SPOTLIGHT
Savills Research

European Factory Outlet Centres

From discount to destination

savills



Source: Unsplash, Mohamed B

Retail outlook brightens as macroeconomic pressures ease

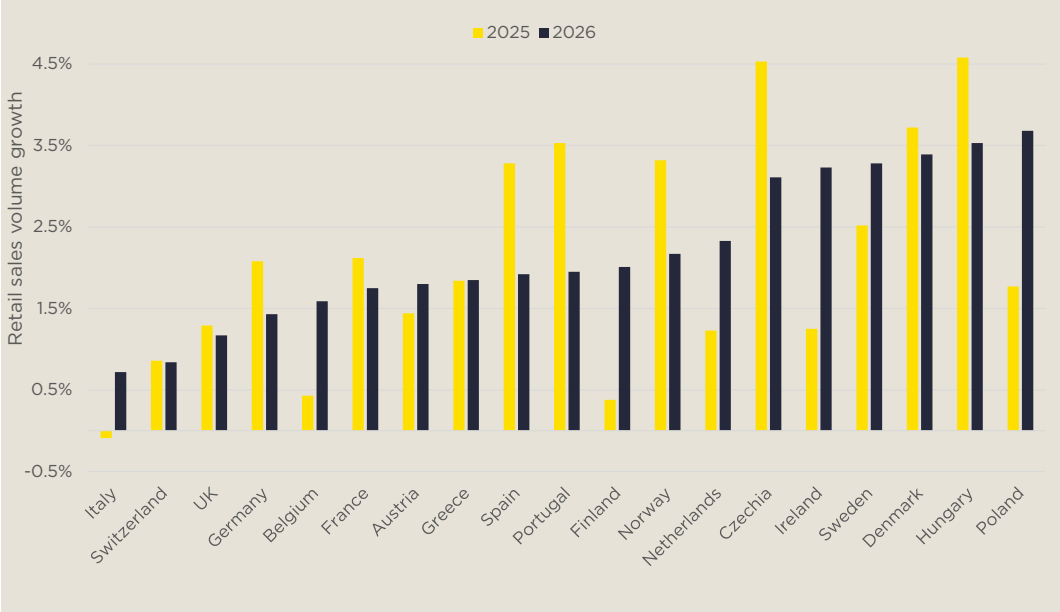
GDP growth across the Eurozone remains modest, with forecasts of 1.1% this year followed by 0.9% in 2026. Core inflation has held steady at 2.3%, offering some price stability, while the European Central Bank (ECB) has paused its monetary easing cycle, having wound the policy rate down from 4% to 2% over the past year.

The macroeconomic outlook suggests a nuanced consumer environment, shaped by three key trends. First, growth in real disposable incomes is expected to moderate, easing to 1.7% this year following a 3.3% rebound in 2024; a return to more sustainable, albeit slower, income gains. Second, consumer spending is projected to accelerate, rising to 1.9% in 2025 up from 1.3% last year, as high savings rates begin to unwind. Given the ECB's more dovish stance, diminishing returns on deposits are likely to encourage consumers to release pent-up demand. Third, retail sales, having returned strongly in 2024 after a sharp contraction, are forecast to grow by an average of 2.3% this year and 2% the next, reflecting renewed momentum in the sector.

The pace of retail recovery is expected to vary across key European markets. Spain is set to outperform, with retail sales volumes projected to grow by 1.7% this quarter and 3.3% on the year. France too is expected to see gains, with a 0.4% increase this quarter and 2.1% by year-end. Germany and the UK are forecast to experience more muted growth in the short term, 0.2% and 0% respectively in Q3, but are still on track for annual increases of 2.1% and 1.3%. Poland stands out as a high-growth prospect, with retail sales expected to rise by 1.8% this year and accelerate to 3.7% in 2026. Italy, meanwhile, is projected to see a slight decline of 0.1% on the year, followed by a gentle recovery of 0.7% in 2026. While short-term volatility remains, the overall outlook points to a steady retail rebound, particularly in markets where outlet centres are well-established and embedded in consumer routines.

President Donald Trump's ongoing protectionist stance has disrupted global trade, leading to supply chain challenges that have shaken confidence and prompted a short-term shift toward more cautious, value-oriented purchasing behaviour. In this context, Factory Outlet Centres (FOCs) stand to benefit from their reputation for discount-led shopping. That being said, a sustained retail recovery positions FOCs to capture a greater share of discretionary spending over time, as consumers return to leisure-led shopping. Their blend of value, luxury, and increasingly experience-driven environments continues to distinguish them from traditional retail and e-commerce, reinforcing their appeal to consumers.

European retail sales growth



Source: Savills based on Oxford Economics

Built on value, increasingly experience-led

FOCs have demonstrated remarkable resilience in recent years, navigating a post-pandemic retail landscape shaped by inflationary pressures and evolving consumer behaviours. Their enduring appeal lies in the promise of value, offering discounts of 30-70%, which continues to resonate with price-conscious shoppers. A key feature of the outlet model is its turnover-linked lease structure, which ties rental costs directly to tenant performance, acting as a natural hedge against inflation.

Firmly rooted in a strong value proposition, FOCs have evolved into a compelling blend of affordability and luxury, particularly within schemes led by premium operators like Value Retail, or in destinations such as La Vallée Village near Paris, where affluent catchments attract a high concentration of luxury brands. The model clearly appeals to consumers: sales across European outlet centres have grown at an average annual rate of 4.6% since the 2019 pandemic according to Ken Gunn Consulting's latest European Outlet Industry Review - an impressive achievement given the economic volatility of the period. The momentum shows no signs of slowing, with sales growth projected to average 6% annually through 2028, driving turnover to €30 billion. Fuelling this bullish outlook is strong consumer appetite: McKinsey's State of Fashion 2025 reveals that 70% of global shoppers plan to visit outlets or off-price retailers in the coming year, even if their discretionary spending power increases. In short, value is no longer a fallback; it's a preference.

