

# Wine Auctions & Investment

Anthony Rose

It was a mixed year in which fortunes were made and lost. Prices skyrocketed, records were set, and some investors lost wines after buying *en primeur* from companies that folded due to fraud or mismanagement.



ANTHONY ROSE

The biggest story of the year was the boom in prices after a desultory period of stagnation. By February 2007, the *Decanter* Bordeaux index had soared to 143.23 compared to 119.4 in January 2006, a massive rise of 23.83 points in just over a year. This was a huge year for the auction houses, most notably in the USA, where Acker Merrall & Condit maintained its meteoric rise, breaking Sotheby's 1999 record. The UK performed well enough, with both Christie's and Sotheby's well up on the

previous year, but neither could stem the oncoming tide of US auctions.

Big single-owner auctions like Acker Merrall & Condit's record sale have become an increasing focus for auctioneers, especially in the USA, where they can form a substantial part of the year's turnover. Sotheby's three great single-owner sales, featuring the cellars of Russell H Frye, Park B Smith, and "a New England collector", grossed \$15.4 million (£8.6 million) in New

Because of the fluctuations in the dollar/pound exchange rate during 2006 of US\$1.74 to US\$1.97 = £1, we have used US\$1.80 = £1 as a rough guide in this report, except where both \$ and £ totals have been supplied by the auction houses.

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York, three-quarters of their total US sales. The strength of the global market was illustrated by the sheer breadth and variety of buyers, with Europe, Asia, and South America all pitching in.

Bordeaux enjoyed a fantastic year. Older vintages often doubled or trebled in value, while the great 1982 vintage increased more than 50 per cent over 2005 prices and the 1989s and 1990s were also vibrant. Among younger vintages, 2000 in particular has strengthened in price (see blue-chip chart), while 1995 and 1996 exploded in the wake of the release of 2005 prices, and 1996 First Growths more than doubled their 2005 prices to reach over £4,000 (\$7,200) a case.

Many icon wines have performed well (see the Top 10s from Sotheby's and Christie's, p.379). The 1945 Mouton Rothschild was the year's star performer, but Pétrus, Cheval Blanc, Yquem, and DRC were all in the frame. The market for garage wines was soft, with limited demand but reasonably stable prices for the likes of Valandraud, while others fared less well. Cult Rhône was on the wane, as traditional producers such as Guigal, Chave, Beaucastel, Bonneau, Pégau, and older La Chapelle and Rayas reasserted themselves.

Super-Tuscans were also down now that Chianti Classico is back in the groove and Brunello di Montalcino is performing well. Screaming Eagle from California screeched loud and clear, with one superlot of six bottles of each of the vintages from 1993 to 2003 (except 2000) selling for \$176,250 (£92,277) at Christies, New York, and a selection of Harlan Estate vintages from 1990 to 2002 selling for \$32,900 (£17,200). Sine Qua Non, Marcassin, and Colgin were also in strong demand. In Australia, Penfolds 1962 Bin 60A and Clonakilla Shiraz/Viognier were among the best performers, with Langton's *en primeur* offer of Penfolds Bin 60A and Block 42 doing well.

The market for vintage port was firm for vintages such as the 1963s, all the way up to the 1970 vintage, but softer coming forward, with 1970 itself still well priced. Mature burgundy sold well, but younger burgundies were less consistent. DRC and Henri Jayer were the big draws, but the list of top names such as Rousseau, Roumier, de Vogüé, Leroy, Leflaive, and Ponsot grows longer. Top mature champagne is also growing in demand, with a case of 1964 Krug Private Cuvée selling for £6,050 (\$10,890), and 1990 Dom Pérignon achieving £1,925 (\$3,465).

With City bonuses going through the roof and a swathe of new buyers emerging worldwide, there was every sign that the market would remain firm throughout at least the first half of 2007. This was confirmed by the exceptional interest in the 2005 burgundies at the beginning of the year. Christie's was predicting that the demand for the rarest top wines would continue unabated into 2007, with possibly some of the more widely available wines that increased significantly in 2006 dropping back a little.

## THE AUCTIONEERS

For once, the big auction-news story – the historic rivalry between Christie’s and Sotheby’s – has been pushed into second place by the pressing question of where the power base now lies among the auctioneers, the UK or the USA? London’s place as the centre of the auction-house universe has been relinquished to the USA. This is where the critical mass of the great collections are, so it’s hardly surprising that the USA, buoyed by Internet auctions, has become the focal point for the global market.

