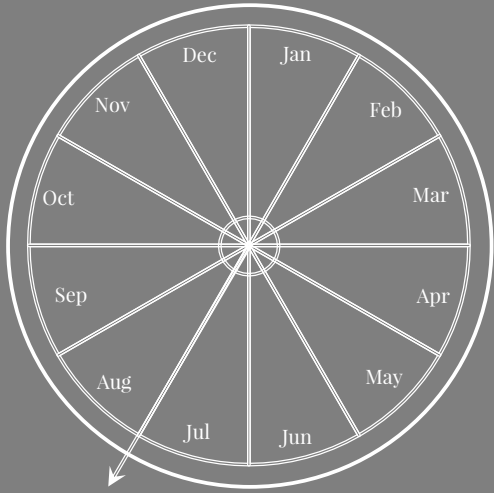


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We might look on 2020 as the summer that never was. Just as lockdowns across Europe began to ease, and people sought to resume their daily lives and their desire for a summer break, lawmakers and experts panicked and warned of a second wave caused by the importation of the virus from abroad, resulting in the cancellation of long-hoped-for foreign holidays and, worse, the prolonged desperation of the travel industry to get back on its feet.

Earlier this year, Barton produced a report for ILTM (available here: iltm.com/universe) pointing out that far more people lose out from the cancellation of luxury holidays than the wealthy travellers themselves. So many countries across the world are heavily reliant on tourism, and luxury tourists – as the largest spenders – often bring the most value. For this isn't just about international corporations running hotels and airlines. This is about small businesses, boutique residences and hotels, restaurants, cafes, leisure equipment vendors, street stalls & taxi drivers. In many countries, the disproportionate wealth that international arrivals bring is relied upon to put food on the table, to pay for healthcare and to enable these business

owners to look after their family. Without the kind of protection for employees and businesses that has been provided in some wealthy countries, these individuals simply go without and, most often, lose their livelihood. There have been some cheering the decline in global travel during the pandemic – a period some are now dubbing ‘The Great Pause’ – and there has been particular praise for the fall in the use of commercial aviation by environmentalists, whose sole focus is the reduction of carbon emissions, and who may not be cognisant of the fact that many in the developing world are suffering because of this.

All this reminds us that there are always unintended and undesired consequences to actions or accidents of great change. In this month's article, we address the impending revolution of the great cities of the western world, which have long been the beating heart of nations and the home of the aspiring, high-earning professional class. With ‘working from home’ now set to become a permanent offer made to many professional employees, we examine what that means for the future of the metropolis. We also have a round up of the month's activity from around the luxury and prestige sectors.



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SCRAM FROM

THE CITY

The story of wealth of centuries past is the story of the metropolis. To acquire wealth, it required being exposed to the opportunities, networks, businesses and professionals that populated a major city. Land value and an ever increasing population and demand for housing meant that by the end of the 20th century, family homes became unobtainable for even relatively well-off individuals in the most salubrious neighbourhoods. The middle-class families that lived in large West London townhouses in Victorian times have been replaced by High Net Worth individuals, often from outside the UK.

Across the pond, the tale of modern New York is the gentrification of neighbourhoods that were formerly industrial or crime-ridden. Tall buildings were constructed due to the lack of land on Manhattan island, not, as is the modern trend for skyscrapers, because of the egos of the landowners. The city's once tree-lined avenues became ever more shadowy with canyons of concrete and glass.

When China's ambitious population flocked to the nation's giant cities to become wealthy, it reaffirmed the importance of the metropolis as the citadel for the millionaire.

Around the world, investment has poured into commercial and residential city real estate. For the right location – and a shorter trip to the workplace – city residents became content with less and less space to live. Four person families moved into tiny two bedroom flats to be close to a park. Oxbridge educated professionals shared the huge cost of accommodation by living together in huddled conditions, reminiscent of the living arrangements of the working class in the 19th century.

And then came COVID-19. And with it, global Governments' mandated 'working from home', housebound quarantine and a shutdown of all that made city living worthwhile.

Now, the new luxury residential paradigm is countryside living. Far away from the city, families have been working from home, in the lush greenery, quietness and freshness of life away from concrete. Those fleeing New York to the Hudson Valley have woken each morning to the smells of the forest and the sound of the birds – instead of the sirens and detritus of a Manhattan street. The contrast is palpable and is all made possible by the genius of the internet.

Instead of city parks, a low crime rate and good transport links, wealthy families now dream of larger homes with dressing rooms, saunas, walled gardens, swimming pools – and 'his and hers' home offices in the remote countryside. This dream could very soon become a reality. Many businesses that once operated out of vast city centre offices are reconsidering their necessity. As a huge proportion of the senior workforce commute into town from nearby suburbs or from cramped apartments, and can perform their job just as effectively – as COVID-19 has apparently proven – from pretty much anywhere, then it not only calls into question the need for the grandiose office space and the boxy flat, it also calls into question the need to be in the London suburbs at all.

Where does all this lead? Some have already written obituaries for the metropolis as we knew it. That great swirl of people – millions at a time – who descend upon a tiny area of land is now considered an anachronism. The little rows of 18th and 19th century townhouses

“There is no doubt that the process of life in the city had become entirely imbalanced, not to mention out of step with the expectations of its elite....”

and the grand apartment blocks of the 20th century are quickly gathering museum status. But is the ‘city’ – a concept older than all current civilisations – really dead?

