

# Luxury Retailer Bags Storefront

**REAL ESTATE:** Rodeo Drive deal a square-footage record.

By **JACQUELYN RYAN** Staff Reporter

**Bernard Arnault**, one of the richest men in the world and the head of a luxury-brand empire, has acquired a Rodeo Drive storefront for \$85 million, sources told the Business Journal. The price is believed to be the highest on a square-foot basis ever in Los Angeles County.

Arnault, chief executive of Paris' **LVMH Moët Hennessy Louis Vuitton SA**, paid \$11,971 a square foot in an all-cash deal for the 7,100-square-foot building at 319-323 N. Rodeo Drive currently occupied by Montblanc and Celine, both high-end accessories retailers. The seller, Beverly Hills real estate firm **New Pacific Realty Corp.**, purchased it four years ago for \$34.5 million.

It is unclear what Arnault plans to do with the space. LVMH, which owns more than 50 high-end brands, including Louis Vuitton and Fendi, already occupies five properties on the posh Beverly Hills street.

LVMH and New Pacific did not return calls requesting comment for this article.

New Pacific had been quietly marketing the property to select companies and made contact with Arnault in early November, according to sources familiar with the deal. The company was asking such a high price because the location, in the center of Rodeo Drive, commands some of the highest lease rates in the area.

Arnault paid cash for the property and closed the deal within days, sources said. Then, as an added thank-you for the smooth transaction, Arnault sent bottles of ultra-expensive, special-edition Dom Perignon, one of LVMH's Champagne brands, to executives of New Pacific.

**Robert Cohen**, Southern California president of brokerage **Robert K. Futterman & Associates** who handles leases and sales in Beverly Hills but was not involved in this deal, said the price was steep in part because few properties on the street ever trade hands and that limited supply pushes prices up.

He also noted that Arnault has been making similar purchases elsewhere, including Miami, New York and Europe, and moving LVMH's brands into marquee properties in those cities.



**Moving In:** Beverly Hills property that houses tenants Celine and Mont Blanc acquired by Bernard Arnault for \$85 million.



"This is not out of the norm," Cohen said. "Arnault's been very aggressive with buying property. He is basically investing his personal money in the Miami design district. It's a very European thing to own your real estate. And they are proving that they can be competitive with international investors."

## Record sale

Arnault is ninth richest person in the world with an estimated worth of \$29 billion, according to Bloomberg. This is the first real estate acquisition in Los Angeles for either Arnault or his company.

The deed, which was filed with the Los Angeles County Recorder's Office on Nov. 30, lists the buyer as 319-323 N. Rodeo LLC, with an address of 19 E. 57th St. in New York. That's the address of LVMH's U.S. offices.

The sale is the highest on a square-foot basis in the county in **CoStar Group Inc.**

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JAMES W. JAHANT, Rodeo Drive Committee

records, which date back more than a decade. Though the L.A. County Assessor's Office does not keep accessible records of sales by the square-foot price, spokesman **Louis Reyes** said no one in his department recalls a sale for a higher price.

By comparison, a retail space at 1415 Third Street Promenade, where a new Apple store is located, sold in July for \$7,422 a square foot, which was considered astronomical.

The Arnault acquisition is the clearest sign yet of a rebound for Rodeo Drive, which had been hurt by flagging sales and drooping occupancy in recent years. After falling to an occupancy rate of about 80 percent during the recession, storefronts on Rodeo Drive are now 95 percent full. Sales are beginning to pick back up on the street to a total of more than \$1 million a day, according to the Rodeo Drive Committee, a non-profit group of retailers and property owners.

The increase in activity has inspired retailers such as Hermes and Prada to begin renovations to their storefronts to make them more modern and chic. LVMH has been hard at work on Rodeo Drive, too.

Its top brand, fashion and handbag line Louis Vuitton, which has occupied about 35,000 square feet at 295 N. Rodeo, will nearly double its space when it expands into

Bulgari's former store next year at 201 N. Rodeo. When combined, the Louis Vuitton spaces will comprise the brand's largest flagship store in North America, and it will include its first men's store and expand the women's accessories selection.

Bulgari, another LVMH brand, is moving into 401 N. Rodeo Drive space, where LVMH jeweler De Beers is currently located.

Meanwhile, the company's Christian Dior store at 309 N. Rodeo recently completed a remodel that includes glass panels, stainless steel frames and LED lighting.

### **Strong base**

**James W. Jahant**, president of the Rodeo Drive Committee and general manager of Brooks Bros. on the street, said the street's location in the tony city near high-end hotels such as the Beverly Wilshire provides a strong shopping base. Because of that audience, companies strive to make these locations among the best in their portfolio.

"Rodeo Drive represents the intersection of luxury, fashion and the entertainment industry unlike anywhere else so it is important for the luxury retailers to have a place here to showcase their products on a global stage," he said. "Headquarters are making it a priority to reinvest in their West Coast flagships on Rodeo Drive."

Reflecting the improvements, per-square-foot lease rates on the street have jumped up 2.4 percent this year to an estimated \$36.25 a month, or \$435 a year, according to a recent **Colliers International** study. That makes Rodeo Drive the third most expensive luxury retail street in the nation, trailing only New York's Fifth and Madison avenues.

But the 319-323 N. Rodeo Drive building, with its coveted central location, garners among the highest lease rates on the street, at about \$50 a square foot monthly or \$600 annually.

With the strength of the area, Cohen said he expects Arnault and LVMH to continue to expand its footprint on Rodeo Drive over the next few years.

The company has plenty of funding to do so. It recently said it expects 2012 full-year revenue of \$36.9 billion. It also reported sales growth of 6 percent in the third quarter, with the United States posting the highest growth in most groups.

"I would not be surprised to see them become landlords for other people," Cohen said. "I think that makes sense for them to be buying properties that will become vacant in three to five years that they can put their brands in. That's probably the end game to buying these properties."