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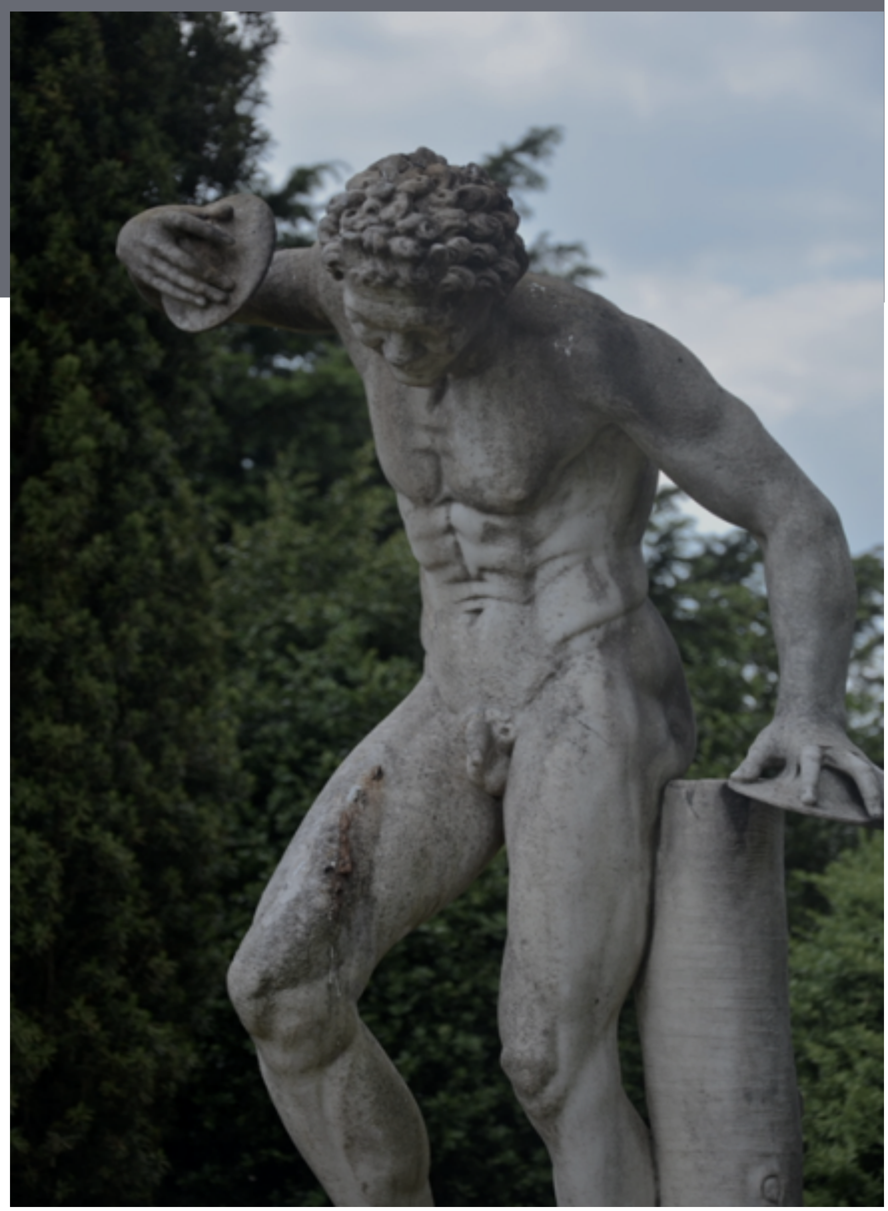

Notes

Welcome

Barton Founder & Principal,

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February 2020

In the northern hemisphere, February is one of the most miserable months of the year at the best of times, but the 2020 edition has really upped the ante. Not only has there been a series of aggressive Atlantic storms queuing up to batter the country with wind and rain for most of the month, but there has been a grim worsening of the COVID-19 virus outbreak that spread from Wuhan in China. On the day before St Valentine's, the official number of suspected cases and reported deaths from the disease suddenly spiked, destroying optimism that it was finally under control. In recent days, rapid increases in the number of cases from South Korea to Iran and Italy have meant that dreaded term 'pandemic' – currently waiting in the wings – may be about to enter the stage.

