

Guitars as commodities, and they play music, too

Some investors see the beauty of their value

By A. Crag Copetas

His sticky fingers grasping a diamondstudded file, Kari Nieminen was applying a final touch to one of the \$12,000 investments slung from hooks inside a ramshackle Helsinki warehouse.

The air smelled of varnish and the fragrance of Brazilian rosewood, thinly sliced and stacked beneath a photo gallery of musicians and corporate executives. "Can you imagine, all those people coming to the land of Nokia to buy my guitars," laughed Nieminen, a 43-year-old Finnish luthier.

Nieminen's Versoul electric and acoustic guitars provide more than rhythm to the portfolios of high-flying investors.

John McClain, the music division chief of DreamWorks; Nigel Sinclair, the president of Spitfire Pictures and an executive producer of "Terminator 3"; and Amanco Prada, the classical guitar impresario, see great value in their Versouls.

"Versoul is a drug addiction," said McClain, whose collection of 150 vintage guitars includes two Nieminen electrics. "But they make a great growth investment you can participate in."

Gary Dick, a guitar analyst, said the 3,000 global customers who ask him to buy or sell guitars are painting their portfolios black by speculating on the market.

One of his nonmusician clients earlier this year paid \$200,000 for a 1957 Gibson Les Paul guitar that originally sold for \$265.

Guitars that have been played by superstars or are technically superior have "typically performed at a 10 percent or better return on investment" annually, said Dick, who 10 years ago left his job as the national account manager at Sprint, the U.S. phone company, to establish Gary's Classic Guitars in Cincinnati.

In 1999, Sotheby's auction house in London sold the guitar John Lennon was playing the day he met Paul McCartney for \$225,100. Also in 1999 at Christie's in New York the guitar on which Eric Clapton composed "Layla" sold for \$497,500.

Since 1993, Dick has brokered guitars for Jay Leno, the "Tonight Show" host, Keith Richards of the Rolling Stones and hundreds of doctors, lawyers and bankers who he described as "extremely serious" investors eager to participate in the \$500-million-a-year global market for rare musical instruments.

"Ninety percent of my customers are professional investors or businessmen with discretionary income and an eye on the growth potential of specific guitars," Dick said. "Virtually every guitar I've ever owned is worth more today than when I sold it." Fred Walecki reckoned the Les Paul that sold earlier

this year for \$200,000 was already worth \$250,000, and a bargain at that price. He has seen Les Pauls sell for more than \$300,000 and said the only two lefty models, now in the hands of Paul McCartney and the former tennis champion John McEnroe, could appreciate beyond a value of \$500,000.

"I'm surprised when I hear these stories it's amazing," Paul 88, said before taking the stage with his trade~ Gibson at the hideout jazz club in New York, where he performs every Monday night. "I once gave one of my guitars to Eric Clapton," he recalled.

"That guitar only cost me a dollar. Eric later sold it for something like \$12,000. So that's quite an investment, isn't it?"

Back on the third floor of the warehouse, Nieminen was wiping caked glue from his hands and scratching a growth of stubble. He said most of his early orders came from top studio musicians.

"Now I'm dealing with professional investors getting out of the stock market," Nieminen said. These days he barely has a moment to breathe between hewing guitars priced from \$6,500 to more than \$13,000. It takes seven fun days to make one Versoul," said Nieminen, who works alone. "I've made 200 since 1994 and have 15 on order."

As for market tips, Nieminen said he had detected that most nonmusician investors favor electric guitars, and the best way to gauge how any old or new electric will appreciate is to switch off the juice. "Electronics are extremely important to a guitar's value," he said. "But an electric guitar when played must - without amplification - resonate in your belly."

McClain calls Nieminen a genius whose guitars have the look and sound to eventually grow into the multimillion-dollar yields delivered on the 17th and 18th century violins, cellos and guitars built by Stradivari. "Yes, Kari is that good," Walecki insisted.

He should know. The Walecki family has been buying, selling and appraising instruments since 1936.

