



Art & Investing Conference

Monday, February 27, 2012 (7:15-9:30)

Art investment – pros and cons

• Art investment prospects

- Unregulated market
- Market insider advantage
- Historic publicly available data
- Portfolio diversification potential
- Investment urge and store of surplus wealth mixed with aesthetic and social pleasure
- More frequent trading
- Self fulfilment!

• Art investment limitations

- Limited information
- Socio-cultural diversity
- Arts' heterogeneity
- Long holding periods
- Excesses and vagaries of supply
- High transaction costs and charges
- Little or no income
- Low liquidity
- High risks for the returns

Art investment - analysis

- **Measurement**
- Price indexes based on auction prices or half the art market
- Return estimates can vary widely
- Price indexes exclude large amounts of unsold art
- ‘Survivorship bias’ towards selling high priced and fashionable art
- Studies often limited to fine art, especially oil painting
- Studies concentrated on famous artists
- Results exclude transaction costs
- **Art market performance**
- Best with above average economic growth and inflation
- Mostly better than bonds but generally worse than equities
- Uncorrelated with most assets but similar to property

Art investment - practise

- Art funds - rarely successful because cultural and economic cycle dependent; advisor conflicts of interest; high costs; ties up money and art for years, often without trade transparency or viewing pleasure
- Art loans - high rates not for full value of the art work
- Art rent - slow to develop and provides limited income

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- James Goodwin directs the art market courses at Christie's Education in the UK and Hong Kong; Maastricht University, The Netherlands; and HEC Paris and EuroMed Management, France
- He is a visiting lecturer at LSE, Kingston University and City University in Britain; Ca' Foscari University, Italy; and Erasmus University Rotterdam, The Netherlands
- His research and writing has appeared in *The Economist*, *Financial Times* and *Wall Street Journal* plus many art and antique magazines, and has been broadcast on BBC TV and Radio, and CNN
- His book *The International Art Markets – The Essential Guide for Collectors and Investors* which includes 42 country art market chapters was published in English in July 2008 and in Chinese in June 2010

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