

Passion Pays *sh*

## A brush with the art market

Often, eager first-time buyers invest in a piece of art without any passion for it and end up making a dreadful choice

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At a recent auction at Christie's, Francis Bacon's *Three Studies of Lucian Freud* went under the hammer for a whopping \$142 million, making it the most expensive work of art ever sold in an auction. This toppled the previous record at Christie's, when Edward Munch's *The Scream* was sold for \$119.9 million.

The glorious sums of money that a work of art can fetch have been drawing investors to the global art market for a while now. Art investment as a theme is now catching on in India, too.

Recently, during Christie's first auction in India, art lovers set a new record when an untitled painting by Vasudeo Gaitonde was sold for \$3.7 million, beating the previous record set by SH Raza's *Saurashtra*, which was sold for a little less than \$3.5 million in 2010.

For a person who loves art and buys it just to hang it up in his home or office, holding it for a long period of time can also offer rich returns. But even if you're passionate about it, art investments involve a lot of legwork and research.

Maybe a tad more than boring traditional instruments, because the art 'market' is opaque, illiquid and unregulated. If you're a newbie, here's what you need to know before you step into this rarefied world.

### Bluest of the blue

To succeed at investing in works of art, you need to take the approach that Warren Buffett adopts in his portfolio companies — *Love 'em before you buy 'em*. Too often, eager first-time buyers go for a piece of art purely from a price angle, without any passion for it. This can lead to dreadful choices, warn experts.

"People who invest in stocks need to have a penchant for it. For art, too, you actually need to be interested in it and engage yourself at some level," says Parni Ray, an art critic based out of Delhi.

Given the vagaries of the art market, it helps if you have bought something you like, as you can live with it for a long period of time.

Art is similar to other investments, to the extent that prices



Catching on Christie's first auction in India touched \$15.4 million, doubling pre-sale expectations BLOOMBERG

are driven by demand and supply. But there are other factors too—artists, forms of painting, rarity, and provenance. Here's what these mean.

### Masters of the universe

In the past, art collectors wouldn't even deign to look past the renowned artists, the equivalent of a Hindustani Unilever stock. In the West, the blue-chips of the art world came mainly from the Renaissance era (from the 1500s to 1800s) when Leonardo da Vinci, Michelangelo, Rembrandt, and Goya ruled.

These works of art come at a steep price and tend to hold steady even in a downturn. As these

artists are not living anymore, their works have become all the more sought-after. It was only in the mid-90s that India saw the emergence of its own blue-chips of the art world. MF Husain, SH Raza, Francis Newton Souza, Tyeb Mehta and Anjolie Ela Menon were Indian masters who saw their paintings attract large bids at international auctions.

Just as with stocks, it is the works of the masters which best survive downturns. But the identity of the artist is just one part of the value equation.

The significance of the work also plays an important role. "Works that ring with epic import—be it SH Raza's *Saurashtra*,

which fetched over \$3 million at Christie's or Tyeb Mehta's *Mahishasura or Souza's Birth*—take in the moolah," notes Parni.

"Aside from the fact that it is a master's work, provenance also plays a huge role in deciding the value. Ownership—whose collection the work belonged to in the past; history it was a part of; museums, seminal exhibitions—add to the value," says Mee-nakshi Thirukode, Independent Curator, Artist and Writer.

### Emerging artists

Although the art market is dominated by renowned artists, it is the unknown up-and-coming artists who have created a stir in recent years. Emerging artists offer more affordable avenues for investors. In India, experts mention upcoming artists like Sujith SN, Kartik Sood, and Rohini Devasher. However, before betting on an emerging artist you need to do your groundwork by visiting galleries. Buy only from established auction houses such as Saffronart or Christie's.

"Betting on emerging artists is a gamble. You should always go with galleries that apprise you of upcoming artists. Also, insist on an artist's certificate to authenticate the work," says Parni. If you are a newbie, it is better to go through an art consultant or ad-

visor. Even few private wealth firms help you manage your portfolio for a fee.

### Different forms of art

Aside from how well known an artist is, the type of work also determines the price. Oil on canvas is the most expensive form of painting; then come acrylic on canvas and water colours. Paper prints or sketches may be quite affordable. Many artists also use markers or pencil sketches. Original prints are usually signed by the artist. These are numbered to indicate the number of prints in the edition. The more prints in an edition the less valuable it gets.

But this hierarchy isn't cast in stone. Many modern artists prefer acrylic over oil. Also, different artists prefer different mediums.

"Parekh Mahi whose works are highly valued, regularly uses water colours because of his personal preference and proficiency in the medium. Similarly, while pencil sketches may not strike one as profitable or expensive, works by someone like Chittoor Bhatnagar, having both social and historical value, can provide both," notes Parni.

### No escaping cycles

Artists may be oblivious to mundane stuff such as the economy, but the value of their work is definitely linked to how the economy is doing. After the 2008 financial crisis, Indian art prices fell sharply, with works of younger artists taking the worst knock.

But things may be starting to look up. Christie's first auction in India held in Mumbai in December 2013, grossed \$15.4 million, doubling pre-sale expectations.

"The art market slumped between 2008 and 2010. But since then, it has picked up. Art fairs give you a sense of the state of the market. If you had gone to the art fairs in 2009 or so, they had only Razas and Souza on display. But now they are taking greater risks and new artists coming to the forefront which is a good sign," says Parni.

There are others who feel that the market is yet to fully recover. These experts believe the value of some of the contemporary works is appreciating at a more realistic and steady pace.



Look at

- \* Artist
- \* Forms of painting
- \* Rarity
- \* Authenticity
- \* Provenance

Back it up

If you are betting on emerging artists, buy from established auction houses such as Saffronart or Christie's

## Take stock of risks, too

While art is a lucrative investment, risks are aplenty, particularly in India where the art market is still unregulated. This means that there is no protection for investors, who often fork out astronomical sums of money to buy good art.

Also, there is no standard available for valuing art.

This makes it difficult to assess performance of funds

which invest in art, too. It was due to this opaque nature of the market that the regulator cracked down on art funds in India in 2008.

SEBI had said such funds were in the nature of 'collective investment schemes' and needed its approval.

In 2013, SEBI directed Osiart's Art Fund to wind up and refund the money back to investors.