Humans are social animals. We are also travellers, and the last 20 years have seen a massive increase in travel to and from the Asia Pacific region, particularly China – the world's largest population. But since the outbreak, international travel to the region has fallen off dramatically. A report by Hopper shows a 20% decline from US tourists in searches for travel to locations such as Malaysia, Singapore and Vietnam. Flights to and from China itself have been suspended by many Western airlines. Chinese tourists – a rapidly growing force in global travel ($277bn a year spent), and a giant contributor to tourism in the region – have all but disappeared, following travel restrictions from the government. Hotspots like Hoi An in Vietnam and Siem Reap in Cambodia that, until recently welcomed thousands of Chinese tourists a day, are hauntingly quiet.

Luxury goods brands, so dangerously reliant on Chinese consumers, are also facing up to the realities of doing so, with some already writing off 2020's revenue targets. Global stock markets, which for a while have been resistant to the outbreak, have now begun to plummet, with many analysts now revising forecasts for China's economy (with some saying it could lead to a technical recession). In 2003, with SARS, the impact of China's economy taking a hit was more of a big ripple; this time around, with its 16% share of global GDP, it's expected to be a wave.

More positively, February is also the month of my birth. And in the spirit of contemplating the future – against a backdrop of genuine global uncertainty, refocusing our minds on what truly matters – we take a look at what the future of luxury (or more accurately the luxury of the future) might be. There's also a round up of news stories from around the sector.


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FUTURE GAZING

"What will luxury be in the future?"

This is one of the most common questions I am thrown during interviews, meetings and at public speaking engagements. It's particularly interesting that this order of words is most often chosen, as it rarely represents what the person asking it actually means. What they usually mean is: "What will *be luxury* in the future?" – an entirely different question.

To the first question, the answer is straightforward: true luxury will always be a rare, high-quality alternative to the mundane. However, there is no easy answer to the second question (the real one).

What counts as a luxury depends upon time-limited, environmental factors. Technology is one of the most obvious of these; the speed of technological development, incentivised by market competition, means that technological improvements rarely remain 'luxury' for long. This is not to say that every technology is eventually for everyone, but keeping innovations limited to an anointed consumer class is practically impossible. Sooner or later, a competitor will seize the opportunity to adapt a 'luxury' technological innovation for the mass market.

Another time-limited factor is human & social change. Populations grow. Economic hegemony sways from one side of the world to the other. The world's problems evolve and are reprioritised. Some luxuries, such as fur coats, switch from being desirable social assets to immoral, guilty indulgences.

Also, luxury is more of a product of what it is not than what it is. And it is normally very simple, despite its common associations with gilded ornateness. Lying flat on a bed for 12 hours is not in itself a luxury – but it is when 80% of your fellow passengers are sat bolt upright. This is why, for some, luxury has a strong whiff of snobbery; being a luxury consumer is the opposite of being egalitarian.

This is connected to the global economic system, another environmental condition affecting how we perceive luxury and how it evolves. Capitalism triumphed over the world long ago, dragging more and more people out of poverty and driving real wealth growth and wealth disparity in equal measure - the latter being the main reason for the developed world's continuing flirtation with socialism. Were true socialism to replace capitalism the world over, socieities would be made to be 'equal.' Luxury would have no place, except in the imagination (and potentially the black market). It is capitalism that allows the concept of luxury, and aspiration to luxury, to thrive.

And so all predictions of 'what will *be luxury*' in the future usually assume these conditions will remain.

“In metropolitan real estate, storage space already has a higher cache than a marble fireplace …”

Taking this assumption, we have slightly more solid foundations on which we can build some predictions of what consumers will consider to be the highest possible luxuries in the coming decades.

