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Dynamics of the European Commercial Real Estate Market with an Empirical Focus on the Retail Italian Sector

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Abstract. *This paper conducts a comprehensive analysis of the dynamics within the European commercial real estate sector, with an emphasis on the Italian retail market. It scrutinizes investment trends, sectoral performance, and macroeconomic influences spanning the period from 2020 to 2024. The study delves into the ramifications of macroeconomic shocks, evolving consumer behaviors, and shifting investor strategies on capital allocation across various retail asset classes, such as high-street retail, shopping centers, retail parks, and supermarkets. The research finds that retail real estate investment in Europe experienced significant volatility, with a sharp contraction in 2023 due to rising interest rates and inflationary pressures, followed by a recovery in 2024, particularly in resilient asset classes such as grocery-anchored retail and luxury high-street locations. Italy, despite facing macroeconomic constraints, demonstrated a substantial resurgence in retail investment, with supermarkets and urban high-street retail outperforming traditional shopping centers. This research augments the corpus of scientific socio-economic knowledge through the quantification of investment fluctuations across diverse asset classes and the identification of pivotal structural transformations within the retail real estate sector. The study delineates a direct correlation between commercial real estate investment, shifts in consumer behavior, and macroeconomic policy adjustments, thereby providing profound insights into the prospective trajectory of retail property markets. The findings support the hypothesis that grocery-anchored retail and prime urban assets provide long-term stability, while secondary retail formats require adaptation to remain viable.*

Keywords: commercial real estate, commercial property investment, European real estate market, Italian real estate retail.

JEL Codes: R30, R33, E44, L81, G11

1. Introduction

Retail real estate is a cornerstone of the European commercial property sector and a major catalyst for economic growth, job creation and urban development in Europe. But things have changed dramatically in this space in the last five years, these shifts have been prompted by changing consumer preferences, digital innovation and macroeconomic conditions.

The volatility in the markets is increasing pressure from the COVID 19 pandemic, growing inflation and changes in monetary policy, which are leading to massive fluctuations in investment amounts. The aim of the paper is to explore the path of retail real estate investment in Europe by focusing empirically on the Italian market and trying to find out which role macroeconomics, asset classes performance and investor strategies have played in driving capital flows from 2020 to 2024.

These dynamics have been the focus of an increasing amount of academic scholarship. E-commerce activity is currently priced as an investment risk in institutional grade shopping centres, in particular regional malls, emphasising investor awareness for digital retail pressures on asset performance Kaiser & Freybote (2021). Previous work by Dixon and Marston (2002) observed that e business does not always result in the death of bricks and mortar retail, but it certainly does require adjustments in network stores and leasing practices.

Recent market comments (BNP Paribas Real Estate, 2022; CBRE 2025) stress that retail parks and grocery-anchored assets are beginning to be seen as creatures of the new caution in investment, and that, at

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the same time, investors are inching tentatively back again into retail following the shock of the Covid-19 virus and its
structural shock to the way the sector will price.

Results indicate significant degree of cyclicality in European retail real estate investment, reflecting a steep decline in 2023 driven by higher interest rates and weaker consumer sentiment, and rebound in 2024 for defensive asset types including grocery-anchored retail and high street luxury. Italy also saw a surge in investment, this time in the retail sector, particularly supermarkets and urban high street retail, which outperformed more traditional shopping centres despite some macro headwinds. Placing these investment trends in the context of wider economic and macroeconomic constructs, this research contributes to the literature on risk-adjusted returns and balanced portfolio investment strategies, as well as shifts in retail's role in the commercial property cycle.

2. Research Elaboration

2.1 Research Methodology

The study is based on information from official reports, institutional reports, macroeconomic databases and academic literature. BNP Paribas Real Estate and CBRE provide market intelligence reports offering analysis on retail investment volumes, performance by asset class and the regional spread of retail investments.

Macroeconomic data from Eurostat, the European Central Bank (ECB), Italian's Ministry of Economy and Finance (MEF) and the International Monetary Fund (IMF) provide background on growth in Gross Domestic Product (GDP), inflation, interest rates and consumer expenditure, all of which are critical to the way Retail Real Estate developments are analysed.

2.2 Macroeconomic conditions in Europe

Euroland's economic firmament has seen some sharp swings during the past five years—troubled by pandemic-inflicted contractions, inflation surges and monetary-policy changes. These macroeconomic influences have had a direct impact on investment, consumer sentiment and the state of the real estate market, in particular with the retail asset class.

Overall economic activity in the Eurozone declined 5.6 per cent in 2020 amid the COVID-19 pandemic, with lockdown measures, weaker consumption and supply chain disruptions. This trend reversed in 2021 with a robust recovery all through the year as post-pandemic GDP soared by 6.3% principally incentivized by government hand out programs, active use of increased household savings and quick resumption of economic activity.

But the recovery lost pace in 2022, with GDP growth slowing to 3.5%, as inflation and fluctuations in the oil price started to weigh on business sentiment.

By 2023, economic expansion had nearly stagnated, with GDP growth dropping to 0.4%, marking the lowest non-recessionary growth rate in recent years. This slowdown was primarily attributed to higher borrowing costs, reduced disposable income and geopolitical uncertainties.

In 2024, the Eurozone economy showed modest signs of recovery, with a GDP growth rate of 0.8%[1]. While this marks an improvement from the near-stagnation of 2023, it remains substantially below the pre-pandemic average growth rates.

Looking ahead, GDP growth in the Eurozone is projected to stabilise, with forecasts indicating a gradual recovery to 1.3% in 2025 and 1.6% in 2026[2]. This expected growth trajectory suggests a slow but steady return to economic normality, underpinned by easing inflationary pressures, gradual interest rate adjustments by the ECB fostering renewed business investment and supply chain stabilisation, particularly in the industrial and retail sectors.

