

RETAIL

## Hudson's Bay facing pressure to rethink real estate

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*Exterior of Saks Fifth Avenue. Image credit: Saks Fifth Avenue*

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By STAFF REPORTS

A shareholder of Saks Fifth Avenue parent Hudson's Bay Company is publicly calling for changes in how the organization uses its building assets.

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Land and Buildings Investment Management, which owns almost 5 percent of HBC's outstanding shares, is pushing for a plan that includes remodeling parts of Saks Fifth Avenue's New York flagship into condominiums and boutique space. The investor has met with HBC leadership, but is threatening to call a meeting of shareholders to oust board members.

Under pressure

Jonathan Litt, CIO of Land and Buildings, sent HBC's board of directors a letter in June outlining its thoughts on the company's financial struggles.

After reporting declining sales for the first quarter of fiscal 2017, Saks Fifth Avenue's owner Hudson's Bay Company is streamlining its operations to save on costs.

Part of this "transformation plan," announced in June, includes the elimination of approximately 2,000 positions in North America, which HBC says will make it more "nimble" ([see story](#)).

At the time, the company had been rumored to be in talks to merge with Neiman Marcus Group and Macy's.

"In our view, the whole time the company's management has been struggling to navigate this complicated maze of M&A options, the answer lies in its own real estate portfolio," Mr. Litt wrote.

Land and Buildings has also pointed out the discrepancy between HBC's retail real estate value and current share prices.

The investor's plan suggests a number of options to cash in on HBC's ownership of many of its locations. These include transforming the Saks flagship in midtown Manhattan into a hotel or renting out space to other boutiques, reducing Saks' current 650,000 square feet of selling space.



*Louis Vuitton shop at Saks Fifth Avenue's flagship. Image credit: Saks Fifth Avenue*

Land and Buildings has also presented the possibility of selling the Saks brand to allow HBC to focus more on its Canadian roots. The investor would also like to see HBC get out of Europe, removing the German Galeria Kaufhof chain from its umbrella of brands.

In a second letter issued July 31, Mr. Litt wrote, "Land and Buildings is deeply concerned that the company, after stating it would respond in due course,' has failed to publicly respond to Land and Buildings' June 2017 public letter to the board.

"We recently met with the senior management team of the company, including Richard Baker, the company's executive chairman, and Jerry Storch, the company's CEO, to discuss our concerns and the opportunities we believe are available to drive value for the benefit of all Hudson's Bay shareholders. Unfortunately, during the course of our meeting, it became clear to us that the company feels it has looked at all options to improve value."

The letter warns that if the investor does not see enough progress to improve shareholder value, it will call a meeting of shareholders to remove some of the board, which it feels is not independent enough to make these decisions.

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