

RESIDENTIAL RESEARCH



# GLOBAL VINEYARD INDEX

2013

ASSESSING THE PROPERTY PERFORMANCE OF LIFESTYLE VINEYARDS AROUND THE WORLD

# MENDOZA AND TUSCANY SEE THE LARGEST RISE IN VINEYARD VALUES

Lifestyle vineyards are growing in number and, in some parts of the world, providing a strong investment return. Kate Everett-Allen looks at the numbers.



[The Wealth Report 2013](#)

The Vineyard Index originally featured in The Wealth Report, which is produced annually by Knight Frank.

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Lifestyle vineyards – which we define as vineyards of five hectares or more and which are neither hobby purchases nor large commercial setups but produce sufficient output to sell beyond just family and friends – are becoming a popular alternative investment for buyers in both the Northern and Southern Hemisphere.

Knight Frank's Vineyard Index, which compares the price performance of vineyard land across key winemaking regions, saw the price of vineyards increase on average by 6.8% in the year to June 2013.

The price of vineyards in 'new world' locations such as Argentina, New Zealand and Chile have recorded some of the strongest increases. The Mendoza region in Argentina ranked the highest in annual terms, recording growth of 25%.

The established markets of France, Italy and Spain, particularly the desirable regions of Bordeaux, Tuscany and La Rioja, are providing respectable growth but the availability of 'lifestyle' size vineyards is limited given the dominance of large wine producers in these areas. Tuscany was the strongest performing region in Europe, here vineyard values rose 20% in the year to June.

As in Europe, established 'lifestyle' vineyards in parts of Chile and China can be equally hard to come by – but for different reasons. In these emerging markets it is more common for investors to start from scratch, acquiring quality land with the right terroir, constructing a bespoke country home and planting the vines themselves. The recent strong price appreciation in these areas may be attributable to the fact the market is starting from a low base.

Pricing vineyards can be a challenging task. Take Tuscany for example, registered vineyards – depending on DOC/DOCG zones – range from c. €100,000-€150,000 per hectare (e.g. Chianti Classico DOCG) up to €300,000-€500,000 per hectare (Brunello DOCG). The property or home on the site, along with any outbuildings, is usually valued independently. The broad price ranges are due to the numerous variables involved; the reputation, age, quality, location and orientation of a vineyard will all have a bearing on price.

The Swiss add another twist. When a vineyard is put up for sale the 'Commission Foncière', a Government appointed team which oversees agricultural sales, will decide who can buy it and at what price. The Commission Foncière will usually sell the vineyard at a fixed price to a local winemaker and the property will then be sold later on the open market. If the Commission is unable to find a local producer then opportunities exist for foreign buyers to acquire the complete vineyard.

The UK's credentials as a wine producing nation have strengthened on the back of commercial vineyards such as Denbies, Nyetimber, and Chapel Down in Sussex and Kent. However, the reality is that demand in the UK for properties with vineyards is weak. Some buyers consider a vineyard a useful bolt-on but others simply look to convert it back into paddocks.

## To what extent has the global economic crisis affected vineyard prices?

Countries such as Spain and Portugal mired by the debt crisis, rising unemployment and falling property prices have seen the number

of vineyards changing hands decline, but prices have remained relatively flat.

In terms of global demand and supply, the gap between wine production and consumption has narrowed considerably in the last decade. A recent report by JP Morgan suggested a wine shortage is approaching as the Americans and Chinese start to consume more. However, according to a report by the [International Organization of Vine and Wine \(OIV\)](#), world wine production has climbed significantly in the last year and it may be close to its highest level in seven years. Consumption is also stabilizing, according to the OIV relieving any immediate concern.

Analysis of the number of hectares covered by vineyards on a country-by-country basis shows Spain has experienced the largest decline, with vineyard hectares down by 20% since 2000 (Italy and France experienced similar falls, down by 15.3% and 11.8% respectively). New Zealand and China by comparison, have seen a 164% and 90% increase in the number of hectares covered in vineyards between 2000 and 2012 (figure 2). The number of countries producing wine is also increasing. Along with China, fellow BRIC nations Brazil and India are also entering the world of viticulture.

The attraction of a vineyard home has not escaped the world's top developers. New estates set around vineyards and olive groves are being built from South Africa to Argentina and now Spain. These developments allow buyers to purchase a property on a turnkey basis with owners determining the level of input and involvement they want. The draw being that buyers can tread the grapes, design the label or research the grape varieties without the hassle of maintaining a fully operational vineyard and winery.

