RESIDENTIAL RESEARCH

Knight Frank

CLASSIC CAR SPECIAL.

Luxury Investment Index Q1 2018

ART MOVES INTO POLE POSITION | FERRARI 250 GTO SETS NEW WORLD RECORD | LAND ROVER'S 70TH BIRTHDAY

Knight Frank is once again proud to sponsor the St John's Wood Classic & Super Car Pageant. Several years ago we were approached to sponsor and help organise the event with the vision of creating a wonderful family day out while raising valuable funds for charity. I am so pleased that this fabulous event has grown into an important day in the community's calendar, attracting people from far and wide.

So far we have raised tens of thousands of pounds and this year we are delighted to support the St John's Hospice, which cares for over 4,000 terminally ill patients and their families each year for free. Services include an 18-bed inpatient unit, Hospice@ Home, an onsite Day Centre, Child Bereavement Counselling, and a Lymphedema Clinic. It costs over £6m annually to run St John's Hospice, which is the only independent hospice in Central London, situated minutes away from the pageant in the charitable Hospital of St John & St Elizabeth.

I hope you enjoy reading this report and supporting this worthy charity at today's pageant.

JAMES SIMPSON
Head of Knight Frank St John's Wood

Art accelerates past wine to take the chequered investment flag

Classic cars have dropped down the grid in the Knight Frank Luxury Investment Index, but collectors are still spending big for the best machines

This time last year art was almost at the back of the Knight Frank Luxury Investment Index (KFLII), but 12 months later it has moved through the field to overtake wine and claim first place with growth of 21% to Q1 2018.

Salvator Mundi, a work by the Old Master Leonardo da Vinci, turbo charged the headlines when it was sold for a staggering $450m last year, but paintings by less well-known artists have also been notching up multi-million dollar results, says Sebastian Duthy, of Art Market Research.

"Prices for works by Impressionists and post-war artists have dominated auction sales for the past two decades. But this picture has been changing, with works by some contemporary artists appreciating rapidly in the last few years.

"In March, artist Mark Bradford hit the headlines when his painting 'Helter Skelter I' was sold by ex-tennis star John McEnroe for a record $10.4m at Phillips in London. In May, rapper Sean Combs, aka P Diddy, paid $21.1m at Sotheby's for a painting by artist Kerry James Marshall. The figure represents an 800-fold increase on the $25,000 paid for the same work in 1997."

The Knight Frank Fine Wine Icons Index, compiled for us by Wine Owners, recorded overall growth of 9% over the same period, but the various sectors of the market are running at different speeds, says Nick Martin of Wine Owners. "The very top of the Burgundy market is on fire, with growth of between 20% and 70%, but Bordeaux is more of a mixed bag."

Classic cars, meanwhile, have shown negative growth over a 12-month period for the first time since the creation of KFLII. The value of the HAGI Top Index that we use to track the market slid by 1%. This sharp deceleration from the double-digit growth of recent years is largely because speculative investors have left the market, says HAGI's Dietrich Hatlapa.

"The most active buyers are the really knowledgeable collectors and enthusiasts who know what they are doing and exactly what they want."

Such buyers won't pay over the odds for cars that don't have a great pedigree or aren't in the right condition, but they are still prepared to dig deep when they find a car they really want to buy.

Auctioneer Bonhams is hoping that will be the case when it puts an extremely rare lightweight 1961 Aston Martin DB4GT Zagato (see front cover) under the hammer at the Goodwood Festival of Speed in July. No guide price has been released for the car, which was raced by F1 legend Jim Clark, but Bonhams expects it to break the £10m barrier, making it the most expensive car to be auctioned in the UK.

