

Luxury brands use retail to fuel growth, leasing 650K sf last year

Luxury Report 2023



Report at a glance



Luxury retailers leased 650,000 square feet of space last year

- Luxury sales in the United States reached nearly \$70 billion in 2022, and are forecast to exceed \$75 billion in 2023.
- The US remained the largest luxury market globally last year, accounting for an estimated 32% of global luxury sales.
- Luxury retailers recorded significant revenue growth across the board last year, and have cited retail store expansion as a key driver of that growth.



Sunbelt cities make up growing share of luxury leasing

- Luxury retailers continued to find success in New York and California, which combined to account for over half of all luxury openings.
- Significant expansion was also observed in Sunbelt cities like Atlanta, Miami, and Las Vegas.
- Prime urban retail corridors continue to demonstrate their importance, making up 80% of street retail leasing.



Malls accounted for almost 40% of overall luxury retail leasing

- Luxury brands did not shy away from opening in malls, accounting for 38% of new store openings.
- Many malls have begun allocating significant percentages of their layouts to create new luxury wings, underscoring the importance of this category in mall performance.



Economic concerns will impact the aspirational luxury consumer

- Inflation, while subsiding, still rests at 20% higher than pre-pandemic levels, placing pressure on lower income consumers and negatively impacting their discretionary purchasing power.
- Solid fundamentals in the retail space could also prove to be a hindrance for luxury retail expansion in the near term, as vacancy and supply remain at historic lows.

“Quiet” **luxury** is making some serious noise

The luxury retail boom shows no signs of slowing down. As one of the first categories to rebound after COVID, these retailers benefited from a combination of persistent pent-up demand and robust retail expansion, fueling even more growth in the past year.

For this report, we looked at the activity of major luxury players and where they opened stores. Our research reinforced a familiar omnichannel story: strategic physical expansion plans, coupled with enhanced e-commerce capabilities, have resulted in robust gains for luxury retailers as they leased over 650,000 square feet in the last year.

Contents

01 Retail expansion fuels revenue growth	5
02 Luxury brands expand across the US	10
03 Potential headwinds/future considerations	22
04 Appendix	28



Pent-up demand and retail expansion
fuel sales growth

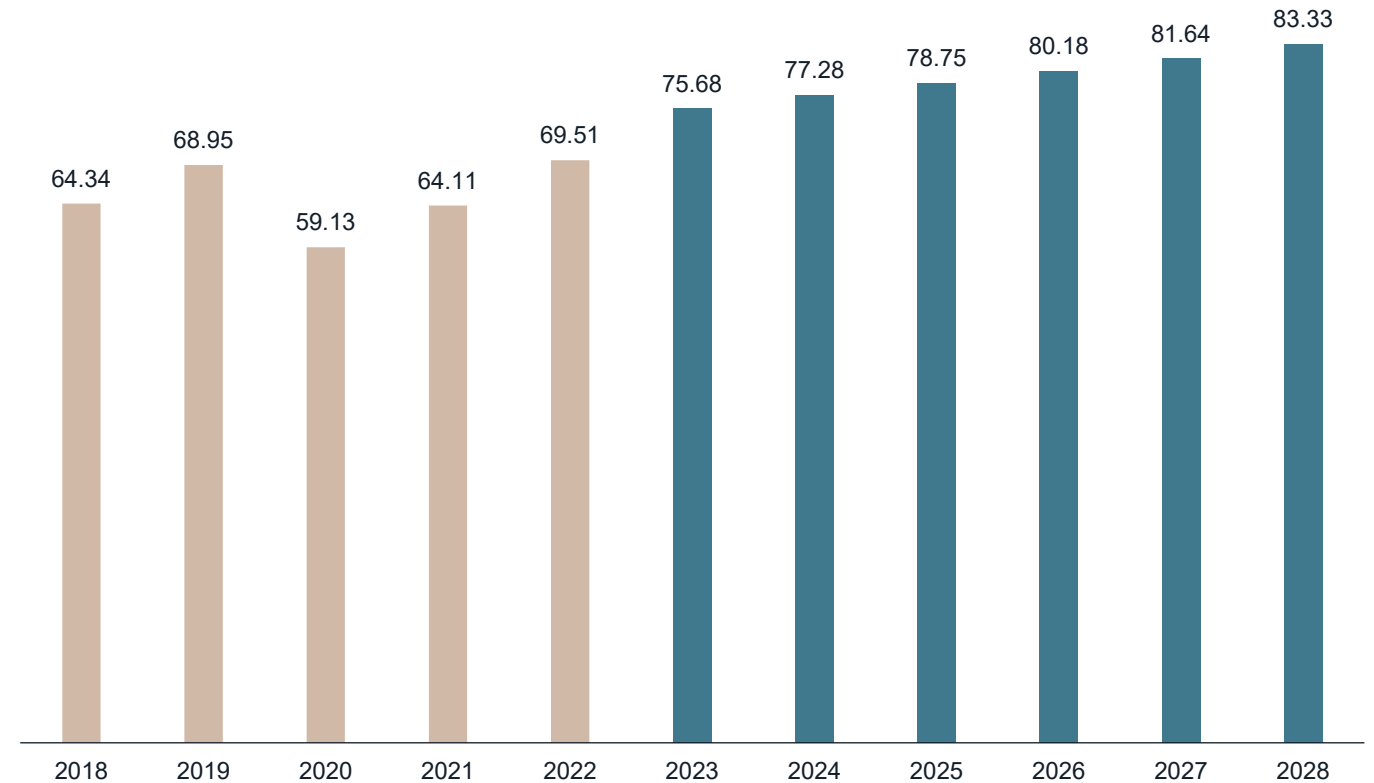
Luxury sales reach \$70 billion in 2022

The United States saw luxury retail sales meet expectations and reach \$70 billion last year, fueled by pent-up demand and a stable consumer base that experienced relatively little turbulence during COVID. These consumers were eager to spend their ample savings on luxury products as the economy reopened.

On a global scale, the US accounted for the largest share of the global luxury market, comprising 34% of overall sales according to Bain & Company. While it is likely that the market share will decrease in the near term as the Chinese economy reopens post-lockdown, overall luxury sales are expected to continue increasing, surpassing \$75 billion by the end of 2023.

