

An abstract painting featuring bold, expressive brushstrokes in vibrant red, deep blue, and ochre yellow. The composition is dynamic, with thick layers of paint and visible texture. In the upper left corner, there is a small white square containing the text 'LT ART' in a bold, black, sans-serif font.

**LT
ART**

THE ABCs OF ART COLLECTING: LTART'S GUIDE TO ART OWNERSHIP



On the cover: Marc Chagall, 'Untitled', 1967

Credits:

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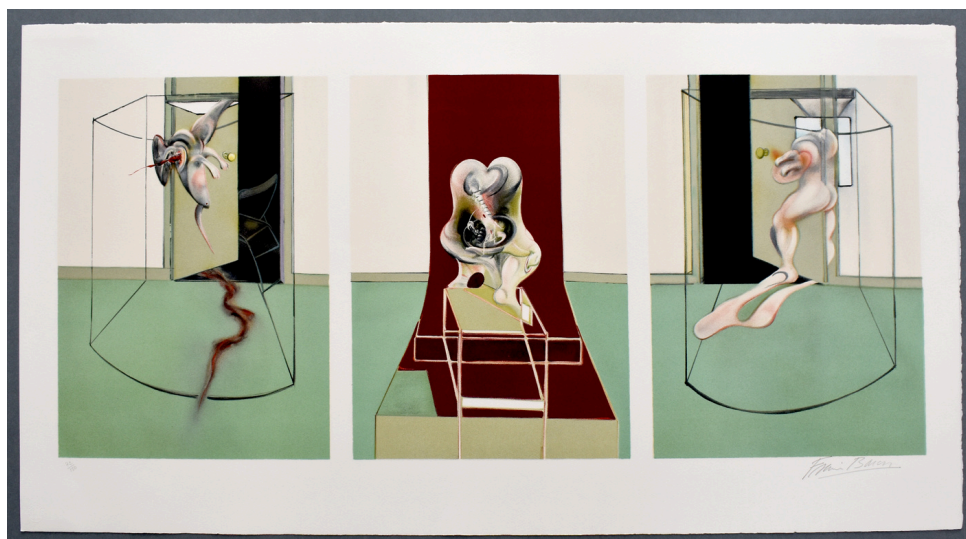
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When it comes to starting your own art collection, it's essential to take into consideration many tangible and intangible aspects that influence the appraisal of the artwork. The art market is a peculiar field where the opaqueness of information and high entry barriers sometimes make art collecting difficult, in particular for those who are not familiar with the system. Nevertheless, through research, professional guidance and a good dose of passion, it is possible to make reasonable and remunerative decisions.

London Trade Art (LTart) has created this guidebook on art ownership, titled 'The ABCs of Art Collecting', in order to provide anyone willing to better understand the art industry with a compelling manual on the complexity of art appraisal and how to recognise a smart art investment, even with a tight budget. It is composed of three chapters, each focusing on a specific aspect influencing an artwork's value.



Francis Bacon, 'Oresteia Of Aeschylus'

A. ARTWORKS: WHAT TO LOOK FOR WHEN BUYING ART?

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How do I know if I'm paying a fair price when I buy art? Can I afford it? How do I start building my own art collection?

This chapter identifies some of the most objective characteristics of artworks, whose recognition can help a collector autonomously appraise them.

On the one hand, it investigates the relevance of tangible features of the artwork: the size of the piece, the period of production, and the importance of the technique and the medium chosen by the artist. On the other hand, it analyses the impact of external elements, including the documentation (the condition report and certificate of authenticity) that influences the price of the work; the relevance of its previous owners; the catalogue raisonn  ; the record of solo or group shows in which the work has been exhibited; and, finally, the subject and the story behind it.

However, before analysing the features of an artwork that may influence its market value, it is useful to consider which kind of artists to buy.

Categories of Artists and Artworks

Established Artists

Artists who have reached a mature stage of their career and have created an extensive body of work are defined as 'established'. They are often represented by influential galleries and have obtained international recognition, having exhibited at major shows and taken part in the most important art events, fairs and biennials.

The category of established artists also includes the so-called Blue-Chip artists, such as Picasso and Warhol, whose works have the highest value on the market and will likely hold it over time. Also, often their estimates keep rising unstoppably, thus guaranteeing a safe investment, albeit an expensive one. Therefore, collectors will not only pay for high-quality artwork but also for the popularity of the artist, whose name itself represents a warranty. According to the Art Basel Art Market Report 2024, 20 artists alone were responsible for 36% of all Post-War and Contemporary art auctions in 2023. High values were particularly concentrated in the Post-War sector, with the top 20 artists accounting for nearly half of the sales.

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*Marc Chagall, 'Untitled' (1967), available for purchase in Art Shares
through LTArt*

Prints & Multiples by Established Artists

Prints and multiples are a series of identical artworks, usually limited editions, numbered and signed by the artist. A multiple can be a draft or a sketch made by the artist in preparation for the final work and, even if sometimes it serves as a copy of an original artwork, it is still considered a work of art with a certain value. This is the case, for example, with drawings or lithographs by established artists, such as Chagall, Calder or Mirò. The market for prints and multiples is becoming increasingly appealing, offering individuals the opportunity to buy high-quality artworks by the most renowned artists without spending a huge amount of money.

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Therefore, they can be considered to be an investment asset, whose value depends on the number of prints available, on the significance of the work and on the condition of the print. Furthermore, due to the fact that it is associated with many Blue-Chip artist names, the value of the print market is also very stable over time.



René Magritte, 'The Music Lesson'

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Emerging Artists

A young artist, who generally has quite a limited production and less than five years of experience, is considered to be 'emerging'. Emerging artists usually have shown their work at a limited number of exhibitions and are often not yet represented by a gallery. Usually, they have just graduated from an art school and are still maturing in their research. From a market point of view, works by emerging artists are usually more affordable than those by mid-career or established artists. Emerging artists, in fact, usually set prices by themselves, without the involvement of middle-men or galleries, whose fees would increase the final value of the pieces. In this case, the price of their work is usually low, but they can potentially multiply their value in a few years. For this kind of purchase, timing is essential. It is important to buy early and, most importantly, sell at the right moment.



*Gabriella Anouk
'Peachy', 2021
Animated NFT
Purchasable through
LTArt upon request*

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A good example of a promising emerging artist is Jordan Casteel (b. 1989), who, in March 2019, only five years after having graduated from Yale School of Art, was the breakout star of Christie's Post-War and Contemporary Art Evening Auction with Lot 1, 'Patrick and Omari'. Her double portrait from 2015 was fought over by nine bidders before selling for £299,250 against an estimate of £40,000-60,000. She then set her auction record at Christie's Post-War and Contemporary Art Evening Sale, in February 2020, when 'Mom', her mother's portrait, expected to yield £180,000-£250,000, reached a winning bid of £515,250.

Nevertheless, investing in emerging artists is a high-risk activity, as their market is not stable and the increase in value could be affected by many variables. It is always very important to obtain professional advice.

The Appraisal of the Artwork's Features

Following the decision of which category of artist to focus on, it will be necessary to take into account the following factors.