We expect the flow of both capital and knowledge from established to emerging markets to increase. Investors in Napa Valley for example, where a vineyard can cost \$135,000-\$600,000 per hectare can acquire vines of a similar quality in Argentina for \$30,000 per hectare, providing many with a tempting opportunity to expand their horizons and their landholdings.

Lifestyle vineyard owners will continue to be motivated by the associated benefits of living in a picturesque setting, getting a return from their land and the enjoyment of learning new skills and techniques.

## Outlook

We expect institutional investors will play a larger role in the more competitive markets in France and Italy, while in locations such as Australia the presence of foreign buyers is

likely to increase. The nationality of buyers investing in vineyards will shift from beyond northern Europeans and the Chinese to other Asian buyers such as those from Singapore as well as Russian and CIS nationals.

Anecdotal evidence suggests Chinese and Hong Kong buyers are also looking beyond Bordeaux to other parts of France such as Burgundy and Australia's premium wine regions.

## MEASURING CHINESE DEMAND

The growing presence of Chinese oenophiles in Bordeaux has captured the headlines in recent years. We asked Alexander Hall of [Vineyard Intelligence](#) for his take on the recent 'influx'.

"According to the [Safer Aquitaine Atlantique](#) Chinese buyers purchased 27 properties in the Gironde area in 2012, covering approximately 525 hectares, 15% of the total surface area that changed hands. This was in addition to 14 properties acquired in 2011 and 6 properties acquired prior to 2011. These are certainly impressive figures when you consider that the first purchase of a Bordeaux estate by a Chinese investor was as recently as 2008 – but the French still dominate the Bordeaux market.

"With the exception of Château Bellefont-Belcier in Saint-Emilion, most Chinese purchases have been of relatively low-key estates, primarily in the Bordeaux, Bordeaux Supérieur and Côtes de Bordeaux appellations. Although French buyers are also active in this sector, their activity is concentrated on well-established estates, typically in the more prestigious appellations.

"Some Chinese owners are motivated by genuine commercial returns, others are tempted by the allure and prestige of owning a French chateau and vineyard. There's anecdotal evidence to suggest some vineyards recently acquired by Chinese buyers are back on the market".

## A WORD TO THE WISE

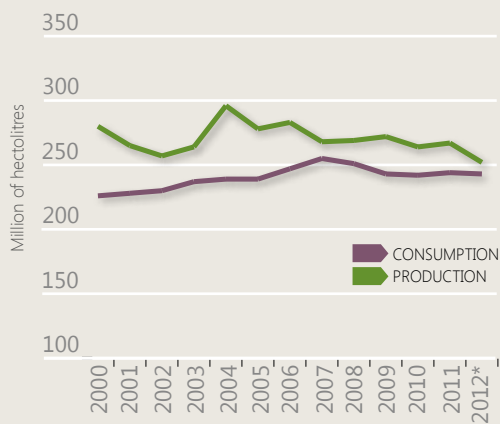
Investing in a lifestyle vineyards brings risks as well as rewards. Unlike second home buyers or expat retirees vineyard buyers need to consider more than just their chosen location's accessibility and year round temperature. Purchase costs, taxes, transport links, shipping costs and crucially the climate – from humidity to frosts – need careful research.

A good exit strategy is also important. In some respects the lifestyle vineyard is the most risky type of acquisition, particularly if it is relied upon as an income generator. Bad harvests for those

operating on a hobby scale are not disastrous. Likewise, commercial outfits have the financial reserves – and the insurance cover – to bounce back in the way small-scale producers cannot. The summer of 2013 saw hail decimate vines in parts of the Loire Valley and Bordeaux with some wine experts expecting this one storm to effect harvests up until 2015.

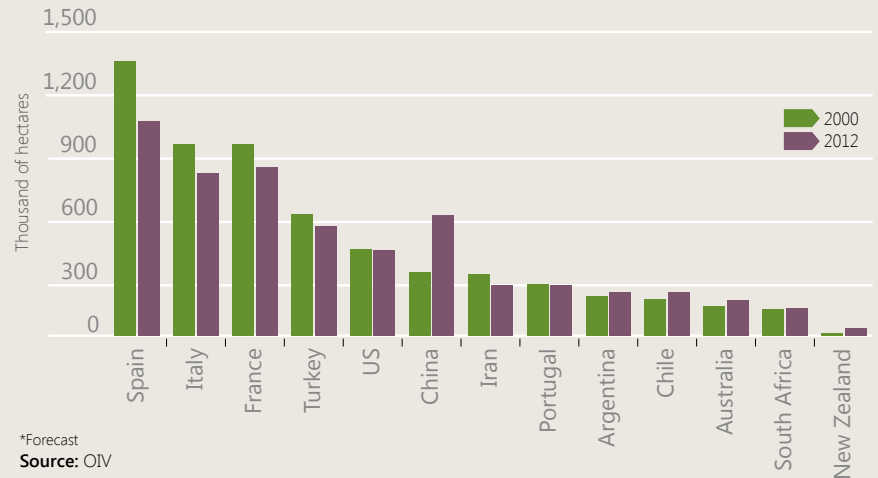
There is a direct correlation between research and returns. According to Alexander Hall, those owners that have done their homework and adopt a hands-on approach reap the rewards.

