



Time to Buy, Sell, or Hold?

It's been nearly 25 years since we've seen prices like this in the sports and exotic market. As nearly everyone knows by now, RM came within just \$500,000 of setting the record for the most expensive car ever to sell at auction at their Maranello sale, where the 330 TRI/LM, s/n 0808, brought \$9,281,250. It is our cover car this month, and ably profiled by Steve Ahlgrim inside this issue.

The previous high sale, long ago in 1987, was of a Bugatti Royale that brought \$9,800,000. There is no doubt this price will be topped in the next few months—all it will take is the right lot coming to open market.

The strength in values is consistent across the board for cars that embody the characteristics of a collectible: rarity, beauty, historical significance, and provenance.

But unlike 1991, when garden-variety Ferraris like 328s and Testarossas were being snapped up for multiples of their MSRPs, collectors today are buying smart. New Ferraris of all stripes are depreciating like stones, while vintage cars are skyrocketing.

This is as it should be.

There are various schools of thought as to why the market is doing so well, but the one constant among them, and what sets 2007 apart from 1991, is that there is simply more money chasing the same number of collectible cars. This new money is coming from successful businessmen in countries with emerging economies, including Russia, China, and India. At the same time, the Euro continues to be very strong, making sales in America a bargain for Europeans.

Muscle, Anyone?

The muscle car market has continued to percolate along, with top cars like documented big-block Corvettes, bringing six-figure results as regularly as a clock chimes. At the same time, as we predicted earlier this year, clones and those odd ducks known as resto-rods and resto-mods have hit the wall.

Just as buyers of sports and exotics have gotten smarter over the years, and are demanding “real cars” when they are putting up real money, muscle car collectors have had a collective “wake up and smell the Hemi” moment. Especially with American cars, which are so easily cloned from base models into imitations of limited-production exotic ones, having bulletproof paperwork that shows beyond a doubt that a car is what it claims to be is critically important to value.

Ferrari hasn't let this need for documentation go unnoticed. In a very shrewd move in terms of protecting brand heritage, Ferrari's founding of the Ferrari Classiche Program has let them have a large degree of control over the presentation of their past product.

According to those who attended the RM sale in Maranello, there was no greater assurance of correctness and history than having a Ferrari-produced Certificate of Authenticity. Further, the ability and willingness of the factory to cast properly-numbered replacement blocks (for a hefty price, of course) means those rare Ferraris that have been languishing value-wise because of incorrect engines can now be made whole, with the blessing of the factory.

For American cars, we have Galen Govier for Mopars, and the Marti Report for Fords, as well as NCRS and Bloomington Gold for Corvettes. As an aside, wouldn't it be interesting if the manufacturers themselves decided their heritage was worth protecting, and developed a factory certification program for Ford, GM, and Chrysler? If SCM had the choice between a factory-recast block, provided with official documentation, for

our 1963 Sting Ray, as opposed to a slightly shady “restoration restamp,” there's no question which path we would take.

Looking Forward

During the next six months, we predict that blue chip muscle will give up a little of its strength, perhaps 10%, but with continued demand for top-rated, documented cars. Lesser cars and fakes, which are already proving to be a difficult sale, will become even tougher to find buyers for.

Part of the reason for this market adjustment is there is simply no overseas interest in American muscle; while the continued growth in global wealth may increase pressure on European exotics, it has no discernible effect on American cars.

As for Ferraris and the like, we don't believe we've seen the end of the price gains. There is simply too much demand for too few cars. Even at the very bottom of the 12-cylinder food chain, the relatively primitive 250 GTE, a \$60,000 car in restored condition for the past twenty years, has now become a \$160,000 car in the U.S., and the \$200,000 that one made in Maranello didn't surprise.

At the same time, as our own Mike Sheehan writes in this issue, 456 GTs have fallen to \$75,000, and show no signs of being caught up in the price surge of the older cars. Buyers are simply too savvy today to be fooled into thinking anything modern, built serially, has any hope of going up in value.

Should You Buy or Sell?

So is it a time to buy or sell? Assuming you are not a dealer (and if you are, you are buying and selling all the time, and making your money by timing the market correctly), it all comes down to what else you would do with the money, or the car.

In general, no one buying a \$3 million Ferrari SWB needs to finance it; cash deals are the norm. Which means that whether the \$3 million car goes to \$6 million or drops to \$1 million, it's won't significantly affect the net worth of the new owner. Furthermore, the upward pressure on the market for blue-chip collectibles is not going to ease up in the next few years. There is simply too much new wealth being created around the world, and this new wealth is chasing the symbols of accomplishment and stature, as the freshly-minted rich so often do.

So if you can afford a top-quality exotic, and if you want one and entrée to the events and camaraderie that go with it, go ahead and buy it. After all, it's easier to write the check to put a \$35m private jet in your hangar than it is to get invited to the next 250 GTO reunion.

For the seller, it can be a different proposition. While there are fewer long-term owners of exotics every day, nonetheless from time to time we do come across enthusiasts who paid \$25,000 for their 275 GTB/4 many years ago. Getting \$1m might change their lives. In that case, I wouldn't try to outguess the market, but would sell the car in the near future.

Further, capital gains taxes are unlikely to remain at their current historically low rates forever, meaning a seller can keep more of his newfound booty in his pocket.

Finally, in 1991, I watched numerous arrogant owners of Ferraris (and Astons) decide they were going to wring every last penny out of their suddenly-valuable steeds, and when the market collapsed quickly, they were left with cars instead of money, and all of their greedily-made plans went up in smoke. If selling your long-held car will let you move on to do other things with your life, then now is the time to act. ♦



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