

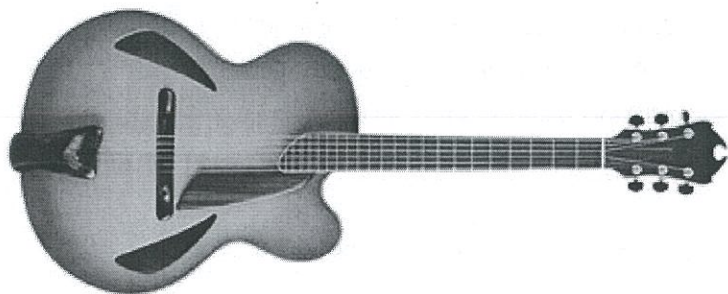
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## Strings Attached

by Phil Wahba Oct 31 2007

The vintage-guitar market has hit its high note, and that could have some collectors singing the blues.



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Photograph by: Stan Jay/Mandolin Bros.

In July of 2007, Kerry Keane sat marveling at an array of vintage guitars at Christie's New York headquarters. The specialist in fine musical instruments picked one up, gently strummed a few chords, then exchanged it for another and another. Keane had so far amassed 20 instruments for the company's semiannual auction, including a hard-to-find 1951 Fender "Nocaster" with an ash body and black pickguard, and a 1953 Fender Telecaster. The October 12 sale also featured a black 1959 Les Paul Custom electric guitar, like the one played by Fleetwood Mac's Lindsey Buckingham, and a 1941 D-45 by C.F. Martin & Co., whose pre-War instruments are highly sought after.

Christie's had high expectations. At its April guitar auction, all 11 instruments sold, including a 1941 Martin D-28 acoustic that went for a record \$264,000. This time, the auction house offered 40 guitars and was more ambitious in its estimates. Keane, a trained guitarmaker who's been with Christie's since 1999, when the company got into the vintage-guitar business with an auction of Eric Clapton-owned instruments, predicted that the aforementioned Telecaster would "easily go for \$50,000."

But on that damp October morning, Christie's hopes were hardly playing out. In a half-empty auction room, many guitars took weak bids, some too low for the instruments to sell. An 1864 classical guitar made by Spanish luthier Antonio de Torres sold for \$157,000, but most of the rest sold in the lower end of their estimated ranges. As powerful bidders such as Fred Oster, a Philadelphia dealer, and Chris Martin, president of C.F. Martin, looked on, the Telecaster flopped, selling for \$32,000. A similar scenario played out two days later in Boston, where Skinner, a boutique auction house, sold only two guitars at stellar prices.

Acknowledging that he had expected more-robust bidding, Keane says, "bidders were more selective this time."

The tepid results are the latest sign that the air is escaping from the vintage-guitar bubble, a trend that leading dealers began noticing in mid-2006—especially with electric guitars. (Acoustics, traditionally steadier performers, are faring better than the more fad-prone electrics.) The slowdown comes after several years of breathtaking growth that went into overdrive in 2002 and saw the value of some guitars nearly double every year. The market drew in everyone from investors seeking to diversify their portfolios to moneyed baby boomers eager to acquire guitars they worshiped in their youth. But last year, as more owners hoping to grab a piece of the action put their instruments up for sale and collectors began cashing out to lock in appreciation, the market became glutted with some models, sending prices falling.

"People who had noticed the incredible growth of the prior three years started buying more for speculative reasons," Keane says. "So the market overheated."

*Vintage Guitar* magazine's guitar index, which tracks the value of 42 classic guitars, grew by an average 12 percent a year between 1991 and 2006, besting the S&P 500's 9.5 percent average over the same period.

But George Gruhn, the Nashville dealer who sold Eric Clapton his first Stratocaster, says *Vintage Guitar's* figures create hype by tracking only the most-sought-after guitars. They ignore the instruments that are running out of steam—those that are not archetypes or truly original. In other words, the vast majority of the guitars people buy.

One guitar that has epitomized the run-up of the past few years is the coveted 1959 Gibson Les Paul Standard, which was discontinued in 1960. As recently as 1997, the guitar model was valued at \$33,000; last year, one sold for \$300,000; and Stan Jay, a leading dealer from Staten Island, New York, projects it could be worth \$400,000 in 2008.

But that guitar will continue to increase in value, in Gruhn's estimation, because it has perfect sound, electronics, and design. "That guitar is a highly evolved guitar," he says.

One of Gruhn's clients, Jeff Bronchick, a chartered financial analyst who manages a \$4 billion investment fund in Los Angeles, likens the vintage-guitar market to real estate. The true gems are like scarce property

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on Manhattan's Central Park West or beachfront homes in Malibu—in the world of guitars, that equates to acoustics by Martin from the '30s and '40s and electrics by Gibson and Fender from the 1950s. But someone who bought a less rare, if high-quality, vintage guitar hoping to ride the wave could be sitting on something that is more vulnerable to a market correction.

For example, Fender Stratocasters, quality guitars by any standard, fared poorly at both the Christie's and the Skinner auctions. "We had too much similar stuff," says David Bonsey, who organized Skinner's sale. And Keane asserted that next April's auction at Christie's would not likely feature any Strats.

In contrast, the rare, pristine 1959 Les Paul Custom electric fetched \$85,000 after generating one of the Christie's auction's few bidding wars, while the Nocaster went for \$61,000.

The vintage-guitar market's ride since last year has led dealers and collectors alike to warn that it is not the path to riches some believe it to be.

Jon Kellerman, author of the bestselling "Alex Delaware" mystery series, has a collection of 125 rare guitars at his Los Angeles home. He keeps them in a 700-square-foot climate-controlled room protected by guard dogs. The 57-year-old, a proficient player with a jones for rare Martin acoustics, says he is motivated by "a search for the best sound." Though his guitars have appreciated significantly over the years, he has no intention of selling them. "It's vulgar to look at them as an investment," he says.

Bronchick, who is building a recording studio in his backyard and regularly plays with local bands, has 30 vintage electrics, including a beloved sunburst 1959 Gibson ES-335. He sees dark clouds hanging over the vintage-guitar market. "Something that has appreciated eightfold is not a bargain," he says. His advice: "Take 90 percent of your money, put it into a diversified portfolio, intelligently, and take the other 10 percent for vintage guitars if you love them."

As for Keane, if another 1959 Les Paul Custom walks in the door, he says, he'll definitely take it on. But he'll be more conservative as he plans Christie's next auction. "People should have more realistic expectations about the market—we do."

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