

Saks Off 5th chain to essentially shut down with nearly 60 stores closing

Parent Saks Global slashes brick-and-mortar space in wake of bankruptcy



This Saks Off 5th store in Riverhead, New York, is among the nearly 60 slated to close. (CoStar)

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CoStar News

January 29, 2026 | 4:59 P.M.



Saks Global is taking the most drastic move so far to reduce its property, with plans to close most of its Saks Off 5th stores — nearly 60 — and its handful of Last Call locations in bankruptcy.

The New York-based upscale retail giant said Thursday it was winding down most of its off-price operations and “sharpening its focus on luxury retail and full-price selling across its iconic portfolio.” Pending approvals from a bankruptcy court, Saks Global plans to kick off closing sales at 34 of its Saks Off 5th stores and its five remaining Last Call stores starting Saturday. A second round of closing sales, at 24 stores, begins Monday, Feb. 2.

In total, 57 Saks Off 5th stores will be shut. But 12 locations will remain open “to serve primarily as a selling channel for residual inventory from Saks Fifth Avenue, Neiman Marcus and Bergdorf Goodman” as part of going-forward operations, Saks Global said in a statement.

The company — parent of those three full-price luxury chains — said it conducted a “thorough review” of its off-price business, leading to the decision on the store closings. In off-price retail, a store sells brand-name, designer or high-quality goods at major discounts, usually 20% to 60% lower than traditional department-store prices.

“These actions [the store closings] are part of the company’s ongoing evaluation of its operational footprint to ensure it remains well positioned to invest in areas that present the greatest opportunities for sustainable, profitable growth for its luxury retail brands and partners,” Saks Global said.

Fleet optimization

Debt-ridden Saks Global [filed for Chapter 11](#) bankruptcy protection earlier this month and said it would be looking to optimize its brick-and-mortar footprint. In November, it had confirmed that it would be [closing nine Saks Off 5th](#) stores early this year, sparking speculation in the retail industry that it would end up closing down the chain as part of its Chapter 11 process.

While upscale department store Nordstrom has enjoyed great success with its off-price Nordstrom Rack chain — a growth driver for the Seattle-based retailer — industry analysts have said Saks Off 5th has been a laggard.

Saks Global’s news adds to the bumper crop of store closings announced in January. Earlier this week, e-commerce giant Amazon said it was [pulling the plug](#) on its Amazon Fresh supermarkets and Amazon Go convenience marts, roughly 70 stores. On Wednesday, Footwear seller [Allbirds unveiled plans](#) to shut down its brick-and-mortar fleet.

Saksoff5th.com, which is a separate legal entity from Saks Global, is commencing a winding down of its operations, with an online closing sale starting Friday.

During the closing sales, the Saks Off 5th e-commerce and brick-and-mortar businesses maintain the flexibility to pivot to alternative transactions, should any emerge, according to Saks Global.

Focus on luxury

“As we advance on Saks Global’s transformation, we are taking decisive steps to realign our business to better serve our luxury customers and drive full-price selling across our core luxury businesses,” Geoffroy van Raemdonck, the company’s CEO, said in a statement. “With these actions, we will be well positioned to seize the greatest opportunities for long-term growth and value creation.”

Saks Global said it is continuing to access the initial tranche of \$500 million of \$1.75 billion in committed capital to support operations and transformation initiatives across its portfolio, including facilitating go-forward payments to brand partners and the acceleration of inventory flow across its full-price retail brands.

Saks Global has 70 full-line luxury stores, including the Saks Fifth Avenue, Neiman Marcus and Bergdorf Goodman chains. Saks Global Properties & Investments includes Saks Fifth Avenue and Neiman Marcus flagship properties and represents nearly 13 million square feet of prime U.S. real estate holdings and investments in luxury markets.

For the record

Willkie Farr & Gallagher and Haynes Boone are serving as legal counsel; PJT Partners is serving as investment banker; Berkeley Research Group, known as BRG, is serving as financial adviser; and C Street Advisory Group is serving as strategic communications adviser to Saks Global.

Bradley Arant Boult Cummings is serving as legal counsel, and Accordion Partners is serving as financial adviser to Saksoff5th.com.

Saks Global and Saksoff5th.com have engaged Great American to strategically assist with inventory management throughout the closing sales of Saksoff5th.com as well as the Saks Off 5th and Last Call stores.