

The Second Time Around

THE RISE AND GLOBAL EXPANSION of the art market in recent decades—particularly in the past 10 years—has surprised even the most bullish observers. However, given that so many factors can affect the price of a work at auction, particularly the timing of the sale and the work’s provenance, establishing exact measurements of return on investment can be tricky. Two major obstacles to fully analyzing the art market are heterogeneity of artworks and infrequency of trading. In an attempt to minimize these problems, this month we examine the outcomes from repeat sales, that is, the performance of individual works that have come up for auction more than once. Drawn from BASI (Blouin Art Sales Index) auction information for sales between 1985 and 2011, our data set of 32,248 pairs of repeat sales consists mostly of Old Masters and modern paintings. Contemporary artworks make up but a small contingent, as fewer of those have made repeat appearances on the block. Nonetheless, contemporary art is prominent on our 2012 list of individual top-performing works, befitting its role as the fastest-rising segment of the art market overall. While our data endpoint was December 2011, stunning contemporary auction results have continued, particularly when Gerhard Richter’s *Abstraktes Bild (809-4)*, 1994, came back on the auction block in London this past October. It commanded \$34.2 million, a hefty return considering that its owner, rock star Eric Clapton, bought it in 2001 as one of a group of three for which he paid a total of \$3.4 million. BY ROMAN KRAEUSSL



90

TABLES: TOP 5 & BOTTOM 5 IN THE FIRST HALF OF 2012

We based our ranking of individual artworks’ performance on the annualized effective rate of return (ERR), calculated by dividing the percentage change in value by the period held. The five best-performing artworks were all contemporary pieces held for between 13 and 20 years. By contrast the worst-performing works were all held for a shorter period, and two of them were purchased at the market’s peak, in 2007. This result reinforces the observation that paintings brought back to auction after too short a time tend to underperform. My own research shows that paintings should not reenter the market for at least five years. The poorest performers further illustrate that a work by a blue-chip artist does not guarantee a positive rate of return: The lowest returns seen, for example, were for the works of Marc Chagall.

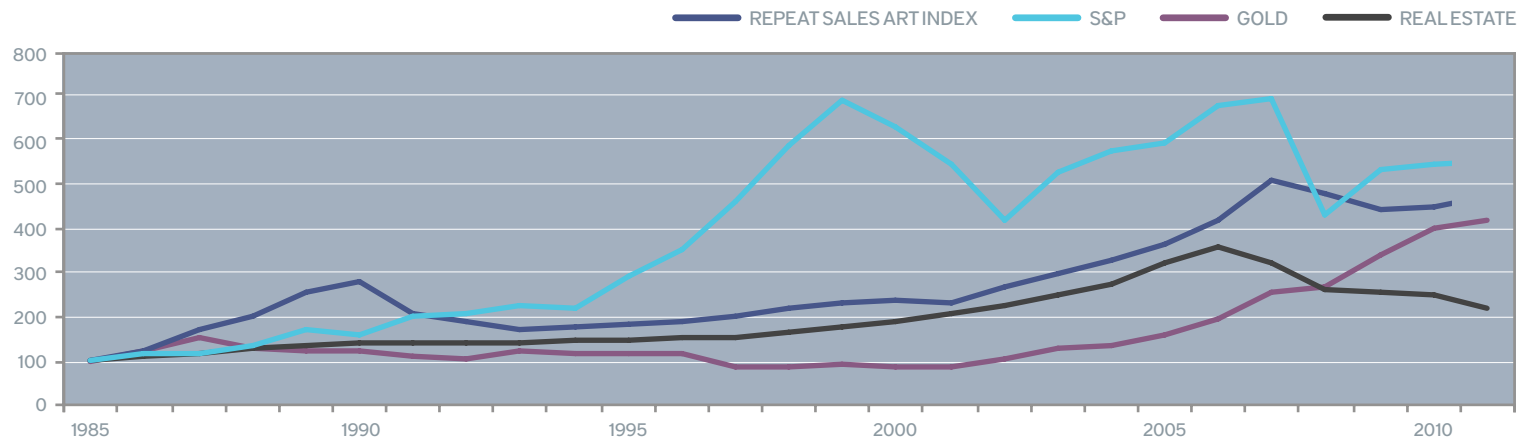
RANK	ARTIST	TITLE	SALE DATE	AUCTION HOUSE	PRICE	ERR
HIGHEST RETURNS						
1	Jean-Michel Basquiat	<i>Orange Sports Figure</i>	2/15/2012	Sotheby’s London	\$6,401,112	25.11%
2	Jean-Michel Basquiat	<i>Ring</i>	5/9/2012	Sotheby’s New York	\$7,642,500	23.32%
3	Andy Warhol	<i>Mao</i>	5/10/2012	Phillips New York	\$10,386,500	21.58%
4	Jean-Michel Basquiat	<i>Saxophone</i>	6/26/2012	Sotheby’s London	\$4,249,715	20.36%
5	Gerhard Richter	<i>Seestück</i>	5/8/2012	Christie’s New York	\$19,346,500	20.3%
LOWEST RETURNS						
1	Marc Chagall	<i>La Musique</i>	5/2/2012	Sotheby’s New York	\$2,434,500	-25.14%
2	Edouard Vuillard	<i>Les couturières</i>	2/8/2012	Sotheby’s London	\$5,384,859	-13.64%
3	Claude Monet	<i>La maison dans les roses</i>	6/20/2012	Christie’s London	\$2,877,103	-12.47%
4	Arshile Gorky	<i>Khorkom</i>	5/9/2012	Sotheby’s New York	\$2,770,500	-10.82%
5	Francis Bacon	<i>Isabel Rawsthorne</i>	2/14/2012	Christie’s London	\$2,717,682	-10.17%



