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Art pops back in the picture for luxury investments

James Pickford

Andy Warhol's Triple Elvis and Four Marlons

Art has soared in an index of luxury investments — passing its 2008 pre-crisis peak and delivering a better return for the well-heeled collector than fine wine, jewellery, coins or antique furniture.

The art category rose 15 per cent in 2014, compared with a 10 per cent rise overall in the annual index produced by the London-based property agent Knight Frank. In the decade since the index was first compiled, art has risen 252 per cent, beaten only by classic cars (487 per cent).

American pop art was the best performer of the individual categories mentioned, rocketing 86 per cent in the past year and a cumulative 351 per cent over the decade, as moneyed collectors snapped up the instantly recognisable images of painters such as Warhol, Lichtenstein and Rauschenberg.

James Goodwin, an independent art lecturer, said this was partly explained by US buyers' deeper pockets. "Their art is pricier because there's a national cultural element to the buying."

The art index dropped 30 per cent following the financial crisis, but it has staged a strong recovery, driven by wealthy new international art collectors and an increasingly globalised market for the top echelon of work.

Buyers from emerging markets in South America, the Middle East, China and Southeast Asia have moved beyond purchasing art from their home territories to pursuing the most sought-after works internationally.

Viola Raikhel-Bolot, managing director of 1858 Ltd, a London-based art advisory company that helps wealthy clients build their collections, said: "There's a very strong desire to learn because they want to make sure they've made the right buying decisions: they're wearing the right watches, driving the right cars and have the right pictures on their walls."

Art's attractions as an asset class include its portability, lack of correlation with traditional investments and "safe haven" characteristics. Some critics such as Nouriel Roubini, an economist who is himself an art collector, have said the market is also used for money laundering and tax evasion and have called on regulators to bring it to heel.

The highest saleroom prices have been achieved in postwar and contemporary art as well as Impressionist and modern art, with auction houses breaking records in recent years. But the layer of the market that generates the most eye-catching results is thin: 90 per cent of artists whose works came to auction in 2013 were sold for less than €50,000, according to the Tefaf Art Market Report 2014. Fewer than 50 artists had top-selling lots for more than €10m.

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> - Viola Raikhel-Bolot, market adviser

The market is also volatile: the luxury index found art subject to larger fluctuations than any other "investment of passion", and more volatile than gold or the FTSE 100 index.

The Knight Frank art study, compiled by Art Market Research, is based on hammer prices from 32 auction houses, mainly in Europe, for Old Masters, European 19th century art, Impressionist and contemporary art, including sculpture.

It pulled out several genres of art to compare their change in value: British Old Masters had a better year than Dutch, rising 84 per cent against 13 per cent. Russian and Chinese contemporary art both fell in 2014 by 3 per cent and 13 per cent respectively — although over the decade they have risen by 284 and 218 per cent.

Ms Raikhel-Bolot provided another factor behind rising prices in the fine art market: the desire among the very wealthy to leave a legacy. A boom is under way in the construction of private museums and foundations to house the works acquired by super-rich collectors, particularly in emerging markets such as Asia.

The motive is both financial and personal. "If you've bought well and accumulated a significant collection you're not only leaving your name in lights but you've secured those assets for future generations, too," she said.

The art category was marginally outperformed by classic cars, which showed a 16 per cent rise in 2014. However, this represented a sharp slowing in its previous growth rate. Antique furniture was the dog among luxury investments: it fell 9 per cent in 2014, or 28 per cent during the past decade.

Mr Goodwin said the current trend for new work to fetch higher prices than old went against historic norms. But this was not the first time such a reversal had taken place, he said. "In the mid-19th century people were astonished that buyers were often willing to pay more for contemporary art than for Old Masters.

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