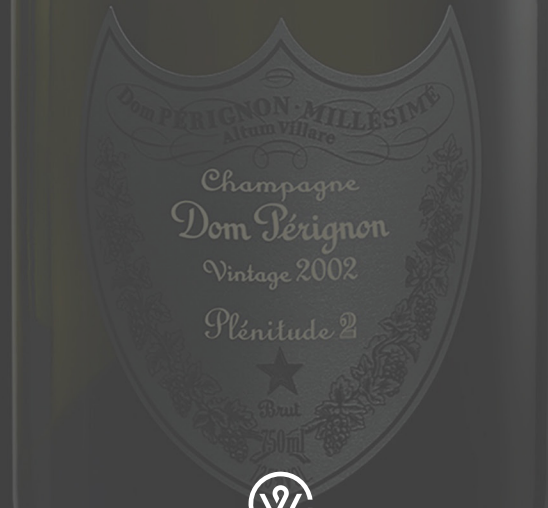


# CHAMPAGNE REGION

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REPORT



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## Champagne Region | Report

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The last decade has seen major changes in the fine wine market. Bordeaux has long been its governing force, but there has been a continuously growing impact on the market by wines beyond this previously untouchable region, including those from Burgundy, Italy, Spain and even California. This report, however, will examine one of the most important of these growing sectors: Champagne.

### **EXECUTIVE SUMMARY**

- In 2022, Champagne solidified its excellent gains seen in 2021.
- Trade volume increased in 2022 as did Champagne's share of regional trade.
- Champagne trade has begun to broaden out and is no longer quite so concentrated with just a few producers.

### **Another Bumper Year**

Champagne has consistently shown good performance in the last decade. 2021 proved to be a breakout year for the sector and 2022's continued growth has cemented its status. Champagne demands to be included in portfolios alongside other wine investments.

Over the five years before its current expansion the Liv-ex Champagne index showed almost double the growth of the Liv-ex 100 index and outperformed both the Liv-ex Bordeaux 500 and the Liv-ex 1000 indexes. Since the end of 2020, the Champagne index has risen 70%. These numbers demonstrate that Champagne is a smart addition to any diversified investment portfolio and should no longer be considered just a celebratory indulgence.

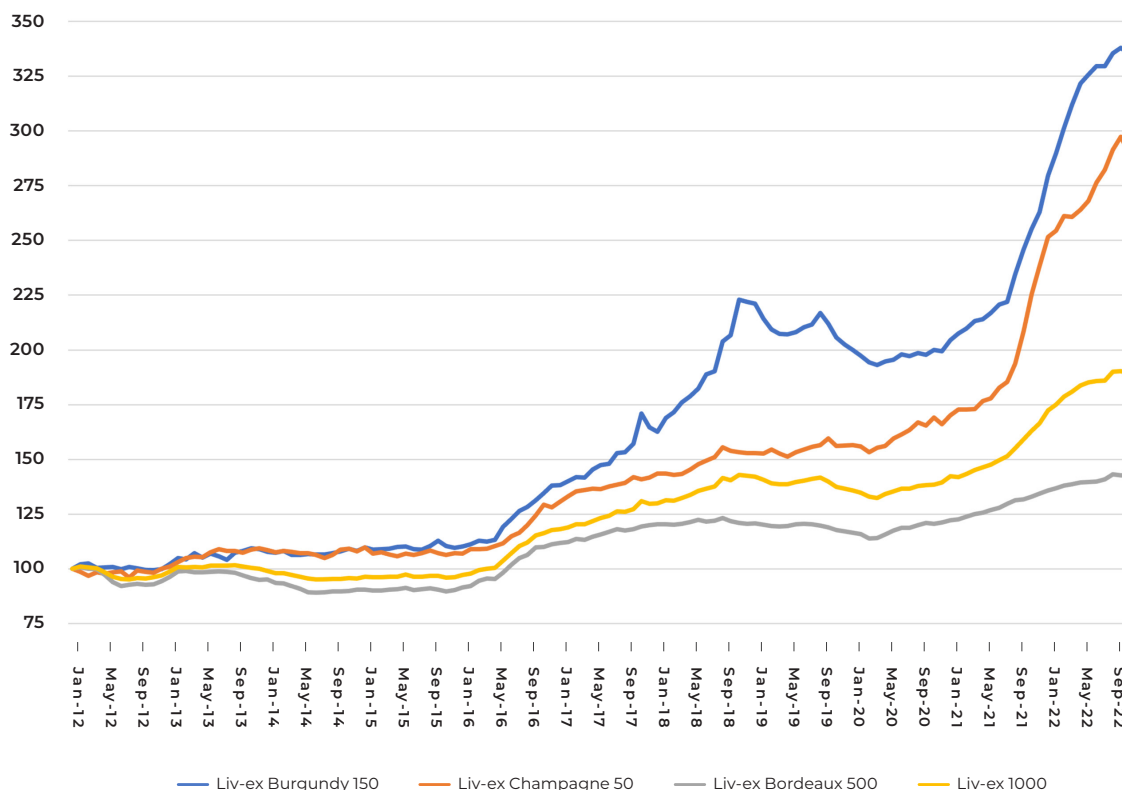
Whereas in 2021, it was the big brands that led the way. In 2022, boutique producers such as Jacques Selosse, Egly-Ouriat and Ulysse Collin saw the very best performance but on fairly limited liquidity. Salon Le Mesnil bridges the gap between the two. In 2021, its 2002 vintage saw prices double and

