



CONCOURS OF ELEGANCE  
HAMPTON COURT PALACE  
31 AUG - 2 SEPT 2018



# LUXURY INVESTMENT INDEX

Classic Car Special. Q2 2018

SEVENTY YEARS OF THE  
ASTON "DB"

CLASSIC CAR  
PERFORMANCE ROBUST

INTERVIEW – HRH PRINCE  
MICHAEL OF KENT



# Classic car performance remains robust

*Art retains pole position in the Knight Frank Luxury Investment Index, but the best cars are still selling for top prices*



*Many of our global clients not only possess the finest homes but of course have a passion for fine art, fine wine and, as a fellow enthusiast, most importantly beautiful classic cars. Our latest Knight Frank Luxury Investment Index contains the results of how many of these investments of passion have performed and I am delighted to report that cars continue to perform extremely well. Despite my own passion for cars, unfortunately as yet, Knight Frank does not offer a classic car advisory service but we do, via our Private Office, embrace and guide our global clients across many property asset classes and markets throughout the world. You can discover more about our Private Office team helps our clients enhance and preserve their wealth on page 7.*

*I am very excited that Knight Frank is part of this spectacular event. I hope that you will enjoy it as much as we will. If myself or any of my partners can help in any way then please do get in touch.*

*With my best wishes*

**LORD ANDREW HAY**  
Global Head of Residential

Classic cars have set the pace for the Knight Frank Luxury Investment Index (KFLII) for much of this decade. Double-digit annual price growth was the norm until the beginning of 2017, according to the HAGI Top Index, which we use to track the performance of the finest vehicles.

However, over the past year or so the market has braked, allowing art and wine to overtake and clinch first and second places in KFLII – which tracks the performance of 10 luxury asset classes – with 12-month price growth to Q2 2018 of 25% and 7%, respectively.

Despite this, the HAGI Top Index still rose a highly respectable 6% over the same period. Investment-grade Ferraris performed particularly well accelerating almost 9% on average. This surge was epitomised by the private sale of a 250 GTO for a reported \$70m earlier this year – in all likelihood the most expensive car transaction ever.

Although buyers are prepared to dig deep for the very best and rarest cars, HAGI's Dietrich Hatlapa reports that the market is generally much more cautious compared with recent years.

"So far this year the index has only risen by 0.17%. A lot of the investors who were buying cars speculatively have left the market. Genuine collectors and enthusiasts who know what they want are back in the driving seat now so I don't expect price growth to return to the heady levels we saw a few years ago."

This year marks a number of classic car milestones including the 50th anniversary of the iconic Ferrari 365 GTB/4, better known as the Daytona, and the 70th birthdays of Land Rover, Porsche and the Aston Martin 2-Litre Sport, the car that retrospectively became known as the DB1, first of arguably the world's most recognised automobile brands.

To mark the occasion, the graphic on page 4 of this report highlights the top prices paid at auction for a selection of DB models, which continue to fire the imagination of classic car collectors. Not just because of their association with the secret agent James Bond, but also because of Aston Martin's strong racing pedigree.

The 1959 Le Mans-winning DBR1 set a world record for the marque, and indeed any British-made car, when it was sold by RM Sotheby's at the 2017 Monterey sales for \$22.6m. More recently, Bonhams achieved the top price for a British car auctioned in Europe when it dropped the hammer on another Le Mans veteran, a DB4GT Zagato, for just over £10m (US\$14.3m).

At the time of writing, less than a handful of other cars sold at this year's auction sales had joined the exclusive club of vehicles breaking the US\$5m barrier. Aside from a few standout lots, sales have generally been steady, albeit with sell-through rates maintained by an increase in the number of cars offered with no reserve (see graphic on page 4).

That US\$5m+ tally, however, could have increased substantially by the time you read this report if some of the pre-sale expectations for the benchmark Monterey auctions from 23 to 25 August are hit. In total, 14 cars had upper estimates of US\$5m or more, including six with hopes for the US\$10m mark.

The top lot was another Ferrari 250 GTO. With a guide price of US\$45m to US\$60m, the Berlinetta model, on the rostrum with RM Sotheby's, was potentially the most expensive car ever to go under the hammer.

