

# How Much is Your Vintage Guitar Worth?

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\$987,500 for a guitar! This seems a little farfetched, yet is completely true with last year's record sale of a custom-built guitar once played by Jerry Garcia of the Grateful Dead. What possesses someone to buy an instrument at such an exorbitant price, and how do you determine what the value is of the object that is being sold? Nevin Sanli, president of Sanli Pastore & Hill, Inc., is an avid vintage guitar collector and applies his experience and knowledge of business valuations towards building his guitar collection and answering this fundamental question.

Mr. Sanli and SP&H know first-hand that the valuation process requires diligent attention to details that might be overlooked by the untrained eye, such as considering the presence of celebrity value in an analysis. It is important to understand that a range of values exists for anything that is valued, including vintage guitars, and there will always be minor variances between seemingly identical instruments.<sup>1</sup>

The first thing to remember is that every guitar is unique, and therefore should be valued on a case-by-case basis rather than a comparative one. Many people do not realize that characteristics such as coloring, sound, dings, originality, etc., all add to or take from the overall value of the instrument. Many amateurs simply open a book, obtain the value listed within it, and do not apply these other assets into the equation. This is a common problem with valuations for a variety of subjects, from guitars to businesses. With the latter, many CPA's feel that they have adequate financial knowledge to perform a valuation of the company, yet they do not have the proper training to analyze the business from every angle, which can seriously undermine the appraisal.<sup>2</sup> The same principles apply to the value of a guitar; each variable causes a price differentiation among even the most similar of models. When purchasing a car, for example, there can be two cars of the same year, make and model, yet the one that has no apparent physical disconfiguration, less miles, etc., will be valued higher than the one that has been in an accident or has mechanical difficulty. Careful scrutiny takes time and is of the utmost importance for a proper valuation to be attained.

A guitar's contingent value (referred to as "goodwill" in business valuations) plays an important role in the overall worth of the guitar. Goodwill can be defined as the value of the guitar above the value of its tangible assets, or its intrinsic value. It is a function of the buyer's love and admiration of vintage instruments above the core functional value that it carries.<sup>3</sup> The brand name of a guitar is a prime example of goodwill, as an established name generally yields more profit and return than a lesser-known brand. People are willing to pay more for a collectible because they are confident the resale value will be nearly the same.<sup>4</sup> The vintage guitar market in America is largely dominated by cultural values placed upon the instruments, generating constant appreciation in recent years. People love and respect guitars that create the tones of popular American culture, and that creates demand.<sup>5</sup>

The vintage guitar market is subject to the same factors that influence the stock market. Currency exchange rates, fad buying, and panic selling are all conditions that affect the price of a particular guitar.<sup>6</sup> Even seemingly miniscule events can influence the market for guitars. A comparison between the wealthy collectors in the guitar market and those that are in the business sphere shows that the value of land can increase dramatically if one wealthy person deems the land as extraordinarily valuable and offers a generous bid. Others in the same financial position may decide they want to capitalize on this and a bidding war begins over land that was seemingly average. This is currently occurring with land in downtown Los Angeles. Billionaire Alan Casden is in the run for a large portion of land that he plans on redeveloping to include a new Dodger Stadium. He has met with much opposition and competition, as other billionaires step forth with their own ideas on how the land should be used.<sup>7</sup> The overall value has risen dramatically due to the sudden interest of wealthy individuals. Perhaps the most obvious element in determining the value of your guitar is time. Countless hours are required for researching,

documenting, and rationalizing data.<sup>8</sup> Valuations of any sort cannot be practiced half-heartedly; a lot of time and effort are necessary to develop reliable, well-documented appraisals.

## VINTAGE GUITAR VALUATION METHODOLOGY

There are many different ideas as to how a guitar's value should be measured. Perhaps the most comprehensive means is a four dimensional approach created by Dr. Thomas F. Brown. They are as follows:

- ◆ Physical Quality
- ◆ Tonal Quality

These first two factors are basic, as most people are aware of the function and purpose of a guitar. The following two are more in-depth and require more attention to detail.

- ◆ Symbolic Value-This dimension is very sensitive to cultural and social influences. Brown states that, "Price interacts dynamically with the social construction of symbolic value."<sup>9</sup> The more people attribute value to something, the more in demand it will be. A prime example of this is the Pokemon cards that were created a few years back. Because people began collecting them at such a rapid pace, they became increasingly more valuable. This is where the presence of goodwill comes into play. The more contingent value the guitar (or any subject) has, the more valuable it will be in the industry.
- ◆ Rationalized Economic Value-Advanced valuations are based on socially constructed demand influenced by economic rationalization of both intrinsic and contingent value.<sup>10</sup>

Many people approach the process of valuation without adequate knowledge or skills necessary to obtain a correct appraisal. Tom Wheeler, author of 'American Guitars', a book that outlines the multitude of varying types of guitars available, stresses that, "regardless of perspective and given various companies' incomplete records and relentlessly inconsistent manufacturing, one should avoid unqualified conclusions."<sup>11</sup> The same is true with any valuation in any industry; incomplete data will lead to skewed results, oftentimes leading to negative consequences in terms of finances and overall value.

Effective and reliable valuations depend on excellent research and creativity. When determining the worth of anything, from a vintage guitar to a large corporation, be sure to select an appraiser with the expertise, knowledge, and diligence necessary to generate a sound and correct valuation.

*For more information regarding business valuations or related valuation advisory services, please contact Nevin Sanli or Tracy Washburn at 310/571-3400.*

**DISCLAIMER** Guitars, especially collectible guitars, are considered personal property or antiques. SP&H does not appraise personally held possessions or collectibles. However, one of our principals, Nevin Sanli, has been able to build his collection of vintage guitars by applying his skills, education, and experience in conducting business valuations.

<sup>1</sup>Greenwood, Alan and Hembree, Gil. "The Official Vintage Guitar Magazine Price Guide 2003." Vintage Guitar Books, 2002. Pg. XXV.

<sup>2</sup>Sanli, Nevin, Pastore, Tom and Smith, Adam "Appraisers and Accountants-Vive la Difference!!" Valorem Principia, February 2003, page 1.

<sup>3</sup>"The Official Vintage Guitar Magazine Price Guide 2003", Pg. XVIII.

<sup>4</sup>"The Official Vintage Guitar Magazine Price Guide 2003", Pg. XVII.

<sup>5</sup>Hembree, Gil, "The Collectible That Rocks," Business 2.0 Magazine, April 2003. Pg. 110.

<sup>6</sup>Gruhn, George and Carter, Walter, "Gruhn's Guide to Vintage Guitars," Miller Freeman Books, 1999. Pg. VII.

<sup>7</sup>Vincent, Roger, "Dodger Bidder Would Raze Stadium, Put One Downtown," Los Angeles Times, July 11, 2003.

<sup>8</sup>"The Official Vintage Guitar Magazine Price Guide 2003" Pg. XXV.

<sup>9</sup>"The Official Vintage Guitar Magazine Price Guide 2003" Pg. XX.

<sup>10</sup>"The Official Vintage Guitar Magazine Price Guide 2003" Pg. XX.

<sup>11</sup>Wheeler, Tom. "American Guitars," Harper Perennial, 1992. Pg. XII.



