



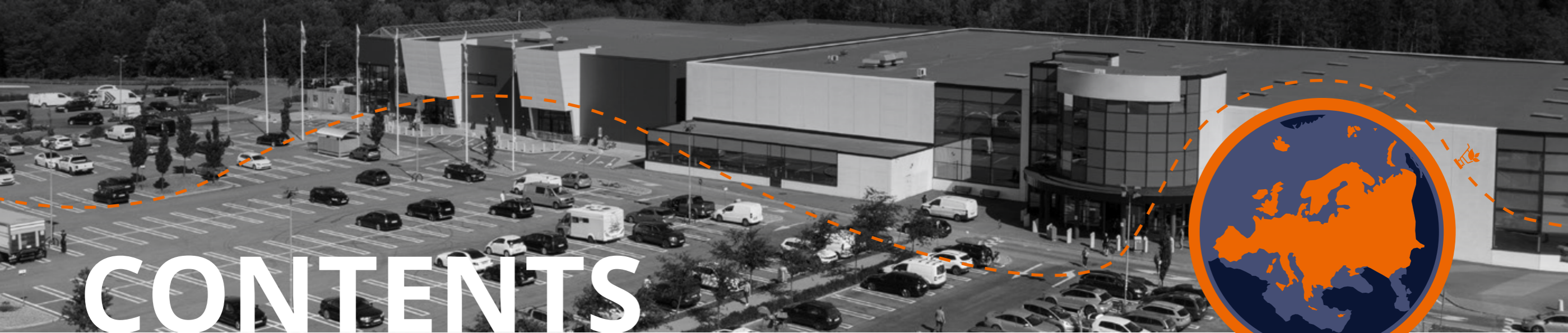
FOOD RETAIL IN EUROPE.

Understanding markets – seizing opportunities

2025/26

GRR BASIC RETAIL REPORT





CONTENTS

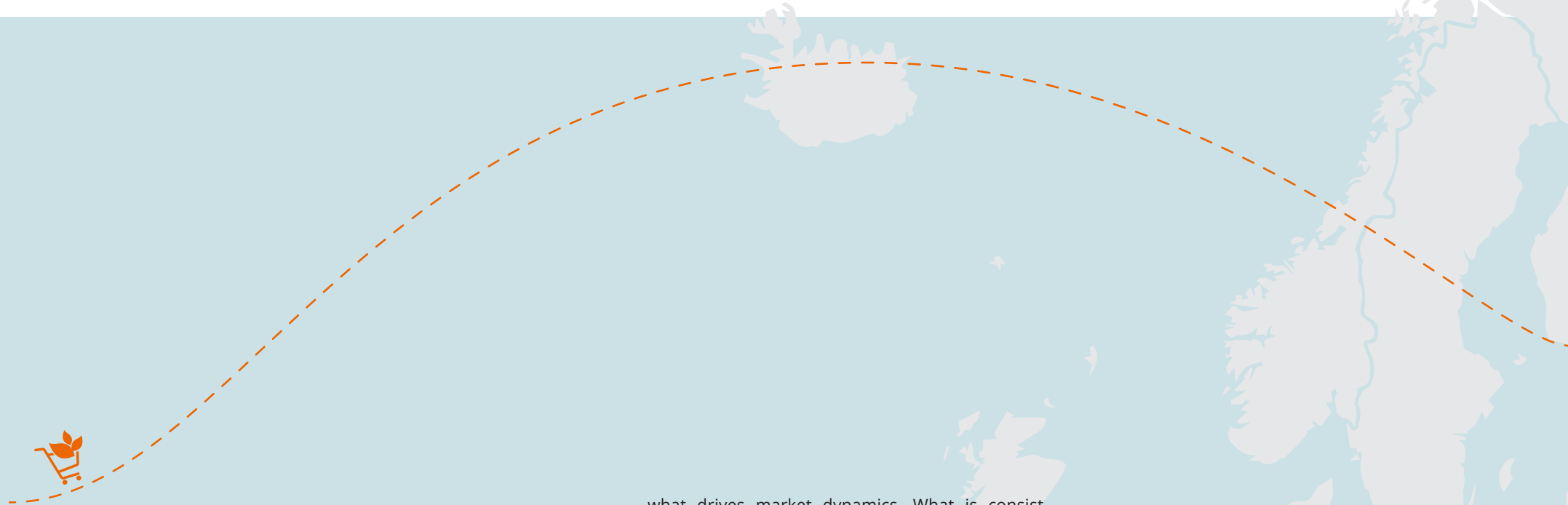
1 Foreword	05		
2 General Market Developments	09		
■ Food Retail Properties: A Resilient Investment in Stable and Volatile Times	11		
■ Structure and Development of the Retail Sector in Germany	21		
3 The Big Picture	25		
■ Food Retail in Selected European Countries	27		
■ Europe's Food Retail Landscape: A Comparison of Local Supply Segments	31		
■ Food Retail in Italy and Finland	39		
■ Risks and Vulnerability in the Real Estate Sector: A Comparison between Germany and the rest of Europe	41		
■ From Regulations to Returns: The Path to Value-Driven ESG Performance in the Retail Sector	43		
■ ESG in the European Context: Data Challenges and Photovoltaic Potential in Food Retail	47		
■ The European Labor Market and its Influence on Food Retail: Differences, Challenges and Future Trends	51		
■ Food Retail in Europe: Its Suitability for Developing a pan-European Investment Strategy	59		
■ Entering the Market with a Plan: Legal Challenges to Entering the European Food Retail Market	63		
■ Opportunities and Risks in the European Commercial Real Estate Market	67		
4 Retail and Consumers	71		
■ Kaufland: European Expansion and Innovative Store Concepts	73		
■ Aldi Nord and Aldi Süd Building Specifications: Cost Efficiency of a Uniform European Construction Standard for Food Retail Spaces	77		
5 Real Estate and Investment	81		
■ ESG and Assessment: Implications for Commercial Real Estate in Europe	83		
■ GRESB as a Benchmarking Tool for Assessing the ESG status quo across Europe	89		
■ International Real Estate Investments: The Need for Experience	91		
6 Tenants and Management	93		
■ Lease Agreements and Green Leases across Europe	95		
■ Building Law: A Comparison between Germany, France, Austria and Italy	99		
■ The Dutch Food Retail Sector: Stability meets Complexity	105		
■ Challenges for International Investment Fund Managers: The Italian Perspective	107		
■ Food Retail in Austria: A Market with its own Rules	113		
7 Investors and Funds	115		
■ The Particularities of Financing Food Retail Properties Internationally	117		
■ Stable, Resilient, High Yield: European Food Retail Properties as a Strategic Anchor for Institutional Portfolios	119		
■ The Geopolitical Compass: Local Supply as a Fixed Point for European Real Estate Portfolios	123		
■ Building a pan-European Fund with Food Retail Properties: A Manager's Perspective	129		
8 Closing Remarks and Acknowledgments	131		



Andreas Freier
Managing Director,
GRR GARBE Retail
Real Estate GmbH



Jan Heidelbergmann
Managing Director,
GRR GARBE Retail
Real Estate GmbH



Dear Readers,

We at GRR GARBE Retail Real Estate are delighted to present the fifth edition of the GRR Basic Retail Report, which focuses on pan-European topics relating to food-anchored properties. While over recent years many areas of brick-and-mortar retail have come under increasing pressure from online commerce, changing consumer habits and structural transformations, food retail properties have proven to be one of the most stable asset classes within the European real estate market. However, it is a time during which profound change, geopolitical uncertainties, rising interest rates, high energy costs and expected inflationary dynamics are affecting operating cost structures and consumer purchasing power, and thus ultimately the earnings profiles of tenants and investors.

Against this backdrop, the current report analyses the development of food retail properties in select European countries. The comparative approach aims to illustrate how these markets are dealing with their respective conditions and challenges. While consolidation and efficiency gains are the main focus in some countries, in others, expansion strategies, innovative concepts or regulatory frameworks are

what drives market dynamics. What is consistent across all markets is that sustainability, energy efficiency, and location quality are increasingly decisive criteria for investors.

With this report, we aim to provide a sound basis for your strategic considerations. Our goals are to make transparent the comparative opportunities and risks across our selected European markets, to identify stable sources of income, and to provide impetus for a future-oriented portfolio strategy.

On behalf of the management of GRR GARBE Retail, we would like to take this opportunity to thank all who contributed their expertise to this report. We hope that it will provide you with valuable insights into the European market - whether you are an industry professional or a newcomer to these market segments. We would also like to express our special gratitude to our cooperation partner JLL, and of course our employees at GRR Garbe Retail, without whose dedicated work this report would not be possible.



Dear Readers,

The past few years have demonstrated the important role that food retail properties can play in the portfolios of defensively oriented investors. The indispensability of daily food requirements creates a continuous and reliable demand for suitable retail space. These fundamentals clearly distinguish the sector from other retail segments and make it a valuable portfolio component in uncertain times.

This report systematically examines the many facets of pan-European food retailing – from macroeconomic developments and regulatory frameworks to the operational challenges of portfolio management. It places particular emphasis on highlighting the differences between European markets and their respective advantages, which is reflected in the steadily growing interest among institutional investors. Improved market liquidity and growing product diversity are opening up new strategic opportunities for pan-European investment approaches.

However, successful investment in this segment requires in-depth market knowledge and strategic property selection. Factors such as location quality, tenant creditworthiness, contract terms and inflation protection remain key evaluation criteria.

Thus, the challenge lies in successfully navigating between national peculiarities in order to develop coherent pan-European strategies. From legal frameworks and Environmental Social Governance (ESG) requirements to local consumer preferences, the European food retail sector is remarkably diverse which brings both opportunities and complexity.

This report provides practical insights for the successful development and implementation of investment strategies in the European food retail sector. It is aimed at anyone who would like to learn more about the potential of this robust market segment. On behalf of JLL, I hope you find it informative and interesting reading.



Sandra Ludwig
Head of Retail Capital
Markets, JLL

GENERAL MARKET DEVELOP- MENTS.



FOOD RETAIL PROPERTIES:

A RESILIENT INVESTMENT IN STABLE AND VOLATILE TIMES.

European food retail properties continue to demonstrate their appeal as one of the most resilient commercial property sectors, with investor interest steadily increasing as the sector successfully navigates disruptive economic cycles. From overcoming the challenges of the Covid-19 pandemic to maintaining stability during the recent period of high inflation, the food retail properties sector has repeatedly demonstrated its defensive qualities. As institutional investors seek reliable income streams, the food retail properties sector offers compelling fundamentals.



A report by
Sandra Ludwig
Head of Retail Capital
Markets, JLL



Tjard Martinus
Head of Retail
Research, JLL

EUROPE'S LARGEST AND MOST RESILIENT RETAIL SECTOR

The food sector is the largest retail sector in the European region. According to data from Oxford Economics, food sales, including food, beverages and tobacco products, generated an impressive €1.6 trillion in revenue in 2024 within the European Union and more than €1.8 trillion in revenue if the United Kingdom is included. In the EU's five largest markets, total food sales amounted to €1.2 trillion, with Germany and France being the largest markets in terms of total consumer expenditure.

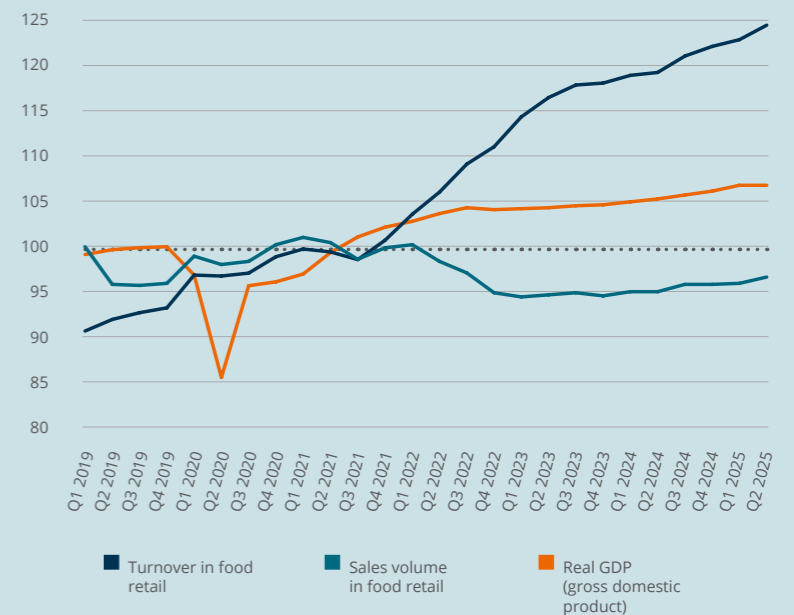
What makes food retail particularly attractive to investors is its proven resilience across economic cycles. Regardless of macroeconomic factors, basic consumer needs remain. Food sales in the EU grew by 3.0 percent annually between 2001 and 2024, outperforming traditional retail sectors such as fashion (Eurostat). Volume of sales increased by an average of 0.5 percent per year, exceeding the region's annual population growth of 0.2 percent. During the Covid-19 pandemic, even as the EU's GDP fell by 5.7 percent in 2020, food retail turnover grew by 5.4 percent and volume of sales increased by 3.1 percent, as food retailers remained open while other retailers were subject to restrictions. Despite inflation

in the EU reaching 9.2 percent in 2022 and 6.4 percent in 2023, food retail volume had fallen by only 3.9 percent by the end of 2024 compared to 2021, while sales rose by 19.4 percent over the same period.



EU RETAIL TURNOVER INDEX FOR FOOD AND GDP INDEX

2021 = 100; seasonally adjusted time series; food includes food beverages and tobacco



Source: Eurostat, Oxford Economics (August 2025)

CONSUMER TRENDS SUPPORT A SOLID INVESTMENT CASE

Since 2022, European consumers have become more cautious about food purchases, primarily due to inflation squeezing household budgets. Many have grown highly price-sensitive, leading them to either reduce their food purchases or opt for private-label and discount alternatives. Consumer demand began a gradual recovery in 2024, supported by easing inflation and real wage growth. This recovery is anticipated to continue into the coming years, although volume growth is expected to remain moderate.

In response, grocery operators are adapting by introducing new food options to boost revenue, including an increased focus on private labels, healthy food choices, and ready-to-go meals. Food sales revenue across the EU is forecast to grow by an average of 3.9 percent per year from 2025 to 2029. Over the same period, inflation-adjusted food sales are projected to increase at an average rate of 1.2 percent annually, according to data from Oxford Economics.

Perhaps most importantly for real estate investors, physical stores continue to dominate food retail despite e-commerce growth. According to EuroCommerce and McKinsey & Company, as published in the 'The State of Grocery Retail 2025' report, revenue from online retail accounted for 6.5 percent of the total revenue generated in the grocery sector in 2024 across the 10 most developed European markets. This means that an overwhelming 93.5 percent of grocery revenue is still generated in physical stores. The economics of online grocery delivery, where drive times can contribute up to 80 percent of fulfilment costs, continue to favour physical stores. While the online food retail market is set to grow by 6.0 percent per year on average between 2025 and 2029 across the 10 most developed European markets, revenue from physical stores is forecast to grow by 3.5 percent a year.

Major food retailers are adapting by introducing 'click & collect' services in larger stores, utilising excess space while eliminating delivery costs and encouraging additional impulse purchases. Additionally, operators are collaborating with food delivery companies, such as Uber Eats, Deliveroo and Glovo, to deliver goods within 30 minutes from existing stores. This hybrid approach strengthens the

physical food retail stores rather than undermining it.

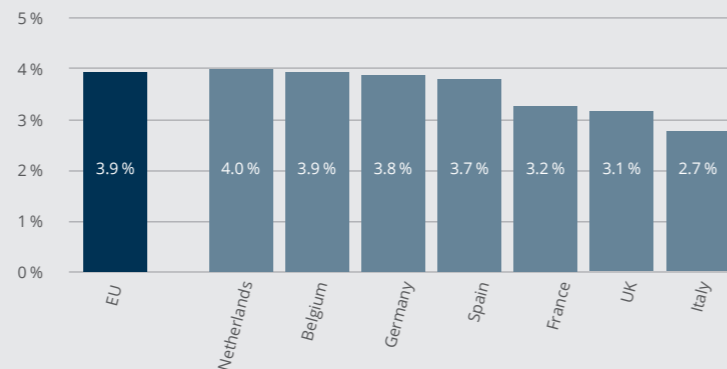
Demographic trends further support the case for investment, with the urban population in the EU forecast to grow by 6.0 million people (+1.8 percent) between 2025 and 2035. When considering the combined population for the EU and UK, the urban population is set to grow by 9.9 million people, an increase of 2.5 percent over the same period. Well-connected food retail stores in growing conurbations can attract new consumers and offset periods of weak economic conditions.



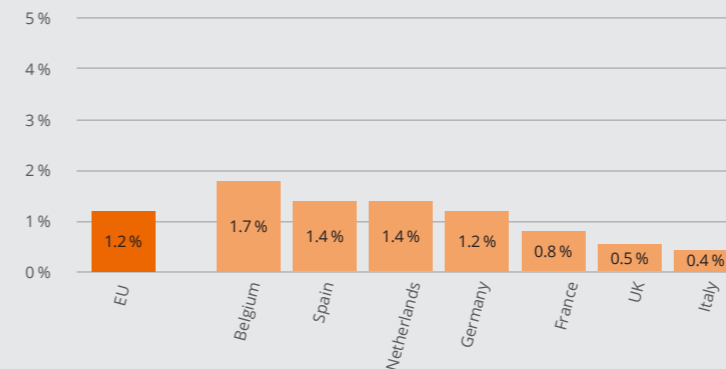
FORECAST SALES GROWTH FOOD RETAIL 2025-2029

Average annual growth (%); food includes food, beverages and tobacco products

FORECAST: REVENUE GROWTH P.A.



FORECAST: INFLATION-ADJUSTED SALES GROWTH P.A.

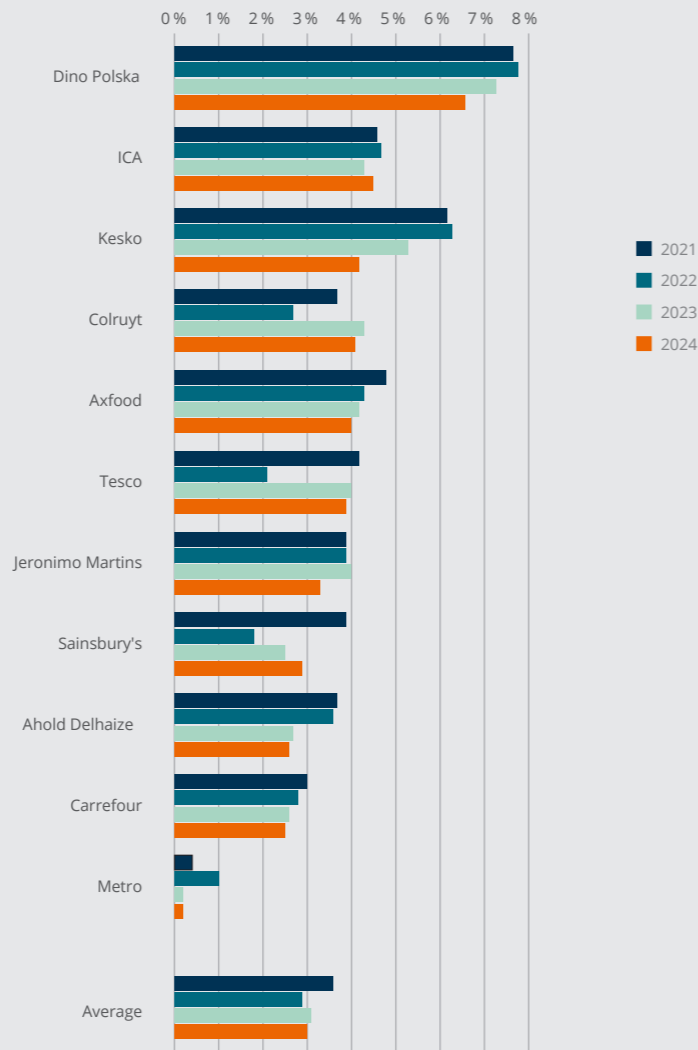


Source: Eurostat, Oxford Economics (August 2025)

STRONG TENANT COVENANTS AND LEASE STRUCTURES

European food retailers provide attractive tenant covenants, with the continent's leading operators ranking among the largest retail groups globally. The 20 largest European-based food retail groups generated combined annual revenue of €1.1 trillion in 2024, which was up 4.8 percent on 2023's results. While this includes income from various food retail properties, store formats, overseas sales and income from non-food activities, it demonstrates significant financial strength despite operating on thin margins. European-based food retailers typically have operating margins ranging from 2 percent to 5 percent.

OPERATING MARGINS OF SELECTED EUROPEAN FOOD RETAILERS



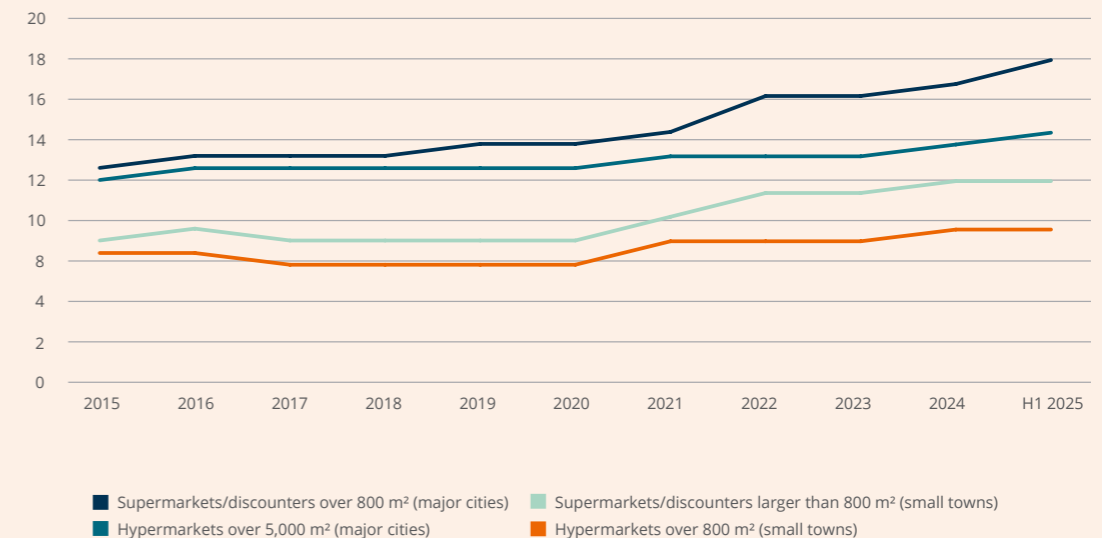
Quelle: Company reports (August 2025); The financial tax year results for Colruyt ending on 31 March 2025, for Tesco and Sainsbury's both ending on 28 February 2025 have been considered as 2024 results. Exchange rates are based on the annual average exchange rate.

€ 1,1 TRILLION ANNUAL TURNOVER

Food retailers typically sign longer leases compared to other retailers, with convenience food store and supermarket leases typically averaging three to five years longer across Europe. Break options are less common, particularly in mature markets, as operators seek to protect market share and amortise investments. These leases are typically linked to local inflation metrics and adjusted annually, providing a solid inflation hedge for investors. While contractual rent growth may sometimes be limited to 70-90 percent of annual indexation due to operators' negotiating power, the security and longevity of incomes remain highly attractive in the current economic environment.

RETAIL RENTS IN THE FOOD SEGMENT IN GERMANY

Rents in € per square metre per month; large cities: ≥100,000 inhabitants; smaller cities: <100,000 inhabitants



Source: JLL Research (August 2025)

AN UNDER ALLOCATED PROPERTY SECTOR

Real estate investors are increasingly targeting stand-alone food retail stores and food retail-anchored assets such as retail parks. Between 2015-2024, the European grocery real estate investment market averaged €4.7 billion annually, which represented 11.3 percent of European retail real estate capital flows. Volumes peaked at €6.5 billion in 2021 during the Covid-19 pandemic but fell to €4.7 billion over the following two years, as rising interest rates created pricing mismatches between buyers and sellers, particularly for core assets.

The market showed resilience in 2024, with European grocery real estate investment volumes reaching €4.4 billion despite a 7.1 percent year-on-year fall driven by fewer large portfolio transactions. The trend continued into H1 2025, with volumes amounting to €1.6 billion, down 3.8 percent year-on-year. Recent notable acquisitions include Supermarket Income REIT's €255 million joint venture with Blue Owl Capital for eight UK supermarkets, Slate Asset Management's €420 million purchase of 45 German grocery properties, and AMF's €200 million sale of its Mercada stake to Kesko in Finland.

Successful retail parks are typically anchored by strong food retail tenants. Combined food retail real estate and retail park investments averaged €13.9 billion annually between 2015-2024, representing 33.5 percent of Europe's total retail investment volumes. In 2024, combined volumes grew 11.0 percent to €12.4 billion, whilst H1 2025 saw a 1.8 percent year-on-year increase to €4.3 billion, demonstrating sustained investor appetite for grocery-anchored retail assets.

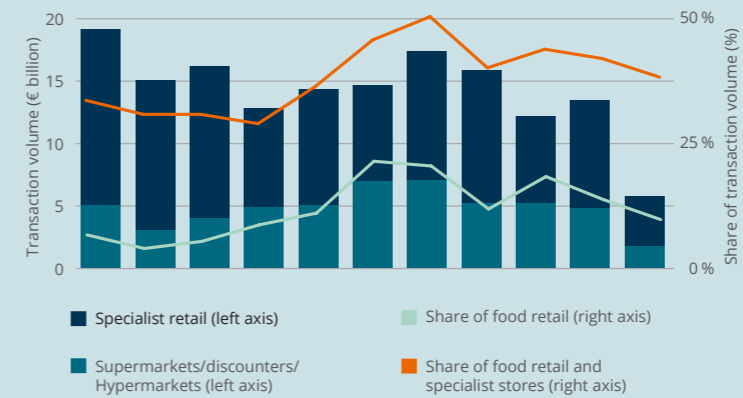
In 2024, the combined volume rose by 11.0 per cent to 12.4 billion, while the first half of 2025 saw an increase of 1.8 per cent year-on-year to €4.3 billion – clear evidence of continued investor demand for food-anchored retail properties.



