# DREAM SYNDICATES

*Fractional ownership is all the rage in the classic car world – and other alternative investment markets – but what is it and how does it work?* ***Paul Griffin*** *investigates*

Photography **Alamy**

**WE'VE ALL IMAGINED** it, part-owning a Ferrari GTO and blasting down to the coast on our allocated weekend with the car (when it will be street-parked outside our house, naturally). While that can happen to a lesser degree, and we'll explore your options later, at the hard end of fractional investment in classic cars the benefits are usually a little less tangible. Of course, you will get to casually drop your part-ownership into conversation at every opportunity, and you will probably even get to gaze at your investment – some groups hold gatherings for investors with the car or cars at the centre of them, or take them to events – but it's unlikely that you'll be driving it down to the local pub any more than the kids of someone with a share in a Derby-winning racehorse will be trotting Dobbin over the ankle-high fences at the local gymkhana.

Think of it more as a market-smart investment in a great work of art, with the benefit of a potential return on your outlay. It's fair to say that fractional ownership won't suit everybody, and for good reason you will see warnings that the value of investments can go down as well as up. However, the motivating factors are usually pretty simple: returns from the classic car market have been very strong over the past decades, against gold, the FTSE, the housing market and especially against the banks. So if you are going to invest in anything, why not make it something you love? This way of thinking has in some cases nurtured the growth of communities around the investments, elevating the experience way above that of a mere financial transaction.

From a background of financial markets and trading, Emanuel Georgouras of PistonDAO tells of a VIP group

## *'You do not pay capital gains tax on classic cars in the UK'*

with community-owned cars and celebrity association. For many the attraction is a straightforward financial investment and returns over three to ten years, whereas for others it is car-based community association and events.

The business uses data analytics supported by market knowledge in its selections. Although this technology is appropriate for several asset classes, PistonDAO concentrates on performance and classic cars in the range of $1-3million, with acquisitions and disposals through various auction houses, dealers and trading platforms. The FCA-regulated investment platform illustrates its position in the market via the examples of potential investment cars it shares on its website: Ferrari F40, Lamborghini Countach and the Bugatti EB110. Say no more.

While PistonDAO is primarily about investment, it is formatted around an international 'club' model, offering membership as your passport to the top table at elite events, the opportunity to mix with like-minded individuals, a podcast, and more. Furthermore, its tiered membership is accessible whether you have invested in a car or not.

MCQ Markets is a name that might be familiar to many. Curt Hopkins and Lachlan DeFrancesco's Miami-based business has access to public markets with operations in the US and the UK and plans to expand into other asset classes. It prices shares from $20 and offers a minimum investment of $500, which has democratised fractional ownership by making affordable a stake in anything from a Lamborghini Countach 5000QV or Ferrari 512 BBi to a Lexus LFA.

MCQ, which has an interest only in cars worth over $500,000, has also made it easy to sign up and invest and is developing a secondary market for people who want to pull their money out before an investment has gone full-term. It quotes excellent returns from previous investments, such as a Porsche Carrera GT bought for $375,000 in 2009 and sold five years later for $860,000, giving an ROI (Return On Investment) of 126.67% and CAGR (Compound Annual Growth Rate) of 23.06%. A Ferrari 488 Pista Spider bought for $599,999 in 2021 and sold one year later for $760,000 offered ROI and CAGR of 26.67%.

These investments do *not* afford the use of cars that are accessible in showrooms and at events in the company of high-profile brand ambassadors. Road cars are at the centre of MCQ's dealings, with expectations of expansion towards fractional ownership of related assets including race cars and race helmets. Club membership matters, as does an affinity for cars and a familiarity with alternative investments. Currently live with MCQ are a 1984 Ferrari 512 BBi and Lamborghini Countach 5000 QV, each at $20 a share.

While none of this includes the physical involvement of other forms of shared ownership, if you are in this for optimum returns (not to mention bragging rights), this form of fractional ownership can be seen as the pure play, and a way of benefitting from classic car capital gains not ordinarily being subject to taxation in the UK.

Founded by Christopher Bruno and Rob Petrozzo in New York in 2016, Rally is a long-time participant in fractional investing. It began with classic cars and is now an investment platform for assets including art, watches, sports collectibles, artefacts and books. Cars live in corporate entities registered as US securities and listed in a process similar to an initial public offering, inviting subscription for shares. These shares can be traded on a digital marketplace.

For the period of ownership, cars are stored and not road-registered or capable of use. Rally's catalogue includes a Saleen S7, an Aston Martin V8 Vantage Oscar India and a Ford Mustang Fastback. Coming soon to Rally is a $590,000 1994 Lamborghini Diablo VTTT at $20 a share or, at $10 a share apiece, a $315,000 Arsham RWB Porsche 964 or $295,000 1996 Ferrari F355 GTB. If they don't float your boat, how about the $13.75m BCQ 24 Stegosaurus fossil (yes, you read that right) at $68.75 a share, or Joe DiMaggio's $17,900 Rolex at $8.95 a share.

