

STORY MARK HAYBITTLE

# New kids on the block

Values are soaring with Japanese models joining their European counterparts as an alternative investment

**T**here is one asset class that has always grown steadily, without ever falling, over the past 20 years – classic cars. *Money* looked at classic and modern cars in September last year and at the time pointed out that of the various “mainstream” investments available, nothing has anywhere near the returns and security of classic cars.

In that article we discussed a number of cars, including the Porsche 930 Turbo and Porsche 944. We mentioned then that in July 2015 there were eight Porsche 930 Turbos on carsales.com.au for an average of \$90,000 each. Now the average price is \$340,700 just over 24 months later, with one example currently listed at almost \$360,000. Porsche 944s have performed similarly, with

29 cars for sale in February 2016 for an average price of \$27,480, whereas the average price now is \$44,220, with one listed for \$125,000.

Another good example is the Jaguar XJS convertible, which we were purchasing in abundance earlier last year for an average of \$13,400. The cars are now selling on Carsales and other platforms for between \$45,000 and \$80,000.

While there are those that would say “this cannot last” or “these are only isolated examples”, we have been doing this for many years, and have never seen a drop in prices, nor have we ever seen a decline in the supply of new makes and models set to become the next boom cars. There are currently 52 such cars, including a fair number of Japanese models. In fact, at a recent Shannons auction in Melbourne a 1979

Mazda RX7 sold for \$55,000. One of the more outstanding examples of recent times has been the Nissan GTR R34 V-Spec II, which has now hit \$200,000, coming from an average base of just \$67,820 six months ago and \$97,460 three months ago. These cars are selling very fast now, with an average profit of \$122,000 over four months.

Now that the heat seems to be going out of property, where are savvy investors going next? Bank deposits still yield just 1.5%-2.5% and the stockmarket, at the same old 6%-8%, fails to excite. We continue to withdraw our funds from property and increase our position in classic cars, given that the worst that ever happens to this asset class is that it occasionally plateaus. This has indeed been the case in Europe for classic cars built between the 1940s and the 1960s,



JAGUAR XJS CONVERTIBLE

AVERAGE JULY 2016 PRICE  
**\$16,400**     AVERAGE JULY 2017 PRICE  
**\$49,900**



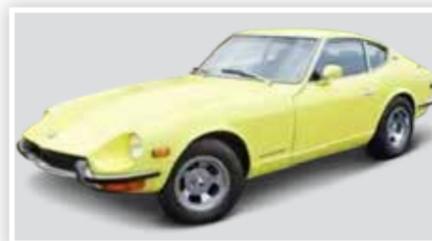
PORSCHE 930 TURBO

AVERAGE JULY 2016 PRICE  
**\$261,400**     AVERAGE JULY 2017 PRICE  
**\$340,700**



PORSCHE 944

AVERAGE JULY 2016 PRICE  
**\$27,480**     AVERAGE JULY 2017 PRICE  
**\$44,220**



DATSUN 240Z

AVERAGE JULY 2016 PRICE  
**\$42,000**     AVERAGE JULY 2017 PRICE  
**\$98,000**



LOTUS ESPRIT

AVERAGE JULY 2016 PRICE  
**\$32,000**     AVERAGE JULY 2017 PRICE  
**\$68,300**



NISSAN GTR R34 V-SPEC II

AVERAGE JULY 2016 PRICE  
**\$61,300**     AVERAGE JULY 2017 PRICE  
**\$200,000**

and this is primarily because the people who desire these cars are now passing away.

The new modern classics are still seeing strong growth, as they are the new kids on the block. In Australia we always play catch-up in this market, and so we have a long way to go before any plateauing occurs.

The real risers in Australia over the past 12 months have been Jaguar XJS convertibles, Porsche 930 Turbos, Porsche 944s, Datsun 240Zs and Lotus Esprits, most of which have at least doubled in value. We would have originally said that these cars were at the end of their growth cycle but they all rose by an average of 11.6% in July/August, so clearly demand is continuing. (See graphic for price details.)

There are many more makes and models that have seen meteoric growth in Australia during the past 12 months, and many of these cars come from the modern classic Japanese sector. A good example is the 1971-74 Mazda RX2, some of which are now selling for up to \$120,000. There are many more Japanese cars that our collector contacts are screaming out for. The usual rules of scarcity are starting to apply just as strongly to Japanese cars as they have always done to their European counterparts.

The US market is currently doing what it has typically done, and is rising and falling with sentiment, as does the marketplace for Australian muscle cars such as Ford Falcon GTHOs and early Holden Monaros. Because both of these groups of vehicles appeal to only a given percentage of the population (in Australia's case, a percentage of 22 million people), they will always rise and fall depending on how those people feel about their wealth. These cars are clearly not wise investments, unless one can time the purchase and resale to perfection. It is much easier to make large

returns in a more consolidated, established market. One just needs to know how, where and why to purchase these great cars.

As has always been the case with classic and modern classic cars, specialist knowledge is required to make this asset class work effectively, which has been fine in our case, as we grew up with all these cars and have built them, raced them, bought them and sold them as they have risen in value. As an investment, classic cars have now stood the test of time, and are fast becoming the most popular alternative investment, especially in Europe where there are 39 mainstream TV shows on the subject and nine weekly magazines. The latest magazine from Bauer Media, the publisher of *Money*, is *Modern Classics*, which specialises in 1980s and 1990s cars. This is an exciting, top-quality magazine.

The classic and modern classic car market has a long way to go in Australia, as we are only two to three years into a major move towards alternative investments. Interest rates have been low for a long time but we are approaching the time when they will have to rise, as they already have in the US. When rates rise in Australia, there are warnings that about 35% of homeowners will not be able to service their debt, and when that happens house prices will drop significantly. This scenario is just simple mathematics. Fortunately, almost all classic car owners own all of their property outright, and have no debt on any of their cars. Any setback in the property market will not affect them and prices of classic cars will, if anything, rise more. We can always build new houses or apartments but none of these cars will ever be built again. **M**

Mark Haybittle is co-founder of SupercarSecrets, with Shirley Edwards-Langford. They help people purchase classic cars with potential for growth. [supercarsecrets.com.au](http://supercarsecrets.com.au).

