



Understanding prices in classic car auction brochures and published auction results

As the proud owner of a 1973 Factory MGBGT V8 for over 11 years, the sale of an identical model last December at an H&H auction aroused Andy Goves' interest in its very low estimate of only £5,000-7,000. Here he explains what he found and how it helps understand prices at classic car auctions.

In this particular case, with the "estimate" falling far short of MGBGT V8 prices listed on the price guide available on the V8 website and my own car's "agreed valuation" for insurance cover, I had concerns about possible changes in the market place potentially affecting all MGBGT V8 owners. This was an auction that I needed to attend, not least for my own personal reassurance! The car for sale was extremely well presented having undergone a restoration circa 2004 and a current MoT with a documented regular maintenance programme. Close examination of bodywork and panel gaps; engine bay and interior did not yield any obvious reasons for such an apparently low "estimate".

How are the estimated value and the reserve figures for a classic car at auction determined?

Here I must record my appreciation to John Martin, Client Services Manager of H&H, for explaining the potentially confusing areas of the pricing structure to anyone new to classic car auctions. The **estimate** for any consignment is, according to H&H website's Terms and Conditions: "*Estimated Value means the value given by the Seller in the Entry Form as the Estimated Value of the vehicle and if more than one value is given, the higher of those values*". Clearly it is the decision of the seller. The auction house,

however, will be closely involved in discussions with the seller and offer advice, taking into account other auction sale prices achieved, internet sales prices and price guidance available from specialist classic car clubs such as the price guides on the V8 Register's website.

Again from the H&H website: "*We ask that the **reserve price** takes into account the absolute bare minimum you are prepared to accept for your vehicle.*"

Thus, the reserve price should not be a figure at which you are happy to sell but rather one at which you are resigned to sell. It is perhaps worth bearing in mind that because we work on commission we want your item to make as much money as possible." **Interestingly, the auction house is not permitted to set a higher reserve price than the estimate.** Typically, the auction house will place the reserve price in the middle of the estimate – so for example looking at this Damask Red 1973 Factory MGBGT V8 at the H&H auction with an estimate of £5,000 to £7,000, we may extrapolate that the reserve price may have been £6,000, but we will never know as such matters are, quite properly, kept confidential between the seller and the auction house.

The H&H website makes it quite clear that there is a linkage between the reserve price and the estimated price range. Again, from that company's website: "*The **reserve price** is kept confidential between client and auction house but has a bearing on the **estimated price** listed in the catalogue and on our website. From our experience, a very sensible reserve price allows a tempting estimated price to be placed on a lot which in turn attracts a good number of bidders.*"

This was borne out by the bidding on the MGBGT V8 commencing at £5,500 and briskly proceeding to a "hammer price" of £13,000. Along the way, a commission bid placed with the auctioneer stopped at just £9,000. As MGBGT V8 owners we can all appreciate the possibility of the new owner being able to acquire this car at the lower prices of £5,500 or £9,000 – such is the undeniable attraction of buying at auction!

Understanding bid results from classic car auctions

In this sale, the published sale price on the auction house website is £14,560 - the total of the **hammer price** (the figure the car was "knocked down" for as the bidding closed) plus the **buyer's commission** paid, typically 10-12%, on that hammer price. The final price paid by the successful bidder also includes VAT on the buyer's commission, currently at the 20% VAT rate. Although it is often stated that the sold price includes the buyer's premium, it is apparent that standard practice of classic car auction houses is not to apply VAT when the prices are listed on their websites. So, using this MGBGT V8 example sold at auction:

Hammer price	£13,000
Buyer's premium at 12%	£ 1,560
Sold price shown as	£14,560

In reality, the price paid by the successful bidder as a VAT tax payer will be **£14,872** if we include the VAT on the buyer's premium of £312 calculated as 20% of £1,560. The rationale for publishing the sold price without the addition of UK VAT is because auction houses sell in a global market. The addition of UK VAT, which would be reclaimed in the case of a buyer from outside the UK, becomes meaningless to international observers and potential purchasers and therefore the only proper benchmark which can be applied to published auction sold prices is to exclude it.

The good news, for MGBGT V8 owners, is that this sale achieved a very good price much more aligned to the sale prices indicated by the price guide published by the V8 Register than its £5,000-7,000 estimate!

Looking at the two MG RV8s sold at auction in December 2015

Contact with several other classic car auctions confirm this is normal practice as it provides a standard for comparable prices. The same pricing structure has been applied to the two MG RV8s sold at auction recently: A 1995 Woodcote Green Japanese reimport at Bonhams auction sold for £11,500 including buyer's premium (but not including VAT) and an Oxford Blue 1993 MG RV8 sold at the Classic Car Auctions sale at £17,270, including the buyer's premium but again excluding VAT on that premium.

My thanks to the staff at Classic Car Auctions and John Polson at Bonhams. With all the auctions I've attended to date I've found all the staff to be extremely helpful and it has consistently been an extremely enjoyable experience. The only possible negative is that it becomes increasingly harder to "*sit on your hands*" and not bid as these tempting purchases go under the hammer – especially as you learn more about the process and gain in confidence!