

RESEARCH

Mall openings accounted for 38pc of new luxury retail leases in 2023: JLL

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The demand for in-person shopping is booming, leading to increased retail openings. Image credit: JLL

By EMILY IRIS DEGN

New data reveals that the United States continues to be the biggest market for prestige products.

United Kingdom-based real estate services company JLL's [Luxury Report 2023](#) shows that in 2022, the U.S. accounted for 32 percent of global sales in the sector, bringing in \$70 billion. As that total is forecasted to exceed \$75 billion by the end of this year, retailers across the board are growing their store footprint, leasing 650,000 square feet in 2022 with the picking up of in-person traffic.

For the findings, data was gathered concerning the activity of major luxury brands and where they were opening their stores. C. Ebere Anokute, manager of research at Retail JLL; James Cook, director of research at Retail JLL Americas; Keisha Virtue, senior analyst of research at Retail JLL; Heli Brecailo, manager of Canada research at Retail JLL; and Saul Lua, analyst of research at Retail JLL all were involved in gathering and interpreting the information.

Return of the mall

As luxury retail soars to new heights, brands are seeing significant growth across operations, citing the opening of new stores as a "key driver" of the expansion.



Southern California's Westfield Topanga mall, like many, is dedicating an entire wing to luxury as in-person shopping reigns supreme. Image credit: JLL

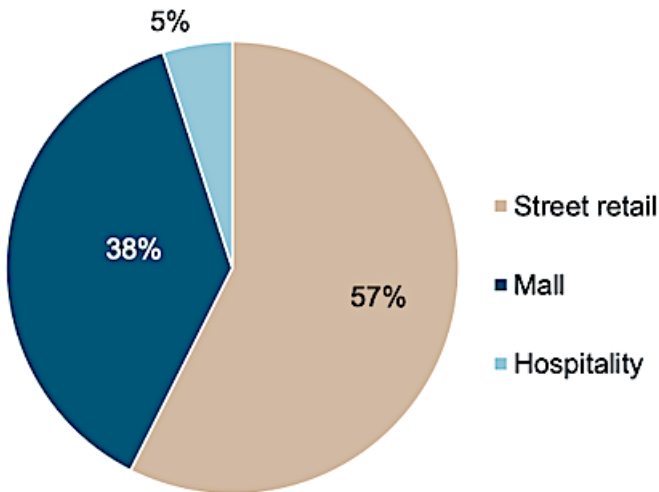
Despite the widely held belief that malls are on the decline due to consumers upping their online shopping game, high fashion brands and beyond are embracing the avenue. In fact, these indoor retail meccas accounted for 38 percent of all new luxury store openings in 2022.

As this move into malls accelerates, the spaces are starting to allocate large percentages of their layouts to the sector, dedicating entire wings to elite brands.

Noteworthy labels are focusing their efforts on rolling out shopping center boutiques, including British fashion house Alexander McQueen, which chose malls for all three of its openings in 2022, from Atlanta's Phipps Plaza to Boston's Copley Place to Charlotte's NorthPark.

French fashion house Dior also took advantage of the situation, presenting stores in The Mall at Millenia in Orlando, Somerset Collection in Detroit and Domain in Austin.

Nearly 40% of new luxury stores open in malls



New leases in malls

38%

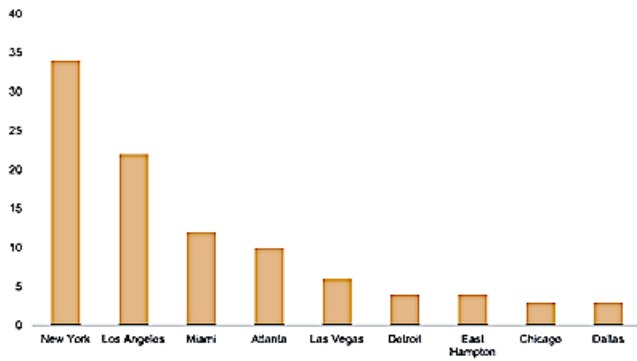
Though standalone boutiques still come out on top, malls are tuning out to come with a range of benefits that make their stores better future-proofed. Image credit: JLL

Regionally speaking, New York and California are unsurprisingly driving sales forward in prestige retail thanks to heavy foot traffic, the return of previously remote workers and home seekers' renewed preference for urban locales ([see story](#)). The two states account for 55.2 percent of all luxury openings.

