



Webster Pacific

Luxury Retail Markets Predicted to be Most Negatively Impacted by Covid-19:
A Study of US Luxury Retail Markets and International Tourism

Link to Report: <https://websterpacific.com/luxury-retail-markets-predicted-to-be-most-negatively-impacted-by-covid-19/>

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About Webster Pacific: Webster Pacific is a location strategy consulting firm focused on helping the Retail, Fitness, Education, and Real Estate industries make better decisions through the power of place.

Executive Summary

Covid-19 has dramatically impacted tourism and, in particular, international tourism. Certain luxury retail markets are more dependent upon tourism than others. Our analysis predicts that the luxury retail markets most negatively impacted by Covid-19 will be those markets with the greatest presence of luxury retail AND the greatest international tourism per capita. We predict that the luxury retail markets of Miami, Honolulu, and Las Vegas will be the most negatively impacted.

Luxury Retail's Dependence on Tourism

Spend at luxury retail stores is heavily dependent on international tourism. Anecdotally, 30% of Stuart Weitzman's NYC Hudson Yard's store comes from international Chinese tourists per CNN Business's Hannah Zhang¹. More broadly, tourism accounts for about 40% of total luxury goods spending per S&P Global Market Intelligence's Gautam Naik².

The Current State of the US International Tourism Industry

One of the Covid-19 pandemic's many blows to the US economy is an enormous decrease in international tourism. Per the National Travel and Tourism Office (NTTO), international visitor travel spending decreased by 98.9% in the past year, from \$11.6B in April 2019 to only \$129M in April 2020³.

Research and Findings

To better understand which US luxury retail markets are most at risk of being negatively impacted by Covid-19, Webster Pacific (WP) examined various data related to 42 US Metros. Our objective was to identify which Metros had both a significant luxury retail presence and high rates of tourism. Webster Pacific built a ranking of "*Luxury Retail Markets Predicted to be Most Negatively Impacted by Covid-19.*" This ranking includes:

1. Total Designer Store Count Rank – This measures the size of the luxury retail market by US Metro. WP gathered the store locations of 20 luxury fashion and jewelry designers including: Louis Vuitton, Versace, YSL, Fendi, Cartier, and Harry Winston. Higher rankings (1, 2, 3) are awarded to Metros with more designer stores.
2. International Tourism per Capita Rank – This measures the importance of international tourism to the Metro. WP used 2019 NTTO data on inbound overseas visitation and ACS data on total population (see Appendix for exact sources). Higher rankings (1, 2, 3) are awarded to Metros with higher overseas visitation per capita.

42 Metros are considered in this ranking, which have at least one designer store and have reported tourism counts by the NTTO. Metros are US Census-defined Metropolitan Statistical Areas or Metropolitan Divisions as chosen by the NTTO. Aspen and Long Island have a significant designer store presence but are not included in this ranking due to a lack of tourism data.

¹ Hannah Zhang, 2020, March 5, 'Luxury retailers suffer as Chinese tourists are subject to travel bans', CNN Business. <https://www.cnn.com/2020/03/05/business/luxury-brands-suffer-from-travel-bans/index.html>

² Gautam Naik, 2020, May 14, 'Weaker tourism outlook to deal further blow to luxury companies' earnings', S&P Global Market Intelligence. <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/weaker-tourism-outlook-to-deal-further-blow-to-luxury-companies-earnings-58611590>

³ Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO), 2020, June 4 Release, 'International Visitor Spending in the United States – Monthly Spending (Exports/Imports)'. https://travel.trade.gov/outreachpages/inbound.general_information.inbound_overview.asp



