

# ART ADVISORY E-BULLETIN

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## 1858 Ltd International Art Advisory

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### The Art & Finance Sector is Maturing

The latest “Art & Finance” report from Deloitte and ArtTactic is full of promise for the future of this sector. Surveying a wide range of financial institutions, art professionals and collectors, including private banks, family offices, auction houses, galleries and art advisors, the report gives a good overview of what lies ahead.

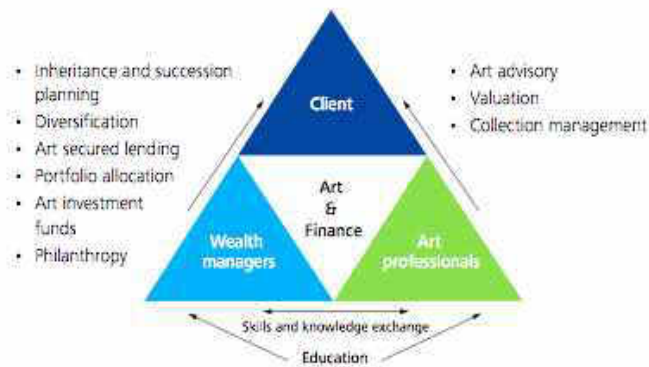
In 2012, a Barclay’s report found that the average wealthy individual had 9% of his portfolio dedicated to art and collectibles. This is now increasing particularly in Europe and the U.S as a direct result of the global art market’s growth and the global increase in wealth. 76% of art buyers admitted to viewing their art purchases as an investment to some degree, up from 53% two years ago. The knock on effect is that collectors are increasingly turning to their wealth managers asking for more art-related services.

Within the range of services wealth managers can offer their clients, is art and estate planning, art philanthropy, art secured lending and exclusive access to the art world. However, this market is not without its problems, notably high transaction costs, little regulation and a lack of transparency, which has resulted in wealth managers being more reluctant to include art into traditional wealth management. In this year’s survey 55% responded that art should be part of wealth management offerings versus 82% in 2011. Private banks and family offices are warming up to the idea however, with over a third of the banks surveyed currently offering art secured lending and more than half of these institutions describing art as a key asset class, important for diversifying portfolios and also a means of weathering market volatility. When it comes to art professionals and art collectors, they are increasingly convinced about the role of art as an asset class rising from 56% and 57% believing this in 2011 to 76% and 62% believing it in 2014 respectively. This highlights another of the sector’s current challenges that is wealth managers’ difficulties in sourcing and finding the right art-related expertise. The report confirmed that art advisory services are best left to art professionals as opposed to wealth managers and noted the benefits that these two groups working closer together in this field could have. For over a decade, 1858 Ltd Art Advisory has been serving the art advisory requirements of clients and is universally viewed as a trusted partner to the wealth management community. In recognition of this, 1858 is the current Spear’s wealth management art advisory firm of the year.

Art funds are still to prove themselves; their current estimated global worth significantly down from last year. However, art professionals and collectors view them as a diversification tool with a positive future. The growth of online art businesses and tools are helping address the issues which have previously caused funds to be problematic. As the

market strives towards greater transparency, art finance services will have an even greater potential to protect, leverage and enhance art assets.

Wealth creation continues to drive art market growth and the number of UHNWIs across the world investing in art and collectibles is increasing. This provides further opportunities for wealth managers and art professionals together to provide art services. In addition this year is likely to be a record year for the art market, with the first half of the year's auction figures from Sotheby's and Christie's equalling 88% of 2013's total. These results are likely to have a positive impact on the development of the Art & Finance sector.



## The Importance of Risk Mitigation

Risk mitigation in fine art collecting takes two forms. Initially, leading up to and at the point of transaction and subsequently, in preserving and protecting the artwork where it is located. It is vital to have measures in place in both instances and there are many examples which remind us why.

A recent case saw a client ask for advice on a transaction for a Van Gogh work offered at over US\$5m. 1858 Ltd's due-diligence research found that the Catalogue Raisonné had recently downgraded the painting from "by" Van Gogh to "attributed to" meaning the work was worth significantly less, in the region of \$100,000. Another example is the Knoedler Gallery case in New York, which saw experienced private collectors and institutions acquiring abstract expressionist works by the likes of Rothko, Kline and Pollock for multimillion dollar sums that turned out to be forgeries fabricated by a Chinese painter living in Queens. Finally, ongoing art theft serves as a reminder of the importance of risk mitigation after a purchase has been completed.

Checks against the research institutes, catalogue raisonnés, laboratory analysis, pigment testing and radiography in addition to obtaining second and third opinions are all the basics that underpin best practice for art due-diligence. For sculpture, in the case of multiples, it is critical to check whether it was made while the artist was alive or cast posthumously. Checking paperwork for transfer of ownership records and bills of sale, buyer's and seller's correspondence, sale catalogues, academic publications, exhibition history, labels, artist's stamps and experts verifications are also crucial for ensuring the true provenance can be verified.

