

## CLASSIC CAR COLLECTOR: PASSION INVESTMENT STUDY ON CLASSIC CAR COLLECTORS IN SEMARANG

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### ABSTRACT

This research is a qualitative research. Data collection was carried out using the interview method. This study aims to find out facts about passion investment in classic car collectors in Semarang. In recent years, the investment trend in Indonesia has increased. One alternative investment that is in demand is investing in art. Items that have works of art such as antiques can be used as an investment. In 2023 the number of investors investing in classic cars has increased from the previous year. In addition, over the past decade investing in classic cars has financially done better than many other collectibles such as stamps or coins. In this study generate data regarding the facts of investing in classic cars. Potential investors need significant knowledge about classic cars because not all old cars can be considered classics. The car is rare or available everywhere. Classic cars are depreciable assets, so it is very important for investors to know how to maintain the value of classic cars. Investing in classic cars is a little risky because to generate a reasonable return, investors must buy the vehicle and repair or maintain it before reselling it. Most classic car investors view their investments as a hobby rather than a method of making material gains.

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**Keywords:** *Passion Investment; Classic Car Collector; Classic Car Investment*

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## INTRODUCTION

In recent years, the investment trend in Indonesia has increased. This is based on data from the Investment Coordinating Board (BKPM) which states that from 2017 to 2018, the number of investments in Indonesia has increased. In 2017, the realization of written investment reached Rp 678.8 trillion. While in 2018, it visited a slight increase of Rp 721.3 trillion or an increase of around 4.1%. The addition of investment figures was seen at the beginning of 2019. In the first quarter, BKPM recorded investment realization at Rp 195.1 trillion. In the previous year in the same quarter, this figure increased by 5.3% compared to the previous amount, which amounted to Rp 185.3 trillion (Pasaribu et al., 2019).

In Knight Frank's Wealth Report (2021) published in early March 2021, it is known that the number of Indonesia's super-rich (the cool term is "crazy rich indonesians") will increase by 67% in the next five years until 2025. This growth prediction far surpasses the growth of superrich populations in China and India, as well as many other countries.

These super-rich people, who are included in the term UHWNI (Ultra High Net Worth Individual) are owners of assets above 30 million US dollars or around Rp 427 billion in the form of property ownership (houses and land), luxury goods, art collections, classic cars, investment properties, and intangible assets in IDX Channel, (2021).

According to a report by property consultancy Knight Frank (2023), the value of antique cars has increased 25 percent from last year and 185 percent over the past 10 years, beating its formidable rivals such as wine, watches and artwork. The increase in value of this classic car is only inferior to rare whiskey (Frank et al., 2023).

Investing in antiques and starting an interesting collection doesn't always require great wealth. But collectors who collect antiques have been closely associated with wealth assets since ancient times. (The Wealth Report 2020). It can be concluded that collectors can make their collectibles as wealth assets (OJK, n.d.).

In the automotive world, ways to develop and preserve vehicles can be done by restoring and repairing. This can be categorized as a hobby. This hobby if pursued and lived carefully, it is not impossible to be an investment in the future. Here are the opinions of some classic car collectors about classic cars as an investment: (Bialynicka-Birula, 2021; Hoffmann, 2018)

1. Andre Taulany (48) is an Indonesian actor, musician, host, singer, content creator and comedian. Said that classic cars have investment value. Because, the rarer the car, the more expensive the price it has, often sought. Quoted from Rans Entertainment's Youtube account on Sunday, May 14, 2023. In Media Asuransi magazine (2022), Andre said that starting from a hobby has now become an investment. This is evidenced by his car collections that he bought at low prices and then repaired so that they had a high value even though they were not originally for sale (Wahyudi, 2022).
2. Arief Muhammad (32) is a content creator and entrepreneur in Indonesia. Has several classic cars, including the Mercedes Benz G300 Last Edition in 1998 which he just bought some time ago. Arief said that this car in the past did not sell well, but nowadays many car collectors are competing to buy this car to be used as a collection. This car has 2 engine variants, namely 2300cc 4 cylinders for gasoline and 2900cc for diesel. The price of this car is dark because the population of this car is rare in Indonesia. Even if someone sells this car, it is sold in the range of Rp700-1 billion. The confession is quoted from an IDX Channel article. On his social media account, Arief also wrote, "Those who don't understand might think it's wasteful, even though most of the cars I buy only have 'value'. Among those whose prices will definitely go up, or at least, they won't go down," Arief wrote on Instagram @ariefmuhammad.
3. Florian Zimmermann, a former head of the classic division at the German Mercedes Benz company owns several classic cars. According to him, the collection is more than just a hobby, but also an investment. In 2022, a Mercedes-Benz 300 SLR Uhlenhaut Coupé from 1955 sold for \$149 million, making it the world's most expensive car ever sold. Zimmermann said "So, in addition to giving pleasure, these cars are also a serious investment and as you can see behind me, quite a lot of the collection, which we keep for the future.". He also said that collecting classic cars requires a lot of money. Operating costs for storage, maintenance and insurance can be up to six percent per annum of the portfolio value. Quoted from voaindonesia.com on Sunday, May 14, 2023 (VOA, 2023).

