

Collectors sure to watch whether subprime woes dent vintage prices

Rich menu of wine auctions faces first test

Elin McCoy

The booming fine-wine market faces its first big test in New York since the summer's subprime-mortgage meltdown.

As much an investment as a testament to good taste, the wine being sold at the auctions sets a benchmark for valuable collections throughout the world.

It will probably be followed keenly by the many Hongkongers who can afford to keep a cellar of their own, such as Chief Secretary Henry Tang Ying-yen and property tycoon Joseph Lau Luen-hung.

Many highly coveted vintages have gone for record prices recently, driven by the global liquidity that has pushed up the value in many other asset classes.

That has raised some concern that in the current volatile environment, buyers might not be as eager.

Buyers paid record prices at this year's spring auctions for top names like Chateau Mouton-Rothschild, Screaming Eagle cabernet and Domaine de la Romanee-Conti.

Christie's high point in May was a case of 1985 DRC Romanee-Conti, which sold for a staggering US\$237,000, or almost US\$20,000 a bottle. Acker Merrall's peak that month was a bottle of 1945 DRC Romanee-Conti for US\$41,825. There were few bargains in such a seller's market.

"The auction market was extremely strong last spring, and from the buyer inquiries we're getting, we

High times

Christie's sold a case of the 1985 DRC Romanee-Conti for US\$237,000 at an auction earlier this year

The price per bottle of the wine in US dollars

20,000

see no slackening in demand for this fall," says Jamie Ritchie, senior vice-president of wine at Sotheby's, which will hold one of the season's first auctions on Friday.

The records have sparked murmurs in the wine market of bubbling, and not the kind that makes champagne so zestful.

But for now, even with global stock-market jitters, high estimates may not be wishful thinking.

"Fine-wine prices are not correlated with financial markets," said Mahesh Kumar, author of *Wine Investment for Portfolio Diversification*.

As London's Liv-Ex August market report points out: "Prices are most closely correlated with the prosperity of the world's wealthiest wine lovers." The report predicts some reappraisal of risk, perhaps even sell-offs, but not "a rout".

Kumar sees the prospect of a

small price reduction only if global financial markets become even more volatile.

Why? There is a finite supply of fine wine, while global demand is still increasing.

Wine consultant Kevin Swersey, who advises an international clientele of wealthy collectors, explains that "the fine-wine market has broadened. In the long term, its international diversity has historically shown the ability to power through". The turmoil may inspire a pause at middle and lower levels, but he says he'll still be bidding.

Not surprisingly, several big-name international collectors are unloading substantial chunks of their holdings during the auctions. In addition to these stunning single-cellar offerings, highlights of the autumn schedule include a new wine player in Boston and the first legal spirits auction in Manhattan since Prohibition.

Competition among auction houses is keen, which may be one reason they are holding so many single-cellar sales with the collector's name on a fancy hardback catalogue. But it's not just to win over sellers; these auctions bring more money from buyers, too, as they hold out the promise of proper storage, expert selection and perhaps a touch of glamour.

Sotheby's first sale features 487 lots of old California classics and prime Bordeaux from the recently retired chairman and chief executive officer of *Reader's Digest*, Thomas Ryder. It carries an estimate of US\$1 million to US\$1.5 million.

Zachys weighs in on September 28 with no fewer than 70 vintages of the great sweet wine Chateau d'Yquem and plenty of the best vintages of Petrus, Le Pin and Mouton from Nils Stormby, a Swedish doctor, inventor, businessman and diplomat (estimate: US\$2 million to US\$3 million).

Christie's single-cellar highlight will surely be the November 3 "Grand Cru II" sale in Los Angeles, with hundreds of gems like 1945 Mouton from Norwegian mega-collector Christen Sveaas, chairman of the closely held investment company Kistefos (estimate: US\$8 million to US\$10 million).



Global demand for fine wines is still increasing. Photo: AP

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