

The Art Market

– A Personal View

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I have often read with interest the words of various analysts of the Irish art market, and indeed the global art market and I notice that each one fails to address or describe what the actual market is. If this sounds overly simplistic, let me explain what I mean. The art market is described as the rather anonymous buying and selling of art in highs and lows. Facts and statistics are often used to back up various movements and trends, sold rates, unsold rates, sold to value, sold to lot, sold to low end estimates, and other such catch all statistics, but as we all know “there are lies, damn lies and statistics”. One of my favourite quotes is that “statistics are most often used like a drunk uses a lampost-for support-not illumination”.

What nearly all articles omit from their analysis is the human element which is the part that is least understood, but is definitely ‘the elephant in the room’ of the art market.

I would like to focus on what we at Adam’s have learned of the human element as it relates to the art market, because that’s what the market is, people. It is not just money, which of course plays a role, but art depends on the emotional and often subconscious response of people to visual stimuli. It is what separates the motives of those who take part in the market, what causes the market to move up or down, and the careers of individual artists who prosper or fail because of it.

This is the principal reason that financial institutions do not float Art funds, as they do property funds, as the factors at play are too varied and understood by too few. Allied to this is the complete subjectivity involved in comparing what one financial analyst describes as “unlike objects”.

The people who do take part can be divided into various groupings, which have many sub-species, but for the purpose of this short article we will limit ourselves to ‘collectors’, ‘investors’ and ‘speculators’.

These people are the art market, and more importantly it is their buying and selling patterns that dictate both the rise of individual artists and the art market at large.

So let’s get a general overview and for the purpose of this article the primary market describes the commercial gallery system of first point of sale for artists and the secondary market describes the auction market.

A Collector is an individual who generally has a very clearly defined buying pattern, art is a hobby, and frequently an obsession. A collector will be immersed in his or her hobby, will be widely read, and will have spent many

spare hours investing in their visual sense -visiting galleries and museums, reading artist’s biographies etc, and through their hobby they will have met like-minded individuals and art will be a frequent topic of conversation. In many cases, much of this study comes long before they have the material wealth to indulge their hobby. This is very important because these individuals often arrive on the market fully formed with a developed visual sense. Why is this important? Well, people with a developed sense of taste tend to purchase works of art which they don’t grow out of. A person who just starts buying and looking at art from year one, will change their taste dramatically by year five as their visual taste buds develop. The visual sense is one like all others which requires education, knowledge and aesthetics. A well known collector once described this transformation to me thus: *“When I was a child I loved drinking milk, and would have hated wine, now I love wine and rarely drink milk”* – our tastes change.

This developed visual sense often allows the collector to more readily appreciate new movements in art and therefore buy works by younger artists and works which in their time, are visually and mentally challenging.

The age range of the collector corresponds with the developmental stages of an individual’s life – during our early twenties we are in education or on the junior rungs of our careers, late twenties early thirties are concerned with advancing our careers, getting married, buying a house and having children, by the mid thirties we are successful in our careers, our life is settling down



A Grey Evening, Achill by Paul Henry (1876-1958) – sold for €218,716.

and at this point people turn to both having money to buy art. Not every collector starts at this age but it illustrates the start of the age range for the average art collector. Collecting may continue for much of that persons life, limited later by wall space, however there appears to be a peak at 60 years of age for most, with a reduction after this period, depending on means. The collector then enters the disposal period of his life, sometimes to raise capital for children getting married or due to down sizing, while those who can keep their collections together leave the disposal to their spouses or children.



The Fiddler by William Conor (1844-1968) – sold for €33,103.

The interesting thing about these collectors is that they buy the best that they can afford or is on offer, art is their hobby, and they have developed personal friendships with gallery owners and other art market professionals. These people are 'insiders'. This highly developed sense of taste heightens their relationship with the work of art, and a deep psychological bond is formed, a bond which is hard to break. We say that the pictures bought by these collectors are "sticky", because they do not dispose of them quickly. In the over one hundred and twenty years Adams have been selling art we have noticed a pattern. Paintings of a certain quality, typically bought by those people thought of as collectors; take between 20 and 40 years to resurface on the open market. However in some cases paintings stay within families for 50-90 years or just slightly double the 20-40 rule. This is important information when you apply it to the contemporary art market.

The best quality works are most often bought by collectors, after all they are the insiders, and they have the best visual sense. Their buying patterns tells us that they will keep this work for between 20-40 years, of course they will prune their collections of lesser works or works which over time reveal flaws in their ability to continue to engage the collector. But the very best paintings are 'sticky', this being dependant on the collector maintaining a level of financial security which enables their retention. I have come across collectors who will part with just about anything else before their paintings.

This effectively locks away the most important portion of an artist's oeuvre from the secondary market for a long time and works which do come up are the result of pruning or are lesser works bought by the less seasoned or committed. Prices achieved for such work can consequently be lack-lustre and can artificially suppress the interest of the secondary market providing a greater incentive for better paintings to remain in their collections.

