Buying & Investing in Wine

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Risk of sour grapes as prices continue to disappoint

Trading platforms are bringing more investors into a difficult market, reports *Emma Boyde*

Is the market corked? Investors have gained over five years but lost over the past 12 months
Dreamstime

Investing in wine has always had its attractions. As with the art market, investors have the option of personally enjoying their purchases as well as the chance of making good returns.

However, there are some crucial differences between these two luxury investment markets. Art works may go out of fashion, but they do not have a finite lifespan – they do not "go off". Also, as James Suckling points out (*on page 3*), people do not generally consume works of art, and thereby increase their rarity.

Far from being a turn off, these variables seem to have encouraged, rather than discouraged, the global wine investment industry. Aided by websites such as CaveX, Liv-ex and Wine Owners it is even possible for inexperienced investors to try their hand. Liv-ex reports that the number of transactions has jumped over the past year.

Buying fine wines on the secondary market does carry risks, however.

Recent incidents have highlighted the danger of fraud. And, even if a bottle is genuine, its quality can be so influenced by its storage that serious investors might be best advised to leave the wine with a professional. These agents can ensure ideal temperature and humidity for the wine and then vouch for its provenance when the investor sells.

The intermediary may also be able to offer to hold the wine "in bond". This means investors can avoid tax and customs duties.

Wines from the Bordeaux region continue to be the most popular with investors. Production has been regulated for 150 years, which means the market is transparent. There is, however, growing interest for portfolio investors in other regions, particularly Italy.

For investors who are solely focused on potential returns, the solution might appear to be a wine investment fund.

A quick check of the price performance of fine wine on an index produced by Liv-ex can explain the attraction. At the end of October 2014, the Liv-ex Fine Wine 1000, which tracks the price of 1,000 global wines, had shown an appreciation of 20.48 per cent over five years. But short-term investors will have been disappointed. In the 12 months to the end of October, the same index was down 5.61 per cent.

Even steeper price falls have been recorded in the past year on other Liv-ex indices. In the 12 months to the end of October, for example, the Liv-ex Fine Wine 50, an index of the most heavily traded commodities in the wine market, Bordeaux First Growths, had fallen 12.78 per cent. It is small wonder that Liv-ex's October Cellar Watch report said Italy's share of the fine wine market had risen to a record high.

With recent price falls, there is growing recognition of the risks that investors face.

In June last year, an FT report concluded that wine funds had a gloomy outlook, not helped by the UK's Financial Conduct Authority ruling that wine funds should not be marketed to retail investors of limited means.

Splash out wisely on the bottle bank for rich finish and mature returns

MARKET UPDATE

Stephen Tanzer

If you believe, as I do, that we are in a period of worldwide deflation, then buying wine for its investment potential is a seriously risky business.

Historically, the wines that have enjoyed the most predictable long-term price appreciation in the secondary market have records for longevity as well as a critical mass of production that ensures frequent trading. That is why claret and vintage port have dominated auctions for so long. But both of these are in a lull, with prices for Bordeaux first growths and other collectable châteaux well off their peak.

In recent years, a handful of Burgundies has been hailed by collectors. The problem is that it does not take many high-rollers to skew prices for best Burgundies, which are often produced in minute quantities. If four barrels of a grand cru are spread evenly around the globe, you will be lucky to find a bottle.

Burgundy estates that are certified winners include Romanée-Conti, Armand Rousseau, Leroy, Dujac, Georges Roumier and Jacques-Frédéric Mugnier.

Wines from other producers such as Jean-Marie Fourrier and Georges Mugneret have recently rocketed at auction. But other great red Burgundies are still undervalued, given an imbalance of supply and demand and, as the cult names are overfished, the market will surely be angling for alternatives.

So what other collectable wines are undervalued? Certainly, ardent buyers are willing to pay a big premium for their favourite Barolos. But note that the market for modern-style Barolo is tepid at best, and serious Barolistas gravitate toward traditional producers.

Again, names such as Giacomo (now Roberto) Conterno, Bruno Giacosa, and Bartolo (now Maria Teresa) Mascarello transcend their category.

