



International Invasion

By Zaid A. Midani

The United States retail market has become fertile ground for foreign born retail concepts, poised to take advantage of a weakening dollar and a more welcoming business climate. These new-to-us retail concepts may spell trouble for domestic brands, but could also provide a much-needed infusion of excitement and capital into a slowing and aging U.S. retail sector.

When the dollar began slipping several years ago against other global currencies, particularly the Euro, Manhattan started seeing unprecedented numbers of Europeans crowding stores in search of “discounted” merchandise. In reality, the dollar had weakened so much so that even the added cost of airfare and accommodations could not offset how much cheaper it was to purchase clothes and electronics in the United States. With international retailers feeling the pinch, they are now following their loyal customers to America.

The United States offers many advantages to foreign retailers beyond just recapturing European consumer spending. The devalued dollar has made all elements of operations more affordable in the U.S.. Average hourly manufacturing wages in Europe are 57% higher than in the U.S.,

according to the Bureau of Labor statistics. The favorable business climate is giving them a decisive advantage over domestic concepts and now for the first time they feel confident that they can compete for a bigger share of the mighty U.S. consumer dollar.

New York City’s fashionable shopping districts seem to be packed these days with new foreign shops. Most brokers agree that these foreign concepts are helping keep Fifth Avenue rents up despite the economic uncertainty. Whether it’s through Saks, Cartier, Bergdorf Goodman or the Apple Store, the branding of Fifth Avenue is as critical to retailers as the foot traffic and wealth that comes through.

Saks reports that 20% of company-wide sales are generated by their Fifth Avenue flagship and that 20–25% of those sales are to tourists. Retail rents on Fifth Avenue remain the highest in the world at \$1,500 per square foot. The next most expensive retail real estate in the world is Causeway Bay in Hong Kong, Avenue des Champs-Élysées in Paris, New Bond Street in London, and Ginza in Tokyo.

The category that is mostly likely to impact large and small markets inside the U.S. is discount fashion apparel — or “cheap chic.” Sweden’s H&M was a trail-blazer in this category when they opened in Manhattan and quickly grew to over 150 stores over the course of a few years. Although this category accounts for only 1% of the U.S. apparel market today, it is expected to rise dramatically to levels in Europe that approach 20%.

European concepts are not the only ones rushing to America’s shores to capitalize on the weak dollar. Brands from Canada, South America and Asia are also arriving in spades. At a time when many U.S. brands are struggling, this influx could be a boon to retail real estate operators facing mounting bankruptcies and store closings. On the opposite page is a collection of some of the hottest concepts that the industry should be watching.

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Next Generation Retailers

Select International Retail Concepts Opening Stores In the United States

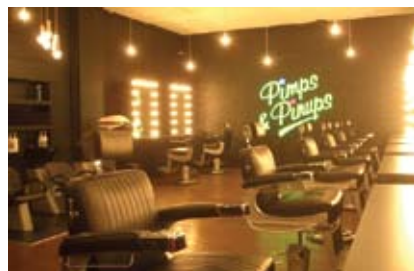
TOPSHOP



For over 40 years, Topshop has reigned as the supreme style authority of the UK. Appealing to both style conscious window shoppers and to some of the industry's pillars of distinction, Topshop operates in over 300 stores in the UK and over 100 stores worldwide. In Fall 2008, Topshop landed in NYC.

www.topshop.com

PIMPS & PINUPS



Combining classic talent with the latest styles, Pimps and Pinups boasts a relaxed and local feel inside of their quirky London-based salon (now expanded to NYC). Extravagant mirrors and luxurious barber chairs shipped from Japan prompt overwhelmed guests enjoy a beer or a glass of wine – on the house.

www.pimpsandpinups.com

LULULEMON



Founded in Canada, Lululemon offers technical clothing for yoga, dancing, running and those with an active lifestyle. While there are currently 80 stores across Canada, the U.S. and Australia, Madison Retail Group is facilitating their expansion to the D.C. market with three locations to open in 2009.

www.lululemon.com

WHO.A.U.



South Korea is the last place one would think this Abercrombie & Fitch-esque retailer originated. Who.A.U. encompasses brave, original, and innovative vintage-luxury clothing. The company has an ambitious expansion plan to open more than 450 additional locations over the next decade.

www.whoau.com

GARAGE



Focusing on trendy clothing for fashion-forward tweens, this Canada-based brand recently expanded into the U.S. market, introducing stores in 6 states across the country. The first store opened in 1975, but it wasn't until 2004 that the brand was made over to become the hot spot it is today.

www.garage.ca

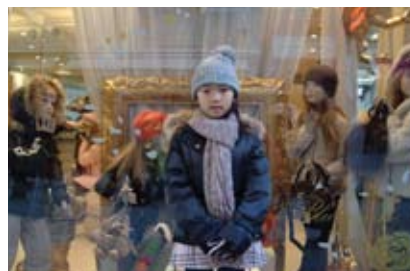
MANGO



This Barcelona-based retailer specializes in dressing urban and modern women. Located in 89 countries, Mango carries the same focus, quality and design in each of their stores. The stores embody a dynamic atmosphere that require rigorous attention. There are over 20 locations in the United States.

www.mango.com

BLUMARINE



Blumarine was founded in 1977 in the small town of Capri, Italy. By 1980, they had already debuted at their first fashion week in Milan and earned the Designer of the Year award. What began as a small boutique on a small Italian island is now recognized worldwide, and expanded to the U.S. in Spring 2008.

www.blumarine.com

MUJI



Muji sells a wide-ranging variety of both household and consumer goods, such as stationary, clothing, food items and kitchen appliances. Muji is Japanese-based and emphasizes minimalistic design. Operating in almost 20 countries across the globe, the New York location maintains a flagship store.

www.mujionline.co.uk

FRUITS & PASSION



Originating in Canada, Fruits & Passion's products include a long line of home, ambiance and personal care products. Their worldwide success can be attributed to the brand's authenticity and all-natural ingredients, with stores in more than 13 countries.

www.fruits-passion.com

NANDO'S



This peri peri-style chicken rotisserie was started by two friends in 1987 in Portugal. The company operates in 29 countries all over the world. Nando's recently expanded to the United States in the Washington, D.C. market, and is planning to expand within the city during the months to come.

www.nandos.com

REISS



Reiss apparel is an award-winning brand, based out of the UK. Producing both men's and women's clothing, Reiss bridges the gap between multiple retailers and designer brands. Currently serving seven cities in the United States, the company also operates in eight countries worldwide.

www.reiss.co.uk

SHANGHAI TANG



As the only Chinese luxury brand, Shanghai Tang offers a full range of clothing for men, women and children, plus home furnishings, accessories and gifts. Their products are renowned for combining traditional Chinese design and motifs with tongue-in-cheek humor and a contemporary sensibility.

www.shanghaitang.com