

Are Blue-Chip Collectibles a Good Investment?

Our world turned upside down in March, but people are still buying and selling collector cars. This is a remarkable vote of confidence — and love. But are cars good investments for the long term? We've asked Mitch Katz, Jose Romero, Muffy Bennett and Prescott Kelly for their opinions



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Before the coronavirus hit, many smart people saw blue-chip collector cars as a good long-term investment. Do you still agree with that? Also, what is your definition of a blue-chip collectible? Has that definition changed during the past couple of years?

The traditional definition of a “blue chip” collector car is one that maintains its popularity and economic value over a sustained period. The coronavirus has not affected the values or demand for cars that are currently considered blue-chip collectibles, based on our leasing experience so far this year.

The most significant trend affecting what's considered a blue-chip collectible, and on the consistency of the market values for those cars, involves a generational shift that's currently taking place. The tastes and preferences of a younger generation of car enthusiasts — who are in their 30s and 40s and who now have sufficient disposable income — are very different from those of older collectors. These newcomers might, for example, consider a 1985 Camaro IROC-Z to be a very desirable “blue-chip” collector car, and have little interest in owning a 1973 Porsche 911 Carrera RS or some other car that's been popular over the past decade.

Similar to all other categories of assets, the rules of supply and demand apply to collector-car values. There are no “safe bets” when it comes to predicting whether a car will be more or less desirable over time. For that reason, we believe that the best reason to buy any car — regardless of whether or not it's considered “blue chip” — is because you love it and will enjoy owning it. The reasons for loving a particular car vary broadly, and they can also be very personal. Perhaps you rode in your favorite uncle's vintage Mercedes when you were in junior high school. You can remember the feel and smell of its leather seats, the clean styling of its dashboard, and how you felt the day your uncle let you take the wheel.

No one enjoys losing money on any item that's considered a “collectible,” whether it's artwork, gold coins or stamps. But if you've enjoyed a collector car while you've owned it, and the car has created lifetime memories for you and your family, that will more than make up for any economic loss you might incur.

Conversely, you might break even or make money on your collector car. But there are much better and safer ways to build a long-term investment portfolio.

Blue-chip collector cars are a good long-term investment — more so today than ever before. With volatility in the markets, changing habits and high liquidity, we are seeing significantly more requests and higher sales volumes for quality collector cars.

For years, the words “blue-chip” collectible meant Ferrari 250 California Spyder, coachbuilt Duesenbergs, historic Jaguar C-types/D-types and the staples: Mercedes-Benz 300SL, Lamborghini Miura, and Ferrari's trio of supercars.

Today, I consider a blue-chip collectible car the best of its kind in any category. A quality original-paint or highly restored 1967–73 Porsche 911S or the best Jaguar E-type available on the market are great examples.

Additionally, cars that are a joy to drive and require relatively low maintenance, like Ferrari 246 GT/GTS Dinos, have seen a huge uptick in demand. Event eligibility also continues to be a catalyst for many buyers as we see the younger generation of collectors wanting to participate in tours, rallies and club gatherings.

Investment-driven buyers acquire cars as an asset class, but many buy them to enjoy, and that is what I always recommend. I tell our clients all the time, buy what you like and pay a little more for the better example; you will always come out ahead down the line.

Great collector cars have been a safe-haven investment for decades, and I believe that will only continue to grow. The most recent peak in values was in 2014, followed by a seemingly 25% to 30% decline across the board from 2016 to 2019, yet many end-user collectors seem reluctant to part with their cars.

I believe that reluctance will pay dividends in the future. Near term, if the dollar weakens against the euro and British pound, we may once again see a surge in exports, which will drive prices up again.



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If purchased thoughtfully and restored carefully, *some* collector cars will, in fact, appreciate. However, as we have seen throughout the years, plenty depreciate.

One cannot always predict the market value of a collector car until it is sold, and, let's face it — plenty can go awry before then. The market for collector cars — similarly to markets for stocks or futures — can be subject to unpredictable forces, such as the larger economy and the changing tastes and emotions of buyers who may not have the same fondness for earlier generations of vehicles.

“Blue chip,” by definition, refers to an investment in a well-established, financially sound and historically secure investment, wherein returns are assured.

However investing in a passion-based industry isn't — and never can be — financially sound, in my opinion. The collector-car market has proven to be fickle.

I have never believed that cars were a wise investment. For me, they have always been an emotional decision, as it probably is for most buyers (regrettably, I'm a bit too spontaneous for my own good when it comes to cars). I have always been of the opinion that a buyer should look at a purchase of a collector car as a hobby. If money is made when sold, an owner should be pleasantly surprised — however, it should not necessarily be counted upon.

Many portfolio managers have touted collector cars as an investment. I personally never recommend a car as such; although, let's face it, it is better than Enron stock — at least you have a car in the garage.

Buy it because you love it; buy it because you've always wanted it — and, most notably, buy it because you are *passionate* about it! If you lose money when you sell the car, then the delta is the cost of the fun and experiences had during ownership — whether it be driving it, tinkering with it or showing it.

The COVID-19 pandemic modified my attitude about the best investment Porsche models. The cars that held or even increased value during the close-down were not all ones I have favored.

For blue-chip investments, I have usually recommended several 911 Carrera RS variants: 1973 RS 2.7-liter (first or second series), 1974 RS 3.0-liter, 1984 SC/RS, 1993 RS 3.8, and 2011 GT3 RS 4.0, plus the turbocharged 1996–98 993 GT2 and the 2011 997 GT2 RS, and the last analog Porsche supercar, the 2004–05 Carrera GT.

When my phone lit up in May and June, it was from people who wanted Porsches so scarce that a lot of us know most of the owners. Were buyers anticipating congressional- and Federal Reserve-prompted inflation, and wanting prime-quality hard assets sooner rather than later?

Prices for these cars were *not* soft. They were up. And as soon as an owner got more than one inquiry, his price solidified. Buyers wanted 1996–97 GT1 Strasses, worth \$8,000,000 to \$13,000,000 (22–25 built), with large premiums on the lowest-mileage and most-original examples.

Interest was also high in my favored 1984 SC/RSs (21 built) and 1974 3.0-liter RSs (52) and their streetable IROC RSR little brothers (15), typically \$1,500,000 to \$2,500,000. In the mix were 1988 959Ss (29) at circa \$2,500,000, rare “Macau versions” of the 1992 964 RS 3.6-liter (20) at \$400,000–\$600,000, and the 1993 homologation 964 RS 3.8-liter (55) at \$1,250,000–\$1,500,000. A different group of buyers wanted an outlier, the high-production 1973 RS, with 1,525 built (excludes RSRs).

Buyers were of two minds. For the scarce models, it was, “With COVID-19, maybe someone will finally sell a good example.” “I am a buyer in this pandemic, so I deserve to get a bargain” was more applicable to the 1973 RSs.

Of interest, I fielded just one inquiry about my second-ranked blue chip behind the GTIs — the 1968 911R, built in 20 examples, plus four 911S-based prototypes. The current younger market demographic is not yet buying many cars older than 1973 RSs. Further, low-production models without real significance such as the Carrera 3.2-liter Club Sport and the RS America *never* came up.

I like to be a contrarian, so perhaps I am a tad disappointed to see the pandemic market endorse the old adage of “buy the best of the rarest.” That must be touchstone advice because it's true. ♦