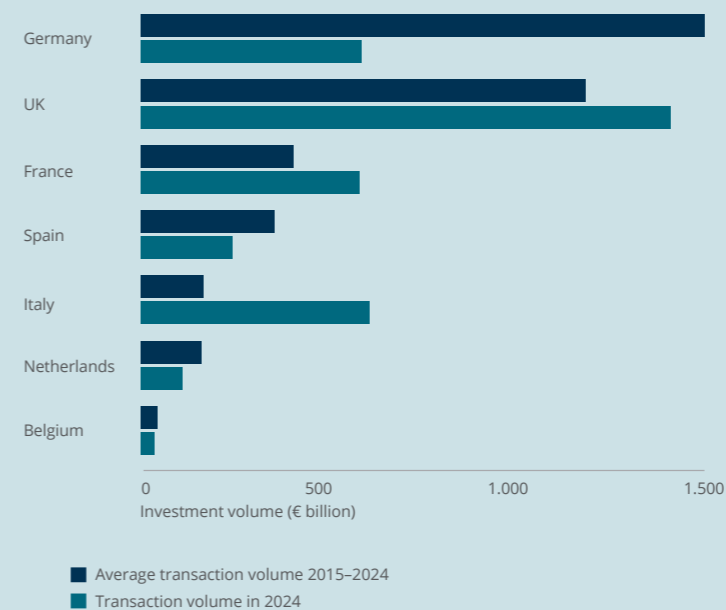
EUROPEAN INVESTMENT MARKET FOR FOOD-ANCHORED REAL ESTATE

The analysis only includes transactions >€5 million.

INVESTMENT VOLUME IN THE EUROPEAN FOOD AND SPECIALIST RETAIL SEGMENT 2015-2024



INVESTMENT VOLUME IN FOOD REAL ESTATE – COMPARISON OF 2024 AND AVERAGE 2015-2024



European food retail real estate has been historically overlooked by investors, with investment volumes capturing just 11.3 percent of retail capital allocation between 2015-2024, despite grocery stores accounting for 36 percent of total retail consumption. This imbalance is expected to gradually correct as the market becomes more liquid. Rising operational pressures on food retailers are driving increased interest in sale-and-leaseback strategies, unlocking access to high-quality assets for investors. Ongoing industry consolidation through M&A activity is creating additional disposal opportunities, whilst value-add investors reaching the end of their investment cycles are expected to bring further stock to market, collectively enhancing the sector's investment appeal.

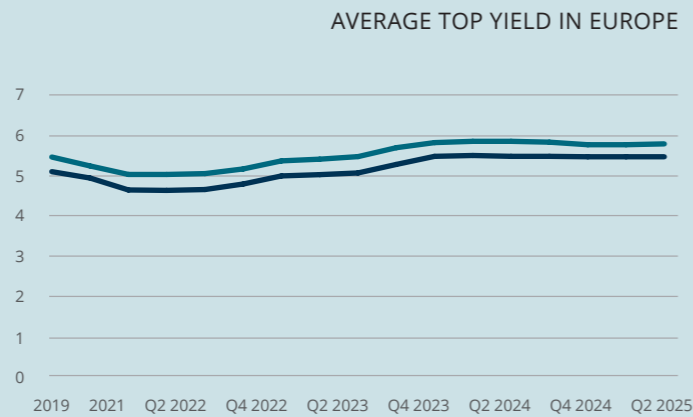
PRICING STABILITY IN A VOLATILE MARKET

Food retail real estate has proven to be among the most stable commercial real estate asset classes in Europe in terms of pricing. While prime food retail real estate yields have been affected by interest rate hikes, the yield shifts have been comparatively limited when compared to other commercial real estate sectors.

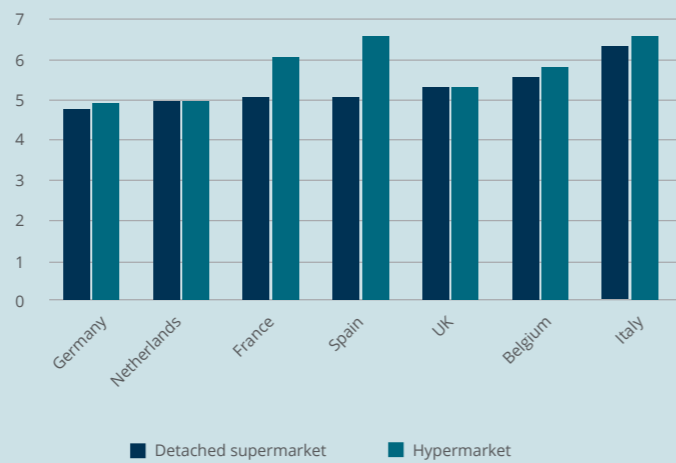
At Q2 2025, average net initial yields for high-quality European supermarkets stood at 5.60 percent, with hypermarkets at 5.85 percent. Looking ahead, some of the most sought-after locations may experience modest yield compression from late 2025 into 2026, particularly as lending conditions improve and long-term capital increasingly targets quality food retail assets.

TOP YIELDS FOR SUPERMARKETS AND SELF-SERVICE DEPARTMENT STORES

Net initial yield (%)



TOP YIELDS FOR FOOD REAL ESTATE, 2ND QUARTER 2025



Source: JLL Research (August 2025)

INVESTMENT STRATEGY CONSIDERATIONS

The European food retail real estate sector stands out as a defensive asset class that has weathered economic volatility with remarkable consistency. This resilience has not gone unnoticed, with investor appetite continuing to build as market participants recognize the sector's ability to deliver stable performance regardless of broader economic headwinds. Both equity investors and debt providers are increasingly drawn to the sector's robust fundamentals, while improving market liquidity conditions are expected to develop gradually, providing enhanced flexibility for investment strategies in the years ahead.

For investors looking to capitalise on the opportunities in European food retail real estate, diligent stock selection remains critical. Key investment pricing drivers for quality stock continue to be location resilience, covenant strength, substantial lease length, and indexation linkage. The most attractive investments will target food retail stores with dominant market positions in their catchment areas, located in growing population centres, and backed by long leases with strong operators.

In an era of economic uncertainty, the defensive qualities of food retail real estate, combining necessity-based consumer demand, strong tenant covenants, inflation-linked income, and operational resilience, make it a compelling addition to institutional real estate portfolios seeking stable long-term returns. A focused investment plan, underpinned by diligent stock selection and certainty of long income, remains key to success in this sector.



STRUCTURE AND DEVELOPMENT OF THE RETAIL SECTOR IN GERMANY.

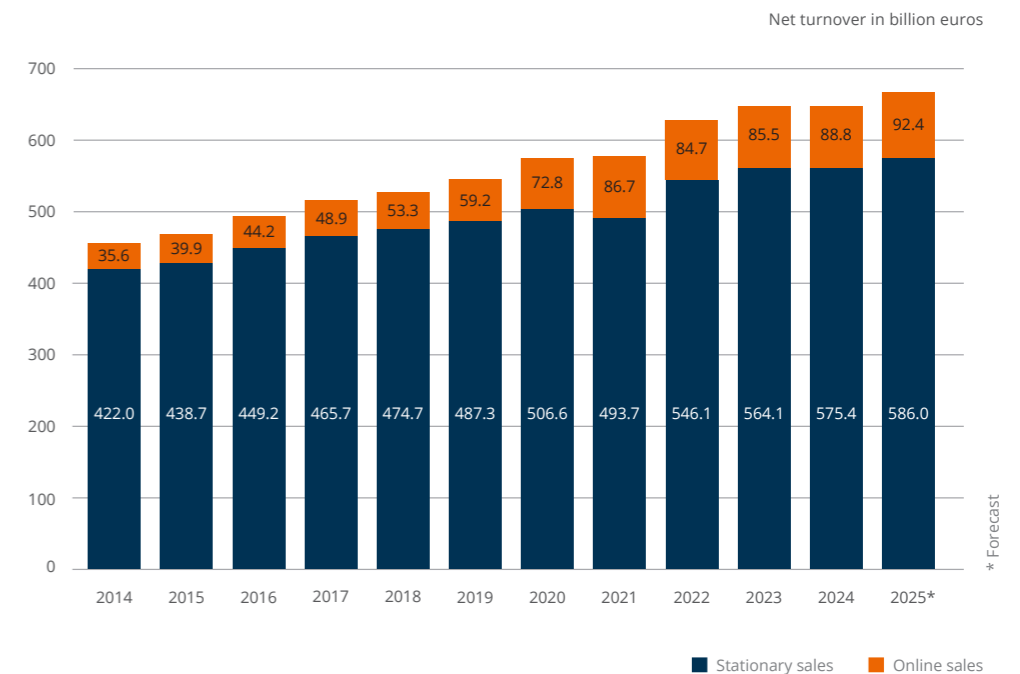
A report by
Lena Knopf

Project Manager, Retail
Property Research
and Expansion,
EHI Retail Institute GmbH



Total retail sales in Germany are expected to have reached **€678.4 billion** in 2025. This represents a nominal increase of 2 percent compared to the previous year, which corresponds to a real increase of 0.5 percent. Of this €586 billion, or 86.4 percent of total sales will have been generated in brick-and-mortar retail. The remaining €92.4 billion, or 13.6 percent of total sales, will have been generated by online retail.

RETAIL TURNOVER IN GERMANY.



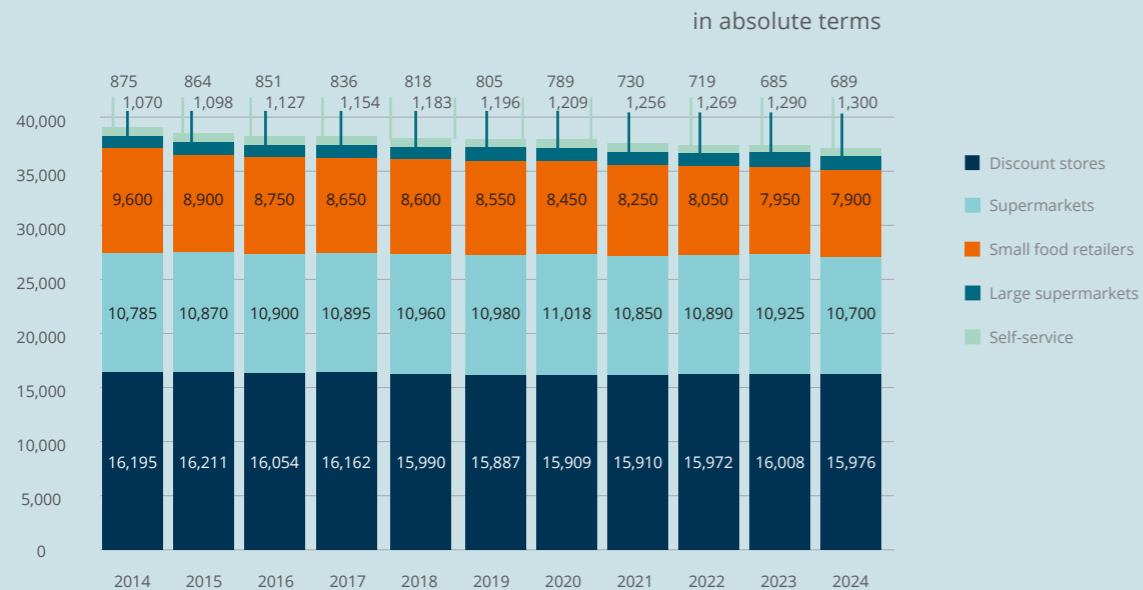
Source: Federal Statistical Office; German Trade Association (HDE) 2025

FOOD RETAIL IN GERMANY.

Just under **44 percent** of the 36,565 food retailers in Germany are **discounters**, making them the most common type of shop in, followed by supermarkets and small food shops. Compared to 2024, the total number of food retail outlets has fallen by 293 stores, or 0.8 percent. Portfolio adjustments have been particularly active in the supermarket size category (under 2,500 square meters of retail space), which still comprised 10,700 stores in 2024.

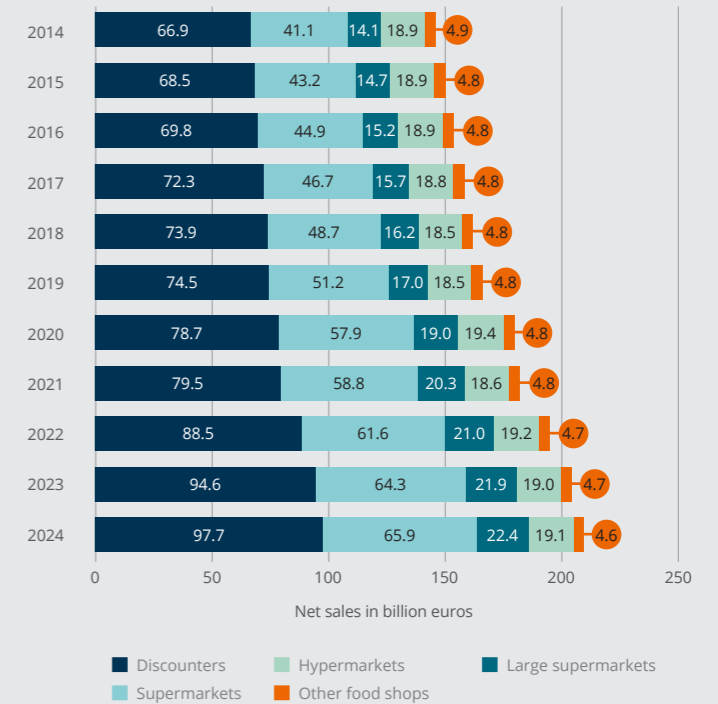
The sales area of German food retailing increased by approximately 300,000 square meters during the same period. Supermarkets are again the driving force behind this growth, expanding their combined sales area from 12.3 million square meters last year to 12.6 million square meters – despite a smaller number of outlets. This equates to an average size of around 1,180 square meters per supermarket.

NUMBER OF FOOD STORES IN GERMANY BY TYPE OF BUSINESS



Source: EHI Retail Institute 2025

TURNOVER IN FOOD RETAIL IN GERMANY BY TYPE OF BUSINESS



Sales in the German food retail sector rose by 2.5 percent to €209.7 billion in 2024. Discounters achieved **above-average** growth and accounted for 46.6 percent of sales. From the customer's point of view, the advantages of discounters are not only their dense branch networks, good accessibility and low product prices – they also include the listing of additional branded goods and the further development of fresh, organic, vegetarian and vegan sectors. The companies and retail chains with the highest turnover in the food retail sector include Edeka (7 regional companies) with sales of €49 billion, REWE with sales of €31.8 billion and Lidl with sales of €30.4 billion. In fourth place is the Kaufland hypermarket chain with sales of €21.3 billion across 780 stores.

TOP FOOD RETAILERS IN GERMANY 2024

Company	Sales outlets	Turnover in billion euros
Edeka*	10,859	49,000
REWE	3,800	31,800
Lidl	3,237	30,400
Kaufland	780	21,250
Aldi Süd	2,025	19,100
Netto Marken-Discount	4,399	17,600
Aldi Nord	2,219	14,600
Penny	2,124	9,800
Norma	1,360	3,950
Globus	61	3,500

* Total retail sales of the seven Edeka regional companies: Edeka Minden-Hannover, Edeka Südwest, Edeka Rhein-Ruhr, Edeka Nord, Edeka Südbayern, Edeka Nordbayern and Edeka Hessenring.

Source: EHI Retail Institute 2025

THE BIG PICTURE.



FOOD RETAIL IN SELECTED EUROPEAN COUNTRIES.

One might think that such an everyday process as grocery shopping is very similar across Europe. However, on closer inspection, **numerous differences emerge, and preferences and peculiarities** can be identified in the various countries. Which country, for example prefers discounters or full-range retailers, and which country prefers ordering food to shopping for groceries? Do people prefer to go to the small corner shop or giant hypermarkets? How much do people in Europe spend on food and what do they like to consume most?

Here we use a few countries as examples to illustrate the variable characteristics of shopping behavior and the food retail market across Europe.

Germans are viewed as **thrifty** when it comes to spending on food: On average, they spend 13.4 percent of their income on food, the **lowest figure in the EU**.¹ The price structure in the food retail sector in Germany is highly competitive. In contrast to their spending, German average income and purchasing power are both high by European standards. The purchasing power index is 100 on average in the EU-27, and 132.4 in Germany.²

PURCHASING POWER INDEX PER CAPITA IN THE COUNTRIES OF THE EUROPEAN UNION IN 2024



* The purchasing power index indicates the ratio of the per capita purchasing power of the respective country to the EU-27 average. However, country-specific price levels are not taken into account in any index.
Source: NIQ Geomarketing

¹ NielsenIQ (2024): Retail Europe 2023 and 2024.
² NIQ Geomarketing (2025): buying power index per inhabitant in 2024.



Germans' **tendency to save money** on food means that **discounters generate the highest turnover, at €97.7 billion**, and have the most stores in the country. In second place comes supermarkets with €65.9 billion³. Looking at retailers, the most popular in terms of net sales is EDEKA (€49.0 billion), followed by REWE (€31.8 billion) and Lidl (€30.4 billion).⁴

Unlike Germans, **Italians prefer supermarkets**. These account for 41 percent of the market share of the individual distribution channels. Discounters and hypermarkets account for 22 and 23 percent respectively.⁵ Hypermarkets, also known as self-service department stores, are large-format retail spaces where, in addition to food and drugstore items, toys, clothing and electronics, among other things are also sold. The market share of private labels (products that retailers sell under their own name) in Italy is low at 30.2 percent. Germany comes in at 41.1 percent behind the leader Switzerland where private labels account for 52.3 percent of sales.⁶ At 100.2, Italy's purchasing power index is identical to the EU-27 average.²

In **Spain, Mercadona** is the clear market leader among retailers. It has a market share of share of 27 percent⁷ and an annual turnover of €27.8 billion⁸ putting it far ahead of its competitors. In a Statista survey, **73 percent** of respondents said they shop at Mercadona.⁹ The chain is a discounter and has been family-owned since 1977. Mercadona is followed in the turnover rankings by Carrefour, a French retailer, with Lidl, a German discounter, ranking in third place. At 85.6 according to the purchasing power index Spain is significantly lower than both Germany and Italy.² There is a clear north-south divide in terms of purchasing power within Spain. A very similar picture emerges in Italy.

TOP 10 OF THE LEADING FOOD RETAILERS IN SPAIN BY TURNOVER 2023



Source: El Economista

³ EHI Retail Institute (2025): Net sales of food stores in Germany 2014 to 2024 by type of business.
⁴ EHI Retail Institute (2025): Net sales of leading companies in the food retail sector in Germany 2024.
⁵ NielsenIQ (2024): Market shares of individual distribution channels in the food retail sector in Italy in 2024.
⁶ NielsenIQ (2024): Market share of private labels in selected European countries in 2023/24.
⁷ Kantar (2025): Market shares of leading supermarket chains in Spain in 2024.
⁸ El Economista (2025): Top 30 leading food retailers in Spain by revenue in 2023.
⁹ Statista (2024): Food shops in Spain in 2023.

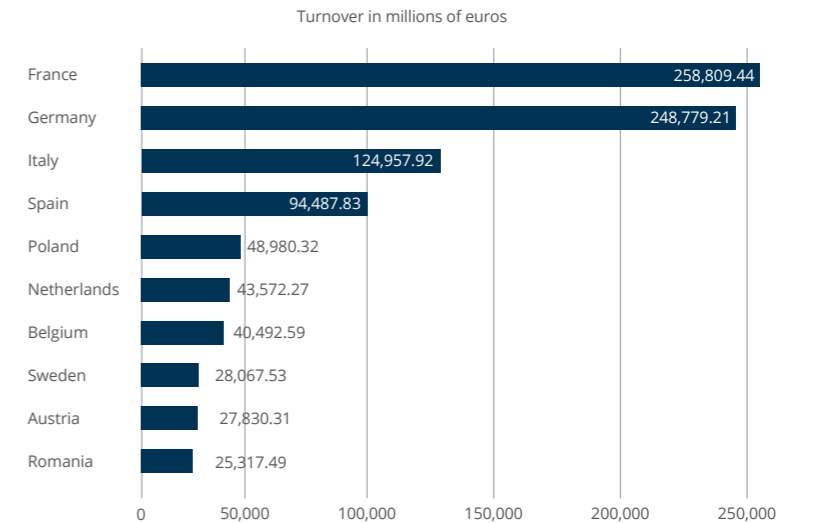
The food retail market in **France** has a number of distinctive features, starting with food expenditure. Fittingly, **the land of gourmets spends the most on food amongst European nations**. The €258.8 billion spent on food in 2022 puts it above even Germany, which with its significantly larger population nevertheless generates revenue from food sales of €248.8 billion.¹⁰ The French prefer to shop at Leclerc, which mainly operates hypermarkets.¹¹ A notable feature is that Leclerc sometimes offers lower prices than even its discounter. In 2022, the retailer attracted attention when in response to rising inflation, it offered a special promotion lasting for six months during which time it offered France's favorite baguettes for just 29 cents per loaf.¹² Another feature of the French food market is the popularity of drive-thru services, which 31 per cent of online customers use. This service allows customers to pick up their goods on site after ordering online.¹³



A report by
Carina Friederer
 Fund manager at
 GRR GARBE Retail Real
 Estate GmbH



NET TURNOVER IN FOOD RETAIL BY COUNTRY: EUROPE 2022



Source: Eurostat

Four different countries, four different markets. Even though some players such as Lidl, ALDI and Carrefour are represented in several countries, the structure is not homogeneous. Germany is known for its affinity for discounters. Hypermarkets are very popular in Italy and France. Spain has a clear local favorite in Mercadona. Although Germany has the highest purchasing power index of the four countries, spending on food as a percentage of total consumer spending is lowest.

This homogeneity means that experts familiar with local conditions are indispensable to entering a new market. The preferences of the population and, accordingly, the individual markets are too complex and individual to navigate alone.

¹⁰ Eurostat (2024): Net turnover in food retail in Europe by country in 2022.
¹¹ Lebensmittelzeitung (2025) French food market: How Leclerc is fighting back against ALDI and Lidl.
¹² RND (2022): Supermarket chain charges 29 pence – how the baguette is becoming a political issue in France.
¹³ Editions Dauvers; Kantar (2024): User penetration rate of Drive services within grocery e-commerce in France from 2019 to 2023.

EUROPE'S FOOD RETAIL LANDSCAPE:
**A COMPARISON
OF LOCAL
SUPPLY
SEGMENTS.**

Europe's retail food market shows significant **regional differences** in terms of **growth forecasts, market structure and operational characteristics**. Most European countries expect **moderate growth until 2030**, which is likely to have a direct impact on retail property requirements and related investment strategies.

**REGIONAL GROWTH
OUTLOOK**

In terms of regional growth forecasts, Southern Europe leads with a projected growth rate of 0.5 percent compound annual growth rate (CAGR) until 2030, followed by Northern Europe with 0.4 percent CAGR. Western Europe expects minimal growth of 0.1 percent CAGR, while Central and Eastern Europe could see a decline of -0.3 percent CAGR (McKinsey, 2025). These differences reflect **the varying economic conditions, demographic developments and consumer spending trends** across the continent. Central and Eastern Europe are experiencing declining consumer spending alongside rising on-line penetration rates.



MARKET STRUCTURE AND COMPETITION

The aforementioned **differences in growth** influence **market dynamics and competition** between food retailers in Europe. Germany and the United Kingdom represent highly concentrated markets, with **Germany** having one of the **highest densities of food stores per capita in Europe** and is dominated by ALDI and Lidl. Discount concepts focus on cost efficiency and competitive pricing. This value-oriented approach, combined with Germany's high business density, means that the **online share of food sales remains low** at just 4.3 percent of total sales (McKinsey, 2025).

The **United Kingdom**, dominated by Tesco, Sainsbury's and Asda (conventional and premium concepts), has the **highest online penetration** in food retail with an 11 percent market share. This is largely due to London significantly exceeding the national average: around 40 percent of Londoners buy groceries online every week (Estates Gazette, 2024).

In contrast, **southern European** markets have fragmented market structures **with strong regional differences**. Spain's food landscape includes large chains such as Mercadona, Carrefour, Lidl and Eroski, which compete with numerous small, family-run and independent shops that cater to different **regional consumer preferences**.

Italy shows a similar fragmentation with traditional supermarket chains such as Esselunga, Conad and Coop on the one hand and a variety of local and

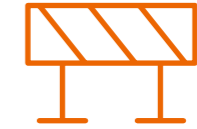
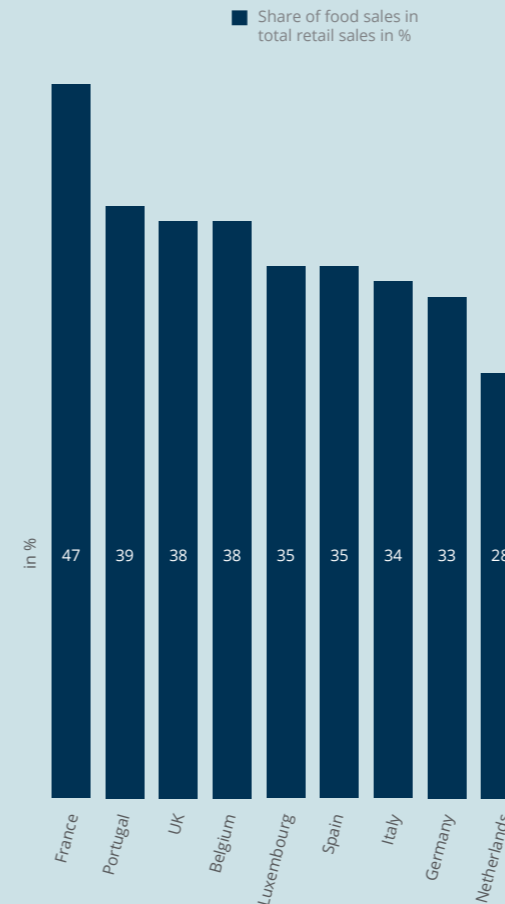
regional retailers on the other. Consumer demographics and shopping habits vary considerably between different regions, with a strong preference **for regionally sourced fresh and high-quality** food a constant throughout **Italy**.

