

CRAIN'S

CHICAGO BUSINESS

By: Eddie Baeb
October 13, 2010

Two prime storefronts on the Magnificent Mile are being marketed for lease as retailers emerge from the recession with plans for fewer, smaller stores.

Ann Taylor is poised to close its store at 600 N. Michigan Ave. when its lease expires in early 2012, sources say. Meanwhile, Levi Strauss & Co. is looking to sublease about a third of its store next door, or 5,413 square feet.

Ann Taylor and Levi's, like many retailers, are pursuing smaller stores these days, even in marquee locations like Michigan Avenue, where demand for space remained solid throughout the harsh economic downturn that devastated much of the industry.

"The recession caused Ann Taylor and every retailer to re-examine their entire real estate strategy," says David Stone, president of Chicago retail brokerage Stone Real Estate Corp., which isn't involved in the offerings but has worked in the past with Ann Taylor. "But the recession has had very little impact on Michigan Avenue. The street is just as strong as it was three years ago."

While some big vacancies have come up in the Mag Mile region, new tenants have surfaced. Nordstrom Rack is to open at the former CompUSA store at Chicago Avenue and Rush Street, while British fashion chain Topshop will replace the Borders bookstore at Pearson Street at the end of next year.

The Ann Taylor space, at the corner of Michigan and Ontario Street, is 10,400 square feet and available for occupancy February 2012, according to a brochure from Mid-America Real Estate Group, which is marketing the space for the building's owner, ING Clarion Partners.

"We are very excited about the prospect of bringing a new tenant to the Avenue," says Stanley Nitzberg, a principal with Oakbrook Terrace-based Mid-America, adding Ann Taylor's location is "a most dynamic retail corner."

Sources say New York-based Ann Taylor Stores Corp., which has 894 locations nationwide, is now focused on smaller stores. The stores include two other Ann Taylor locations downtown, including one at Water Tower Place, and four downtown Ann Taylor Loft stores, including one at Shops of North Bridge, according to the company's Web site.

In an e-mail, an Ann Taylor spokeswoman says: "We do not provide comment on individual store openings or closings, which are a natural and ongoing function of doing business in retail. I can tell you that the company always does whatever it can to arrange as many transfers as possible for our store teams, so that employment can continue without interruption."

Ann Taylor subleases its space from Viacom Inc., the media giant that along with Levi's was one of the original tenants at 600 N. Michigan in 1997 when the structure, which encompasses an entire block, was built by Chicago-based John Buck Co.

Viacom, the parent of MTV, Nickelodeon and VH1, shut down its massive 30,000-square-foot store just a couple years after it opened and began subleasing the first level to Ann Taylor in 1999.

Levi's, meanwhile, is marketing 5,413 square feet of its space for sublease with a term through January 2012 and two five-year renewal options. Levi's will exercise the first renewal option, so a new tenant's lease would run into 2017, says **Laura Pomerantz**, a principal with **PBS Real Estate LLC**, the New York firm marketing the space for Levi's.

She says the San Francisco-based company was committed to staying on Michigan Avenue but would like to do so in a more "intimate" setting — noting that a recently opened Levi's in New York's Meatpacking district is about 3,000 square feet.

"With the expense of real estate today, everyone has to be constantly evaluating their portfolios and keeping what works for them and modifying what doesn't," Ms. Pomerantz says. "Levi's is an iconic American brand — they belong on Michigan Avenue. This is a way for them to keep the vibrancy of the brand on the street."