

The Boston Globe

April 28, 2006

Business

Virgin Megastore to leave Newbury Street



FILE 2002/VIRGIN ENTERTAINMENT

Music store moving

Virgin Megastore is moving out of its Newbury Street digs to make room for a new high-end store at the landmark Frank Gehry building, where luxury condominiums are opening this fall. Virgin will seek an alternate location in Boston — despite opening the Back Bay shop just four years ago. **E4**

Move will make room for a new high-end retailer

By Jenn Abelson

GLOBE STAFF

Virgin Megastore is moving out of its Newbury Street digs to make room for a new high-end store at the landmark Frank Gehry building where luxury condominiums are opening this fall.

Virgin yesterday agreed to vacate its 46,000 square-foot music store by June 2007 and seek an alternative location in Boston — despite opening the Back Bay shop just four years ago.

"This is a real opportunity to add a high-end amenity for the residents and for the community," said Curtis Kemeny, chief executive of Boston Residential Group, which is developing the property at 360 Newbury St.

Boston Residential Group hasn't started negotiating for the site, but Kemeny said it's an attractive space for upscale clothiers, such as Prada, home furnishings shops, and a health club or spa. The three-level store occupies a prime location that is visible from the Massachusetts Turnpike.

Boston Residential Group began conversations with Virgin several months ago about cutting short its long-term lease and came to an agreement that the music merchant would find a new home, according to the companies.

The move comes as music retailers struggle amid the growing popularity of downloading music from the Internet.

In recent years, rival music megastores have faced difficult times, with HMV pulling out of the US market and the parent company of Tower Records filing for bankruptcy protection.

Some retail analysts and music merchants say the Virgin Group, headed by British entrepreneur Richard Branson, paid too much for the location, outbidding Tower Records for the deal. Virgin opened the splashy store in 2002, its first in Boston, decked out with kiosks, listening posts, a dance room, disc jockey station, and an area for live music.

A Virgin spokeswoman would not comment on why it is moving its store. But in a statement, Virgin said it "will continue to expand its product offering while it seeks an alternative Boston location."

Annette Born, a principal of the retail consulting firm Urban/Born Associates, says the Virgin store is one of the largest retail spaces on Newbury Street to go on the market in recent years. The stretch of Newbury Street near Massachusetts Avenue where Virgin is located caters to teens and college aged with merchants like Urban Outfitters across the street.

That could make it more difficult to attract an upscale retailer, Born said, but a shop such as Barnes & Noble could fit well into the space.

Boston Residential Group said it's not just looking for one big tenant to occupy the space, and the area could be split among several merchants.

"So many national retailers are looking for a presence in the Back Bay, and they're willing to pay for that. This is an opportunity for a national tenant to bring their brand to Boston," said Thomas Wilder, a principal of the Wilder Cos., which oversees retail leases for a variety of Newbury Street properties. "It's premium real estate, and it will demand premium rent."

Jenn Abelson can be reached at abelson@globe.com.