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Bergen County has become haute stuff for luxury retailers

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Salvatore Ferragamo USA picked The Shops at Riverside in Hackensack for its second New Jersey home because it liked the neighbors: Tiffany & Co., Hermes, Burberry and Louis Vuitton.

The luxury Italian leather goods company also liked the economic neighborhood -- in the middle of Bergen County, which is in the top 1 percent of U.S. counties for household income, and where close to a third of the households in 2005 had incomes of more than \$100,000.

Brands that used to limit their retail presence to international shopping capitals have discovered the affluent suburbs. Malls are seeking the tony merchants because the luxury end of retail has held up better than other parts of the industry.

"I don't think they'll start putting Paris, Milan, Hackensack on their shopping bags or mastheads, but they recognize the importance of these new locations," said James Hurley, an analyst with New York-based Telsey Advisory Group.

"I think the luxury goods people realize finally that it's not just Manhattan," said James Hughes, dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers. "There's a tremendous spread of wealth that they're missing in the suburbs."

Mall owners are eager to lure luxury retailers to their suburban properties because stores that sell \$45,000 handbags or \$10,000 diamond rings can dramatically boost a shopping center's sales per square foot, and also attract other retailers. The luxury segment is hot with worldwide sales up about 6 percent last year, while former mall darlings such as the Gap are struggling.

"The lure of luxury is quite simple," said Arthur Weiner, a retail consultant. "It's the segment that has sustained the best, that has grown the most." Weiner was hired by The Mills Corp. to help give Riverside Square a makeover that would transform it into The Shops at Riverside.

As a result, mall developers are rushing to transform mainstream malls in New Jersey and around the country into luxury centers.

In addition to generating higher sales per square foot, luxury retailers can help a mall stand out from the crowd. "One of the other things that makes the luxury tenants very exciting additions to any property is the fact that they have relatively fewer stores in any given market, so it provides a

more unique environment for your project," said Rick Sokolov, president and chief operating officer of Simon Property Group. Simon is the owner of The Shops at Riverside and the country's largest mall developer.

And that also means increased competition to land New Jersey's first Hermes store, or newest Neiman Marcus.

Longtime rivals

The Mall at Short Hills and Riverside Square have been rivals in the luxury race for decades. Recently, Short Hills has pulled ahead, winning the state's first Cartier and Chanel stores, and landing high-end, high-heeled shoe manufacturer Jimmy Choo.

But with its recent remodeling, Riverside has struck back, getting New Jersey's first Hermes store, and scoring a coup by signing a lease for the state's first Barney's Co-Op, a branch of the New York retail icon that is geared toward younger, trendier shoppers.

Short Hills this spring has opened, or is preparing to open, stores for Samsonite Black Label, the luggage maker's upscale line; eyeglasses retailer Alain Mikli, whose specs are worn by stars such as Elton John; and Israel-based Hollandia International, which sells "bedding systems" that cost up to \$50,000.

Simon, in a deal that closed this spring, bought Riverside from Mills, the owner that began the mall's makeover. Sokolov said Simon believes Mills had the right idea for Riverside, and the new owners plan to continue to position the mall as an upscale shopping center.

Simon also has begun a project to turn Quakerbridge Mall near Princeton into a luxury center, with Neiman Marcus as a new tenant, along with other upscale shops.

In Charlotte, N.C., Simon took a mainstream property, the SouthParkmall, added a Neiman Marcus and a Nordstrom and convinced Hermes to open a store there. Hermes executives, at their grand opening, said they knew there were Hermes customers living near Charlotte because they were getting lots of online orders from that part of the country.

But while North Carolina may never have more than one Neiman Marcus or Hermes, New Jersey -- particularly northern New Jersey -- can support multiple luxury centers, said Hughes of Rutgers.

"The wealth in North Carolina is spread out over a huge geography, but in New Jersey it's really concentrated in about five or six contiguous counties," he said. "There's sort of a wealth belt -- Bergen, Morris, Somerset, Hunterdon, Monmouth."

Bergen County is unique in New Jersey, Hughes said, because it is densely populated, as well as affluent. "And within the county you have sub-markets made up of some of the most affluent suburbs in America."

"Bergen County's just too good to ignore," for the luxury brands, said Weiner, the retail consultant. He predicts that Short Hills and Riverside, along with other affluent pockets in New Jersey, such as Princeton, can all be winners in the luxury race, all establishing multiple luxury outposts, similar to the way retailers now want to be in multiple neighborhoods in Manhattan.

Westfield Garden State Plaza in Paramus has wooed, and won, a number of luxury retailers in recent years, including Neiman Marcus, and Louis Vuitton, but that mall prefers to have a mix of

merchants, rather than concentrate strictly on the luxury segment. Westfield spokeswoman Catharine Dickey said the company prefers to keep the Plaza as "everyone's mall" and keep a mix of retailers.

'It raises awareness'

Lilli Hamrah, co-owner of Hamrah's, an independent upscale clothing store in Cresskill, said she isn't worried that a luxury boom at the malls will hurt her business.

"It actually helps my business," Hamrah said. "It raises people's awareness that these brands are out there and that there's a demand for them. But ultimately, we trump them every time because we give service."

Riverside, in its former incarnation as Riverside Square, lured luxury retailers only to see them flounder and leave the mall during economic downturns. Several Riverside retailers were hit hard in the 1990s, when Japanese shoppers, who supported many of the luxury brands, left Bergen County after that country's economy slumped.

But Hurley and other analysts believe being bullish on luxury brands is a safe bet in 2007. He said luxury brands today are smarter about where they locate stores, and better managed than in previous luxury-boom periods. He sees little danger that the current boom will go bust.

"It's not really a bubble because a lot of people are still just getting exposed to these brands and their product offerings," Hurley said.

Marketing specialist Pam Danziger predicts, in a study called "Generations of Luxury," that younger consumers will have an even greater appetite for luxury goods than the baby boom generation.

"Everybody is trading up," said Vincent Ottomanelli, president of Ferragamo USA. The leather goods maker opened at Riverside this month with a \$14,000 alligator handbag taking center stage in the front display window. Purchases like that handbag, or a \$400 pair of Ferragamo flats, are "emotional feel good purchases," Ottomanelli said. "When you want to make yourself feel good, you want to treat yourself, and you don't mind spending and buying a luxury product."

But, Weiner said, there is a limit to how much luxury even the most affluent neighborhoods can support.

"There is a great desire for every property to be Gucci, Prada, Fendi and Armani," he said.

"But it can't happen. The luxury brands all wrestle on a daily basis with the balance of the supply and demand of their brand. ... How much merchandise do you put out there, how many doors do you put it in, and when is the public going to choke on it? And at that point, swoosh! Right down the tube it goes."

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