SPECIAL REAL ESTATE REPORT

RETAIL MECCAS

AN EXTENSIVE REPORT ON THE 15 HOTTEST GLOBAL CITIES FOR FASHION-STORE OPENINGS, PLUS A PREVIEW OF ICSC RECON AND A LOOK AT THE FAST-GROWING OUTLET BUSINESS. PAGES 8 TO 28

WWD

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Sea Through

MONACO — It might rarely rain here, but storm clouds and a moody Mediterranean added a dramatic effect to Dior's resort show, held Saturday in a window-lined space looking out over the port. As for the clothes, artistic director Raf Simons veered into a direction he's never before gone: lace. "I thought it's kind of old, and too romantic…," Simons said. "And suddenly I thought, it's a challenge to make it modern and edgy." For more, see pages 6 and 7.

PHOTO BY STEPHANE FEUGERE

A MULTIPRONGED APPROACH

Macy's Outlines Plans To Continue Momentum

By DAVID MOIN

AT MACY'S INC., the pressure is on to keep its growth streak going.

In reporting first-quarter results last week, Macy's posted its 13th straight quarterly comp gain of at least 3 percent and said top-line sales rose by more than $1 billion in each of the past three years; that earnings per share have improved for 15 quarters in a row, and that the company is approaching its goal of a 14 percent operating earnings rate, after last year's 13.4 percent.

"Given the strength of these numbers, I am often asked, 'Can Macy's Inc. keep up the progress?'" Terry J. Lundgren, chairman, chief executive officer and president, told shareholders at the company's annual meeting in Cincinnati Friday. "Do you still have workable new ideas for improving the business? The answer is an enthusiastic yes. Our company is alive with activity. We have lots of ideas."

Lundgren proceeded to spell out Macy's key growth strategies, which revolve around omnichannel initiatives and shipping online orders from stores; targeting Millennials, and testing with new technologies, though Lundgren assured the crowd of about 250 shareholders and a few dozen Macy's executives that the company will remain "rooted" in brick and mortar.

Macy's growth appears to be coming more from the Internet, where sales gained 41 percent last year. Still, as Lundgren reiterated, "We are rooted in brick-and-mortar stores, and make no mistake about it, this is absolutely critical to our future. Stores are where customers can touch and feel the quality of products and interact with associates." They also play a role in generating online sales, since 292 Macy's stores are equipped to fulfill orders placed online. By yearend, 500 will have the capability.

Underscoring the brick-and-mortar philosophy, Lundgren said Bloomingdale's will open a

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LVMH Denies Report of 'Secret' Hermès Strategy

By MILES SOCHA

PARIS — Unexpected windfall, or meticulously planned attempt at a creeping takeover?

LVMH Moët Hennessy Louis Vuitton said it will "vigorously" defend itself against the latter characterization of how it came to be the second largest shareholder in Hermès International.

The luxury group issued a statement to that effect Saturday in response to a front-page article in Le Monde which detailed findings of a French market authority, AMF, probe ahead of a May 31 meeting of the AMF's sanctions committee.

Revealing leaked details of a 115-page report compiled by the AMF, the French newspaper reported that LVMH began building its stake in Hermès as far back as 2001 via subsidiaries in various tax havens, employing the code name "Mercure" for its investment operation.

The company resumed its quiet accumulations — in amounts below mandatory disclosure thresholds for public companies — in 2007 via equity derivatives through financial intermediaries, Le Monde said.

Its article ran under the headline "LVMH's very secret plan."

The findings appear to fly in the face of claims by LVMH that it came almost by accident to hold a hefty stake in the famous maker of Birkin bags and silk scarves.

Speaking at LVMH's annual general meeting here last month, chairman and chief executive officer Bernard Arnault reiterated that his intentions toward

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Retail Meccas

Where's the action in fashion real estate? WWD reports on the 15 cities around the world that saw the most store openings last year, based on an extensive survey conducted by the Location Group in Zurich, as well as the hottest neighborhoods for the next wave of openings.

1 NEW YORK

DEMOGRAPHICS
Population: 8.24 million
Population change: +1 percent (from 2010)
Population projection: 8.69 million by 2020
Per-capita income: $31,417 (median household income: $51,270)
Disposable income: $43,524
Key industries: Finance, media, entertainment, tourism, legal, telecommunications, fashion, trade
Fast-growing neighborhoods: Battery Park City, Manhattan; Charleston/Richmond Valley/Tottenville, Staten Island; Morrisania/Melrose, Bronx, and Bedford-Stuyvesant, Brooklyn
Major development projects: Hudson Yards, World Trade Center, World Financial Center, Whitney Museum (Meatpacking District), Willets Point redevelopment, last leg of the High Line

RETAILERS ARE IN AN EMPIRE state of mind.

New York topped the list of the 15 hottest cities for fashion retail openings last year in a survey by the Location Group in Zurich. Based on the number of new store openings in 2012, the city captured the top slot with 71 new fashion stores.

The strong demand for real estate in New York shopping corridors has given landlords the confidence to raise rents. The 52 million tourists who visited last year — the most in the city's history — have added to the allure. Last month the city's unemployment rate dropped to 8.4 percent, its lowest level in four years, which bodes well for the economy.

Increased office occupancy and high-end residential development are creating demand for better shopping options. Some retailers are realizing that there are more potential distinct markets in Manhattan for a rising brand than simply the East Side, West Side, Midtown and Downtown. For example, the World Trade Center and Brookfield Place in the Financial District are bringing a total of 615,000 square feet of retail space to the market. In addition, the Fulton Street Transit Center will have 70,000 square feet of upscale retail space to fill, and the South Street Seaport is looking for tenants.

Hudson Yards, the ambitious redevelopment project on Manhattan's far West Side, will create more than 1 million square feet of retail space, while Youngwoo & Associates is designing and developing Pier 57 with 425,000 square feet of retail space.

"New York City is like another country," said Jeffrey C. Paisner, partner in Ripco Real Estate. "Nowhere else in the country are you seeing real estate values and prices accelerating like they are in New York. There's an enormous amount of tourism and an enormous amount of local wealth. From a demographic point of view, the consumer base is ready, willing and able to consume. There's also the supply-and-demand factor."

Demand has been outstripping supply on many prime shopping thoroughfares. That accounts for the average ground floor asking price of $3,052 a square foot on Fifth Avenue between 49th and 59th Streets, according to a spring survey by the Real Estate Board of New York.

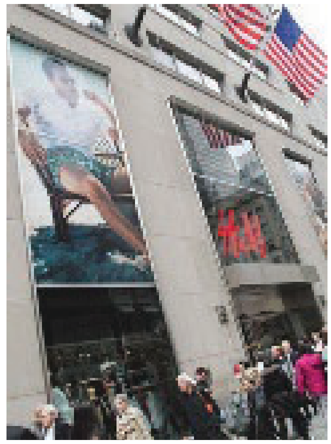
Muji and H&M in Manhattan.

Still, those that want marquee visibility say Manhattan is worth the price. "It's an international hub," Joe Fresh founder Joseph Mimran said of Manhattan. "It's almost a country in its own right, from a retail perspective. We knew New York would be a gateway to the world and provide us with exposure to local and international consumers."

Joe Fresh in 2011 opened its first store outside Canada in the Flatiron District. "New York is a media hub," Mimran added. "It's one of the most competitive retail markets in the world. If you can stand out in this market, it bodes well for international exposure."

Besides the Flatiron District, Joe Fresh operates stores on Fifth Avenue and 43rd Street, and on Madison Avenue. Each neighborhood has a different character, said Mimran. "We're interested in expanding across New York City and are exploring new opportunities from SoHo to Brooklyn. There are many other retail opportunities with great potential, especially downtown, with the new World Trade Center."

"Each of H&M's 11 Manhattan locations has its own unique character," said Daniel Kulle, president of H&M North America. Stores such as the flagship at Fifth Avenue and 51st Street and units in SoHo, Herald Square, The Shops at Columbus Circle and Penn Station cater to local and tourist traffic, while units on 125th Street, Lexington Avenue at 86th Street, and Fifth Avenue and 18th Street "serve more of a local customer base."


PHOTOS BY KYLE ERICKSEN

H&M plans to open three stores in the next year, including its largest unit in the world at 589 Fifth Avenue and stores at 4 Times Square and Fulton Street. "We believe in the continued potential of New York," Kulle said. "Although we don't have plans for the Meatpacking District, Lower Manhattan, the Bowery, Hudson Yards, The World Trade Center or Brookfield Place, we would not rule them out for the future."

"There's been a seismic shift in terms of new leasing opportunities along the West Side," Paisner said, citing the World Trade Center and Brookfield Place downtown, and the Meatpacking District with the Whitney Museum opening and the redevelopment of properties along the High Line extending northward.

Hudson Yards will bring "an interconnectedness to the West Side," he added. "There's tremendous energy and infrastructure coming to the West side. The 7 train will be extended.

"There's not enough real estate for all these people," Karen Bellantoni, executive vice president of Robert K. Futterman, said about the number of retailers looking for space on the busiest streets. "Times Square inventory is very limited, the Flatiron is very limited and SoHo is very limited."

— SHARON EDELSON

HOT SPOT: THE BOWERY
An influx of upscale housing on the Lower East Side has made the Bowery attractive to certain retailers.

"There's some very expensive apartments," said Karen Bellantoni, executive vice president of Robert K. Futterman, "and restaurants filling in. It's made the neighborhood extremely desirable to live in. It's the last little bit of New York that has real New York flavor. "

John Varvatos and Blue & Cream were early settlers in the neighborhood. Muji recently unveiled a store on Cooper Square.

Emerging neighborhoods such as the Bowery are considered to be distinct enough to support brands with existing stores in as close proximity as SoHo. For example, Curve operates a flagship on Mercer Street and will unveil a store on Bond Street in the summer. Intermix is adding a unit at 332 Bowery to its roster of stores on Madison Avenue, Fifth Avenue, Columbus Avenue, Prince Street, Bleecker Street and Washington Street.

"You lose a little bit of the tourists on the Bowery," Bellantoni said. "But the rents are cheaper."

2 LONDON

MAYFAIR IS KNOWN TO TOURISTS and locals alike as an eclectic shopping hub, each street with its own personality. Regent Street is a medley of high-street and luxury brands, and while Bond Street and Dover Street cater to a fashion-forward, upscale set, Mount Street, with its mix of large and small international brands, also attracts deep-pocketed shoppers. Oxford Circus, meanwhile, offers fast fashion to young shoppers with stores like Topshop, Benetton, Hennes & Mauritz and NikeTown.

It's no secret that sales at big brands are flourishing in London due to the international, big-spending traveler rather than the increasingly cash-strapped and cautious locals.

"Overseas visitors are driving sales growth," said Michael Ward, managing director of Harrods, late last year during a roundtable breakfast sponsored by Walpole, the organization that aims to promote British luxury brands.

He said the Chinese, African, Thai, Indonesian and other Far Eastern tourists want super luxury brands. According to a recent report by Walpole and Ledbury Research, Americans remain the most important nationality of luxury visitors to the U.K., while the Chinese are the fastest growing group of luxury shoppers.

Retailers on and around Bond Street are certainly not resting on their laurels. The New West End Co., which represents businesses around Bond Street and Regent Street, has recently formed the Bond Street Retail Group. It comprises senior directors of various retailers who will manage a new multi-million pound investment and help curate the retail future — and infrastructure — of Bond Street.

Gary Saage, Richemont's chief financial officer, said during a conference call this month that more than 50 percent of Richemont's retail sales in Europe in the 2012-2013 fiscal year were from people who don't live there. "European [growth] is down to tourist destinations. Domestic locations don't perform as well. Clearly, tourism is the main driver in Europe, and a large component of that is Chinese tourism."

That said, the line between high end and high street is not as distinct as it once was. "An element of blurring is beginning to occur, especially due to the number of American brands that are moving in. Seeing themselves as more high end than high street and with considerable means, they have been able to position themselves in premier shopping locations accordingly," said Richard Scott of Nash Bond Retail Property. "Abercrombie & Fitch on Savile Row, for example, and Victoria's Secret on Bond Street have completely subverted London's previously strict and unspoken rules regarding luxury shopping. There are subtle tiers within each of these retail areas for each brand. For example, Bally is moving its location after realizing it was going to be situated next to Victoria's Secret, clearly suggesting it felt it was not an appropriate pairing."

Scott said he believes the "blurring" is pushing a number of high-end brands toward Piccadilly, for a variety of reasons.

"Many brands are not right for Bond Street.


Burberry on Regent Street.