Strategic location remains another cornerstone of outlet success. Typically situated in out-of-town areas, FOCs are carefully positioned to serve large, densely populated catchments, often within reach of multiple urban centres and tourist destinations. McArthurGlen Serravalle, for instance, benefits from its strategic location in the triangle of three major Italian tourist hubs - Turin, Milan, and Genoa. Easily accessible via the A7 motorway, it also captures significant Riviera coast holiday traffic. Interestingly, the infrequent nature of outlet visits - typically just four to five times a year - translates into highly intentional shopping behaviour, driving impressive conversion rates and elevated spending per trip. In France, for instance, shoppers spend an estimated €130 per visit, according to KLM Real Estate. Meanwhile, in the UK, the average transaction value in outlet centres is around 25% higher than in traditional shopping centres or retail parks, reflecting the deliberate and high-value nature of these shopping occasions.

Design also plays a critical role in the outlet experience. Village-style, open-air layouts with landscaped walkways and integrated leisure amenities continue to attract day-trip visitors. According to Ecostra's Outlet Centre Performance Report rankings 2024**, 11 of the top 20 centres incorporate a village design, including Outletcity Metzingen (Germany), McArthurGlen Cheshire Oaks, and Gunwharf Quays (both UK). Food and beverage (F&B) is increasingly central to this experience-led model, especially within village-style schemes. At Gunwharf Quays for example, F&B units have increased their share of the tenant mix from 10% in 2019 to 16% last year, with cafés and restaurants accounting for 22% of new openings. This reflects a broader trend in which F&B acts as a bridge between retail and leisure, extending average dwell time and enriching the overall visitor journey.

Outlet operators are increasingly investing in experience as a key point of differentiation. Many are introducing pop-up activations, local brand collaborations, and modernising their schemes through refurbishment, sustainable design, and upgraded amenities. These enhancements are designed to drive footfall, encourage repeat visits, and appeal to younger, experience-led consumers. Retailers, too, are embracing the full-day experience, integrating digital booking services and offering added-value features such as personalisation and alterations, bringing the outlet experience closer to that of full-price retail.

***The 2024 Ecostra performance rankings are based on brand and licensee responses to how their outlet stores perform - factoring in turnover and side costs like rent - compared to other centres, rated on a scale from 1 (much better) to 5 (much worse)*

Limited supply shifts the focus to expansion

Despite growing appeal, FOCs remain a niche segment within the broader retail landscape. Across Europe, approximately 200 schemes operate, collectively accounting for more than 4 million sq m GLA. Outlet space is highly concentrated, with five countries - the UK and Italy (19% each), France (11%), Germany and Spain (10% each) - housing 69% of total supply. On average, FOCs offer just seven sq m GLA per 1,000 inhabitants, far lower than European retail parks (95 sq m) and shopping centres (263 sq m). Outlet density varies significantly by country, from 13 sq m GLA per 1,000 inhabitants in Italy and 11 in the UK, to 8 in Spain, 7 in Poland, 6 in France, and just 4 sq m in Germany.

Following early stage development in the 1990s and early 2000s, in which outlet stock expanded at an average annual rate of 29% (albeit from a low base), growth remained strong at 5.3% per year from 2005 to 2020. Since then, stock levels have plateaued, recording just 0.8% average annual growth. Only four outlet centres have opened across Europe in the past two years, adding 55,635 sq m GLA, well below the long-term annual average of 125,000 sq m. These include Factory Piraeus Outlet in Greece (13,000 sq m) and Designer Outlet Kraków in Poland (21,000 sq m), both opening in May of this year, followed recently by Designer Outler Cotswolds in the UK (12,635 sq m), opening in July.

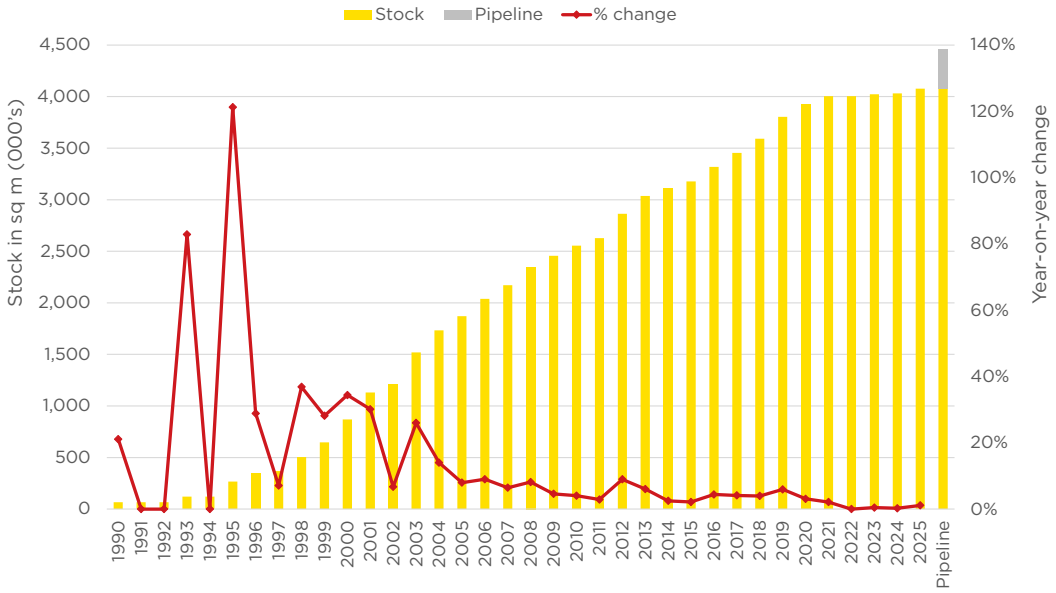
The limited development pipeline is by no means reflective of weak demand for outlet retail. On the contrary, the sector has outperformed other retail formats in its ability to withstand online competition and navigate recent economic challenges. Moreover, many outlet operators continue to report rising footfall and growing sales, yet new developments remain relatively scarce. Market saturation is not the issue; even in mature markets like the UK, new sites are still being delivered. In countries such as Germany, France, Poland, and Spain, there remains significant untapped potential for profitable outlet development. While rising construction costs and challenging financing conditions have played a role, the key constraint above all is planning.