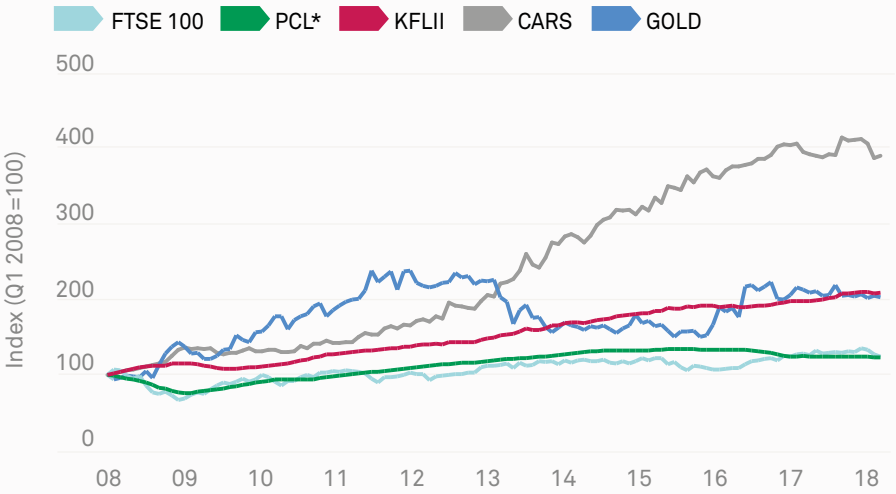
The Aston was famously involved in a crash with a Ferrari 250 GTO and 250 GT SWB at Le Mans in 1962. Only 39 250 GTOs were ever made and the US floor-mat magnate David MacNeil has just paid a reported $70m for a well-known 1963 model.

If accurate, it makes the Ferrari, known by its chassis number 4153 GT, in all probability the most expensive car to sell ever. Such is the car's pedigree – as well as winning the Tour de France it finished overall fourth at Le Mans – an entire book has been written about its history. Ownership also provides entry to exclusive events held solely for 250 GTO owners.

Access to such rarefied events is a big driver for specific segments of the market, points out Mr Hatlapa. "We've seen very strong prices paid for cars that are eligible for the legendary Monaco Historic Grand Prix, which is open only to cars that raced there in period," he explains.

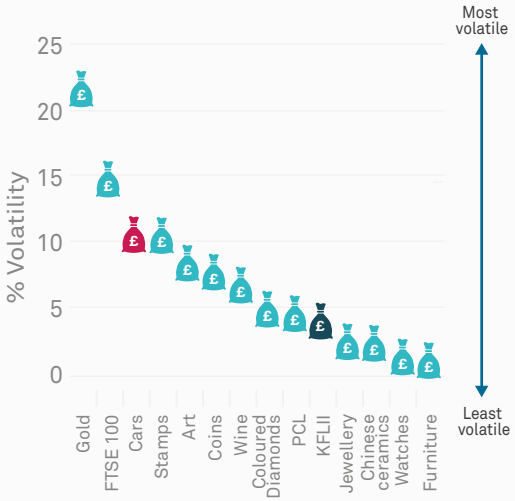
A Mclaren-Cosworth car driven to victory at the 1993 Monaco Grand Prix by Ayrton Senna was the star of Bonhams' recent auction at Monaco where it was brought by former F1 supremo Bernie Ecclestone for €4.2m (about $5m).

Luxury investment performance versus other asset classes (to Q1 2018)



