



EUROPEAN RETAIL MARKET

2025

savills

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KEY TAKEAWAYS

01

RETAIL SALES FIND A NEW NORMAL

After five years of volatility, sales growth is settling just below pre-pandemic levels, with smaller and mid-sized markets leading the way.



02

DEMOGRAPHICS RESHAPE DEMAND

Population decline, ageing, and migration are transforming Europe's consumer landscape, but rising incomes and tourism help offset the impact.



03

VALUE RETAIL TAKES CENTRE STAGE

Discounters and value-led formats are outperforming, as affordability becomes a conscious and even aspirational choice for shoppers.



04

RETAIL FORMATS BLUR AND EVOLVE

Omnichannel strategies and hybrid store concepts are redefining the retail mix, with brands focusing on experience and flexibility.



05

DEVELOPMENT PIPELINE DRIES UP

New retail development has slowed dramatically, with asset optimisation and refurbishment taking precedence over new builds.



06

PRIME ASSETS WIN SECONDARY STRUGGLE

Demand and rental growth are concentrated in prime locations, while secondary properties face higher vacancy and weaker prospects.



07

RECALIBRATION OF OMNI-CHANNEL STRATEGIES REFOCUS ATTENTIONS ON GATEWAY CITIES

Aspirational brands continue to target prime, high-footfall gateway cities, while rising international appeal and lower entry barriers are putting smaller markets beyond Paris and London firmly on the radar.



08

SMALLER GATEWAY MARKETS BEYOND PARIS AND LONDON MOVING UP THE AGENDA

Smaller gateway markets may not deliver the same scale of London and Paris, but growing international visitor reach, improving domestic credentials and lower barriers to entry mean they should be on the radar for expansive brands and concepts.



09

GLOBAL CAPITAL DEPLOYMENT TRENDS POINT TO FURTHER OCCUPATIONAL DEMAND MOMENTUM

Capital deployment into retail and consumer facing brands and businesses has already reached £301 billion as of September, 13% above the full-year total for 2024. This will continue to support robust occupational demand over the next three years.



10

INVESTMENT REBOUNDS, BUT POLARISES

Retail investment volumes are rising, especially for prime and resilient assets, while secondary properties attract value-add strategies. Prime yields remain stable and offer a relative value advantage over other property sectors.



Setting the scene IN EUROPE

Europe edges forward with a fragile but steady recovery, as resilient household spending and easing inflation offset lingering structural headwinds.



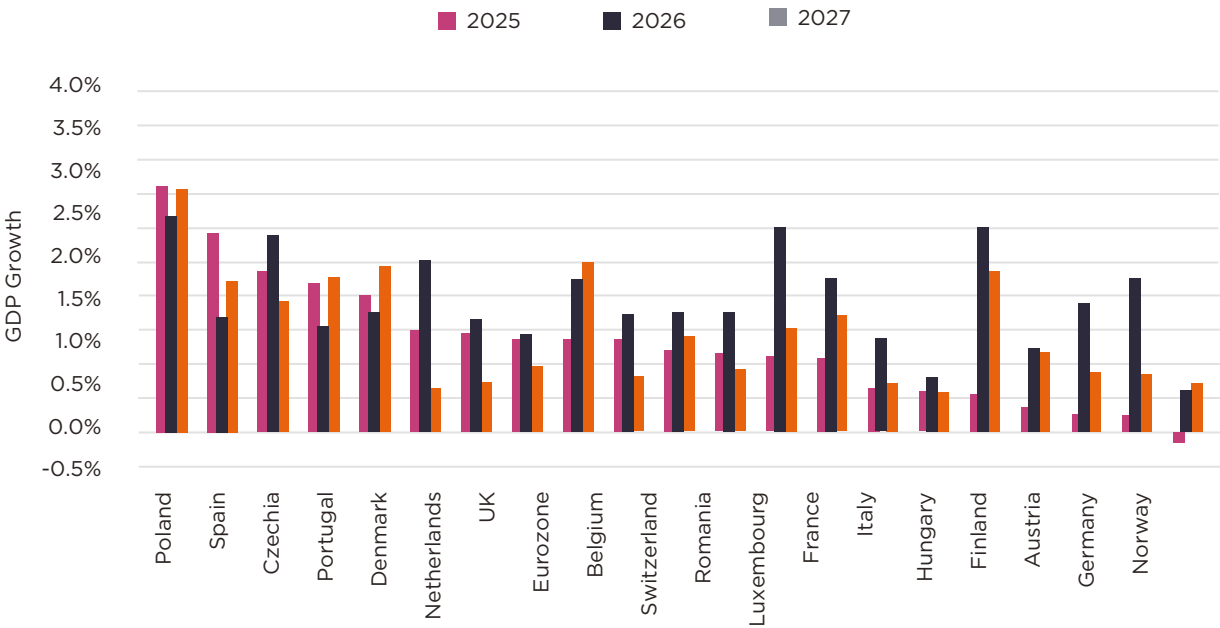
A FRAGILE RECOVERY

Europe enters the final quarter of 2025 toeing the line between stabilisation and stagnation. After years of exogenous shocks, from the pandemic to energy crises, the region is now shaped by more conventional growth drivers. Oxford Economics forecasts eurozone GDP growth of 1.3% this year, before dipping to 0.8% in 2026, as structural challenges continue to weigh on the recovery. Tariff front-loading flattered export figures in the first half of the year, but this effect is expected to unwind in the second half, bringing growth back in line with 2024 levels.

The ECB’s rate-cutting cycle, which delivered eight consecutive reductions in the year to June 2025, appears to have run its course. The deposit rate remains at 2%, and while a final cut before year-end is possible, a hawkish tone at the September meeting suggests the bar for further easing is high. September saw a modest uptick in inflation to 2.2%, as the drop in energy prices became less pronounced. Headline inflation is expected to average 2.1% for 2025, before easing to 1.5% next year, indicating that the scope for further monetary impetus is increasingly limited.

Trade tensions, particularly with the US, are beginning to cast a shadow over exports and will likely weigh on business confidence and investment into next year. For the retail sector, heightened tariffs and regulatory uncertainty may disrupt supply chains and raise the cost of imported goods, especially in categories like apparel, electronics, and consumer durables. Meanwhile, weaker business sentiment may delay expansion plans and inventory restocking, particularly among discretionary and lifestyle brands. While domestic consumption remains relatively resilient, the risk of imported inflation and logistical friction could weigh on retail sales volumes in the months ahead.

FIGURE 1: GDP GROWTH



SOURCE: SAVILLS RESEARCH BASED ON OXFORD ECONOMICS

ELEVATED SAVINGS AND A GRADUAL RETURN TO CONSUMER SPENDING

European consumers continue to display caution in their spending habits - a legacy of pricing pressures and post-pandemic frugality. Although inflation has cooled and interest rates show little movement, household savings remain stubbornly elevated. According to Oxford Economics, the eurozone savings rate stood at 14.9% in the second quarter of 2025, down 30 basis points quarter-on-quarter, yet still significantly above the pre-pandemic five-year average of 12.6%. Enduring prudence suggests that although decreasing, savings levels may remain structurally higher than before the pandemic, carving out a new norm.

Even so, there are early signs that consumers are starting to draw down their reserves. Growth in consumer spending is expected to reach 1.3% in 2025 and 1.5% next year, as households gradually

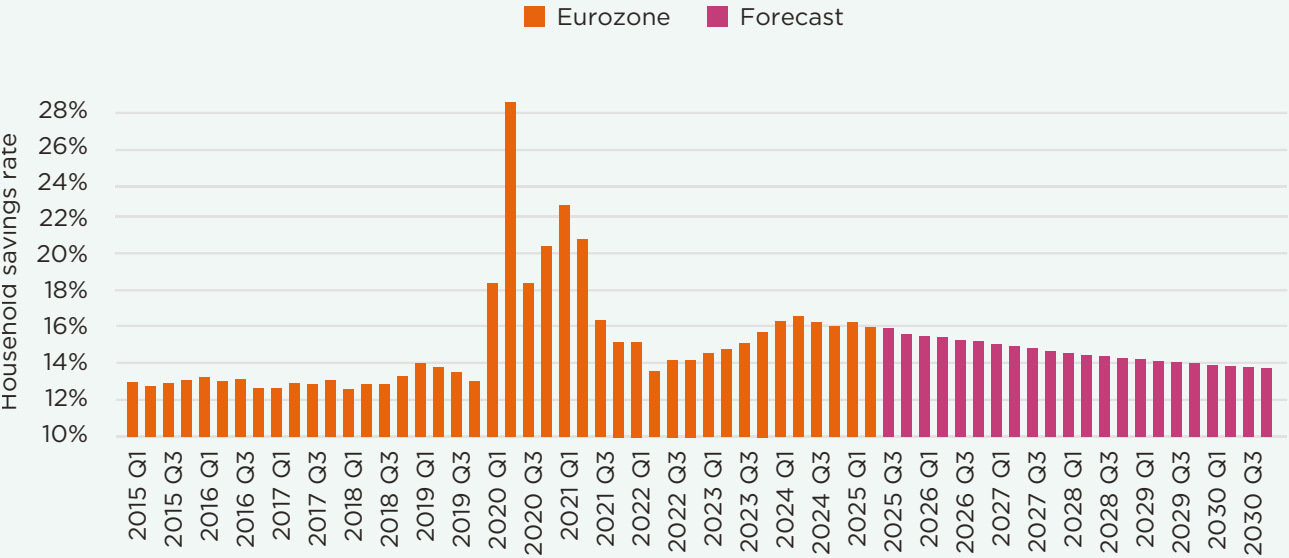


regain confidence. At the same time, growth in real disposable incomes is set to moderate. After a strong rebound of 3.3% in 2024, income growth is forecast to slow to 1.6% this year, indicating a move towards more sustainable, albeit slower, gains.

Nevertheless, consumer confidence remains subdued. In September, the Euro Area Consumer Confidence Index inched up to -14.9. However, concerns are mounting over the long-term sustainability of public finances, particularly in high-debt economies such as Italy and France, where prospects of tighter budgets, including potential spending cuts or tax increases, may be weighing on sentiment. Broader geopolitical tensions and softer hiring intentions further temper the outlook, suggesting that while spending is recovering, caution remains the prevailing mood among European households.



FIGURE 2:HOUSEHOLD SAVINGS RATE



SOURCE: SAVILLS RESEARCH BASED ON OXFORD ECONOMICS



RETAIL SALES



Following five years of pandemic-driven volatility, during which retail sales growth averaged 0.8%, growth is expected to stabilise at 2% in real terms this year, before moderating slightly to 1.7% in 2026 and 1.9% in 2027. This rhythm aligns more closely with the five-year pre-pandemic average of 2.5%, albeit with less exuberance.

While households remain financially defensive, spending is gradually recovering as savings unwind and inflationary pressures recede.

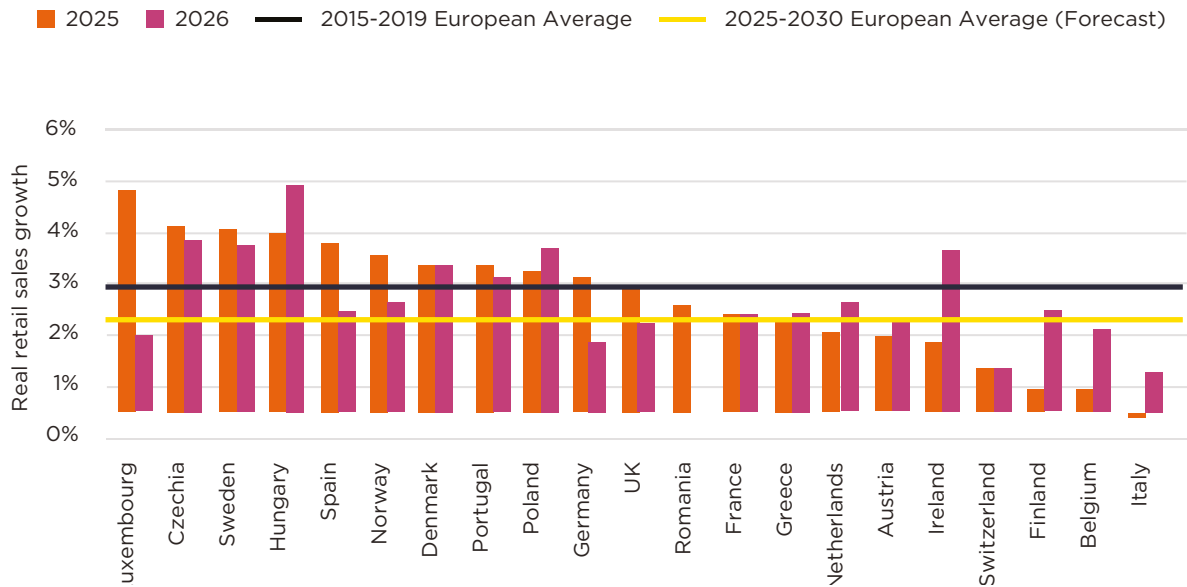
Portugal (4.8%), Luxembourg (4.4%), and Czechia (4.1%) are projected to lead the growth in 2025, while Spain (4.1%) continues to see gains spurred by tourist activity and local consumption. In contrast, larger Western European economies are treading a more cautious path. Germany (2.7%), France (2.3%) and the UK (0.8%) are expected to post more subdued gains. Italy remains an outlier, with a projected marginal decline of -0.1%, accentuating the uneven pace of continental recovery.

International travel is playing a quiet but meaningful role in supporting retail momentum. According to the European Travel Commission, foreign arrivals are forecast to rise 8% year-on-year

and 12% above 2019 levels by the end of 2025. France and Spain are set to retain their status as Europe’s premier destinations, each capturing 13% of total arrivals. Meanwhile, Germany and the UK are expected to dominate the source market, accounting for 18% and 12%, respectively. Increased mobility is further reviving urban retail centres and injecting renewed vitality into discretionary spending categories.

Looking further ahead, retail sales growth is expected to average 1.8% until 2030, a level that suggests not a return to excess, but a new normal. Consumers remain selective, value-conscious, and attuned to trade-offs; however, their spending is proving resilient. As the macroeconomic fog begins to lift, retail appears poised for steady, if unspectacular, progress.

FIGURE 3: EUROPEAN REAL RETAIL SALES



SOURCE: SAVILLS RESEARCH BASED ON OXFORD ECONOMICS



The people divide: HOW DEMOGRAPHICS WILL LIKELY SPLIT RETAIL MARKETS IN EUROPE

Europe is entering a period of demographic change that will reshape its consumer landscape and spending patterns over the coming decades.



From 2028, Europe's population is projected to shrink, with a net loss of around six million people by 2050. Signs of contraction are already visible in parts of Central and Eastern Europe (Latvia, Poland, Croatia, Romania, Greece, Hungary, Slovakia, and Bulgaria), as well as Italy. Estonia, Lithuania, Germany, and Finland are expected to follow.

While a smaller population inevitably narrows the size of the consumer base, the relationship between demographics and retail sales is complex. Rising incomes and accumulated wealth can offset population decline by boosting per capita spending. Hungary illustrates this dynamic well: in 2024, despite a 0.3% annual decline in population, per capita spending increased by 3.5%, resulting in a 2.5% rise in real retail sales.

Despite the population decline, the number of households across the EU is projected to increase nearly 6% by 2050, supporting



demand in housing-related categories such as furniture and appliances. Tourism also plays a vital role: Europe remains the world's leading destination, attracting nearly 750 million international arrivals in 2023 and generating over €500 billion in spending. In major tourist hubs like Paris, London, Rome, and Barcelona, this influx of visitors provides a significant boost to retail, hospitality, and leisure sectors, helping to counterbalance domestic demographic decline.

In short, while population decline will affect retail fundamentals, rising per capita expenditure, more households, and strong tourism flows act as crucial buffers, sustaining sales and

expanding the consumer base beyond national borders. Moreover, other demographic trends will continue to reshape spending behaviour for decades.



