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# What Your Time Is Really Worth

**It's \$375,000, counteracts gravity and shows the phases of the moon. It even tells time. Amid soaring prices and an influx of new collectors, how to assess the value of a once-basic accessory.**

By STACY MEICHTRY  
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Rome

Benedetto Mauro realized the winds of the watch industry were no longer blowing his way during a sushi dinner last October.

The evening was hosted by Swiss watch manufacturer Patek Philippe to celebrate the unveiling of its latest Nautilus model. Mr. Mauro, one of Italy's top dealers, had hoped to order a dozen of the watches, which retail for up to \$36,000. However, as scores of dealers and collectors from around the world filed in, Mr. Mauro saw what he was up against. "You can't even ask. They tell you how many watches you'll get," Mr. Mauro recalls. Patek Philippe held him to a six Nautilus limit.

With high-end watch prices reaching remarkable levels, knowing what to buy and what to pay is increasingly complicated. Hedge-fund managers, Wall Street bankers and newly minted moguls are stoking demand -- a process furthered as watches become a collecting obsession alongside cars and contemporary art. Devotees spend anywhere from \$3,000 to upwards of \$500,000 on timepieces that in some cases only a watch buff would recognize as more than nice-looking jewelry.



Mick Coulas

In response, makers say they're working to boost production. They're rolling out new models that try to justify their lavish price tags with jeweled faces and cases made from precious metals. Traditionalists eschew such external embellishments, preferring esoteric mechanical details. Harry Winston's Opus V, for example, has rotating cubes in place of hour hands; other watches have ultra-miniature chimes that can sound off hours and minutes. (For serious collectors, only men's watches qualify -- the dainty casings typical of women's models are too small to hold all of the intricate innards.)

### WATCH IT



- See our ratings for which watches you should buy, sell or hold.
- Take a look at what goes into making a \$350,000 timepiece.

### WSJ.COM PODCAST

• Stacy Meichtry talks about how high-end watch dealers and collectors are coping with tightening supply. [Hear the podcast](#)<sup>1</sup>.

What makes shopping for watches at this level somewhat mystifying is partly that so much of the price tag is at best on the inside and, in some cases, intangible. Prices can vary dramatically for two watches that look remarkably similar. The A. Lange & Söhne Lange 1 and the NOMOS Tangente Date Power Reserve don't look drastically different. But at \$24,000, the Lange 1 costs nearly 10 times as much as the Tangente. One reason: It's considered one of the most mechanically impressive watches. In addition, some watches hold their value much

better than others.

The Wall Street Journal surveyed collectors, dealers and appraisers, poring over auction prices for more than 400 watches. The results underscored the challenge for shoppers trying to judge the value of elite timepieces. For example, while connoisseurs say the \$36,000 Martin Braun Eos, which debuted in 2000, has the potential to gain in value, some watches that have already come up at auction haven't done so well. A Corum "Bubble" watch -- so called for its dome-shaped face -- recouped only a third of its original retail price of \$3,500, while the \$860,000 Blancpain 1735 Grande Complication, one of only 27 made so far, recovered two-thirds of its value at auction last summer.



**From top to bottom:** F.P. Journe Chronomètre à Résonance, Ulysse Nardin Freak, Omega Speedmaster Professional, A. Lange & Sohne Lange 1, Hublot Big Bang

Shifts in a brand's history can affect prices. Elite maker Blancpain saw the value of its watches fall in the secondary market after being acquired in 1992 by SMH Swiss Corp. for Microelectronics Watchmaking Industries Ltd., the then-parent group of Swatch. Patek Philippe, on the other hand, has an unbroken history of family ownership dating back to 1932. At auction, therefore, Patek Philippe watches consistently fetch record sums, including the more than \$4 million paid in 2002 for a 1939 World Time model.

As with the wait-lists that have become a fixture elsewhere in luxury goods, watchmakers are walking a delicate line -- catering to demand while at the same time maintaining the scarcity that gives an aura of exclusivity. Audemars Piguet rewards longtime clients with first dibs on limited-edition watches sold at their own boutiques. Patek Philippe sets aside a handful of the brand's most highly coveted watches for top clients.

