

Wine Auctions & Investments

Anthony Rose

Despite the ongoing expansion of the fine-wine market beyond French borders, bordeaux continues its UK-saleroom domination, in 2005 taking 60–80 per cent of business (Christie's and Liv-ex respectively).



ANTHONY ROSE

It's a different story in the US market, now the biggest in the world, where Sotheby's New York had 41 per cent of its business in bordeaux (64 per cent worldwide) and a substantial 38 per cent in burgundy. Burgundy accounted for 21 per cent worldwide at Sotheby's, a similar figure to Christie's 20 per cent. Beyond the two French classic regions, Sotheby's figure of 8 per cent in New York for sales of California wines was significantly higher than the Rhône (5 per cent) and Italy (3 per cent), although sales of California wines outside the US remain negligible.

For some time now, prices for the best younger bordeaux vintages have been outstripping older vintages, but 2000 bordeaux prices (and the few 2003s that appeared) came off the boil in 2005, except for Le Pin and Pétrus. This was partly due to the surge in prices for mature bordeaux in the autumn of 2005 thanks to the British government's SIPPs scheme. With the prospect of being able to offset money paid for fine wine against pensions in 2006 (a prospect dashed by the Chancellor in the autumn), prices rose some 15 per cent towards the end of the year. The wine exchange, Liv-ex, reported a record month in September, with turnover up 60 per cent.

The so-called Parker effect is generally held responsible for high prices

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for top young vintages, but there are other important factors: the trend towards drinking wines younger, the health of the US economy, and the strength of the dollar. There was further evidence that the Parker effect itself, while still powerful, was showing signs of waning. Apart from the fact that Parker has farmed out Germany, joining Burgundy, Alsace, and Italy as the province of other critics, a US poll indicated that fewer wine consumers were influenced by him as a more educated public has become aware that the Parker points system pushes up prices.

Top vintages of Pétrus performed strongly in 2005, along with 1998 Cheval Blanc, while the 1961 Latour à Pomerol reached a remarkable US\$94,800 (£51,200) and Lafleur US\$88,875 (£48,000). Yet, Le Pin aside, the demand for garage wines continued to wane at auction, with Valandraud and La Mondotte falling. Buyers were perhaps a little sceptical of the ageing capabilities of the fruit-forward styles, although California icons such as Harlan, Screaming Eagle, and Bryant Family remained strong. In the Rhône, well-reviewed, new, so-called premium Châteauneuf-du-Pape was received with scepticism.

Bordeaux saw increasing demand in 2005 for the top 50-odd blue-chip trophy wines from the best older vintages, notably 1945, 1959, 1961, 1982, 1986, 1989, 1990, and, to an extent, 1996. According to Sotheby's New York, several factors explain the significant strengthening of the market, with prices rising more in 2005 than in any year since the boom of 1996/97: a shortage of mature wine on the market; condition starting to become less consistent; the strengthening of the dollar; big City bonuses in London; a revitalized Far East export market; and speculation about the perceived impact of SIPPs. The extent to which older vintages are drying up is hard to gauge. While higher prices suggest that consumption is fuelling demand, some, such as Chris Munro at Christie's, think that quite a few people are still sitting on vintages as far back as 1982.

Nevertheless, the 1982 vintage reached new heights with US\$10,000 (£5,000+) per case for First Growths, Latour and Lafite especially, becoming a reality. The 1989 and 1990 vintages continued to provide relative value, except for 1990 Latour, Pétrus, and Cheval Blanc, which were very strong. The 1995s and 1996s finally crystallized, with First Growths moving back up over the £2,000 (US\$3,600) mark to achieve, Lafite especially, significant gains. In contrast, the great Millennium vintage, which started life from a high base, showed little or no upward movement. The 100-point 2001 Yquem had a good run, trading up to £2,800 (US\$5,100) after opening at £2,200 (US\$4,000) per case (Liv-ex) and large-format bottles were also back in favour, with half-bottles commanding substantial premiums. At the other end of the scale, 1997

bordeaux started to diminish in volume, and 1999 and 2001 bordeaux were waiting in the wings to replace it as 'glugging claret' in 2006.