But some star producers such as Fratelli Brovia and Elio Grasso have been less aggressive than others in raising their prices in recent years, so their top bottlings may offer serious opportunities in light of their quality.

Washington State's better reds from the Bordeaux and Rhône valley varieties offer at least five to 10 years of bottle life (more for the best examples), and are much less expensive than their equivalents in California and Bordeaux.

These wines trickle over to Europe and Asia but few are yet recognised for their collectability. The finest 2011 Washington reds are wonderfully European-style after an atypically cool year, while 2012 was a splendid warm-but-not-hot vintage for these wines.

Stephen Tanzer: Buying wine for its investment potential is a seriously risky business

As for white wines, Chablis has enjoyed steady growth and quality improvement, and is far less expensive than its cousins from the high-rent neighbourhoods of the Côte d'Or.

Chablis has also suffered less from premature oxidation, a problem that has cooled the market for white Burgundies from all but a handful of producers. The top bottlings of Vincent Dauvissat strike me as undervalued, but the best wines from other great Chablis producers also offer good value.

Champagne prices for older vintages have been high in recent months, and may offer potential. Purchasing these delicate wines is tricky, as provenance is critical.

I expect my 1996s to outlive me, but there are plenty of other choices for collectors with deep cellars as well as deep pockets, beginning with the consistently outstanding 2002s.

The southern hemisphere is currently drawing scant investor interest. As has been the case in Napa Valley, most producers of cult wines in Australia saw how prices soared in the secondary market and responded by raising their cellar-door prices to capture a share of the action; this has had a chilling effect on auction prices.

Most of the southern hemisphere wines that I view as "good value" today are unlikely to become "collectable" any time soon. Here, I am referring to Malbecs and Cabernets from Argentina, and Rhône blends from South Africa. Both countries offer terrifically satisfying wines in the $20-$40 range.

Stephen D Tanzer is editor and publisher of online journal International Wine Cellar

Late bloom comes to this belle of Bordeaux

Lynch-Bages An estate overlooked in the 1855 classification now offers a most superior Pauillac, says *Feargus O'Sullivan*

Goût de terroir: a case of 1984 vintage, cultivated on the dry, challenging soil within Bordeaux's Left Bank appellation – Reuters

Château Lynch-Bages is arguably the greatest success story Bordeaux has seen since the second world war.

Once a relatively obscure producer under the eye of the Cazes family, which has managed it since 1934, the 100-hectare Pauillac estate has become a wine whose appreciation is the mark of a Bordeaux insider.

The region's five grand crus may gain higher prices, but Lynch-Bages' intense, powerful wines have often matched them for critical scores, and are widely known for doing so. This quiet quasi-superstar status means it is hard to determine exactly Lynch-Bages' position. Is it a modest David matching the strength of Bordeaux's Goliaths? Or is it a Goliath itself, whose relatively low classification back in 1855 has partially masked its true muscle?

Wherever you place it, Lynch-Bages' reputation as a solid investment particularly well priced for its quality is well established. Stephen Browett, chairman of Farr Vintners, is among its evangelists: "We'd probably not recommend the first growths, because they tend to be overpriced. There are other highly rated châteaux next door that sell for a quarter of the price, and that have just as high ratings as the premiers crus. Lynch-Bages 2010 goes for about £950 a case, and has superb critical scores similar to those for, say, a [first growth] Mouton Rothschild of the same year, which goes for up to £5,000 a case."

Part of the wine's quality comes from the estate's fine site, on land poorly suited to other agricultural uses. Spread across a gravel ridge within the Left Bank Pauillac appellation, Lynch-Bages has the sort of perfectly drained, challenging soil that typifies the finest Bordeaux estates. Pushing down through the dry gravel to find water, Lynch-Bages' mostly Cabernet Sauvignon vines are thus forced to create deeper roots, allowing hints of the subsoil's limestone base to creep into the fruit. This gives the fermented juice a pronounced minerality, an unmistakable *goût de terroir*.