There are myriad alternatives for a more active involvement in the actual cars, other stages between pure investment and pure ownership that structurally could be compared to everything from straightforward rentals to motoring timeshares. In its more diluted forms, there could





be the possibility of purchasing fractions in two or three different cars, providing greater variety than the outright ownership of a single car – and at less cost!

At Supercar Sharing, Deivis Valdes speaks of a business tending towards use, and modern, factory-warranted supercars typically divided into 10% shares. Clients gain access to club events and gatherings and can engage in car rentals as well as trading. Current favourites are the marquee models of Porsche, Ferrari and Lamborghini, with a distinct preference for manual transmission and petrol engines.

Cars are typically acquired after initial new-car depreciation and then remain subject to shared ownership until they have covered 60,000km or so. Sharing owners are often business travellers or tourists seeking short-term, local use. And among Supercar Sharing's next steps? The extension of this blueprint to the hypercars of Koenigsegg, Bugatti and Pagani.

Supercar Sharing currently has almost 50 cars available for co-ownership investment, ranging from a 1959 Mercedes-Benz 190SL to a Bugatti Chiron W16. A tenth of the 190SL will set you back CHF 14,289 (approx £12,000) and that includes an allowance of 30 days and 1500km a year, but you can expect additional bills of about £1000 a year. The business anticipates it will sell on the car after five or six years or when it hits 100,000km (it's currently on 31,900km). Given a value of roughly £3.35m, the 2018 Chiron is about £380,000 for a tenth, including 30 days and 2000km. Your share of the annual operation costs would be another £10,000 on top.

## *'The result might be a Caterham shared for periodic track-day use'*


David Spickett of The Car Crowd describes steps to bring the benefits of classic cars to the investor market with shared ownership closer to the 'pint and pie' relationship model – sharing experiences and creating memories, based on a technology platform informed by research and observation of the classic car market. The result might be a Ferrari F355 in the ownership of 20 people and residing in a bespoke facility, or a Caterham in shared ownership for individual track-day use. The cars tend to be classics from 1980 to 2005, which show appreciation potential through pedigree, motorsport connection or celebrity. Recent strong investment performances have come via the Renault Megane R26.R and Jodie Kidd's Lancia Delta Integrale.

The Car Crowd has 4000 investors and 70 blue-chip classic cars on its books, with a total portfolio valued at about £6million, packed with accessible exotica rather than unobtainable rarities. With a tagline of 'all of the experience, none of the hassle', the Car Crowd is a fine example of a shared ownership scheme, eliminating the relationship-destroying risks of a similar but informal set-up with friends. They source the cars, set each up as a limited company with the investors as the shareholders, then store, insure and maintain the cars (with the costs included in the share price) for a maximum of five years until the shareholders sell. Next to go live with the car crowd is a Porsche 996 GT3 RS.

Of course, you could do all this for yourself, couldn't you? Plenty have, but the market has evolved for companies to look after people's car investments for good reason. Most individual schemes are dreamed up between friends, realising that joining forces would allow them to own a car unattainable for each individually, something that might gain them access to the best grids, tours or concours lawns. Great, but you have to consider how the arrangement ends if one party wants out – or dies. However strong the friendship, it is essential to have a formal agreement covering every cost and eventuality.

Legal agreements, storage, transportation, maintenance and so on go way beyond the basic task of administering a number of investors. Each sharing owner's enjoyment of time with the car will depend on what happens during the other sharing owners' time with the car. So it's important to agree in advance the division of expenses in proportion to share ownership, the annual number of days' use for each shareholder, the limitations, nature and logistics of permitted use, driver restrictions, mileage restrictions, the scheme of allocation and priority of available times, 'playing nicely', and complying with a detailed set of rules concerning the car's care during each sharing owner's period of use.

When buying a valuable car as a group, the purchase of a share depends not only on the car's purchase price, but also the costs of the car's acquisition fees, and a proportion of the costs of establishing and registering the company, effecting the corporate documents and shareholder agreements, legal, tax and consultancy fees, and establishing the arrangements for the car. Then you need to account for recurring costs of maintaining, preparing, storing, insuring, taxing, valuing and transporting your joint asset.

As we said, it's obvious why a business has sprung up regarding fractional ownership, and – granted – these may not sound like the sort of rules that friends need, but you'll thank us. After all, when Coleridge commented 'The happiness of life is made up of fractions', it is doubtful he was envisaging arrangements as complicated as the shared ownership of a classic car. End