MIGRATION AND DIVERSITY

Migration remains a significant driver of demographic change in Europe. In 2024, the EU population reached a record 450.4 million, driven by a net migration gain of 2.3 million, more than compensating for a natural decline of 1.3 million. Looking ahead, long-term projections suggest annual net migration will remain between 1.0 and 1.25 million through the early 2040s.

While this inflow is expected to offset much of the natural decline, it will not fully counterbalance it by century's end, according to the European Commission. Migrants, especially those of working age, bring distinct consumption patterns. Generally arriving from lower-income backgrounds, in most European countries, they tend to boost demand in essential categories such as food, housing, clothing,

and basic services. At the same time, migration enriches cultural diversity, driving interest in international foods, varied fashion styles, remittance services, and multilingual retail experiences. Economically, migration expands both the consumer base and the labour pool, supporting growth across retail subsectors.

TOP SECTORS LIKELY TO BENEFIT



INTERNATIONAL AND MULTICULTURAL FOOD & GROCERY OUTLETS
(halal/kosher stores, Asian and African supermarkets, international spice and ingredient retailers)



BUDGET HOME APPLIANCES
(entry-level kitchen appliances, compact washing machines, low-cost electronics)



CONVENIENCE RETAIL
(express supermarkets, 24/7 stores)



AFFORDABLE CLOTHING AND FOOTWEAR
(fast fashion, discount apparel chains, culturally inclusive fashion lines)



DISCOUNT FORMATS
(hard discounters, value-based supermarkets, outlet stores)



As Europe's consumer base shrinks, rising incomes, smaller households, migration and tourism keep tills ringing. The future of retail will be shaped by the needs of a diverse many, not the habits of a dwindling few.

Lydia Brissy



INCOME GROWTH

Over the next 25 years, real income across the EU and the UK is expected to grow at an average annual compound rate of 1.4%. Central and Eastern European (CEE) countries will see the most significant rise in middle-income households, defined as those earning between €20,000 and €70,000 in real terms. Notable increases are also anticipated in Spain, Portugal, eastern and southern France, northern Italy, and Ireland. Meanwhile, cities in the UK, Switzerland, and the Nordics are projected to lead in the growth of high-income households, earning over €70,000 annually.

This expansion of the middle class will drive demand for home improvements, furniture, and consumer technology, as families seek greater comfort and aspirational products. Rising discretionary income will also boost spending on leisure, dining, and premium food and beverage (F&B) offerings.



At the upper end of the income spectrum, the growing number of affluent households in key urban centres will support strong demand for luxury goods - including fashion, jewellery, accessories, and high-end beauty and personal care, reflecting a broader uplift in affluence across Europe.



TOP SECTORS LIKELY TO BENEFIT



LEISURE EXPERIENCES
(entertainment, fitness clubs, cultural events)



HOME UPGRADES, FURNITURE, AND DESIGN
(modular furniture, smart home systems, interior design services)



DINING OUT, RESTAURANTS, AND PREMIUM F&B
(gourmet restaurants, artisanal food brands, organic and speciality products stores)



CONSUMER ELECTRONICS AND TECH
(smartphones, smart TVs, wearable tech, home automation)



LUXURY BEAUTY AND PERSONAL CARE
(skincare, cosmetics, fragrances, spa products)



PREMIUM FASHION, JEWELLERY, AND ACCESSORIES
(designer brands, boutique fashion, watches, handbags)

AGEING POPULATION



Demographic ageing is accelerating across Europe, reshaping the region's population structure. By 2050, the median age in the EU-27 is projected to rise by 4.5 years, reaching 48.2. The number of people aged 80 and above is expected to nearly double, while the broader 70+

age group will continue to grow steadily. In contrast, all other age brackets are set to decline, with the most pronounced drops among younger cohorts and those aged 40 to 60.

This demographic shift will significantly influence consumption patterns. As the population ages, retail demand is expected to move away from categories like fast fashion and childcare products, and toward health, wellness, leisure, and services tailored to older adults. While this transition may not fully compensate for volume losses in some sectors, it opens up new growth opportunities. Products that support longevity, age-friendly home environments, and active lifestyles for seniors will become increasingly important. Retailers will need to adapt both their offerings and marketing strategies to meet the evolving needs of an older, more health-conscious consumer base.

TOP SECTORS LIKELY TO BENEFIT



HEALTHCARE PRODUCTS
(supplements, pharmaceuticals)



HOME CARE EQUIPMENT
(stairlifts, adjustable beds, emergency alert systems)



LEISURE & TRAVEL TAILORED TO SENIORS
(guided tours, wellness/spa retreats)



COMFORTABLE CLOTHING AND FOOTWEAR
(orthopaedic shoes, adaptive clothing)

INTERGENERATIONAL WEALTH TRANSFER

By 2030, an estimated \$18 trillion in assets will change hands globally, with \$3.5 trillion of that expected in Europe. A study by CERP covering the UK, France, Germany, Ireland, Italy, and Spain indicates that around 44% of this wealth will go to individuals in the top income quartile, and approximately 63% will be inherited by those aged 55 and over.

This shift in wealth is likely to reinforce the momentum of the silver economy. As older, financially secure cohorts gain more resources, spending is expected to rise in areas such as wellness, leisure, experiences, and luxury goods. Retailers must adapt to changing consumer preferences, placing greater emphasis on sustainability and

premium experiences. Some of the transferred wealth is also likely to be used to support younger family members, particularly when it comes to housing and aspirational consumption.



The urban-rural divide is widening, as more people gravitate toward city living. Currently, 75% of the population in the EU and UK resides in cities, and this share is expected to rise to around 83% by 2050. In contrast, rural areas are experiencing steady population decline, shrinking at an average annual rate of 0.31–0.36%. By mid-century, nearly all rural regions are projected to lose residents.

This demographic shift will concentrate retail demand in urban centres. As cities grow, urban stores and e-commerce platforms are set to thrive, prompting retailers to rethink distribution models and store formats. Retail activity will increasingly cluster in metropolitan hubs, favouring high-street and mixed-use developments, while posing challenges for maintaining viable retail networks in smaller towns and rural communities.

TOP SECTORS
LIKELY TO BENEFIT



PREMIUM LEISURE AND TRAVEL
(long-haul holidays, cultural tourism)



WELLNESS, FITNESS, AND NUTRITION
(healthy ageing, spa, sports equipment, supplements)



LUXURY CONSUMER GOODS AND TECH
(cars, home entertainment, high-spec appliances)



HOME IMPROVEMENT, RENOVATION, AND DESIGN UPGRADES
upgrades (comfort, sustainability, second homes equipment)



QUALITY FASHION, JEWELLERY, AND ACCESSORIES
(premiumisation rather than trend-driven fast fashion)

TOP SECTORS
LIKELY TO BENEFIT



URBAN HIGH-STREET RETAIL
(mass-market and touristic HS, life-style boutiques, cafés & restaurants)



CONCEPT STORES IN PRIME LOCATION
(flagship brand stores, experiential retail spaces, pop-up shops)



MIXED-USE URBAN CONVENIENCE FORMATS
(mini-malls, transit-oriented retail)



URBAN SPECIALITY FOOD STORES
(organic grocers, artisanal bakeries, international delicatessens)



E-COMMERCE AND DELIVERY NETWORKS
(last-mile logistics, dark stores, rapid delivery service)

RISING SINGLE-PERSON HOUSEHOLDS

Across the continent, single-person living is gaining prevalence. Nearly one in three Europeans now lives alone, and in countries like Finland, Norway, and Sweden, close to half of all households consist of just one individual. Despite the overall population decline projected by 2050, the total number of households is expected to grow by nearly 6%, meaning the share of solo households will continue to rise.

This shift is reshaping retail demand. Smaller households tend to favour convenience formats, ready-to-eat meals, compact living products, and single-portion items. As a result, demand for bulk purchases and family-sized goods may decline, while urban retail concepts and tailored offerings for solo living are likely to gain traction.



TOP SECTORS
LIKELY TO BENEFIT



SMALL-PACK PERSONAL CARE
(travel-size toiletries, single-use household products)



SUBSCRIPTION SERVICES
(meals, entertainment, e-commerce curated boxes)



SINGLE-SERVING READY MEALS
(microwaveable meals, snack packs, frozen-portion food)



COMPACT APPLIANCES AND SPACE-SAVING FURNITURE
(mini fridges, foldable desks, modular storage solutions)



URBAN CONVENIENCE RETAIL
(kiosks, delivery-centric)

SHRINKING WORKING-AGE POPULATION



Europe’s working-age population is shrinking, with long-term implications for productivity and consumption. Currently, individuals aged 20 to 64 make up 59% of the total population, but by 2050, this share is expected to drop to 53% - a decrease of 9.2%.

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This demographic shift could dampen spending on non-essential goods and services, as fewer working-age consumers could weigh on overall disposable income in the short term. Labour shortages could also drive up operational costs for retailers, influencing pricing strategies and limiting expansion. While rising wages may boost purchasing power for some households, they could also increase retail overheads, creating a complex environment for both consumer demand and business profitability.

TOP SECTORS
LIKELY TO BENEFIT



AUTOMATED RETAIL AND SELF-SERVICE FORMATS
(self-checkout kiosks, vending machines, cashier-less stores)



VALUE-ORIENTED ESSENTIAL RETAIL
(discount supermarkets, budget clothing, household basics)



LOGISTICS AND FULFILMENT RETAIL
(robotics, supply chain tech)

RETAIL’S NEW DEMOGRAPHIC REALITY

While demographic change will certainly reshape Europe’s retail landscape, population decline alone should not be seen as a structural headwind. Higher per-capita spending, an increasing number of households, tourism flows, ageing-related consumption shifts, migration, and ongoing price effects are all powerful forces that will sustain retail sales and offset shrinking populations in many regions.

Rising incomes and ageing populations are expected to drive the fastest growth in discretionary categories, health and personal care, home comfort, technology, and leisure, particularly in major urban cities. By contrast, non-discretionary categories such as food & drink and housing will see slower growth,

with demand more concentrated in smaller cities and rural areas.

Overall, CEE cities are forecast to lead retail growth, building from a relatively low spending base per capita compared to the rest of Europe, followed by Western cities. However, within categories, clothing and footwear will expand most strongly in CEE and Southern Europe, while furniture growth will be most pronounced in CEE and the Nordics.

More importantly, the retail market is likely to experience a growing polarisation, leaving an increasingly narrow middle ground. Consumption patterns will diverge between luxury and budget spending, as well as between elderly and younger generations, and between urban and rural communities. Likewise, prime locations will continue to attract strong demand, while secondary sites may face rising challenges. For retailers and investors, the key will not be coping with an overall contraction in demand, but navigating this fragmented landscape and positioning themselves on the winning side of these divides.

■ ■

Europe’s affluent seniors will increasingly be driving demand for health, wellness, and premium retail, making the silver economy a key growth engine for the sector investment volumes.

Larry Brennan



FIGURE 4: FASTEST CONSUMER SPENDING PER INHABITANT, 2025-2030 GROWTH PA (96 EUROPEAN CITIES)

	RANK	CLOTHING & FOOTWEAR		RANK	EATING OUT		RANK	FURNITURE		RANK	HOUSEHOLD APPLIANCES		RANK	VEHICLES		RANK	LEISURE		RANK	TELEPHONE EQUIPMENT	
WESTERN EUROPE	18	Brussels	3.3%	15	Dresden	3.0%	21	Brussels	2.6%	24	Metz	3.2%	23	Dublin	3.1%	17	Dresden	3.3%	17	Dresden	4.8%
	23	Antwerp	2.9%	16	Leipzig	2.9%	26	Dublin	2.4%	25	Paris	3.2%	24	Brussels	3.1%	18	Leipzig	3.2%	19	Metz	4.8%
	24	Dresden	2.8%	20	Brussels	2.7%	27	Antwerp	2.2%	26	Brussels	3.2%	25	Antwerp	2.8%	21	Berlin	3.2%	20	Leipzig	4.7%
	25	Leipzig	2.8%	23	Antwerp	2.6%	28	Eindhoven	2.0%	27	Lille	3.2%	27	Dresden	2.8%	25	Bonn	3.0%	21	Paris	4.7%
	30	Belfast	2.2%	24	Belfast	2.0%	30	Rotterdam	1.8%	28	Marseille	3.1%	28	Leipzig	2.7%	26	Cologne	3.0%	22	Lille	4.7%
NORDICS	22	Copenhagen	2.9%	14	Copenhagen	3.0%	15	Copenhagen	3.0%	18	Copenhagen	3.5%	16	Copenhagen	3.9%	19	Copenhagen	3.2%	15	Copenhagen	5.3%
	27	Bergen	2.6%	19	Aarhus	2.8%	16	Aarhus	2.8%	19	Helsinki	3.4%	18	Aarhus	3.7%	20	Aarhus	3.2%	16	Aarhus	5.2%
	28	Oslo	2.6%	28	Oslo	2.8%	18	Stockholm	2.8%	21	Aarhus	3.4%	19	Stockholm	3.5%	40	Stockholm	2.5%	35	Stockholm	4.4%
	29	Aarhus	2.5%	29	Stockholm	1.8%	19	Gothenburg	2.8%	22	Tampere	3.3%	21	Gothenburg	3.4%	44	Gothenburg	2.4%	42	Gothenburg	4.3%
	38	Tampere	1.7%	32	Malmo	1.8%	20	Malmo	2.7%	31	Stockholm	3.0%	22	Malmo	3.4%	47	Malmo	2.3%	47	Malmo	4.2%
SOUTHERN EUROPE	15	Thessaloniki	3.5%	22	Thessaloniki	2.2%	23	Porto	2.4%	16	Thessaloniki	3.6%	54	Thessaloniki	1.5%	24	Thessaloniki	3.1%	57	Thessaloniki	3.8%
	20	Athens	3.0%	25	Athens	2.0%	25	Lisbon	2.4%	17	Athens	3.5%	59	Athens	1.4%	28	Athens	3.0%	58	Athens	3.7%
	21	Lisbon	3.0%	81	Bilbao	1.1%	35	Thessaloniki	1.8%	54	Porto	2.4%	61	Porto	1.4%	58	Seville	3.1%	64	Seville	3.1%
	31	Porto	2.1%	84	Zaragoza	1.1%	39	Athens	1.7%	64	Lisbon	2.4%	63	Lisbon	1.4%	59	Zaragoza	1.8%	66	Zaragoza	3.1%
	39	Bilbao	1.7%	86	Seville	0.9%	90	Seville	-0.1%	80	Seville	1.9%	87	Seville	0.6%	62	Barcelona	1.7%	69	Barcelona	3.0%
CEE	1	Prague	5.1%	1	Riga	4.2%	1	Prague	6.2%	1	Riga	7.6%	1	Riga	7.5%	1	Tallinn	5.1%	1	Prague	7.9%
	2	Riga	4.8%	2	Budapest	4.2%	2	Brno	5.8%	2	Lodz	6.8%	2	Prague	6.5%	2	Vilnius	5.0%	2	Brno	7.5%
	3	Brno	4.8%	3	Tallinn	4.0%	3	Ostrava	5.5%	3	Poznan	6.7%	3	Budapest	6.5%	3	Lodz	4.4%	3	Ostrava	7.2%
	4	Ostrava	4.5%	4	Prague	3.8%	4	Riga	5.2%	4	Krakow	6.6%	4	Tallinn	6.0%	4	Prague	4.3%	4	Tallinn	6.6%
	5	Vilnius	3.9%	5	Bucharest	3.7%	5	Lodz	5.2%	5	Gdansk	6.6%	5	Brno	5.8%	5	Poznan	4.3%	5	Lodz	6.6%

SOURCE: SAVILLS RESEARCH BASED ON OXFORD ECONOMICS

Blurred lines – EVOLUTION OF THE RETAIL MIX

Retailers are seeking multi-format exposure and increasing adoption of omnichannel strategies, while asset managers tweak the tenant mix with the adoption of hybrid formats.