Regulatory barriers, such as the complex and often protracted process of securing administrative authorisations for new development in France, have created bottlenecks across all retail segments, limiting the pace at which new space can be delivered to market. Outlet developments can face even greater challenges, at times subject to different forms of *Numerus Clausus* that further restricts expansion. Although 22 new developments are in the pipeline, only 18% of planned space is in the construction phase, with the remainder still navigating the planning process.

Compounding this, many of the most expansive outlet developers have put their European expansion plans on hold to focus elsewhere, exacerbating the supply bottleneck. Consequently, the spotlight is increasingly turning to scaling and enhancing existing assets, rather than building new ones. Extensions are typically phased, with initial additions ranging from 10,000 to 15,000 sq m, and further growth contingent on performance, land availability, and planning approval. A great example is the Phase 4 extension of Designer Outlet Warszawa in Poland, operated by ROS, which opened in May 2021. The expansion added 5,500 sq m GLA and 400 parking spaces, bringing the total to 22,900 sq m GLA.

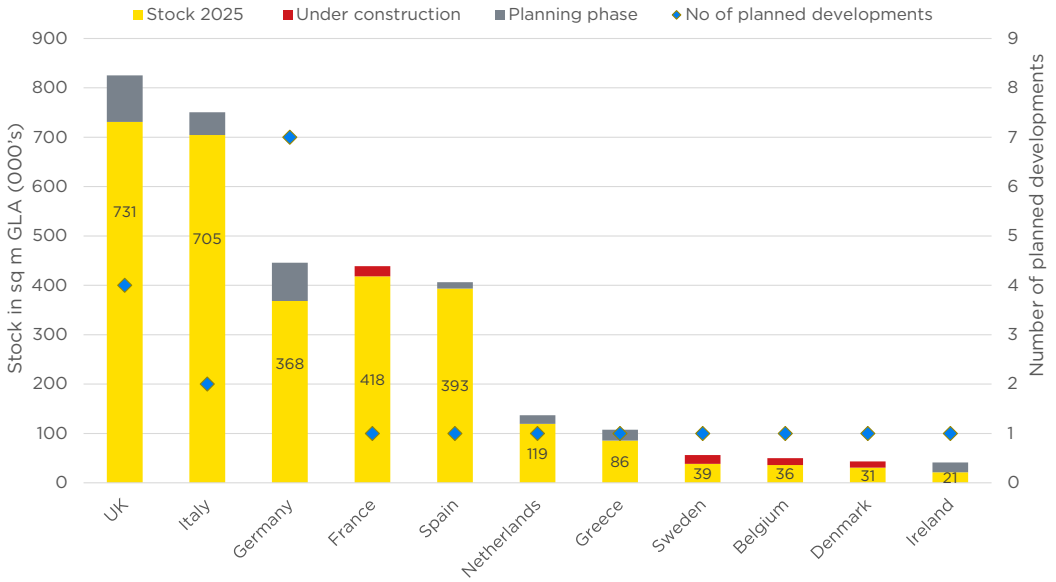
Larger outlet schemes consistently outperform smaller ones; greater scale can attract premium brands and anchor tenants, key drivers of higher footfall and turnover. In contrast, smaller centres often lack the brand diversity to appeal to a wide catchment area. Indeed, 19 of the top 20 outlets in Ecostra's latest performance rankings boast a retail sales area (SA) of at least 15,000 sq m. Hence, expansion is heavily incentivised, with additional space and a more eclectic tenant mix serving as proxies for stronger outlet performance. McArthurGlen Roermond in the Limburg border region exemplifies this, having added 11,500 sq m in 2017 to reach a total of 46,700 sq m GLA. Thanks to its expanded footprint, the centre has successfully tapped into the tourist market of nearby Germany, now accounting for 65% of its visitors, and no doubt this contributed to a runner-up performance in Ecostra's 2024 rankings, behind the number one ranked McArthurGlen Serravalle in Italy.

European factory outlet stock and pipeline



Source: Savills based on Ecostra

European pipeline distribution



Source: Savills based on Ecostra

Growing brand appetite, lingering obstacles...

Brand appetite for outlet space continues to rise. According to Ken Gunn Consulting, 588 new outlet stores have opened in Europe since July 2023, led by Rituals with 14 new locations, followed by Jack & Jones (12), Under Armour and Swarovski (10 each), and Skechers (9). The most prominent occupiers remain Levi's, Guess, adidas, Puma, and Tommy Hilfiger. This upward trend is expected to continue; Ecostra's 2024 brand representative survey reveals that brands plan to open an average of 2.7 outlet stores in 2025, up from 2.4 the previous year, marking the first year-on-year increase since 2018. While closures are also expected to rise slightly (0.9 stores per brand, up from 0.7 the year prior), the net balance remains positive, signalling continued confidence in the outlet model.

