

Sheehan Speaks

by Michael Sheehan

The Modenas Are Falling!

Paraphrasing Oscar Hammerstein II from “Showboat,” “Fish gotta swim, birds gotta fly, and I’m gonna watch new Ferraris depreciate till I die.”

One of the extraordinary things about the “instant collectible” market is its predictability. Over the past few decades, we have watched Plymouth Prowlers, Ferrari Testarossas, Dodge Vipers and 328s run up the slope of inflated values, then free-fall off the cliff towards “just a car” pricing.

This month, we’ll take a brief look at the market conditions for “gold chain cars,” specifically 360 Modena Spyders. Next month, we’ll visit the world of blue-chip collectible Ferraris, where important cars continue to bring strong prices.

Comparing a 250 SWB or even a Daytona to a 360 Spyder is uninformative at best and ludicrous at worst. All serial-production Ferraris built after 1990 are still depreciating except for the limited-production F40 and F50, which have gone up in value. Consider that 16 years

after 308 QV production stopped, they are now fully depreciated. Ferrari 328s have a little farther to fall, and 360 Spyders are going to be worth less every year until 2017 (roughly). By then, they will be as ancient as a current 308 and their performance will pale when compared to the latest, greatest iteration of Ferrari 16 years from now.

The current slowdown of the economy has caused the pages of *Ferrari Market Letter* to be inundated with ads for late-model Ferraris. This is an easily predicted market correction. When first introduced in April, MSRP for a new 360 Spyder was \$180k. The first few out the door sold on the secondary market for \$375k, a premium of almost \$200k.

Within a month, the richest and least patient kids on the block had one parked in their (probably marble-surfaced) driveway, so supply increased and prices went down to \$350k.

Now that several hundred have been delivered to the US, these cars have steadily dropped

in price at a rate of about \$20k a month, and are now down to about \$260k. While this may be a substantial decline, it was to be expected as more cars came on the market. And, after all, it’s still \$80k over window sticker for what is just a used car. I wouldn’t be surprised to see them trading at MSRP within three months.

If you’re trying to sell a contract on a yet-to-be-delivered 360 for \$100k over sticker, or expect to get your money back on a car you paid \$300k for, I suggest you get in line behind the whiners who bought 3Com stock last year and are demanding that their brokers get them their purchase price back.

From my perspective as a trader, I expect a continued, precipitous decline in the over-inflated prices of late-model Ferraris. After all, remember when 1989 328s were \$125,000 cars and Testarossas from the same year were bringing \$250,000 and more?

At the same time, I find no lack of demand for unusual, rare older cars. Interest rates are low and, for those in segments of the economy relatively unaffected by the current events, now is a good time to buy. I’ll discuss this in detail, with documented transactions, next month. ♦