Driven by the US market, burgundy, DRC especially, had a strong year in 2005 with the fine and rare end of the market achieving stratospheric prices. Burgundy has increased as a percentage of lots in catalogues, although it is perhaps more polarized even than bordeaux, with substantial demand for relatively few names from great vintages. Among the most sought-after names, icons DRC and Henri Jayer apart, are Roumier, Dujac, Ponsot, Dugat, Leroy, and Lignier (reds), and Coche-Dury, Leflaive, Lafon, and Ramonet (whites). Top years like 1978, 1985, 1989, 1990, 1993, 1995, 1996, and 1999 achieved the best results.

The Rhône performed relatively well, with huge excitement over the 12-bottle case of 1961 Jaboulet Hermitage La Chapelle, which fetched £41,800 (US\$76,000). The arrival of the Guigal 1999s was met with considerable interest, while top vintages of Rayas achieved high prices with Beaucastel Hommage à Jacques Perrin, Chave Ermitage Cuvée Cathelin, and Bonneau Cuvée Spéciale remaining strong.

With the exception of Sassicaia, the market for Italian wines was static, as it was vintage port, which was affected by large quantities of young vintages at high prices. The shortage of mature port suggests possible price rises for the 1980, the 1983, and the 1985. Mature champagne has also seen a leap, with Krug (a magnum of 1953 Krug Collection sold for US\$12,925 [£7,385]), Cristal (methuselahs of the 1990 Millennium Cuvée sold for US\$10,575 [£5,700]), and Dom Pérignon the principal objects of desire. All prices have been converted at historic exchange rates.

Guest Comment: The Net

Guest writer Andrew Caillard MW of Langton's, which has teamed up with Christie's in a joint-venture online auction in Asia, writes:

The introduction of the silent-bid wine auction in the 1980s, followed by the deployment of Internet auction technology in the late 1990s, has changed the auction format irreversibly. The vibrant cut and thrust of the live auction room is gradually dwindling as Internet trading becomes part of our daily lives. While the auction process remains the same, the traditional expert wine auctioneer is increasingly

becoming a market analyst and valuer; the electronic bidding system taking care of the sale process.

The electronic format, which attempts to replicate the live auction environment, differs in that all lots are sold at exactly the same moment. The excitement of an Internet auction sale occurs in the last 30 minutes before the auction closes. Catalogues for Internet auctions provide potential buyers with data on vintage conditions, regional information, and tasting notes, as well as the usual information on lots, estimated prices, and conditions of sale.

THE AUCTIONEERS

On the eve of its 240th anniversary and the 40th anniversary of its wine department, Christie's claimed pole position in 2005 for the fourth year in succession. Its 43 sales conducted across nine sale locations realized £22.4 million (US\$42 million), up 15 per cent on 2004. In the UK and Europe, 33 Christie's sales totalled £14.1 million (US\$24.3 million).

With the top lot of the year the case of 1961 Hermitage La Chapelle, European highlights featured a new partnership with the Hospices de Beaune, whose 145th auction in November was organized by Christie's; a London sale of Pétrus and Latour sourced directly from the châteaux cellars; the auction of the late Alan Clark MP's wine cellar in September; and an auction return to Vinexpo. Christie's announced a major global expansion to its network, joining forces with Langton's, Australia's premier wine auction house, to build on a 15-year alliance and co-market an auction in Asia in early 2006. Langton's experienced 5 per cent growth, with sales of £6.1 million (A\$15.1 million) in 2005.

In America, NYWines/Christie's, finishing fifth in revenue ranking, held 10 sales totalling US\$15.6 million (£8.4 million), with the top lot, a 24-half-bottle case of 1947 Château Cheval Blanc, realizing US\$88,125 (£50,071). Conceding that the large majority of big cellars are in the US, Christie's Chris Munro said, "The figures can be skewed; competition is fierce, and if you're prepared not to make money you will win. Zachys' turnover is great, but its margin is

minimal to attract business. If you can sustain that business long-term, fine, but you can't. We want to maintain our global position but not at any cost."

In Zachys' third year in auctions, its eight New York and two (with Wally's) Los Angeles auctions expanded on 2004 to achieve a total turnover of US\$33.8 million (£18.3 million), with the percentage of lots sold rising to 96.78, up from 95.56 in 2004. Finishing third, Sotheby's 16 sales worldwide were up more than 40 per cent, bringing £15.7 million (US\$29.1 million), a 40 per cent increase on 2004. Six Aulden Cellars/Sotheby's auctions in the US totalled US\$18.6 million (£10 million), compared to US\$12.6 million (£6.8 million) in 2004, the high point being the 5 November auction of Finest Burgundy and Rhône from an Extraordinary Private Cellar realizing US\$4.7 million (£2.5 million). In the UK, 10 Sotheby's sales brought £5.7 million (US\$10.5 million), up £1.3 million (US\$2.4 million) on 2004.

