

RETAIL

Barneys plans store closures as it files for Chapter 11

August 6, 2019



Barneys New York will open at American Dream this year.

By STAFF REPORTS

Department store chain Barneys New York has opted to file for Chapter 11 bankruptcy in an effort to reorganize its business for a sale.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Amid the ongoing sale process, Barneys has secured \$75 million in additional capital, which it says will help it meet its financial obligations when combined with its operating cash flow. As part of the bankruptcy proceedings, Barneys will be closing a number of stores and reevaluating its leases.

"For more than 90 years, Barneys New York has been an iconic luxury specialty retailer, renowned for its edit, strong point of view, creativity and representation of the world's best designers and brands," said Daniella Vitale, CEO/president of Barneys New York, in a statement. "Like many in our industry, Barneys New York's financial position has been dramatically impacted by the challenging retail environment and rent structures that are excessively high relative to market demand.

"In response to these obstacles, the Barneys New York board and management team have taken decisive action by entering into a court-supervised process, which will provide the company the necessary tools to conduct a sale process, review our current leases and optimize our operations," she said. "While doing that we are receiving new capital to help support the business.

"Pursuing a sale under the court's supervision provides the quickest and most efficient means of maximizing value while ensuring we continue serving both new and loyal customers."

Rethinking real estate

Barneys filed for Chapter 11 in the United States Bankruptcy Court for the Southern District of New York.

According to a report from *Reuters*, the retailer has been struggling as consumer habits have greatly shifted and bricks-and-mortar spaces see higher rents. One of the retailer's biggest stresses is the exceptionally high rent for its flagship store on Madison Avenue in New York ([see story](#)).

Barneys will be closing all of its stores in Chicago, Las Vegas and Seattle. The retailer will continue to have physical

flagships in New York on Madison Avenue and downtown, Beverly Hills, CA and Copley Place in Boston.

Additionally, Barneys Warehouse stores in Woodbury Commons and Livermore, CA, close to San Francisco, will remain open.



Exterior of Barneys New York flagship. Image credit: Barneys

Barneys' online channels will also continue to operate.

As part of its Chapter 11 filings, Barneys has asked the court for permission to keep paying employees and doing business with customers.

"I would like to express my deep appreciation and profound gratitude for the continued support of our employees, vendor community and customers truly the lifeblood of Barneys New York," Ms. Vitale said. "Our decades-long partnerships and relationships will continue for many years to come.

"We are unwavering in our commitment to executing our forward thinking vision on what retail should look like today," she said.

Helping it meet its financial obligations, Barneys has secured additional capital from affiliates of Hilco Global and the Gordon Brothers Group. The firms specialize in areas such as asset valuation and debt financing.

"We are pleased to partner with Barneys New York as it takes this proactive step to conduct a value maximizing sale process," said Ben Nortman, executive vice president of Hilco Global, in a statement. "We are investing in Barneys because we believe that it is an iconic retail brand.

"We look forward to working with the team to achieve the best outcome for all stakeholders," he said.

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.