

to have to hold

Collecting art is no longer just about individual taste or the status of owning a well-known cultural artefact, it is now a serious investment in its own right. Leading art adviser [Richard Thompson](#) offers some advice on how to play the market.



The market for modern sculptures from artists such as Rachel Whiteread is set to gain in popularity.



RICHARD THOMPSON

Born and educated in New Zealand, Richard Thompson worked in dealer galleries and has been a private art adviser in modern and contemporary international art for the past 15 years. He has developed numerous first-class private art collections and continues to advise private collectors from his current base in London.

The rapidly expanding East Asian sector offers contemporary Chinese artists such as Zhang Xiaogang.

THOMPSON'S TOP SCULPTORS

Blue chip investments (past masters)

Pablo Picasso, Constantine Brancusi, Alexander Calder, Lucio Fontana, George Rickey, Donald Judd, Tony Smith, David Smith, Henry Moore, Alberto Giacometti, Carl Andre, Barbara Hepworth, Claes Oldenburg, Anthony Caro, Dan Falvin.

Living masters

Cy Twombly, Anish Kapoor, Gerhard Richter, Richard Serra, Sol Lewitt, Antony Gormely, Ellsworth Kelly, Richard Long, Mark Di Suvero, Berna Vernat, Louise Bourgeois, James Turrell, Tony Cragg, Ray Charles, Robert Gober, Walter De Maria, Daniel Buren, Juan Munzo, Michael Heizer

Emerging masters

Rachel Whiteread, Michael Craig-Martin, Jeff Koons, Kiki Smith, Damien Hirst, Tracey Emin, Sarah Lucas, Marc Quinn, Cornelia Parker, Bill Culbert, Don Brown, John Isaac, Mimmo Paladino, Mark Wallinger, Richard Long, Zhang Xiaogang.

Emerging artists

Banksy, Xavier Veilhan, Stephen Gregory, Michael Joo, Rickey Swallow, Rebecca Warren, Paloma Varga Weisz, Martin Honert, Rupert Norfolk, Conrad Shawcross, Klara Kristaloua, Yan Pei Ming, Sui Jianguo, Frances Uprichard

Over the past ten years, the art world has seen the term 'investment' go from being a dirty word to part of the lingua franca. In this sense, the art industry has truly come of age; it is now worth \$3 trillion and has an annual turnover of \$30 billion.

