

The bustling Napa and Sonoma County real estate market continues to thrive into summer 2016.

In this newsletter we are going to highlight various **elements that drive market value**. Furthermore we will share the most recent statistics on **vineyard values** and **wine grape prices** of popular varietals. This will hopefully be a resource you can use and refer to over the coming months and years.

Let's start by taking a look at the four elements of Market Value: Land & Improvements, Economy, Scarcity, and Location.

Land & Improvements

Quality, condition and utility. Quality pertains to whether we are valuing a luxury estate, a charming farmhouse or a doublewide trailer. Quality can also reflect whether the vineyard / soil produces average or super premium grapes. Condition takes into account if we are looking at new construction, a recently remodeled home or an A-Frame with vintage 1978 shag carpet. The condition of a vineyard is important as well. Are the vines newly planted with disease resistant rootstock or were they planted in 1980 with AXR-1? Utility is a key factor in functional use. Is the property move-in ready? Is the land useable for additional improvements and agriculture? What is the zoning and do entitlements exist?

Economy

The general economy, wine industry and Silicon Valley are key indicators in our local market. All three segments have a direct effect on our region. When the economy grows, consumers purchase higher priced wine keeping wine grape prices stable or increasing. An improved economy also allows people to pursue their dreams of purchasing a vineyard, vineyard estate or winery. As the economy expands or contracts, the real estate markets tend to follow suit.

Scarcity

Scarcity really boils down to the age old drivers of commerce, supply and demand. If a type of property is scarce and in demand, the price simply goes up.

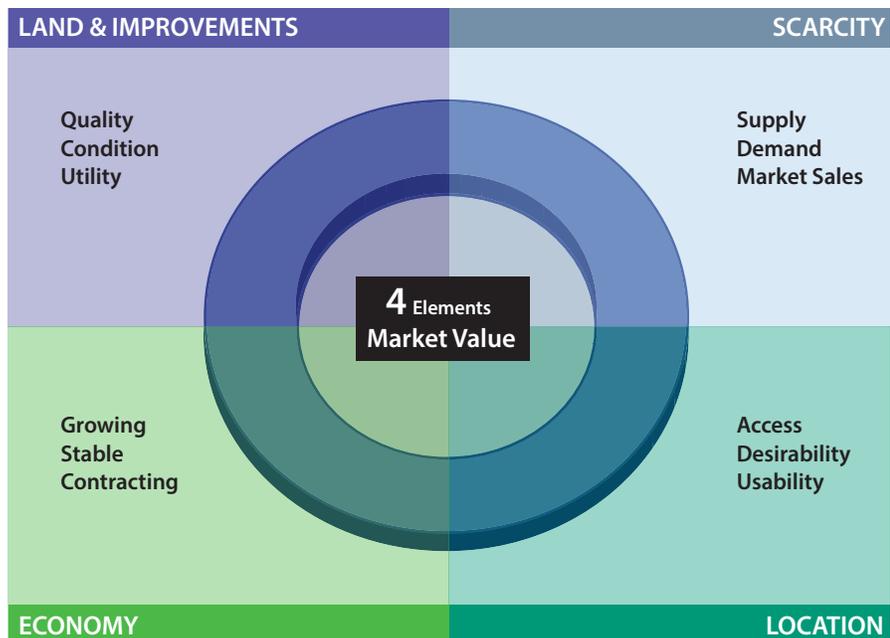


Dry Creek Valley - Healdsburg
20 Acres - Asking \$3,195,000

Premium Pinot Noir and Cabernet Sauvignon vineyards fall into this category. The scarcity of these premium quality varietals has pushed vineyard prices and grape prices to new highs. Market sales give us a snapshot of the battle between supply and demand. When supply outstrips demand, prices stabilize or fall.

Location

Location, location, location! Numerous factors make a great location including accessibility, desirability and usability. Visibly clear and easily navigable access close to creature comforts in a nice setting tends to be attractive. On the other hand, there are those that enjoy steep, narrow roadways with blind corners. The desirability of a location is usually tied to the setting, the access and the "right" address. Last but certainly not least is the usability of the location. Is the zoning appropriate for the location? For example, a parcel located on a busy roadway with numerous businesses that is zoned for retail and commercial purposes would be much more usable than if the parcel were zoned single family residential.