Speaking of investing in antiques, in Indonesia there is a classic car community. The community is named "Indonesia Survivor" and is domiciled in Semarang. Researchers want to investigate what factors cause someone to invest their funds in antique collections such as classic cars with samples in a community called "Indonesia Survivor. Researchers are interested to find out why these people allocate their funds to these cars. Whether by allocating funds to classic cars can preserve their wealth or part of a profitable hobby.

### **Resale Option Theory**

Option resale theory suggests that when investors believe they have more precise knowledge than is actually the case, investors have high self-confidence giving rise to confidence in the asset. Investors feel they can sell back an asset to a buyer in the future who will pay a higher price so that investors are willing to pay an amount greater than its fundamental value (Dimson & Spaenjers, 2014).

Although the confidence is small, the asset trend develops and is sufficient to result in a transaction between the current owner and an overconfident buyer as the current owner will sell the asset whenever its price exceeds its fundamental valuation. So that it will cause a trading frenzy that increases asset turnover and price volatility (Hayunga & Lung, 2011).

### **Wealth Management**

Strategic asset allocation within a portfolio can be sourced from a variety of asset classes. Asset classes can be divided into two main groups: traditional asset classes and non-traditional asset classes. More specifically, (Ikatan Bankir Indonesia, 2017) suggests three main pillars as a buffer for wealth management architecture, namely:

1. First pillar: Protection and Maintenance of Wealth. In protecting & safeguarding assets, investment management can help by protecting & preserving the value of an asset or wealth.

- 2.
3. **Second Pillar: Wealth Accumulation and Growth.** Accumulating and growing the value of wealth is the task of wealth management in carrying out investment strategies that are able to add value to wealth so that it can prosper wealth owners.
4. **Third Pillar: Wealth Distribution and Transition.** Distributing and transitioning the value of wealth where wealth management will help wealth owners to arrange the distribution and distribution of wealth to heirs so that there is a guarantee of justice and also avoid disputes.

### **Interest**

Interest is one dimension of affective aspects that play a lot of role in a person's life. The affective aspect is the aspect that identifies the feeling dimensions of emotional awareness, disposition, and will that affect the thoughts and actions of the person himself Stiggins, (2005: 19) dalam (Al Ibrahim & Adib, 2018).

### **Investment**

Investment is a person's consistency in allocating a number of money or other resources that are done in the present in the hope of obtaining benefits in the long run (Roy & Joseph, 2018). Investment is an activity related to allocating funds to various alternative assets such as those classified as real assets such as land, gold, property or in the form of financial assets, such as various forms of securities such as stocks, bonds or mutual funds (Didit, 2013).

### **Passion Investment**

Passion investment theory is a theory of investing in a type of non-traditional asset that allows a person to enjoy the happiness of owning those assets and can make money when these items increase in value over time. These investments are speculative so someone investing cannot guarantee a return. The passion of the investor who buys the asset is to enjoy his wealth and satisfy his desire by on the other hand making money when the value of those goods increases over time (Burton & Jacobsen, 1999).

Passion investment focuses on the cultural or aesthetic value of the item. The value of passion investing is determined by its scarcity, quality, demand and cultural value. Potential investors do not have to spend too much money to start this investment because investment opportunities can be adjusted to the ability of investors. Types of passion investing that investors are interested in include fine art items such as paintings, then antiques such as classic cars, coins, stamps, jewelry and watches (Doe, 2020).

### **Collectors**

The collector is a person who is motivated to collect a series of similar objects where the instrumental function of the object is of secondary concern (or absent) and the person does not plan to immediately dispose of the object (McIntosh & Schmeichel, 2004).

Belk, Wallendorf, Sherry, and Holbrook (1991) note that collectors often maintain that artistic, historic, and for some scientific heritage collections from their collections are beneficial to present and future generations. While this may not be an accurate argument in most cases, it does inspire gathering with a heightened sense of purpose and destiny consistent with the idea of terror management to fight for symbolic immortality (Belk, 1988).

### **Classic Car Investment**

Investing in classic cars comes with special characteristics of the investment class that must be taken into account. Historic vehicles are almost unique and difficult to replace. In addition, pricing, other than expensive vehicle auctions, is largely not transparent (Firlus, 2011). Comparative value sometimes cannot be determined consistently because the market for a number of vehicles is subject to intrinsic liquidity (Lipinski, 2014).

Direct investment in classic cars not only offers measurable return opportunities, for example sales revenue. Much more, investors have the opportunity to realize emotional returns. Only very few asset classes have this feature. The literature suggests, in addition to classic car

investment, investment in art in this context (González/Weis, 2000) (Martin, 2016; Rambe, 2016). However, direct investment in classic cars does not only address the level of visual aesthetic perception.

### **Classic Cars**

Classic cars have been made since the birth of the automotive industry in 1900. The first classic car was a luxury item reserved only for the rich and famous in this world. This trend continued until the early 1920s and can also be seen in today's sports & luxury car market (Bonanno, 2017).

