

LUXURY MEMO SPECIAL REPORTS

Cities of luxury: Shanghai – Luxury Memo special report

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Shanghai's illustrious skyline anchors the city's luxury market. Image credit: Wikimedia

By JOE MCCARTHY

With its rich, cosmopolitan history and high-net-worth population, Shanghai has long been regarded as one of Asia's premier luxury capitals.

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The city boasts a shopping scene that rivals Paris, a robust real estate market and a skyline studded with some of the most chic hotels and restaurants in the region. In recent years, Shanghai has doubled down on its emerging status as a hub for global art, courting deep-pocketed investors in the process.

"Shanghai has the history, tradition and reputation for being a wealthy commercial city," said Gerald Hatherly, executive director of **Abercrombie & Kent** Hong Kong.

"The rise of modern China from the 1980s through the present saw a return to business and entrepreneurship to Shanghai and because of its reputation as a more independent city, wealth flourished and today the city is once again perceived as the leader in business, style and luxury," he said. "Shanghai is also known as being 'a window on the world' so it is the first to adopt outside trends and influences it is a natural environment for the growth of wealth and, with that, a taste for luxury."

Top 5 trends in Shanghai

- Shopping
Between sleek new malls, stalwart department stores and streets lined with boutiques, Shanghai has become an indispensable destination for luxury shoppers. The city's home-grown luxury brands, and the many pop-up experiences that happen throughout the year, make it ideal for tourists.
- Wealth management
Shanghai's high percentage of ultra-affluent citizens means that its wealth management industry is rife with domestic and international players. In recent years, these firms have turned their attention to luring wealthy clients from abroad.
- Hospitality and tourism

Many multinational hotel brands have recently opened flagship locations in Shanghai to take advantage of a boom in tourism. With a rising art scene, eclectic architectural styles and ample sightseeing opportunities, the city continues to draw large numbers of international luxury consumers.

- Food

One of Shanghai's biggest tourist draws is its food scene. Culinary enthusiasts from around the world flock to the city, and this fervent interest has led to an explosion of new restaurants in recent years.

- Real estate

Although Shanghai's real estate market had enjoyed exponential growth in recent years, it has lately begun to plateau as the city grapples with a glut in development. At the same time, the city's ultra-luxury sector remains robust, and several neighborhoods continue to command record-breaking prices.

Shopping

Shanghai is known for big displays of luxury. That is why Galeries Lafayette's first foray into the city last year involved opening a 270,000-square-foot, four-floor flagship location ([see story](#)).

Luxury brands across sectors have been made significant investments in Shanghai in recent years to cater to the city's large cohort of ultra-high-net-worth consumers. The city's vibrant shopping scene has allowed brands to overcome the disruptions of digital.

In fact, Kai Hong, chairman and partner at [JINGdigital](#), told the audience at the 2018 Luxury Society Keynote that "offline is the new online" in Shanghai because major investments in physical locations have helped to create truly immersive environments ([see story](#)).



Aston Martin's House of Beautiful in Shanghai. Image courtesy of Aston Martin

"Shanghai is considered to be the best shopping city in China as it is home to a number of young fashion designers, artists, a large expatriate community and the resident Chinese population," Mr. Hatherly said.

"Luxury, however, has to be qualified," he said. "The city has all the major Western luxury brands: the world's largest Vuitton store, all the other brands like Prada, Hermes, etc., so the Western image of luxury shopping is here.

"It also has many of the luxury car brands Mercedes, Porsche, etc. which are also a measure of luxury and wealth in China. But it has luxury shopping that is 'Chinese' contemporary art, traditional art and antiques, restaurants that are famed for their Chinese cuisines, etc."

Luxury brands often partner with local artists or stage exhibitions to appeal to the city's cultural sensibilities.

For example, Prada opened a cultural heritage institute as a way to pay homage to Shanghai's rich architectural history. The institute involved restoring a storied building from the early 20th century, which allowed the brand to show off its attention to cultural detail ([see story](#)).



Exterior of Prada Rong Zhai. Image credit: Prada

Bottega Veneta partnered with the Shanghai Center of Photography to give local artists a chance to cultivate their skills ([see story](#)), and Gucci explored the concept of contemporary art in an exhibit through a partnership with the Minsheng Art Museum ([see story](#)).

Gucci went a step further in 2018 when it explored cultural appropriation and the tension between originals and replicas ([see story](#)). These are two concepts that are ever-relevant in the world of luxury, which is in a perpetual battle with counterfeiters.