Other big hitters included a one-off 1963 Aston Martin DP215, the factory's last front-engined racer, which RM tagged at US\$18m to US\$22m. Bonham's offered a Ferrari 250 GT SWB Lusso estimated at US\$9m, while Gooding & Co was hoping fans of classic US machines would pay "in excess" of US\$10m for a 1935 Duesenberg SSJ.

Another piece of US motoring history, a Ford GT40 MKII, could have set a marque record if RM achieved its upper estimate of US\$12m, while devotees of the Porsche Spyder had seven decades of history to choose from, starting with a 550 model from 1955 (top estimate US\$5m) through to a 2015 918 "Weissach" (top estimate US\$2m).

# A royal passion

*HRH Prince Michael of Kent talks exclusively to Knight Frank's Sarah May-Brown about his love of classic cars and motoring*



**You're Patron of the Concours of Elegance, how did you become involved and how has the event evolved?**

The Concours was started in the Queen's Diamond Jubilee year in 2012. It was the first event of its kind at Windsor Castle that the Royal Household had been involved with and it was a great success. The clamour from both car owners and the general public for another similar event was such that they decided they would try and do it annually and that's when I got involved. Since then it's been held at various locations, and last year it went back to Hampton Court, which is where it is really going to remain because it is the easiest place for sponsors to become involved and also the most accessible of the Royal Palaces. We introduced a tour for the event when it was held at Holyrood House in Scotland. The people coming to these events bring amazing, rare and valuable cars from all over the world. They want to do more with them than sit in a field being judged. They want to show them off so people can see them properly, and they want to drive them. This year there will be a one-day excursion around Windsor Great Park and next year we have other plans.

**You've driven vehicles from every era of motoring and participated in many competitions around the world; which cars and experiences are you least likely to forget?**

The first competitive event I ever did was in 1970, which was a rally from the UK to Mexico City via Bulgaria – and that wasn't my bad navigation; it was supposed to go that way. I have many fond memories of going through Eastern Europe, which in those days was very different, and going through South America. And I did a number of rallies in the UK after that, including the RAC rallies.

I did two very special runs in Bentleys from the 1920s to Russia in 1999 and 2003. To give you an idea of the reliability of those cars, we only had one break down out of about twenty cars, and each journey was about 3,500 miles.

The revived Mille Miglia in Italy in 1982 for cars manufactured before 1957, when the original event was stopped after an accident, was another highlight. I've done it six times, two or three of those in very fast cars. We had a tremendous time, absolutely unrepeatable.

**They may be faster and handle better, but do you think modern supercars can match the character and style of the great classics such as the 250 GTO, and will we be admiring them at events like the Concours of Elegance in 50 years' time?**

The 250 GTO has become an icon because now it is worth more money than virtually any other car. We had one on the Concours tour last year that was worth £40m – so it's amazing that people do still drive them around.

There is a huge amount of attention being drawn to cars as an investment, but as far as driving them is concerned, that's another issue. Even in today's climate there are cars being found abandoned in people's barns. There are vehicles, for example, that are competing in the Concours this year that were found languishing in somebody's back garden in South America. It may take years for cars like that to be restored, but that is the type of car that we are looking for to come and take part in our Concours events.

**Which are your favourite cars?**

That is a difficult question to answer. In terms of speed, I was lucky enough in the

