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How to . . . invest in classic cars

By Lucy Warwick-Ching



James Bond's classic Aston Martin DB5, from the film 'Goldfinger'

Nigel Thorley was brought up with Jaguars. His father's cars included a Jaguar SS and Jaguar Marks VII, IX and X and he has owned over 60 Jaguars and Daimlers, himself, beginning with a Mark II at the age of 17. He is currently running a modern XJ8 and a 1958 Mark VIII.

Thorley, editor of Jaguar Enthusiast magazine, is one of a growing number of classic car enthusiasts in the UK – buying both out of love for the cars but also as an investment. Vintage car prices rose 395 per cent in the 10 years to the end of 2012, beating gold coins, stamps, fine art and fine wine, according to Knight Frank's Luxury index. Last year alone the classic car market rose 23 per cent.

"Classic cars are proving to be one of the most lucrative and robust investments around, providing the right marque and model is chosen," says Gary Axon, Goodwood Motorsport spokesman.

"Over the past three to four years, values for older classic motor cars at auction or in dealer and private sales have bucked the global recession, proving as prudent an investment as the other two current leading recession-proof commodities, fine art and vintage wine."

Do your research

The classic car market has been a difficult one to invest in, however. For years it defied attempts to track its movements because, unlike wine, gold or other traded commodities, there was no independent guide to broader trends. So, in 2007, banker Dietrich Hatlapa took his love of classic cars a step further and created the first authoritative independent index, along with the Historic Automobile Group International research organisation to support it.

The appeal of Astons

The final Aston Martin DB4GT to come off the production line sold for a world record price of £3.25m at the Aston Martin Centenary Sale last weekend.

Known as "The Jet", the DB4GT, was the star of the auction with coachwork by the Italian design house Bertone, and sent bidding escalating at increments of £100,000 at a time. It was one of just 47 cars included in the sale.

Partly thanks to its James Bond associations, Aston Martin is the most desirable UK marque for collectors of classic sports cars, and even pretty dilapidated cars found in barns sold for above-estimate prices at this particular auction.

A 1964 DB5 discovered after three decades in an old garage with a mouse nest in its engine bay sold for £320,700 at the Bonhams auction of Aston Martins, the 14th to be held at Aston Martin Works. A begrimed 1966 DB6 Vantage Sports Saloon Project, also untouched for 30 years, sold for £107,900.

The index now covers 50 cars worth at least £100,000, each with only 1,000 examples built and all with an established collector community. The index shows values racing up 16 per cent in 2012.

Experts say marques with a prestigious history, such as Aston Martin, Bentley or Bugatti, or with a racing heritage, such as Ferrari or Jaguar, are reliable investments. So too are lesser classics from the 1950s to the 1980s, more affordable machines such as Jaguar E-types, Maseratis and earlier Lancias. However, he says the market for more recent cars is less robust.

Car increase and decrease in value for a number of reasons, says James Knight, group motoring director at Bonhams auction house. Sometimes it can be a manufacturer producing great modern cars that rekindles interest in their predecessors. Sometimes interest is fuelled by the celebration of an anniversary for a particular model. A car that has gained on both counts is the Aston Martin DB5 – specifically because of its connections with James Bond.

www.historicautogroup.com

www.goodwood.co.uk

Buy direct

If you have the time, knowledge and funds then owning a car outright is probably the best way to invest in classic cars. You will need a large garage – possibly with temperature controls – to store your car in, and you will need to pay for insurance and maintenance of the car.

Knight at Bonhams says you don't have to be a millionaire to buy a classic car, however. Investors can spend £3,000-£4,000 to get an MG Midget, £12,000 on a Bertone-designed Alfa Romeo GT Veloce or £10,000 for a Triumph TR4.

Anyone serious about investing should look through magazines such as Classic Car Weekly or Classic Cars magazine for models for sale. Auction houses such as Bonhams and Christie's also organise regular sales of classic cars.

But there are big risks in buying direct. Classic cars need regular maintenance, and spare parts will often be expensive. And despite the big sums paid for the best cars, the market has not returned to the frenzy of the late 1980s, when certain vehicles were changing hands five or

six times a year. The market stalled when recession hit in 1990 and the price of an E-type Jaguar – described by Enzo Ferrari as the most beautiful car in the world – fell from a peak of £100,000 to less than £40,000 in just a few months.

www.bonhams.com

www.christies.com

www.classiccarweekly.co.uk

www.classiccarsmagazine.co.uk

Maximise the tax benefits

Remarkably, there are tax benefits of owning your car direct too. “Classic cars as an investment are exempt from capital gains tax (CGT), so this is considered a tax-free investment,” says Tim Gregory, partner at accountancy firm Saffery Champness. “But you should be careful not to buy and sell so often that you could be regarded as a dealer. The profits you make could then be subject to tax.”



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He says you need to register for VAT if your sales are above the VAT registration limit of £77,000. However, there is a special VAT scheme for dealers in second-hand cars.

There was also some good news for classic car owners in the Budget earlier this year, when the date from which vehicles are exempt from Vehicle Excise Duty moved to 1974. Previously only cars built before January 1 1973 were exempt from road tax, but now any car manufactured before January 1 1974 will be entitled to a free tax disc. Among the classic cars that will qualify for exemption under the new rules are early versions of the Reliant Scimitar and the MGB V8.

www.govyou.co.uk/classic-car-ved-exemption

Invest in funds

If you don't have a few million pounds to spare there is another route to owning a classic car. A number of funds have been set up in recent years – with varying success – that invest in classic cars. Those still available to investors include the Classic Car Fund which was launched by The Count of Custozza Family Office in Zurich, in 2011. There is also the Family Classic Cars Fund, based in California. For a minimum investment of \$10,000 investors will own a piece of each car in the fund and 50 per cent of Family Classic Cars, the operating company that services, restores and stores cars.

However, advisers warn that returns on these funds can be quite volatile. This is because cars don't produce income so the only way to profit is through capital appreciation over a long period of time. If it proves a poor investment then fees, insurance, maintenance and storage will seriously dent these profits. There is also the issue of valuation. Unlike the price of a share, valuing a classic car is more difficult because no two cars are the same.

www.classiccarfund.co.uk

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