Despite these positive signals, structural economic challenges persist, including labour market rigidities, fiscal constraints in highly indebted nations, and potential geopolitical disruptions that could hinder economic expansion in the medium term.

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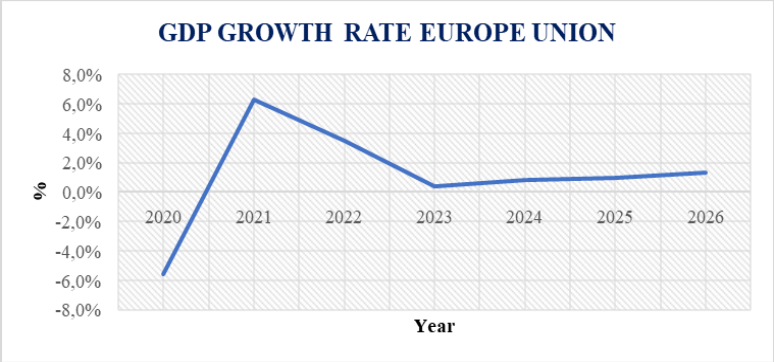
Fig. 1: Line chart GDP growth rate Eurozone 2020-2026



(Source: Eurostat 2020 - 2026)

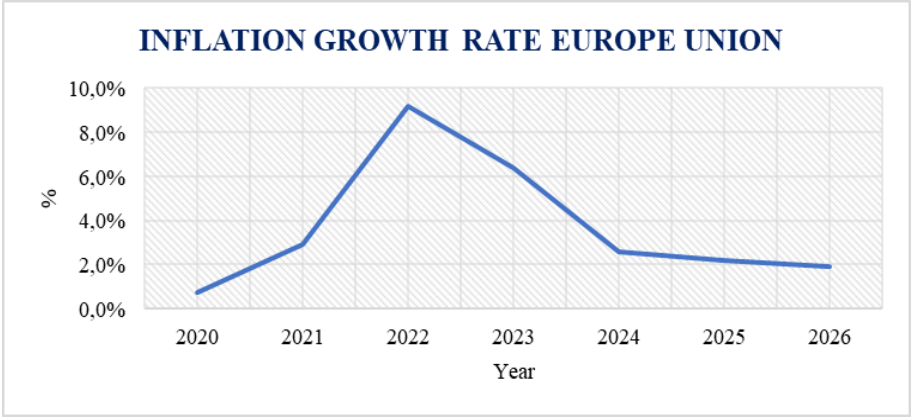
It has been the characteristic economic predicament of the Eurozone, affecting decisions on interest rates, investments in real estate, and consumer spending power.

After a long period of price stability, as inflation stood at 0.7% in 2020, the recovery in economic activity from the pandemic triggered a rapid rise of inflation, which climbed to 2.9% in 2021. But the biggest shock came in 2022 as inflation soared to 9.2%, driven by energy cost spikes and food price inflation. Inflation also stayed high into 2023, to the tune of 6.4%, causing the ECB to take drastic action towards monetary tightening with a series of interest rate increases. These policies led to reduced GDP growth and weaker consumer confidence.

By 2024, inflation is recorded to decline significantly to 2.6%, marking a return towards the ECB's target inflation rate of 2%[3]. This disinflationary trend reflects monetary policy effectiveness, easing of supply chain disruptions, particularly in manufacturing and logistics and slower wage growth, limiting inflationary wage-price spirals.

Looking forward, inflation is expected to moderate further, with projections indicating 2.2% in 2025 and 1.9% in 2026[4]. This trend suggests a stabilisation of consumer prices, which will likely have positive spillover effects on retail spending and investment activity in the real estate sector, such as boosting retail consumption, lower financing costs making retail real estate investments more attractive and lower input costs (e.g., energy, logistics, wages) could enhance retailer margins, increasing demand for commercial retail space.

Fig. 2: Line chart inflation rate Eurozone 2020-2026



(Source: Eurostat 2020 - 2026)

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The Eurozone's macroeconomic conditions remain a critical determinant of retail real estate market dynamics. The period of high volatility observed between 2020 and 2023 created substantial challenges for investment strategies, rental growth and consumer spending patterns.

2.3 Macroeconomic conditions in Italy

Italian retail real estate market is embedded in the Italian broader economic context characterised by GDP growth, inflation, monetary policy and consumer confidence. All these have collective impact on investments, tenant demand, rent growth and absorption of retail space, thus, they are important variables to consider when assessing market dynamics.

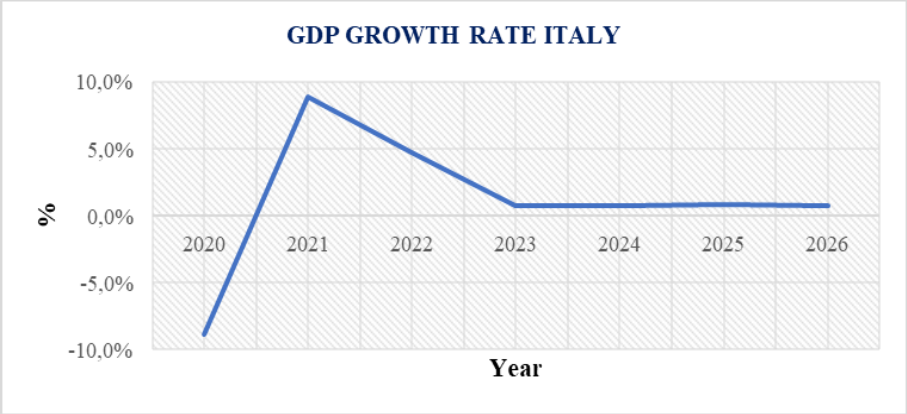
In the past five years, the Italian economy has experienced seesawing growth, and the broader macroeconomic situation in the country that shares the Euro with its EU partners, is far from being healthy.