France represents a **hybrid market structure** with a mix of local shops, regional chains and strong national brands such as Carrefour and E. Leclerc. At 10.1 percent, the online market share is just behind that of the United Kingdom but is more focused on click-and-collect services than on deliveries.

The **Netherlands** follows a **similar pattern**, led by Albert Heijn and Jumbo alongside ALDI and Lidl, with 8.2 percent online penetration (McKinsey, 2025). **Belgium and Luxembourg are led by discounter ALDI** and premium chain Delhaize (Ahold Group), while **Portugal** is dominated by **hypermarket operator Continente** and discounters ALDI and Lidl, but with **strong development pipelines** in secondary cities and the expansion of Mercadona from Spain.

Food sales as share of total retail sales in these European markets, is in the chart opposite.

PERCENTAGE OF FOOD AVERAGE TURNOVER AS A PERCENTAGE OF TOTAL RETAIL TURNOVER



REGULATORY ENVIRONMENT AND PROJECT DEVELOPMENT

The market is dominated by competing food brands, regulatory approaches and planning and development frameworks in across countries. France and the United Kingdom impose very **strict planning restrictions** on new supermarket and hypermarket developments. Germany has specific planning permits required for retail space over 800m2 with similarly strict restrictions. Spain varies considerably by region: there are few restrictions in Madrid, while Catalonia enforces strict controls. Portugal offers the most favorable development environment, as municipalities generally support new supermarket developments and licenses are often awarded within approximately twelve months.

RENTAL TERMS AND STRUCTURES

These **regulatory differences** influence **lease negotiations and the contractual framework**. Lease structures, indexation mechanisms and requirements for business formats vary considerably between countries. The table shows a detailed comparison of these factors.

The differences in format are increasingly influenced by **consolidation** affecting the broader European food market. European food consolidation is accelerating as retailers grapple with **declining margins** – from 6.9 percent EBITDA in 2019 to 6.2 percent in 2024. This is mainly due to cost pressures arising from **labor shortages, sustainability requirements and raw material** volatility (McKinsey, 2025). Larger food retailers are outperforming smaller competitors, with successful retailers typically 35–50 percent larger than their competitors and achieving margins 0.8 percent above average. This has led to a sharp increase in M&A activity since 2019, as multinational suppliers centralize procurement, private labels and IT systems across Europe to generate synergies.

GEOGRAPHICAL SUBSECTOR SPECIFICS – FOOD RETAIL

Country	Key players Food retail	Summary Planning rights	Rental structure	Standard indexation clauses	Typical floor space sizes
Germany	EDEKA, REWE, Kaufland, Lidl, ALDI, Netto, Penny	Specific planning permission required for retail space larger than 800 m². Strict planning restrictions on the construction of new supermarkets/ hypermarkets.	The majority of leases are double net. Some older leases have triple net clauses (e. g. Edeka with Marktkauf). Many hypermarket leases include the rental of shops in front of the check-out area (e. g. bakery, dry cleaner, tailor, locksmith, etc.). Some leases exclude specific cost items such as property tax and insurance.	CPI-linked indexation clauses with upper limits, e.g. 5–10 % upper limit/65–90 % indexation. (If the CPI rises by 5–10 %, indexation will be 65–90 % instead of full indexation). For new properties, often 1–3 years of index-free years at the start of the lease.	Discounters: 1,000 – 1,800 m² Supermarket: 1,300 – 3,000 m² Hypermarket: > 4,000 m²
Netherlands	Albert Heijn, Jumbo, ALDI and Lidl	No specific zoning required. However, in some municipalities there is pressure on planning law with regard to new supermarkets.	Triple net rarely available.	CPI or wage growth. Possibly limited, on a case-by-case basis.	Supermarket: 1,500 m² Hypermarket: >3,000 m²
BeLux	Carrefour, Colruyt, ALDI, Lidl, Delhaize (Ahold-Gruppe), Intermarché, Albert Heijn	Specific planning permission required for retail space over 400 m²(not specific to food). Municipalities generally in favour of new supermarkets, but planning application is a lengthy process.	No triple net rents in Belgium (+ rents are always subject to tenant negotiation right of termination every 3 years). Owner is always responsible for major works (core & shell of the building).	Automatic CPI-linked indexation clause is common practice. Caps are not common.	Supermarket: between 400 m² and max. 2,500 m² (city centre), hypermarket: >2,500 m² (immediate outskirts) + large on-site car park
France	E.Leclerc, Carrefour, Système U, Auchan, Intermarché	Very strict planning restrictions for the construction of new supermarkets/hypermarkets.	Triple net never available – law against triple net contracts in force since 2014.	Annual indexation on the anniversary of the lease based on the ILC index published by INSEE.	Supermarket: 1,500 m² – 2,500 m² Hypermarket: >3,000 m²
Italy	Esselunga, Conad, Coop, Carrefour, Bennet, Lidl, Eurospin und ALDI	Food licence from the municipality up to 2,500 m² ; at regional level >2,500 m² .	Triple net only available in exceptional circumstances.	Indexation based on 75–100 % ISTAT variation from the 2nd year of tenancy.	Supermarket: 400 – 2,500 m² Hypermarket: > 2,500 m²
Spain	Mercadona, Carrefour, Lidl, Auchan, ALDI	Depending on the region: Madrid few planning restrictions. Catalonia strict planning restrictions.	Some availability for triple net leases. Often negotiated in S&LB transactions.	Newer leases tend to have upper and lower limits on CPI indexation. Legacy leases typically allow 100 % indexation to CPI.	Supermarket: 1,000 – 4,000 m²
Portugal	Continente, Pingo Doce, ALDI, Lidl und Mercadona	Municipalities generally approve new supermarket developments and licences can be granted in approximately 12 months. The current development pipeline is strong in secondary cities and for convenience supermarkets (up to 800 m²) in the city centres of Lisbon and Porto.	Triple net available for older leases. New leases are typically double net with property tax paid by the landlord. Insurance and maintenance (ordinary and extraordinary) are typically the responsibility of the tenant.	CPI-indexed with a cap. For example, Sonaes leases have a 4 % cap for indexation.	Supermarket: 1,000 – 5,000 m²
United Kingdom (UK)	Tesco, Sainsbury's, ASDA, Morrisons	Very strict planning restrictions with limited interest from local authorities or operators in new approvals.	Leases often have triple net clauses.	CPI-linked indexation is becoming more common. Indexation with upper and lower limits is relatively common, but it is also standard practice for landlords to revert to market-based rent reviews if business performance is poor.	Supermarket: 1,800 – 4,000 m²



STRUCTURAL DIFFERENCES AND INVESTMENT DECISIONS

These **structural differences** significantly influence the **expansion strategies and operating models** of food retailers in Europe. The combination of varying growth rates, regulatory frameworks, market maturity levels and consumer preferences creates differences in the investment landscape that require **tailored approaches** for each market. The ongoing consolidation trend towards larger, more optimized supermarket chains points to **continued opportunities** in markets with favorable planning regimes and supportive rental structures. Further consolidation is expected over the next five years as food retailers seek economies of scale and cross-border efficiencies to cope with ongoing **margin pressure**. A sound understanding of local market dynamics is therefore an essential criterion for successful investment strategies in food retail real estate.

A report by
Sandra Ludwig
Head of Retail
Capital Markets, JLL
Anna James
Director Retail
Capital Markets, JLL

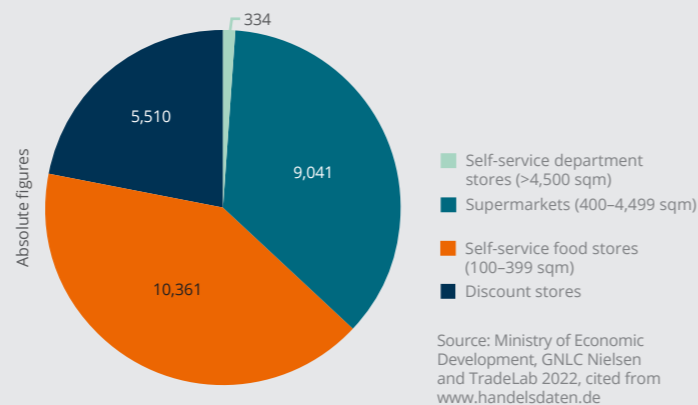


FOOD RETAIL IN SELECTED EUROPEAN COUNTRIES-ITALY AND FINLAND.

ITALY

In contrast to Germany, the Italian food retail sector is characterized much more strongly by small food retail spaces under 400 square meters – this type of business accounts for around 41 per cent of the total 25,246 spaces.¹ Supermarkets (spaces of 400 to 4,499 sqm) have a share of approximately 36 percent of all food retail properties with 9,041 stores, whereas discount stores, with 22 percent (5,510 retail outlets), are less common than in Germany.²

NUMBER OF RETAIL OUTLETS IN FOOD RETAIL IN ITALY BY TYPE OF BUSINESS



TOP FOOD RETAILERS IN ITALY 2021

Company	Percentage share of sales	Turnover in billion euros
Conad	15.1	18.6
Selex	14.6	18.0
Coop Italia	12.5	15.4
Esselunga	8.1	10.0
Végé	7.8	9.6
Eurospin	6.8	8.4
Carrefour	5.0	6.2
Lidl Italia	4.9	6.0
Agorà	4.0	4.9
MD	3.4	4.2

Source: GNLC Nielsen 2022, cited from www.handelsdaten.de

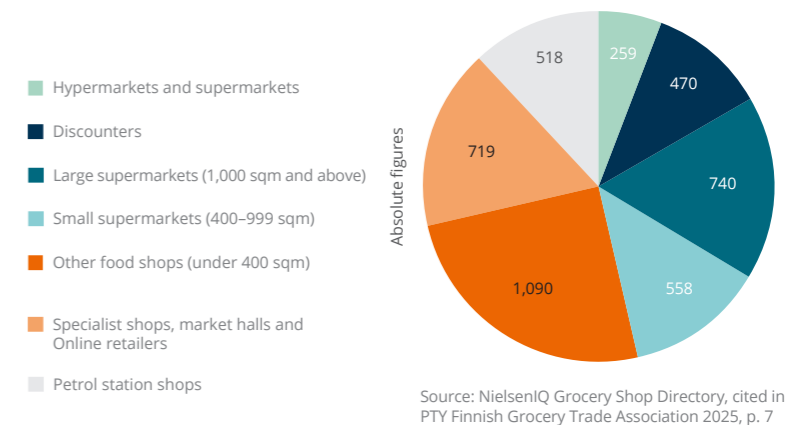
¹ Ministero Sviluppo Economico, GNLC Nielsen and TradeLab 2022, quoted from www.handelsdaten.de
² Ibid.
³ Nielsen, ISTAT, GS1 Italy, TradeLab and Federdistribuzione 2022, cited from www.handelsdaten.de
⁴ GNLC Nielsen 2022, cited from www.handelsdaten.de

FINLAND

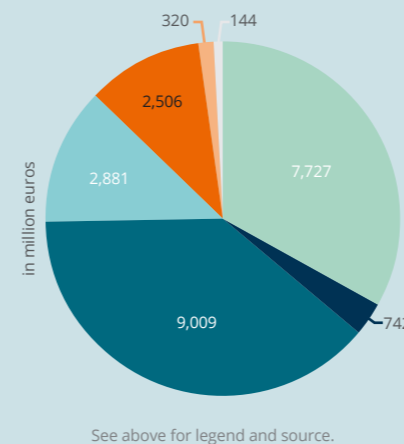
In Finland, there is a dense network of food retailers relative to its population of approximately 5.6 million, there are a total of 4,354 retail outlets.⁵ Here, too, there are many small grocery stores, specialist shops – and even petrol station shops that make important contributions to the local supply of food in Finland.

Discounters are relatively rare and, with 470 stores that account for only 10 percent of retail outlets. In 2024, gross sales in the Finnish food retail sector amounted to €23.3 billion.⁶

NUMBER OF OUTLETS IN FOOD RETAIL IN FINLAND BY TYPE OF BUSINESS



FOOD RETAIL SALES IN FINLAND BY TYPE OF BUSINESS



The two retail chains with the highest turnover in Finland are the S Group owned S-market supermarket and Prisma hypermarket.⁷ Furthermore, the K-City-market, K-Supermarket and K-Market retail chains – all part of the K Group – are among the retail chains with the highest turnover in Finland. The German discounter Lidl operates 205 stores in Finland and achieved a turnover of €2.2 billion in 2024.⁸

⁵ NielsenIQ Grocery Shop Directory, cited from PTY Finnish Grocery Trade Association 2025, p. 7.
⁶ Ibid.
⁷ Ibid., p. 8.
⁸ Ibid.

A report by
Lena Knopf
 Project Manager,
 Retail Property Research
 and Expansion
 EHI Retail Institute GmbH



RISKS AND VULNERABILITY IN THE REAL ESTATE SECTOR: GERMANY AND THE REST OF EUROPE

The real **estate sector** is one of the most important pillars of the economic and financial systems in Europe. It influences both economic stability and the individual assets of households. However, vulnerability and risks in this industry vary considerably from country to country.

The Regulation of Environmental, Social, and Governance Regulation (**ESG**) and its included **EU taxonomy** regulation form a central framework for the real estate industry in Europe. Building stock, vacancy rates, financing costs, renovation needs and operational risks are closely linked to climate and energy policy, market regulation and societal expectations regarding transparency and sustainable value creation. The EU taxonomy defines which economic activities are considered "green" and thus sets standards for investment, financing and reporting.

A comparison between Germany and other European countries reveals key differences in terms of risks and vulnerabilities.

Germany is characterized by a stable real estate market, a solid economy, low interest rates and comparatively conservative lending. The market is highly regulated, which makes overheating difficult. In addition, many regions benefit from high demand for real estate, especially metropolitan

areas such as Berlin, Munich and Hamburg. In some European countries, particularly in the south and east, real estate markets are more volatile. Following the 2008 financial crisis, these markets were prone to experiencing overvaluations, speculative bubbles and subsequent corrections. In addition, the economic fundamentals in these countries are often less stable, which increases vulnerability to economic downturns.

The German banking system is known for its **conservative lending practices** and high capital requirements. Household debt is comparatively low, which reduces the risk of insolvency during economic downturns. In countries such as Spain and Ireland, households have accumulated high levels of debt, often through extensive borrowing. This makes the market more vulnerable to interest rate rises and economic slumps, which can lead to foreclosures and price declines.

A stable population and high level of urbanization ensure continuous demand for real estate. However, **demographic changes** in certain regions may have long-term effects on market development. In some countries, demographic challenges such as population decline or migration have led to overcapacity or shifts in demand, which can jeopardize price stability.



**A report by
Dr Astrid Keller**
Senior ESG- and
Research Manager,
GRR GARBE Retail
Real Estate GmbH



Germany is considered **politically stable** with reliable institutions. Political decisions tend to have a rather gradual impact on the property market. In some European countries, political uncertainties or legal uncertainties (e.g. in connection with property rights in eastern European countries or Brexit-related changes in the United Kingdom) are sources of risk that increase vulnerability.

In Germany, there are significant physical risks that vary greatly from region to region based on **climate and environmental influences** such as flash floods in river basins, heavy rainfall, drought in the south or heat in summer. In southern Europe, on the other hand, there is greater exposure to heat, drought and forest fires in certain regions. Water scarcity can increase operating costs (cooling, irrigation, treatment). Coastal properties are vulnerable to potential sea level rise and storm surges. In northern and eastern Europe, the main risks are flooding, extreme precipitation and storm events, with cold/snow conditions also impacting infrastructure in some cases. Dense forests pose fire risks in peripheral areas, which can vary greatly from region to region. Ageing building stock increases vulnerability to heat islands and energy inefficiency. Investments in protection and adaptation measures are often insufficiently financed, particularly in eastern Europe.

Furthermore, **transitional risks** may arise, leading to costs for emission reduction. New standards and changing demand, may lead to a decline in value in risky locations, as well as rising maintenance and insurance costs.

While Germany is characterized by a robust economy, conservative financing practices, a stable legal framework and a favorable geographical location, some of its European neighbors are more vulnerable due to overvaluation, high debt, political or legal uncertainties and environmental conditions. For investors, this means that a careful analysis of country-specific risks is essential. Portfolio diversification and accurate **risk assessment** can help minimize the impact of market fluctuations and crises. Strategic ESG integration, which links a comprehensive ESG strategy, investment decisions, asset management and communication with tenants, is also essential for a comprehensive risk assessment. It is also important to incorporate taxonomy criteria into property valuation at an early stage.

The real estate sector in Europe is diverse and characterized by a variety of risks. While Germany remains comparatively stable, investments in some other countries require increased vigilance with regard to economic, legal and political factors as well as natural risks and threats in order to mitigate investors' vulnerability.



FROM REGULATIONS TO RETURNS: THE PATH TO VALUE-DRIVEN ESG PERFORMANCE IN THE RETAIL SECTOR



**A report by
Jenny Stephan**
ESG Lead Real Estate,
KPMG AG
AuditingCompany,
Düsseldorf



FROM REGULATORY PRESSURE TO PERFORMANCE FACTOR: ESG REIMAGINED

With its Omnibus Initiative, the EU is pursuing the goal of making the regulatory requirements surrounding the Corporate Sustainability Reporting Directive (CSRD), EU taxonomy and Corporate Sustainability Due Diligence Directive (CSDDD) more practical. The aim is to reduce the complexity of reporting and to give companies more leeway. This new regulatory streamlining phase presents a major opportunity for the European food retail sector, with its business model heavily driven by real estate and energy costs.

Instead of simply working through a list of requirements, companies now have the opportunity to use ESG as a management tool for strategic risk management, performance improvement and capital market positioning. This path does not require a highly complex transformation process, but rather a pragmatic three-step approach that identifies and quantifies opportunities and risks and translates them into operational decisions.

1.



IDENTIFYING ESG RISKS AND OPPORTUNITIES: FOCUSING ON THE ESSENTIALS

The first step is a structured analysis of the relevant ESG impacts. The focus is on the question: Which sustainability issues have relevant impacts on costs, cash flow and/or enterprise value?

A streamlined materiality analysis is recommended here, in which ESG aspects are assessed along the business model, location structure and supply chain. Physical risks from climate change, transition risks such as CO₂ price increases, as well as value creation opportunities should be included here.

To understand the analysis in a practical context, consider a European food retailer that uses climate risk data to identify increased temperatures in southern European regions. This will identify that branches in these regions with outdated refrigeration technology are at greater risk of lost sales and rent. At the same time, investment opportunities in modern, energy-efficient refrigeration systems with a short payback period will open up.



2.

QUANTIFYING ESG IMPACT: FROM RISK TO FINANCIAL CONTROL VARIABLE

In the second step, the qualitative assessment is translated into a financial control logic. ESG indicators, such as the CapEx share for energy cost drivers or the basic rent risk due to rising energy costs, help to evaluate investment decisions and portfolio strategies.

For example, retail companies are introducing ESG indicators that link carbon footprint, energy consumption and planned maintenance costs of their existing properties. This informs decisions made on investment priorities, with high ESG return potential branches being given preference.

3.



EMBEDDING ESG IN STRUCTURES AND PROCESSES: ACTIVE MANAGEMENT IN DAY-TO-DAY BUSINESS

In the third step, the ESG management indicators are integrated into the target operating model. This makes sustainability an integral part of corporate management and no longer treats it as a secondary issue.

A clear governance structure ensures that all stakeholders are aware of their roles and responsibilities. Stakeholders know exactly what tasks they need to perform and how they contribute to achieving ESG goals. Full process integration also ensures that ESG metrics are incorporated into all relevant business processes, such as investment, location and purchasing decisions. Finally, ESG metrics are embedded in financial planning and management reporting. This enables targeted control and ensures that sustainability goals are aligned with the company's financial and operational goals.

A clear example of this is the anchoring of ESG criteria in retailers' investment committees. New construction projects must meet a minimum level of EU taxonomy compliance. At the same time, an ESG cockpit is established in regular reporting, which reports on ESG indicators and their relationship to financial indicators.

CONCLUSION: SUSTAINABILITY PAYS OFF WHEN ESG IS MEASURABLE

The Omnibus Initiative enables European food retailers to strategically integrate ESG into their corporate management to manage risks and create targeted value. A pragmatic three-step approach – identifying risks and opportunities, evaluating them financially and anchoring them operationally – makes ESG a manageable and measurable control variable.

In this way, sustainability moves from regulation to return on investment becomes a building block for a resilient, high-performing and sustainable corporate strategy.

ESG IN THE EUROPEAN CONTEXT:

DATA CHALLENGES AND PHOTOVOLTAIC POTENTIAL IN FOOD RETAIL



A report by
Dr Jens Hirsch,
Chief Scientific Officer,
BuildingMinds,
co-initiator of CRREM

Despite political developments to the contrary, sustainability remains a key driver in the European food retail sector. The industry is firmly committed to innovative concepts that combine ecological objectives with economic requirements. Asset managers such as GRR, which are responsible for a broad portfolio of retail properties, are faced with the task of implementing the demanding ESG requirements of European and national regulators. It is becoming clear that the search for reliable sustainability data and the use of new technologies are proving to be key factors in shaping the future of the industry.



ELECTRICITY CONSUMPTION AND ESTIMATES IN THE RETAIL SECTOR

At up to 300 kWh/m² in food retail, electricity consumption is significantly higher than in the non-food sector, and accounts for the majority of total energy consumption. Cooling, air conditioning and baking equipment run around the clock, but specific consumption data is usually not available to asset managers. The majority of markets are single-tenant properties, where tenants rarely disclose consumption figures. GRR and Building Minds therefore use advanced estimation methods that combine energy performance certificates, portfolio data and industry statistics to obtain realistic consumption figures. Such estimates are essential for accurately assessing the carbon footprint and deriving measures.



COMPARABILITY AND CRREM PATHS

Even with good consumption data, however, comparability remains complex. CRREM decarbonization pathways do not yet distinguish between retail in general and food retailers with their higher electricity consumption requirements. As a result, food retail properties often perform poorly in benchmarks – which should be seen as a structural distortion. For ESG funds under Article 8 or 9, consideration should therefore be given to the extent to which CRREM is suitable as a sustainability benchmark.

REGULATORY FRAMEWORK

Large supermarket roofs offer considerable potential for photovoltaic (PV) systems. A typical supermarket can cover around 45–50 per cent of its electricity requirements with rooftop systems. Self-consumption rates can exceed 70 per cent, particularly when battery storage is used. The strategy and pace of PV expansion in the food retail sector is largely determined by the respective national framework conditions and market mechanisms. In countries with high electricity prices such as Germany, Italy and Spain, PV investments pay for themselves through operational cost savings in particular. In Sweden, on the other hand, the return on investment comes mainly from government subsidy programs, partly due to climate conditions, and uncomplicated approval procedures that further facilitate installation. Hungary, on the other hand, offers high subsidies as an investment incentive, which accelerates market entry and makes PV particularly worthwhile for retail companies. In addition to tax aspects (e.g. a tax exemption for systems up to 100 kWp in Germany), the specific design of the legal framework also includes detailed technical requirements. For example, the German Solar Peak Act introduced in February 2025 requires intelligent control systems for systems above 7 kWp in order to prevent grid overloads.

The EU Renewable Energy Directive (RED) sets a binding framework for member states to significantly increase the share of renewable energies and the use of self-generated electricity. Due to the PV potential described above, LEH properties are likely to be the focus of national implementation of the RED, and each member state will attempt to achieve its individual targets with its own mix of financial incentives and requirements. As a result of this development, buildings with installed PV are likely to be preferred in terms of leasing and investment. However, how this trend manifests itself in individual countries depends on country-specific implementation and subsidy conditions.

CONCLUSION

The European food retail sector is facing an ESG transformation shaped by the RED, climatic differences and various subsidy systems. Supermarkets with PV are in more demand than ever – they benefit from regulatory advantages, increasing profitability and future-oriented marketing. The biggest challenge remains data availability. With modern estimation methods and technological solutions, asset managers such as GRR are showing how the path to climate-neutral portfolios can look – data-driven, pragmatic and forward-looking.

THE EUROPEAN LABOR MARKET AND ITS INFLUENCE

ON FOOD RETAIL:

DIFFERENCES, CHALLENGES AND FUTURE TRENDS



A report by **Dr Astrid Keller**
Senior ESG and Research Manager,
GRR GARBE Retail Real Estate GmbH

The labor market has an enormous influence on the food retail sector. Price pressure, seasonal structures, the status of automation and the modernization of food retail outlets are among the factors that play a significant role in this context.

Although the European labor market has stabilized again after the pandemic, there are significant differences between countries and regions. Industry structure, unemployment rates, distribution of employees and income structure reflect economic characteristics and political conditions.

The most relevant economic sector in Europe is the service sector, with the industrial and agricultural sectors varying regionally (northern/western and southern/eastern Europe tend to show different weightings). There are also significant differences in unemployment rates between the various regions of Europe. The distribution of employees by part-time and female employment, as well as other demographic factors, can vary greatly.



