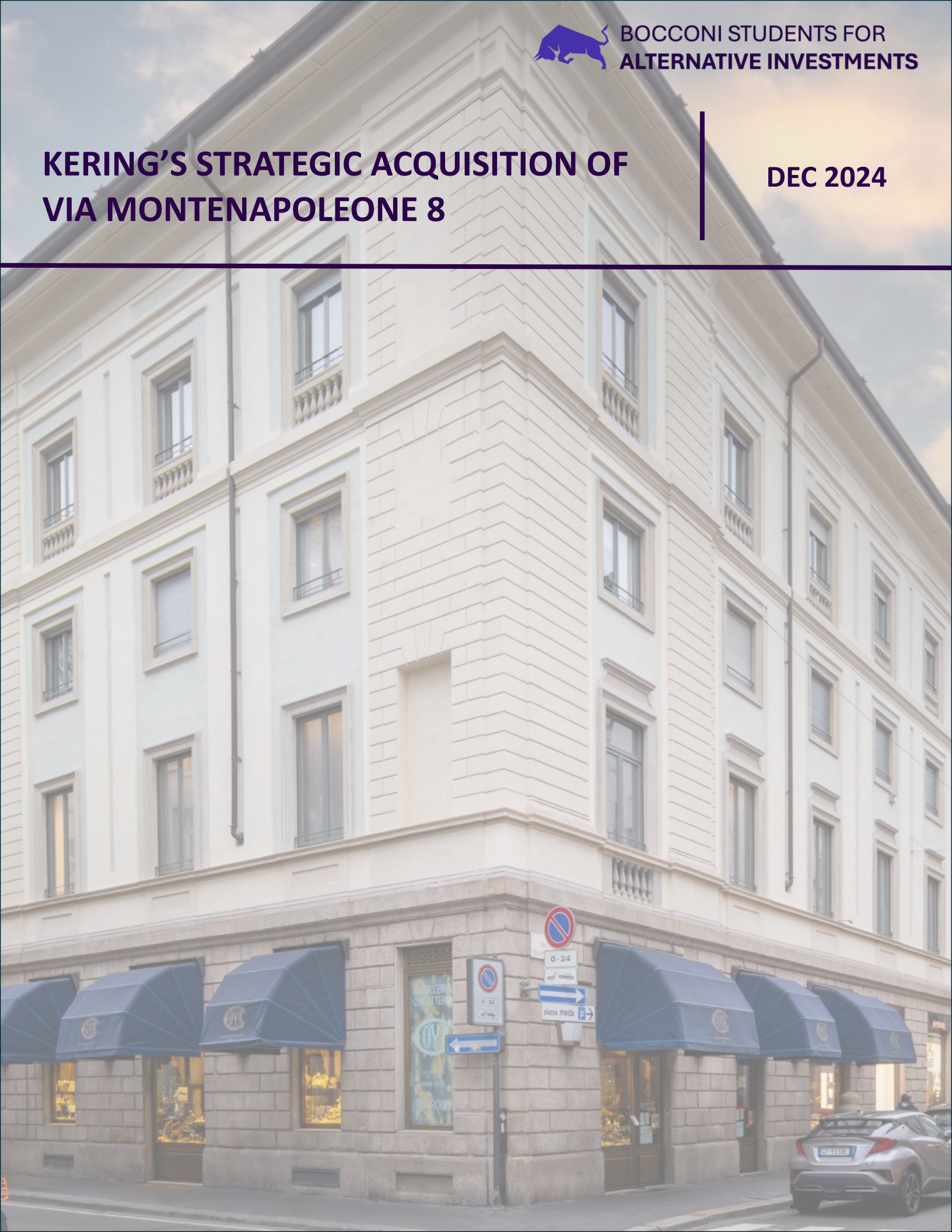




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KERING'S STRATEGIC ACQUISITION OF VIA MONTENAPOLEONE 8

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A Landmark Deal Reshaping Luxury Real Estate

The luxury sector has long been synonymous with exclusivity, refinement, and a commitment to exceptional quality. However, beyond the craftsmanship, a key battleground for global luxury brands is the strategic acquisition of premium real estate. In an industry where image and location are paramount, owning iconic retail spaces in globally recognized shopping districts has become an essential component of brand strategy.

This ethos was on full display when French luxury giant Kering, the owner of iconic brands like Gucci, Saint Laurent, and Balenciaga, announced its acquisition of a historic 18th-century building at Via Monte Napoleone 8 in Milan. Secured for a staggering €1.3 billion, this transaction is not just the largest single-asset property deal in Europe since 2022 but also a defining moment in the high-stakes competition for luxury real estate dominance.

