WORD ON THE GRAPEVINE

CHRISTMAS OFFICE DATES

Capital Vintners will close its office for the festive period on the 22nd of December 2017 and re-open on the 8th of January 2018.

If you have any urgent enquiries during this time, please email us on info@capitalvintners.com or leave a voicemail message by calling our office number on 020 7378 3500 / 0800 077 8007

BURGUNDY BEATS BORDEAUX

Record high bids and offers are being placed across a spectrum of markets, with Burgundy clearly taking the lead. Two years ago the market for Burgundy was not as active it is now, with a bid:offer ratio languishing below 1 and only rising during Burgundy En Primeur campaigns. Currently the Burgundy 150 index's ratio stands at 2.3, outperforming the Bordeaux 500's ratio of 1.8. This increased demand is reflected in price changes. Comte de Vogüé's 2014 Musigny Vieilles Vignes gained 12.6% last month, Armand Rousseau's 2013 Chambertin went up 11.6% and Domaine de la Romanée-Conti's 2012 Romanée-Conti rose 9.3%, while November's worst performing labels were all Bordeaux. The Burgundy 150 has increased 11.1% year-to-date, while the Bordeaux 500 is up 5.7% in the same period. In terms of trade share, Bordeaux fell to a low of 60.1%, whereas Burgundy's reached a year high of 17%. This shows not only that the demand for Burgundy remains strong, but also that confidence in the secondary market for the region has developed despite steady price hikes over the years.

EN PRIMEUR 2017

This year's Bordeaux harvest is proving to be 'très hétérogène'. On the one hand, the wineries have had a collection of disastrous setbacks including unprecedented spring frost, a hot summer provoking an early harvest, and grape theft. On the other, all the extra effort that has gone into producing this vintage is set to result in a hard-to-find, ultra-concentrated wine – which is great news for investors. Extreme rarity will drive up demand and increase the price of the vintage dramatically over time. As for its drinking potential, the top estates have managed to produce highly concentrated, well balanced grapes with excellent acidity levels. With the high quality you can also expect longer storage times – at least two decades for these wines. All this may also have an effect on investor's buying habits – when yields are low, demand for the previous year's vintage goes up. In that case, investing in 2016 futures now, while the price is still low, may be a good strategy indeed. And of course, buying the 2017s as soon as they become available will ensure you get the best price on the secondary market.

LAFITE IN CHINA

The inaugural vintage of the Lafite China project will make its debut on the world market in autumn 2018. Known as Domaine de Penglai, the vineyard is located in the Shandong Peninsula in eastern China and boasts coastal breezes, hot summers and well-drained terraces. This year's vintage marks the fifth harvest and is the third to be fully completed, while the 2016 harvest was said to have the best yield, physiological balance and quality level so far. Final decisions over release of the wine will be made in early 2018, and even then it is likely to be no more than 2,000 or 3,000 cases.

RECORD HIGH EXPOSURE

In other good news, total exposure on the Exchange reached a record high of £45 million in October. According to Liv-ex, this measure of the total value of live bids and offers has been steadily climbing for the last 10 years. Since 2014, when prices first started to rise after three years of decline, the total value of offers has been more or less contained within the £12.5m–£15m range – recently this has broken out of its range, rising above £20m for the first time. Meanwhile bids have been rising, boosting overall exposure. A high bid:offer ratio means more bidders for fewer lots, which drives up exposure as buyers compete with one another. A ratio of 0.5 or higher has historically indicated an uptrend in the market and acts as a signal for price stability – since January 2016, it has remained above 1.

Fine wine wins the day

According to the newly published Knight Frank Luxury Investment Index 2017, fine wine price growth "powers ahead" of other luxury investment sectors, including classic cars, jewels and fine art. Prices rose, on average, by a whopping 25% in the 12 months to the end of June this year, whereas no other asset class saw double-digit growth. Asia seems to have been a key influence, with Bordeaux wine in highest demand. In Britain, the increased demand is likely to have been fuelled by a growing uncertainty in traditional investment markets following the Brexit vote. Coupled with the decrease in Sterling value leading overseas investors to buy wine in pounds, and UK collectors may be in for a Christmas treat if thinking of valuing their current wine collection. However, with the market in its current state of growth, holding onto it may well be a better long-term plan.

Pavie retains new status

Liv-ex released its updated classification of Left Bank wines back in July, with a few minor changes to the order of things. Every two years, this classification exercise follows the same method as that of the 1855, ranking estates by price per case. Petrus, Le Pin, Ausone, Cheval Blanc, Lafleur and Angélus are all 'first growths' as one might expect but Pavie, which was re-classified as a Grand Cru Classé 'A' in Saint Emilion in 2012, remains a second wine. There were a number of debutante estates, with La Mondotte landing in the top bracket of the second growth category along with new entries Evangile, Tertre Rôteboeuf, Clinet, Clos l'Eglise and Canon. There are also lots of new 'third growth' entries – Larcis Ducasse, Fleur Morange, Gazin, Canon Gaffelière and Pavie Macquin – and Tour Figeac enters as a 'fourth'.

A moving market

After suffering its first decline in 22 months in September, and following reports of a narrowing bid:offer ratio, there was much speculation as to whether the market was finally about to hit the buffers. However, the Fine Wine 1000 index – the broadest measure of the market – kicked straight back into gear in October, reaching record high territory with a rise of 1%. The Fine Wine 100 index also saw a 1.3% gain in November and now sits at its highest level since September 2011. This much-needed rebound was thanks to the strong performance of Burgundy wines, with its 150 sub-index moving up 2.5% as prices for the region's top wines continued to rise. Next in line was the Champagne 50, followed by the Rest of the World 50 with a 1.6% rise. These three are currently the top best-performing sub-indices over one year.

New wines on the block

Two relatively new wines on the market, Opus One 2014 and Carruades Lafite 2015, are attracting interest as their prices keep climbing. The former is up 5.6% since its release in September, while the latter has moved a staggering 86% from its En Primeur debut. Many of our clients have recently benefitted from the price hike in Carruades – a wine described by Neal Martin as "Probably one of the most approachable deuxième vins / plenty of freshness and it has an appealing, unassuming finish that is both harmonious and precise (89–91 points)". Another wine that continues to dazzle is Margaux 1996. Awarded 100 points by both Parker and Martin, this will no doubt prove plentiful for those looking to invest as well as to drink.

Message from the CEO

It's been a very successful year for us all. The wine market is doing better than ever, expanding into new territories and becoming increasingly diverse. It also seems as though Brexit has fuelled a spark in trade and pushed up the value of our loyal customers' collections, which is always welcome news! We've seen great wines increase in value – Carruades Lafite 2015, Opus One 2014 and most big name Burgundys – and had some great feedback from investors. As for the company itself, Capital Vintners has some exciting news – we will be rebranding shortly under the name "Vin Mondial" to better represent our increasingly global operations. This will entail a re-working of the organisation with little to no change from the perspective of the customer. A key change in terms of the structure of the organisation will be the appointment of a new sales and marketing team composed of six wine enthusiasts and three global sales representatives working remotely from Bordeaux, Asia and Australasia. These changes are designed to boost external investment and fuel future development of the business in these promising times. For more information about these changes, please see the attached correspondence. For now, that's it from me – enjoy your holidays and above all, thank you for your continued custom! From all the team at Capital Vintners, I wish you a very Merry Christmas and a prosperous New Year.

Christopher Burr *Founder & CEO*