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Iguatemi to Manage Brazilian Retailer Villa Daslu

By Sharon Edelson

IGUATEMI EMPRESA DE SHOPPING CENTERS S.A., one of Brazil's largest mall developers and operators, has struck a deal with WTorre to manage troubled luxury retailer Villa Daslu in São Paulo.

Villa Daslu's four-story building is owned by WTorre, and the land it sits on is part of the JK complex, a mixed-use development, which will consist of three office towers and a shopping mall with 250 stores, bowing in March 2011. WTorre and Iguatemi are equal partners in the JK complex.

Iguatemi was motivated to make the deal by a desire to control the entire JK project and fill its mall with luxury brands, which have a presence at Villa Daslu.

"There's an opportunity to open smaller Daslu stores in Brasilia and other markets where we have a presence," said Carlos Jereissati, director and chief executive officer of Iguatemi, whose portfolio consists of 11 malls in Brazil with five more under development.

Daslu has been drowning in debt. The retailer, long a symbol of wealth and excess in Brazil, has its own helipad for customers and shop-in-shops for Chanel, Prada and Hermès, among others. Its owner, Eliana Tranchesi, was indicted in 2005 on charges of racketeering, smuggling and fraud and sentenced in March to 94 years in prison. She is appealing.

Jereissati said the deal achieves several goals. "We decided three years ago to build a mall across the street from Villa Daslu, which was already a well-positioned department store in São Paulo," he said. "Everyone would ask us if [Villa Daslu] would be competition. Instead of being a competitive move, this is a complementary move. Iguatemi will be managing the whole retail area, including Villa Daslu, and balancing the entire tenant mix."

Villa Daslu will be downsized to about 60,000 square feet on two-and-a-half floors. Some of the luxury brands with in-store shops at Villa Daslu will open their own stores at JK Iguatemi mall, Jereissati said. "There's a lot of interest from international retailers to enlarge in Brazil," he said. "A lot of them would like to have not only a corner in a department store, but large, full-line stores. For sure, Chanel, Prada and Hermès [will move]. I'm sure they're looking at enhancing their presence in Brazil right now. A lot of the brands have shown interest in other JK projects. We think of this area — JK complex — as one

unique space that will enhance their interest."

Iguatemi Brasilia, which is opening at the end of March, has commitments from Louis Vuitton, Salvatore Ferragamo, Missoni and Giorgio Armani. Jereissati called it a watershed moment for luxury retail in Brazil because "they're going to a different market, not São Paulo or Rio de Janeiro. That shows a barrier is being crossed by those brands. There's a lot of talk about enlarging their operations in São Paulo."

Reducing the size of the Villa Daslu flagship will give Tranchesi more time to focus on the retailer's private label, which Jereissati called "a very strong product." He dismissed criticism of Villa Daslu as elitist and dedicated to excess. "This new idea and new size is a reflection of



The JK complex in São Paulo will consist of Villa Daslu, a 250-store shopping center and three office towers.

Villa Daslu's ability to connect to this new reality," he said. "[Tranchesi] has paid attention and is changing her approach. By doing this deal, we're helping her achieve a better size and cost efficiencies." As for Tranchesi's future: "She's not in jail. I don't know if she will go to jail," he said.

Jereissati sees the future of the luxury industry in Brazil as rosy. "Domestic consumption is growing a lot," he said. "Interest rates are at their lowest and the unemployment rate is the lowest in three decades. The GDP is projected to rise 6 percent in 2010. Brazil is going in the opposite direction of the larger world economies. The luxury business still has a very low presence in the country."