Situated on one of the world's most prestigious shopping streets, this property embodies the essence of luxury. The building spans five floors and over 5,000 square meters of retail space, currently hosting flagship stores for Saint Laurent, Prada, and LVMH's Café Cova. For Kering, this acquisition is much more than a mere expansion; it represents a strategic move to solidify its market position in one of the most lucrative luxury markets globally.

This monumental transaction comes against the backdrop of increasing challenges and opportunities in the luxury retail sector. Global economic uncertainties, changing consumer dynamics, and rising operational costs have put pressure on even the most established brands. Yet, in this environment, prime real estate in iconic locations remains a cornerstone of competitive strategy. Kering's move follows similar high-profile acquisitions in luxury retail real estate, including its recent \$963 million purchase of a property on Fifth Avenue in New York. With flagship stores already in Paris, Tokyo, and other global hubs, Kering's real estate strategy underscores its ambition to dominate luxury's most coveted retail corridors.

As this article delves deeper into the intricacies of the deal, it highlights how strategic real estate acquisitions like this not only shape the financial dynamics of major luxury houses but also redefine the competitive landscape of the global luxury market. Through this acquisition, Kering sets a bold

precedent, demonstrating how visionary investments in iconic properties can serve as a catalyst for enduring brand legacy and growth.

General Market Trends in Luxury Retail Property

The luxury retail real estate market is undergoing a transformative phase, driven by a confluence of global economic shifts and evolving consumer behaviors. Prime retail properties in iconic shopping districts remain resilient, despite broader market uncertainties, as they continue to attract investment from high-net-worth individuals and major corporations. A recent Knight Frank report highlights that demand for luxury retail spaces in cities like Milan, Paris, and New York has surged, with rents in these areas maintaining or even increasing during the past year.

In major metropolitan hubs, flagship stores serve as more than mere sales points—they are brand showcases that reinforce identity and exclusivity. As e-commerce grows, luxury brands are doubling down on physical stores to offer immersive brand experiences that cannot be replicated online. This strategy has driven an uptick in transactions for trophy assets in the retail sector, even as other real estate segments face headwinds from rising interest rates and uncertain macroeconomic conditions. The involvement of institutional investors in luxury retail property acquisitions is another trend shaping the market. These players recognize the long-term value of high-street locations, especially in established cities with global appeal. According to Cushman & Wakefield's Global Retail Report, 2023 has seen a 12% increase in investment volume for prime retail properties, fueled by demand from sectors like fashion, luxury goods, and hospitality.

Luxury property buyers are also focusing on sustainability and adaptive reuse, as these factors increasingly influence consumer and investor preferences. Retail spaces with energy-efficient designs, green certifications, or historical significance are particularly sought after, as they align with the growing emphasis on environmental and cultural stewardship in the luxury sector.

Overview of the Deal

In a landmark transaction, Kering SA, the Paris-based luxury conglomerate, acquired a 100% stake in the prestigious Milan building located at Via Monte Napoleone 8 from Blackstone Property Partners Europe Holdings SARL, a subsidiary of Blackstone Inc. The transaction, valued at €1.3 billion, stands as one of the most significant real estate deals in Europe in recent years.

This acquisition highlights Kering's strategy of securing iconic properties in prime locations to enhance its portfolio of luxury brands. The deal was announced on April 4, 2024, and completed on July 24, 2024, cementing Kering's presence in one of the most sought-after retail corridors globally.

The transaction marks a strategic milestone for both parties. For Kering, the acquisition aligns with its selective real estate strategy aimed at bolstering its global footprint in key luxury markets. For Blackstone, the sale of this Milanese landmark represents a significant exit, demonstrating the high demand for premium retail properties in Europe.

The deal was structured as a €1.3 billion cash transaction, reflecting the building's enterprise value and implied equity value. Blackstone had previously acquired the property through its 2021 purchase of Reale Compagnia Italiana, showcasing the firm's ability to source, enhance, and monetize high-quality real estate assets.

Advisors in Kering's Via Monte Napoleone 8 Deal

The acquisition of Via Monte Napoleone 8 by Kering showcased the expertise of a distinguished panel of advisors who played pivotal roles in navigating the complexities of the €1.3 billion transaction.

On the buy-side, Kering engaged Lazard as the lead financial advisor. Lazard's role was instrumental in structuring the deal to ensure alignment with Kering's long-term strategic goals.

Legal counsel for Kering was provided by Chiomenti, one of Italy's premier law firms, with a team led by Umberto Borzi (Corporate), Paolo Fedele (Property), and Giuseppe Andrea Giannantonio (Tax). Their combined expertise ensured compliance with local regulatory requirements, optimized the deal's tax structure, and safeguarded Kering's interests throughout the transaction process.