A REGIONAL OVERVIEW

SOUTHERN EUROPE

Southern Europe favors more traditional forms of employment. The employment structure is characterized by a high proportion of services, particularly in the tourism sector, as well as significant proportions in manufacturing and agriculture. Many jobs are in the informal sector, which affects official labor market data. In addition, many jobs are precarious or seasonal, which makes social security difficult. Qualified personnel are difficult to find in many places, resulting in a lack of planning security for employers. Wage growth is slow, particularly in countries such as Greece and Portugal. Increasing digitalization is evident but is developing more slowly than in northern Europe, for example. E-commerce is growing moderately.

The unemployment rate in southern Europe has been at historic highs since the 2008 financial crisis. Countries such as Greece and Spain still have significantly higher unemployment figures than the European average. The financial crisis led to a massive rise in unemployment, mainly among young people, and has had long-lasting consequences for the labor market. The causes are manifold: structural problems in the labor market, a lack of skills adaptation, economic uncertainties and insufficient support for vocational training. High unemployment is a burden on public finances and leads to social challenges such as poverty and social exclusion.



SPAIN

As in Italy and other southern European countries, the service sector dominates in Spain, accounting for 76.5 percent of the economy (tourism, trade, education, healthcare). The industrial sector follows with 19.9 percent. Agriculture is practically negligible at 3.62 percent. As mentioned at the outset, Spain has the highest **unemployment rate** in the European Union, typically in double digits (June 2025: 10.4 percent), with significantly higher rates among young people (24 percent). Female employment is growing – currently 70.9 percent of women are in work. Nevertheless, gender-specific differences still exist in terms of pay, length of employment and promotion opportunities. Women earn on average around 20–25 percent less than men, which is due to wage gaps and different sector distributions, but also to the level of part-time employment. Part-time employment rates and the informal sector play an important role at regional level; regional differences (Catalonia, Madrid, Andalusia) have a strong influence on labor market dynamics. As in Italy, **income inequality** is moderate to high. Income distribution in Spain is characterized by considerable differences between sectors, genders and regions. The average income is around €2,000 gross per month, but this varies greatly. Employees in the service sector, especially in tourism or retail, earn less on average than those in the industrial sector or the technology industry.



WESTERN EUROPE

Many countries in western and central Europe are now experiencing **noticeable shortages** of low-skilled, flexible workers – precisely the groups that are strongly represented in the food retail sector (cashiers, shelf stockers and goods distribution staff). Immigration and labor migration help to alleviate shortages in the labor market, but availability varies greatly between countries. Linguistic and cultural differences require appropriate training and management.

High staff turnover increases recruitment costs and organizational efforts. In addition, an ageing population is leading to a decline in the availability of young workers. This increases the need for qualified recruitment and retention measures, while demand for labor remains stable or is increasing in certain segments (e.g. delivery/logistics). In many markets, minimum wages and salaries in retail and logistics are rising. At the same time, the shortage of skilled workers means that wages for experienced staff have already reached a high level or are still rising, which increases overall personnel costs. **EU-wide regulations** (working hours, holiday entitlements, part-time vs. full-time models) influence personnel planning. The labor market is increasingly shifting towards digital skills. Retail companies are investing more in automation (self-checkout, shelf-stocking robots, AI-supported personnel planning) and in cloud/analytics solutions for better personnel deployment planning.

GERMANY

In Germany, as in the rest of the European Union, the service sector is the most prominent (72 percent), followed by the industrial sector (26.5 percent) and the agricultural sector with only 1.2 percent. The labor market is well organized and has a high level of skilled worker retention. However, there is a shortage of skilled workers, particularly in the retail and logistics sectors. **Minimum wage regulations** have a significant impact on the cost structure of companies. In addition, rising wage and personnel costs are a constant issue. At 3.7 percent, the unemployment rate is lower than the EU average (5.9 percent in June 2025). The youth unemployment rate (6.4 percent) is significantly higher than the overall unemployment rate. The distribution of employees is uneven and varies greatly from state to state, both within regions and between urban and rural areas. Strong growth in the number of people in employment is particularly evident in the states of Bavaria, Baden-Württemberg, Hamburg and Berlin. There is still a clear **east-west divide**.

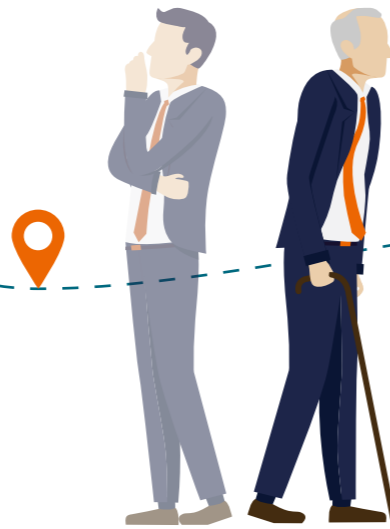
In future, we can expect to see further increases in demands for flexibility, working time models and digitalization. This will put increasing pressure on online retail and 24/7 logistics. Advances in automation (automatic shelving, robotics) will lead to changes in the workplace. Fixed-term employment contracts and increased investment in training and employee retention are to be expected. The proportion of women in employment was 77.2 percent in Q1 2025. Income inequality is low in Germany but has increased slightly in recent years.

03 THE BIG PICTURE

NORTHERN EUROPE

Northern Europe currently has a stable labor market with high employment rates, high wages and **strong social security**. The employment structure is strongly service-oriented. Manufacturing industries still play a role, but are undergoing a shift towards modern industry, high-tech, renewable energies and sustainable services. The female employment rate is similar to or even higher than the male rate. Unemployment in northern Europe varies greatly from country to country. Finland and Sweden each have fairly high single-digit unemployment rates, whereas Norway, for example, has a low single-digit rate. Youth unemployment is generally higher than overall unemployment but also varies significantly between countries.

There is a high demand for skilled workers, especially in the logistics and service sectors. **Demographic change** in terms of an ageing population is having a major impact on the labor market, which is characterized by a shortage of skilled workers in key areas. The food retail sector, logistics centers and online business are characterized by increasing automation and the use of robots. The labor market as a whole is characterized by a shortage of skilled workers in core areas. The food retail sector, logistics centers and online business are characterized by increasing automation and digitalization, as high personnel costs are driving efficiency gains (self-checkouts, robotics in warehouses). Accordingly, the importance of data and service quality is growing. Increased investment is needed in omni-channel offerings (click & collect, online delivery) and in the attractiveness of stores (service quality despite higher labor costs).



SWEDEN

The Swedish labor market is characterized by a diverse industrial structure and an unemployment rate of around 8.7 percent (June 2025), which is higher than the EU average. The service sector dominates, accounting for around 70 percent of all employment, while industry, particularly the automotive, mechanical engineering and chemical sectors, accounts for around 20 percent. The agricultural sector is small and employs less than 3 percent of the population. Youth unemployment is high at 23.7 percent, while 82.4 percent of women of working age are employed. There are regional differences between urban centers such as Stockholm, Gothenburg and Malmö, which have high employment rates, and rural areas, which often face higher unemployment rates. **Average incomes are high**, with skilled workers in technology, medicine and engineering earning significantly more, and **good working conditions** and **social benefits** contribute to the country's attractiveness. Political measures and a modern work culture ensure that Sweden remains one of the most attractive countries for workers in Europe.



EASTERN EUROPE

Wages in eastern Europe tend to be lower than in western Europe, but they are rising rapidly. There is a strong, young workforce with a high willingness to work in retail and logistics. As in the rest of Europe, there is currently a growing shortage of **skilled workers** in specialized areas. Eastern Europe is characterized by rapid wage adjustments and increasing automation, particularly in logistics and branch operations. The **expansion of e-commerce infrastructure** is progressing. Workers from this region migrate within Europe, but also within countries.

Wage costs remain attractive for employers compared to western Europe, even though they have also risen recently. Discounters and supermarket chains are taking advantage of the low labor costs to invest in their logistics, online sales and branch networks. The demand for well-trained staff is increasing. As a result, training and further education programs are also being actively promoted in order to increase productivity.





POLAND

The Polish labor market, influenced by economic growth, demographic developments and structural reforms has undergone significant changes in recent years. The service sector dominates with contributing around 60 percent of employment, followed by manufacturing with around 25 percent. The agricultural sector still accounts for around 15 percent of employment, although this share has been declining steadily in recent years. Within the service sector, trade, transport, catering and IT are significant drivers of employment. The **IT and information industries** are experiencing strong growth, which is attributable to increasing digitalization and the expansion of technological infrastructure.

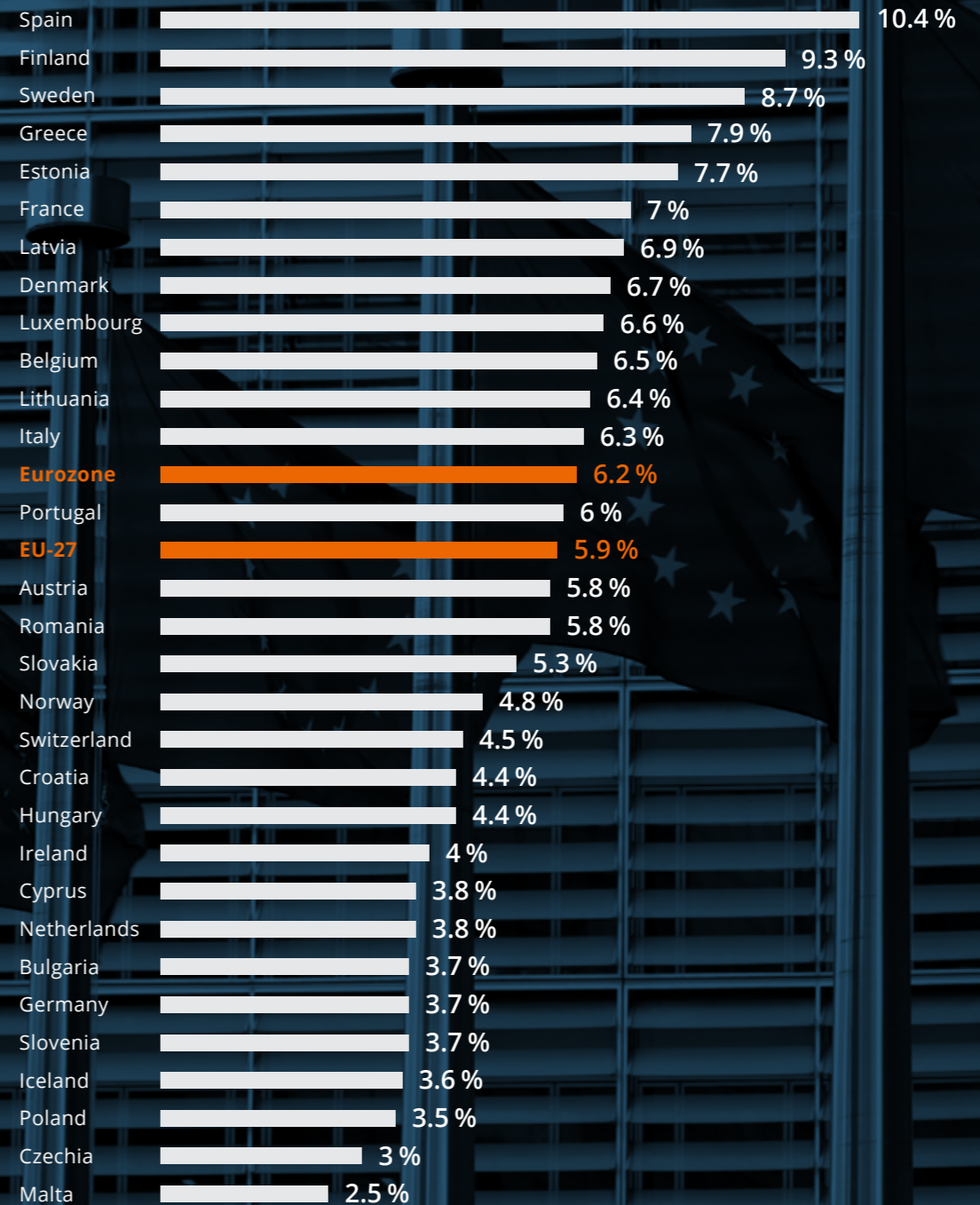
The unemployment rate in Poland has stabilized at low levels in recent years. In June 2025, it stood at around 3.5 percent, which is low compared to other EU countries. Nevertheless, there are regional differences: while unemployment is below 4 percent in urban centers such as Warsaw, Krakow and Wroclaw, some rural areas have higher rates of up to 8 percent. This leads to migration to the cities, which in turn puts pressure on the urban labor market. At 14.1 percent in June 2025, youth unemployment in Poland is higher than the average unemployment rate but is in line with the European average.

The female employment rate in Poland is around 68.9 percent, which is below the EU average of 71 percent. Despite improvements, challenges remain in terms of **work-life balance** and gender pay inequality. The average gross income in Poland in 2023 was around PLN 4,500 (approximately euro 950) per month. Income levels vary greatly according to sector, region and qualifications.

The Polish labor market is showing positive trends overall, but faces challenges in terms of youth unemployment, gender equality and regional disparities. Its future viability depends on political measures, education and innovation.

The labor market in Europe has a strong influence on the food retail sector through cost structures, availability of personnel, service quality and the speed of innovation (automation, omnichannel). Countries with high wages and a strong regulatory climate tend to have more automation and more efficient processes, while those with lower costs often rely more heavily on human resources, although they also automate to enable growth. Companies should take regional differences into account and pursue consistent, flexible HR and digitalization strategies in order to control costs, maintain service levels and secure growth in the omnichannel sector.

**EUROPEAN UNION:
UNEMPLOYMENT RATE IN MEMBER STATES IN JUNE 2025**



FOOD RETAIL IN EUROPE: ITS SUITABILITY FOR DEVELOPING A PAN-EUROPEAN INVESTMENT STRATEGY

There is no such thing as a **singular** food retail sector in Europe: food retail in Europe varies significantly from country to country, depending on market structure, consumer behavior, culture, regulatory environment and economic development.



**A report by
Thomas Thein**
Head of Fund &
Portfolio
Management,
GRR GARBE Retail
Real Estate GmbH



HOW DIVERSIFIED ARE FOOD RETAIL MARKETS IN EUROPE?

Highly concentrated markets can be found in Germany, France, the Netherlands, the United Kingdom and Scandinavia. Here, just a few food retail chains dominate the market. These countries or regions are characterized by fierce competition, a focus on prices and strong bargaining power vis-à-vis manufacturers. In Italy, Spain and eastern Europe, there is a higher proportion of **independent retailers** and small supermarkets. **Traditional retail** still plays a major role (e.g. weekly markets). There are also major differences across markets in the dominance of different types of stores: in Germany, Poland, Hungary and Austria, the market share of **discounters**, with their clear focus on price, is quite high. In France, Italy, Spain and Scandinavia, on the other hand, discounters are less dominant, while supermarkets and **hypermarkets** are widespread.

There are also differences in the rolling out of new locations. While markets such as the UK and Spain are actively investing in branch growth, the focus in saturated markets such as Germany is less on new openings, and more on **modernizing** existing stores. branches and centrally located, mixed-use concepts.

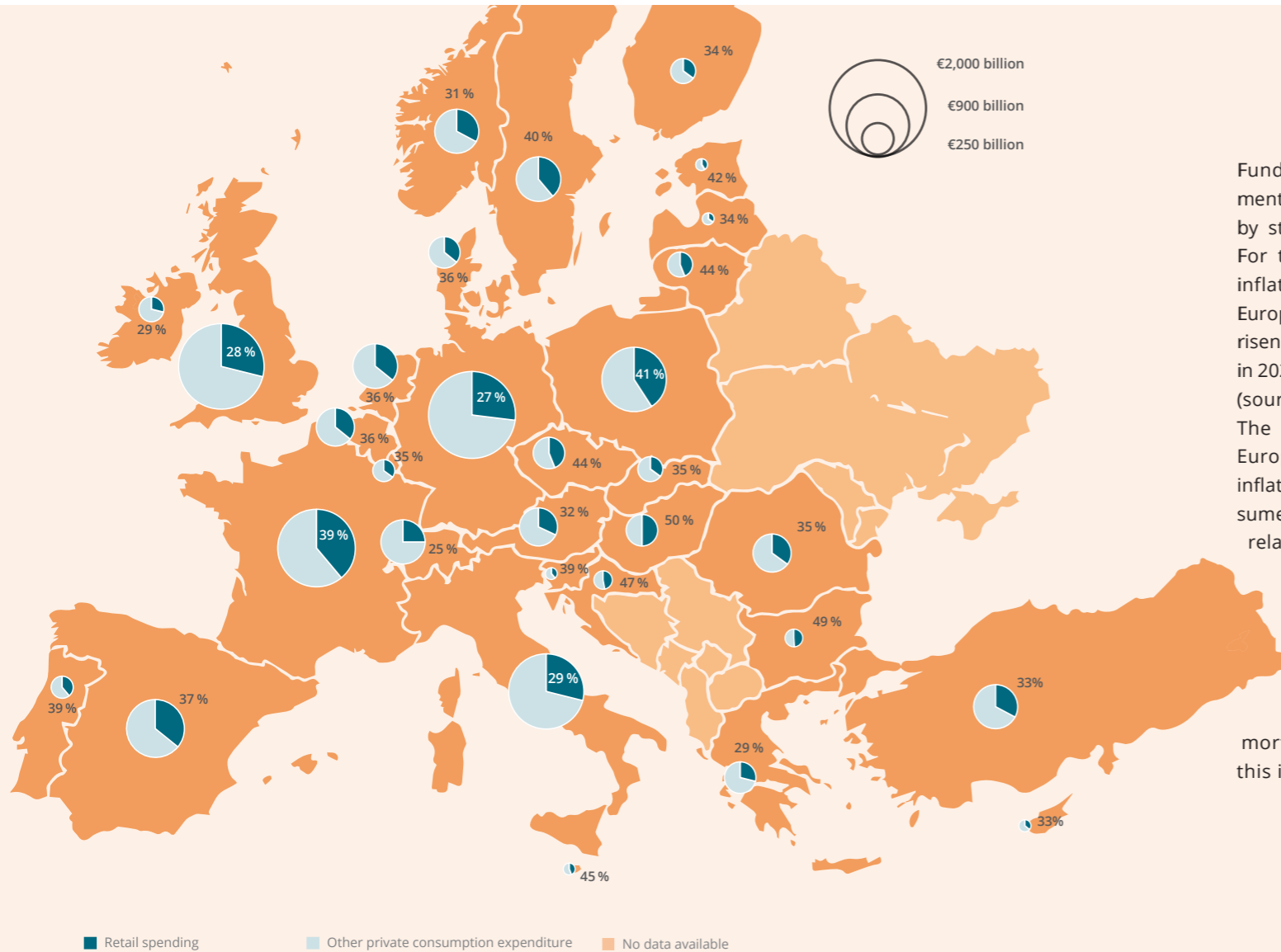
SALES DEVELOPMENT IN STATIONARY FOOD RETAIL

Retail accounts for an average of around 34 percent of **private consumer spending** in Europe, with significant variation across countries. As a general rule, less developed or poorer countries spend a higher percentage of their income on food, while wealthier countries spend less.

In many eastern European countries, almost every second euro is spent on retail, with Hungary (50 percent), Bulgaria (49 percent) and Croatia (47 percent) leading the way. Germany ranks last, with only just under 27 percent of consumer spending going to retail. Italy ranks just ahead of Germany with 29 percent, while Spain and France have comparatively high rates of 37 and 39 percent respectively.



RETAIL SHARE OF PRIVATE CONSUMPTION IN EUROPE IN 2023



Fundamentally, sales development in Europe is characterized by stable to moderate growth. For the first time since 2020, inflation-adjusted sales in the European food retail sector have risen again for consecutive years in 2023 and 2024 – by 2.4 percent (source: McKinsey & Company). The decisive factors in many European markets were recent inflationary trends, general consumer behavior and pandemic-related shifts in sales, which in some cases are only now returning to their pre-pandemic norms. While online food retail is growing, at different rates across Europe, brick and mortar retail still dominates this industry.

DIGITALIZATION AND ONLINE RETAIL

Here, too, there is a wide gap between advanced countries and countries with some catching up to do. Focusing on online retail, the United Kingdom has the Greater London (approx. 9 million inhabitants) region, with a relatively high share of around 9 percent. All other European countries have significantly lower rates. In many countries, these range between 1.5 and 3.0 percent. The decisive factors for these low rates are in most polycentric countries, complex and expensive logistics, margin problems and clear



customer preferences.

These criteria are decisive for weak growth in online retail for the food industry; although the coronavirus pandemic provided a temporary boost, growth has slowed significantly in the post-coronavirus period, and the market is characterized by insolvencies and takeovers.

CONCLUSION

The European market for food retail real estate is as diverse as it is exciting. Understanding the different markets offers great opportunities for building a pan-European portfolio, the likes of which have not been seen for a long time. Knowledge of local differences is the key to intelligent diversification and value enhancement strategies. Particularly in times of volatile interest rates, limited access to capital and ongoing demand for local retail space, food retail offers robust, reliable investment opportunities with pan-European leverage.

ENTERING THE

MARKET,

WITH A PLAN:

LEGAL CHALLENGES TO ENTERING
THE EUROPEAN FOOD RETAIL MARKET



Expansion into the European food retail market is strategically attractive for many companies – whether through traditional Merger & Acquisition transactions, new distribution models or digital store concepts. However, entering new markets requires much more than an economic assessment: legal uncertainties, cultural differences and regulatory peculiarities pose considerable risks – and at the same time opportunities for profit.

Even in traditional **cross-border corporate acquisitions**, questions arise that do not arise at all or are of only marginal concern in purely domestic transactions. One key issue is the applicable law. For example, anyone acquiring a supermarket chain in Spain must account for issues of contract interpretation, limitation periods or formal requirements potentially being subject to Spanish law – even if contracts are drafted in German and according to German law. Although it is possible for parties to choose the applicable law governing some aspects of their transaction, this does not apply without restriction: company law, labor law, real estate law and merger control are subject to the national law of the target market. In addition, different contractual cultures often clash. While concise, abstract clauses are common in German-speaking countries, Anglo-American parties expect detailed sets of rules – including disclosure letters, legal opinions and far-reaching closing conditions. Digital market entry also raises new legal ques-

tions: as part of multichannel strategies, many food retailers are turning to online trade, vending machines or direct sales. These forms of distribution are **legally challenging, especially when it comes to food**: information requirements under the Lebensmittelinformationsverordnung (LMIV), labelling, traceability and hygiene requirements apply throughout the EU, but with differences across nations. In addition, the importance of “smart retail” is growing, for example through dynamic pricing or personalized product recommendations. These innovations require a data protection-compliant, robust data strategy. The new **Data Act** and the General Data Protection Regulation (**GDPR**) create complex interfaces in the use of customer data – and new potential liabilities.



03 THE BIG PICTURE

Antitrust law is also becoming more relevant to transactions in the food retail sector. The Federal Cartel Office is particularly vigilant in this sector – not only in the case of large mergers, but also in the case of regional concentrations. Coordinated market behavior in even seemingly downstream areas – such as packaging suppliers – can have legal consequences. Recent developments show that not even sustainability initiatives are automatically exempt from antitrust law. Any company wanting to implement ESG criteria together with competitors must structure this properly – e.g. via open standards or voluntary market mechanisms.

In **distribution law**, choosing the right model is crucial: commercial agent, authorized dealer or franchise? International agreements must not only be compliant with antitrust and distribution law but also implement ESG requirements (e.g. with regards to supply chain laws). Different protection standards and compensation claims (e.g. for commercial agents) make even the transfer of German model contracts risky.

These legal challenges are reflected in current **market developments**: The 2024/25 annual report of the Federal Cartel Office shows that cross-border transactions and digitally supported distribution models in food retail are increasingly being used strategically. At the same time, the complexity of regulation, particularly with regard to ESG requirements, antitrust risks for platform solutions and new reporting obligations under the CSRD or the European Supply Chain Act all further complicate matters.

Companies that operate with legally compliant structures, consistent data strategies and cultural sensitivity gain a clear competitive advantage. It is the combination of legal compliance, technological adaptability and sustainable governance that determines whether expansion leads to real value growth – or becomes a risk factor.

