

HDH now #1 in North America

Hart Davis Hart completed the most successful year in the company's history, following another strong showing at its two-day December auction. Over the course of seven auctions held in 2013, HDH netted \$36.07 million, making Hart Davis Hart the largest seller of fine wines at auction in the United States. HDH experienced 37% growth while all major competitors declined.

HDH created the world's most active, accurate, and efficient marketplace for wine. The firm achieved by far the highest sell-through rate in the industry, passing only seven of 12,350 lots offered. Five of the seven auctions were 100% sold. HDH also had a record number of bidders and buyers in 2013. By offering impeccably sourced wines, reaching global bidders and a dedication to service & integrity, HDH has achieved market-leading results.

"This was truly an incredible year for our team and for our clients," said CEO Paul Hart. "We came into 2013 with prospects for growth and our results exceeded expectations.

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Wine Market Worldwide

Has China's market softened or expanded and what does this mean for Canadians?

With less than stellar showings at the last few Vintages auctions, Canadian collectors considering divesting some or all of their wine are looking outside of Canada for opportunities. However, recent news reports seem to suggest that the demand from China has weakened with Liv-ex showing the Fine Wine 100 falling from 280 on 3/30/13 to 257 as the year came to a close.

The index course is dominated by Bordeaux which accounts for 84% of trading. However, this is down from 95% in 2010 as the marketplace is broadened by Burgundy and Super-Tuscans primarily.

What we're seeing is an index that remains heavily weighted in Bordeaux, which also means heavily weighted to the "big 5" which in turn remains inordinately affected by Lafite which fell out of favor with the Chinese in 2011. However, when you extract the Lafite factor you'll find ample opportunity. For Bordeaux, Mouton for example has been rising since October 2012 and has recently traded at record levels. While the 2000 Lafite for example continues to be a more expensive wine, its gap over the 2000 Mouton has shrunk from 133% to 28%.

While the US auction market is a popular alternative for Canadians, Hong Kong is not to be overlooked as a possibility for direct sales. Merchants in China remain on the hunt for the highest end wines with the best Burgundies now leading the charge. This is not to suggest that Bordeaux has fallen completely out of favour but China's palate appears to be migrating toward Burgundy of late.

Provenance and authenticity continue to be the primary drivers of price which is why Canada is a safer alternative. Educated buyers know that Canadians have fewer alternatives than American's and therefore the chance that the wine has been "passed around" is slim. Add to that the absence of the US warning labels and there are a few extra percentage points on the table.

Now that there is significantly less market for DRC resale in Ontario (See Page 3), and the demand has increased exponentially in the US and overseas, Canadian collectors may consider a little profit taking going into 2014. Recent technological advancements in shipping techniques has meant that buyers can be assured of provenance door to door and as such attribute the same value to the wine as though it remained in Canada.

HDH cont...

As expected, bidding for Burgundy remained strong and 2013, which was also a year full of world records. At "A Celebration of Burgundy" in March, a case of 1991 Clos de la Roche, Vieilles Vignes, Domaine Ponsot hammered at the world record price of \$19,120, nearly twice its estimated value of \$7,000-10,000. In September, 12 bottles of 1990 Clos St.-Denis, Domaine Dujac also shattered pre-auction estimates (\$10,000-\$15,000) and set a new world record of \$23,900.

Over course of the year, HDH has seen significant growth in online bidding as well as noteworthy increases from South American bidders, as well as Australia, Austria, Belgium, Brazil, Canada, China, Colombia, France, Germany, Hong Kong, Israel, Japan, Luxembourg, Macau, Malaysia, Mexico, Norway, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, the Netherlands, the Philippines and the United Kingdom.

The December Auction achieved remarkably strong results, selling 99% of the lots and realizing \$6,340,634 against a pre-sale auction estimate of \$4,453,800 - \$6,640,160. Wines from Domaine de la Romanée-Conti continued to see intense bidding and top prices with 2005 Romanée-Conti, Domaine de la Romanée-Conti (3 mags) (owc) (est. \$60,000-90,000) selling above its presale estimate for a world record price of \$107,550.

The Vintage Conservatory Wine social club celebrates two years in Toronto

Back in 2011 The Vintage Conservatory opened its doors and introduced a new concept for Toronto wine enthusiasts. Namely, a private club downtown where they could store a small amount of their own wine onsite, host friends and business associates in the facilities provided and meet other likeminded individuals.

The concept is the brainchild of Constantine "Costa" Patiniotis and Andrew Carlton Smith. Costa manages the day to day business operations and Andrew runs the catering operations.

