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Value Retail to Open Second China Site

By DAVID MOIN

Value Retail, the developer of the nine *Chic Outlet Shopping*® Villages in Europe, has signed an agreement with Shanghai Shendi Group to develop and operate Shanghai Village™, WWD has learned.

Shanghai Shendi is the lead developer of the Shanghai International Tourism and Resorts Zone, which will include the Shanghai Disney Resort and the adjacent Shanghai Village. Phase one of Shanghai Village, with about 540,000 square feet, is scheduled to open at the end of 2015 at the same time the Disney resort opens. The project is located in central Pudong, a district of Shanghai along the east side of the Huangpu River.

This is Value Retail's second project in China. The company's first development, the 600,000-square-foot Suzhou



Rendering of the Shanghai Village outlet center.
Photo By Courtesy Photo

Village™, is located 50 miles west of Shanghai, on the Yang Cheng Lake Peninsula in historic Suzhou. The first phase is under construction and expected to open in the first half of 2014 with just over 290,000 square feet of retail space.

Value Retail is known for its highly productive outlet environments including Bicester Village in the U.K., where the firm is based. Compared with other outlet operators, the approach is elevated, emphasizing luxury and upscale brands including Armani, Coach, 7 For All Mankind, Agent

Provocateur, Brooks Brothers, Burberry, Gucci and Jimmy Choo, among others. Year-old surplus merchandise, typically at 50 percent off, is offered.

China already has outlet malls, but they're generally built by local developers and lack flair and are filled with local and mass-market products, drawing local customers rather than domestic or international tourists. Value Retail's expansion into China reflects the growing appetite among Asians for brands and the continued popularity of outlets, particularly as tourist destinations. At Bicester Village and other Value Retail centers, Chinese tourists represent the single biggest demographic.

According to Scott Malkin, founder and chairman of Value



Rendering of the Suzhou Village outlet center.
Photo By Courtesy Photo

Retail plc, Shanghai Village will have “leading international fashion and luxury brands” similar to his other properties though it’s too soon to reveal any tenants.

Malkin cited three main reasons for moving forward on the second China project, even before the first one debuts next spring. “The moment is a good one,” he said. “The customer in China is rocketing forward. She is much better informed and demanding than any other emerging market, and I’ve been looking at emerging markets. She doesn’t want to see brands treated in a cheap way.” In addition, “The brands are asking us to do this,” Malkin said. Thirdly, he said that with Value Retail’s La Vallée Village located next to Disneyland Paris, “we delivered the results Disney was looking for in Europe.

He expects the first China project, Suzhou Village, to initially track close to La Vallée Village, which generates around \$2,000 in sales per square foot. Bicester Village is Value Retail’s most productive property, currently tracking at more than \$3,600 in sales per square foot, excluding sales tax, Malkin noted. The company’s nine properties generated \$1,400 in sales a square foot last year.

Comparing the design of the China projects, Malkin said they will both be open air, with pedestrian streets and external parking, though with different architectural styles. “The first one overlooks these beautiful lakes in a bucolic setting. The other is part of a denser master plan setting integrated into the Disney complex.”

Burt Tansky, vice chairman of Marvin Traub Associates and

the former chairman and chief executive officer of the Neiman Marcus Group, is a strategic adviser to Value Retail on the China projects. In addition, “He’s helping us think about what the next generation of our business should look like,” Malkin said.

The *Chic Outlet Shopping*® Villages are situated close to or on the outskirts of big European cities. Value Retail has established the Value Retail China affiliate for its Asia venture, which intends to bring outlet villages to Guangzhou, Hong Kong and Beijing as well as Shanghai. Malkin is co-chairman of Value Retail China. “We’re not racing to do 20 outlet villages in China but we are racing to do two or three,” Malkin said.