From left to right: Jean-Michel Basquiat's *Orange Sports Figure*, 1982, sprinted to \$6.4 million at Sotheby's London last February, a brawny 25 percent annualized return on the \$66,000 it netted at auction in 1982. Andy Warhol's *Mao*, 1973, racked up a 21.6 percent return when it sold for \$10.4 million at Phillips New York in May, after bringing \$165,000 in 1991. *Studies of Isabel Rawsthorne*, 1983, by Francis Bacon, dropped to \$2.7 million earlier this year from \$3.7 million in 2007.

REPEAT SALES ART INDEX AND BENCHMARKS 1985-2011

The resale price index shows a strong upward trend, indicating favorable price and liquidity patterns in the current art market, including a steady demand for blue-chip works. The chart below compares our index of repeat art sales to equities, gold, and housing prices. When the full period is examined, art outperforms both real estate and gold as an investment, though it underperforms stocks in the U.S., owing to the stock market rally in the 1990s. Over the last 10 years, however, our art index outperforms the S&P 500 while underperforming investments in gold.



FROM OPPOSITE, LEFT TO RIGHT: SOTHEBY'S; PHILLIPS DE PURY & COMPANY; CHRISTIE'S

91

	INITIAL SALE DATE	INITIAL PRICE	AUCTION HOUSE
	5/7/1992	\$66,000	Sotheby's New York
	6/9/1999	\$442,500	Christie's Los Angeles
	11/13/1991	\$165,000	Sotheby's New York
	11/19/1997	\$244,500	Sotheby's New York
	12/2/1993	\$560,690	Sotheby's London
	2/1/2011	\$2,948,966	Sotheby's London
	2/4/2009	\$7,252,468	Christie's London
	6/23/2010	\$3,205,935	Christie's London
	5/16/2007	\$4,184,000	Christie's New York
	10/12/2007	\$3,694,238	Sotheby's London

REPEAT SALES PRICE SEGMENT

For our pie chart, resale pairs are grouped according to price realized at the second sale. Although a quick scan makes clear that repeat sales are well distributed across all price classes—from as low as \$15,000 to masterpieces worth more than \$10,000,000—the vast majority of sales, nearly 80 percent, were at price points below \$500,000.