I don't see any reason why some of these guitars won't be regarded as seriously as a Stradivari.'

They specialize in every type of guitar, from vintage Fender Stratocasters to the still-ripening work of master builders like John Monteleone in New York and Linda Manser, the Canadian luthier.

"if you run where the air is thin and the money is thick," Walecki said, "a vintage Les Paul, a Strat played by Jimi Hendrix or a modern-day Nieminen,



Monteleone or Manser is a great investment."

That is clearly the case with Nieminen's Versoul signature series of Silver-, Gold- and Kari Nieminen makes each Versoul guitar. Roger Daltrey of the Who said, "There's something about the quality of the Versoul sound that makes me want to play a lot more than I used to."

Platinum-Leaf guitars and basses. A GoldLeaf six-string Nieminen sold to a Spanish investor in 1997 for \$2,000 recently fetched \$6,300.

Nieminen was 13 when he made his first guitar. He sold the first one of those 100 pre-Versoul period guitars for \$15 to the Finnish musician Riku Mattila. In 1986, the Dutch band Golden Earring bought four. All five are still played on stage and in recording studios.

"There's no one like Kari," Walecki said. "He does something rare, if not unheard of, in the instrument business since Stradivari. He makes perfection guitars to fit all musical genres: electric rock, jazz, classical, orchestral, soul, you name it."

Roger Daltrey, the Who front man and solo artist, agreed. "There's something about the quality of the Versoul sound that makes me want to play a lot more than I used to," he said. "That is the sign of a good guitar."

And a sharp investment, said Philip Scott, director of the musical instrument department at the London auction house Bonhams. "The more widespread the cultural phenomena and popularity of the artist associated with the instrument, the more secure the investment," explained Scott, who over the past two decades has sold more than 100,000 rare instruments, including four Stradivarius violins.

"Comparing a modern luthier to Stradivari is not outrageous," murmured Scott, running his veteran fingertips along the luminous grain of an 18th-century Stradivarius violin. Scott said the instrument originally sold for perhaps 200 gold ducats, or about \$400, and is now scheduled for auction in November at a minimum opening bid of £600,000.

"Stradivari created the world's first designer label," Scott added. "He had a band of loyal and wealthy followers."

Scott said there was no evidence to suggest that pre-1970 connoisseur class electric and acoustic guitars and the specialist work of young luthiers such as Nieminen would decline in value. "Over the next 20 to 30 years, I don't see any reason why some of these guitars won't be regarded as seriously as a Stradivari he said. "The client base certainly exists."

"Look is extremely important for investors," said Dick, the guitar analyst. "New builders typically arrive with no reputation and no big names playing their guitars, so what separates them from the pack is what their guitars look like."

Don Bernstine, guitar acquisition manager for the Hard Rock Cafe, a unit of the Rank Group, echoed the sentiment that guitars are more than good investments. "There's a huge hypnotic attachment associated with investing in a guitar," said Bernstine, guardian of a collection that approaches 2,000 instruments and includes what he described as priceless guitars played by Pete Townshend, Eric Clapton and Jimi Hendrix.

Still, Andre Larson, curator of the \$1.5 million Stradivarius guitar on display in the National Music Museum at the University of South Dakota, advised prudence before kicking out the jams on any instrumental investment.

"Greatness and original condition are essential, and then the instrument must have cultural consequence," warned Larson, whose museum also showcases one of former President Bill Clinton's saxophones.

"Guitars are significant items in the lives of musicians and those who listen to their music," Bernstine says of the market born on Feb. 7, 1964 - the day the Beatles first arrived in the U.S. "Guitars have certainly held better value than any tech stock did."

As for "cultural consequence" playing a role in the price of an instrument, a Fender Telecaster played by George Harrison in the Beatles' last public performance - Jan 30, 1969, on the roof of their London Apple Records headquarters - recently was sold to an anonymous collector for \$434,750. The original retail price: no more than \$400.

Bloomberg News