This pecking order is also sometimes used to drive sales of less popular models. Dealers like Rome-based Hausmann & Co. commonly bundle their sales of blue-chip watches with less popular models. That practice can force buyers who lack clout to spend tens of thousands of dollars on watches with less-complex designs before they can get their hands on a highly coveted watch.

Manufacturers keep a tight grip on distribution. Watches are only sold through authorized dealers or through directly operated boutiques that vet customers to make sure they are not re-selling the watches on the secondary or "gray" market. To stay ahead of the curve, seasoned collectors maintain networks of dealers around the world who can give them access to the hottest models and actively lobby manufacturers for preferential treatment or inside scoops on upcoming watches.

The influx of new money and new blood is also driving a subculture of hard-core collectors. Melvyn Teillol-Foo, a 46-year-old pharmaceutical executive in Singapore, plunged into collecting in 1999 after receiving his first big bonus -- \$100,000 from Pharmacia. He says he set out to spend a large chunk of it on a gold watch, which he had always viewed as a status symbol. But while browsing at Selfridges in London, a salesman steered him to a model that was less flashy and more intricate on the inside: a white gold limited-edition Omega DeVille featuring a co-axial escapement -- a mechanism that regulates the speed of a watch's movement -- the first in Omega's history. Mr. Teillol-Foo paid about \$10,000 for the Omega while his wife snapped up a men's \$8,500 Ulysse Nardin London 1862 Medal Commemoration in rose gold.



Blancpain 1735 Grande Complication

A year later, he returned to Selfridges and bought not just the same model, but one with a serial number consecutive to his wife's watch. He says obsessing over such minute details was worth it because the watches are "a good conversation piece with fellow collectors." With time, his interest in mechanical watches grew. With dealers actively courting him, the collector made what he calls "frenzied

acquisitions," updating his collection at least once a month. Soon, he had a different high-end watch to wear every week of the year.

More recently, Mr. Teillol-Foo began to notice he wasn't the only budding collector with plenty of cash to spend. Dealers were no longer pursuing him; he had to criss-cross Asia to keep tabs on them. He also started planning his vacations to Europe around trips to watch factories in Germany and Switzerland to see new models. He says the biggest cost of collecting isn't measured in dollars but in the energy he spends on it: "It's about how much you have to sacrifice in terms of family life."



Harry Winston Opus V

Entry-level limited editions, priced between \$15,000 and \$30,000, became especially difficult to procure, so Mr. Teillol-Foo decided to move up-market. At a Singapore watch fair in 2004, he decided to rarify his collection, unloading 35 lower-end watches, ranging from Rolexes to Seikos, that he judged lacking in "horological merit." The group sold for a total \$15,000 -- roughly 35% of what Mr. Teillol-Foo originally paid for them.

He now buys more selectively, rationing his time and money so that he can move swiftly and decisively on large acquisitions. He has also developed a passion for watches containing a complex mechanism known as a "tourbillon," which counters the effects of gravity on a watch's accuracy.

Tourbillon watches, he says, confer a level of status on their owners superior to exotic cars and other collectible items because they cost just as much money and never have to be left behind. "There's more to life than just Ferraris and Maseratis," he says.

To be of interest to serious collectors, a watch must be handmade in Switzerland or, in some cases, Germany, and have intricate movements inside. Battery-powered watches need not apply. They must be mechanical, either winding or automatic, which means they wind themselves using the stored energy from a wearer's movements. Some collectors spend upwards of \$5,000 on cabinets that keep the watches wound when they're not being worn.

Blue-chip watches typically come from a handful of makers, including Patek Philippe and Audemars Piguet, and are made in limited editions of as few as 30 pieces. Mechanisms that go beyond telling time -- like tracking the phases of the moon -- are also essential (in the watch world, these are referred to as "complications").

Buyers who have landed on waiting lists are congregating on Web sites such as [www.thepurists.com](http://www.thepurists.com)<sup>2</sup> and [www.timezone.com](http://www.timezone.com)<sup>3</sup> to bemoan the delays and seek advice. Globe-trotting tribes of "purists" and "timezoners" hopscotch from high-profile watch events.

Some collectors dub one purist "Bond" because he hunts for limited-edition watches with the serial number "007." Chinese collectors, meanwhile, are constantly vying for watches with an eight, considered to be lucky, in their serial number. Costly addictions can develop for archaic complications such as the repeater, a centuries-old function that mimics the chime of a grandfather clock.

