

SAINT-EMILION VINEYARD MARKET

Article published on www.janeanson.com

January 2022

JANE ANSON

INSIDE BORDEAUX

Saint-Emilion snapshot

- 5,331 hectares of vines
- Two appellations - AOP Saint-Emilion (1,171 hectares) and AOP Saint-Emilion Grand Cru (4,160 hectares) - spread over nine communes: Libourne, Saint-Christophe-des-Bardes, Saint-Emilion, Saint-Etienne-de-Lisse, Saint-Hippolyte, Saint-Laurent-des-Combes, Saint-Pey-d'Armens, Saint-Sulpice-de-Faleyrens and Vignonet.
- Approximately 700 growers
- Approximately 30 million bottles per year.

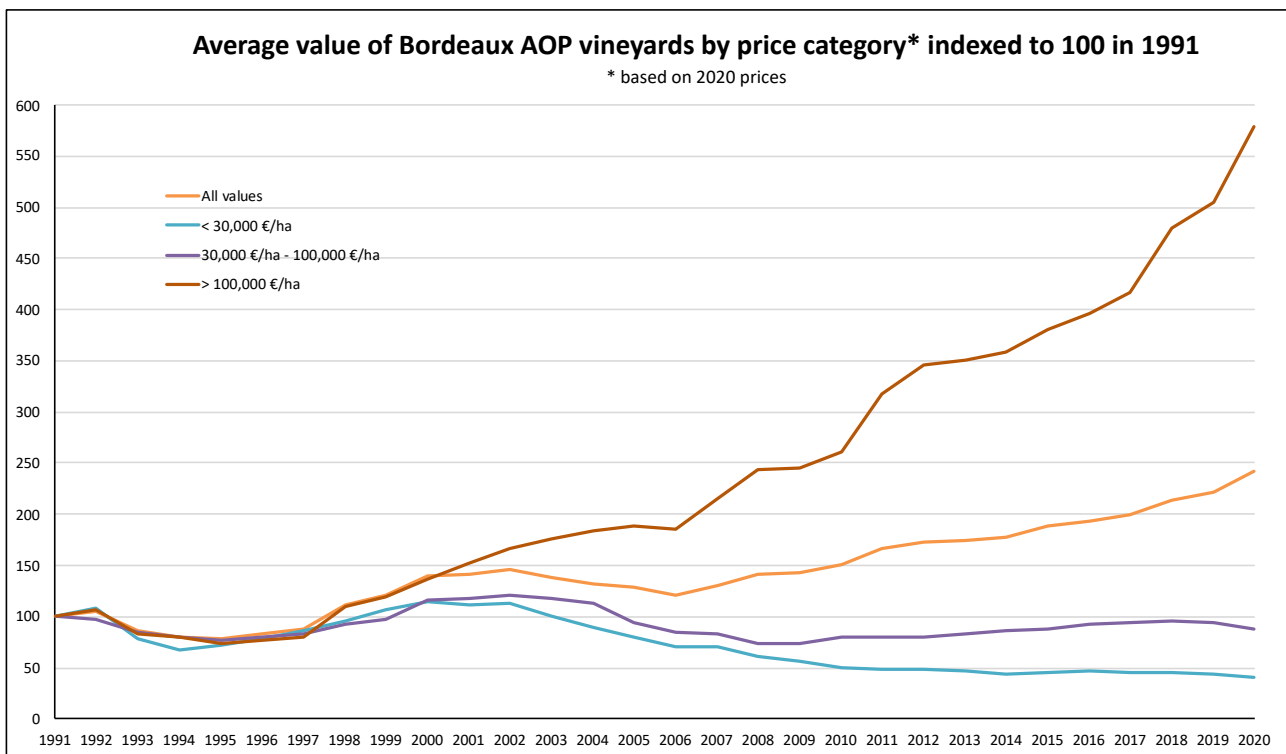
In my recent article on Bordeaux vineyard prices for www.janeanson.com I wrote the following:

“Bordeaux vineyard prices span a huge range, from less than €10,000 per hectare for the cheapest vineyards to several million euros per hectare for the most expensive. While this price differential has always existed, reflecting the diversity of the region and its wines, the gap between the least and most expensive vineyards has increased significantly in recent years. This has been driven in part by softening demand for vineyards producing entry-level and mid-priced wines but primarily by the demand for vineyards in the most prestigious appellations.”

