

# VINTROUX

ESTATES - VINEYARDS - WINERIES

WINTER 2024

## What's Past is Prologue in a Bifurcated Real Estate Market

We are looking at a bifurcated wine country real estate market in 2024. A stronger economy along with improving interest rates generally bodes well for real estate. In contrast, the wine industry is struggling. We have all seen the doom and gloom industry reports that point to lower grape prices, lower vineyard and land values, etc. Depending on your location, growers and winery owners have serious decisions to consider. Meanwhile, residential and lifestyle real estate will move on a different trajectory.

During times like this it is important to remember the past, especially those events and people that enacted change, sometimes in unexpected ways. With that in mind, I would like to share a quick recap of a few "characters" and their innovations that contributed to success in wine country. Their influence through various up and down cycles ultimately impacted real estate values. But first, let's pay tribute to the foundation upon which our vineyards, wineries, homes, estates, business and industry have been built.

## It All Starts With the Land – A Sense Of Place

Wine country presents a sense of place full of sites and sounds, smells and flavors and a natural environment that is truly stunning. This is especially true in Sonoma County and Napa Valley. This sense of place has captured the imagination of the world. Think about the last time you heard a visitor, a vineyard or a winery owner, or pretty much anyone that lives in wine country express how they feel about the area. They almost certainly detail every point in the formal definition of a sense of place:

*A Sense of Place - formal def: refers to the emotive bonds and attachments people develop or experience*

*in particular locations and environments. Sense of place is also used to describe the distinctiveness or unique character of particular localities and regions.*

Some of us are fortunate to call wine country home. For others wine country is a destination vacation with dreams of a future home, a vineyard estate or a winery. Part of this desire comes from packaging the dream, telling the story, and making sure people know about it. These dreams and desires help propel wine country through up and down cycles. Let's take a look at a few proponents of wine country success that have taken their dreams and turned them into reality.

## The Characters – They Make it Happen

Robert Mondavi is rightly credited with making sure everyone and their dog knew that the Napa Valley was the place to go to experience wine country. More than an advocate or an ambassador, Mondavi lived and breathed wine country. In many ways he was a walking talking sense of place. And people loved it. Yes, there were others that played an important role in bringing prominence to Napa Valley but Mondavi was a force of nature. He did an incredible job of branding. As a result many regions of wine country, far removed from Hwy 29, Silverado Trail, and well beyond the county line are often referred to as "Napa".

There have been numerous boosters of Sonoma County as well, including larger than life Jess Jackson. Jackson made it to Sonoma County by way of San Francisco and Lake County. With help from winemaker Jed Steele, he upset the apple cart by accidentally creating a Chardonnay that became a game changer. This easy drinking Chardonnay helped convert a new generation of wine consumers. From that success Jackson developed

## MODERN TASTING ROOM & WINERY



FOR SALE

dozens of wine brands and thousands of acres of vineyards throughout California. All along the way, the message was clear, there is something special, something magical about our land, our weather, our soils, and our environment.

Then there is the legendary Rich Thomas, Dr. Vine. Quick with a quip, sharp wit, Thomas was known for writing informative essays sprinkled with humor. He was a wealth of information and opinions, widely known for consulting present and future vineyard owners, and teaching viticulture at the Santa Rosa JC. More than anyone, Thomas knew that Sonoma County is a rare gem with diverse micro-climates and soils. A place that can grow numerous varieties at very high quality. In some ways, this is a conundrum.

Sonoma County is complex. Complexity can be difficult for a novice or a newcomer. But those in the know are aware and appreciate the bounty that comes from the abundant nuance that is Sonoma County. Telling the story of abundant complexity and getting it to stick is our challenge. Keeping it simple, making it easy to understand and digest is what Thomas advocated. One of my favorite Rich Thomas quotes: "There are only three kinds of wine; good, bad and free." I miss Rich Thomas.

Does the name Miles Raymond sound familiar? Believe it or not, we are looking at the 20th anniversary of the comedy movie Sideways. The "Sideways Effect" continues to reverberate around wine country and the wine industry for decades now. The story of two friends that spent a weekend in the Santa Ynez Valley wine country in Santa Barbara County. The main character indulged in his love for Pinot Noir while simultaneously aggrieved by his tortured relationship with Merlot. One has to ask - who was the star of the movie, Miles the main character, Pinot Noir or the gorgeous backdrop of the vineyards, the amazing food and the good times? It goes without saying the "Sideways Effect" has had a major impact on interest in Pinot Noir and wine country.

More recently, we have seen women in important leadership roles throughout wine country. The current generation is elevating the path of women who pioneered functions traditionally occupied by their male counterparts: farmers, winemakers, cellar rats, business executives, thought leaders, etc.

Women provide a crucial perspective, help steer us through choppy waters and are great story tellers. One example is Karissa Kruse, head of the Sonoma County Winegrowers (SCWG) for more than a decade. Kruse championed the mission to make the SCWG 99% certified sustainable, achieved in 2019. Currently the SCWG is releasing weekly stories, "The Good Stuff", that highlight local farmers, local history and local wine.

