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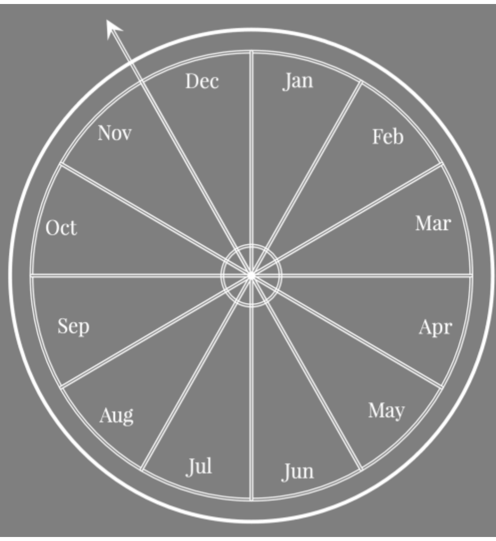

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LUXURY CONTRADICTIONS

Luxury is no stranger to contradictions. However, the strange events of the past 5-10 years have produced some truly confusing counterpoints. One contention is that luxury should be about elevating, making something (or someone) more elegant, more refined. So how does that square with expensive casualwear and limited edition "graffiti" trainers?

Another contention is that luxury should be special, unusual, an occasion: and yet the onslaught of information from social media and elsewhere suggests it is now a standard daily diet.

Two really big things have been happening in luxury recently which test its comfort with such contradictions. The first is the precipitous decline in secondary market prices for watches.

The peak for most luxury *horlogerie* brands and models was reached in 2022. The market for luxury watches had boomed during the pandemic years (2020-2021), as uncertainty (and not a little boredom) led purchasers to begin behaving more like investors. Total sales in second-hand online watch markets like Chrono24 ballooned. In 2020, its Gross Merchandise Value (GMV) was around $2.4bn, by far the largest secondary watch market in the world. But by 2021, this had grown to $3.5bn, around 45% year-on-year growth. By 2022, the GMV was up to $4.5bn, with an enormous year-on-year growth in the US market of 62%. The fundamental value behind the product being bought and sold was simple: rarity.

The rarer the model, the higher the second-hand price. Watches such as the Rolex Daytona "Panda" officially retailed at around $15,000 (if you were lucky enough to get one). At the 2022 peak, it sold for $45,000. The Audemars Piguet Royal Oak Jumbo was listed at $45,000. It fetched up to $110,000 in the secondary market in 2022. Patek Philippe's now discontinued Nautilus commanded over $200,000.

What has happened to these prices now? Well, the Rolex Daytona "Panda" will still make a profit, selling for around $32,000, but still a 29% decline from the peak. The AP Royal Oak Jumbo suffered a harder fall. It now retails for $71,700, a fall of 35% from the peak. Patek's Nautilus, you'd think (as a discontinued model) may have suffered less, as it now finds itself in short supply. In fact, it now typically retails for around $108,000 – a steep 46% drop from 2022.

Rolex pre-owned listings are now up 25% year-on-year, Patek is up 46% and AP up 25%: a lot of luxury watches are sitting on the secondary market, unsold for many, many months.

Some make the case that this is just a normalisation. Prices are down 37% from the 2022 snowy peaks but they're still up from pre-2022 baselines: in 2010, an average Rolex price was $2,000, now it's $13,400. However, others contend this shows that watches are not a serious alternative asset, with consistent year on year drops showing high volatility. There are signs now, though, that it is maturing. The

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COVID flippers appear to be leaving the market, and the big margins with them. And there is still an expectation of a long-term ROI of around 6-10% for top models.

The big challenge to all this is the increased production in the primary market, with improved access to models. The quality end of the market had boomed on rarity. Rolex steel sports models such as the Submariner, GMT or Explorer had wait times of around 2-3 years, this is down to 6-12 months. The age of the "exhibition only" stores may also be coming to an end, with around half of Rolex models now available at physical retail within months. Whether Rolex and other elite watch brands can maintain the luster of their wares on the perception of (if not in fact actual) rarity remains to be seen.

And then we have the counterpoint: that Lab Grown Diamonds (LGD), which were so spurned by elite brands as "not being real diamonds" are now finding their way into more illustrious maisons. Global LGD sales hit $9bn in 2024 and are projected to reach an astonishing $29bn in 2025. LGDs now boast 20% of the overall global diamond market.

