

## ***2013 Wine Auction Market Analysis***

In retrospect, 2013 was an interesting year, with some fairly strong results and others that have been puzzlingly soft. In general, volume has been good although prices have been mixed for many categories except burgundy and champagne. Top burgundy wines appear to be continuing to slip slightly from the peak in the current cycle that was established approximately one year ago. It also appears that prices are climbing back for some Bordeaux but not for others. The executive summary is this: the market is enthusiastic, but this very enthusiasm has engendered lots of competition, which, in turn, is helping to keep prices at a generally reasonable level, while the first blush of Burgundy-mania seems to be starting to fade slightly in Asia.

In the primary market, the current Bordeaux campaign for the 2012 vintage finished with disappointing results despite a reduction of prices from the uninspiring 2011 vintage, when wine producers struggled to market their wines in the face of falling demand in Asia, and on the heels of the 2010 campaign, which produced wonderful wines but prices that shocked trade and collectors alike. In contrast, the primary market for Burgundy was lifted by the release of the anticipated 2010 vintage onto the market, which was well-priced and well received. We are about to embark as well on a campaign for the 2013 vintage that promises to be once again less than inspiring. This string of disappointing business anecdotally seems to be having the effect of driving interest to the auction market. In the same way, the current 2012 Burgundy campaign is hamstrung by a harvest off somewhere from 30 – 50% depending on subregion, and in spite of the high quality of the '12s here, collectors are also being pushed to acquire at auction.

Now that the dust has settled on 2013, we see once all of the figures now tallied that 2013 was something of a disappointment for the major wine auction houses, with fewer sales and lower totals. In 2013 there were 87 live auctions held by the major houses (not counting internet sales) that generated just shy of \$300 million, while last year 102 live sales generated \$345 million in sales, for a decline of 13.1% year on year.

Sales declined in all major markets from Europe to Asia and in North America. London sales dropped from US\$ 42.7 million to \$40.1 million. Sales also slumped in Amsterdam and Paris, although they rose in Geneva, and the sales total for the Hospices de Beaune sale in Burgundy was higher this year in spite of having less wine to sell. Sales in the U.S. were down from US\$ 127.9 million last year to US\$ 118 million this year, in spite of much stronger performance by HDH in Chicago. This is due to a drop from US\$ 88.5 million to US\$ 70 million in New York, the principal North American market. The sharpest declines were seen, however, in the Hong Kong market, which went from a total of US\$ 154 million to just over US\$ 118 million in 2013.

Calculations of market share are always complicated, since auction houses who have internet auctions normally include them, while Bonham's and Sotheby's do not. Christie's practice of including the results from the sale of the Hospices de Beaune are also controversial in some quarters, since technically the sale for the Hospices is a charitable sale. Normally charitable sales are not included in the tally, since the results are assumed to be inflated because of the charitable associations. In this particular instance, the sale is included since it has always been considered in the trade a bellwether for prices rather than a purely charitable sale, and because Christie's receives a buyer's commission in this sale as it would in any other sale. Bearing in mind these caveats, Christie's managed to maintain its lead in the world auction market, with a provisional total of US\$ 71.6 million, giving them a 23.9% market share (down from 24.9% last year). Sotheby's was in second place, with a total of US\$ 57.8 million and a 19.3% market share, closely followed by Acker, Merrall, with US\$ 55.9 million (18.6% of the market), and Zachy's with US\$ 52.9 million (17.7%), while Hart Davis Hart (HDH), selling only in Chicago, managed US\$ 36.1 million (12% of the global market). HDH must be pleased with their result, as they were the only one of the top five houses to grow their market share, up from 7.6% of the global market last year.

What may not please the auction houses, however, should bring satisfaction to wine collectors. Lower totals generally mean lower prices, and this was true in 2013, particularly for Bordeaux wines. Top recent

vintages of Bordeaux are selling on average for the same price that they were five to six years ago, and it is possible to stock a cellar with beautiful wines from outstanding years for a very reasonable price. Even buyers who neglected to buy the absolutely stellar 2009 vintage have been granted a reprieve, as they can now purchase these wines at or in some cases below the en primeur price. 2009 is a monumental vintage, on a par in terms of quality, with the very best: 1982, 1961, 1945, 1928. Buyers who do not take advantage of this situation may rue the fact in years to come. While prices have been slowly coming back from the correction that they took in 2011 and 2012, they are still approximately 20% off the global peak of 2010.

Buying Burgundy well has proven a bit more problematic recently. The wines in general are selling at historic highs, and with more collectors showing more and more interest in Burgundy, this trend can only continue. As new collectors discover the less well-known producers, those prices will rise as well, to the chagrin of those who have enjoyed them for many years. The other side of this phenomenon, however, is that buyers are no longer concentrating solely on "trophy" wines, and in fact some of these have begun to come down, such as Romanée-Conti 1990 or Henri Mayer 1985 Richebourg, whose prices rose to incredible, unheard-of heights before returning to merely insane levels. For collectors with modest means, however, it will be necessary to search very diligently in order to find top Burgundy wine at reasonable prices.

Collectors have also begun to show interest in other categories. Champagne, Italian wines from Tuscany and Piemonte and even the top wines of California have recently begun to be very popular. Only too soon their prices will be certain to rise. This being said, there are still categories of wine producing stunning quality and great value where mature vintages can be had very inexpensively: Sauternes, Port and German Riesling chief among them. In short, all is not lost. 2014 will be a great time to buy wine, with modest prices and a lively market, the true wine lover will certainly prosper.