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The Luxe Starts Here

For Washington Area Shoppers, There's a New Wealth of Upscale Options

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The white Christian Dior gauchu bag favored by Demi Moore and Cameron Diaz was sold out. But the denim-and-calf-leather version was still sitting under a spotlight at the label's new boutique in Chevy Chase, beckoning to fashionistas with \$1,725 to spend.

Charge card still not maxed out? Head next door to Barneys New York Co-Op, Gucci or Louis Vuitton -- all part of the Collection at Chevy Chase, the latest outpost of luxury retail in the traditionally stodgy and sensible Washington area.

The region's booming wealth has transformed the shopping landscape. Fairfax Square raised the bar when it brought in big names like Hermes in the 1990s, and nearby Tysons Galleria has added upscale stores like Salvatore Ferragamo over the past three years. The \$70 million stretch of M Street known as Cady's Alley in Georgetown is the destination for high-end home furnishings, and upscale clothing stores have burst forth like so many cherry blossoms in the neighborhood.

With the grand opening of the Collection at Chevy Chase in May, the trifecta will be complete. The Dior boutique is the first in Washington. The MaxMara apparel and accessories store is one of the largest in the world. And the Jimmy Choo shoe boutique allows Washington women to live out their "Sex and the City" dreams.

"I think we're really changing," said Aba Kwawu, who runs the Aba Agency, a District-based fashion consulting and marketing firm. "It feels as if we went to bed one day and we woke up cool."

Still, such excess can seem out of place in a city where the mayor wears bowties and Secretary of State Condoleezza Rice's knee-high boots set off a fashion controversy. Even the most ardent shopaholics concede that Washington is still several steps behind New York or Los Angeles.

"Personally, I don't know how well those places are going to do," said Lindsay Buscher, founder of the local Urban Chic boutique. "It would be nice to see things like that can survive outside of a big city. . . . Gucci and Versace, they're tough names for people who live outside of Manhattan."

'Super Luxe'

Chevy Chase Land Co. President and Chief Operating Officer Edward H. Asher once had very different plans for the 112,000 square feet of land north of Wisconsin and Western avenues, just outside the D.C. line.

The development and property management firm had owned the land for more than a century, but the buildings on it had long been vacant. Asher had thought about creating a "lifestyle" hub with retailers

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such as Bed, Bath & Beyond and REI. But then Iraklis Karabassis entered the picture.

He wanted to buy the land in 2001 to build a new MaxMara store and eventually lure other high-end European retailers. Karabassis and his wife, Yasmine, already were operating a MaxMara in Tysons Galleria and had several United Colors of Benetton and Sisley apparel stores. Though the Chevy Chase Land Co. rejected his purchase request, it was sold on his retail ideas.

"We can keep it super luxe," Karabassis said. "I think the Washington area and Chevy Chase needs that."

Buoyed by neighbors Saks Fifth Avenue and Neiman Marcus, along with shops such as Saks Jandel, Karabassis and the developers made their pitch to fashion's top names: Barneys New York Co-Op, Bulgari, Dior, Gucci, Jimmy Choo, Louis Vuitton, MaxMara and Ralph Lauren. Cartier and Tiffany & Co. simply moved their stores into the Collection from across the street, creating Washington's compact equivalent of Rodeo Drive.

The developers were armed with statistics. According to a 2003 analysis provided by the Chevy Chase Land Co., 44 percent of the households within a three-mile radius of the development rank within the top 1 percent of affluent families. Some of them were traveling to New York and other major cities, sometimes twice a month, just to shop.

"All these retailers, their lists indicated their customers were already here," Asher said.

Meanwhile, Tysons Galleria was busy courting similar luxury stores under the management of General Growth Properties. Over the past three years, it has added Burberry, Chanel and Versace. Nearby at Fairfax Square, are Gucci, Hermes and Tiffany's -- all of which helped set a new standard for luxury shopping in Washington.

But it takes more than a high concentration of wealth to sustain the high-end industry. In fact, it takes a very small dose of extreme wealth.

