

# Why are fine wine prices going through the roof?

The European tradition is to buy wine young and cellar it. Asian collectors prefer to press the fast-forward button

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"I've never seen as much demand globally for fine wine as now, because there are just so many fine wine lovers." So says [Adam Bilbey](#), who, in an unusual move, has just left the wine department at Sotheby's for Christie's, becoming its global head of wines and spirits. Significantly, Christie's has decided he should stay in Hong Kong, where he has been since 2010, initially with Berry Bros & Rudd.

As many readers will know, [Hong Kong](#) has become increasingly

isolated during the pandemic. Travelling abroad, and returning to the territory, is effectively impossible for a busy executive. [Compulsory universal testing](#) was announced on Monday. Restaurants, serving a maximum of two, are closed from 6pm and, for the first time, household mixing is severely curtailed, although, according to Bilbey, wine drinking at home is at an all-time high. Jo Purcell of [Farr Vintners](#), who has the longest track record of the many representatives of London wine merchants in Hong Kong, reports recycling bins in residential districts overflowing with wine bottles.

A further blow to the 1,300 wine traders who have made Hong Kong a global wine hub, after duty was reduced to zero in 2008, is that the borders with Macau and mainland China have been closed. Until recently, massive quantities of wine sold in untaxed Hong Kong found their way to the heavily taxed mainland. And the casinos of Macau were traditionally major buyers of some of the finest bottles.

So why has Christie's, once the world's leading wine auctioneer but last year way behind longstanding rival Sotheby's (whose annual sales are now well below those of US auctioneers Acker Merrall & Condit and Zachys), decided to base its wine department in Hong Kong, investing in lavish new premises?

## **Leading fine wine auctioneers**

US

- Acker Merrall & Condit
- Zachys
- Hart Davis Hart
- Heritage

## UK

- Sotheby's
- Christie's
- Bonhams

## Europe

- Baghera (Switzerland)
- IdealWine (France)
- Sylvie's (Belgium)

According to Bilbey, it is because Asia is where the most serious wine buyers are. More than half of Sotheby's total wine and spirits sales last year were in Asia and, presumably, Bilbey's address book is of particular interest to Christie's. Already 40-50 per cent of Christie's wine sales globally are to Asians, not just Hong Kong and mainland China but also — and developing fast — Thailand, Vietnam, Indonesia and the Philippines, as well as the established wine market of Taiwan, where Bilbey says the scene is "even crazier" than Hong Kong's.

Such conviviality may have been seriously affected by Covid restrictions but, says Bilbey, "Asians are very different from European wine buyers. The curiosity and sharing tendency of top Asian collectors is amazing. You often find 12 people round a table and might see them sharing 20 different bottles, because everyone wants to compare and contrast. It's amazing how keen they are to learn — and not just about the classic wines. The knowledge they have can make me feel so stupid sometimes."

The European tradition is to buy fine wine young and cellar it, perhaps for decades, until it is judged to be mature. But in Asia there's an impatience to press the fast-forward button and open even the greatest wine much earlier than has been the norm.

The result is pressure on supplies of fine wine and, of course, on prices. This phenomenon, together with the pitifully small quantities of top burgundies produced and the sheer number of wine-loving billionaires in Asia, has been largely responsible for the recent extraordinary escalation of burgundy prices.

The top-grossing wine auctioneer Acker is based in New York but has a big presence in Hong Kong. While 45 per cent of its sales last year were to North Americans, 32 per cent were to Asians and just 17 per cent to Europeans (its annual report identified a whole new market: Russia overtook Brazil to account for 2 per cent of sales last year).

In the west, the people who are determined and sufficiently well-off to get their hands on trophy wines tend to be pretty senior. Not so in Asia, where young collectors "have the funds and want to learn", according to Bilbey, who tells me he knows several important Asian buyers in their mid-twenties. He cites a 24-year-old based in Guangzhou who got into wine while studying in Europe when he was 18. "The knowledge he has of burgundy is exceptional. People like him think that if you're going to drink, you're going to drink well." Christie's recent Luxury Market Report contains the statistic that 24 per cent of its wine and spirits sales last year were to [millennials](#).