After the steep contraction (-8.9%) in 2020 caused by the COVID-19 crisis, the economy strongly bounced back in 2021, with a growth rate of 8.9%, under the impetus of government incentives, EU recovery funds and a recovery of private consumption. But that recovery slowed sharply in 2022 as GDP growth slowed to 4.7%, then to 0.7% in both 2023 and 2024.

Such a deceleration in economic progress can be explained as being the result of structural labour market and public sector productivity inefficiencies, still-high energy cost, tight monetary policy decisions, tightening consumer spending resulting from higher borrowing costs and lower disposable incomes.

Italy's GDP is forecast to experience modest growth in the coming years, with projections of 0.8% in 2025 and 0.7% in 2026[5].

Fig. 3: Line chart GDP growth rate Italy 2020-2026



(Source: IMF 2020 - 2026)

Inflation has been a major economic challenge for Italy, particularly in the aftermath of the pandemic. While inflation was near zero in 2020 (-0.3%), it surged to 1.9% in 2021, before peaking at 8.1% in 2022, in line with broader Eurozone trends.

Despite ECB interest rate hikes, inflation remained elevated at 5.4% in 2023, before declining sharply to 1.1% in 2024[6]. The return to low inflation levels is expected to improve household purchasing power, boosting retail consumption, reduce operational costs for businesses, particularly in real estate and stabilise rental price adjustments.

Inflation in Italy is expected to stabilise at 1.9% in 2025 and 1.7% in 2026, aligning with the ECB's long-term inflation target of 2%[7].

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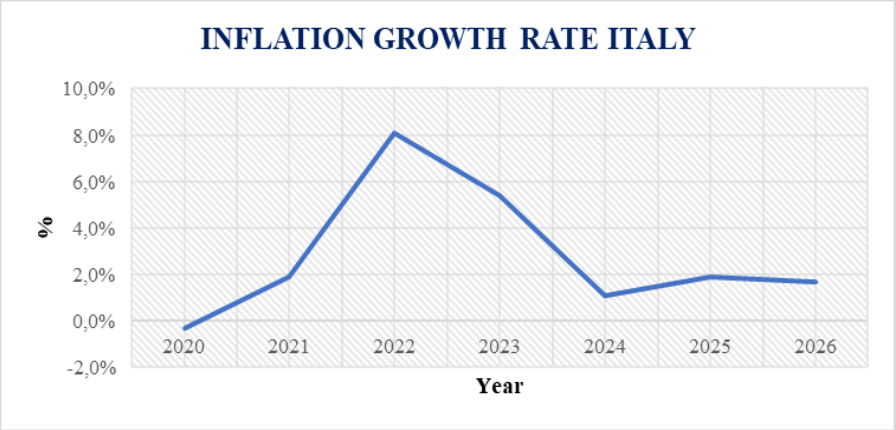
Fig. 4: Line chart inflation rate Italy 2020-2026



(Source: Ministry of Economy and Finance Italy 2025)

While challenges persist, including structural inefficiencies and public debt concerns, the projected stabilisation of inflation and gradual GDP recovery should support retail market expansion and investment activity in the coming years.

3. Results and Discussions

The European CRE market has rapidly swung back and forth between 2020/24, charging and retreating like a startled bull, in response to shifting macroeconomic trends, changes in monetary policy, and changes in the psyche of investors.

After an exceptionally turbulent period in the markets as a result of the effects of COVID-19 and the subsequent economic bounce back, investment demand is passive in most asset classes and geographical markets.

This chapter explores investments and the total amount of investments as well as by country, providing an overall picture of the European CRE landscape. In the five years 2020–2024 total investment volume into European commercial property showed that volume was highly cyclical influenced by the economic cycles, interest rate policy and the changing strategies of investors.

In 2020, transactions reached €235bn, representing a dramatic downturn brought about by the restrictions associated with the pandemic and the resulting economic uncertainty. Investment volumes reached €359 billion in 2021, far surpassing the previous year thanks to robust economic recovery, record-low interest rates and robust demand from investors for property as a hedge against inflation.

However, the momentum shifted in 2022, with investment volumes declining to €287 billion as rising inflation and the ECB's hiking cycle resulted in higher financing costs and a drop in risk tolerances.

Total investment dropped to €133bn by 2023, the lowest level observed in recent years, as increasing cost of borrowing and recessionary concerns dampened transactional activity across asset classes.

In 2024, investment volume appeared to have partly recovered to €206 billion, indicating rising market confidence in a backdrop of moderating inflation and economic activity.

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Fig. 5: Clustered column chart CRE volume in EU 2020-2024

(Source: CBRE 2025)

Within the broader CRE market, different asset classes have exhibited varying degrees of resilience and responsiveness to macroeconomic shifts, reflecting sector-specific fundamentals and investor sentiment. The retail sector has faced persistent challenges, with investment activity remaining subdued throughout 2023, primarily due to weaker consumer demand and the continued expansion of e-commerce[8], which has fundamentally altered traditional retail dynamics. However, not all segments of retail real estate have been equally affected.

While secondary shopping centres and non-prime retail locations have struggled to attract investment, luxury high-street retail and grocery-anchored assets have continued to demonstrate resilience.

These asset classes have retained strong investor interest due to their defensive characteristics, with luxury retail benefitting from high consumer spending in prime urban areas and grocery-anchored retail maintaining stable cash flows driven by non-discretionary consumer demand.