Located near the Old Firehall on Lombard St., members have access to the club 24/7 via a fingerprint scanner at an unlabeled front door. The club does not advertise and all members must be screened to ensure they're a good fit for the club and the member base. We sat down with Costa over the holidays to get a handle on this unique concept:

WC: What is the essence of your business and why do people join?

CP: Three reasons; networking, exclusivity and wine storage. Networking because what we're trying to do is bring together like minded individuals. So while they may have different backgrounds and businesses they all share a passion for wine. So friendship, business and wine.

WC: Had you seen this concept of social club and small storage in other cities or was it your idea.

CP: I had a meeting in facility that offered some wine storage with a side room for clients. I thought I could do something different by taking the basic concept of locker storage but add a more elaborate dining facility with a catering service and a small lounge where members can come in and enjoy a glass with a friend or colleague.

WC: After 2 years is VC what you thought it would be or has it morphed into something else



CP: We actually thought it was going to be a male dominated, Bay St. type of crowd. We found that women are just as interested in tasting and collecting. I'd say at least 40% of our demographic is female. The average age is also much lower than we expected with many members just starting to build wine collections.

WC: So is there a typical member?

CP: There is no typical member, it's very diverse. We have everything from a military general, professional athletes, doctors, lawyers, bankers artists...if you spin the wheel you'll find it though likely more heavily skewed toward professionals because they seek the ability to host private meetings.

WC: Do you see replicating this concept again in Toronto or other cities or is one location enough?

CP: We're already in the works to build another location in Toronto as well as other major cities. The vision would be to have Vintage Conservatories in locations around the world that our clients would typically travel to on business.

WC: What's the background of you and Andrew that lead you to this venture as partners?

CP: Andrew and I are actually complete opposites. I grew up in a very entrepreneurial environment and wound up at U of T doing Economics and Statistics. That lead me to a career on Bay St pursuing typical career, the rat race though I was always keen on doing my own thing. The problem was that I had no experience in hospitality and food service is key to this club. Andrew has a family history surrounding food and hospitality and I met him as he ran a supper club from his home. I brought the financial investment and became

Vintage Conservatory cont.

the face of the business and day to day manager. Andrew runs all catering and events. Food is prepared offsite and brought in; we are not a restaurant.

WC: Can you hold more elaborate dinners or are people restricted to simple items like a charcuterie plate?

CP: We can do everything from finger food and tapas to a 5 course meal. As an example, we had four chateau owners from Bordeaux earlier this year; Leoville Poyferre, Canon la Gaffeliere, Lascombe, Laroque, all sitting at one table. So how do you choose what course is for each chateau...so we did a separate entre for each chateau.

WC: There is another facility opening in the city, similar to VC, in the spring. What would be the benefits of your place over that one?

CP: We're more exclusive and will have 1/3 of the members they are looking to attract. Secondly, we're geared more toward the wine collector with lockers that are larger and can accommodate more bottles. Third, there is parking. If you're bringing in 3-4 cases of wine you'll need a place to put your car.



WC: Is there anyone you would refuse as a prospective member?

CP: Because we're not licensed, the facility can be, and is, open to our members 24/7. Access is through a biometric fingerprint reader. Therefore we have to limit the risk and members are interviewed thoroughly. If for example a prospective member has no wine collection and is more interested in the idea that they can come in at 3am, that wouldn't be a fit and we would say no.

WC: What are your locker sizes?

CP: The smallest locker could hold 100 bottles but that would make retrieval difficult so most people will hold 50 in each. After that they're modular so multiples of 50-100

WC: Besides being a place to hold a little wine and open it with your friends, what else do you offer your members?

CP: We have weekly wine tastings we organize utilizing local agents or winemakers. If a participant wants to order a case it can be delivered to the club and we'll put it in their locker for them. We also offer themed dinners that might be geared around a visiting winemaker or a holiday event. We have also had speaker events that feature guests from outside the club as well as members speaking on their speciality.

WC: As a member renting a locker space do I have access to the rest of this facility like the dining area we're sitting in now?

CP: There is no additional cost to utilize the facility regardless of the size of the locker you rent. This room which can seat 24 for dinner is available without a booking charge however the catering must be provided by us.



Eye On It

DRC No Longer in LCBO Auction

We caught word on the grapevine that Domaine de la Romanee-Conti was not enthusiastic about having the LCBO sell their wine through the Vintages auction and demanded that the practice cease. After conversations with a number of clients who have told us that their DRC consignments would no longer be accepted by Vintages we can safely confirm this rumour as accurate.

