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Some Strip malls targeting less expensive stores

By *Buck Wargo* ([contact](#))

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\$1,400

The amount of sales per square foot in 2009 at the Forum Shops at Caesars, down from \$1,500 per square foot in 2008, but enough to keep its ranking as the No. 1 retail mall in the nation. It reports its sales were up double digits during the first quarter of this year.

10 %

The increase in sales at Miracle Mile Shops at Planet Hollywood in the first five months of this year compared with last year. Miracle Mile has a blend of middle-range and high-end shops. Since December, it's had six consecutive months of increased sales.



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Crystals at CityCenter on June 25

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High-end retailers along the Strip — think Tiffany, Louis Vuitton and Chanel — are mourning the loss of splurgers — vacationers who reach deeper into their wallets for a big-ticket purchase because that's one of the frills and thrills of the Vegas escape.

These days, Macy's is the day's fancy outing.

And it helps explain why Strip malls are branding down, and a new retail center planned across the street from the \$8.5 billion [CityCenter](#) and its uber-posh [Crystals](#) mall will be anchored by Walgreens.

“The success of high-end luxury retail before the Great Recession was attributed to those who could afford it, and the aspirational consumer who wanted to trade up to luxury,” said Pamela Joy Ring, president of the [Ring Retail Advisory](#) in Las Vegas. “Those aspirational people are gone. They are spending within their means and patronizing the middle market.”

That recession-triggered adjustment stands in contrast to the heady boom years when three swank operators each opened three stores on the Strip — Tiffany & Co. at Crystals, the Forum Shops at [Ceasars](#) and [Bellagio](#); Louis Vuitton at the Forum Shops, [Wynn Las Vegas](#) and CityCenter; and Chanel at Wynn, [Encore](#) and Bellagio.

The new calibration in spending means one mall's loss is another's gain.

At Miracle Mile Shops at [Planet Hollywood](#), sales through May were up 10 percent compared with the first five months of 2009 after the owners introduced a more middle-market mix to the tenant lineup. Since December, it reported six consecutive months of sales increases; the mid-Strip Fashion Show mall is reporting sales in the high single digits this year.

Analysts said the trend is also true in restaurants, with lower-priced places on the Strip faring better than pricier establishments.

“We have more high-end retail than high-end consumers, and that is why there is the shift to middle-market retailers,” said Jeremy Aguero, principal at consulting firm [Applied Analysis](#). “Everybody has less to spend, and even those with money are conscious of what they are spending and shifting toward the middle.”

The old retail model for the Strip was based on unfettered spending by shoppers wielding credit cards.

But today, “If you need a pair of shoes, people are asking themselves why do they need to spend \$300 when they can get them for \$100 instead,” said John Restrepo, principal at [Restrepo Consulting Group](#).

The Forum Shops has adjusted to the down economy, Ring noted, by adding Swedish retailer H&M, which plays to younger and middle-market shoppers.

The Forum Shops, which kicked off the move to luxury when it opened in 1992, said the upper-end market shouldn't be written off. It cited recent remodeling and expansion by some of its retailers.

Versace, Gucci and Ermenegildo Zegna have recently expanded their stores, and others that are expanding include Burberry and Cartier.

The Forum Shops reports its sales were up double digits during the first quarter of this year, coming off a down 2009 when sales were about \$1,400 per square foot. Even though sales dipped from \$1,500 a square foot in 2008, the mall kept its No. 1 ranking in the country.

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A block away at Fashion Show mall, Laurie Paquette, vice president of asset management, said the middle-level stores are faring better than high-end retail — witness how the budget-friendly clothing store Forever 21 is moving from a 5,000-square-foot store to one with 126,000 square feet.

Crystals' operators say they are not second-guessing their high-end tenant-mix strategy, even in the face of the recession and competition from other luxury stores in town.

“We leased the building in the worst economic time ever and we know that,” said Farid Matraki, vice president and general manager. “But despite that, we had a mission, and we stayed on course on that mission. We knew we wanted a certain type of client and we pursued (that client).”

“I think our tenants appreciated the strategy as well. You don't want to put a magnet souvenir store next to a Louis Vuitton.”

Among the luxury stores riding out the recession is the French retailer Hermes, which operates a boutique at Encore, closed one at Bellagio, opened one at Crystals and is considering opening another.

“Las Vegas continues to draw high-end customers who enjoy certain dining and shopping,” Hermes USA President and CEO Robert Chavez said, citing high-end domestic and international travelers. “We are very optimistic about the potential upside of our business in Las Vegas.”

And that, of course, is the big question: How will the Strip's retail mix resolve itself once Las Vegas recovers?

Strip retailers are “heavily skewed toward the high end, and it has to shake out a bit,” Aguero said. “Is there too much along the Strip? The jury is still out on that question today and whether they do well is a function of visitors coming back and opening their wallets. For stores that are more competitive, they are likely to capture a greater share than higher-end retail.”

Restrepo said some luxury retailers with multiple stores on the Strip may close one.

Russ Joyner, Miracle Mile Shops' general manager, said luxury store operators need to adopt the philosophy “of patience and riding through this.”

“They will have their opportunity to rise again in due time.”

In Business reporter Richard N. Velotta contributed to this report. A version of this story appears in this week's [In Business Las Vegas](#), a sister publication of the Sun.

<http://www.lasvegassun.com/news/2010/jul/02/where-have-all-shoppers-gone/>