No region of Bordeaux illustrates this better than Saint-Emilion.

The data

In my previous article I included the following graph to illustrate this widening gap in prices between the least and most expensive Bordeaux vineyards:

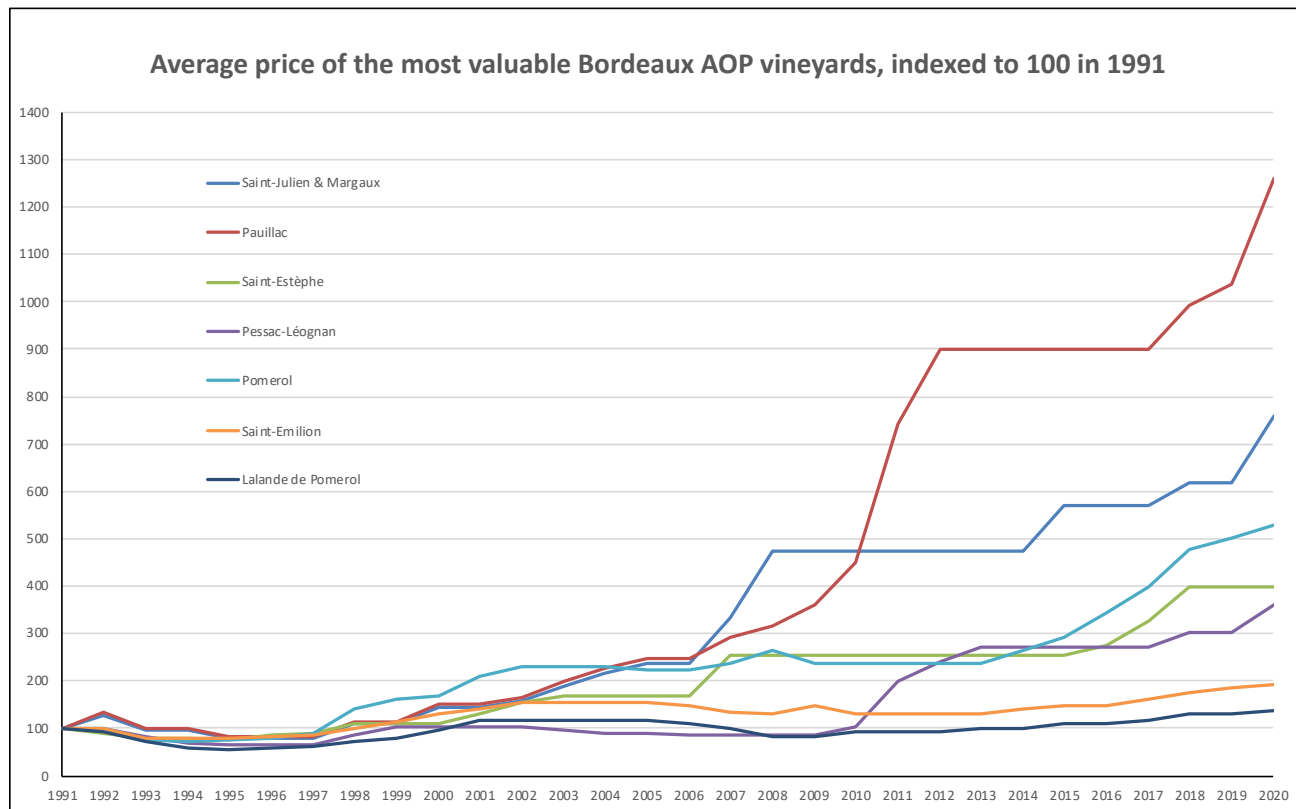


Source: SAFER

JANE ANSON

INSIDE BORDEAUX

Looking at the evolution in average prices for each of the appellations in the > €100,000 price category, we can see that Saint-Emilion did not see the same level of exponential growth as some other appellations:



