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Tang's Glitzy Shanghai Megashop May Not Be Long for Madison Avenue

BY ALEXANDRA ZISSU

When cigar-smoking, mandarin-jacket-wearing David Tang decided to open a Shanghai Tang store on Madison Avenue in November 1997, the ladies who shop were delighted. Blaine and Robert Trump hosted a party; Mr. Tang clinked glasses and rubbed silk elbows with Nan Kempner and Chantal Miller. That was followed by a lavish opening, thrown by the designer himself, in the 12,000-square-foot space (formerly Express) across the street from Barneys that he had sublet for \$2.5 million to \$3 million a year. (The company was also required to put up a \$5 million security deposit.)

The party—smack in the middle of New York fashion week—was an elitist success: Too many invitations left celebrities, fashion editors and clotheshorses standing in

the cold. The police came and the party landed on the gossip pages.

Two years later, the buzz on Madison Avenue has turned against the store.

“Shanghai Tang is not long for this world,” said Beth Greenwald, a broker with New Spectrum Realty Inc.

According to several brokers, the Hong Kong-based company is consulting with a committee of Madison Avenue retail experts about what to do with the store. In January, Shanghai Tang promoted a new chief executive, John Aexel; his primary responsibility is to research all possibilities for

the company's three stores. That same month, according to *Women's Wear Daily*, Laura Pomerantz, a broker at Newmark &

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Company, was hired to market the Madison Avenue space. The store will downsize or shut its doors altogether, a member of the committee told *The Observer*. Neither Mr. Aexel in Hong Kong nor Adelina Wong, director of marketing in New York, would comment for the record, and Ms. Pomerantz did not return calls.

But Shanghai Tang isn't the only store feeling the squeeze. Rents ranging from \$500 to \$600 per square foot—10 percent more than a year ago—are deciding which stores are fit to be on Madison. Those without deep enough pockets are closing, and newer, bigger, fancier stores are on their way. Since January, Hermès, David Yurman and J.P. Tod's have edged out the Limited, Nine West and Waterford Wedgwood. Donna Karan will open two stores by next spring and Coach is tripling the size of its store on the corner of Madison and 57th Street.

"It's all cyclical. If your cycle is up now, you are in big trouble," said Robert Cohen, senior managing director at Robert K. Futterman & Associates.

Despite the Shanghai Tang experience—much less the long shadow cast by Barneys—everyone wants on Madison Avenue. Tommy Hilfiger, makeup artist François Nars and fancy shoemaker John Lobb are all scouting for space on the exclusive strip between 57th and 72nd streets.

"It is like an advertisement, especially for someone who wants worldwide visibility," said Ms. Greenwald. "They figure, 'I can do a color ad in *The New York Times Magazine* or I can take a store.' Even if they break even, they are happy. It is about having a presence."

"Bigger is better," said Faith Hope Consolo, a senior managing director at Garrick-Aug Associates Store Leasing Inc. "Two levels are a norm now, where it used to be unusual. It gives them the opportunity to show off the whole line."

There were more than a dozen bidders when the lease was up on the 20,000-square-foot, four-story Limited flagship store on 62nd Street and Madison—and its Victoria's Secret annex—last year. Rodney Propp, who owns the building, rented it to Hermès in December, turning down Donna Karan, Tommy Hilfiger, Trussardi and Hugo Boss.

"Off the wall," was all Mr. Propp would say about the offers he fielded.

"I was interested in someone who is really stable," said Mr. Propp. "They have absolute leadership and a 160-year operating history."

Hermès has had a store at 11 East 57th

Street, near Nike and a block from Swatch and Levi's, since 1983, which it will close before the move to a new space in the fall of 2000. "Let's face it, 57th has really become Disneyland. Hermès was aware of that.... They can't be next to people like that," Mr. Propp said.