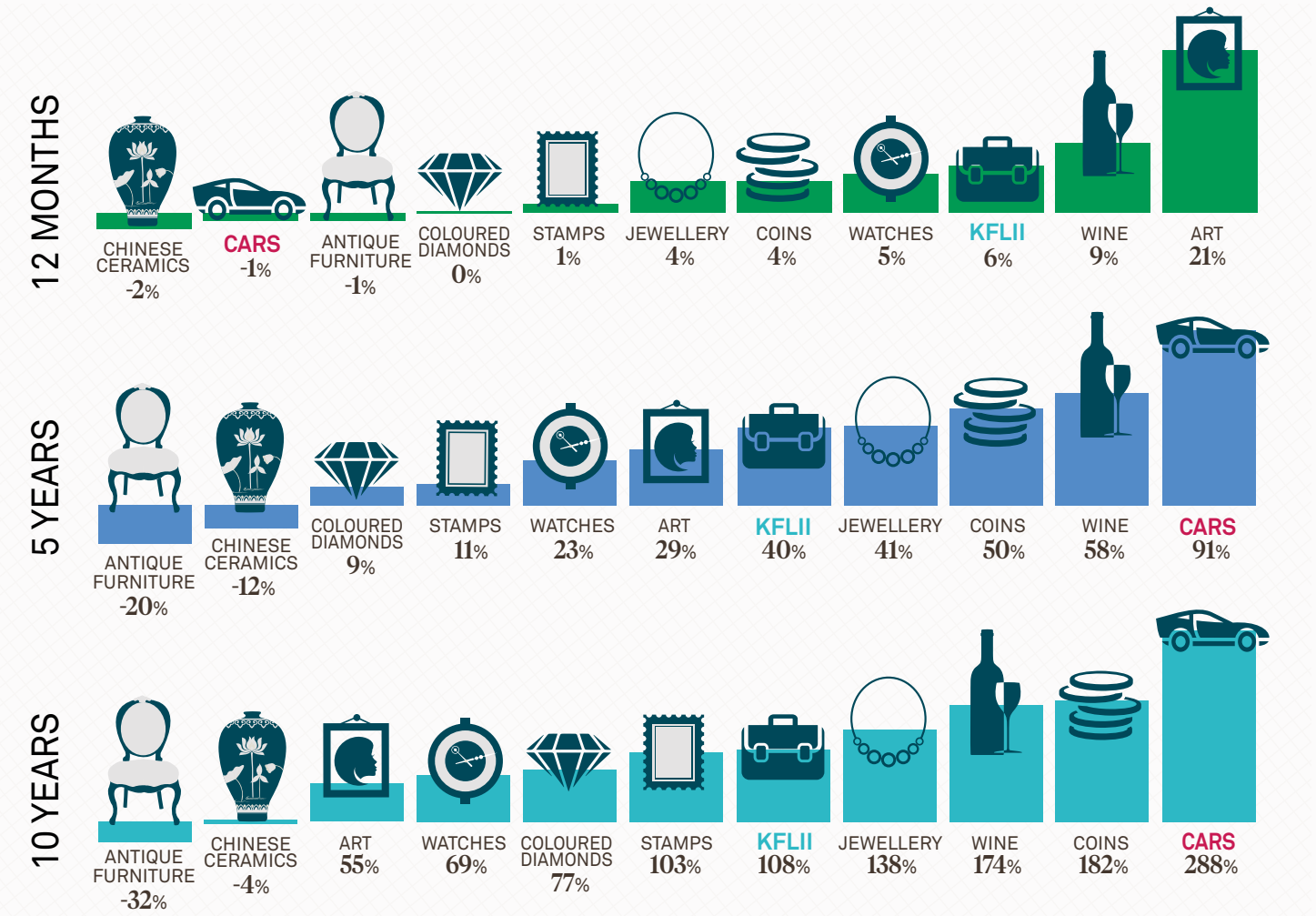
*Knight Frank Prime Central London Residential Index
Source: Knight Frank Research

10-year asset price volatility



Based on annual price points
Source: Knight Frank Research

KFLII performance by asset class (to Q1 2018*)



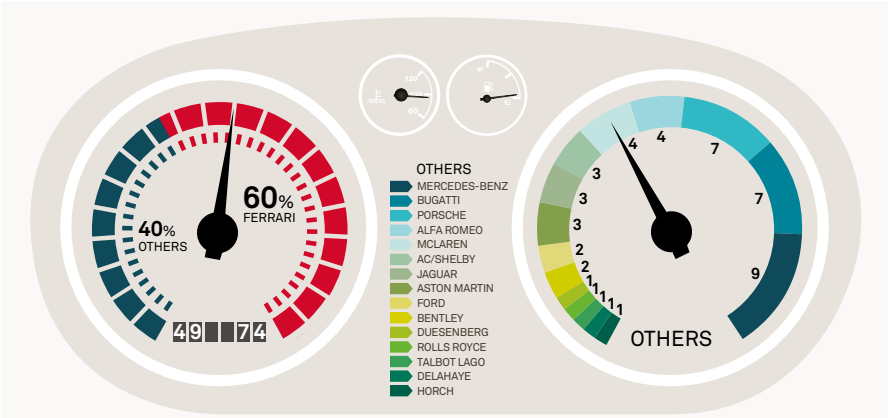
*Chinese ceramics, coins, stamps, furniture, watches and jewellery to Q4 2017
Source: Knight Frank Research, Art Market Research, HAGI, Wine Owners, Fancy Color Research Foundation, Stanley Gibbons

