office size;
- floor;
- fit-out;
- furniture;
- parking;

- operating expenses;
- service charges;
- lease term;
- contractual conditions.

Prime properties in locations such as White City and other established business districts can command significant premiums due to their combination of location, infrastructure, building quality and tenant services.

The current market also demonstrates a wide range of asking prices within individual submarkets, confirming the continuing segmentation between premium corporate offices and secondary stock.

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3. Key Market Trends

A. Sustainability and ESG Focus

Environmental, Social and Governance considerations continue to gain importance in Baku's office market.

International companies and major corporate tenants increasingly favor buildings that provide:

- energy-efficient engineering;
- modern HVAC systems;
- efficient lighting;
- environmentally responsible construction;
- high-quality indoor environments;
- professional building management;
- internationally recognized sustainability standards.

Baku White City Office Building provides a notable example of this direction, having received BREEAM environmental certification.

As international business activity develops, ESG and energy efficiency are expected to become increasingly important factors in tenant and investor decision-making.

Older buildings with inefficient engineering and limited sustainability characteristics may therefore face increasing competitive pressure.

B. Hybrid Work and Changing Office Requirements

Hybrid working continues to influence office utilization in Baku, although the traditional office remains an important component of corporate operations.

Companies are increasingly focusing on the quality and functionality of their workplaces rather than simply reducing office footprints.

Current tenant requirements increasingly include:

- collaborative areas;
- meeting rooms;
- employee amenities;

- improved air quality;
- natural light;
- flexible internal layouts;
- high-speed telecommunications;
- informal work areas;
- higher-quality common spaces.

As a result, demand is increasingly shifting toward fitted, flexible and employee-oriented offices.

The ability of a building to support both individual work and collaboration is becoming an important competitive factor.

C. Flexible Office Space

The flexible-office segment continues to develop as part of Baku's commercial real estate market.

Serviced offices and coworking spaces provide companies with:

- short-term leases;
- furnished workplaces;
- flexible expansion;
- meeting facilities;
- reception and administrative services;
- lower initial capital expenditure.

Current market offerings demonstrate active demand for flexible accommodation in modern business centers. For example, a private office in Baku White City Business Center is currently marketed through a flexible-office provider, with building amenities including reception, administrative support, parking, business lounge and 24-hour access.

The segment is particularly relevant for:

- SMEs;
- technology companies;
- project teams;
- international businesses;
- companies entering Azerbaijan;
- professional services firms;
- temporary and regional offices.

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4. Investment Activity

Investment activity remains an important component of Azerbaijan's commercial real estate outlook.

During January-June 2026, approximately AZN 9.30 billion was invested in fixed assets. Investment in the non-oil and gas sector reached approximately AZN 6.13 billion, while investment in service sectors amounted to approximately AZN 2.96 billion.

The investment environment is supported by:

- continued economic diversification;
- development of the non-oil sector;
- infrastructure investment;
- transportation and logistics growth;
- development of modern business districts;
- demand for income-producing commercial assets;
- continued corporate demand for high-quality office premises.

Investors are expected to remain particularly interested in:

- Grade A office buildings;
- prime locations;
- mixed-use developments;
- buildings with strong institutional tenants;
- flexible-office projects;
- modern income-producing assets;
- properties with strong ESG and energy-efficiency characteristics.

Prime assets with stable corporate occupancy are likely to remain the most defensive segment of the office market.

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5. Urban Development and Office Geography

Baku's office market continues to develop around several established and emerging business locations.

The most important areas include:

- Central Business District;
- Port Baku;
- Baku White City;
- Khatai district;
- Nizami district;
- major transportation corridors;
- selected established business locations in the central part of the city.

The development of Baku White City remains particularly significant for the long-term transformation of the city's commercial real estate landscape.

The district combines residential, commercial, office, retail, hospitality and public spaces and continues to provide modern commercial accommodation.

The presence of Class A office buildings, international-standard amenities and strong transport connectivity makes the area an important destination for corporate tenants.

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6. Key Market Risks

A. Potential Increase in Supply

The principal medium-term risk is the introduction of additional modern office space.

If new Grade A supply enters the market faster than corporate demand expands, vacancy could increase and rental growth could moderate.