Acker Merrall & Condit's 22 brick-and-mortar and online auctions grossed US\$20.9 million (£11.3 million), its best year, up from US\$18.7 million (£10.1 million) in 2004. The rising clout of Internet auctions was illustrated by California-based specialist WineBid.com, which reported a US\$20-million (£10.8-million) turnover, up from US\$16 million (£8.6 million) the previous year. Four sales by Hart Davis Hart, a new Chicago company, registered US\$9.5 million (£5.1 million) and in San Francisco, Bonhams & Butterfields' six auctions fetched US\$5.6 million (£3 million). Morrell & Company's four brick-and-mortar and

online auctions brought US\$3.9 million (£2.1 million), marginally down on 2004. With four sales bringing in US\$1.6 million (£0.9 million), Edward Roberts International, a small Chicago house established in 2001, had its best year to date.

LANGTON'S

The news that Christie's was to team up with Langton's to strengthen a 15-year alliance and co-market an auction in Asia focused considerable interest on the premier Australian auction house, which in 2005 posted 5 per cent growth with a total turnover of £6.1 million (A\$15.1 million). As auctioneer Andrew Caillard MW reported, the other high point was the release of Langton's Classification of Australian Wine in July 2005. The top regions are Barossa Shiraz (including Eden Valley), Margaret River Cabernet and Chardonnay, Coonawarra Cabernet, and Hunter Semillon (McWilliam's and Tyrrell's).

Among the outstanding performances in 2005, McWilliam's Lovedale Vineyard Semillon was hot property, along with Giaconda Chardonnay, Best's Thompson's Reserve Shiraz, Clonakilla Shiraz/Viognier, Noon Reserve Shiraz, and Yalumba Octavius. The critically maligned 2000 Grange defied predictions, outperforming the acclaimed 1986, 1991, 1996, and 1998 vintages, while the multi-trophy-winning 2002 Seppelt St Peter's Shiraz was also a strong performer. The 1998 Grange gained strength, adding around 20 per cent in value over the year. Other price highlights per bottle include: 1998 Penfolds RWT magnum A\$403 (£161), 1998 Rockford Basket

Press magnum A\$403 (£161), 1998 Greenock Creek Roennfeldt Road Shiraz A\$388 (£155), 1998 Henschke Hill of Grace A\$375 (£150), and 1998 Mount Mary Quintet A\$208 (£83).

Langton's top five bottle prices in 2005 were A\$48,300 (£19,320) for a 1951 Grange; A\$20,700 (£8,280) for a 1953 Grange; A\$19,550 (£7,820) for a 1985 Grange imperial; A\$14,950 (£5,980) for a 2000 Mouton imperial; and A\$4,945 (£1,978) for a 1955 Grange. Australian dollars have been converted to pounds sterling at 0.4.

ALAN CLARK'S CELLAR

At Christie's, the cellar of the late Alan Clark, former Tory MP, womanizer, motor-car enthusiast, and diarist, fetched £56,000 (US\$102,000). The most important lot in the sale was 12 bottles of 1961 Château Palmer, which sold for £7,700 (US\$14,000). The highest-priced lot in the sale was £8,250 (US\$15,000) for a case of 24 half-bottles of 1967 Château d'Yquem, referred to by Clark in his Diaries: "I had put the chairs out on the lawn, but drizzle started. I got a bottle of Yquem 67 on ice – the first this year. We sat in the red library. The Yquem did its work on an empty stomach and I sparkled."

ZACHYS' SALE

Five cases of Henri Jayer Vosne-Romanée Cros Parantoux, spanning vintages from 1955 to 1999, fetched US\$88,500 (£47,790) in a record-breaking sale at which Zachys, a major northeastern merchant and auction house based in Scarsdale, NY,

was offering more than 17,000 bottles worth US\$6–9 million (£3.2–4.8 million). The 'largest single-owner American cellar' grossed US\$9.8 million (£5.3 million), making it the third-highest wine-auction total in modern history and the largest sum generated by a single-owner American cellar.

