

BLOOMINGDALE'S HITS PHOENIX/3 SCALING BACK IN CHINA/13

Women's Wear Daily • The Retailers' Daily Newspaper • February 15, 2008 • \$2.00



WWD, FRIDAY, FEBRUARY 15, 2008 3

wwd.com

Bloomingdale's to Open at CityNorth in Phoenix

By Sharon Edelson

In the competitive Phoenix market, the viability of a mixed-use project hinges on the developer's ability to secure anchor tenants, and by that yardstick, CityNorth has captured a major prize — Bloomingdale's.

The Related Cos. and Thomas J. Klutznick Co. said Thursday that the retailer signed a lease to open a 180,000-square-foot flagship at the 144-acre development. It will be Bloomingdale's first store in Arizona.

Bloomingdale's becomes the second anchor to sign a lease at CityNorth, which will have 1.25 million square feet of retail space. The entire project carries a \$1.2 billion price tag. Nordstrom has been committed to CityNorth for more than a year. Sources said that Macy's West will likely occupy the third anchor slot.

"We think we can be a true headquarters store in the upscale market," said Michael Gould, chairman and chief executive officer of Bloomingdale's. "The upscale market is moving further and further north. North Phoenix is tomorrow's type of customer."

Commenting on the current economic slowdown, Gould said: "We look at the world in the long-term."

Related Urban Development, an operating unit of Related Cos., said Bloomingdale's decision is key to the project. "They selected us; we won the game," said Kenneth Himmel, president and ceo of Related Urban.

The first phase of CityNorth to launch next fall will be the high street section. Department and specialty anchor stores and 250,000 square feet of additional specialty retail and restaurant space will be unveiled in fall 2009. A boulevard with luxury stores will open in 2010.

Webber Hudson, executive vice president of Related Urban, which also built Manhattan's Shops at Columbus Circle at Time Warner Center, estimated CityNorth retailers will do no less than \$750 to \$800 a square foot in sales. "Phoenix has an unusually high productivity rate among its centers," he added.

At the project's inception four years ago, Himmel said he concluded after looking at the competitive landscape "that there was going to be one major regional shopping destination in northeast Phoenix, and whoever got Nordstrom, Bloomingdale's and Macy's would define where that project would be."

There's no secret about why developers have flocked to North Phoenix. Household incomes average \$92,265 and 30 percent of households in the trade area earn more than \$100,000. However, the future of competing projects in the area appears less assured. Palisene, scheduled to bow in northeast Phoenix between 2010 and 2012, calls for more than 1 million square feet of upscale and luxury shopping anchored by as many as four department stores.

David C. Scholl, senior vice president of development for Macerich's Westcor division, which is building Palisene, said months ago that there was 4 million square feet of retail space proposed for North Phoenix, but demand for only 1 million square feet. "If all [the projects] are competing for luxury retailers, then we're competing for the same tenants," Scholl told WWD in June. "If a winner comes forth and delivers the tenants, the others should bow out."

Another contender, One Scottsdale, DMB Associates' \$1.5 billion, 1.8 million-square-foot mixed-use development, has aggressively courted luxury labels. The company



Dining won't be an afterthought at Bloomingdale's at CityNorth.

was a sponsor of Mercedes-Benz Fashion Week in Manhattan in February 2007 in the hope of attracting fashion retailers to its 500,000-square-foot shopping component. The first phase is scheduled for completion in October 2009.

Regarding the choice of CityNorth, Gould said: "We felt we would have a better opportunity in this brand-new market to present the kind of store we have in Chestnut Hill [Mass.] and San Francisco with Nordstrom as the other upscale store. We felt we could have a better, more comprehensive store than we could have had in Scottsdale."

Gould was bullish about Bloomingdale's future. "We far exceeded our plan in San Diego," he said. "Our San Francisco flagship showed that we can go into the middle of [a market] with a spectacular Neiman Marcus and Saks Fifth Avenue and Macy's West flagship. The business has blown people away."

Sources believe Bloomingdale's SoHo unit is running more than 20 percent ahead of projections. Overall, the chain has experienced double-digit growth since 2002 when Gould's rebranding program started. "All these different things are working," he said. "The freestanding home stores are far more a work in progress. They're growing, but not at the same rate as some of the soft goods businesses."

The idea of CityNorth's outdoor center built around entertainment and food appealed to Gould, who has been placing more emphasis on dining at Bloomingdale's.

"We have a vision of what we want the store to be," Gould said. "We're going to try to bring to Phoenix the same kind of excitement we brought to San Francisco. We're going to try to replicate that store. We see no reason why we can't have the [designer] assortments of South Coast Plaza" in Costa Mesa, Calif.

Himmel said a New York restaurateur "will open a 12,000-square-foot chef-driven eatery on the third floor of Bloomingdale's." Himmel's strategy of putting high-end restaurants in a shopping environment is partly responsible for the success of the Shops at Columbus Circle.

Bloomingdale's cool, modern design will complement CityNorth's architecture, Himmel said. Macy's West is said to be working on a new retail prototype featuring an exterior of metal and glass screens and more showcase windows than normal. "We have a spot for a fourth specialty department store that could open in three years," Himmel said. "It could be Neiman Marcus or Saks Fifth Avenue."

Or Related could carve up that space. "We always thought of [that building] as a luxury anchor," Hudson said. "We're also talking about creating four or five major flagships each with 10,000 square feet on two levels for tenants such as Tiffany & Co. and Polo Ralph Lauren in that space."

Hudson said Gilly Hicks, Abercrombie & Fitch's new concept, wants to open in 10,000 square feet. Ann Taylor, Chico's and White House Black Market will be in the lifestyle district. "With Bloomingdale's, we'll move up in price point and fashion sensibility," he said.

Louis Vuitton, Gucci and Ferragamo are among the brands that are said to have shown an interest in CityNorth. Hudson declined to comment, but said, "Sales for luxury stores in the market are such that a second store is clearly justified."

Hudson is hoping Bloomingdale's decision in Phoenix helps open some luxury retail doors at Shops at Columbus Circle. "We're talking to a more luxurious type of tenant from Madison and Fifth Avenues," he said. "Before, I couldn't get them to budge and come over to the West Side."