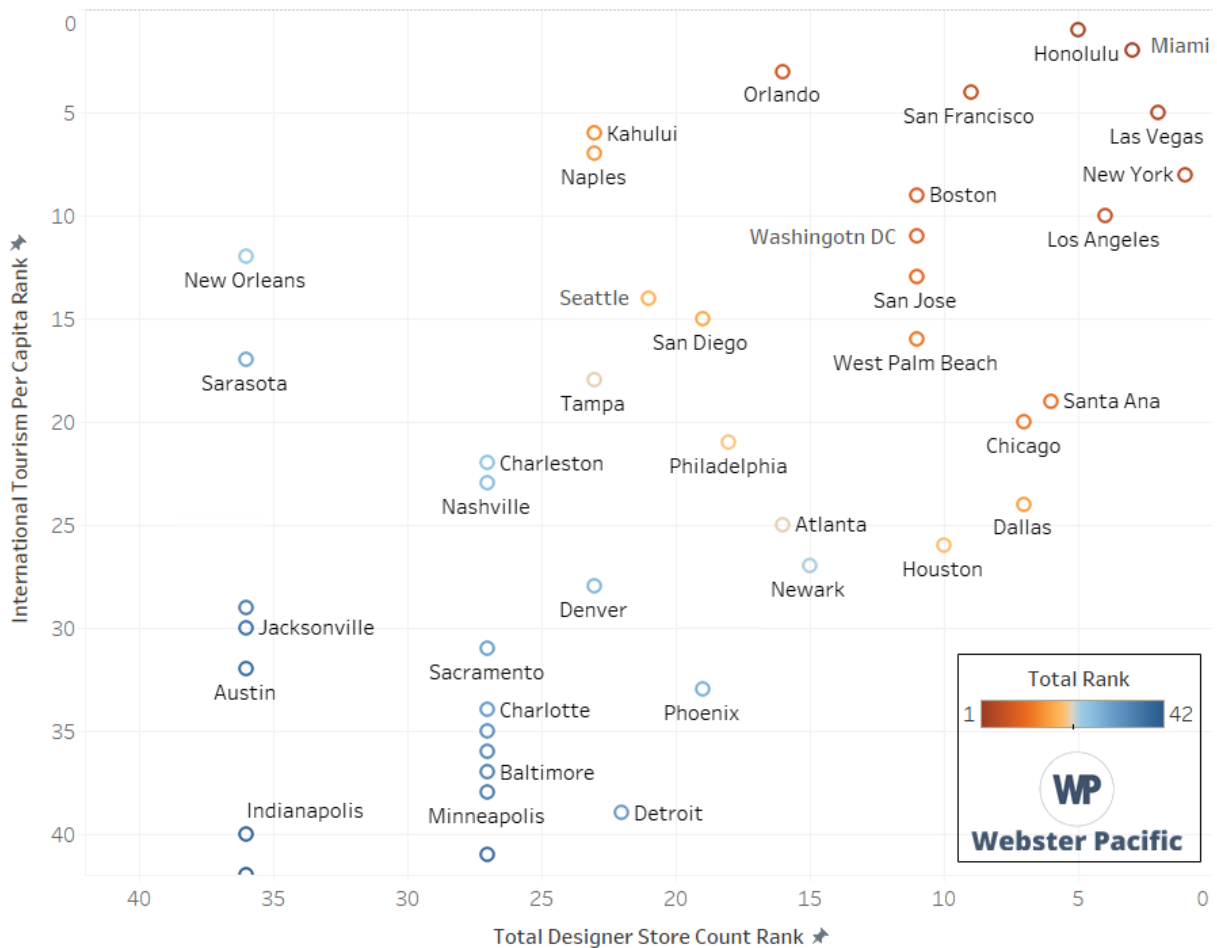
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Luxury Retail Markets Predicted to be Most Negatively Impacted by Covid-19

Rank	Metro
1	Miami-Miami Beach-Kendall, FL MD
2	Honolulu, HI MSA
3	Las Vegas-Paradise, NV MSA
4	New York-White Plains-Wayne, NY-NJ MD
5	San Francisco-San Mateo-Redwood City, CA MD
6	Los Angeles-Long Beach-Glendale, CA MD
7	Orlando-Kissimmee-Sanford, FL MSA
8	Boston-Quincy, MA MD
9	Washington (DC Metro Area), DC-MD-VA
10	San Jose-Sunnyvale-Santa Clara, CA MSA

Scatter of Ranking

Luxury Retail Markets Predicted to be Most Negatively Impacted by Covid-19 (June, 2020)



Analysis by Webster Pacific LLC. Data from Webster Pacific, American Community Survey, and the National Trade and Tourism Office



APPENDIX

Notes on Methodology

- Calculation – Total designer count and tourism per capita were ranked from 1 to 42 (most to least) for each metro. Both ranks are added together to create a total score, which then becomes the final ranking. See table below as example.
- Tourism – WP studied only international tourism rather than national tourism due to availability of data.
- Metro Geography – the NTTO uses a mix of Metropolitan Statistical Areas (MSA) and Metropolitan Divisions (MD) from the December 2009 (Internet release September 2010) delineation files to report their figures. Webster Pacific uses these historical geographies to aggregate all data. <https://www2.census.gov/programs-surveys/metro-micro/geographies/reference-files/2009/historical-delineation-files/list1.txt>

