



# Top art prices seen continuing growth

Majority of the new buyers are from BRIC countries. **TEH HQOI LING** reports

**P**RICES of top art pieces will continue to grow, given the tremendous amount of globalisation taking place in the art world, said Viola Raikhel-Bolot, art & design adviser for HSBC Private Bank. Demand now comes from 58 countries globally, with the majority of the new buyers from BRIC (Brazil, Russia, India and China) countries.

"We remain optimistic, as long as there is quality art work out there. It's a seller's market for a lot of these important works of art. These are treasures. If the works are exceptional representations of the artists' work, they will always find the right home," she told Executive Money last week. "We are seeing the highest number of museums being established across Asia today. It's here, it's happening right now. It's an exciting time. We remain very positive."

Last year, global art auction sales surged 21 per cent to a record US\$11.5 billion despite the weak world economy. China cemented its spot as the top art market, with US\$4.8 billion in sales, or 41 per cent of the market. The United States and United Kingdom were in the second and third position, respectively.

Of the 15 top performing artists in public auctions last year, six are Chinese. The top two are Zhang Daqian and Qi Baishi who bumped Andy Warhol and Pablo Picasso off the top two spots. Qi Baishi's painting entitled *Eagle Standing on Pine Tree with Four-character Couplet in Seal Script* was sold for US\$65 million in an auction last year in Beijing.

"Chinese people do have a very strong sense of responsibility to-

wards their national heritage and we are seeing a lot of historical treasures being returned to China. We are also seeing a commitment to contemporary Chinese artists, and to national historical treasures. The next natural progression - we've seen it in many other emerging market collectors including the Russians - is to venture into international artists," said Ms Raikhel-Bolot.

That's when they started looking at blue-chip acquisitions of major international artists, she added. Blue-chip artists in the art world are those who have performed consistently, and have consistently demonstrated their appreciating results over time.

Harvey Mendelson, managing director of 1858 Limited, the art consultancy he and Ms Raikhel-Bolot run, said they are seeing increasing demand from Asia's top clients for their advice to access old masters' works, works of historical significance, and works that are of the best representation of a particular artist.

Since the global financial crisis, works of contemporary artists like Damien Hirst have moderated in price, but the top end of the market has not only sustained itself but exceeded its previous peak. In a private transaction last year, Cezanne's *Card Players* was sold for US\$250 million.

## Art finance

With increasing sums of money tied up in these art pieces, financial institutions are offering ways for collectors to monetise their pieces. "We are seeing increasing demand for art finance," said Mr Mendelson. "Clients are able to borrow against the art work they own. It's

a way of releasing liquidity without having to sell the work."

Typically, the collector can borrow up to 50 per cent loan to value, for 12 months up to 20 years. In special cases, the works can still be kept at the client's home, subject to the right insurance being in place. The loan amounts can start from US\$1 million, up to US\$100 million. The interest rates are typically 6 per cent a year. "On a global basis, the trend is increasing. It's difficult for clients to gain access to funds at the moment. It's another form of borrowing," noted Mr Mendelson.

For most of us who don't have the kind of money to own a Picasso or a Van Gogh, Ms Raikhel-Bolot has some tips on how to identify the next young new talent. "It's important in the art market to buy with your eyes, and not your ears." You need to do your homework, you need to study the artists' career, follow their progression and the likely trajectories going forward. You need to know which galleries are representing the artists, which museums have bought their work, and which exhibitions they have been in, be it solo or group exhibitions. Where has their work been exhibited. These are all factors to take into consideration when identifying new artists."

If this sounds like an awful lot of work, would buying into an art fund be an easier way to invest in art?

"Caution - that's my word to you when it comes to art funds," said Ms Raikhel-Bolot. "Be very careful. Some things to take into consideration are: what is the buying strategy of the fund, what is the exit strategy, is there a conflict of interests in either of these strategies, exactly who is in charge of the deci-



