



## The Fine Art of Investing in Art

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One of the perceived benefits of investing in art is that the observed low correlation with other asset classes. Concerns about future inflation or the return to financial instability may drive individuals towards increasing their portfolio allocation to art as an inflation hedge. Recent record prices, strong returns and increased institutional buying have sparked significant interest in art as an asset class.

The availability of artworks and the competition for pieces may drive an increase in value, making art a potentially desirable asset for investment purposes, but balancing aesthetic appeal and financial return is not always easy.

Auction houses, art dealers and art advisers are all incentivized differently, and understanding the seller's motivation will help you make informed purchases.

The

objective of dealers and auction houses is to sell consigned and existing stock, which means advice from these parties can be skewed, with a focus on business profits and reaping in-house commissions.

The sole purpose of an independent art adviser is to identify the best source of works which suit their client's collecting

objectives, without any bias. While auction houses charge both the buyer and the seller a percentage on the same transaction and dealers

sell at retail prices, an independent art adviser is able to leverage discounts in the marketplace and provide transparency in the transaction.

Discovering an artwork that appeals aesthetically is only one of the first steps in the collecting process. Buyers must also consider whether it represents the best possible work by this artist, within their budget.

Researching the artist's body of work will ascertain whether or not your selected Picasso, for example, is the best representation of his Blue Period.

It is also important to consider where the art has been displayed. A work's provenance will make a considerable difference to the selling price. In the current market, works from private collections with an excellent public exhibition history are in high demand and occupy some of the top lots by value at auction. While the prestige of being featured in an exhibition at a world-class institution adds to an artwork's desirability and value, this is not to say that artworks kept out of the public eye are worth any less. An extraordinary example of this was when Turner's masterpiece, *Modern Rome* -



Campo Vaccino was sold on 7 July 2010 for an exceptional price of £29,792,150 to the Getty Museum in Los Angeles after not appearing on the market for 171 years.

Once you are comfortable with the provenance of the piece it is important to request independent condition reports before making a purchase.

Similarly, when identifying works privately or at auction, an independent examination of the artwork by your adviser with a UV light will immediately ascertain whether or not the existing condition report reflects the actual state of the work.

As with all sizeable investments, it is also vital that your artwork is properly insured. Initial valuations date, making them inaccurate for insurance purposes. Annual valuations are essential for insuring against theft or damage.

Buyers and sellers should seek an independent and impartial adviser for all stages of the collecting process. With an unregulated market, inflated prices and counterfeit works, a good adviser will help clients avoid the many pitfalls and potentially unpleasant surprises that can occur in the marketplace. It is essential to be well advised at all times and apply the same level of due diligence to your art investments as you apply to more traditional investments.

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