Growth in the luxury category was driven by sustained activity in traditional retail prime corridors across the country, as well as in suburban malls as hybrid work models contributed to suburban shopping center growth.

US Luxury retail sales, billions



Source: Statista

Most major luxury conglomerates saw robust growth in 2022

Retail store expansion cited by many groups as a major contributor to observed revenue growth

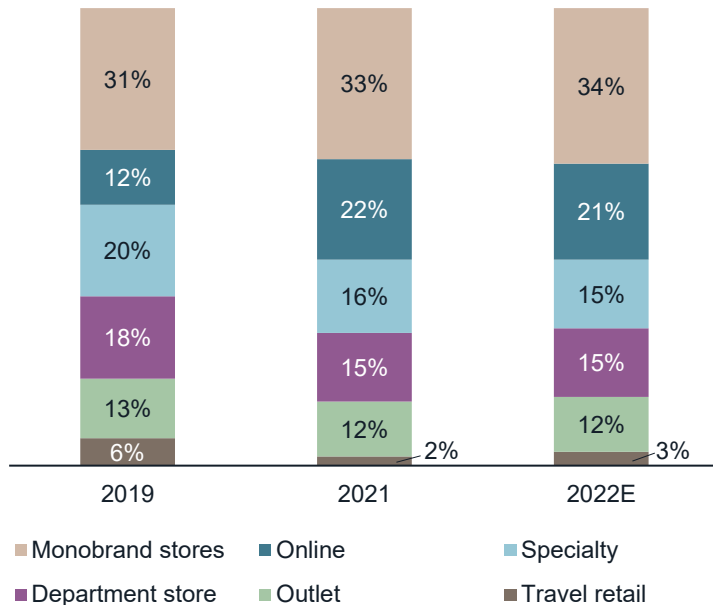
Group	Notable brands	2022 revenue (\$ millions)	2021 revenue (\$ millions)	% change	2022 stores	2021 stores	Net new stores
LVMH	Louis Vuitton, Dior, Fendi Tiffany & Co, Loewe, Bulgari	85,483	69,323	+23%	5,664	5,556	108
Kering Group	Gucci, Saint Laurent, Bottega Veneta, Balenciaga	21,969	19,048	+15%	1,659	1,559	100
Richemont	Cartier, Van Cleef, Piaget, Chloe	21,538	18,078	+19%	1,286	1190	96
Tapestry	Coach, Kate Spade, Stuart Weitzman	6,685	5,746	+16%	1,443	1,450	-7
Capri Holdings	Michael Kors, Versace, Jimmy Choo	5,619	5,654	-1%	1,272	1,271	1
Prada Group	Prada, Miu Miu	4,534	3,632	+25%	612	635	-23
Puig	Carolina Herrera, Jean Paul Gaultier, Charlotte Tilbury	3,908	2,791	+40%	-	-	-
OTB Group	Maison Margiela, Jil Sander, Marni	1,886	1,656	+14%	-	-	73
Zegna Group	Zegna, Thom Browne	1,611	1,395	+16%	500	530	-30

Source: JLL Research

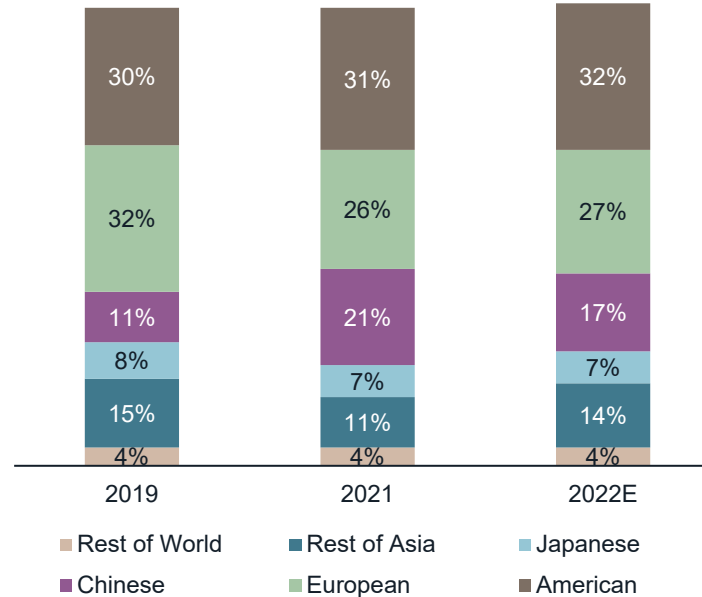
United States remains largest luxury market while China rebounds

Last year saw monobrand stores continue to grow as largest distribution channel, according to Bain & Co.

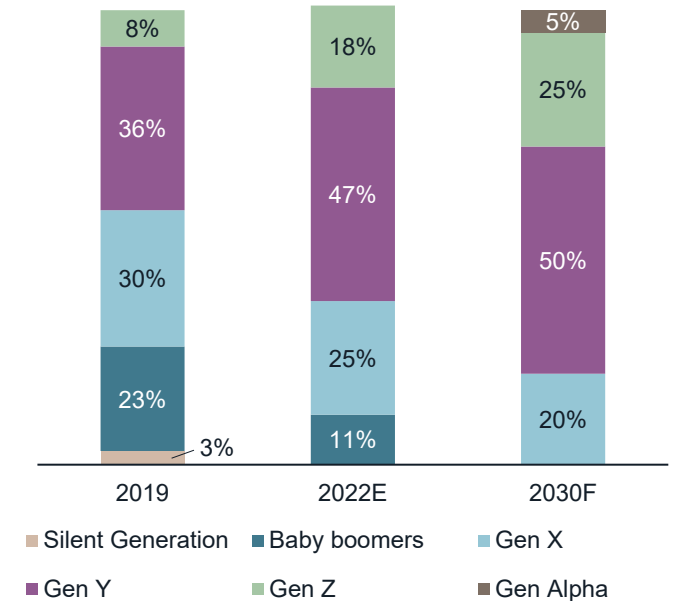
Global luxury goods market by distribution channel



