



Vintage Wine Market Update 2019 Oct

Vintage wine auctions in 2019 so far are turning well for the major auction houses. The first half saw strong results and it was not rare to see 100 percent of lots sold.

US-based Acker Merrall and Condit reported a superlative first half when top Burgundy producers like DRC and Leroy continued to lead. Interestingly, a lesser known producer, Domaine Comte Liger-Belair, made a strong impact and has been slowly building a leading position among the top 10 sellers in auctions. Liger-Belair's wines include world-renown grand cru such as La Romanée, Clos de Vougeot and Echezeaux.

For the first half of the year, Sotheby's fine wine sales increased 23 percent year- on-year to USD 65 million. It was their highest spring total since they began auctioning wine in 1970. Notably, the three-day auction held in Hong Kong in March established a new record, selling 2,700 lots for USD 34.5 million against an estimate of USD 20-30 million.

Although Christie's May auction in Hong Kong saw most wines sold below their high estimates, the exceptions were Domaine Leroy, Roumier and DRC in top vintages and appellations. A two-bottle lot of Domaine Leroy Musigny 2000 sold for HKD 375,000, which was 97 percent above the high estimate.

October marks the beginning of the fall auction season in the major markets of Hong Kong, London and New York. Despite the unsettling situation here in Hong Kong, both Sotheby's and Acker reported strong results. Online bidding allowed buyers to purchase their favorite wines and Sotheby's reported a 44 percent increase in phone bidding for their early October auctions.

It is noteworthy that there appears to be different preferences in different geographies. The US and UK

auction markets remain very keen on top Bordeaux, whereas in Hong Kong the focus seems to be more on Burgundy and less on Bordeaux. Nevertheless, not every wine performs well in auction. As mentioned earlier, only a select few among the Burgundy and Bordeaux estates will sell at levels exceeding their high estimates. For Bordeaux, Chateaux Lafite Rothschild and Petrus of the best vintages usually do very well. For Burgundy, Leroy, Roumier, DRC and Rousseau are the leaders, but not in every appellation. Roumier's Bonnes-Mares, Leroy's Musigny and Rousseau's Chambertin Clos de Beze are the most desired, whereas Romanée Conti and La Tache are top sellers for DRC.

It is important for potential sellers to understand that the auction market is uneven and a majority will sell below or just within market price. As is often the case, larger formats seem to attract more attention and enjoy a premium.

While sales in the auction market appear to be doing well in these turbulent times, the broader vintage wine market is feeling the effects of global trade tensions, confusion around Brexit and recent social discontent in Hong Kong. The Liv-Ex indices listed below clearly illustrate this slowdown.

Returns of various vintage wine indices for the 12 months to the end of September 2019:

Liv-ex 100 ¹	-1.55%
Liv-ex 50 ²	-3.01%
Liv-ex Burgundy 150 ³	+6.31%

It is increasingly apparent that Bordeaux first growths are no longer the major driving force in the fine wine world that they once were. Lesser classified Bordeaux, as well as the second wines from the 1st growth are becoming more attractive to wine merchants and ultimately to wine drinkers.

Top Burgundy remains the focus of both wine buyers and collectors, but given the strong upward trend in

prices one must wonder if the region has reached its peak and if there is a speculative bubble. However, what makes Burgundy different from other leading wine producing regions is the sheer scarcity of the product. There are 33 Grands Crus in Burgundy (the equivalent of Bordeaux 1st growths) and they represent only 1.5 percent of total Burgundy production. There are only 5,000 bottles of Romanée Conti produced annually. The coveted Musigny from Domaine Leroy comes from a vineyard of 0.27 hectares and in 2009 only 600 bottles were produced.

How was the 2019 vintage?

We have heard reports of lesser quantities across the board due to the extreme hot weather during June/July across Europe which caused uneven flowering during the beginning of the growing season. Burgundy could see its production down by 30-40 percent. In Bordeaux, 2019 will be a smaller vintage compared to 2018. So far, Italian producers are expecting a drop of at least 15%.

In terms of quality, 2019 looks like a very good year for most European wine regions with the exception of Spain which saw the potential of a great vintage dashed by the diluvial rains of last month.

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- 1 Industry benchmark comprised of the 100 most sought-after wines from the secondary market
 - 2 The latest 10 vintages of the 5 Bordeaux First Growths
 - 3 Latest 10 vintages of 15 Burgundy wines including 6 DRC

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