

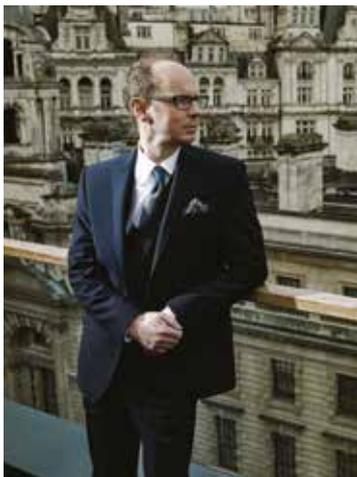
# CLASSIC CAR SPECIAL.

Luxury Investment Index Q1 2016



# Quality takes centre stage as luxury markets let off steam

*Classic cars set new records at auction, but buyers are becoming more discerning*



*Of the 10 asset classes we include in the Knight Luxury Investment Index (KFLII), classic cars arguably capture the imagination more than anything else. Not only has their performance in terms of price over the past decade been staggering, but the thrill of owning such visceral and often historic vehicles is hard to beat.*

*I'm therefore delighted that this edition of KFLII focuses on these amazing machines, including a host of fascinating facts and figures from our data partner HAGI. I hope you enjoy reading it as much as I did writing and researching it.*

**ANDREW SHIRLEY**  
The Wealth Report Editor

Classic cars were once again the top performing luxury asset on an annual basis (see graphic page 3), according to the latest figures from the Knight Frank Luxury Investment Index (KFLII).

While the overall value of KFLII increased by just 5% in the 12 months to the end of March 2016 – the lowest annual increase since the first quarter of 2010 – cars outperformed with a 17% surge.

Fine wine saw the second strongest growth, up 9%, with rare coins in third position, rising 6%.

The Bordeaux market is bouncing back strongly after falling sharply between 2012 and 2014, while north Italian wines are continuing to enjoy annual double-digit growth, explains Nick Martin of Wine Owners, which compiles the Knight Frank Fine Wine Icons Index.

Coins remain in strong demand as an investment asset, says Keith Heddle of Stanley Gibbons. A rare 1933 Pattern Penny smashed the world auction record for a copper or bronze coin when it went under the hammer with Baldwins for £72,000 in May, while a 1839 Queen Victoria proof set sold for £504,000, double the previous record, last September.

Art and furniture were the biggest losers, dropping by 5% and 6%, respectively. “We are seeing a natural correction, the rates of growth weren’t sustainable,” says Viola Raikhel-Bolot of art advisor 1858 Ltd. “However, stellar prices are still being paid for really important works of art fresh to the market,” she adds.

Recent figures suggest that the classic car market has also decelerated over the shorter term, despite 2016 seeing the highest price, in sterling and euro terms, ever achieved by a car sold at auction.

Since the beginning of the year, the HAGI Top Index, which tracks the value of 50 of the world’s most desirable motor cars, has risen by just 1%. “May was the first month ever when the index didn’t move at all,” says HAGI founder Dietrich Hatlapa. “The market has been treading water since the end of 2015,” he adds.

But Mr Hatlapa says talk of “bursting bubbles” is premature. “This is more about a market that has gone quiet. Good cars are still selling very well, but buyers are in less of a hurry – the perception is that they now have time to track down what they want via a dealer rather than getting into a bidding war at an auction.”

This is evidenced by some recent relatively lacklustre auctions in the UK and Monaco where many cars remained unsold after failing to meet their low estimates.

James Knight, Group Motoring Director at auctioneer Bonhams, says he is not surprised: “A year or so ago, I said the market was letting off steam for motor cars that had become very fashionable to acquire, but could be bought every weekend of the year.

“We still have many collectors wanting to buy these examples, but they naturally want to feel they’re paying a fair market price. They will find new homes if they’re priced accordingly - perhaps down 20% from the highs of a couple of years ago. Only ‘best-in-class’ examples will knock on the door of the previous high levels.”