They want something smaller and more special. John Varvatos' first store outside the U.S. will be on Conduit Street," noted Scott. "Bond Street is touristy, and the brand has to be huge to be able to afford the location and be as big as 'Bond Street.' For example Chanel is paying in the region of 6 million pounds [$9.3 million] per annum for its Bond Street space. When you compare this with the 3 million pounds [$4.65 million] that Burberry is roughly paying for its Regent Street flagship, you can see the space is only available at a premium. That said, having a store on Bond Street can launch you in China — having a store there proves you have become a luxury brand."

A spokesman for Adidas, which owns the upscale Y-3 label, offered, "Mayfair represents a diverse mix of brands from premium up to luxury. There has always been the loyal, high-spending customer, but now it also attracts young, creative professionals. The area was chosen because it is ideally located in central London but still retains a special charm and character. We love the heritage of Bond Street and Savile Row, but for Y-3, being a modern, contemporary brand, we felt Conduit Street was ideally suited. It already has brands such as Yohji Yamamoto and Vivienne Westwood, which we felt we could add to."

Regent Street has also been flying high with openings of Burberry's largest flagship and stores for Jack Spade and Juicy Couture. Plus, J. Crew and Longchamp are slated to open later this year.

"London was an easy decision, and Regent Street is the heart of London's premier shopping district," said Millard "Mickey" Drexler, chairman and chief executive officer of J. Crew Group. "It's a place where people understand and respect the integrity of great style and design."

Bond Street has seen an influx of standalone stores ranging from Tara Jarmon to Bottega Veneta to Victoria's Secret. Openings on tap this year include Belstaff and Chanel, with Fendi coming in 2014 and Zegna tearing down its old store and expanding with a bigger one next year.

"Conduit Street was great, and it did well for us, but only if you knew about us. By returning to Belstaff House on Bond Street, we are bringing one of Britain's best heritage brands back to one of the most renowned shopping streets in the world," said Harry Slatkin, chief operating officer of Belstaff. "This is a big moment for us — this is Belstaff returning, firmly establishing ourselves as a British brand; embracing our heritage and demonstrating our modernity. We hope that with our new premises we can expand our customer base, reach out to people who may not have heard about our heritage and capitalize on Bond Street's ability to draw crowds."

Dover Street has seen the recent addition of Jimmy Choo Men, Christian Louboutin and McQ stores.

"Dover Street is fast becoming a shopping destination for a discerning international customer looking for luxury fashion and cutting-edge designers," said Pierre Denis, ceo of Jimmy Choo, noting the new store is a key next step in the growth of the brand's men's business.

Dover Street is also home to stores including Dover Street Market, John Rocha, Acne and Vanessa Bruno.

Mount Street has added a few famous names to its retail roster, including Oscar de la Renta and soon-to-open Céline.

"Brands like Marc Jacobs, Céline and Oscar de la Renta are looking for something alternative,something off the beaten track," said Helen Franks, director of commercial leasing at Grosvenor Estate, which owns the area. "These are brands that don't want the hype of Bond Street. They want something more discreet and less obvious, which we feel we have achieved with Mount Street. North Mayfair is now a place we [want] to reposition, in particular Duke Street — leading toward Oxford Street and Selfridges. We hope to bring a number of high-end brands here, but also up-and-coming designers who would be unable to afford the high rents of Bond Street. This is an area that's not yet on the map, but it will be."

Retail in London continues to thrive despite the challenging fiscal climate.

"The West End is an incredibly resilient area, even in the toughest of economic climates as we are experiencing currently," said Will Moss, head of Central London retail at estate agents Strutt & Parker. "In fact, it has actually bucked the trend, reporting consistent retail growth. The spending patterns of the highest net worth individuals has not been affected at all, due to the fact that London is a world-class shopping destination. We are spilling over into previously less-fashionable areas off Regent Street and Piccadilly as the West End continues to grow."

— LORELEI MARFIL, WITH CONTRIBUTIONS FROM WILLIAM DE MARTIGNY

DEMOGRAPHICS

Population: Just more than 8 million
Population change, past five years: +6 percent
Population projection: Just more than 9 million by 2020
Per-capita income: Analysts forecast that London's GDP per person will increase from $65,698 (40,432 pounds) in 2010 to $95,266 by 2025 — a rise of 45 percent.
Disposable income: Inner London West had the highest disposable income, at 33,323 pounds ($50,874).
Key industries: Real estate, finance/banking, fashion, media, legal, accountancy/consultancy, creative industries
Number of malls: Three in the city of London; 87 in the greater metropolitan area
Mall developments: None
Where the growth is coming from/major construction projects:
International tourists; major developments on Regent Street and Oxford Street by The Crown Estate, Great Portland Estates, Aviva, Prudential and Land Securities; Bond Street development by Great Portland Estates

HOT SPOT: SHOREDITCH

Luxury retailers have set their sights on Shoreditch, in East London, with big brands' less-expensive lines, such as Miu Miu, expressing interest in the East End, say real estate sources.

Shoreditch, once notorious for its poverty, crime rate and bleak former industrial spaces, has emerged as an ultrahip neighborhood with art galleries, bars and emerging fashion labels setting up shop. Spitalfields, Shoreditch and Redchurch Street are all on the rise. A number of luxury brands are looking to these areas, in particular the brands around Dover and Albemarle streets, in a bid to reengage with younger customers on a brand level.

But it will take two or three big brands to make the move successfully for others to follow. While there was talk in the British press of Christian Louboutin, Prada, Ralph Lauren and Vivienne Westwood moving into the neighborhood, they have all confirmed they have no plans to set up shop anytime soon.

With the private members' club Shoreditch House, and nearby Hoxton Square home to Electricity Showrooms and the White Cube Gallery, brands are counting on reasonable rents and the influx of the affluent market.

The Big Draw

WHEN IT COMES to retail real estate, bigger is still better.

The powerhouse metropolitan centers — New York, London, Paris and Hong Kong — are the world's top retail hot spots, accounting for the largest number of new shop openings by major fashion brands.

That is among key findings of the Retail Market Study 2013 conducted by Swiss-based Location Group, a consultancy specialized in retail real estate.

The agency analyzed prime locations in 145 cities around the world, tracking down more than 2,000 openings, offering clues to patterns of expansion of global retail brands.

"The retail real estate world is in the dark. There is no databank saying this location is worth the money and that one isn't," explained Marc-Christian Riebe, founder of Location Group and author of the 1,000-page survey, which focuses on "the most important brands," representing only a single-digit percentage of total new shop openings around the globe.

Additional results of the study, called "Street Front" Online Market Platform, will be available online in September with an alpha version for Switzerland. The platform will contain detailed information, including rents and prices, for 250,000 properties in prime locations of 500 cities worldwide.

"Look at it from the point of view of the manager in charge of expansion," explained Riebe. "Zara opens 500 new stores each year, H&M 250. Zara closes down approximately 25 to 30 of them in a given year, H&M 12 to 13, because they lacked conclusive information about the location at the time of opening. Considering that a new store can easily cost 10 million to 30 million euros [about $13 million to $40 million] in top locations such as Oxford or Regent Street in London, that's a costly mistake."

Riebe said the data provided on the online platform would also reveal some surprises.

Konstanz, Germany, a city located on the Swiss-German border and near Austria and Italy, is a case in point, said Riebe.

"Rents in the pedestrian area of Konstanz have quadrupled in the past seven to eight years as thousands of Swiss are taking advantage of the weak euro to go shopping, causing traffic jams at the border every Saturday. Consequently, Konstanz can show off the highest increase in purchasing power in Europe. You can be sure that is of interest to the brands."

In Germany alone, Location Group counted 187 cities with more than 50,000 inhabitants. "And nobody knows what is happening there in prime locations," Riebe marveled.

The largest cities worldwide remain the biggest draw. "Brands orient themselves according to their competition," Riebe said. "Before they settle at a given location, they will plant an observer in front of a competitor's store, for two to three days a week, who will register how many people go in and how many come out with a shopping bag. It's an obvious decision. Zara wants to be where there is H&M, then Esprit follows suit, and so on. "

The Retail Market Study details the development of commercial real estate prices in the world's prime locations.

"Asia [has had] the highest increase in rent prices," Riebe said.

According to commercial real estate firm CBRE, Hong Kong, home to the world's highest retail rents, has seen rents jump 19 percent since 2011 to reach an annual rate of $42,933 a square meter, or almost $4,000 a square foot, said Riebe.

By comparison, annual rents are at 15,410 euros a square meter ($1,431 a square foot) on London's Bond Street, and $2,625 a square foot on New York's Fifth Avenue. Commercial real estate consultants Cushman & Wakefield reported that annual rents on Paris' Champs-Elysées have hit 18,000 euros, or $23,352, a square meter ($2,170 a square foot).

It takes brands up to two years to find a suitable location in Hong Kong. But stable tourist spending, low unemployment and a strong market growth rate generate strong sales, according to the survey.

Nevertheless, some brands are tightening their belts in Hong Kong. Swedish retailer H&M gave up its flagship, which opened in 2007 in the city's Central District. The slot is going to Zara, which will be paying $1.4 million in monthly rent, or twice as much as H&M, according to Location Group's data.

But this has positive side effects, too, said Riebe. As prime locations on major streets become more scarce, side streets are seeing a makeover.

> "Luxury brands travel in packs. When they see their competitors make a good business in a non-prime location, they are eager to get a slice of the cake."
> — MARC-CHRISTIAN RIEBE

Riebe cites Zurich, where Christian Louboutin set up shop off the beaten tracks on Wühre, next to Zinnengasse, with the most desirable spots already taken. "Luxury brands travel in packs. When they see their competitors make a good business in a non-prime location, they are eager to get a slice of the cake. And so Eres is set to open there soon, Mulberry is about 100 feet away. I bet you, in two to three years, the local shops will have disappeared and Zinnengasse will be a top-notch destination."

The analyst cited a spike in interest among luxury brands to expand in Northern Europe. "They are increasingly eying Scandinavia with Stockholm, Copenhagen, Oslo and Helsinki. These are the cities in Europe that will experience the most significant growth of luxury brands. But also Warsaw," he said.

Riebe calculated Poland's total purchasing power volume at 188 billion euros, or $243.9 billion, "the highest among all Eastern European countries with the exception of Russia and Turkey, which puts the country in an excellent position," he said.

Gambling destinations like Las Vegas and Macau are also booming, said Riebe. "Take Louis Vuitton's latest store opening at the City Center in Las Vegas. It's one of the brand's 10 largest stores and alone generates $40 million a year. A Louis Vuitton store in a major European city makes $20 million to $30 million a year in revenue. Taking into account that Macau's potential is actually about 80 to 90 percent that of Las Vegas, the prospective opportunities there are immense."

— PAULINA SZMYDKE

3 PARIS

Ami and Acne in the north Marais.

ACCORDING TO CUSHMAN & WAKEfield analyst Pierre Raynal, "Paris is the most important destination for luxury retailers in Europe." The commercial real estate expert said this distinction starts at the city's airports, which together see 88.8 million travelers a year, "an increasing number of them coming from Asia," he noted.

"To give you an idea of the gap between Paris and London, which is a [comparatively] attractive city: Paris had 1.1 million visitors from China in 2012, while London had only 250,000," said Raynal. "Moreover, Paris' two main department stores, Galeries Lafayette and Printemps, get 50 percent of their luxury turnover from Asian customers."

This has compelled the boutiques at Paris' airports "to become more and more luxury-oriented," he said. A new shopping zone features high-end brands including Hermès, Prada and Gucci, which links terminals 2A and 2C at Charles de Gaulle Airport, Europe's second-busiest airport, with 61.6 million passengers a year. The zone has even been dubbed "L'Avenue," in humorous reference to Paris' chic Avenue Montaigne.

Charles de Gaulle itself has upped its ante in 2012 with boutique openings including Prada and Miu Miu, as well as a high-end art space currently exhibiting works by French sculptor Auguste Rodin.

Overall, tourism is one of Paris' leading economic sectors. Each year 32.7 million people visit the city, including 13.9 million internationals. Tourism revenue totals about 12.5 billion euros, or $16.2 billion at current exchange, a year, according to Insee, the National Institute of Statistics and Economic Studies.

With 402 trade shows and 1,000 congresses generating 4.8 billion euros ($6.2 billion) of annual economic benefits, Paris is also a leading destination for meetings and the exhibitions industry, attracting 8.7 million visitors per year.

Raynal said luxury hotels are also key. "The opening of the Shangri-La in 2009 and the Mandarin Oriental in 2011, the planned opening of the Peninsula in 2013 and the reopening by the Raffles Group of the Royal Monceau in 2010 illustrate the arrival of new foreign operators determined to benefit from the rapid growth in the number of Asian tourists," he explained. "These tourists, with their enthusiasm for prestigious brands, also attract the attention of major luxury retailers."