Global luxury goods market by geography



Share of luxury goods market by generation



Source: Bain Luxury Goods Report

Prime time for luxury retail

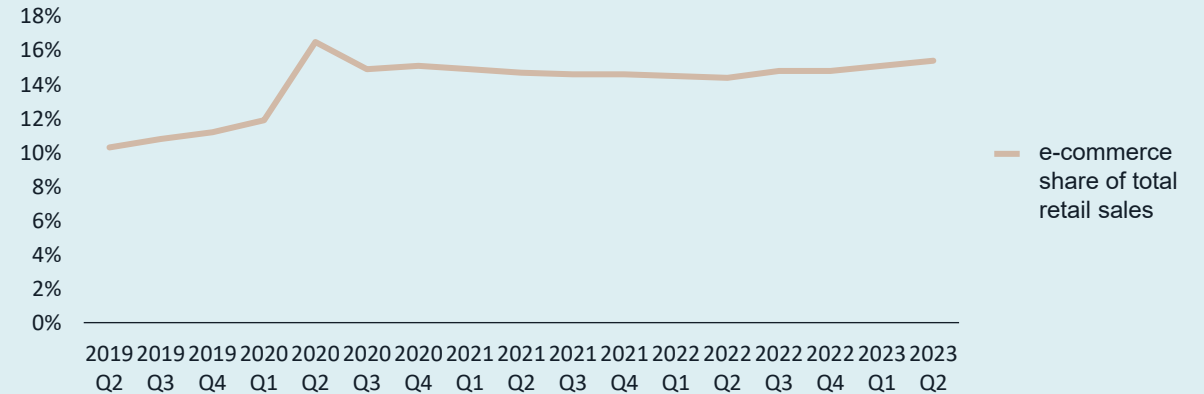
The growth of luxury retail stores comes at an opportune time in the real estate cycle, as persistent demand continues to drive absorption across retail categories, surpassing pre-pandemic levels.

The retail market overall is reporting solid fundamentals, with record-low deliveries contributing to overall retail vacancy dropping down to approximately 4%, which has in turn resulted in rent growth in most major cities.

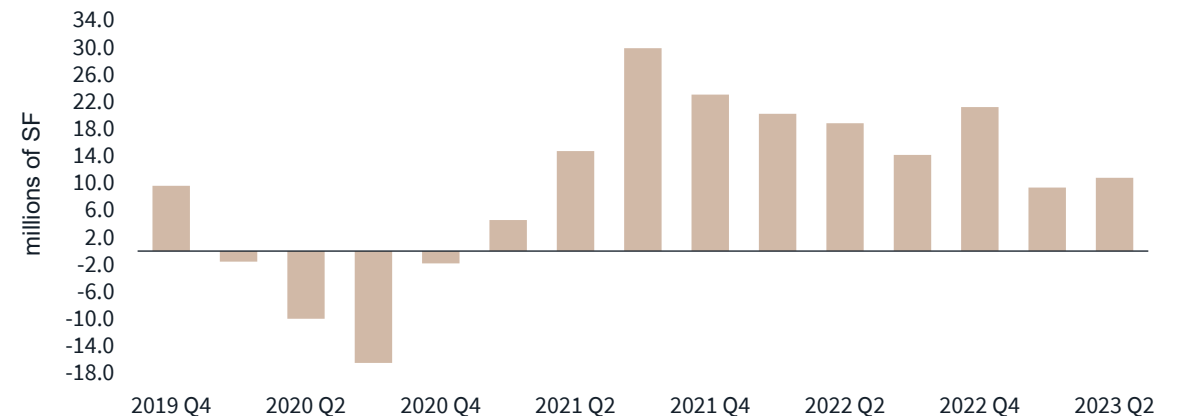
Meanwhile, e-commerce's share of overall retail sales has stagnated at around 15%, down from a pandemic high of 16.5%.

A recent survey from the Business of Fashion found that 77% of frequent luxury shoppers plan to visit a physical luxury store as often or more frequently in the year ahead than they did last year.

E-commerce penetration remains below pandemic levels



Overall absorption is up above pre-pandemic levels

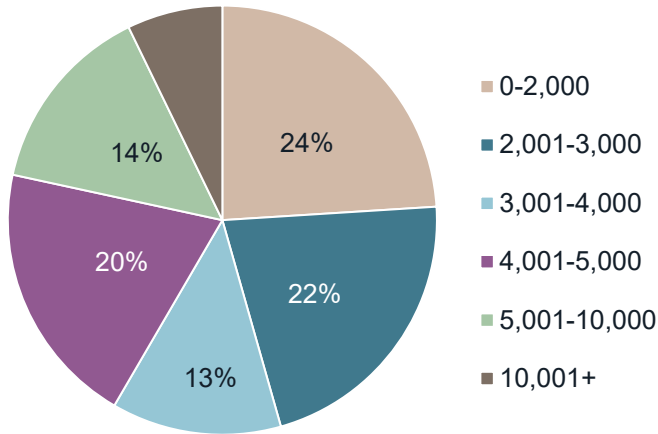


Luxury retailers embrace robust retail expansion plans

Luxury brands opened over 650,000 s.f. of space this past year

Brands embrace prime urban corridor street retail and luxury shopping centers, with an average store size of over 5,000 s.f.

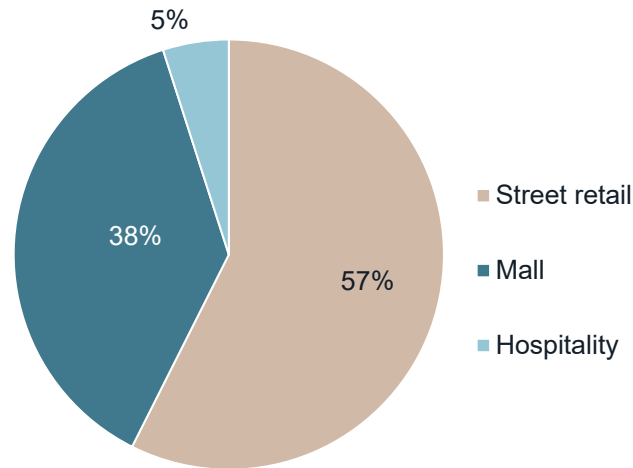
Average new luxury lease size is greater than 5,000 square feet