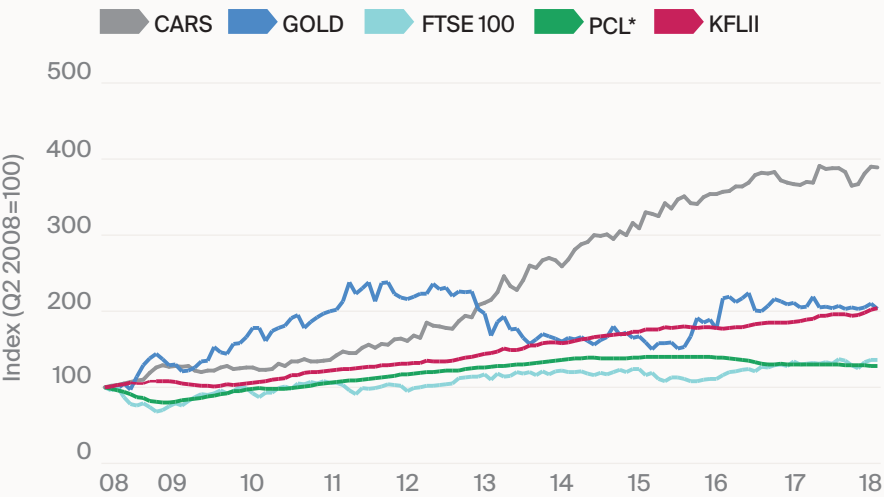
past to have more than one Aston Martin that gave me enormous joy. I had a V8 Vantage from the late 80s that was a beautiful car. I think that out of nostalgia, I would probably opt for something like that. Now I find that I have more fun with older cars – that's why I'm very drawn to vintage Bentleys because, though not as quick as today's cars, you can have a great time in them. The car I have been lent this year for the Concours tour is a 4.5-litre Bentley dating from around 1929 with huge power, which is very good fun to throw around.

**You are a passionate campaigner for improved road safety, even establishing your own road safety awards. What inspired you to get involved?**

I became involved in road safety about 30 years ago. In those days the odd company or manufacturer put on a small road safety scheme, which was laudable, but it was such small beer that it didn't really catch on. I got together with one or two people, including the then Minister for Transport and the head of Ford, and said that if we were able to get the whole motor industry involved with this it might get somewhere. We managed to get 50 different companies to come together. It developed very quickly and we gave a lot of awards each year (and still do) to different groups of people who come forward with clever ideas. After about ten years, I wondered how we compared with what other countries were doing in terms of privately run road safety schemes. To my amazement, I found that there weren't any others to speak of. So we decided to have an international category and every year now we have prizes given to the most unlikely of places including a school in Jamaica. It has been a huge thing that is developing, and the whole atmosphere is changing. There is a great deal being done now by other organisations, notably the National Car Assessment Programme, which deliberately crashes new cars and awards them stars according to how well the passengers in those cars would survive an accident in real life. In spite of all our international efforts, not only of the Prince Michael Road Safety Award Scheme but also of the Towards Zero Foundation (of which I am patron), 1.325 million people still die every year on the world's roads, so there is no room for complacency.

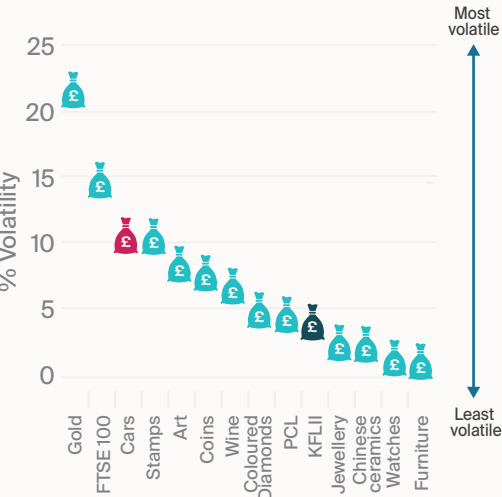


Luxury investment performance versus other asset classes (to Q2 2018)