several other vintages saw growth well above 50%. In 2022, this boutique producer's wine increased in value by an average of just under 150% over the last five years. Krug rose 75%, Philipponnat went up by 71%, Dom Pérignon by 65% and Taittinger by nearly 60%.

In 2020, only four Champagne brands featured in Liv-ex's top 50 wines by trade value. Today, seven wines are in the top 50 and more Champagnes feature in the full Liv-ex Power 100 ranking than ever before.

Of the 29 Champagnes featured in the 2022 Liv-ex Power 100 ranking, all saw prices rise by at least 10% and half saw prices rise by more than a third. In 2022, Champagne's trade share rose from just under 9% to just under 14%.

**Comparing the Liv-ex Champagne Index to Other Leading Wine Indexes**



### Investing in Vintage Champagne

Champagne has been enjoying a significant rise in popularity as an investment asset. Demand for Champagne has increased its overall production from 50 million bottles in the 1970s to over 300 million today. Due to its staggering consumption market, particularly due to hospitality and entertainment industry buyers, the availability of vintage Champagne is limited, further enhancing its desirability as an investment. As it ages, its quality improves; as it's consumed, its supply decreases. This dynamic brings about an inverse supply curve - the ideal scenario for investors.

Smaller initial outlays are another positive. Although prices have moved considerably in the last

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two years, when compared to the prices associated with top-tier Bordeaux and Burgundy wines, Champagne offers both new and experienced investors heightened affordability. Additionally, Liv-ex's Champagne 50 index has shown that in recent years, vintage Champagne has significantly outperformed the Bordeaux 500 index, yielding better returns.

While many houses produce both vintage and non-vintage (NV) Champagne, the vast majority of the Champagne investment market is vintage. This is partially due to what is called a 'vintage premium', where vintage Champagne offers an attractive premium as it ages, because its value generally rises in tandem. This is a clear sign to potential investors that younger vintages will follow suit and eventually reach a comparable price and value as they age.

Regarding the NV Champagne forming the remaining part of the market, there is still potential for lucrative investment. Luxury producers such as Krug and Louis Roederer have begun to add ID codes and edition numbers to their top-tier NV Champagne which provide information including disgorgement dates, harvest conditions and the assemblage. This additional information enables consumers to make more informed choices, adding differentiation to each release, favorably impacting the NV market. Edition numbers mean that one release of Krug GC or Roederer Collection can be differentiated from another, allowing consumers to price discriminate and investors to favour particular releases. It has proven to be a critical factor allowing an active secondary market for these wines to flourish.