Acker Merrall & Condit topped the list in 2006, bringing in a record-breaking £33.5 million (\$60.3 million) thanks to 11 live sales and 12 monthly online auctions. One sale alone, the entirety supplied by an unidentified West Coast collector, brought in £13.7 million (\$24.7 million), breaking the previous Millennium Sale (Sotheby’s with Sherry-Lehmann) record of \$14.4 million (£8.5 million) in 1999.

In its best year ever, Christie’s International Wine Department made £32.4 million (\$58.6 million) from 44 sales in eight locations, including, in the UK and Europe, £17 million (\$30.7 million) from 33 sales. Additionally, Langton’s in Australia, in association with Christie’s, conducted 26 sales in Sydney and Melbourne for a sale total of A\$16.2 million (£6.8 million). As evidence of the greater spending power per sale in the USA, NY Wines/Christie’s held 11 sales totalling £15.4 million (\$27.9 million), or £1.4 million (\$2.52 million) per average sale, compared to the UK and Europe’s £500,000 (\$900,000).

Sotheby’s recorded the second-best year in its history, with global sales of

£20.8 million (\$37.4 million), up 28 per cent on 2005. In the USA, the cellar of Russell H Frye brought £4.3 million (\$7.8 million), Sotheby’s second-highest total after the Millennium Sale. Annual turnover in 2006 from 11 sales in London was £9.2 million (\$17 million), up nearly 60 per cent up on the previous year. Still in London, Bonhams generated £1.5 million (\$2.7 million) from six sales.

US auctioneer Zachys, in its fourth year in the auction business, generated £19.3 million (\$34.7 million) from 10 auctions, while Chicago-based Hart Davis Hart raised £7.7 million (\$13.8 million) in six auctions. Bonhams & Butterfields’ six auctions held in San Francisco raised £4.2 million (\$7.5 million), Morrell & Co’s four sales, (one online) brought in £2.4 million (\$4.3 million). Edward Roberts International, a small Chicago house, held four auctions totalling £900,000 (\$1.6 million). The rise of the Internet auction was illustrated by the California-based WineBid.com, whose online sales raised £12.5 million (\$22.5 million).

## WOE IS ME, SHAME AND SCANDAL IN THE FAMILY

In a year of celebration for auction houses and investors, a number of inglorious episodes came as a salutary reminder of the tried and tested principle of caveat emptor.

The first scandal was the collapse of wine merchant Mayfair Cellars, following the alleged looting by its finance director Dominic Smith of nearly £1 million (\$1.8 million) of customers’ wines. Smith was dismissed after the discovery of the fraud, and

civil proceedings were instituted against him for breach of contract, breach of fiduciary duty, and/or deceit. Customers whose wines were still in storage were able to gain access to their stock, but some customers, whose wines had been sold on, lost their investment. The company’s directors had no idea that *négociants* in Bordeaux had not been paid for the 2003 vintage, leaving hundreds of *en primeur* customers high and dry. Total losses were estimated to be in the region of £3 million (\$5.4 million).

The next blot on the wine-investment landscape was the collapse of the wine exchange Uvine with £2 million (\$3.6 million) of debts. Founded in November 1999 at the height of the dotcom boom, the company, run by Christopher Burr MW, had proved expensive to set up and operate and had never been profitable. Administrator Graham Wolloff reported suspected criminal conduct to the Department for Trade and Industry. In an echo of the Mayfair Cellars debacle, it emerged that Uvine had also failed to pass on to Bordeaux *négociants* money paid by their customers, mainly for *bordeaux en primeur* 2003.

At the end of the year, more than a million bottles of wine from the failed Australian investment company Heritage Fine Wines were released on to the market. Set up in Sydney by UK-born Simon Farid in 1999, Heritage collapsed in 2005 after some 3,000 investors had poured A\$70 million (£29 million) into the business in the hope of cashing in on the new craze for cult Australian wines, but a fall in prices triggered the company’s collapse in March 2005, leaving 2,000 creditors.

Finally, following a trial in the High Court in London, Robin Grove and Richard Gunter, directors of Vintage Hallmark plc, were disqualified for 15 years for their part in an audacious wine and spirit investment scam that targeted American doctors. Vintage Hallmark plc went bankrupt on 22 January 2003 with debts of nearly £80 million (\$129 million), mostly owed to its shareholders, mainly Americans who had swapped wine and spirit investments for worthless equity.