FIGURE 1 Global demand v supply, 2000-2012\*



\*Forecast  
Source: OIV

FIGURE 2 Vineyard area by country, 2000 v 2012\*



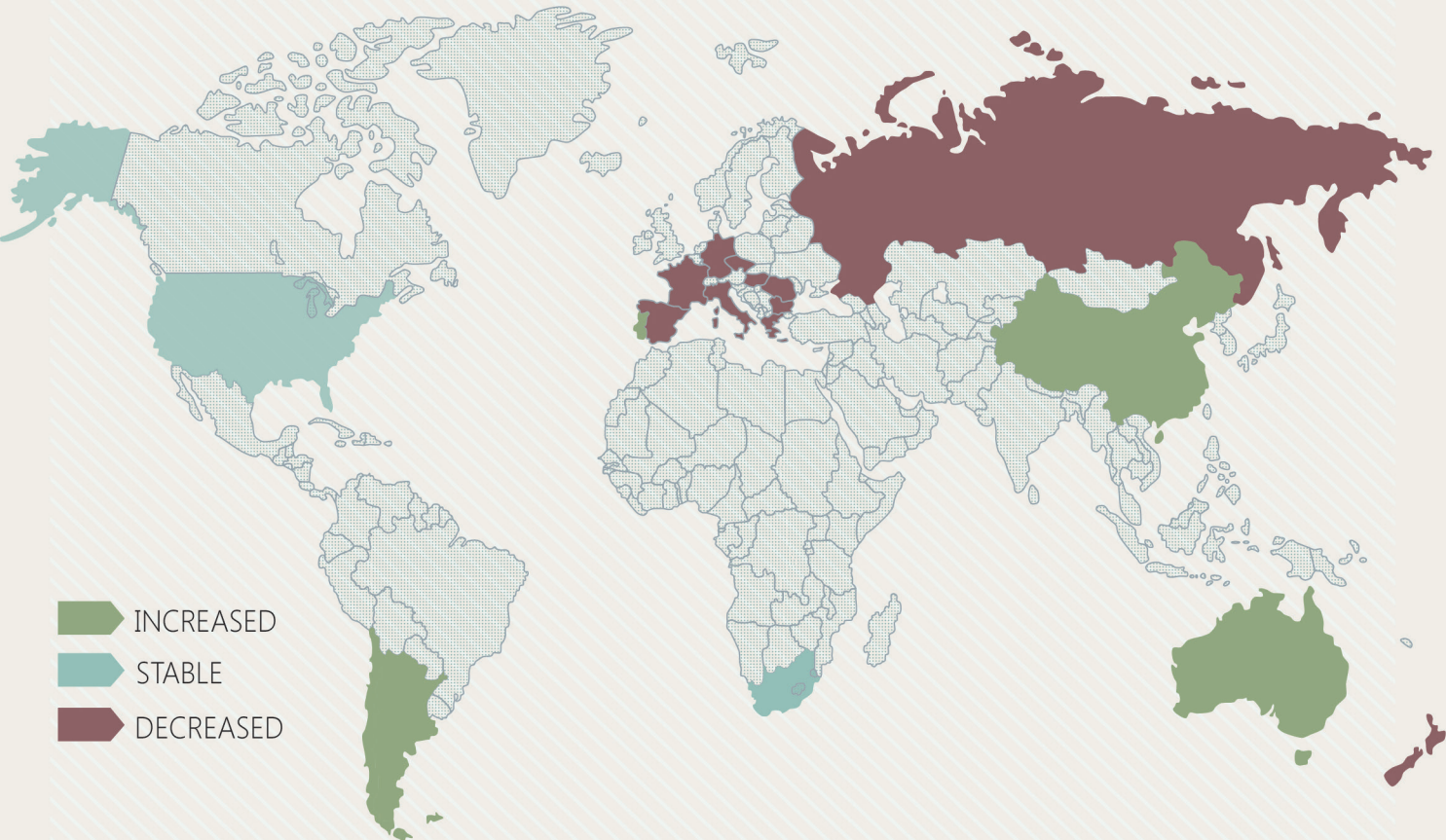
\*Forecast  
Source: OIV

## THE KNIGHT FRANK VINEYARD INDEX

LOCATION	KEY GRAPE VARIETIES	REPUTATION	TYPICAL PROPERTY SIZE AND STYLE	TYPICAL LAND AREA	VINEYARD VALUES \$/ha (range)		VINEYARD VALUES % change to Q2 2013
					Minimum	Maximum	
MENDOZA, ARGENTINA	Malbec		3 bed property of either a colonial or modern style with views of the Andes Mountains	10	\$30,000	\$100,000	25.0%
TUSCANY, ITALY	Chianti, Brunello di Montalcino		Historic villa or farmhouse with up to 10 bedrooms, good gardens and swimming pool	10	\$135,000	\$200,000	20.0%
HAWKES BAY, NEW ZEALAND	Sauvignon Blanc, Chardonnay, Pinot Gris, Merlot, Pinot Noir		Built in last 20 years, 3-5 bedrooms, good quality kitchen, outdoor living area	25	\$130,000	\$170,000	15.4%
COLCHAGUA VALLEY, CHILE	Carmenere, Cabernet Sauvignon, Merlot, Malbec, Syrah		Self-build property of bespoke design	NA*	\$30,000	\$70,000	15.0%
NAPA VALLEY, US	Cabernet Sauvignon, Malbec, Merlot, Cabernet Franc, Zinfandel, Syrah		California Ranch style property with swimming pool	5	\$135,000	\$588,000	14.7%
BAROSSA, AUSTRALIA	Shiraz, Cabernet Sauvignon		Large modern residence with guest accommodation	15	\$30,000	\$80,000	7.7%
