

## Connecticut's 'Rodeo Drive' Abandoned as Hedge Funds Collapse

By Allison Abell Schwartz and Matt Townsend

**March 20 (Bloomberg)**—Finding a parking spot for your Mercedes or BMW on Greenwich Avenue, the main shopping strip of the U.S. hedge-fund capital, used to be a challenge. Not anymore.

With the recession hammering retail sales, empty curbside spaces abound along the suburban Connecticut thoroughfare, known as the Rodeo Drive of the northeast, and "For Rent" signs decorate vacant storefronts. Ann Taylor, Banana Republic and Borders have all closed their Greenwich Avenue locations.

As banks and hedge funds cut jobs or close down in the worst financial crisis since the 1930s, Greenwich merchants are suffering sales declines. Some stores are simply packing it in. Many are renegotiating rents, cutting inventory or offering cheaper products.

"We never used to have one day with no sales," said May Lai Ku, the manager of Cochni, a woman's clothing store on the avenue. "Now that happens three to four times a month."

Ku, 46, said her store had about \$40,000 in sales in January 2008. This year, it will take about three months to make the same amount, with almost everything in the store discounted as much as 80 percent, she said.

Hedge funds may cut 20,000 workers worldwide this year, a record 14 percent of the industry's jobs, as investment losses and client withdrawals erode fees, according to estimates by New York-based Options Group, an executive-search firm.

Greenwich, a town of about 62,000 located around an hour's drive northeast of Manhattan, is home to more than 100 hedge funds.

### Real Estate Slump

Home sales in Greenwich dropped 77 percent in February, the most on record, as Wall Street firms cut jobs and

buyers retreated from multimillion-dollar purchases, according to Prudential Connecticut Realty. The town, which relies on income from conveyance taxes and building permits, has seen revenue decline \$10 million since September, according to Peter Tesei, a Greenwich official.

Median household income in the town of Greenwich is \$117,857, more than twice the U.S. average, according to Census Bureau data from 2005-2007. Thirty-six percent of households make more than \$200,000. Those affluent shoppers are reducing spending on discretionary items like jewelry, clothing, shoes and art.

"It's going on across the board in all luxury areas," said Ivan Friedman, chief executive officer of RCS Real Estate Advisors, a Manhattan firm that works with U.S. retailers. "The luxury retailers are now going to get hit because everything that we buy from them is really not a necessity. It's a want."

Sales are down 50 percent from a year ago at Petit Patapon, a children's clothing store on Greenwich Avenue, according to manager Nancy Harper, 58. At 3:30 p.m. on a Friday, the store hadn't yet made a sale. It may close when its lease expires in October because the landlord is asking double the rent, Harper said.

### Shoe Sales

Plaza Too, a women's shoe boutique with nine locations including one in Greenwich, experienced a 35 percent decline in sales in the fourth quarter. The chain may struggle to keep revenue from dropping more than the 30 percent it's projecting for this year.

"It's horrible," Tom Mendes, the founder and owner, said in an interview. "It's been rough since October."

Mendes said he has renegotiated eight of nine leases and that most landlords have agreed to a minimum 25 percent decrease in terms. Still, some vendors won't ship him new shoes because the chain owes them money.

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### **'Mom-and-Pop' Town**

Increasing rents drove out the local grocery stores, pharmacies and five-and-dimes that once lined the street, making way for national chains.

"Some of them are not necessarily here to make money," said Greenwich resident Gail Wilson, 70. "They're here for a presence on Greenwich Avenue."

Jill duPont, owner of Greenwich Avenue clothing boutique Out of the Box, agrees.

"It used to be a mom-and-pop kind of town," duPont said. "That has gone and been replaced by the nationals. At these prices, I'm not sure it's going to come back."

National brands aren't immune. The Athlete's Foot sneaker store on the avenue had been a bright spot last year for co-owner Brian Maciel, outperforming the other locations in his 16-store partnership and turning a profit. Then Sept. 16 brought the bankruptcy of Lehman Brothers Holdings Inc. and his customers vanished.

"It was like a light switch: It just turned off," Maciel said. When shoppers returned, many had become cost-conscious, he said. The \$170 Asics weren't a standard choice anymore.

"They are definitely trading down," Maciel said.

### **Bankruptcy, Underperformance**

Rachel Ashwell Designs Inc., operator of the Shabby Chic home-furnishings chain, closed its Greenwich Avenue store. The company filed for bankruptcy protection in January.

Borders Group Inc. shut its Borders Express branch on the avenue in January in an effort to close underperforming stores, said Anne Roman, a company spokeswoman. AnnTaylor Stores Inc. left Greenwich Avenue Jan. 24 as part of a program to shutter 117 underperforming locations by 2010, said spokeswoman Beth Warner.

Gap Inc., which closed the Greenwich Avenue Banana Republic last June, shuttered stores for reasons including location and performance, according to Louise Callagy, a company spokeswoman. She declined to comment specifically on the Greenwich store.

On the real Rodeo Drive in Beverly Hills, California, about 95 of 100 storefronts are occupied, said Thomas Blumenthal, president of the Rodeo Drive Committee and CEO of Gearys, which owns two high-end tabletop and jewelry stores.

"It's certainly not as good as last year, but we're not folding up our tents either," he said.

Not every shopkeeper is giving up on Greenwich. J. Crew Group Inc. opened a Madewell clothing store on the avenue this month. Roberto Chiappelloni, owner of Manfredi Jewels, said he sold a \$224,000 Vacheron Constantin watch two weeks ago to a collector.

"The hedge fund people that lost \$200 million still have \$200 million," said Adam Zeiberg, a real estate broker with FirstService Williams who leases retail space on Greenwich Avenue. "They have tremendous amounts of money." ●

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