There are several lists of criteria that define a car as a "classic" car (Hatlapa, 2014) including rarity, soul, glamour; small production quantities; lifestyle and recreational sociation; historic cars documenting the development of the automotive industry; motor racing and racing history; associations with famous racers and celebrities.

## **RESEARCH METHOD**

This research uses analytical descriptive methods supported by the results of qualitative data processing. According to Krik & Miller in Rahmat (2009), qualitative research is research that aims to explain phenomena in depth by relying on human observations and relating them to these people. Meanwhile, according to Strauss and Corbin in Creswell (1998), qualitative research is research that obtains results that cannot be produced using statistical procedures or by other quantitative (measures) .

Qualitative research in general can be used for research on people's lives, history, behavior, functional organization, and social activities. One of the reasons for using qualitative methods is that they can be used to discover and understand what is behind a phenomenon that is difficult to understand satisfactorily.

The type of research used is qualitative descriptive investigation, where data acquisition is obtained from the results of interviews to several interviewees and then analyzes the data acquisition and then concludes the results of these observations. The goal is to gain a general understanding of the facts of investment passion in classic car collections

Data obtained directly from the source and not through intermediaries is primary data. Primary data can be in the form of subject to subject (person) individually or in groups, interview methods commonly used produce primary data. Interviews can be conducted with members of the classic car community and then followed by each member.

Data that is not directly produced by researchers and generally uses intermediaries is called secondary data. Secondary data is generally in the form of evidence, records or historical reports that have been arranged in files. For example, skip interviews.

The method of data collection is an important step in research, because the main purpose of research is to obtain information. Researchers will find it difficult to obtain data if the data collection method used is not in accordance with existing standards. The techniques used in gathering information through interviews and documentation.

## **RESULT AND DISCUSSION**

After researchers conducted research on the classic car community in Semarang with the interview method, the research findings can be presented as follows:

Passion investment is an internal factor that influences the success of investing in classic car collections. This is because passion investment and collection in classic car investment have a very close relationship, so the car community puts passion investment on these cars which of course will tend to want to own and collect the car. Conversely, if someone wants to collect the car seriously, it can arouse investment passion.

To find out the passion of investment collectors in the classic car community in Semarang for the collection of these cars concerns several factors, namely: (D'Allegro, 2022) (1) The experience of collectors when collecting classic cars and their prospects to remain active, from the results of interviews with several members of the classic car community about thei

experiences while collecting these cars it was produced that the experience of investing in classic cars has quite good returns; (2) Collector interest when choosing the car for investment purposes, From the interview results it can be concluded that there are several things that are priorities in choosing a classic car as an investment. This can be done by looking at the condition of the car and the scarcity of classic cars that can affect the value of the investment; (3) Before making an investment decision, based on the results of the interview, it can be concluded that advice and tips in starting investing need to be considered to reduce the occurrence of unwanted risks; (4) If you make the wrong investment decision, it can be concluded that investing in classic cars gives positive returns because investors start with hobbies and passions even though they do not always get material returns; (5) Challenges faced in making investment decisions and how to overcome them, based on the exposure of informants it can be concluded that challenges must exist in investing in classic cars, before starting to invest it would be better to prepare for the worst possibilities such as choosing the right product, preparing a good storage place and the right maintenance place. This is necessary to face challenges when investing in classic cars; (6) General information regarding investment decision making, D can be concluded that general information about things that can be done to maintain the quality of the car so that the value of classic cars continues to increase by maintaining quality and paying attention to always the condition of the car. Some informants also made other investments such as stocks in addition to investing in classic cars; (7) Emotional returns obtained, Based on the exposure of informants it can be concluded that classic car collectors get emotional returns when investing in classic cars.

## **CONCLUSION**

Based on the results of the study, it can be concluded that the number of people investing in classic cars is increasing every year. People think of classic cars as investable collectibles and over the past decade investing in classic cars has financially yielded better than many other collectibles such as stamps or coins.

The fact that must be considered when you want to invest in classic cars is that significant knowledge is needed. Potential investors need to find an expert mechanic or become a skilled mechanic themselves by joining the classic car community in order to obtain information related to classic cars. One of the important features of the best classic cars is the rarity with which they are completely out of production.

Based on the opinions of respondents regarding the characteristics of classic cars, it can be concluded that the value of classic cars increases over time, unlike ordinary vehicles that tend to lose value over time. But like other types of investments, investing in classic cars also has risks because classic cars are also depreciating assets.

The thing that can be done so that the value of this collection car continues to increase from year to year is that investors must keep the vehicle in good condition, neat, and with excellent performance. No one wants to buy a rusty car with damaged or worn parts, and excessive modifications tend to fall out of favor. The vehicle should be as close as possible to the form of origin, and the rarity of classic cars can affect the depreciation rate.

Some problems may occur if maintenance is incorrect. Investors are strongly advised to choose a workshop or place of maintenance carefully. Most classic car owners consider their investments as a hobby rather than a method of making a profit. They don't make purchasing decisions depending on what others want to buy, but what kind of cars they want in their collection. Investors can't get ROI until the car is sold, which means the only advantage is to have fun driving the car safely until it sells. This can be said to be an emotional return obtained by classic car collectors.

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