Among recent examples, Raynal cited Rue Saint-Honoré, which "saw its status as a major luxury destination reinforced significantly by the opening of the Mandarin Hotel in 2011," next to Hôtel Costes, which, along with the multibrand concept store Colette, has been the street's major attraction since the Nineties.

Tom Ford, who just opened a coed boutique on the corner of Rue Saint-Honoré and Rue Cambon, said the site "was an obvious choice due to the history of these two iconic streets," an area where Chanel's chic headquarters have set the tone since the Twenties.

"We took this space immediately," enthused the designer, adding that "the French are extremely sophisticated and discerning. They recognize true luxury and quality when they see it, and I think that it is for this reason that our stores there have been so successful." These include his men's boutique on Rue François 1er, "a converted *hôtel particulier* that gives the customer a sense of discretion and intimacy while not sacrificing any elegance."

This is despite skyrocketing rents. "Buying commercial real estate in prime locations and their side streets costs 40 to 50 times a year's rent," explained Marc-Christian Riebe, founder of Swiss retail agency Location Group, adding that investors and brands accept these prices knowing that a location will remain prime for the next 20 to 30 years.

The ritziest strip of real estate in the French capital is still the Champs-Elysées, where annual rents have jumped from 10,000 euros ($12,973) a square meter ($1,205 a square foot) at the end of 2011 to 18,000 euros ($23,352) a square meter ($2,170 a square foot) in 2013, according to Cushman & Wakefield.

"The street is one of a kind. It's the most expensive avenue in Europe and the third most expensive in the world," Raynal said. However, the analyst predicts that there will be no more significant increases: "The price will stabilize at 15,000 euros [$19,460]."

On Rue du Faubourg Saint-Honoré, annual rent prices hit 10,000 euros ($12,973) a square meter ($1,205 a square foot), while rents on Rue des Francs-Bourgeois, one of the Marais' main shopping streets, highly frequented by tourists and locals alike, are 4,000 euros, or $5,189, per square meter annually (or $482 a square foot).

But as Damir Doma, the Paris-based designer whose avant-garde fashion is more associated with the artistic Marais quarter, noted: "The problem is these two areas attract a different kind of customer."

Doma, who in 2012 opened his first and only boutique in a courtyard of Faubourg Saint-Honoré next to Comme des Garçons, said, "From the beginning, our expectations were not to attract masses but the right people. And Rue du Faubourg Saint-Honoré gives us a chance to get in touch with a different crowd that doesn't know what we do. These are very international customers, mostly Asians, Russians and Americans, not so many French, and most who enter buy something."

Doma added that "when you are Kering or LVMH, you can wait until it picks up, but for us it was important to have a shop that works immediately, and there are not so many places in Paris where a brand like ours can open a store."

Paying 950 euros ($1,232) a square meter yearly ($114 a square foot), which is significantly less pricy than a location directly on Faubourg du Saint-Honoré, he called the slot a "real opportunity."

"In the Marais," on the other hand, "people don't have much buying power, but it's a great area for our other line, Silent, which has a cheaper price point and is doing really well in little shops in Paris, like Void and Coincidence."

The street has also become a drawing point for brands outside the luxury spectrum, such as & Other Stories, H&M's new brand, which set up a two-level shop here in 2013. "We really like the diversity of Rue Saint-Honoré," explained Samuel Fernström, head of the brand. "Before we opened our own store, we launched our beauty range at Colette during fashion week" to test the location. "We believe that a mix of great stores makes a street a good shopping destination. Our target group is a woman with a love for fashion, no matter what age. We use that concept as our guideline when we are looking for new store sites."

The transactions in the luxury retail market could slow in the coming months due to a shortage of high-quality locations, Raynal predicted. But that will also give rise to new districts.

"The Marais will be the new destination for luxury retailers," the consultant said, naming four key drivers: the opportunity of Sunday openings (which so far are only allowed in the Marais and on the Champs-Elysées); the refurbishment of the former Samaritaine department store, owned by LVMH, to be finished by 2016, which will incorporate a new luxury hotel, the Cheval Blanc; BHV's upgrade into a more upscale department store, and the increase of tourist traffic on Rue de Rivoli, which jumped 20 percent in the last two to three years.

"The only question," Raynal said, "is which [luxury brand] will settle here first?"

— PAULINA SZMYDKE

PHOTOS BY FRANCK MURA

On the street in the north Marais.

DEMOGRAPHICS

Population: 2.3 million (2012)
Population change: +0.7 percent since 2006. Counting the surrounding suburbs, which constitute Ile-de-France, the total population rose 0.5 percent to 11,914,812 in 2012 from 11,532,398 in 2006.
Per-capita income: 32,292 euros (Paris), or $41,608; 23,496 euros (Ile-de-France region), or $30,274.
Disposable income: 24,859 euros (Paris) or $32030; 18,088 euros (Ile-de-France), or $23,306
Number of malls: 17, or one per 2.4 square miles, in Paris; 602, or one per 32.6 square miles, in Ile-de-France (2010)
Key industries: Research and development, tourism, finance, manufacturing, fashion, film

HOT SPOT: RUE SAINT-HONORE/ RUE DU FAUBOURG SAINT-HONORE

In Paris, Rue Saint-Honoré and its extension Rue du Faubourg Saint-Honoré have seen the most action in 2012 and early 2013. Swiss-based Location Group counted 13 major brands opening doors here, including Balenciaga, Chloé, Damir Doma, & Other Stories, Tom Ford and Talbot Runhof, despite rents reaching 10,000 euros, or $12,973 at current exchange, a square meter (or ($1,205 a square foot). With the arrival of Damir Doma and the new concept & Other Stories, the two streets have upped their coolness and avant-garde factor, offering an eclectic mix of boutiques in what has been a shopping destination for the ultra-wealthy seeking more traditional brands such as Hermès.

For independent, less upscale brands, the Marais quarter, artistic and free-spirited by nature, has remained a drawing point. Though not covered by the Location Group's Retail Market Survey, the quarter has witnessed a slew of boutique openings in the middle price range, for men especially, such as Void, Coincidence, Ron Dorff, Officina Slowear and 13 Bonaparte. It also accounts for a large number of restaurant openings boasting a bohemian flair with an urban twist and good but affordable cuisine, as seen at Candelaria, Le Plan B and Nanashi 2.

HONG KONG 4

Wanchai is a retail hot spot.

PHOTOS BY GARETH JONES

DEMOGRAPHICS

Population: 7.17 million
Population change: +0.9 percent (up by 61,500) since 2011; +6 percent (up by 423,600) since 2008
Population projection: Maintaining average growth of 1 percent a year over next five years
Per-capita income: 248,400 Hong Kong dollars, or $32,004, annually
Disposable income: 231,299 Hong Kong dollars, or $29,820, per capita (2012)
Key industries: Financial services, trading and logistics, tourism, professional and producer services
Fast-growing neighborhoods: Wanchai and Central and Western districts have the highest monthly median incomes at 33,000 and 32,000 Hong Kong dollars, or $4,252 or $4,123, respectively.
Number of prime malls: 18 in Central, Causeway Bay and Tsim Sha Tsui
Mall developments: Midtown Soundwill Plaza will open 216,000 square feet of additional retail space in Causeway Bay in the third quarter this year. Jones Lang LaSalle estimates an additional 5 million square feet of retail space between now and 2016, but not in any single major development.

HONG KONGERS OFTEN SAY THAT the main attractions in this densely packed city are eating and shopping. But lately, it seems the focus has been more on shopping.

So far, 2013 is shaping up to be a busy year for Hong Kong retail, with openings every month. Over the past few weeks, Lanvin opened a flagship in the Central district, 3.1 Phillip Lim moved into a store at the IFC mall in Central and Uniqlo opened a 37,500-square-foot space in Causeway Bay. Coming up shortly, Topshop, in cooperation with Lane Crawford, will open a store on Queen's Road Central.

As the gateway to China, Hong Kong has long been attractive to retailers.

"Hong Kong contributes significantly in building awareness and aspiration to China consumers," said Ong Bee Cho, director at market research firm Ipsos in Hong Kong.

The city is a favorite overseas shopping destination for Mainland Chinese, who flock there for lower prices and better quality assurance. Luxury brands use the opportunity to introduce themselves to shoppers.

Brands often test out their reception in Hong Kong before delving into the Mainland market. "For many product categories and services, Chinese consumers see Hong Kong as the trend leader," Ong explained. Though the Hong Kong-as-a-trend-leader image has diminished more recently with the rise of Shanghai and local Chinese designers, the vast majority of young Chinese "still look toward Hong Kong for lifestyle and fashion pointers," Ong continued.

Mainlanders are an integral part of Hong Kong's shopping landscape. Chinese shoppers are easily identified by their rolling suitcases, which they carry with them throughout the city from shop to shop. The dominant language in luxury shops these days is not Cantonese, the language of Hong Kong, but Mandarin. The growing influence of Chinese visitors has stoked some disgruntlement as Chinese demand for luxury goods has transformed the city — driving up rents and pushing out local mom-and-pop stores.

High demand and limited space has pushed Hong Kong's retail rents to some of the highest in the world, up by 14.5 percent across the board last year, said Tom Gaffney, head of retail for Hong Kong at real estate agency Jones Lang LaSalle. In a prime district like Queen's Road in Central, rents are now about 1,000 to 2,000 Hong Kong dollars, or $128 to $257 a square foot, monthly — or $1,536 to $3,084 a square foot yearly.

With rents as high as they are, brands are looking for alternative locations, depending somewhat on their target audience. More mainstream brands such as Marc by Marc Jacobs, Tommy Hilfiger, Coach, Victoria's Secret and others have opened stores in Shatin, near the Chinese border, to target Mainland Chinese shoppers. Others are looking to some of Hong Kong's more up-and-coming neighborhoods, such as Sheung Wan, west of Central, or Wanchai.

High rents are perhaps the biggest challenge for retailers in Hong Kong. Landlords are known to double rents if the opportunity arises. Shanghai Tang was forced to move its flagship from a historic building on Pedder Street after Abercrombie & Fitch reportedly agreed to pay double what Shanghai Tang was paying. Similarly, Forever 21 displaced Hong Kong-based apparel retailer Giordano for a prime 51,000-square-foot location in Causeway Bay, agreeing to pay 11 million Hong Kong dollars, or $1.4 million, a month ($16.8 million a year), which is about $330 a square foot annually. CBRE expects rents to be more "mild" this year, rising 8 percent.

— ELLEN SHENG

On the street in Wanchai.

HOT SPOT: WANCHAI

For brands targeting local Hong Kong or expatriate Western shoppers, Wanchai, a former red-light district located between Causeway Bay and Central, is becoming increasingly appealing. Now populated by boutique shops, quaint cafés and bars and high-end restaurants, the district is home to Club Monaco's first men's stand-alone store and a Tommy Bahama boutique.

"It's an emerging district and evolving very quickly. Given population growth and also things like average household income, Wanchai is extremely high, so it makes sense for brands to be there," said Tom Gaffney, head of retail for Hong Kong at real estate agency Jones Lang LaSalle.

Rents in Wanchai are a fraction of what they are in Central, or about 100 to 200 Hong Kong dollars, or $13 to $26 a square foot per month ($156 to $312 a square foot per year), but there are caveats: store sizes are smaller at about 500 to 2,500 square feet, and foot traffic is about a 10th of what is it is in the busier retail districts.

The customer demographic is different as well — Mainland Chinese visitors make up about 10 percent of sales, compared with 30 to 75 percent in Causeway Bay, Central or Tsim Sha Tsui, according to Jones Lang LaSalle.

5 MILAN

DEMOGRAPHICS
Population: 1.34 million (2011)
Population change, past five years: +2.5 percent (2010)
Per-capita income: 36,362 euros ($46,840); 2010
Disposable income: 25,200 euros ($32,494)
Key industries: Manufacturing; telecommunications; information technology; fashion; consulting; publishing
Fast-growing neighborhoods: Historical center (Golden Triangle, Duomo and San Babila); Porta Venezia and Porta Vittoria district; Central Station area
Number of malls: 31 within 25 miles
Mall developments: Westfield Milan mall (Segrate, 3.7 miles from Milan); Locate di Triulzi mall (Locate di Triulzi, 9.3 miles from Milan)
Other major construction projects: Expo 2015; development of luxury residential and business districts City Life and Porta Nuova

ONE OF THE WORLD'S MAJOR FASHION capitals, Milan can be considered the ultimate Italian destination for luxury shopping.