DRIVERS FOR CHANGE

As recently as 10 years ago, there was a much greater distinction between different retail formats than there is today. High streets and shopping centres were fashion-led, retail parks were bulky goods-led, supermarkets were standalone, and online and in-store were two separate propositions. Since then, a number of key drivers have fundamentally changed the approach of retailers, developers and landlords, which has blurred formats, but also more clearly defined the places with the greatest success. Several of these trends emerged from technological and consumer evolution that followed the Global Financial Crisis, but it took the pandemic and cost-of-living crisis to bring many of them into focus and become more universally adopted.

CONSUMER BEHAVIOUR

More value-seeking and time-pressed shoppers benefiting smaller, urban-edge retail parks—while regional malls win when they deliver experiences beyond pure shopping. ‘On demand’ consumerism drives the need for convenience (easy) and experience (fulfilment) in all retail engagements.

E-COMMERCE MATURITY & OMNICHANNEL

Online growth and rising service expectations turn stores into the physical point where all channels converge.

ECONOMIC EVOLUTION & HOUSEHOLD BUDGETS

Elevated inflation, higher interest rates, and cautious sentiment have expanded the market for value/low-cost retailers.

TOURISM DYNAMICS

Strong inbound tourism lifts outlets and destination regional malls, reinforcing brands’ appetite for those formats.

RETAILER PORTFOLIO STRATEGY

Consolidation into fewer, larger, more productive stores. Increased voids in saturated markets.

PROFITABILITY

Margins are coming down across the board so landlords have to think about more ways of capturing spend and increasing dwell times, while retailers are thinking about extending their ranges and increasing basket sizes.



RETAIL PARKS

Retail parks are becoming more convenience and services-led, with a transition to non-food retail brands (e.g. fashion/accessories) that in the past would have focused on shopping centre and high street locations. The strongest retail parks are no longer those that are primarily bulky goods retailers (e.g. electricals/furniture).



Value goods have been the most important differentiator in recent years, with shopping experience being measured by accessibility and efficiency. The trend for increased fashion and sports goods on retail parks seen in the UK for the last decade has spread to other parts of Europe, such as France and Poland. At the same time, retail parks have grown strongly, particularly through the proliferation of smaller schemes located closer to cities and oriented towards convenience shopping.

One regional difference worth highlighting is that in Southern and Eastern Europe, limited availability of prime high-street/mall units and a thin shopping centre development pipeline is pushing retailers to retail parks, where there is greater unit availability. In the UK, retail park availability is so low, some retailers are reversing the trend and returning to the secondary high streets where occupational costs have come down.



Limited availability of prime high-street/mall units and a thin development pipeline has pushed retailers in a number of countries towards retail parks, where there is greater unit availability. In the UK, retail park availability is so low, some retailers are reversing the trend and returning to the high street

Tom Whittington

Case Study

Mitiska REIM

Mitiska REIM, one of the most active developer/investors in European retail real estate, has completed the acquisition of seven Cora hypermarkets and Shopping Cora galleries in Belgium. This continues a track record in buying legacy retail park assets across Europe and transforming them into convenience-led schemes. With hypermarkets in the current market often being seen as oversized formats, the plan for the latest acquisition is to redevelop the largest units and split into several brand-new stores, including major retail players and a full-service supermarket. With this tending to be the preferred model implemented in the 15 European countries in which Mitiska has operated in over the last decade, it provides a useful barometer of asset management direction that is consistent with the trends we are experiencing in each of the markets Savills operates in

SHOPPING CENTRES & HIGH STREETS

The expansion within the retail park sector across Europe over the last decade has polarised the high street and shopping centre markets, often requiring radical adaptation in order to stay relevant. Prime regional or city centre shopping centres and high streets continue to focus on quality, leisure and experience – all designed to increase in-person experiences and basket size. The strongest occupier focus has been on the best schemes with the continued expansion of strong international fashion and cosmetics brands, where they benefit from greater visibility and stronger drawing power. The result is fewer, more dominant locations.

However, legacy shopping centres in smaller saturated local markets are responding through increased provision of value goods, retail services, health, and other community-focused uses in order to stay relevant. A number of shopping centres in the UK, France, Germany, Poland and the Netherlands have been completely redeveloped for non-retail uses because they were outflanked by more agile and convenient retail parks.

Improving F&B has played a key role in redefining the retail mix across the board, with quick and convenient operators being more prevalent in community assets and with more dining options in prime locations.

In key regional cities, F&B can often account for a third of supply. However, F&B can't be the answer to every problem and local saturation is applying pressure in some markets.

With greater consumer emphasis on leisure time, entertainment uses are evolving too, from the traditional cinema and bowling offer, to a more varied interactive



offer of indoor amusements, competitive socialising and immersive leisure. These uses are accounting for a more significant proportion of shopping centre tenants and are key to improving the family destination offer (e.g. via the repositioning of X-Madrid, Spain and Hopa Lupa Ludz, Poland).



The recent opening of RH's flagship on the Champs-Élysées is a striking example of the new generation of retail concepts that blur the boundary between store and lifestyle destination. The space combines luxury furniture with two restaurants, designer services, and curated experiences.

Christian Nehme

BRANDS INCREASINGLY LOOK TO HYBRID FORMATS

Scheme tenant mixes are not the only thing diversifying. Retailers are thinking about factors that will increase their destination appeal, extend dwell time, provide additional income streams, or product placement that build brand exposure through social media channels. The emphasis is on bringing people to store, where operational and occupational costs are typically more favourable than online transactions and in-person experiences can be had. For some brands, diversification is not a new concept, but the last few years have seen this become a genuine European-wide trend. In several prime and luxury markets, it can be beneficial to get one flagship store compared to a number of smaller shops across the city centre, with large stores providing an opportunity to create a more unique and exciting offer to lure customers in.

STRONG EMPHASIS ON CREATING IN-PERSON COMMUNITY ENGAGEMENT



SEPHORA

Beauty events and expert/influencer masterclasses



OSEYO

Niche supermarket with Korean Wave appeal, ice cups & photo booths



LULULEMON

Fuel cafes, DJ sets, community workouts and running clubs

CO-LOCATION STRATEGIES THAT EXTEND DWELL AND LOYALTY



RH

Champagne bar & restaurant in Paris



MEDICINE

Fashion brand moves into pet accessories in response to uptick of customers with dogs



H&M

Offers free coffee/pastries with purchases

INCREASED SERVICE LINES TO ENHANCE CONVENIENCE AND EXPERIENCE IN A DESTINATION SETTING



LEFTIES

Follow rivals Mango, H&M and Zara by bringing homeware into key flagships



DECATHLON

Equipment rentals/repair/ refurb workshops to boost environmental and circularity credentials



IKEA

City centre flagship concept with deli, design studio, live studio, events & workshop

The Flight TO AFFORDABILITY

Value becomes virtue: shoppers embrace smart spending over status.

DRIVERS OF VALUE RETAIL GROWTH

Long before the pandemic reshaped consumer priorities, discount retail was quietly gaining ground across Europe. In the five years up to 2019, value retail sales* rose by 28% - more than any other price position (See figure 5). This growth reflects a sustained structural shift, one that has since been amplified by macroeconomic instability.

Building on this foundation, discounters became clear beneficiaries of stagnant real wage growth and pandemic-era frugality, catalysing a broader flight to affordability. In response to pricing pressures and uncertainty, consumers curtailed discretionary spending, creating fertile ground for fast-growing value retailers such as Action, KiK, and Primark to flourish. These brands continue to outperform, capitalising on efficient operating models and value-led propositions to win both mindshare and market share.

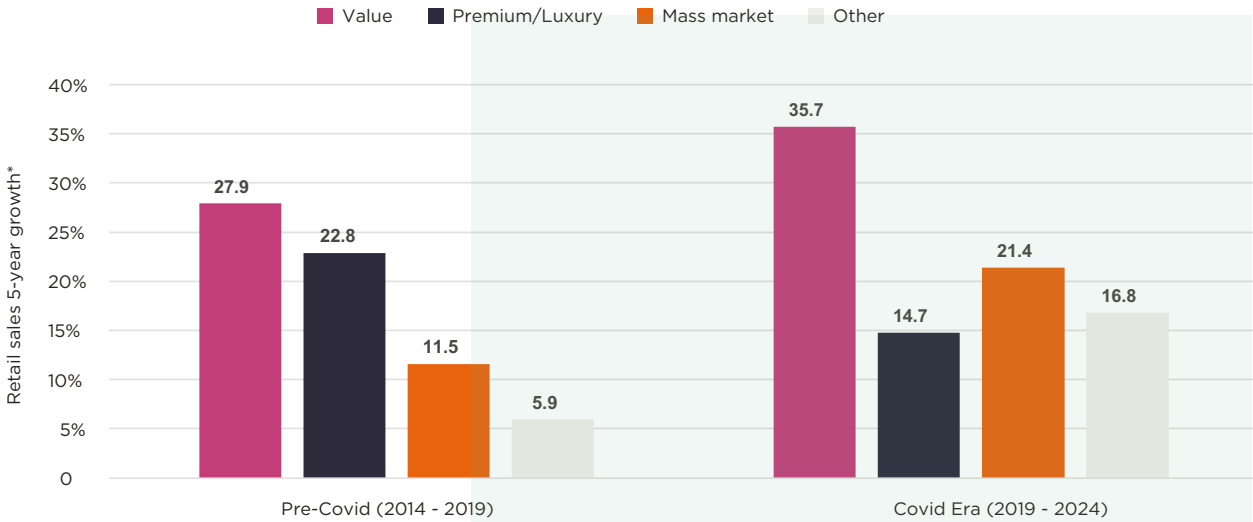
Today's shoppers are increasingly deliberate in their purchasing decisions, actively seeking value and weighing trade-offs with heightened scrutiny - especially among younger cohorts. McKinsey & Co. found that 80-95% of Gen Z and millennials across France,



Germany, Italy, Spain, and the UK traded down last year, compared to 52-81% of older generations. Yet this behaviour does not signal a collapse in consumer spending. Rather, cross-category trade-downs are becoming more prevalent, with many consumers cutting back on essentials to preserve discretionary indulgences - a redefinition of value rather than a retreat from consumption. As a result, retail polarisation is intensifying; while mid-market operators fight to maintain relevance, both luxury and discount segments continue to thrive.



FIGURE 5: EUROPEAN RETAIL SALES GROWTH BY PRICE POSITION



SOURCE: SAVILLS RESEARCH BASED ON GLOBALDATA * TOTAL RETAIL SALES INC. SALES TAX

*Global Data definition

Value: These are retailers whose proposition is based on offering good value with prices at the lowest end of the market/sector, such as food discounters Aldi and Lidl, or clothing retailers like Primark and KiK. Such retailers operate on a high-volume, low-price strategy, and usually stores are very densely populated with products and can have narrow aisles.

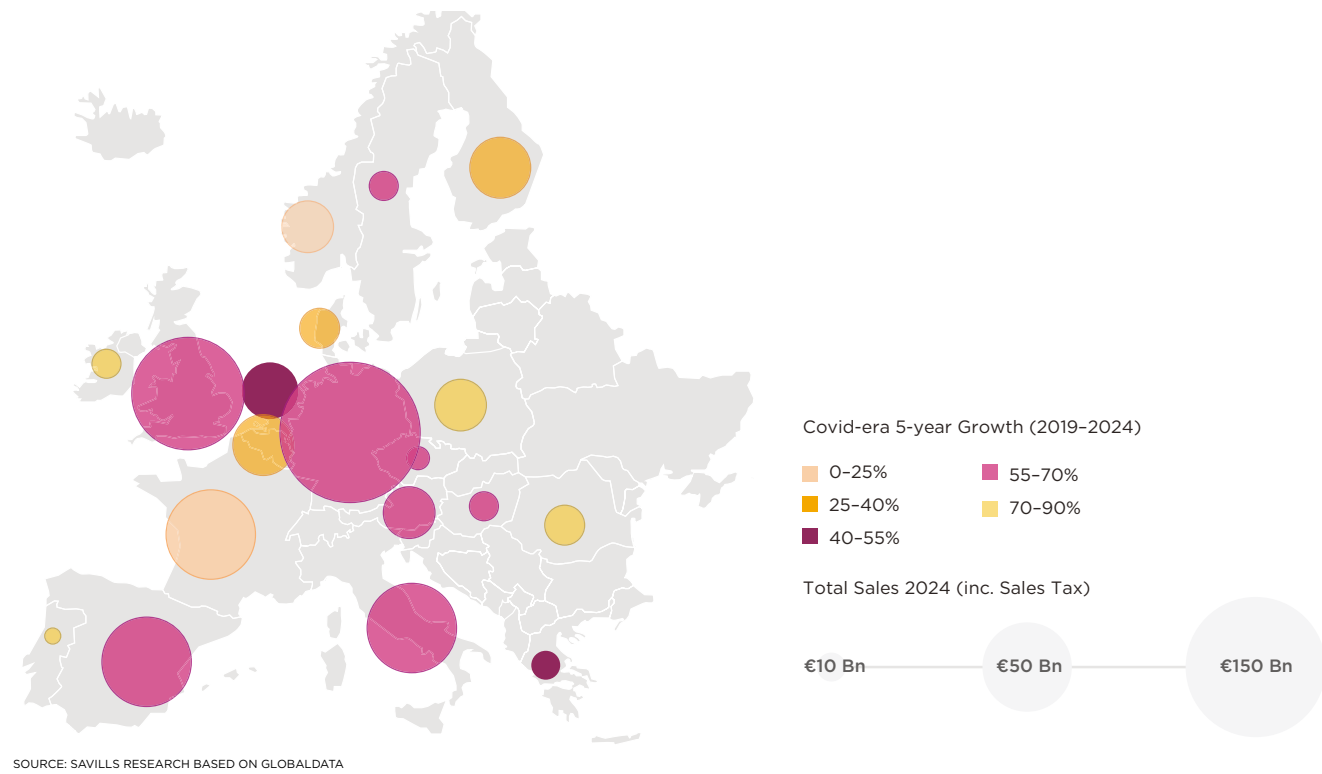
REMOVING THE STIGMA

Once seen as a compromise, value retail has been rebranded as a conscious - even aspirational - choice. Brands like Aldi and Lidl have built strong value perceptions by offering consistently low prices without relying too heavily on loyalty schemes or aggressive promotions. Their lean operating models - compact stores and minimal staffing - drive cost efficiencies that support competitive pricing, while a strategic focus on private-label products keeps sourcing costs low and margins healthy.

Over time, consumers have embraced this model, drawn to its transparency and increasingly at ease with private-label goods. McKinsey's 2025 survey found 81% of European shoppers view private-label quality as equal to or better than A-brands, and 84% plan to keep buying them even if their purchasing power improves. Across Europe, off-price shopping is no longer just accepted, it's seen as savvy and intentional.

This dissipation of stigma is evident in the sales data: from 2019 to 2024, value retail sales grew by 36%, significantly outpacing the 21% growth in the mass market (see figure 5). CEE and Southern European markets have grown rapidly from a low base, while established strongholds like Germany and the UK continue to dominate in overall market share (see figure 6).

FIGURE 6: EUROPEAN VALUE RETAIL SALES BY COUNTRY



ALDI AND LIDL

As Europe’s two largest value retailers bolster their expansion strategies, the polarisation of the retail landscape is set to deepen. Hard discounters, in particular, have proven sagacious in their expansion - often targeting underserved and inflation-sensitive areas to maximum effect. Their vertically integrated supply chains offer a distinct advantage, enabling rapid responses to pricing pressures and supply disruptions, and reinforcing their resilience in a volatile market.

Thanks to a strategic overhaul, Aldi has unlocked operational efficiencies and laid the groundwork for growth with investments in forecasting technology, warehousing, and IT infrastructure, streamlining an already lean model.

Key targets include Poland, France, and Spain, with ambitions to surpass 6,000 stores in Europe by 2026. In Spain alone, Aldi has averaged 42 new store openings annually since 2022.

