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LIFE | HEALTH | RESEARCH REPORT

## A Department-Store Comeback in New York City

In new building boom, department stores plan five new openings in Manhattan by 2018

By **CHRISTINA BINKLEY**

Jan. 13, 2016 6:37 p.m. ET

Only in New York: It's boom times for the old-fashioned department store in Manhattan.

Five new stores—representing more than 650,000 square feet of space—are set to open in Manhattan by 2018. Barneys New York will lead the push, opening a new store at its original location on West 17th Street in mid-February.

Saks Fifth Avenue will open the first of two new stores in Brookfield

Place in lower Manhattan later this year. Neiman Marcus and Nordstrom have each decided to build their first stores in the city.

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### Historic Moments for New York Department Stores »

Manhattan stores have long had a prominent place in popular culture. Here are some big moments over the years.



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1021 St. Nicholas Ave. (at 103rd St.) Bloomingdale's, New York City, N.Y.

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The building boom defies the indications that these stores nationally are on the wane amid fierce competition from online shopping and a variety of other retail options. Sales at U.S. department stores fell last year by roughly 2% through November, according to the U.S. Census Bureau. Barneys has closed stores in places such as Dallas in recent years. Macy's is closing about 40 stores amid a downturn in revenue, and activist investors are pressing it to spin off its real estate, which by some estimates is more valuable than its core business.

So what makes New York the focus of so much optimism now? The

answer lies in the recent evolution of the city, where new neighborhoods have blossomed in former industrial zones, with rising luxury apartments drawing young, wealthy residents who don't shop uptown.

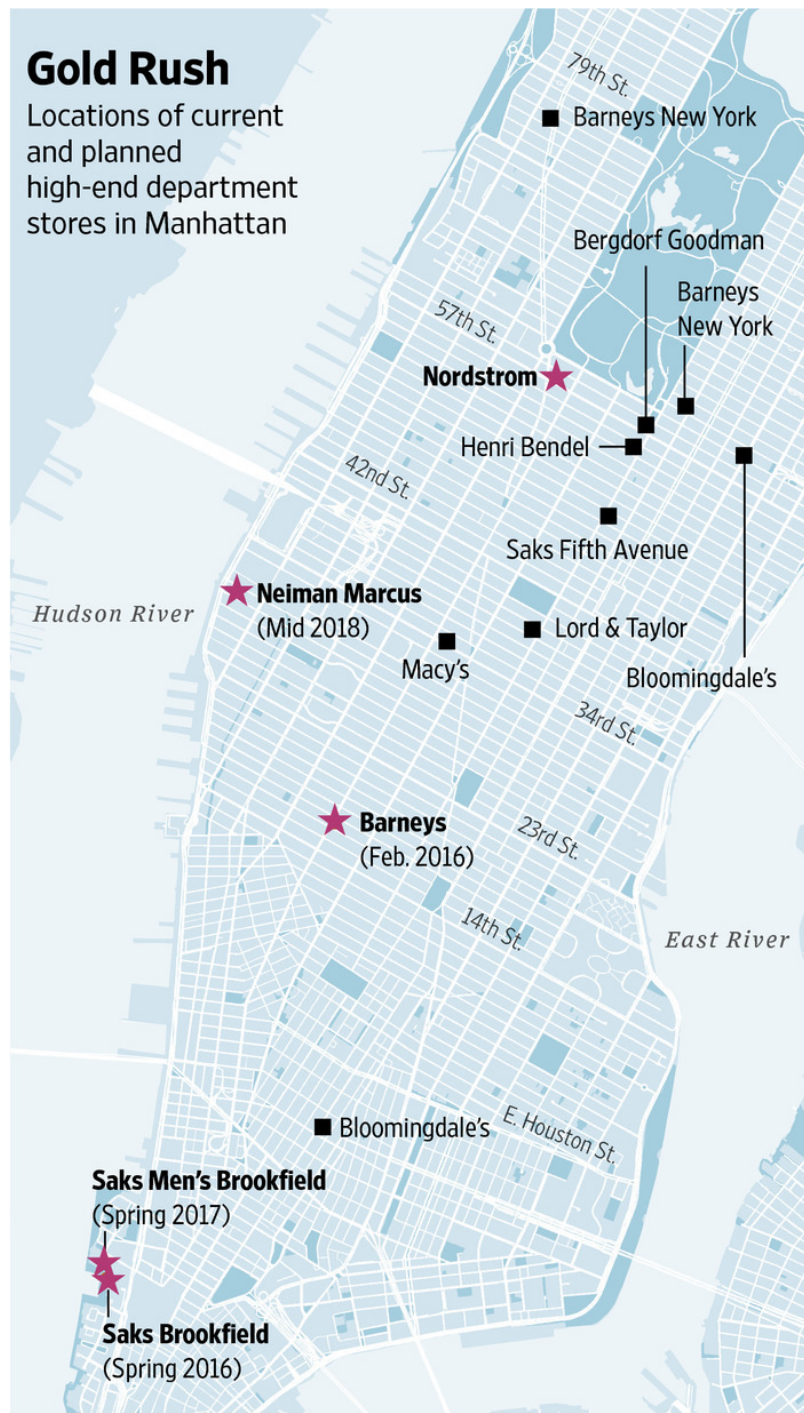
Barneys decided to make the move to Chelsea after realizing that downtown residents weren't coming to its Madison Avenue flagship. "We weren't serving the downtown client," says Daniella Vitale, chief operating officer of Barneys.

