



Appraisal Specialties of Colorado

"Based in Colorado, serving discriminating clients nationwide!"

"WE VALUE CARS" NEWSLETTER

PUBLISHED FOR
AUTO ENTHUSIASTS,
INSURANCE, LAW & AUTO
RESTORATION PROFESSIONALS

*Winter 2011
Volume 8, Issue 1*



**1963 Chevrolet
Corvette Fuel
Injected Split
Window Coupe**

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ANNOUNCING OUR NEW ELECTRONIC NEWSLETTER

We started publishing a newsletter in print form in 2004. The original newsletter was published primarily for marketing to insurance and auto restoration professionals. As printing and postage costs continue to increase, we felt rather than quit publishing a newsletter altogether, it was time to change our method of delivery and take the opportunity to broaden our focus. Starting with this Winter 2011 issue, our new electronic newsletter (eNewsletter) is designed to have that broader focus to include articles and information not only relevant to auto related business but hopefully will also be informative and more useful to our clients and auto enthusiasts in our regional area. This new eNewsletter will be posted on our website contact page with an email notice sent to subscribers when a new issue is available for download. Starting with the next issue we

will have a "feature business" article about an area auto body or restoration shop, auto upholstery shop, metal fabrication shop and parts suppliers in the rocky mountain region and even some of the top companies nationwide. In addition, from time to time we plan to include articles about the collector car market, auction reviews and much more. We will also feature some of the cars we've recently appraised. Look for a new issue about every three to four months. We plan four issues per year published quarterly but actual issue dates may vary because of upcoming events, etc. Look for a Winter issue in mid January, a Spring issue in late April, a Summer issue in late July and a Fall issue in mid November. We hope you enjoy each issue and welcome your feedback and suggestions for feature articles and collector car or appraisal subjects.

Coming in the Spring 2011 issue of We Value Cars...

Collector Car Auction Review
*(analysis of the collector car auction
results from early 2011 auctions).*

Feature Business: Thunder
Customs & Restoration, Inc.

Spring issue available late in
April 2011, subscribe and we
will email you when its posted.

1995 Porsche Carrera 4 AWD Cabriolet



1948 Harley-Davidson FL Panhead

APPRAISING FOR DIMINISHED VALUE

As we have stated in previous issues of this newsletter, diminished value appraisals are occurring more frequently than before and as time passes it seems as though more people are becoming aware of this type of insurance claim.

What is a diminished value appraisal anyway? We'll start by saying that most diminished value appraisals that we do are done on later model vehicles and they most frequently involve insurance claim cases. However, there are circumstances where this type of appraisal can be used for collector cars as well. To answer the original question, a diminished value appraisal is performed when a vehicle has been damaged and repaired, the diminished value is the difference in value of the vehicle immediately prior to the damage or loss and the value of the vehicle after subsequent repairs are completed, retrospective back to the date of the accident or loss.

Typically in the marketplace, if you had two identical vehicles for sale, one having no history of previous damage and repair and the other vehicle having a history of previous damage and repair, the car with no previous accident history will sell for more money than the vehicle with previous damage history. It simply stands to reason that informed buyers will not pay as much for a vehicle that has a history of previous damage and repair, especially where there was frame or unibody damage. In today's market it is very common for the general public to ask dealers for a vehicle history report either from Carfax or another similar vendor, or they may go

online and get it themselves. It's very easy and cost effective for potential buyers.

Based on our experience, we believe when contemplating diminished value, one cannot establish or estimate diminished value by a set mathematical formula because each case is unique and must be considered on an individual basis. Many different factors are considered when determining Diminished Value on any motor vehicle: 1) the make and model of the vehicle damaged and repaired, 2) the extent or severity of the damage to the vehicle, 3) location of the damage to the vehicle, 4) the quality of the subsequent repair or restoration, 5) the overall market conditions for comparable vehicles, 6) market and sales comparison data available on similar vehicles, 7) the vehicle may no longer be marketed or sold as a "certified" vehicle due to the previous damage, 8) the status of any factory warranty on the previously damaged and repaired vehicle - most manufacturers will argue that a late model vehicle warranty is void after collision damage and the manufacturer is therefore no longer obligated to make any mechanical repairs under their warranty, and 9) present and previous accident disclosure issues regarding the vehicle appraised and any other considerations or observations



necessary or pertinent to each individual case. With all these and other considerations in mind, it is most common to find at least some inherent diminished value, however circumstances may not always warrant a diminished value and sometimes there may be betterment issues.