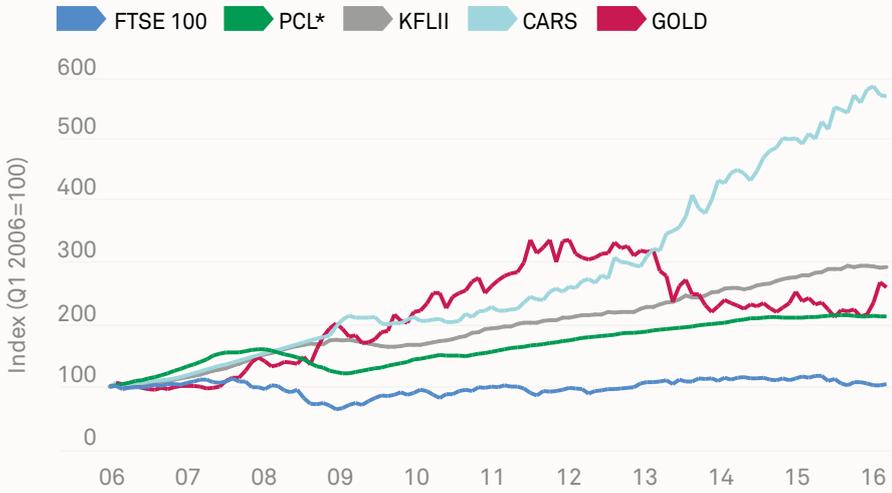
Mr Knight says there was interest from 12 bidders willing to pay over £3m for a Jaguar C-Type in original condition that he auctioned in Monaco in May 2016. The car sold for £5.75m.

However, the standout sale of the year has to be our cover star, a gorgeous 1957 Ferrari 335 S Scaglietti, which fetched €32.1m (£24.7m) when it was sold in Paris by Artcurial at the Retromobile Salon 2016 event this February.

Mr Hatlapa says the car’s virtues explain why Ferraris dominate the rankings of that rarefied group of cars – only about 60 in total – that have sold for over the equivalent of £5m (see graphic on page 4). “Ferrari produced hand-made cars in very small series that always had a strong competition pedigree.”

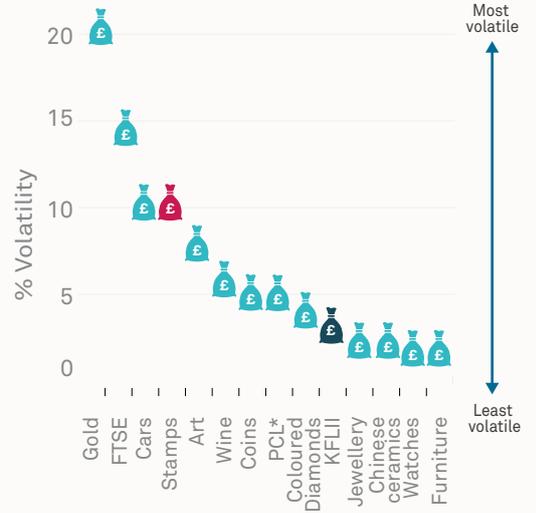
But you don’t need a big cat or prancing stallion on the bonnet to achieve eye-watering prices. At the same Artcurial sale, a rare Citroen 2 CV Sahara fetched almost €192,000, way over its high estimate of €90,000.