According to the Luxury Institute, a consumer behavior firm focused on shoppers in top tax brackets, truly upscale retailers have a 20-80 rule: Twenty percent of their clients account for 80 percent of their profits. For some, the breakdown is closer to 10-90.

"Those are the ones who make or break luxury brands," said Milton Pedraza, chief executive of the firm. "It's not the ones who are stretching."

He said the truly wealthy have a net worth averaging about \$3.1 million, which translates into an annual household income of \$256,000 or more. According to market research firm Claritas, nearly a quarter of Washington area households earn between \$100,000 and \$249,999. But only 2.4 percent earn between \$250,000 and \$499,999. Just 1 percent make more than \$500,000.

Asher and Karabassis are hoping that's enough to support the Collection. In fact, Karabassis has an \$8,000 sable-and-cashmere coat riding on that hope. Marla Sabo, president and chief operating officer of Christian Dior North America, said the company's executives entered the market when they realized how many of their customers lived in the Washington area.

"We know they're shopping," she said. "They're loyal. They're repeat clients that are shopping internationally."

D.C. Aesthetic

There is little debate over the fact that retail in the Washington area has vastly improved, with The Collection as the icing on the cake. But there is some question about how much shoppers are willing to spend.

Across the country, sales of luxury goods have played a significant role in boosting the national economy, particularly during the holiday season. But while sales growth remained strong last Christmas, it was down from previous years.

Buscher of Urban Chic said that the average purchase at her boutique in Georgetown is between \$300 and \$400. But every weekend, there's always at least one customer who drops \$2,000 or more. Once, a Georgetown student spent \$8,000 in one swoop, then came back the same day and spent \$2,000 more. Nicole Kidman, the Bush twins and Danielle Steel have all dropped by.

"We get a lot of black cards in there," Buscher said, referring to the elite American Express Centurion credit card.

Michael Gilman, co-founder of the Grooming Lounge, a high-end salon for men in downtown Washington, said he doesn't see a limit to Washington consumers' wallets. But he acknowledges that there is a District aesthetic. He describes the atmosphere in the salon as equal parts country club, law firm and cigar bar, with its dark wood paneling and stylists dressed in striped button-downs.

"We're proud of our D.C. roots," Gilman said. "That's our brand."

Following the Money

A second Grooming Lounge is scheduled to open in Tysons Galleria next month. Gilman said many of his clients live in Fairfax, Vienna and Reston.

The outer suburbs have become increasingly affluent as residents move farther away from the city and congested inner suburbs in search of bigger homes and less traffic. As the money travels, so does the shopping.

Take Loudoun County, with a median 2005 household income of \$90,989, according to Claritas. It is one of the wealthiest counties in the nation. But until recently, it has mostly been the land of farms and outlet shopping.

Consultant Jon Eisen of Street Sense is hoping to change that with a project developed by McLean-based Miller and Smith called One Loudoun, which sits at the intersection of Loudoun County Parkway and Route 7. The mixed-use development hopes to attract an art screen cinema, a boutique grocery store and high-end retail stores. Eisen said he wants to take the project a step above mall-based stores such as Banana Republic.

"I would be thrilled if we had a Banana Republic, but we'd be disappointed if that's all we had," he said.

In well-off Howard County, Urban Chic has opened its second location in high-end development Maple Lawn Farm. The merchandise is slightly less pricey than that in the Georgetown store, Buscher said, but it still carries \$300 Marc Jacobs dresses. Across the street, a 10,000-square-foot spa named Pearl offers a \$120 exfoliating treatment involving caviar.

For the right store in the right environment, luxury consumers will travel almost anywhere. Aba Kwawu said she bought a pair of sunglasses at the Gucci at the Collection the day it opened. She's also already hit the Barneys New York Co-Op to start on her spring wardrobe. And, oh yes, the Jimmy Choo as well.

"I've got stuff hiding in my closet that I haven't shown my husband," she said.

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