Artwork Size and Medium

Be aware that size matters in art! The size of the artwork is one of the most objective aspects to take into consideration when evaluating it. Undoubtedly, works of art of considerable size represent a certain level of skill that often adds value to a work. Conventionally, in fact, the bigger the artwork is, the higher the price is, usually because of the degree of difficulty incurred and the time required to produce the artwork. However, even small artworks can have great value. To help determine the value, it's also important to examine works within the same medium. Generally speaking, works on canvas will likely sell for more than those on paper. Painting, in fact, remains the most expensive medium, generating sales records in the range of millions of dollars.

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Another medium capable of generating similar prices is sculpture, driven by big names in contemporary art, such as Takashi Murakami and Jeff Koons. As an example, on May 15th, 2019, a 3-foot-tall stainless steel sculpture reminiscent of a silver balloon animal, 'Rabbit', by Jeff Koons, was sold at Christie's New York for the breaking record price of \$91.1 million, officially representing, at the time of writing, the world's most expensive work by a living artist. However, Jeff Koons works through a variety of media and the impact of his signature is much more powerful than the medium he chooses to work with. According to art expert Michael Findlay, 'depending on the medium used by the artist, there may be a cost of manufacture to consider. For example, in 1895, Auguste Rodin had to pay LeBlanc Barbedienne Foundry in Paris when he cast his Burghers of Calais in bronze. Today, Richard Serra had to pay Pickhan Umformtechnik in Siegen, Germany for fabricating his vast steel Torqued Ellipses. These costs are passed on to the first buyers of the work' (The Value of Art: Money, Power, Beauty, Michael Findlay, 2014).

The Condition and Quality of the Work

The condition of the artwork is one of the most important factors when assessing its value. It plays a major role in defining the final price of the piece, alongside quality. Any modification of the appearance of the artwork, which has altered the original condition, can affect the value of the work.

Also, restorations can influence its market appeal, very often in a negative way, decreasing the value of the artwork. Needless to say, pristine conditions and artworks without restoration are highly desirable. If the piece was produced many years ago and has changed owners a few times, it's always recommended to ask the previous owner or the representative gallery of the artist for a condition report, which is a document itemising the result of the physical examination of an artwork by a professional in the field. The more detailed the condition report, the easier it is to keep track of any changes in the physical condition of the artwork and its attendant structures (e.g., frames, pedestals, hanging equipment, etc.).

A. ARTWORKS: WHAT TO LOOK FOR WHEN BUYING ART?

Aside from physical condition, there is another aspect to be taken into high consideration: the quality of the artwork, which not only refers to the aesthetic and ideological significance that the artwork covers within the whole artist's production but also to the quality of the materials used.

Provenance

When considering to buy an artwork on the secondary market, it might be important to collect some information about former owners, who may strongly influence the value of emerging or contemporary artworks. The value of masterpieces or Old Master paintings is more objective and determined by their own history.

On the other hand, if the artwork has never been sold before, as in the case with direct purchases from the artist on the primary market, it will be important to transmit all the due information to the future owner when re-selling the piece, in order to enhance its value. Nowadays, information about provenance may be found by looking at public sales records, such as Artnet's price database or Artprice. In addition to publicly renowned databases, there are a few start-ups, which aim to introduce new digital tools to geographically track the artworks, providing also detailed information on their provenance, helping to bring more transparency and accessibility to this kind of information. Verisart is one example of such a platform.

It is very difficult to accurately establish the degree to which an appealing provenance may actually increase the value of an artwork. Nevertheless, an evaluation of provenance, being the chain of previous owners of the piece, is important to determine authenticity, too.

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Documentation (Certificate of Authenticity and Catalogue Raisonné)

Before purchasing art, every buyer should request the documentation relating to the piece, particularly the certificate of authenticity (COA), which is an essential document of authorship attribution that protects both buyers and sellers. It must include the title of the work, the date of its creation, the name of the artist and various technical details (support, dimensions, number of copies available, technique, materials, photos of the work, etc.).

Buying directly from contemporary artists could be easier, as they will be keen to provide a document that certifies that they are the authors of the piece. The artist's signature or certificate also represents the highest proof of authenticity. On the other hand, when buying an artwork by a deceased artist, the situation may become more complicated, as the certificate of authenticity is not always available and it might not have been signed by the artist. In this case, the collector might refer to the artist's family or foundation, expert opinions, the representative gallery or the private seller, in order to obtain the certificate. Also, the catalogue raisonné represents one of the most useful tools for determining how many pieces an artist made of any particular type, as it contains the entire list of an artist's output. The publication of a catalogue raisonné may have a strong effect on the value of an artist because it defines the supply and provides the basis for reasonable assumptions regarding whether any particular work might be available.



For example, although Warhol was highly celebrated when he died in 1987, paintings of his most popular subjects reached high but not spectacular prices. The first two volumes of his catalogue raisonné appeared in 2002 and 2004, covering just eight years of his work (1961-69). Almost immediately after their publication, Warhol's prices increased, as there finally was an official catalogue certifying which artworks were undoubtedly produced by the artist (The Value of Art: Money, Power, Beauty - Michael Findlay; Artnet).

A. ARTWORKS: WHAT TO LOOK FOR WHEN BUYING ART?

In this field, archives and foundations play a key role in evaluating the authenticity of artworks by deceased artists, even though there are often disputes due to inheritance issues or professional disagreements. Nevertheless, today, there are visionary projects which are bringing more transparency to this complicated sector. One of them is TagSmart, which aims to enable artists, galleries, agents and collectors to catalogue artworks and to build provenance history, through a digital, inclusive platform.

Period of Production

It is often thought that artists have a period of production during their careers that is considered to be more prolific than other periods. Depending on the period of production, the value of an artwork might significantly change. For some established artists, youth production may represent the period of maximum inspiration and experimentation, thus corresponding to the highest-valued production of their careers. In other circumstances, the most mature productions are considered the most representative of the artist's work. For a few others, the whole production is taken into consideration, without distinction between periods. The market appeal of works of a specific period is valued not only on the basis of their quality but also on their availability on the market. Usually, the fewer the artworks, the higher the prices. For example, works by Picasso from the earlier era, referred to as his 'Blue Period', rarely come to market. In addition, they are in demand by museums and important collections. Due to both of these factors - rarity and demand - when a 'Blue Period' painting does appear for sale, its price is very high. Obviously, the case is different with emerging or contemporary artists, whose production is just at the beginning and whose market price is defined by different features rather than by the period of execution.

Exhibition Records (Group or Solo, Local or International)

In order to understand the value of an artwork, it is also important to take into consideration how many times and where it has been previously exhibited. If an artwork has taken part in prestigious exhibitions before being sold on the market, its value will increase.

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Preferably, it should have been shown in at least one of the artist's solo shows. If it took part in group shows, it is then important to evaluate the other artists that exhibited at the same show and the general quality of the exhibition. Moreover, participation in international shows, instead of local events, as well as exhibitions during fairs, biennials, museum shows or any other high-profile event, might bring more value to the work.

The more renowned the artwork's record, the higher its market value. It is slightly different with works by emerging artists with a very limited curriculum of exhibitions. In this case, in fact, there are no objective parameters to evaluate an artist's career yet.

