

Classic cars hit top gear as alternative investments

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Jay McCormack with an Aston Martin DB5 — James Bond's favourite, now worth \$1.75m — in the Classic Throttle Shop in Sydney. Picture: Adam Yip

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Classic car sales are on the rise locally as luxury consumption habits increase and wealthy buyers look to alternative asset classes to store their wealth.

Specialist dealers are reporting booming demand for classic and vintage cars, with some shops reporting year-on-year turnover growth of 30 per cent during the past five years.

“I can’t keep up at the moment,” Prestige and Classic Cars director Adam Thomas tells *The Weekend Australian*.

“Demand has been rising for a while, but it’s only in the past year or so that people have realised just how much prices have risen. It’s become a real investment and going up in value when things like shares aren’t.”

Classic cars around the world are fetching eye-watering prices, including a Jaguar C-Type Works Lightweight from 1953, which sold for \$US13.2 million (\$17.1m) in Monterey, California in August last year. Local collectors are also experiencing an uplift in values.

Members of Australia’s Ferrari Club have experienced capital growth of more than 300 per cent in five years on some cars, including an early Ferrari 208 GTB, which retailed for around \$70,000 five years ago, and is now enjoying valuations of more than \$300,000. Other cars marques are posting the same sweltering gains. E-Type Jaguar Series 1s from 1961 to 1966 have doubled their value in the past five years, according to Shannons auction manager Chris Boribon, while Porsche 911s and 356s from the 1960s to the 1980s have also performed well. Cars in Porsche’s 911 range from the mid-1960s to the early 1970s are now fetching as much as \$300,000 each. Modern supercars from the 1970s and 1980s, including the Lamborghini Countach and the Ferrari F40, are also in vogue.

The superior gains are prompting more investors to turn to the asset class at a time when share growth is minimal and bond rates have flattened, dealers say.

Sydney’s Classic Throttle Shop has recorded turnover growth of about 30 per cent every year for the past five years as demand for classic cars continues to grow, according to dealer Simon Baxter, who is currently shopping an F40 Ferrari from 1989 valued at \$2m and an Aston Martin DB5 — James Bond’s car of choice — with a price tag of \$1.75m, and a capital gain of nearly 100 per cent in the past five years.

Customers are motoring enthusiasts, but the ability to purchase classic cars that are more than 30 years old — classified as “antique vehicles” — without having to pay stamp duty or capital gains tax also makes the vehicles a particularly attractive investment, he says.

“You’ll find yourself paying capital gains tax on shares and other investments, but not with these,” Baxter says. “And there’s a scarcity value in them too. You’ll never know how much gold there is in the world, but with some of these cars, you know for a fact that only 50 of them have ever been made.”

Owners respond that they would buy the cars anyway, but the better than expected financial performance is helping them justify spending more on higher priced cars, or making more purchases than they would have if prices weren't rising.

"I don't see people becoming car enthusiasts on the basis of the capital gains potential, but it definitely makes it easier to justify the purchase of a car," says Ferrari Club president Michael Rensch. "Owners in the club generally bought them because they were interested in cars, and they happened to go up in price."

Member numbers are booming. The Ferrari Club nationally now boasts more than 1200 members, a 25 per cent increase within five years. This comes after two decades of sluggish growth and the addition of just 150 new members between 2000 to 2010, to 800.

Luxury markets around the world are experiencing a renewed wave of investment, boosting sales of prestige property, rare coins, Chinese ceramics and other tangible, luxury goods.

"Around the world, ultra-high- net-worth individuals are very much spending, and I think the magnitude they're doing it in has actually come as some surprise," Knight Frank global residential head Andrew Hay says.

The rising tide of spending is lifting values in many markets, but the prices achieved in the classic car sector are the biggest surprise.

The value of classic car transactions have spiked 17 per cent in the past year and outperformed every other luxury category in the world, according to the Knight Frank Wealth Report. Rare watch sales have grown 5 per cent, rare coins 13 per cent, fine art sales 4 per cent and wine 5 per cent.

"Despite ongoing difficult economic conditions in many emerging markets, the appetite of wealthy collectors hasn't diminished," Knight Frank researchers write. "If anything, during periods of economic uncertainty, many wealthy individuals look for tangible investments which will appreciate in value."