

The many uses of true art

The dizzying prices achieved by some art works at recent sales signals the end of a short period of softer returns in the art market. But the rebound makes it all the more necessary for buyers to take expert advice, says *Viola Raikhel-Bolot*

Off the market for 171 years: Turner's 'Modern Rome – Campo Vaccino'



The international art market is worth over \$3trn and has an annual turnover of \$50bn. Investing can provide impressive returns plus an even greater reward derived from an individual's passion to acquire objects of great beauty.

The last year has been marked by a solid recovery in the art market. Major works are now once again

appearing for sale. While private sales have remained strong, the disposal of Giacometti's 'Walking Man I' (\$104,327,006; February 2010) and Picasso's 'Nude, Green Leaves and Bust' (\$106,482,500; May 2010) at record prices, signals the emergence of a new trend after a relatively short period of hibernation.

Investing in art has multiple benefits, including a low correlation with other asset classes, while growing concern about future inflation or the return to financial instability may drive individuals towards increasing their portfolio allocation to art as an inflation hedge.

In addition, the competition for artworks is adding to inherent scarcity to make art a desirable asset for investment purposes. While anomalies can exist in the art market as in any other, record prices, strong returns and increased institutional buying have sparked significant interest in art as an asset class.

Achieving perfect balance

Investing with the right balance of aesthetic appreciation and financial savvy can ensure that what you have bought will appreciate over time. But how does a buyer know what the perfect balance is?

Firstly, identify who you are buying from. Auction houses, art dealers and art advisers are all incentivised differently. Understanding the seller's motivation will assist you in making informed purchases. The objective of dealers and auction houses is to sell consigned and existing stock, therefore advice from these parties can in fact be skewed with a focus on business profits and reaping inhouse commissions.

In contrast, an independent art adviser identifies the best source of works which suit their client's collecting objectives, without any bias. While auction houses charge both the buyer and seller a percentage on the same transaction, and dealers sell at retail prices, an art adviser is able to leverage discounts for you in the market place and provide a completely transparent transaction.

Discovering an artwork that appeals to you aesthetically is only one of the first steps in the collecting process. Ask yourself – does this piece represent the best possible work by this artist, within my budget? Researching the artist's body of work will ascertain whether or not your selected Picasso, for example, is the best possible representation of his Blue Period.

Another factor to consider is an artwork's provenance. This can make a considerable difference to the selling price. In the current market, works from private collections with an excellent public exhibition history are in high demand and occupy some of the top lots by value at auction.

While the prestige of being featured in an exhibition at a world-class institution adds to an artwork's desirability and value, this is not to say that artworks kept out of the public eye are worth any less. Turner's masterpiece 'Modern Rome – Campo Vaccino', for example, recently sold for an exceptional price of £29,792,150 to the Getty Museum in Los Angeles after not appearing on the market for 171 years.

Condition is another element which can greatly impact the value of an artwork. It is essential to request independent condition reports before making a purchase. Similarly when identifying works privately or at auction, an independent ultraviolet examination of the work by your adviser will ascertain whether the existing condition report reflects the actual state of the work.

Enhancing value

Finally, how does one enhance an artwork's value? To protect your investment and ensure it appreciates in value, it has to be properly insured.

If you have owned an artwork for several years, the initial valuation is now more often than not below the market value, therefore we recommend an annual valuation as this reflects changes in the marketplace. Where possible, artwork should also be considered or featured in public exhibitions as this will enhance the work's future sale value and desirability.

Art can be a satisfying investment, providing both financial and emotional returns. However, like any other proposition, the investor needs to undertake thorough due diligence at all stages. As the strategic value of art becomes more widely recognised, the market becomes more vulnerable to targeting by unscrupulous and unskilled players.

A good adviser will ensure clients avoid the many pitfalls and potentially unpleasant surprises of unregulated markets, inflated prices and counterfeit works. Buying well is paramount to ensuring a good return and given the low correlation of art investments to other asset classes, it can be a welcome addition to an investment portfolio. •

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Viola Raikhel-Bolot is director of International Advisory at 1858 Ltd Art Advisory, which provides independent advice on all areas of the market