The office sector, on the other hand, has undergone a period of significant correction, particularly in secondary locations, as the widespread adoption of hybrid work models has led to a structural decline in demand for traditional office spaces.

Corporations have increasingly reassessed their spatial requirements, favouring flexible working environments and high-quality, ESG-compliant office spaces.

Despite this transformation, prime office markets in central business districts such as London, Paris and Berlin have shown greater resilience, maintaining relatively stable occupancy rates and rental growth due to strong demand from financial institutions, multinational corporations and technology firms[9].

In contrast to the struggles faced by the retail and office segments, the logistics and industrial sector has emerged as one of the strongest-performing asset classes, largely benefitting from the accelerated growth of e-commerce and the restructuring of global supply chains.

Investment in warehousing and distribution centres has remained robust, as occupiers seek modern, strategically located logistics hubs to enhance last-mile delivery capabilities.

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The increasing demand for highly automated, energy-efficient logistics facilities has further fuelled investor interest, making logistics one of the most sought-after real estate asset classes in recent years.

The hospitality sector, which suffered a sharp downturn in the wake of the COVID-19 pandemic, has demonstrated a remarkable recovery in 2024, driven by rising international tourism and increased occupancy rates in major European cities.

The resurgence of business travel, coupled with a strong rebound in leisure tourism, has contributed to higher hotel performance metrics, particularly in destinations such as Paris, Rome, Barcelona and London[10].

Investment activity across major European markets varied considerably, with some economies experiencing steeper declines in capital flows due to country-specific economic and regulatory factors.

Germany has long been the largest and most liquid commercial real estate market in Europe, underpinned by strong economic fundamentals, a diversified investment landscape and a transparent regulatory framework. In 2021, investment volumes peaked at €110 billion, fuelled by low interest rates, favourable financing conditions and strong demand for logistics assets.

The country's status as Europe's largest economy and its deep institutional investor base further reinforced its appeal to both domestic and international capital.

However, shifting macroeconomic conditions led to a sharp decline in investment activity. By 2022, volumes fell to €51.7 billion, as rising inflation, energy price volatility and the ECB's monetary tightening dampened investor confidence.

This downturn intensified in 2023, with transactions plummeting to €21.5 billion, an 80% decline from the 2021 peak, driven by higher borrowing costs and increased risk aversion. Despite these challenges, 2024 data indicate a partial recovery, with investment volumes rebounding to €34.3 billion[11].

The United Kingdom (UK) CRE market has shown notable resilience despite economic headwinds, rising interest rates, and global uncertainties. As one of the world's most liquid and transparent real estate markets, it remains a key destination for institutional investors, particularly in prime office, retail and logistics sectors. In 2024, investment volumes stabilised at €61.6 billion, reflecting London's enduring appeal as a global financial hub.

The capital continues to attract strong cross-border investment, particularly from North America, the Middle East, and Asia-Pacific, due to its deep market, high concentration of corporate headquarters and world-renowned retail districts.

Although investment peaked at €62.7 billion in 2021, the UK experienced milder fluctuations compared to Germany and France, maintaining relatively stable transaction activity. Although financing costs and economic uncertainty persist, the UK remains a key global hub for finance and real estate[12].

France's CRE market has followed the broader European investment cycle, experiencing notable fluctuations due to economic shifts, rising interest rates, and changing investor sentiment. As the Eurozone's second-largest CRE market, France has long attracted institutional capital, particularly in Paris and other key metropolitan areas.

In 2021, investment volumes peaked at €38 billion, driven by low borrowing costs, strong economic growth, and a rebound in occupier demand. Paris remained a key investment hub, drawing international capital into premium office, retail and hospitality assets.

However, tightening ECB monetary policy and inflationary pressures in 2022 led to deteriorating financing conditions, triggering a steep market contraction. By 2023, investment volumes had dropped to

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€14.3 billion, a 62% decline from the 2021 peak. By 2024, the market showed signs of recovery, with investment rebounding to €18.1 billion[13].

Spain's CRE market has traditionally been more volatile than in other European regions including the North and West, reflecting structural economic differences and a lower level of immunity to macroeconomic cycles and changing investor sentiment.

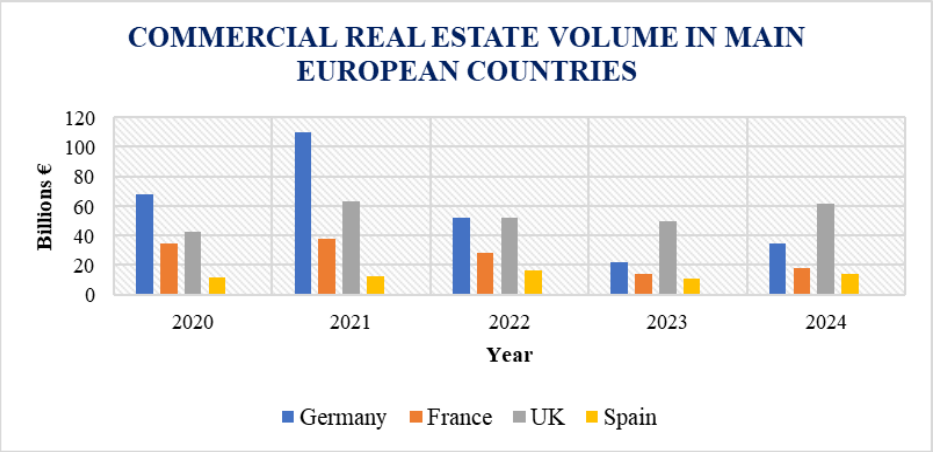
Despite the challenges, however, 2024 was a turning point with investment volumes hitting €14 billion (+26% y-o-y) represented in the highest market uptake since the recovery giving evidence of the renewed market confidence.