Germany remains the leading destination for outlet expansion, topping brand's wish lists for the fifth consecutive year. In the latest survey, 35% of brands identified Germany as a preferred market destination over the next three years. While this marks a steady decline from a peak of 65% in 2020, Germany continues to attract interest thanks to low outlet density and the highest GDP per capita (€51,921) among major outlet markets. Spain (32%), France (27%), the UK (27%), and Austria (16%) round out the top five brand expansion destinations.

Brand sentiment has shifted noticeably year-on-year in certain markets, with 16% of brands now citing Poland as a target, up from 10% last year, reflecting the low outlet density (7 sq m of outlet space per 1,000 inhabitants). In contrast, interest in Italy fell from 18% to 11%, perhaps due to a degree of market saturation (13 sq m per 1,000 inhabitants), prompting brands to focus on markets with higher profit-potential.

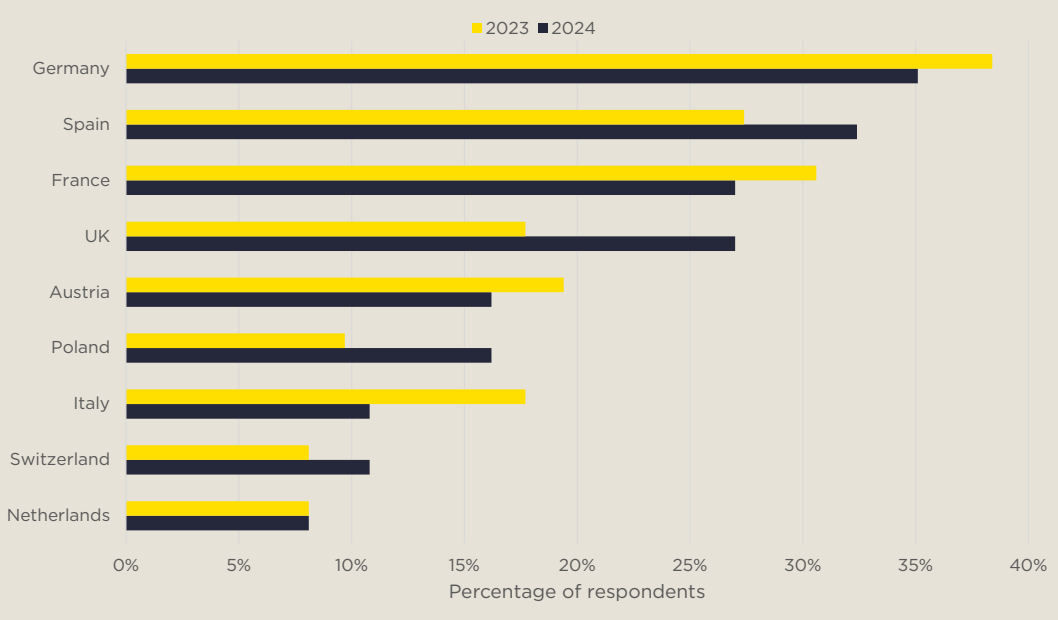
Despite undeniable momentum, operational challenges persist for brands, with the key issues unchanged since 2022. Staffing shortages remain a significant concern, with 68% of brands describing this as a 'big or very big problem'. These challenges are often intensified by extended operator-imposed opening hours, which may not align with staff availability, particularly in tourist-driven, cross-border locations where multilingual skills are essential to serve a diverse customer base. Even in centres not within close proximity to national borders, international tourism remains a key driver of outlet footfall, making staff with language capabilities increasingly valuable.

The other major concern cited was the rise in property-related costs - particularly energy and heating - with 70% of brands identifying it as a 'big or very big problem.' However, energy inflation appears to have cooled across Europe since the 2024 survey, as pricing pressures induced by the Ukraine war have eased and government interventions, such as price caps and subsidies, have taken effect.

Sustainable focus:

Outlets offer an effective channel for reducing waste and carbon emissions through the sale of surplus stock, an increasingly attractive proposition for retailers which has added to occupier demand. Further sustainability efforts include Marques Avenue's 'circular outlet' in Troyes, France, which is dedicated to second-hand retail, repair, and upcycling - promoting more responsible consumption and extending product lifecycles.

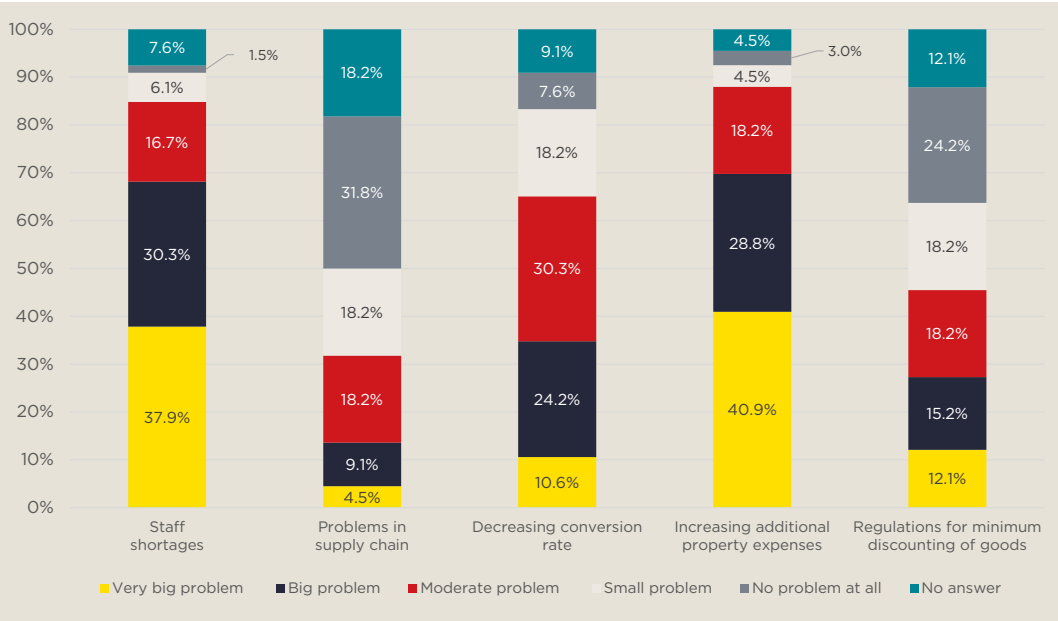
Destinations for expansion of brands in the next three years



"Which countries offer the greatest potential for your outlet stores in the next three years in your opinion?"

