A Swedish retailer likes Philadelphia so much it will open a second Center City store just blocks from its first.

H&M, a fashion apparel retailer with budget prices, plans to double the size of its 3-year-old store at 1530 Chestnut St., giving it 16,000 square feet. It will also open a three-level, 17,000-square-foot store at 1723 Walnut St., where it will focus on accessories, lingerie and other retail concepts.

"We like to start with a city center store with all concepts, then, as it is more mature, open more focused stores. It's very common," said Lisa Sandberg, a New York-based spokeswoman for H&M, which has 87 U.S. stores and 1,100 worldwide.

Though just blocks apart, retailers and commercial real estate brokers say Center City stores are increasingly targeting two different audiences: wealthy empty nesters and less wealthy young hipsters. Each group has grown noticeably with the boom in condominiums and luxury apartments in Center City.

While Chestnut Street has traditionally been a magnet for discount retailers, high-end retailers -- particularly national apparel chains -- have sought out a pampered clientele on Walnut Street.

But the lines between upscale and downscale are becoming increasingly blurred, as newer residents change not only the residential complexion of the city, but also the retail makeup.

"There's a lot of vitality there. The activity of young people. It's surpassing everyone except for NYC," said Laurence Steinberg, a principal at Michael Salove Co. Commercial Real Estate. "You see it on the weekends. It's become an important draw to retailers. You're seeing stores open on Sundays, or staying open later on Sundays."

On Walnut Street, retailers drawing a younger crowd include Puma, Diesel, Lucky, Urban Outfitters, bebe, Benetton, and Zara. Two stores set to open in coming months -- American Apparel and an Adidas store -- will also be a draw for youthful shoppers, according to Steinberg.

But Walnut Street also has a wide appeal for empty nesters, who tend to frequent stores such as Knit Wit, Coach, Burberry, Jones New York, Ann Taylor, Tiffany, Cole Hahn and Talbot's.
Some people shop in both categories, and that's one of the factors that's making it harder to characterize the evolving retail on Walnut and Chestnut streets.

Earlier this year, Boyds of Philadelphia opened a store at 1818 Chestnut St. that features $3,000 suits, as well as an in-store Govberg Jewelers and Brasserie Perrier Café, in partnership with established restaurateur Georges Perrier.

Boyds spent $2.5 million on the renovation, but won't say what it expects to reap in sales. Govberg said when the store opened it hoped to garner $20 million in sales per year from the high-traffic space.

Stephen Starr's Continental Midtown, at 1801 Chestnut St., is on target to do $12 million to $15 million in sales this year, according to Steinberg. By day, it draws business people and, by night, a mixed-age crowd out for recreation.

Having new residents in Center City creates a demand for other types of retail as well.

Even stores offering basic products on Chestnut Street can benefit from proximity to new residents and high-end shoppers. A CVS store at 19th and Chestnut rings up $20 million a year in sales, Steinberg said. Because there is no major supermarket in the neighborhood, the store sells a high volume of packaged food.

"That's not [an issue of] young or old. It's the supermarket for the neighborhood," Steinberg said of the CVS.

Nightlife is also a growing part of Chestnut Street.

Aside from restaurants like Continental, two deals were struck this year to bring entertainment venues to Chestnut Street. House of Blues will open at 15th and Chestnut streets, while the historic Boyd Theatre will be restored, at a cost of $30 to $35 million, by Clear Channel Communications.

But Walnut Street's allure continues to hold appeal for retailers, particularly national chains. Some existing retailers are sprucing up stores to gain new customers.

Tiffany & Co. is updating its 15-year-old location at 1414 Walnut St., with renovations expected to be completed next month.

"We're very pleased with the location, but it was certainly time for a major overhaul. It will be a very different look. A Tiffany look, but a different look," said Mark L. Aaron, vice president for
investor relations at Tiffany. "In 1990, when we announced we were opening in Philadelphia, I heard some skepticism in downtown ... that no one shops there. We thought to the contrary."

H&M's new home on Walnut Street had been the topic of speculation for more than two years before new tenants were announced.

The building, at 1723-29 Walnut St., has been empty since Borders Books & Music moved out two years ago. In March, the building was acquired by New York-based Midwood Properties for $15 million. The seller, Birmingham, Ala.-based AIG Baker, bought the property in February 2000 for $9 million. (Borders, for its part, relocated to 1 S. Broad St. in March 2003.)

Fittingly, the former Borders site will be used by H&M and another retailer that will operate two Center City locations.

Ann Taylor will take over 9,000 square feet, signing a 10-year lease worth $5 million. It will continue to operate an Ann Taylor store not far away, at 1713 Walnut St., though with a different retail concept.

For its 17,000 square feet in the building, H&M will pay $9 million in rent over the 15-year lease, Steinberg said.