## AUSTRALIAN AUCTION NEWS

by Andrew Caillard, Langton’s

In 2006, the wine-auction market continued to enjoy a strong level of bidding, clearance rates, and buyer participation. Grange, a key market indicator, rose around 15 per cent across the board, with record prices for 1971, 1986, 1990, 1991, and 1996. Henschke Hill of Grace prices also pulled. Penfolds Bin 389 was a star performer in 2006, reaching an all-time record of A\$98 (£40) a bottle.

Australian Shiraz remains king. Since 2000, the spread of small-production, single-vineyard Shirazes such as Clonakilla Shiraz/Viognier, Greenock Creek, Three Rivers, Noon, and Wild Duck Creek on the secondary wine market has been extraordinary.

Barossa Shiraz and McLaren Vale Shiraz have become recognized as classic regional styles. Clarendon Hills Australis Syrah was classified as outstanding in 2005 because of its strong secondary-market support. In 2005, Rockford Basket Press Shiraz joined Grange and Hill of Grace in the exceptional category. Grant Burge

Meshach is now rightly regarded as one of the Barossa's top wines. Charles Melton Nine Popes has fluctuated on the market but is back on the ascendancy. Yalumba Octavius deservedly made the Langton's classification in 2005 as outstanding. Much admired by mainstream collectors, Hardy's Eileen Hardy Shiraz is in a vacuum created by the interest in single-vineyard Shiraz.

## AUCTION RECORDS IN 2006

In a year in which Acker Merrall & Condit topped the auctioneers' list with a phenomenal turnover of £33.5 million (\$60.3 million), records were smashed over and over again. Acker broke the record for a single auction, grossing \$24.7 million (£13.7 million) in a sale

of wines supplied by an unidentified West Coast collector, breaking Sotheby's (with Sherry-Lehmann) previous Millennium Sale record of \$14.4 million (£8.5 million) in 1999.

At the Sotheby's Park B Smith Collection in New York, the record for a wine lot sold at auction went to the 50 cases of 1982 Château Mouton Rothschild, which sold for \$1,051,600 (£557,348). After a record \$170,375 (£97,357) was set for a case of wine at Christie's New York in March for a six-magnum case of 1985 Romanée-Conti, it was broken on 28 September at Christie's, Los Angeles, when a case of the legendary 1945 Château Mouton Rothschild fetched \$290,000 (£154,255). The record was immediately broken again when a six-magnum case of the same wine fetched \$345,000 (£183,511).

## Grapevine

- **The Institute of Masters of Wine** raised more than £75,000 (\$135,000) at its London auction and nearly \$120,000 (£67,000) in New York for its Endowment Fund. Highlights of the London auction included: a bottle of 1982 Le Pin, which sold for £2,700 (\$4,860); four imperials (6 litres each) of the 2003 vintage of Haut-Brion red and white, Laville Haut-Brion, and La Mission Haut-Brion, which went for £6,200 (\$11,000); and a trip to Bordeaux that sold for £8,000 (\$14,400). The New York auction saw a visit to Burgundy with fellow *Wine Report* contributor Clive Coates MW sell for \$22,000 (£12,200) after some hectic bidding.

- **Langton's Classic Penfolds Wine Auction** attracted strong interest with a clearance rate of over 88 per cent. Sitting in the shadow of the 1990 and 1998 vintages, both the underrated 1991 (A\$415/£173) and 1999 (A\$416/£173) Penfolds Granges achieved almost identical new auction records. The fabled 1962 Bin 60A Coonawarra Cabernet/Kalimna Shiraz achieved A\$4,486 (£1,870), illustrating renewed enthusiasm for this rare wine, and the 2004 Block 42 Kalimna Cabernet, from the oldest pre-phyloxera Cabernet vineyard in the world, attracted A\$461 (£192) a bottle.

- **Nearly 5,000 bottles** of fine wine amassed by Jacques Chirac during his extravagant reign as mayor of Paris sold for around €970,000 (£650,000) – nearly double the estimate.