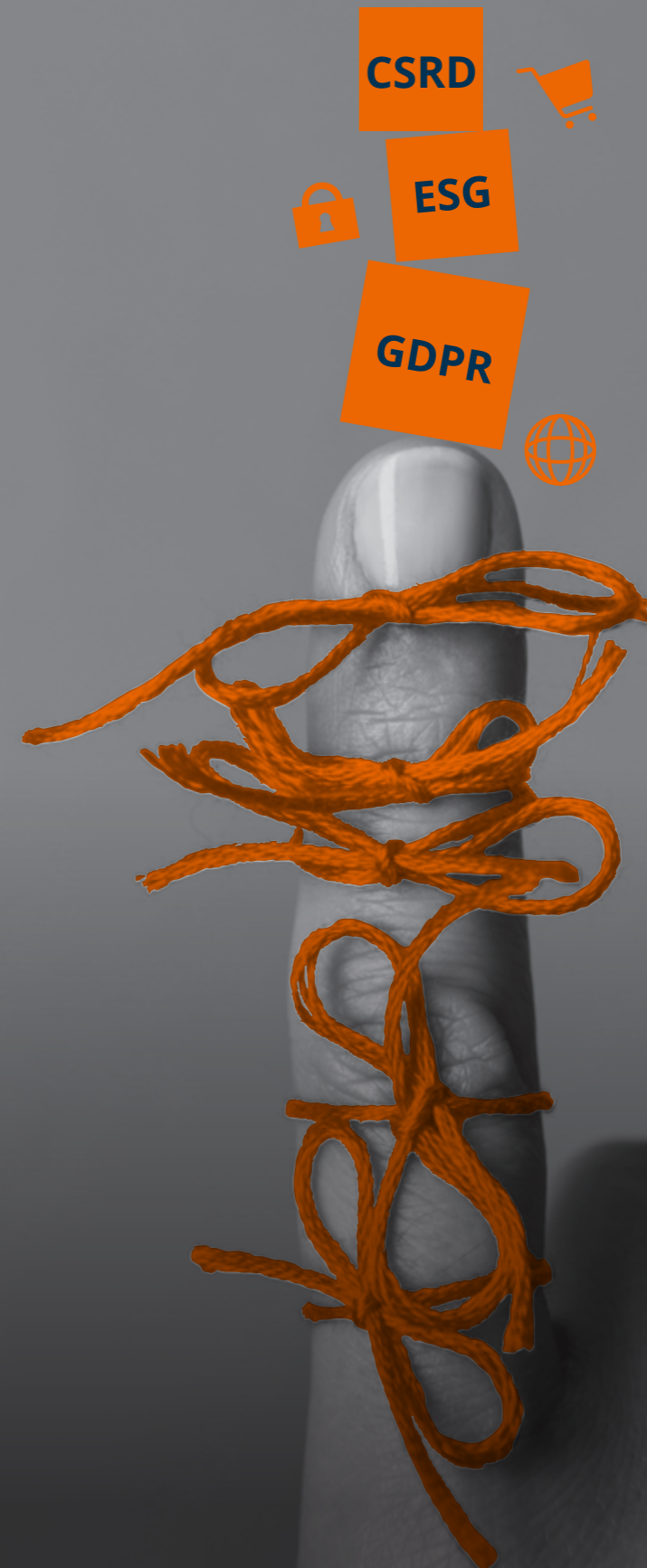


**A report by
Dominic Baumüller,
LL.M. Eur.**

He advises companies at BEISSE & RATH on all aspects of commercial law, with a particular focus on distribution, digitalisation and international contract drafting. He completed his postgraduate master's degree in European commercial law (LL.M. Eur.) at the University of Würzburg.

CONCLUSION

Anyone expanding in the European food retail sector needs more than just a good concept – they need legal finesse. Whether it is M&A, sales or digitalization, it is not just about clear contracts, but about understanding different systems, cultures and expectations. Those who take this seriously have the best chance of not only entering new markets but successfully conquering them.



A stylized illustration of a city skyline with several buildings of varying heights and window patterns. A large green arrow points upwards from the bottom left, and another large green arrow points downwards from the top left. The background is a light teal color.

OPPORTUNITIES AND RISKS IN THE EUROPEAN COMMERCIAL REAL ESTATE MARKET.

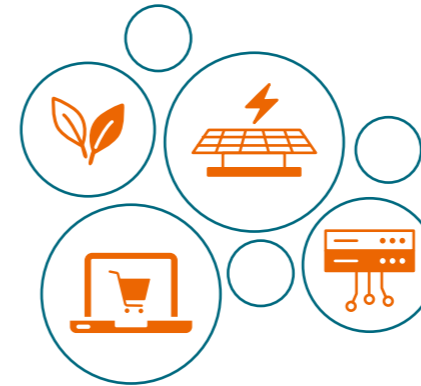
A report by
Prof. Dr Thomas Beyerle
HBC University of
Applied Sciences Biberach a. d. R.
beyerle@hochschule-bc.de



Evaluating **risks and opportunities** seems to be a very easy task involving the weighing up of factors that tend to inhibit investment and those that tend to promote it. However, what may be a problem or challenge for one investor may be a great opportunity for another. For example, the challenge of entering a market that may have previously been closed to them because it was considered too expensive. This is especially true given that European markets have not collectively fallen into crisis, nor are they all at the peak of a boom. National economies in Europe vary greatly in some cases, but the **development of asset classes** in the various countries is very similar across countries. The Covid-19 pandemic and the subsequent use of office space provides a clear example of this. Europe is now much more synchronized in this regard than it was before the pandemic, but there is a difference in the culture of in-office presence between Finland, Germany and Spain.

It is clear that European commercial property markets in 2025 offer both significant opportunities and risks shaped by economic, geopolitical and regulatory developments.

One major opportunity, for example, is the **fundamental stabilization** and recovery of the markets after three and a half years of multiple crises. Following price corrections in 2022, the market recovered in mid-2024 with an increase in transaction volume. Prime markets such as Germany, the United Kingdom and France as the countries with the highest depreciation in buildings during this period, therefore, offer attractive entry opportunities. The European Central Bank's (ECB) falling key interest rates (forecast: deposit rate at 2 percent at the end of 2025) are also improving financing conditions and making real estate once again more attractive compared to other asset classes. In addition, investors and banks are seeing steadily growing demand for **sustainable real estate**, i.e. buildings with high energy efficiency standards in accordance with the EPBD (EU Energy Performance of Buildings Directive), especially as these command higher rents and (still) benefit from government subsidies. Investors can therefore benefit from rising demand for ESG-compliant real estate. Logistics and retail properties also offer strong prospects, as e-commerce, sustainable supply chains and reshoring are driving demand for modern logistics space. After years of skepticism in the retail asset class, lower capital values offer attractive entry opportunities, especially in markets with high occupancy rates, such as Spain or the UK.



At the European level, these are joined by so-called alternative segments such as data centers, student residences and care facilities – they benefit from demographic and technological trends and have now become products that meet international standards and are therefore fungible.

The major danger hanging over these type of investments is the so-called obsolescence risk, which is most tangible in the office property asset class. Accordingly, a large proportion of European office properties face an **"obsolescence risk"**. "Invest or divest" is therefore the key question in the boardrooms for the reason that properties are increasingly failing to meet modern sustainability and technology standards. Economic challenges in respective countries should also be mentioned. Put more simply, the question is, where will new growth for any upturn come from? Other factors to be considered include regulatory requirements, such as stricter ESG regulations. The Pricing of CO₂ consumption by buildings (€ per ton of CO₂) is still in its infancy in terms of valuation – further changes in pricing are therefore foreseeable for those who do not address the issue in good time. Added to this are refinancing problems, higher capital requirements and climate risks, such as extreme weather events.

THE EUROPEAN COMMERCIAL PROPERTY MARKETS OFFER IN 2025 OPPORTUNITIES WITHOUT A DOUBT. THE MAGIC FORMULA FOR THE COMING QUARTERS COULD BE:

01

Focus on sustainability: investments in energy-efficient and ESG-compliant properties offer long-term advantages and reduce the risk of obsolescence.

02

Selective investments, as the recovery is uneven. Prime locations, logistics and residential properties offer the best opportunities.

03

Greater geographical diversification: be more courageous, spread investments and portfolios even more widely across different markets and sectors to minimise risks.

RETAIL



& CONSUMERS.



KAUFLAND

EUROPEAN
EXPANSION AND
INNOVATIVE
STORE CONCEPTS



A report by
Michael Hiese
Real Estate Management,
Kaufland International

The history of Kaufland is one characterized by continuous growth and strategic expansion. It began in **1968** with the opening of the first store in Backnang.

In 1977, the first self-service department store opened, offering customers a sales area of over 5,000 square meters. A milestone was reached in 1984 with the opening of the Kaufland branch in Neckarsulm, which comprised over 12,000 square meters of sales area and offerings such as a butchery and a petrol station and was considered a pioneer of its time. **International expansion** began in 1998 with the opening of the first store in what in present-day Czechia and continued steadily with Slovakia following in 2000, Croatia and Poland in 2001, Romania in 2005, Bulgaria in 2006 and Moldova in 2019. This has enabled Kaufland to expand its store network to over 1,600 stores.

The basis for this expansion is a **uniform, well-thought-out store concept** that nevertheless remains **flexible for each specific country**. The real estate concept thus combines centralized guidelines and local adaptations. The company's **headquarters in Heilbronn** defines international processes, strategies and concepts that serve as a basis for the various countries. The aesthetic and experiential basis of modern colors combined with light wood and energy-efficient lighting create a pleasant atmosphere. Wide aisles ensure a comfortable shopping experience, and a clear customer guidance system on walls and above shelves helps customers find their way around the stores.

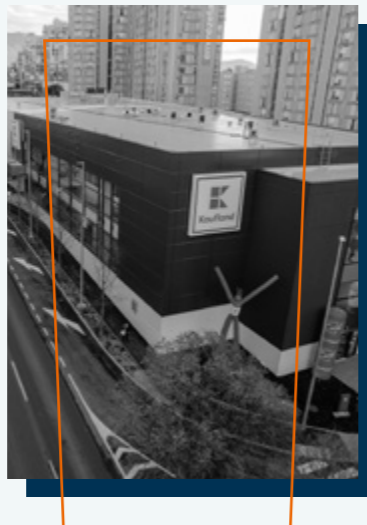


Branch in Waiblingen



Expansion within Germany

Split-Trstenik Market



Consideration of individual, local conditions

Sofia Market Hall



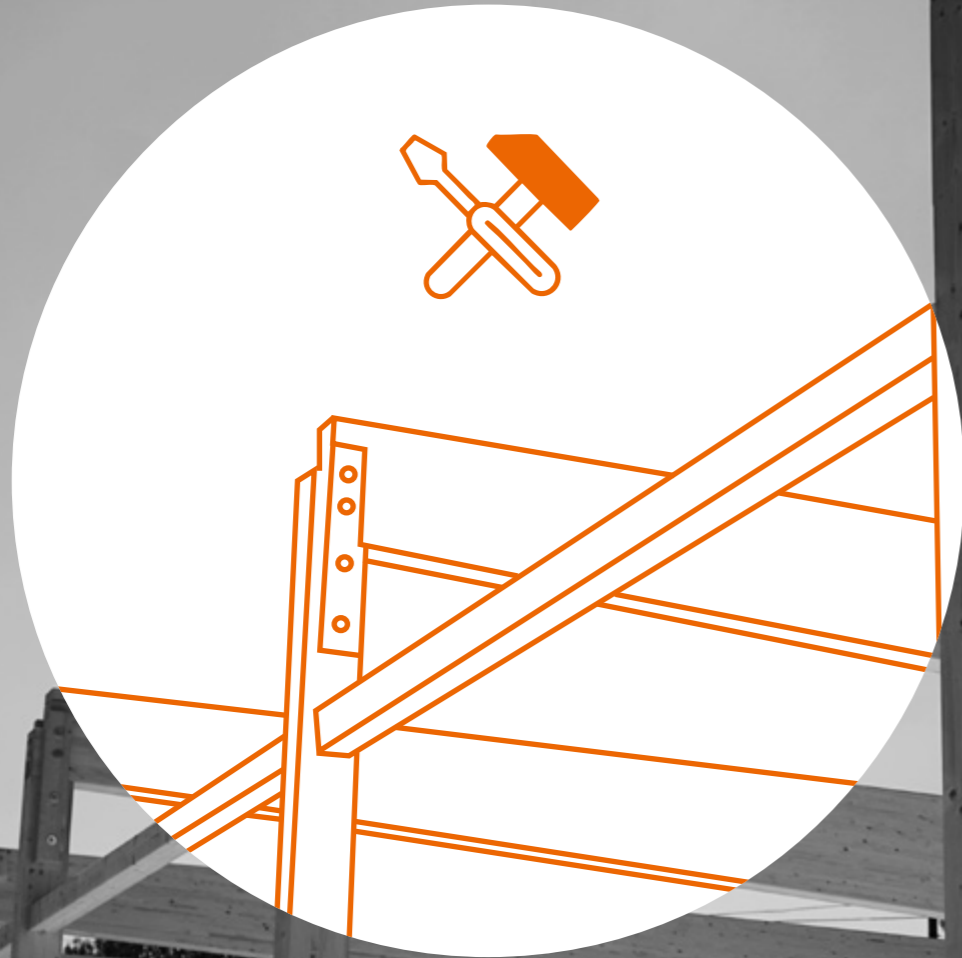
Renovation of historic buildings with listed status

However, the specific characteristics of each location are considered and adaptations made on this basis. These adaptations can include, for example, two-story branches or separate beverage markets, but also **various mixed-use concepts**. Kaufland offers customers a wide range of retail locations: from stand-alone supermarkets to specialist stores and shopping centers to inner-city locations.

In certain instances, a tailor-made approach is sometimes required. Applied to the real estate industry, it is not the occasions but the properties or the surroundings that require a tailor-made approach. Despite the large number of **standardized concepts**, these sometimes need to be adapted to meet the individual location requirements.

This was the case, with the construction of the Kaufland branch in **Split-Trstenik**, Croatia. It was constructed on a sloping, triangular-shaped inner-city plot between a busy traffic artery and an adjacent residential development with up to 15 floors. Under these conditions, a new branch was only possible thanks to a high degree of flexibility. The entire site was developed using an elevated construction method, thus achieving the targeted inner-city densification. This required a complex foundation for the building and its neighboring buildings, as well as the creation of a foundation for the higher road. Thanks to the positioning of the car park under the branch, over 180 parking spaces were created in the inner-city environment.

Kaufland successfully undertook another special project in **Bulgaria's capital city, Sofia** with its revitalization of the historic market hall in the city center, originally built in 1911. This property was renovated over a period of eleven months with the necessary care and the help of renowned restorers. A particular highlight of this project are the Roman excavations in the basement, around which a small museum has been set up. The challenges were enormous, particularly in terms of monument protection, dealing with small spaces and the conversion of existing buildings. Other examples of more complex revitalization projects include Fort Wola in Warsaw, the Danubia Centre in Bratislava and the 250th branch in Bielsko-Biala, Poland.



ALDI NORD AND ALDI SÜD BUILDING SPECIFICATIONS:

COST EFFICIENCY OF A UNIFORM EUROPEAN CONSTRUCTION STANDARD FOR FOOD RETAIL SPACES.



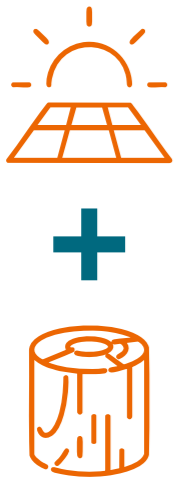
With the introduction of a common building specification for new store construction, Aldi Nord and ALDI Süd are setting another example of greater efficiency and cost awareness. For the first time in the company's history, a uniform construction standard will apply to new stores of both groups in Germany and, for ALDI Nord in other European countries. The external appearance of their stores will remain recognizable. Both brands will also continue to operate with their independent store concepts in their respective sales areas.



ALDI store in Gelsenkirchen

STANDARDIZED SUSTAINABLE TIMBER FRAME CONSTRUCTION

The first new, standardized ALDI stores have already opened in France, with more to follow in Poland, the Netherlands, Belgium, Luxembourg, Spain and Portugal in the coming years. One of the first stores in the German ALDI Nord region is currently being built in **Wolfsburg-Wendschott**. After the demolition of the old store, a new, modern store with a timber frame construction will be built there in less than seven months, by November 2025. Over 100 ALDI Nord stores in Germany have already been built in this way, as **ALDI Nord's standard building specifications** have included **new timber constructions since 2022**. For both ALDI Nord and ALDI Süd, timber frame construction will continue to be an integral part of the building specifications in the future. The manufacturing of building products from wood saves resources and requires far less energy than the production of other building materials such as bricks, steel or cement. Prefabricated timber components simplify the work and save time on construction. Wood is a **natural building material** that radiates warmth, creates a pleasant indoor climate and helps to regulate the humidity.

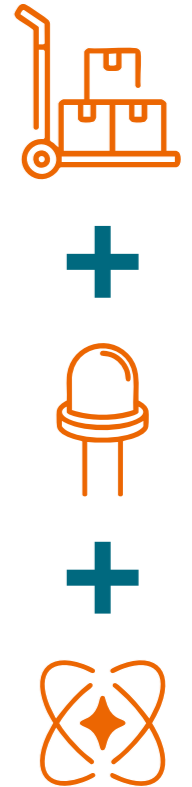


The new ALDI Nord branch in Wolfsburg-Wendschott is being built and the advantages of timber frame construction are documented in the accompanying construction documentation "From sketch to opening. The path to the new ALDI Nord branch."



MORE EFFICIENT LOGISTICS PROCESSES AND ENERGY ADVANTAGES

The common standard adopted by ALDI Nord and ALDI Süd offers further advantages in addition to the wooden building construction: the previous L-shaped warehouse design has been replaced by a side-mounted goods warehouse with direct lorry access. This **reduces the construction** time and simplifies goods reception and internal store logistics. In addition, the use of the AI-based RELEX ordering system means that less storage space is required. Office, technical and staff rooms are now compactly located behind the entrance area, which saves space and shortens distances for employees. **Energy consumption is reduced** through the use of modern and energy-efficient systems. The absence of skylights in the warehouse area, more compact refrigeration systems and new heating and cooling concepts – such as ceiling climate cassettes with hot water – permanently reduce energy requirements. **Photovoltaic systems** will continue to supply electricity, powering modern and economical LED lighting, among other things. More than 800 ALDI Nord stores in Germany already have a photovoltaic system – and the number is rising. Together with an efficient **heat recovery system** for refrigerated wall shelves, more than 750 ALDI Nord stores already operate entirely without fossil fuels. Standardized technical components also significantly reduce maintenance costs.



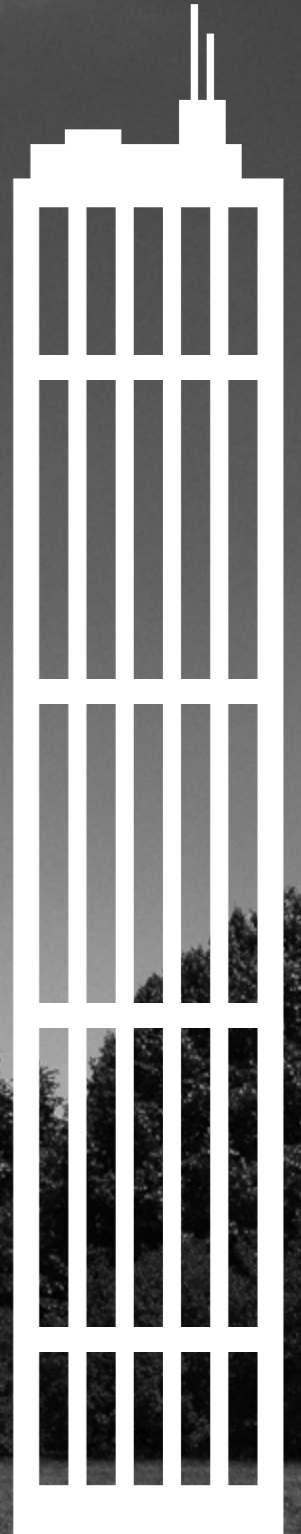
A report by
Torsten Janke
Managing Director
Real Estate & Expansion
for ALDI Nord Germany

CONCLUSION

Efficient structures, improved logistics processes and sustainable energy management create synergies in tenders, material use and construction processes. As a result, investment costs are significantly reduced, and customers benefit from low prices. This enables discounters to create a solid, efficient basis for modern stores and an attractive shopping experience.

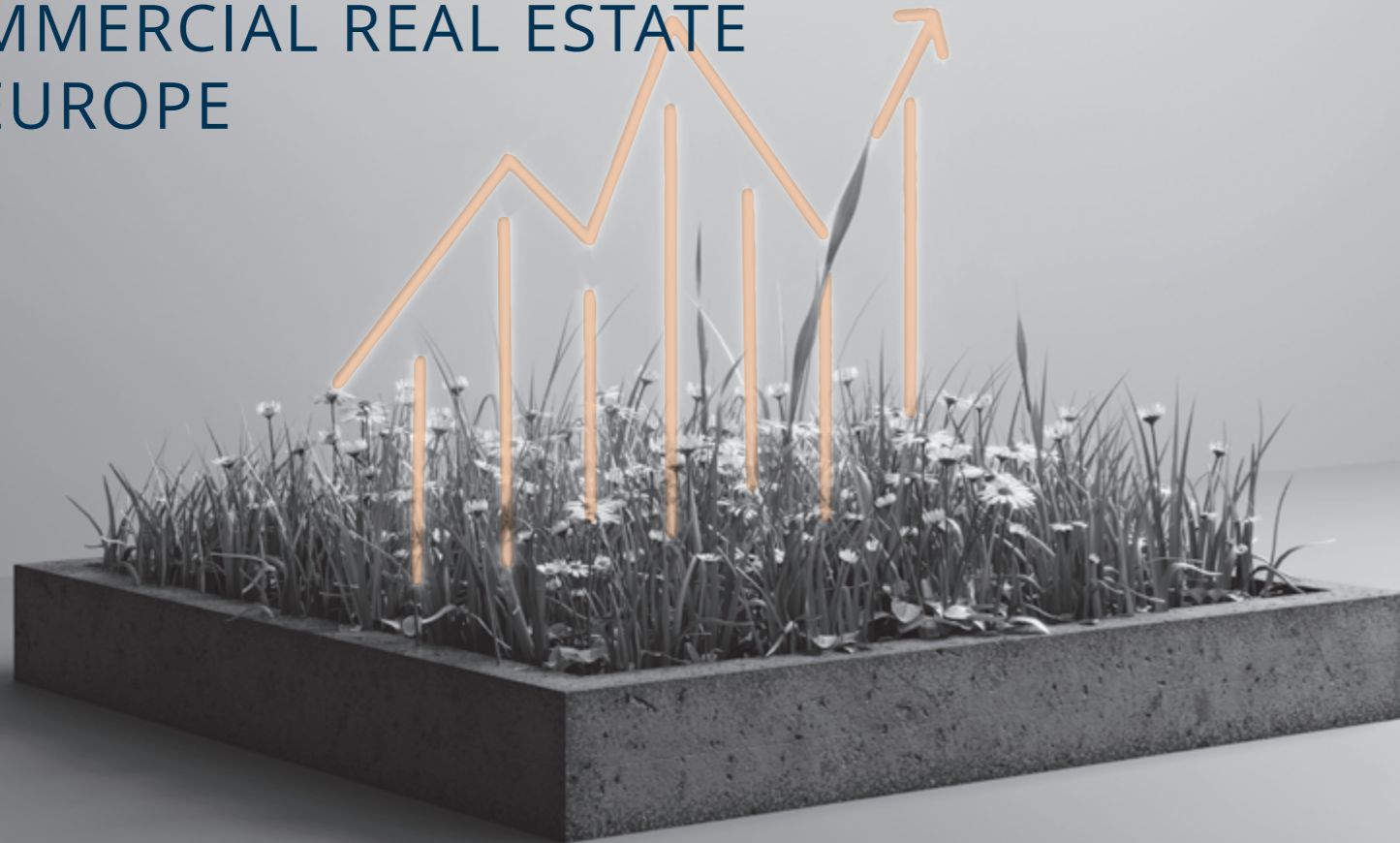


REAL ESTATE & INVESTMENT.



ESG AND ASSESSMENT:

IMPLICATIONS FOR COMMERCIAL REAL ESTATE IN EUROPE



A report by
Susanne Eickermann-Riepe

Chair of the RICS World Regional Board Europe
Chair of the ICG Institute | Non-executive Director at CTP N.V.
Former PwC Partner | German Real Estate Leader
Executive Senior Advisor

Our world is changing – and with it are the requirements for sustainable investments and real estate. Integrating Environmental, Social, Governance (**ESG**) and **sustainability criteria** into real estate valuation is an important step towards understanding the long-term value of real estate, minimizing risks and meeting the requirements of investors, tenants and legislators. Factors such as energy efficiency, material selection, social compatibility and transparent corporate governance are increasingly influencing the attractiveness, security and value of a property, making **ESG-compliant adaptation** necessary for the entire real estate industry.

NEW RICS RED BOOK STANDARDS

These requirements, among others, have been incorporated into the global standards of the RICS Red Book as of 31 January 2025. The requirements reflect practices and innovations from developing areas such as **technology and sustainability**. The role of the valuer is limited to reporting on ESG issues that affect the value for the purpose and the basis on which the valuation is made. Valuers must identify, report on and document the consideration of material ESG aspects and whether these factors have any impact on the conclusion and/or rationale of the valuation. This requires sufficient sustainability and ESG data to be available to the valuers. While the primary source of ESG-related data is usually the **property owner, financial institutions** play a central role in shaping the quality and consistency of this information.



Whether for appraisers or financial institutions, the main task is to understand the sustainability risks of a property and figure out what steps to be taken and how much it will cost to make the building resilient and sustainable. Building certificates, energy efficiency classes and even heating systems are currently the main tools used to help with this assessment. Of course, regulatory requirements agreed either by the European Union or at national level also play a role. **Standardized requirements** at the level of the EU would be helpful here, but the discussion is complex as national characteristics must be considered. RICS has created an ESG data list containing the essential data for the European market. However, the specifications regarding the renovation date are also crucial for the allocation of funds over time and the associated rent or purchase price adjustments.

