

WINE CELLAR FINE WINE

Secondary market review 2021

INTRODUCTION

South African fine wine saw another strong year in 2021. New records were set in the fine wine auction space, and the proliferation of wine auctions from various auctioneer houses bears testament to the growing demand for curated, high-value fine wine listings. In international markets, fine wine continued its strong run with broader trade across regions and vintages.

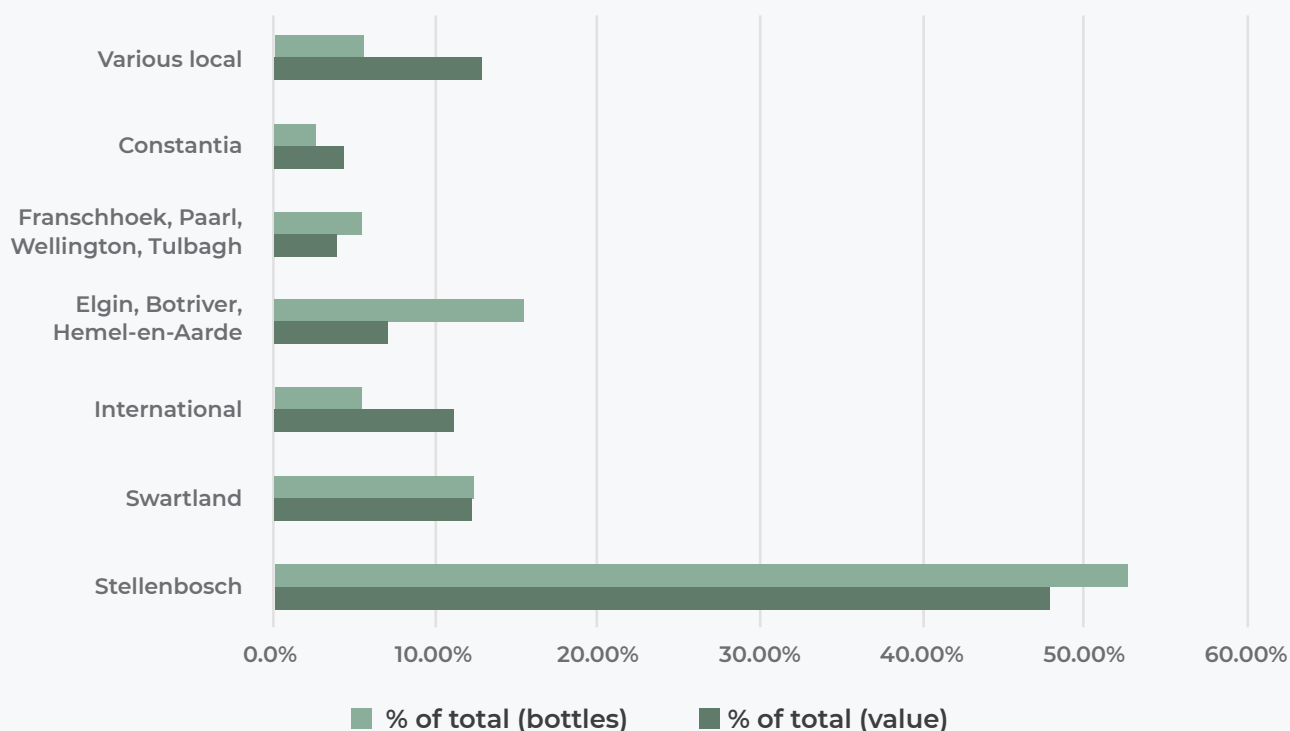


SOUTH AFRICAN SECONDARY MARKET TRADING DYNAMICS

Over the course of 2021, the secondary market's sales continued to grow. Wine Cellar's secondary market sales increased in trade volume by 32%, and higher value-per-bottle trades resulted in a 75% increase in trade value. The growing sentiment for the value South African wines offer both local and international buyers, has meant that wines which were not traded in the past are now entering the secondary market. With wider trade across regions and producers, the market offers more variety and can serve a broader buyer base. Trade at the lower end of the price spectrum has also experienced growth, as buyers entering the secondary market can find great value purchases below the R300-mark.

