

# Retailer moving in downtown

American Apparel signs deal for store at State and Liberty site

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A growing California-based clothing retailer – described as an edgy Gap – will open at State and Liberty in downtown Ann Arbor by mid-July, adding a third national anchor store to the intersection.

American Apparel will open in 4,000 square feet comprising several storefronts on East Liberty, across the street from the flagship store of Borders Inc. and just west of Urban Outfitters.

The deal came together as numerous transitions take shape in the area, from the University of Michigan's plans to build a \$142 million residential complex at State and Washington to several property sales, including the TCF building at Liberty and South Division.

It's a lease that resonates a message that retailers can be drawn into downtown, said Newcombe Clark of Bluestone Realty Advisors.

That's important to maintaining a viable mix of business, Clark said, since many businesses have watched rental rates escalate into a zone where only high-traffic restaurants typically survive.

Key to the American Apparel deal is the sense that the new store will complement both the larger, national stores and the independent retailers – such as Bivouac and Poshh – that form the core of the shopping district.

"Retail isn't dead downtown," Clark said.

## American Apparel

- Averages 3,500 square feet per store.
- Sells clothing and accessories for men, women, children and dogs.
- Targeted to the youth market, but also sell classic styles – such as T-shirts – that appeal across age groups.
- Products are made in Los Angeles in a sweatshop-free environment.
- Items include cotton and jersey knits.

Clark worked the deal on behalf of The Oxford Co., the building's manager.

The space became available as two long-term tenants on Liberty, just west of Starbuck's, decided not to renew their leases: Mast Shoes and Suwanee Springs.

That left Four Seasons in the building, but owner Abraham Hejavi worked with Clark to move his store – and expand it in the process – to a location a few doors to the west.

American Apparel opened its first store in 2003, growing to 40 stores in five countries. The stores are in major markets such as New York, Paris, Boston and Miami. Stores in finishing stages include Key West, Seattle and San Francisco.



Newcombe Clark of Bluestone Realty Advisors.

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Ann Arbor will be the chain's first store outside of metro markets, Clark said: "It's a very risky move for them to make."

However, he added, the chain is responding to the demographics of the city and the pending development nearby – as well as the high sales at nearby Urban Outfitters and other existing nearby stores.

"In the end, they saw the market is perfect for it," Clark said.

American Apparel was among numerous prospective tenants that sent inquiries when Clark started marketing the property over the summer.

Yet while many were restaurants willing to pay the asking rate of \$35 per square foot, Clark and the building's owner and manager were patient enough to wait out the complicated deal.

Clark said the end result is a tenant that will benefit the neighborhood, and pay close to the asking rental rate.

Others familiar with downtown and its retail dynamics agreed, predicting a boost across the district from the new store and what it adds to the retail mix.

"Retail supports other retail, and State Street has been one of the most important retail districts in downtown," said Susan Pollay, director of the Downtown Development Authority. "We're enormously glad to see them choose Ann Arbor."

Meanwhile, other retailers appear to be scouting Ann Arbor's downtown.

Ken Polsinelli, senior vice president at McKinley Associates, said McKinley

Towne Centre also is drawing interest from retailers. They range from 2,000 to 10,000 square feet and include some national names, he said.

McKinley bought the TCF building and plans to retool the property into a retail and office center, raising the profile of Liberty Street a few blocks west of State.

"Adding another retailer to the mix is very positive," Polsinelli said, "since it will increase pedestrian counts and the viability of the Liberty Street corridor."

Build-out for American Apparel will be complex, Clark said, since it combines the spaces of several storefronts in an older building.

The retailer will bring its signature look – such as track lighting and streamlined design – to the interior, while working with the character of the building's exterior.

"Part of American Apparel's mission is to fit into the neighborhood," Clark said.

He predicts that will happen beyond just the physical aspects of the building. Clark said the range of offerings on State Street will be challenged as landlords face temptation from the deep wallets of national food tenants.

"You really need to have that mix," Clark said. "Overall, property values will be sustained. They may not peak, like if you get a restaurant. But over time, if the market stays healthy, you'll get your return."

■ Paula Gardner covers real estate and development for *Business Review*.