APR 09
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LVMH and Kering embark on property spending spree in race to offer luxe in-store experiences

Article

The trend: Luxury companies are snapping up real estate in premium shopping corridors worldwide as they look to upgrade their shopping experiences and gain an edge over competitors.

- **Kering** paid **€1.3 billion** ($1.4 billion) last week for a building located on Milan's tony Via Montenapoleone, the second-most-expensive retail corridor in the world. That marked the company's second high-profile acquisition this year, following a **$963 million** purchase in January for property on Manhattan's Fifth Avenue.
- **Chanel** and **LVMH** are among the suitors clamoring to purchase 745 Fifth Avenue, a 30-story building currently home to **Bergdorf Goodman**'s men's store, per Bloomberg.
- **Prada** spent **$835 million**—and took 20 days—to buy two Fifth Avenue buildings late last year.

Why the spending spree: There are a few factors driving retailers' real estate investments.

- One is that the difficult environment for commercial real estate is forcing investors to put valuable properties on the market, offering rare opportunities for luxury brands to own their presence on the world's most-expensive retail main streets.
- Taking ownership of an entire building also gives companies free rein to refine and upgrade the in-store experience, which these days can include restaurants, museums, and private salons for VIP customers.
- "LVMH would never" have updated its **Christian Dior** Paris flagship to include a café, rose garden, and other features if it didn't own the property, CFO **Jean-Jacques Guiony** told Bloomberg.

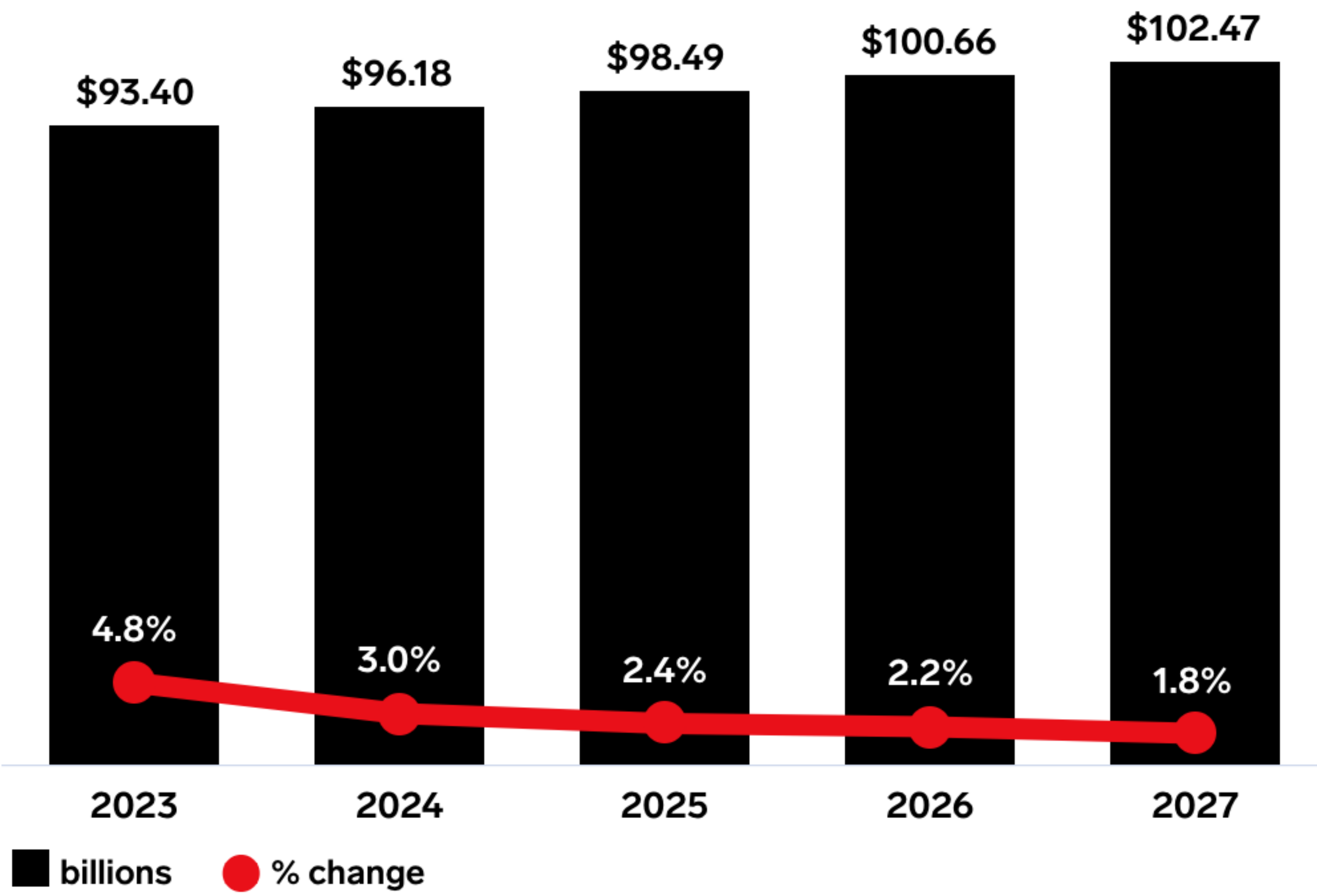
The big takeaway: With luxury spending starting to slow, big flagships on prime corridors allow brands to stay top-of-mind with consumers even if they're not yet in the market for a designer handbag.

- Owning their stores also gives luxury brands an additional opportunity to entice visitors with hospitality concepts.

Go further: *For more on luxury ecommerce trends, check out our latest Luxury Ecommerce report.*

Non-Ecommerce Personal Luxury Retail Sales

US, 2023-2027



Note: excludes products ordered using the internet; includes items such as ready-to-wear designer clothing and footwear, bags and accessories (including eyewear), jewelry and watches, and cosmetics and fragrances that meet the definition of luxury; excludes automobiles, travel and leisure services, boats and yachts, fine art and collectibles, fine wines and spirits, and consumer electronics; includes goods sold in owned stores, department stores, and outlets, as well as travel retail; excludes secondhand sales of luxury goods

Source: EMARKETER Forecast, June 2023

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