Two magnums of 1947 Château La Fleur made US\$53,100 (£28,670) and US\$44,840 (£24,200), while a jeroboam of 1990 Romanée-Conti fetched US\$44,840 (£24,200), the same price as a jeroboam of 1962 La Tâche, and a single magnum of 1947 Cheval Blanc sold for US\$42,480 (£22,940). Two single magnums of 1961 Jaboulet Hermitage La Chapelle went for US\$18,880 (£10,200) each, and two six-bottle lots of 1990 Guigal Côte Rôtie La Mouline sold for a total of US\$17,700 (£9,560), with a case of 1974 Heitz Martha's Vineyard Cabernet Sauvignon making US\$15,340 (£8,280). The world auction record was set by Sotheby's former partner Sherry-Lehmann in 1999 with the US\$14.4-million (£7.8-million) sale of 48,000 bottles owned by Christen Sveaas, a Norwegian businessman, in New York. US dollars have been converted to pounds sterling at 0.54.

HOSPICES DE BEAUNE

At the 145th Hospices de Beaune, the annual charity auction made €5.08 million (£3.48 million), compared to €3.03 million (£2.08 million) in 2004. The majority of the take came from 647 barrels of red wine and 142 barrels of white wine, among the highlights of which were barrels of

Bâtard-Montrachet, Cuvée de Flandres, which fetched €65,923 (£45,157 each), and Clos de la Roche, Cuvée Georges Ritter, which each sold for over €20,000 (£13,700). Although there was some grumbling that prices weren't higher for the excellent 2005 vintage, Anthony Hanson MW, senior consultant to Christie's International Wine Department, considered the Hospices sale a success, with turnover up 32 per cent on the previous year. A new feature of the November weekend auction was that private individuals could participate for the first time. The Extraordinary Sale of Wine in Bottle from the Private Reserve of the Hospices totalled €212,582 (£145,619).

Euros have been converted to pounds sterling at 0.685.

THE LIV-EX INDEX

After two flat years for the fine-wine market, Liv-ex's three major indices all posted healthy double-digit gains in 2005.

Liv-ex indices and other asset classes in 2005:

Commodity/index	% return
Brent Crude	48.3
Nikkei 225	40.2
Liv-ex Claret Chip Index	22.7
Liv-ex 100 Fine Wine Index	18.7
Gold	17.7
FTSE 100	16.7
Liv-ex 500 Index	12.6
UK Gilts	6.4
Stanley Gibbons 100 (rare stamps)	6.4
FT House Price Index (England & Wales)	3.0
S&P 500	3.0

Exceptional growth 1999–2005

Position	'06	'05	'04	'03	Vintage	Wine	1999	2002	2003	2004	2005	% growth ¹	% growth annualized ²
1	7	7	5		1982	Pétrus	7,800	19,550	16,215	14,690	20,900	168	17.84
2	9	5	0		1982	Le Pin	11,550	15,950	27,495	18,380	26,600	130	14.9
3	2	4	0		1998	Le Pin	2,900	6,540	7,590	9,180	6,230	115	13.58
4	4	0	0		2000	Margaux ³	N/A	2,400	3,910	4,570	3,400	113	13.37
5	10	8	9		1989	Pétrus	6,156	14,832	11,500	8,640	12,870	109	13.07
6	5	0	0		2000	Mouton ³	N/A	1,850	2,990	4,370	3,110	94	11.7
7	1	1	0		1961	Latour	7,920	8,580	34,098	29,020	14,300	81	10.34
8	8	10	3		1982	Lafleur	5,532	15,756	9,825	10,260	9,340	69	9.11
-	3	2	1		1978	La Tâche	5,136	15,630	14,330	15,860	N/S	N/A	N/A
-	6	6	7		1978	Guigal Côte Rôtie La Landonne	2,736	6,744	6,000	5,440	N/S	N/A	N/A

Prices in GBP per case of 12 bottles (best hammer price achieved in year indicated).
Sources: Christie's, Sotheby's, and Morrell's.

- ¹ Percentage growth between 1 July 1999 and 30 June 2005.
² Annualized growth between 1 July 1999 and 30 June 2005.
³ £1,600 *en primeur* in 2001.