Under the bonnet

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

Top marques

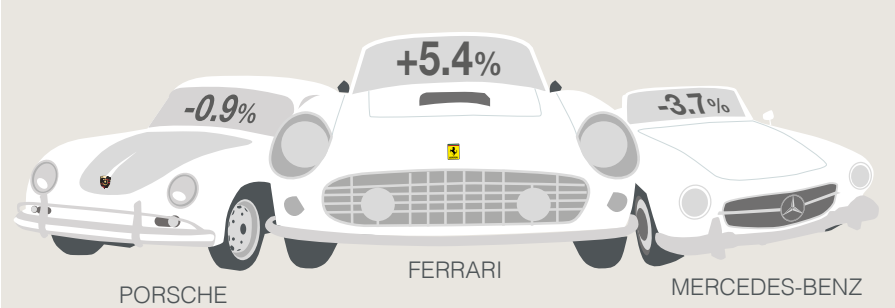
Number of cars sold at auction for over $5m*



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

Podium finish

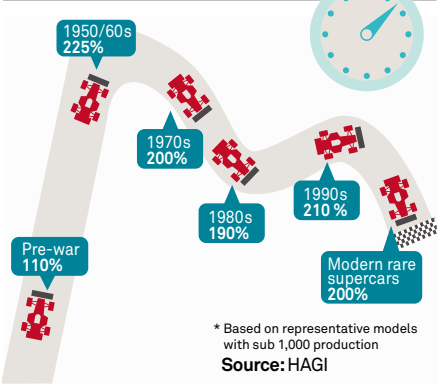
Annual price change by marque (12 months to April 2018)