From La Rinascente, one of the oldest department stores to open in Europe in the 19th century, to the plethora of flagships of international brands that started opening doors in Milan after World War II, fashion retailing shapes the city center landscape.

The Golden Triangle, the high-end shopping district featuring glamorous Via Montenapoleone as its main artery, most clearly defines the fundamental role played by luxury stores in Milan's economy.

There, high-end fashion boutiques follow each other, offering a wide range of luxe goods from prominent brands, including Giorgio Armani, Louis Vuitton, Bulgari, Gucci, Salvatore Ferragamo, Prada, Etro, Valentino, Céline, Alberta Ferretti and Ermenegildo Zegna, among others.

"The waiting list of companies hoping to open on Via Montenapoleone currently stands at about 10 international brands," said Guglielmo Miani, president of the Via Montenapoleone association and vice president of clothing and textile company Larusmiani, which in 1954 became the first men's wear label to open a store on the street.

According to Miani, the demand for space and the limited amount available have caused a constant increase in rents, which are the highest in town.

The shopping district's momentum was confirmed by Ugo De Bernardi, chief executive officer of Finanziaria Internazionale Investments SGR, which controls several real estate investment funds, including the one managing a 75,350-square-foot building on Via Montenapoleone.

De Bernardi said that based on the building's total rented surface area, the annual cost of a lease ranges from 3,500 euros to 4,500 euros a square meter. That works out to about $422 to $543 a square foot.

The 17th-century palazzo, formerly a convent, whose main building is now occupied by the Four Seasons Hotel, is currently home to the Christian Dior store and the Burberry women's boutique. Hermès has recently rented the third commercial space, which is under renovation.

De Bernardi added that the building has a prime location in Via Montenapoleone's best section — with the wider sidewalks — where rental prices are 5 to 10 percent higher than at other locations on the block.

As Miani noted, Russian and Chinese customers, whose purchases made in stores on Via Montenapoleone increased by 37 and 66 percent, respectively, last year from 2011, are the biggest spenders in Milan. The average purchase made by customers from Russia is $2,500, while Chinese tourists spend about $2,200 on luxury goods in each store they visit.

"According to research conducted by Mannheimer [Renato Mannheimer, president of Milan-based market research firm IPSO], 70 percent of the tourists doing shopping on Via Montenapoleone chose to shop there for the importance of the street, which is considered a brand, not for the specific stores located on it," Miani said.

He explained that Via Montenapoleone's pivotal role as a luxury shopping destination is reinforced by the high-end lifestyle traditionally associated with Italy. "International customers like to shop in Milan and generally in Italy because here they can find luxury five-star hotels and top restaurants."

The situation is different in the city's other shopping areas, as De Bernardi highlighted. "Milan's Golden Triangle is the only area really attractive for international luxury brands looking for big and prestigious spaces," he said.

De Bernardi explained that in the area around the Duomo cathedral, on Corso Buenos Aires and on Corso Vercelli, which are in the sights of mass-market and diffusion labels, rental prices are down between 15 and 20 percent compared with a few years ago, before the financial crisis hit Europe.

While Swiss retail consultancy Location Group says 50 fashion stores opened in Milan in 2012, ranking it fifth among global cities for fashion openings last year, the overall Lombardy region, where Milan is located, isn't faring as well. According to data provided by trade organization Fismo Confesercenti, in the Lombardy region, 1,964 fashion stores are expected to close by the end of 2013 — 491 have already closed in the first quarter.

Despite the overall critical situation, luxury brands are not suffering from the crisis, and many of them are increasing their presence in Milan's prestigious shopping arcade Galleria Vittorio Emanuele. Prada, which opened its first store there in 1923, is going to open an additional store in the Galleria. Prada reportedly will pay the municipality, the owner of the Galleria, a rent of 2.1 million euros, or $2.7 million, a year for the first five years and then 3.6 million euros, or $4.6 million, annually until 2031, the contract's expiration date.

In addition, Giorgio Armani is going to inaugurate a store dedicated to accessories in the arcade, which currently also hosts Gucci and Louis Vuitton boutiques. Versace is still negotiating the rent of a commercial space facing the new Prada store. If the deal is finalized, Versace will have to pay an annual sum valued at about 606,000 euros, or $796,523.

Gucci is also reinforcing its retail presence in town. In June, during the next Milan men's fashion week, the Florentine brand will open its third freestanding store in Milan. The boutique, which will be dedicated to men's clothing and accessories, will be in a building formerly occupied by an investment bank, facing the Pinacoteca di Brera in the heart of the arty Brera district, traditionally home to art galleries and antique shops. With this opening, the area, already home to a Marc Jacobs store, could become a new piece of hot real estate in town.

— ALESSANDRA TURRA

HOT SPOT: VIA MONTENAPOLEONE
The beating heart of Milan's Golden Triangle luxury shopping district, Via Montenapoleone, connecting Corso Matteotti with Via Manzoni, hosts boutiques of most major international fashion brands, including Louis Vuitton, Gucci, Giorgio Armani, Christian Dior, Burberry, Bulgari, Cartier and Salvatore Ferragamo, among others, across its length of 0.3 miles.

According to data provided by the Via Montenapoleone association, the Milanese high-end shopping artery ranks fourth among the world's fashion streets reporting the highest revenues per square feet.

Tax-refund giants Global Blue and Premier Tax Free calculated that in 2012 the total revenues of the stores located on Via Montenapoleone were up 30 percent, compared with the previous year. The sales were boosted by the increased traffic of international customers — especially from Russia, China, Hong Kong, Japan, Singapore, the U.S., Ukraine, Thailand, Indonesia, Turkey, Taiwan, Brazil, Malaysia, the United Arab Emirates and Kazakhstan.

According to the Via Montenapoleone association, about 25,000 people, most of them luxury customers, walk down the street every day.




PHOTOS BY GIOVANNA PAVESI

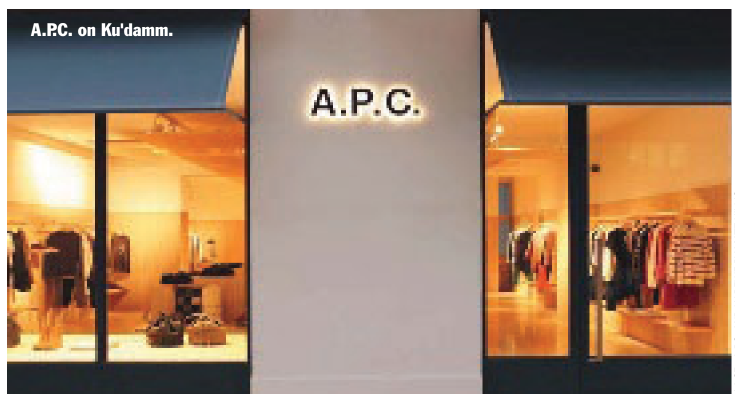
All around Milan.

DEMOGRAPHICS
Population: 3.544 million (November 2012)
Population change, past year: +1.1 percent
Purchasing power: 18,220 euros, or $24,358 in 2011
Key industries: Tourism, government, services, creative industries, Internet start-ups, research and technology
Number of malls: 39 within Berlin's city limits; five outside Berlin's city limits (approximately 18.6 miles)
Malls in development: Four within city limits; two outside city limits
Other major construction projects: Berlin Brandenburg Airport


Giorgio Armani opened last year on Kurfürstendamm.


14 oz. on Ku'damm.

KaDeWe's luxury boulevard.



A.P.C. on Ku'damm.

14 OZ., A.P.C. AND KADEWE BY MATT HILLIG

6 BERLIN

GERMANY'S LARGEST CITY, THE federal capital and long the nation's center of cool, it's only in the last few years that Berlin has advanced into the major retail leagues for both national and international fashion players. For countering Berlin's metropolitan allure are the city's relatively high unemployment and fairly low disposable income levels, a polycentric structure with not only two major city centers but innumerable neighborhoods with loyal customer bases — not to mention a notorious disregard by Berliners citywide for displays of money-related status.

Yet there's no doubt about it: Berlin retail is flourishing, thanks in large part to the city's seemingly nonstop tourist boom, which last year generated an estimated 20 million to 22 million overnight stays.

"Berlin retail lives from tourists," commented Christoph Scharf, head of retail in Germany for BNP Paribas, who further noted the city's positive trend is "international in character. The Berliners themselves didn't believe it. Others powered it."

Key store openings are a weekly occurrence, particularly in and around Kurfürstendamm in the old west, which is having a high-caliber renaissance after interest moved east in the post-Berlin Wall years. While the east's luxury activity on Friedrichstrasse is cooling down, Engel & Völkers reported that in April, footfall between Französische Strasse and U/S-Bahn Friedrichstrasse outpaced Berlin's most well-trafficked street, Tauentzienstrasse (which is the lower extension of Ku'damm).

The trendy Hackescher Markt, also in the east's Mitte area, is still going strong with big name brands, and Nicolas Jeissing, director of Engel & Völkers Commercial, expects rents there and on Friedrichstrasse to remain stable at 120 and 170 euros a square meter per month, respectively, or about $172 to $244 a square foot annually.

Demand in the city center west, however, has pushed and is expected to continue to push monthly rents up from 200 to 210 euros a square meter ($287 to $300 a square foot annually) on Ku'damm and 250 to 260 euros a square meter ($360 to $374 a square foot per year) on Tauentzienstrasse.

Berlin had some catching up to do, and prime rents are just now approaching the prices of other major German cities.

However, if it's still less expensive to get into the game here, especially for luxury labels, they also don't necessarily make the same turnover, suggested Andreas Kogge, national director and team leader of retail leasing for Jones Lang LaSalle in Berlin.

"Berlin is not Munich. It doesn't have the Arab tourists who come to the city for medical treatment with their entire families" and designer-shop their time away. "A Maison Louis Vuitton wouldn't happen in Berlin," he stated, but quickly added, "though who knows?" Vuitton, which recently closed its Friedrichstrasse door, operates one stand-alone store on Ku'damm and a shop in KaDeWe, but nothing on the scale of its new 14,000-square-foot digs in Munich.

Nonetheless, Berlin's international draw remains unbeatable — on all market levels. The H&M concept & Other Stories is setting up shop both on Ku'damm and in Hackescher Markt, while Primark, which launched in Steglitz in the west, will open a second door on Alexanderplatz in the east. As the realtor and consultant company Comfort summed it up in its 2013 Berlin City Report, "No retailer of any significance at all can afford not to be present at this location."

When Giorgio Armani opened its first Berlin door on Ku'damm last year, the designer brand chose to adapt the look of its Roppongi Hills store in Tokyo for the first time in Europe.

"Mr. Armani sees Berlin as cutting edge and wanted to give the city something special," said Fabio Mancone, global head of communication and licenses for Armani. As for Berlin's style, "There's an intellectual sophistication to the look here. People aren't interested in showing off, so Giorgio Armani is a good fit."

"Berlin is big. It's international. And it has a lot of energy," remarked Bruno Guillon, chief executive officer of Mulberry, which also opened its first Berlin store on Ku'damm last month. The British brand said it expects to profit from the city's high tourist flow, but also aims to create a long-term relationship with Berliners through actions like its opening collaboration with Berlin artist Frank Hülsbömer.

Indeed, the arts connection remains a prominent Berlin attraction. As Patrizia Pepe's ceo, Claudio Orrea, said at the brand's opening on Ku'damm last fall, "Berlin for us is important — for the heart. Which is why we'll host young artists and purchase their works — to help them grow."

— MELISSA DRIER

HOT SPOT: KURFURSTENDAMM

Otto von Bismarck's answer to the Champs-Elysées, Kurfürstendamm, or Ku'damm as it's nicknamed, has witnessed many a cultural and commercial high point in its more than 125 years. The materialistic window of West Berlin in the city's divided years, the fall of the Wall transferred much of this designer shop-studded street's allure to the newly accessible east. Bottega Veneta's large-scale entry on Ku'damm's prime tip near Leibnizstrasse in 2011, however, signalled an active upscale resurgence.

Last year saw the arrival of Giorgio Armani, Dolce & Gabbana, 14 oz., Brunello Cucinelli, Philipp Plein, Strenesse, Escada, Peuterey, A.P.C., Maurice Lacroix, Boggi Milano, Patrizia Pepe, Witty Knitters, The Corner (West), Filippa K, Urban Outfitters and Boggi Milano as well as reopenings for Saint Laurent and Diesel on and off the avenue. So far in 2013, Apple, Mulberry, Dimensione Danza, & Other Stories and G-Star have opened there, with Hugo Boss slated to arrive later in the year and labels like Acne and RL shopping for suitable slots.