In addition to transacting wisely, private collections, whatever their scale, demand the same detailed level of attention to ensure they are preserved over generations. In the first instance, loss prevention and the correct conservation measures are key to maintaining value. This includes careful consideration of issues related to temperature, humidity and exposure to heat and light when displaying a collection. An understanding of the specific materials used in the artworks is also necessary, and care-handling guides should be made available to anybody who may handle the collection, from cleaning staff to decorators. Environmental issues such as whether the location is in a seismic zone are also important when considering framing and

hanging. In the case of emergencies, a plan should be in place including a prioritised list of the artworks in the order in which they should be saved. All documentation should be kept securely, including copies which should be kept separately from the artworks. New technologies such as DNA coding as well as other anti-theft techniques should also be considered for both theft avoidance and theft recovery.

1858 Ltd is pleased to provide specialist risk management advice to guide clients in the areas of insurance, loss prevention and risk assessment. Whether the issues are around shipping, storage, site security and display or around the more mainstream risks of fire, theft and water damage, a risk assessment report and a pre-emergency/disaster plan are an essential pre-requisite to mitigate risk.



The original 'Le Penseur' from 1915 by Auguste Rodin on the left, and a near identical sculpture cast in the 1930s. The first sold for \$4m in 2011, whilst the latter sold for \$360,000 in 2010.

## Top Rarities at Auction

This November's Sotheby's sales in New York are presenting some top rarities for auction. The Impressionist and Modern Art sale on 4<sup>th</sup> November will see Vincent Van Gogh's 'Still Life, Vase with Daisies and Poppies' dating from 1890 up for sale. The following week, on 11<sup>th</sup> November, Jasper Johns' iconic 'Flag' will be the star lot at the auction house's Contemporary Art evening sale.

'Still Life, Vase with Daisies and Poppies' has been described by Sotheby's as "the most important still life by Van Gogh to appear at auction in more than two decades". It has been estimated to sell for somewhere between \$30m and \$50m. Although far below the \$82.5m record set by Van Gogh's 'Dr. Gachet' in 1990, the painting is an important one in the artist's career. Painted in the midst of a mania, just a few weeks before his death, it is one of the few works Van Gogh managed to sell during his lifetime. The painting has a detailed provenance, passing through the hands of various collectors and galleries including Impressionist collector Gaston-Alexandre Camerton and MoMA co-founder Anson Goodyear.

Created nearly a hundred years later, Jasper Johns' 'Flag' is also expected to draw a lot of attention. Johns' flag artworks belong in major collections, notably at MoMA, the Metropolitan Museum and the Whitney Museum. First created in the 1950s, these works paved the way for Pop art and their medium – pigment blended with wax, known as encaustic – was refreshingly literal. It is a work from this series that achieved the auction record for the artist at Christie's in 2010, selling for \$28.6m and the 1983 version up for sale in November is the first one to go to auction since then, expecting to sell for \$15-20m. Before then, however, it will tour to Los Angeles, Hong Kong and London giving collectors in Asia and Europe and chance to see it before the sale.

New York's spring sales at Sotheby's and Christie's of Impressionist, Modern and Contemporary Art netted \$2.2billion, 22% more than last November's sales. The trend is expected to continue this season as

these major works come up for auction and collectors continue to invest in museum quality works of art. The sales will also see sculptures from Giacometti and Modigliani, 'Le Printemps' by Manet, Elvis Presley and Marlon Brando paintings from Warhol, several works by Jeff Koons and a Rothko painting to name a few.



## The Contemporary Art Market Today

The contemporary art market is reaching ever new heights despite any fears of a bubble that wouldn't last. Since the 2009-10 setback, the global turnover in this sector has almost doubled and a new peak has been reached on all fronts – auction turnover, price rises and record bids according to the latest report from Artprice published earlier this month. Global sales of contemporary art amounted to €1.5 billion, up 33% from last year, and representing 15% of the global art market.

Last November, Jeff Koons set a new record for a work of contemporary art but also for a living artist when his 'Balloon Dog (Orange)' sold for \$58.4m (€38.8m). In the 2013-14 period twelve other works also sold for over the €10m mark. These 13 works constitute half of the contemporary works of art ever sold above this price threshold at auction, proving what a year it has been for this sector. The three top selling artists remain Jean-Michel Basquiat, Jeff Koons and Christopher Wool who between them netted €339m, or 22% of the global contemporary art market.