4,000 SF+

41%

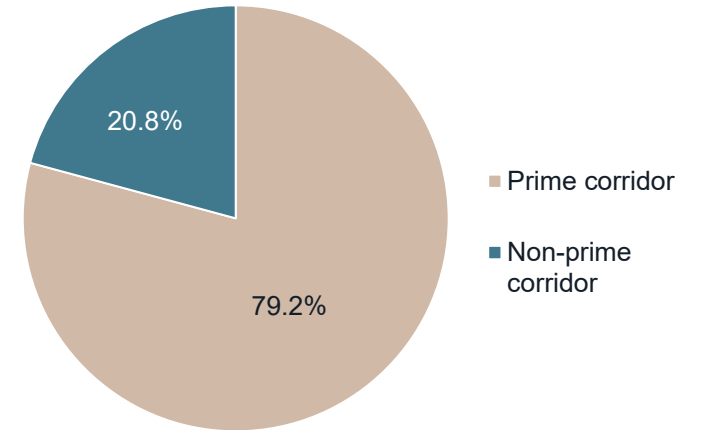
Nearly 40% of new luxury stores open in malls



New leases in malls

38%

Luxury retailers continue to favor prime corridors



Street retail located in prime corridors

80%

Luxury retailers love the Sunbelt

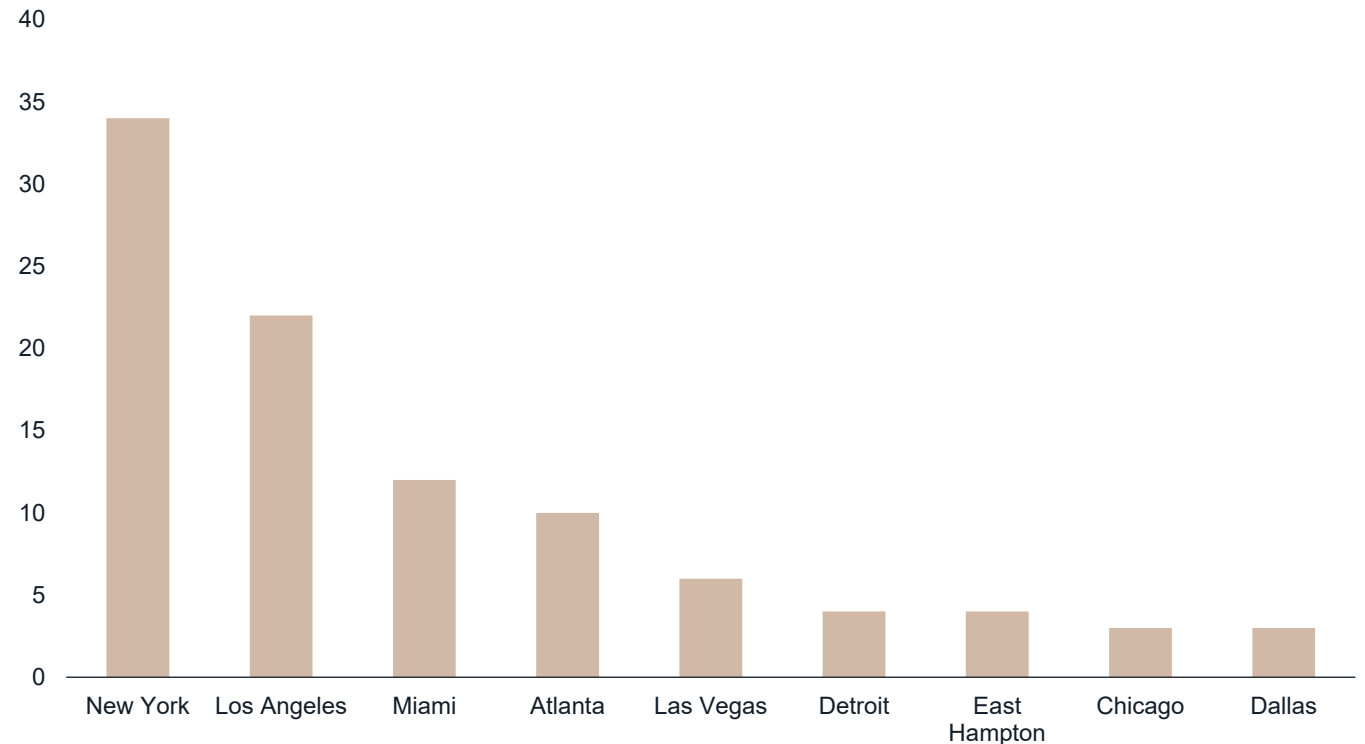
Luxury retailers continue to see value in maintaining a bicoastal presence, with New York and California accounting for 55.2% of luxury openings in the past year.

These retailers still favor New York City and Los Angeles due to their impressive foot traffic and unrivaled co-tenancy. Census data also reveals that the pandemic flight from major metro areas reversed in 2022, with 11 of the 15 largest metros gaining residents compared with 2021.

However, many brands were also enticed by the newfound population growth in the Sunbelt, with cities like Miami, Atlanta, and Las Vegas experiencing a wave of new luxury openings.

Detroit emerged as a popular choice for new luxury openings, with new stores from renowned brands including Balenciaga, Dior, and Gucci. The latter opened its second Detroit-area location downtown on Library Street.