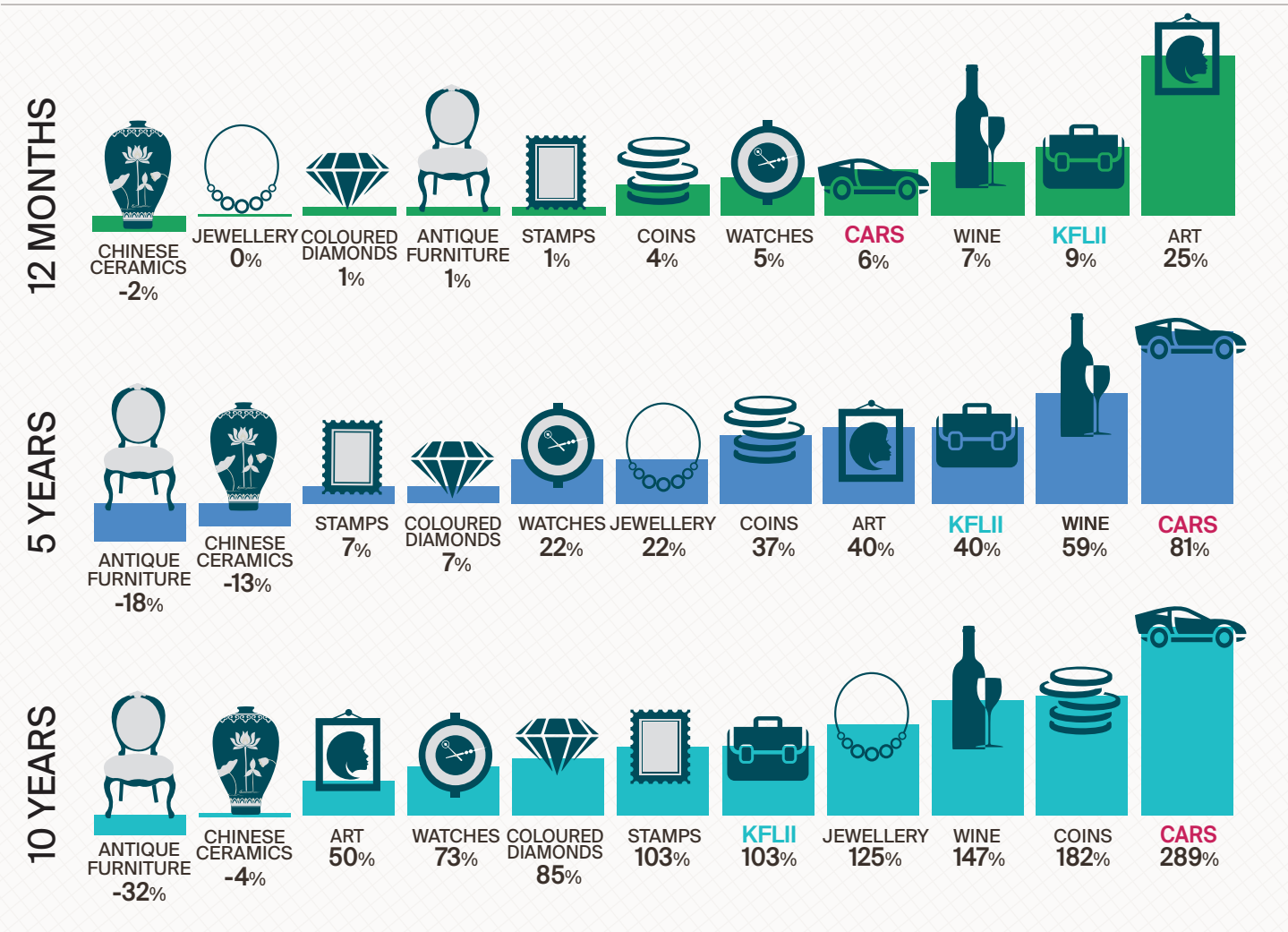
\*Knight Frank Prime Central London Residential Index  
Source: Knight Frank Research

10-year asset price volatility



Based on annual price points  
Source: Knight Frank Research

KFLII performance by asset class (to Q2 2018\*)