Source: Savills based on Ecostra

Most pressing problems in operating outlet stores in European outlet centres



"What are currently the most pressing problems in operating outlet stores in European outlet centres?"

Source: Savills based on Ecostra

Tight availability supports rental resilience

Outlet space remains in short supply across Europe, particularly within prime schemes, as strong occupier demand continues to outpace new development. This imbalance has kept vacancy rates exceptionally low. Outlet schemes in key European markets report average vacancy levels of just 6%. In prime locations, availability is even more limited – the newly opened Designer Outlet Cotswolds, for example, currently shows a vacancy rate of only 2%, while three of Spain's top-tier centres average just 2.9%. By comparison, average vacancy rates in prime European shopping centres stand at around 8.8%, highlighting the relative strength and resilience of the outlet format.

In turn, strong occupational demand continues to place upward pressure on rental values. Over the past year, prime outlet rents have grown by an estimated 2% across major European markets. Depending on location, headline rents typically range between €300 and €500 per sq m per year. However, top-performing schemes such as Designer Outlet Berlin achieve considerably higher levels, with rents exceeding €700 per sq m.

A key feature of the outlet model is its distinctive lease structure, which is predominantly based on turnover-linked rents. Unlike traditional retail, where variable rents are less common and generally range from 2% to 10%, outlets tend to command higher shares - around 8% for top-performing brands and up to 15% for lower-tier tenants in some countries. This model not only aligns landlord and tenant interests but also reflects the premium placed on outlet space in a supply-constrained environment. With development pipelines limited and demand remaining robust, outlet centres are well-positioned to retain their pricing power in the years ahead.



Source: Unsplash, Rueben Hu

Consolidation ahead as small operators remain vulnerable

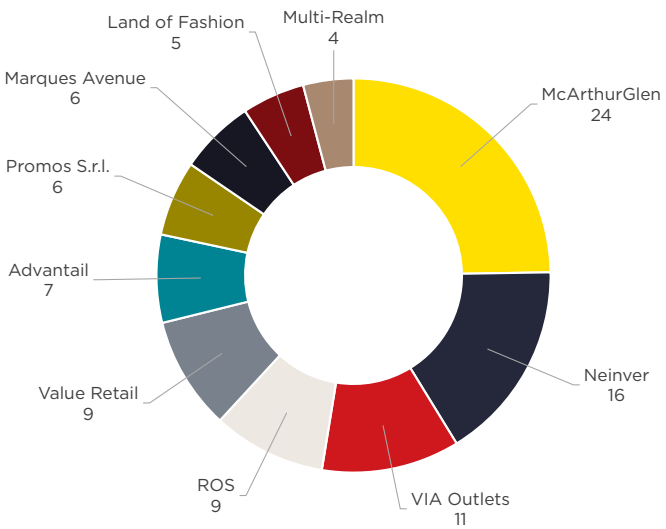
While the European outlet market comprises around 70 operators, there is a degree of concentration at the top, with five specialist players - McArthurGlen, Neinver, VIA Outlets, Value Retail, and Retail Outlet Shopping (ROS) - controlling 43% of total outlet stock. Each has a presence in at least six European countries, offering brands significant advantages in terms of scale economies, cross-border reach, and operational efficiency. In contrast, only 10 operators manage more than two centres, leaving a long tail of non-specialist independent operators at a competitive disadvantage. With limited scale and bargaining power, these smaller players can struggle to attract prestigious international brands, which tend to favour established schemes with proven performance. Without top-tier anchor brands, it becomes difficult to build a critical mass of desirable tenants in new catchment areas, especially as local brands may be reluctant to join due to the threat of cannibalisation against their full-price retail stores.

As a result, ownership consolidation across the sector is expected to accelerate. Clear signals came in July 2024, when the fast-growing French real estate Groupe Frey acquired ROS, underscoring the rising value placed on specialised outlet centre management expertise. Previously focused on retail park development, Groupe Frey has become one of Europe's top five outlet operators, effectively overnight. Simultaneously, L Catterton announced the purchase of Hammerson's 42% stake in Value Retail for £1.5 billion - the largest outlet transaction ever recorded in Europe. In a maturing market where scale, operational efficiency, and brand confidence are increasingly critical, further consolidation appears not only likely, but inevitable.

McArthurGlen remains the dominant player amongst European outlets, operating over 3,000 stores across 24 FOCs in eight countries, accounting for over 17% of European stock. Its leadership is underscored by the latest Ecostra Outlet Centre Performance rankings, where it secured seven of the top ten positions, including the top two: McArthurGlen Serravalle (Italy) and McArthurGlen Roermond (Netherlands). This marks the third consecutive year a McArthurGlen centre has ranked first, following McArthurGlen Roermond in 2023 and McArthurGlen Cheshire Oaks the year prior. The operator also topped Ecostra's operator capability survey, which evaluates leasing, management, and marketing performance, highlighting the group's consistent ability to deliver high-performing, brand-aligned retail environments.