Source: HAGI

Endurance race

Five-year price change by era*

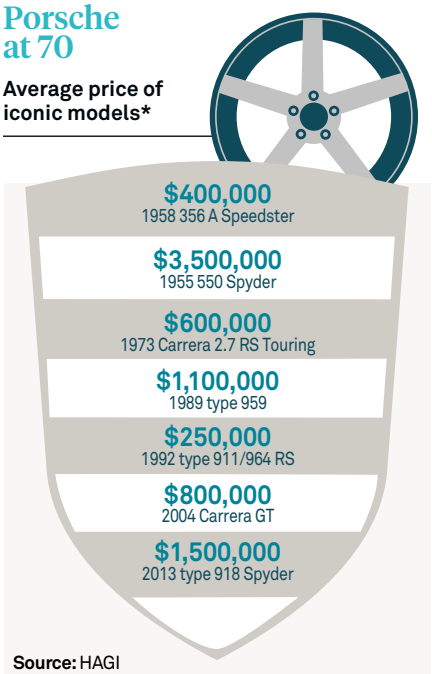


* Based on representative models with sub 1,000 production

Source: HAGI

Porsche at 70

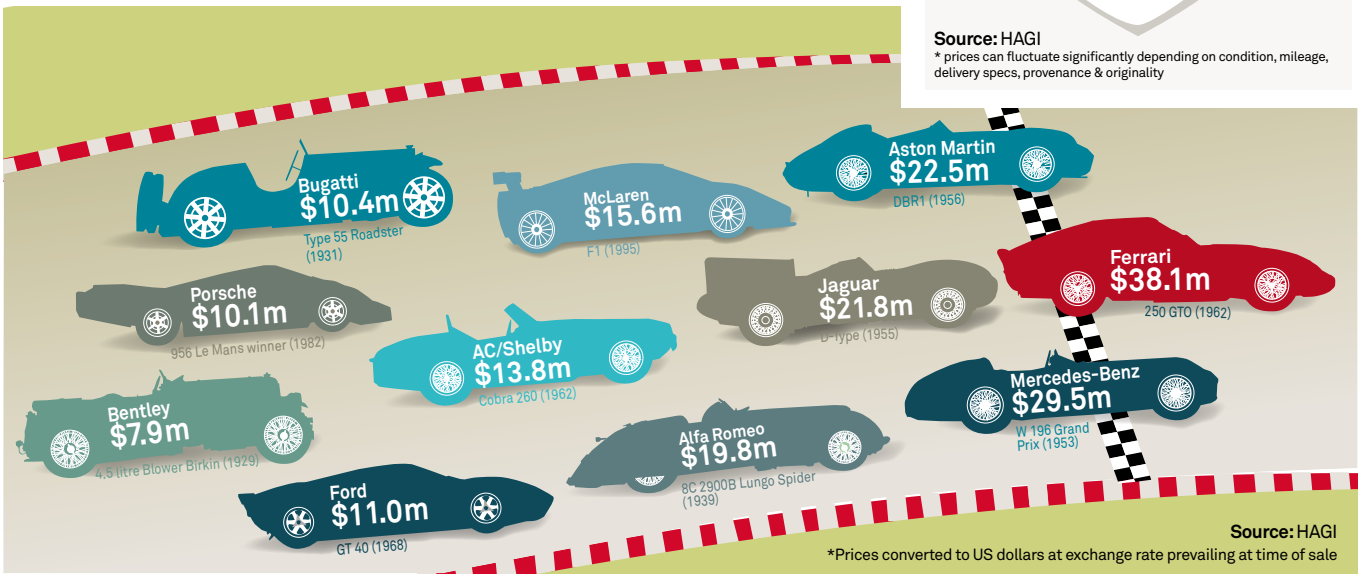
Average price of iconic models*



Source: HAGI
* prices can fluctuate significantly depending on condition, mileage, delivery specs, provenance & originality

Chequered flag

Top-priced model sold at auction from 10 of the key collectors' marques*



Source: HAGI
*Prices converted to US dollars at exchange rate prevailing at time of sale

Something old, something new...

Andrew Shirley pays a visit to Jaguar Land Rover's Classic Works near Coventry to say happy 70th birthday to the world's most iconic off-roader and meet some other amazing classics

Then – One of the original Land Rover Series 1 launch vehicles

When the Series 1 Land Rover was first unveiled at the Amsterdam Motor Show in 1948 it's unlikely anybody there would have believed that seven decades later the utilitarian mud-plugger would be a cult object of desire.

Not only are significant numbers of the earliest Land Rover still going strong around the world, but wealthy enthusiasts are paying huge sums of money to get their hands on a literally re-born automotive slice of history.

Since 2016, Jaguar Land Rover has been scouring the world for Series 1s in restorable condition – many surviving models no longer have their original engines or have been extensively modified – for its Reborn programme. As the name suggests, the donor vehicle is taken apart completely and painstakingly rebuilt to the original specification – no mod cons are added – as when it rolled of the production line.

It's not a new concept off course, dedicated collectors and specialist restorers have been doing something similar for years, but the involvement of the original manufacturer has set a new benchmark, not only in terms of authenticity, but also price.

A Reborn Series 1 will cost between £75,000 and £95,000, but the order book is strong, says Tim Hannig, Director of Jaguar Land Rover Classic. "The waiting list is up to two years long."