DEMAND AND NEW REQUIREMENTS

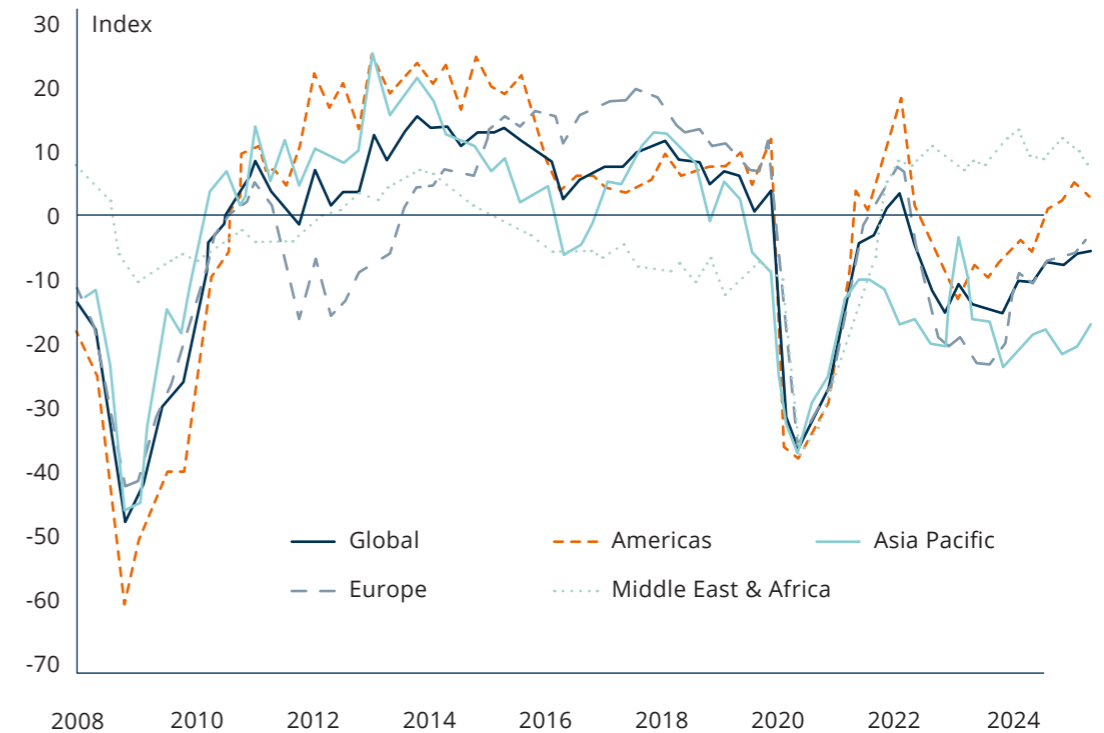
National regulations and requirements, however, are only one side of the coin. Investors and tenants also have additional demand-specific criteria derived from individual requirements for achieving their climate targets. It should be noted that more and more conditions are being imposed on real estate that encourage **company-specific sustainability goals**. These can be exclusion criteria for fossil fuels or non-sustainable or non-recyclable materials. The effects of changes in demand and the resulting evidence for price adjustments will gradually become apparent on the market.

FINANCING AND SUSTAINABILITY

Another aspect to consider arises from the relationship between investments necessary to ensure the future viability of a property and market conditions based on location qualities and the resulting rental or purchase prices and returns. The latest sentiment reports from RICS, such as the Global Commercial Property Monitor, show this area of tension in the expectations for value and rental development for **prime and secondary markets**. If the necessary investments exceed the possibilities for rent and purchase price adjustments, the potential for value appreciation declines. The so-called "brown discount" can then lead to devaluation. In addition, other factors play a role, particularly in terms of quality and the possible uses offered. Modern office environments in prime locations are in high demand and rents are rising.

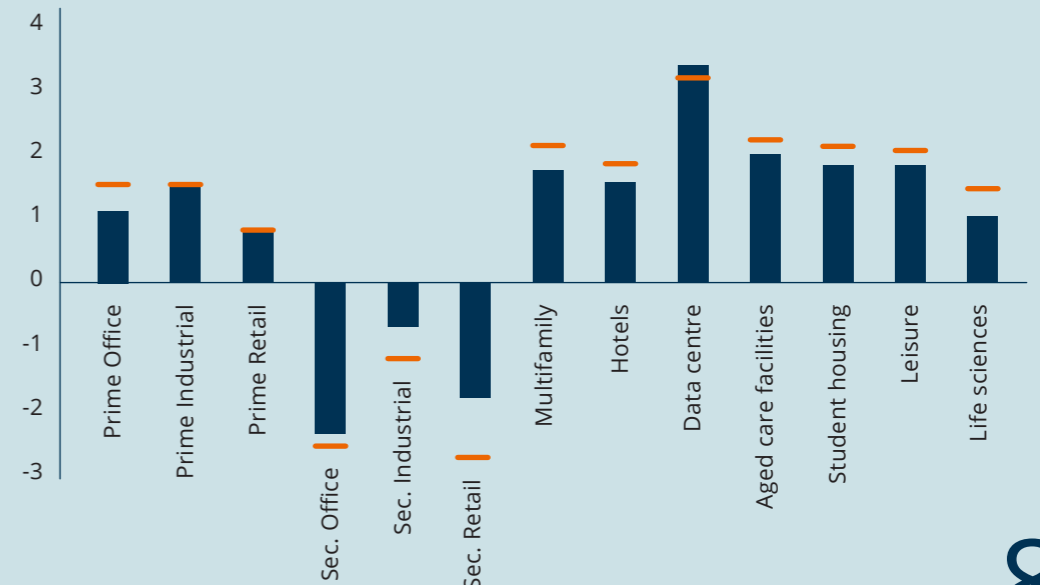
The same applies to the **rental and capital value levels** of logistics and retail properties in prime locations.

MOOD IN COMMERCIAL REAL ESTATE BY REGION

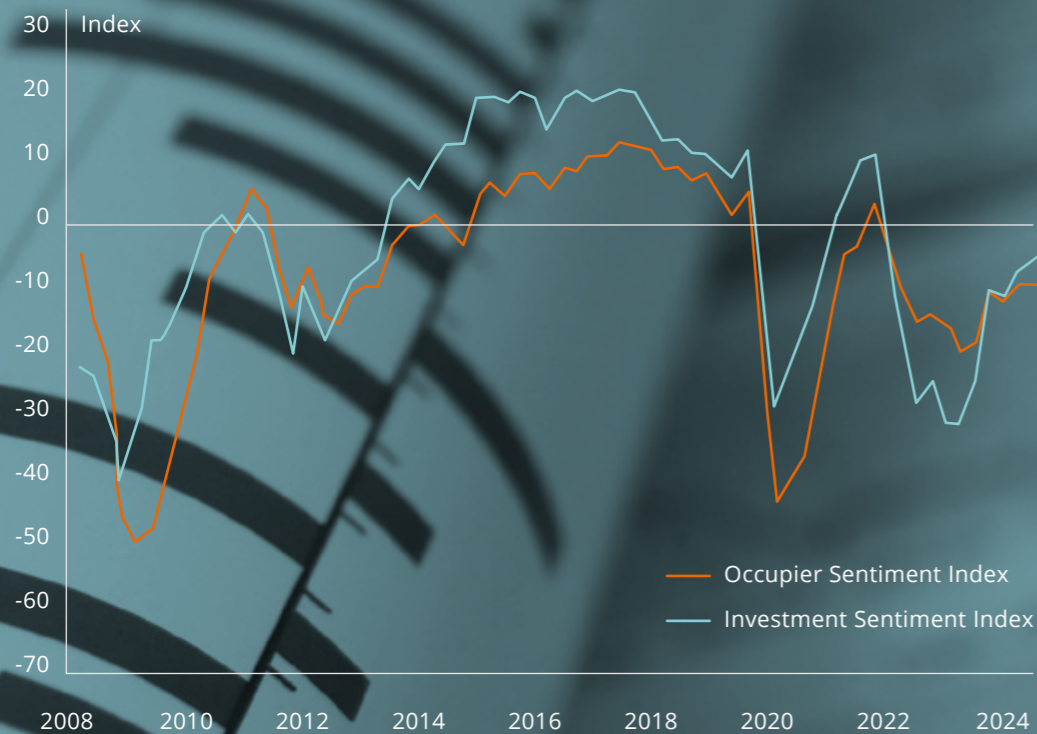


GLOBAL CAPITAL VALUE AND RENTAL FORECASTS FOR TWELVE MONTHS

■ Capital value
 ─ Rent



OCCUPIER AND INVESTMENT SENTIMENT INDICES



Additionally, sustainability criteria influence **financing conditions**. In addition to higher interest rates, the high number of follow-up financings due by the end of 2026 is considered a particular risk. These expiring loan agreements mainly relate to office and retail properties. If valuations fall and banks adjust their lending limits, additional equity capital will be required. The discussion about a **“prudent value”** highlights the challenges of additional value adjustments resulting from the EU capital requirements for banks (CRR), which could further impact the financing gap.

REGULATION IN EUROPE

The European debate on simplifying and reducing reporting requirements (CSRD) is more of a side issue, though—depending on the negotiations—it will influence transparency. It is already clear, that sustainability, regulation, and changing demand will continuously lead to a comprehensive transformation of the real estate markets. Valuation standards will reflect these market changes accordingly.

GRESB AS A BENCHMARKING TOOL FOR ASSESSING THE ESG STATUS QUO ACROSS EUROPE.

The current political climate – particularly in the United States – has left many investors uncertain about sustainability. Numerous initiatives have so far failed to deliver the socio-economic and environmental benefits we had hoped for. We are at a critical juncture: resources are limited, the planet is fragile – and yet policy-makers are putting ESG goals on the back burner while focusing on short-term growth. Now more than ever, investors and asset managers need clarity: reliable, comparable data that is not based solely on declarations of intent but reflects actual performance. This is exactly where GRESB comes in.

WHAT IS GRESB?

GRESB is the world's leading ESG benchmark for real estate and infrastructure investments. Every year, we collect, evaluate and compare the sustainability performance of several thousand companies, funds and individual assets based on a uniform, industry-supported framework. GRESB's work is managed by the GRESB Foundation, an independent organization responsible for methodology, governance and further development of standards. The assessment covers ESG aspects and provides an objective basis for measuring performance, comparing it with peer groups and thereby deriving measures for improvement.



A report by
Alexander Roznowski
Business Development
Manager Germany &
Austria, GRESB

DEVELOPMENT OF ESG BENCHMARKS

A shift is taking place in ESG assessment: away from voluntary commitments and towards verifiable results. The focus is on energy efficiency, as it accounts for a large proportion of costs and emissions in the real estate sector and, in particular, in the food retail sector. GRESB collects consumption-based, verified data on electricity, heating and cooling usage and standardizes it according to climate zone, building type, size and intensity of use. This results in performance-based metrics such as kWh/m² or CO₂ emissions per m², which enable comparisons between, for example, a supermarket in Finland and one in Spain.

This allows operators and investors to measure their energy efficiency internally and against industry-wide benchmarks, to demonstrate progress and to implement targeted measures such as modern cooling technology or renewable energies.

BRIDGING THE DATA GAP: MAKING COMPLEXITY UNDERSTANDABLE

Frameworks such as CSRD, SFDR and EPBD* are developing rapidly, but are being implemented in different ways. GRESB offers stability: a global, industry-led system that reflects regulatory Requirements while recognizing leadership. Regulation sets the minimum standard – GRESB turns it into a competitive advantage.

* CSRD: Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464 on corporate sustainability reporting);

SFDR: Sustainable Finance Disclosure Regulation (regulation on sustainability-related disclosure requirements in the financial services sector);

EPBD: Energy Performance of Buildings Directive (Directive on the energy performance of buildings).

CONCLUSION

ESG is a strategic necessity for the pan-European food retail industry. The challenges facing this industry are both considerable – from energy consumption and logistics to location issues – and greatly variable between markets. GRESB makes these differences transparent, measures progress and supports investment in a sustainable future.



**A report by
Camille Dufieux**
Managing Director of
IntReal International
Real Estate KVG mbH,
Hamburg



INTERNATIONAL REAL ESTATE INVESTMENTS: THE NEED FOR EXPERIENCE

International real estate investments place high demands on fund managers. These demands result primarily from possible differences in legal and tax framework conditions and should not be underestimated, either when launching new funds or when changing the management of an existing fund.

The challenges start with the type of transaction structures involved, as, for example, asset deals are not common in many countries, with indirect investments by way of share deals being preferred.

In some cases, direct acquisition is also prevented by legal regulations, intended to prevent or at least restrict the acquisition of real estate by foreign investors, in potential target countries. In other cases, there are forms of ownership that differ from those prescribed by German law. A suitability assessment is therefore particularly important in the run-up to a foreign investment. There may also be differences in terms of taxation, which require a fundamentally different approach than for domestic investments. The question of whether a potential asset is suitable from an investment law and tax perspective should always be answered as early as possible in order to limit the expense incurred in the event of a negative result.

An important point that must be included in the economic analyses of potential foreign investments – apart from legal implications – is the incidental acquisition costs, which can differ greatly from those in Germany. The level of detail and scope of contracts for real estate transactions often differ significantly from what investors who have only

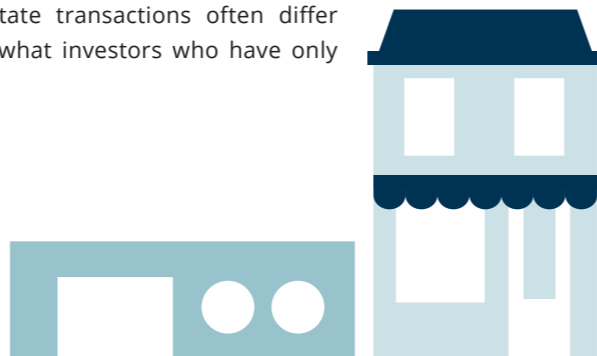
been active domestically are used to. This applies to both purchase agreements and financing agreements. While a standardized loan agreement with a German bank often consists of only a few pages, contracts abroad are often much more extensive. Accordingly, the negotiation and drafting of contracts require more comprehensive legal expertise and, where necessary, the involvement of advisors with expertise in the relevant jurisdiction. In the case of international investments, it is often advisable to seek support from Luxembourg with the vehicles and legal options available there, which are usually more familiar to this target group than, for example, a real estate special AIF under the German KAGB.

For real estate investments outside the euro zone, currency risks must also be accounted for and hedged if necessary. Hedging, in turn, incurs additional costs. All of the above necessitate increased due diligence in the run-up to foreign investments and usually require more extensive ongoing monitoring. However, depending on the investment strategy of the respective fund, it may be worthwhile to accept these necessities in order to tap into additional earnings potential and, above all, to take advantage of diversification opportunities.

The long-term success of the investment also depends on appropriate property management and timely, meaningful reporting. If the investor does not have its own resources in the target country, service providers with proven expertise in the respective market segment should be responsible for this. With regard to reporting,

it should be ensured that the necessary data interfaces and IT infrastructures are in place to perform this task when new funds are launched or in the event of a change of fund management, to enable the smooth takeover.

In order to ensure not only a smooth purchase, but also long-term positive returns and value growth, every phase of the investment requires well-coordinated cooperation between all parties involved, all of whom should be familiar with the specifics of the relevant foreign markets – from the property manager and fund administrator to an experienced service KVG.

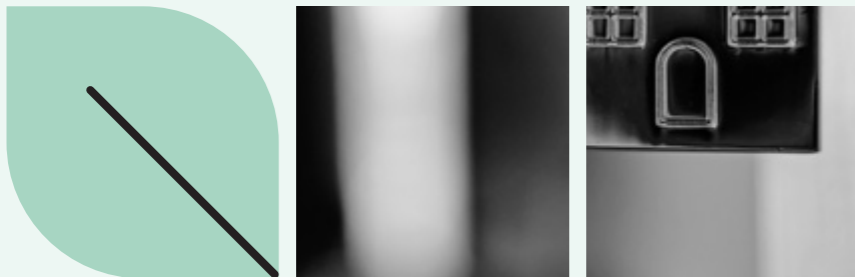


TENANTS AND MANAGEMENT.

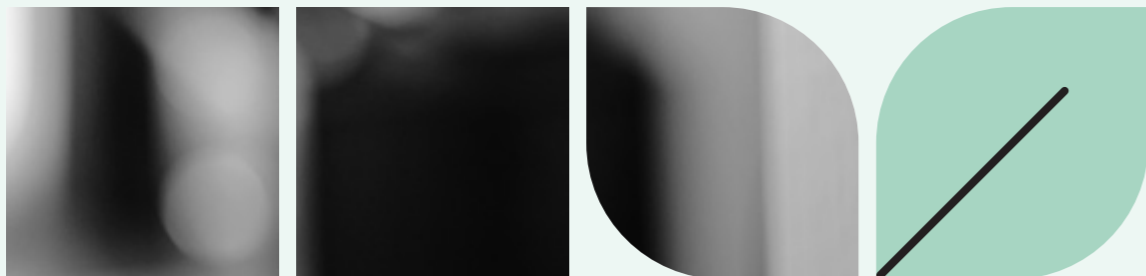




LEASE AGREEMENT SPECIFICS



AND GREEN LEASE



IN THE EUROPEAN CONTEXT.



**A report by
Dr Astrid Keller**
Senior ESG and
Research Manager,
GRR GARBE Retail
Real Estate GmbH

Food retail in Europe is an **important economic sector** that plays a central role in both security of supply and urban development. Under European property law, the **lease agreement** underpins the relationship between landlord and tenant. It regulates the rights and obligations of both parties and forms the basis for legally secure letting. In Europe, the types of rental agreements for food retail properties vary, with **long-term rental agreements** (often 10–15 years) dominating in order to secure investments. Tenancy law is strongly influenced by national legal systems. While there are common European directives, the fundamentals and agreements differ considerably in some cases. In countries such as Germany, France and the Netherlands, there are different regulations governing notice periods, operating costs and rent indexation. **Rental prices in the food retail sector** are often based on land use, location and competitive situation. In addition, operating costs, including energy costs, cleaning, security and maintenance, are regulated in lease agreements. In Europe, transparency regarding operating costs varies; in some countries, there is a tendency to bill these separately in order to minimize disputes. Retail lease agreements often contain clauses on

shop extensions, renovations and conversions. Regulations on sales areas (e.g. minimum or maximum areas) are also common. In Europe, location restrictions and exclusivity clauses also play a role in leases in order to secure the tenant's market position.

With the increasing focus on sustainability and environmental responsibility, special forms of leases, in particular **green leases** or sustainable leases, are becoming increasingly important in order to integrate environmental and, in some cases, social objectives into the lease. As the food retail sector is very energy-intensive, particularly due to cold chains, lighting and sales areas, green leases can help to minimize energy consumption, CO₂ emissions and resource consumption in order to achieve environmental targets and reduce operating costs.

06 TENANTS AND MANAGEMENT

Typically, green leases in the food retail sector include **energy efficiency measures** (commitment to energy-saving appliances, lighting systems and sustainable building technology), **environmental certifications** (targets, environmental standards such as LEED, BREEAM or DGNB*), joint sustainability goals (e.g. reduction of the carbon footprint, waste management, water conservation, mobility and biodiversity measures), reporting and monitoring (regular review of progress based on defined KPIs) and the clear allocation of responsibilities.

European legislators promote sustainable construction and renting through initiatives such as the **EU Buildings Directive** and the **EU Taxonomy** for Sustainable Economic Activities. Numerous countries have their own regulations that favor the introduction of green leases. In Germany, for example, there are legal requirements for energy efficiency and support programs (e.g. KfW), but there are no legally binding regulations requiring green leases to be used in commercial or residential rental agreements. In 2018, the German Property Federation (ZfA) published a practical guide to green leases. Last year, this was adapted to the current European requirements and published under the title **“Green Lease 2.0: From green leases to ESG leases”**. This second handbook distinguishes between basic green leases and extended green leases. The former is limited to the provisions that are essential for the ZfA and focuses on the most important points for achieving the objectives associated with green leases. The latter contains more comprehensive and detailed regulatory proposals.

Scandinavia is considered a pioneer in Europe in the field of green buildings and sustainable leases, yet even Sweden does not yet have binding green lease legislation. However, the industry has developed a voluntary **standard agreement to promote environmentally friendly properties**. The Swedish property association Fastighetsägarna played a key role in the development of this standard agreement and developed a practical guide containing 16 minimum clauses and 27 voluntary additional clauses, which consider, among other things, the use of sustainable materials and green electricity, as well as the disclosure of consumption data. What is interesting about the Swedish approach is that it is based on an incentive system designed to motivate tenants to implement sustainability measures (cf. Hedemann, 2023).

Legislation in the **Netherlands** is already somewhat more advanced. Office buildings with an EPC energy rating lower than C may no longer be re-let. Residential buildings with a rating of D or lower may neither be re-let nor sold from 2030 onwards. In line with these requirements, green lease agreements are used in the Netherlands to regulate energy efficiency and energy saving targets. In 2011, the Netherlands Agency, Ministry of the Interior and Kingdom Relations, together with JLL, published a guide to green leases covering the topics of the use of green electricity, disclosure of consumption data and the use of sustainable materials. Here, as in the case of Sweden, an incentive system is used (cf. Hedemann, 2023).

The **European real estate market is undergoing change**: rental agreements are increasingly being adapted to environmental requirements in order to promote sustainable construction and living. While the basic specifics of rental agreements vary from country to country, green leases are an increasingly important means of anchoring environmental objectives directly in the contractual relationship. The legal framework and standards in Europe support this development, although there are challenges, both legal and in terms of practical implementation and the measurement of sustainability. Green leases that go beyond so-called best-efforts clauses are necessary to make the European building sector future-proof, environmentally friendly and economically efficient.

*LEED: Leadership in Energy and Environmental Design;
BREEAM: Building Research Establishment Environmental Assessment Methodology;
DGNB: German Sustainable Building Council



BUILDING LAW: A COMPARISON BETWEEN GERMANY, FRANCE, AUSTRIA AND ITALY



Anyone who wants to construct a building in Germany must be patient – very patient. From private home builders to commercial property developers, everyone knows the drill: stacks of applications, contradictory regulations, endless coordination with various authorities. And while in France a local authority decides on a building permit within three months – in cases of doubt, at least by tacit consent – the process in this country often takes years. German sociologist Niklas Luhmann, in the 1960s, referred to this phenomenon as “**useful illegality**”. Civil servants who had to deliberately circumvent rules so that anything could get done at all. What seemed like a footnote at the time is now part of everyday life. The German administrative apparatus is thorough and reliable – and at the same time a bottleneck for urgently needed housing construction, infrastructure development, as well as for the commercial properties that keep our cities alive.

The question arises: is it because of the rules themselves – or the way we deal with them? In scarcely any other country are building permits **examined so meticulously**, compared to so many protective rights and complained about with such passion as in Germany. It is not uncommon for a building application to pass through five different authorities, each of which contributes its own expert opinion: climate protection, noise protection, soil protection, monument protection, species protection. The end result is that it is not uncommon for a con-

flict of objectives to arise – monument protection prohibits what climate protection requires. And as time passes, frustration grows among builders, investors and even the officials themselves, who are torn between legal compliance and pragmatism.

German building law thus remains caught in a **peculiar conflict**. It is both a guarantor of legal certainty and an obstacle to any form of speedy development. Anyone building in this country must not only expect long delays, but also the constant risk that a neighbor or environmental association will have the permit overturned in court. But does it have to be this way?

A **look across the borders** shows that other countries also have to navigate complex building regulations, protected assets and social expectations. But the paths they take in doing so are very different. By seeing how France imposes centralism and strict deadlines, Austria cultivates a pragmatic federal culture, and Italy balances bureaucracy and political influence, it becomes clear that **building culture is always also legal culture**.



A report by
Sinem Aktas
Asset Manager,
GRR GARBE Retail
Real Estate GmbH



BIM AS A DRIVER OF DIGITALISATION IN CONSTRUCTION

France organizes its building approval procedures centrally. The **Code de l'urbanisme** applies nationwide, and local authorities are obliged to make decisions within three months. If no response is received, tacit approval is granted – a mechanism that gives builders much greater planning security. Neighbors' rights are more narrowly defined, and legal action is less common. The result: faster processes but less stakeholder input.

Austria, on the other hand, like Germany, has federal structures with nine building regulations regimes. However, the administrative culture is **noticeably more pragmatic** than in Germany. Municipalities make decisions more quickly and detailed regulations are handled more flexibly. Here, federalism does not mean stagnation, but rather proximity to practice. Those who build often wait less and have less risk of multi-year legal disputes.

The situation is quite different in **Italy**, a country where national and regional regulations coexist, often with **contradictions**. Approval procedures are protracted, and political influence is not uncommon. But there are rays of hope here too: **digital tools**, and above all Building Information Modelling (BIM), are driving greater transparency and efficiency by creating a digital twin of the building prior to the first sod being turned. This highlights potential errors at an early stage, reduces costs and at the same time lays the foundation for the use of new technologies such as artificial intelligence.

With **Ministerial Decree No. 560/2017** and its update, BIM was gradually introduced as a mandatory requirement – and since 1 January 2025, the requirement has applied to all public construction projects worth two million euros or more. This makes Italy a pioneer in Europe in terms of the legal establishment of BIM. However, on paper, developments are often further advanced than in reality. In practice, there are problems with corruption, prestige projects that serve as showcases, and inconsistent implementation. Nevertheless, Italy remains a step ahead in terms of legislation – a claim that, up to now, no other European country can make.



Today, **building law** is no longer just a matter of paragraphs and permits. It is closely linked to the major issues **of digitalization, sustainability and European regulations**. This is particularly evident in the example of Building Information Modelling. While France has no comprehensive legal BIM requirements, the state has long established its use as an important instrument of digitalization through clear specifications for public construction. Around 60 percent of construction companies, and especially architects and planners, are already working with BIM, in many cases even at Level 2¹. This means that the technology is also widely used outside the public sector – proof that regulation is not always a prerequisite for acceptance. Germany, on the other hand, has caught up noticeably in recent years. Today, BIM is increasingly being used, often at a maturity level between Level 1 and 2. It has been mandatory for municipal housing construction for several years, and from 2027 onwards, all public building and civil engineering projects are to be tendered exclusively via a BIM portal. This means that Germany is no longer lagging behind – even if smaller companies and the federal fragmentation of building regulations are still slowing down widespread use. Finally, Austria has ambitious standards but lags significantly behind in implementation with a usage rate of around 20 percent. It is striking that in Germany and Austria public projects are playing a pioneering role, while private construction projects are often still carried out conventionally.

A **comparison** across **Europe** reveals a complex picture. France has widespread practice but no comprehensive requirements; Germany has growing use and clear government guidelines; Italy has binding and ambitious regulations, but implementation is still lagging behind; and Austria has solid standards but low market penetration. **What all countries have in common** is the recognition that BIM not only speeds up construction processes but also encourages transparency and supports sustainability goals and is thus becoming a crucial building block for the building law of the future.

