

Chain stores check in

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The Von Maur department store chain opens its Briarwood Mall doors Sept. 15 with millions of dollars invested and future expansion plans that could include other stores in Michigan.

It's no accident that the company landed in Ann Arbor.

Company president Jim Von Maur says the store has wanted a site in Ann Arbor for at least a decade. He calls it an underserved market and one with the right mix for the Iowa-based chain to thrive in, then launch further stores.

"We expect it to be one of the strongest new store openings ... in the history of our company," Von Maur said.

That hope is shared among several outside retailers entering the Ann Arbor marketplace in the second half of 2003. And real estate brokers, who say the influx demonstrates the strength of the region's wallets, predict more will follow in 2004.

If so, they can expect commercial lease rates that in some cases have climbed as high as \$40 per square foot.

Among the established retailers new to this market that opened recently are American Spoon and Potbelly. Coming soon are more: The Children's Place, Arhaus Furniture and Cold Stone Creamery.

Still others are said to be looking, like Trader Joe's and a host of "fast casual" restaurants that want a part of Ann Arbor's restaurant scene.

"The perception is that Ann Arbor has a big appetite for cutting-edge, new concepts, and so the retailers with those new ideas or who are successful in bigger cities see Ann Arbor as being an early adapter to those new ideas," said Jeff Harshe, associate broker at Swisher Commercial in Ann Arbor.

"It's also the case that we're supply constricted — if you do get a good location in Ann Arbor, there's not an overabundance of competition."

Shared among many of the new retailers is a reputation for higher-end quality merchandise — Cold Stone Creamery, for example, is in the super-premium ice cream market — and an emphasis on service. Such retailers target populations with disposable income, and they seem to find it in Ann Arbor.

The area, described by some as "recession-proof" thanks to the University of Michigan and related businesses, hasn't been hit as strongly by the economic downturn. Think of Ann Arbor as statistically younger, richer and smarter than many Michigan markets, factors that combine to yield less financial risk.

Tom Scott of the Michigan Retailers Association said the accepted trend is for stores to try larger markets, such as Detroit and Grand Rapids, before aiming for medium-sized markets such as Ann Arbor.

Yet the lure of the Ann Arbor demographic can be a strong motivator to start here. Von Maur also will operate a store in Livonia, but Ann Arbor's doors open first. And Michael Flaum of Cold Stone Creamery said his stores are located in areas with nighttime activity, and they bypassed the larger markets to open in Novi and Birmingham before Ann Arbor, which should open in the spring.

Harshe says some retailers exceed expectations. He gave the example of Potbelly, the sandwich restaurant on South State Street at the corner of Liberty Street — one of the most expensive retail corners in Ann Arbor. The Chicago-based chain was new to Ann Arbor, caught on fast and is considering expansion to the second floor of developer Jeff Hauptman's Oxford Co. building.

Now, Harshe said, he's getting calls from Chicago retailers who have heard



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'There's not an overabundance of competition (for retailers),' says Jeff Harshe of Swisher Commercial.

about Potbelly's success in Ann Arbor. They now want to expand here, too.

"It's an example of a business that hit the Ann Arbor market right, with price point, location and concept," Harshe said. "State Street is as good a strip for a Potbelly-type restaurant as there is in the country."

But the retailer's concept has to be on the mark for success in Ann Arbor.

"The Ann Arbor market is pretty discriminating," Harshe said, adding that rents are expensive enough that retailers who think people in the city will spend their money just anywhere "will be hurting in a hurry."

Vacancies for retailers tend to be scarce in Ann Arbor. Briarwood Mall, undergoing a major renovation project, is about fully leased, as is the Arborland shopping center, which has already leased all 21,000 square feet now under construction.

Meantime, brokers are showing some of the larger spaces, including Whole Foods Market, which moves Sept. 24 into Huron Village on Washtenaw Avenue along with The Merchant of Vino, which is vacating space on Plymouth Road.

National retailers also are looking closely at campus-area properties.

Projects also in the works or in the planning stages could expand Ann Arbor's retail space. The Lofts on South State will have retail space; Broadway Village at Lower Town plans also call for retail in the mixed-use plan. Many devel-

opers' visions for the Eaton Corp. building just west of downtown include stores, though the building's sale hasn't been completed.

Yet as retail vacancies emerge in Ann Arbor, the balance could tip further toward chain stores and away from independent, local retailers.

"Small, family (owned) retail continues to have a difficult time holding against the price points of chain store operators," said broker Bill Milliken of Milliken Realty Co. "Ann Arbor has a never-ending contest of rents that food operators are capable of paying."

That has raised rental rates in hot retail centers — Main Street, State Street and South University, for example — close to \$40 per square foot in some cases. Briarwood rents are higher, many say, and adding to the cost are the fixtures and décor that shoppers in Ann Arbor expect.

One high-profile local opening this month is Zingerman's Roadhouse, located in the former Bill Knapp's in Westgate shopping center at Jackson Road and Interstate 94.

The restaurant joins the Zingerman's family as its first true sit-down establishment. While the company has grown to supply its specialty products across the region, Ann Arbor remains its most logical — and likely to succeed — base for a new enterprise.

Paula Gardner covers retail and real estate for Business Direct Weekly. ■