These are just several examples of the people, the innovations and the changes that have been positive for wine country and the wine industry. It is important to keep people and events like these in mind as we work our way through the current cycle.

### **Conflict in The Wine Country Real Estate Market**

What does all of this have to do with wine country real estate? We are currently experiencing divergent market forces that impact how buyers and sellers value wine country real estate. Lower interest rates are beneficial. This is positive. Anticipated future interest rate reductions will present more opportunities. Definitely positive. The economy continues to hum along. We can all agree, positive.

On the flip side, a large section of the wine industry has seen flat or declining sales for the first time in recent history. We can blame it on the hangover from covid wine hoarding, the trendy neo-prohibitionist movement, or the switch to different beverages. This impacts winery revenue, which impacts grape prices, which then impacts land and vineyard prices. However you slice it, this can have an impact on value if you are buying or selling a vineyard, a vineyard estate or a winery. Some wineries and growers are still working through the five stages of grief concerning the current market - denial, anger, bargaining, depression and finally acceptance. There will be winners and losers. Some vineyards will need to be removed, some inventory will need to be discounted and some expectations will need to be reset.

Bucking that trend, the super-premium segment appears to scoff at the idea as their sales remain steady. So far, top tier Napa Valley and Sonoma County vineyards remain in demand because of their extreme exclusivity and scarcity.

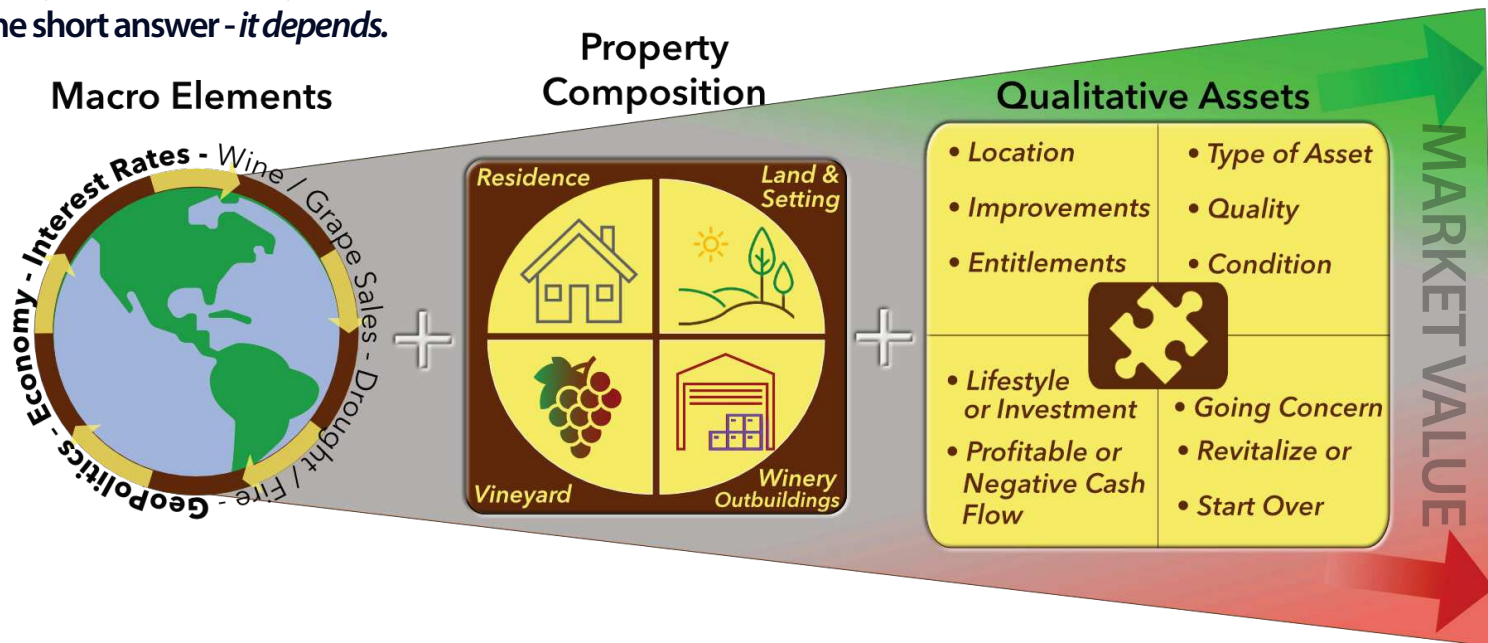


Residence, Duplex, Apartment  
& Vineyard - Income Property

FOR SALE - Sonoma

Vineyard and winery owners are asking the question, how does this impact me?

The short answer - *it depends.*



But one thing is certain, quality continues to drive a premium. In this bifurcated era of an improving economy, more favorable interest rates and a challenging wine and grape market we are saddled with a nuanced approach to wine country real estate.

**Remembering Our Past To Move Forward**

Even though the path forward is uncertain, we should remember those people, innovations and events that propelled us forward in the past. Robert Mondavi, Jess Jackson, Rich Thomas, Karissa Kruse and Sideways are just a few of the examples that highlight a history of successfully promoting the dream to a wider audience. Past innovation created a new generation of consumers. Even Hollywood helped catapult an old-world varietal into new world mass consciousness. At the same time, we are reminded to stay humble and informed, and that a sense of humor can help us through good times and bad. In the meantime, our challenge is to keep working on the next chapter of our story.