On the sell-side, Blackstone leveraged the expertise of a trio of financial heavyweights: J.P. Morgan, Mediobanca S.p.A., and Barclays. Their collaborative approach enabled Blackstone to position the property effectively, maximize its market value, and execute one of Europe's most significant real estate exits. Legal representation for Blackstone was spearheaded by Simpson Thacher & Bartlett LLP and Studio Legale PedersoliGattai. These firms ensured that the transaction adhered to international and Italian legal frameworks while addressing intricate aspects related to property rights, corporate governance, and tax compliance.

The Strategic Importance of Via Monte Napoleone for Luxury Brands

Milan's Via Monte Napoleone has long been synonymous with exclusivity, sophistication, and an unparalleled shopping experience. Now, it holds an even more prestigious title: the world's most

expensive retail destination. According to Cushman & Wakefield's latest *Main Streets Across the World* report, Via Monte Napoleone has overtaken New York's Upper 5th Avenue, with rents climbing to €20,000 per square meter—an 11% increase over the past year.

For luxury retailers, securing a presence on Via Monte Napoleone is a strategic imperative. The street's unparalleled prestige offers access to a global clientele, including high-net-worth individuals and affluent tourists, drawn by Milan's reputation as a fashion and cultural capital. Rents on Via Monte Napoleone have risen by nearly a third in the past two years, driven by strong demand and limited supply. This surge highlights the competitive advantage gained by owning or leasing prime retail space in this coveted location. For Kering, the recent acquisition of a landmark property at number 8 not only provides a physical presence but also positions its brands at the apex of global luxury retail. The rise of Via Monte Napoleone to the top of the global retail rankings reflects broader economic trends and Milan's growing prominence in the luxury market. Factors such as a post-pandemic rebound in consumer activity have bolstered its attractiveness. This growth aligns with global trends showing a 4.4% increase in average retail rents across major cities, with Milan outpacing other European hubs. For luxury brands, the street offers more than just high foot traffic—it provides an irreplaceable aura of exclusivity that enhances brand prestige and attracts discerning consumers.

Globally, the luxury retail real estate market has seen robust resilience, with 57% of prime shopping streets reporting rental increases over the past year. This is particularly evident in Europe, where Milan and London have outperformed other regions, and in Asia, where Tokyo's Ginza district posted a 25% rental increase. However, Via Monte Napoleone's rise to the top is a testament to its unique blend of historical charm, architectural elegance, and global fashion prominence, making it an essential asset for luxury brands seeking long-term market dominance.

As Milan continues to grow as a focal point of luxury retail, Via Monte Napoleone remains at the heart of this transformation. For Kering and other major players, securing a presence on this prestigious street is more than a strategic choice—it's an investment in their brand's future, ensuring they remain synonymous with the pinnacle of luxury in an increasingly competitive global market.

Lessons from Via Monte Napoleone 8: What Other Luxury Brands Can Learn

Kering's €1.3 billion acquisition of the historic building at Via Monte Napoleone 8 in Milan offers several strategic insights for luxury brands aiming to enhance their market presence through prime real estate investments.

1. Elevating Brand Prestige through Strategic Location

Securing a building on a premier shopping street like Via Monte Napoleone significantly enhances a brand's prestige and visibility.

2. Ensuring Long-Term Stability and Control

Owning properties allows brands to exert greater control over their retail environments and ensures long-term stability against fluctuating rental markets. This approach mitigates risks associated with lease renewals and rent escalations, offering a more predictable financial outlook.

3. Creating Immersive Brand Experiences

Ownership of flagship locations enables brands to design and customize retail spaces that offer immersive, experiential environments aligning with their identity and values. These bespoke spaces enhance customer engagement and differentiate the brand in a competitive market.

4. Leveraging Real Estate as a Financial Asset

Properties in prestigious locations tend to appreciate over time, contributing to the brand's overall asset portfolio and financial health.

5. Aligning with Sustainability Initiatives

Ownership facilitates the integration of sustainable design and operational practices within flagship stores, reflecting a commitment to environmental responsibility. This alignment with global sustainability trends can enhance brand reputation and appeal to environmentally conscious consumers.

Conclusion

Kering's acquisition of Via Monte Napoleone 8 is a definitive statement of intent, demonstrating the critical role of prime real estate in the luxury sector. This deal underscores how iconic locations elevate brand prestige, foster immersive consumer experiences, and secure long-term financial and operational stability. The lessons from this transaction extend beyond Kering, offering valuable insights to other luxury players on the importance of strategic investments in premium retail spaces. As global rents rise and demand for top-tier locations intensifies, brands must view real estate not merely as a cost but as a vital component of their identity and growth strategy.

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