Meanwhile, Schwarz Group (Lidl and Kaufland), Europe’s largest retailer by revenue, continues to scale. Traditionally favouring

freehold acquisitions, Lidl has shown greater flexibility in response to space constraints, embracing leasehold land arrangements to sustain growth. In August, the company committed to 35 new store developments across the UK and continental Europe, each structured as a leaseback upon completion.



As shoppers place greater emphasis on value, discounters transition from the sidelines to centre stage, where affordability is embraced as a deliberate and desirable choice.

Chris Nichols

DIVERSIFICATION AND URBAN PENETRATION



Value retail is developing well beyond just grocery, particularly in CEE and Southern European markets. Non-food discounters, with their wide-ranging product selections, are increasingly competing with mid-tier specialists and attracting a broader consumer base, resulting in a more nuanced and complementary discount market. Dutch-based Action stands out, generating €13.8 billion in sales in 2024, a 21.7% year-on-year increase. With over 3,000 stores across 13 countries and Romania next on the map, its treasure-hunt model of low-priced general merchandise continues to gain traction. Meanwhile, Poland’s Pepco is refocusing on its core clothing and home goods business following the symbolic £1 divestment of struggling Poundland. With 70% of store space dedicated to apparel, Pepco is now expanding southwest, targeting Italy and Portugal as its next growth frontier.

This diversification is mirrored in the physical footprint of discounters, which are no longer confined to suburban and regional zones. As out-of-town availability tightens, off-price retailers are pushing into urban centres through format innovation and infill strategies. Smaller concepts like Aldi Local and Lidl Express are making inroads into high streets and shopping centres - territory once dominated by mid-market and premium players. In Spain, for example, low-cost operators’ share of shopping centre space has risen by an estimated 19% since 2015. The lines between retail formats are blurring, and discount retail is no exception.



THE NEXT PHASE: SMART DISCOUNTING

Top-performing retailers now operate beyond their low-cost roots, adopting sophisticated multi-format, multi-category models that flex according to geography, audience, and purpose. Lidl Plus, for example, offers personalised loyalty rewards, while Lidl France’s Beauty Box collaboration with L’Oréal signals a more aspirational positioning. Netto Denmark’s 3.0 concept is another example: modernised stores with improved layouts, larger fresh produce areas, and a more supermarket-like atmosphere. These innovations reflect a movement towards modern, more intelligent discounting - where experience, curation, and digital integration

complement price. As such, discounters are highly equipped to enter new markets, attract broader audiences, and challenge traditional retail hierarchies in the years to come.





No longer confined to food, discounters are expanding with diversified offers, innovative concepts and urban reach – placing value retail at the core of Europe’s shopping landscape

Larry Brennan



Prime vs Secondary DIVIDE OCCUPATIONAL MARKET

Occupational dynamics in europe’s retail markets have remained robust, underpinned by the sharp slowdown in new development.

With retailers back in expansion mode, demand has been particularly strong for prime assets in key locations, and format distinctions are becoming less relevant. This imbalance has driven vacancy rates lower and exerted upward pressure on prime rental values. Concurrently, the market is becoming increasingly polarised: prime assets benefit from resilient footfall and sustained tenant interest, while secondary properties struggle with weaker demand, higher vacancy and limited rental growth potential.

PIPELINE PARALYSIS GIVES WAY TO OPTIMISATION

Retail development across Europe has entered a phase of pronounced slowdown, edging closer to paralysis in some markets. Since 2019, new construction activity has dwindled under the weight of tightening planning frameworks, environmental constraints, and rising construction costs. The pace of expansion has been negligible: shopping centre stock has grown by only 0.4% per year, while outlet centres and retail parks have managed slightly faster but still muted growth of 1.2% and 2%, respectively (see figure 7).

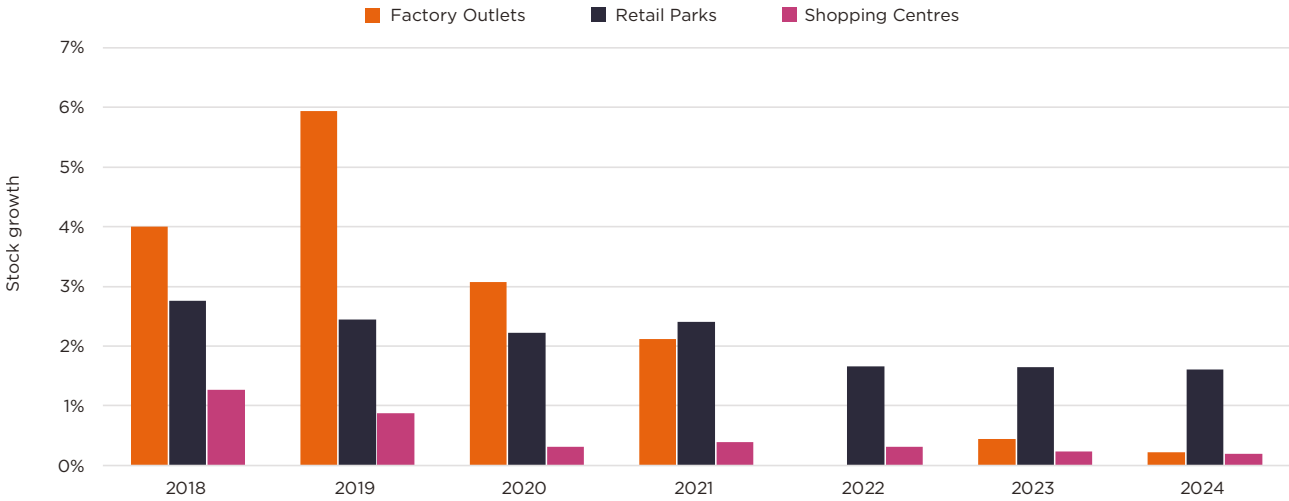
With greenfield opportunities becoming increasingly scarce, developers are shifting their focus away from large-scale new schemes and towards asset optimisation. Rather than building from scratch, they are prioritising extensions, targeted refurbishments, sustainability upgrades, and refreshed tenant line-ups to protect asset value and extend lifecycles. This evolution highlights a market where capital expenditure is focused on resilience and incremental improvement, rather than speculative expansion.



Given the current pipeline, retail development activity is set to slow even further over the next five years, with future supply now converging across all retail formats. When combining schemes under construction with those in planning, shopping centres and retail parks each account for almost identical volumes, 3.3 million sq m and 3.5 million sq m, respectively. This convergence shows that the trend is not format-specific but a sector-wide

reality. Planning approvals are increasingly selective, granted only to projects with strong catchment fundamentals, flexible tenant mixes, and long-term consumer relevance.

FIGURE 7: GROWTH IN STOCK PER RETAIL FORMAT



SOURCE: SAVILLS RESEARCH BASED ON PMA LLP / ECOSTRA

TIGHT SUPPLY SUPPORTS OCCUPIER RESILIENCE

Strengthening consumer spending and renewed retailer appetite for prime space, coupled with very limited new development and the steady upgrading of secondary assets, continue to push vacancy rates down across europe. In the best pitches, empty units are now almost non-existent, and rental levels are starting to rise as competition for the best space intensifies.

VACANCY TIGHTENING IN PRIME LOCATIONS

Across Europe, retail vacancy has continued to narrow over the past year, though performance remains sharply divided between prime and secondary assets. The most resilient formats, retail parks and retail warehouses, have emerged as the clear outperformers. Their vacancy rates have fallen further thanks to a healthy mix of grocery anchors, value and discount operators, home improvement

chains and bulky goods retailers. These segments continue to benefit from easy car access and the integration of stores into omnichannel fulfilment networks. In the UK, vacancy in prime retail parks now sits below 5%, underscoring their strength.

Outlet centres also remain structurally tight. Consistent brand rotation, the rebound in international tourism, and the proactive asset management of operators keep units occupied. Vacancies here are generally short-lived and serve as opportunities to fine-tune the retail mix rather than signs of weakening demand.

Prime high streets in major gateways, helped by tourism’s recovery, stronger luxury and aspirational branding, and the return of experiential flagships, have seen a steady fall in empty units. Luxury market vacancy has returned to pre-pandemic levels, falling from 5.8% in 2024 to 5.5% this year. However, secondary pitches continue to face elevated churn, with weaker demand and

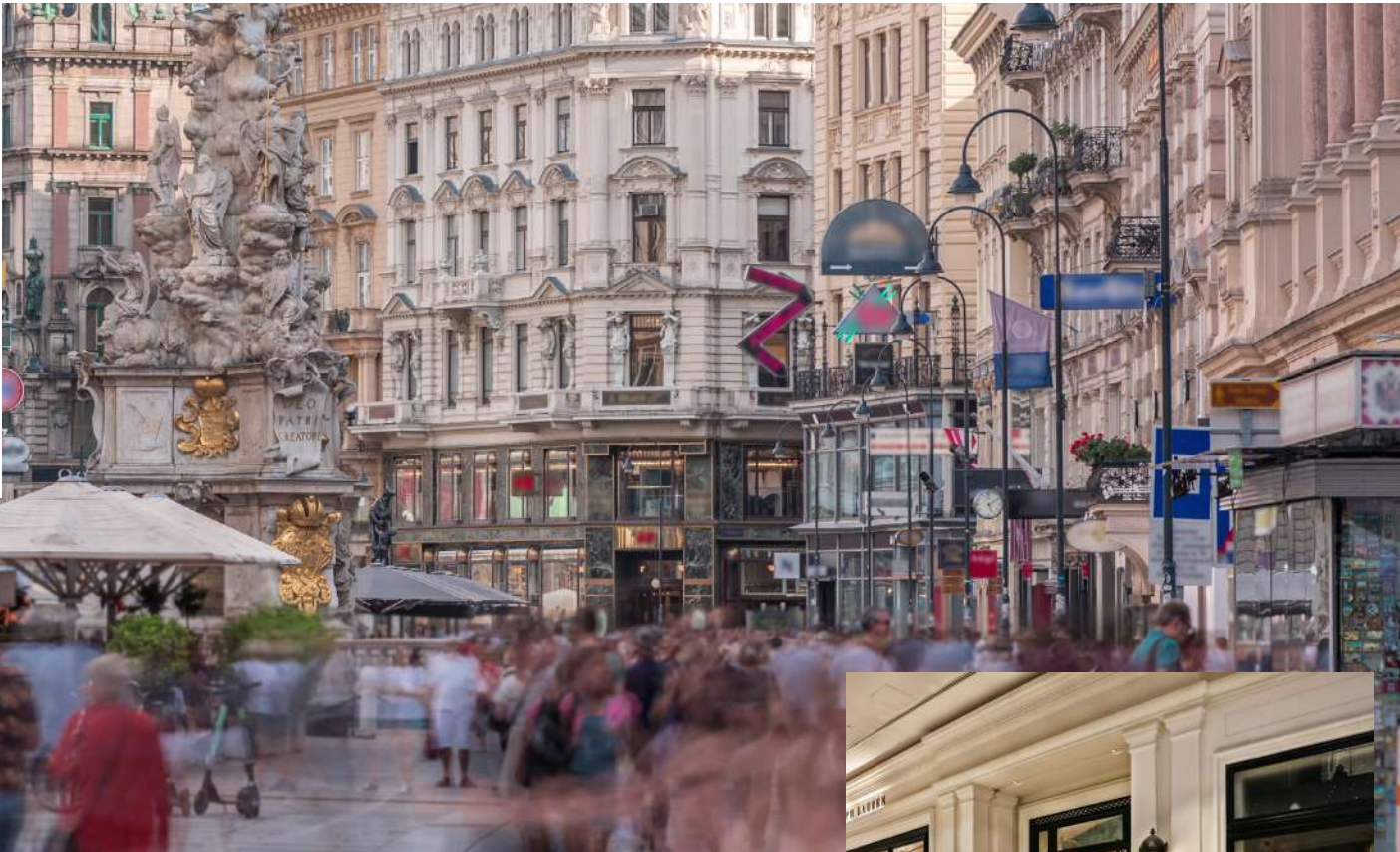
higher turnover. Neighbourhood and convenience parades are near full occupancy, supported by daily-needs retail and personal services. Changes in these segments tend to reflect local demographic shifts rather than structural weakness.

Shopping centres show the widest divergence. Leading, well-positioned schemes with good transport access and a modernised offer, particularly those that have added food, leisure, and health components, are recording vacancy compression. According to PMA LLP, prime shopping centre vacancy has declined for the first time in a decade, averaging 9.5% in 2025 - down 20 bps from last year. By contrast, secondary centres continue to wrestle with anchor rationalisations and outdated configurations. In these locations, voids are often managed through partial repurposing into non-retail uses such as gyms, clinics, municipal facilities, or last-mile logistics.



Occupational demand across prime locations remains buoyant with the laser focus on building quality and pitch intensifying, particularly for flagship locations.

Larry Brennan



PRIME VS SECONDARY SHOPPING CENTRES

Berlin



Milan



Madrid



CHALLENGES SECONDARY ASSET
REPORTED OCCUPANCY
PRIME ASSET

Alexa, Alexanderplatzs	Il Centro, Arese	La Vaguada
99%	98%, weekend footfall exceeds capacity	Fully leased
High vacancy, low footfall despite repositioning	Cosmetic upgrades ineffective, declining appeal	Persistent vacancy, anchor attrition
Helle Mitte, Hellersdorf	Metropoli, Novate Milanese	El Círculo, Dolce Vita Gran Manzana

SOURCE: SAVILLS RESEARCH

RENTAL UPLIFT ACROSS BEST-IN-CLASS ASSETS

As vacancy tightens and new supply remains constrained, prime rents across Europe are experiencing sustained upward pressure, rising by an average of 8% across all formats since 2022. On the high street, luxury pitches have led the way with a 14% uplift, while rents in the mass-market segment have increased by 9%. Though more modest, shopping centres and retail parks have each recorded a 4% rise in average rents over the same period. When looking at just the last twelve months, high streets have seen a 2.5% uptick, shopping centres 1.8%, and retail parks 0.5%.

Looking ahead, improving consumer spending, along with constrained development activity and ongoing repositioning, will continue to limit effective supply, while the steady optimisation of existing assets is progressively enhancing overall stock quality. As a result, vacancy rates across most prime formats are expected to decline further.

This will, in turn, sustain upward pressure on prime rents across all retail formats. However, rental growth is likely to moderate through 2026 as occupiers adopt a more cautious stance amid global economic headwinds and rising operational and fit-out costs. The most expensive retail destinations, notably in the UK, are expected to feel this pressure more acutely. By 2027, however, stronger economic fundamentals could reignite rental momentum.

Meanwhile, greater emphasis is being placed on extracting more value from existing properties. In secondary locations, this often translates into repositioning or conversion towards service-led and mixed-use functions. Together, these shifts highlight a retail landscape in transition, one defined by adaptation, reinvention, and a gradual uplift in asset quality.



For assets in secondary locations, the path forward lies in reinvention – service-led formats, mixed-use conversions, and a sharper focus on long-term relevance.

Chris Nichols

New international entrants IN EUROPE’S KEY CITIES

Aspirational entrants have been the most expansive, focusing on prime, high footfall locations with experience-led formats in key gateway cities.



Post-pandemic, the role of the physical store has been significantly elevated. Demographic shifts, particularly among younger cohorts who favour in-person experiences (even if the final transaction occurs online), combined with rising costs associated with online delivery and customer acquisition, have prompted a recalibration of online strategies. As a result, stores, or rather physical embodiments of the brand, are increasingly central to driving customer engagement, brand loyalty, and reducing online costs through services such as in-store click & collect and returns.

This shift is evident in the strategies of some of Europe’s largest retail brands. Inditex and H&M Group, for example, continue to assess their physical

footprints and reinvest in existing stores with customer-centric refurbishments. Europe’s gateway cities remain key targets for global brands or those with global ambitions, with a growing emphasis on city-centred strategies as these markets can deliver in terms of scale, customer density, international visitor reach and affluence. And this is evident in the scale and breadth of international retailers, brands, F&B and leisure concepts making their debuts across Europe’s major cities. For example, as of early September, approximately 114 international brands have launched across 17 major European cities on the back of the 177 new entrants recorded in 2024.