We are naturally attracted to congregations of people – it’s why we prefer restaurants with a buzz or continue to attend live music events. We are drawn to life, we can’t help it. Though there is beauty in a quiet village or serenity in a tree-lined country estate, they will always lack the human energy that emanates from a city. When people from a wide variety of places congregate in the same place for work, it encourages social exploration and relationship building, knowledge sharing, learning and discovery – which human beings find enjoyable as well as useful. Removing that and making them interact via video and phone calls removes part of that relationship and downgrades it.

There is no doubt, however, that the process of life in the city had become entirely imbalanced, not to mention out of step with the expectations of its professional elite. High earners – who are otherwise luxury consumers – would work long hours and cram themselves onto overpriced trains at either end of the day. Car parks in commuter town train stations were filling up with Range Rovers, Porsches and Maseratis. It became clear that a group of people with sophisticated taste and entitlement – people of influence and status – were being reduced to the ignominy and discomfort of commuting. It couldn’t really last.

Of course, for some, the city still holds a strong attraction. The young, affluent and unattached are unlikely to want to give up metropolitan life – with all its possibilities and entertainment – for the quiet of the country. Some may be attracted to nearby commuter towns for a chance of outdoor space (so valuable in the recent pandemic) but as the data is already showing, many of these HENRYs want their offices to reopen and city life to resume.

Another group that will most likely continue to see value in the city is the international jet-set of UHNWs. This is a group who already have a number of properties around the world – in some of the most pristine and sought-after locations – but still see an attraction in the lifestyle and opportunities of a great city, particularly its congregation of nationalities, cuisine, arts & culture.

For the family-stage high-earners currently based in the city or in a commuter town, the metropolis will have less of a pull. Though they may still work in organisations based there, this will be mainly from home offices. Large secluded homes deep in the countryside may attract some, although many may miss the city lifestyle too much initially and strategically locate themselves near to a smaller town.

There are undoubted benefits to such a life. Not needing to commute – particularly in discomfort at unhealthy hours – will be a big advantage. Wealth will spread across a greater geographic area, instead of being highly concentrated within large cities, bringing civic status and expenditure back to remote locations. Working parents will be able to spend more time with children, a huge lifestyle benefit particularly when they are young, and single breadwinner households may improve relationships which have been under strain given their lifestyle disparity.

There are of course risks to such a life. The balance between work and leisure is less certain. Work life and home life will bleed into each other until they are one and the same. And unless you are particularly neighbourly, social life outside of the nuclear family will take a hit. The lifestyle of going to the office, having a drink with colleagues or dinner with friends, will be gone. On balance, these may be consequences that family-stage individuals are prepared to accept. And they may look forward to a return to the city when the children have flown the nest. But the absence of the city in their lives – and their absence from the city – will have a lasting impact.

Sector updates



Image: FAI

The **private jet** market is booming as very wealthy consumers steer clear of chaotic commercial travel hubs and an increased risk of infection. As the demand for commercial flights plummets, the demand for private flights is soaring. In Russia, the increased demand is largely down to wealthy individuals bypassing the strict anti-virus measures on travel to get to their remote second homes in the South of France, Italy & Cyprus. In the Bahamas there is now a ban on most commercial arrivals, but all private jet arrivals are welcome (provided a negative COVID-19 test result is provided). However, this increased demand is also dragging in those new to private aviation, including individuals who have never considered it before. Barton thinks ‘private privilege’ for these virgins could become quite a tricky habit to break, even if ‘normal’ returns.

Second quarter reporting proved as grim as expected with both **LVMH** and **Richemont** issuing warnings that June’s recovery – particularly sales in Europe and the US – was still very weak. Three month sales for Richemont through June were down 60% in Europe and the Americas, whilst they were only down 30% in Asia. LVMH reported an organic slide of 38% for the group overall but *“a marked improvement in trends in Asia, with a strong rebound in China in particular.”* Of course, the obvious point is that without travelling Asian consumers, Europe and American sales cannot be relied upon. The larger point, Barton notes, is that it proves the exceptionalism of the Chinese consumer, but also the dangers of increasing dependence on that consumer. In March, Barton pointed out the inevitable Chinese spending recovery will only bring temporary cheer; the long term impact of losing ‘home market’ consumers is looming.



Image: LVMH

The luxury department stores **Harrods** & **Selfridges** recently announced huge job cuts. Harrods cut 672 jobs, around 14% of its total workforce of 4,800. Selfridges cut 450 jobs, also 14% of its total, although this is expected to be across its four stores. Naturally, the forced COVID-19 closure – three months in total – and subsequent social distancing requirements on reopening were blamed for the slump but Barton thinks the larger factor is the loss of international travellers who make up such a huge part of luxury department store clientele, particularly the loss of a wealthy Middle Eastern contingent who usually make annual trips to London during the summer and spend heavily on VAT free luxury goods. With these individuals still absent from London, even as the stores reopened earlier this summer, it provides a harsh reminder of the fragile, international nature of luxury commerce.



Image: Harrods