The influence the exhibition of an artwork can have on the sales market was evident during an acclaimed Christie's auction sale in London, in 2007, during which the triptych, 'Three Studies for a Self-Portrait', by Francis Bacon (1980), was sold. The painting had never previously been exhibited at any important shows and it had been sold by the artist to a family from Northern England in 1982. They are the ones who contacted Christie's for the sale. The triptych traveled on a promotional tour of Europe with high expectations, also because, in November 2005, another triptych was sold by Sotheby's in New York for \$5.8 million. Nevertheless, the result of the auction was disappointing, as, after only 3 bids, the work was sold for £3.5 million, just reaching the minimum estimate (£3.5-5.5 million). This occurred because the work, although important, did not come from a prestigious collection, nor had it ever been included in a large museum exhibition.

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The Storytelling of the Artwork's Subject

The choice of a subject by an artist may tackle an important element in art appraisal. In fact, although it's a matter of taste, certain subjects often sell better than others, therefore increasing the value of a piece. For example, female nudes or portraits of historical characters may be favoured over other subjects. This is the case for Modigliani's works. His paintings depicting female nudes are the most sought-after, hence the ones with the highest market value. In fact, the two most expensive works by Modigliani that were ever sold at auction are both part of a series of 22 reclining nudes painted between 1916 and 1919. In May 2018, Sotheby's New York sold 'Nu couché (sur le côté gauche)' (1917) for \$162 million, the highest auction price in the establishment's history, going for nearly six times the painting's last purchase price in 2003. Before that, in November 2015, another nude at Christie's New York, 'Nu Couché' (1917-18), was bought by the Chinese billionaire, Liu Yiqian, for \$186.1 million, becoming the most expensive work sold at auction at the time. Fun fact: the couple paid with an AMEX!



Amedeo Modigliani, 'Reclining Nude', 1917, credit: Shutterstock

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It is also important to consider, in particular for a neophyte collector, that the choice of a specific subject lies at the core of a collection, defining its quality and identity and enhancing its value over time. It's not only a matter of market trends or tangible characteristics. The subject, most of the time, tells the story behind the artwork: why did the artist choose that specific character? What kind of relationship did they have? How did the market greet the work at the time? The subject of an artwork is often able to provide us with answers to these fascinating questions. Even with emerging artists, the storytelling of a piece and its relevance within the entire production are essential aspects to look at when considering buying it. For example, if the artwork was created during a particular research period, under peculiar circumstances and for a specific reason, it will likely be a relevant piece within the artist's career.

It is now becoming clear how evaluating art can be complex, as it depends on a combination of multiple aspects, some of them more tangible and evident, such as the ones analysed, and some others less tangible and more subjective, dependent on taste, risk-taking propensity, ethics, and of course, available budget.



**B. BIOGRAPHY OF THE ARTIST: WHAT DOES
THE ARTIST'S CURRICULUM TELL YOU ABOUT
AN ARTWORK?**

Share your passion

B. BIOGRAPHY OF THE ARTIST: WHAT DOES THE ARTIST'S CURRICULUM TELL YOU ABOUT AN ARTWORK?

After having identified the most objective characteristics of artworks affecting art evaluation, this chapter will analyse how an artist's curriculum and career impact their market value.

In fact, in art appraisal, the artist's reputation is considered as relevant as the artwork itself. In today's mainstream art system, the most popular contemporary artists are increasingly more influential on market trends, being recognised and acclaimed worldwide.

An artist's talent, style and research are essential characteristics to take into account to fully understand their work, thus attributing a specific market value to them.

The Artist's Curriculum

The artist's curriculum is one of the main aspects of interest when considering the purchase of a piece. The story and competence of the person behind the artwork are as essential as the attributes and characteristics of the work itself. The artist's CV sums up important information about the artist's background, helping to better contextualise their market influence: education, artistic residencies, past or current solo and group shows, biennials or fairs participation, representative galleries, are the details to take more into account.

Education

Although there are many cases of self-taught artists throughout art history, such as Van Gogh, Henri Rousseau and Alberto Burri, nowadays, it is almost essential for an artist to attend an art school, especially a prestigious one, in order to forge a unique technique on the basis of a deep study of the history of art and practice. In an increasingly competitive art system, educated artists have more chances to develop their style sooner, reaching a wider audience and more easily accessing institutional professional channels.

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Artist Residencies

Throughout an artist's career, participation in artist-in-residence programmes is also very well evaluated. Residencies give artists the opportunity to take some time for their research in a different environment, usually abroad, for a limited period of time. During the residencies, artists can experiment with new styles and techniques, getting in touch with different cultural scenes, locations and media, which can all have a positive, long-term impact on the artist's career.

Exhibitions

The artist's biography also gives an overview of the current and past exhibitions in which the artist took part. When examining the importance of the artist's shows, it is useful to consider if they were local or international, solo or group shows. An artist with an international curriculum is more favoured by the market than one who has only taken part in local exhibitions. Also, solo shows are more valuable than group shows because they are the result of a deep commitment by the representative gallery or institution to invest in the artist's work. However, if a group show features valuable artists, perhaps even more recognised than the considered one, it will help to enhance the visibility and level of the artist's production.

Also, the more prestigious the institution or gallery hosting the exhibition, the more likely the artworks will increase in value. As said before, if the artist is represented by a renowned gallery, which has curated exhibitions featuring the artist's works, then the market value of those pieces will likely be higher than works that have never been exhibited.

Finally, the CV should report whether the artist has exhibited at international contests, biennials or fairs. If so, depending on the recognition of the event, the market value of the artist's work will probably increase.

B. BIOGRAPHY OF THE ARTIST: WHAT DOES THE ARTIST'S CURRICULUM TELL YOU ABOUT AN ARTWORK?

Market positioning and coefficient of the artist

When looking at an artwork, the meaning and the conceptual message that the artist wants to communicate are not always immediate, but knowing more about the artist can make the identification of the uniqueness and value of the work easier.

In order to do so, as already mentioned in the first chapter, it is important to deduct the maturity of the artist's career and of their market positioning. Considering some characteristics related to artistic production and academic and professional background, the artist can be categorised as emerging, mid-career or established. Becoming an established artist is a long and sometimes spiny path, made of small and constant achievements which, at the time, define the reputation and stature of the artist's work. From an investment risk point of view, collecting emerging artists, usually at the beginning of their career, is sometimes considered quite a bet. Nevertheless, if these promising talents are smart, talented, brave and lucky enough to make their career flourish over time, they will probably become established artists, increasing their artworks' value in the medium- to long-term.

The works of established artists are more stable on the market from an economic perspective, guaranteeing a reasonably safe investment, though they may be expensive. As with any other professional, reputation and trust come at a high price for the client. 'Picasso was once asked, in the park, to create a portrait of a woman; he did so in just a few minutes, and when he quoted her 5,000 francs for the piece, she went into a rage. When demanding that it was an absurd price for something which took "only minutes to create", Picasso replied calmly: "No, madam, it took me a lifetime to create it' (Mark H. McCormack, *What They Don't Teach You at Harvard Business School*, 1984).

A recognised method of art appraisal is represented by the so-called 'artist's coefficient', a mathematical formula helping to define the economic value of an artwork based on a parameter, called the art coefficient. The coefficient is a score, which usually starts from 0.1/0.2 for an emerging artist and reaches up to 1/3 for an established world-class artist.