What makes Lynch-Bages' latter-day renown more striking is that in the distant past it was something of a bit player. Named after the Irish Lynch family that owned it for much of the 18th century, the estate was given fifth growth status when Bordeaux's wines were first classified according to quality in 1855. While prestigious, this still meant it had more than 40 estates ranked above it, a position it has retained because the 1855 classifications have been little altered.

It was not until the arrival in 1934 of the winemaker Jean-Charles Cazes (whose family still runs Lynch-Bages) that the estate's intense, late-harvested wines gained a reputation. Given the long maturation all decent Bordeaux requires, the high quality of these wines only started to attract notice after 1945.

Lynch-Bages' current high prices and popularity are sometimes used to demonstrate how inconsistent the Bordeaux classification system is, with one of the region's best wines languishing in the minor league (by growth ranking, not price).

The Liv-ex Bordeaux Classification of 2011, which attempted to provide an alternative to the 1855 rankings, saw Lynch-Bages shoot up to number 12.

However, the estate's fifth growth classification does have some advantages for buyers. Without the publicity or fanfare of a first growth ranking, investors are perhaps more likely to get a better quality wine – and thus a better investment – for their money.

When it comes to choosing which years to invest in, Lynch-Bages' most recent vintages are probably not the best bet, as is the case for many of their Bordeaux neighbours. The 2013 vintage was disappointing, because of poor weather conditions. Yet lower fruit yields made it harder for châteaux to drop their *en primeur* prices, because they had less wine to bring to market.

The all-but-unbeatable 2009 and 2010 vintages are becoming more competitive, however. A general cooling of the market has seen prices for these vintages – possibly Bordeaux's greatest ever – falling.

"Those vintages started selling at phenomenal prices, but huge demand from China has slowed," says Mr Browett. "The pound has risen some 10 per cent against the euro, and general economic gloom has tempered things too."

Internet facilitates peer to peer trading

Technology Online trading sites are breaking the brokers' hold and cutting commissions, reports *Adam Palin*

Technological innovation has introduced a new form of intermediary to the wine market – the online trading platform.

One of the most established is the Bordeaux Index. Gary Bloom, its managing director, believes the old model of trading wine was unhelpful to customers. The industry wanted to control both buying and selling prices, he says. Not only did this give it a stranglehold over the market, it created a useful aura of mystery.

High commissions by wine merchants and hefty auctioneers' premiums – typically 20-25 per cent of the sale price – ensured a high barrier to entry for the secondary wine market and reduced the number of potential buyers.

But with the advent of electronic markets, Mr Bloom says, it was inevitable that margins on purchases fell. Now, he says, online trading "is pricing out some of the old school merchants".

Nick Martin, founder and managing director of online platform Wine Owners, says that transparency in the wine market has been growing over the past decade since the launch of price comparison website Wine-Searcher – "the Google of wine", which has a database of almost 7m wines and prices.

"There is a clear trend towards wine investors being self-directed," says Mr Martin. Rather than deferring to their merchant for investment advice, investors and collectors are increasingly conducting their own research and consulting multiple sources.

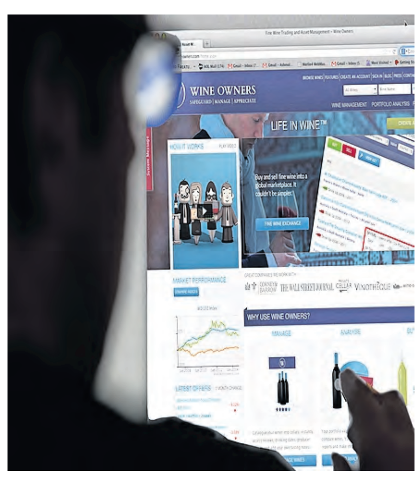
The Wine Owners site, launched last year, offers historical price data on roughly 160,000 wines. This is refined to provide guide estimates of vintages for the purposes of investors who trade peer-to-peer on the platform.

"There's lots of data out there, some of it confusing, so our job is processing [this] and coming up with an estimate of what we think you would be likely to get for a wine," says Mr Martin.