"Many luxury brands said yes, we need Berlin on our world map. And it must be Ku'damm," said BNP Paribas' German head of retail, Christoph Scharf. Ku'damm, noted Escada ceo Bruno Sälzer, is one of the world's 10 most recognized shopping streets, which spurred the brand's return there last year. World War II bombs and imprudent reconstruction mean the boulevard's coveted "Altbau," or prewar buildings, are scarce, but plans for a David Chipperfield revamp of the now-empty Ku'damm Karree shopping passage, a possible sale of the Maison de France, as well as the renovation of Bikini House and further development around Bahnhof Zoo means there's room for further expansion in the years to come.

7 BARCELONA

DEMOGRAPHICS

Population: 1.62 million (2012)
Population change: Virtually unchanged — 1.62 million in 2011, 1.6 million in 2008
Per-capita income: 19,900 euros or $25,816 (2009)
Disposable income: 32,062 euros or $41,587 (2009)
Key Industries: Fashion, publishing, finance, high-tech, manufacturing, tourism, energy, pharmaceuticals, biochemicals, automobiles, food, tourism and trade events
Number of Malls: Nine within 18 miles of the city center
Other major construction projects: A new terminal at Barcelona's El Prat Airport, said to be able to handle 55 million passengers a year; Proyecto 22@Barcelona, a $232 million urban renewal plan to convert 500 acres of industrial property on Barcelona's north-eastern edge into a concentrated area for technology companies and tech-based activities, production facilities, technical services and housing with a strong real-estate potential.

DESPITE SPAIN'S economic abyss, key fashion retailers here say Barcelona's tourists are saving the day.

"Barcelona is the most visited city in Spain with tourists from all over the world, which fuels [retail] growth. Thanks to the ever-growing number of visitors, Loewe's business last year at the Paseo de Gràcia flagship yielded the highest growth of its 170-store global network," said Loewe chief executive officer Lisa Montague.

She attributed the positive results to the store's renovation by Peter Marino and "Spain's best artisans, who discovered and restored original stuccos and decorative Art Nouveau finishes. Loewe is very proud to occupy one of the city's most emblematic [Modernist] buildings, and the Paseo de Gràcia is [a landmark]."

Expanded to 10,000 square feet, the three-level luxury leather-goods store — the world's largest Loewe unit — reopened in March 2012. It houses the brand's multiple collections and the first Amazona Atelier, a bespoke corner.

Santa Eulalia ceo Luis Sans said, "Barcelona is insulated from the Spanish meltdown, like a bubble in the middle of a desert. It's protected by international tourism."

The Catalan capital accounts for half of Spain's total non-European Union purchases, he said, and "Paseo de Gràcia is the most pedestrian-trafficked street in Spain. It's human and intimate with a little bit of everything, including high-profile locations and major tourist attractions like [Antonio Gaudi-designed buildings] La Pedrera and Casa Battló — and it's the country's third most expensive street," he added.

In general, retailers reported a sales ratio of about 20 percent local and 80 percent tourists — mainly Russians; Americans from cruise ships, as Barcelona is one of Europe's leading cruise harbors; Chinese, and Japanese.

A spokesman for Bottega Veneta said sales are driven by Russian and Asian tourists. The Italian leather brand opened a 2,153-square-foot store at the top of Paseo de Gràcia one year ago.

Mango opened its 16th store in Barcelona in February.

On average, rent for a 200-square-meter (2,153 square foot) locale is 2,400 to 3,000 euros a square meter annually, which translates to $287 to $359 a square foot, depending on location and facade, said local real estate broker Mónica Manguillot.

"A few properties on Paseo de Gràcia dropped rents about 5 percent in 2009 due to the crisis, but prices are currently stable," she said. "There is a lot of demand here and high-profile retail activity, with some closures and new brands coming in, but not much is available."

Two recent entries are H&M's newest chain & Other Stories, which houses a full range of women's ready-to-wear, accessories and beauty products. "We are very happy to open our Barcelona store in this magnificent location," said Samuel Fernstein, head of the brand, at last month's inaugural. "We want to get to know our Spanish customers — and to be inspired by their fashion vision."

In February, Mango rolled out its 16th point of sale in Barcelona, a two-story locale at 36 Paseo de Gràcia.

"With the new store and 7.5 million tourists in the city, we are reinforcing our worldwide visibility," said Mango expansion director Daniel López.

The city's draw, according to Manguillot, is its "avant-garde culture and artistic tradition, from Salvador Dalí, Picasso, Antonio Tàpies and Gaudi to gastronomy, fashion and the beach. Barcelona is a major tourist attraction with visitors staying a minimum of four days."

— BARBARA BARKER

HOT SPOT: PASEO DE GRACIA

Slicing through the tony uptown neighborhood called L'Eixample, the Paseo de Gràcia (or Passeig de Gràcia, in Catalan) accounts for 60 percent of total purchases from non-European Union customers in Barcelona — and 1 out of 3 euros spent in Spain is spent on the Paseo de Gràcia according to Luis Sans, owner and chief executive officer of Santa Eulalia, a luxury multibrand store and a veteran of the shop-heavy retail artery since 1843. "It's a retail powerhouse."

"A huge number of upscale international labels want a retail presence on the Paseo de Gràcia because it's a consolidated shopping street and tourists drive the growth. It's the Fifth Avenue of Spain," said local real estate agent Mónica Manguillot.

The best of the nine-block strip — with its signature Gaudi street tiles and Modernist architecture — is what she called "wow locales," or corner space occupied by such stalwarts as Stella McCartney, which opened its first store in Spain last summer, and Louis Vuitton, which will relocate to a 12,900-square-foot unit in September, halfway down the street from its present location.

TAW THEY ARE WEARING


Shopping in Barcelona's Paseo de Gràcia.

PHOTOS BY MATTI HILLIG

DEMOGRAPHICS

Population: 23.47 million (2011)
Population change, past five years: +14 percent (up 3.3 million). Growth has averaged 660,000 annually for the past decade.
Population projection: 26.5 million by 2020
Per-capita income: Average income rose 8.3 percent to 56,300 yuan ($9,147) in 2012.
Disposable income: 40,188 yuan ($6,529) in 2012
Key industries: Service industries, retail and wholesale, financial services, real estate
Fast-growing neighborhoods: The Pudong New Area and Lujiazui Financial District (in Pudong); many major retail openings in the past year are in traditional downtown fashion centers — Nanjing Lu, Huaihai Lu, Xintiandi and the Bund area.
Number of malls: 54 retail projects, including shopping malls, department stores and street shops under single ownership, in core retail areas; 33 retail projects in major secondary areas of Shanghai. (First quarter, 2013)
Mall developments: 45 retail pipelines currently being developed. (First quarter, 2013)

Stores on West Nanjing Road.

8 SHANGHAI

THE GROWING IMPORTANCE OF Chinese consumers to luxury retail worldwide means luxe brands can't afford to ignore Shanghai.

As well as catering to the needs of the city's increasingly wealthy and sophisticated luxury consumers, having a retail presence in Shanghai means international luxury brands can introduce themselves to a population that is increasingly likely to spend its yuan overseas.

According to Paul French, chief China markets strategist for Mintel, international travelers are not the only important tourists for Shanghai's luxury retail sector. Nouveau riche tourists from second-, third- and fourth-tier Chinese cities also travel to Shanghai in large numbers to access brands that are yet to make their way inland.

"We know that many Chinese come to Shanghai and see many brands for the first time that they would not see in their hometowns. Additionally, as people travel more, they are looking for brands and spending. Luxury brands need stores to showcase their brands and educate the public so that when they travel abroad, they are already partially familiar with them," he said.

Luxury openings in the city over the past 12 months include West Nanjing Road's Reel Department Store, selling brands like Saint Laurent, Stella McCartney, Balenciaga, Alexander Wang and Lanvin; Vera Wang's Xintiandi flagship; Louis Vuitton's first Chinese Maison, also on West Nanjing Road, and Huai Hai Road's K11 Art Mall.

Traditionally, West Nanjing Road (known locally as Nanjing Xi Lu) and Huai Hai Road have battled for supremacy as Shanghai's premier shopping strip, with the latter more focused on high-street labels and West Nanjing Road dominating at the luxury end of the market.

Despite recent high-profile and high-end international brand openings at the eastern end of Huai Hai Road, West Nanjing Road is still considered the leading player at the highest end of the retail sector.

Swiss watch brand Hublot opened its Shanghai flagship on West Nanjing Road in 2012. The brand's chairman, Jean-Claude Biver, likens the location to a magnet for international luxury brands.

"Nanjing Xi Lu is like Madison Avenue or Fifth Avenue, in the sense that it has an extraordinary concentration and presence of prestige brands from all over the world. As such, it was logical that Hublot would want to establish a flagship there," he said.

One of the defining characteristics of luxury consumers in Shanghai is how quickly they are evolving. It seems their only unwavering characteristic is a constant desire for newness.

"We have in general, but even more in Shanghai, very young millionaires and entrepreneurs who have recently made their fortune and want to connect with the future and not with the standards of their fathers. These young people are completely connected to Western culture and understand and want to wear our watches," Biver said.

French added that the level of sophistication among luxury shoppers in Shanghai is "higher than many think.

"It's not all bling and logos anymore. It is more about the quality of materials — fine leather, good stitching. This is why brands like Bottega Veneta and Loewe are attracting a lot of interest," he observed.

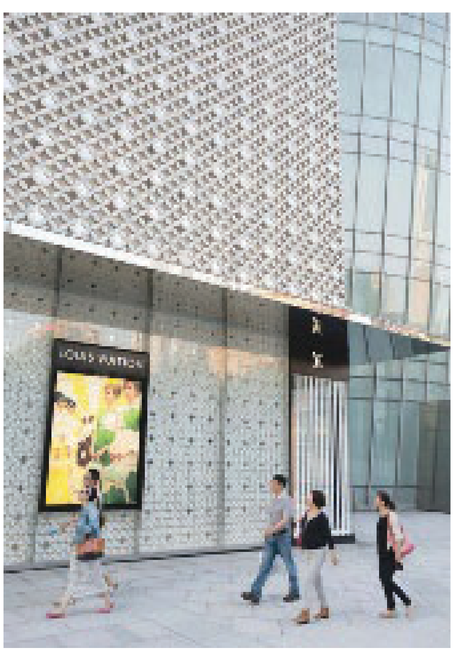
Joel Stephen, head of retailer representation for CBRE in China, points to the proliferation of new luxury retail projects in traditionally residential neighborhoods as one of the most interesting trends affecting Shanghai's high-end retail scene.

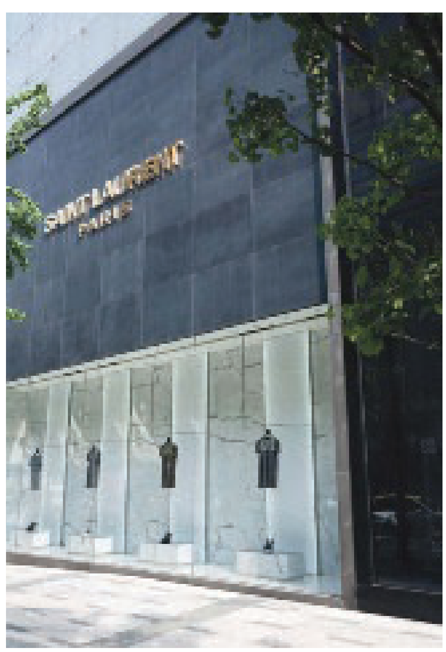
Shanghai's traditional luxury retail spots, including West Nanjing Road, the eastern section of Huai Hai Road and, in recent years, Lujiazui (home of the high-end IFC Mall), are all business districts, but recently projects with a luxury positioning have opened in affluent residential area such as LVMH Moët Hennessy Louis Vuitton's L'Avenue, a 140,000-square-meter (1.5 million-square-foot), 28-floor retail and office project, in the suburban district of Hongqiao.

Currently in its soft-opening phase, L'Avenue, which is affectionately known among Chinese netizens as "the boot," due to the building's unusual shape, is expected to cater to affluent locals, as well as the high number of Japanese and Korean expatriates based in the area.

"Business is building pretty rapidly in Hongqiao. There's more office tenants decentralizing and moving their offices out to the Hongqiao district," Stephen said. "So I think there's a lot of activity and the retail environment can survive very well over there."