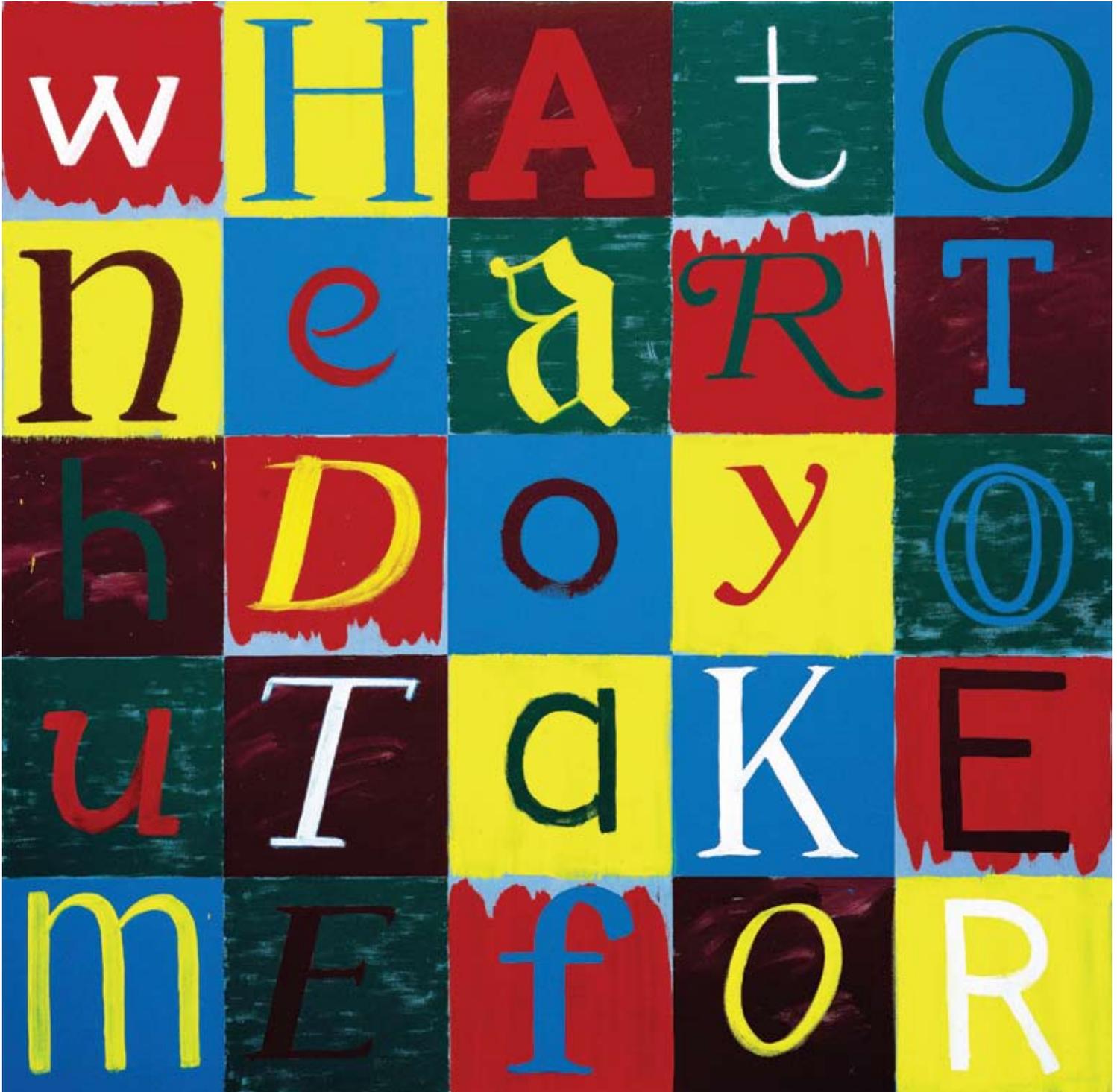
It has its own indexes for tracking performance (MEI Moses All Art Index, artprice.com and artnet.com), showing that the returns are just as attractive if not better than the share market. It is now possible to commission a special report on any piece of art, and all of the relevant statistics for making an informed purchase are just a click away.

In a global economy that craves diversification of discretionary income, art is the hip new must-have investment. Art funds have emerged as passive vehicles for reduced risk investment, spreading their buying across multiple disciplines and historical periods. Their boards and expert advisers are some of the most respected personalities in their fields.

HIGH-QUALITY SMALL-EDITION ARTWORKS BY LEADING ARTISTS ARE FANTASTIC INVESTMENTS

The best example of an art fund with a proven track record is the Fine Art Fund, based in the UK. CEO Philip Hoffman, who was formerly financial director at Christie's and has 20 years' experience in analysing art as an investment, says: 'Art is now recognised as a lucrative alternative asset class. History shows that art offers high returns and reduced portfolio volatility. The facts are there; from 1965 to 2002 the MEI Moses All Art Index (at 10.94%) outperformed both the S&P 500 (at 10.49%) and government bonds (at 7.53%).

Furthermore, art market trends bear little correlation to equities or bonds, so there is great potential for portfolio benefits. This strategy enabled a realised cash-on-cash return of 47.6% at



Mark Wallinger is one of many emerging masters to look out for when investing in art.

the end of 2006. In addition, art offers glamour and style - what would you rather have on your wall, a stock certificate or a Pollock?’

Areas of opportunity

When I first started working in a private dealer gallery I was told that what makes an artist successful is ‘the echo chamber’. A square was drawn and I was told to imagine it was a gallery. Inside the square was the artist; along each of the outside walls were the art dealer, institution (museums and auction houses), critic (institutional, public and private) and collector (institutions, private and, more recently, investors). When each of these four participants started

talking about the same artist the echo would attract the attention of others. It was a simple analogy but it has stuck.

The term investor did not enter the equation when I started out. There is no tried and tested formula for art buying. It is more to do with connoisseurship and connections. As with any investment, expert advice can provide inside information that can lead to bigger returns. Canvassing a number of opinions can give you a general idea of emerging areas of opportunity.

Buying art for quick returns is a bad idea. If you purchase works that challenge and inspire you, it is less likely that you will want to part with them. This means that you get the long-

term benefits of holding them and will be more likely to weather any unfavourable market changes. Focusing on a particular area of interest is the best way to quickly gain knowledge and become an astute investor.