**Point of View – There Is No Place Like Wine Country**

Whether you are focusing on Napa Valley, Sonoma County, or other parts of California wine country, it is hard to go wrong. Wine Country is full of characters, gorgeous

backdrops with incredible scenery and an amazing lifestyle. People have been drinking wine for thousands of years. It is practically in our DNA and unlikely to change. We produce some of the best wine in the world. It is a place where sophistication blends with the terroir. We cherish a community that supports our farmers, local products, business owners, friends and family. This is a world class destination that is second to none. This is a place we are proud to share and call home. This is our story and I am happy to be a part of it.

Cheers!

*David Ashcraft*



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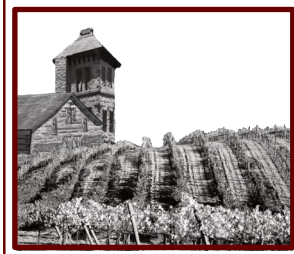
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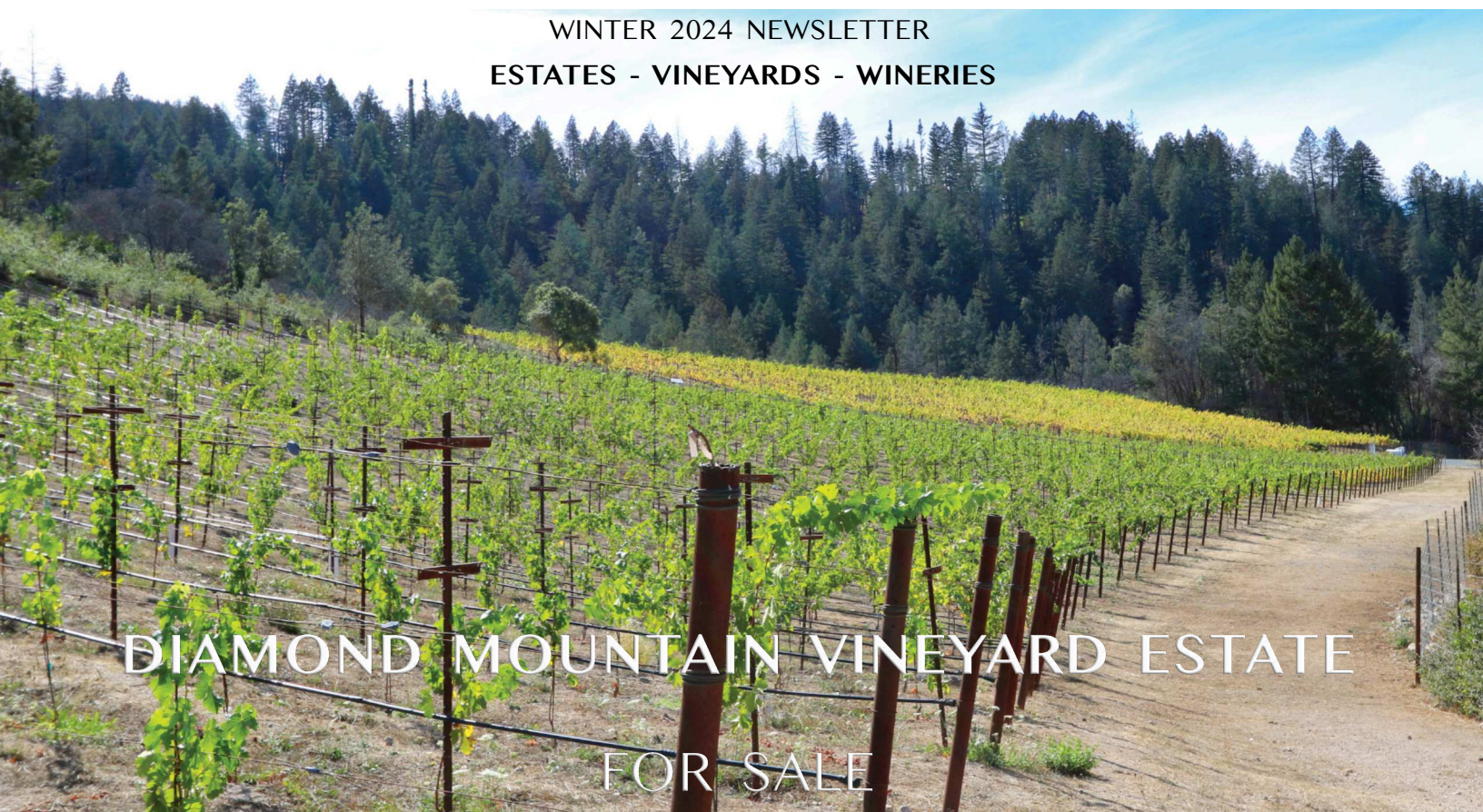
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DIAMOND MOUNTAIN VINEYARD ESTATE  
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