

Business

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Upscale retailers bank on Somerset Collection

Strong sales prompting expansions, upgrades

Jaclyn Trop / The Detroit News

Troy — A dozen merchants are pouring hundreds of thousands of dollars into their Somerset Collection stores, a sign of confidence in upscale retailing in the Michigan economy and a signal that national retailers see opportunity here.

Luxury retailers Burberry and Max Mara lead a group of popular labels seeing such strong local demand that they are increasing their Somerset Collection presence with bigger stores, more merchandise and refurbished interiors.

The improvements are part of a nationwide recovery of the luxury sector, among upscale malls and tony shopping districts, though basic regional malls around the United States are still contending with soaring vacancy rates and declining sales.

Bloomfield Hills-based developer Taubman Centers Inc., which owns Twelve Oaks in Novi, reported a strong quarter last week with double-digit spikes in sales at three of its four Metro Detroit centers. But local second-tier malls are in survival mode, grappling with retailers' requests for rent concessions and deferred maintenance payments, said Farmington Hills-based retail consultant Ken Dalto.



Luxury retailer Max Mara introduced a new store prototype Saturday at Somerset Collection in Troy. The high-end shopping center is experiencing strong demand. (Charles V. Tines / The Detroit News)



A Swarovski prototype store opened this month at Somerset, where retailers are expanding and renovating to keep pace with demand. (Charles V. Tines / The Detroit News)

"They see that as their major problem," Dalto said, "not that they haven't upgraded their malls."

At Somerset Collection and elsewhere, the momentum carrying high-end retailers is expected to continue throughout the year, with more projects to be announced, according to the center's owners.

"Spending has been a little looser, so we're very bullish in 2011," said Nate Forbes, managing partner of the center's Southfield-based owner, The Forbes Co. "You're seeing a commitment of companies rededicating their resources to their brands."

Change is coming

Somerset Collection shoppers can expect a host of changes this week and in the coming months.

Burberry will reopen next month after extensive renovations, one of just a handful of remodels for the chain. Max Mara reopened Saturday to introduce its new store prototype. Both retailers consider their Somerset Collection stores to be top performers.

Also in Somerset South, J. Crew opened its bridal department Monday, one of eight in the country. The Art of Shaving, a men's shaving boutique owned by Procter & Gamble, will open next month as the retailer's only Michigan location, and upscale luggage purveyor Tumi will begin renovating its store this spring.

Across the center's skywalk, Apple and North Face will expand to nearly twice their current square footage. Somerset North will also feature renovations at Pottery Barn, Restoration Hardware and White House Black Market. A renovated Aldo store, a Swarovski prototype store, and teen retailer The Buckle opened this month.

The stores replace retailers who have recently closed, including Anne Klein, Kenneth Cole, Bose, Sony and Roxy By Quiksilver. Barney's Co-op, to be divided by two as-yet unnamed exclusive retailers, and Puma will close in July. Banana Republic is downsizing to make space for North Face but will remain the retailer's largest store in the state.

The stock market has improved over the last two years, with luxury retailers including Tiffany & Co., Nordstrom Inc., Saks Inc. and Coach Inc. posting triple digit gains, said David Sowerby, portfolio manager for Loomis, Sayles & Co. L.P. investment management in Bloomfield Hills.

The renovations at Somerset "first represent a vote for higher-end retail," he said. "Second, it's a vote for the local economy."

Though spending on luxury brands nationwide is down 4 percent compared with a year ago, according to a Unity Marketing survey released Monday, the revival in high-end shopping is expected to endure as the rich get richer and add more households to their ranks, said Diane Swonk, chief economist at Mesirow Financial, a Chicago-based financial services firm.

Retailers such as Burberry and Max Mara are targeting the top 2 or 3 percent of U.S. households, which are feeling richer because they "doubled down" and invested when prices

were low during the recession, unlike middle-income households, which drained their retirement portfolios to meet short-term needs, Swonk said.

"They do spend a lot, and they spend full retail," she said. "They're the ones who don't care about the sales as much."

Late to the game

But Metro Detroit is somewhat late to the game. High-end retailers began pouring money into their stores in other cities before last year's holiday season, Swonk said. The recent recovery of the automotive industry and addition of production and manufacturing jobs have finally added stability to Metro Detroit's economy, she said.

The deals at Somerset were inked eight to 10 months ago, said partner David Forbes.

Somerset, which did not waver from its commitment to a luxury shopping experience during the recession, also benefits from its roster of stores exclusive to the state, said Paul Bensman, president of Details in Retail, a Southfield-based consulting company. About 35 percent of the center's retailers aren't found anywhere else in Michigan.

"People come from all over to shop," Bensman said. "We're not overly retailed in Michigan."

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