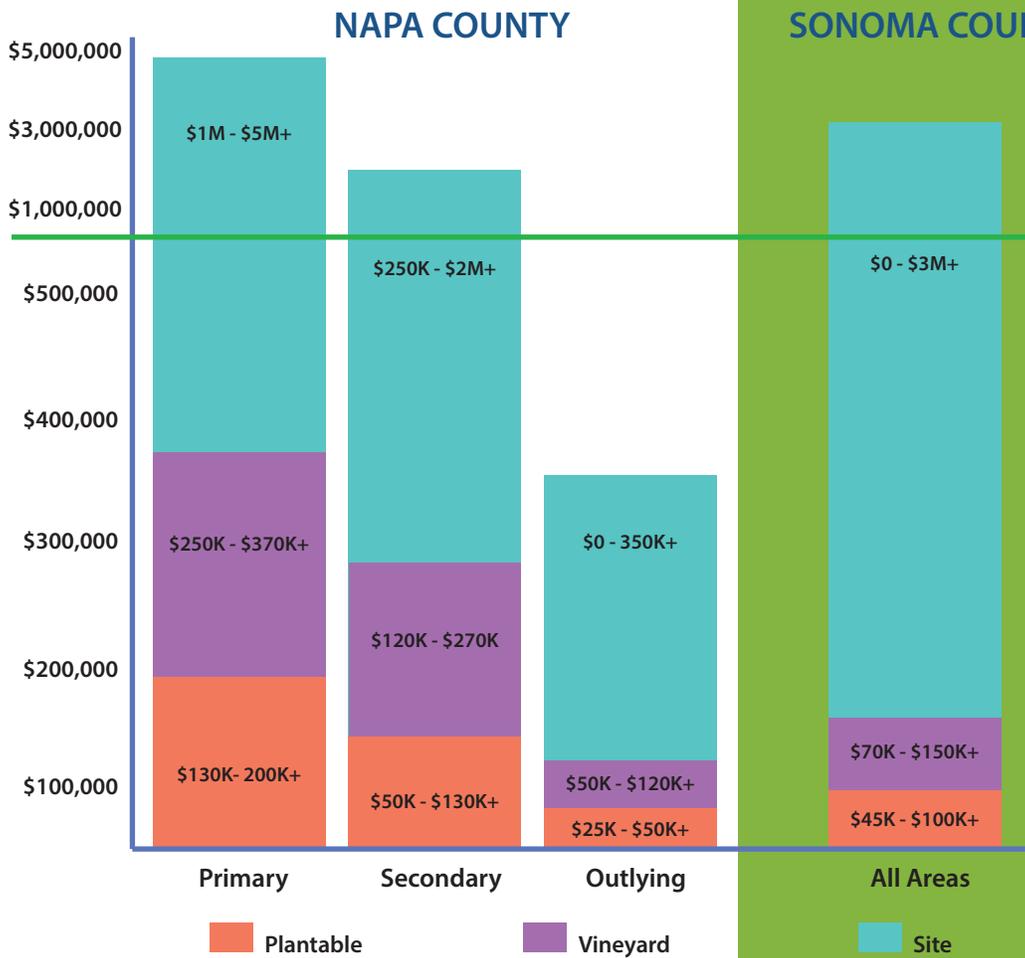


2016 Vineyard & Plantable Land \$ Per Acre

Primary
 Oakville
 Rutherford
 St Helena
 Stags Leap
 Howell Mtn
 Spring Mtn
 Diamond Mtn
 Pritchard Hill

Secondary
 Calistoga
 Yountville
 Oak Knoll
 Coombsville
 Carneros
 Atlas Peak
 Soda Canyon
 Mt. Veeder

Outlying
 Chiles Valley
 Pope Valley
 American Canyon



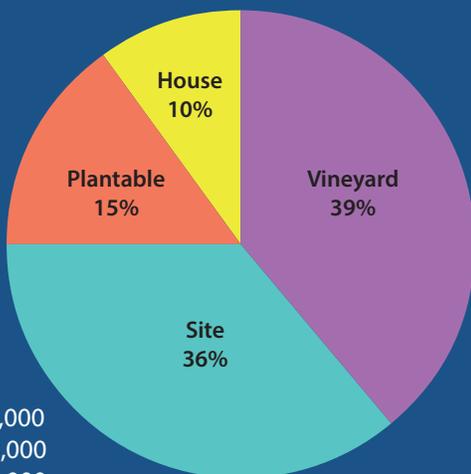
Areas
 Russian River
 Green Valley
 Sonoma Coast
 Fort Ross
 Petaluma Gap
 Alexander Valley
 Bennett Valley
 Carneros
 Chalk Hill
 Dry Creek Valley
 Knights Valley
 Moon Mtn
 Northern Sonoma
 Pine Mountain
 Rockpile
 Sonoma Mtn
 Sonoma Valley

* Data values were sourced from the 2016 Trends In Agricultural Land and Leases, California Chapter ASFMRA

Value Distribution Examples

Rutherford Vineyard Estate

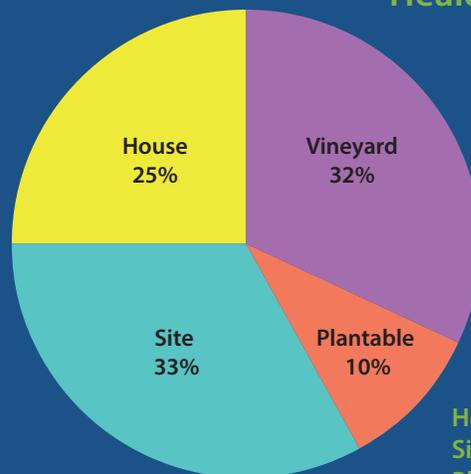
- 3,000 sqft Home
- Good / Excellent Location & Setting
- 10 Acres Planted To Premium Cabernet Sauvignon Vineyard
- 5 Acres Plantable



