

hkfocus

The toast of wine world

The city has overtaken New York and London as the global center for fine wine with rare bottles selling at up to HK\$1.8 million a case - and it was the decision to abolish tax on wine in 2008 that made it the toast of connoisseurs everywhere. **Simon Parry reports.**

He's a long way from home. But if Sotheby's wine expert Robert Sleigh had any lingering doubts about the wisdom of moving his family 13,000 km to live in Hong Kong, those doubts must have disappeared beneath a sea of raised hands at his first major auction as a resident.

On the weekend of October 2 and 3, in a crowded hall at the Hong Kong Convention Centre, buyers paid a record HK\$107 million for two major private collections of wine, HK\$33 million above Sotheby's pre-sale estimate and the ninth consecutive Sotheby's wine auction in Hong Kong where every lot has been sold.

A single case of 2005 Romanée-Conti burgundy fetched a staggering HK\$1.8 million, or HK\$150,000 a bottle, 50 percent above its highest estimate, while three double magnums of 1989 Petrus were sold together for HK\$726,000.

Those eye-watering price were proof, if proof were needed, that Hong Kong has become the global hub for fine wine sales - and it came just weeks after Sleigh, head of wine in Asia for Sotheby's, relocated to the Far East after 13 years in New York.

"I dragged my wife and three kids half way around the world to be here," he said. "That's definitely an indication of how seriously Sotheby's takes the market." And as far as Sleigh can see, the upward momentum that has taken Hong Kong to world number one ranking is unlikely to slow any time soon.

"We will sell more wine in Hong Kong this year than we will in New York and London combined. It is the steepest of curves."

On the face of it, Hong Kong might seem an unlikely hub for fine wine - far from the leafy vineyards of Europe and with a relatively short history of wine consumption. But the reality is that more than 60 percent of the world's best wines are now bought by Asian collectors through Hong Kong auctions.

The flow of fine wine into Asia itself is not particularly new - it has built up steadily over the past decade. What is new, Sleigh said, and what has given the trend added momentum is the decision by all major auction houses to switch their sales from London and New York to Hong Kong.

"For the last few years, the supply has been in the west and the demand has been in the east," he said. "All we've done is change the location of the salesroom."

A number of factors were driving Hong Kong's increased thirst for fine wines, he said - and the single most significant one was the decision in 2008 to make wine tax free which Sleigh described as "a huge stimulus and a very smart move".

"Then, with the economic crisis, you have the relative strength of the Asian economies compared to the western economies. And combine that with a wine boom which is unrelated to any other factors," he said.

"You always get a really steep take off when you have a relatively novice market that goes into a big buying mode. We saw the same thing in the US 10 years ago. You always get a steep curve when you start with an empty cellar and you've got to fill it.

"We are still in the mode right now here in Asia where people are filling the hole in the ground - and it's a big hole."

Gregory De 'Eb, principal of Crown Wine Cellars in Hong Kong, agreed that the impact of abolishing tax on wine had been immense. "It was a masterstroke - an absolute masterstroke," he said. "It has placed

us rightfully as number one on the rare fine wine map.

"If you go back to 2000, we already owned 15 percent of all rare fine wines in the world in Hong Kong. We were already the most prolific collectors of wine in the world back then. The only difference is we did it off site. We traded through New York, London and Paris.

"Now suddenly Hong Kong, greater China and Taiwan account for 60 to 70 percent of the merchant's market and we've woken up and said 'Hang on, why are we trading through New York and London?' We realised we were old enough and ugly enough to run our own market.

"Suddenly, the whole house of cards crumbled and overnight we became the largest wine auction center in the world. We overtook London last year. We overtook New York this year. And that's the way it should be because we're buying the most."

De 'Eb estimates that Hong Kong people now own 18 percent of all the world's rare and fine wines, with mainland buyers accounting for 3 to 4 percent. The people buying these valuable wines are "as diverse as Hong Kong itself", he said.

"I have local Chinese university students who have bought their first cases of wine and keep them with us," he said. "I have retired people who have just picked up the interest. I have 22-year-old personal assistants who have learnt from their bosses that a buck can be made out of wine collecting and it's very romantic too.

"We also have the very top-end collectors, and these chaps are pretty serious about their wines. They have thousands of cases and they really celebrate their wines. It's every kind of person you can imagine."

Their passion for wine was based upon much more than a cold calculation of its value as an investment, De 'Eb stressed. "Hong Kong is that rare place where people definitely handle their wines," he said.

"I've never lived in a place where people celebrate their wines as much as Hong Kong. They fondle them, they drink them, they consume them, they share them - it's marvelous."

David Elswood, London-based head of wine at Christie's, said the most refreshing aspect of people's passion for wines in Asia was their enthusiasm. "It's a new market," he said. "In Europe, we've been spoilt for centuries. These wines have always been around.

"When the market moved to America, there was a new enthusiasm. They'd been reading about these wines like historic icons, but it was like reading about a destination you could never go to, and then suddenly you could go.

"It's like that in Asia now. There's a joy and enthusiasm and a readiness to enjoy the wines, whereas if you're talking to someone in the European market or the American market, there's a certain amount of 'been there and done that'.

"People in Europe and America are buying more for investment now. They say 'I used to be able to drink these wines but now I just buy for investment'. By contrast, you talk to the typical Asian buyer and they say 'Fantastic. I bought them, I drank them, I want some more'."

Elswood described the decision by the Hong Kong government to abolish wine tax as "fantastically bold and clever". "The knock-on effect to restaurants, hotels, and the hospitality industry has been unbelievable," he said.