Activity in Spain slowed to €11.1 billion in 2023 due to higher borrowing costs, escalating inflationary pressures and decreased inflows of institutional capital. These caused a large reduction in investment transactions volumes, particularly for office and secondary retail assets.

The market was on a slow recovery path, thanks to the improving macro stability and the less hostile financial conditions by 2024 though. The rebound was fueled by sustained investor appetite for prime stock, especially in Madrid and Barcelona where office and retail demand remained robust.

Tourism-related real estate, such as hotels and resort properties in the Balearic and Canary Islands, also saw more capital inflow, benefiting from Spain being one of Europe's most popular tourist destinations. The logistics sector also saw steady growth, supported by the expansion of e-commerce and last-mile distribution networks[14].

Fig. 6: Clustered column chart CRE volume in main European countries 2020-2024



(Source: CBRE 2025 & Bnp Paribas Real Estate 2021 - 2025)

European retail real estate has experienced a marked up- and downswing from 2010 to 2015 driven by macroeconomic dynamics, changes in consumer habits and alterations in investor risk appetites / portfolio strategies.

After a period of relatively constant transition from 2020 to 2022, the volume of retail real estate trade crashed in 2023 before going into recovery mode in 2024.

While the net figure for total retail investment volume across Europe in 2020 was €40 billion, it remained steady in 2021 and 2022 at €39 billion and €40 billion. But the volume of investment in 2023 crashed to €26.2 billion, 35 percent lower than the previous year, because of higher interest rates, inflation and feeble investment sentiment.

The market mildly improved in 2024 at €29bn, reflecting improving investor sentiment and stabilising macro environment.

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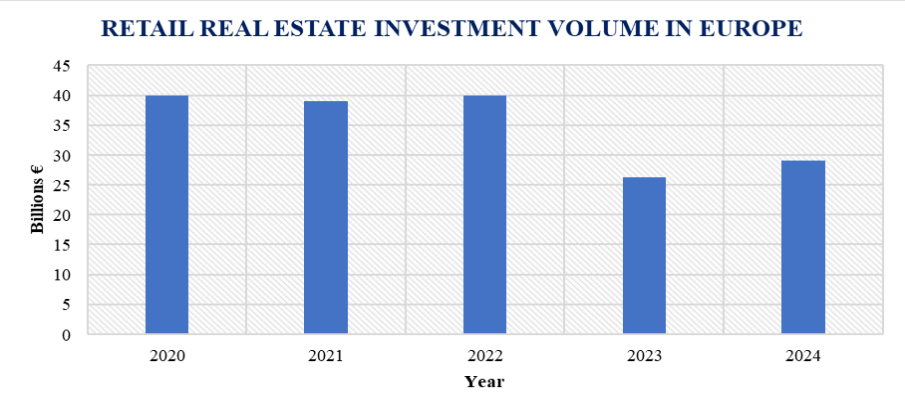
Fig. 7: Clustered column chart European retail real estate investment 2020-2024



(Source: PNB Paribas Real Estate 2021 - 2025)

Investment patterns across major European retail markets have varied considerably, reflecting differences in economic performance, retail resilience and investor sentiment. While some markets, such as Germany and France, experienced continuous declines in retail investment, others, like Italy and the UK, displayed a more dynamic recovery in 2024.

Germany, traditionally the largest retail real estate market in Europe, saw a sharp contraction in investment volume over the period. In 2020, retail investment reached €12.3 billion[15], but this figure steadily declined reaching €5.3 billion in 2024[16], reflecting structural shifts in consumer behaviour, the impact of e-commerce[17] and weaker investor appetite for shopping centre assets.

The French retail real estate market also faced investment decline, with volumes dropping from €4.6 billion in 2020 to €2.4 billion in 2024[18]. The slowdown was driven by rising operational costs, lower retail sales growth and evolving retail formats favouring omnichannel strategies.

Unlike Germany and France, the UK retail real estate sector displayed greater resilience, with investment volumes rising from €7 billion in 2023 to €9.5 billion in 2024[19]. London, in particular, remained a focal point for luxury retail and high-street investments, benefiting from strong consumer spending and international tourism.

Spain's retail investment activity remained relatively stable, reaching €2.1 billion in 2024[20], a slight increase from the previous year. Investor demand continued to focus on prime locations in Madrid and Barcelona, particularly in grocery-anchored retail centres and outlet malls.

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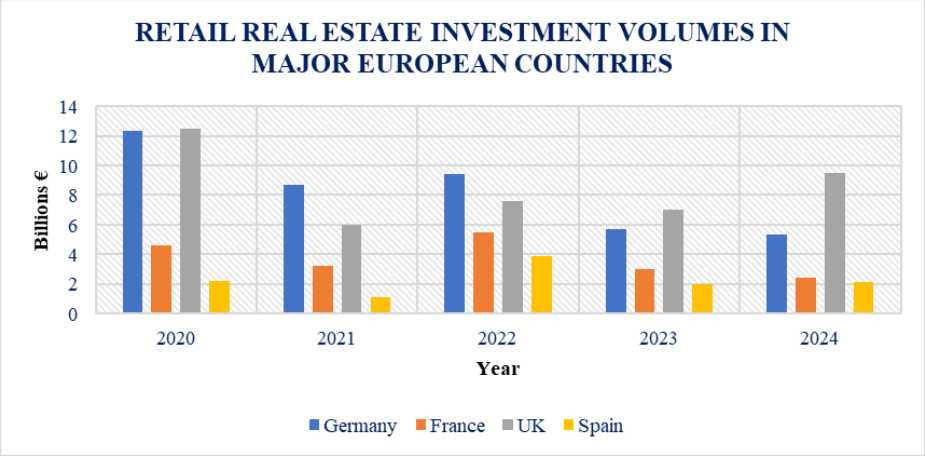
Fig. 8: Clustered column chart retail real estate investment volumes in key European countries 2020-2024



(Source: CBRE 2025 and BNP Paribas Real Estate 2021 - 2025)

The Italian CRE market reported a combined investment volume of €45.7bn from 2020 to 2024, spread across six main property types: offices, logistics, retail, hospitality, alternatives and mixed-use schemes.

