

SMARTER PERSPECTIVE: JEWELRY

Collateral In Question: A Mid-2026 Assessment of the Luxury Watch Segment for Asset-Based Lenders

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The luxury watch market of mid-2026 is not the market anyone expected three years ago. That gap between expectation and reality is exactly what makes this segment a tricky one for asset-based lenders right now.

The pandemic set off a run in the secondary market that, looking back, was never going to hold. Consumers flush with cash but starved for places to spend it poured money into watches. According to WatchCharts, the average Rolex resale price climbed from roughly \$7,185 before the pandemic to a peak of approximately \$17,206 in March 2022.

By late 2022, speculative buyers began unwinding positions. Prices corrected, bottoming out in late 2024 and early 2025. As of February 2026 the WatchCharts Overall Market Index was up approximately 8.2 percent over the trailing twelve months, though valuations remain well off their peaks. The market is also simply larger than it used to be. Grand View Research projects the global pre-owned luxury watch market will reach \$85.4 billion by 2033, growing at a 13.3 percent compound annual rate. North America, alone, accounted for roughly 33.5 percent of 2025 global revenue.

Price isn't the only thing that's shifted. As Chrono24 explained in its 2025 year-end recap: the "Tourist Investor" has left, and the "True Collector" is back in charge. A

piece that resonates with serious buyers holds its price, while one that doesn't can sit unsold for a long period of time regardless of whose name is on the dial. A borrowing base should not be calculated on brand name alone anymore. Model, condition, documentation, and buyer depth all carry more weight than they did a decade ago.

The Primary Market: Higher Costs, Structural Headwinds

The new-watch market faces real headwinds. The Morgan Stanley and LuxeConsult Swiss Watch Industry Report documented a 1.7 percent contraction in primary Swiss watch market value in 2025, to approximately CHF 49 billion (U.S. \$61.6 billion). Deloitte's eleventh annual Swiss Watch Industry Study found that 43 percent of senior executives held a negative outlook for export markets, compared with just 23 percent positive, and subcontractors reported investment cutbacks.

Tariff policy has also added a layer of volatility on top of this. The U.S. imposed a 39 percent tariff on Swiss goods in mid-2025 and later reduced that to 15 percent. By then, however, brands had already repriced aggressively. Case in point—WatchCharts calculated that Patek Philippe raised U.S. retail prices 22.4 percent during 2025, and not one major brand has truly unwound those steep increases. Patek did implement an 8 percent reduction in early 2026, but that

followed increases of 7 percent in 2024 and 15 percent in 2025, so net pricing still remains above 2023 levels.

Gold, deeply embedded in the high-end cost structure, climbed toward \$4,500 per ounce by spring 2026 before pulling back. Every \$100 move in the metal translates to roughly \$200 to \$400 in retail pressure on precious-metal Rolex references. Rolex responded twice this year: a roughly 7 to 9 percent increase on gold references in January, followed by a more targeted 5 percent adjustment on gold and 2.5 percent on two-tone references on June 1, with steel, platinum, and titanium left unchanged both times.

There's a longer-term shift underway as well. The tradition of the commemorative luxury watch, the retirement gift, the anniversary piece, has largely faded. What's driving the market today is deliberate collectors, high-net-worth buyers who treat watches as an alternative asset class alongside art, and a younger enthusiasts with real spending power.

Brand by Brand: What the Secondary Data Actually Shows

The Established Luxury Houses

- **Rolex** remains the highest-volume brand and the most reliable benchmark, with secondary prices up approximately 7.9 percent through February 2026. Steel sport has greater pricing transparency on Chrono24 and

WatchCharts, making the model class more commodity-like in nature and favorably benefitting recovery values. Gold references are a different story. They carry more volatility tied to the gold market and are harder to underwrite at a defensible NOLV.

- **Patek Philippe** has been the strongest performer, up 16.2 percent through February 2026, driven by the Nautilus and Aquanaut. The discontinued reference 5711, which retailed around \$34,000, now trades between roughly \$113,600 and \$147,700 and effectively sets the floor for the whole portfolio. Documentation also matters significantly here, as goods without necessary paperwork are subject to meaningful discounting.
- **Audemars Piguet** is up more modestly by approximately 3.4 percent, with the Royal Oak Jumbo and discontinued steel references driving that increase. Worth noting, at the November 2025 Geneva auctions the brand failed to crack 80 percent of its average high estimates.
- **Vacheron Constantin** is the most interesting mainstream story of this cycle, with Chrono24 data showing a 13 percent jump in secondary activity. As Patek has pulled back on accessible references, Vacheron has stepped into that gap, particularly with the reissued Reference 222. It sold out and now trades well above its \$32,000 introductory price. The brand's secondary market is improving but remains thinner than the Big Three's.