Historic

One historic Land Rover that would undoubtedly command a higher price, but is unlikely ever to be sold as it will form part of Jaguar Land Rover's extensive heritage collection, is currently being restored after being recently rediscovered languishing in somebody's garden. Looking in need of some TLC, but otherwise in remarkably good shape, the vehicle (pictured) was one of the three exhibited in Amsterdam in 1948. "This Land Rover is an irreplaceable piece of world automotive history, and ensuring it is put back together precisely as it's meant to be is a fitting way to help commemorate Land Rover's 70th anniversary year," says Mr Hannig.

A souped-up version of the now discontinued Defender model – the last direct descendant of the Series 1 – was also created as part of the celebrations. Equipped with the engine from the Range Rover Sport and with upgraded running gear and rubber, the Defender Works V8 is speed-limited to 106 miles an hour. Just 150 were produced and even with a £150,000 price tag the model sold out within hours.

Although those looking for a good example of a Series 1 can find one for significantly less than £75,000, the Reborn programme has definitely added some heat to the market, says Dietrich Hatlapa of classic car analyst HAGI. "The cost of a complete restoration can now be factored into prices for perfect examples or highly original cars."

Early 1970s two-door Range Rover models and Series 1 E-types made between 1961 and 1968 have also received the Reborn treatment, and again demand is exceeding supply despite these labours of love – restorations involve as many as 1,600 man-hours – costing £140,000 and upwards of £285,000, respectively.

The upwards climb in classic car values over the past 10 years (see page 3) has made the involvement of original manufactures in initiatives like the Reborn programme increasingly viable. As prices rise, other models like the XJS could be added to the line-up, says Jaguar Land Rover, although later cars can actually be

Continued overleaf...

And now – Special edition V8 Defender

New classic – A continuation D-Type

more expensive to restore because of the way they are constructed.

Continuation

Jaguar Land Rover is one of several marques to take the idea of restoring its most famous models one step further by blurring the lines between new and old.

At first glance it's a stunning 1957 Jaguar XKSS, the road-going version of the racing D-type, that greets visitors to the reception area of Classic Works, but looks can be deceiving. The car was one of nine "continuation" models built in 2017 to replace cars that were destroyed during a fire at Jaguar's Browns Lane factory over 60 years ago.

Created using the original plans and techniques, the cars are definitely not replicas, insists Mr Hannig. "They are Jaguars with original chassis numbers built by Jaguar."

The "new-original" XKSS followed in the footsteps of a run of six lightweight E-types and it was announced earlier this year that the series is being extended to the D-type, which won the Le Mans 24 Hours race three times between 1955 and 1957. Twenty five of the racing cars will be built to complete the original planned run of 100.

Although the "continuation" cars are virtually identically to their in-period built siblings – the build quality is probably higher – and are even considered eligible for historic races, there is, however, one big difference – price. While a "new" D-type certainly isn't cheap at over £1.5m, a car raced in the 1950s could set you back as much as £20m.

Pedigree

History is a vital component of the classic car market, says Mr Hatlapa. "Without that pedigree the price calculation becomes completely different." But Jaguar Land Rover says it hopes the establishment of a new racing series will enable its continuation models to develop their own sense of history.

As for the Land Rover, it seems likely that continued enthusiasm for the original Series vehicles and later special editions will ensure many more birthday parties and price growth over the coming decades.

Research
Andrew Shirley
The Wealth Report Editor
+44 1234 720534
andrew.shirley@knightfrank.com

Media & PR
Celia McKelvey
+44 20 7861 1033
celia.mckelvey@knightfrank.com

INDEX SOURCES

Art	AMR
Chinese ceramics	AMR
Antique furniture	AMR
Jewellery	AMR
Watches	AMR
Wine	Wine Owners
Classic cars	Historic Automobile Group International (HAGI)
Stamps	Stanley Gibbons
Coins	Stanley Gibbons
Coloured diamonds	Fancy Color Research Foundation

Please contact andrew.shirley@knightfrank.com for more details of each index

Contacts and acknowledgements

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

Front cover: Aston Martin DB4 GT Zagato. Image courtesy of Bonhams/Tom Shaxon

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

Knight Frank

© Knight Frank LLP 2018
This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.