— CASEY HALL





PHOTOS BY JACKSON LOWEN

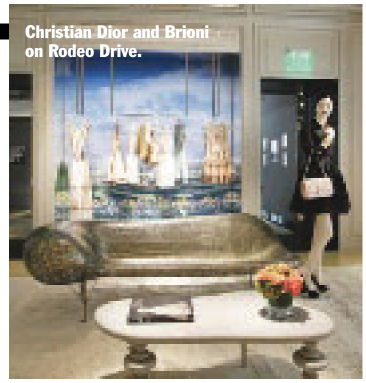
HOT SPOT: WEST NANJING ROAD

West Nanjing Road remains top of the luxury retail heap in Shanghai, with multiple openings in 2012 and 2013 keeping the shopping strip a step ahead of traditional competitors (such as Huaihai Road and Xintiandi) as well as high-end retail newcomers (such as the Lujiazui, Xujiahui and Hongqiao districts).

Though West Nanjing Road's Plaza 66 Mall is still Shanghai's most famous luxury destination, new offerings along the strip are also garnering attention. In particular, the opening of the Reel Department Store in 2012 has attracted many new high-end brands to the area.

However, CBRE's Joel Stephen said the most exciting luxury retail project is the soon-to-open Jing An Kerry Center, complete with 86,000 square meters (925,000 square feet) of retail space.

"This is going to bring to market strong representation in newer sectors to a maturing Shanghai market," he said. "The landlord has been very clever in positioning this project to offer something different from the current offerings on West Nanjing Road. I think it's going to be a very successful mall."


Christian Dior and Brioni on Rodeo Drive.


PHOTOS BY DONATO SARDELLA

9 LOS ANGELES

DEMOGRAPHICS
Los Angeles County
Population: 10 million
Population change: +0.5 percent, past year; +3 percent, past five years.
Projected population, next five years: 10.43 million by 2018.
Per-capita income: Nearly $28,000
Key industries: Apparel manufacturing, banking and finance, entertainment, education, health services, technology, construction
Neighborhoods where growth is coming: Los Angeles, Calabasas, Hermosa Beach, Arcadia, Bellflower, Downey, Santa Clarita, Palmdale, Manhattan Beach, South Pasadena, Torrance,Temple City, Santa Monica
Number of malls/major centers: 150 in Los Angeles County
Major retail developments: 10 this year and next between 400,000 and 1 million square feet, including Azalea in South Gate, The Boulevards at South Bay in Carson and The Outlets at Tejon Ranch in Tejon Ranch
Other major construction projects: Multibillion-dollar development program at Los Angeles International Airport; Wallis Annenberg Center for the Performing Arts in Beverly Hills; I-405 Sepulveda Pass improvements; Westside Subway Extension; Middle Harbor Redevelopment Project, Port of Long Beach

IN A CITY RULED BY CARS, where will shoppers pull over?

That's always been the most important question for retailers locating in Los Angeles, the diverse entertainment hub that's the nation's second-biggest city and the largest in its most populous state. Retailers are homing in on profitable sites on streets that are constantly sorting out the right mix of stores, parking spots, tourist and local clients, ambience and attitude to maximize retail performance.

One thing's certain: There's no shortage of retail activity. The Location Group reported 30 important fashion store openings last year, and the list of openings this year is quickly mounting — Tommy Hilfiger, Céline, Sandro, Velvet, L'Agence, Isabel Marant, CH Carolina Herrera, Equipment, AllSaints, Acne Studios, Calypso, Theory and Alice + Olivia are among the stores that have already or will soon set up shops in the Los Angeles area.

"Things are better than they have been for five years," said Jay Luchs, executive vice president at commercial real estate advisor Newmark Grubb Knight Frank. "Tenants are signing long leases — 10-year deals with five-year options — and not trying to get a year free."

Steve Algermissen, executive vice president at Colliers International, concurred: "Over the last two years, the market has improved dramatically in terms of occupancy, tenant sales and new entrants."

Rodeo Drive is as coveted as ever, and brands are doubling down on the street by upgrading and expanding stores. Christian Dior, Brioni, Hermès, Van Cleef & Arpels, Bulgari, Prada, Ermenegildo Zegna and Valentino are a few that have recently redone or relocated their Rodeo Drive stores. Saint Laurent and Louis Vuitton are revamping locations, and Burberry, Charlotte Olympia, Tory Burch and CH Carolina Herrera are coming soon. With little to no vacancy, Luchs said rents on Rodeo Drive are heading as high as $540 a square foot yearly.

Rodeo Drive is the hub for luxury brands, but the contemporary landscape is more complicated. Before the recession, Robertson Boulevard was a hot street. Its status has ebbed, although it does continue to draw brands. Tommy Hilfiger opened on Robertson in February, and at the time, the designer praised the street because it's "between aspiration and accessibility."

"What you've seen is that the rents over on Robertson have remained consistent, and it is expensive," said real estate broker Chuck Dembo at Dembo Realty. "It is between $15 and $20 a square foot [monthly, or $180 to $240 a square foot annually]. It still has a good collection of stores, but it has lost the spotlight, fashion- and image-wise."

Melrose Place, often praised for its beautiful setting and criticized for its lack of foot traffic and sales, fell in popularity with the downturn but appears to be on the rise with the revival. Equipment, Joe's Jeans and Isabel Marant opened there, and L'Agence and Bottega Veneta will do so in coming months. Rents on the street range from $60 to $100 a square foot annually.

Beverly Drive in Beverly Hills and Abbot Kinney in Venice are gaining momentum in the contemporary fashion sector. David Arbuthnot, chief executive officer of Gant U.S., explained Gant settled on Abbot Kinney because the brand was keen on "something that had a neighborhood feeling." With AllSaints, Scoop, Intermix, Theory, Sandro, Alice + Olivia and more lining up to be on Beverly Drive, Patrick Valeo, president and chief operating officer of the American arm of the French brands Sandro, Maje and Claudie Pierlot, called the street a powerful "contemporary row." Yearly rents on Beverly Drive are $120 to $144 a square foot, and Abbot Kinney's are roughly $100 to $150.

"You're getting a quality of retailer that never existed on Beverly Drive before and never trusted a street other than Rodeo," said Robert Cohen, president of Southern California for retail leasing and investment sales brokerage RKF. He cautioned, however, "The verdict is still out on how that market is going to transition to a contemporary fashion market."

There are plenty of areas in Los Angeles that brokers and retailers expect to pop as locals seek out stores in their vicinity, among them Brentwood and downtown Los Angeles, often cited as having potential to become fashion destinations. Brentwood Country Mart, home to Jenni Kayne, James Perse, Broken English, Space NK and Kendall Conrad, has proved affluent Brentwood and Santa Monica shoppers will part with money in their backyard, and it has drawn retailers like Scoop to locate nearby. Cohen said rents on San Vicente Boulevard in Brentwood run from $50 to $90 a square foot yearly.

Downtown certainly remains risky but is a cheaper bet: Yearly rents are as low as $25 to $40 a square foot. Despite perennial skepticism about the possibilities for retail in downtown Los Angeles, Cohen assured, "It's absolutely real. There are some great buildings downtown. They are gems and still have very low rents."

— RACHEL BROWN

HOT SPOT: RODEO DRIVE
In just three blocks, the convergence of luxury on Rodeo Drive is virtually unparalleled. Retailers there are responsible for a large chunk of the more than $1 billion in retail sales Beverly Hills stores generate each year. New Rodeo Drive entrants are few and far between as space remains incredibly tight. Those that do squeeze in — Céline and Malo are newcomers, and next up is Tory Burch — further cement Rodeo Drive's high place in the global pantheon of great retail districts. The investment being made by brands into their existing Rodeo Drive stores also signals the ongoing commitment to the street. Christian Dior, Brioni, Hermès, Van Cleef & Arpels, Bulgari, Prada, Ermenegildo Zegna and Valentino have spent millions on remodels to put their best foot forward there.

"Rodeo Drive has never been better," said Jay Luchs, executive vice president at commercial real estate adviser Newmark Grubb Knight Frank. "There are tenants doing $20 million to $50 million in sales a year. It is the first time everyone has been this positive."


PHOTOS BY KATIE JONES

The L.A. look.

10 MUNICH


Tom Tailor at Hofstatt Passage.

MUNICH IS GERMANY'S LUXE FASHion gem.

While the Bavarian capital is by no means Germany's largest metropolitan district, covering 119.9 square miles, nor its most populous, together with the surrounding areas, Munich is Europe's most prosperous economic region, according to the realty and consultant firm Comfort. The city has the lowest unemployment rates and highest purchasing power in all of Germany, with GfK Geodata placing its residents' clothing purchasing power index at 137.1 based on a national average of 100. And shop they do — the concentrated network of shopping streets in Munich's city center clocks in between 12,000 and 15,000 people an hour during peak times.

Demand for space is steadily high, keeping rents on Munich's chain- and midpriced- brand-studded Neuhauser Strasse/Kaufingerstrasse and Marienplatz "solid as a rock," and the highest in Germany, at about $488 a square foot annually for smaller spaces. And in the upper segment, Munich's Maximilianstrasse (at $373 a square foot) has long featured a who's-who lineup of international luxury flagships.

"The city may be very settled, smug and rich, but when it comes to high-street retailing, Munich is in its own league," said Manfred Schalk, director of Comfort's Munich office. He added, "Munich is extraordinarily ambitious."

The recently opened Maison Louis Vuitton in the historic Residenzpost on the corner of Maximilian and Residenzstrasse is a case in point. Housed on three floors and 14,000 square feet of space in what was one of Germany's oldest post offices and the first in Bavaria, the Maison "sets a new benchmark for retailing in Munich," an industry observer said. And also a milestone for Vuitton, which opened its first German store in Munich in 1977 on Maximilianstrasse and now operates 11 stores in the country.

Munich is one of the most dynamic cities, not only in Germany but also at a European level," noted Roberto Eggs, president of Louis Vuitton North Europe. "Munich has rapidly developed into an economic and cultural center of the country, and we did not hesitate once to the opportunity to open in this city arose. Moreover, we had the chance to be able to open at an iconic location," the renovation of which took five years. At the end of 2013, a 4,850-square-foot Espace Louis Vuitton Munich, hosting contemporary art exhibits, will also be at the site. Meanwhile, Bucherer has just moved into new three-story quarters on Residenzstrasse, making it a direct neighbor of Maison Vuitton.

"People buy and live luxury in Munich. They care about their appearance and like to show that they wear luxury fashion and jewelry," noted Valentin von Arnim, managing director of Hamburg-based cashmere specialist Iris von Arnim, which recently opened a Munich store. "Tourists also play a large role, especially from the Emirates but also Russia and the U.S., attracted often by the medical treatments available in Bavaria."

Von Arnim chose to open in the Brienner quarter on the Amira Platz. "It is a beautiful and central area near the Odeonsplatz, which keeps on developing. It has more charm and a luxury feel, with its trees, old buildings and outdoor cafés, than some of the high streets," he pointed out.

Wunderkind's first stand-alone store in Munich also just made its debut on Promenadeplatz near Lodenfrey, one of the city's large independent specialty stores. Like Ludwig Beck, it has invested heavily is the last few years and is a noted Munich fashion institution.

According to Edwin Lemberg, cofounder and chief executive officer of Wolfgang Joop's high-end Wunderkind brand, "Munich is the secret fashion capital of Germany. It's favorably situated, with a taste for luxury among the international and strong local clientele."

— MELISSA DRIER

DEMOGRAPHICS

Population: 1.4 million
Population change, past year: +4.4 percent
Purchasing power: 27,464 euros ($36,716) in 2011
Key industries: Media, automotive industry, electronics, insurance, finance, tourism, retail
Number of malls: Eight within city limits
Malls in development: Three within city limits
Other major construction projects: The development of a 53,840-square-foot former Karstadt department store site set to open later this year. Tenants include SportScheck, which is moving its Munich headquarters to more than 107,000 square feet of space there; Forever 21, with about 65,000 square feet, and Mango, with 24,750 square feet.

HOT SPOT: HOFSTATT PASSAGE

Call it the missing link. While Munich has no shortage of attractive inner-city shopping centers and passages, the new Hofstatt Passage, which opened April 24, extends the existing pedestrian zone on the highly frequented Sendlinger Strasse and is expected to consequently upgrade the entire area.

Indeed, the passage drew 80,000 visitors in its first three days. Seven years in the making, the 463,000-square-foot ensemble on the former site of the Munich newspapers Süddeutsche Zeitung and Abendzeitung combines landmark and newly designed buildings. The 167,000 square feet of retail space house a youthful mix of international brands. Some, like J. Lindeberg, are making their German debut there, with others, like Abercrombie & Fitch (which opened last year) and Hollister, operating their largest doors in Europe.

