

VINEYARD ESTATES - DOMAINES VITICOLES THE RETURN OF THE GREEN GOLD

The French vineyard continues to attract buyers, whether for leisure or a financial investment. This September 2017, the market, which is chastened and cleansed, confirms its upturn.

"In general, the vineyard market has been active since early 2015", says Michel Veyrier (Vinea Transaction Languedoc Vallée du Rhône). "French buyers and investors are well represented and conversely, except for the Chinese in Bordeaux overseas buyers were scarce. The appeal of our vineyard comes from its technical and political stability, with well-established production conditions. Without the supply problems faced by the Spanish and Portuguese wine producers."

"The French wine market is dominated by two large zones, with on one side the Aquitaine region and Bordeaux and the Mediterranean on the other side, representing 85% vineyard and 85% of transactions. Figures to be moderated on the value side, certainly, the Champagne and Burgundy vineyards distil few transactions, but these are conducted at very high prices. Champagne is indeed a mainly financial activity, with prices per hectare exceeding one million euros. As for the Burgundy region, it is discreet, with small pockets of extreme prices reaching up to 30 million euros per ha equivalent. Because transactions

there concern small parcels, the unit of Burgundy surface being the oeuvre, i.e. 4.28 ares. Certain appellations are at the same investment level as a work of art!"

"The generic Beaujolais for its part is in difficulty due to the fall in consumption, but we have noted a reorientation of the market under the impulse of the trading houses, who are investing significantly in the Beaujolais for crémant. For their part the Beaujolais crus are doing very well, up to 100 000 €/hectare. And the Mâconnais are also experiencing a sharp increase."

"Regarding the Languedoc region, local and PGI wines are active and well served by the technical proficiency exhibited by the professionals of these vineyards," continues Michel Veyrier. "They are reasonably priced, between €18,000 and 20,000/ha, with vintages reaching up to €60,000/hectare. An estate in the Pic Saint Loup can even go for up to 70,000 €/hectare. Another example in the Terrasses du Larzac, an appellation that the general public did not know about 10 years ago, can now reach 30,000 €/hectare. The organic properties on the Montpellier belt are also particularly sought after. Because they benefit from a favourable ecosystem, with sun, little humidity, space and regular dominant winds. This makes it possible to control the production well."

"The Minervois and Corbières regions are however experiencing difficulties and opportunities are anticipated on the short-term. Another key sector in which we operate, is the Southern Rhone Valley, which generally demonstrates great vitality and boasts an excellent image, good value for money and near-guaranteed profitability. Vintages sell for approximately €100,000/hectare, prices that will rise to €400,000 or more at Châteauneuf-du-Pape, and more than a million for a Hermitage appellation. As for the Provence, it is driven by the success of its rosé. Relatively easy to manage luxury properties in a quality environment with direct local consumption. The price base will be approximately €150,000 to 300,000/ha."

FOCUS



But caution is required, the Chinese are outstanding merchants and negotiations are always extremely tight."

"Pricewise, the prices have increased significantly in the last 6 to 7 years in the village appellations of the Medoc, Pomerol, Saint-Emilion and the satellites of Saint-Emilion and Lalande de Pomerol. In Saint-Emilion, prices will range from 250,000 to one million Euro per hectare, excluding Grands Crus Classés. At Pomerols, they can reach 1.5 million Euros/hectare. Graves are also growing steadily, because they are usually beautiful properties with fine buildings. In just a few years, prices have shifted from €20,000 to 25,000/ha to €50,000 or 60,000 /hectare."