Hudson Yards, where Neiman Marcus is going, is expected to continue the transformation of the Manhattan's far west side along the river from a no-man's-land to a vibrant center. Similarly, Brookfield Place in lower Manhattan is at the heart of the redevelopment of the World Trade Center location, with vast residential and business complexes, as well as crowds of tourists drawn to the area's memorials.

"The city is changing," says Marc Metrick, president of Saks, pointing to trendy shopping neighborhoods such as the Meatpacking District south of Hudson Yards.

Tourists are a big part of the equation for Neiman Marcus's 215,000 square-foot-store, expected to open in 2018 near the northern end of the High Line, a popular park built on an elevated rail line. "The number of tourists coming through Hudson Yards and the population that is moving to and living in the West Side of the City will continue to grow," says Karen Katz, chief executive of Neiman Marcus.

Nordstrom's new location, on West 57th Street, is closer to the traditional shopping central area in midtown south of Central Park where its competitors have their flagships.



It isn't clear that New York can absorb 650,000 square feet of new department stores so quickly. Foreign tourists are shopping less due to the strong dollar, and local residents have more places to buy clothing—online or in stores—than at any time in recent history.

Still, New Yorkers love



Construction at Barneys New York's new Chelsea store. *PHOTO: BARNEYS NEW YORK*

their  
department  
stores.

Retail  
palaces  
are  
deeply  
woven  
into  
the  
culture  
and  
image  
of the  
city, as

showcased in movies from “Miracle on 34th Street” to “Elf.” Residents are also famous for their loyalty to individual stores. Who doesn’t have a favorite and know her mother’s favorite as well?

New Yorkers can be stubbornly neighborhood-identified, with cool-hunting downtowners bragging that they don’t venture to midtown’s tourist-packed avenues. That is one reason Barneys is returning to its roots—opening its new store on a block it first occupied in 1923 and abandoned in 1997 after opening its Madison Avenue flagship. “It’s very emotional,” says Ms. Vitale.

The new Barneys store is set to open in mid-February, with a strategy focused on the fabric of the Chelsea neighborhood that was the



retailer's first home. After Barneys closed that store amid financial pressures, a Loehmann's discount fashion store moved in. By 2013, it was Loehmann's that was ailing financially. At Barneys, now owned by investors including majority owner Perry Capital, Chief Executive Mark Lee pounced, recognizing an opportunity to market this prodigal son's return to the neighborhood, and started renovations in February 2015 for a five-floor, 55,000-square-foot store.

Mr. Lee isn't keen on calling Barneys a department store, and presses to position it differently. "We're a specialty store," he corrects, using an industry term that more often refers to small independent retailers. "A big specialty store, but nevertheless, that's what we consider ourselves."

The store will carry young-trending labels such as Vetements and Hood by Air (as well as Gucci, Saint Laurent, Valentino and Givenchy), while offering food delivery from its 120-seat restaurant. There will be a cocktail bar to help build evening business.

A massive curving staircase will anchor the store—a visual reference to a staircase at the original Barneys. Cosmetics and facials will be offered on the ground floor. Higher floors will carry womenswear, men's goods, and its restaurant, Fred's.

There will be fewer cash registers than in most department stores and more iPads and mobile checkouts, with sales associates using apps to help recognize shoppers who have agreed to be tracked. Digital beacons will beam photos and information to those shoppers' mobile devices as they move around the store. The store will accept Apple Pay. None of this is groundbreaking technology in 2016, but it is more than most department stores currently employ.



The Chelsea facade of Barneys New York on 17th St. in 1989. *PHOTO: BARNEYS NEW YORK*

“We’re very focused on the experience,” says Ms. Vitale. “We’re really in a neighborhood. We’re not a tourist destination.”

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