ART MARKET

DAMS (L-3)

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XXVI LESSON – MARKET ANALYSIS

MARKET ANALYSIS

The art market is considered aberrant because it is subject to price fluctuations that do not follow monitorable parameters.

It is also an unequal market: it has very high peaks of earnings (circuit of large auctions) inserted in a non-fluid and much less profitable trading landscape.

The records in auctions seem to have no ceiling (so that higher and higher figures are reached in less and less time).

The tunnel circuit, on the contrary, is a market that tends to be stagnant, subject to contraction and with a homogeneous profit capacity over time.

Sotheby's London 2021, sold at first for one million pounds, resold for 16 million after self-destruction (Love is in the Bin)

ART MARKET = ABERRANT MARKET

In historical times, works of art were often considered as services paid in relation to recognized economic functions and their price depends on the production costs incurred to make them: materials used, size, time of realization...

Michaël Baxandall* has studied the contracts between "patrons" and artists and the related remuneration:

Borso d'Este, Duke of Ferrara, undertook to pay for the frescoes in Palazzo Schifanoia (Cosmè Tura and pupils) at the price of ten Bolognese lire "per square foot".
Cosimo de' Medici commissioned Filippo Lippi to create a triptych dedicated to St. Michael. The contract does not specify the materials of the color but at the time of realization Cosimo asks that gold be used. Filippo Lippi asks for an extension of the contract and payment because gold costs more.
The Florentine merchant Giovanni de' Bardi pays for the paintings based on the materials used and the time taken by the artist.

*** Michaël Baxandall, "Pittura ed esperienze sociali nell'Italia del Quattrocento", 1994, Torino, Einaudi.**

Today the art market no longer depends on the cost of making the work but on the intensity of demand for that work (or for an artistic genre or a specific author) and its rarity.

The contemporary art market, therefore, functions in contrast to any other product sector: the utility function (i.e. the intensity of demand), which generally explains the determination of the price in the short term, is valid in the art market only in the long term; The cost of production, which explains the long-term value in any other product sector, is valid in art only in the short term or more precisely at the moment when the work makes its appearance.

HOW THE MARKET WORKS NOW

Since the Second World War, the auction circuit has undergone an unstoppable tendency to increase the adjudication, recording increasingly high absolute records. The 1980s set a record for the acceleration of the rise:

1984 Turner, “Folkstone”: 9,4 million dollars.
1985 Van Gogh, “Paysage au soleil levant ” 9,6 million dollars.
1986 Mantegna, “Adorazione dei Magi”, 10,4 million dollars.
1987 Van Gogh, “Tournesols”, 39,9 million dollars (Japanese insurance company Yasuda).
1987 Van Gogh, “Iris”, 53,9 million dollars (the owner earned an increase of 12% per year over 30 years from purchase).

How aberrant the market is can be seen from some of Willem De Kooning's hammer prices: some works have reached $20 million, while other more recent ones have not exceeded $800,000.

Revaluation rate of some artists in the decade 2000-2010:

- Pablo Picasso: +20% (record "Ragazzo con la pipa" del 1905, Sotheby's NY il 6 maggio 2004, 104 million dollars).
- Amedeo Modigliani (+ 49% - *record* 31,36 million dollars)
- Max Beckmann (+ 93% - *record* 22,55 million dollars)
- Fernand Leger (+11% - *record* 22,40 million dollars)
- Piet Mondrian (+ 1% - *record* 21 million dollars)
- Wassily Kandinsky (+ 36% - *record* 21 million dollars)
- Henri Matisse (+ 10% - *record* 17 million dollars)
- Marc Chagall (+ 41% - *record* 14,85 million dollars)
- Alberto Giacometti (+ 19% - *record* 14,30 million dollars)

In Italy

- Alberto Savinio (-6% - *record* 717 thousand euros)
- Felice Casorati (- 5% - *record* 710 thousand euros)
- Carlo Carrà (- 13% - *record* 475 thousand euros)
- Giuseppe Capogrossi (+ 25% - *record* 186 thousand euros)
- Filippo De Pisis (+ 15% - *record* 175 thousand euros)
- Michele Cascella (+ 6% - *record* 103 thousand euros).

MARKET ANALYSIS

The initial investment was all the more effective in the long term the smaller it was: Giuseppe Panza di Biumo in the early sixties bought a group of works for 283 million lire; twenty years later he resold them to the Museum of Contemporary Art in Los Angeles for 18 billion lire.

Edvard Munch between 2000 and 2005 set the record for average increase in the coefficient of + 103%!

No type of investment has a potential result comparable to the art sector.

Edward Munch, Sera sulla via Karl Johan, 1892, Bergen, Kode art museum

POWER OF INVESTMENT

The aberrant condition of the art market (i.e. the uncontrollable and unpredictable fluctuation of prices) has been explained by the condition of each work of art to be unique and unrepeatable, but:

If it is true that a work is physically unique and unrepeatable, and therefore theoretically irreplaceable, it is also true that it pertains to a specific artist and a specific artistic genre, a sufficient condition for its substitutability by many investors.

Other assets (e.g. real estate) also have the same unrepeatability but are not subject to the same fluctuations.

The price hierarchies of authors of the same period, therefore, can be explained by consideration of specific variables such as:

Exhibitions.
Critics and curators who deal with it.
Reference style and trend (most recent trends have the greatest increase).
Critical Expert Opinion.

Frey e Pommerehne*, study on American art in the period 1971-1983: the difference between the artistic value set by experts and the value that can be hypothesized starting from the other variables analyzed is never more than 10%. If this series is compared to that of prices in auction sales, the relationship is appreciable.

The analysis, therefore, seems to work but it should be borne in mind that the majority of experts in the field judge the work both in terms of intrinsic artistic quality and of "recognition" already obtained, so the analysis is to a certain extent artfully prepared.

*** Bruno S. Frey, Werner W. Pommerehne, "Muse e mercati. Indagine sull'economia dell'arte", 1991, Bologna.**

Kunstkompass it is the ranking system considered the most reliable for determining the price of a contemporary work of art.

It was developed in 1970 by journalist Willi Bongard for the German magazine Manager Magazin.

It measures the resonance that the work of a contemporary artist has achieved in the art world, based on solo exhibitions in 200 of the world's best-known museums and on the basis of participation in major fairs and reviews in international trade magazines.

As far as geographical location is concerned, the squares for contemporary art are: New York, London, Berlin, Los Angeles, Paris. The first two have a strongly commercial slant.

As effective as the Kunstkompass is, it does not take into account some important factors:

It is based on arbitrary parameters (list of museums and trade magazines).

It does not take into account the local markets (which still hold most of the trades even if they do not reach the turnover of the auction circuit).

In most cases (as in Italy) both public museums and mentions in trade magazines are subject to a fee, so they may not reflect (or partially reflect) the intrinsic artistic value.

It does not take into account the opinion of small and medium-sized collectors as well as emerging art.

LIMITATIONS OF THE KUNSTKOMPASS CLASSIFICATION

In the price evaluation of a work, it is also necessary to keep in mind:

Time elapsed from the first exhibitions (the larger it is, the less the risk of uncertainty about the artist).

Variety of expressive forms used by the artist (generally if an artist works in all three fields of visual arts he has a greater increase in economic appreciation than artists specializing in only one art form).

Number of organized solo shows (group shows generally have little influence).

Disappearance of the artist (the stock of available works is restricted so that the supply becomes limited and the price, consequently, increases).

OTHER FACTORS TO CONSIDER