Amsterdam continues to attract an increasingly diverse range of international retail concepts that merge lifestyle, fashion and immersive store experience.

Daan Mulders

ASPIRATIONAL, PREMIUM FASHION RETAINS TOP SPOT

Fashion continues to lead as the most acquisitive segment in terms of new international entrants across Europe’s gateway cities, aligning with the capital deployment we’ve seen over the last four years (see figure 14). To date this year, there have been 47 store openings by fashion, footwear and sports & athleisure brands making their market debuts, equating to 41% of all new openings by new entrants. Swedish fashion brand Arket, part of the H&M group, has been one of the most expansive, not just in fashion terms but across all product categories. First stores were opened in Barcelona, Helsinki, Warsaw, Milan, Dublin and Zurich with additional new openings in existing markets such as London, as they look to deepen their relationship with local customers supported by H&M Group’s existing logistics and omnichannel infrastructure - further evidence of the elevated role physical stores are playing in retailer strategies.

The most expansive in regards to brand positioning has been aspirational, premium brands accounting for 53% of all new fashion brand store entries (see figure 9). Activity by premium brands this year has been relatively subdued than seen in 2024 largely in response to availability challenges across prime retail destinations, the preferred target areas for these types of occupiers, across Europe’s major gateway cities. In particular, London, Paris and Milan combined, which have accounted for approximately half of these store openings by new entrants, saw a more pronounced reduction in share. More acute availability issues in these markets can be attributed to this slowing.



Recent openings by HOFF and LAGAAM, alongside the entry of Asian brands like Pop Mart, demonstrate growing confidence in Dutch retail property, reflected by rising investment volumes

Alexander de Jong

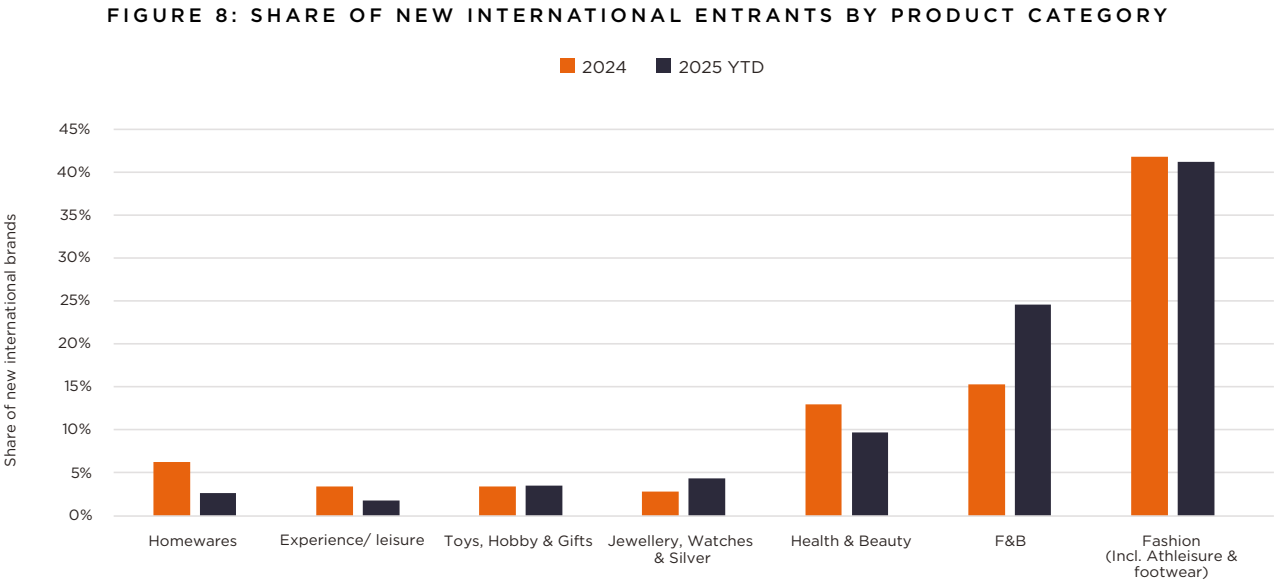
SPORTS & ATHLEISURE BRANDS STEP UP THEIR PAN-EUROPEAN EXPANSION

One part of the fashion segment that has been more acquisitive has been sports & athleisure, particularly within the aspirational segment. Retailers and brands from this segment accounted for 11% of all new entrant store openings to date this year, up on the 5% share in 2024; even in count terms there was an increase from 9 to 12 to date this year. Amsterdam has proven a popular landing zone, welcoming American Alo Yoga on Wolvenstraat, British Gymshark on Kalverstraat 178, and Spanish Oysho, which debuted with a four-floor flagship, at 42 Kalverstraat. Looking to global capital deployment trends, explored in figure 14, this activity is set to continue into 2026 driven by existing players expanding their international reach across Europe and new names coming to the fore.

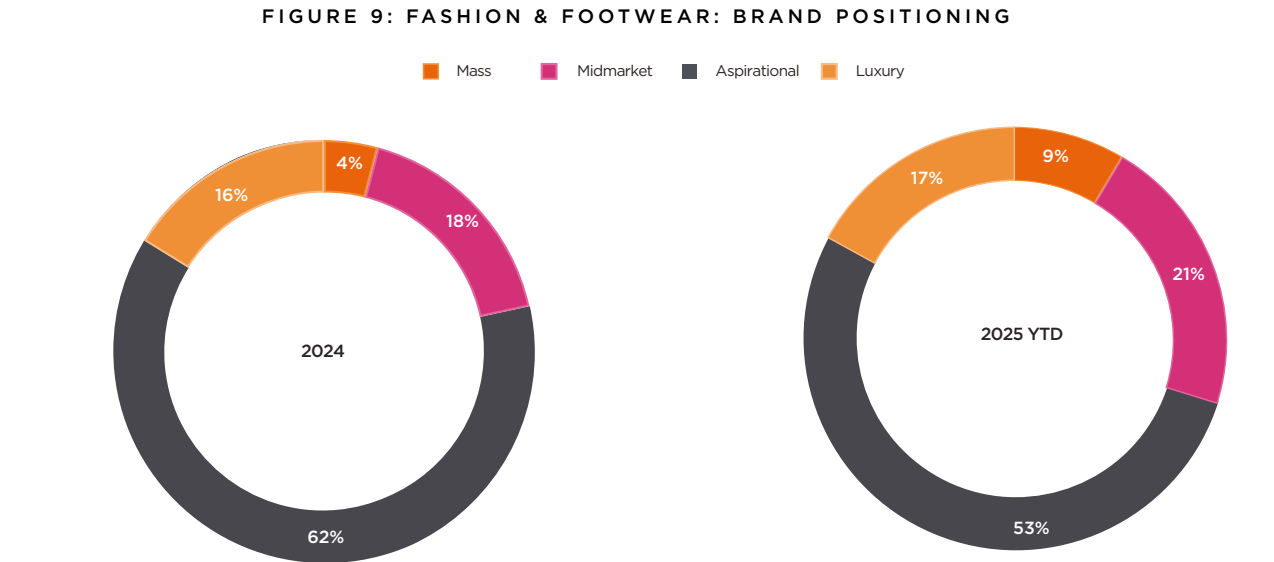


LUXURY NEW ENTRANTS CONTINUE TO BE ACQUISITIVE, WITH WIDER MARKET HEADWINDS FOCUSING ATTENTIONS ON KEY GLOBAL CITIES

The headwinds facing the luxury segment globally has been reflected in a reduced number of luxury brands making market debuts across Europe in 2025, albeit in percentage terms within the fashion segment its share is on a par with last year. There was a slight shift in the share of new openings towards the major luxury cities of Paris, London and Milan; increasing from 43% to 45% of all luxury new entrant store openings. While all cities saw a decline in luxury new entrants in count terms in 2025, Milan was an outlier reporting a small increase in new openings. Its global positioning as one of the premier luxury cities, its international visitor appeal and more recently non-dom tax changes, which has resulted in an influx of HNWI, has cemented the city as a major target for expansive luxury brands. For example, Canadian label Ports 1961 secured space on Via della Spiga, while the American brand Amiri made its European debut on the same street, securing the former Canada Goose unit.



SOURCE: SAVILLS RESEARCH

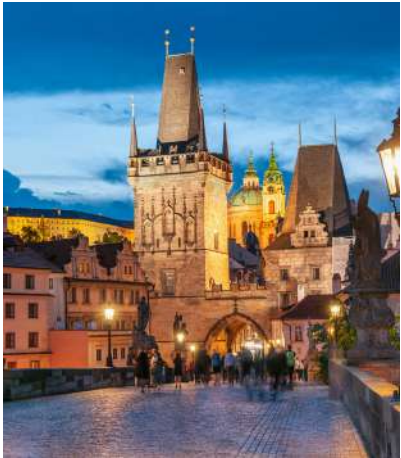


SOURCE: SAVILLS RESEARCH

INTERNATIONAL F&B CONCEPTS TO MAINTAIN EXPANSION MOMENTUM IN 2025

F&B has proven to be one of the most expansive product categories in real terms with new entrant openings, totalling 28 over the first nine months of 2025, just ahead of the 27 seen over the full year of 2024. In share terms it accounted for 25% of new entrants, up from 15% last year. London remains the epicentre of activity, with six confirmed openings to date in 2025. The sector is one that is largely immune to online, with growth to a certain extent being supported by the expansion in delivery services such as Deliveroo. The scale of funding into this space, particularly into US F&B concepts, has also been key to driving growth. Looking to future funding trends, which we explore later in the report, this is set to continue.

MARKET TO WATCH: PRAGUE



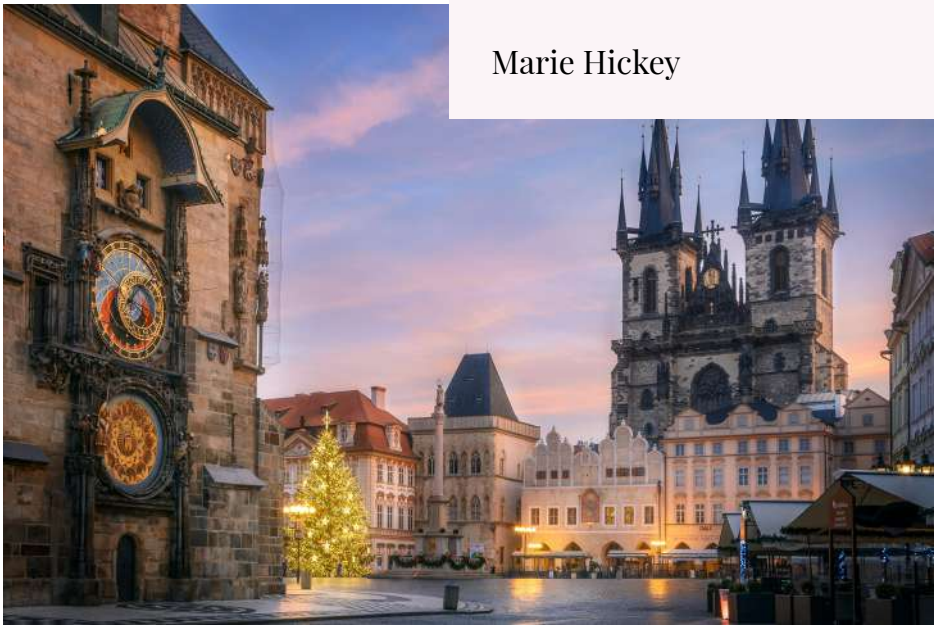
Prague has firmly positioned itself as one of Europe's most desirable brand entry points, matching London in welcoming the highest number of new international brands last year - 38 in total. Among European nations, Czechia distinguishes itself with a strong macroeconomic and retail outlook, ranking among the top performers with a projected GDP growth of 2.2% and an anticipated 4.1% rise in real retail sales this year.

What truly sets Prague apart is the dynamic interplay between both domestic demand and a flourishing tourism sector. As illustrated in figure 4, Prague leads 96 major European cities in projected annual per

capita consumer spending growth through to 2030: 5.1% for clothing and footwear, 6.7% for furniture, and 7.9% for telephone equipment. This cosmopolitan, experience-driven consumer market is drawing a diverse mix of fashion and F&B operators. Pařížská Street, in particular, continues to attract top global brands, with recent and upcoming openings from CHANEL, Ermanno Scervino, Damiani, Max Mara, and Pasquale Bruni.

Recent trade tensions may have generated macro-economic headwinds, but for US brands and F&B concepts it appears to have accelerated expansion across Europe's key cities, a trend we expect to continue considering the scale of recent funding activity in this space.

Marie Hickey



TRADE TENSIONS RESHAPE GLOBAL RETAIL EXPANSION

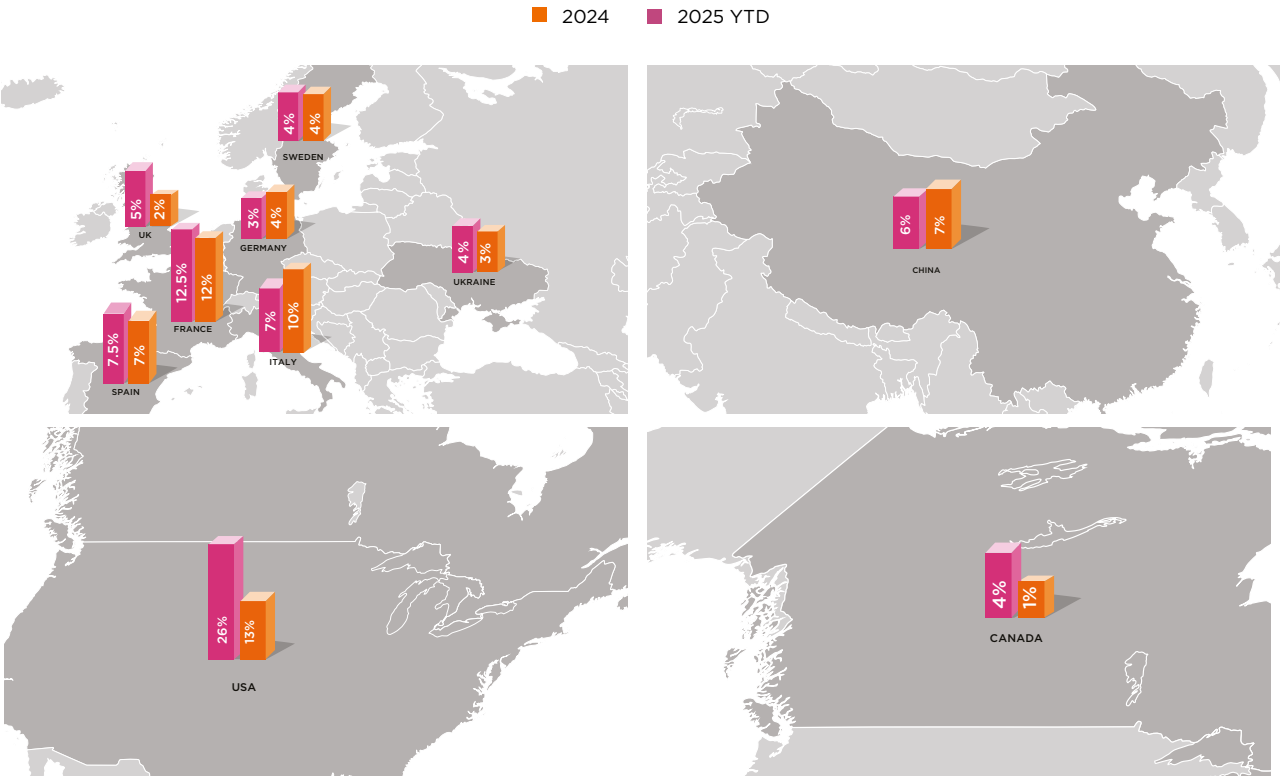
Proximity and the single market have underpinned significant cross border activity within Europe; 56% of new sites opened by new entrants across Europe’s key cities in 2025 were European origin brands, particularly those within the fashion segment. French, Italian, and Spanish brands have led this activity, a reflection of the fashion credentials of these markets. While regionally Europe has driven new entrant activity, the biggest single origin market has been the US in 2025 continuing the trend seen the previous year. US retailers, brands and F&B concepts have rolled out 29 first entry stores/sites in major European cities to date this year; equating to 25% of all new openings and driven by businesses in the F&B and fashion categories.