Most popular cities for new luxury openings

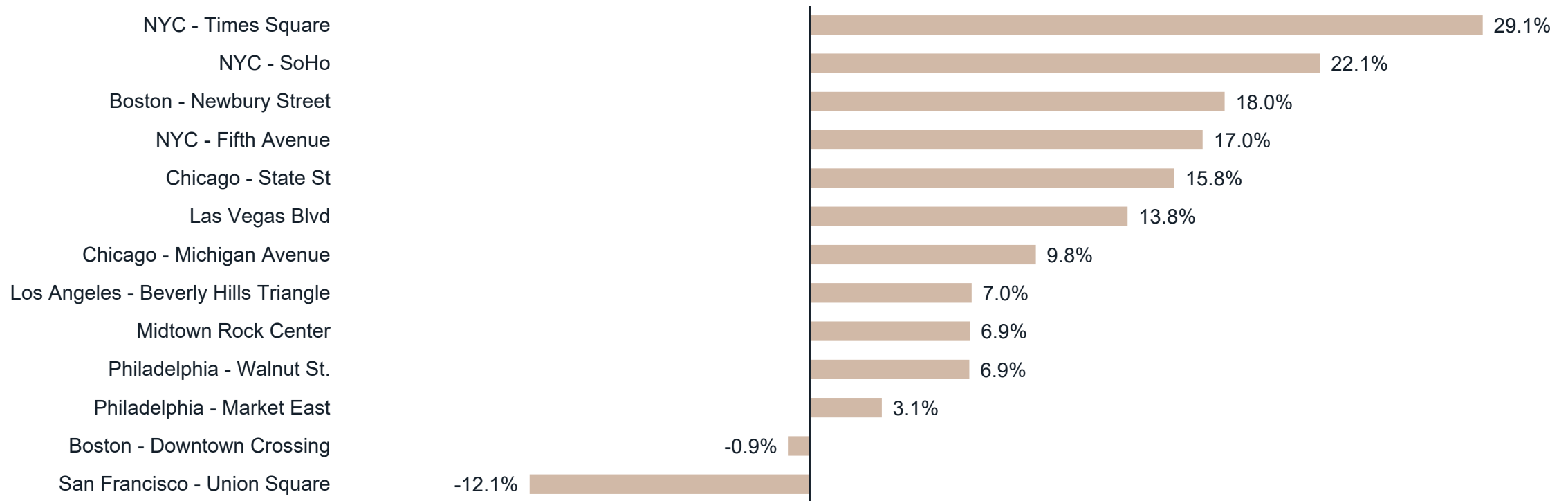


Source: JLL Research

Prime urban corridors continue to see foot traffic growth

Gradual return of tourists and hybrid office workers leads to year-over-year gains in foot traffic; prime corridors account for over 45% of all luxury leasing activity last year and 80% of street retail leasing

Year-over-year % change in prime urban corridor foot traffic – July 2023



Source: JLL Research, Placer.ai

Madison Avenue bounces back

Many luxury retailers looking to open in New York City after the pandemic opted for SoHo, thanks to the steady foot traffic provided by nearby residential populations. Meanwhile Madison Avenue, once a nexus for these brands, struggled as office and tourism populations made their slow return to midtown.

The gradual uptick in presence for both of those groups, combined with the resurgence of the affluent Upper East Side shopper has reignited interest in Madison Avenue, with the stretch between East 59th Street and East 72nd Street accounting for 43% of new luxury leases in New York City.

Punctuated by the opening of Hermes' 45,000 s.f. flagship at the corner of 63rd Street, the corridor also saw new leases last year from Valentino, Lanvin, and Van Cleef & Arpels, among others.



Luxury lives in Beverly Hills

No such shift in prime corridor desirability was observed in Los Angeles; rather, luxury retailers doubled down on their affinity for the Beverly Hills Triangle, which accounted for the largest share of openings in Los Angeles at 41%.

Aside from featuring some of the best co-tenancy of any luxury corridor in the country, the compact layout of Rodeo Drive, Beverly Hills' crown jewel, adds an intangible air of exclusivity to the area. The lack of new retail development in the corridor further contributes to the persistent demand for prime retail space.

The past year saw Givenchy, Loewe, and Versace all open in Beverly Hills, in addition to Chanel, which opened its largest flagship store in the United States with a 30,000-s.f. lease at 400 North Rodeo Drive.

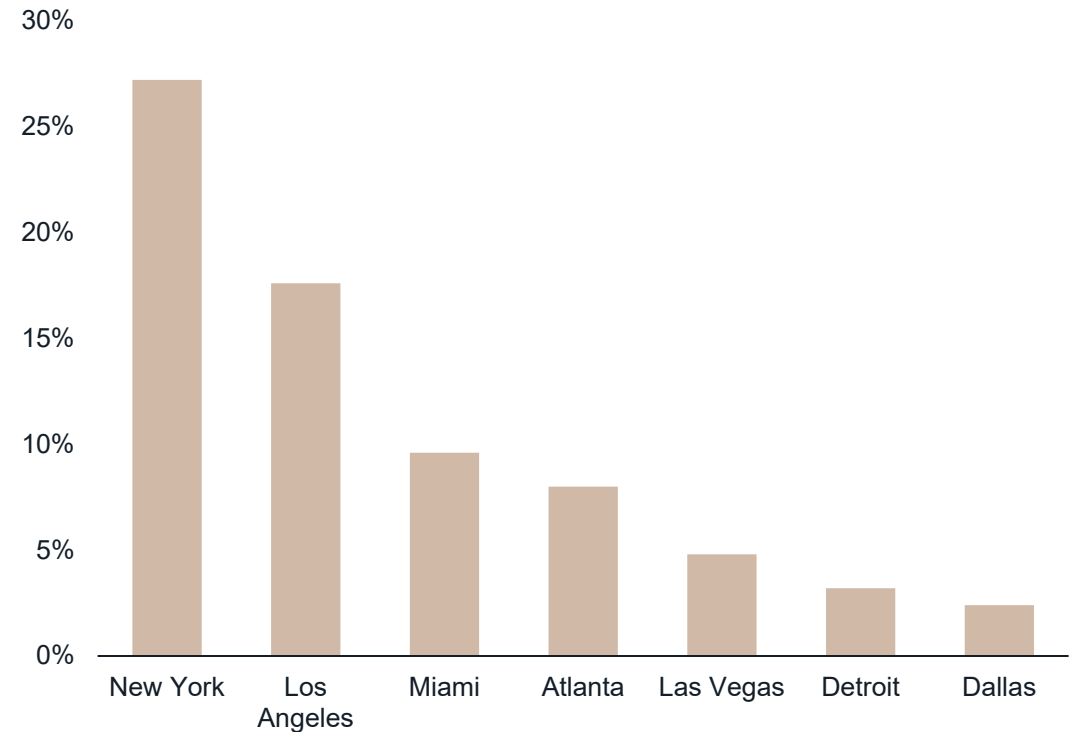


Top cities for rent growth coincide with luxury store openings

Solid real estate fundamentals combined with persistent demand and lack of quality available space drive up rental rates in key cities

Q2 2023 Rent growth	
Las Vegas	8.3%
Atlanta	6.9%
Miami	4.5%
Dallas	4.0%
Detroit	2.8%
New York	1.3%
Los Angeles	1.3%