Before the tax was removed, he said, selling wine in Hong Kong was "like driving a car with the

brake on". "We had a lot of active, mostly Hong Kong-based buyers but they were only the tip of the iceberg in terms of potential," he said.

"When the tax was taken off in 2008, it was like night and day. Within days, every seller and producer of wine was looking to Asia to fulfil the promise that had been there for 10 years already.

"A very high percentage of the great wines of the world are now being drawn in. It's like a vortex drawing all this wine in."

As well as the benefit of zero-tax, fine wines strike a chord with Asia's newly wealthy, who flock to Hong Kong from across the region for wine auctions, Elswood said. "It could be he is collecting cars, jewelry or art. Wine is just on the list," he said. "It has a link to geography. It has a link to history.

"A lot of these buyers had perhaps 10 years ago not stepped out of Asia. Now they are wealthy, they are acquiring cultural icons - art, silver, jewelry, watches, all of those things."

Wine, to all intents and purposes, was part of the art market, he said. "It is an aspirational product," he said. "You have the Rolex, Ferrari, Yves Saint Laurent, Gucci, and you have Chateau Lafite.

"If you are wearing that watch or driving that car or serving that wine, it's an indication that you've arrived, and not only have you arrived but you understand what the right thing to buy is. Top wine names have become brands."

With such a deep-rooted appeal, it was impossible to forecast how long demand will continue to rise and how high prices might go, said Sleigh, who is expecting his stay in Hong Kong with his family to be a prolonged one.

"We haven't seen any softening of the market yet. Demand has been extremely strong. The potential size of the market is huge. Ultimately no one knows how big it will become," he said.

However long it lasts, however, experts are thrilled to see Hong Kong's new wine collecting elite savoring their new-found passion. "Whatever you say about expensive wine - whether or not you think it's morally defensible - the fact is that it's for drinking," said Elswood.

"Whether you are paying HK\$100 or HK\$10,000 a bottle, ultimately, it is something that has to be enjoyed - and there's a lot more of that in Asia than there is in Europe and America at the moment."



Bought in Hong Kong, stored in Europe

Most of the world's fine wine may be bought in Hong Kong by Asian collectors today - but many buyers still prefer to store the bottles they don't drink straight away in cellars thousands of kilometers away in London and Europe.

Gregory De 'Eb, principal of Crown Wine Cellars, estimates that 18 percent of the world's fine wine is in the hands of Hong Kong collectors but that only one in every five bottles is stored in the city.

De 'Eb - whose company stores more than 100,000 cases in Hong Kong - says some collectors are still reluctant to store in the city because of "myths created by the European merchants and storage industry".

"My great task over the past 10 years has been to destroy those myths about storing wine in Asia," he said. "It was hogwash and they were protecting their turf.

"People are slowly beginning to understand that weather conditions in Europe are as extreme, or more so, than in

Hong Kong - and their storage facilities are not climate controlled.

"We have produced genuine cocoon facilities where wine sits at 13 degrees Celsius in the middle of the night and 13 degrees Celsius at noon in the middle of summer. We recreate underground military bunkers with meter-thick concrete walls and make sure there is no direct sunlight, and we add aggressive climate control systems that fight against each other."

De 'Eb compared Hong Kong's wine storage facilities with the city's elite private schools, saying they might lack the heritage of Europe but they offered a far better and more effective service.

"It's like modern schooling in Hong Kong," he said. "We may not be flamboyant and we may not have history going back to the 1890s, but we get the best teachers, build the most practical campuses and give them the contacts to make them the best students in the world."

SIMON PARRY

Festival celebrates a Vintage Year

Connoisseurs of fine wines from around the world are expected to descend on Hong Kong at the end of October for the city's second annual Wine and Dine Festival.

Organised by the Hong Kong Tourism Board (HKTB), the event attracted 70,000 people in its inaugural year in 2009 and an expanded festival starting October 28 is expected to pull in around 100,000 local and overseas visitors this year.

Reflecting Hong Kong's emergence in the past 18 months as the global wine hub, the festival on the West Kowloon Waterfront Promenade has been extended from three to four days and will feature 180 wine booths compared to just 110 in 2009.

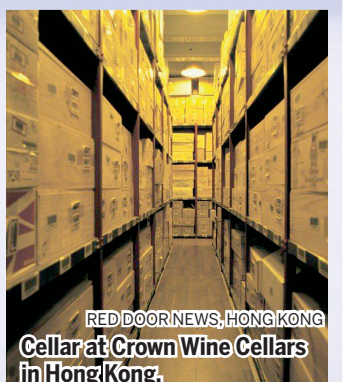
A Grand Tasting Pavilion has also been added to showcase rare and fine wines and to give wineries the opportunity to whet the palates of a city that is currently driving the world market for fine wine.

Anthony Lau, executive director of the HKTB, told China Daily the first festival was organ-

ised in response to the cutting of duty on wine. "The Wine and Dine Festival speaks for Hong Kong's aspiration to become the wine trading and distribution center of Asia. The event offers an excellent platform for showcasing wines from all over the world," he said.

The festival, featuring four days of gourmet eating and drinking along with live entertainment, will be followed by a Wine and Dine Month running through November, featuring promotions and special events at restaurants and bars across the city.

SIMON PARRY



Bottle of 2005 Romanée-Conti burgundy which sold for HK\$150,000 a bottle in October Sotheby's auction in Hong Kong.

Cellar at Crown Wine Cellars in Hong Kong.