Art by Maurizio Cattelan for Gucci's "The Artist is Present." Image courtesy of the artist

It is not all lofty ideas, however. While luxury has a dead serious approach to artistic integrity, there are always flashes of whimsy happening in any campaign. The Gucci cultural appropriation exhibit, for example, celebrated the rich tradition of copying with playful pieces by more than 30 artists.

Department store chain Lane Crawford transformed its flagship location into an arcade to celebrate its one-year anniversary. The event showcased the brand's commitment to Shanghai, and also its intent to expand throughout China ([see story](#)).

All of these campaigns are taking place amid a churning retail landscape that revolves around towering luxury malls.

"It is the confluence of Chinese tradition, wealth and Western influences that have a historic precedence that combine to make it a great luxury shopping destination," Mr. Hatherly said.



Lane Crawford has shown its dedication to Shanghai. Image credit: Lane Crawford

The luxury brands hosting art galas and staging exhibitions in no way have the art market cornered. On the contrary, their efforts represent only a small fraction of Shanghai's thriving art scene. In the past few years, various museums, galleries and performance centers **have opened up**, allowing the city to compete with regional players like Hong Kong.

Wealth management

China has long attracted the attention of luxury analysts who have drummed up excitement over the lavish tendencies of the country's high-net-worth consumers. Last year, a report from *Luxury Daily* and *Jing Daily* called China "the beating heart of luxury" (**see story**).

The nation accounts for a third of all luxury spending (**see story**), making it an indispensable market for luxury brands to gain access to. But geopolitical tensions have dampened the country's economic growth in recent years.

U.S. President Donald Trump's escalating trade war with China has threatened the stability of China's growing role as the epicenter of luxury by **disrupting the plans** of many multinational brands to expand and invest. It also hurt the rise of domestic luxury in the country.



Plaza 66 Shopping Center, Shanghai. Image credit: Singhanart/Shutterstock

Nonetheless, Shanghai remains a formidable force in the global financial market, and its dense concentration of millionaires and billionaires means that it has a thriving wealth management industry.

There are nearly 1,000 ultra-high-net-worth consumers in Shanghai, making it the top location for the super wealthy in China, **according to Wealth-X**.

"Shanghai is one of the biggest and most influential cities in China," said Alleen Wu, director of marketing communications at **The Ritz-Carlton Shanghai**, Shanghai.

"When a place has more than 24 million people and it's still very prosperous, everything can happen and nothing is impossible," she said. "Therefore, as a major economic sector of China, Shanghai is definitely a perfect place to

become a top tier luxury city compared to other places in China."



Shanghai. Image courtesy Remote Lands

In addition to established wealth, the city's millennials are reaching their prime earning years. A report by KPMG found that 31 percent of millennials will see their wealth rise in the next five years ([see story](#)).

All around the world, millennials are becoming the main demographic of luxury brands, and this shift away from baby boomers is transforming the way companies do business ([see story](#)). In Shanghai, the new class of wealthy means that firms need to do a better at job at reaching consumers on their preferred digital platforms.

The Chinese government has also singled Shanghai out for [preferred financial treatment](#) and is pushing to make the city a critical city in the global realm of finance. So even though the trade conflict with Washington has disrupted economic progress, Shanghai will likely remain insulated from most of the damage.

Hospitality and tourism

Shanghai attracts more than 300 million domestic tourists, and nearly 9 million international tourists [annually](#), figures that seem to rise every year. The city's thriving tourism industry owes a lot to its impeccable hospitality industry.

Many of the world's top luxury hotels have invested heavily in the city. For instance, The St. Regis opened its first property in the city in 2017 to capitalize on the tourism boom ([see story](#)).

"Shanghai's energy and cosmopolitan spirit makes it one of the most vibrant luxury cities in the world it's a place with a storied past and a bustling present," said Lisa Holladay, global brand leader and vice president of [St. Regis Hotels & Resorts](#), Washington.

"At St. Regis, we look to open hotels and resorts in destinations where there is growth in the luxury sector, and Shanghai is a city where we have seen an increase in business and leisure travel, particular among luxury travelers," she said.



St. Regis Hotels & Resorts announces the highly-anticipated opening of The St. Regis Shanghai Jingan, marking the renowned luxury brands ninth hotel in the Greater China region. (PRNewsfoto/St. Regis Hotels & Resorts)

At the Ritz-Carlton in Shanghai's city center, employees have noticed that as tourism has increased, so have expectations.

"People are not only looking at the reputation of the brand but also the service provided," Ms. Wu said. "People are more wealthy and capable of buying luxury products.

"However, it is essential to understand that providing an unique experience, personalized service and memorable journey to the customer are the true value of luxury," she said.

The Ritz-Carlton Shanghai has touted its exceptional customer service in the past. For example, the brand livestreamed theatrical performances put on by hotel staff to show the lengths they will go to ensure guests have a positive visit ([see story](#)).