B. BIOGRAPHY OF THE ARTIST: WHAT DOES THE ARTIST'S CURRICULUM TELL YOU ABOUT AN ARTWORK?

The coefficient is calculated on the basis of the maturity of the artist's curriculum and it is particularly useful for emerging artists, where the value of their artistic production is often difficult to evaluate. Usually, when the artist is represented by a gallery, the gallery's owner will assign an art coefficient, which will increase during the artist's career. The coefficient of an artist can change depending on the characteristics of the artwork. If the piece has been created with a unique or expensive technique, or it is particularly important within the artist's production, then the artist or gallery can choose to increase the coefficient for that specific work. Moreover, an artist can assign different coefficients to artworks depending on the medium: sculptures, paintings, mosaics, photographs, etc. Also, if an artwork is a unique piece, then the coefficient will be higher compared to that of a print or series. During a period of deep research and experimentation, the overall coefficient can grow. The size of the piece is also important, as the mathematical calculation involves multiplying the sum of its length and height (in cm) by the coefficient, before multiplying the result again by ten: $[(\text{length} + \text{height}) \times \text{coefficient}] \times 10 = \text{price of the work}$.

For example, for the work of a young artist with a coefficient of 0.3 the sum of the dimensions (50cm + 50cm) multiplied by the score 0.3, and then the result multiplied again by 10, leads to a price of £300:

$$[(50 + 50) \times 0.3] \times 10 = \text{£}300$$

(source: Artprice)

Representative Galleries

Another important factor to take into account is the artist's representative gallery, whose prestige and reputation can influence the market value of the artist. When a gallerist decides to represent a specific artist, they will put a lot of effort into supporting the artist's work, investing in solo or group shows, publications and marketing. The more the artist's works are displayed and honoured, the more valuable they become.

Reputation in art is everything. If an emerging artist succeeds in exhibiting at a prestigious gallery with a solo or a group show featuring respected artists, then the artist's prominence and the value of their works will likely increase.

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For instance, if a gallery like Gagosian or Hauser and Wirth decides to take an emerging artist under their wings, then it is very likely that that artist's market will see a tangible growth. The reason is that they have built their trust amongst some of the most influential critics and collectors, supporting quality art by emerging as well as established artists.

Another advantage is that the gallery already has a trusted, and perhaps, consistent network of clients, which, at least at the beginning of their career, would be otherwise unreachable by the artist alone. In exchange for this commitment, the gallery deducts a high commission fee from the sale of each artist's work, which can reach up to 60% of the commercial price, leaving the artist with only 40%.

As a result, artists sometimes refer to agents and middle-men to sell artworks to avoid or even eliminate high gallery fees by exploiting the advantages offered by the Internet. On the wave of the current boom of online art, platforms, marketplaces and digital communities offer artists the opportunity to propose art independently, potentially reaching a huge target audience, also through the clever use of social media. A meaningful example in this sense is represented by the campaign launched in March 2020 by artist Matthew Burrows, who invited artists to post pictures of their work for sale under £200 with the hashtag #artistsupportpledge, in order to support the artistic community during the Covid-19 pandemic. Each time the sale of an artist reached £1,000, they promised to buy another of the artist's work for £200. The hashtag has been used half a million times so far, generating an estimated £70 million in sales globally.

Artist Support Pledge is now a non-profit company, which welcomed The Artists Information Company, the UK's largest artist membership organisation, as a supporting partner.

Thanks to these new tools, the market is also benefiting from more transparency and fairness when it comes to prices. When considering buying an artwork by an emerging artist, it would be useful to research not only their representative galleries but also their presence on the Internet.

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Collections Featuring the Artist's Work

If some of the artist's pieces are purchased by important collectors, then the whole production may be affected by an increase in value. It is common knowledge that the art market is a small-scale industry and the taste and decisions made by certain elite collectors are followed by smaller players. Very often, recognised collectors are able to set proper market trends, acting almost like contemporary influencers. They are usually enthusiastic when it comes to showing works by artists they collect, sometimes supporting them through the organisation of cultural salons and private visits of their collections or simply lending their artworks for international exhibitions.

Other collectors are more reserved and not keen on divulging details about their acquisitions, often purchasing behind the name of some middle-men, thus limiting access to this kind of information. This circumstance contributes to the issue of the lack of transparency regarding the provenance of artworks, discussed in the previous chapter. Ownership is, in fact, an essential piece of information that should always be accessible, in particular when the artwork re-enters the market. In addition to that, it is clear that the exposure of the ownership could also be beneficial to the collector, as it could cause an increase in the value of the collector's piece over time.

Also, the artwork's inclusion within an institution's or museum's collection plays a key role in its evaluation. The more an artist's works are present in public collections, the higher their visibility will be, and hence, the higher the demand. The fact that an artist's works are part of a publicly renowned collection means that they have already reached a high level of fame and recognition in the market, which is less likely for young emerging artists.

B. BIOGRAPHY OF THE ARTIST: WHAT DOES THE ARTIST'S CURRICULUM TELL YOU ABOUT AN ARTWORK?

Press Coverage and Professional Publications

The importance of the catalogue raisonné has already been explained in the previous chapter, especially for established artists with consistent productions, but where authenticity is key. However, it is also relevant for emerging artists to accumulate high-quality bibliographies over time. Publications, catalogues and press coverage of the artist's exhibitions are all very important to enhance the quality and value of the works. In particular, if a renowned curator, art historian or art critic writes about a specific artist's work, the whole production may likely gain more visibility and reputation within the curatorial opinion as well as the general public. In this increasingly liquid market, the role of the Internet is again essential. Nowadays, artists have huge power in spreading information through websites, social media and dedicated platforms. Many art magazines and newspapers established themselves online and opened their doors to the potentially boundless digital audience. This represents a big opportunity for artists, creating, on the other hand, a more competitive environment. Therefore, collectors should be very careful in considering the quality and resonance of what they read on the Internet. In the end, professional publications and advice will always carry a more consistent weight.

The Quality and Style of the Artist's Work

Quality might be conceived as one of the most difficult parameters to evaluate when appraising art, as it often refers to a very subjective judgement. However, there are some characteristics that can be useful to consider when esteeming the quality of a work. The first rule is: the more you train the eye, the more you'll be able to compare high-, medium- and low-quality artworks. Technical skill, in fact, is the most comparable and measurable aspect. Looking at an artwork, it will probably be easy to determine how skillfully it was created, simply by comparing it with other works. Attending exhibitions, visiting museums and reading articles on the subject help develop personal taste and a more critical eye. It just takes time.

B. BIOGRAPHY OF THE ARTIST: WHAT DOES THE ARTIST'S CURRICULUM TELL YOU ABOUT AN ARTWORK?

When deciding which artwork to buy, it is helpful to analyse the entire production of the artist. Even if a piece does not catch the eye at first sight, it might be the most valuable from a technical point of view, hence one of the most promising in terms of return on investment, which may balance out personal taste.

All of the greatest artists reached success thanks to the fact their works were easy to recognise. Jackson Pollock, for instance, who, in the beginning, was an exponent of Abstract Expressionism during his career, created a very unique style, giving birth to a new technique called 'dripping', based on dripping paint on canvas, usually using unconventional tools, such as sticks, hardened brushes or knives, to create large and energetic abstract works. His technique had a huge impact on his art peers, but also on art history, establishing a brand-new art movement, which influenced future generations of artists. Other artists may specialise in mosaics, sculpture, photography or something never seen before, as long as they create something refined in the aspect which is the result of deep experimentation and research.

