

Classic car auction in Monaco attracts investors and enthusiasts alike



Richard McCreery's Business Editorial RLTV 07 May 10

Riviera based Independent Investment Adviser, Richard McCreery, has joined the expanding *RivieraLife.tv* team as Business Editor. Richard publishes a weekly Financial Editorial every Friday with informed comment on topical financial matters relevant to residents and businesses on the Cote d'Azur.

With investors worried about the security of formerly-safe government bonds, volatile shares and over-leveraged property markets, some are turning to more exotic, and beautiful, assets to protect their wealth. This was illustrated when 105 cars were put up for auction in Monaco on the 1st May this year and the final total for the sale came to a whopping €33m. Only 88 of the cars actually sold at the auction itself but several Ferraris and a Maserati went for more than €2m each. The star of the sale, a 1937 BMW 328 Mille Miglia Bügelfalte, failed to reach its reserve on the day but later sold in a private transaction for around €4.5m, which is a record for a BMW.

The success of the sale and the high prices being paid for individual lots suggest that there is no shortage of money for such items, even as we attempt to climb out of one of the deepest recessions of all time. Not only do people have the money to spend on what is essentially a luxury item but they are also no longer worried about being seen to be extravagant. Typically when times are hard the wealthy cut back on their spending as it may be seen as inappropriate for them to be splashing out at the same time that other less-fortunate people, possibly including their own employees, are losing their jobs.

The financial support and fiscal stimulus injected into the economy by governments may have been intended to support the average taxpayer but sometimes it is the wealthy that benefit the most. Prices for top-end properties are holding up in locations like London, the super-yacht industry is talking of a return of buyers and exports of Swiss watches are back to pre-recession levels. The blunt nature of government intervention means that we have contrasting scenes of million-Euro cars being sold in Monaco for record prices whilst in Greece the people are rioting in the streets to protest about cuts to salaries and welfare payments. Extreme economic situations can result in extreme disparities between social groups and government intervention has a habit of exacerbating problems rather than improving them.

However, now more than ever, there is another reason why people are prepared to pay millions for a car: the desire to preserve wealth in a tangible asset. Like art, wine, stamps and coins, classic cars have traditionally been seen as a store of wealth and these assets have the advantage of being real and transportable. They are not simply a 'promise to pay' in the same way that a bank note or share certificate is. They are something that you can own and hold onto in a physical sense. Prices for classic cars have generally risen over time, partly because there are increasingly more people who are rich enough to afford them and partly because they tend to get rarer and rarer. They are originals and as such they are genuine articles that can't be replicated, so the supply of the most sought after cars will never increase. It is this characteristic that appeals to investors as much as collectors.

We have seen the credibility of the Euro put in jeopardy as recent events in Greece have unfolded and if you can't trust your

own currency then how can you protect your wealth? The financial system has already travelled to the brink and back again as banks started collapsing under the weight of bad debts and the monetary system virtually ground to a halt for a while. Events such as these make investors reassess their idea of what really constitutes a safe investment. One possible solution, if you have the asking price and the garage space to store it, may be an investment in a rare and beautiful old car. You can touch it, polish it, drive it and even export it if you have to. It might not generate an income in the same way that an investment in a stock or a bond might do, but it is able to transport you from A to B and it should also provide the proud owner with a degree of pleasure. If you are trying to leave behind the troubles of today's financial world, why not escape in a classic car?

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