

## **2015 Wine Auction Market Analysis**

The primary market for wine in 2015 showed a variety of trends, which differed markedly by category. The 2014 Bordeaux primeur campaign was at best a modest success as top producers tried to raise prices on reports of a much better vintage, yet in the face of price inelasticity among merchants they also hedged their bets by reducing the size of the offer to the market. Prices skyrocketed at the 2015 Hospices de Beaune, with a total of €8 million, +39% from last year, with 40% of the barrels going to private clients and 19% of the total to Asian clients. Champagne reported sales of 312 million bottles, up from last year as well.

Wine auction sales rebounded slightly in the second half of 2015, gaining 8.8% after a lackluster beginning to the year. Sales in the second half of the year totaled US\$ 143.2 million, allowing the auction houses to finish flat with last year and bringing the total for the year to US\$ 288.5 million, a drop of just 0.42% from 2014. Total volume through the system was also nearly flat at 87,000 lots on offer across the year's sales by all houses, just 500 fewer in the aggregate than last year.

This result continues a five year trend for declining sales in wine auction sales. 2011 saw world record sales of US\$ 442.1 million, but the tally dropped 20.9% in 2012 and a further 15.7% in 2013, largely due to the effects of Chinese austerity measures and the slowdown in mainland China's economy. Since this time the rate of decrease has slowed (-1.7% in 2014 and -0.4% last year), but these losses have been only slightly offset by the growth in internet auctions, which typically do not feature property of the same quality or rarity.

The similarity in this year's numbers belies a changed landscape, however. Acker, Merrall surged more than 13% to take a decisive lead over Sotheby's, last year's leader, as their global head Serena Sutcliffe MW retired. The big winner, however, was Zachys, up more than 27% to sales of nearly US\$ 50 million, rising to third place in spite of key personnel changes in Hong Kong. Rounding out the top five players, Christie's fell to fourth place as they reshuffled sale rooms, and HDH dropped to fifth place globally.

Continuing market evolution was also seen in the relative importance of each major sales center. As recently as 2012, more wine was sold in Hong Kong than in any other market. In recent years, however, the "balance of power" has reverted to the United States, where auctioneers widened the gap and sold US\$ 163 million or 56.5% of the total global turnover. Hong Kong was in second place, with US\$ 94.6 million (32.8%), while London sales continued to slip, accounting for just US\$ 30.9 million (10.7%).

In category terms Burgundy dominates the secondary market, or at least the imagination of today's collectors. Reality on the ground, however, is a bit more nuanced. At the very highest end, prices for Romanée-Conti have continued to soften. The Fair Market Value of the 1990 vintage, for example, has fallen by over 20% this year to an average bottle price of US\$ 16,582. To a greater or lesser degree the same trend can be observed in other recent vintages on Conti, including those from 1996, 2002, 2005 and 2009. While the supply is limited and the value will never plummet, this could signal disenchantment at the highest end of the market. DRC La Tache, by contrast, is largely flat and has not begun to decline. The 1999 is selling for an average of US\$ 3,900 per bottle this year as compared to US\$ 3,832 last year. This is as true of other recent vintages including '02 and '05 as it is of classic rarities such as 1978. Other top Burgundies are still trending sharply up. 1990 Rousseau Chambertin is trading at US\$ 2,554 per bottle, +21.6%; 1996 Coche-Dury Corton Charlemagne is at US\$ 3,384 per bottle, up from US\$ 3,157. Most are starting to slip slightly, however, particularly if they are thinly traded: 2009 Clos Saint-Jacques from Fourrier is at US\$ 599/btl, -11.4%, and 2010 La Romanée is off 12.2%, trading at US\$ 2,960.

Likewise, classic Bordeaux wine prices are still soft. The benchmark '82 Lafite has continued its slide, ending the year with an average FMV of US\$ 2,297, down 16.3% from last year, and almost half price from its market peak of US\$ 4,564 in 2010. 1989 Haut-Brion has lost less, down 4.8% to US\$ 1,366, but other classic Bordeaux such as '82 Petrus have suffered even more, declining from US\$ 4,335 to US\$ 3,586 per bottle in one year.

Where there are gains in other categories, they are modest at best: 1999 Cote Rotie La Mouline from Guigal is trading +4.5% at US\$ 688/btl and even rarities such as 1978 Chateau Rayas can be had for US\$ 1,360, up just 4% from last year. 2002 Screaming Eagle is +2.4%, 1990 Champagne Krug is up 2.8%, selling for an average \$1,235 and 2007 Masseto is US\$ 725, +4%. In such an environment, few collectors will be as satisfied as the happy few who own '61 La Chapelle, which was +42% last year in heavy trading, clocking an average \$12,590 per bottle at auction. In general, however, this is a buyer's market for most of these categories which are languishing at best, and a seller's market for Burgundy, which may be slipping off historic highs.