However, the continued preference for modern offices provides a degree of protection against broad-based oversupply.

B. Market Polarization

The market remains divided between modern Grade A/B+ buildings and older Grade B/C properties.

Modern buildings benefit from:

- better infrastructure;
- higher-quality amenities;
- professional management;
- improved security;
- parking;
- energy efficiency;
- stronger corporate image.

Older buildings may therefore face increasing pressure unless they are renovated or repositioned.

C. Economic and Sectoral Volatility

The Azerbaijani economy remains influenced by the performance of the energy sector.

Although non-oil and gas GDP expanded by 1.5% in H1 2026, oil and gas GDP declined by 0.7%, demonstrating the continuing importance of sectoral diversification.

A prolonged slowdown in energy-related activity could indirectly affect corporate office demand, particularly from companies connected to the energy sector.

D. Tenant Cost Sensitivity

As modern supply increases, tenants are becoming more selective.

Companies increasingly consider total occupancy costs, including:

- base rent;
- operating expenses;
- utilities;
- parking;
- fit-out;
- maintenance;

- service charges.

Buildings with high operating costs or inefficient infrastructure may therefore find it increasingly difficult to compete.

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7. Market Outlook – H2 2026

The Baku office market is expected to remain fundamentally stable during the second half of 2026, with continued demand for modern office accommodation and gradual growth in the availability of high-quality space.

The main market dynamics are expected to be:

Economic diversification → continued corporate activity → strong demand for modern offices → gradual expansion of Grade A supply → greater tenant choice → stabilization of prime rental growth.

Expected Market Trends

Indicator	H2 2026 Outlook
Office supply	↑ Increasing
Grade A availability	↑ Gradually increasing
Vacancy	↔ Stable / Moderate Increase
Grade A demand	Strong
Prime rental rates	↔ Stable / Moderate Growth
Grade B+ rents	↔ Stable
Grade B/C rents	More competitive
Tenant negotiating power	↑ Increasing
Landlord negotiating power	↔ Stable / Gradually Decreasing
Flexible offices	↑ Growing
ESG requirements	↑ Increasing
New development	↑ Active
Investment activity	Positive
Mixed-use development	↑ Increasing

Conclusion and Outlook

The Baku office real estate market in Q2 2026 remained fundamentally healthy, supported by continued economic activity, investment, urban development and strong demand for modern corporate premises.

Azerbaijan's economy generated approximately AZN 65.2 billion of GDP during H1 2026, with non-oil and gas GDP reaching approximately AZN 45.6 billion and growing by 1.5% in real terms. Information and communication services increased by 7.5%, while transportation and storage services grew by 8.0%, supporting the expansion of sectors that generate demand for professional office space.

Investment activity also remained substantial, with approximately AZN 9.30 billion directed to fixed assets during H1 2026. Non-oil and gas investment reached approximately AZN 6.13 billion, providing continued support for commercial and infrastructure development.

The office market remains highly segmented.

Grade A and B+ properties benefit from:

- limited availability of premium space;
- strong corporate and international demand;
- modern engineering;
- professional management;
- parking and amenities;
- stronger ESG credentials;
- superior corporate image.

At the same time, older Grade B/C properties face increasing competitive pressure and will increasingly require renovation, repositioning or more competitive pricing to maintain occupancy.

Current market evidence indicates that prime Grade A offices generally command approximately $25-35+ per sq. m per month, while Grade B+ premises typically fall within the $18-25 per sq. m per month range. Secondary properties remain considerably more price-sensitive.

The market can be characterized as:

"A resilient and increasingly professional office market with strong demand for modern Grade A and B+ premises, continued flight-to-quality and gradual expansion of high-quality commercial supply."

The key market challenge remains the balance between the delivery of new Grade A office space and the pace of tenant absorption.

For tenants, the market offers a gradually expanding choice of modern premises and increasing opportunities to negotiate lease conditions.

For landlords, prime assets remain well positioned, but competition is gradually increasing as new supply enters the market.

For investors and developers, the strongest opportunities remain concentrated in Grade A office buildings, prime locations, Baku White City, Port Baku and other established business districts, mixed-use developments, flexible-office concepts and modern income-producing assets with stable corporate or institutional tenants.

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