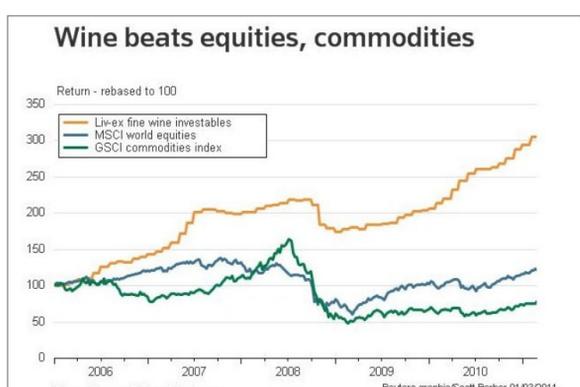


APRIL 2011 ART ASSET OVERVIEW

VOLUME 7 — WINE MARKET

Dear Friends,

The Winston Art Group's monthly market update newsletter gives you a closer look at current market trends so you can best manage your assets and continue to grow your collections. Carrying the tune from our March Market Update, the new wealth in Asia is also heavily affecting the Wine Market.

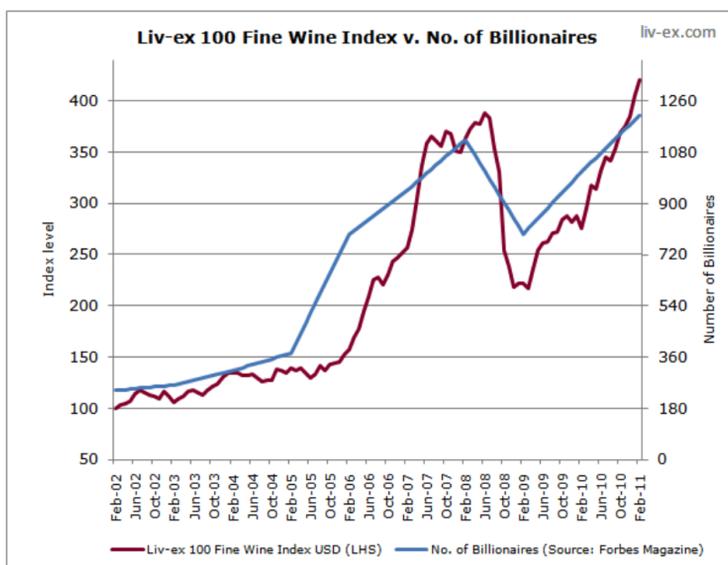


Graph courtesy of Thomson Reuters: *The Knowledge Effect*, March 4, 2011

ASIAN WINE MARKET

Wine not only managed to weather the recession and stock market crash, it thrived. Auction houses sold more than US\$350M worth of wine worldwide last year, an amount roughly in line with or exceeding their pre-recession levels of 2007. But the New York auction houses actually credited their sales in Hong Kong for those successful figures. The latest study of global markets by VINEXPO, the world's leading wine and spirits showcase, determines that Hong Kong has emerged as the "most mature wine market in Asia."¹ Hong Kong's wine consumption doubled to nearly 35 million bottles a year from 2005 to 2009. A recent study forecasts a further increase of 57% in wine consumption between 2010 and 2014, with average per capita annual consumption rising to 6.5 litres. It is believed that abolition of import duty on wine in 2008 along with tourism growth and increased wine consumption at home accounts for this growth. Red wine is a firm favorite, accounting for 85% of all wines consumed in Hong Kong, with growth of 147% between 2005 and 2009. Hong Kong marginally prefers to buy French wine (28%) ahead of Australian (24%) and American (13.7%), although a 464% growth in Argentinean wine sales was especially noteworthy. The long awaited arrival of the Asian market, specifically on the Chinese mainland, was the main source for the increase in price of Chateau Lafite and other select wines in 2010.

¹ March 8, 2011: *Viva Asia*, "VINEXPO 2011 Global Study Finds Hong Kong 'Most Mature Wine Market in Asia'"



As the number of billionaires in the world rises, so too do prices for Fine Wine. This striking correlation is illustrated in the graph at left. Forbes noted that, of the new entrants to the billionaires club this year, BRIC emerging markets makes up about 50%, with China adding 25% of the total number of new billionaires worldwide this year.

EUROPE AND US WINE MARKET

The EU is seeing a growing trend back to *Négociants*, and, while they still have a stigma, their quality has grown over the years and the stigma is lifting due to the price consciousness of some Europeans. Their sales have grown in the double digits and they are also returning to the practice of making wines typical to their growing areas so that indigenous varietals are making a huge comeback. For instance, in Tuscany, grapes such as colorino, ciliegiolo, and canaiolo are being planted back at an alarming rate. Stylistically, the wines of all countries around the world, Australia included, are trending towards being less flashy and more elegant with the realization that the international palate is demanding wines that pair with food. Overall, there was a strengthening in demand across the market and a significant interest in quality Bordeaux.

In the US, organic wines and biodynamic wines are growing in popularity due to the organic trend in America and the increased ability for producers to keep the quality of organic wines uncompromised. An interesting new "industry" is underground bloggers making headway in selling hard to find cult wines, especially rare California wines.

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