

Retail rivalry unfurls

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Could the center of the retail universe be shifting in the Puget Sound area, with downtown Seattle now second choice after Bellevue when it comes to certain luxury retailers? Some think so.

With Bellevue shopping mall magnate Kemper Freeman Jr. planning to add a row of luxury boutiques and hotel to his retail empire, and rival Bellevue developer Schnitzer Northwest LLC planning more luxury retail around anchor tenant Neiman Marcus, Bellevue could soon boast several hundred thousand square feet of top-tier retail.

It's anticipated that Neiman Marcus, the Dallas-based luxury department store chain, will act as a vortex, pulling in other high-end retailers in its wake and helping bump up Bellevue's sales tax revenue when it opens in March 2009.

"With Neiman Marcus now a given, many will chose to locate in Bellevue," said retail broker Susie Detmer, a senior director in the Seattle office of Cushman & Wakefield. "The question then is, will they also have a location in Seattle?"

Neiman Marcus apparently won't -- at least for a while. The 125,000-square-foot Neiman Marcus planned for Bellevue will be the only one in the Puget Sound area "for the foreseeable future," said Charlie Staadecker of Staadecker Real Estate in Seattle. Staadecker, along with Steven Quintin of New York-based Westfair Realty Advisors, represented Neiman Marcus in its search for a Northwest store site.

Staadecker, too, expects Neiman Marcus to boost Bellevue's retail tax base. The Bravern development's star tenant "will act as a magnet to attract well known national and international retailers who are not yet in the Pacific Northwest market and who have awaited a luxury department store such as the Neiman Marcus at the Bravern," Staadecker said.

Hermes and Ralph Lauren are rumored to be among the high-end retailers mulling opening shops in the Puget Sound area.

Neiman Marcus Vice President of Store Development Wayne Hussey said his store keeps company with "other luxury brands -- Louis Vuitton, Prada, Gucci, Chanel, as well as a nice home component such as Williams-Sonoma or others of that ilk."

In agreeing to go into The Bravern, Hussey said, the luxury retailer conveyed to developer Schnitzer Northwest that "we need that kind of mix."

For Kemper Development's rival luxury row at Bellevue Square shopping mall, the key question is: "Are there enough other luxury brands that are not going into the Bravern, either because there is not enough space or they did not get on the bandwagon fast enough," Detmer said.

Kemper spokeswoman Jennifer Leavitt said the response from luxury retailers has been "very positive."

Hussey is among those who believe there are plenty of high-end retailers to fill the proposed Bellevue Square addition. Neiman Marcus itself had taken a hard look at taking space in one of Kemper Development's three shopping destinations in Bellevue, but ultimately was won over by Schnitzer's European streetscape design for The Shops at Bravern.

Kemper, with a luxury boutique hotel in the works, could be planning to partner with one of the high fashion houses accessorizing their business models with new hotels, among them Ralph Lauren, Armani, Versace, Moschino and Ferragamo.

Choosing Bellevue over Seattle was an easier decision. Neiman Marcus' demographic studies of the region, done before selecting its location, showed that even though it was very close, Hussey said, the chain could "do a little bit more business out of the Bellevue market than it could in downtown Seattle."

And that's counting Seattle's greater number of office workers and tourists.

Over time, Neiman Marcus expects its Bellevue store will be one of its more successful units. Neiman Marcus stores typically have average annual sales in excess of \$600 a square foot, Hussey said. That would put its projected annual store revenue in Bellevue in the range of \$75 million.

Ironically, it's likely Kemper's plans to build the Bellevue Collection -- the name he has given his grouping of shopping destinations -- into a regional attraction on the order of Chicago's Magnificent Mile will help Neiman Marcus and other shops at the Bravern reach their revenue goals, too.

His target shoppers are the nearly 900,000 Northwest households that research shows have annual household incomes of \$90,000 or above.

Before the Bellevue Collection and the Bravern can create their version of the Magnificent Mile, there needs to be some intervening retail development between the two projects to make the long trek a more continuous shopping experience, Staadecker said.

Still, having the only Neiman Marcus in the Northwest and other luxury retailers located only a few blocks away will help Kemper tout Bellevue's appeal. And that potential synergy between the two Bellevue rivals could help the Eastside city shoulder aside downtown Seattle in the struggle to attract the higher-end shops.

To be sure, there is significant, thriving luxury retail in the blocks around the Fairmont Olympic Hotel on University Street in downtown Seattle.

"It's starting to flow around the Fairmont and the whole Rainier Square block is marketing itself as an upper level retail district," said retail broker Krista Haverly, a vice president in the Seattle office of CB Richard Ellis.

While there are other high-end department stores that don't have a presence in the Puget Sound area, such as Saks Fifth Avenue, finding a large enough space in downtown Seattle has been a challenge.

That was a contributing factor in Neiman Marcus' decision to locate in Bellevue. Finding premium space for the 125,000-square-foot department store in downtown Seattle was "very difficult, nearly impossible to find in available retail," Staadecker said.

But a redevelopment of Rainier Square across from the Fairmont Olympic could one day create the opportunity to bring in a smaller format high-end department store that could act as an anchor for additional luxury retailers, Staadecker said.

Dale Sperling, CEO of Seattle-based Unico Properties, which manages Rainier Square and much of the surrounding property, isn't willing to concede luxury retail to Bellevue. He points out that downtown Seattle has more than three times as much convention business as Bellevue and 200,000 office workers to attract retailers. The key to creating a successful shopping district is in the mix of stores, he said, "the secret to making really great retail is to make it unique."

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