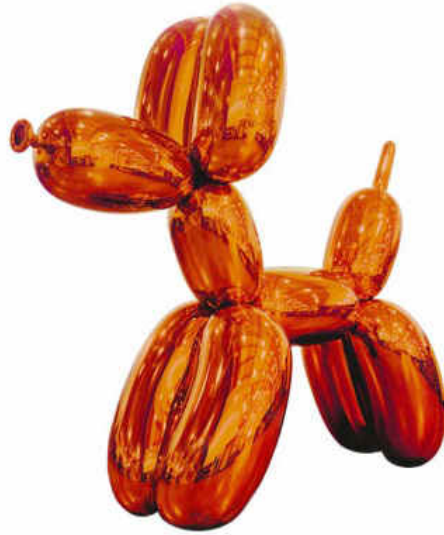
Contemporary art is the leading sector of both the U.S's and China's art markets. Last year, the two countries had an equal share of this sector globally but this year China, despite a recent dip, is back in the lead and 42% up from last year. Its €601m turnover gave it a 40% share above the U.S's €552m 37% share. Both found themselves way ahead of the U.K. in third place with a 15% share, followed by France with less than 2%. In addition China now has 47 artists in the top 100 artists by revenue, compared with 19 Americans.

China's power in the contemporary sector has benefitted the rest of Asia. Taiwan, Singapore and South Korea ranked amongst the top 10 countries for contemporary art sales, whilst seven of the top 10 cities in terms of auction turnover in this sector were in Asia, alongside New York, London and Paris who ranked first, third and sixth respectively.

However, the report writes that this sector is unaffordable by reputation only. 100-200,000 works by "clearly identified artists" sell for less than €10,000 each year, and globally 66% of contemporary works sold at auction sell for less than €5000. This percentage rises to 81% if only taking Europe into account. Auction prices over €50,000 concern only 6% of lots sold.

The market has been described as being back to the "galloping speculation" of the 2004-7 period, which makes it a more volatile and riskier market than the Modern and Post-War markets. However, in both the developed and emerging markets, it is garnering more and more attention through fairs and biennials, museums and foundations, auction sales and the powerful gallery network. Established collectors

are increasingly interested in contemporary art, whilst young, new collectors champion it.



### **Cadmium Ban: Is this the end of bright paintings?**

A report published in Sweden last year claiming that cadmium, a heavy metal, is finding its way into agricultural land and subsequently into our food as a result of cadmium pigment paints, called for all of these to be banned in Europe. The substance found in oil, acrylic and watercolour paints is now the subject of an EU investigation which may result in a ban within the next two years.

Cadmium pigments create bright, intense colours, particularly reds, yellows and browns. Monet and Matisse were famous advocates of these pigments, and they were championed by the likes of Cezanne, Dali and Bacon. Ironically at the time it was discovered, cadmium pigments were developed because other paint pigments were so toxic. Originally very expensive, since being commercially viable in the mid 1880s, it has been a staple on artists' palettes. Another advantage is that cadmium pigments are light fast reducing the likelihood of fading.

Many artists have signed a petition against the ban, worried that its effects would be disastrous for the future of art, as no comparative alternatives exist. In addition, they claim that any cadmium in landfills and watercourses is the result of dumped nickel-cadmium batteries, which for many years were the most common type of rechargeable batteries.

The European Chemical Agency will take a decision next December.



## 1858 Ltd Art Advisory

Buying  
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Authentication  
Valuations  
Auction representation  
Collection Management  
Art Philanthropy Advice  
Art Finance  
Art related Tax and Estate  
Planning

### How an 1858 advisor can help you:

- **Exclusive Access** to works of art in private collections that are not available on the market.
- **Impartial Advice** being independent of auction houses, galleries and dealers, we provide impartial advice when buying and selling on behalf of our client.
- **Time Savings** as we are able to manage all areas of the collecting process on our clients behalf, we are able to build or sell complete collections with as much or as little involvement from the client as they wish.
- **Direct Savings** due to our buying and negotiating capabilities we significantly reduce transactional charges which in turn we pass directly on to our client.
- **Reducing Risk** by undertaking thorough due diligence on all transactional decisions, we ensure that potentially costly mistakes are avoided and the client has complete confidence in the decision made.

+44 (0) 207 590 3112  
contact@1858ltd.com  
www.1858ltd.com

## Art Calendar Highlights

**Constable: The Making of a Master**  
Victoria and Albert Museum, London  
Until 11<sup>th</sup> January 2015  
[www.vam.ac.uk](http://www.vam.ac.uk)

**Paris Photo**  
Grand Palais, Paris  
13<sup>th</sup> – 16<sup>th</sup> November  
[www.parisphoto.com](http://www.parisphoto.com)

**Contemporary Istanbul**  
Istanbul  
13<sup>th</sup> – 16<sup>th</sup> November  
[www.contemporaryistanbul.com](http://www.contemporaryistanbul.com)

**Singapore art Fair**  
27<sup>th</sup> – 30<sup>th</sup> November  
[www.singapore-art-fair.com](http://www.singapore-art-fair.com)

**1914-2014 : Cent ans de Création**  
Musée Mohammed 6 d'Art Moderne & Contemporain, Rabat  
[www.museemohammed6.ma](http://www.museemohammed6.ma)



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[www.deloitte.com](http://www.deloitte.com); [www.artnet.com](http://www.artnet.com); [www.christies.com](http://www.christies.com); Monet's 'Autumn at Argenteuil'. [www.courtauld.ac.uk](http://www.courtauld.ac.uk); [www.vam.ac.uk](http://www.vam.ac.uk)

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