

BUSINESS & FINANCE

Tough Times for Fast Cars

Global jitters have put the brakes on prices of classic autos from Ferraris to Gullwings

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Sluggish growth has finally caught up with the market for fast cars.

After rising 490% in the past decade, the price of classic Ferraris, Mustangs and other hot wheels fell in the first three months of 2016, taking some of the zip out of what had been the best-performing market for luxury collectibles.

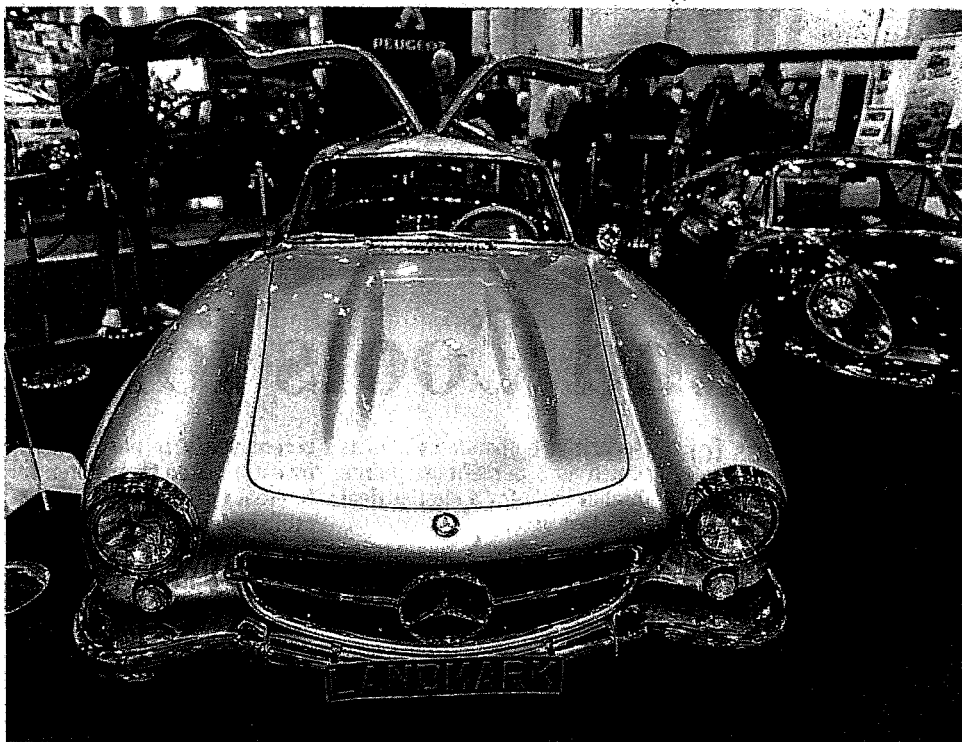
The slowdown, according to insurer Hagerty Group LLC, included a decline in February that was the largest monthly drop in seven years. Hagerty's index reflects 66,000 transactions, ranging from a 1956 Ferrari 290 that sold for more than \$28 million in December to a 1966 Ford Mustang convertible that changed hands for a more modest \$54—total—last May.

"Right now, there's a focus on global markets, and you're seeing that filter through to the classic-car market," said Brian Rabold, vice president of valuation services at Hagerty.

Luxury goods, from fine art to high-end housing in London and New York, haven't been spared as investors fret about slowing global economic growth, the collapse in oil prices and volatile stock markets.

Until the recent dip, classic cars had stood out among luxury collectibles. Price gains over the past decade led the Knight Frank's Luxury Performance Index, which includes jewelry, wine and coins. Wine values, the runner-up, rose 241% in the decade, the index shows. The Knight Frank index is up 200% in the past 10 years.

Trillions of dollars of central-bank stimulus measures and ultralow borrowing costs has raised wealthy investors'



The Mercedes-Benz 300SL Gullwing is viewed as a bellwether for the classic-car industry.

interest in hard assets.

Take the Mercedes-Benz 300SL Gullwing, viewed as a bellwether for the industry. Its sleek design includes doors that open upward over the roof. In 2006, the price of a 1956 Gullwing in mint condition was \$525,000, according to Hagerty data. In January 2015, the price had hit \$1.9 million.

"The economy has worked in favor of this type of asset class," said Peter Wallman, car specialist at auction firm RM Sotheby's.

Until now. This January, a 1956 Gullwing was valued at \$1.65 million, Hagerty data show.

Classic cars are typically automobiles from manufacturers like Rolls Royce, Bugatti and Jaguar built in decades on either side of World War II. They don't have to be old. In Hagerty's index, vintages range from 1897 to a 2017 car with a serial number of 1.

Classic cars' values can be driven higher by models with a limited production run, as well as whether a car won

famed races or was owned by a celebrity known for their taste in cars, for instance Steve McQueen. Experts also said that a car that has undergone major refurbishment to include new, nonoriginal parts can dent values.

Trading historically has been dominated by enthusiasts, who tended to be men in their 50s or 60s from countries with long motoring traditions like the U.S., Germany, Italy, France and the U.K., Mr. Wallman said. The fast rise in prices over the past decade has pulled in the nonfanatics, he said.

A 2007 Pagani Zonda F Coupe Clubsport RHD has been sitting in the showroom of U.K. car dealer SuperVettura Sunningdale, west of London, since 2008. In that time, the car has had three owners, all of whom opted to immediately put it back up for sale in the showroom, said Paul Burrows, director at the firm.

The Zonda F is on sale for £1.75 million (\$2.48 million), up from £750,000 in 2008, he said. Its English owner specifi-

cally bought it for investment in 2014 for about £1.2 million, Mr. Burrows said. He expects the value to continue to rise due to the fact that only 25 such coupes were ever produced.

Andrew Shirley, editor of the Wealth Report at property broker Knight Frank, said wealthy investors have been thinking twice about collectibles like fine art, stamps and Chinese ceramics.

"People who want to collect are still spending bucketloads," he said. "But if you dig below some standout sales, at quite a lot of auctions you find lots that don't get sold or make their reserve," referring to the minimum bid.

The classic-car market has crashed before. A bubble that inflated during the 1980s popped during a financial crisis in the early 1990s, when central banks quickly increased interest rates.

At the moment, observers aren't predicting a crash, citing support from low interest rates and the bulging numbers of the superrich.

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