There is a massive difference between how wine is sold by the US auction houses and their traditional UK counterparts. The Americans often conduct fine wine sales in top restaurants so that the experience is both gastronomic and glitzy. Compare and contrast

with a typical morning sale in a near-empty, sober saleroom in central London, no matter how historic the building. Bilbey admits he needs to jazz things up a bit.

Saleroom turnover must have been affected considerably by the development of online trading platforms for customers of the many wine merchants and traders who now encourage their clients to buy and sell wine among themselves. Bilbey gamely says that Christie's is content to leave the exchange of young vintages to the merchants and that he sees his job as sniffing out superlative single-owner collections of older wines. But he admits "the scrabble [between auctioneers] to get collections is furious".

Presumably it all depends on what the auction house can promise a seller. "To sell a collection well," Bilbey adds, "you have to understand what the collector's motive for selling is. Sometimes it's financial. Sometimes it's a question of legacy — people just have too much wine. Sometimes people want to create a lasting memory and, for them, a lavish printed catalogue is necessary, even if it's not the best thing for the planet."

As with pretty much all auctions, activity is moving online, although last year just 10 per cent of Acker's sales were internet-only. But the possibility of online bidding, even at a live auction, means the rising number of Asian buyers are pushing up prices everywhere. Asian collectors, as opposed to those from Europe or the US, think nothing of snagging a desirable lot at an auction in, for example, Los Angeles or Geneva. They will then have the wine shipped to join their collection, which could be in the UK or Bordeaux (where there is now no shortage of specialist wine storage). Fees typically are much lower than in Hong Kong, where there is a severe shortage of land.

## **Recommended**

As fine wine prices rise, so does the temptation to produce [fakes](#), especially in the less mature markets of Asia. The notorious Indonesian wine counterfeiter Rudy Kurniawan, who was sentenced to 10 years in a US jail before being deported, sold most of his wine through Acker. For some years there has been a market for empty bottles of trophy wines that can be refilled with much cheaper stuff. Some knowledgeable wine drinkers and producers deliberately spoil labels once they have consumed a valuable bottle. And many producers whose wines are in greatest demand discreetly adopted [anti-counterfeiting measures](#) some years ago, although of course these protect only the younger vintages.

Apart from minute inspection of design and typefaces on labels, foils and bottles, a paper trail — possibly to be superseded by a blockchain — of provenance is invaluable. Bilbey's advice to anyone thinking of selling their fine wine at auction is to "keep your records — we need them" .

Wine is by no means the only alcoholic drink achieving sky-high prices at auction. It is no accident that Bilbey's job spec includes spirits. Demand for older, rarer whiskies is also at an all-time high, with a large proportion of buyers coming from Asia, even if in Hong Kong demand is dampened by the fact that local tax on spirits is not zero but 100 per cent of value.

Times may be difficult in Hong Kong and mainland China but both Bilbey and Purcell are confident of the long-term future for wine sales. "We haven't really scratched the surface of China," says Bilbey. "There's huge potential for fine wine there." For Purcell, "Asia is resilient".

## **Chinese red tape's tangle for exporters**

Jo Purcell of Farr Vintners points out that a new regulation in force in mainland China since last April may have considerable consequences for wine. It stipulated that producers of food, including wine, imported into China had to be registered and approved by Chinese customs by January 1 2022. The registration portal was only launched last October, in Chinese.

A test English version opened in November. Châteaux and domaines have to complete online forms about themselves, their “manufacturing process” and product storage, and supply photographic evidence.

Once approved, the producer should be issued with a unique number to be printed on bottles and cases. According to Purcell, many producers were either unaware of this or are not interested in registering, especially if their wine is in great demand anyway. There have been rumours, though no official confirmation, that the January deadline has been extended, so importers are worried they may face problems with customs clearance.

When Purcell checked in early February, none of the top French wine producers had been issued with a registration number. “If this legislation is enforced, it will have a dramatic impact on the range of fine wines that are imported officially into the mainland,” she predicts.

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