



News Release



Flagship Confidential: Enticing San Francisco Customers with Experiences

San Francisco 's position as a global gateway city cements its reputation as a flagship retail market

SAN FRANCISCO, Nov. 17, 2016 – Flagships signify the lead ship guiding a fleet, and today flagship stores act similarly for a retailer guiding their store portfolio with innovative concepts, technology and merchandise. While luxury brands have used flagship stores for years to connect with customers and grow brand recognition, JLL's latest research report [Flagship Confidential](#), shows an increase in retailers across all price points using a flagship store strategy. The report, which looks at 145 flagship stores in four of the most important markets of the country, includes analysis of San Francisco's flagship status.

"We view San Francisco as one of the leading flagship markets on the West Coast. The city is unique, however, in how compact it is in terms of flagships, compared with the other cities in our study. Nearly all of San Francisco's flagship stores are concentrated within just a few minutes walk of each other in Union Square or its immediate vicinity," said Ben Lazzareschi, executive vice president, JLL Retail. "This heavy concentration - along with strong general demand from retailers -- is a key reason why certain neighborhoods within a few blocks of Union Square, have started to attract additional interest from retailers," he said.

Seeking an ultra-personalized retail experience

San Francisco's flagship stores include Sephora at 33 Powell Street where bright, sleek space includes a Beauty Workshop where shoppers can receive free makeup tutorials and even classes. Sephora's store also houses interactive fragrance, color and skincare IQ stations to guide shoppers to the right products according to things like personal preference and skin type. Brooks Brothers flagship at 240 Post Street is its second largest store in the country and features a "gentleman's lounge" where shoppers can get custom tailoring, grab a coffee or shoot a game of pool.

"Increasingly, consumers patronizing luxury and luxury lite flagships are yearning for ultra-personalized in-store experiences that deliver a one-on-one connection to shoppers," says Chris Roe of Big Red Rooster, an Ohio-based experiential design subsidiary acquired by JLL last year. Luxury and luxury lite stores studied in the full report also had a direct correlation to having the highest concentration of hospitality and wellness features, like restaurants, cafes, coffee bars and VIP rooms with high-touch hospitality service.

Construction costs

Reinforcing the high-end brand positioning of flagship stores is the detail spent on the store itself. "Flagship stores typically have unique architectural elements and dramatic interior designs," says Jacqueline Dompe, head of JLL Northwest construction management, who retailers and other clients trust to ensure they achieve their broader ambitions and business goals. "Certain characteristics are more commonly found within specific price point groups like luxury or discount, but we expect that flagship features will become more common along all points within the price spectrum," she adds. That means costs can be steep for retailers since San Francisco is the second highest construction cost market in the country, according to research just released in teaser form by JLL, [First Look: Q3 2016 U.S. Construction Outlook](#). (The full construction report is expected to drop later this month.)

Sustainability

While San Francisco's status as a flagship retail location isn't quite to the level of New York, Chicago or Los Angeles yet, especially in the number of flagship stores, San Francisco does stand out in at least one category in the JLL report: sustainability.

"San Francisco plays a leading role in the sustainability movement and this has clearly spread into the retail sector," says Sonia Greenlee, senior vice president and LEED AP who leads JLL's Northwest hotel construction management division. "Levi's Market Street store earned its LEED certification through the use of reclaimed wood from the city's piers and Nike at 278 Post Street is LEED Gold certified and uses reclaimed wooden bleachers from a torn-down high school in St. Louis," she points out.

JLL's retail experts partner with retailers, investors and owner/operators with an extensive team of dedicated experts around the world. They understand the inherent complexities and variability associated with both the retail industry and increasingly complex capital markets. JLL's specialists are trusted for their independent and expert advice to clients, backed by industry-leading research that delivers maximum value. With leading in-depth knowledge of the local, regional and global market dynamics, JLL aims to truly partner with its clients for the entire lifecycle of an asset or lease. Its experts deliver clients maximum value to support and shape their investment, site selection and brand strategies.

JLL is the largest third-party retail property manager in the United States with more than 1,000 centers, totaling 125 million square feet under management. The firm has more than 140 retail brokerage experts spanning more than 30 major markets, representing more than 900 retail clients. In 2015, JLL's retail experts completed transaction management and portfolio optimization on 1,500+ leases, negotiated 500+ leases for retailers and 1,000+ leases for landlords and completed more than \$2.7 billion of investment sales, dispositions and financing for investors. For more news, videos and research from JLL's Retail Group please visit: <http://www.jllretail.com>.

About JLL

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