Examination of all these aspects should help potential collectors to evaluate the economic and intrinsic importance of a deep understanding not only of the artwork of interest but also of the artist's background and career. Appraising art requires effort and patience, rendering it an onerous and time-consuming commitment.





**C. CONTEMPORARY ART MARKET: WHAT ARE
THE CURRENT TRENDS AND HOW DO THEY
INFLUENCE THE MARKET OF A SPECIFIC
ARTIST?**

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As with any kind of investment, when buying art, investors aim to pay a fair market price, perhaps, with the ambition that the artwork will gain in reputation and market desirability over time, resulting in an increase in value at the moment of its resale. So, how can we estimate the fair market value of an artwork? In the real estate sector, for example, the fair market value, as defined by the Internal Revenue Service Publication 561, is the price that a property would sell for in the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. With respect to art, apart from personal knowledge and considerations, it is useful to identify the 'relevant facts' that influence art appraisal in the art market.

Overall Market Trends and the Main Sources of Information

Knowledge and passion should be at the basis of any investment. In the specific case of the art sector, being aware of the overall market trend is quite important to make a conscious decision. Unfortunately, the opaqueness of the system doesn't help to collect useful information, as the art market is still reluctant to be transparent when it comes to prices, ownership, provenance and other important details of artworks. Another obstacle is the lack of a scientific price index that guarantees objective references to take into consideration when evaluating an artwork. Nevertheless, nowadays, there are several sources of information, allowing us to get closer to the industry. For instance, online databases, such as Artnet and Artprice, provide data on artists and auction sales, which, due to their increasing popularity, represent the main means of assessing the art market. When auction houses set a new record, in fact, the entire market benefits from a positive trend, and investing in art becomes appealing as well as glamorous, also for those who have never invested in this kind of asset before.

An extraordinary example was the historic sale of Leonardo Da Vinci's 'Salvator Mundi', purchased by Russian businessman Dmitry Rybolovlev for \$127.5 million in 2013, and sold at Christie's New York in 2017 for \$450 million, representing the most expensive auction sale in history. Due to the media resonance, Google searches for 'investing in art' hit a record 12-month peak immediately after the sale of 'Salvator Mundi'.

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Since a great number of factors can affect the art market, it is important to keep an eye on it, trying to spot trends and acknowledging what collectors are looking for. Market reports represent the main source of information on this.

To mention a few, the Contemporary Art Market Report by Artprice is one the most reliable reports on global sales and volumes in the contemporary art market, with a specific focus on auction sales and the geographical distribution of sales and turnovers. It also contains a list of the top 100 auction results and the top 500 artists of the year. On the other hand, the Art Market Report, produced by Art Basel and UBS, presents a compelling summary of the global annual art market trends, including an analysis of the most important fairs and exhibitions of the year, in addition to the progressive change in buyer profiles. For more financial insights, the Art and Finance Report by Deloitte provides an interesting collection of data focused on art as an investment and on the relationship between art and the wealth management sector. Finally, the HISCOX Online Art Trade report is one of the most credited publications focused on online trends, highlighting volumes of sales, disruptive tech innovations and the role played by new generations of art collectors.

Sale Prices of Similar Artworks

Once overall trends in the global art market are taken into account, it will be useful to focus on the specific market of the artist in question. Artworks may be most effectively valued when examining the market of similar pieces, sometimes referred to as 'comparables'. Indeed, artworks with common characteristics should be similarly priced in the market. Medium, size, technique and date of creation are the most important details that associate artworks with a similar market value, making them comparable. For example, when considering buying a painting, it is essential to take into account that this medium is generally valued higher than works on paper. Within a fluid market, the sale date is also an important characteristic to consider, as recent sales represent the most reliable information in determining the value of the artwork.

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When it is not possible to receive the price information on comparables directly from the artist or the representative gallery, auction sales results, if available, represent the most accurate and widespread information regarding prices.

In this context, Artprice provides a public database for auction sales results, ranked by artists or artworks. Buying a membership service will also allow collectors to unlock some reserved information and filter the research on the basis of the characteristics of the artwork of interest, thus obtaining the most refined results of potential comparables.

Nevertheless, it's quite unlikely to find comparable works by emerging artists sold at auction, as most of the lots of important auctions are composed of high-value artworks or masterpieces. However, through more meticulous research, it will be possible to scout minor auction houses that could have sold one or more comparables of the considered artwork. In fact, as argued by Artnet, the greater the volume of public sales records for an artist, the more important it is to find comparable sales of works with the same criteria.

If an artist is new to the auction market and has only ten public sales (in various media), any price realised will be important in determining the value of the work. In the case of an artist whose work has often appeared at auction, and who has perhaps two hundred, or even two thousand sales records, finding an average price for similarly measured, or 'comparable', works is essential to estimate the present value (Artnet).

The Uniqueness and Rarity of the Artwork

An additional factor that affects market quotations is the rarity of the artistic production, representing how many artists' works are available on the market. Scarcity somehow justifies the prices of high-value artworks, creating a unique and peculiar allure around them. The feeling that the work can no longer be reproduced adds to its desirability. The prolificity of artistic production can be more or less extensive, deeply influencing market demand.

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Claims of rarity also have to be carefully examined, not only because artists explore specific themes through a variety of media but also because the total output varies widely from artist to artist. For example, Monet, who lived until he was eighty-six, was a prolific artist and painted virtually every day of his life, producing 2,000 paintings. Van Gogh, on the other hand, died at thirty-seven, having made 864 paintings; while Pollock died at forty-four, having produced just 382 works on canvas (Findlay Michael, 'The Value of Art: Money, Power, Beauty' (2014)). However, it is not only rarity that counts but also uniqueness. Artworks are not always unique assets, and increasingly, artists produce limited editions or prints and multiples. Unique artworks generally have a higher value on the market when compared to multiples.

Nevertheless, this sector represents a remarkable opportunity to invest in an established artist at an affordable price. According to the HISCOX Online Art Trade Report 2019, prints and limited editions are still the favourite media for millennial online art buyers, with 79% of them saying they had bought prints online in the last 12 months. Also, multiples are more stable in the market and don't contain risks related to provenance and authenticity, as most of them are dated and signed. The market value of the editions is calculated depending on the characteristics, quantity and quality of the series. Generally speaking, the lower the number of editions, the higher their value might be.