The acceleration in US occupier expansion can, in part, be attributed to recent US trade tariff tensions and weakening consumer confidence at home leading a number to accelerate cross border expansion strategies. A trend that was observed in London in 2018/19 during Trump’s first term and his then tariff warnings. Funding into US brands and F&B concepts has also aided this. July’s EU-US trade deal will provide further confidence to US businesses suggesting that US expansion activity is set to continue into 2026.

US trade relations have also influenced cross border activity from other origin markets. Canadian brands, who historically would have focused on the US initially, have pivoted attentions to Europe amid strained trade and political tensions with its closest neighbour. Canadian new entrants, though fewer in number, are gaining a foothold in Europe, particularly in the sports & athleisure segment. Milan’s gravitational pull, a blend of fashion credibility and affluent footfall, has drawn Arc’teryx and Lululemon into its orbit, underscoring the city’s role as a hub for performance-led lifestyle brands.

China’s retail pivot westward reflects a more strategic recalibration. Historically concentrated in London and Paris, Chinese brands are now widening their European footprint in order to diversify revenue streams and reduce reliance on domestic consumers post-pandemic. Punitive US tariffs have intensified this trend. In 2025 alone, Pop Mart, MINISO, and BYD have launched in Berlin, Amsterdam, and Zurich, respectively. The Toys and Hobby segment has emerged as a standout export category for Chinese brands.

FIGURE 10: SHARE OF NEW INTERNATIONAL BRAND ENTRANTS BY COUNTRY OF ORIGIN: TOP 10



SOURCE: SAVILLS RESEARCH

What are the future opportunity markets in Europe FOR EXPANSIVE GLOBAL BRANDS?

The level of cross border expansion across Europe’s key cities and the elevated role of the store, particularly in terms of raising consumer awareness, means there is a growing emphasis on city-centred strategies as they are locations that can deliver in terms of turnover and customer visibility. While this varies by retail segment and brand positioning, discretionary categories—such as fashion, jewellery, sports & athleisure, and parts of f&b and leisure—are increasingly focused on expansion in key gateway cities across Europe.

So, what are the most attractive opportunity city markets for global brands wanting to grow their European footprint?

London and Paris; still prime targets but securing opportunities has become increasingly competitive



London and Paris remain top priorities for cross-border brands and retailers due to their market size, affluence, and international reach, as reflected in their strong appeal to international visitors (see figure 11). However, constrained availability and a heightened focus on building and pitch quality have made these markets increasingly competitive, particularly for smaller, independent premium brands. Rising total occupational costs and fit-out expenses, especially for premium brands, have created additional margin headwinds with these expected to subside as we move through 2026 as trading conditions look set to improve.

Beyond London and Paris; strengthening gateway markets

So, which markets beyond London and Paris should be moving up the agenda for brands seeking cross-border opportunities?

Using the same pillars that make London and Paris attractive—market size (retail sales), affluence (GDP per capita), and international visitor appeal (overnight international visitor numbers)—we’ve identified the top 20 gateway cities in Europe. Gateway in the sense that they are typically the entry points for new international brands entering a country.

While London and Paris are clear outliers, several smaller gateway markets offer compelling opportunities based on strong fundamentals and relatively attractive prime headline rents (see figure 11 & 12).

Madrid, gaining momentum



Madrid, the third-largest retail market in Europe by spend, has gained significant traction

over the past 18 months. This is supported by robust domestic spending and growing appeal to affluent international tourists, underpinned by a 20% increase in luxury hotel room supply since December 2019. Prime headline rents on flagship high streets are nearly 10% below the European average, making Madrid an increasingly attractive entry point, particularly for US premium brands, some of which are now looking to Madrid over London for expansion opportunities.

Amsterdam and the Wider Benelux Region



Amsterdam, while smaller in market size, scores highly on international reach boosted by the entrance of new premium hotel brands and a strong domestic customer base. Prime rents on its flagship high street are nearly 20% below the European city average, offering strong value. Brussels and Antwerp (though the latter is not in the top 20) also show improving appeal, with both markets forecast to see some of the highest retail sales growth in Europe over the next three years, 6.0% and 6.2% per annum, respectively.

Germany's market appeal poised for a rebound in 2026



Germany's gateway markets are expected to regain appeal in 2026. The country's macroeconomic challenges—reflected in declining consumer confidence and discretionary spending—are projected to ease, with economic growth forecast to accelerate. As one of Europe's largest retail markets, this bodes well for consumer spending and occupier expansion strategies having moved down the target list for expansive international brands.

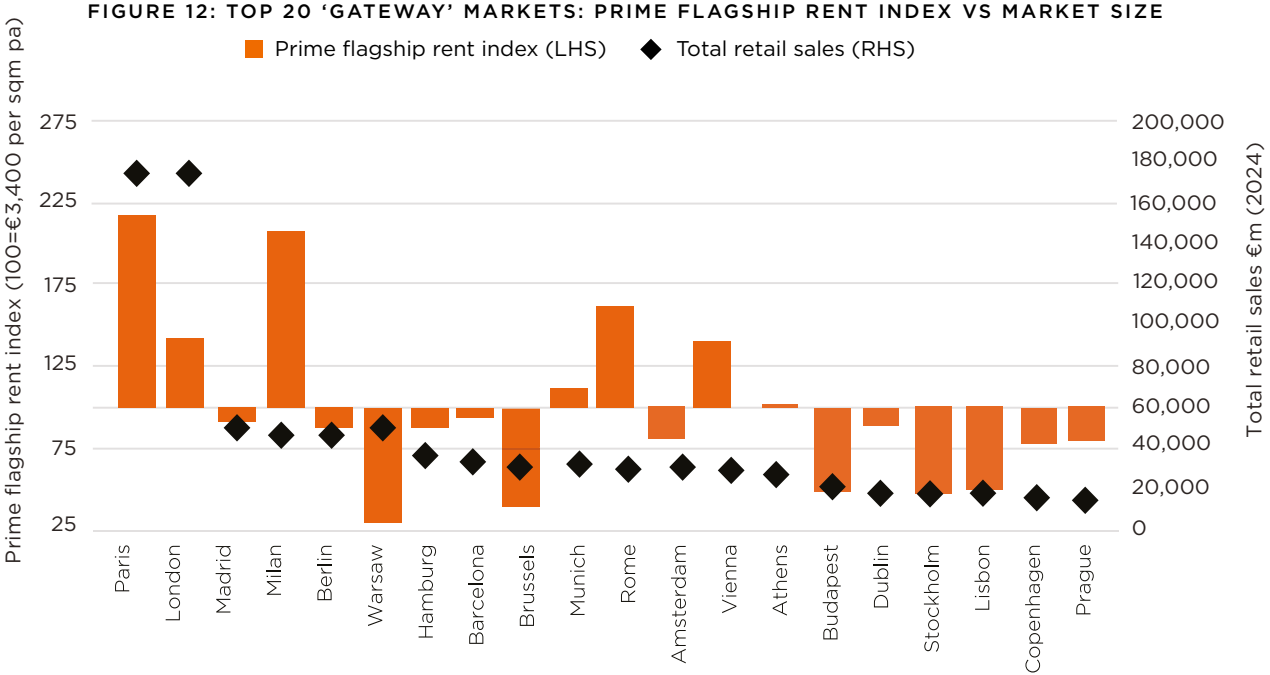
Berlin, Munich, and Hamburg are Germany's key gateway cities. Berlin and Munich is forecast to see above-average retail sales growth through to end 2028 (3.0% and 3.2% per annum in real terms). Munich's appeal to lifestyle and premium brands is enhanced by its wealth density—30% of households have disposable incomes exceeding US\$100,000 per annum, compared to a gateway city average of 18%. Hamburg's market size and relatively lower rents will also support its attractiveness to occupiers.

CEE markets to become more established expansion targets to a broader spectrum of occupiers

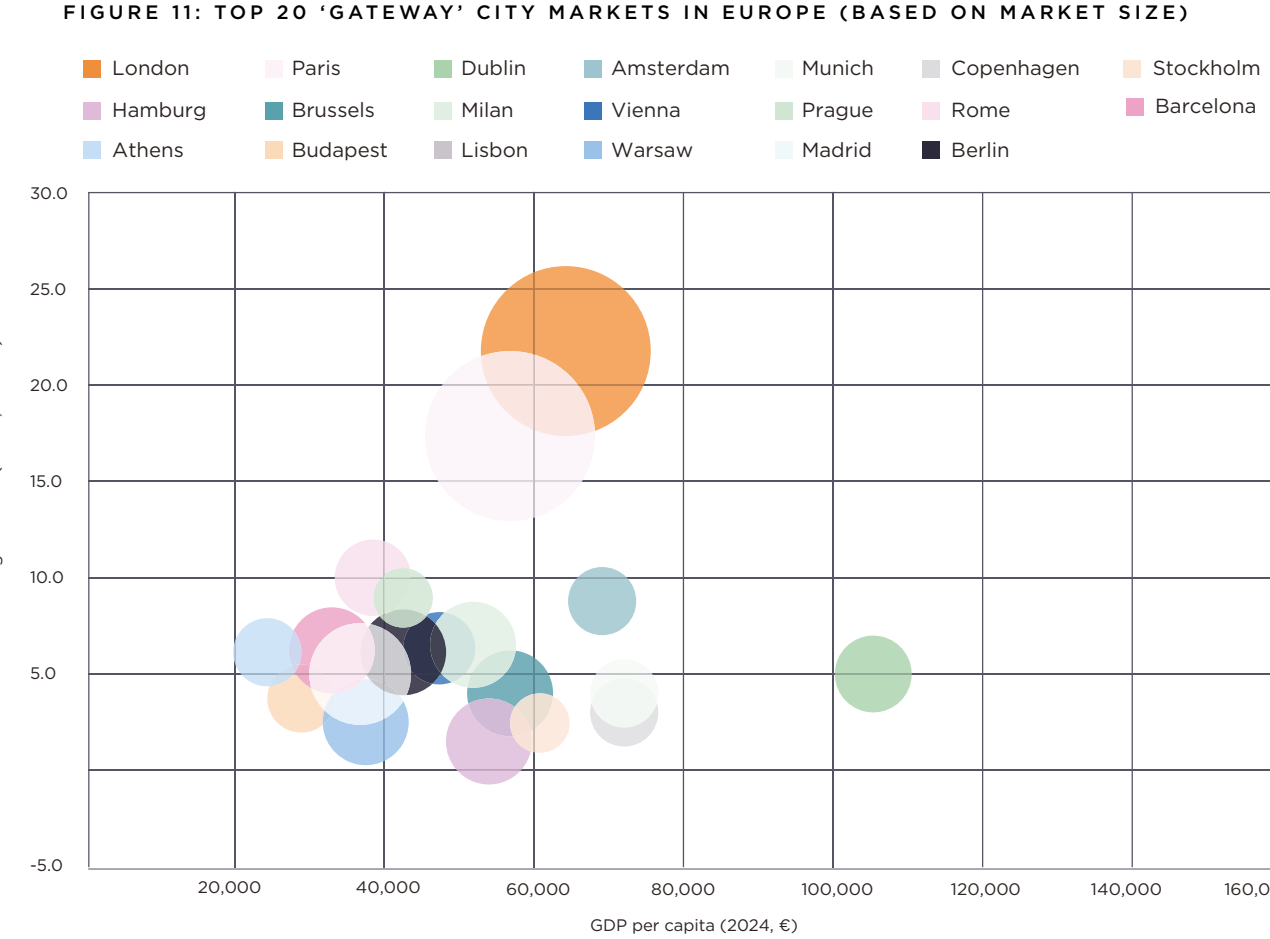


Consumer spending across CEE markets has accelerated over the past 15 years, making the region increasingly attractive notably for value-focused brands, with the region also exporting some of its own homegrown value brands. Looking forward, those top 20 European gateway markets in the region will continue to be lead performers in growth terms.

Warsaw, Prague, and Vienna will remain primary targets. Warsaw and Prague are especially appealing due to lower occupational costs, with prime flagship rents 55% and 20% below the gateway city average, respectively. Prague and Vienna's international visitor appeal adds further value, particularly for aspirational brands, a trend evident over the past two years (see figure 9). Notably, 70% of new international fashion and jewellery entrants to Warsaw since early 2024 have been aspirational or luxury brands a theme expected to continue and expand to other CEE gateway markets.



SOURCE: SAVILLS RESEARCH, OXFORD ECONOMICS
(NOTE: THE RENTAL INDEX REFLECTS THE PERCENTAGE DIFFERENCE TO THE ALL GATEWAY CITY AVERAGE)



SOURCE: SAVILLS RESEARCH, OXFORD ECONOMICS, EUROMONITOR, LOCAL STATISTICAL OFFICES
(NOTE*: WHERE 2024 INTERNATIONAL VISITOR DATA WAS NOT AVAILABLE 2019 DATA WAS USED AS A PROXY)

Identifying THE GROWTH CONCEPTS OF THE FUTURE

One effective way to identify the segments and occupiers likely to be the most expansive across Europe's gateway cities is to follow the money. IPOs, M&A activity, private equity investment, debt raises, and seed funding are all potential catalysts for brands and retailers to grow their physical footprints, further underpinned by the pivotal role of the store in recalibrated omni-channel strategies.

This trend was especially evident in the immediate aftermath of the pandemic, with a peak in capital investment into consumer-facing retail, leisure, and F&B businesses in 2021, reaching £332 billion globally (see figure 13).

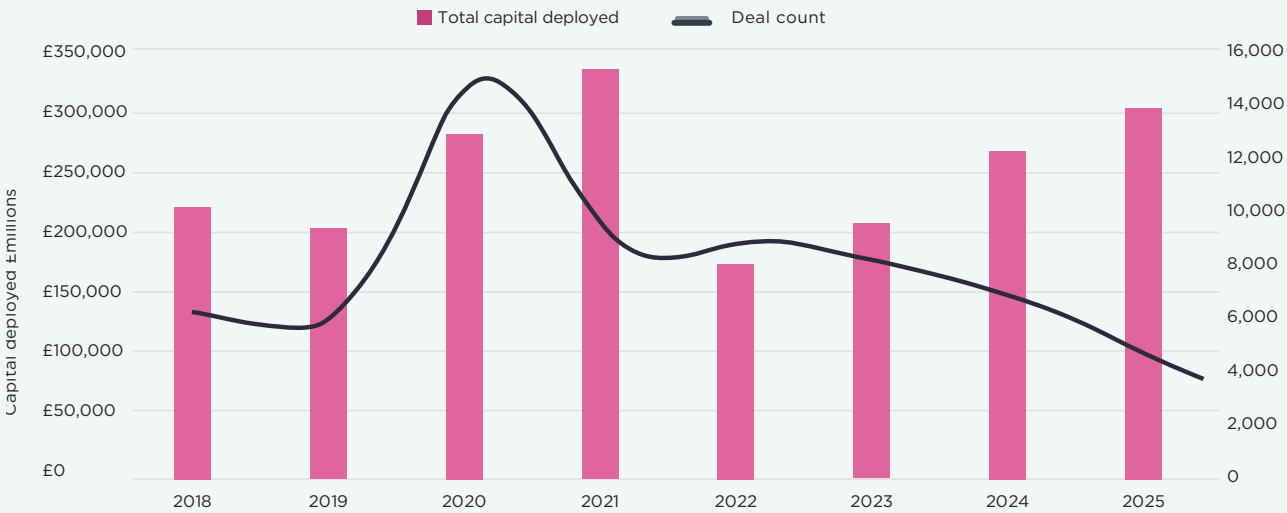


While the number of deals has declined, the average capital deployed per transaction has increased, resulting in more meaningful investments, and therefore more likely to translate into physical store expansion.