The capital allocation mix in the late 2000s has been driven both by cyclical economic evolution and by changes to market structure that have impacted on investor mood and expectations in risk-adjusted returns.

Office investment dominated total investment over the five-year period with €13.2 billion invested and was the main contributor to the overall investment volume at 28.9%.

The logistics industry was the fastest growing category, with total investment reaching €9.9 billion (21.7%), driven by increasing global e-commerce and shifts in supply chains.

The retail segment, as it went through a major structural change, secured €6.6bn (14.4%), while the hotel sector, fuelled by the country's worldwide reputation as a tourist destination, accounted for €6.25bn (13.7%). Investors also allocated £5.6bn (€6.4bn, 14.0%) in alternative assets, including such as student accommodation, data centres and care homes, representing a growing range of assets being held by institutions.

Finally, mixed-use, which combines elements of different asset classes, also saw investment strength, with a volume of €7.3bn, or 7.3%, as investors continue to seek an ability to adapt to evolving spaces and focus attention on urban regeneration schemes.

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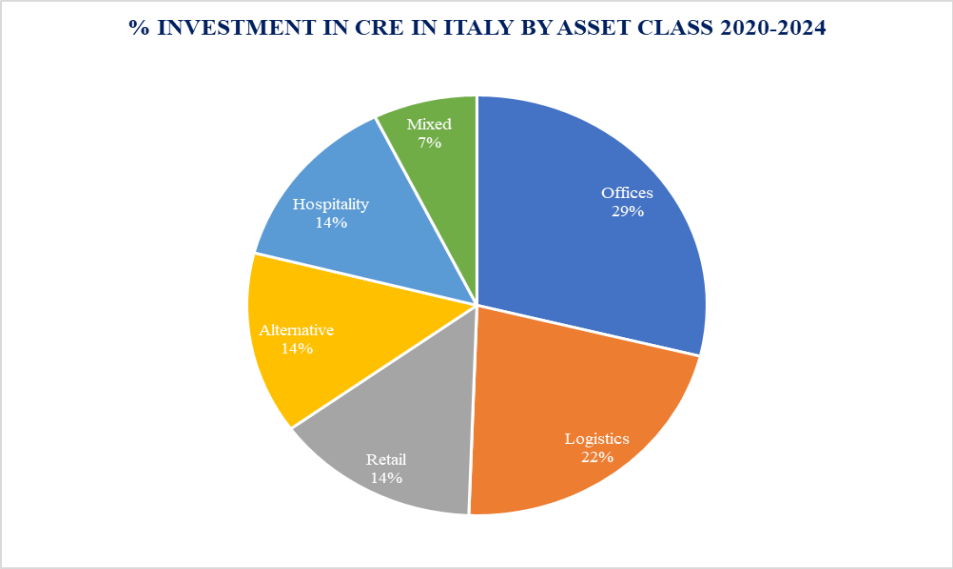
Fig. 9: Pie chart % Italy's CRE investment by asset class 2020-2024



(Source: BNP Paribas Real Estate 2021 - 2025)

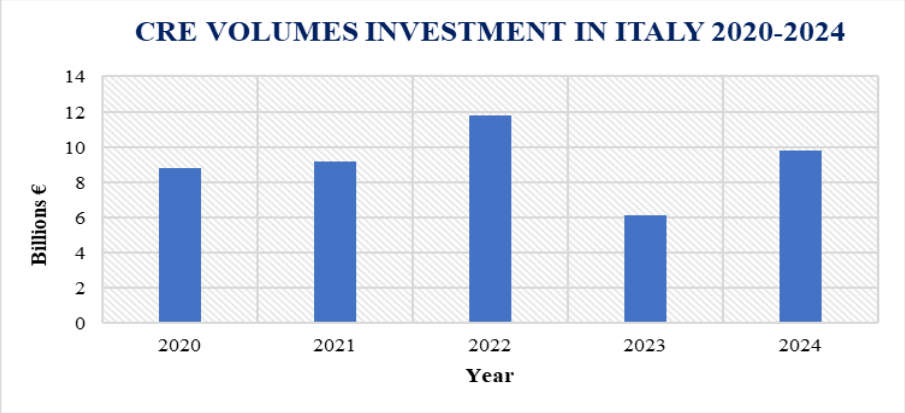
The commercial property sector in Italy has demonstrated varying investment dynamics across asset classes on an annual basis, reflecting macroeconomic cycles, evolving investor sentiment and sector-specific performance trends.

Between 2020 and 2024, investment volumes exhibited notable fluctuations, driven by shifts in monetary policy, post-pandemic economic adjustments and the structural transformation of real estate demand.

Total Italian CRE investment volumes varied significantly across asset classes, with periods of expansion and contraction reflecting broader economic conditions.

Investment peaked in 2022, reaching €11.8 billion[21], before declining to a five-year low of €6.1 billion in 2023[22]. A partial recovery in 2024, with investment rebounding to €9.8 billion[23], indicates a stabilisation of market conditions and renewed investor confidence.

Fig. 10: Clustered column chart CRE investment volumes in Italy 2020-2024



(Source: BNP Paribas Real Estate 2021 - 2025)

The office sector remained the largest investment category in Italian CRE, yet it faced considerable fluctuations. Investment volumes declined from €3.3 billion in 2020 to €2.1 billion in 2021, before peaking at €4.3 billion in 2022.