## CHRISTIE'S AND SOTHEBY'S GLOBAL TOP 10s

### Christie's

- 1 28 September at Christie's, Los Angeles: **6 magnums of Château Mouton Rothschild 1945, \$345,000 (£183,511)**
- 2 28 September at Christie's, Los Angeles: **12 bottles of Château Mouton Rothschild 1945, \$290,000 (£154,255)**
- 3 2 November at Christie's, New York: **3 jeroaboams of Romanée-Conti DRC 1978, \$211,500 (£110,733)**
- 4 2 November at Christie's, New York: **50 dozen-bottle cases of Château Margaux 1995, \$199,750 (£104,581)**
- 5 2 November at Christie's, New York: **a superlot of Screaming Eagle 1993–2003, \$176,250 (£92,277)**
- 6 15 June at Christie's, London: **12 bottles of Romanée-Conti DRC 1978, £93,500 (\$175,032)**
- 7 2 March at Christie's, New York: **6 magnums of Romanée-Conti DRC 1985, \$170,375 (£97,357)**
- 8 7 December at Christie's, London: **an exceptional magnum lot from 1961 bordeaux, £88,000 (\$173,272)**
- 9 5 October at Christie's, London: **a private collection of 100 vintages of Château d'Yquem, £88,000 (\$165,000)**
- 10 5 October at Christie's, London: **12 bottles of Romanée-Conti DRC 1978, £79,200 (\$148,500)**

### Sotheby's

- 1 18 November at Sotheby's, New York: **50 cases of Château Mouton Rothschild 1982, \$1,051,600 (£557,348)**
- 2 21 October at Sotheby's, New York: **a case of Château Mouton Rothschild 1945, \$161,325 (£85,502)**
- 3 9 December at Sotheby's, New York: **12 bottles of Romanée-Conti DRC 1985, \$131,040 (£67,040)**
- 4 18 November at Sotheby's, New York: **6 bottles of Romanée-Conti DRC 1985, \$119,500 (£63,335)**
- 5 20 May at Sotheby's, New York: **a double magnum of Château Lafite 1865, \$111,625 (£63,626)**
- 6 20 May at Sotheby's, New York: **12 bottles of Romanée-Conti DRC 1989, \$111,625 (£63,626)**
- 7 20 May at Sotheby's, New York: **2 magnums of Château Cheval Blanc 1947, \$105,750 (£60,278)**
- 8 21 June at Sotheby's, London: **11 bottles of Château Mouton Rothschild 1945, \$84,898 (£46,000)**
- 9 21 June at Sotheby's, London: **a jeroaboam of Château Cheval Blanc 1926, \$67,918 (£36,800)**
- 10 18 November at Sotheby's, New York: **12 bottles of La Tâche DRC 1990, \$59,750 (£31,668)**

Anomalies are due to the fluctuation in the dollar/pound exchange rate during the year of US\$1.74 to US\$1.97 = £1.

## Grapevine

- **The Terraces Esk Valley Estate 1991** was sold for possibly the highest price ever paid for a bottle of New Zealand wine. From 1 ha of terraced vines planted in 1989 in Napier, Hawke's Bay, the blend of

Malbec, Merlot, and Cabernet Franc in a balthazar (a 12-litre bottle) sold at the annual Hawke's Bay Charity Wine Auction for an astonishing NZ\$11,000 (£3,760).

## Exceptional growth 1999-2006

Position '07/'06	'05/'04	'03	Vintage	Wine	1999	2002	2003	2004	2005	2006	% growth <sup>1</sup>	% growth <sup>2</sup> annualized <sup>2</sup>		
1	-	3	2	1	1978	La Tâche	5,136	14,330	15,860	N/S	30,360 <sup>3</sup>	491	28.87	
2	8	10	3	1982	Laflleur	5,532	15,756	10,260	9,340	23,000 <sup>4</sup>	316	22.56		
3	1	1	0	1961	Latour	7,920	8,580	34,098	29,020	22,600	31,900	303	22	
4	6	10	8	1989	Pétrus	6,156	14,832	11,500	8,640	12,870	23,000	274	20.7	
5	4	4	0	2000	Margaux <sup>5</sup>	N/A	2,400	3,910	4,570	3,400	5,520	245	19.34	
6	5	9	5	0	1982	Le Pin	11,550	15,950	27,495	18,380	24,500	39,720 <sup>6</sup>	244	19.28
7	-	6	6	7	1978	Gaigal Côte Rôtie La Landonne	2736	6,744	6,000	5,440	N/S	9,000	229	18.53
8	7	5	0	2000	Mouton <sup>5</sup>	N/A	1,850	2,990	4,370	3,110	4,140	159	14.54	
9	2	7	7	5	1982	Pétrus	7,800	19,550	16,215	14,690	20,900	15,870	104	10.67
-	3	2	4	0	1998	Le Pin	2,900	6,540	7,590	9,180	6,230	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.

- 1 Percentage growth between 1 July 1999 and 30 June 2006.
- 2 Annualized growth between 1 July 1999 and 30 June 2006.
- 3 £2,530 per bottle.
- 4 Magnums.
- 5 £11,600 *en primeur* in 2001.
- 6 £6,620 per magnum.

