



The DATA of Collectible Car INVESTING

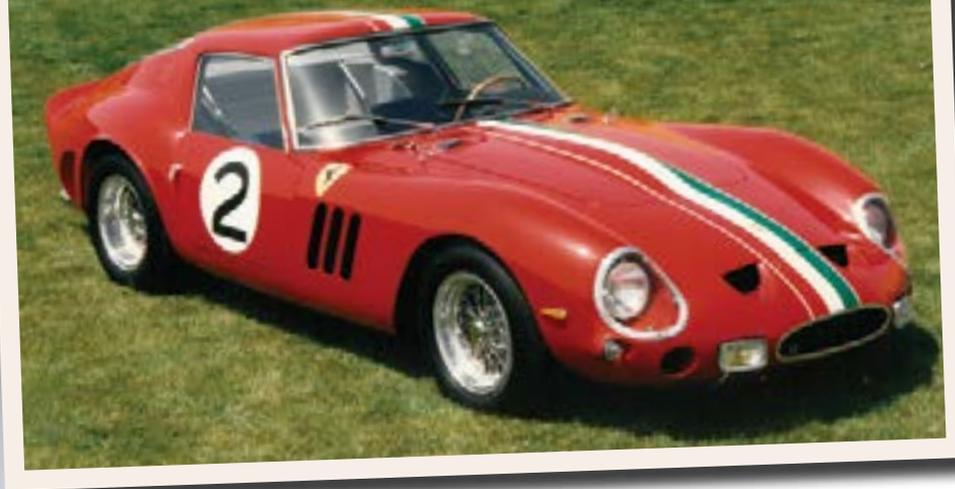
Could cars be more than just something to love?

Recent auction prices have seen collectible cars race into the millions of dollars. The once rare \$1 million auction result is now commonplace, and commonly finding its way into the mainstream investment media. As we have researched and taught for more than a decade, collectibles can play a unique role in investing.

There are famous, and not so famous, wealthy individuals that own cars primarily for their consumptive value: They own them because they get joy out of owning, collecting and caring for the vehicles. This consumptive value is important and a reality that advisers should take into consideration when addressing

proper portfolio and asset allocation for clients. Over and above this consumptive value, we have used our academic work to bring quantitative data to the study of collectible investing by asking and answering the question of what are the facts around collectibles.

A number of forces have converged recently on the collectible car market. Some notable trends are the desire for “real assets.” Central bank activity has made many high-net-worth individuals and families concerned with electronic or paper currencies and, as such, they have had a preference for tangible assets: paintings, property and occasionally cars. Additionally, there is a growing nostalgia for the “golden



| The Ferrari 250 GTO (photo courtesy of Blackhawk Auto Museum)

age” of automobiles among an increasingly aged baby boom generation. Finally, the supply of truly investable cars has begun to shrink, causing the prices to soar. Like any market, the collectible car market has had its ups and downs, but the composite arrow has been a steadily upward trajectory.

BUILDING A CLASSIC CAR INDEX

To gain quantitative insight into this developing market, over a 20-year period from 1998 to 2017 we analyzed data that included more than 36,000 sales by nearly two dozen auction houses that specialize in classic cars. To try to

differentiate “investable” cars, we cut the data off at \$50,000 *minimum* sales price. Any investable car must be in running condition and “road ready” to be in consideration. Over the past two decades, most of the new highs have been experienced very recently, in the past year in fact, showing that the market is indeed, currently, red hot. We must note that our index is made up of only cars that went to auction. This is done so that we can have a verifiable sales price. However, as with any collectible market, the auction is just the tip of the iceberg, with numerous transactions taking place outside of the high fees and watchful eyes of the auction houses.

TEASING OUT RESULTS

Our data indicates that collectible cars, in general, are strong investments. Aside from pull-backs in 2001 and 2009, which were echo pull-backs from the general equity market crashes following the dot-com crash and the global financial crisis, the index has otherwise been positive each year. As we have found in other collectible markets, buying the top quality/brands is the best way to both protect downside and capitalize on the upside. In paintings, it may be Picasso; watches, Patek; violins, Stradivarius — for cars it is clearly Ferrari. Just as there are three principals in real estate investing, it is the case that there are three rules in collectible cars: Ferrari, Ferrari, Ferrari. This is not to say there are not interesting investments in other “A” class cars, such as Porsche, Mercedes-Benz, Bugatti, McLaren and Lamborghini, but Ferrari claims the top spot. Our data indicates that the anecdotal adage you can never pay too much for a Ferrari, you can only pay it too soon, has some truth. Outside of these European classics, the top value manufacturers in the United States are Chevrolet and Ford. These American cars, while lower on average car price, account for the majority of transaction volume, particularly