Watches that were once largely concentrated in the hands of Western markets like the U.S. and Italy, are now scattered across the globe -- a geographical shift that's forcing Swiss watchmakers to spread their already-thin distribution even thinner. Over the past year, Swiss watch exports to China have jumped more than 50% while exports to Russia have more than doubled. Hong Kong, which supplies most of Asia, is poised to outstrip the U.S. as the industry's largest market. "In every part of the world the demand for watches is increasing," says Thierry Stern, chief executive of Patek Philippe.



Jaeger-LeCoultre Reverso Tourbillon

When manufacturers gather in Basel and Geneva this month for the industry's top fairs, therefore, scores of collectors and dealers in search of investment-grade watches will turn out to rub elbows. Seasoned collectors are discovering that nurturing contacts within the industry is key to beating the rush.



Thomas Prescher Triple Axis Tourbillon

Thomas Mao, a Los Angeles-based management consultant and avid watch collector, traveled to the Geneva headquarters of Audemars Piguet in October to see a prototype of the Royal Oak Offshore Alinghi Team. The \$24,000 sports watch is forged from carbon fiber, similar to material used to construct the boat, which the Alinghi team sailed to victory in the last America's Cup regatta.

The sneak peak gave Mr. Mao months to mull the purchase before the watch actually hit the market in March. Weeks after Audemars Piguet unveiled the model at a glitzy launch party at the Alinghi team headquarters in Valencia, Spain, the entire edition sold out. By then, however, Mr. Mao had already pounced. "Who's going to be the one left standing when the music stops? Obviously if you're not in the in-circle, you're going to be left out," Mr. Mao says.

Some collectors complain that the rush to snap up watches for their market value is undercutting the very purpose of watch collecting -- the enjoyment of wearing them. Mr. Mao recalls recently meeting with an up-and-coming collector who kept his watches in their original packaging, hauling them around in a gym bag: "There must have been \$5 million-worth of product in there."

—Jamin Warren and Camille Ricketts contributed to this article.

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## The Watch Index

We rated a select group of watches buy, hold or sell based on conversations with collectors, dealers, watch clubs and trade publications, as well as past performance at auction. Some have been discontinued and are available only on the secondary market. Auction prices are the high gavel prices over the past decade at Antiquorum and Christie's; only some specific models within a line will fetch that much. The condition of the watches and their documentation also factor in. Experts suggest beginning collectors seek advice from a collector or appraiser before buying.

