

Luxury Handbags As An Alternative Asset Class

Maxwell Verneau Updated On January 29, 2025

Gone are the days when an investment portfolio only consisted of stocks, bonds, mutual funds, commodities, and real estate. In the past decade, there has been a growing interest in alternative asset classes such as art, wine, and even luxury handbags.

Yes, you read that right. Luxury handbags are now considered an asset class. Adding a Kelly or a Birkin bag to your collection can potentially bring in high returns.

But before you jump into any investment, it's important to do your due research. That's what this guide will help you with. Keep reading to see how luxury handbags stack up against traditional investment options and why a trip to Bloomingdale's is due.

Historical Performance of Luxury Handbag Investments

In 2022, the luxury handbag market had a value of \$72 billion, a figure expected to [catapult to \\$100 billion by 2027](#). Why such a high jump, though? Well, a Business of Fashion study revealed that [40% of Americans](#) have either bought or are planning to buy a luxury handbag.

Luxury Handbags as Veblen Goods

The reason luxury collectibles, especially bags, are gaining so much popularity is due to their classification as Veblen goods. That's part of the reason the historical performance of luxury handbags has been so impressive.

But what are Veblen goods? To explain this, let us quickly ask you a few questions. What brands come to mind when we say "race cars?" You're probably thinking of Ferrari, Lamborghini, McLaren or Porsche. And if you were asked to name a luxury watch brand, your answer could be Rolex.

Luxury jewelry? Cartier.

Luxury handbags? Hermes, Balenciaga, or Louis Vuitton.

So, what do these brands have in common? They are all associated with high prices and items that radiate wealth. Besides, they also have a certain appeal to them, due to which the more coveted they are, the higher their prices.

The phenomenon goes against the conventional demand-supply theory, where demand decreases with a rise in price. Veblen goods see an increase in demand with the price rise. American economist Thorstein Veblen, after whom the goods are named, explains in *The Theory of the Leisure Class* that such exorbitant spending is often for status-seeking.

However, today, luxury handbags are more than just that. They've actually become good investments that people can pass down generations. Resale prices can be anywhere from 50% to 100% of the original price, depending on the condition and popularity of the bag.

How Luxury Handbags Have Performed Historically

Historically, the main way for people to get luxury bags for resale was through auctions held at Christie's and Sotheby's. Things have changed now. People can buy preloved luxury handbags from online consignment stores like Rebag and RealReal.

The RealReal's recent report showed that, in 2022, the designer bag prices went up by 26%. Most of the increase was seen in the following brands: Chanel, Louis Vuitton, and Hermes. In some instances, the hike was as high as 55%.

A Credit Suisse Group AG study also showed that Chanel bags saw a 24.5% increase in value from 2021. Louis Vuitton isn't behind, either. The RealReal's report revealed Louis Vuitton bags to be among the top three resold accessories. According to their ranking, the demand for resale brands is as follows:

Gucci Louis Vuitton Chanel Prada Dior Saint Laurent Hermes Fendi Burberry Balenciaga

Although Balenciaga is at the bottom currently, celebrity clout from names like Justin Bieber and Kim Kardashian is expected to bump up the brand's demand and resale value.

Resale Potential of Hermes Bags

While other luxury brands are lucrative investment assets, there's no denying that Hermes takes the crown in this category.

The Robb Report has actually put Hermes bags in the same category as art, cars, and whisky. In fact, these luxury handbags outperform other assets. The same report also shows that Birkins sell for over \$200,000 at every auction. Even better, the Birkin has six spots on the list of the top ten most expensive Hermes bags sold.

Ready for the even more mind-boggling part? The Robb Report also stacked up Hermes bags against the works of Banksy. Guess what they found? The Birkin outperformed Banksy with a 42% vs. 23% increase in value between 2019 and 2020.

You'd think the Birkin is the only bag keeping Hermes afloat. But that's not true. Forbes reports that four Hermes bags have bolstered the company's sales in the US by 21%. These bags include the Picnic Birkin (of course!), the HAC a Dos, the Maximors, and the In-The-Loop bag.

Unlike some other luxury bags that lose their value with time, Hermes bags are the ultimate investment pieces. They retain a whopping 103% of their retail value. That means if you buy a \$10,000 Birkin today, you'll sell it for \$10,300 in a few years.

In comparison, Louis Vuitton bags retain 92% of their value, and Chanel bags retain 87%. Not bad at all, if you ask us.

Recent Decline in Resale Value of Luxury Handbags

While luxury handbag resale values have historically been consistently positive, there was a recent price decline due to ongoing economic uncertainty. RealReal's

Annual Luxury Consignment Report 2023 showed that the following handbags' resale prices fell:

Gucci: 17% Louis Vuitton: 20% Hermes: 10% Chanel: 9%

While this could be concerning, there's no doubt that celebrity culture and trends for vintage and limited edition pieces will continue to impact the demand for luxury handbags in the resale market.

The luxury handbag market faced a similar dip during 2020, too. As the pandemic was at an all-time high, the market saw a decrease of 25.6% in sales. However, the industry recovered as markets began to reopen.

CAGR or Annual Growth Rate in the Luxury Handbag Industry

The compound annual growth rate (CAGR) is a measure of the average annual growth rate of an investment. Think of it as the growth rate that gets you from the initial to the ending investment value.

