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## Basking in the Ferrari sun: The classic car market soars

By Jonathan Michaels

At some point, things have to get better — at least that is what we keep telling ourselves, as if repetition will change our harsh reality. Wishful thinking aside, the world is as mixed-up as it has ever been, and there is little reason to believe that salvation is near. President Barack Obama's \$447 billion jobs bill failed in the Democratic-controlled Senate last month, and that should come as no great surprise. A recent New York Times/CBS News poll found that Americans' distrust of government is at an all-time high, with 89 percent of pollsters believing that our elected leaders will not "do the right thing" — a knock against Democrats and Republicans, alike.

The global financial crisis has destroyed our confidence in all things once perfectly understood. In October, the Consumer Confidence Index retreated to the dreadful level of 39.8 — just a point off the low-water mark of 38.8 during the October 2008 meltdown, and a universe away from the dizzying 144.7 in January 2000. And, if there is no belief that the government can pull us from the doldrums, don't look for the private sector to carry the day. The Conference Board's "Measure of CEO Confidence" reported last month that chief executive confidence declined substantially in the last two quarters, pinning it at its lowest level in over two years.

For those fortunate enough to have a degree of wealth — or, in these times, at least a steady job — an important question arises about where to invest in a time of crisis? Tough times or not, savers still need a safe haven for their money, and the choices are becoming less plentiful. According to the Federal Deposit Insurance Corp. (FDIC), 427 banks have failed since 2008, and while the FDIC does provide a backstop, its insurance is limited to \$250,000 and it only applies to insured banks. Gold bullion has been a refuge to some, but with its price nearing \$2,000 a troy ounce, the risk of devaluation is significant to those who have been late to invest.

With traditional markets closed to logical investors, alternative asset classes have suddenly become more attractive. Nowhere is this more prevalent than the burgeoning classic car market. If recent history is an indicator of things to come, the developing classic car auction industry is quickly becoming the most unlikely of heroes, exploding under the enthusiasm of contrarian thinkers.



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Associated Press

Historic automobiles fill the 18th fairway of the Pebble Beach Golf Links during the 56th annual Pebble Beach Concours d'Elegance in Pebble Beach.

This past August, five auction companies gathered in Pebble Beach for the annual Concours d'Elegance motorcar gathering, with staggering results. In the four-day event, 919 classic cars were sold for an astonishing \$198,399,797 — passing the 2007 banner year by an incredible \$64 million. At a time when economists world-

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over have been searching for a monetary sanctuary, the Pebble Beach auctions were smashing records at a magnificent clip.

RM Auctions set the record for the highest grossing sales day in auction history at \$60.5 million — that's \$60.5 million of cars sold in a single day — and Gooding & Co. sold a company best \$78 million in its two-day event. In all, the Pebble Beach auctions witnessed 31 sales in excess of \$1 million, and two over \$10 million; but it was a 1957 Ferrari 250 Testa Rosa that stole the show, selling for an auction record of \$16.4 million. Yet, the sale of the Ferrari is as notable for the story behind the story, as it is for its recorded-setting price.

Originally, built by the Ferrari factory as a "test mule" for future Testa Rosa models, the 1957 Ferrari 250 was raced extensively in the 1950s and 1960s by some of the best drivers of the day. When it was deemed no longer competitive, the car was sold several times over, until it was doused with gasoline and set on fire by its then-owner, in an attempt to collect insurance proceeds. The burnt-out car was then sold in 1970 to Charles Betz and Fred Peters, two Southern California college professors, as a "project car" for a mere \$2,500. The professors then spent the next 18 years restoring the car to show-quality standards, and the rest, as they say, is history.

If the classic car market is begging to catch fire, it is Ferrari that is blazing the way. Sports Car Market reported last month that Ferrari pric-

es at the Pebble Beach auctions rose 35 percent over last year, with most of the \$1 million-plus sales belonging to the Italian carmaker. And, this makes sense, given the strength of the Ferrari brand. Businessweek ranks Ferrari as one of the top 100 most recognizable brands in the world, and Fiat (who owns Ferrari) places the trademark value at \$7.3 billion. In fact, the 64-year-old company's name has become so strong that its merchandising and licensing division actually outstrips its car sales, with the division garnering \$1.5 billion in annual sales.

But, it is not just Ferraris that investors are flocking to. In the same Pebble Beach auctions, a 1931 Duesenberg sold for \$10.3 million, the highest price ever paid for an American car, and several other nameplates held or increased in value.

Still not convinced? Consider that last year, a 1935 Bugatti T57 sold in a private party transaction for \$37 million — the highest price ever paid for a car. And yet what is perhaps more surprising is that, as with the 1957 Ferrari 250, the car had been purchased years earlier for a mere \$60,000, before being restored to award-winning perfection.

And, the market is continuing to evolve. As collectors redefine what is considered "art," unrestored barnyard finds are all the rage. Take the 1925 Bugatti Brescia that was purchased last year at Bonhams for \$364,700, and is now on display at the Mullin Automotive Museum. The catch? The car had been on the bottom of Lake Maggiore in Switzerland for the past 70 years, until discovered by recreational scuba divers. And, as the market continues to evolve, the \$364,700 paid for the Bugatti will probably prove to be cheap money.

Non-traditional times call for non-traditional thinking, and it is those who embrace change that will succeed. As Albert Einstein has famously said, "We can't solve problems by using the same kind of thinking we used when we created them." Be bold. Think different.