

BUSINESS / FINANCIAL

Cashing in on Luxury: Pawnbrokers Develop New Market

Rings and diamonds; handbags and accessories, and high-end watches are among the top-three categories most frequently taken to luxury pawnbrokers by consumers seeking quick cash.

By [Micaela Marini Higgs](#) on August 9, 2018



📷 Rolex is one of the high-end watch brands most often seen by luxury pawnbrokers, along with Audemars Piguet and Patek Philippe. Shutterstock / pio3

Often thought of as a place where those desperate for cash can receive low payouts and high interest rates, pawn shops haven't always had the best reputation. But following the 2008 economic crash and credit crunch, the industry has begun to attract a new, higher-end clientele. And many of them are moving online, using their [luxury](#) handbags and designer watches as collateral.

That's because "even the wealthy can run into situations where liquidity is an issue," said Dewey Burke, the president and chief executive officer of Luxury Asset Capital, which runs the site Lux Exchange. He left the world of brick-and-mortar pawning after "seeing the need for easy access to capital...on a different scale for a different kind of client."

Online [luxury](#) pawn loans can reach seven figures, don't require a credit check, and depending on the broker can take just 24 hours to a few days to process. While people pawn for a variety of reasons, a demographic that online brokers especially market to are startups and investors, people who have access to luxury goods but might not have the credit history or time to go through usual lending channels. Borrowers typically receive between 50 and 70 percent of an asset's market value and items are appraised by an in-house certified expert or a specialty appraiser in the broker's network. In the case of rare or specialty pieces that don't make up much of their portfolio, secondary markets and major auction house records are also consulted.

Faster than a traditional bank loan, the online process involves filling out a form and receiving an estimate before the item is insured and sent for a final appraisal and official bid. Burke gives the example of a recent \$500,000 loan against five rare Audemars Piguet timepieces, which took 36 hours to facilitate and funded a timely commercial real estate deal.

Luxury pawning existed long before the Internet but has never been a major part of the pawning industry itself, said Eleanor Walper, a loan officer and director of marketing at The Loan Companies, which opened its first location in Beverly Hills in 1938. The company has since expanded into New York and Chicago, and there's enough demand that it plans to open another location soon.

She said that even though "the luxury and retail markets are definitely moving to the e-commerce side of things," her company has chosen to stay offline. One major reason is the belief that in-person appraisals help with relationship building and that "people still want a point of contact when someone's dealing with their prized possessions."

An emphasis on relationship building, both online and off, is because luxury brokers want to attract repeat customers since they typically make their profit by collecting fees, which depending on the broker and collateral can range from 1 to 8 percent a month. This means they have a greater incentive to give clients lower rates and be more flexible with terms and payments compared to a traditional pawn shop, especially when it comes to high-value items. Another reason why alternative lending is becoming a popular alternative to banking is its discretion: many brokers offer non-recourse loans, which means if a client defaults they lose their collateral but their credit and other assets aren't impacted.

One of the largest limitations faced by brick-and-mortar luxury pawnbrokers is access to affluent customers. While there's no shortage of luxury purses in Beverly Hills, online lending can reach a larger pool of potential clients who want these services but don't live in large or wealthy cities.

To serve these clients and reach a global market, some brick-and-mortar businesses are edging into the online space. "When we decided to do this, it was almost like a joke," said Benny Mor, the president and founder of Orange County-based Vasco Assets, an investment firm that is somewhat reluctant to describe itself as a pawn business. Surprised by the influx of online clients, Vasco researched and expanded further into the online market, with Mor describing their daily growth as "staggering."

The online luxury pawn industry is still young and there isn't much research examining its growth, but its popularity can be explained with two trends in the larger luxury market. One is that target customers are getting younger — consulting firm Bain & Company predicts that by 2025, Millennials and Generation Z will account for 45 percent of the global personal luxury goods market. This is anecdotally backed up by luxury pawnbrokers, who are noticing younger clientele and seeking to target them through social media marketing.

The other major shift has been the rise of e-commerce, as consumers across industries are drawn to the convenience of online transactions. Since 2009, online luxury sales have increased fivefold, now representing 8 percent of the \$296.82 billion global luxury market.

According to projections by McKinsey & Company, in 2025 nearly one-fifth of personal luxury sales will take place online. “We’ve [designed] our process — the speed, the convenience, the discretion — in alignment with online retail shopping,” said Burke.

Though it is unclear how luxury pawn brokers might compete with online consignment platforms like The Real Real and Tradesy, the expansion of both business formats shows how, more than ever, designer goods are being looked at as financial assets. An example of how these businesses are overlapping can be seen with Luxury Asset Capital, which is a preferred seller on The Real Real and uses the site to help gauge values for specialty assets like handbags.

The items used for collateral can include everything from rare wine collections to sports cars, but personal luxury goods are among the most common. Luxury Asset Capital’s top three categories are rings and diamonds; handbags and accessories; and luxury watches, which are experiencing a major resurgence.

According to the luxury pawn brokers interviewed, watches commonly used as collateral include Audemars Piguet, [Patek Philippe](#), [Rolex](#), and Harry Winston. Hermès Birkins are extremely popular, having increased over 500 percent in value in the past 35 years, according to a study by Baghunter. Other common handbag brands are Prada and Louis Vuitton. When it comes to jewelry, signed pieces like Gucci and Cartier are reliable favorites.

The National Pawnbrokers Association does not represent online lenders and points out the potential danger that online brokers might not be in full compliance with local, state and federal laws in each place they and their customers do business.

Burke said that any claims online brokers are harder to monitor is “not based on any facts whatsoever,” and that Lux Exchange is “held to the highest level of compliance and standard.” Mor also said that his company works in compliance with all applicable laws. As the online industry continues to develop, there could be more pressure on and attention paid to how these interstate loans are regulated and monitored.

With a growing pool of tech-savvy clients purchasing personal luxury goods, the online luxury pawning industry is no doubt set to grow. “We’re trying to modernize and bring a lot of new systems into [the industry] that can benefit customers and increase the base and number of customers that come back,” said Mor. “We are reshaping this old dusty terminology of what pawn used to be.”



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