Neinver, the second-largest outlet operator, manages over 800 stores across 16 FOCs in six countries, with assets representing 9% of European stock. Notably, it is the only operator in Europe to have achieved full sustainability certification across its entire outlet portfolio. Close behind is VIA Outlets, which operates 11 centres across nine countries, encompassing approximately 270,000 sq m GLA. Value Retail, best known for its premium positioning and flagship scheme Bicester Village - considered Europe's most productive outlet centre in terms of floor-space efficiency, and drawing more visitors than Buckingham Palace or Stonehenge - operates nine FOCs across seven countries, with a total GLA exceeding 190,000 sq m.

Number of European outlet centres by operator*



** of operators managing more than 2 schemes, as of H1 2025*

Source: Savills based on Ecostra

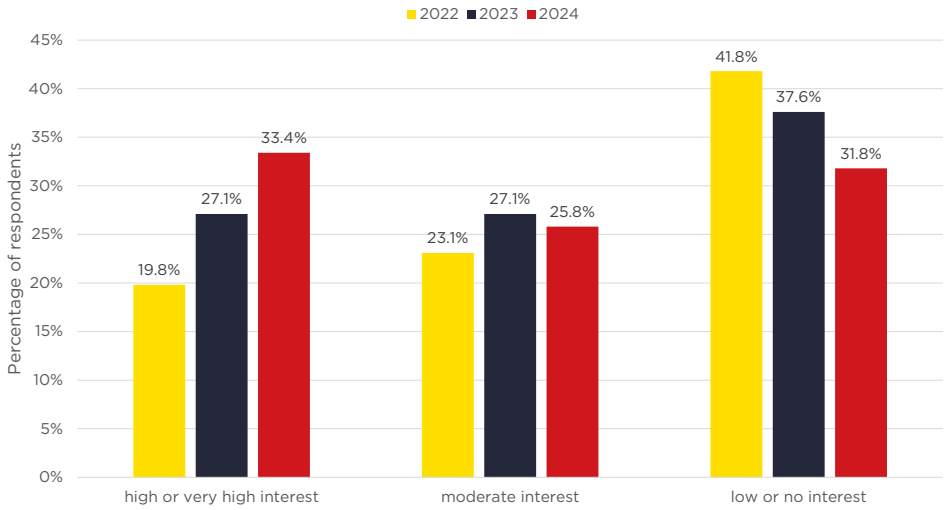
Blurring the lines between retail formats

Outlet centres are redefining their role within the broader retail ecosystem, evolving into full-day destinations that blend shopping with leisure and experience. High-quality design and a curated mix of established, aspirational, and luxury brands have elevated the customer experience. The growing integration of food, beverage, and entertainment offerings has further enhanced the journey, contributing to longer average dwell times. While in-store discounts remain a core attraction, outlets are increasingly deploying broader merchandising strategies, blurring the line between retail formats. One example is the 2,500 sq m NIKITO leisure park at Quai des Marques Franconville, the first of its kind in the French market, highlighting the sector's shift toward more immersive retail environments, increasingly akin to full-price retail.

Once seen as competitors to high street and online formats, outlets are now viewed as a complementary component of a wider omnichannel strategy. While their positioning has adjusted, they continue to outperform in terms of profitability; when brands were asked to compare outlet stores with high street locations, 59% believed that outlets were more profitable or significantly more profitable - up from 54% in 2022. Leading retailers increasingly recognise the value of engaging consumers across full-price, online, and outlet channels simultaneously. From a brand's perspective, outlet stores increasingly represent a strategic opportunity to drive incremental sales and connect with new customer segments.

Outlet integration within traditional shopping centre environments is gaining acceptance and popularity, giving rise to blended full-price and outlet hybrid schemes under one roof. This approach is particularly relevant in markets where strict planning regulations limit opportunities for new development. By repurposing underutilised areas into outlet zones, operators can expand their offer without the need for new construction, while capturing additional exposure benefits from being in close proximity to full price retail. According to Ecostra's 2024 survey, 33% of brands expressed high or very high interest in hybrid outlet formats, up from 27% the previous year and 20% in 2022, reflecting growing confidence in mixed-use retail environments. Examples include the McArthurGlen Málaga outlet, which forms part of the broader Plaza Mayor mixed-use scheme, and Designer Outlet Kraków, which combines outlet retail with supermarkets and large-format stores to enhance convenience and visibility.

Rising brand interest in hybrid outlet centres



"How interested are you (brands) in leasing outlet stores in hybrid forms of Shopping / Outlet centres?"

Source: Savills based on Ecostra

Investors return to the market in 2025

The European real estate investment market showed tentative signs of recovery in the first half of 2025, with modest year-on-year growth in volumes. Investor sentiment remains cautious, shaped by ongoing geopolitical uncertainty, tight credit conditions, and delayed pricing adjustments. While transaction activity picked up slightly towards the end of Q2, overall momentum is still fragile.