## Blue-chip growth: 1998 vintage

Position '07/'06	'05/'04	'03	1999 <sup>1</sup>	2002 <sup>2</sup>	2003 <sup>3</sup>	2004 <sup>4</sup>	2005 <sup>5</sup>	2006 <sup>2</sup>	% growth <sup>1</sup>	% growth <sup>2</sup> annualized <sup>2</sup>			
1	1	2	3	3	Pétrus	3,800	7,520	6,460	7,260	9,680	15,870	318	22.64
2	3	4	4	4	Cheval Blanc	1,150	2,110	1,840	1,725	2,420	4,140	260	20.06
3	6	7	5	5	Lafite	800	1,150	1,035	1,060	1,245	2,100	163	14.77
4	7	7	8	8	Mouton	780	910	800	940	1,130	1,550	99	10.3
5	4	3	2	2	Trojanoy	800	1,740	1,550	1,210	1,470	1,550	94	9.9
6	9	8	8	9	Margaux	780	830	860	750	1,010	1,270	63	7.21
7	8	9	10	10	Latour	780	780	710	665	1,020	1,250	60	6.96
8	5	5	6	6	Haut-Brion	875	1,090	1,230	1,210	1,470	1,200	37	4.61
9	10	10	5	7	Ausone	1,150	1,420	1,725	935	1,300	1,210	5	0.73
-	2	1	1	1	Le Pin	2,900	6,540	7,590	9,180	6,230	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.

- 1 *En primeur* price 1 July 1999.
- 2 Best auction price in year indicated.
- 3 Percentage growth over 1 July 1999 to 30 June 2006.
- 4 Annualized growth over 1 July 1999 to 30 June 2006.

## Blue-chip growth: 1999 vintage

Position '07/'06	'05/'04	'03	2000 <sup>1</sup>	2003 <sup>2</sup>	2004 <sup>2</sup>	2005 <sup>2</sup>	2006 <sup>2</sup>	% growth <sup>1</sup>	% growth <sup>2</sup> annualized <sup>2</sup>		
1	3	5	3	Pétrus	3,650	5,076	3,680	3,960	6,000	64	8.6
2	4	2	2	Lafite	775	1,092	1,040	825	1,270	64	8.6
3	3	5	5	Margaux	775	912	960	858	1,270	64	8.6
4	1	6	6	Latour	775	900	1,080	880	1,210	56	7.7
5	-	7	10	Le Pin	3,300	N/A	3,330	N/S	5,060	53	7.38
6	6	6	4	Mouton	775	936	780	748	1,090	41	5.84
7	-	9	9	Trojanoy	550	408	410	N/S	700	27	4.1
8	5	3	1	Haut-Brion	775	1,476	960	770	940	21	3.27
9	7	8	7	Cheval Blanc	1,146	1,272	960	1,020	1,130	-1	-0.23
-	-	10	8	Ausone	1,146	1,044	N/S	N/S	N/A	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, Trojanoy 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 2006.
- 4 Annualized growth over 1 July 2000 to 30 June 2006.

## Blue-chip growth: 2000 vintage

Position '07/'06	'05/'05	2001 <sup>1</sup>	2002 <sup>2</sup>	2003 <sup>2</sup>	2004 <sup>2</sup>	2005 <sup>2</sup>	2006 <sup>2</sup>	% growth <sup>1</sup>	% growth <sup>2</sup> annualized <sup>2</sup>			
1	1	1	-	Le Pin	2,640	N/S	N/S	20,300	17,940	579	46.67	
2	2	6	6	Pétrus	5,500	N/S	8,370	10,580	15,280	21,850	297	31.75
3	3	4	3	Lafite	1,600	2,050	3,220	4,200	2,690	5,520	245	28.09
4	3	8	1	Margaux	1,600	2,400	3,910	4,570	3,400	5,520	245	28.09
5	7	4	4	Las-Cases	780	N/S	1,640	1,680	1,430	2,530	224	26.52
6	3	5	5	Latour	1,600	2,375	3,450	3,280	3,680	5,060	216	25.88
7	10	8	9	Ausone	2,400	N/S	N/S	4,180	3,250	7,200	200	24.56
8	9	9	8	Cheval Blanc	2,500	N/S	5,290	3,900	3,820	7,480	199	24.49
9	6	7	7	Haut-Brion	1,600	2,095	2,990	3,000	2,970	4,600	188	23.5
10	5	2	2	Mouton	1,600	1,850	2,990	4,370	3,110	4,140	159	20.93

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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 2006.
- 4 Annualized growth over 1 July 2001 to 30 June 2006.