

Downturn is all quaff and nonsense

Joanna Mather

Cash-strapped Australians might be shedding their luxury boats and holiday houses, but they appear reluctant to part with their best reds.

Wine auctioneers said that Australian wines such as Penfolds Grange and Henschke's Hill of Grace were holding their value and there were plenty of buyers around despite global financial jitters.

But they said clearance rates were slipping and 2009 could bring a softening of the market.

Lynton Barber, managing director of Perth-based Sterling Wine Auctions, said there were rumours of struggling investors desperate to offload their private wine cellars, but he had not seen the evidence.

"We haven't seen people come to us and say, 'I'm in trouble, I need to sell some wine because I need some cash'."

Mr Barber said it was difficult to predict what might happen next year, but in light of an overheated decade, a flattening of prices might be a good thing.

"We're seeing a little bit of common sense returning to a market that got terribly hyped up."

Andrew Caillard, fine wine director and master of wine at Langton's auctions, which has offices in Sydney and Melbourne, dismissed talk of a "rampage" of cellar clear-outs.

"If people were emptying out their cellars, our warehouse would be full, but that's not the case."

Overseas, auction houses in London and New York have



Cameron Poolman of GraysOnline says quality wine is listed beside boats and other discretionary items.

Photo: ROB HOMER

KEY POINTS

- The best Australian wines are holding their value.
- But GraysOnline expects to sell 50,000 bottles of top wine in the next three months.

reported that prices for some luxury northern hemisphere wines have dropped by 30 per cent.

But Mr Caillard said "nothing profound" had hit Australia so far and the fine wine market has proved resilient in previous downturns.

"Fine wines are like blue-chip stocks and I think prices for top Australian wines will hold up," he said.

Where the financial crisis has hit the wine market is in corporate gift sales, according to Mark Wickman, who owns and manages online auctioneering house Wickman's

Fine Wine Auctions. "There's definitely at least a 50 to 60 per cent drop in corporate buyers who would normally buy things like Grange to give as Christmas gifts."

Typically, corporate buyers might spend \$10,000 on Penfolds Grange, to buy from 18 to 24 bottles to give to favoured clients, he said.

But overall premium wines were always in demand.

"The prices probably overall are dropping, they are getting lower but

there's a good groundswell of people who are willing to pick up that extra wine."

Top Australian wines continued to fetch record prices in 2008. In August, a bottle of 1951 Penfolds Bin 1 Grange Hermitage sold for a record \$53,936 in an auction by Langton's.

Graham Wright, director of Oddbins Wine Auctions, in Adelaide, said the past year had been a "mini boom", with Penfolds Grange and Henschke's Hill of Grace selling strongly.

As a tangible asset that held its value, he said wine was proving to be an attractive investment in the current climate.

"And as one client said to me, 'It's a good investment, wine, because even if the whole thing goes belly up at least I've got something to drink'."

While long-established wine auctioneers said it was business as usual, internet site GraysOnline told a different story.

Managing director Cameron Poolman said fine wine was featuring alongside boats, electrical goods and other discretionary items coming to auction in the current climate.

He expects to sell nearly 50,000 bottles of top-notch wine in the next three months.

"We generally see the investor stock come up on a monthly basis, but we're dealing with about 20 investors at the moment," he said.

"There'd be a significant percentage from the finance industry and a few property developers."