

The Rate of Return on Investment in Wine

Benjamin J. Burton, Joyce P. Jacobsen

First published: 26 March 2007

<https://doi.org/10.1093/ei/39.3.337>

Citations: 83

We thank William Edgerton for providing data, the Economics Department of Wesleyan University for financial support, Rachel Mandal for research assistance, and two anonymous referees, Orley Ashenfelter, William Edgerton, Richard Grossman, Peter Kilby, Stan Lebergott, Laurance Levin, Richard Miller, and David Selover for helpful comments.

Abstract

Is wine an investment alternative to stocks and bonds? First, we review prior studies regarding the pecuniary rate of return to wine and other alternatives to financial assets. Next, we calculate the rate of return to holding red Bordeaux wine from 1986 to 1996 using a repeat-sale regression. Finally, we contrast the financial performance of wine, both on an aggregate basis and for various portfolios, to that of other asset classes. We conclude that wine does not yield greater returns than financial assets, especially when the volatility of returns and transaction costs are taken into account.

References

Ashenfelter, O. How Auctions Work for Wine and Art. *Journal of Economic Perspectives*, 3, 1989, 23 – 36.

[Web of Science®](#) | [Google Scholar](#)

Ashenfelter, O., D. Ashmore, and R. Lalonde. *Wine Vintage Quality and the Weather: Bordeaux.* Paper presented at the Second International Conference of the Vineyard Quantification Society, Verona, Italy, February 1993.

[Web of Science®](#) | [Google Scholar](#)

Bailey, M., R. Muth, and H. Nourse. A Regression Method for Real Estate Price Index Construction. *Journal of the American Statistical Association*, 58, 1963, 933 – 42.

[Web of Science®](#) | [Google Scholar](#)

Baumol, W. Unnatural Value: Or Art Investment as Floating Crap Game. *American Economic Review*, 76, 1986, 10 – 14.

[Web of Science®](#) | [Google Scholar](#)

Blattel, H., and F. E. Stainless. *Wine & Price: International Auction Results-Wine and Spirits*. Munich : Arts and Antiques, 1997.

[Web of Science®](#) | [Google Scholar](#)

Burton, B. J., and J. P. Jacobsen. Measuring Returns on Investments in Collectibles. *Journal of Economic Perspectives*, 3, 1999, 193 - 212.

[Web of Science®](#) | [Google Scholar](#)

Byron, R. P., and O. Ashenfelter. Predicting the Quality of an Unborn Grange. *Economic Record*, 71, 1995, 40 - 53.

[Web of Science®](#) | [Google Scholar](#)

Combris, P., S. Lecocq, and M. Visser. Estimation for a Hedonic Price Equation for Bordeaux Wine: Does Quality Matter? *Economic Journal*, 107, 1997, 390 - 402.

[Web of Science®](#) | [Google Scholar](#)

Daspin, E. Wine Storage 101. *Wall Street Journal*, 10 July 1998, sec. W, p. 12 - 000.

[Google Scholar](#)

Dickie, M., C. Delorme, and J. Humphreys. Price Determination for a Collectible Good: The Case of Rare U.S. Coins. *Southern Economic Journal*, 61, 1994, 40 - 51.

[Web of Science®](#) | [Google Scholar](#)

Edgerton, W. H. *Wine Price File*. Darien , CT : Wine Price File, 1997.

[Google Scholar](#)

Ensrud, B. A Salute to Italian Reds. *Wall Street Journal*, 17 November 1997, sec. W, p. 24 - 000.

[Google Scholar](#)

Frey, B. S., and W. Pommerehne. Art Investment: An Empirical Inquiry. *Southern Economic Journal*, 56, 1989, 396 - 409.

[Web of Science®](#) | [Google Scholar](#)

Ginsburgh, V. Absentee Bidders and the Declining Price Anomaly in Wine Auctions. *Journal of Political Economy*, 106, 1998, 1302 - 19.

[Web of Science®](#) | [Google Scholar](#)

Goetzmann, W. N. Accounting for Taste: Art and the Financial Markets over Three Centuries. *American Economic Review*, **83**, 1993, 1370 – 76.

[Web of Science®](#) | [Google Scholar](#)

Goetzmann, W. N., and M. Spiegel. Non-temporal Components of Residential Real Estate Appreciation. *Review of Economics and Statistics*, **77**, 1995, 199 – 206.