—Jamin Warren

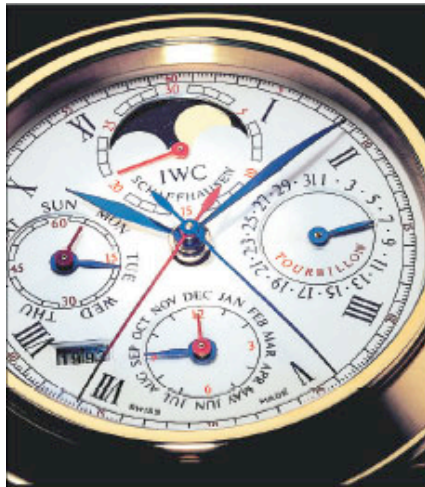
### BUY

WATCH OR LINE	RETAIL PRICE RANGE	AUCTION HIGH	COMMENT
<b>IWC II Destriero Scafusia</b>	\$350,000-\$375,000	\$326,000	Very expensive watches can be hard to sell given limited demand, but experts think this could be a good long-term value if snapped up at discount in a secondary market. With 750 moving parts, it's one of the most complicated watches in the world.
<b>F.P. Journe Chronomètre à Résonance</b>	\$60,000-\$101,000	\$63,000	Watchmaker François-Paul Journe is known for designing a pocket watch with a tourbillon—a complicated gizmo that counteracts the effects of gravity on a watch's accuracy—at the age of 20.
<b>Ulysse Nardin Freak</b>	\$42,000-\$45,000	\$47,000	Watchmaker Ludwig Oechslin is known for his unusual designs; the Freak has no hands; instead, the entire mechanism rotates each hour and an arrow points to markings on the dial.
<b>Audemars Piguet Royal Oak City of Sails</b>	\$15,000-\$42,000	\$26,000	The Swiss maker is known for high-profile limited-edition lines. This watch is part of the Alinghi line in honor of the America's Cup-winning team that bears its logo. Only 1,500 were made.
<b>Vacheron Constantin Tin Mercator</b>	\$37,500	\$53,000	Vacheron has a reputation for highly complicated watches like the Tour de l'Île. This model has a Chinese Zodiac dial, popular in Asian markets.
<b>Martin Braun Eos</b>	\$9,550-\$36,000	\$3,585	Martin Braun unveiled his watches at the Basel fair in 2000, though experts say his name isn't yet well known. The Eos line indicates the sunrise and sunset time with a mechanism customized for the wearer's geographic locations.
<b>Patek Philippe Nautilus</b>	\$18,000-\$35,500	\$56,000	This line has six models. Many can still be bought for less than \$30,000 at auction, and the company's reputation makes it a good place to start for collectors. The "Jumbo" line is particularly popular.
<b>Breguet Marine Chronographe Automatique</b>	\$24,000-\$25,000	\$25,000	Named for the 18th-century watchmaker Abraham-Louis Breguet, the company is considered by many to make movements that are high in quality. Collectors say they like this watch's modern, masculine design. (Pictured above.)
<b>Patek Philippe Calatrava 5053</b>	\$20,000	\$14,000	Although often overshadowed by other lines like the vintages 1463 and 2499, the Calatrava could gain in value, say experts. It's a simple, understated watch with few "complications," or features that add an extra function besides time-telling.
<b>Nomos Tangente Date Power Reserve</b>	\$2,700	N/A	Experts point to this watch as a good entry-level purchase from up-and-coming German watchmaker Nomos because the low price still brings complications like the power reserve indicator, which lets you know when it needs to be wound. The simple, clean design might also appeal to women.

### HOLD

WATCH OR LINE	RETAIL PRICE RANGE	AUCTION HIGH	COMMENT
<b>Blancpain 1735 Grande Complication</b>	\$860,000	\$579,600	Only one of the 27 made so far has come up at auction. This watch elicits strong opinions among collectors, who argue over whether its many complications, including a tourbillon and chronograph, merit its high price.
<b>Thomas Prescher Triple Axis Tourbillon</b>	\$350,000	N/A	Part of a three-watch set, this watch also features a remontoire, which ensures consistent power is supplied regardless of how much it's wound. The wait list is about two years.
<b>Harry Winston Oous V</b>	\$143,000	\$161,000	Designed by watchmaker Felix Baumgartner and Harry Winston for the brand's "Rare Timepieces" line, the 50mm-wide watch has benefited from





## Anatomy of a \$350,000 Watch

Investment-grade watches can range in cost from \$5,000 to \$500,000 or more. Collectors tend to value intricate interior details over exterior embellishments. We asked Gene Stone, author of "The Watch," and New Jersey-based collector Paul Boutros to analyze IWC's classic II Destriero Scafusia and tell us why it costs \$350,000.

### BRAND

Collectors typically look at this first. Big names like IWC can give buyers confidence that they're buying a luxury product.

### COMPLICATIONS

Functions that go beyond basic time telling. The rarer or more difficult these are, the more expensive the watch will be. The II Destriero has a handful to boost the price tag:

- **Minute repeater:** Strikes the time on command with different chimes.
- **Moon phase:** Shows the phases of the moon.
- **Perpetual calendar:** The date display adjusts to the different month lengths and leap years. Some are good until 2100.
- **Split-second chronograph:** Measures elapsed time as well as lap time. One hand stops while the other keeps ticking and then time can be recorded with the catch-up button.
- **Tourbillon:** Considered one of the hardest complications, it deletes the effect of gravity on the watch's time-keeping accuracy.

### MOVEMENT

The watch's engine. This watch has a manual movement and is wound by hand with a knob on the side called a crown. Other watches use automatic movements that are self-winding; a

weighted rotor winds with the motion of the wearer's wrist.

### CASE

This II Destriero has a yellow-gold case, but the platinum version is \$25,000 more expensive. Some watches have diamonds and other jewels that can drive the price up further.

### FINISHING

The final step in the manufacturing process. They range from "finely finished" pieces like this watch that are polished or brushed to more crude finishings that are machine-made. Decorative detailing, such as the hand-done engravings on the II Destriero, are of importance to aficionados.

—Jamin Warren

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