Source: SAFER

	AOP	1991	2018	2019	2020	+/- 2019 - 2020	+/- 1991 - 2020
> €100,000/ha	Lalande de Pomerol	181,900	240,000	240,000	250,000	+4%	+37%
	Saint-Emilion	155,000	270,000	290,000	300,000	+3%	+94%
	Saint-Estèphe	138,400	550,000	550,000	550,000		+297%
	Pessac-Léognan	165,900	500,000	500,000	600,000	+20%	+262%
	Saint-Julien & Margaux	210,800					
	Margaux		1,100,000	1,300,000	1,500,000	+15%	
	Saint-Julien		1,300,000	1,300,000	1,600,000	+23%	
	Pomerol	378,000	1,800,000	1,900,000	2,000,000	+5%	+429%
	Pauillac	222,000	2,200,000	2,300,000	2,800,000	+22%	+1,161%
	Average	207,429	995,000	1,047,500	1,200,000	+15%	+479%
	Indexed to 100 in 1991	100	480	505	579		

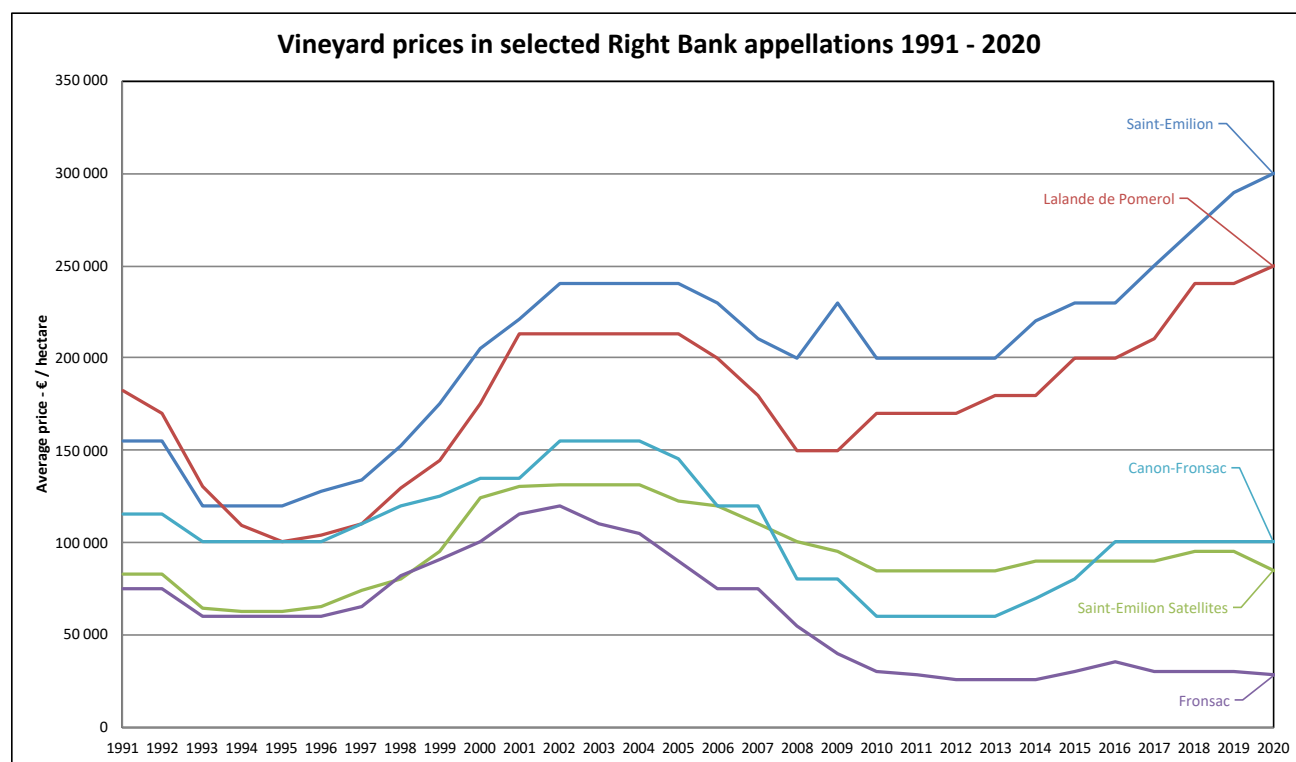
All appellations	53,200	113,900	117,900	128,500	9%	142%
------------------	--------	---------	---------	---------	----	------