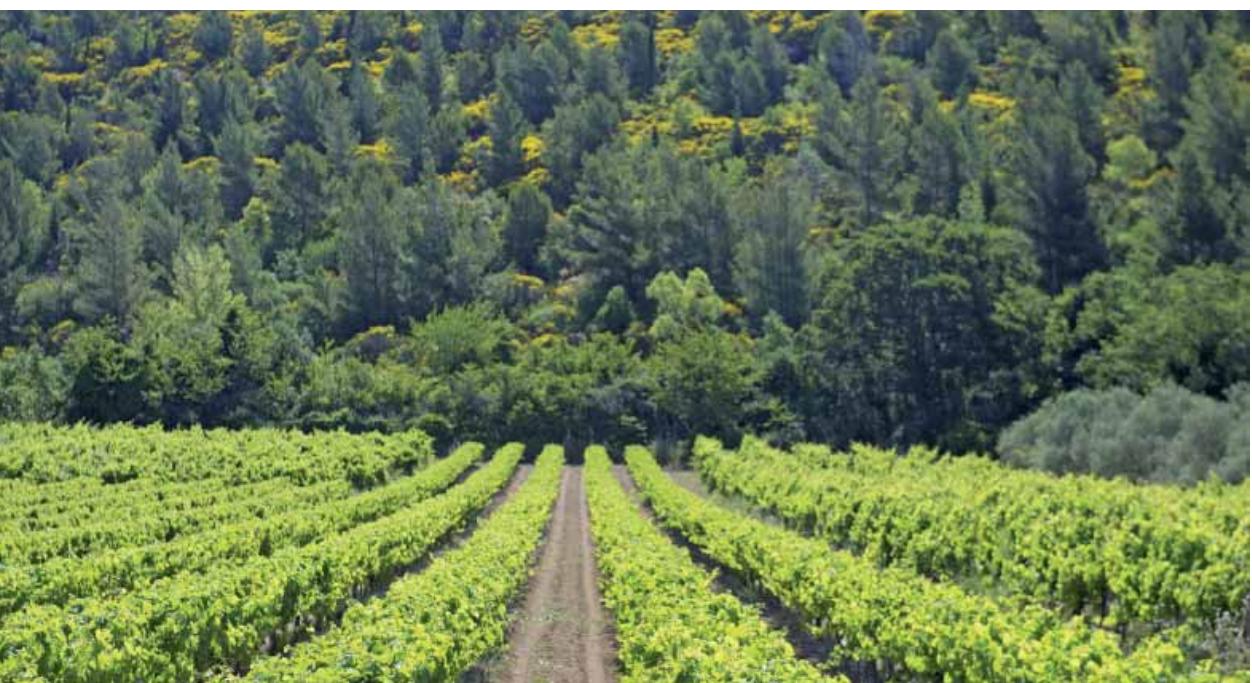
PRICES CAN ONLY GO UP

"At the end of 2015 I associated with the Patrice Besse office, says David Lawton (French Vineyard Investment - David Lawton Consultant), we developed a vineyard methodology and a specific strategy to find buyers and mandates all over the world. Including working on the mechanism of transfer of shares rather than on the disposal of assets, we were faced with buyers accustomed to the business community mechanisms. Demand is growing each year. We respond as much to projects involving industrial installations capable of producing 2 million bottles of wine per year to projects



CHINESE BUYERS IN BORDEAUX

"I was a lawyer at the Bordeaux Court of Appeal for 10 years, then winemaker in Saint-Julien Beychevelle and Pomerol for over 25 years," explains Thierry Rustmann (Rustmann & Associés). "In 2007 with the dual profile of lawyer and winemaker, I decided to create a vineyard transaction activity in parallel, mainly in Bordeaux. The market is still very active since 2010, and it seems that we have seen an increase in the number of serious occasions since last spring. With no peak or economic crisis, the pace of our business is mainly driven by inheritance openings. The buyers are there, a property whose vineyard is in good condition, if offered at its fair price, will be sold within 6 to 12 months. "Who are the buyers? "They are traditionally wine growers from the region and traders wishing to produce their own brand," continues Thierry Rustmann. "Those not from Bordeaux are often business leaders who have sold their business and want to live their passion when they retire. And for larger properties, we rely of course on the numerous institutional buyers, such as insurers, pension funds and banks, as well as Chinese buyers, mostly large agribusiness companies or wine distributors in China looking for an internalised supply. And we have even met Chinese individuals who want to invest in a secure manner; their arrival is welcome news because it contributes to the development of Bordeaux wines while providing new business opportunities.





with couples wishing to start a new professional life in wine tourism. We meet many foreign buyers from around the world, from Europe to North America, China and Australia. Potential investors discovering Bordeaux, attracted by its reputation as the international wine capital. A movement that has grown sharply since last July, as the train journey between Paris and Bordeaux is now only 2 hours, whereas before it was 3 hours".

"Unlike residential property, which mostly depends on love at first sight, wine property requires a degree of inertia, as a transfer requires two years of work," specifies David Lawton. "Which makes it necessary for us to analyse the market in the long term. Our conclusion is simple, Bordeaux is the least expensive vineyard

in the world! Except of course for the classified vintages of 1855. Paying 300 000 to €500 000 per hectare for a property in Saint-Emilion is in fact not absurd due to the guaranteed profitability given the prestige of the name worldwide. The estates naturally sell at market price, but in terms of investment, it may be justified to overpay a rare property to capture the unique. Anyway, in the long term, prices can only logically rise in Bordeaux... Besides the Bordeaux vineyards, buyers, whether French or foreign, are interested in all our wines, Loire and Anjou, Cognac, Armagnac, wines from the South-West and Toulouse, Languedoc and Provence, Burgundy, Champagne, Alsace, Savoie, and the Jura. We are able to meet their demands through our formidable network animated by sincere and passionate professionals. And we will soon expand our business abroad ... "