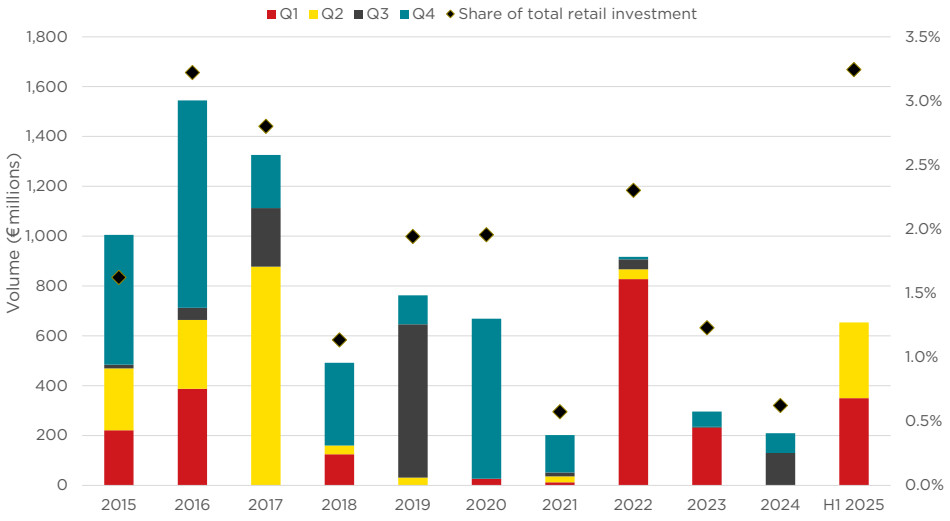
In this context, retail has shown signs of resilience, supported by robust occupational markets, and clearer post-pandemic trajectories that have helped reignite investor interest. Preliminary estimates indicate a 23% year-on-year increase in retail investment volumes through the first half of 2025. Retail's share of total investment activity has also climbed, reaching an eight-year high of approximately 20%, signalling renewed confidence in the asset class. Momentum is clearly building, with investor sentiment showing strong signs of optimism. Savills projects a 10% year-on-year uplift in retail investment for 2025, pointing to a steady re-engagement with a sector that has undergone a significant post-Covid recalibration.

Outlet centre investment activity has seen a resurgence in the first half of 2025, with provisional figures showing €653 million in transactions, accounting for 3.2% of total retail investment. This marks a significant uptick for a segment accounting for just 1.8% of retail investment over the past decade. Despite their niche positioning, characterised by limited liquidity and intermittent deal flow, investor appetite for high-performing outlet assets remains robust. The primary constraint continues to be on the supply side, with few owners willing to divest successful schemes and a shallow pool of investible stock. Nonetheless, operator-led expansion is catalysing renewed transactional activity in 2025.

The January sale of 'The Mall' outlets in Italy saw Simon Property Group acquire both The Mall Firenze (22,400 sq m GLA) and The Mall San Remo (6,000 sq m GLA), for a combined €350 million from the Kering Group. Subsequent transactions included Patron Capital and Mindston Capital's €73 million acquisition of Nailloux Outlet Village (18,000 sq m GLA) from Klépierre in April, followed by Nuveen Real Estate's €230 million sale of the McArthurGlen Designer Outlet Berlin (21,000 sq m GLA) to French investor Groupe Frey in May. More recently, in August, Groupe Frey partnered with Cale Street to acquire three Italian schemes - Franciacorta, Valdichiana, and Palmanova Outlet Villages - from Blackstone, for a reported €410 million. The deal, which also includes the acquisition of Italian operator Land of Fashion, points to a buoyant investment market leading into the second half of the year, with year-to-date investment volumes already surpassing €1 billion. At least two further assets are understood to be close to transacting.

Across European outlet centres, prime yields are currently estimated to be between 6-7%, typically 50–100 bps higher than shopping centres, which average 6.15% across the region. Slight yield compression is anticipated in the next twelve months, reflective of heightened investor interest.

European factory outlet centre investment



Source: Savills based on MSCI

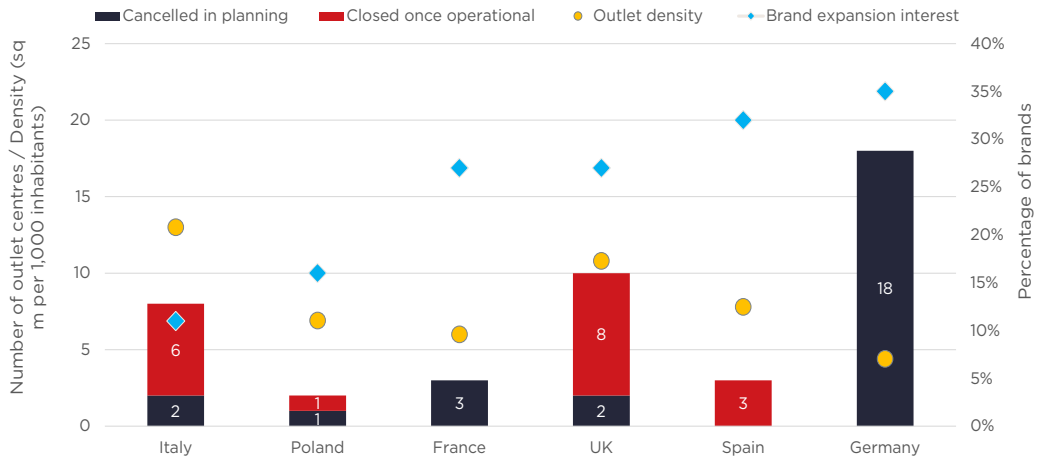
Germany: Asset repositioning in Europe's most attractive market

Germany is one of Europe's most compelling yet complex markets for outlet retail. With just four sq m of outlet space per 1,000 inhabitants, the market remains underpenetrated relative to its European peers - though this may reflect Germany's already extensive overall retail footprint. However, a high GDP per capita (€51,921), robust consumer spending outlook, and well-established landlord-tenant partnerships have made it the number one brand expansion destination for the fifth consecutive year. Occupancy levels remain consistently strong, with many centres operating above 90% and some reaching up to 98%, while the limited vacancies are typically the result of strategic tenant rotation rather than underlying market weakness.

Yet this promising landscape is constrained by one of the most formidable regulatory frameworks in Europe. Germany's planning system is a complex web of federal, state (Länder), and local regulations, each with its own layers of oversight. In addition to zoning laws and regional impact assessments, many municipalities impose limitations on the sale of non-essential goods, which are often restricted to city centres. This reflects a broader policy objective: protecting the vitality of central business districts and preserving the functional role of designated towns and cities in line with Germany's central place hierarchy, which forms a core principle of national spatial planning. Out-of-town retail developments like outlet centres are therefore often viewed as a potential threat to this structure.

