

Mixed picture

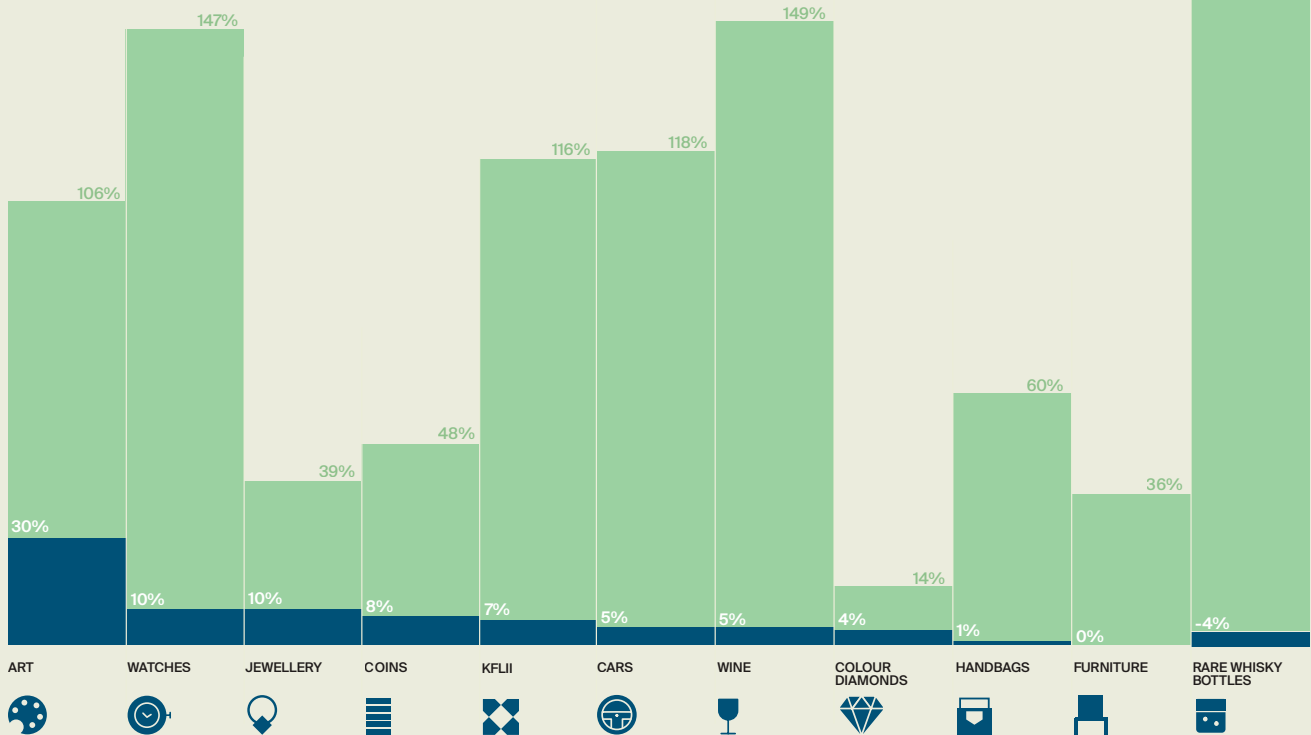
Art once again tops the Knight Frank Luxury Investment Index (FKLII), but growth is starting to slow or even reverse for some of the other asset classes tracked by the index

