

Richard McCreery's Business Blog

Top Marques Monaco is a barometer for the luxury car market



Richard McCreery's Business Editorial RLTV 16 Apr 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.

This week the 7th Top Marques super-car show is on at the Grimaldi Forum in Monaco. It's a collection of the world's most luxurious, expensive and extravagant cars that includes top-of-the-range examples from the mainstream manufacturers such as BMW and Mercedes as well as some tiny manufacturers such as Fisker and Caparo who make only a handful of cars each year. The car industry has been through a difficult time as a result of the credit crunch and the top end of the market has not been immune.

The credit freeze has been particularly devastating for the modern day business model of a car manufacturer because credit is used to finance a huge proportion of car sales, even in the luxury market, and the car industry has changed significantly in recent years. The American brand Hummer has been closed down by its parent GM after failing to find a buyer. The Dutch super-car manufacturer Spyker has acquired the Swedish company Saab, despite never having made a profit selling its own cars in the past 10 years, and there are rumours that Mercedes will sell its über-luxury brand Maybach after reporting 2009 sales of just 200 cars. Another major change is that China has now become the largest car market in the world, overtaking the USA, whilst car sales in Europe declined last year even with a massive injection of taxpayers funds to support sales.

The cars on display here in Monaco are very much the preserve of the wealthy, many of whom will own several cars and who own a number of them for enjoyment rather than simply as transport. This end of the market has different dynamics from the wider mass production market and its customers have generally retained much of their wealth during the downturn. It is also fair to say that for the ultra high net worth customer the purchase of a car does not usually make a significant dent in their overall wealth and therefore they still have the ability to buy a desirable new super-car if they choose. The number of millionaires in the world has expanded rapidly in recent years as emerging market economies such as China, Russia and India have created wealthy individuals who want to enjoy their money and who also want to illustrate their new position in society. A super-car is an obvious way to do this.

Sales of sports cars from Ferrari, Lamborghini and Porsche have been surprisingly resilient, even as the average person has been cutting back on spending, and whilst this may be due in part to brand loyalty from buyers, they may also have ordered their cars before the downturn began and are only now taking delivery. The market for super-yachts has seen a significant number of buyers pull out of their purchase before taking delivery, resulting in some canny purchases for others with the cash to buy these distressed assets, and the purchase of a car doesn't require quite the same financial commitment so there have been relatively few distressed sales. One of the most striking images of the Great Depression of the 1930s was that of stock brokers attempting to offload their luxury cars in order to raise cash but this time round they seem to have been spared, and they are still buying.

Whilst some might have expected the early years of the 21st century to turn out to be the peak of a golden age for luxury or super-car manufacturers, only to be followed by the inevitable downturn, the opposite almost looks to be true. McLaren are introducing a new super-car, Rolls Royce sales are going strong and they have just introduced the baby Rolls for the customer who wants to appear 'slightly less' ostentatious. Audi is launching its most expensive car ever with the R8 Spyder that starts at €162,300 before you add any options and even Bugatti is adding another car to its current 1 car range. There is little sign of a let-up in the new supply of such expensive motors.

The Top Marques show in Monaco is probably a good example of how resilient the market for super-cars has proven to be and even if sales are a little slower than they were a couple of years ago, the fact that we still have a super-car show at all, with an amazing range of unique and unusual cars from micro-manufacturers, is evidence that there is still money to be spent and plenty of it is still going on cars. The rich still want their toys and, in contrast to past recessions, they still have the money to pay for them.

Richard McCreery 16th April 2010 Send us your comments for publication email: richard@rivieralife.tv