The table below illustrates the trade by region. Stellenbosch dominates trade by volume and value; similar to Bordeaux on the international markets. Bordeaux varieties are the main driver of Stellenbosch trade, as the maturation potential these wines offer draws in both sellers and buyers. The Swartland is the second most traded region. Interestingly, the Swartland's trade is made up of only a handful of producers; indicative of the market's appetite and demand for this exciting region's top producers. The local trade for international wines is also on the up. International wines account for only 5.5% of the secondary market's trade by volume but more than 11% of the value – a clear indication of the higher value of international fine wines despite the growth in value of South African fine wines.

TABLE 1: TRADE BY REGION



Although there is a sense that the market is moving towards a more formal trading environment, the local secondary market remains very small compared to the international market. This offers opportunities as well as pitfalls. The strong price performance of numerous estates on the secondary market resulted in many wines being traded via informal sales channels. While increased trade is positive for building liquidity, buyers in the informal market should ensure that the provenance of high-value wines is satisfactory.

Wine Cellar's PIP vehicle continues to be the most efficient way of stocking your cellar – for consumers, collectors and investors alike. Across our PIPs, the average growth per annum since inception is above 17% (measured September 2021). The growth in secondary market portfolio trade suggests that the demand for curated, well-stored collections is growing. A broader base of buyers, including more international clients, bodes well for the future of this space. The selection and storage of the wines remain key when building a collection, as not all wines have the propensity to grow in value above inflation. Leading estates and producers are taking advantage of the Rand's current performance against major currencies, as the export demand for our top wines is rising. Frosts in the Northern hemisphere and Australia's wine trade woes with China may create an opportunity for South Africa in the international market. Time will tell if these factors will fuel demand for our top-end wines.

STRAUSS & CO. FINE WINE AUCTIONS

The proliferation of auction platforms and wines available via auction is a testament to the growing demand for fine wine at the top-end of the market. Fine wine sales via Strauss & Co. continue to push the boundaries of price ceiling perceptions. 2021 saw records being broken and the growth of auctions and sales. Themed auctions presented the market a clear picture of wines on offer, while creating opportunities to diversify the auction offering.

The highlight of the year has to be the sale of the 1821 Grand Constance single-bottle lot. Previously sold on the Cape Fine and Rare Wine Auction for an unprecedented R420,000, another bottle was offered via Strauss & Co.'s '574 Years of South African Icon Wines' auction and achieved a record price of R967,300. At the same auction, record prices were also achieved for the legendary GS Cabernet 1966 (R91,040), Chateau Libertas 1957 (R91,040) and Jaubert Family Muscat d'Alexandrie 1800 (R91,040). A new standard was set for rare fine wine pricing.

The producer-focused auction featuring Alheit Vineyards, Sadie Family Wines and Vilafonté might prove in years to come to be a defining auction for the local fine wine secondary market. It was a white glove sale (where all offered lots are sold), with record prices on numerous fronts.

A single bottle of Alheit Vineyards' Radio Lazarus 2018 (a non-commercially released vintage) broke R25,000. Now no longer in existence due to the harsh Cape drought of recent years, the market is drawn to its true collector's nature. Considering that Alheit only produces white wines commercially and is a relatively young operation, it is an incredible feat that 80% of their lots on offer sold above their high estimate.



Sadie Family Wines continues to be one of the finest producers, not only in the Swartland but also in South Africa. Tim Atkin's 100-point score for the 2019 Columella has pushed not only this particular wine's demand, but that of all the Sadie Family wines to a new level. In 2021, 68 Sadie Family Wines lots were offered on auction, with the total hammer sales reaching R1,035,900 – that is an average of over R15,000 per lot sold. A vertical of the Columella from 2000-2011 achieved R113,800, while the famed Ouwingerdreeks 2009 case with William Kentridge labels achieved R45,520. Even more noteworthy is the fact that only one bottle in the collection is a red wine – the Pofadder 2009.

Stellenbosch stalwart Kanonkop also experienced a strong showing throughout 2021. 35 lots were sold for R656,300, including a lot of three decades of Paul Sauer 5000ml bottles for R284,500. Other top performing producers by total sales value include De Toren, Klein Constantia, Meerlust, Mullineux and Vilafonté. Armand Rousseau, Georges Roumier and Romanée-Conti featured with a few lots on offer, but achieved high sales values per lot.