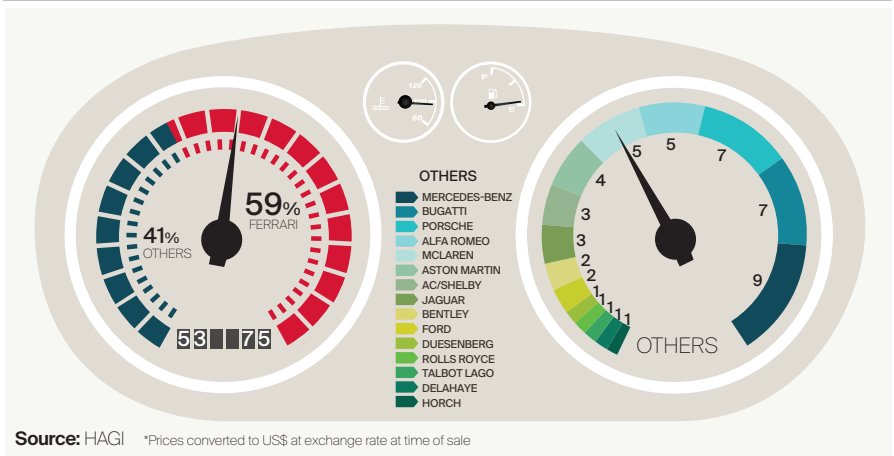
\*Stamps, coins and Chinese ceramics to Q4 2017  
Source: Knight Frank Research, Art Market Research, HAGI, Wine Owners, Fancy Color Research Foundation, Stanley Gibbons

# Under the bonnet

With the help of HAGI we look at the nuts and bolts of the classic car market

## Top marques

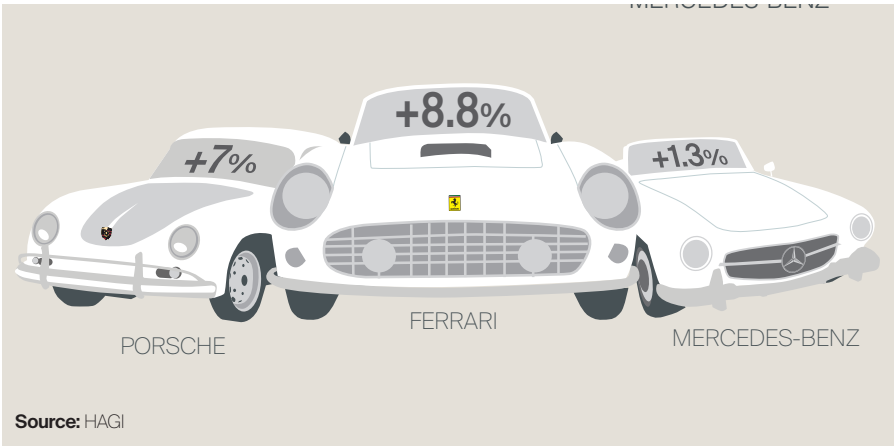
Number of cars sold at auction for over US\$5m\*



Source: HAGI \*Prices converted to US\$ at exchange rate at time of sale

## Podium finish

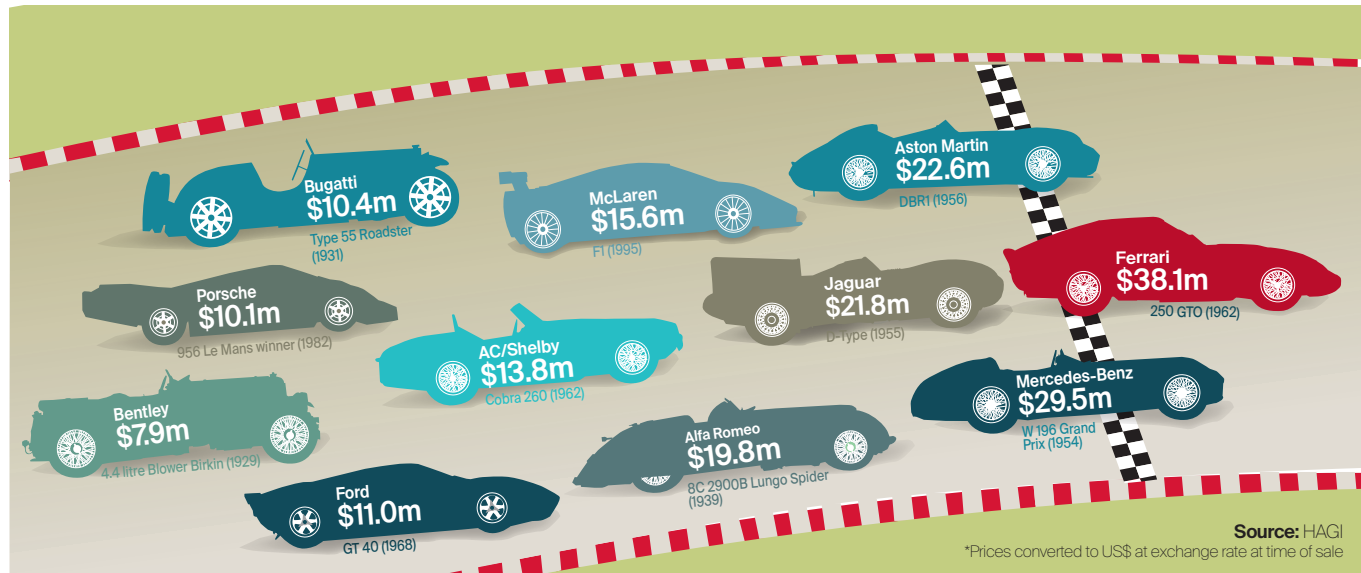
Annual price change by marque (12 months to June 2018)