Tom Tailor is present with its first center city Munich store, showcasing Tom Tailor, Tom Tailor Denim and Tom Tailor Polo Team in about 8,600 square feet, on two floors. Adidas, on three floors, features the Sport Performance, Originals, SLVR, Adidas by Stella McCartney and Porsche Design collections in about 5,385 square feet. Also on board: Codello, Gant, Calzedonia, Freeman T. Porter, Humanic, He by Mango, Brandy & Melville and Liu Jo.

11 DUBAI

WITH ITS VAST FUTURISTIC SHOPPING malls resembling small cities more than just retail destinations, Dubai has become one of the fastest-growing retail centers in the world. The industry is forecast to grow from an estimated $34.2 billion in 2013 to $50.09 billion by 2016, an increase of 47 percent.

The meteoric rise of retail has been driven by the emirate's growing population of expatriates as well as locals with high disposable incomes; its safe-haven status in the often-volatile Middle East and, most significantly, a sustained tourism boom. According to the Dubai Chamber of Commerce and Industry, 10 million tourists visited the city last year, an increase of more than 9 percent from the previous year, and in the last eight years, visitors to Dubai have doubled, driving more consumers through the emirate's glittering malls.

In a survey last year, real estate consultancy CBRE ranked Dubai the world's second-most-desirable growth destination for international brands, just after London.

"Dubai is typically the entry point for retailers looking to break into the region," said Matt Green, head of research for the Middle East at CBRE. "It offers retailers a viable alternative to more mature markets, without some of the risk normally associated with an emerging market. It also offers significant growth potential and a consumer base that likes to spend."

The government revealed plans to double the number of visitors to 20 million by 2020 and triple revenues generated from tourism. Sheikh Mohammed bin Rashid, ruler of Dubai, gave the green light for Mohammed bin Rashid City, a mammoth project that includes the world's biggest shopping mall, called Mall of the World (Dubai already boasts the current largest mall in the world); more than 100 hotels; a Universal Studios franchise, and a public park larger than London's Hyde Park.

Style in the Dubai International Financial Center.

For retailers, there is still a lot of opportunity. The Chalhoub Group has been partnering in the Middle East with luxury brands since 1955 in retail, distribution and marketing services, becoming a major player in fashion and beauty. Its portfolio of brands includes Christian Dior, Louis Vuitton, Christian Louboutin, Ralph Lauren and Lacoste. The company opened 37 stores last year in Dubai.

François Schweitzer, general manager of business development at Chalhoub, said the big luxury brands and high-street stores are already well represented, and "there is a strong potential for aspirational bridge brands. In the last few years, good growth has come from opening stand-alone stores in this category, such as Marc by Marc Jacobs and Michael Kors. Customers want much more than just a small selection of what they see in department stores."

He said customers in Dubai are "very sophisticated and wanting the product now. We are in a phase where we need to attract a different category of brands and show that Dubai is a true fashion capital… [with] trendy things as well as luxury."

Dubai's unique geographic location and connectivity to different markets helps sustain the emirate's position. Schweitzer noted, "With half the world's population within seven hours' flight time, there are a lot of potential customers to reach in Dubai."

— RITU UPADHYAY

DEMOGRAPHICS

Population: 2.1 million
Population change, past year: +5 percent
Population change, past five years: +30 percent
Projected population change, next eight years: +6.1 percent on average
Per-capita income: $49,600
Disposable income: $26,000
Key industries: Mining and quarrying, tourism, retail, finance, construction
Number of malls: 22
Mall developments: 3.8 million square feet of gross leasable area are currently under construction, spread over four malls, including one existing mall in expansion phase.
Major construction projects: A new airport, Al Maktoum International, is slated to be the largest in the world upon expected completion in 2025. Mohammed bin Rashid City, a vast complex of 100 new hotels and the world's largest shopping mall, will be developed over the next 10 years.

HOT SPOT: THE DUBAI MALL

There is no hotter destination for retailers than the world's largest mall, The Dubai Mall, at more than 12 million square feet. In 2012 the mall's visitor traffic reached 65 million, an increase of more than 20 percent from 2011. The world's most visited mall attracted more visitors last year than New York (52 million) and Los Angeles (41 million).

More than just a shopping destination, The Dubai Mall is a year-round entertainment destination with leisure activities aimed at families including a Sega Republic indoor amusement park and an Olympic-size ice-skating rink. The visitor profile of the mall includes UAE residents, as well as 200 nationalities from all over the world. It is also home to the world's largest shoe store, Level Shoe District, as well as a traditional gold souk.

With retail sales growing by 24 percent last year, the plush carpeted Fashion Avenue section of the mall, a 440,000-square-foot area dedicated to high fashion, is one of the most coveted spots in the complex, with long waiting lists for brands wanting to get in. Eager to capitalize on the demand, mall developer Emaar unveiled a 1 million-square-foot expansion program to the already gargantuan mall.

12 TOKYO

DEMOGRAPHICS
Population: 13.19 million (2011)
Population change: +1.5 percent from 2005 to 2011
Population projection: 13.31 million by 2015, peaking at about 13.35 million in 2020 before starting to decline
Per-capita income: 6.12 million yen, or $69,904 at average exchange for 2010
Disposable income: 5.05 million yen, or $57,625 at average exchange for 2010
Key industries: Wholesale and retail trade, hotels, eating and drinking services, construction

TOKYO IS OFTEN TOUTED AS ASIA'S most important fashion capital, and for many brands looking to expand internationally, it is the first Asian city they target. So it's important for brands to get a foothold there to succeed in other countries and cities, despite the notoriously saturated retail market of the Japanese capital.

A case in point is Thom Browne, who chose Tokyo as the location for his brand's second freestanding store, and first outside the U.S.

"I think it'll definitely be important for the business here in Japan, but I think also in the rest of Asia it's going to be important," Browne said in March as he opened his store in the trendy Aoyama district, anchored by the Prada and Comme des Garçons flagships.

The city has seen a flurry of store openings over the past year or so — particularly over the last few months. These have centered on the key districts of Omotesando/Aoyama, Ginza and Roppongi. An OMA-designed Coach flagship and a relocated Emporio Armani store were two of the biggest openings along the main drag of Omotesando so far this year. Tommy Bahama, Nanette Lepore and Rebecca Minkoff are among the new residents in Ginza.

Alice + Olivia is preparing to open a flagship in the Omotesando area this year. "You can walk down the street and an adorable little jewel box of a store will pop up, then go around the corner and there's something else," said Deanna Berkeley, president of Alice + Olivia. "We'd like our first shop to have a neighborhood sensibility that's more in line with our own stores in America."

Renovations at the Roppongi Hills and Tokyo Midtown complexes, both in Roppongi, have welcomed new stores like Stella McCartney, Alexander McQueen, Issa and Valextra.

"Since the start of 2013, we've seen increased demand for retail space in Tokyo, resulting in rising rents," said spokesman for CBRE in Tokyo. "In the near future, as fewer stores are available, we expect rents to continue to gradually increase."

Rents in Tokyo can vary widely, even within the same neighborhood, depending on the floor and exact location on a major thoroughfare or side street.

According to CBRE, rent on prime spots on the first floor of buildings in Ginza and Omotesando run roughly from about 1,967 yen to 6,183 yen, or $19.22 to $60.42, a square foot monthly, or $230 to $725 a year.

"Generally speaking, the Japanese economy has gone through several difficult years and is now reaching a tipping point, which might give a new momentum to many business sectors, including real estate. We believe that it might make sense to take positions exactly in this moment of transition," said Carmine Rotondaro, tax, insurance and real estate director at Kering.

Clearly, a weak yen could create some key opportunities to invest or rent properties for international retail players. Just recently, François-Henri Pinault, chief executive officer of Kering, said his company was thinking about buying a building in Tokyo, although he would not specify where.

Obviously every brand has to weigh its options carefully. Tommy Bahama decided to go the Ginza route.

Consultants told the leisure brand to focus on Ginza "if you want to make a statement in Tokyo, and you're not just making it in Tokyo, but you're making it to the world," said Doug Wood, president and chief operating officer of Tommy Bahama, upon the opening of the brand's first Japanese flagship in April. "And we looked at Omotesando, [Aoyama], and while there are definitely some great shopping areas in Tokyo specifically, there are none that hold the prestige of Ginza."


Tokyu Plaza
PHOTO BY YUKI MIYAZAKI

The CBRE spokesman said Ginza is now the most in-demand neighborhood for luxury and fast-fashion brands looking for store space in Tokyo, followed by Omotesando and Shinjuku, home to Isetan department store and a slew of other shops and retail developments. Although areas like Aoyama might be cooler, he said stores in Ginza tend to sell more merchandise. Ginza is a popular shopping destination for tourists from across Asia and other parts of the world.

— KELLY WETHERILLE

HOT SPOT: AOYAMA

Tokyo has many distinct shopping districts, each with its own personality. One neighborhood that has seen a lot of action over the past few months is Aoyama, located adjacent to upscale Omotesando and just a short walk from youth-fashion mecca Harajuku. Brands including Acne, Thom Browne, Maison Kitsuné and Freemans Sporting Club all recently set up shop in the area, which is home to a large concentration of residential buildings and quaint cafés.

The streets of Aoyama have a decidedly more relaxed and less-crowded feel compared with Omotesando, Harajuku and Ginza. Many stores are set on discreet side streets, inviting shoppers to lose themselves as they wander.

Brands seem to be drawn to the area's eclectic mix of top international labels, small local boutiques and well-curated vintage stores. The appeal is not lost on François-Henri Pinault, chief executive officer of Kering, who recently revealed that his company will open Balenciaga and Saint Laurent stores near the Prada Aoyama store next year.

"Aoyama is a very trendy and sophisticated area, with a pedestrian feel, just like a European luxury avenue," said Carmine Rotondaro, tax, insurance and real estate director for Kering. "It hosts stores of very refined designers. We found that the brand mix in the area was the perfect fit for brands like Balenciaga and Saint Laurent."

13 BEIJING

DEMOGRAPHICS
Population: 20.69 million
Population change: +3 percent in past year; +20 percent in past five years. (Note: The government now includes migrant workers in its official tally.)
Population projection: 23 million in 2018
Per-capita income: $2,400 annually (2012)
Disposable income: $5,360 (2012)
Key industries: Fashion, publishing, finance, manufacturing (high tech, automobile and equipment), tourism, government/bureaucracy, electronic information, real estate
Fast-growing neighborhoods: Sanlitun, Xidan, Zhongguancun, Wangfujing
Other major construction projects: New airport terminal construction, further subway line expansion to suburbs, linkage of satellite towns and rail lines to nearby cities in other provinces

CHINA'S CAPITAL CITY has always been less outwardly glamorous than its showy southern neighbor Shanghai, but Beijing has long been and remains the country's top retail powerhouse.

That's because, analysts say, the money and power centers of China are firmly rooted in Beijing and they are not going anywhere, despite Shanghai's overwhelming glitz. The world's premier brands will continue to set up shop in Beijing for long-term, serious investment prospects in the world's number-one growth market.

"From the perspective of investment, today's world is dominated by capital. The place that has a pool of money will bring new opportunities," said Meng Jing, real estate analyst from Galaxy Securities in Beijing. "First of all, Beijing has the strongest purchasing power in China. People can afford international, even luxury, brands. Second, Beijing is very inclusive and diversified."

Among the notable store openings in Beijng in the past year were Miu Miu's first flagship and an Alexander Wang boutique, both at the Sanlitun North Village; Forever 21's Wangfujing flagship, and Tom Ford's women's boutique at the posh Peninsula Hotel in Jinbao Jie section of downtown.

Beijing is a beacon for China's top talent, and millions of people from other parts of China live and work there, bringing a strong pool of wealth, creativity and growing consumerism. Meng said the diversity drawn from across the nation that collects in Beijing has opened a wealth of retail opportunities because of varied consumer tastes. Beijing has sustained double-digit retail sales growth throughout the global economic crisis, proving a strong incentive for brands seeking a new market.

Tian Huilan, a retail industry analyst with Minsheng Securities, summed up Beijing's allure for brands succinctly: "Beijing is the capital city. It is the center of politics, economics and culture. It's a very influential city."

Of course, access to that powerful and influential consumer market comes at a premium. Real estate industry reports show ever-rising rental costs for prime Beijing retail space, in spite of growing capacity and widely available space. That translates to a downside for consumers: Beijing's shopping scene is notoriously pricy, with expensive retail rents translating into steep consumer prices, ranking high even on a global scale.


Adidas and Uniqlo in Sanlitun Village.
PHOTO BY SHARON LOVELL

Landlords in most of the city's premier malls and most sought-after neighborhoods like the Sanlitun embassy area, the Zhongguancun business district and central business district have been able to maintain a steady momentum of rent hikes that began shortly before the Beijing Olympics in 2008 and have continued despite the global economic downturn. China was largely buffered by domestic financial policies from the international crisis, and the results show in Beijing's retail boom, which is starting to mature as the most popular malls fill up to capacity and store turnover stabilizes.