PIEDMONT & LOMBARDY, ITALY	Barolo, Chiavennasca		Historical properties, 3-5 bedrooms, possibly more with the potential for a B&B	5	\$202,000	\$1,200,000	0.0%
RIBERA DE DUERO, SPAIN	Tempranillo		Large country home for entertaining, possibly with underground bodega	10	\$40,000	\$50,000	0.0%
SOUTH-EAST ENGLAND	Chardonnay, Pinot Noir, Sauvignon Blanc, Merlot, Cabernet Sauvignon		6 bedroom manor house with outbuildings and secondary accommodation	5	\$25,000	\$35,000	0.0%
LOIRE VALLEY, FRANCE	Chenin Blanc, Sauvignon Blanc, Melon de Bourgogne		Classic 18th century chateau with a swimming pool and outbuildings	5	\$100,000	\$400,000	-2.0%
BORDEAUX, FRANCE	Merlot, Cabernet Sauvignon, Cabernet Franc, Sauvignon Blanc and Semillon		Typical chateau architectural style, old stone, pool and all modern comfort	5	\$20,500	\$2,500,000	-4.2%
WESTERN CAPE, SOUTH AFRICA	Chenin Blanc, Cabernet Sauvignon, Shiraz, Sauvignon Blanc, Chardonnay		Cape Vernacular, traditional buildings for the Stellenbosch area	15	\$4,000	\$600,000	-10.0%
SOMONTANO, SPAIN	Tempranillo, Cabernet Sauvignon, Merlot, Syrah, Pinot Noir		A finca-style property with 4+ bedrooms and views across the Pyrenees	5	\$35,000	\$50,000	NA*
MOSEL VALLEY, GERMANY	Riesling, Müller-Thurgau, Weißer Burgunder, Blauer Spätburgunder		Restored property with 3+ bedrooms and views of the Mosel	5	\$65,000	\$100,000	NA*
XINGJIANG VALLEY, CHINA	Bordeaux, Ju Feng Noir		Self-build property of bespoke design	NA*	NA*	NA*	NA*