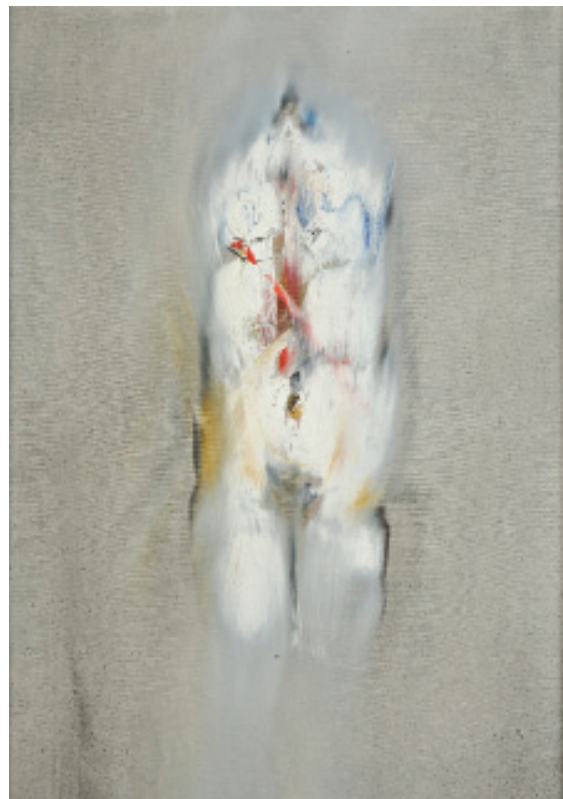
Fast forward twenty or thirty years and the original collectors are entering the disposal phase of their lives. At this stage the artist will hopefully have gone

on to be the recipient of various awards, his work possibly recognised in national collections or retrospective exhibitions, the odd book and general academic acclaim. Around this time one or two really good paintings appear on the secondary market perhaps because of the death of a collector and make seemingly incredible record prices causing the secondary market to become awash with works tempted out by this newfound success. It is at this point the artist is tipped as the next great investment.

The Investor shares many of the traits of the collector, in that this individual is in it for the long haul with a ten to twenty year outlook. However the investor is less passionate, and less likely to buy avant garde works, also typically coming later to the market and preferring established artists and the secondary market as opposed to commercial galleries. Such individuals are more likely to constantly refine their collection and prune or trade up.

The Speculator is the last entrant to the market and like the first swallows in May they spend the period of upswing wildly flying around buying on rumour and impulse, such purchases being made with a view to short term profit rather than artistic merit, and like the swallows they disappear at the first signs of autumn.

This is the undercurrent or background of movers in the art market, which no snap shot statistics will reveal. Looking at the water will sometimes tell you which way the wind is blowing but the tide can be running the other way.



Etude d'Après Une Concubine de Mort by Louis le Brocqy (b.1916) – sold for €63,841.



The Balcony by Patrick Hennessy (1915-1980) – sold for €17,733.

The market becomes distorted in times of economic plenty due to the speculator and whilst having some knowledge of the art world, the underlying motive for their participation is profit. They will attend gallery shows of those artists who are successful in their time, where the prices are set and will attempt to buy works which can be quickly resold to those who have missed out on a sell-out show or auctioned to an under-supplied market. A reputable artist's agent will attempt to control this activity and sell only to collectors, aware of the risk of a later glut on the market due to profiteering, and potentially the subsequent collapse of the market value of an artist. The price of works is most definitely dependant on the control of supply. This supply is regulated quite naturally by the diverse age range of collectors and their subsequent deaths or dispersal of their collections. And not by speculators rushing to cash in on a rising market.

Contemporary art is the area of the market which sees the greatest rise in values in times of prosperity, not because of some changing demographic of younger people and their economic prosperity, but because it is the area of the market which is most available for speculation.

Remember, collectors typically don't sell their paintings for 20-40 years and if the artist is dead that means the available works for sale are limited and the effort required to acquire any reasonable quantity of important or even reasonably good works sufficient to warrant speculation is counterproductive. Twenty to thirty years also allows time for the catch up in general taste – what once seemed avant garde now seems approachable and accessible.

I think you can now see this coming, contemporary art is also the area of the art market most prone to falls in market value because it is the area of the market most prone to speculation. This is why the role of the artist's agent is of paramount importance for the future longevity of the artist's career.

Adam's have been accused quite wrongly in the past of having no interest in contemporary art until the late 90's. This was because during the economically lean years of the 70's and 80's those of us in the art market at this time were aware that our world was inhabited only by collectors, and yes you guessed it, collectors don't sell their paintings for typically 20-40 years, and so relatively few good quality contemporary works came for sale. And those that did were of secondary quality.

The old adage that an artist needed to be dead to be appreciated, is only partly true -sometimes an artist's best work is done in his later years and given the average life expectancy and the buying patterns of collectors, it is more likely that this best work will only come to the secondary market after he is dead.

The period from 1998 saw unprecedented growth in the Irish economy and this spawned a whole new generation of speculators and investors. This saw a huge growth in the contemporary art market and dealers partially reborn as auctioneers sprung up around the country, almost as fast as estate agencies, each sale eagerly attended by some collectors, but mainly by an overwhelming number of speculators, eager to accumulate works by well known contemporary artists, hold them and turn them relatively quickly. Of course we now know the system, what were coming up for sale in the main, were not the best works, collectors, including institutional collectors had them.

The economy is now contracting and will probably do so for the next few years. The natural cycle of the art market will return, as collectors, not speculators, re-establish their primacy. This does not mean the contemporary market will stagnate rather it will proceed in a more controlled and less frenzied manner. The collectors and investors are still here and still buying. While our economy is undergoing turmoil, we are richer than we have ever been, with a larger population, and with better support and infrastructure for the support of the arts than ever before.

Art from good and important private collections is still holding up. At the time of writing, we at Adam's have just held our December important Irish art sale, totalling over 3 million euro with 80% sold, some new records achieved and all against a background of the most severe economic turmoil in living history. This was very healthy news for our business.

Who were the most recent buyers? – well, certainly not speculators, they were nowhere to be seen, and their disappearance will affect some auction houses more than others. No, the room was packed with collectors, people with a twenty year vision who buy for passion not profit, many of whom I have been selling to for exactly that length of time. This demonstrates that when fine quality works come to the market after periods of being unseen for 20-40 years, serious art collectors and investors grasp the opportunity at hand and buy. ■