South American dressmaker Pilar Rossi vacated its boutique at the southeast corner of Madison and 64th Street in March. The store's lease (\$500 a square foot for 1,500 square feet) was up after 10 years. The company knew the rent would go up and decided they were unable to pay any more. "They have a following," said Ms. Consolo, who brokered Pilar Rossi's relocation. "They felt more than anything they wanted to retain their presence on the avenue." Pilar Rossi is moving to a 400-square-foot space near 65th Street, next door to Ungaro; they've signed a 10-year lease for a little more than \$500 per square foot. "There were dozens of tenants for that store," said Ms. Consolo. "They got it because they had been on the avenue for so long."

Jeweler David Yurman will open his first store in the former Pilar Rossi space. Mr. Yurman, whose heavy, twisted silver pieces sell at Bergdorf Goodman and Bloomingdale's, also won out over other retailers, said Ms. Consolo, because of "his tremendous brand recognition."

Nine West and Waterford Wedgwood, neighbors on 63rd Street and Madison, both closed in February. Real estate agents expect Jones Apparel, which just bought Nine West, to take over its space. The 3,500-square-foot Waterford Wedgwood store will be taken over by Longchamp, a European leather goods store for more than \$10 million over 10 years.

Currently under construction near 59th Street is a J.P. Tod's store—to be called Tod's—carrying a full line of shoes and clothing, in the old Nordic Track space. Up near 68th Street at 821 Madison, a three-level, 16,700-square-foot Donna Karan store is under construction. The lease has been valued at \$30 million to \$40 million. It will open in the spring of 2000. Donna Karan also has a DKNY store under construction on 60th Street and Madison, which, according to Patti Cohen, senior vice president of communications at Donna Karan, will open in June.

The stores currently leaving Madison are all stores "that shouldn't be there anyhow," said Bud Konheim, co-owner of Nicole Miller Ltd., which has been on Madison Avenue near 66th Street since 1986. "Madison is a very, very strong shopping street," Mr. Kon-

heim said. "If you are not high end in that location, there is a chance you won't do well."

Retail experts believe that in most cases, stores on Madison Avenue don't make money; breaking even is doing well. Still, many European companies have their only American stores there—Etro, Les Copains and Moschino. The name recognition and a tremendous amount of free publicity, however, is invaluable. Hermès, for instance, has over 200 stores worldwide and did \$791.7 million in sales in 1997. Typically, the company does only 15 percent of its business in the United States.

"If you are a high flier it doesn't matter," said Howard Davidowitz, chairman of Davidowitz & Associates Inc., a national retail consulting firm. "But if you fall on hard times... The rent is so astronomical that making money becomes a difficult chore."

According to Richard Seligman, president of Retail Development Partners, who leased the space to Shanghai Tang on behalf of the landlord, "It takes a significant economic base and a well-established name to make that kind of space work."

"Shanghai Tang has gone the way of Galleries Lafayette. They don't understand the New York market," said one consultant to the owners. "They have not addressed the American customer. Even the tourists don't understand it! And they have done no advertising, which is crazy."

The Limited Inc. could spread around the loss of a Madison Avenue flagship—until recently. "The Limited has been shuttering underperforming stores," said Mr. Propp, their former landlord. "That was a corporate decision." Published reports said the company is re-evaluating 125 stores nationwide.

"Over the last 18 to 24 months, things have gotten out of control," said Mr. Cohen. "I don't think it is a good time for anybody. I don't see these rents going much higher without having some serious effect on retail on Madison."

Mr. Konheim said he won't give up Nicole Miller's lease. "The problem is," he said, "if I sell out, where am I going to go? It only makes sense to someone who is not doing well."

The shuffling is never-ending. Crystal maker Lalique is taking over the space formerly occupied by Le Relais, on Madison and 62nd Street. The owners of Le Relais will open a Mediterranean restaurant called Amaranth in Arcadia's old space on 62nd, just off Madison, later this month.

Of the comings and goings, Ms. Consolo said, "It is very natural."