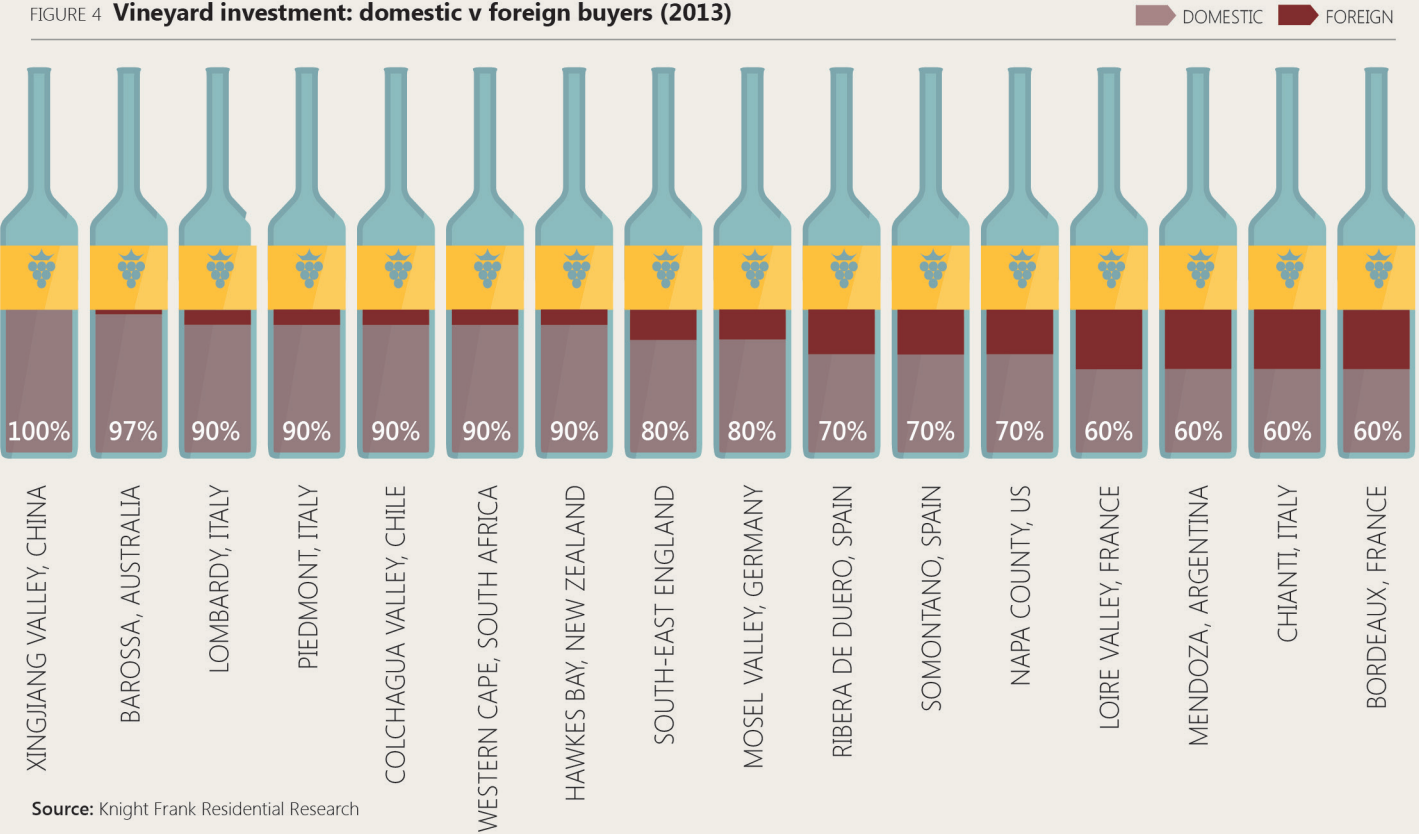
EMERGING ESTABLISHED \* a lack of established vineyards means buyers in these locations tend to buy the land, build a house and plant the vines

FIGURE 3 **Wine production**  
Evolution 2008/2012



Source: OIV, The Wines of Argentina, Instituto Nacional de Vitivinicultura

FIGURE 4 **Vineyard investment: domestic v foreign buyers (2013)**



Source: Knight Frank Residential Research

## DATA DIGEST

**The Knight Frank Global Vineyard Index** tracks the performance of a lifestyle or boutique-style vineyard in key wine producing regions around the world. 'Lifestyle' vineyards are considered larger than those purchased as a hobby or side interest but smaller than large-scale commercial establishments. We consider most lifestyle vineyards to be five hectares or more in size and often employ an estate manager who oversees planting, harvesting, shipping and sales. In some instances data has been supplied by third-party experts, but Knight Frank can take no responsibility for their accuracy or independence.

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Knight Frank's [Italian View](#) provides a detailed look at the variation in prices across Italy's top winegrowing regions.

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