Many nontraditional players have opened their own properties in the city to take advantage of the tourism spike.

For instance, Bulgari Hotels & Resorts, the hotel arm of the jeweler, opened a property in the city in 2018 as part of an urban renewal project in a neglected area ([see story](#)).

Food

Luxury tourists are flocking to Shanghai in part because of its vibrant food scene, which draws upon global influences and is packed with celebrity chefs, while at the same time being rooted in the city's quintessential Hu cuisine.

"Shanghai is one of the great food capitals of China," Abercrombie & Kent's Mr. Hatherly said. "Ask any Beijing resident and they will tell you the city has a dearth of good restaurants whereas Shanghai has outstanding restaurants, both Chinese and foreign.

"The more progressive outlook of the people, the wealth and a historic culinary tradition of being one of the great culinary styles of cooking, Hu cuisine is renowned for its variety of produce, meats, etc. and liberal use of sugar, salt, sauces, etc." he said.

"The growth of a vibrant middle and wealthy class in the city has resulted in an explosion of restaurants. In addition with a huge growth in people traveling or studying abroad the Chinese have developed an interest in different cuisines so Shanghai has good restaurants including Italian, French, Thai, Japanese, etc. The city is also home to different regional cuisines (Chinese) including Cantonese, Sichuan, Hunan and northern Chinese restaurants."

As the city's reputation for culinary daring grows, it's also being recognized by international tastemakers. The city received [34 Michelin stars in 2018](#), four more than the year before.

Sometimes, luxury hotels are at the forefront of this culinary renaissance.

For example, the Waldorf Astoria partnered with the James Beard Foundation to elevate its Michelin-starred restaurants, including at its Shanghai property ([see story](#)).



Waldorf Astoria, Shanghai has focused on cuisine. Image credit: Waldorf Astoria Shanghai

The Mandarin Oriental, meanwhile, teamed up with a local artist to elevate the sensory experience of its meals ([see story](#)).

While these brands are earning international accolades, the true heart of Shanghai's culinary offerings lies in the city's nooks and crannies.

"Shanghai has also been a major center for local snack foods and there is a great 'foodie' culture here as well, especially its famous soup dumplings, 'Xiao Long Bao' (小籠包) and other smaller snack-style foods," Mr. Hatherly said.

Real estate

Many people have been priced out of Shanghai in recent years as the development of new condominiums transforms neighborhoods throughout the city.

At the same time, Shanghai's attractive cultural offerings mean that affluent consumers from around the world are looking to Shanghai for a potential new residence.

Nowhere is more coveted than the Bund, home to the city's illustrious skyline. Houses in the neighborhood begin at **nearly \$4 million**.



Mademoiselle Privé exhibit in Shanghai. Image credit: Chanel

Other neighborhoods, including Pudong and the French Concession, boast similarly high entry-level prices for homes and apartments.

The commercial real estate market is similarly thriving when it comes to the luxury sector. Canada's Brookfield currently has significant developments planned or underway in the city ([see story](#)).

Construction has been partly dampened by the escalating trade war with the U.S., which has reverberated throughout China's economy, but luxury properties have largely been shielded by the ongoing economic shocks.

This is most clearly seen in the continued investments being made in luxury hotels throughout Shanghai, which have **surged over the past year**.

"Shanghai continues to exude luxury offerings to its residents and tourists, despite a number of ups and downs over the years," said Damon Banks, editor of *LuxeGetaways Magazine*. "Many of the luxury lifestyle brands continue to evolve to attract the younger generations that believe in spending money on these luxury goods proving that luxury is alive and well in Shanghai."

Best practices for the Shanghai market

- Damon Banks, LuxeGetaways Magazine
 - "Hospitality brands such as Capella and Bulgari have opened luxury hotels recently, focusing on exceptional service, paired with luxury spa, wellness and culinary experiences to attract guests looking for a localized travel experience while appreciating the amenities and attention to detail by these brands."
 - "There is money to be spent on these luxury goods and services in Shanghai, but brands understand that they must often think outside the box and evolve to attract their consumers from multiple generations."
- Gerald Hatherly, Abercrombie & Kent Hong Kong.
 - "There are many things that distinguish Shanghai as a luxury city. First, its history: Shanghai was one of the original treaty ports cities that were established after the settlement of the First Opium War in 1842 over 100 years of English, French, Russian, American and other influences, combined with the

business/trade/shipping foundation on which the city was built created an environment through rich great wealth developed among many Chinese families which, combined with these outside influences, developed a style and tasted in which luxury and an appreciation for art, design, etc. grew."

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