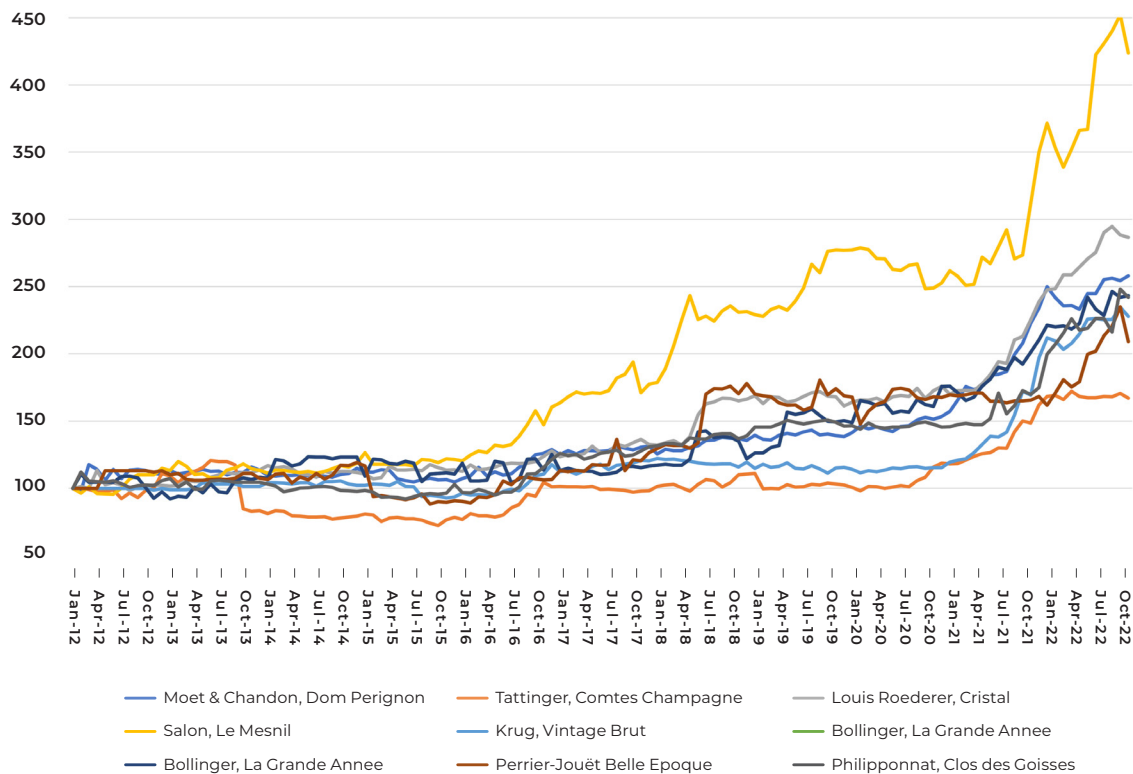
### **What Makes Champagne Investment Unique**

The fine wine market has long been influenced by high-powered critics. The same cannot be said for the Champagne market where brand recognition is a much more significant driver of performance. Champagne houses that have an established and historically-proven identity are already ahead of the game; however endorsements from sources such as royal weddings, celebrities and high-visibility restaurants have paved the way for emerging cuvées.

Champagne is a more direct market than ones such as Bordeaux as there are no négociants: the structure in Champagne is such that over 90% of producers are now also distributors. Thanks to its artisanal qualities, 'Grower Champagne' is a newly expanding sector and is experiencing a rising interest amongst oenophiles.

Finally, if an investor simply cannot resist popping the cork, Champagne can be readily consumed much earlier than premium investment wines, further diminishing supply and driving prices up.

## Comparing leading Champagne Brands' Performance since 2012



### Key Producers

Liv-ex's Champagne 50 index comprises the leading vintage prestige cuvées. Its makeup remains stable, showcasing familiar names among the top recommendations: Krug Brut, Philipponnat Clos des Goisses, Moët & Chandon Dom Pérignon, Taittinger Comtes de Champagne, Salon Le Mesnil, Jacques Selosse, Bollinger La Grande Année, Pol Roger Sir Winston Churchill, Ruinart Dom Ruinart and Louis Roederer Cristal.

These iconic labels should be at the heart of any Champagne investment.

Among these wines Salon has been the standout performer over the last decade, but all have seen strong growth, with only one seeing its values rise by less than 100%.

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## In Conclusion

2021 was the breakout year for Champagne in general. 2022 saw the rise of smaller, independent producers. Four of the five fastest growing brands in 2022 fit in this category and if you credit Salon Le Mesnil with an honourable mention (it is owned by Laurent Perrier), that figure is five out of five. Still, for collectors the essential brands to keep in mind remain: Dom Pérignon, Louis Roederer's Cristal, Krug, Bollinger and Salon. Just behind those we see Charles Heidsieck, Billecart Salmon, Pol Roger, Ruinart and Rare all with significant trading volume and significantly growing trading volume.

Much has changed in Champagne in the last two years, some things remain constant.

- This is still unarguably the most powerful brand in wine. For the vast majority of people who are neither wine investors nor oenophiles, when they think about fine wine, they think about Champagne.
- Secondly, it remains the case that Champagne is released ready to drink and on release is drunk in large quantities.

These two factors are the key to its appeal to investors.

It remains to be seen if Champagne's share of trade can continue to improve. Even if it doesn't, Champagne is now firmly established as a key part of the market and of wine investment portfolios.

There is still considerable relative value to be found in Champagne, even with the price growth we have seen. A wine like Salon Le Mesnil is produced in Burgundian quantities and is widely acknowledged as a 'best in breed' yet remains a fraction of the price of the best wines from Burgundy, Bordeaux or Napa. It may be the case however that the best growth in the coming years may be from other brands that are only now starting to come to the fore.

As ever, diversification within the sector leaves WineCap clients best placed to see future growth.



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