20 MOST EXPENSIVE CLASSIC CAR AUCTION SALES

| Rank | Car | Vintage | Price in USD | Auctioneer | Location | Date |
|------|---|---------|--------------|---------------|------------------------|-------------------|
| 1 | Ferrari 250 GTO | 1962 | 38,115,000 | Bonhams | Carmel, CA, USA | August 14, 2014 |
| 2 | Ferrari 335 Sport | 1957 | 35,711,359 | Artcurial | Paris, France | February 5, 2016 |
| 3 | Mercedes-Benz W196R | 1954 | 29,600,000 | Bonhams | Goodwood, UK | July 12, 2013 |
| 4 | Ferrari 290 MM | 1956 | 28,050,000 | RM Sotheby's | New York City, NY, USA | December 10, 2015 |
| 5 | Ferrari 275 GTB/4*S N.A.R.T. Spider | 1967 | 27,500,000 | RM Auctions | Monterey, CA, USA | August 17, 2013 |
| 6 | Ferrari 275 GTB/C Speciale | 1964 | 26,400,000 | RM Auctions | Monterey, CA, USA | August 16, 2014 |
| 7 | Aston Martin DBR1 | 1956 | 22,550,000 | RM Sotheby's | Monterey, CA, USA | August 18, 2017 |
| 8 | Jaguar D-Type | 1955 | 21,780,000 | RM Sotheby's | Monterey, CA, USA | August 19, 2016 |
| 9 | Alfa Romeo 8C 2900B Lungo Spider | 1939 | 19,800,000 | RM Sotheby's | Monterey, CA, USA | August 20, 2016 |
| 10 | Ferrari 250 GT SWB California Spider | 1961 | 18,500,000 | Artcurial | Paris, France | February 6, 2015 |
| 11 | Ferrari 375-Plus Spider Competizione | 1954 | 18,400,177 | Bonhams | Goodwood, UK | June 27, 2014 |
| 12 | Ferrari 250 GT California Spider Competizione | 1959 | 18,150,000 | Gooding & Co. | Pebble Beach, CA, USA | August 20, 2016 |
| 13 | Ferrari 250 LM | 1964 | 17,600,000 | RM Auctions | Monterey, CA, USA | August 13, 2015 |
| 14 | Ferrari 250 GT SWB California Spider | 1961 | 17,160,000 | Gooding & Co. | Amelia Island, FL, USA | March 11, 2016 |
| 15 | Ferrari 250 GT SWB California Spider | 1961 | 16,830,000 | Gooding & Co. | Pebble Beach, CA, USA | August 17, 2015 |
| 16 | Ferrari 250 GT SWB Berlinetta Speciale | 1962 | 16,500,000 | Gooding & Co. | Pebble Beach, CA, USA | August 17, 2015 |
| 17 | Ferrari 250 Testa Rossa | 1957 | 16,390,000 | Gooding & Co. | Pebble Beach, CA, USA | August 21, 2011 |
| 18 | McLaren F1 | 1995 | 15,620,000 | Bonhams | Carmel, CA, USA | August 18, 2017 |
| 19 | Ferrari 250 GT SWB California Spider | 1961 | 15,180,000 | Gooding & Co. | Pebble Beach, CA, USA | August 16, 2014 |
| 20 | Ferrari 275 GTB/C | 1966 | 14,520,000 | Gooding & Co. | Pebble Beach, CA, USA | August 18, 2017 |

at U.S. auctions. Ferrari, on the other hand, is only 6 percent of sales volume, but makes up about 22 percent of the index's value.

Outside of manufacturer, there are a few other quantitative indications of value. One of these is vintage. Few cars made after 1990 are of significant value, when they are, it is usually because they are one-off unique concept cars, rather than cars that were actually in production. For example, a McLaren P1, which was the priciest of all new cars when the last of six sold for around \$3.7 million earlier this year, would not rank in the top 100 most expensive cars of all time. Currently, cars in the production decades from 1950–1970 dominate the index. Aside from vintage, provenance is an important part of a car's value. Cars with a racing provenance, particularly European cars, have higher values.

2017 AND THE ROAD AHEAD

Though not ranking in the top 20 of all time, this year saw the sale of the 1970 917k Porsche for a screeching \$14 million, making it the most valuable Porsche ever sold, and by some distance. The prior Porsche record was \$10 million, set in 1982.

The balance of 2017 and into 2018 look set to continue a strong trend of setting new highs in the collectible car market. In part, this is due to the continuing decrease in supply of “investable” cars. More interesting potentially than the upside and the potential to set new highs is the fact that quality seems to suffer in only the most extreme circumstances.

As cars increasingly become meaningful parts of individual and family portfolios, we anticipate there will be the need for continued academic work on the nature of this emerging asset class. In the meantime, buying quality has never gone out of vogue, with “one of those red Italian things” usually doing the trick. To quote a fellow Ferrari aficionado, “If you have the means, we highly recommend you pick one up.” ■

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TOP 10 MAKES BY NUMBER OF SALES 1998–AUG. 2017



CLASSIC CARS 1998 THROUGH AUGUST 2017

