

Location more important than size, says Klepierre's Morel

RAPID integration of the Klepierre and Corio businesses under the Klepierre brand has allowed the company to focus on economies of scale and a location strategy based on growth demographics around Europe, according to chairman Laurent Morel.

He said that an expected €60m in cost savings promised because of the megamerger between two of Europe's largest shopping-centre specialists is on track to be delivered in less than three years, following the November 2014 merger. This is well ahead of the original three- to five-year time frame envisaged.

In addition, Klepierre's divestment of nine medium-sized shopping centres in the Netherlands and its acquisition of a prime shopping location in Madrid have accelerated its plans to focus on a core group of cities around Europe — including the French,

Dutch, Spanish, Italian and Scandinavian markets — which it believes will deliver growth.

"Both the cost savings and the asset changes have happened quicker than we expected," Morel said.

"We acted quickly to establish the management for the merged business across Europe so that the new team had a clear direction, but the speed with which things have happened has been very good for us because it allows us to push forward our core strategy quicker as well."

That strategy Morel described as "becoming stronger where we are already strong" as he underlined that Klepierre was dedicated solely to continental Europe and also to reaffirming its position in cities and countries where it felt it had a proven track record.

"For us, size matters less than location," he said. "When I look at most big schemes, they are large today because they were successful and therefore were extended. So for us it is not necessarily about 'big is better'. For example, St Lazare in Paris is only 11,500 sq m but it represents some of

the most desirable retail space in France."

Klepierre has also invested heavily in digital integration and trials at its centres and Morel said that "constant transformation" was a continuous process to keep shopping centres vibrant. "This is an old industry, with the first modern malls opening in the 1950s, and yet 60 years on, the same locations remain successful. But if you look at the retailers in our malls of 20 years ago, many of them are not there today. So you must always be ready for change, and we believe digital is another change, a significant and deep change, especially for how retailers operate."

As a result Klepierre has not created a special digital division but instead has integrated digital into its business, he said. "I remain very optimistic. Real estate remains vital to retailers and is the most profitable channel," Morel said. "It is not good news for every shopping centre of course but it provides a real opportunity if you can create a leading position in great locations."

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