
Works of art— a common asset class?

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Art: a market on the rise

- Higher prices, greater demand, more points of sale than ever before—expect a record year
- Driven by: wealth, QE (exacerbates inequality), limited investment & saving opportunities, fashion

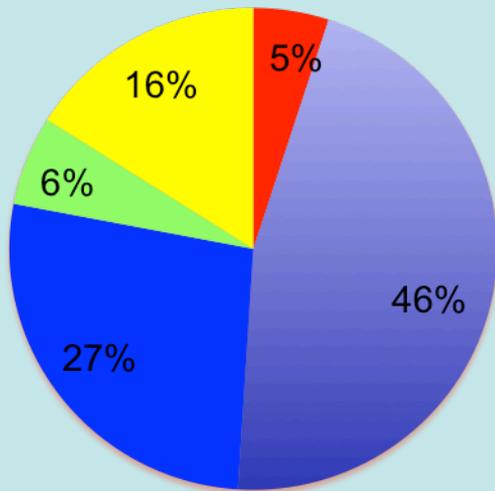
“Everyone from your interior decorator to your wedding planner to your tennis partner to your drug dealer considers him or herself an art adviser.” Kenny Schachter, ArtNews, 18.11.14
- Virtuous circle - after \$852.9m auction:

“The landmark sale result achieved tonight is a reflection of... a virtuous cycle of confidence in the art market that brings a fresh supply of exciting, high-quality works into the market with each new season.” (Brett Gorvey, Christie’s head of post-war and contemporary art, press release, 13.11.14

What's new?

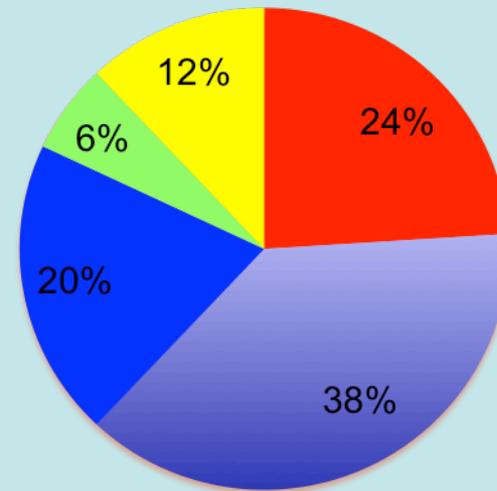
- Global art market share (by value)

2006

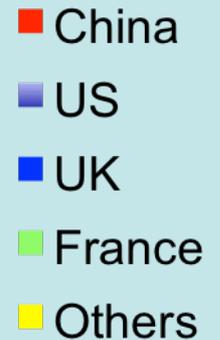


Total market size: €43.3bn

2013



Total market size: €47.4bn



Behind the visible headlines

- China—who knows? Or indeed all the statistics
- All the heat is at the top—20 contemporary/ modern artists plus “masterpieces” *at auction* and high volume (commoditised) collectibles
- Power in the hands of a few (dealer-collectors) and their favoured clients: Quartz headline “High-end art is one of the most manipulated markets in the world” - Allison Schrager, 11.07.13
- Primary market—opportunities held back
- Secondary market—behind the scenes deals, chance to drive public prices higher
- Market that thrives on asymmetry of information – and hidden costs

Compare & contrast

- Equities: liquid, fast, huge—heavily regulated and mapped
- Gold: similar for wrong reasons (“it is basically pointless”^{*}), but fixed pricing, liquidity, proven hedge
- Wine: limited but high volume & classification
- Property market: yield, information, lending
- Private equity: underlying asset
- Luxury: faced facts—consolidation, diffusion



Art has an unattractive risk/reward profile

And yet...

- No denying the other “returns” that art can bring—from the best parties to an “emotional and aesthetic dividend” (Rachel Pownall, Maastricht University)
- People do make money, run businesses, that rely on (improve?) art’s investment profile:
 - Philip Hoffman, The Fine Art Fund Group
 - David Arendt, The Luxembourg Freeport
 - Alain Mestat, PassionProtect
 - Karen Sanig, Mishcon de Reya
- Just for the money—I would look elsewhere, but it’s a lovely way to try to do so

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