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This growth was largely driven by strong demand for Grade A assets in Milan and Rome, particularly in ESG-compliant buildings. The sector experienced a partial recovery in 2024 (€2.2 billion)[24], supported by institutional capital targeting prime office locations.

The logistics sector has maintained stable investment levels, benefiting from e-commerce expansion and supply chain reconfigurations.

Investment volumes doubled from €1.5 billion in 2020 to €2.9 billion in 2022, before stabilising at €1.5 billion in 2023 due to higher interest rates affecting yield spreads.

Investment in 2024 (€1.7 billion)[25] indicates ongoing investor confidence, particularly in distribution hubs near Milan, Bologna, and Rome, where demand for last-mile logistics remains high.

The hospitality sector, severely impacted by the COVID-19 crisis, has experienced a steady recovery. Investment in 2020–2021 remained below €1.5 billion[26], but increased to €1.3 billion in 2022 as international travel resumed.

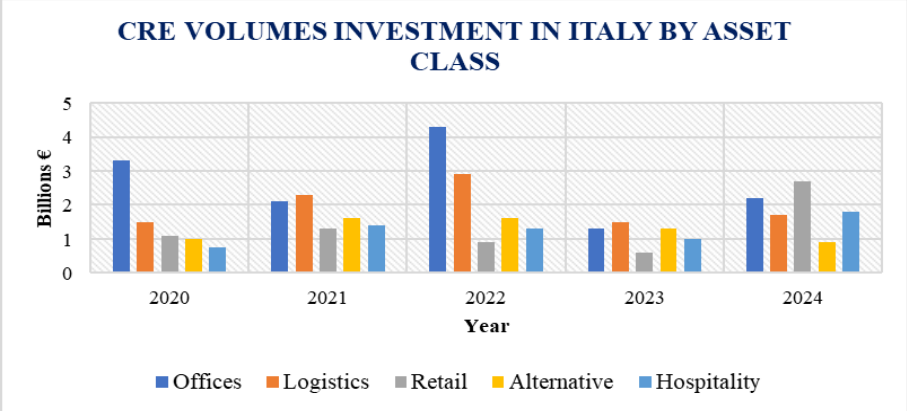
Despite macroeconomic pressures in 2023 (€1.0 billion), the 2024 investment volume (€1.8 billion) signals renewed investor confidence, particularly in luxury and boutique hotels in Rome, Florence, and Venice.

The alternative asset class, comprising student housing, healthcare real estate and data centres, has gained notable traction. Investment volumes remained stable at €1.0–1.6 billion annually, with a cumulative €6.4 billion over the period.

Investors have increasingly prioritised healthcare facilities and student housing, capitalising on demographic trends and demand for purpose-built assets.

Although not individually quantified annually, mixed-use investments amounted to €7.3 billion, reflecting the sector's growing relevance in Italian CRE. These assets cater to evolving urbanisation trends, integrating retail, office, and residential functions to enhance long-term asset viability.

Fig. 11: Clustered column chart Italy CRE investment by asset class 2020-2024



(Source: PNB Paribas Real Estate 2021 - 2025)

The Italian retail real estate market has been a consistent driver of commercial property investment trends over the last five years.

Over the period 2020–2024, retail real estate was represented in 14.7% of the total CRE investment, resulting in a cumulative investment volume of approximately €6.74 billion.

The industry, meanwhile, was characterised by huge volatility, driven by macroeconomic swings, changing consumer habits and shifting investor sentiment.

Investment in the retail sector fell over the period, from €1.1bn in 2020 to €690 mln in 2023, as the continued prospect of higher interest rates, inflation and lack of clarity over the post-pandemic recovery hampered consensus among investors.

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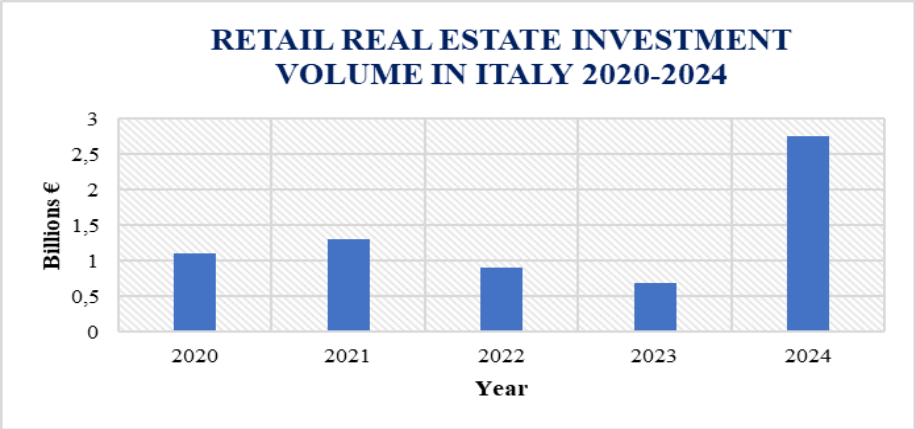
But 2024 saw a significant rebound with retail investment volumes rocketing to €2.75 billion, indicating a recovery in capital flows and improving market dynamics.

This is more than triple the rate of the previous year and adds weight to the evidence of increasing investor appetite for resilient retail asset classes, particularly supermarkets and high-street retail.

