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VILLA MARIA



WHY YOU SHOULD INVEST IN NEW ARTISTS

By: Georgina Wilson-Powell

2013 was a record-breaking year for contemporary art. First, Lucien Freud's triptych, *Three Studies of Lucien Freud*, fetched \$142.4 million at a Christie's auction in London. Then Jeff Koons became the most expensive living artist after his *Balloon Dog (Orange)* sculpture sold for \$58.4 million, which was almost as much as all the other pieces in that same auction put together, including works from the pop culture favorites Andy Warhol and Roy Lichtenstein.



Philip Hoffman
CEO of the Fine Art Fund



Ralph Taylor
Director at the UK Board of Contemporary Art
at Bonhams Auction House

Investment Success

Canny investors are making fortunes from the increased interest in modern art. Eric Clapton bought a series of three Gerhard Richter paintings in 2001 for \$3.4 million. He sold one of them in 2012 for \$34.2 million, and a second last year for \$20.8 million. That’s a phenomenal increase on return of more than \$50 million – and he still has one painting in his possession.

Yet modern art wasn’t always considered such a promising investment. “When I launched The Fine Art Fund Group in 2000 we had to work hard to convince people of the benefits of this type of investment,” says Philip Hoffman, CEO of the Fine Art Fund, the market-leading art investment house. Back then, most art investors would be advised to put their money in works by the Old Masters. “It was by no means easy [to convince people]. However, today’s acknowledgment that modern art can attain impressive returns and successfully operate as an alternative investment makes those early meetings seem like a distant memory.”

Sales Records

So why has contemporary art become such a popular investment? “Contemporary Art is a global sector, more so now than at any point in history,” explains Ralph Taylor, Director at the UK Board of Contemporary Art at Bonhams Auction House. “As a result, the breadth of interest and the parameters of what constitutes ‘Contemporary Art’ has also expanded in the past decade. China and the Middle East have produced some of the most active and ambitious collectors in recent years, but the USA and Europe still dominate the market.”

There are some modern artists that regularly fetch large amounts at auction, and Taylor gives the examples of Lucian Freud. “The top end of the market has an overwhelming bias for the best of the best and consistent results,” he explains, “Museum attention, high profile collector support, and a multitude of other factors repeatedly emphasize the pervasiveness culturally of an artist. Reliable track records and global confidence across linguistic and cultural barriers are very reassuring to buyers dealing in the eight to nine figure range.”

The Koons record, however, was something of a surprise. His other auctioned works have failed to sell big, with some fetching south of \$1 million. Sometimes it can be hard to see a big sale approaching. “It is always difficult to predict the next Jeff Koons, as a lot of factors go in to making a living artist as commercially

successful as he is,” says Hoffman. The vast majority of people that saw street artist Banksy’s stencils on London walls during the 1990s would have struggled to predict that he would be selling graffiti for over \$1.8 million in 2007.

Spotting 2014’s Record Breakers

“An artist whose prices increase by multiple factors in a single season are noteworthy,” says Taylor, “whether the heat on them is well known in advance or not. Certain collectors will always look for an angle so heavy speculation is not surprising, but it is instructive as to general trends in taste. What is genuinely surprising is how cyclical tastes can be; no sooner has abstraction in painting been written off as *passé*, that it roars back into central focus.”

There is some debate whether the record sales afforded to canvas works will trickle down to other mediums, such as ceramics and sculpture, with a wide belief that Koons might be the exception rather than a trend. Hoffman recommends focusing still on paintings. “We have found that, of our clients who are buying for investment purposes, most look to painting rather than sculpture or installation. This is a trend that we believe is unlikely to shift soon.”

However, Taylor sees the profitability of other mediums being boosted as the ‘modern art’ category widens. “The definition of Contemporary Art will likely dissolve further, with more ceramics, design, and architectural paraphernalia appearing in this category and doing well.”

Investing in Artists

It’s always difficult to pick an ‘artist of the future’, but Taylor has some expert suggestions. “Be prepared for more ‘enfants terrible’ to grab the limelight in the remaining sale seasons this year,” he reveals. “I suspect Oscar Murillo and Lucien Smith will seem like established doyens of the scene by the end of the 2014.” Artists like this will feature in several modern art auctions across the world in the coming months. Two of the biggest upcoming highlights are by Bonhams auction house; first, a Contemporary Art auction on 13 May in New York, and then a Post War & Contemporary Art auction on 2 July in London. Christie’s also has Contemporary Art auctions on 1 and 2 July, then 25 September, in London; while Sotheby’s has Contemporary Art sales in Milan on 27 and 28 May, and in London on 30 June and 1 July. ✈