FOREIGN INVESTORS ARE SHOWING A GROWING APPETITE FOR ITALIAN COMMERCIAL REAL ESTATE, A SIGN THAT THE GRADUAL IMPROVEMENT OF THE EUROPEAN ECONOMY IS BEING FELT IN SOME OF THE CONTINENT'S WEAKER PROPERTY MARKETS.

From January through early October, the volume of Italian cross-border transactions totaled €2.75 billion ($3.71 billion), or about 79% of all commercial real-estate transactions in Italy so far this year, according to Real Capital Analytics Inc. That is the largest amount of foreign investment in Italian commercial real estate since 2007, though it still is only half that year's total, says Joseph Kelly, a European analyst at Real Capital Analytics.

With overall confidence in the euro zone rising, investors are becoming more willing to buy into riskier countries such as Spain and Italy, experts say.

"Now that the euro-zone crisis is no longer as relevant, people look to Italy. It has a real economy and good quality assets," says Stephen Screene, chief operating officer of European capital markets at Cushman & Wakefield Inc.

The buyers in the biggest deals of 2013 are investors who haven't bought property in Italy since before the global financial crisis, or ever. For example, in early October Morgan Stanley, which hadn't purchased property in Italy since 2007, said it had acquired a majority stake in 13 Italian shopping malls and two retail parks in a deal valued at about €635 million.

Allianz Real Estate's acquisition last May of two office buildings in Milan and Rome was its first investment in Italy since 2008. Following this roughly €90 million deal, the German insurance company is planning further investments worth about €500 million, according to Mauro Montagner, CEO of Allianz Real Estate Italy.

Investors say that in havens such as London, Paris, Germany and Sweden, prices have jumped in some cases to prerecession levels, making investments less appealing. Investors buying properties in those markets are accepting initial yields as low as 5%, analysts say.

By contrast, in the second quarter of 2013, yields in Europe's harder-hit markets such as Italy, Spain,
Portugal, Ireland and Greece were on average 7.3% for retail property and 8.4% for office property, according to Real Capital Analytics.

By the end of 2013, about two thirds of the year’s deals will have involved foreign buyers, says Alessandro Mazzanti, chief executive CBRE Group Inc. ’s Italian division. This is about double the average between 2009 and 2012, he says.

In May, Qatar Holding LLC, which before 2012 was completely absent from the Italian market, closed on a 40% stake of Porta Nuova, a €2 billion mixed-use development in Milan, the largest transaction so far this year in Italy.

Qatar Holding’s move piqued the interest of foreign investors, says Manfredi Catella, CEO of Hines Italia SGR, the developer of Porta Nuova.

Newly interested foreign investors include U.S. private-equity firms Cerberus Capital Management LP, KKR & Co. and Oaktree Capital Management, Mr. Catella says. In particular, Cerberus is close to completing two transactions for a value that could reach €400 million, according to people familiar with the matter.

Blackstone Group LP, which in recent months has invested in shopping centers across northern Italy, is in exclusive talks to buy the historic Milan headquarters of the heavily indebted Italian newspaper Corriere della Sera for €120 million, according to people familiar with the matter. Blackstone didn’t respond to requests for comment.

But not everyone in Italy is eager to see real estate sold to foreign buyers. After the announcement of the possible sale of the building that has been Corriere’s home since 1904, the paper’s union of journalists called a strike.

Also, many foreign investors are deterred by an Italian political and economic system that they say lacks transparency and a clear set of rules.

"It is important that the government should adopt laws to erase rules that penalize real estate," says Massimo Caputi, vice chairman of the Italian real-estate management firm Prelios SpA.