Not every mainstream name is performing as well. Breitling was the worst performer in WatchCharts's February 2026 update, down 1.1 percent. Brand recognition doesn't always translate into secondary market strength, and Breitling is a good example of why that distinction matters.

The Ultra-High-End Independent Tier

Above the mainstream tier sits a group of brands whose entry-level references typically start at \$100,000. Even at such high price levels, these names have shifted from collecting curiosities into the mainstream conversation, and underwriting frameworks should now factor that into the equation.



- **F.P. Journe** has the most dramatic story of the group. The Geneva house produces fewer than 1,000 watches per-year with demand that far outstrips its supply. At Phillips's December 2025 New York auction, Francis Ford Coppola's personal F.P. Journe FFC prototype sold for \$10.8 million, a record for an independent watchmaker piece at auction. The buyer pool for any given reference is narrow, and secondary liquidity depends heavily on relationships. A recently announced ownership change is worth watching closely.
- **Lange & Sohne** occupies a different, more established, niche with retail prices running from roughly \$50,000 to well above \$500,000 for grand complications. Boutique-edition pieces have done well at auction, and analysts have called Lange the strongest relative-value play in the ultra-high-end bracket. Its secondary market is smaller than the Holy Trinity's (Rolex/Patek/Audemars), but the brand has held value well on its important references.
- **Richard Mille** builds watches around exotic materials and prices them accordingly. The average secondary transaction runs approximately \$252,000, with references like the RM 11-03 and RM 35-02 Nadal trading between \$180,000 and \$400,000. Current production routinely trades above retail since the brand only makes about 5,300 watches a year. The brand is surprisingly liquid for what it costs, though discontinued mid-range references absorbed most of the post-2022 correction.
- **Greubel Forsey** may be the purest expression of watchmaking-as-art in the commercial market, producing roughly 260 watches a year built around multi-axis tourbillon complications. Most references list between \$235,000 and \$500,000, with top complications running above \$1 million. Resale has historically tracked close to retail, which is unusual in this segment, though the brand is now navigating uncertainty following co-founder Stephen Forsey's departure in February 2026.

The one thing these independents all have in common is their limited scale. Production runs are tiny, buyer pools are small, and a single brand event can move values in ways the mainstream indexes simply don't capture.

Trade Credits and Inventory Impact

One feature of this market that sets it apart from most other retail categories is the trade transaction. Collectors frequently bring pieces to a dealer and negotiate trade credit toward something new. A Submariner and an Aquanaut might, for example, be bundled by a buyer toward the purchase of a Vacheron grand complication. Or three mid-tier watches might be offered toward the acquisition of a single Nautilus. No published data quantifies exactly what share of transactions involve a trade versus a straight cash sale, but the mechanism is well documented as common, and it matters significantly for lenders. Active trading looks healthy on the surface. The potential trouble, however,

is tied to what a dealer actually ends up holding. Trade-in pieces are the ones collectors were willing to part with, which isn't always what the market most wants to buy. A dealer who trades aggressively can unwittingly accumulate a shelf full of out-of-favor or aged inventory over a relatively short period of time.

Composition matters as much as total stated value. How much of the inventory came in through trade versus cash, and how long has a given trade-in piece been sitting? Is it priced to current transaction data, or to whatever trade credit the dealer extended six months ago? Trade inventory aging past 180 days without moving deserves a real discount. There's also potential for a relationship-driven pricing problem in this equation. A dealer might, for example, pay 80 to 85 cents on the dollar for a longtime client's trade-in. That's a thin margin that can quickly vanish if the dealer later has to wholesale that piece. This shows up at the portfolio level too. In the softer market from late 2022 through 2024, trade-ins piled up, and dealers who traded aggressively during the bubble years ended up holding inventory still valued at 2021 and 2022 peaks while the underlying market had already corrected. It is, therefore, important to note whether inventory value on the books is inflated relative current market value. None of this makes trade-in inventory inherently risky, but a lender should be aware of this nuance and carefully look through the composition and be prepared to advise

a borrower to discount anything that has been sitting too long.

Two easily accessible tools can help both a lender and borrower with this process. Chrono24's ChronoPulse index tracks real transaction prices across 14 brands and more than 140 models, and WatchCharts provides a similar window. Together, these resources are an efficient and dependable way to check whether stated inventory values, trade-in or otherwise, line up with what buyers are actually paying. Documentation is the other constant. Watches with original boxes, warranty cards, and receipts carry a 10 to 30 percent premium over undocumented examples, with Patek at the high end. A watch that shows up without papers should trigger a lower NOLV and a question about where it came from.