Blue-chip growth: 1998 vintage

Position	'06	'05	'04	'03	Wine	1999 ¹	2002 ²	2003 ³	2004 ²	2005 ²	% growth ³	% growth annualized ⁴
1	2	3	3		Pétrus	3,800	7,520	6,460	7,260	9,680	155	16.85
2	1	1	1		Le Pin	2,900	6,540	7,590	9,180	6,230	115	13.58
3	4	4	4		Cheval Blanc	1,150	2,110	1,840	1,725	2,420	110	13.19
4	3	2	2		Trotanoy	800	1,740	1,550	1,210	1,470	84	10.66
5	5	6	6		Haut-Brion	875	1,090	1,230	1,210	1,470	68	9.02
6	6	7	5		Lafite	800	1,150	1,035	1,060	1,245	56	7.64
7	7	9	8		Mouton	780	910	800	940	1,130	45	6.37
8	9	10	10		Latour	780	780	710	665	1,020	31	4.57
9	8	8	9		Margaux	780	830	860	750	1,010	30	4.4
10	10	5	7		Ausone	1,150	1,420	1,725	935	1,300	13	2.06

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Prices in GBP per case of 12 bottles.
Sources: *En primeur* prices (excluding VAT): Wine Society in bond.

- ¹ *En primeur* price 1 July 1999.
² Best auction price in year indicated.
³ Percentage growth over 1 July 1999 to 30 June 2005.
⁴ Annualized growth over 1 July 1999 to 30 June 2005.

Blue-chip growth: 1999 vintage

Position	'06	'05	'04	Wine	2000 ¹	2003 ²	2004 ²	2005 ²	% growth ³	% growth annualized ⁴
1	1	6		Latour	775	900	1,080	880	14	2.14
2	3=	5		Margaux	775	912	960	858	11	1.71
3	5	3		Pétrus	3,650	5,076	3,680	3,960	9	1.37
4	2	2		Lafite	775	1,092	1,040	825	7	1.05
5	3=	1		Haut-Brion	775	1,476	960	770	-1	-0.11
6	6	4		Mouton	775	936	780	748	-4	-0.59
7	8	7		Cheval Blanc	1,146	1,272	960	1,020	-11	-1.92
-	7	10		Le Pin	3,300	N/A	3,330	N/S	N/A	N/A
-	10	8		Ausone	1,146	1,044	N/S	N/S	N/A	N/A
-	9	9		Trotanoy	550	408	410	N/S	N/A	N/A

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Prices in GBP per case of 12 bottles. **Sources:** *En primeur* prices (excluding VAT): Wine Society in bond, Pétrus Corney & Barrow, Trotanoy, and Le Pin Berry Bros & Rudd.

- ¹ *En primeur* price 1 July 2000. ² Best auction price in year indicated. ³ Percentage growth over 1 July 2000 to 30 June 2005. ⁴ Annualized growth over 1 July 2000 to 30 June 2005.

Blue-chip growth: 2000 vintage

Position	'06	'05	Wine	2001 ¹	2002 ²	2003 ²	2004 ²	2005 ²	% growth ³	% growth annualized ⁴
1	-		Le Pin	2,640	N/S	N/S	N/S	18,000	582	37.67
2	6		Pétrus	5,500	N/S	8,370	10,580	15,280	178	18.55
3	5		Latour	1,600	2,375	3,450	3,280	3,680	130	14.88
4	1		Margaux	1,600	2,400	3,910	4,570	3,400	113	13.37
5	2		Mouton	1,600	1,850	2,990	4,370	3,110	94	11.7
6	7		Haut-Brion	1,600	2,095	2,990	3,000	2,970	86	10.85
7	4		Las-Cases	780	N/S	1,640	1,680	1,430	83	10.62
8	3		Lafite	1,600	2,050	3,220	4,200	2,690	68	9.04
9	9		Cheval Blanc	2,500	N/S	5,290	3,900	3,820	53	7.32
10	8		Ausone	2,400	N/S	N/S	4,180	3,250	35	5.18

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Prices in GBP per case of 12 bottles. **Sources:** *En primeur* prices (excluding VAT): Wine Society in bond, Corney & Barrow, Berry Bros & Rudd.

- ¹ *En primeur* price 1 July 2001. ² Best auction price in year indicated. ³ Percentage growth over 1 July 2001 to 30 June 2005. ⁴ Annualized growth over 1 July 2001 to 30 June 2005.