Some of the oldest wine merchants are embracing the technologies that challenge their traditional business model.

Among the best-known London merchants, 230-year-old Corney & Barrow has partnered with Wine Owners to offer a version of its investment platform to its clients; the 315-year-old Berry Bros & Rudd has even launched its own, BBX, where its customers can trade with one another.

BBX is limited to wines bought from and stored with Berry Bros. Matthew Tipping, sales manager, says this guarantee of stock quality and provenance is a fundamental distinction from its peers.



World wine web: investors can now undertake their own research

However, online brokers are not necessarily seen by merchants as competitors, Mr Tipping insists. "Ten to 15 years ago, there was very little visibility of prices in the market. It is much more open now because of the internet. Online platforms today are also a shop front for the likes of Berry Bros."

Despite the shift towards wine investors executing their own trades, Mr Martin says that there remains an important role for expert advice.

He sees similarities with upheavals in the mainstream investment market, in which there has been a big shift by individuals towards execution-only platforms on which they can trade stocks and shares. "The world doesn't have fewer independent financial advisers as a result," he says.

"Although platforms like ours provide a huge amount of information, one thing we do not do is provide advice. If you're looking for guidance on how to construct a portfolio and access wines, that is where merchants come in."

Cave art and temperate zones: the best way to age gracefully

Storage It is a cellar's market when it comes to creating the perfect conditions for your collection, says *Nina Caplan*

Working out where to store wine should be straightforward: avoid direct sunlight, excess heat or cold and fluctuations in temperature. Which means never keep wine in the kitchen, convenient as it might be to have bottles to hand. Dry air harms wine, so humidity should be above 50 per cent (and ideally about 70 per cent); and if you are storing for decades, vibrations are to be avoided as they may harm the wine.

Alternatively, you can pay someone to keep your wine in exemplary conditions and advise you on what to drink when. If you are buying as an investment, this makes sense. "It's extremely difficult to resell wine you've stored at home, however carefully, unless you have a wine merchant who can vouch for its provenance," says Daniel Primack, general manager of EuroCave UK. Store with a professional, however, and buyers can have faith that the wine has been looked after properly – and the condition report and storage certificate to back that up.

If you intend to drink your wine, storing at home may work better for you, although serious collectors will usually have more wine than a capacious cellar can comfortably accommodate – and that is when bottles start overflowing into areas that lack the right conditions.

"You need a stable temperature between 10°C and 15°C," says François Chirumberro, chief executive of fine wine advisory service 82. "The lower the temperature, the slower the ageing process, although too low and the wine won't mature at all."

In August, the American Chemical Society's symposium included the results of an Italian study that compared bottles stored either in a professional wine cellar with a strictly controlled temperature (at 15-16°C), or in conditions mimicking a dark room in a home (20-27°C). The study found that those stored under cellar conditions took two years to age to the same point that those under home conditions reached after just six months. The home-stored wines also had fewer antioxidants and less red pigmentation, making them less healthy and less flavourful than the cellar equivalents.

Daniel Primack: 'It's extremely difficult to resell wine you've stored at home, however carefully'

It may not be possible to replicate those ideal conditions at home but there are ways to come close. You can have a cellar built – a traditional one or, if you lack space, a spiral cellar, a temperature-controlled cylindrical system sunk through the ground floor. For those with no underground space, a wine storage cabinet (also temperature-controlled) is a useful alternative, and the only way to keep wine safely in the kitchen.

Working out when to drink your wine is more problematic. It does not help that the answers keep changing, as the makers of traditional wines respond to an ever-more impatient (and centrally heated) world and their rivals make wines intended to be drunk young.

There are three principal ways to figure out what to drink when, thus ensuring the best drinking experience and a cellar that retains its value as well as its potential. If you store with experts, they will do the hard work for you and alert you when your wines reach maturity. The second option is to buy by the case and try one bottle a year at the start of the recommended drinking window. Once you decide it is ready, drink the rest with enthusiasm.