Source: SAFER

JANE ANSON

INSIDE BORDEAUX

Nevertheless, Saint-Emilion has still posted a healthy 100% gain in average prices since 1991 and has registered an almost unbroken increase in average prices since 2013, in contrast to several neighbouring appellations and the wider Bordeaux market:



Source: SAFER

However, the above figures do not tell the whole story. In order fully to understand the Saint-Emilion vineyard market it is important to look at the maximum and minimum prices, rather than just the average. As I commented in my earlier article on the Bordeaux market:

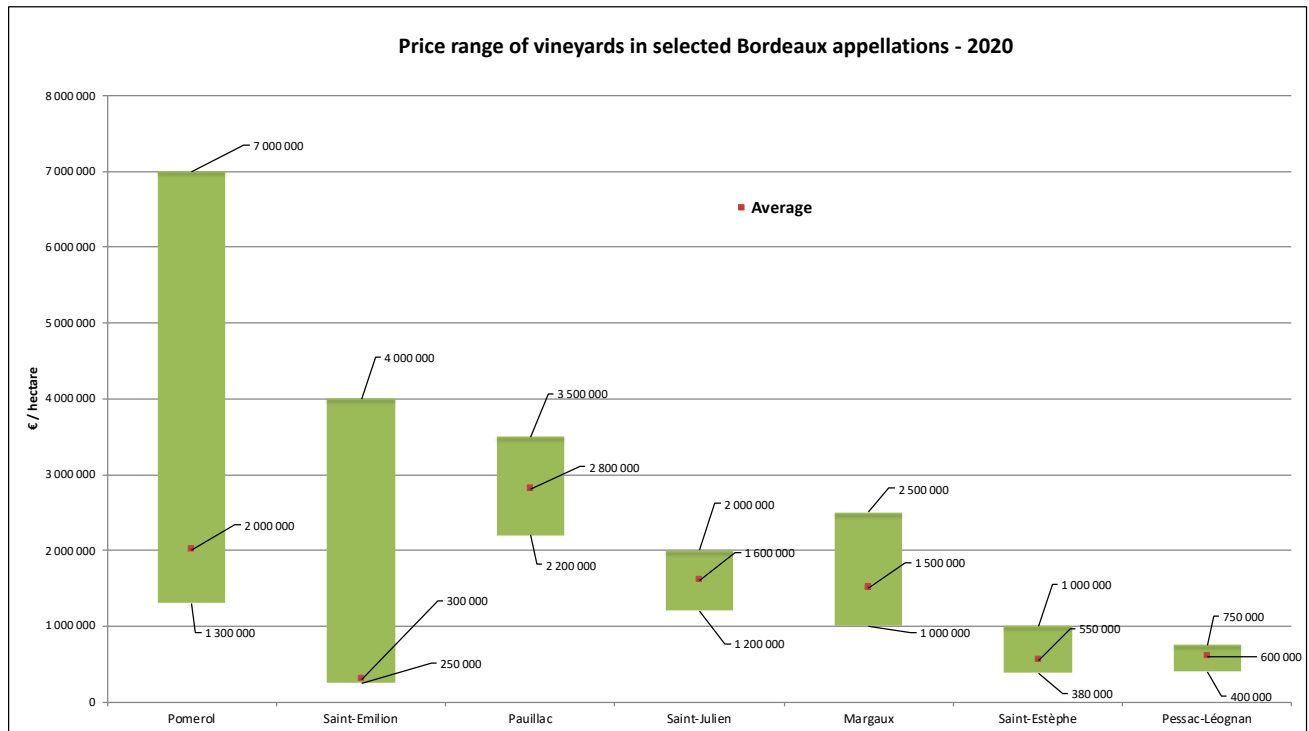
“Although the average price in Saint-Emilion has not demonstrated quite such spectacular gains, prices are closely linked to its widely accepted hierarchy of terroir and parcels in the most sought-after locations are currently changing hands for €5 million per hectare or more.”