Size is the key, here. For US engagement rings, the average LGD center stone is 2.45 carats. The average size for a natural stone is about half that, at 1.2 carats. The former has a price of around $2,000 – the latter around $19,000. Which explains why 52% of the US engagement ring market is now LGD. The reasons for preferring ginormous, unbranded, chemically identical and perfectly conceived diamonds at a 95% reduction should be obvious. Not so for 70% of US Millennials, who maintain it is the 'sustainability' of LGDs that make them more attractive than mined diamonds, although this seems to ignore the energy use of 2000 degree Farenheit reactors necessary for their manufacture. But the fundamental principle of valuing rarity in luxury is entirely absent here. LGDs have no provenance, no story of being below earth for millennia. They are produced on-demand, rapidly, like fast food.

Imagine a man who has just bought himself a Rolex Daytona, a rare model, for an over-retail price of $32,000, but is reassured by the item's rarity as well as its quality. He knows he won't see anyone at work in one, and he is thrilled by the ownership of such a hard-to-get piece.

The same man then commissions a ring for the woman he loves. But he apparently ignores all notions of prioritising "rarity", as he drops $4,000 on a 3 carat round LGD. Such a rock would have set him back $50,000 had it been a rarer, natural piece of crystallised carbon that had been around since the age of the dinosaurs.

Such a contradiction is now a reflection of where we are in today's fused world of technology and luxury. Of the attraction of ease and yet the lure and prestige of the difficult. How the same person can see instant and delayed gratification in the same light: "Make me a 5 carat rock overnight, but I'll wait 1 year to buy a watch." It could be that we are at the end of the era of brand supremacy: an era when elite brands controlled supply, manufactured rarity and commanded the attention as well as the margin.

LGDs are a brand-agnostic market in a world of democratised luxury consumption. De Beers shut down their retail LGD Lightbox operation due to crashing market prices: brand has little power in such an arena. Until the day someone is able to 3D print a Patek, it seems that the elite watch industry is comparatively safe. But the contradiction in consumer behaviour and rationalisation is with us.

Sector updates

Image: Reuters

2025 hasn't been a great year for luxury goods, and yet, after a disappointing 2024 there were such high hopes. This year marks the first consecutive annual technical decline in the sector since COVID. Last year, personal luxury goods spending was around €364bn. This year, it will be around €358 bn, according to **Bain & Company's** 24th edition of the Luxury Goods Marketplace Study. Of course, some of this was painfully predictable. Barton had also made warning sounds. We knew from our own studies, years ago, that luxury consumers were turning against heavyweight brands because of their price hikes, their obsession with chasing new money purchasers, their faddish launches and dubious figureheads and their sense of complacency. Of course, some of this is part of a move towards more discretionary expense on experiences, particularly amongst the aspirational consumer tiers, but a lot of it is about a loss of a sense of value. For years, brands could laugh off such complaints by simply looking for the next consumer. Now, that isn't so easy.

Luxury train journeys are launching all over the place. The Spanish luxury train **"Al Andalus"** is expanding beyond its Andalusian homeland to offer a seven-day itinerary linking Seville with Madrid. Launching next spring, this journey takes passengers through delights such as Cordoba, Cadiz, Merida and Toledo. With overnight stays in local hotels as well as onboard, this journey will be a great enabler of tourism to lesser known towns. **Belmond's** VSOE has also launched a new journey, this time to the sun-drenched Amalfi Coast. The "Villeggiatura by Train" also launches next spring, leaving from Paris, down through Provence and then Tuscany to Rome, followed by a visit to Pompeii. From there, a private boat transfers guests to Ravello. Arsenale also recently opened pre-reservations for **The Dream of the Desert**, the long-awaited luxury train in Saudi Arabia, not long after it launched the train's visuals (right).


Image: Arsenale S.p.A


Image: Mandarin Oriental Vienna

Whilst everyone else was busy opening hotels in London in 2025, **Mandarin Oriental** was restoring early 20th century properties across Europe. After they moved into the historic Art Nouveau Parisian palace Lutetia, they were preparing for two more European openings: one, a ski resort hotel in the elite Italian village of Cortina, in the historic Art Nouveau (again) Cristallo hotel (due to open next year). It only made sense then that they'd complete the set by opening the Mandarin Oriental Vienna in late 2025. Located in the Ringstrasse, and originally built as a Gerichtsgebäude (courthouse) in, you guessed it, Art Nouveau style. At the heart of the hotel is a "beautifully restored courtyard" whilst rooms boast "Seccessionist-inspired" fabrics. Following resort launches such as Costa Navarino in Greece (new build) and Punta Negra in Mallorca (2026), there'll be more Art Nouveau for them to contend with, opening in the legendary Gellert in Budapest in 2027.