BEAUTIFUL CHARACTER PROPERTIES

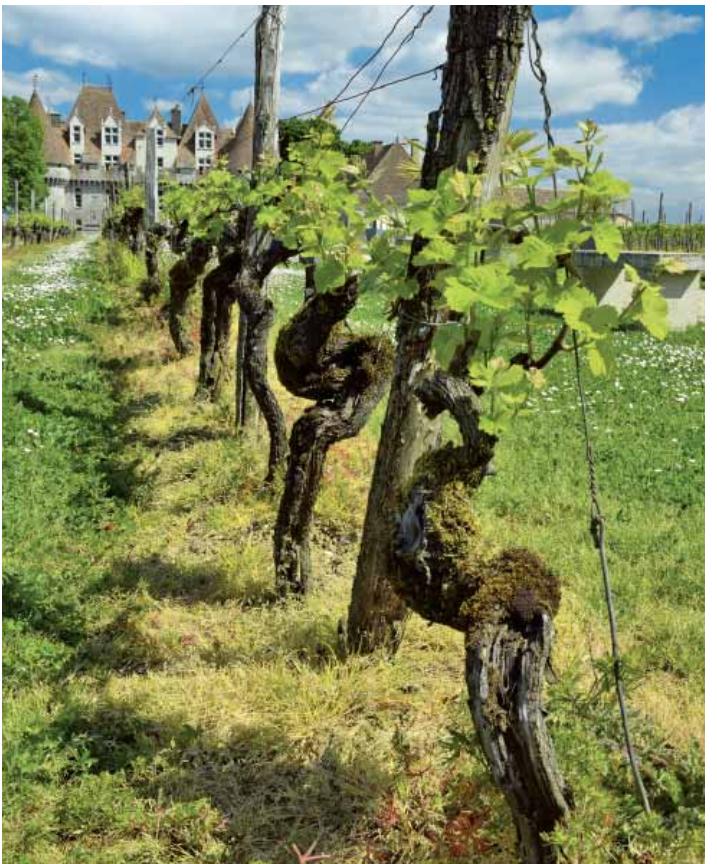
"After working in international finance for 25 years, I owned my own vineyard in the Graves region for 15 years, before moving into the property market in 2009," explains Olivier Colas (Bordeaux Sotheby's International Realty). Even though I am based in Bordeaux, I assist Sotheby's International Realty network all over France in the large vineyards market. At the end

in the Bordeaux market, particularly for medium-sized properties. Furthermore the American, Dutch and German buyers are returning and are very well informed of market realities in real time. In general, the low interest rates make the vine a profitable investment, without any long-term risk and which privileges lifestyle and passion on a daily basis. As a result, the price per hectare continuously increases..."

And contrary to what we may think, it is possible to carry out investments of interest on reasonable budgets. For example in the Bordeaux region, for under 5 million euros, we can offer beautiful generic appellation estates or properties of fifty ha or more, but these will generally be diversified between vineyard and wine tourism."

THE PROVENCE, A CASE APART

What about the Provence? "I took over from my father and my grandfather, who managed vineyard properties in the region in the 60s and 70s," says Thibaud Desprets (Thibaud Desprets - Propriétés et Domaines). I am a geological engineer, but I also have a financial and winemaker background. I have doubled this particular background with experience in industry, in various fields, and I have lived for more than 10 years abroad. This allows me to take a different approach to the vineyard property." Today we cover all of the Provence extending from Nice to the Luberon. The offer that we represent mainly consists of integrated estates, bastides and vineyards with a local production, storage and marketing facility, as well as properties that take their production to a Co-op. On the seafront, we offer estates of between 8 and 12 million euros in the Côtes de Provence and Bandol. Moving back to the Var hills, the Coteaux d'Aix and the Luberon, budgets here are located at around 6 to 7 million euros, an increase in



comparison to the latter years due to a scarcity in the offer. The context is generally favourable, riding the momentum of the Provence rosé wave, which continues to grow. This enthusiasm is largely maintained by the millennial generation, in France and abroad. They see in Provence rosé an alternative pleasure to the red and white codes. In addition, rosé blends perfectly with international gastronomy, 'world food'. With the upshot, it now exceeds white wine in France, which would have been unthinkable 20 years ago. In this market, Provence is the leader." "In addition to the traditional clientele, Europeans are looking for a professional lifestyle after selling their company, we meet winegrowers from all over the world who are once again interested in the French vineyard. It is a real phenomenon at national and international level. This demand has led to an increase in prices, even if these investors keep in mind the essential profitability of the proposed transaction. For example, in the Gulf of Saint-Tropez, Côtes de Provence appellation, we offer an 8 ha vineyard estate with a cellar, a beautiful house and outbuildings for 10 million euros and in the Coteaux d'Aix-en-Provence, a 12 ha vineyard estate with a full cellar and a beautiful bastide for 7 million euros.