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Insider Q&A: The Changing State of Luxury

BY ANNE D'INNOENZIO

For more than 30 years, Faith Hope Consolo, now chairman of Douglas Elliman Real Estate's retail group, has handled deals with luxury retailers and seen the ups and downs of the market for baubles, fashion and pricey shoes.

Consolo helped establish a U.S. presence for a string of designers, including Giorgio Armani, Christian Dior and Jimmy Choo. Luxury sales have recovered since 2011, but shoppers are being choosy about where they want to spend their money. They're more likely to splurge on a vacation or a pair of shoes, than a new dress.

Still, the luxury business has more than recovered since the downturn. According to MasterCard SpendingPulse data, which tracks sales across all kinds of payments, luxury sales hit \$12.7 billion in the U.S. last year, compared to \$11.4 billion in 2007.

What's the state of luxury now?

It's bastardized. I think people equate luxury just with price. Luxury before was different. Luxury (in the 1980s and 1990s) was less available. It was more about quality than quantity. Now, luxury is not only mass produced, every designer lends his name. You can buy the "Oscar" name for a bottle of perfume.



Luxury sales, hammered by the Great Recession, have recovered since 2011. But is the shop-'til-you-drop mentality back?

It will never go back. The shift in the trend is not that fashion is out. It's about entertainment. It's about going on very luxurious holidays ... immersing in ridiculous events with food and fashion. It's about the experience. So a retailer that can give you an experience still shines.

Which luxury brands do you most admire and why? Which brands are facing the biggest challenges?

Hermes and Chanel, because they have remained true to themselves. They didn't introduce bridge or even lower priced lines to attract the dollars of the aspirational shopper. And thus they didn't lose those dollars during the downturn. Tiffany, on the other hand, courted that customer, and literally paid the price during the downturn. It still is. Let's see what will happen in the timepiece sector as they react to the Apple Watch and if Apple's luxury version will succeed.

What are the hot real estate markets right now?

New York, Miami, L.A. and anywhere in Texas....Chicago. Boston is a little sleepy.

Emerging markets for luxury?

Denver and Seattle.

How has deal-making changed?

It's become more challenging. There's so much good product around, whether it's on Main Street or in the malls. It's not just about the product, but it's about the price of the property, of the location. You have to represent the best companies with the best products with the best financials. A lot of these companies look wonderful from the outside. But from the inside they're not so great.