Beijing's consumers vary widely by neighborhood, according to industry insiders and analysts. The Central Business District tends to attract older, more seasoned luxury shoppers, as does Wangfujing, both neighborhoods being home to two of the city's oldest luxury malls.

Younger, hipper consumers are more often drawn to the wide variety of brands that choose to locate in Xidan, the hip Sanlitun neighborhood and Zhongguancun, which has sought to position itself as China's answer to Silicon Valley. But as Meng noted, the capital strength in consumers is its diversity — just about any category of shopper can be found in Beijing.

Retail analyst Geng Kun said Beijing's shopping districts tend to cluster around important brands that appeal to distinct consumer groups, making location choices for brands somewhat easier. Branding has been critical to sales success as well and can make or break new mall developments.

"Brand recognition plays the biggest role in terms of the popularity of a neighborhood," Geng noted. "If the overall sales volume of stores in the neighborhood is higher than other neighborhoods, it will attract more good brands to open stores there and welcome more customers."

— KATHLEEN E. MCLAUGHLIN

HOT SPOT: SANLITUN

From Miu Miu to MAC Cosmetics and margaritas to McDonald's, Beijing's' trendiest shopping neighborhood has packed just about everything into a couple of city blocks that just a decade ago were home to Soviet-style apartment buildings and seedy bars.

The Sanlitun district of Beijing, long home to dozens of embassies in the Chinese capital, became a hip retail spot with the opening of The Village shopping complex in 2008 and its upmarket sister, The North Village, two years later. In between the two Swire-built and run properties is the hip Nali Patio, which houses trendy, locally owned and run shops and restaurants. The street also holds the Opposite House, Beijing's trendiest boutique hotel.

By day, the street is buzzing with shoppers and embassy workers and by night it transforms into something of a pageant, bringing out some of the capital's best-dressed wanting to be seen.

Sanlitun does have a seedy side as well, with back alleys known for drug dealing and heavy drinking, but the edge only seems to add to its buzz.

14 ZURICH

DEMOGRAPHICS

Population: 394,012 (end 2012)
Population change, past year: +1 percent
Population change, past five years: +6 percent
Population projection: 425,000 in 2017
Per-capita income: 84,648 Swiss francs (private sector; figure published 2010; about $83,000 at average exchange for 2010)
Key industries: Financial services, banks, insurance; manufacturing (light and heavy engineering, medical technology); services including accountancy, consulting, law; information technology and software; tourism
Where the growth is coming from: Switzerland enjoys a modestly rising birth rate, but transient residents have been the real driver. Arrivals have tended to be professionals and entrepreneurs, often from neighboring Germany. Zurich and its surroundings have been the main magnet.
Number of malls: Two within five miles (Sihl City and Glattbrugg)
Mall developments: None within five miles. Switzerland has relatively few malls. Development is hampered by lack of land, severe zoning restrictions and stiff rules on building preservation.
Other major construction projects: The Zurich West former industrial area is now under redevelopment into high-rise offices, apartments, shops and hotels; Europaallee area of former railway yards around main railway station is a substantial, though smaller, additional spur to retail, residential and office development; The Circle, a vast, semicircular office, retail and hotel project adjacent to the terminals at Zurich airport, further outside the city.

SWITZERLAND IS ONE OF the world's smaller countries, with just 8 million people. And Zurich, its biggest city, is hardly a global giant, with fewer than 400,000 inhabitants. But both punch well above their weight. Switzerland and Zurich are highly cosmopolitan and among the world's wealthiest locations in terms of income per person, with stratospheric Swiss prices counterbalanced by commensurately high local salaries.

As an international financial center, Switzerland's big banks and markets attract wealth, as do services such as accountancy, law and consulting, along with media and information technology.

Zurich benefits from strong tourist and transit flows. Its airport is among Europe's busiest, with the high reputation of national carrier Swiss attracting significant transit trade. On top come strong tourist flows — notably, in recent years, newcomers from Asia, particularly China.

A Swiss retail showcase serves many purposes. Customers are overwhelmingly affluent, upper middle class, ranging from well-heeled, globe-trotting locals to rich foreigners, resident expats working for multinationals or visitors coming to see their private banker or install offspring in upmarket Swiss private schools, or for top-notch medical treatment. That cosmopolitan pool means Zurich's shoppers range from rich Russians to plutocratic Peruvians also attracted by Switzerland's safety and discretion.

"The region is an important luxury market for Europe. Zurich is the largest city in Switzerland. It is very international and diverse. It is simultaneously young and modern and traditional and historical. Its status as a leading financial center means that there is a high quality of living, traveling and spending in the area," said Bruno Guillon, chief executive officer of Mulberry, one of this year's openings. "There are two types of customers in Zurich, and Mulberry appeals to both: the well-situated local from Zurich and its surrounding area, and the international clients travelling for business and tourism."

Top fashion retail is concentrated around the showcase Bahnhofstrasse, a leafy, largely pedestrianized artery leading from Lake Zurich to the main station (Bahnhof), and smaller streets like Rennweg and Storchengasse alongside.

"The Bahnhofstrasse and its surroundings are the Swiss equivalent of a big mall, just without a roof," said Marco Feusi of Wüest & Partner, a leading commercial property consultancy. "The area offers the full range from H&M to Dior and the most exclusive jewellers, all in one compact zone. That makes it very special."

Restrained elegance is key. Punks, beggars and buskers — a feature of even the most prestigious shopping streets in most other countries — are conspicuous by their absence. Crime rates are minimal.

Zurich is Switzerland's undisputed retail — and fashion — capital. "The Bahnhofstrasse is the best-known shopping street in the country," said Markus Hünig, chairman of the Zurich Bahnhofstrasse Association, a local lobby.

Economic growth and lack of supply have pushed rents up. "Ground-floor Bahnhofstrasse space goes from 3,500 to 9,000 Swiss francs a square meter [about $340 to $872 a square foot at current exchange] a year," said Feusi.


Mulberry on Storchengasse.
PHOTO BY HOWARD BRUNORETT

Mulberry, interestingly, opted for Storchengasse, a smaller and much more intimate street nearby. "We spend a great deal of time considering an area. A good location is not just the right street but the right store, size and building. Storchengasse is a beautiful street with a variety of boutiques in the heart of the city. It has a feel of traditional Zurich but is very inviting for shopping and attracts a range of customers," said Guillon.

— HAIG SIMONIAN

HOT SPOT: BAHNHOFSTRASSE

Less statuesque than the Champs-Elysées, more imposing than Bond Street, this is Zurich's Fifth Avenue — every upscale label wants in. Incumbents include Chanel, Dior and Prada, along with Hermès, Louis Vuitton, Cartier and many other top watch and jewelry companies.

"Zurich is a relatively small but modern city. Everything can be done on foot, and on the Bahnhofstrasse, a large number of well-known and respected brands are concentrated in a compact area" observed Markus Hünig, chairman of the Zurich Bahnhofstrasse Association.

But fashion competes with equally well-heeled watchmakers and jewelry stores in the race for space. Locals claim Bahnhofstrasse rents are the highest in Europe (albeit skewed by currencies). Feusi cautioned that some superexclusive London retail is actually dearer. But he said the Bahnhofstrasse genuinely boasts Europe's highest retail revenues by floor space.

Due for a facelift with new seating and paving, the street retains some landmarks amid its constant new faces. Lindt & Sprüngli's café and confiserie on the corner with Paradeplatz — home to top Swiss banks UBS and Credit Suisse — is particularly popular. But critics argue the Bahnhofstrasse has lost some of its local charm as smaller and funkier stores have been squeezed out by the top international brands, like Bally and Brunello Cucinelli.

15 ISTANBUL

THERE IS A SAYING IN TURKISH about Istanbul: Its stone and earth are made of gold. Never mind the historical wars fought over the city and the determination of the Turks to win it from the Byzantines — in modern times, too, governments have done all they can to make the most of its gold.

The result? "This city has not one square meter left to expand," said Mücella Yapici, deputy secretary of the Chamber of Architects.

The AKP government, committed to neo-liberal policies, disagrees. Urban transformation projects suggest Istanbul has lots of potential for expansion, and more growth and wealth. The government is changing planning laws to address the complaints of the chambers as it goes ahead with the plans. Taksim Square, the heart of the city, is being dug up and remodeled, and the contract for a new airport, said to be Europe's biggest, has gone out for a record price. And that is just one of the government's grand plans, often personal dreams of Prime Minister Recep Tayyip Erdogan, referred to by some Turks as "crazy projects."

One thing's for sure: The gold mine of the city is no longer industry or production, it's construction, real estate and retail. That's currently the biggest wealth-creator in Turkey after the textile industry, and by far the biggest in Istanbul, the locomotive of the economy.

Whatever the potential problems in the long term, Turkey's growing wealth is becoming increasingly attractive for foreign investors, especially in light of economic regression in Europe.


Converse on Istiklal Street near Taksim Square.
PHOTO BY JODI HILTON

"There are many new brands that are coming to Turkey due to economic growth, particularly on the retail real estate sector," said Kerim Cin, managing partner of Colliers International real estate firm in Turkey. "In the last 10 years, many shopping malls have been built in Turkey, luring many brands. But the number of malls is excessive at the moment, and not all of them are successful. So it is very common for brands to move toward the streets where there's more foot traffic."

He noted that the most popular regions for brands are Nisantasi for the high-end, Beyoglu for more moderate and bohemian boutiques, and Bagdat Street for both.

Zadig & Voltaire has wanted to come to Turkey for some time and was looking for the right place. Sahar Kadra, area manager of the brand, said they waited to find a location on Abdi Ipekçi street, the Nisantasi street famous for high-end brands. "We chose Istanbul because it's becoming more fashionable," she said. "Abdi Ipekçi is a prime location for us because it's an old neighborhood with very Europeanized residents. Eighty percent of our clients already knew our brand because they are always traveling."

Zadig & Voltaire is already opening another shop on Bagdat Street. The company had to move from its original building on Abdi Ipekçi temporarily, due to renovations. This highlights one problem with high-street stores in Istanbul: "Many of the buildings on the shopping streets in Istanbul are old, and their ground floors are small, not very suitable for shops," said Cin. "That's one issue that the urban planners want to sort out."

Still, brands from H&M and Converse to Dirk Bikkembergs and Moncler are attracted to the city.

"Istanbul is a growing market and Bikkembergs is a growing brand. This year it will open 45 shops around the world. And it will quadruple its shops in Istanbul in two years," said Emin Acar, owner of the first Bikkembergs shop that opened in March on Abdi Ipekçi. Two more shops are planned for high-end venues, one at Kanyon mall and the other on Bagdat Street.

In the first quarter of 2013, 11 malls opened in Turkey, and 14 are under construction. Out of 306 malls in Turkey, 92 are in Istanbul. Some, like Kanyon and Istinye Park, have won international awards.

"Those who first come to malls also want to open another store on a popular street," says Nihat Sandikçioglu, general secretary of the Shopping Mall Investors' Foundation.

— YESIM ERDEM

Population: 13.8 million
Population change, last five years: +1.8 million (13 percent)
Projected population, next five years: 15.5 million
Per-capita income: $18,000 (2011 figure)
Key industries: Finance retail, construction, tourism, freight (cargo shipping), textiles
Growth sectors: Retail and construction
Number of malls: 92
Mall developments: 14 (nationally)
Major projects: Third airport; Galataport (a port in Karakoy, near Taksim, for cruise ships along with mall developments); a third bridge over the Bosphorus; mall in Taksim as a part of urban transformation in the region; Marmaray (railway under the sea that will connect Europe and Asia).

HOT SPOT: TAKSIM SQUARE

Taksim Square, the heart of Istanbul, opens onto the famous pedestrian Istiklal Street, once the Grande Rue de Pera. It's still the city's cultural center. It has the highest density of cinemas and galleries, hosts film festivals and biennales, and its new clubs have lured smart-set Turks to Beyoglu. In the last five years or so, it has also become a shopping center. A million people visit every day and two million on weekends, according to the Beyoglu municipality. Naturally, it's a magnet for brands, even if only for visibility. It's still a hub for midmarket chains and bohemian shops, with the exception of the newly restored side street toward the Galata Tower, where Turkish designer shops cluster.

Change is coming, though, driven by government plans for urban transformation. Soon, there'll be a huge mall in Taksim; road traffic will be redirected underground; old stores will disappear, and the whole area is seen as shifting upmarket.