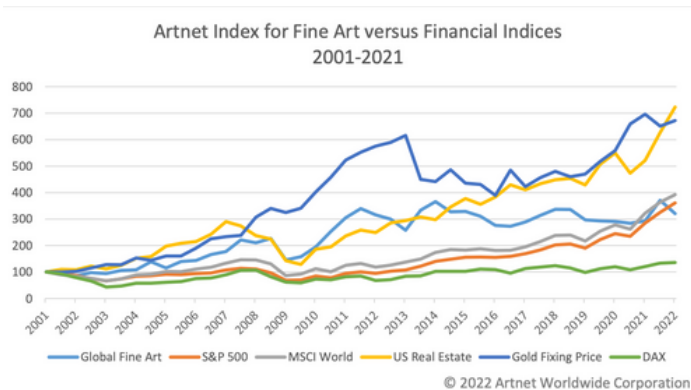
The Artwork's Financial Performance in the Art Market

Art is a passion investment by definition, but collecting art is also considered a smart way to diversify the investment portfolio. As a result, when evaluating an art purchase, it is also useful to consider how the art market is performing in comparison to other industries, particularly the financial market. Having historically proven to be counter-trend, art is known for being a 'safe-haven asset', as it is regarded to be a value-preserving asset class, especially in times of economic and financial turmoil. Like gold, art is less susceptible to risks associated with financial market crashes than stocks and bonds, and due to its intrinsic value as a luxury item, it is able to rebound and even grow faster than traditional asset classes in response to economic crises.

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This dynamic was brought to the fore during the 2008 financial crash. While the Artnet index for the Top 100 Artists bounced back and even outperformed its 2008 peak within two years of the drop, the S&P 500 took five years to recover, only regaining its strengths by 2013, as shown by the Artnet Index (Figure 1).

The recent moment of shock caused by the Covid-19 pandemic also confirmed the strength of the art market. In 2021, despite the pandemic, the Blue-Chip art market outpaced the S&P 500 and the MSCI World Index. Also, according to the Art Basel Report 2022, following its biggest recession for 10 years in 2020, the global art market recovered strongly in 2021, with aggregate sales of art and antiques by dealers and auction houses reaching an estimated \$65.1 billion, up by 29% from 2020, with values also surpassing pre-pandemic levels of 2019 and reaching \$67.8 billion in 2022. All segments of the market grew in 2021, but the auction sector showed the strongest year-on-year advance, with public auction sales increasing by 47% in 2021 and achieving a total aggregate value of \$ 37.8 billion in 2022.

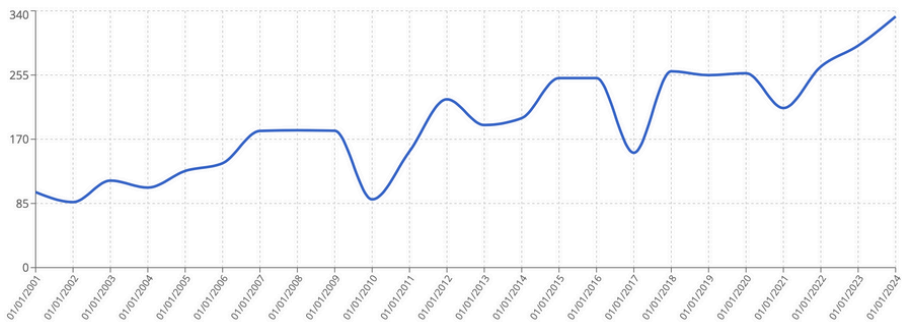


Art and financial indices 2001-2022, ArtNet

Similarly to what happened during the financial crisis, Covid-19 demonstrated that art is mainly seen as a safe haven asset, especially for Blue-Chip artists. An example is provided by art-auction superstar Alighiero Boetti, who, after seven years, established his new record in 2021 (£2,707,291), which was then exceeded in 2022 during Christie's New York auction on November 16th, when the artist's new record (£6,221,846) was established.

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Blue-Chip artists demonstrated their ability to retain their value in the long term, as is the case for Marc Chagall and Alighiero Boetti. According to Artprice, £100 invested in a work by Marc Chagall in 2000 would be worth an average of £330 (+230%) in 2024, while this percentage increases to +2247% for a work by Alighiero Boetti, also due to his recent sales records.



Price Index Marc Chagall, 2001-2023, £ (Source Artprice)

Looking ahead, some suggest that art may also benefit from rampant inflation, as it can be seen as a secure store of value during times of financial volatility. This seems to be confirmed by the record sales registered in 2022. According to Artprice, Global Fine Art auction proceeds reached \$7.49 billion in the first half of 2022, with the global turnover from fine art auction sales increasing by 8.8% in H1 2022 versus H2021, registering a record 326,000 lots sold in H1 2022 versus 313,400 in H1 2021. In fact, 2022 appears to be a record year for the market. Christie's hammered the second-best art auction result of all time at \$195 million with 'Shot Sage Blue Marilyn' by Andy Warhol, while the Macklowe Collection, which temporarily became the most expensive collection ever sold in the world (\$922 million) in May 2022, was soon surpassed by the sale of Microsoft co-founder Paul Allen's collection of paintings and sculptures, which sold for a record \$1.5bn in November 2022, taking the primacy of being the largest art auction in history. Remarkably, Christie's also closed 2022 with the highest annual sales total in art market history at \$8.4bn.

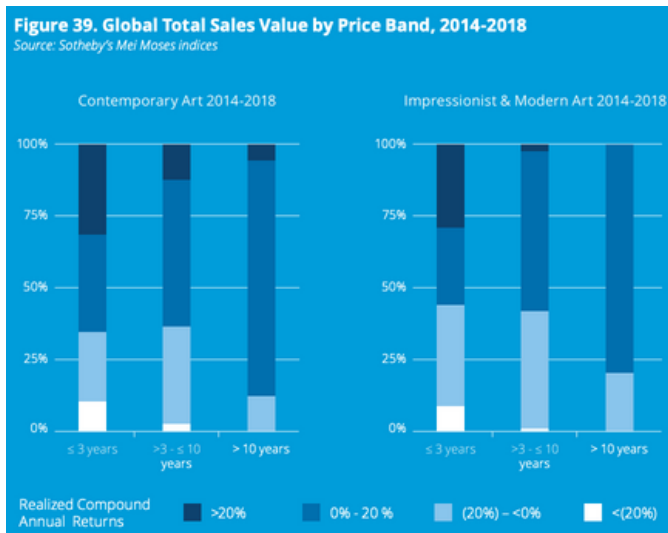
C. CONTEMPORARY ART MARKET: WHAT ARE THE CURRENT TRENDS AND HOW DO THEY INFLUENCE THE MARKET OF A SPECIFIC ARTIST?

Long-term Re-selling Opportunities and the Role of a Professional Advisory

As mentioned, the art market still lacks scientific and objective parameters and indexes to measure return on investment. Nevertheless, recent studies show the potential of this kind of investment. For instance, the index of fine art sales – used by art advisors to sell art funds – shows an average annual return of 10% over the past four decades (Monart). Focusing on the return on art investment over varying time periods, it is possible to note a positive compound annual growth rate (CAGR) in the long run across all art price indices. As shown in the Deloitte Art & Finance 2021 report, between 2019 and 2021, the Artnet art market indices showed positive CAGR across numerous collecting categories. Global Contemporary Art and Chinese Art generated the most consistent returns over the past 15 years, with a positive CAGR across all investment cycles.

More specifically, as shown before, focusing on the performance of art as an asset class, the Artnet Index for the Top 100 Artists displays a considerable positive return over time, consistently outpacing the S&P 500 in growth. In this sense, the Artnet Index for the Top 100 Artists is strong proof of the strength of the market at a general time. Nevertheless, it is important to be aware that art trading is governed by unique and volatile forces, meaning that each purchase can never be considered to be an entirely safe bet, as is also the case with other investment assets. As a result, opting for a professional consultancy can be crucial when starting a collection. According to David Hulme, director at Banziger Hulme Fine Art Consultants and President of the Art Consulting Association of Australia, provided you get proper advice and you have some sort of investment strategy that is developed in conjunction with an art consultant, you can build up a major collection. There are a number of people who have made much better returns on their art than they have on the stock exchange (www.intheblack.com).

