

MANNTM REPORT

NOVEMBER / DECEMBER 2013

| THE PEOPLE BEHIND THE DEALS IN THE NY REAL ESTATE SCENE |



THE MOST ACTIVE BUYER IN NYC

Silvershore Properties

JASON SILVERSTEIN AND DAVID SHORENSTEIN

Beauty Blast!

By Faith Hope Consolo, Chairman, The Retail Group, Douglas Elliman



Attention, department store shoppers: We're in the midst of a beauty bonanza!

The nearly simultaneous openings of the renovated cosmetics and fragrance department at Barneys, and the huge expansion of the fragrance area at Saks are no anomaly—nearly every department store in the city has given its beauty department a makeover (pun intended).

Barneys has completed expansion of its beauty offerings, adding 1,000 square feet to the lower-level department, including the 3B Barneys Blow Bar by Valery Joseph (look for hair care soon) and a skin-care salon by Mila Moursi. The redesigned space, now 9,000 square feet, features an elegant, contemporary look of white plaster accented by terrazzo tile that dovetails nicely with the redesign of the rest of the store.

Meanwhile, Saks has dedicated 2,600 square feet on the ground floor to an open-floor concept that includes ten branded lifestyle boutiques, immediately visible from as you enter the space from Fifth Avenue. The traditional cherry fixtures have been replaced by custom fixtures from each brand, placed on a marble mosaic floor to delineate the department. The idea is to encourage interaction with store associates, eager to help the shopper try the wares from Hermes, Bond No. 9 New York (with custom blending and Swarovski bottles), Le Labo, Acqua di Parma, By Kilian and Chanel, among others. A row of designer scents also spotlights other brands.

But these are just the latest new beauty and fragrance departments to make their debuts—in recent years Macy's, Bloomingdale's, Lord & Taylor and even JCPenney all have massively redone those departments. And Saks actually has been renovating its beauty offerings for the last few years.

Why all the interest in beauty by our department stores? I believe it's the combination of a number of factors: overall renovations by our legendary department stores, a slow economic recovery, the desire of luxury shoppers for greater customization, and the need to compete with expansion of beauty specialty stores around the city.

New Yorkers have been treated to major renovations and rehabs of all our flagship stores, the result of a newly reinvigorated department store industry, and the need to create "experiences" to compete with Internet selling. Beauty, in particular, is a very personal experience—it's hard to match makeup colors on line, and describing a scent really doesn't convey anything to a shopper. And don't forget, our flagship stores are decades old, so renovating the whole facility is a wise strategic investment. Thus, we are seeing major work done at: Saks, which recently redid its shoe department, among others; Macy's, which is remaking its Herald Square legend at a cost of some \$400 million; Lord & Taylor, which finished a renovation a couple of

years ago, and promptly began another; Bloomingdale's renovated back in 2009; and Bergdorf Goodman is in the midst of a top-to-toe remake. Beauty is a part of all of them.

Another part of the equation is the appeal of beauty items during downturns and slow economic times. The "lipstick factor" contends that cosmetics sales actually rise during bad economies because a woman who can't afford a new outfit will still buy a lipstick to update her look or make herself feel better. It also holds true in a slow recovery. Creating new and improved beauty departments taps in to that.

On the opposite end of the spectrum, luxury shoppers increasingly want customized goods, whether they're cars, handbags, or fragrances. A number of the new and growing brands allow shoppers to create their own blends of perfumes, or even makeup shades. These new departments also allow personalized services, including full facials (with appropriate screening for privacy). It's the best of all worlds.

And lastly, our department stores must compete with the expansion of any number of boutiques and superstores, all aiming for that cosmetic dollar. Sephora is a mainstay in the city (and within JCPenney), serving the need for quick pickups as well as some services. And we've also seen designers and makeup artists opening their own stores around town (particularly Bleecker Street), including Marc Jacobs, Francois Nars, and two companies I've worked with closely, Bond No. 9 and Orogold. Department stores needed to freshen their looks and services to compete with these new and exciting stores. And it's no coincidence that Barneys is opening a blowout salon when Drybar, Blow and others are expanding. It's a service that works, especially for working women.

Are these stores overinvesting in beauty? I don't think so. As a Baby Boomer myself, I personally can attest that we want to look as good as we can; our sons and daughters will be no different. And new scientific breakthroughs seem to happen every day in the beauty industry, which creates a whole new set of products to sell. The Barneys, Saks, et al. have the ability to pick the best of the best, establishing a trust with their shoppers, who may want skin care from one company, mascara from another, and lipstick from a third. That's why these renovations make so much scents. (I'm sorry, I just had to!)

Happy Shopping!

Faith Hope Consolo
Chairman

The Retail Group
Prudential Douglas Elliman Real Estate
575 Madison Avenue, 3rd Floor
New York, NY 10022

Tel: 212-418-2020

faith@faith-consolo.com / fconsolo@elliman.com
www.faith-consolo.com / www.elliman.com