Inflation busters

The Knight Frank Luxury Investment Index Q2 2023

PRICE CHANGE

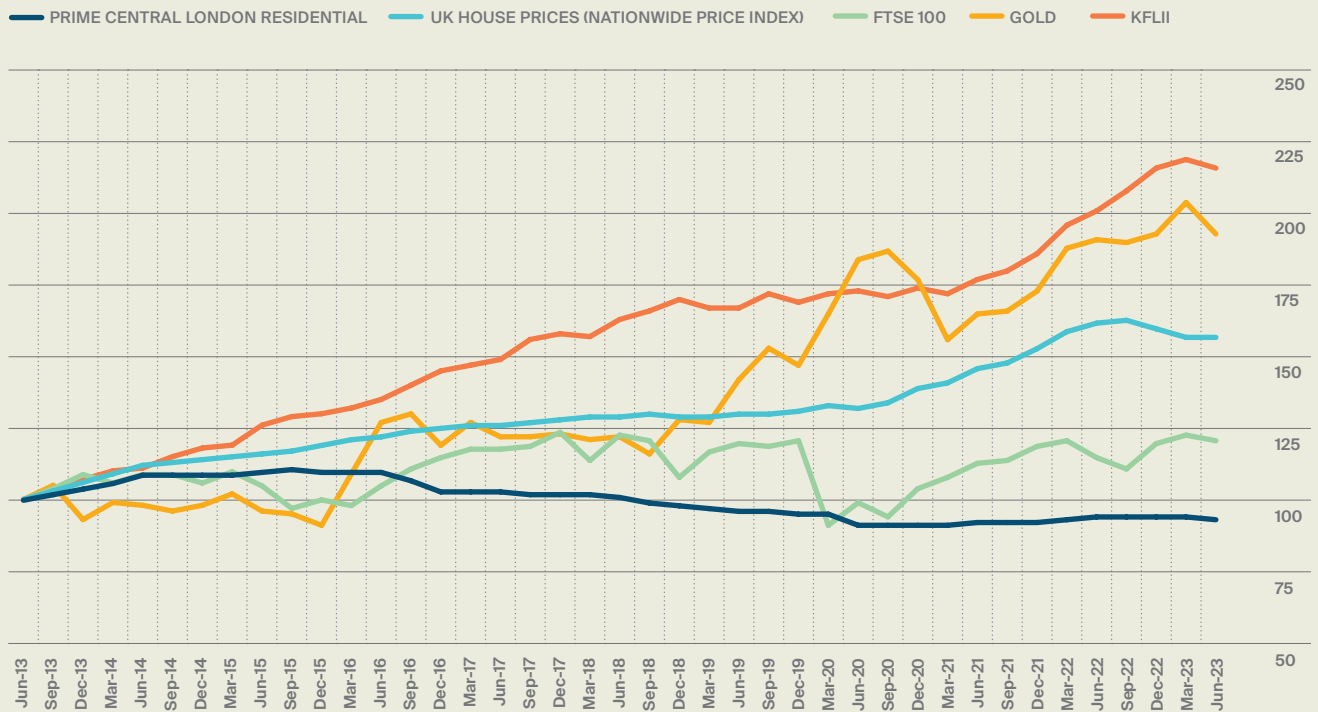
10-year 12-month



Source: Compiled by Knight Frank Research using data from Art Market Research (art, coins, furniture, handbags, jewellery and watches), Fancy Color Research Foundation (coloured diamonds), HAGI (cars), Rare Whisky 101 and Wine Owners. Notes: KFLII is a weighted average of individual asset performance. *All data to Q2 2023 except coins (Q4 2022). Contact andrew.shirley@knightfrank.com for more information

Tangible assets

KFLII 10-year indexed performance v other assets (Q2 2013 = 100)



Source: Knight Frank Research

The Knight Frank Luxury Investment Index (KFLII), which tracks a weighted basket of 10 collectibles, rose by 7% in the 12 months to the end of July 2023.

This was a creditable performance compared with houses in Prime Central London, down 1% over the same period; the FTSE 100 index of equities, which rose by 5%; and gold which was up in value by just 1%. But it was the weakest annual performance by KFLII since Q2 2021, proving that even tangible assets are not immune to market uncertainty.

A slowdown in the wine and classic car markets, where double-digit rises have often underpinned the index's performance, helped temper growth.

"Burgundy has been the big success story of the past decade, with prices having escalated 367% by the early autumn of 2022. However, the top of the Burgundy market peaked around that time and has since fallen by at least 9%. Published prices tend

to lag realised sales, indicating that there is further to fall," points out Nick Martin of Wine Owners, which compiles the Knight Frank Fine Wine Icons Index (KFFWII).

"Whereas Burgundy is scarcity led, Champagne is a high-volume market, with certain prestige brands' production running into the several million of bottles per vintage release. Prices of some of those prestige cuvées have been testing price elasticity of demand and seen sales stagnate as a result," adds Nick.

"Against this backdrop the KFFWII, benefitting from its globally balanced index composition, has risen 5% in the past year and is flat year to date. Nevertheless, the heightened cost of capital may well act as drag on blue chip fine wine markets for the rest of 2023," Nick predicts.

"When interest rates have risen sharply to around 6%, new releases in particular, according to market

"Against this backdrop the KFFWII, benefitting from its globally balanced index composition, has risen 5% in the past year and is flat year to date"

economics, should be offered at a bigger discount to future value in order to convince consumers to spend on wine instead of holding cash. If wine markets are looking topy with limited obvious upside for new releases, there'll continue to be downward pressure exerted on secondary market prices more widely," he explains.