The good news is that luxury handbags have a very promising CAGR. It has been proved in many market researches.

For example, the [Data Bridge Market Research reveals](#) that the luxury handbag market will grow at a CAGR of 8.20%. The increase will bring the market from its current value of \$22.61 billion to \$42.4 billion in the following markets: Japan, Southeast Asia, India, China, and Europe.

If that wasn't convincing enough, let us share some significant numbers from [Allied Market Research](#). The research firm forecasts that the global luxury handbag market will reach \$89.9 billion by 2026, at a CAGR of 5.6% between 2019 and then. Meanwhile, the [Fortune Business Insights report](#) forecasts a higher CAGR of 6.7%, estimating the market to have a value of \$78.46 billion by 2028.

Luxury Handbags vs. Traditional Asset Classes

The comparison between luxury handbags and traditional asset classes is not a novel concept. It has been around for a while.

Source: <https://www.pexels.com/photo/woman-in-blue-and-beige-long-sleeved-dress-holding-a-yellow-bag-1108602/>

Baghunter released a study in 2016 in which they revealed that the [Birkin had outperformed gold and S&P 500 returns](#) for the past 35 years. According to this report, Birkins brought an annual return of 14.2%, much higher than -1.5% of gold and 8.7% of the S&P average.

In its 2022 report, Rebag also noted something similar, but with Telfar bags. The report found that Telfar had the best performance among other luxury handbags. As astounding as it sounds, Telfar bags had a [resale value of 195% compared](#) to their retail price. The average of the S&P 500 doesn't even come close to this figure.

Let's compare these figures to those of traditional asset classes.

Real Estate

Real estate is often lauded as one of the most lucrative investment options. However, the housing crisis of 2008 shattered this myth to some degree.

Historically, the average increase for real estate has been below 10%. The FHFA (Federal Housing Finance Agency) reported an average [increase of 4.3% in home prices](#) from 1991 to 2000. After 2000, the average increased to 4.7. Since 2012, the figure has increased to 7.7%. Interestingly, the market saw a huge jump between 2021 and 2022, as the prices increased [by 18.8%](#). But it's an anomaly rather than a norm.

Let's compare these averages with the rise in Birkin prices. When initially released in 1984, the Birkin cost about \$2,000 on average. Today, the price has seen a 500% increase. That's a [14% increase per year](#) in the 35-year period.

It's easy to see which of the two options is a better investment.

Bonds and Stocks

You can see the same disparity between luxury handbags and stocks or bonds, too. In the past three decades, bonds have given a return of 6.1% on average, [compared to 10% of stocks](#). Again, that's lower than or equal to what most luxury handbags offer.

Benefits of Adding Luxury Handbags to Your Portfolio

Every investment guru would tell you that diversification is key when it comes to creating a portfolio. But only a few would recommend adding luxury handbags to your list of investments.

However, as seen above, it is clear that luxury handbags provide a stable return on investment. For one, you can expect them to grow in demand as they are a status

symbol for many. Plus, unlike stocks and bonds, which are subject to market fluctuations, luxury handbags hold their value even in economic downturns.

Today, we live in the era of influencer and celebrity marketing. If [Kim K wears Balenciaga](#), everyone follows suit. Similarly, if Rihanna rocks a new Birkin, it's a surefire way to increase its demand and thus value.

Similarly, a trend among fashionistas can amp up a bag's value. For example, there's a growing trend toward vintage collectibles now. Due to that, there has been a [325% increase in the resale of geometric bags](#). The whole vintage category has seen a 439% year-over-year growth.

Another benefit of using luxury handbags as alternate assets is that you can also use them throughout your ownership. The only thing you need to be careful about is to keep them in good condition.

As gender-fluid dressing is becoming a norm, men are also taking an interest in designer luxury handbags. That means investors have a larger seller base. In fact, the demand for Bottega Veneta bags has increased [by 12% among men](#). As other brands come out with their own gender-neutral designs, we can expect this trend to continue.

Luxury Handbags to Add to Your Portfolio

Not every luxury handbag is a promising asset. Some will only go down in price. So, you need to be smart in your decisions. Here are some bags that you can consider adding to your portfolio:

Whether it's a Kelly or a Birkin, adding a Hermes to your portfolio is a no-brainer. The brand is known for creating iconic, timeless pieces that only get more valuable with time. Plus, the waiting list for most of their bags is years long, making them highly coveted and exclusive.

The LV Neverfull is one of those investments that surely pays off. Look for unique and limited edition versions of the bag, such as those with certain materials or artist collaborations.

Chanel is another good option. Some bags to go for in particular are the Chanel Classic Flap Bag and the Boy Bag.

Part of the reason the Chanel Classic Flap Bag is so popular is that it's also called the Chanel Diana due to the [Princess of Wales' affinity for it](#). The best-performing options in the Chanel Classic Flap Bag are the lambskin leather and 24-karat gold hardware.

Where to Find Good Investment Luxury Handbags

As we've already mentioned, you can buy luxury handbags from auction houses or luxury resellers such as The RealReal. However, if you're looking for a comprehensive selection of designer bags, we recommend you browse through our collection.

We have a wide range of luxury handbags from top designer brands, including but not limited to Chanel, Gucci, Hermes, Louis Vuitton, Bottega Veneta, and more. Check out our collection of luxury handbags from all your favorite brands to take a pick.