**KFLII performance versus other asset classes (to Q1 2016)**



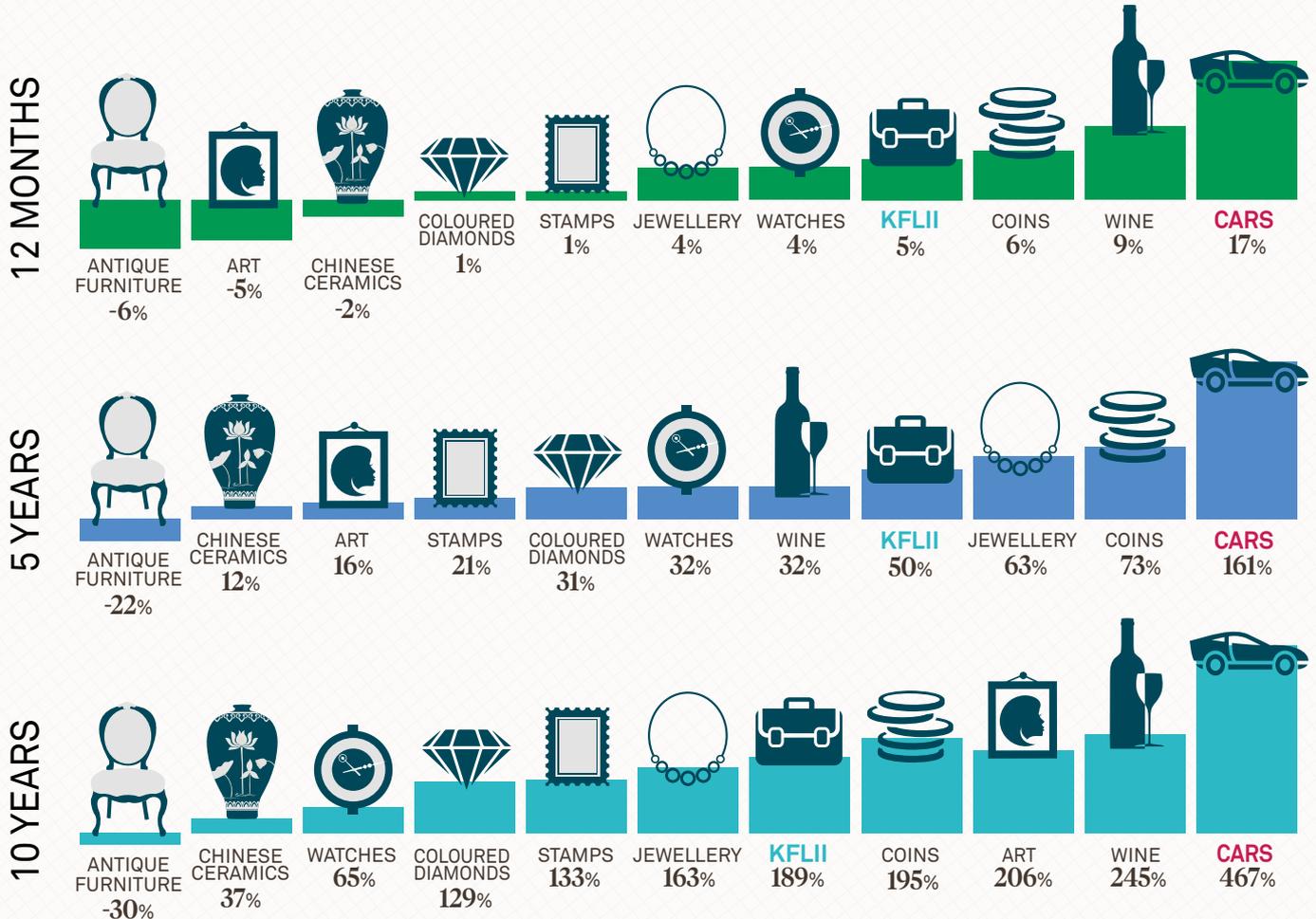
\*Knight Frank Prime Central London Residential Index  
Source: Knight Frank Research

**10-year asset price volatility**



Based on annual price points  
Source: Knight Frank Research

**KFLII performance by asset class (to Q1 2016\*)**



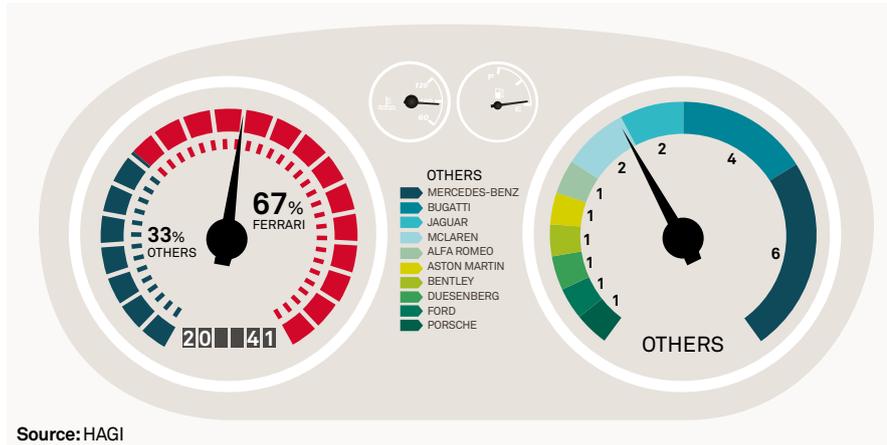
\*Except data for stamps and coins, which is updated annually. Coloured diamond data bi-annual until Q2 2014.  
Source: See back page for details of data suppliers