Some markets like South Africa (+11%) and Australia have, however, seen strong growth this year. ▶

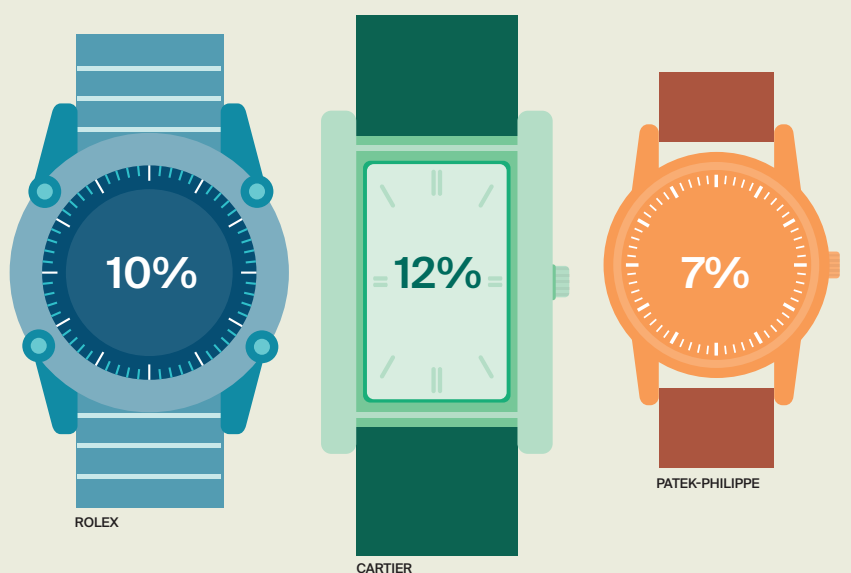
Message in a bottle

Price change of selected investment-grade wines (to July 10, 2023)



Times table

12-month price change of selected vintage watch brands (to Q2 2023)



REVERSE GEAR

The performance of classic cars has also been mixed, says Dietrich Hatlapa of our data provider HAGI. “After a strong performance in 2022 when the value of the most investable classic cars rose by 25%, this year has seen the market slip into reverse gear due to macro-economic factors like rising interest rates and inflation.”

According to the HAGI Top Index, prices dropped by almost 7% in the first half of the year. Ferrari saw the biggest drop slipping by just over 15%. However, not all cars are skidding off the track. HAGI’s Lamborghini Index is up 9% so far this year, as is its new BMW index. “These cars tend to be a bit newer and offer low price points for collectors,” says Dietrich. “Very strong communities of collectors have also built up around iconic models like the Miura,” he adds.

However, rare bottles of whisky, our strongest 10-year performer by far, are the only KFLII asset class to actually see a negative annual performance dropping by 4%, according to the index compiled for us by Rare Whisky 101.

“Bottles of rare whisky have had a far more sedate time from a performance perspective over the past three years,” confirms Andy Simpson of industry consultant Simpson Reserved. “Higher value (over £5,000) bottles have re-traced recently due to a myriad of geo-political, social and economic reasons. Certain brands have still performed well, while the market leader (from a sheer volume of market perspective), Macallan, has seen particularly punishing losses with their index re-tracing almost 12% over the past twelve months,” says Andy.

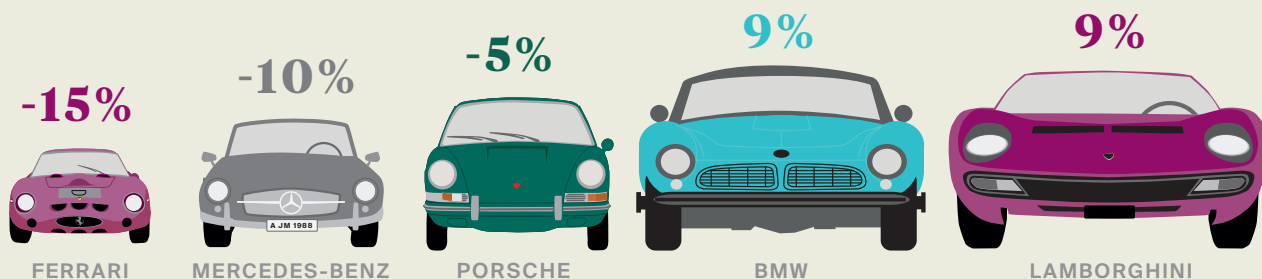
ARTISTIC LICENCE

Even the performance of art, which tops KFLII with 12-month growth of 30%, as measured by AMR’s All Art index, should be understood in terms of the post pandemic recovery period rather than just a market in robust health, reckons AMR’s Sebastian Duthy.

