

MANNTM REPORT

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CROWDFUNDING: AN ALTERNATIVE METHOD OF INVESTING

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Saks Off Fifth?

By Faith Hope Consolo, The Retail Group, Douglas Elliman



It's not completely confirmed, but it's looking quite likely that *Saks Fifth Avenue* will be making a major statement in the Financial District. Reports are that the luxury giant will open a full-price store at Brookfield Place, and a *Saks Off Fifth* unit at One Liberty Plaza.

Adding credence to these reports is yet another report that *Saks'* parent company, *Hudson Bay Co.*, which also owns *Lord & Taylor*, will take 400,000 square feet of office space at One Liberty, consolidating all its offices.

Can the city handle two *Saks Fifth Avenues* not all that far apart? Won't there be cannibalization of sales?

The answer to the first is You Bet! To the second, Not that much. Why? And Why not?

The reason that I'm not too worried about multiple *Saks* stores on Manhattan is that we have such distinct shopping neighborhoods – and FiDi is just coming into its own as one. While tourists undoubtedly will drop in at both locations as they visit Rockefeller Center in Midtown and the National September 11 Memorial and Museum among other downtown attractions, overall these stores serve two different markets. *Saks Fifth Avenue* (which is how I'll refer to the uptown store from here on out) is a huge flagship that has become a retail legend, attracting shoppers from Midtown and the Upper East and Upper West Sides (particularly if they work in Midtown), and of course, everyone who visits Fifth Avenue.

Saks FiDi will by necessity be a much smaller store, which reduces the possibility of cannibalization. This will act much as any upscale mall anchor, and is particularly appropriate given the exception luxe lineup that Brookfield has signed, including *Salvatore Ferragamo*, *Cos Bar*, *Vince*, and *Hermès*. *Saks* will also be much more of a convenience for those working and, increasingly, living downtown, which is becoming ever more of an upscale residential area. I can even see shoppers coming down from Soho in search of department store selection and amenities.

The *Saks* move is not without precedent. After all, *Tiffany*, *Saks'* neighbor on Fifth Avenue, opened a store on Wall Street a few years ago, and now many Upper East Side boutiques have second locations in Soho. (A number of Soho shops have returned the favor, opening on Madison.) Clearly, smaller boutiques understand that the two are clearly distinct, but complementary markets, so it makes sense that a major department store would, as well.

Yes, both markets are exceptionally affluent. And the Upper East Side remains a headquarters for luxury retail, given that it's home

to some of the wealthiest people in the world. Madison Avenue has become possibly the most fashionable and glittering street in the world, with world-renowned fashion and jewelry designers. Fifth Avenue is the prime location in the city for flagship stores at all ends of the shopping spectrum, from luxury (*Saks*, *Bergdorf Goodman*) to fast fashion (*H&M*), largely because the boulevard is equally accessible to those who live on Sutton Place, and those who continue to gentrify Hell's Kitchen. And here, the daytime population works in a variety of industries, including media (at least for now). There's a different energy, and a diverse daytime population from CEOs to their assistants to artists.

Even though cosmetics giant Revlon and media companies such as Time Inc., GroupM and Condé Nast are moving downtown, Lower Manhattan remains centered around the finance industry, with professionals at all levels tending to wear more conservative clothing. I fully expect that the merchandise mix for *Saks FiDi* to be more corporate-oriented in response to that community.

Off Fifth will bring something different to the area, competing to some degree with *Century 21*, beloved in the area for decades. Not everyone on Wall Street makes millions of dollars a year, and *Off Fifth* will provide terrific values for those shoppers as well as everyone who loves a bargain. It also will serve the many tourists who are flocking to the rebuilding World Trade Center and other historic sites. And of course, even the most affluent shoppers love a discount, and often pair an affordable shirt with a luxury shirt!

What both stores do is continue to create more interest in retail in Lower Manhattan. We've already seen the benefit, with stores such as *Zara* and *E.l.f.* cosmetics taking locations on Fulton Street. And of course, I also have to mention the exceptional list of stores that is coming to the competing World Trade Center retail complex, which includes *Apple*, *Breitling*, *Canali*, *Pandora*, *Stuart Weitzman*, *Tumi* and more. Retail attracts retail, and having one major upscale department store anchor, as well as another major off-price store will reinvent the Financial District into a retail powerhouse that easily will compete with Herald Square and Fifth Avenue.

Happy shopping!

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