The last solution, for those with a more cautious outlook, is Coravin, a device that uses spinal implant technology to draw a small amount of wine via a slender needle pushed into the cork, allowing the cork to close without oxidation spoiling the remainder. Coravin costs £269 and Mr Primack swears by it. "It's brilliant – you can test the wine without sacrificing the bottle," he says.

Italy attracts more interest in the Asian market

Italian wines Chinese oenophiles are raising a glass to the Super Tuscans, reports *Susannah Gold*

While interest in Italian wines is on the rise throughout the world, investing in them – either individually at auction or collectively through a fund – remains a rarity.

The world of fine wine is no stranger to investment funds, but most of these will buy only the very top French vintages. Traditionally, they are Bordeaux-centric with just a smattering of wines from Burgundy, Champagne and the Rhône valley.

Few investors have ventured into Italian wines, apart from the UK-based Bottled Asset Fund (BAF), which invests specifically in premium Italian wines. To date, it is the only one that is focused on Italian wines.

Most of the other funds invest in French wines instead, despite the ever-increasing popularity of Italian vintages, particularly in Asia, which has been driving the industry's success in recent years.

The French wine market has been regulated since 1855, when the Bordeaux classification was devised (it is still in effect today) and works through *négociants*, who buy allocations of wines every year from the most famous châteaux. The industry is, therefore, quite transparent.

The Italian market is markedly different. While there is a classification pyramid, many of the countries' most notable wines are not classified at all; for example, the so-called "Super Tuscans" use the Indicazione Geografica Tipica designation, roughly equivalent to the French term, "vin de pays".

Moreover, the mechanics of buying wine in Italy are very inefficient. While many French wineries have a corporate structure and some are part of multinational conglomerates, Italian companies still tend to be smaller and family-owned – factors that offer both benefits and potential drawbacks.

Wine aficionados love the family firms and the fact that the wineries are not corporately run, but this can create havoc for sales. "The main obstacle to regarding Italian wine as a financial investment is the fact that there is no substantial secondary market," says Stevie Kim, managing director of Vinitaly International. "There is no history of wine funds for Italians; the few that exist are not very transparent in terms of their basket, and the system is fragmented and highly individualistic."

These wines are also not generally part of the auction scene. "The handful of Italian wines listed on Liv-ex are exactly the same ones considered the sexiest, most desirable, precious collectables," adds Ms Kim. "Other than the Super Tuscans, Barolo, Barbaresco and Brunello wines are now popular among the Chinese, and so are Amarone and Aglianico. Another interesting fact is that prosecco is often mistaken for champagne," she says.

On Liv-ex in October, trade by value revealed which wines were most popular among investors. Bordeaux garnered 74.8 per cent of the trade while Burgundy saw 8.5 per cent, champagne

In greater demand: workers harvest a vineyard in northern Italy – AFP

3.4 per cent and the Rhône valley 2.5 per cent. The whole of Italy represented 4 per cent, while the rest of the world saw 6.8 per cent of overall trade.

Interest in Italian wine in Asia is growing, but slowly, explains Ms Kim of Vinitaly International. "In mature markets such as Japan, Italian wines are well known, but in China, they are almost unknown. Korea is inbetween the two. In China, French wines lead, but New World wines [are also popular].

"As the Chinese continue to gain more wine knowledge, they will drink more wines in general," she adds.

Much of the wine they may soon be drinking could actually be Chinese, domestically grown and produced. The Chinese offering tends to be similar to Californian and French wines, in that most of the winemakers who have moved to China hail from these two regions.

"Initially, the Chinese wine market will drink predominantly Chinese wines, mostly Bordeaux and international varieties. And then the natural shift will be towards Italian wines, as the Chinese will venture into different variety of wines," Ms Kim predicts.

Since much of the auction trade worldwide has been buoyed by what happens in Hong Kong and influenced by mainland buying habits, what the Chinese drink is critical to the investment market.

"In trendsetting cities such as Shanghai, Italian wines are becoming more popular, although they are still a very small component of the market compared with French wines. Interest has also been buoyed when it is connected to the Italian lifestyle along with the cuisine and fashion," Ms Kim says.