Sustainability is also leading to new guidelines for building law. European ESG regulations and EU taxonomy require buildings to be constructed and operated in a demonstrably environmentally friendly, energy-efficient and socially responsible manner. For builders and investors, this means that criteria such as CO₂ balance, energy consumption and accessibility must be accounted for as early as the approval process. While Germany often slows processes down with detailed environmental and climate protection requirements, other countries have found more pragmatic ways to integrate sustainability goals into construction processes. France, for example, links building permits directly to urban planning and ecological criteria, Italy works with digital verification systems, and Austria relies more heavily on municipal control.



¹ BIM Level 1: partially digitised collaboration, Level 2: advanced digitised collaboration, (Level 3: fully digitised collaboration).



Another hot topic is how to deal with **building in rural areas**. There is a similar pattern to be found across Europe on this topic. Protecting the countryside, nature and the climate regularly clashes with the pressure to create new residential or commercial space. Germany is especially strict and narrowly limits new buildings in rural areas. Austria and France take a more flexible approach, but have conditions designed to ensure connection to infrastructure and utilities. This issue is likely to become even more important in the future, especially in times of housing shortages and land scarcity.

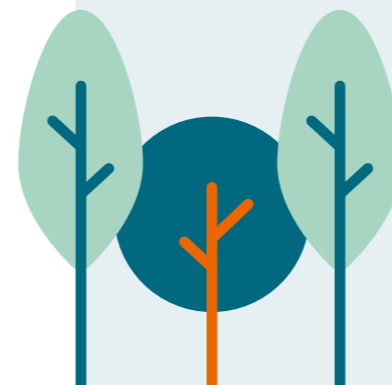
It is clear that building law is no longer a purely national issue. Digitalization, ESG and sustainability act as a European common denominator and are forcing countries to further develop their existing administrative cultures. Germany is finding this more difficult than many of its neighbors – and could learn from their more pragmatic approaches.



The **differences in building law** are more than just legal technicalities. They reflect political cultures, administrative traditions and social priorities. Germany stands for thoroughness, legal certainty and the attempt to take detailed account of every protected asset, but this is at the price of slowness and bureaucratic overload. France relies on clear timetables and a centralized system that makes procedures more efficient but allows less participation. Austria shows that federalism does not necessarily have to be paralyzing and that administrative culture and pragmatism can go hand in hand. Italy, on the other hand, illustrates the flip side – bureaucracy and political influence slow things down, but at the same time, momentum is generated by digitalization and the legal anchoring of new instruments such as BIM.

A **Europe-wide comparison** shows that no system is perfect, but each offers learning opportunities. For Germany, the lesson is clear: less regulation, more discretion, clear priorities and bolder steps towards digitalization. Especially in times of pressing issues such as housing shortages, the need for climate protection and infrastructure deficits, the state cannot afford to remain stuck in its own thicket of regulations.

Beyond the **legal framework**, construction today is also a question of **sustainability**. ESG criteria, EU taxonomy and the goal of sustainable cities require that building regulations must simultaneously become faster and greener. Countries that find solutions that combine bureaucracy and sustainability will not only accelerate construction but also ensure social acceptance. Perhaps this is the real task of 21st century: building regulations that no longer slow things down but actually help things move towards shared goals.



THE DUTCH FOOD RETAIL SECTOR: STABILITY MEETS COMPLEXITY.

The Dutch food retail real estate market has been known for decades for its **stability** and remarkable resilience during economic downturns. This makes the sector attractive to many institutional players. At present, however, the market is undergoing various shifts in regulation, market dynamics, and expectations for society. For international investors, this offers both opportunities and challenges. In-depth knowledge of the local market serves as a competitive advantage.

The Netherlands has a **polycentric urban planning structure**: cities, towns, and neighborhoods have their own centers that provide residents with their daily necessities. This has led to a dense network of supermarkets, local shops, and food-oriented shopping centers. On 1 January 2024, there were approximately 6,600 supermarkets in the Netherlands resulting in a total LFA of 260,000 sqm, demonstrating the sector's saturation. Due to strict municipal policies, primarily aimed at limiting supermarket density within catchment areas, expansion is only possible when, through residential developments, the number of inhabitants in a neighborhood increases or a new neighborhood arises. As a result, established

chains dominate the streetscape, with only five supermarket chains operating nationwide, and act as anchors for shopping centers. These players generate a steady flow of visitors and form the backbone of many real estate portfolios. According to real estate advisor Cushman & Wakefield, investment activity in this segment in 2025 has slightly recovered after a decline in previous years due to the lack of product. Larger transactions in particular are gradually returning, indicating renewed confidence.

At the same time, the sector is under pressure. Due to rising personnel and energy costs margins are shrinking which has an effect on the willingness to accept higher rents. Additionally, the supermarket tobacco sales ban has led to revenue losses, especially in rural areas. Research by ING in 2024 showed that supermarket revenue had fallen for the first time in 20 years, by 1.5 percent, though 2025 growth is projected at merely +1 percent. This puts even the relatively robust food retail segment under strain. Therefore, investors are responding by investing in **convenience retail centers** that are firmly rooted in the local community, **prioritizing sustainable investment**

product products, or incorporate **new leasing models**, including turnover-based components to provide better risk diversification.

Compared to other European countries, the Netherlands has relatively strict laws and regulations. Contract law is skewed toward tenant protection, making rent adjustments a challenge even with the standard 5-year lease duration in The Netherlands as leases are prolonged automatically. Spatial planning processes, such as permit requirements and zoning plans, are also demanding. However, this combination of planning scarcity and tenant-friendly regulation results in a **stable investment climate**. The limited supply of new retail developments, particularly in strategic locations, prevents oversupply and enhances the value of existing assets. Long-term leases and tenant protection also ensure predictable cash flows and low vacancy rates. This makes supermarket real estate in the Netherlands, in a large number of locations, an attractive asset class for long-term investors seeking security, inflation protection, and social relevance.

With its stable economy, strong consumer base, and unique polycentric structure, the Netherlands offers a **solid foundation for investments** in food retail real estate. The scarcity of prime locations, tenants with proven revenue strength, and regulations that minimize vacancy create a market that can withstand economic shocks while capitalizing on trends such as sustainability and local embedding. For international investors, this represents a rare opportunity to benefit from predictable returns in a sector that is both economically robust and socially relevant. The Netherlands is therefore not only a safe haven but also a strategic starting point for those looking to anticipate the future of food retail in Europe.

A report by
Maurits Smit

Managing Director,
GARBE Industrial Real
Estate Netherlands B.V.



Dino Slijpen

Investment Manager,
GARBE Industrial Real
Estate Netherlands B.V.



CHALLENGES FOR INTERNATIONAL INVESTMENT FUND MANAGERS.

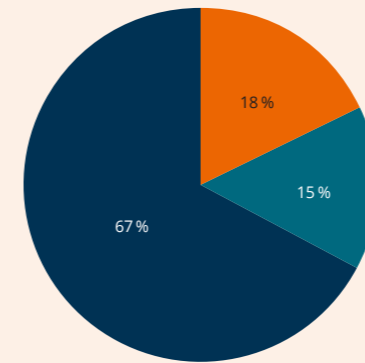
THE ITALIAN PERSPECTIVE.

This section explores the main challenges faced by fund managers overseeing **international real estate investments**, with a focus on **food retail assets in Italy** managed on behalf of US and German institutional investors. Key topics include the reconciliation between local and global expectations, ESG implementation hurdles, CAPEX planning in operational assets, tenant relationships, and transparent investor communication. The section concludes with real-life examples and a regulatory overview, emphasizing the strategic role of **country asset managers** in delivering sustainable value.

MARKET OVERVIEW – FOOD RETAIL IN ITALY (2024)

Indicator	Value
Prime yields	5.50 – 5.75 %
Net initial yield outside prime locations	6.00 – 6.25 %
WAULT (average)	10.2 years
Annual change in customer frequency	+3.8 %
ESG-compliant assets (food retail)	< 18 % of total portfolio
CAPEX POI for energy-efficient renovations	7 – 9 % on average over 5 years

A report by
Marco Grassidonio
 Managing Director – Country Head Italy,
 GRR GARBE Retail Real Estate Italy S.r.l.
Elena Bolognini
 Senior Investment Manager,
 GRR GARBE Retail Real Estate Italy S.r.l.



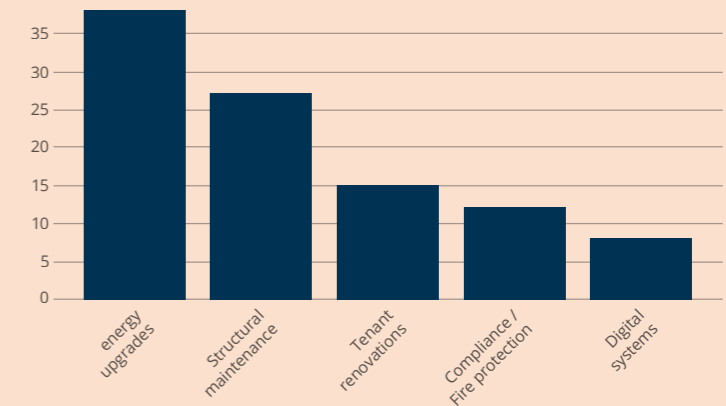
SHARE OF ESG-COMPLIANT FOOD RETAIL IN ITALY (WITH CERTIFICATION)

ESG COMPLIANCE IN THE ITALIAN FOOD RETAIL SECTOR 2024

- Partial implementation of ESG measures
- No ESG certifications
- BREEAM/LEED/GBCI

ESTIMATED BREAKDOWN OF CAPEX EXPENDITURE FOR ASSETS OF THE LIFE RETAIL (3-YEAR PLAN)

3-YEAR CAPEX ALLOCATION IN FOOD RETAIL PORTFOLIOS (%)



In the world of **cross-border real estate investments**, the role of **the local fund manager** has become increasingly strategic and complex. The Italian food retail market remains one of the most resilient segments in the retail sector, with yields ranging between 5.50 percent and 6.25 percent, and investor appetite remains strong due to the sector's stable cash flows and defensive profile. Nevertheless, managing a food retail portfolio – composed of supermarkets, hypermarkets and cash & carry stores – in Italy, on behalf of foreign institutional investors, involves a series of multifaceted challenges that go far beyond lease management or financial reporting.

BRIDGING TWO WORLDS: GLOBAL EXPECTATIONS VS. LOCAL REALITIES

One of the primary challenges for an Italian fund manager working with foreign investors is **acting** as a translator – not only in language but in mindset. American and German institutional investors tend to have clearly defined expectations in terms of performance metrics, timelines, and reporting formats. These need to be reconciled with the operational reality in Italy, where bureaucracy, permitting delays, union relationships and cultural nuances can significantly affect outcomes.

For instance, renegotiating a lease in Italy – even in a resilient asset class such as grocery – takes a different pace and tone than in the U.S., where contracts tend to be more flexible and short-term. The fund manager must explain these differences, justify delays or deviations, and at the same time preserve the long-term relationship with the tenant, who is the core value driver of the asset.



ESG: MORE THAN AN ACRONYM

ESG compliance is a top priority for most institutional investors today. However, implementing ESG principles in a food retail portfolio in Italy presents unique challenges. From an environmental perspective, adapting older assets to **EU energy efficiency standards** to minimize their impact often requires substantial investment – rarely aligned with short-term fund targets.

Most food retail assets built between the 1980s and early 2000s lack photovoltaic panels, energy monitoring systems or carbon-reducing technologies. Proposing a retrofit plan demands not only a cost-benefit analysis but also strategic dialogue with tenants, who must often be involved in the design, execution, and sometimes co-financing of the interventions. In our recently acquired Italian portfolio, for instance, we have photovoltaic installations on rooftops, which reduced site energy costs by 20 percent and improved the asset's EU Taxonomy alignment score, and the tenant is also implementing investment programs for LED replacements and HVAC system upgrades. To improve attractiveness in the secondary investment market, **ESG certifications** are also an important key driver and that is why we have also recently launched **BREEAM In-Use certification** for six key assets of our portfolio.

Social sustainability is another increasingly relevant – yet difficult to quantify – element. Managing the asset's relationship with the local community, ensuring accessibility, safety, and value creation for the neighborhood, are all part of the ESG mission. The asset manager must design qualitative KPIs and local engagement strategies, while still delivering financial returns.

CAPEX PLANNING: TACTICAL NEEDS VS. STRATEGIC VISION

Capital expenditure planning is a further critical component. Food retail real estate requires ongoing **maintenance, plant upgrades, periodic renovations** and **regulatory compliance**. However, annual CAPEX budgets are typically approved in advance and governed by top-down financial planning logic. The fund manager must navigate between unexpected technical urgencies – such as a leaking roof, failing HVAC system, or code compliance – and a fixed financial framework.

In food retail assets, every CAPEX intervention must also be coordinated with the tenant, who usually has full operational control over the store. This demands negotiation over site access, execution schedules, and risk management – all without disrupting the retail business.

TENANT MANAGEMENT: BEYOND THE CONTRACT

Tenants in the food retail sector – especially major national and regional chains – **are complex, demanding, but essential partners**. The relationship cannot be purely transactional. The **asset manager** must engage continuously, monitor sales trends, anticipate needs and opportunities, and co-develop value-adding initiatives.

For example, introducing parcel lockers or click & collect areas can increase footfall and boost the asset's value. However, these must be negotiated and implemented in collaboration with the tenant, often involving headquarters, legal, operations and marketing teams.



INVESTOR RELATIONS: DATA, TRUST, AND STORYTELLING

Managing the relationship with international investors requires transparency, strategic vision, and clear communication. Investors want precise data, punctual reports, and frequent updates, but they also want context – a clear narrative about how the asset is performing, where the market is going, and what challenges are being addressed.

The asset manager must translate local complexity into investor-friendly language – focused on **performance**, but also on the journey of the food retail portfolio as it evolves toward sustainability, resilience, and long-term value.

REGULATORY CONTEXT

On the regulatory side, fund managers must align operations with evolving EU frameworks, which create a growing need for **standardized data collection, forward-looking CAPEX plans, and clear ESG roadmaps** – all of which must be integrated into the asset and fund management strategies.

CONCLUSION

In the landscape of international real estate investment, the role of the country-level fund manager is more strategic than ever. Managing a food retail portfolio in Italy on behalf of global investors demands **technical skills, cultural sensitivity, and a long-term vision**. The key challenge lies in turning **geographical and operational distance into value** – through attentive management, transparent communication, and a forward-looking, sustainability-oriented approach to real estate.



FOOD RETAIL IN AUSTRIA: A MARKET WITH ITS OWN RULES

The food retail sector has always been **one** of the **pillars** of the Austrian economy. With around 160,000 employees spanning 9,400 sales locations, it ensures the basic supply of goods for more than nine million people every day. It is noteworthy that while overall economic performance has declined over the past two years, the industry has nevertheless been able to increase its sales by 8.3 and 4.3 percent respectively. However, although Austria follows international trends in many respects, the market has some **peculiarities**. One of the most striking is its **high concentration**: the four largest players – Spar, REWE, Hofer and Lidl – account for more than 90 percent of gross sales. By comparison, the top

four in Germany account for only 76 percent. On the one hand, this high degree of consolidation creates strong competitive pressure, but on the other hand, it also creates a clear market structure in which smaller, regional retailers are increasingly falling behind. Consumer behavior is particularly pronounced in Austria. **Regionality** plays an exceptionally important role: in the most important product categories, almost 84 percent of goods are domestically produced – a figure that is significantly above the central European average. Added to this are regional peculiarities, ranging from consumer habits to logistical challenges in **alpine regions**.

In 2024, a decline in retail space in food retailing was observed for the first time. The main reasons for this were, on the one hand, the market displacement of smaller suppliers and, on the other hand, a strategic realignment of the large retail chains. Instead of focusing on nationwide presence, they are increasingly optimizing existing store concepts and concentrating on high-yield locations and profitable **locations**.

For investors, this means that without a detailed understanding of micro-locations – from the mountain valleys of Vorarlberg to Vienna's city center – sustained success is unlikely to be possible. The **property market** itself also differs from the international environment. Austria is characterized by smaller, local investors and large portfolio deals in the food retail sector are the exception. Anyone wishing to invest therefore needs a local network and direct access to the right contacts. In food retail, the relationship with the tenant – from the branch manager to the board of directors – often determines the long-term success of a property.

Another unique feature to navigate is **Austrian federalism**. Each federal state sets its own priorities, which leads to considerable differences. What is easily possible in Upper Austria may fail in Salzburg due to strict regulations. A restrictive land use policy makes it difficult in many places to build new branches; at the same time, renovations to existing buildings involve complex administrative procedures. Investors and developers must therefore have regional expertise and detailed knowledge of the respective building and planning law framework conditions.

Added to this is the growing importance of **ESG and climate protection**. Food retailers are increasingly obliged to make their supply chains more sustainable and operate their locations in an energy-efficient manner. Investments in photovoltaic systems, conversion to LED lighting or connection to district heating and cooling are no longer voluntary measures, but central components of any business plan. For investors, this means that only those who take environmental requirements seriously will be successful in this market over the long term.

The Austrian food retail sector is therefore a market characterized by clear structures, regional peculiarities and high competitive pressure. Anyone wishing to invest here must not only account for the national framework conditions but also have a keen sense of micro-locations, regional differences and sustainable development. Ultimately, it is not just the space that matters, but the **right balance** of location quality, partnership with retailers and future-oriented ESG management.

**A report by
Matthias Strobl**
Investment Manager,
GARBE Industrial
Real Estate
Austria GmbH



INVESTORS AND FUNDS.



**A report by
Tobias Matheis**

real estate economist
(IREBS) and senior
account manager at
Berlin Hyp



THE PARTICULARITIES OF FINANCING FOOD RETAIL PROPERTIES INTERNATIONALLY.

Within the **retail asset class**, food retailing occupies a prominent position: it ensures basic supplies, stabilizes urban centers, creates jobs and adds value. For banks, therefore, the **long-term value** of leases and the **creditworthiness** of anchor tenants are particularly important. Another important feature is that brick-and-mortar food retailers face significantly less competition from online retailers than other in other retail sectors. On an international level, legal frameworks and structural requirements are also of particular importance.

An often overlooked but essential factor is **easements**. These rights grant certain tenants' **advantages** (e.g. exclusive use of parking spaces, preferential delivery access, restrictions on competing businesses) and must be entered in the land register and checked before financing. They influence the flexibility of the owner and the ability to

rent out a property upon the expiration of a lease agreement. Easements can **increase value** by retaining anchor tenants or reduce it by restricting future use. When structuring them, care must be taken to ensure that they comply with **bank requirements** (e.g. vdp standard in Germany).

As with all other real estate asset classes, ESG criteria are also becoming increasingly relevant to financing decisions. The aim is to reduce CO₂ emissions, increase the sustainable value of the property and lower operating costs, for example by integrating photovoltaic (PV) systems for generating electricity for property's own use or for feeding into the grid. Location dependency and the granting of building rights play a central role. Profitability depends on frequency, accessibility and the competitive environment. Due to the small size of the properties, financing plays a key role.

The sustainability of a property is determined during the financing process and incentivized through the granting of appropriate loan products, such as **Berlin Hyp's green loans**. This also includes the transformation loan, which Berlin Hyp uses to support its customers on their way to greater sustainability. Sustainability is supported.

Assessment criteria for loans vary greatly across countries. In Germany and Austria, mortgage lending values are determined conservatively and in a regulated manner, while Anglo-Saxon markets tend to take a market-oriented approach with a stronger emphasis on short-term returns. Banks therefore need **individually tailored practices** rather than standard solutions, as local characteristics and regulatory requirements. Location dependency must be taken into account and the granting of building rights play a central role. Profitability depends on frequency, accessibility and the competitive environment. Due to the small size of the properties, financing is often summarized in portfolios.

For the **financing analysis**, tenant creditworthiness and a cash flow profile with long lease terms or an expanded.

CURRENT SITUATION:

Financial covenants limit the bank's risk in structuring. The systemic relevance of **brick-and-mortar** food retail is factored into risk assessments. Despite growing online trade, brick-and-mortar... in Germany, online retail accounts for around 3 percent of food sales and around 23 per cent of textile sales (Statista). Accordingly, non-food formats such as fashion stores and electronics stores must be assessed more restrictively.

Food retailers and drugstores are therefore considered **crisis-resistant and sustainable**. From a financing perspective, they are also a fundamental element of the tenant mix in shopping malls, shopping centers and retail parks.



CONCLUSION

As a systemically important segment, food retail plays a special role within the retail asset class. However, the financing of food retail properties requires a differentiated consideration of legal, economic and cultural conditions in an international context. Key valuation components include cash flow analyses, easements, ESG criteria, and location and competition analyses.

STABLE, RESILIENT, HIGH- YIELD:

EUROPEAN FOOD RETAIL
PROPERTIES AS A STRATEGIC
ANCHOR FOR INSTITUTIONAL
PORTFOLIOS.

RELEVANCE OF THE FOOD RETAIL SEGMENT

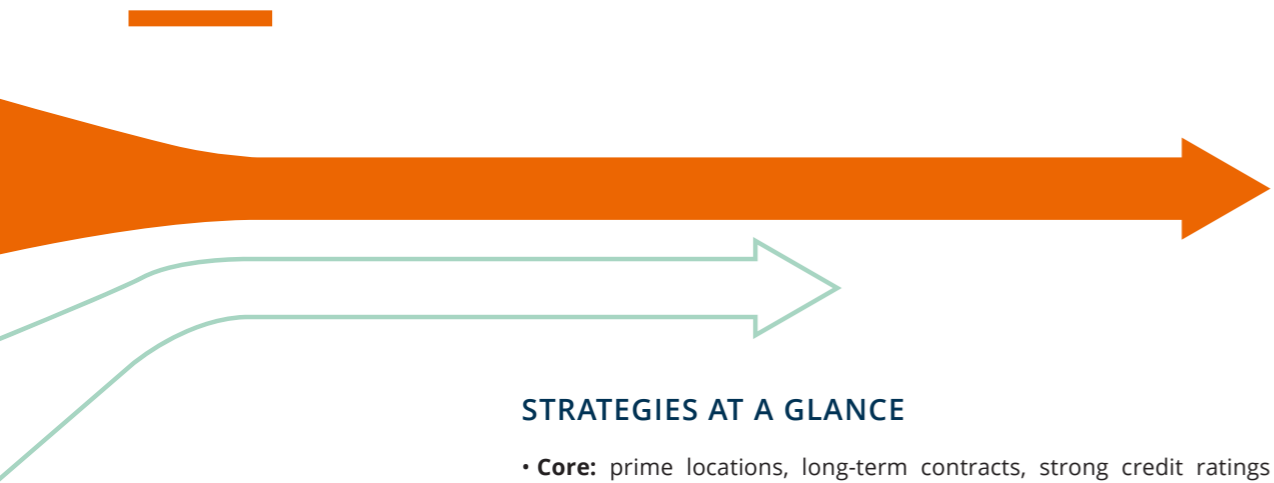
Food retail properties are among the most stable asset classes in Europe. They ensure basic supplies, are highly crisis-resistant and have so far been largely unaffected by online retail. For institutional investors, they offer **reliable cash flows** and **attractive diversification opportunities** which can be a decisive advantage in a volatile market environment.

HETEROGENEOUS MARKET CONDITIONS AS AN OPPORTUNITY

European real estate markets are characterized by **heterogeneity**, and this is precisely where the strength for investors lies. While some countries offer a high degree of stability, others open up additional growth opportunities through **dynamic consumer trends or innovative location concepts**. For example, in Spain and Italy, the share of household consumer spending on food is significantly higher than in Germany (around 13-14 percent compared to around 11.5 percent). The greater importance of brick-and-mortar food retail underscores the attractiveness of corresponding investments in southern Europe.

A key performance lever lies in the drafting of contracts. **Triple net leases**, in which almost all costs are passed on to the tenant, are not widespread throughout Europe, but are considered particularly attractive to property owners. They increase predictability and reduce ownership costs – where they are available, they can be decisive for investment decisions.

The European perspective enables **active cherry picking**: investors can selectively choose those locations and structures that offer the optimal combination of location quality, lease terms and financing conditions. Differences in tax frameworks, subsidy programs and interest rate landscapes reinforce the potential of a diversified European investment strategy.



STRATEGIES AT A GLANCE

- **Core:** prime locations, long-term contracts, strong credit ratings Tenants. Guaranteed stability, but limited returns.
- **Core Plus:** Properties with moderate risk, such as shorter remaining terms or manageable investment requirements. Potential arises through active asset management and ESG-oriented modernization.
- **Value-add:** Focus on properties in need of renovation or repositioning. Redevelopment and energy efficiency measures open up considerable potential for value appreciation. The risk is high, and the management approach is crucial.
- **Opportunity:** Project developments and riskier investment strategies in B and C locations. They can generate exceptional returns but are heavily dependent on debt capital and the economy.