The Liquidation Problem: When Trade Credit Disappears

The trade dynamic creates a specific problem once liquidation enters the picture. This is a different problem than the usual "liquidations sell for less than historical sales." In a normal operating environment, a dealer's best pitch to a collector isn't really about price; it's the deal structure, the ability to apply trade value toward the next purchase, saving time and avoiding the loss that often comes with a private sale. A liquidating entity, however, can't offer any of that. There's no trade window, no relationship

worth preserving, and no ability to take in inventory while moving other pieces out. A collector who would have traded in three watches now has to find a competing dealer who'll take the trade or pay cash for those items, and that second option can cost real value. Because of this, the discount needed to bring cash-only buyers to the table in a liquidation event is bigger than most lenders tend to expect.

This effect is most apparent at the top end. A collector buying a \$500,000 grand complication, for example, might normally apply \$200,000 to \$300,000 in trade credit. When you take that away, the dealer needs a buyer with that much free cash who also wants that exact watch on a tight timeline. That pool is, understandably, very small.

Accordingly, for NOLV purposes, lenders should layer a liquidation-specific discount on top of whatever standard secondary market discount they already apply. A watch that needs reconditioning before it can be listed at full value, in-house or through a manufacturer service that takes weeks or months, is effectively illiquid in the meantime and should be treated that way. A watch dealer's enterprise value also depends heavily on its relationships and the trust clients place in it. While neither of these show up on a balance sheet, both actively influence how inventory actually turns. Take those relationships away, and what's left on the shelf is worth less than the sticker would suggest.

Where Things Are Headed Through Year-End

The mood moving ahead is cautiously optimistic. Chrono24 is forecasting continued stability through 2026, with demand increasingly coming from collectors refining their taste rather than chasing a quick return. WatchCharts reports that 21 of 27 tracked brands with average prices above \$3,000 posted positive six-month performance as of February 2026.

Gold remains the biggest swing factor going forward, having cooled to around \$4,000 per ounce in late June from its spring highs. Whether Rolex and its peers make further precious-metal adjustments later this year depends on whether gold



resumes climbing or holds near current levels. Tariffs are the other variable to watch. The drop from 39 percent to 15 percent has eased pressure on new watch retail prices. Any reversal would push more buyers toward pre-owned, which has already been gaining share on new retail as Gen Z buyers, who are very comfortable with resale, become a bigger piece of the transaction volume.

Practical Considerations for Borrowing Base Underwriting

Use transaction data, not asking prices

Appraisals should be checked against current Chrono24 and WatchCharts transaction data, not dealer asking prices, since the gap between the two can be significant, especially with aging inventory or a dealer under financial stress.

Apply brand and model tier differentiation

Rolex steel sport references with full documentation are the most liquid collateral in the category. Patek Nautilus and Aquanaut references carry strong but narrower liquidity, as do Audemars Piguet's discontinued Royal Oak references. Vacheron Constantin is improving but still developing. The ultra-high-end independents, F.P. Journe, A. Lange & Sohne, Richard Mille, and Greubel Forsey, need specialist appraisal given thin buyer pools and event-driven pricing. Mid-tier names like Breitling warrant lower advance rates.

Understand trade-in composition and its liquidation implications

Borrowing base certificates should identify which inventory came in through trade versus cash, with conservative advance rates on trade-in pieces sitting more than 90 to 180 days without turning. A liquidation-specific discount should also

reflect the loss of trade credit in a forced sale; a watch that would normally sell for \$50,000 with \$20,000 in trade credit might only clear \$38,000 to \$42,000 from a cash buyer, and that gap belongs in the NOLV.

Treat documentation status as a hard eligibility factor

Watches without original documentation should carry a minimum 15 to 25 percent discount against comparable documented pieces, with Patek at the higher end of that range.

Require disclosure of service and condition

Watches that need reconditioning before they can be listed at full value are effectively illiquid in the meantime, and should be excluded from the eligible base or discounted to reflect the delay.

Cap ultra-high-end concentration explicitly

A handful of high-value pieces can make up an outsized share of stated inventory value. Lenders should consider caps on the percentage of eligible inventory above a defined per-unit threshold, such as \$250,000 or \$500,000, particularly for low-production brands where one event can move values unpredictably.

Treat inventory turnover and trade-in aging as health signals

A typical turn in this segment runs roughly once a year in a healthy environment. Lenders should track inventory age piece by piece, applying increasing discounts at 180, 270, and 365 days. A growing pile of aged trade inventory is one of the clearest early signs of stress.

Monitor gold prices as a portfolio variable

For borrowers concentrated in gold-cased references, spot price swings translate directly into collateral value. A portfolio-

level sensitivity analysis is worth running given how volatile gold has been above \$5,100 per ounce.

Know the liquidation scenario before you need it

Reliance on trade transactions creates a structural disadvantage for forced sellers that goes beyond the standard liquidation discount. NOLV calculations should account for the loss of trade credit and dealer relationships; in the ultra-high-end segment, the combined effect can push realized values below stated value. Lenders with established secondary market relationships are simply better positioned to run a liquidation, and that access belongs in the underwriting process, not the workout plan.



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