

Wine prices outperformed art, stamps and bonds throughout 20th century

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Credit: Derek Gavey

New research reveals that investors who have so far left wine out of their portfolio may want to think again.

Canny investors who have so far left [wine](#) out of their portfolio may want to think again after the most comprehensive study of the price of wine to date revealed that wine prices outperformed government bonds, art and stamps, and remained consistently on a par with stock market returns, throughout the 20th century.

Using a huge dataset of 36,000 prices between 1899 and 2012 from

Christie's and Berry Bros, a real financial return on investment of 4.1 per cent emerges from the study co-authored by Professor Elroy Dimson of the University of Cambridge Judge Business School.

The study also found that great vintages rose quickly in value during the first couple of decades, while wines from mediocre or poor vintages caught up with the great ones after 50 years.

The Price of Wine, by Dimson, Peter L. Rousseau (Vanderbilt University), and Christophe Spaenjers (HEC Paris) makes a unique contribution to the study of the economics of wine, built on a novel historical database of prices for five Premiers Crus Bordeaux that have consistently ranked among the most frequently-traded in the world – Haut-Brion, Lafite-Rothschild, Latour, Margaux, and Mouton-Rothschild.

The trio examined 36,271 prices for over 9,492 combinations of sale year, chateau, vintage and transaction type (dealer or auction) between 1899 and 2012 to investigate the returns on holding wine and the effects of aging on wine prices. They found that keeping wine characteristics constant, wine prices have risen at an annualized rate of 2.9 per cent in real GBP terms over the period 1900-2012. Young high-quality wines, that are still maturing, provided the highest financial return, while famous wines delivered a quantifiable psychic dividend to owners.

Annualised real returns over the period 1900–2012 were 2.4 per cent, 2.8 per cent, 5.2 percent, for art, stamps and equities respectively. Wine not only outperformed government bonds, but also art and stamps, even when ignoring the costs associated with investments in those types of collectibles, and only underperformed equities.

A price history for the five wines listed above was created, starting in 1899 and based on prices realised at auctions in the London sales rooms

of Christie's, and retail list prices at Berry Bros. & Rudd (BBR), a London dealer of wines and spirits. At least until the First World War the majority of the best Bordeaux wines were sold to British buyers, so the long tradition of auctioning wines makes Christie's in particular a unique source of information. The analysis focused on homogenous lots and prices per bottle.

For the lowest-quality vintages, [prices](#) increase little over the first few years of the life cycle, but rise afterwards in a near-linear fashion. In contrast, the highest-quality wines appreciate strongly while they are maturing over three to four decades after the vintage – an estimated average price appreciation of 2.7 per cent over the first 40 years. Prices stabilise once high-quality wines fully mature, and their increase in value between age 40 and 80 is very limited. As the wines become antiques, new price increases emerge.

"Not surprisingly, the relative difference in price levels between high-quality and low-quality vintages is smaller for very old wines than for young wines, given that consumption quality slowly becomes irrelevant and the 'psychic dividend' of owning the wine takes over," said Dimson.

Maturing wines enjoy the highest returns: a collectible – but not necessarily drinkable – wine worth 100 GBP 'pays' a non-financial dividend of 0.7 GBP to its owner over the course of a year. Overall, researchers found an annualised real return of 5.3 per cent between 1900 and 2012, but adjustment for the insurance and storage costs incurred by wine investors lower the estimated return to 4.1 per cent.

More information: The report, "The Price of Wine," is available online: [www.winecoreports.com/upload/ ... he-Price-of-Wine.pdf](http://www.winecoreports.com/upload/...he-Price-of-Wine.pdf)

Provided by University of Cambridge

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