Luxury store openings by city



Source: CoStar, JLL Research

Malls are luxurious, too

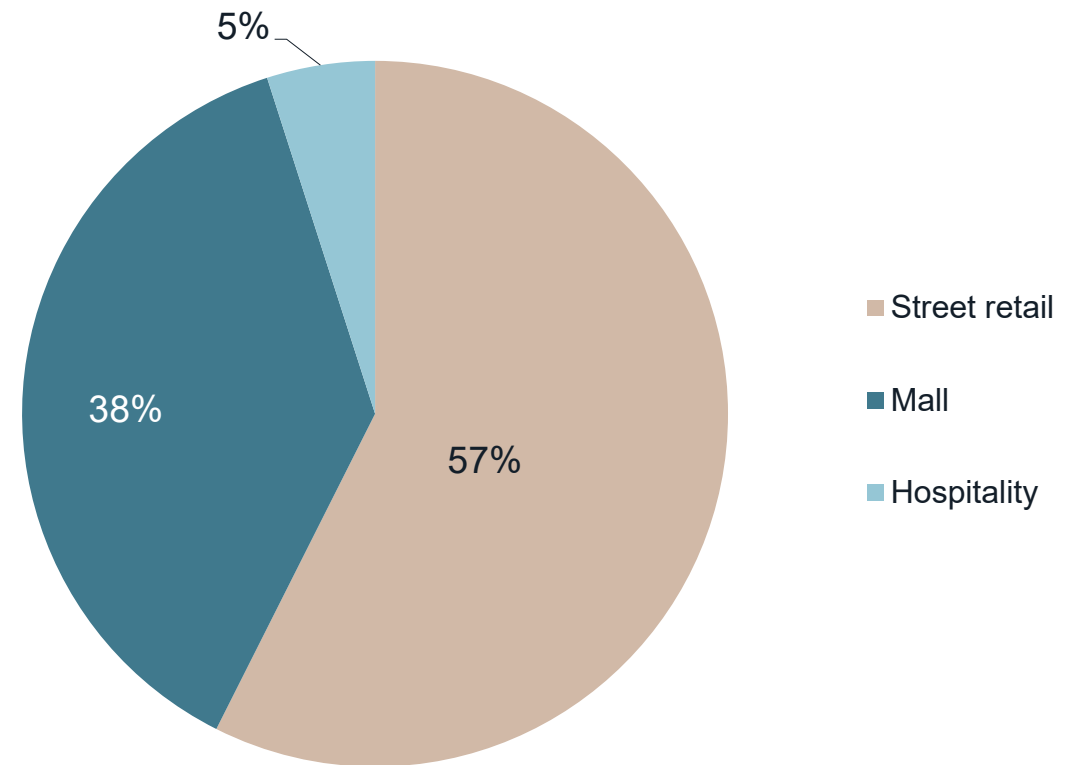
Luxury retailers continue to see significant opportunity in malls, with malls housing nearly 40% of all new luxury store openings last year.

As the stratification between mall types deepens, best-in-class malls continue to optimize their tenant mix, inevitably including a host of luxury brands in that roster.

While most brands explored opportunities in both malls and street retail, some brands concentrated their expansion efforts on shopping centers across the country.

Alexander McQueen chose malls for all three of its openings last year in Atlanta (Phipps Plaza), Boston (Copley Place), and Charlotte (South Park). Dior made similar moves opening at the Mall at Millennia in Orlando, Detroit's Somerset Collection, and the Domain in Austin.

Luxury store openings by retail type



Source: JLL Research

The best malls in the country continue to attract luxury brands

Class A mall vacancy remains around 6%, providing opportunity for luxury retailers who opened 38% of new stores in malls



Bal Harbour Shops
Miami, FL

Burberry, Loewe, Moncler,
Todd Snyder



South Coast Plaza
Orange County, CA

Breitling, Coach, Missoni



Northpark
Dallas, TX

Bottega Veneta, Breitling



Phipps Plaza
Atlanta, GA

Alexander McQueen,
Balmain, Givenchy, Hermes



Somerset Collection
Detroit, MI

Balenciaga, Breitling, Dior

Mall operators devote whole wings to luxury

Underscores the perceived value of luxury brands and their impact on mall performance

Westfield Topanga, California



The Southern California mall, owned by Unibail-Rodamco-Westfield is crafting a new luxury wing from a former 180,000 s.f. Sears box. The new wing is anchored by a 7,5000 s.f. Hermes outpost, and will also feature new stores from Bottega Veneta, Burberry, and Celine, among others.

Yorkdale Center, Toronto



The Oxford Properties-owned center is repurposing 100,000 s.f. of space to create a luxury clustering within the property, with the goal of increasing the mall's luxury composition from 13% to 20% by 2025.

American Dream Mall, New Jersey



The Triple Five-owned mall debuted its luxury wing, "The Avenue" in 2021 anchored by Saks Fifth Avenue and featuring stores from Dolce & Gabbana and Mulberry, among others.

Luxury boutiques grow in popularity

In the wake of bankruptcies and store closures from retailers like Barney's and Neiman Marcus, luxury consumers have demonstrated an appetite for a thoughtful curation of products from their favorite high fashion brands.

As a result, luxury boutiques have emerged as a growing category within the luxury space, composing 12% of new luxury leases in the last year.

Major players include:

- Kith, which opened a second location in its hometown of Brooklyn in addition to new stores on Rodeo Drive in Los Angeles and in Miami's Design District
- The Webster, which originated in Miami and opened four stores this year in Atlanta, Austin, Palm Springs, and Hackensack, NJ

Tenant	New store city
Elyse Walker	Napa Valley
Elyse Walker	New York
Kirna Zabete	Nashville
Kirna Zabete	Miami
Kirna Zabete	New York
Kirna Zabete	New York
Kith	Los Angeles
Kith	Miami
Kith	New York
LuisaViaRoma	New York
Printemps	New York
The Webster	Atlanta
The Webster	Hackensack
The Webster	Austin
The Webster	Palm Springs

Notable luxury openings

New York accounts for 27% of new openings, with Los Angeles in second at 18%

Tenant	City	Location	Square footage	Date
Hermes	New York	Madison Avenue	45,000	Q3 2022
Louis Vuitton	New York	Fifth Avenue	36,000	Q1 2023
Chanel	Los Angeles	Beverly Hills	30,000	Q2 2023
Valentino	New York	Madison Avenue	26,300	Q3 2023
Burberry	New York	Fifth Avenue	14,000	Q2 2023
Balenciaga	Miami	Design District	8,487	Q4 2022
Amiri	Chicago	Gold Coast	7,500	Q2 2023
Van Cleef & Arpels	New York	Madison Avenue	7,000	Q4 2023
Balenciaga	New York	SoHo	7,000	Q4 2022
Givenchy	Los Angeles	Beverly Hills	6,500	Q2 2023
Fendi	Miami	Design District	6,372	Q4 2022
Dior	Austin	The Domain	6,300	Q1 2023
Kith	Los Angeles	Beverly Hills	5,500	Q1 2023

Source: JLL Research

Potential headwinds/future considerations

Key luxury themes for 2023 and beyond

01

Low vacancy and low deliveries will impact luxury expansion



Lack of available retail space is affecting every sector of the retail industry, and luxury players will soon contend with market conditions exacerbated by historically low deliveries.