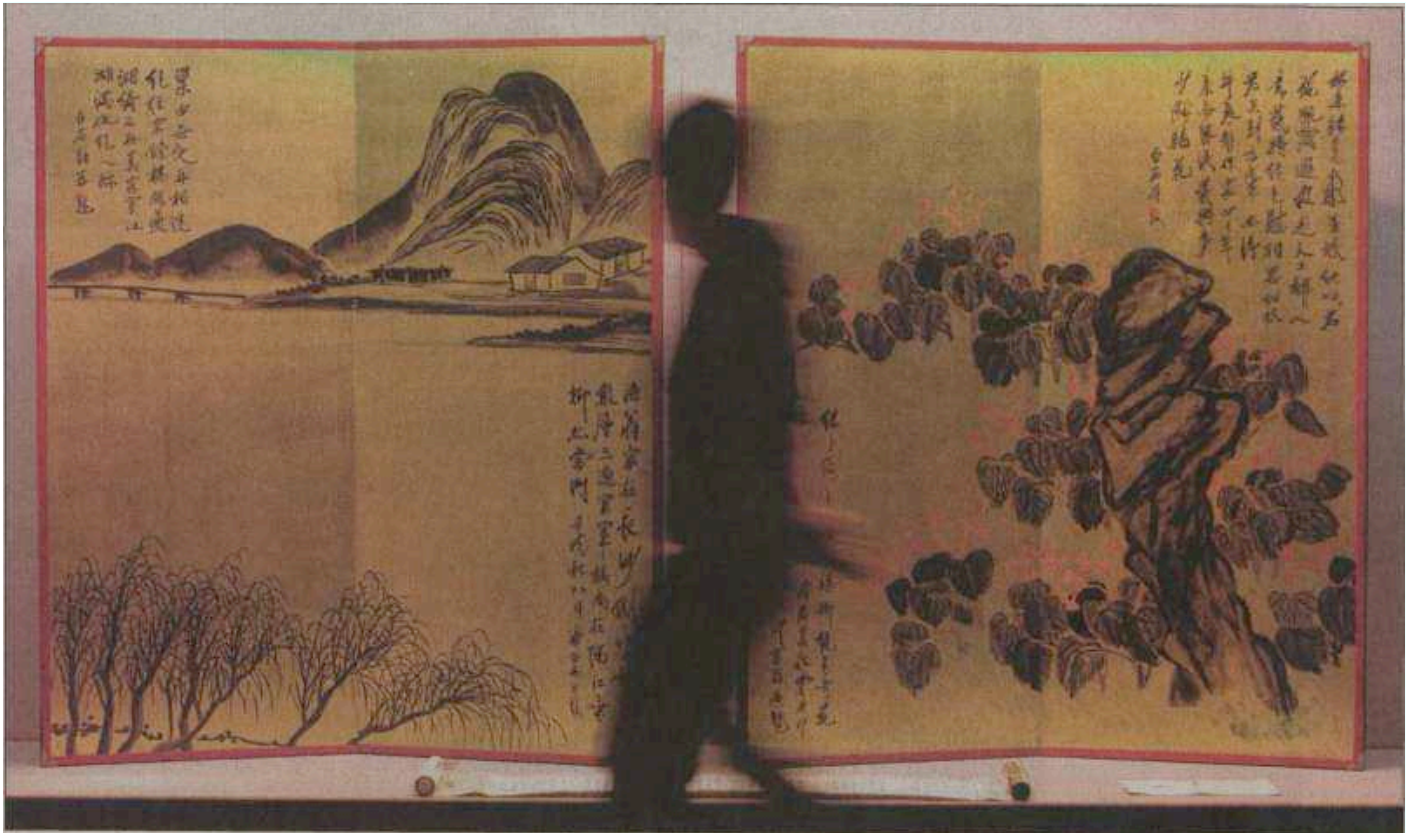
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sion-making process in terms of which work to acquire, what is the target sector of the market. Have the works already been identified, or is it a wait-and-see process. We are often asked to vet art funds on behalf of financial institutions, on behalf of private clients looking to invest. More often than not, we identified half a dozen conflicts of

interest just right in the first hour.” Ms Raikhel-Bolot also pointed out that investment in the art world is always long term. The time horizon is seven to eight years.

Last year, the art auction results in Singapore showed a rise of 22 per cent. Indonesia grew faster at 39 per cent.

“Indonesia is definitely an emerging market to watch. But Singapore is becoming a new art hub for Asia, the Switzerland of Asia. Given the government’s commitment to arts and culture, in the next five to 10 years, Singapore will be a very strong art capital in this region,” said Ms Raikhel-Bolot.



Chinese masters: Zhang Daqian (Chinese brush painting, below right) and Qi Baishi bumped Warhol and Picasso off the top two spots in public auctions last year. A pair of gold screens (above) – Willows at the Riverside and Begonias – by Qi Baishi fetched HK\$70.1m at Sotheby’s spring auction yesterday, way above the estimated price of HK\$15-20m

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