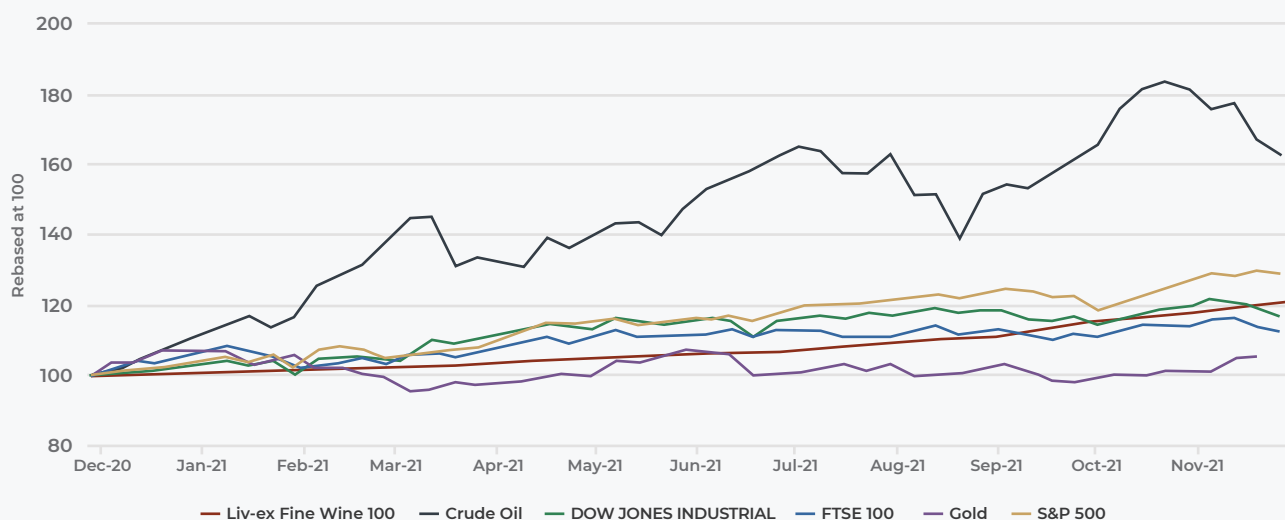
The coming year will, once again, see rare and sought-after wines featured on Strauss & Co. Fine Wine Auctions. For more information on the auction process and planned themes for 2022, please contact Sarah Jordaan at wine@straussart.co.za.

INTERNATIONAL OVERVIEW

The 2021 Liv-Ex (London International Vintner's Exchange) Review reports that the international fine wine market also experienced a strong year. COVID-19 forced many individuals away from traditional equities and towards alternative assets. The expectation was that market trade would return to its pre-COVID avenues, however, fine wine has remained in focus even as lockdown measures ease.

The table below shows the performance of the Liv-Ex Fine Wine 100 (a collection of the 100 most sought-after wines on the market and their pricing) against other major equities and commodities. The table illustrates the less volatile nature of fine wine, as well as fine wine's strong showing for the past year.

TABLE 2: LIV-EX FINE WINE 100 VS MAJOR EQUITIES AND COMMODITIES



Series		Current value	MoM	YTD	1yr	2yr	5yr
Liv-ex Fine Wine 100	●	382.59	2.73%	19.94%	20.83%	25.68%	29.17%
FTSE 100	●	7,186.54	-1.56%	8.3%	9.54%	-1.14%	3.99%
DOW JONES INDUSTRIAL	●	34,580.08	-5.08%	14.41%	14.43%	23.43%	80.32%
S&P 500	●	4,559.35	-2.79%	23.2%	23.2%	44.86%	112.35%
Gold	●	1,780.4	-2.12%	-6.37%	-3.82%	19.63%	53.08%
Crude Oil	●	68.1	-16.81%	38.89%	48.66%	17.33%	36.83%

SOURCE: LIV-EX.COM | VALUES AS OF 6 DECEMBER 2021

A broader trade by region as well as more wines on offer, is proving to be effective in hedging against massive downturns. Although Bordeaux's contribution to trade by volume continues to decrease, trades are focused on the leading or high-value châteaux. In Burgundy, trade continues to diversify as buyers look for value in a region where prices are rising once more. Although South Africa's representation on Liv-Ex is negligibly small, patterns on Liv-Ex offer insight on fine wine buying and investment behaviour. Will South Africa break onto the international stage with significant trading volume? Only time will tell.

CONCLUDING REMARKS

The South African fine wine secondary market experienced a strong year for trading and value growth. Similarly, the auction scene has broken records, seen growth in sales, and more auctions on offer.

The international fine wine market also experienced new record highs in both value and trade volume. With broader trade and more wines on offer, the outlook for 2022 is positive.

For any questions, please contact Johan Malan at johan@winecellar.co.za.

– Johan Malan, February 2022