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Source: Deloitte Art & Finance 2019 Report

Without professional support, art collectors may struggle to determine the right time to buy or sell a work of art. This decision can be influenced by a wide range of factors, such as market trends, the artist's recent auction activity and exhibition history. Also, in order to get the most out of the investment, it is not enough to understand the right timing. You also need to understand the most appropriate selling modality, such as private channels or auction sales. Moreover, a work of art contains both an intrinsic and a market value. It is a specialist's job to help collectors to quantify the latter, either privately or through the support of recognised intermediaries, such as auction houses. As a general rule, the owner of an artwork should proceed to auction, only if the piece attracts interest before the auction and at a satisfactory price. It would also be beneficial, especially for low-value pieces, to ask for the support of professionals in charge of privately investigating the potential demand, and hopefully, conclude a remunerative private sale.

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What is important to take into account is that art is a long-term investment, and in this sense, it would be beneficial to retain the artwork for at least three years, in order to determine the most convenient time to sell it and avoid becoming part of the 'speculative art collectors' blacklist. As argued by Michael L. Klein, Head of Sotheby's Mei Moses from 2014 to 2018, collectors holding art for at least ten years were much less likely to lose money than those reselling it within three years. In fact, a total of 88% of contemporary works and 80% of Impressionist & Modern works held for over ten years, had a resale price higher than their purchase price, while only 65% of contemporary works and 57% of Impressionist & Modern works resold within three years obtained a higher price (Deloitte Art & Finance Report, 2019). However, consignors were more likely to realise outsized gains and losses (i.e., +/- 20 percent CARs) when reselling a work at auction within three years than when holding a work of art for a longer time period.



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The Online Side of the Art Market: Fractional Ownership

Before buying an artwork, it is important to take into consideration which segment of the art market the purchase will take place in, in order to understand the kind of players involved in the transaction and how many times the artwork has already been traded in the market. These are all factors that influence the final value of the work. The art market, like many others, operates in a two-tier system, where the primary market is for first-time sales and the secondary market is for resales. Nevertheless, in addition to traditional trading models, technology has started to play a relevant role in the buying and selling process over the last few years. In this context, the art market is opening its frontiers to online trading platforms, which offer the opportunity to buy and sell artworks directly online. There are many online art galleries, which enable everyone to access an always available selection of high-quality artworks, guaranteeing transparency on price-setting and frictionless purchases. These platforms can operate both within the primary and secondary market, collaborating either directly with the artists, or with third-party galleries or collectors.

The online art market was massively accelerated by the Covid-19 pandemic. According to the Art Basel and UBS 2021 report, online sales of art and antiques doubled in value from 2019, reaching a record high of \$12.4 billion in 2020 and accounting for a record share of 25% of the market's value. This positive trend continued in 2021. According to the Art Basel and UBS 2022 report, the online market continued to expand in 2021, growing by 7% to reach an estimated \$13.3 billion. Online-only sales fell to \$11 billion in 2022, less than the previous year, but still up 85% on 2019 levels (Art Basel and UBS 2023).

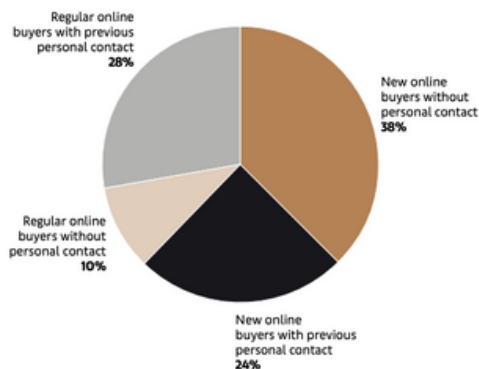
This digital shift won't be temporary but rather permanent according to art buyers and online art platforms participating in the Hiscox Online Art Trade Report 2021. Respectively, between 56% and 65% of them predicted a bright future for digital art sales. In this scenario, a new generation of collectors is emerging and leading the trend toward digitalisation; 32% of art dealers purchased art online for the first time in 2020, whilst most online sales were made to existing clients who started using online channels to purchase art as early as 2018. In 2023, online art is seen by art players and art collectors as being part of the conventional art business (Hiscox Online Art Trade Report 2023).

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Also, according to the report, over half (53%) of online art buyers surveyed in 2022 said that the pandemic and the art market's digital migration have increased their confidence in buying art and collectibles online, up from 42% in 2020. This market has been attracting new audiences: three in ten (31%) young collectors bought their first-ever artwork online, up from 14% in 2020. Nearly half (47%) of new art buyers (those who started buying art less than three years ago) made their first art purchase online, compared to 30% in 2020. The online art market has become an entry point into the art world for new art buyers, many of whom have never ventured into a gallery or auction house.

Figure 3.6 | Share of Online Sales by Buyer Category in H1 2021

a. All Dealers



© Arts Economics (2021)

Source: Art Basel and UBS Report Mid-Year Review 2021

Online channels and mobile devices, in fact, make purchases easier, reducing frictions and instilling confidence in the art investment process.

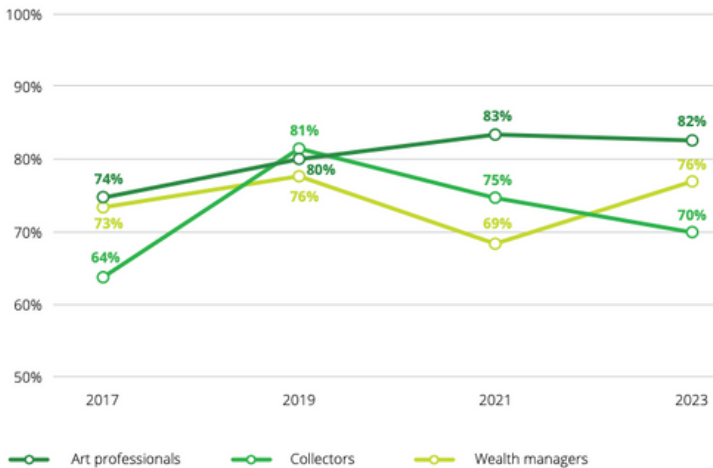
C. CONTEMPORARY ART MARKET: WHAT ARE THE CURRENT TRENDS AND HOW DO THEY INFLUENCE THE MARKET OF A SPECIFIC ARTIST?

Fractional Ownership as a New Way of Buying Art

One of the most innovative art purchasing models, highly supported by new generations of young collectors and millennials, is represented by fractional ownership, whose relevance in the market has been consistently growing thanks to technological innovations, especially during the pandemic. According to the Deloitte Art & Finance Report 2023, technology is a driving change in the world of impact investing serving as a catalyst for incorporating art and collectible assets into their existing wealth management. This undergoing technological shift is praised by art professionals, collectors and wealth managers, who believe the art market needs to modernise its business practices.