A report by Maximilian Hammer

Portfolio Manager,
GRR GARBE Retail
Real Estate GmbH

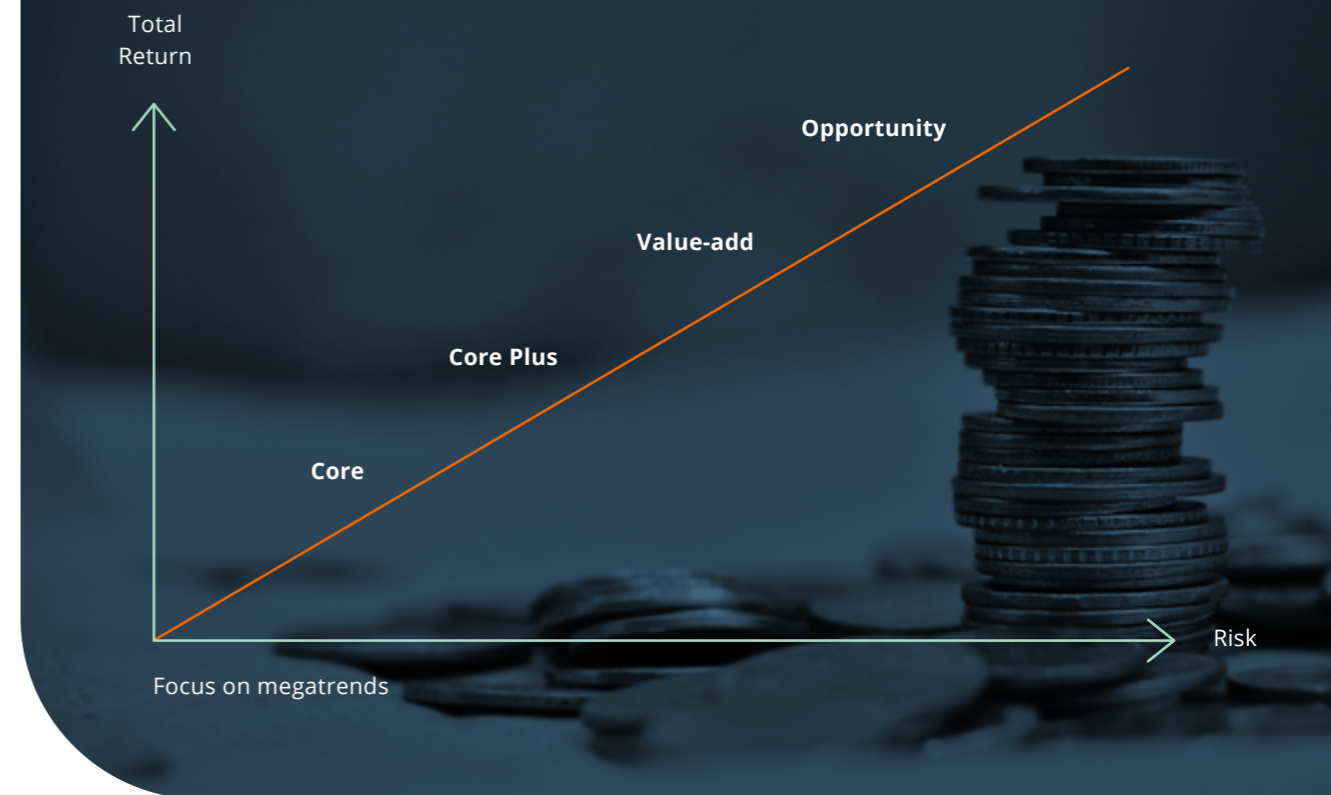


and Ferdinand Lang

Junior Fund Manager,
GRR GARBE Retail
Real Estate GmbH

THREE CROSS-CUTTING ISSUES SHAPING THE MARKET:

- **ESG:** Although regulatory paths – such as the EU taxonomy and CRREM requirements – call for concrete measures, implementation remains unclear in many cases. In the short term, ESG is therefore losing importance, but in the long term it will become a decisive value driver.
- **Digitalization & big data:** Operators are increasingly optimizing their product ranges and locations in an increasingly data-driven manner. Properties that support this transformation secure competitive advantages.
- **Consumer behavior:** Trends towards local supply, freshness and sustainability increases the importance of well-connected, modern areas.



CONCLUSION

Food retail properties combine **stability with strategic flexibility** – a rare combination in volatile times. They form a stable foundation for many portfolios but offer far more than just security: **targeted value management** can also unlock attractive return potential. While core investments focus primarily on long-term security, core plus and value-add strategies open up scope for active value enhancement. Those who are prepared to take selective risks can achieve above-average returns with opportunity investments – provided they have market knowledge and management strength. The optimal strategy is not to focus on a single category, but rather to focus on **dynamical combined** approaches tailored to the market, risk profile and investor objectives. The diversity of European markets – from regulated structures and varying financing conditions to regionally varying consumer trends – offers the opportunity to build resilient and high-yield portfolios. The key is the ability to strategically leverage these differences and manage risks in a targeted manner.

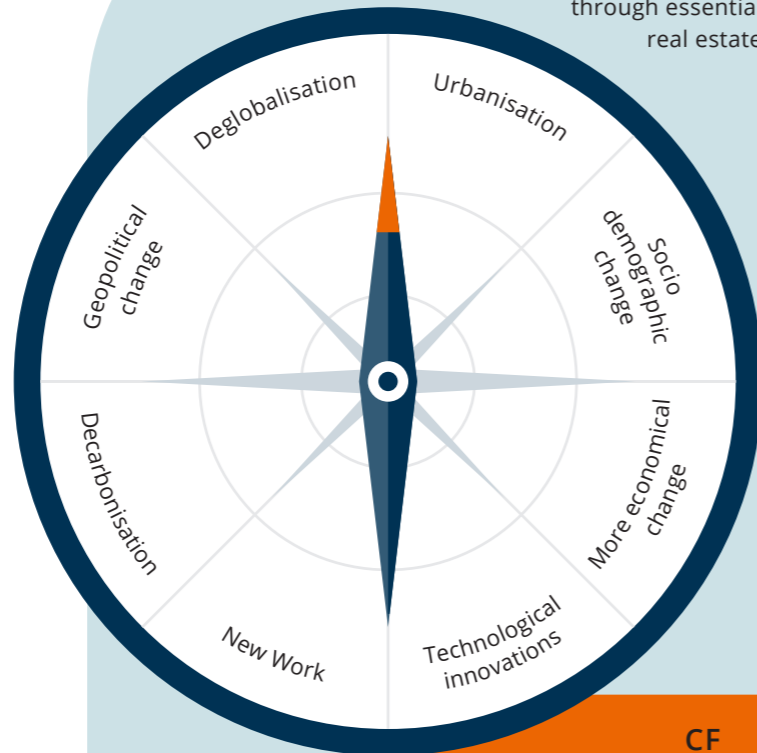
THE GEOPOLITICAL COMPASS: LOCAL SUPPLY AS A FIXED POINT IN EUROPEAN REAL ESTATE PORTFOLIOS.

STRATEGIC STARTING POINT

Geopolitical risks are no longer a footnote to institutional investment strategies – they have become a **central point of navigation**. Our table of megatrends shows that geopolitical change marks the “north” of a strategic compass that real estate investors must increasingly use to orient their investment strategies. Decarbonization, technological innovation, urbanization and demographic change remain important drivers – but in times of war, trade conflicts and a slowing global economy, security of supply is becoming the key currency.

TABLE OF MEGATRENDS

Investing in megatrends through essential real estate



$$\text{VALUE} = \frac{\text{CF}}{k}$$

EUROPE'S NEW REALITY: CAUTION OVER CONSUMPTION

The geopolitical situation in Europe will remain **highly uncertain** in 2025. Conflicts at Europe’s external borders, disrupted trade relations and increasing dependence on non-European supply chains have prompted the European Commission to strategically reprioritize security of supply in the food sector. Measures such as the establishment of a European Union (EU) crisis response mechanism and recommendations to strengthen the food chain illustrate this change of course.

At the same time, the geopolitical environment is having an increasing impact on consumer behavior. At -14.8 points, the EU Consumer Confidence Indicator (CCI) remains well below its long-term average. The savings rate in the eurozone remains at around 15 percent, and in Germany it is even close to 20 percent – a sign of pronounced **consumer restraint**. Even though real incomes are gradually stabilizing, consumer confidence remains subdued.

**A report by
Maximilian Radert,**
Authorised Signatory,
Head of Product Development &
Research, KINGSTONE Investment
Management GmbH



BETWEEN PRICE ELASTICITY AND BASIC NEEDS: THE NEW CONSUMER LOGIC

Surveys conducted by McKinsey, the Society for Consumer Research (GfK) and the European Commission show a clear shift in **the demand preferences** of European households towards affordable, accessible and quality-oriented basic supply offerings. Higher-value consumer goods are increasingly being avoided in favor of stable basic ranges. A study by the European Central Bank (ECB), “The Effect of Macroeconomic Uncertainty on Household Spending” provides empirical evidence of this trend.

The ECB distinguishes between two effects:

- The **demand effect** shows that even a moderate increase in perceived uncertainty reduces monthly consumer spending by around 5 percent.
- The **segment effect** describes how spending on non-essential, discretionary goods (e.g. travel, entertainment and luxury items) shows particular declines.

Local suppliers benefit the most in this environment. With their price- and access-oriented basic supply, they offer a **robust format with stable demand**. There is a clear differentiation in the food segment: in the lower price segment, consumers react strongly to price changes – reflecting high price elasticity. Even small price changes lead to noticeable fluctuations in demand. In the upper segment, on the other hand, quality and place of origin dominate. Price elasticity is also central in the context of “Engel’s law” – named after the German economist Ernst Engel (1821–1896). This states that as income rises, the relative share of expenditure on food falls. In uncertain times with stagnating or falling incomes, however, this share rises again. Local suppliers focus precisely on those goods that are prioritized and needed on a long-term basis in times of uncertainty.



LOCAL VALUE CREATION AS THE FOUNDATION OF LOCAL SUPPLY

The typical range of local suppliers is geared towards basic supplies: fresh produce such as fruit and vegetables, non-perishable foodstuffs, beverages and household items. According to Eurostat (the statistical office of the European Union), agricultural products accounted for around 7.2 percent of EU imports in 2024, while exports accounted for 8.9 percent of total exports. Local suppliers are exposed to the risks associated with imports in certain product groups such as exotic fruits, coffee and spices, but are generally strongly embedded in European domestic production. This is based on favorable agricultural conditions (availability of land, climate, proximity to sales markets) and **high demand for regional and fresh products**. A key stabilizing factor is the EU’s **Common Agricultural Policy (CAP)**. Since 1962, it has ensured a predictable, subsidy-supported and largely resilient agricultural sector. Despite political criticism of its share of the EU budget, the CAP offers important calculation and supply security, especially for local suppliers.

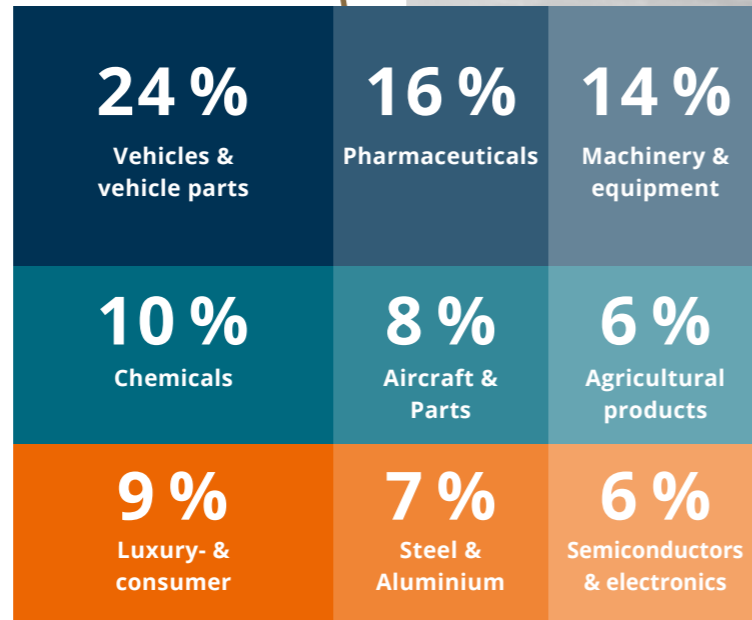
INDUSTRY-DEPENDENT, LESS SUPPLY-RELVANT: CHINA'S LIMITED ROLE FOR LOCAL SUPPLIERS

Geopolitically, China is considered to be – as a **“grey rhino”**: an obvious, difficult-to-avoid risk. This is particularly the view from Germany. In 2023, around **20 percent** of EU goods imports came from China, while the export share was only around 9 percent. The focus is primarily on **industrial products** such as electronics, machinery and vehicles. China, on the other hand, plays a **minor role** in local supply. This sector is dominated by intra-European flows and imports from Latin America, Africa and Southeast Asia.



ANALYSIS OF EU-US EXPORTS BY SECTOR

Share of EU goods exports to the US by sector (2024; in %)



FROM RICARDO TO TRUMP: THE PRICE OF ALLEGED TRADE ASYMMETRIES

The recent agreement reached to move on from the transatlantic trade dispute between EU Commission President Ursula von der Leyen and US President Donald Trump marks another departure from **Ricardo's free trade theory**. The US is the EU's most important export market, worth around €532 billion, while imports amount to €333 billion. The resulting **trade deficit** of just under **€200 billion** regularly draws criticism from Washington as for Trump, current account deficits are the central measure of his tariff policy.

Source of graphic: Statistical Office of the European Union (Eurostat) (2025); analysis & presentation: KINGSTONE Real Estate, Q3 2025

Economist Prof. Bofinger points out that while it is problematic for countries to consume more than they earn in the long term, this does not apply across the board to the United States. This is because the US dollar is the global reserve currency, allowing the United States to run up debts with relatively little consequence and without risking a loss of confidence. True to the famous quote by US Treasury Secretary John Connally (1971): “The dollar is our currency, but your problem,” the US enjoys a special privilege in trade policy.

In addition to a massive expansion of European energy imports and investments in the US market, the so-called **“trade deal”** also provides for a flat 15 percent tariff on most EU export goods.

However, as both sides interpret the agreement differently and key details remain unresolved, the story of the departure from free trade is an unfolding one. In the agricultural sector, the US remains largely irrelevant to European local supply, despite its position as the second largest market for EU food exports. Agricultural imports from the US account for only around 8 percent of the total and mainly concern specialty products such as wine, olive oil and spirits. The limited market access for US products is based less on economic than on regulatory reasons: **The failure of the Transatlantic Trade and Investment Partnership (TTIP) agreement in 2016** reflects the continuing differences on issues such as genetic engineering, food safety and production standards. Against the backdrop of current tariff disputes, some EU negotiating partners may wish that TTIP had been concluded at the time.

THE ESSENCE OF RESILIENT LOCAL SUPPLY IN GEOPOLITICALLY UNCERTAIN TIMES

In the geopolitical environment, local supply stands for stability, proximity and reliability. It is **largely independent of global trade risks**, has strong regional roots and meets basic needs – especially in times of economic uncertainty. Price-elastic demand, regional supply chains and political support – for example through EU agricultural policy – make it a structurally robust market segment. For investors, this means that **local supply properties offer real resilience when other markets are volatile**.

MANAGER PERSPECTIVE: BUILDING A PAN-EUROPEAN FUND WITH FOOD RETAIL PROPERTIES: A MANAGER'S PERSPECTIVE



Setting up a pan-European real estate fund focused on food-related properties presents managers with particular strategic, operational and regulatory challenges. **Demand for stable, crisis-resistant assets** has brought food retailers into focus as a tenant class for many investors, especially after the experience of the coronavirus pandemic, during which supermarkets were among the few “systemically important” tenants. Careful selection of **target countries** is central to any fund strategy. This must be based not only on economic data or property price trends, but also on the market position and expansion strategy of the most important food retailers in the respective location.

A thorough understanding of the local retail market is essential in order to correctly evaluate locations and tenants. Customer frequency, purchasing power in the catchment area and infrastructure connectivity vary greatly from region to region. Changes in consumer behavior and the influence of online grocery shopping on brick-and-mortar formats should also be accounted for in the **location assessment**. A pan-European portfolio therefore requires decentralized but well-coordinated **asset management**. Local market knowledge is essential, especially when it comes to lease negotiations or property management. At the same time, a uniform fund strategy must be maintained – e.g. with regard to ESG criteria, lease terms or risk profiles. A hybrid model has proven successful here: centrally controlled portfolio planning and risk management combined with locally based teams or partners to handle operations. In addition, the digital integration of asset management systems is also gaining in importance in order to ensure transparency and comparability between locations.

Another key aspect is the **heterogeneous regulatory landscape in Europe**. Differences in tenancy law, taxes, ESG requirements and investment regulations require a flexible fund structure. Due diligence processes must also be adapted to specific countries. Issues such as land registry systems, environmental regulations and commercial law usage requirements demand in-depth expertise and often external advice.

While many target markets are located in the eurozone, a broader positioning – e.g. with assets in Poland, Sweden or Czechia – can give rise to currency risks. Interest rate and inflation trends are also not uniform. Differentiated risk management is essential. It is important to build up a diversified tenant pool with creditworthy anchor tenants from the food retail sector who are bound by stable, long-term leases.

In summary, establishing a pan-European real estate fund with food-related assets offers great potential in terms of both stability and returns. Success requires effective coordination between operational processes and strategic orientation. It requires a deep understanding of markets, precise structuring and skillful management, as well as knowledge of cultural and regulatory differences. Market changes must be anticipated on an ongoing basis and the fund strategy adapted accordingly. This structured, market-sensitive and interdisciplinary management approach is the key to forming a high-performing, resilient overall portfolio from a multitude of national markets.



A report by
Sebastian Kerschbaum
Fund Manager,
GRR GARBE Retail Real
Estate GmbH

CONCLUSION

08 CLOSING REMARKS AND ACKNOWLEDGMENTS

The 5th GRR Retail Report has attempted to provide a comprehensive overview of the multifaceted world of the food retail real estate landscape in Europe. It shows that, despite current challenges and volatility, food retail real estate represents an extremely resilient and stable investment opportunity. The analysis of market developments in Germany, the comparative review of European countries and the examination of regulatory, social and economic influences illustrate why European food retail is considered a strategic core for sustainable investments.

The **diversity within Europe** is particularly noteworthy. While Germany impresses with its stability and efficiency, countries such as Italy, Spain and Austria each offer their own opportunities and risks, which must be carefully weighed up. The regulatory framework, social structures and labor market situation are key factors that have a significant impact on investment strategy. The legal challenges, particularly in relation to market entry and property development, should not be underestimated, but at the same time they offer scope for innovative approaches and sustainable growth strategies.

Another focus of this report is on the **importance of ESG criteria** and the sustainable valuation of real estate. The integration of environmental, social and governance aspects has long been an indispensable part of professional asset management strategies. Tools such as GRESB help investors to transparently measure and continuously improve the ESG status of their portfolios. At the same time, the potential in the field of photovoltaics and renewable energy shows how sustainability and economic returns can go hand in hand.

The **European labor market** and differing consumer habits have a significant influence on the structure and range of products offered in food retail. At the same time, increasing digitalization and changing consumer habits are opening up opportunities for new business models and sales formats.

The pan-European perspective is becoming increasingly relevant for **investors and funds**. Diversification across different markets, combined with a deep understanding of local characteristics, creates stable and risk-optimized portfolios. Financing, management and legal frameworks require a professional and expert-informed approach in order to make the most of opportunities and minimize risks.

Food retail in Europe is a promising sector characterized by resilience, innovation and sustainable management. For investors, asset managers and market participants, it offers the opportunity to build strategic positions that combine economic success with social responsibility. With a clear vision, in-depth knowledge and a systematic approach, the opportunities offered by the European food real estate market can be optimally utilized for a sustainable, stable and future-proof investment landscape.

At this point, we would like to express our gratitude to our authors. Their contributions have given us valuable insight into the current state of developments and shared their expert assessments of future trends. Through their diverse expertise and wealth of experience they enable us to better understand European markets and thus take advantage of opportunities. They have made our GRR Basic Retail Report a stimulating read – both for those outside the industry and for experts. If you have any suggestions or questions, we look forward to hearing from you.



YOUR GRR CONTACTS FOR QUESTIONS AND FEEDBACK ON THE REPORT:



Dr. Astrid Keller,
Senior ESG- and
Research Managerin
A.Keller@grr-garbe.com



Thomas Thein,
Head of Fund &
Portfolio Management
T.Thein@grr-garbe.com





GRR GARBE | COMPANY PROFILE

2006

2025

GRR GARBE Retail Real Estate GmbH (GRR) is a specialist investment and asset manager with a clear focus on the local retail property segment. Since its foundation in 2006, the company has built up its own portfolio of retail properties and asset management and portfolio management for institutional investors in 2009.

In 2012, the area of business was further expanded with the launch of **GRR German Retail Fund No. 1**, the first special AIF for institutional investors in cooperation with a service capital management company. This fund was followed by four further vehicles, resulting in the establishment of a highly successful fund series. In addition, GRR has been developing tailor-made individual mandates for institutional investors for many years, all of which are designed and actively managed by the GRR team.

Since **1 January 2024**, GRR's success story has continued together with its new partner GARBE. Integration into the **GARBE** platform has been successfully completed and is evidenced by expansion into new European markets, as well the development of new strategies and personnel growth at GARBE locations outside of Nuremberg.

In 2024, in addition to the partnership with GARBE, further strategic milestones were achieved: Together

with an international capital partner, GRR acquired its first European portfolio in Italy. In addition, GRR, together with a renowned private equity investor, was able to acquire almost all of the shares in a special fund specializing in local supply and retail park properties.

Currently, the real estate assets managed by GRR comprise around **550 properties with a total value of approximately €2.7 billion**. As part of its holistic 360° approach and its **"boots on the ground" philosophy**, GRR fulfills all services along the real estate value chain with its own specialists.

Parallel to the continuous expansion of the portfolio, the organization has also grown steadily in recent years. Today, GRR employs around **95 specialist staff** who are responsible for managing over **2,000** existing rental agreements and actively driving further growth.

In the future, GRR will increasingly promote the **Europeanisation of its real estate and fund offerings** in addition to its focus on the German market, drawing on GARBE's comprehensive presence and infrastructure throughout Europe.

The **deal pipeline** is filled with attractive projects and forms a solid basis for the continuation of GRR's successful growth course.

JLL

For more than 200 years

COMPANY PROFILE

For more than 200 years, JLL, a leading global **commercial real estate and investment management company**, has been helping its clients purchase, build, use, manage and invest in a wide range of commercial, industrial, hotel, residential and retail properties.

As a **Fortune 500® company** with annual revenue of £23.4 billion and operations in more than 80 countries, JLL offers its approximately **112,000** employees the power of a global platform combined with local expertise. Driven by the goal of shaping the future of real estate for a better world, JLL supports its clients, employees and society in a way that is true to its motto, “**See a brighter way**”.

In Germany, the Capital Markets business line advises investors and portfolio holders on individual and portfolio transactions in the retail, office, residential, industrial & logistics and hotel asset classes. With offices in Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Cologne, Leipzig, Munich and Stuttgart, as well as representative offices in Mannheim and Nuremberg, JLL is present in all regions of Germany.

Through its numerous analyses and market reports, JLL contributes to **increasing market transparency** in Germany, thereby promoting the professionalization and attractiveness of the German real estate industry. All reports and further information are available on the website www.jll.de.

GUEST CONTRIBUTIONS

Structure and development in the retail sector in Germany

Lena Knopf, EHI Retail Institute, www.ehi.org

Food retail in selected European countries – the examples of Italy and Finland

Lena Knopf, EHI Retail Institute, www.ehi.org

From regulation to returns – the path to value-driven ESG performance in the retail sector

Jenny Stephan, KPMG AG Wirtschaftsprüfungsgesellschaft, www.kpmg.com/de

ESG in the European context: data challenges and photovoltaic potential in food retail

Dr. Jens Hirsch, Building Minds, www.buildingminds.com/de

Enter the market, but with a plan. Legal challenges when entering the European food retail market

Dominic Baumüller, LL.M.Eur. – Beisse & Rath Partnerschaft von Rechtsanwälten mbB, www.beisse-rath.de

Opportunities and risks in the European commercial property market

Prof. Dr. Thomas Beyerle, HBC Hochschule Biberach, www.hochschule-biberach.de

Kaufland: European expansion and innovative store concepts

Michael Hiese, Gesellschaft: Kaufland Marketplace GmbH, www.kaufland.de

Aldi Nord and Aldi Süd Building description: Cost efficiency of a uniform European building standard in food retail

Torsten Janke, ALDI Nord Deutschland, www.aldi-nord.de

ESG and valuation Impact on commercial real estate in Europe

Susanne Eickermann-Riepe, Vorsitzende des RICS World Regional Board Europa, www.rics.org

GRESB as a comparative tool for assessing the ESG status quo in a pan-European context

Alexander Roznowski, GRESB, www.gresb.com

International real estate investments require extensive experience

Camille Dufieux, IntReal International Real Estate Kapitalverwaltungsgesellschaft mbH, www.intreal.com

The Dutch food retail sector: stability meets complexity

Maurits Smit und Dino Slijpen, GARBE Industrial Real Estate Netherlands B.V., www.garbe-industrial.de/netherlands/

Food retail in Austria: a market with its own rules.

Matthias Strobl, GARBE Industrial Real Estate Austria GmbH, www.garbe-industrial.de

Special features of financing food retail properties in an international context

Tobias Matheis, Berlin Hyp, www.berlinhyp.de

The geopolitical compass – local supply as a fixed star in the European real estate portfolio

Maximilian Radert, KINGSTONE Investment Management GmbH www.kingstone-re.com



Imprint GRR

Basic Retail Report © 2025

Publisher:
GRR GARBE Retail Real Estate GmbH
Marienbergstraße 98
90411 Nürnberg
0911 955 126-0
www.grr-garbe.com

Cooperation partner:
Jones Lang LaSalle SE
Bockenheimer Landstraße 55
60325 Frankfurt
0 69 2003 0
www.jll.com/de

Concept and editing:
GRR GARBE Retail Real Estate GmbH
Dr. Astrid Keller
Thomas Thein

Design, graphics, typesetting, editing:
CMF Advertising GmbH
Langwiesenweg 29-33
61440 Oberursel
06171 8878 0
frankfurt@cmf.de

Printing:
Braun & Sohn Druckerei GmbH und Co. KG
Am Kreuzstein 85
63477 Maintal
06109 769 000