Further complicating development is the use of the Veränderungssperre (Interdiction of Change), a legal mechanism that allows municipalities to temporarily halt development while new zoning plans are drafted. Moreover, strong cultural and political support for the Mittelstand - the country's small and medium-sized enterprises - acts as an informal constraint on outlet centre development. These barriers have contributed to the cancellation of 18 outlet projects in Germany, compared to just 22 across the rest of Europe. Yet notably, no outlet centre in Germany has ever closed once operational, highlighting the resilience and demand-driven nature of most schemes that make it through the planning gauntlet.

Key European market comparison



Source: Savills based on Ecostra and Oxford Economics

Interestingly, Germany currently leads Europe in outlet development activity, with seven new projects in the pipeline set to deliver 77,500 sq m GLA. However, not a single scheme is under construction, and all remain susceptible to cancellation or perpetual uncertainty, a fate bestowed upon McArthurGlen's proposed outlet in Remscheid, which has remained in planning limbo for over a decade. Even small-scale extensions face challenges in planning; expansion plans for the Designer Outlet Soltau, which had already been significantly reduced in terms of floorspace, were rejected by the relevant authorities in Lower Saxony in April 2024.

This bottleneck has prompted developers and investors to think laterally, increasingly turning to the adaptive reuse of existing retail infrastructure - particularly underperforming shopping centres. This is likely just the beginning, as a growing number of shopping centres consider full repositioning or hybrid conversions to rescue so-called 'stranded assets' and unlock new value. A standout example is the HUMA Outlet in Sankt Augustin. Originally launched in 1977 as a shopping centre, the site underwent a major expansion in 2017, reaching approximately 50,000 sq m GLA. The first floor was redeveloped into a dedicated outlet zone of around 9,000 sq m, housing 40 stores. Critically, the transformation leveraged existing building permits, allowing the project to proceed without new planning approvals, opening in November 2024.

Germany may be the most visible example of regulatory constraint, but it also serves as a bellwether for the future of outlet development across Europe. Other high-potential yet underdeveloped markets, such as France and Poland, face similar structural challenges. While their development pipelines remain largely inactive, outlet density in both countries is still low (6 and 7 sq m per 1,000 inhabitants, respectively), signalling untapped potential. As a result, these markets may increasingly adopt repurposing strategies, transforming underperforming shopping centres or designated zones within them into outlet destinations. With rising brand interest in hybrid outlet formats, this could signal a broader European movement, one that is both red tape compliant and commercially compelling.

Consequently, the value of high-quality German outlets is expected to rise, underpinned by planning regulation induced scarcity, low vacancy rates, and sustained rental growth. Already, the country ranks among the most expensive outlet markets, with prime rents in premium schemes reaching up to €780 per sq m.

Outlook - from discount to destination

With interest rates falling and inflation largely under control, retail is set to continue its steady recovery, driven by a gradual unwinding of elevated savings and the release of pent-up demand. FOCs stand to benefit, evolving in response to shifting consumer expectations, macroeconomic pressures, and a renewed emphasis on experiential retail. International tourism is expected to provide further tailwinds, particularly in gateway cities such as London, Paris, Madrid, and Barcelona.

The outlet sector is expected to become increasingly polarised. The most successful schemes will continue transforming into full-day leisure and luxury destinations, combining village-style layouts with food & beverage, entertainment, and pop-up retail to enhance the customer experience. In contrast, more traditional, discount-led outlets risk losing relevance in a retail environment that increasingly prioritises engagement over price alone. Going forward, high-performing FOCs will further cement their role within brand ecosystems, serving as key physical touchpoints in future retail strategies and helping drive customer engagement and loyalty.

While the outlet segment will remain a niche in the broader retail landscape, given most retailers' limited appetite for large-scale discounting, its strategic value is set to grow. FOCs are becoming essential components of diversified retail portfolios, supporting brand visibility, inventory management, and omnichannel engagement. As a result, brand appetite for well-performing outlet space is expected to remain strong.

With tight planning regulations constraining new supply, operators are focusing on expanding and upgrading existing centres. In tightly regulated markets such as France, Italy, and the UK, expansion remains the preferred route. In Germany, where planning hurdles are particularly stringent, the emphasis is shifting towards hybrid integration and the repurposing of existing retail assets. Meanwhile, under offered markets with more flexible planning regimes, such as Poland, Portugal, and Austria, are likely to attract increased operator interest, offering a more favourable balance between consumer demand and regulatory feasibility.

Another path to growth lies in the acquisition and repositioning of underperforming schemes operated by smaller players. Consolidation is therefore expected to accelerate, with mergers and acquisitions, such as Groupe Frey's recent acquisition of Italian operator Land of Fashion, becoming more frequent as larger operators seek to optimise and scale their portfolios. The fast-expanding investor group will likely target the UK as the next step in its strategic expansion, having already identified it as a high-priority market. With demand expected to outpace supply for the foreseeable future, tight vacancy rates - just 2% in some prime schemes - are likely to persist, while prime rental growth is projected to hold steady at a European average of 2%.

Investor interest is also set to remain robust, driven by solid fundamentals and yields that remain attractive relative to other asset classes. Limited supply and planning restrictions are supporting the value of institutional-grade assets, with prime yields expected to hold between 6–7% before gradually compressing, suggesting pricing may be nearing its trough. However, investment volumes will remain volatile, reflecting both the scarcity of top-tier assets and the increasingly selective nature of investor appetite.



Source: Unsplash, Kaylin Pacheco



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