

FINANCIAL SERVICES

## Luxury assets immune to Brexit fallout: Borro

June 28, 2016



London; Image courtesy of Burberry

By STAFF REPORTS

United Kingdom-based secured lender Borro is predicting hard luxury assets, including art and classic automobiles, to be tangible stores of wealth in the aftermath of the European Union referendum.

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Last week on June 23, U.K. citizens voted to leave the EU as the referendum passed with 52 percent of voters choosing to exit, the news of which caused a \$2 trillion hit to global stocks, the pound to fall 10 percent to the dollar and the euro to drop 3 percent. Britain's secession from the political-economic union will be a two-year process, but the impact of this time of uncertainty has been immediate ([see story](#)).

Placing bets

As stocks and the pound dropped following the Brexit vote, the price of gold rose by 6 percent, and 20 percent if sterling fluctuations were taken into account. Per Borro, this serves as an indication that investors are seeking ways to protect themselves in an uncertain market.

"Economic uncertainty often leads to increased activity in different markets, including luxury assets," said Samantha Lilley, director of Valuations at Borro, in a statement. "Buyers are looking for a tangible store of wealth to protect themselves against volatile financial markets.

"Additionally savvy collectors will be watching auctions, looking for opportunities to generate long term returns," she said.

The first major auction held after the Brexit results saw the sale of a 1938 Jaguar Roadster. Auctioned by Bonham's during the Goodwood Festival of Speed June 24, the Jaguar was expected to fetch between 180,000 - 260,000, or \$237,489 to \$343,111 at current exchange rates.



*1938 Jaguar Roadster auctions at Goodwood Festival of Speed by Bonham's*

Instead, Bonham's sold the Jaguar Roadster for more than 337,500, or \$445,386.

Looking back at the 2008 financial crisis when the Financial Times Stock Exchange fell 31 percent over the course of the year, the fine art market only declined by 4.5 percent. To Borro's point, by 2011 the art market had recovered to the record levels of 2007, and grew yearly up until 2015.

Similarly, in the last 35 years, French leather goods brand Herms' iconic Birkin handbag has increased in value by more than 500 percent, according to Baghunter.

In the time period evaluated, the S&P 500 has returned an average of 11.66 percent, or 8.65 percent in real returns. But, the S&P 500 averages do not reflect market fluctuations during the 35-year period and assume that investors have neither bought or sold stocks during that time.

Baghunter found that Herms Birkin handbags have increased in value year over year. The handbag has offered an average annual value increase of 14.2 percent ([see story](#)).

"Luxury assets benefit from an international market," Paul Aitken, CEO/founder of Borro. "Although Brexit may be affecting confidence in the U.K. that doesn't have a dramatic effect of Patek Philippe sales at Christie's Hong Kong.



*Image from the @Vote\_Leave Twitter account*

"The global nature of these markets has always been beneficial to us as a company," he said. "We have always taken into consideration not only local market prices, but international markets which may have higher demand for certain assets.

"Our seven year track record combined with our experienced staff makes me confident that we will be able to continue lending as expected."

Borro has valued more than 50,000 luxury assets and targets affluent consumers seeking credit at scales not available from traditional lenders. In the Brexit aftermath, Borro has made no changes to its growth forecasts for luxury assets or property lending.