The 2021 investment peak helped drive the improved occupational demand observed across gateway markets globally since 2022. Looking at activity so far this year, capital deployment has already reached £301 billion, 13% above the full-year total for 2024. This momentum is expected to continue supporting robust occupational demand over the next three years.



FIGURE 13: GLOBAL CAPITAL DEPLOYMENT INTO CONSUMER FACING RETAIL, LEISURE AND F&B BUSINESSES



SOURCE: SAVILLS RESEARCH USING COMPANY DATA
(NOTE: ANALYSIS INCLUDES CONSUMER FACING FIRMS FROM FASHION, HOME FURNISHINGS, PERSONAL PRODUCTS, LEISURE FACILITIES, RESTAURANTS & BARS, DEPARTMENT STORES, GENERAL MERCHANDISE STORES AND SPECIALITY RETAIL SEGMENTS. DEALS INCLUDE ONLY THOSE FIRMS THAT ARE PROFITABLE AND/OR GENERATING REVENUE. THEY ALSO ONLY INCLUDE COMPLETED, IN-PROGRESS, UPCOMING AND RUMOURED DEALS)



What segments will be the most acquisitive?

Looking at deals exceeding £5 million since early 2024, the segments attracting the most significant investment include specialty retail (e.g., convenience stores, petrol forecourts, and niche categories like workwear), department stores, fashion, restaurants & bars, and leisure businesses. However, in terms of cross-border activity in gateway cities it will be the latter three – fashion, restaurants & bars and leisure – that are expected to be the most acquisitive. This aligns with the acceleration in investment into these segments over the past two years and mirrors historical patterns of new entrant activity (see figure 8).



While not capturing the same volume of investment, sports & athleisure and health & beauty have seen notable surges in capital deployment up 304% and 169% year-on-year, respectively, across 2024/25. These trends suggest further occupier expansion is likely within these segments, particularly as they align with evolving consumer preferences and lifestyle shifts.

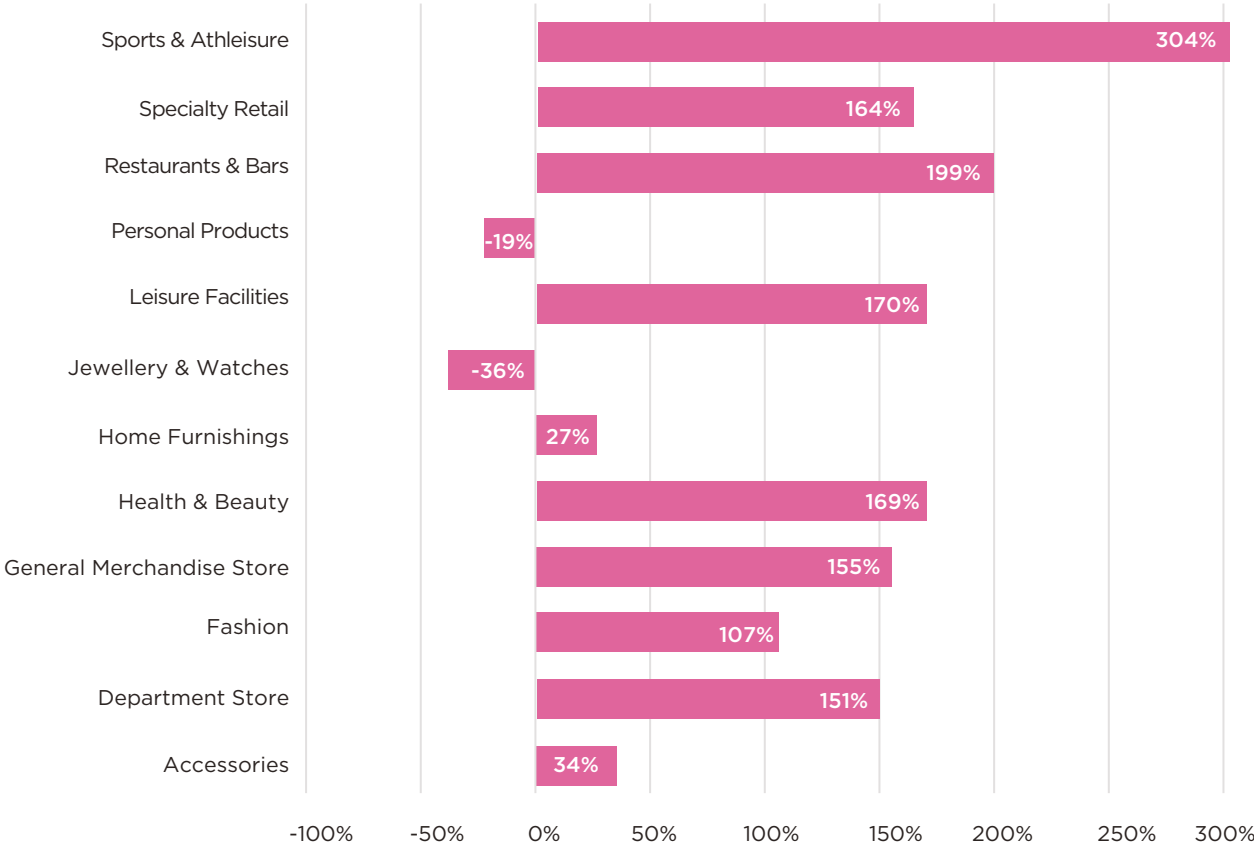
FIGURE 14:

GLOBAL CAPITAL DEPLOYED BY CATEGORY 2024/25 (BASED ON DEALS OF £5M+)



SOURCE: SAVILLS RESEARCH USING COMPANY DATA
(NOTE*: ANALYSIS FOCUSES ON THOSE DEALS IN 2024/25 OF £5M+)

FIGURE 15: GLOBAL CAPITAL DEPLOYED BY CATEGORY YOY CHANGE (2024/25 AVERAGE)



SOURCE: SAVILLS RESEARCH USING COMPANY DATA
(NOTE: ANALYSIS FOCUSES ON THOSE DEALS IN 2024/25 OF £5M+)

Wellness comes to the fore

An analysis of recent investment verticals reveals a growing investor focus on wellness-related concepts, reflecting evolving consumer preferences. Among capital raises exceeding £5 million since early 2024, 7% of total capital was deployed into businesses with a wellness angle.

Beyond fitness concepts, restaurants & bars and health & beauty concepts accounted for the majority of wellness-related investment, 25% and 20%, respectively. These concepts often carry strong ESG credentials

and brand standards, which can influence location strategy, building selection, and fit-out requirements.

US to remain a key source market for expansive brands and concepts, but new source markets are emerging

US brands and concepts continue to be the most well-capitalised globally. Since early 2024, capital deployed into US headquartered business totalled just over £95bn, followed by the UK at nearly £18bn. Within the larger cross-border segments, US restaurants & bars account for the largest share of

capital deployed (34%), indicating that the recent acceleration in US QSR (quick service restaurant) expansion across Europe is set to continue.

While the major source markets have all seen increased capital deployment, new entrants have emerged in the top 10 since early 2024. Canada and Japan have moved up the rankings, with investment concentrated in sports & athleisure and leisure segments, respectively. For Canadian brands, the US has traditionally been the primary target for cross-border



expansion. However, recent trade and geopolitical tensions are tempering this activity, prompting a strategic shift toward Europe and Asia Pacific.

Italy, France, and Spain will remain significant exporters of expansive fashion brands. However, China is poised to become an increasingly important source market, with 31% of Chinese-focused investment directed toward fashion retailers and brands. A growing number of Chinese fashion brands are pursuing global expansion to diversify revenue streams and reduce reliance on domestic consumers post-pandemic, something that has been observed in the new entrant data.

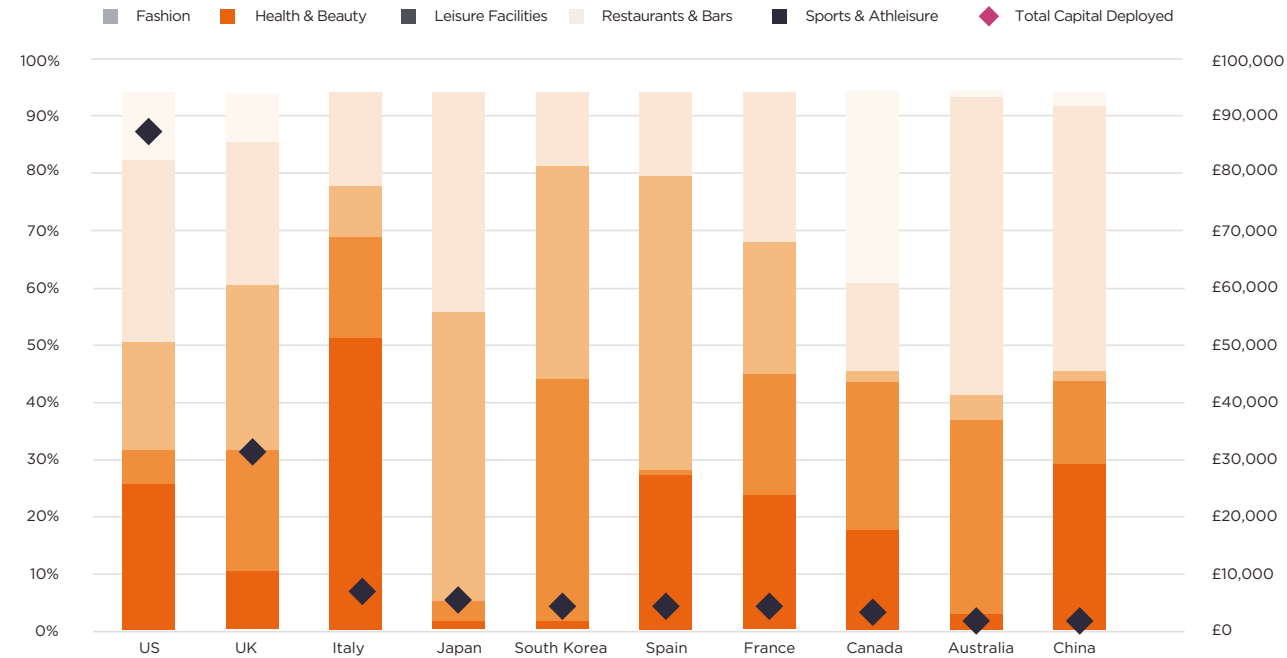
One example is Urban Revivo, often



Australian brands across core segments in previous years went into fashion, totalling nearly £200 million. This is already translating into new store acquisitions: since 2022, eight Australian brands have opened their first European sites in London, half of which were fashion-focused. This momentum is expected to continue and broaden beyond London to other attractive gateway markets in Europe.



FIGURE 16: TOP 10 ORIGIN MARKETS (2024/25 CAPITAL DEPLOYMENT €5M+)



SOURCE: SAVILLS RESEARCH USING COMPANY DATA
(NOTE: ANALYSIS FOCUSES ON THOSE DEALS IN 2024/25 OF €5M+)

referred to as the “Zara of China,” which operates over 400 stores—primarily in China—and made its European debut in London in 2025, followed by New York the same year. The brand aims to grow its non-China store network by 200 locations over the next five years.

Australia is also emerging as a notable source market for fashion brands. While investment activity over the past two years has been relatively modest—just 3% of capital deployed into fashion businesses—this follows a period of significant activity. For instance, 40% of capital invested into



Investment: RETAIL CAPITAL MARKET REGAINS ITS FOOTING OCCUPATIONAL MARKET

Market momentum builds: rising volumes and stable yields highlight renewed confidence in prime retail assets.

RETAIL INVESTMENT SLOWLY BUILDING MOMENTUM

Retail investment activity in Europe held firm in the third quarter, with preliminary figures suggesting that more than €6.5 billion was channelled into retail assets. This is broadly in line with the same quarter last year. Year-to-date volumes have now surpassed €24.6 billion, 16% higher than in the same period of 2024 and 3% above the five-year average for Q1-Q3. This resilience stands in contrast to the wider real estate market, where total European investment is expected to reach €127.5 billion by the end of Q3, slightly down on last year (-1%) and 29% below the five-year average.



(+135%), Portugal (+128%) and Finland (+114%), generally on the back of relatively weak performance recorded last year. Only Poland, the UK and Germany saw volumes fall compared with last year. The fundamentals of the retail market are clearly improving, drawing a wider range of investors back into the sector. Falling vacancy rates, renewed rental growth, and a very limited pipeline of new developments are all strengthening income prospects. This more supportive environment is encouraging larger assets and portfolio transactions to come to market, which in turn is broadening participation from institutional and international buyers.

Shopping centres have continued to regain popularity, with investment in the sector accounting for 30% of total retail volumes since the beginning of the year, up from 26% over the same period in 2024. This increase was largely driven by a rise in the number of larger transactions. High street investment, by contrast, fell sharply to just 1% of total activity, compared with 17% last year, when a handful of trophy asset deals had inflated volumes.

■ ■ ■
Retail investment volumes are set to reach just over €35.5 billion in 2025, a 5% year-on-year increase and 4% above the five-year average, reflecting a gradual rise in transactions as confidence returns to the sector

Lydia Brissy



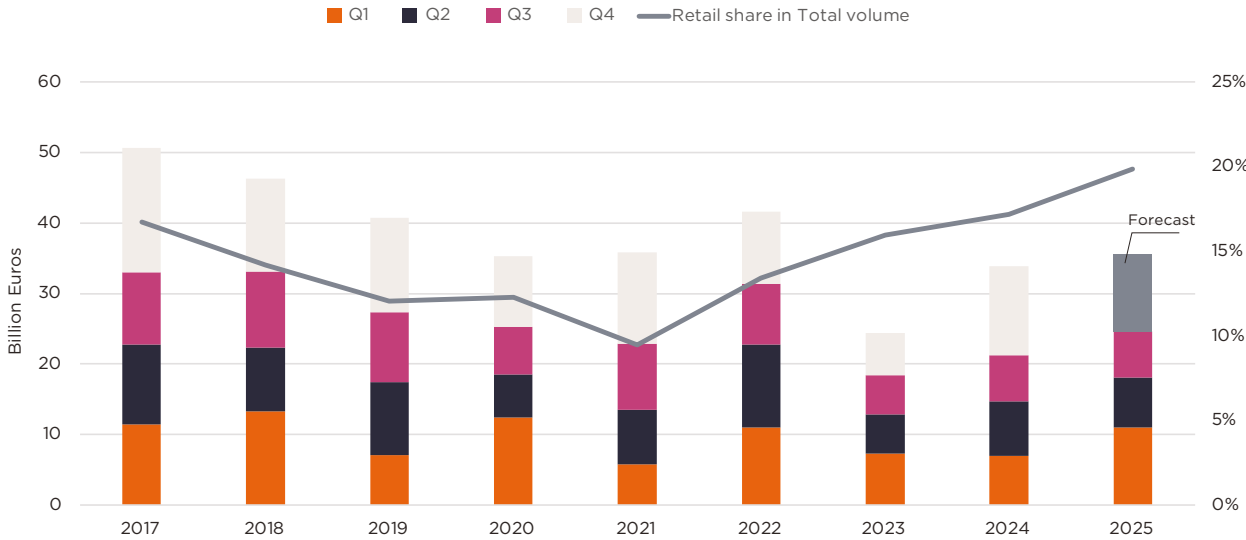
Retail parks remain the leading segment, representing 42% of total retail investment so far this year. Their resilient fundamentals continue to appeal to investors, although the share has dipped compared to last year. This is less a reflection of a weaker appetite and more the result of a limited pool of available

stock. Meanwhile, grocery stores maintained their role as a steady, defensive allocation, accounting for 16% of total investment, broadly in line with 2024.

The retail market is becoming increasingly polarised. Prime assets in central, high-footfall locations with secure tenant demand continue to command strong investor interest, underpinned by their income stability and long-term value. By contrast, secondary properties face greater leasing pressures and heightened risk of obsolescence, yet still attract buyers pursuing value-add strategies. These often involve repositioning, modernising facilities, enhancing sustainability features, or repurposing assets for alternative uses. The focus of investment is therefore shifting: the distinction between shopping centres, retail parks, or grocery formats is less important than the intrinsic quality, resilience, and adaptability of each asset.