Nature

Assuming the onward march of capitalism and technology, not to mention the slightly alarming growth in the global population, it seems highly likely that the natural world – the raw, untouched natural world – will increasingly be considered a luxury. A place to forget mass-urbanization, city living, cranes and concrete towers. Manufactured metropolitan nature will likely be thought insufficient, although it’s probable that residential and business properties with remnants of nature will have a far higher value than those without. This luxury isn’t due to environmentalism but to the recalibration of the way the wealthy of the world are choosing to live; in salubrious, well-connected urban landscapes with friendly business environments. The limited supply of these environments causes urban intensification within them. Once nature becomes less immediately available and more remote, it will achieve the same status, and cost, as an African safari.

Space

Linked to the expected rapid increase in the global population and the unequal share of the population between global megacities and other locations, space will become one of the most important points of differentiation between luxury and non-luxury. In metropolitan real estate, storage space already has a higher cache than a marble fireplace amongst the very wealthy, who only want to live in certain neighbourhoods and are increasingly living in smaller spaces. Space as a luxury will also matter when it comes to transportation, travel and entertainment. As individual transport becomes a more demonised & taxed activity, it will revert to its state of being an elite enterprise after a mere century of democratization. Having a personal vehicle – let alone an elite marque – in urbanized environments may eventually be seen as a lunatic indulgence, but one which comes with the ambrosia of personal space and security; distant fantasies for those in public transport.

Privacy

Already a cherished asset, privacy – in a globalised, more transparent, more populated and connected world – is likely to become the number one privilege of choice. Certain privacies, such as avoidance of social sharing, will be easier to obtain but others will remain elusive. As mentioned above, the push towards shared transport will increase its stock. Also, the advances in technology that make invisibility and anonymity harder will make experiences offering even temporary privacy - respite from a surveillance world - a luxury. Similarly, the increase in population in urban areas will make ‘observed living’ more of a reality. Properties that are not overlooked, as well as those in ironclad conservation areas, will benefit the most.

Sector updates


Image: Knight Frank

Many sources, including **Knight Frank**, are reporting the return of the London luxury real estate bull. Forecasters had expected a significant knock to the market for London homes over £2m ($2.6m) after the Brexit referendum result in 2016, with some predicting a top-end crash once the UK had actually left the EU. It just hasn't happened. Instead, 2019 was the third annual increase since 2016 and the last three months of the year saw an increase in sales of 34% in the most expensive postcodes. Interestingly, a huge chunk (34.6%) of the buyers in recent months have been financiers, indicating a complete reversal of the City elite's 'scramble out of London' that was foretold in 2016. It occurred to Barton that this news may be welcomed by a good chunk of London's luxury businesses, beyond the realtors, architects and design firms that cater to this valuable audience.

Luxury brands have begun responding to the impact of the Coronavirus – and not just to their anxious shareholders. LVMH and Kering have made donations of $2.3m and $1m respectively towards Chinese Red Cross organisations to help them acquire more medical supplies. L'Oreal, Estée Lauder and Swarovski are amongst others to have made smaller donations. **Dolce & Gabbana** have gone further and partnered with Humanitas University to fund a COVID-19 research project, looking into its effects on the immune system with an aim of developing interventions against the disease. Cynics have pointed out the link between the threat of an ongoing virus crisis and the impact on business bottom lines. It's a position that Barton considers has some merit. After all, Chinese consumers are estimated to represent 80% of the growth in luxury sales.


Image: GQ


Image: Sinot Architecture & Design

Superyacht fake news bobbed up again this month, following last summer's false speculation about world's richest man Jeff Bezos being the owner of the new 136m (446ft) *Flying Fox* – an awkward bit of false flagging as it prompted fury from disgruntled Amazon employees. This time it was the world's second richest man – and known superyacht charter client - Bill Gates. Gates, it was announced, was the owner of a new $644m hydrogen-powered eco superyacht, produced by **Sinot Architecture & Design**. Whilst the yacht's high-tech, eco credentials would chime with Gates and his Foundation's recent increase in donations towards ecological causes, Barton thinks it doesn't really match Gates' well-known luxury agnosticism. Though he does charter some huge yachts, recently bought a Porsche Taycan & own a fair few homes (but nothing compared to Bezos or Larry Ellison's portfolios) Gates has never been one to splash the cash on big indulgences.