

# ART MARKET

## DAMS (L-3)

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DIPARTIMENTO DI  
SCIENZE DELLA  
COMUNICAZIONE

*XXVII LESSON – MARKET  
ANALYSIS*

## MARKET ANALYSIS

The art market, characterized by erratic price fluctuations, consists of two sectors:

- Primary market: first appearance of the works; it marks the moment in which a price is attributed to those works. It is characterized by price fluctuations that are difficult to explain and evaluate a priori.
- Secondary market: The work is put back into circulation after being sold for the first time. The price fluctuation in this case is more predictable because it is determined by traditional economic factors such as consolidation of the valuation of the asset, income effects, changes in the macroeconomic context...



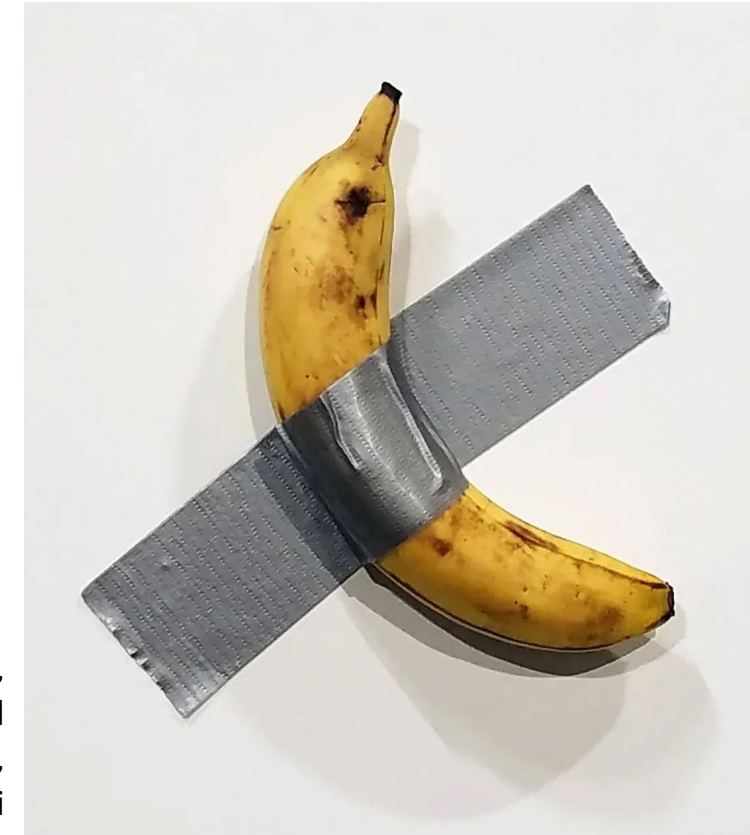
Christo, Wrapped 1961 Volkswagen Beetle, Gagosian art gallery

## MARKET ANALYSIS

As with any market, even in the artistic market the economic definition of the good does not pre-exist with respect to the market itself, it is the power of exchange that determines the price, so:

- In the primary market, uncertainty is at its highest; The investor's ability lies precisely in recognizing the potential appreciation of the unpublished work.
- In the secondary market, the artistic asset already enjoys a valuation legitimized by the exchanges made previously.

