



Bloomberg Businessweek

Bordeaux Faces Price Test at \$23 Million Hong Kong Auction

By Guy Collins and Frederik Balfour

Jan. 11 2012 (Bloomberg) - Prices of top Bordeaux such as Chateau Lafite-Rothschild and Chateau Petrus may drop further at Hong Kong sales this month as demand declines on concern about economic weakness and financial-market volatility.

Auctions by Acker, Merrill & Condit, Sotheby's and Zachys leading up to Chinese New Year celebrations could fetch more than \$23 million, based on the auction houses' top estimates. Still, this is about 33 percent below the combined \$34.59 million total fetched by the same three events in January 2011. The Liv-ex Fine Wine 100 Index fell 15 percent last year, as first-half price gains for Bordeaux were followed by declines in the latter part of 2011. Demand from Chinese buyers also started to move away from Bordeaux first growths to rarer Burgundies and second-growth Medocs.

"It used to be that top-end first growths would fly out the door at any price point," said Rufus Beazley, head representative for Berry Brothers & Rudd's Shanghai office. "We are seeing a lot of diversification into second growths and other grands crus wines that are being bought for drinking instead and less speculative punting on first growths."

Acker's sale on Jan. 13 and Jan. 14 features two cases of 1985 Romanee-Conti Domaine de la Romanee-Conti, Burgundy's premier wine made from a vineyard measuring just 4.3 acres (1.75 hectares). Each case carries an upper estimate of HK\$1.6 million (\$200,000), as well as a case of DRC 1990 with a similar price. Six bottles of the 2005 are estimated at as much as HK\$800,000.

Haut-Brion

Bordeaux on sale includes six-magnum lots of 1989 and 1990 Petrus, each estimated to fetch as much as HK\$480,000, as well as a case of Chateau Haut-Brion 1961 at as much as HK\$280,000 and six magnums of Chateau Lafite-Rothschild 2000 at HK\$240,000.

The oldest bottle in the Acker sale is a double magnum of 1870 Lafite, harvested during the Franco-Prussian war and kept at the Chateau until sold in 2003 and shipped to the U.S. While Acker makes no price prediction for the lot, Fine & Rare Wines in London has a single bottle of Lafite 1870 listed at 10,500 pounds (\$16,200), implying a value for the double magnum of about \$65,000 plus any rarity premium.

Hong Kong has established itself as global auction leader since abolishing wine duties in 2008. Last year, \$198 million of wine was sold by the four biggest auctioneers in the city, more than double the \$92 million they sold in New York, the second-largest center, according to Bloomberg News calculations.

Sophisticated Buyers

Robert Sleight, senior director and head of wine for Asia at Sotheby's in Hong Kong, says Asian buyers have become more sophisticated.

"In 2009 and 2010 there was a very frenzied asset grab situation," Sleight said. "Now people are more choosy about what they buy and how much they will pay."

After last year's price declines, there is evidence of a revival in demand for marquee Bordeaux wines. "Early signs are that it's looking a little bit healthier this month than at the end of last year," said Jack Hibberd, of the London-based Liv-ex wine market. "We've seen a bit more first-growth trade."

The Sotheby's sale on Jan. 14 starts with offerings of multiple Bordeaux vintages from the past 15 years, including flagship years from producers such as Lafite, Chateau Latour, Chateau Mouton-Rothschild, Chateau Margaux and Haut-Brion. Of those, the Lafite 1996 and 2005 carry the top estimates at as much as HK\$140,000 a case.

The auction also includes single bottles of Romanee-Conti 1965 and 1978 with top estimates of HK\$50,000 and HK\$65,000 respectively.

Upper Estimates

Zachys held its first Hong Kong sale of the year on Jan. 7, with wine sold totaling HK\$34.62 million including a buyer's premium. While 97 percent of lots sold and about 250 buyers attended the event, the top 10 lots fetched less than their upper estimates, according to results published on its website.

Two lots of 24 half-bottles of Lafite 1982 sold for HK\$207,400 each, while a case of Chateau Ausone 2000 from Saint-Emilion fetched HK\$79,300, all below their estimated range. Eight bottles of Chateau

Lafleur 1982 fetched HK\$219,600 and a case of Petrus 1995 sold for HK\$146,400, both within estimates.

Jeannie Cho Lee, a Hong Kong-based Master of Wine, says the global slowdown will lead to more price cuts. "Given the uncertain financial markets and news of large bonus cuts and layoffs, I assume this will continue for the first half," she said. "The first quarter of 2012 will be a time to buy wines at more sensible prices, i.e. at 2010 prices."

Still, prices for top Burgundies such as DRC and Leroy will hold strong, she says. "The interest in this category began just last year and given the scarce supply, this is likely to continue."