Sources

- Tourism Data – “2019 Overseas visitation estimates to the Cities Visited” from the Bureau of Economic Analysis and the National Travel and Tourism Office (NTTO). NTTO sources the U.S. Department of Commerce, ITA, NTTO, Survey of International Air Travelers. Estimates exclude Canada and Mexico. Visitation counts include travelers who spent 1+ night in destination city. https://travel.trade.gov/outreachpages/inbound/general_information.inbound_overview.asp
- Population Data for Per Capita Calculations – American Community Survey 5-Year Survey, 2018
 - Note: MSA and MD population totals used do not foot exactly to 2018 ACS CBSA totals because the December 2009 MSA and MD geographic definitions were used to aggregate 2018 data from the tract level.
- Designer Data – Webster Pacific has a database of Point of Interest data on many US retailers. This database was filtered to get the locations of 20 luxury fashion and jewelry designer store locations. Outlets are excluded. Data gathered in Fall of 2019. Complete designer list: Louis Vuitton, Burberry, Gucci, Hermes, YSL, Fendi, Prada, Armani, Versace, Valentino, Dolce & Gabbana, Balenciaga, Alexander McQueen, Chloe, Givenchy, Oscar de la Renta, Cartier, Van Cleef & Arpels, Bvlgari, and Harry Winston.



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Ranking of All Metros Studied

Metro Name per NTTO	Total Designer Store Count Rank	Int'l Tourism Per Capita Rank	Total Score	Final Rank
Miami-Miami Beach-Kendall, FL MD	3	2	5	1
Honolulu, HI MSA	5	1	6	2
Las Vegas-Paradise, NV MSA	2	5	7	3
New York-White Plains-Wayne, NY-NJ MD	1	8	9	4
San Francisco-San Mateo-Redwood City, CA MD	9	4	13	5
Los Angeles-Long Beach-Glendale, CA MD	4	10	14	6
Orlando-Kissimmee-Sanford, FL MSA	16	3	19	7
Boston-Quincy, MA MD	11	9	20	8
Washington (DC Metro Area), DC-MD-VA	11	11	22	9
San Jose-Sunnyvale-Santa Clara, CA MSA	11	13	24	10
Santa Ana-Anaheim-Irvine, CA MD	6	19	25	11
Chicago-Joliet-Naperville, IL MD	7	20	27	12
West Palm Beach-Boca Raton-Boynton Beach, FL MD	11	16	27	12
Kahului-Wailuku (Maui), HI MICRO	23	6	29	14
Naples-Marco Island, FL MSA	23	7	30	15
Dallas-Plano-Irving, TX MSA	7	24	31	16
San Diego-Carlsbad-San Marcos, CA MSA	19	15	34	17
Seattle-Bellevue-Everett, WA MD	21	14	35	18
Houston-Sugar Land-Baytown, TX MSA	10	26	36	19
Philadelphia, PA MSA	18	21	39	20
Atlanta-Sandy Springs-Marietta, GA MSA	16	25	41	21
Tampa-St. Petersburg-Clearwater, FL MSA	23	18	41	21
Newark-Union, NJ-PA MD	15	27	42	23
New Orleans-Metairie-Kenner, LA MSA	36	12	48	24
Charleston-North Charleston-Summerville, SC MSA	27	22	49	25
Nashville-Davidson-Murfreesboro-Franklin, TN MSA	27	23	50	26
Denver-Aurora-Broomfield, CO MSA	23	28	51	27
Phoenix-Mesa-Glendale, AZ MSA	19	33	52	28
North Port-Bradenton-Sarasota, FL MSA	36	17	53	29
Sacramento-Arden-Arcade-Roseville, CA MSA	27	31	58	30
Detroit-Warren-Livonia, MI MSA	22	39	61	31
Charlotte-Gastonia-Rock Hill, NC-SC MSA	27	34	61	31
Riverside-San Bernardino-Ontario, CA MSA	27	35	62	33
Columbus, OH MSA	27	36	63	34
Baltimore-Towson, MD MSA	27	37	64	35
Minneapolis-St. Paul-Bloomington, MN-WI MSA	27	38	65	36
Portland-Vancouver-Hillsboro, OR-WA MSA	36	29	65	36
Jacksonville, FL MSA	36	30	66	38
Pittsburgh, PA MSA	27	41	68	39
Austin-Round Rock-San Marcos, TX MSA	36	32	68	39
Indianapolis-Carmel, IN MSA	36	40	76	41
St. Louis, MO-IL MSA	36	42	78	42