02

Inflationary concerns will impact spending power of “aspirational” consumers



While the core luxury shopper remains stable, consumers from lower income brackets are still dealing with inflation in almost every retail category, hindering their ability to make aspirational luxury purchases.

03

Resale persists as a priority for top luxury brands



By encouraging resale, brands can extend the lifecycle of their products, minimizing waste and contributing to a more circular economy, aligning with growing consumer expectations.

04

Consolidations being observed among top luxury players



Significant acquisition activity among the largest luxury brands indicates a less varied pool of luxury players in the near future, potentially making it difficult for newer brands to break into the luxury space.

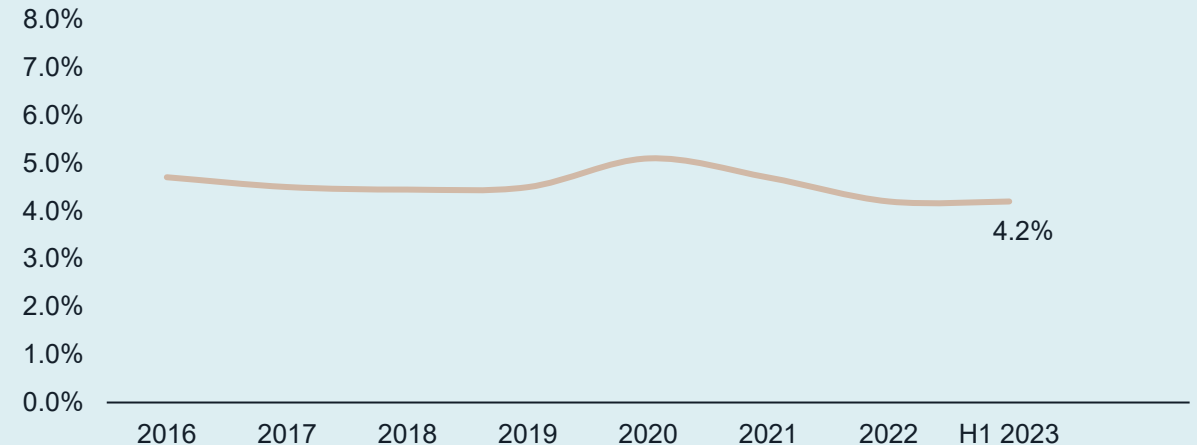
Dearth of available retail space will impact luxury expansion

While retail fundamentals are favorable, this could negatively impact luxury retail expansion long term.

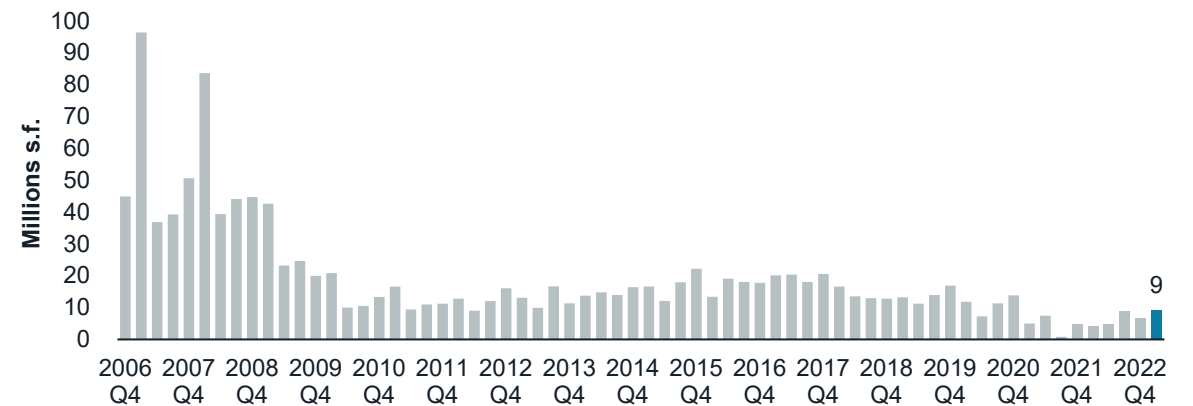
Deliveries of new retail space are at historic lows, complicated by rising construction costs and high interest rates, adding difficulty to raising the necessary capital to jumpstart new retail development.

Malls could provide a potential answer to this dilemma, as many malls across the country have ample availability, with class A malls still showing 6% vacancy.

