

# The Daily Telegraph

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## Classic cars: a better investment than gold

Where should the rich invest their money? In classic cars, according to a new index.

Warren Buffett, also known as the world's greatest investor, is famous for buying into goldmines such as Coca-Cola and American Express – at the right time, of course. Claimed to be the world's third richest person, his fortune is estimated at \$47 billion.

So how did he get it so wrong – by his own admission – when he considered dabbling in the classic car market? In 1980 he was offered the entire Harrah Collection, examples of which formed the National Automobile Museum in Reno, Nevada; 1,400 cars including a 1932 Rolls-Royce Salamanca, a 1932 Bugatti coupé and a 1913 Pierce-Arrow. It would have cost him less than a million dollars but he wavered, then passed.

A few years later a small part of the collection had been auctioned for a staggering \$69 million.

This tale highlights the sheer impenetrability of the classic car market, which for years has defied attempts to track and analyse its movements. It's a mysterious world where – unlike wine, gold or other traded commodities – there has been no independent market index to illuminate its machinations. Until now.

In 2007 banker Dietrich Hatlapa decided to take his love of classic cars a step further and expand his small collection, which started with a 1960 Porsche RS60 Spyder. But he was astonished to find there was no credible historic price-performance information to guide his investment, no way to compare his proposed purchase with other assets.

He made it his mission to create the first authoritative, independent index and founded the [Historic Automobile Group International \(HAGI\)](#) research organisation.

Calling in top-flight expertise from, among others, former colleagues at ING Baring Securities, he began analysing the market in minute detail.

What they found was remarkable. With Bruce Johnson, the former Barings head of research, he discovered there were clear patterns in the classic market, just as there are indicators allowing other investments to be tracked. You just had to know where to look.

“When I started I was amazed at how little transparency there was within the classic car market; collectors and investors were making buying decisions on little more than hunch and opinion,” says Hatlapa, 47, who lives in London and Spain. “Investors in more traditional markets would arm themselves with more information. This is what I am doing for the classic car market with the HAGI index. Collectors want to enjoy their cars but they also want to know what they're getting into, financially.”

First, HAGI established the market size for the top 100 historic collectors' car models: between £10.1 and £12.3 billion in 2008. Total turnover for sales of the top 100 was at least £1.07 billion that year. By comparison, the tradable portion of the fine wine market in 2010 was £3 billion.

The mechanisms of the HAGI index, which tracks the classic car market much as the FTSE 100 tracks the most highly capitalised UK companies listed on the London Stock Exchange, appears beguilingly simple at first glance. But it took years to select the initial 38 car models from 18 marques, representing the top slice of the collectors' car market, using historical data going back to 1980.

To win its place in the index that now covers 50 cars, each must have had no more than 1,000 examples built, be worth at least £100,000 individually and have an established collector community, among other criteria. Each had to have at least recovered its original price. “It had to have emerged from the valley of sorrow,” as Hatlapa puts it.

Once HAGI's experts began monitoring the index it became clear that someone who bought a rare Bugatti, Jaguar or Ferrari in top condition would have done better during the downturn than an investor in almost any other asset, including fine art, wine – or even gold, as a chart in Hatlapa's new reference book, *Better than Gold: Investing in Historic Cars* – demonstrates. Another startling fact emerged; the classic car market moved entirely independently of any other investment area.

The HAGI index has risen 31.5 per cent since it began tracking the market early in 2009. And while it tracks only the top of the market, which is now worth £20 billion with annual turnover of £2 billion, Hatlapa says it also informs movements further down the classic car market.

“It's a niche market, not a substitute for other investments,” he cautions. “But if you have property, art and private equity, a collector's car is an excellent complement to your portfolio, something you can enjoy and touch.

“One thing is certain: there's a finite supply of classic cars. They aren't making them any more.”

See table below:

## **THE ULTIMATE INVESTMENTS**

### **Gold**

**Price in 1980: £260 per ounce**

**Price now: £1,150 per ounce**

### **Aston Martin DB5 saloon**

**Price in 1980: under £10,000**

**Price now: well over £300,000 for best examples (1964 DB5 belonging to Westlife's Shane Filan sold at Bonhams' Goodwood auction for £348,000).**

### **Ferrari Dino 246GT**

**Price in 1980: under £9,000**

**Price now: £150,000-plus for fine examples (1972 246GT with 30,000 miles and meticulously rebuilt sold for £164,300 at Bonhams Goodwood).**

### **Porsche 911 Carrera RS 2.7**

**Price in 1980: about £9,000**

**Price now: upwards of £200,000 for better examples with high degree of originality (at Goodwood this year, Bonhams sold a 1973 lightweight with replacement engine for £221,500).**

### **Mercedes-Benz 300SL Gullwing**

**Price in 1980: about £25,000**

**Price now: up to £500,000 for very high-quality restored cars or ones with exceptional history and originality (at Goodwood, Bonhams sold a 1955 example for £342,500; this same car had sold for £122,500 at auction in 2001).**

### **Ferrari 365GTB/4 Daytona**

**Price in 1980: £20,000**

**Price now: £250,000 for extremely original low-mileage examples or pristine restored cars.**