A new bunch of collectable classics tempts the market

CHINA
James Suckling

Three years ago, wine conversation in Hong Kong was mostly about investment. Consumers seemed less interested in drinking than in speculating on the best vintages. I was asked almost daily which wines I would invest in, by just about anyone I met with a passing interest in wine.

Today, the "investment" word is seldom spoken in Hong Kong or mainland China, and it is the same in many other fine wine markets, in Europe, the US and Asia. In fact, there is an underlying discontent among many wine buyers who paid speculative high prices for bottles of highly rated wines that have lost as much as 30 per cent of their value.

For example, 2010 Château Lafite Rothschild, a wine that I rated at 99 points, currently sells for about $1,300 a bottle, while in May 2011 it sold for about $1,800, according to Wine-Searcher, the online search engine. Or take the 2009 Château Margaux, which I gave 100 points. It sells for about $1,150 a bottle, while in October 2011 it sold for about $1,425.

James Suckling: The market seems less volatile and it might be the right time to start buying again

However, the market seems less volatile for investment-grade wines at the moment. And this suggests that it might be the right time to start buying again.

Robert Sleigh, head of Sotheby's wine department in Hong Kong, says: "Barring major negative global economic forces, it is difficult to see investment-grade wines depreciating in the short term. The international wine market is more mature now and ultimately healthier, making near-term price decreases less likely."

Indeed, it is difficult to think that rare bottles of fine Burgundies from such sought-after producers as Domaine de la Romanée-Conti or Georges Roumier, or collectable Bordeaux such as Le Pin or Pétrus, could be priced any lower than today. And such wines from top vintages are consumed every day, particularly in Hong Kong. So rarity comes into play, as bottles are opened and consumed.

"Now is a prime time for investing, if you are smart and do your homework right," says Jeff Zachariah, head of Zachys wine shop and auction house in New York. "Of course, you need to be keyed into trends and invest not for today, but for tomorrow."

Having a long-term view is certainly essential but buying the right wines is equally important. Classics such as collectable Burgundies, Bordeaux and champagne are a good bet, although some Californian and Italian wines are also becoming popular.

Burgundy is clearly an investment-grade wine at the moment and the best bottles from the best producers are harder and harder to find. Most are under allocation and difficult to acquire, particularly for new buyers.

Bordeaux is simpler. Young vintages of the top châteaux are easier to buy than collectable vineyard-designated wines from Burgundy because the latter is made in such small quanitites. Great mature vintages of collectable Bordeaux are equally difficult to find in investment quantities, however, as they have been drunk.

"The savvy buyer can pick off a case here and a case there at prices way below historical highs – maybe 20-50 per cent less," says David Sokolin of Sokolin Wine Merchants in New York. "But if you're looking for 50 cases, prices are generally higher."

Each day, investment-quality wines are opened and become rarer and rarer. The opportunity to drink some of the modern classics such as 1989 Château Haut-Brion or 1982 Château Mouton Rothschild – both 100-point wines – becomes ever more difficult and more expensive. Current vintages are inexpensive by comparison.

"Great wine is one of the few tradeable commodities that when it's made, that's it," says Jonathan Slone, a keen wine collector and chairman of Hong Kong's CLSA, one of Asia's largest institutional brokers. "Art is the same, but you don't consume art. People know how many Rembrandts there are in the world, but they don't know how many 1959 Lafites are left. And if you want to see a Rembrandt painting, you can go to a gallery. But to experience 1959 Lafite, you have to pop the cork."

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Purchasers of vineyards match passion with profits

Property Potential for returns comes with lifestyle benefits, writes *Camilla Apcar*

The idea of owning a prestige cellar has evolved, with buyers now looking for commercial returns as well as lifestyle benefits from their next "investment of passion".

Buying a vineyard as a small business venture has captured the imagination of many foreign investors. Generally aged between 40 and 55, they may be business people looking for a change of lifestyle, or interested in running a vineyard part time with an on-site management team.