“This level of price disparity is not uncommon in some of the most prestigious appellations, where location and the influence of the classifications can have a significant impact on price.”

As illustrated below, there is a significant difference in prices for the least and most expensive vineyards in Saint-Emilion, with the maximum price reaching €4,000,000 per hectare in 2020, sixteen times higher than the minimum price of €250,000 per hectare.

JANE ANSON

INSIDE BORDEAUX



Source: SAFER

The market

So why is there such a huge range of prices and why is it increasing?

It is widely accepted that the best terroir in Saint-Emilion is located on the famous limestone plateau and south-facing slopes around the village of Saint-Emilion, and in the sector close to the border with Pomerol (Cheval Blanc, Figeac). It is no accident that most of the Premier Grand Cru Classé estates are situated in these locations. As in any wine region, buyers are willing to pay a premium for the sites with the best terroir and thus the potential to produce the best wines. However, this phenomenon is amplified in Saint-Emilion, given the greater disparity in prices between the least and most expensive wines and thus the potential financial rewards of being located in a prime site; particularly when the quality of the terroir is one of the key elements used to assess candidates for the classification...

In common with what is happening on a regional and national level, the gap between the least and most expensive vineyards in Saint-Emilion continues to widen. On a regional level this is driven by a combination of weak demand in the less sought-after appellations and an increase in demand, coupled with limited supply, in the most prestigious appellations. However, in Saint-Emilion demand remains strong across the board, with average prices continuing to rise strongly. What has driven the widening of the gap between the least and most expensive vineyards is what is happening at the top end of the market, where tight supply and the willingness of deep-pocketed buyers to compete for the best vineyards has pushed prices to extraordinary levels. This was brought into stark focus in recent months when the sale of Premier Grand Cru Classé Château Beauséjour Duffau-Lagarrosse resulted in a well-documented tussle between several high-profile buyers, which has now ended up in the courts.

So, while parcels of vines in the less sought-after communes such as Saint-Sulpice-de-Faleyrens or Vignonet have steadily increased in value and are now worth in the region of €300,000 per hectare, 20 times generic AOP Bordeaux vineyards, parcels situated on the plateau close to the village of Saint-Emilion are now worth

JANE ANSON

INSIDE BORDEAUX

in excess of €3,000,000 per hectare, 200 times generic AOP Bordeaux vineyards. Furthermore, as demonstrated by the sale of Château Beauséjour Duffau-Lagarrosse, if the parcel in question belongs to a Grand Cru Classé or Premier Grand Cru Classé estate, the price is likely to be even higher. Château Beauséjour Duffau-Lagarrosse is widely reported to have sold for €75 million, the equivalent of more than €10,000,000 per hectare, and there was no shortage of interested parties...

Even individual parcels or small unclassified estates located close to more prestigious neighbours attract a premium. Soon after purchasing Château Troplong Mondot in 2017, French reinsurance company SCOR, the new owner, purchased two smaller nearby estates, Château Bellisle Mondotte (6.5 hectares) and Clos Labarde (4.5 hectares). In the same year several other estates were also acquired by prestigious neighbours:

Domaine de la Vieille Eglise, purchased by the Perse family (Château Pavie)

Château Petit Faurie de Soutard, purchased by La Mondiale (Château Soutard)

Château Berliquet, purchased by the Wertheimer family (Château Canon)

Clos La Madeleine, purchased by the Moueix family (Château Belair Monange)

While many of the most sought-after properties are snapped up by local buyers, other famous Bordeaux chateaux owners have also been busy acquiring prime assets in Saint-Emilion. Last year Domaine Clarence Dillon, owners of first growth Château Haut-Brion, purchased Château Grand Pontet, a Grand Cru Classé estate located close to the village of Saint-Emilion. The 15-hectare estate will be merged with Château Quintus, which itself was formed through the acquisition of two other Grand Cru Classé estates, Château Tertre Daugay in 2011 and Château l'Arrosée in 2013. Acquisitions by non-local buyers are less common at this level, although two Grand Cru Classé estates were sold to non-Bordeaux investors in recent years: Château Fonroque, which was purchased by the Guillard family in 2017, and Château Franc Mayne, which was sold to the Savare family in 2018