Fig. 12: Clustered column chart Italy retail real estate investment 2020-2024



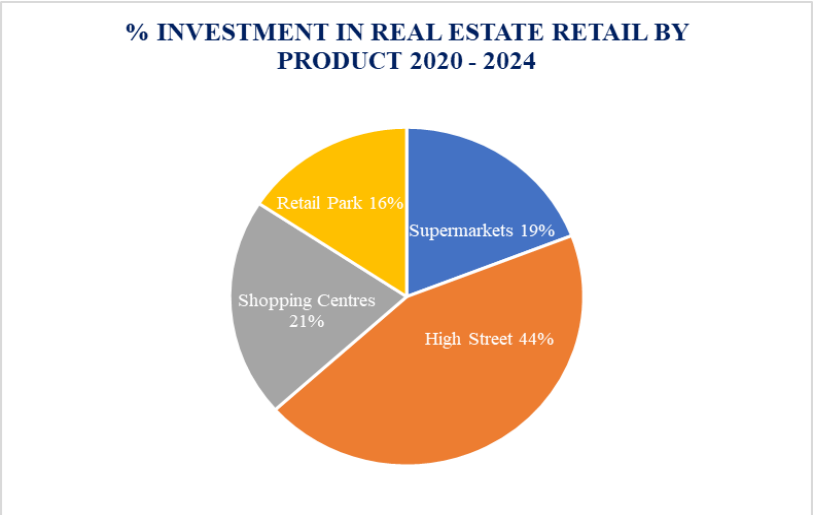
(Source: PNB Paribas Real Estate 2021 - 2025)

This recovery trend can be attributed to the defensive nature of grocery-anchored retail, which has demonstrated resilience against economic downturns. Additionally, the sustained performance of high-street retail, particularly in prime urban locations and the repositioning of underperforming retail assets have contributed, as investors shift their focus from traditional shopping centres to more adaptable formats.

Investment patterns across retail asset classes have varied, with some sectors demonstrating greater resilience and others experiencing structural challenges.

High-street retail emerged as the dominant asset class, capturing 44.2% of total retail investment (€2.98 billion), followed by shopping centres (20.92%), supermarkets (19.14%) and retail parks (15.73%).

Fig. 13: Pie chart % Italy's retail investment by product 2020-2024



(Source: PNB Paribas Real Estate 2021 - 2025)

Supermarkets have become one of the most robust retail asset classes, reaching a total €1.29bn as an investment over the 2020–2024 period, representing 19.14% of the entire retail real estate investment.

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This area of investment has been more stable than other retail formats because there is a steady demand of goods that we all need, and isn't impacted by economic fluctuations the need to buy food, cleaning products is a constant.

That makes supermarkets a defensive investment.

Long-term leases also assure investors consistent indexed rental income. In addition, there has been maintaining stability following the growth of discount supermarket chains which have taken market share amid cost-of-living concerns.

For all its robustness, investment in supermarkets contracted sharply from €600 million in 2020 to a mere €60 million in 2023.

Despite its overall resilience, investment in supermarkets declined significantly between 2020 and 2023, dropping from €600 million in 2020 to just €60 million in 2023. However, 2024 saw a partial recovery, with volumes rising to €380 million[27], indicating a renewed investor appetite for grocery-anchored retail assets.

High-street retail has been the largest retail investment category, attracting €2.98 billion between 2020 and 2024, representing 44.21% of total retail real estate investment. Investment activity has been concentrated in Milan and Rome, where luxury brands and flagship stores continue to drive leasing demand.

Shopping centres and retail parks combined accounted for 36.65% of total retail real estate investment, but their performance has been highly fragmented.

The Italian retail real estate sector has exhibited structural resilience, with a renewed growth trajectory in 2024. While high-street retail remains the dominant segment, supermarkets and grocery-anchored assets continue to attract institutional capital, reflecting investor preference for stable, income-generating retail properties.

4. Conclusions

This study has provided an in-depth analysis of the European retail real estate market, with a particular focus on the Italian sector, contributing to the scientific and socio-economic understanding of investment dynamics in commercial real estate. The results presented are expected to enrich the literature on commercial real estate investment by operationalising market volatility and recovery, categorising investment approaches along retail formats and associating retail performance with social and economic trends.

The study quantitatively gauged retail real estate investment dynamics through 2024, using big data to map how macroeconomic factors such as COVID-19, inflation and ECB interest rates have shaped where in different asset classes capital has flowed. The empirical data supports the hypothesis that grocery-anchored retail and high street assets have shown resiliency in turbulent economic times, further solidifying their position in portfolio diversification and risk management plans.

In addition, the research undertakes a deep dive into investment patterns by supermarket, shopping centre, high-street retail and retail park, exposing dramatic changes in investor demand. The findings illustrate the overall resilience of prime urban retail properties and necessity-based sectors, such as supermarkets, over traditional shopping centres, suggesting a structural shift in retail real estate investment strategies. The analysis also confirms a relationship between real estate investment and socio-economic factors such as consumption habits, urbanisation, and technological evolution in retail. The rise of high street retail investment and grocery-anchored retail properties also reflects larger socio-economic trends, such as the growth of experiential retail, consumer interest in convenience and the growth of omnichannel retail strategies.

Supported by such trend observation, the empirical findings are with consensus: at the level of hard evidence, the investment data of industry-leading reports indicate the preference for stable retail property types in a volatile economy. The relative comparison of investments spread over asset classes and geographies further strengthens the changing profile of the European and Italian markets for commercial property. In addition, the article provides a theoretical structure linking investment activity and

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macroeconomic causality, namely, through two further pull channels explaining how monetary policy changes affect retail real estate performance.

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Author's note on the use of Generative AI
Certain small sections of this paper were written with the support of a generative Artificial Intelligence tool (ChatGPT by OpenAI), used primarily to assist in the formulation of structure and language. The content, analysis and conclusions remain the sole responsibility of the author, who has critically reviewed and validated all outputs.

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