“The auction season’s spring sales are the first measure of market confidence and recent results suggest growth is already starting to slow. While it’s tempting to connect the fortunes of the art market with current external events, big changes to the way auctioneers do

Chequered flag

Price change by manufacturer* (January to June 2023)



Source: HAGI

business is equally important to factor in,” notes Sebastian.

“The days when the top auction houses relied on the three Ds - Death, Debt and Divorce – are long gone. Go to Sotheby’s website and you will find auctions appear secondary to the number of pages offering private sales on anything from sneakers and barware to pens and lighters. Today, headline grabbing public sales of art act more as a marketing tool attracting collectors to the increasingly popular luxury sector.

“And while it remains true that the best works by Picasso, Warhol and others continue to achieve wallet busting prices, less iconic pieces by these artists often struggle to reach estimates. AMR’s All Art ‘Top Traded’ index tracks the most liquid sector of the market by analysing only artists who have had 30 or more sales in a two-year period. This index is dominated by artworks from impressionist, modern and contemporary masters and reveals how average values have moved little since 2016,” he says.

Wearable investments of passion like jewellery and watches, however, seem to have retained their allure, for now at least. The AMR Watch index was up 10%, but “a correction may be on the cards for some hyped watch styles,” reckons Sebastian.

“But collectors from around the world were drawn to vintage jewels and exceptional coloured gemstones and diamonds as they re-invigorated recent summer auction sales,” he points out. “Christie’s had an exceptional season of jewellery sales in the first half of 2023, including the record-breaking

single-owner sale of the Collection of Heidi Horten. A ruby and diamond ‘bird of paradise’ brooch by Van Cleef & Arpels sold for 453,000 Swiss francs in Geneva in May 2023, up by around 40% compared with a sale of the same piece in 2018.”

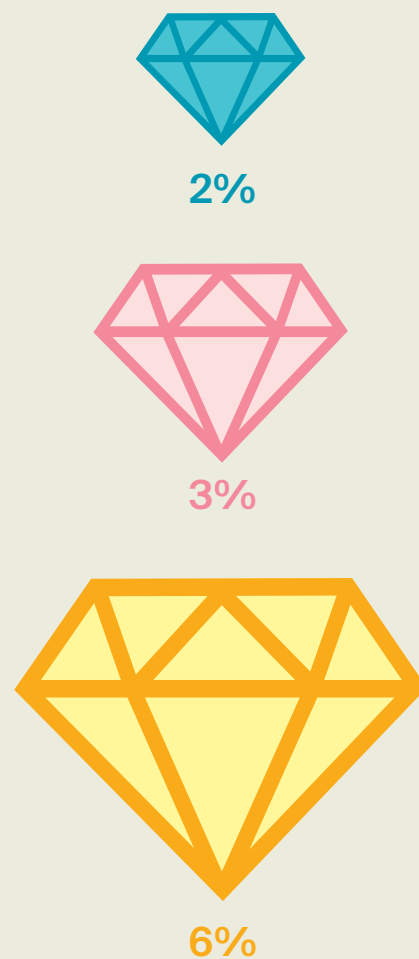
Colour diamonds are also enjoying a rise in interest, says Miri Chen of the Fancy Color Research Foundation. “As for the shift from colorless to fancy color, we see more wholesalers who are looking for safer areas to invest their capital. As a result, many of them increase their fancy color diamonds at the expense of their colorless inventory.

“We do observe a dramatic change in the way retailers present fancy color diamonds,” adds Miri. The feedback we receive indicates a significant increase in the success rate of fancy color sales. Even inexperienced sales teams are now able to engage in fascinating conversations with collectors and convey genuine appreciation and an emotional connection.”

Although pink diamonds have seen the strongest price growth over the long term, yellow diamonds have been rising in popularity over the past 12 months, according to the latest FCRF data.

Mellow yellow

12-month price change of colour diamonds (to Q2 2023)



Source: FCRF

Extra insight

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