

CLASSIC DRIVER

Investment trend: Are classic cars overtaking art?

Lead

Since the financial crash of 2008, investors worldwide have been looking for an alternative to equities. Art was high on the list, as it offers such huge potential for profit – but now classic cars could overtake the art market in the race for the best returns...

More and more people are interested in the investment potential of classic models of Ferrari, Mercedes-Benz, Porsche and other historic cars.

Even though the Ferrari 250 GTO, recently auctioned by Bonhams during the week of the Pebble Beach Concours d'Elegance, didn't reach the sums speculated but instead sold for 'only' 38 million dollars, the growth trend in the classic car market has certainly not lost momentum. On the contrary, more and more people are interested in the investment potential of classic models of Ferrari, Mercedes-Benz, Porsche and other historic cars. At Pebble Beach alone, RM Auctions, Bonhams and Gooding sold automobiles worth some 400 million dollars in just a few days: a record result that again serves to attract new investors.

Classic cars at an all-time high



The situation has even been confirmed by the renowned art site Artnet: an article with the telling title of 'Vintage Cars Overtake Art on Luxury Asset Racetrack' is based on two growth studies – the Knight Frank Luxury Investment Index (KFLII) and the Top 50 index of the Historic Automotive Group International (HAGI). Both demonstrate that the value of the best classic cars has experienced a major growth spurt in recent years. Between 2002 and 2012, cars outpaced not only art, but also the 400 per cent growth in gold prices – and the classic car market has now reached an all-time high, with (according to KFLII) 500 per cent growth over the last 10 years. And as Artnet reports, the HAGI index "shows that the market for collectible cars has risen steadily to over two-and-a-half times its 2008 level, surpassing the MSCI World Index (which tracks global equity)."

Ferrari inflation at 33.6 per cent



By comparison, Artnet's own index of the art market, the 'Contemporary 50', shows that art peaked in 2013 and is currently declining... once again suggesting that automobiles are a better investment. In particular, says Artnet, top-end Ferraris have benefited from low interest rates, with an average 33.6 per cent price increase in the last year alone. What's more, 9 out of 10 of the most expensive cars sold at Pebble Beach came from Maranello – and 9 out of the 10 most expensive cars ever sold at auction (see gallery), wear the Ferrari badge. Does this mean the time has come to sell off your Jackson Pollock, Willem de Kooning and Gerhard Richter, and invest the resulting millions in classic Ferraris? Of course, reality is far more complex than can be shown by a simple growth curve – and when it comes to exactly which model of automobile makes a good investment, the answer is subject to a great many factors. What we can say for certain, however, is that if you invest in the right classics, you can have a great deal of fun as well as (potentially) earning a great deal of money.

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