

# LOS ANGELES BUSINESS JOURNAL

## Shopping Shuffle

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For years, L.A.'s retail hotspots have been known to shoppers around the globe.

West Hollywood's Robertson Boulevard was the edgy home of young designers. Homey Melrose Place was an antique mecca. And Larchmont was what passes for quaint in Los Angeles.

Attention, shoppers: There's some heavy roadwork going on.

Deep-pocketed corporate interests have been swarming L.A.'s trendy retail neighborhoods, driving commercial rents to double what they were a year ago on Robertson and Melrose Place. The rental land rush has become so intense that several small retailers have sold their leases, sometimes for hundreds of thousands of dollars and usually to big chains.

Jay Luchs, a retail specialist at CB Richard Ellis Group Inc. said this "key money" frenzy is unlike anything he's seen.

"Robertson Boulevard has become so popular around the country and the world that it's caught the attention of retailers," he said. "There are only so many tenants on two blocks and only so many leases coming up, so you do whatever you can to get space."

The hot portions of the shopping streets are only a few blocks long, so the influx of corporate chain stores is changing the ambience of the neighborhoods. And not everyone's happy with the changes.

Chan Luu, a well-known clothing and jewelry designer, says that things just aren't the same near her Robertson Boulevard boutique.

"It became very young, very jean and T-shirt oriented."

For Luu, whose international label is sold in Neiman Marcus and Bergdorf Goodman, Robertson was losing its refined appeal and so she sold the remainder of her lease to Coach Inc. for about \$350,000.

"If you have over a year on your lease, you can get a few hundred thousand dollars," said Chuck Dembo of Dembo & Associates.

Lisa Kline, who owns men's, women's and children's boutiques on Robertson, said her rent doubled, from \$10 to \$20 per square foot last year.

She bought a lease a year ago to open a men's boutique. She paid \$100,000, a bargain it turns out.

"I knew it would be a good investment," she said. "I knew I would make more money with more space, and make back what I spent immediately."

She didn't anticipate all the changes, however.

"It's nice to be a popular area, but when paparazzi are everywhere, there is no parking. And the corporate stores are coming in and driving rents even higher," she said. "It's suddenly Madison Avenue."

Joining Luu in the exodus is the apparel boutique Harari, which sold out to Intermix. Retail apparel chains Fresh, True Religion, Tory Burch and American Apparel are among the chains that have moved into what was once a boutique haven for L.A.'s up-and-coming designers.

### **Melrose Place**

A comparable transformation is occurring on Melrose Place, a four-block area between La Cienega Boulevard and Melrose Avenue. The newcomers are selling \$5,000 couture, rather than \$500 cut-off jeans.

High-end outlets Carolina Herrera, Tracy Feith, Marni, Oscar de la Renta and Chloe have all opened recently, with similarly upscale Theory, Helmut Lang, Moss Gallery and Lambertson & Truex still to come.

These new arrivals would seem a perfect fit on Rodeo Drive, but Dembo, a Rodeo Drive Committee member, points out that the rent on Melrose, at \$15 to \$20 per square foot, is about half the price of the \$30 to \$40 rents on Rodeo.

"Some see Melrose as a new frontier," he said. "And that's the thing about fashion – you want to be fashionable."

As on Robertson Boulevard, these elite brands are buying up leases.

Diesel SPA bought the lease of antiques dealer Mayfair Gallery and BCBG Max Azria Group Inc. bought out Wilshire Fireplace.

For Wilshire Fireplace owner Richard DiGiorgio, part of the motivation for selling his lease was the arrival of the designer brands. He said that changed the character of the corridor, which was once dominated by antique dealers and other home furnishing outlets.

He said he talked to Marc Jacobs and Diane Von Furstenberg, but the price wasn't right. DiGiorgio finally accepted an offer of several hundred thousand dollars from Nasa Property Management, which has leased the space to BCBG.

"Once Marc Jacobs came in, it started," said DiGiorgio, who moved his shop to Wilshire Boulevard. "They opened and did all the marketing and drove up rents, so people were trying to ride their coattails. Those New York places have deep pockets, so the writing was on the wall."