Looking ahead, the challenge will lie in narrowing the gap between buyer and seller expectations. As more stock comes to market and the investor base widens, pricing alignment will remain a hurdle, slowing the pace of deal activity. We expect a gradual increase in transactions rather than a sharp rebound, supported by growing confidence in the retail sector and a more favourable economic backdrop. Based on closed deals since early October and those progressing through the pipeline, retail investment volumes in Q4 are projected at around €11 billion. This would bring the 2025 total to just over €35.5 billion, marking a 5% year-on-year increase, and 4% above the five-year average.

FIGURE 17: EUROPEAN RETAIL INVESTMENT VOLUME



SOURCE: SAVILLS RESEARCH

YIELDS STABILITY, GIVING WAY TO COMPRESSION

While some investors continue to seek higher-yielding opportunities in alternative sectors, prime retail assets still offer a comparatively attractive pricing advantage against most other property types. This relative value has contributed to a renewed, albeit cautious, appetite for retail investment. Despite this regained interest, prime retail yields across Europe have remained broadly stable since the start of the year. In our view, this resilience reflects two main factors. First, investors are not yet ready to price in yield compression, as structural concerns around the sector persist and financing costs remain elevated. Second, a significant share of recent activity has been in the form of portfolio transactions, which do not necessarily translate into sharper benchmarks for prime assets. As a result, there is not yet the breadth

of competitive bidding required to generate yield movement. However, year-on-year, European retail yields showed moderate inward movement across all segments. In Q3 2025, luxury high street assets recorded the largest shift, with prime yields decreasing by 17 bps year-on-year to reach 4.2%. Mass-market high street yields also moved in by 7 bps to 5%, shopping centre by 4.5 bps to 6.2% and retail park yields decreased by nearly 4 bps over the year to 5.9%.

Looking ahead, improving economic conditions and a stronger retail occupational market are expected to sustain investor appetite. Yield compression should remain gradual across Europe next year, with retail warehouses and high-street assets leading the way thanks to resilient tenant demand.

Prime shopping centres are also set to benefit from growing institutional interest in large lot sizes, which should support liquidity and drive a slow but steady compression of yields in this segment.

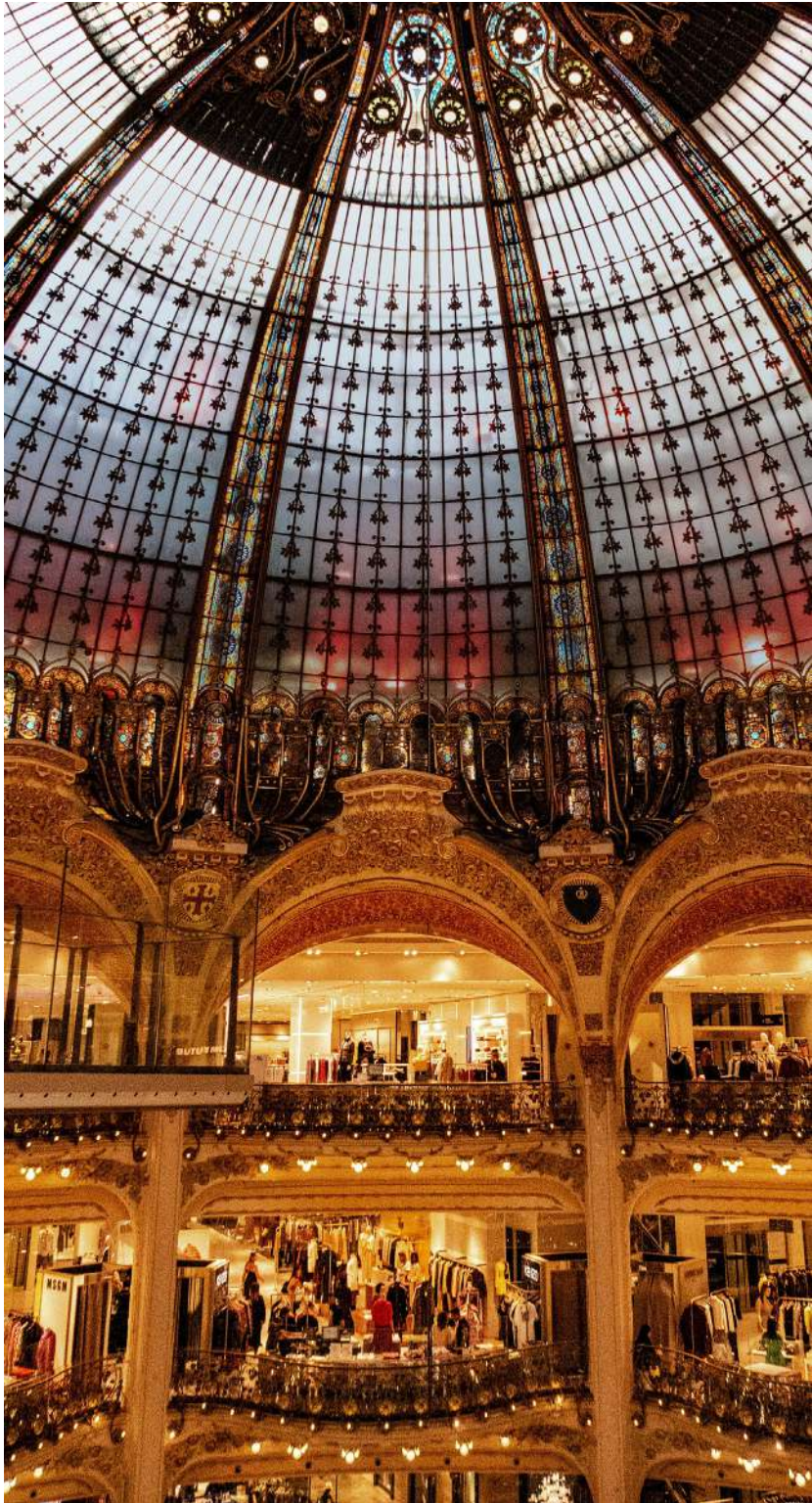
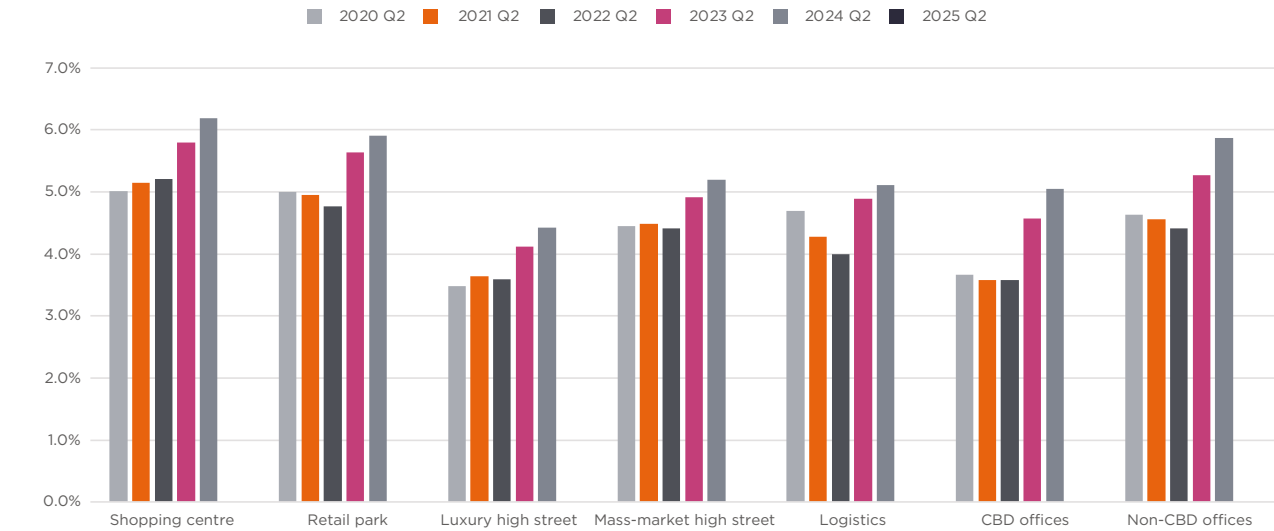


FIGURE 18: PRIME EUROPEAN YIELDS



SOURCE: SAVILLS RESEARCH

Prime city assets stay top of the investor agenda, as secondary properties transform through creative repositioning and value-add strategies.

James Burke

Where is the RETAIL JOURNEY HEADED NEXT?

RETAIL POLARISATION WILL INTENSIFY IN THE NEXT FIVE YEARS

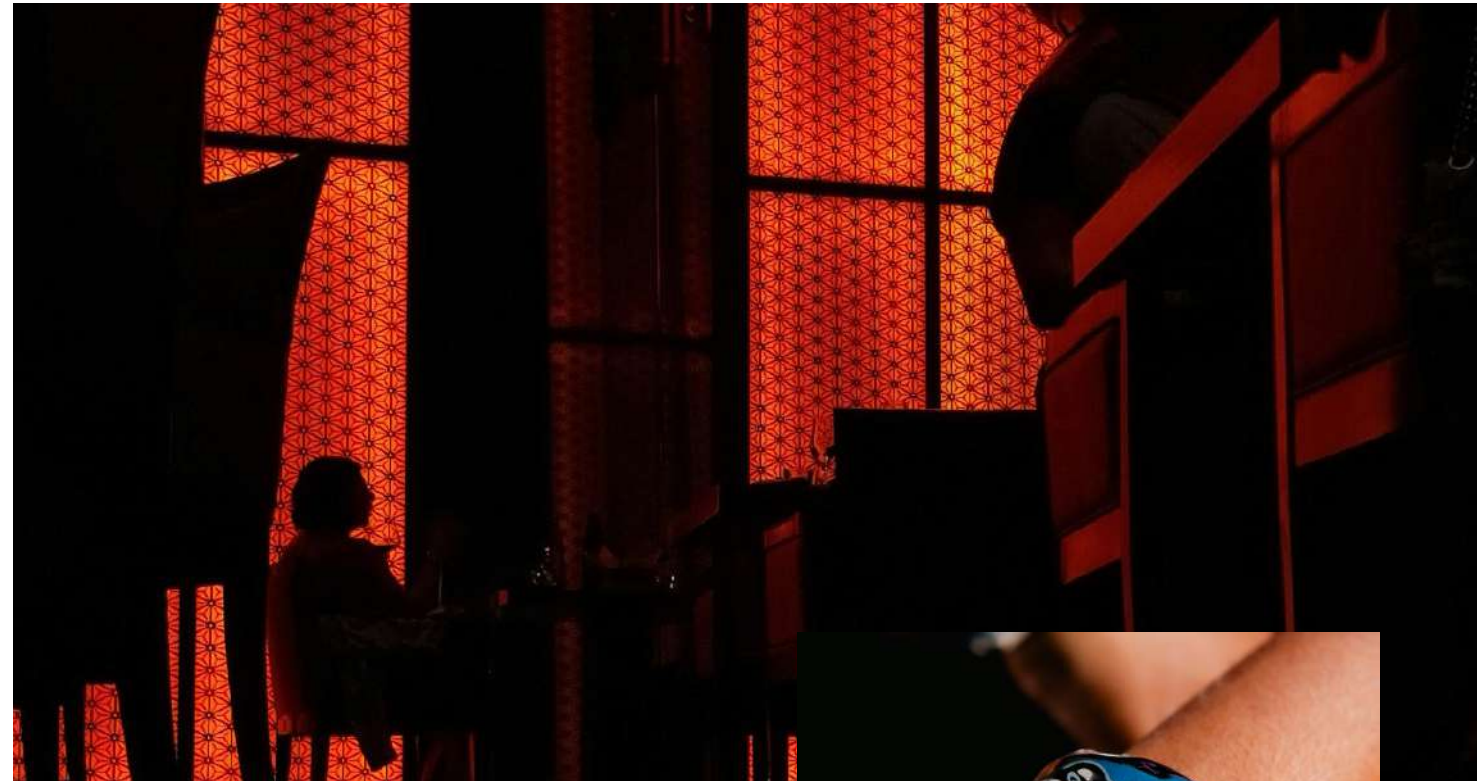
The divide between prime and secondary assets will widen, with demand, rental growth, and investment increasingly concentrated in top locations. Meanwhile, secondary assets will require repositioning, thereby improving the quality of the entire retail stock and eventually narrowing the prime-secondary gap in the long term.

DEVELOPMENT PIPELINE TO REMAIN CONSTRAINED

New retail construction will stay limited, with asset optimisation, refurbishment, and sustainability upgrades taking precedence over new builds.

SUSTAINABILITY AND RESILIENCE WILL TAKE CENTRE STAGE

Retailers and investors will prioritise sustainability, flexibility, and resilience in both assets and operations to navigate evolving consumer expectations and regulatory pressures.



HYBRID AND OMNICHANNEL RETAIL TO BECOME THE NORM

Retailers will further blur the lines between physical and digital, with hybrid formats, experiential concepts, and flexible store strategies gaining ground.

EUROPE TO REMAIN A KEY TARGET FOR EXPANDING INTERNATIONAL OCCUPIERS

Rising incomes, improving spend and the continent's unrivalled tourist appeal means gateway cities will continue to appeal. The competitive occupier landscape in some of the biggest markets means smaller gateway markets will move up the agenda.



VALUE RETAIL'S IMPORTANCE TO GROW FURTHER

Discounters and value-led formats will continue to perform strongly, as affordability becomes a lasting priority for the growing middle-class European consumer base.

WEALTH TRANSFER WILL INFLUENCE DOMESTIC CONSUMPTION

A significant transfer of wealth to older generations will boost demand for premium, wellness, and experience-driven retail, while also supporting younger family members' aspirational consumption.

URBANISATION AND TOURISM TO FUEL RETAIL HIGH STREETS

Retail activity will concentrate in major cities and tourist destinations, supported by strong international visitor flows and urban population growth.

TECHNOLOGY AND AUTOMATION WILL RESHAPE OPERATIONS

Advances in retail technology, automation, and data analytics will drive efficiency, enhance customer experience, and support new retail formats.

RETAIL INVESTMENT MOMENTUM TO CONTINUE BUT TO REMAIN SELECTIVE

Capital will focus on prime assets, while secondary properties will attract value-add and repositioning strategies.

RETAIL YIELDS SET FOR GRADUAL COMPRESSION WHILE STAYING COMPETITIVE

Investor appetite will drive yield compression across Europe next year, led by retail warehouses and high-street assets, with prime shopping centres following. Retail will remain competitive, as yield compression in other asset classes is expected to be even more pronounced.



KEY
CONTACTS

European & Cross Border	Research Team
Larry Brennan Head of European Retail Agency +353 1 618 1302 larry.brennan@savills.ie Anthony Selwyn Co-head of Prime Global Retail +44 (0) 7917 657 747 aselwyn@savills.com Sam Foyle Co-head of Prime Global Retail +44 (0) 7764 348 689 sfoyle@savills.com Laura Clowes Director, Global Cross Border Retail +44 (0) 7870 999 506 laura.clowes@savills.com Alexander Glavas Director, Global Cross Border Retail +44 (0) 20 7758 3878 alexander.glavas@savills.com Thea Rowe Middle East & Cross Border Retail +971 4 365 7700 thea.rowe@savills.me Amanda Vissia Director, Global Luxury Retail +39 026328141 amanda.vissia@savills.it	Lydia Brissy Director, European Research +33 1 44 51 73 11 lbrissy@savills.fr Chris Nichols Analyst, European Research +44 (0) 7123 6338 chris.nichols@savills.com Tom Whittington Director, UK Retail Research +44 (0) 161 244 7779 twhittington@savills.com Marie Hickey Director, Prime Global Retail Research +44 (0) 3320 8288 mlhickey@savills.com

