UK property giant Hammerson reported its half-year results on Monday. But importantly it also said that it had sold a 75% stake in Paris shopping destination Italie Deux to AXA IM - Real Assets, and it reported the forward sale of the same percentage of the mall’s Italik extension, for a total of £423m (€473m).

That’s a lot of money but represents an 8.5% discount to the property’s December 2018 book value and is marginally below its end-of-June 2019 book value. Hammerson will complete the Italik extension and will continue to operate the mall.

The company also reported falling rental income at its other properties, although it has boosted occupancy by letting to fewer fashion retailers and focusing on leisure, while its upscale outlet malls are booming.

Back with Italie Deux, the mall is on the left bank and mixes retail, leisure and cultural space. It has more than 12m visitors annually and includes flagships for Printemps, Fnac, Zara, Sephora and Carrefour. The 6,400 sq m Italik extension, will deliver 1,900 sq m of retail space, the rest dedicated to dining, events and leisure. It should open in September 2020 and is 41% pre-let.

The company, which owns or part owns/operates a raft of major shopping destinations in the UK and Europe, such as Birmingham’s Bullring and Bicester Village, has been seeking to extract maximum value from its properties. It struck its first joint venture deal partnership with AXA IM - Real Assets in 2014 at its flagship Cabot Circus in Bristol. But since its more recent failed merger with rival Intu and the rebuffed takeover approach by France’s Klepierre, it has been under greater pressure from investors to do more. The latest transaction takes its 2019 disposals to £456m following the sale of £33m of retail park assets in H1.

Hammerson will use the proceeds from the sale “to reduce debt and build further balance sheet strength.”
The news came as it released interim results showing net rental income down 12.3% in H1 to £156.6m (down 6.8% like-for-like). Adjusted profit plunged 10.5% to £107.4m. The pre-tax loss was £319.2m compared with a profit of £55.8m a year earlier and its property value fell 4% to £9.542bn.

“Tenant restructuring, in the form of CVAs and administrations, has been the largest single factor reducing income,” it said. “CVAs enable struggling retailers to restructure their debt and costs [but] landlords are usually the most compromised creditor group as cost reduction plans invariably include rent cuts and store closures determined by unit profitability.”

CEO David Atkins added: “Traditional high street fashion is under pressure. However, our focus on shifting our line-up towards categories with greater customer appeal and rental growth potential has resulted in over 90% of new leasing to leading consumer and F&B [food and beverage] brands. We've seen a stronger performance in Ireland and France, alongside continued exceptional results from premium outlets.”

The company said 92% of new UK flagship leases have been signed by non-fashion and F&B brands, and this has helped it maintain high occupancy levels with 96.7% occupancy in UK flagships, 99.5% in Ireland, 97% in France and 96.7% in its retail parks.

And its Premium outlets have seen “sustained exceptional performance, now accounting for 27% of the group’s property portfolio. Bicester Village operator Value Retail has seen an 11% brand sales rise and Via Outlets was up 10%, with consumers clearly spending more per head at those locations as footfall rose 7% at Value Retail and 8% at Via Outlets.

Hammerson also said off-price is the second fastest growing channel for luxury sales, after online, and is forecast to continue to grow by 6% annually to 2025. Long-haul tourism is a key driver for sales growth here with tax-free sales representing 19% of total sales at Value Retail/ Via Outlets, and growing by 14% in the five months to May.

By Sandra Halliday

Copyright © 2020 FashionNetwork.com All rights reserved.