However, as reflected in the pattern of mall-based locations, companies are also eyeing Sunbelt cities like Las Vegas and the southern metropolises of Atlanta and Miami as these three locations see a surge in population ([see story](#)).

People want to buy products in real life, the report mentioning that 77 percent of frequent luxury shoppers plan to visit a physical store as often or more often in the year ahead than they did the year before. E-commerce is stagnating in comparison, making up 15 percent of total sales, down from the pandemic's high of 16.5 percent.

Most popular cities for new luxury openings



Source: JLL Research



Although Los Angeles and New York City keep their crowns, southern and midwest cities across the U.S., the most popular country for luxury purchases, are emerging as epicenters for fine retail. Image credit: JLL

Despite this push for in-person boutiques, retail space is limited, with vacancy sitting at only 4.2 percent in the first half of 2023, a historic low. High interest rates and high construction costs are cited by JLL as being to blame, showing why malls might be having a comeback those listed as class A have a 6 percent vacancy rate.

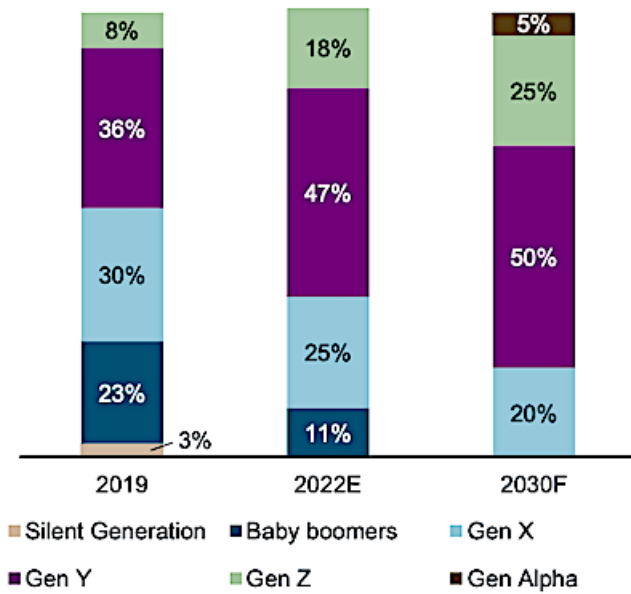
Inflation is also in play because though subsiding, it is still 20 percent higher than it was before 2019. This is keeping aspirational shoppers at bay, whose disposable income is lessening and therefore are expected to purchase fewer luxury items.

What the young faces

Although Gen Y and Gen Z consumers lack the same stability as core luxury shoppers, the groups remain the most avid buyers.

Purchases made in 2022 by millennials accounted for 47 percent of the total, and it is expected that the demographic will keep its crown as the biggest customer base, forecasted to make up 50 percent by 2030. The younger population made 18 percent of all luxury goods purchases, and in 2030, that number is expected to shoot up to 25 percent, overtaking Gen X for the first time.

Share of luxury goods market by generation



Millennials continue to be the biggest buyers of luxury, making them a key audience to gear marketing toward. Image credit: JLL

Gen Z is credited in the JLL report as being specifically behind the 28 percent growth of the secondhand market. By 2030, they will be responsible for 70 percent of all purchases of this kind according to predictions.

The category is hailed as a way that top-market labels can still engage with more vulnerable luxury shoppers, all while speaking to the value-based demand for sustainable options.

Whether brands handle resale on their own, partner with platforms traditionally in the industry to handle it or work with the ever-growing amount of third-party sellers, the ways that luxury can be more environmentally friendly and embrace the circular economy are plentiful.

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