Developing relationships with dealers or art experts and artists makes the experience of collecting more enriching. It allows you inside the machine to witness the inner workings, turning you into an integral cog, a participant rather than a spectator.

Carving out a market

One undervalued area that I also have a special passion for is sculpture, which I will improve

rapidly over the next decade. It is worth paying attention to 20th and 21st century artists such as Brancusi, Henry Moore, Barbara Hepworth, Lynn Chadwick, George Rickey, David Smith, Claes Oldenburg, Anthony Caro, Louise Bourgeois, Richard Serra, Anish Kapoor, Tony Cragg, Rachel Whiteread, Jeff Koons, Damien Hirst, Kiki Smith and Mark Wallinger.

As collectors' walls fill up, they move to the next available space - the floor and exterior. Modern grand houses are once again incorporating large-scale outdoor sculpture into their overall design. Commissioning sculptures is an enjoyable process, offering a unique opportunity to meet and work with an artist. Involving artists at the early stages of planning can create some exciting developments between architect, interior designer, landscaper and artist, resulting in a distinctive point of difference.

Eastern promise

Another sector to watch is the rapidly expanding market of contemporary Chinese and Indian art. Wealthy and middle-class collectors in these countries are growing exponentially. Chinese artists to watch are Zhang Xiaogang, Yan Pieming, Zeng Chuanxing and Sui Jianguo.

The Indian market has seen prices rise twenty-fold since 2000. Worldwide sales of Indian art were worth \$200 million in 2005. Artists to watch include Tyeb Mehta and Francis Souza.

The 2006 summer auction season saw 55 world records broken. The emergence of Russia, China and India as significant new investors in the art market has fuelled the growth figures.

Art lesson

A lesson can also be learnt from analysing auction house results. The total annual turnover of worldwide auction houses in 2004 was \$4.15 billion. Million-plus lots made up only 2.2%, of that figure while sales between \$2,000 and \$10,000 accounted for 86% of turnover, an increase of 23% from the previous year. This demonstrates that although headline-grabbing multimillion-dollar lots appear to depict a market out of control, the real strength in the market is in the more affordable art.

Collector Nick Rhodes says: 'In the early 1980s I had the great fortune to meet [art dealer] Yves Arman, with whom I whiled away a long New York evening chatting about our favourite painters.

'As I was leaving town a few hours later, I persuaded him to take me back uptown to open up the gallery so that I could view his current Marcel Duchamp show. It was at this moment that I became fascinated with editions. It didn't seem to matter that each piece was not unique; in fact, it added to the mystique that there were several identical artworks around the world in other collections. Given the monumental rise in art prices in recent years, the editions market looks increasingly attractive for people looking to

build their collections.

The prices now being achieved for editions by artists such as Warhol, Bacon, Koons and Richter are a testament to the strength of this genre.'

This has also been the case when you look at the very healthy increases in value for the prints and multiples sector. An 'editioned' painting by Gerhard Richter, which was published by *Parkett Magazine* and sold for less than €10,000 in 1996, is now selling for €125,000.

Cutting-edge artwork from the likes of Damien Hirst can expand and reinvigorate collections.

NO ONE SHOULD BE IN ANY DOUBT THAT ART IS NOW A SERIOUS BUSINESS.

High-quality small-edition artworks by leading artists are fantastic investments. They are ideal for the boat, beach house, office or jet and allow buyers to risk buying challenging art by younger artists.

Art buyers have become more discerning, looking for art that offers more than mere decoration. The emerging artists market is fresh and exciting, and cutting-edge purchases are great conversation starters. They can reinvigorate seasoned collectors and expand their knowledge and acceptance of new concepts in contemporary art.

Even relatively new and emerging markets like contemporary photography are performing beyond expectation. Between January 1996 and

September 2006, the price index for photographs by artists born after 1945 has risen 262%.

Recent examples include Andreas Gursky's '99 cent', which sold for \$2 million on 10 May 2006, becoming the most expensive contemporary photograph on the market. Or names such as Richard Prince, whose works generated €7 million at auction in 2005, demonstrate the vibrant growth of this relatively new market.

The market has exploded in recent years and no one should be in any doubt that art is now serious business. As an investor, if you keep an eye on new talent and emerging trends, the opportunities are endless. ■