Yet whatever their budget, they want to see returns, unlike with "hobby" vineyards where the wine produced is generally for consumption by family and friends.

An 80-hectare property could produce more than 500,000 bottles a year, explains Alex Hall, a vineyard consultant and buyers' agent. However, in prominent regions such as Bordeaux, "you don't need to produce large volumes because these are bottles selling at a fairly significant price", he says.

Foreign investors can recover initial investments quite quickly by purchasing a vineyard with existing stock and wines well known by their local market, says Jelena Cvjetkovic, associate director at Savills International Residential.

With the spread of knowledge and interest in wine, the potential investor base for vineyards has diversified.

Foreign buyers make up about 20-30 per cent of the Italian market, says Kate Everett-Allen, residential research partner at Knight Frank.

The estate agent says the proportion of foreign buyers in Lombardy rose from 10 per cent in 2013 to 30 per cent in 2014, while in Mendoza in Argentina a 10 per cent rise has created a balance between foreign and domestic buyers.

Last year, Knight Frank's research showed foreign buyers made up 40 per cent in the Loire, Chianti and Bordeaux.

Savills says interest and purchases by Chinese investors in Bordeaux vineyards are primarily investment-led. "Asian buyers, mainly Chinese, still don't really grasp the concept of leisure property," says Ms Cvjetkovic. "They want a property that is producing something – they won't just buy a trophy asset for the sake of it."

Last year saw a surge of interest from Chinese investors in traditional northern European regions, particularly Bordeaux. Mr Hall says this has calmed in part due to China's "clampdown on corruption" and luxury gift-giving; vineyard purchases are mirroring slowing wine sales.

Less than 1 per cent of Bordeaux vineyards is owned by Asian investors, reports Ms Cvjetkovic.

Ms Everett-Allen at Knight Frank notes a significant rise in enquiries from foreign investors about Italy and France (where there is greater choice in Provence and the Rhône Valley than regions such as Burgundy and Bordeaux), and fewer enquiries about Portugal and Spain.

Knight Frank's Vineyard Index, which compares price performance of vineyard land, saw the price of "lifestyle" vineyards increase on average 6.8 per cent from June 2012 to June 2013.

The 2013 index also recorded some of the highest increases in countries such as Argentina, Chile and New Zealand.

A Tuscan vineyard in the Chianti region: foreign buyers make up about 20-30 per cent of the Italian market Dreamstime

Tuscany was the strongest European region, with vineyard values rising 20 per cent in the year to June 2013.

Herman De Bode bought a 20-hectare vineyard property in the Chianti region in 2010 through Knight Frank for €3.5m. Last year, Knight Frank estimated prices at €100,000-€150,000 per hectare in Chianti.

The former McKinsey management consultant, who lives in Belgium, has no previous winemaking experience. The vineyard is not making a profit yet, but his ambition is "to make an absolutely top wine" and for the vineyard to be a self-sustaining, profitable operation.

Property purchases in havens, such as London and New York, first came to the fore during the financial crisis, says Ms Everett-Allen.

She adds: "The next tier down is to find a luxury investment to gain a lifestyle benefit while having the potential for investment return. I think a variety of properties – vineyards being one, but also ski homes – provide the wealthy with a two-pronged investment asset."

Besides the prerequisite of good soil, properties with three or four bedrooms and land of three to 10 hectares are much sought after.

Knight Frank also notes increasing demand for vineyards that have adopted organic, sustainable or biodynamic production methods.

Boutique hotels, restaurants and B&Bs have become more common in areas where there is potential for hospitality development, experts say, offering an opportunity to make larger vineyard properties profitable.

Joachim Wrang-Widén, senior vice-president at Christie's International Real Estate, says: "South African vineyards are offering attractive opportunities at present, in part because of the exchange rate of the rand versus other currencies."

Even for those with commercial aspirations, the allure may remain an emotive one, as Mr De Bode explains. "The notion that you produce something from the land . . . Maybe deep in my heart, I always wanted to be a farmer."