Figure 155: Does the art market/art industry need to modernize its business practice? (% saying yes)

Source: Deloitte Private & ArtTactic Art & Finance Report 2023



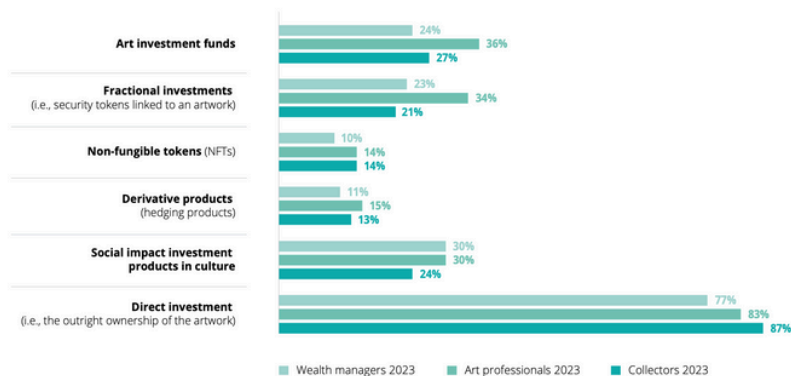
Source: Deloitte Art & Finance Report 2023

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Fractional ownership, also known as co-ownership, allows multiple users to buy shares of artworks, becoming co-owners of them in the primary market and having the possibility to potentially resell them online in a secondary art trading market, as they would with any other financial investment on the stock exchange. According to the Hiscox Online Art Trade Report 2023, 9% of art buyers surveyed said they had invested in fractional ownership in art over the past 12 months (17% of men, 4% of women), and a higher percentage of women (63%) said they were likely to invest in fractional ownership in artworks in the coming 12 months (compared to 56% of men). Over three-quarters (78%) of younger art buyers said they would look to invest in fractional ownership over the next 12 months. Also, most potential fractional ownership buyers (64%) are expected to spend less than \$10,000 in 2023, but nearly a fifth (18%) were prepared to spend more than \$100,000, signaling that the fractional ownership market could be attracting big art spenders. The vast majority of art buyers (86%) considering fractional ownership over the next 12 months are looking to widen their investment portfolios to counter the uncertain economic outlook. It also gives them control over their investments. Nearly two-thirds (64%) said it allowed them to build up their own investment portfolio of artworks, while three-quarters (75%) said that fractional ownership provided them with access to art investment opportunities that they couldn't otherwise afford (Hiscox Online Art Trade report 2023).

Figure 134: In terms of investing in art, which of the following art investment products would be of most interest to you?

Source: Deloitte Private & ArtTactic Art & Finance Report 2023



Source: Deloitte Art & Finance Report 2023

C. CONTEMPORARY ART MARKET: WHAT ARE THE CURRENT TRENDS AND HOW DO THEY INFLUENCE THE MARKET OF A SPECIFIC ARTIST?

On one hand, these technological trading models represent an innovative and alternative method of investing in art. On the other hand, they serve as an ally for traditional art players, facilitating sales, making connections easier and expanding the market in a more accessible and transparent way. Dr. Shermin Voshmgir, Director of the Institute for Crypto Economics in Vienna and author of 'Token Economy', claims that low-net-worth individuals who would usually be excluded from this investment opportunity could now own a fraction of an expensive work of art. This is particularly valuable for small investors who have so far been unable to meaningfully invest in fine art. Fractional ownership could lead to increased demand for art investments, potentially increasing overall art prices, and by extension, the subsequent production of new types of art. [...] This alternative investment model could pave the way for a more transparent market, whereas a larger pool of participants has access to a more diverse range of verified works (Deloitte Art & Finance Report, 2019).

Currently, the regulated fractional ownership market is estimated to be over \$1 billion and several fractional ownership platforms have doubled their assets under management annually since 2020 (Deloitte Art and Finance report, 2023). This investment method promotes a more democratic way to invest in art and collectible goods, attracting an increasing number of new-generation collectors. The Deloitte Art & Finance Report survey reveals a significantly higher interest in fractional ownership among younger collectors, with 50% in 2023 (up from 43% in 2021), affirming interest in this investment model.

Moreover, LTArt operates in the fractional ownership market, introducing an innovative way to purchase artworks through Art Shares, giving collectors, private individuals and companies the possibility to become art co-owners of physical Blue-Chip art by buying just a share of an entire piece of it.

According to the most recent Deloitte Art and Finance Report, we may have entered a new era of fractional art ownership, driven by the emergence of new regulated initiatives. More platforms are now supervised by financial regulators, paving the way for a more sustainable fractional ownership industry (Deloitte Art & Finance Report, 2023).

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Fractional Ownership investment models

Fractional ownership platforms can develop their business models through various approaches, catering to different types of investors and their specific needs. Most of them function like marketplaces, acting as financial intermediaries between artworks and buyers. They facilitate transactions by providing a platform where investors can purchase shares of the artworks. LTAart is also developing a secondary market, or Art Exchange, which will allow each co-owner to not only buy but also sell Art Shares of selected Blue-Chip artwork within a transparent, dynamic and always available trading system. One of the most common strategies for fractional ownership is the buy-and-hold strategy, which involves purchasing artworks in the form of art shares, with the expectation that they will increase in value over time. The buy-and-hold strategy is based on a medium long-term investment, allowing investors to benefit from the potential appreciation of the artwork. However, recognizing the diverse needs of investors, some platforms also offer short-term opportunities to trade art shares. They use peer-to-peer technologies to facilitate these trades, enabling investors to capitalize on shorter-term market movements (Deloitte Art & Finance Report, 2023).

Benefits of fractional ownership

Fractional ownership is applicable not only to art investments, but also to all kind of luxury collectible goods, considered non-bankable assets, such as real-estate, cars, and jewelry. The most evident benefit of this investment model is the ability to invest in artworks and other luxury goods by acquiring a fraction of their ownership. This approach allows investors to avoid paying the full purchase price of these high-value items, significantly lowering the financial barrier to entry. Additionally, by sharing ownership with other co-owners, investors can spread the risk associated with the investment, making it a more attractive and manageable option. Another advantage of fractional ownership is that logistic and maintenance costs, which can be substantial when dealing with valuable art and luxury good, are managed by the investment platforms.

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This means investors can focus on the financial aspects of their investment without worrying about the practicalities of physical ownership. Moreover, fractional ownership platforms often provide detailed reports and updates on the status of the assets, offering transparency and peace of mind to investors. This comprehensive management service adds an extra layer of convenience and security, making fractional ownership an even more appealing investment option. Investors can benefit from the potential appreciation of their shares without the usual complications associated with owning high-value items outright.

In conclusion, whether you are an experienced and keen art collector, or an art lover looking to diversify your portfolio of investments, art collecting can represent an alternative and highly rewarding option. 'The ABCs of Art Collecting' aims to give you some useful advice on how to recognise the tangible and intangible aspects that you need to take into consideration when entering the complex world of art appraisal, thanks to the support of the most innovative technological tools listed in this guidebook.

But remember, after all, that the evaluation of the objective characteristics of a work of art, biography, career of the artist and overall market trends, are only some of the features you can rely on when buying art. There is always an element of personal taste to take into account when selecting art, which makes collecting art so unique.

So, don't take instinct for granted, and more importantly, remember LTArt's motto: share your passion!

Share your passion

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