# Under the bonnet

With the help of HAGI we look at the nuts and bolts of the classic car market

## Top marques

Number of cars sold at auction for over £5m (all time)



## Podium finish

Annual price change by marque (12 months to May 2016)



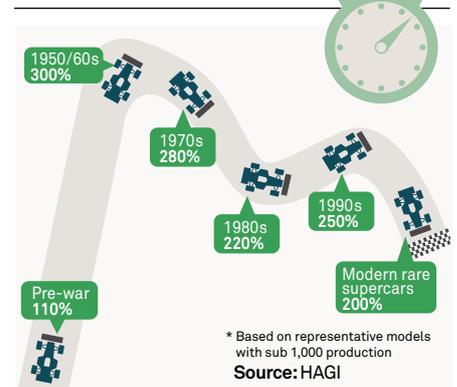
## Chequered flag

Best selling model sold at auction from 10 of the key collectors' marques\*



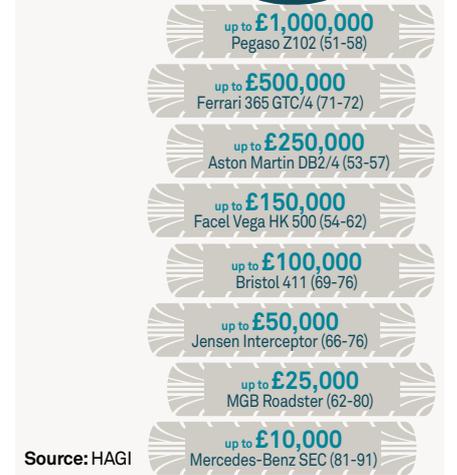
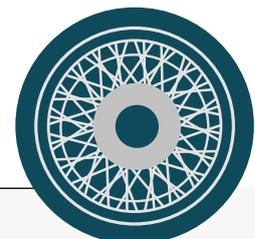
## Endurance race

Five-year price change by era\*



## Buyers guide

Affordable/overlooked classics by price bracket



\*Prices converted to sterling at exchange rate prevailing at time of sale

# Driving passion

*Record-breaking auctions may dominate the classic car headlines, but you don't need to spend millions to build a collection, as entrepreneur and enthusiast Sean Nutley explains to Andrew Shirley*



Classic cars with investment potential come in all shapes and sizes, says collector Sean Nutley  
Cars from left to right: 1982 Jaguar XJS Coupe 5.3 V12, 1982 Series 3 88" Land Rover Station Wagon, 1971 Lancia Fulvia Saloon 1.3S

## Andrew Shirley What inspired you to start collecting classic cars?

**Sean Nutley** Cars are in my blood. My dad is a coachbuilder who when I was younger used to hand build new panels for classic cars like Aston Martins that needed repairing – with my brothers I'd spend hours watching him in his workshop. That was where the love affair began, but it really blossomed around 10 years ago. Having just sold a company and bought a modern Jaguar XKR, I walked into the Essex showroom of JD Classics near where I live. I was simply spellbound by the cars, they were just gorgeous and the level of restoration was amazing.

## AS What cars do you have in your own collection?

**SN** I've owned all sorts, quite a few of which I've sold. I had a Mark 2 Jaguar, an E-Type Roadster and a gorgeous 1954 Jaguar XK120, which for a time was the world's fastest production car with a top speed of over 140 mph. I've got a Rolls Royce 1976 Silver Shadow 1 and have just bought two Series 3 Land Rovers. But my favourite is a Jaguar XJ12 I bought from JD Classics – the previous owner had spent £150,000 restoring it and it looks stunning.

## AS Is there anything you regret buying?

**SN** Not really. I even managed to make a profit on a Renault 4 I bought after a

drunken karaoke session in France. My biggest regret is actually not buying something. I almost bought an Aston Martin DB4 for £90,000 in 2007 – it's one of my favourite cars, in my mind even better than the DB5 – but my accountant told me not to invest in classic cars. That same DB4 is worth over £300,000 today.

## AS Do you have a classic car driving experience that stands out as being really special?

**SN** It has to be when I took my dad out in the XK120 after I'd just bought it. We belted it up the A12 and he was grinning from ear to ear. Like many of his generation he wasn't an emotional man, but later I found out he'd told a friend that it was the best experience of his life. It was a car he'd have loved to own when he was younger and I think that explains the motivation for a lot of collectors – owning something they fell in love with when they were growing up.