Alder Yarrow
Founder & editor, Vinography.com

For most oenophiles, investing in wine makes little sense. That said, if you can afford to put away wooden cases of the first growths, or some leading Italian names such as Soldera, you can probably make some return on your investment over 20-30 years.

You won't find table wine at the winery at the end of the world

Argentina The Bodega del Fin del Mundo in remote Patagonia is winning global awards, says *Benedict Mander*

The desolate Patagonian steppe may not be an obvious place to make wine, but a pioneering winery that started out as a fruit farm has not only called on the financial muscle of one of Argentina's most successful businessmen, but also the taste buds of one of the world's most influential oenologists.

In a remote part of one of the most southerly countries in the world, Bodega del Fin del Mundo lives up to its name: "the winery at the end of the world". But despite its remote location near San Patricio del Chañar, on the banks of the Neuquén River, it is attracting growing interest from other winemakers for its unique conditions.

Julio Viola admits that it has not been an easy journey since he sold his house almost 20 years ago to buy the land to plant apples and pears, only later spotting the potential for making wine in a region now known for its Vaca Muerta shale formation, which contains some of the largest reserves of shale gas and shale oil in the world.

"We had to break through many barriers to get here," says Mr Viola, as he strides through rows of towering stainless steel vats of wine and tells me how he first managed to persuade the renowned French oenologist, Michel Rolland, to visit his winery 10 years ago.

Now Mr Rolland, who has hundreds of clients around the world, visits Bodega del Fin del Mundo four times a year to help blend its wines; these have won international awards and are exported to the US and Europe, including a specially branded wine for the UK grocer Marks and Spencer.

In 2009, Mr Viola teamed up with Eduardo Eurnekian, who is Argentina's third-richest man according to the Forbes billionaires list. Mr Eurnekian has helped to bankroll exponential production growth from just 30,000 bottles after the first grapes were harvested in 2002, to almost 8m bottles last year.

Julio Viola: 'Here, the wine has to be good quality. If not, it is not profitable, as the costs are high'

Mr Eurnekian's Armenian origins perhaps explain why his diverse business empire, which controls 76 airports around the world, includes a winery in his homeland – the country where one of the world's earliest known wineries was discovered, dating back 6,000 years, in marked contrast with the innovative project at Bodega del Fin del Mundo.

Looking out over the 6,000-hectare property that is criss-crossed by rows of poplars to protect the vines from the harsh Patagonian wind, Mr Viola explains that making premium wine in these desert-like conditions is neither easy nor cheap.

"Here, the wine has to be good quality. If not, it's not profitable, as the costs are high. You won't find table wine here," says Mr Viola, explaining that he went as far as Israel – a country with thousands of years of experience with irrigation – to find a company that could help him lay the 9,000km of little pipes with perforations every 50cm that bring water to his vines.

But the dehydrated conditions of the Patagonian desert, in contrast with the fertile plains of the Pampas to the north, have their advantages. Irrigation means that the amount of water received by the vines can be carefully controlled.

Similarly, the absence of humidity means that chemicals are not needed as fungi do not prosper and the vines are not vulnerable to diseases. This makes it much easier to grow fragile varieties such as Pinot Noir, which has become a local speciality.

Even so, Mr Viola prefers not to market his wine as organic. "If we do, they will hide our wine at the back of stores on the bottom shelf, where only organic wine enthusiasts will find it. That's not exactly what we are after," he says.

Jon Bonné
Author, *The New California Wine*

California is delivering on its promise, making terroir-driven wines as complex as anything in the Old World. The best Pinot Noir is as good as, and less expensive than, much of Burgundy; Littorai and Domaine de la Côte, to name two. Whites are ever-more compelling, whether great Chardonnays or curiosities such as the Friuli-inspired blends.

Gabriel Stone
Managing editor, The Drinks Business

Recent years have seen an interesting diversification of the secondary market. Bordeaux and the big names in Burgundy still account for much of the trade, but there seem to be some interesting alternatives in areas such as Champagne, where prestige cuvées such as Cristal and Comtes de Champagne are offering nice returns.