House	\$900,000
Site	\$3,250,000
Plantable	\$1,375,000
Vineyard	\$3,500,000
Total	\$9,025,000

Dry Creek Valley Vineyard Estate Healdsburg

- 3,000 sqft Home
- Good / Excellent Location & Setting
- 10 Acres Planted To Premium Zinfandel Vineyard
- 5 Acres Plantable



House	\$900,000
Site	\$1,200,000
Plantable	\$350,000
Vineyard	\$1,150,000
Total	\$3,600,000

v3.1 Trends, Insights & Analysis

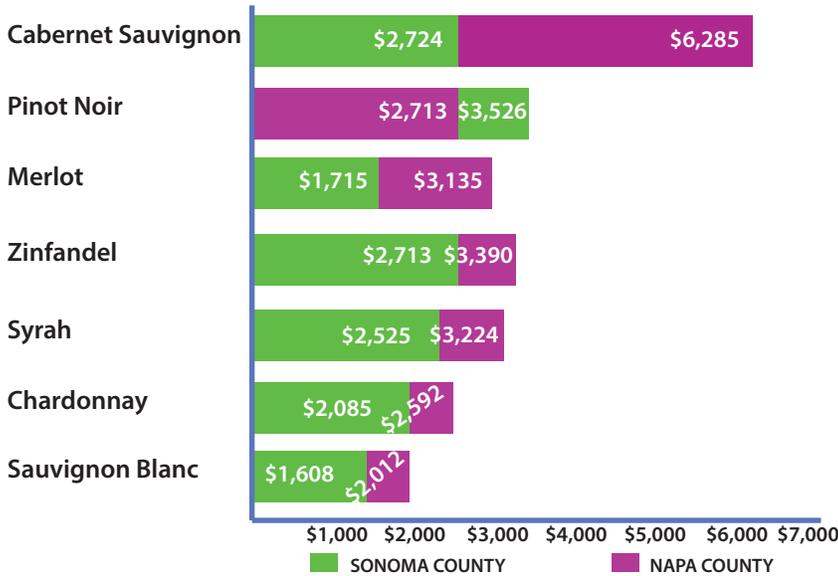
Vineyard, Plantable Land & Site Values

Next we have the current values for vineyard, plantable land and site values throughout Napa and Sonoma counties. As you can see from the previous page the values have a dramatic range. Napa County is broken down into three segments: Primary, Secondary and Outlying. The highest prices are being paid for super premium Cabernet Sauvignon vineyards in the primary areas like Rutherford and Howell Mountain where vineyards are being sold for upwards of \$400k / acre. In Sonoma County Pinot Noir is leading the charge for highest prices, we are seeing super premium vineyards trade at \$150,000 + / acre in the Russian River and Sonoma Coast Appellations. **There is very high demand for super premium Cabernet Sauvignon and Pinot Noir vineyards.** The other factor many potential buyers are not aware of is the site value. The site value may very well be the most valuable component of a property. The site value consists of the actual building site potential of a property. The site would be where a home or winery is built. The location, setting, views, access and entitlements all contribute to the site value. It is safe to say that there is a great deal of nuance in breaking down the value of a property, but this is a good place to start.

Wine Grape Prices

Last but not least is a list of the 2015 weighted average wine grape prices for popular varietals in Napa and Sonoma Counties. Once again we see Napa Valley Cabernet Sauvignon and Sonoma County Pinot Noir bringing in the highest prices. But, let's not forget that virtually all varietals have a positive trend in price / ton appreciation over the last several years.

2015 Weighted Average Price Per Ton



As summer heats up and our national politicians continue to fill the media with more hot air, remember how lucky we are. Here in wine country, cool evening breezes, a beautiful backdrop and a nice glass of wine will wash away all the nonsense. Don't forget to call if you are looking to sell or have any questions. Have a great Summer!



Sonoma Coast AVA - Quality Craftsmanship
Premium Pinot Noir & Chardonnay - Asking \$4,125,000



Howell Mountain Appellation
Income Producing 32.5 Acre Vineyard
Asking \$6,500,000



Napa Carneros Appellation
Income Producing 113± Acre Vineyard
Asking \$11,370,000



Napa Valley Appellation
109 Acres - Asking \$7,995,000



Sonoma Coast AVA - Occidental
14± Acres - Asking \$2,295,000

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Real Estate Trends and Analysis



Gorgeous Sonoma County Ranch - Petaluma
630± Acres, Fantastic Views, Estate Setting, Vineyard Land & Livestock Potential, Just Over 30 Minutes From San Francisco
\$3,995,000

View Estate Building Site - Napa Valley
Amazing Views, Premium 1 Acre Cabernet Sauvignon Vineyard, Utilities and Well In Place
\$1,695,000