Source: HAGI

## Chequered flag

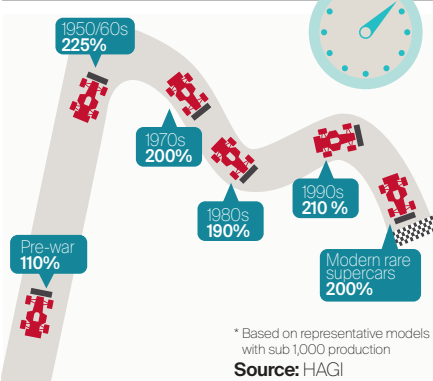
All-time top-priced model sold at auction from 10 of the key collectors' marques\*



Source: HAGI \*Prices converted to US\$ at exchange rate at time of sale

## Endurance race

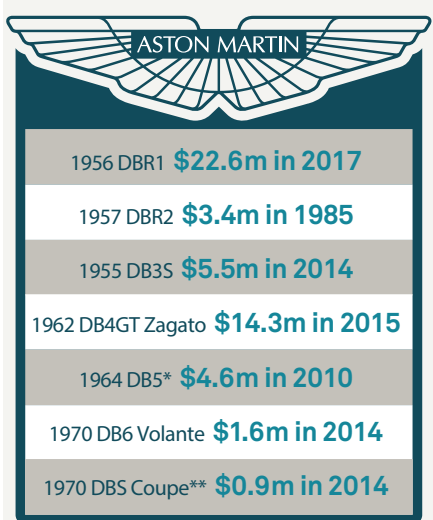
Five-year price change by era\*



\*Based on representative models with sub 1,000 production  
Source: HAGI

## Seventy years of the Aston Martin "DB"

Highest auction price of selected models



Source: HAGI  
\*Used in Bond film \*\*used in Persuaders series



# Introducing the Private Office & Global Prime Team

Global. Connected. Discreet.

In order to help clients across the world with their property portfolios, Knight Frank has an exceptional Global Prime Team in place, comprising many different, but complementary areas of expertise.

Within the team, the Knight Frank Private Office, based in London and run by Rory Penn and Thomas van Straubensee, is a market-leading residential and commercial real estate advisory service. Connected and RICS qualified, the Private Office is focused on execution and delivery for private clients, family offices and wealth advisors, providing a single point of contact and allowing clients to benefit from a long term trusted advisor relationship. Through Rory and Tom clients have access to the collective knowledge, experience and connectivity of over 15,000 Knight Frank property experts globally.

Sitting alongside the Private Office is a specialist group of experts dedicated to transacting the world's finest properties. Connected to a network of over 400 offices throughout Europe, Asia Pacific, Africa, the Middle East and the Americas, they travel the world delivering a consistently outstanding client experience. Through taking the time to source active buyers and tenants and understanding the dynamics of individual markets as well as the global context, it allows them to give invaluable insight to their clients.

Heading up the Global Prime Team is Paddy Dring. Having been at the firm for over twenty five years and with vast experience in the super prime residential market, both internationally and in London, Paddy is a highly respected name in the industry.