[Web of Science®](#) | [Google Scholar](#)

Graeser, P. Rate of Return to Investment in American Antique Furniture. *Southern Economic Journal*, **59**, 1993, 817 – 21.

[Web of Science®](#) | [Google Scholar](#)

Grimond, M. A Vintage Year to Bottle Up Fine Profits in Your Cellar. *Business Day*, 12 January 1998.

[Google Scholar](#)

Jaeger, E. To Save or Savor: The Rate of Return to Storing Wine. *Journal of Political Economy*, **89**, 1981, 584 – 92.

[Web of Science®](#) | [Google Scholar](#)

Johnson, H. *The World Atlas of Wine*. New York : Simon & Schuster, 1971.

[Google Scholar](#)

Krasker, W. The Rate of Return to Storing Wines. *Journal of Political Economy*, **87**, 1979, 1363 – 67.

[Web of Science®](#) | [Google Scholar](#)

Meltzer, P. Third Quarter Gains Nearly Double Previous Results. *Wine Spectator*, 31 December 1997, 16 – 17.

[Google Scholar](#)

Palmer, J. The Coming Glut. *Barron's*, 3 August 1998a, 25 – 28.

[PubMed](#) | [Google Scholar](#)

Palmer, J. A Fool's Game. *Barron's*, 3 August 1998b, p. 28 – 000.

[Web of Science®](#) | [Google Scholar](#)

Parker, R. Jr. *Bordeaux: The Definitive Guide for the Wines Produced since 1961*. New York : Simon & Schuster, 1995.

[Google Scholar](#)

Peers, A. Hot Cellars: Wine Prices Are Soaring. *Wall Street Journal*, 2 May 1997, 8.

[Google Scholar](#)

Pesando, J. E. Art as an Investment: The Market for Modern Prints. *American Economic Review*, **83**, 1993, 1075 – 89.

[Web of Science®](#) | [Google Scholar](#)

Pompe, J. An Investment Flash: The Rate of Return for Photographs. *Southern Economic Journal*, **63**, 1996, 488 – 95.

[Web of Science®](#) | [Google Scholar](#)

Prial, F. J. Bordeaux Again Leads a High-Price Parade. *New York Times*, 17 September 1997, 10.

[Google Scholar](#)

Prial, F. J. 1998. “California Cabernets Join the Gold Rush. *New York Times*, 7 January 1998, 7.

[Google Scholar](#)

Reitlinger, G. *The Economics of Taste: The Rise and Fall of the Picture Market, 1760–1960*. New York : Holt, Reinhart, and Winston, 1961.

[Web of Science®](#) | [Google Scholar](#)

Sokolin, W. *Liquid Assets*. New York : Macmillan, 1987.

[Google Scholar](#)

Spurrier, S. Auction Fever: Can Prices Rise Forever? *Decanter*, December 1997, 17.

[Google Scholar](#)

Steele, M., and R. Goy. Short Holds, the Distributions of First and Second Sales, and Bias in the Repeat-Sales Price Index. *Journal of Real Estate Finance and Economics*, **14**, 1997, 133 – 54.

[Web of Science®](#) | [Google Scholar](#)

Tanzer, S. Market Monitor. *International Wine Cellar: The Consumer's Passport to Fine Wine*, November 1997, 75.

[Google Scholar](#)

Thomas, M. Alternative Investing: Wine Collectors Drive up Prices. *Business News New Jersey (North)*, 19 January 1998.

[Google Scholar](#)

Weil, R. L. *Do Not Invest in Wine, At Least in the U.S., Unless You Plan to Drink It, and Maybe Not Even Then; or: As An Investment, Wine is No Corker.*" Paper presented at the Second International Conference of the Vineyard Quantification Society, Verona , Italy , February 1993.

[Google Scholar](#)

Zachys Wine and Liquor. "Zachys Gazette. *New York Times*, 9 September 1997.

[Google Scholar](#)

Zachys/Christie's. *Finest and Rarest Wines Auction Catalogue*. London : Vauxhall Pre-press, for auction of 2 and 3 April 1998.

[Google Scholar](#)

Citing Literature



[Download PDF](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

HELP & SUPPORT

[Contact Us](#)

Training and Support
DMCA & Reporting Piracy

OPPORTUNITIES

Subscription Agents
Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network
Wiley Press Room

Copyright © 1999-2025 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY