



The Beaugrenelle centre in Paris, which opened last year

FRANCE

Bulking up or niching down

French retail is changing, with new schemes, a mega-merger and a slew of imaginative projects reshaping the market. Sarah Morris reports

WHETHER you're looking at the Mediterranean from the rooftop of Hammerson's 61,000 sq m shopping centre in Marseille, or you're in the grassy children's play area at Frey's retail park in Troyes, the French retail sector is undergoing a quiet revolution. As consumer confidence makes a cautious return, French retail developers and managers are making a dash to secure their place in the market by bulking up or specialising.

The headline is clearly Klepierre's bid this year for Dutch rival Corio, which could help kick off the sort of European consolidation that happened in the US. The French shopping centre operator, which claims the merged groups could create Europe's biggest pure-play retail property firm, also sold 126 Carrefour-anchored malls for €2bn in order to focus on larger centres. Carrefour, meanwhile, through its recently created shopping-centre company Carmila,

wants to renovate those medium-sized centres, as well as others bought from Europe's largest real estate company Unibail-Rodamco. And it says it could buy more in this niche.

"Through this agreement with Carmila, we are pleased that Unibail-Rodamco has been able to quickly and efficiently deliver on its stated goal of

further reshaping its portfolio to focus on assets with the highest return potential. Carmila is the natural owner of these shopping centres, anchored by large Carrefour hypermarkets. We are sure that Carmila will be able to generate significant synergies and returns consistent with the requirements of its shareholders. [It's a] true win-win transaction," says Unibail-Rodamco CEO Christophe Cuvillier of the deal.

"Because these different companies are focusing on different sectors in the market, it creates more focus, more professionalism," adds Marc Reijnen, head of CBRE Global Investors' €1bn asset-management business in France.

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Marc Reijnen
CBRE Global Investors

Feature

This shake-up is being facilitated by a loosening of the credit taps. The cleaning up of bad property debt from the banks' balance sheets has helped and confidence is growing, Reijnen adds, who is also fund manager for CBRE's retail property fund for France and Belgium. "Consumers have started spending a bit more compared to a year ago," he says. "That's inspiring for tenants. They see that their margins are becoming a bit better." As a result, retail investment transaction volumes rose 460% in the first half to €2.7bn, according to JLL calculations.

Those transactions included the €700m purchase by Apsys and two other investors in the new Beaugrenelle shopping centre in Paris, which opened last year. The largest transaction for a single commercial asset in France, the deal showed the enduring appeal of France's capital to international retailers such as Marks & Spencer, which plans to open 20 food stores around the capital, and budget clothes brand Primark, whose latest openings included a 5,400 sq m store in Creteil Soleil. But it is not just the big players that are attracting investors. In the summer, Credit Agricole Assurances bought a 20% stake in Patrimoine & Commerce — the low-cost retail-park specialist started by property entrepreneur Eric Duval in 2009, which has a portfolio of assets worth €501m. "This gives us the means to accelerate our development in the low-cost retail property niche," says Duval, who aims for the company to double its portfolio by 2016. One of the most ambitious developments this year was Hammerson's Les Terrasses du Port in Marseille, which is part of a €7bn urban-regeneration project. It includes Parisian department store Printemps' first new opening in three decades, as well as an indoor food market on its ground-floor level, which serves as the passenger terminal for ferries to Corsica and Sardinia.

David Atkins, Hammerson chief executive, says: "The launch of our first major retail development in France marks a significant milestone for Hammerson."

Another scheme that fellow developers will be monitoring closely is the opening of Quartz at Villeneuve-la-Garenne near Paris. Altea Cogedim has introduced new e-shopping innovations at the 85,000 sq m centre through its website, including offering year-long leases on virtual shops enabling retailers to conduct private sales to the centre's customers in return for a 6%-15% commission on sales.

"The greatest competition for centres is the



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internet," agrees Marc Lecocq, head of projects at Frey. His company, however, is taking a different approach to the problem, focusing on free family fun at the retail parks it redevelops and operates. These feature green spaces and children's play areas of between 300-500 sq m. "You need to offer something different," Lecocq says. "And the children ask to come back."

For one such redevelopment in northern France — L'Aire des Moissons in Troyes in — Frey has added walkways for pedestrians, cycle paths and extra access for cars. "We are convinced that this will be the business of the future because all France's towns have parks that need redeveloping in this way," Lecocq adds.