## AS What would be your advice to anybody thinking of investing in a classic car – should they even be viewed as investments?

**SN** I've definitely made money from buying and selling cars, and have been lucky enough to turn my hobby into a bit of a business. Cars also add diversity to an investment portfolio, but that's not the reason I've done it. I collect

cars because I love them. Definitely do some research and cherry pick cars that you think are undervalued or about to become more popular, but always buy something that you want to drive and that will make you happy. I wouldn't spend money I couldn't afford to lose or rely on any increase in value to fund my pension.

## AS Which cars of more recent times do you think are going to turn into the classics of the future?

**SN** I think the Ferrari 348 is a hidden gem and the Jaguar XJ 220 should be up there with the Ferrari F40. The Ford GT (a reboot of the iconic Le Mans winning GT40 built between 2004 and 2006) will also continue to rise in value. But you don't need to buy a supercar – Jaguars and Mercedes from the late 1980s to early 1990s are in demand and the value of Lancia Delta Integrales is shooting up. Anything with some kind of heritage like VW Camper Vans, or any Italian car built in the 1970s and still in one piece has got to be worth buying. I would also look at early series Land Rovers now they have stopped making the Defender.

**Sean Nutley is CEO of Lumina Prime 8**  
[www.luminaprime8.co.uk](http://www.luminaprime8.co.uk)



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# Data digest

**The Knight Frank Luxury Investment Index (KFLII)** tracks the performance of a theoretical basket of selected collectable asset classes using existing third-party indices (see below). Each asset class is weighted to reflect its relative importance and value within the basket. The third-party indices selected are widely used by the media and analysts to track the performance of each asset class, but Knight Frank can take no responsibility for their accuracy or independence and methodological differences may affect like-for-like comparisons. The index does not take into account any dealing, storage or management costs. Methodological differences could impact like-for-like comparisons.

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## INDEX SOURCES

<b>Art</b>	AMRD
<b>Chinese ceramics</b>	AMRD
<b>Antique furniture</b>	AMRD
<b>Jewellery</b>	AMRD
<b>Watches</b>	AMRD
<b>Wine</b>	Wine Owners
<b>Classic cars</b>	Historic Automobile Group International (HAGI)
<b>Stamps</b>	Stanley Gibbons
<b>Coins</b>	Stanley Gibbons
<b>Coloured diamonds</b>	Fancy Color Research Foundation

Please contact [andrew.shirley@knightfrank.com](mailto:andrew.shirley@knightfrank.com) for more details of each index

## The Knight Frank Luxury Investment Index

	Index change	12-month change	Five-year change	10-year change
Mar-06	100			
Sep-06	105			
Mar-07	115	15%		
Sep-07	129	23%		
Mar-08	151	32%		
Sep-08	166	28%		
Mar-09	173	15%		
Sep-09	164	-2%		
Mar-10	166	-4%		
Sep-10	178	9%		
Mar-11	193	16%	93%	
Sep-11	201	13%	92%	
Mar-12	211	10%	85%	
Sep-12	217	8%	68%	
Mar-13	226	7%	50%	
Sep-13	241	11%	45%	
Mar-14	256	13%	48%	
Sep-14	263	9%	61%	
Mar-15	276	8%	66%	
Sep-15	291	10%	63%	
Mar-16	289	5%	50%	189%

Front cover: A 1957 Ferrari 335 Sport Scaglietti from the Pierre Bardinon collection. Auctioned by Artcurial Motor Cars in February 2016 for €32.1m ©Artcurial Photographe Christian Martin

## Contacts and acknowledgements

HAGI [www.historicautogroup.com](http://www.historicautogroup.com); Stanley Gibbons [www.stanleygibbons.com](http://www.stanleygibbons.com); Wine Owners [www.wineowners.com](http://www.wineowners.com); Fancy Color Research Foundation: [www.fcresearch.org](http://www.fcresearch.org); AMRD [www.artmarketresearch.com](http://www.artmarketresearch.com). AMRD also tracks the price movement of: sculpture, silver, porcelain, toys, carpets, clocks, photography, prints and many other collectibles.

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**The Wealth Report 2016**

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