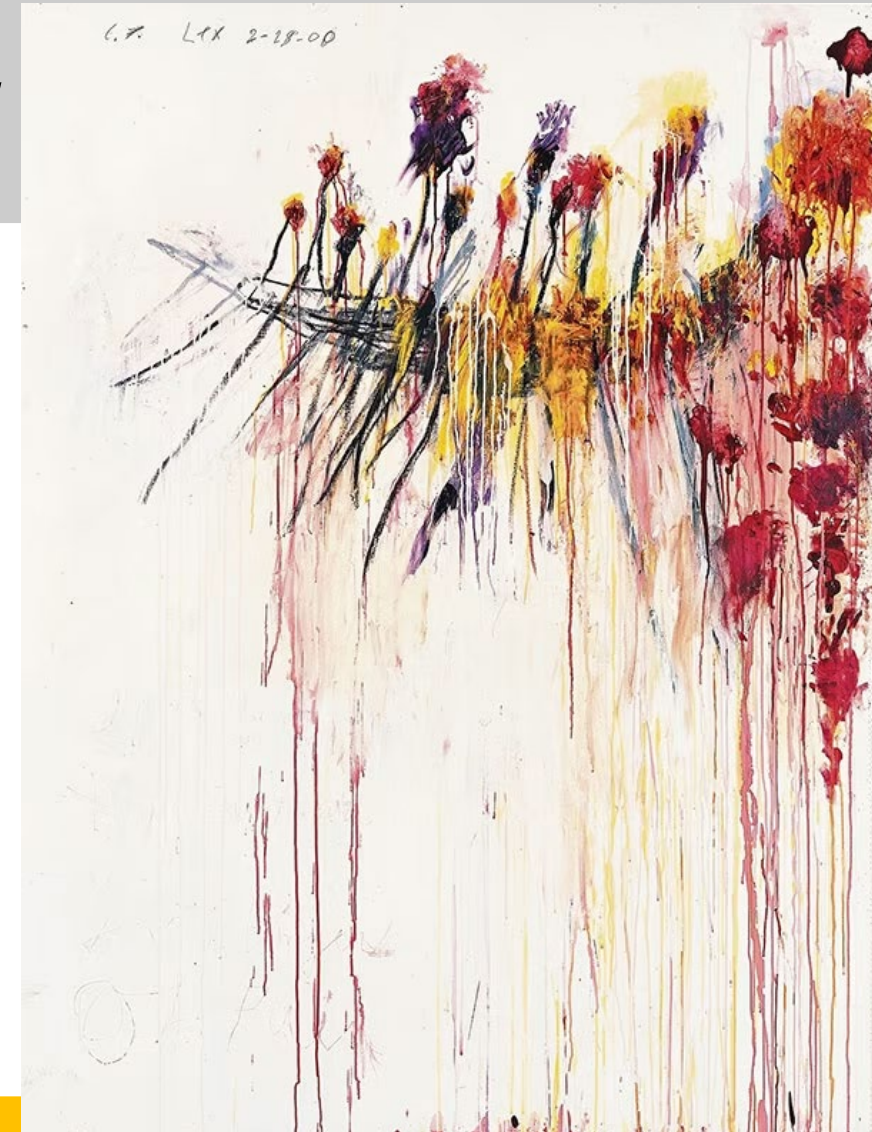
This difference explains the role of art professionals in the primary market (they act as experts in assessing the potential for appreciation) and in the secondary market (study and analysis of the history of a work).



Maurizio Cattelan,  
Comedian, Art Basel  
Miami Beach 2019,  
120.000 dollari

The market for abstract expressionists (Jackson Pollock and Willem De Kooning), neo-dada (Robert Rauschenberg and Jasper Johns), pop-art (Frank Stella and Cy Twombly) and in general all American painting of the 60s was literally invented by the Trieste merchant Leo Castelli and his gallery owner wife Ileana Sonnabend.

Castelli and Sonnabend imposed on the great collectors the purchase of contemporary American painters, sensing their potential prestige.



Cy Twombly,  
Coronation of  
Sesostri part V,  
2000, Pinault  
Collection

## MARKET ANALYSIS

In the same way, conceptual art would have had much more difficulty in imposing itself not only in the market but also as a cultural trend if there had not been the mediation with the public of the critic Germano Celant.

An even more emblematic case is the all-Italian one of the Transavanguardia, an artistic trend built (rather than theorized) by Achille Bonito Oliva.

Carlo Signorini based  
on a design by  
Mimmo Paladino,  
Vanità, 1988,  
Ravenna, Modern  
Mosaics Collection



## MARKET ANALYSIS

Every economic good has a commercial value that depends on three factors: use value, exchange value and prestige value.

In art, the use value is zero, the exchange value is not predominant (it is significantly positive in terms of income diversification or long-term investment) but the prestige value is maximum.

The prestige value is given by: the intrinsic symbolic value of the work, demonstrating one's free expression, demonstrating one's cultural competence, demonstrating belonging to an area of purchase precluded to most people.



Marcel Duchamp,  
Bicycle wheel,  
1913/1964

In all other product sectors, the primary sector is characterized by higher prices due to the consideration that the good has never had a user. The secondary (or second-hand) market, being characterized by "used" goods, has lower prices.

In the art market, the secondary market, on the other hand, is characterized by higher prices as the presence of previous users of the asset thins the investment uncertainty that characterizes the primary market.

The secondary market in the art sector, unlike traditional markets, influences the primary market because:

Determine the artistic genres that collectors tend to in a given period.

Given the appreciation of a work that has already entered the secondary market of a certain artist, it determines the orientation of an unpublished work by the same artist (the effect of "forward looking").



**Collector/Speculator:** for the former, the prestige value counts more than the potential for economic appreciation, so it will tend to operate more on the secondary market, when the recognition of the work is consolidated and the potential profit is lower. For the latter, the prestige value is to be considered only in terms of the potential profit of the work, so it will tend to operate in the primary market, when the risk is higher, the capital to be invested is lower and the potential profit is maximum.

**Specialist/Eclectic:** the former knows what he wants and always buys according to a predetermined strategy; in general, it has less need for professionals in the sector. The latter buys according to a changing and diversified strategy, so it has a greater need for experts.



Investment in art, despite being subject to speculative bubbles, is considered not only safe, because it has guaranteed capital especially if oriented towards emerging art, but also because it is characterized by a very high potential ROI.

The **ROI** (Return on Investment) it is a monitoring parameter that expresses the economic efficiency of the investment; in other words, it indicates how much the capital invested returns in a certain way.