Retail vacancy remains low at 4.2%

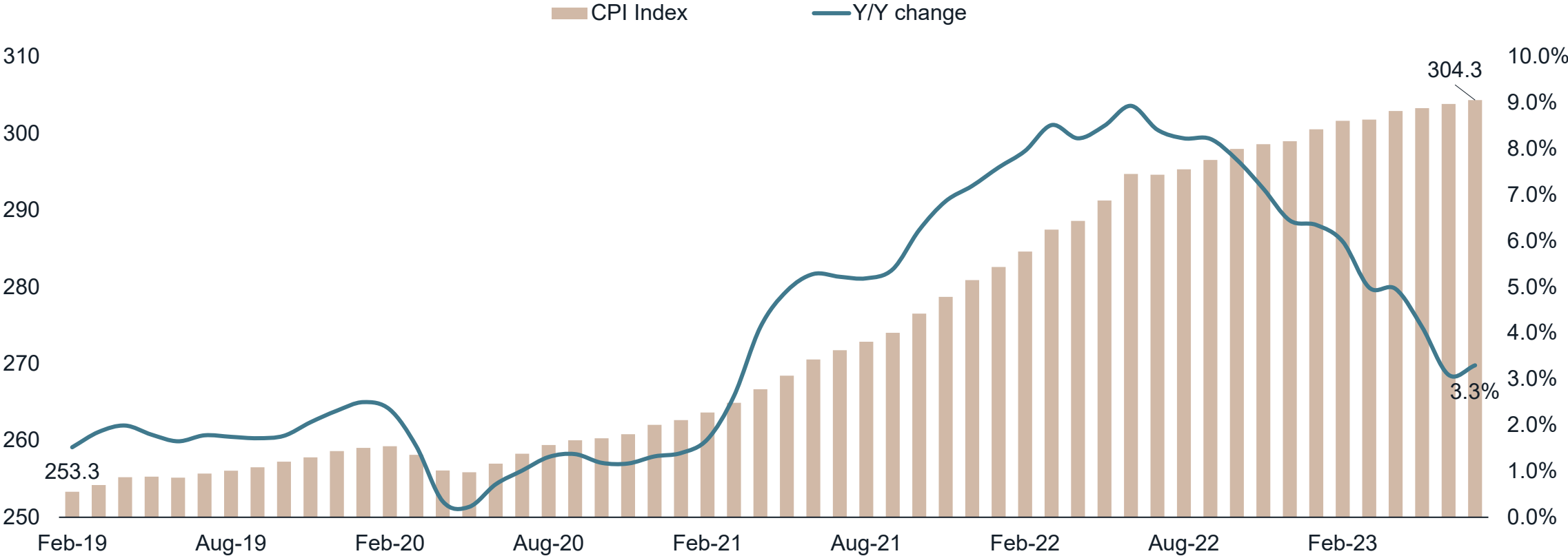


Deliveries of new retail space at historic lows



Inflation, while subsiding, remains 20% above 2019 levels

”Aspirational” luxury shopper will be impacted by sustained increases in sectors like food & beverage, decreasing their disposable income and reducing their ability to make luxury purchases



Source: Bureau of Labor Statistics



Secondhand luxury goods market grew 28% in 2022

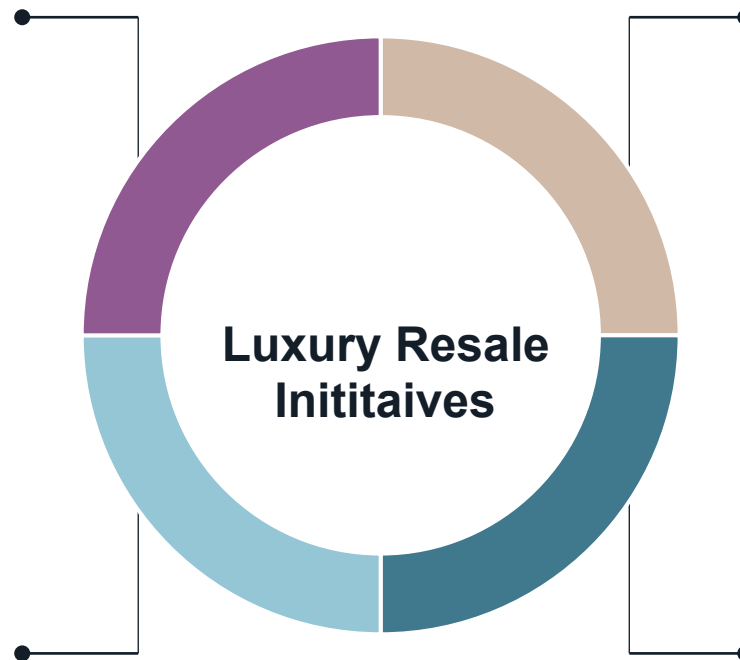
Gen Z, projected to comprise 70% of luxury market by 2030, shows greater concern about environmental issues; brands will need to show real investment in circular economy if they hope to retain relevancy

Brands handle their own resale

- Rolex launched a “Certified Pre-Owned Programme” this year for watches that are at least three years old
- Coach established Coach (Re)Loved in 2021 as a circular ecosystem for repair and restoration of its leather goods pieces.

Partnering with resale platforms

- Ulla Johnson partnered with resale tech company Archive to develop “Ulla Preloved,” providing resale shoppers a familiar luxury shopping experience
- Gucci, Stella McCartney and Burberry have all launched partnerships with The Real Real to sell secondhand products



New third-party resellers emerge

- On the heels of the growth of companies like ThredUp and The Real Real, more luxury resale entities have emerged as of late, including Vestiaire Collective, The Luxury Closet, and Vinted
- Rent the Runway recently partnered with Amazon to offer secondhand luxury items on an Amazon storefront

Traditional resellers embrace luxury

- Ebay launched “Certified by Brand” earlier this year, offering new, certified pre-owned, and limited edition inventory from top luxury brands, available exclusively on Ebay

Recent moves among luxury players

- Tapestry, Inc purchased Capri Holdings for \$8.5 billion, bringing brands Coach, Kate Spade, Stuart Weitzman, Michael Kors, Versace, and Jimmy Choo under one house
- Kering Group acquired a 30% stake in Valentino in a deal that valued Valentino at over \$6 billion, just a few months after purchasing legacy perfume brand Creed for \$4 billion
- Richemont acquired a controlling stake in Italian shoemaker Gianvito Rossi



Appendix: additional store openings

Notable openings (continued)

Tenant	City	Location	Square footage	Date
Tiffany & Co	Atlanta	Lenox Square Mall	4,700	Q2 2023
Gucci	Los Angeles	Melrose Avenue	4,380	Q2 2023
Ralph Lauren	Miami	Design District	4,135	Q2 2023
Jil Sander	Los Angeles	Beverly Hills	4,000	Q4 2022
Versace	Los Angeles	Beverly Hills	3,406	Q4 2022
Moncler	Miami	Design District	3,100	Q4 2022
Isabel Marant	New York	Madison Avenue	2,950	Q2 2022
Cult Gaia	Los Angeles	Melrose Avenue	2,700	Q1 2023
Chopard	New York	Fifth Avenue	2,422	Q4 2022
Lanvin	New York	Madison Avenue	2,150	Q3 2023
Alaia	New York	SoHo	2,000	Q1 2023
Diesel	Miami	Design District	1,900	Q3 2023
Stone Island	Chicago	Gold Coast	1,900	Q4 2022
Tods	East Hampton	47 Newtown Ln	1,700	Q2 2023
Prada	East Hampton	2 Newtown Lane	1,600	Q2 2023

Thank you

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