In keeping with all of France's most famous wine regions, very few estates end up in the hands of foreign investors and they have been almost completely absent from the market for Saint-Emilion's most prestigious estates in recent years. The only overseas buyer to have established a presence in the upper echelons of Saint-Emilion in the last decade is Peter Kwok, who purchased Château Tour Saint Christophe in 2012 (a candidate for the 2022 classification) and Grand Cru Classé Château Bellefont-Belcier in 2017. In the previous decade just two Grand Cru Classé estates were sold to foreign buyers, Château Faugères to Swiss businessman Silvio Denz in 2005 and Château Fonflégae to US couple Stephen and Denise Adams in 2004.

When discussing the Saint-Emilion vineyard market it is all too easy to focus on the high-profile sales I have mentioned above. In reality, although these may account for the highest value transactions, they only account for a very small proportion of the total number of transactions. The SAFER recorded a total of 621 sales in the Saint-Emilion and Saint-Emilion Grand Cru appellations over the last five years, an average of approximately 125 transactions per year. Many of these were small estates or parcels of vines of no more than one or two hectares. These transactions, many of which never make it onto the open market, typically involve a local buyer and seller, although non-local buyers are active in this segment of the market and several have acquired or created high-quality estates in recent years:

Martin Krajewski created Clos Cantenac having purchased an initial 1.7-hectare plot of vines in 2007. He has subsequently purchased several additional parcels and the estate now has 6 hectares of vines.

The Teycheney family of Vignobles Jade have purchased three estates since 2016 - Château Fleur de Lisse (8.66 ha), Château L'Etampe (1.83 ha) and Château Gaillard (17 ha) - and are now one of the largest biodynamic producers in Saint-Emilion.

JANE ANSON

INSIDE BORDEAUX

In 2019 Stéphane Schinazzi, a Bordeaux native and tech entrepreneur, purchased Château Haut Brisson (18.5 ha), one of the most highly-rated unclassified Saint-Emilion wines, from Vignobles K.

Laurent David, a former senior executive at Apple, created Château Edmus with the purchase of a 1.6-hectare plot in the commune of Saint-Sulpice-de-Faleyrens in 2019. Advised by well-known consultant Stéphane Deroncourt and his team, he has recently constructed a new winery financed through the crowdfunding website WineFunding.

It is impossible to write about the Saint-Emilion vineyard market without mentioning the 2022 classification, which is due to be announced in September this year. Following the decision of Cheval Blanc and Ausone not to submit applications and the subsequent decision of Angélus to withdraw its application, many commentators have questioned the intrinsic value of the Saint-Emilion classification. Whatever happens later this year, there will likely be both winners and losers and this will doubtless influence whether some owners decide to sell their estates. In the context of vineyard prices, there is no doubt that Grand Cru Classé and Premier Grand Cru Classé estates have typically been valued at a premium, in large part due to the impact of the classification on the price of their wines. However, there are many factors that influence the reputation of an estate and Saint-Emilion has seen the emergence of several new wines in recent years that have quickly established a reputation equal to or even surpassing more established classified names: Valandraud, Le Dôme, La Mondotte... The classification allows for both promotion to, and demotion from, the ranking, but the terroir on which an estate sits, which is so integral to its wine quality, will remain the key driver of the Saint-Emilion vineyard market.

Alexander Hall

January 2022

www.vineyardintelligence.com

Note on the SAFER statistics

With the exception of transaction-specific data, all of the price data used in this article comes from the SAFER (“Sociétés d’Aménagement Foncier et d’Etablissement Rural”) annual review of French vineyard prices. While these figures are the only official data on the French vineyard market they are subject to certain limitations, notably the difficulty of determining the relative value of the various elements of transactions that involve different assets, notably land, buildings, equipment and stocks of finished and unfinished wine. However, in spite of these limitations, the SAFER data remains the most useful measure of market activity, prices and general market trends on a national, regional and appellation level.