Some examples of the differences involved in recent diminished value insurance claim cases, the 2005 Lotus Elise Convertible pictured below was found not to have any diminished value because the vehicle had no frame damage, the claimant chose the repair facility and during our research it was found that this car had history of previous damage that may have resulted in a total loss and issue of a salvage title, therefore diminished value issues were not applicable on the claim. The 2006 Lexus IS250 AWD 4 Dr. Sedan pictured above had over \$10k in repairs primarily to the rear area of the car and had some minor frame/unibody damage. After completing our research on this case, even though the quality of the repair was excellent, this car was found to have over \$2,900 in diminished value. Hybrid vehicles are of particular concern when contemplating diminished value primarily because of all the extra electronic equipment and batteries included in these vehicles. We recently appraised a 2006 Lexus RX 400h AWD 4 Dr. Wagon SUV Hybrid (not pictured), it had over \$10k in repairs with some frame damage. After our research it was determined to have \$8,000 of diminished value.

We provide you the experience, knowledge and expertise to complete accurate diminished value appraisals and resolve your claims fast.



IS IT TIME FOR AN APPRAISAL OR APPRAISAL UPDATE?

With the 2011 car show season rapidly approaching, it's time once again to consider an appraisal to make sure your insurance coverage is where it should be when its time to get your collector cars out from their winter nap.

Most insurance companies will require an appraisal on collector cars every three to five years. They usually have a certain value threshold to determine if a vehicle requires an appraisal and this can vary quite a bit from one company to another. Most specialty car insurance policies require an appraisal if your vehicle is valued over \$25,000, some go as high as \$50,000 without requiring an appraisal.

Even if your insurance provider doesn't require an appraisal, it's a good idea to have a professional certified appraisal and an appraisal update periodically to make sure you are adequately insured. You don't want to be over insured, this could cost you more in the form of higher premium costs. Even more importantly, you don't want to be under insured, this could cost you thousands of dollars in replacement costs. In addition, having a professional certified appraisal on file prior to a loss is particularly important if your car is damaged in an accident where someone else is at fault and you need to file a claim with their insurance company, this is defined as a third party claim. Our appraisal will also be there to help you if there is a dispute in a third party insurance claim.

With the overall collector car market down as much as 30% for some cars over the past couple of years, the market value of your car may have decreased by as much as a few thousand dollars but the cost to repair or reproduce the car has not decreased. When we do an appraisal for insurance coverage we value each vehicle at replacement value, which takes into consideration not only the market value of the vehicle but also reproduction or restoration costs. We estimate what it would actually take to replace your car as of the valuation/effective date of your appraisal taking into consideration the overall quality and condition of your particular vehicle. Each vehicle is unique, especially if you have a street rod, resto-mod or any other type of modified or custom car. We pinpoint an unbiased opinion of quality and condition, document all equipment and accessories, etc.

A professional appraisal should take a significant amount of time. We spend thirty minutes to an hour per vehicle just in the inspection process, looking over your car thoroughly, taking thirty to fifty digital photographs for documentation, interviewing the owner about



the car, reviewing receipts and any other vehicle documentation. After the inspection process we set aside office time to do the appropriate market research focused on your particular vehicle's market. When the adequate market research is completed, we then "crunch the numbers" and determine the value of your vehicle. After the value is determined we put together a formally written appraisal document, print your copies and prepare your appraisal packet for mailing. Our appraisals are very difficult to dispute because they are based on actual market data with documentation on file enabling us to defend it in an insurance claim dispute or in a court of law if necessary.

See our special appraisal discount offer below!

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WHAT'S ON THE AUCTION BLOCK?

There are a lot of interesting cars coming up on the collector car auction block in the next few days and weeks as the winter and spring auctions get into full swing. As always, some are quite rare and some have an interesting provenance. One such car is a 1965 Ferrari 330 2+2 Coupe that was originally owned by John Lennon of the Beatles. It was John's first car after he passed his driver's test and will be auctioned by Bonham's in Paris, France on February 5th, 2011.



The 1954 Corvette while somewhat rare alone as only 3,640 Corvettes were built in '54, this example pictured is even more rare because of its factory color combination. There were only 300 Corvettes built in 1954 with Pennant Blue exterior and Beige interior. All had the 235cid inline six-cylinder engine and powerglide automatic transmission. This car is part of the Barrett-Jackson Scottsdale 2011 auction. What will this fine restored example bring in the current auction market?

After my review of several auction catalogs it's apparent once again that there is a wide variety of quality cars available at the upcoming auctions. Some are quite rare such as the examples we have pictured here.

Another rare example at Barrett-Jackson in Scottsdale is the 1941 GMC Suburban Woody Wagon pictured below. Built on a short wheel-base 1/2 ton chassis with a 228cid Inline six cylinder engine and a 3-speed manual transmission. I'm not sure what the original production numbers were for this vehicle, but I am relatively sure of one thing, there probably were very few produced and only a hand full left today.



A Russo & Steele Scottsdale Auction entry is a 1 of 9 US cars built, a rare 1970 Dodge Hemi Challenger R/T Convertible pictured below. It will be interesting to see the auction results from the

upcoming auctions in this new year. We'll have an article about the auction market in the Spring 2011 issue of We Value Cars, check it out in late April.

Recent auction sales results have indicated a somewhat buyers market in some segments of the market. We'll see if that holds true through 2011.