Apparently DRC had advised the LCBO that if it were continue the practice of selling their wine at auction they would discontinue selling the small amount of DRC allocated to LCBO retail. If that didn't dissuade them than all allocation to Ontario could cease. In Ontario of course the only retailer is also the only auction so this threat would unlikely be viable in other jurisdictions

So where does this leave sellers who were looking to dispose of some or all of their DRC just as the market for high end Burgundy is peaking? The answer is that statistically they remain better off selling this much sought after wine either in the US or overseas where prices garnered are significantly higher. As the most recent Vintages auction data has shown, DRC did very poorly with a sell through rate of only 65% and a price average of 4.2% below the low estimate. Those numbers are unheard of in almost every other major auction in 2013.

Worldwide Collector Briefs

CRA going to tax court over charity wine auctions

The passing of November 20th, 2013 marked the last opportunity for Canada Revenue to offer a settlement to the group that has fought the reassessment of donation values in Ottawa. As a result the issue will now be in the hands of the tax court with a date set of March 24 of this year. According to an insider, the crown maintains its position that the fair market value of a wine, for the purposes of a charitable tax receipt, is the hammer price at the auction where it is sold and therefore no appraisal is needed. This opens up all kinds of possibilities including a poorly attended auction (due to weather, conflicting dates, low communication, etc.) selling wines at a small fraction of their value on the world market.

The counter argument to this, supported by the expert for the defence, is that the Tax Code currently states that fair market value is determined by appraisal and that the appraisal is identical to that which for insurance or estate valuation. What CRA has in their back pocket is multiple years' worth of data showing sales far below the FMV which will undoubtedly be their primary argument.

The impact of this whatever decision comes from this could have a life or death impact on charity auctions around the country, many of whom rely on these proceeds for their very livelihood. We'll stay on top of this and possibly report with a special edition depending on the timing of the decision.

Upcoming GTA Wine Events

Toronto Vintners 2015 Burgundy Tasting

On January 21st, TVC will be pouring eight different 05's from producers such as Latour, Jadot, Gouges and Potel at the Faculty Club at U of T. The event begins at 6pm and is available to members at a cost of \$87 and non-members at a cost of \$107 including appetizers. This event typically sells out so the advice is to register early at torontovintners.org

Union des Grand Crus Taste and Buy

Serious Bordeaux fans will have the ability to sample the challenging vintage that was 2011 with over 100 producers showcasing on January 16th. The event takes place for the public at the ROM from 6:30pm-9:00pm at a cost of \$125pp. Tickets can be purchased in advance at vintages.com/events

Private Trip to Hospice Wine Auction – Burgundy 2014

Iron Gate has partnered with a specialty travel company to offer a private guided trip to Burgundy for the Hospices de Beaune wine auction from Nov 12-Nov 17, 2014. This will include private tastings, accommodations and tickets to the exclusive gala dinner at Hospices. This will be a small select group of 12 individuals. For further information and consideration please contact Warren Porter at the number below.

Iron Gate - Private Wine Management

Warren Porter is President of Iron Gate – Private Wine Management, a storage and wine services provider based in Toronto, Canada. Iron Gate is the largest private provider of storage services in Canada. In addition, Iron Gate – Private Wine Management provides home cellar management and monitoring systems, professional buying and US and international selling services for collectors in Canada.

Iron Gate – Private Wine Management
51 Laird Drive, Toronto, Ontario M4G 3T4
T: 416-234-9500 | warren@irongatewine.com | www.irongatewine.com



Featured Wine Quarterly Pick

In November Halpern once again put on one of the greatest tastings of the year offering their portfolio to prospective buyers at the Alltream Center.

Among the hundreds of wines available for order I was particularly impressed with something you should consider as a less expensive table wine to round out a cellar heavily weighted in the standards from Bordeaux, Italy and California.

The 2011 Achaval-Ferrer Malbec from Argentina is a fantastic wine that's very easy on the pocketbook at \$24.95 per bottle. Wine Spectator writes "Very pure with a beam of raspberry coulis, blackberry and cherry pulp notes that pump out layers of spice, flint and wildflowers. Juicy yet structured with a mineral edge to the long savory finish" and scores a 92 for the 2011 and 91 for the 2012.

No one will argue the quality level that Achaval –Ferrer is capable of producing and this Malbec, at this price point, is well worth having a case in your cellar for the next 24 months.

Purchase can be made by contacting Halpern Enterprises at 416-593-2662