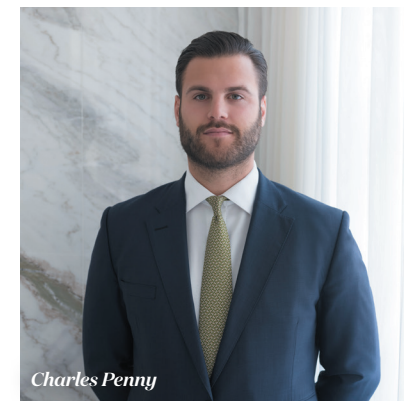
In addition to the expertise and experience of the teams mentioned above, Knight Frank Finance, lead by Alex Ogario, offers specialist advice tailored to meet the needs of ultra-high-net-worth individuals and their families. Working with private clients they provide advice on residential, investment, commercial



and construction finance as well as finance on art, private aircraft, yachts and classic cars. The service is truly global and the team focuses on establishing relationships with clients based on the delivery of exceptional service, impartial advice and superior market access in environments where total discretion and quick execution are required.

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**Connecting people & property, perfectly.**





# Financing your luxury investments

Led by Alex Ogario, the Knight Frank Finance Luxury Asset Team offers specialist advice tailored to meet the needs of ultra-high net worth individuals and their families. Working with private clients the team provide advice on residential, investment, commercial and construction finance as well as finance on art, private aircraft, yachts and classic cars. The service is truly global and the team focuses on establishing relationships with clients based on the delivery of exceptional service, impartial advice and superior market access in environments where total discretion and quick execution are required. We speak to Alex about why his clients are increasingly looking at alternative structuring and debt solutions.

## Why would an owner use debt to acquire a car?

Given the low European interest rate environment individuals are increasingly looking at financing solutions. Debt can be seen as an efficient way of diversifying a balance sheet and if net returns on other investments are higher than the loan cost, can also be viewed as a positive carry. The loan prevents the borrower from having to divest existing assets, allows them to bring less equity to a transaction and therefore could also lessen the potential foreign exchange costs of an acquisition. Many of our clients want to stay as liquid as possible in order to stay agile and take advantage of future opportunities.

## In what situations would an individual borrow against a high value car?

Primarily when looking to create cash flow or liquidity to invest in another car or venture. We work with lenders that can arrange a pre-approved draw down facility to allow an individual to acquire cars at an auction where they need to be in a position to close a transaction quickly. In some cases it may be to refinance existing debt that they have against their collection; to lower their interest costs, change the payment structure of a loan from amortising to interest only for example, or manage impending balloon payments (especially where the new lender has a different view of the residual valuation of the underlying car).

## How can Knight Frank Finance help?

At Knight Frank Finance we can arrange credit against a wide range of asset classes all over the globe; whether that be real estate, investable assets (equities, bonds, funds, cash for example), or other luxury assets such as art, high value cars, yachts and private aircraft. This means that we can look over a large proportion of a client's balance sheet and help them to find an efficient and suitable solution for their requirements. As a broker we worked with over 180 different lending institutions last year, arranging debt on assets all over the world. It is this holistic approach and global solution that sets us apart.



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## INDEX SOURCES

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Classic cars	Historic Automobile Group International (HAGI)
Stamps	Stanley Gibbons
Coins	Stanley Gibbons
Coloured diamonds	Fancy Color Research Foundation

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## Contacts and acknowledgements

HAGI [www.historicautogroup.com](http://www.historicautogroup.com); Stanley Gibbons [www.stanleygibbons.com](http://www.stanleygibbons.com); Wine Owners [www.wineowners.com](http://www.wineowners.com); Fancy Color Research Foundation: [www.fcresearch.org](http://www.fcresearch.org); AMR [www.artmarketresearch.com](http://www.artmarketresearch.com). AMR tracks the price movement of art, sculpture, prints and photographs, as well as antiques and collectibles such as silver, porcelain, carpets, clocks and more.

Front cover: Aston Martin DB4 GT Zagato.

Image courtesy of: Concours of Elegance/ Tim Scott Fluid Images

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