

Counting on Contemporary

EVEN THE MOST CASUAL observers of the art market know that contemporary art has been the star of the auction realm in the past few decades. Though contemporary sales were once considered the “younger siblings” of the major New York and London auctions each year, individual contemporary art records and overall sales volume now frequently eclipse those of the long-dominant Impressionist and modern category. To be sure, part of that is related to supply and what even the richest buyers can get their hands on, but it also reflects the buying power and tastes of younger wealthy buyers.

So just how valuable has contemporary art become?

This month, we look at how different investment strategies would have performed in the past decade, using a portfolio of the top 10 artists in this segment between 2002 and 2012. For instance, our research and analysis indicate that investing \$100,000 in the top 10 artists in 2002 and holding them for 10 years would have yielded \$410,000 in 2012. In a sign that demand is concentrated at the high end of the market, holding the top 50 artists of 2002 (ranked by turnover) would have resulted in a slightly lower gain of \$379,000, still beating the \$336,000 of the postwar and contemporary index that considers all qualifying sales. The list of top 10 artists saw little change between 2002 and 2012; Andy Warhol, Gerhard Richter, Willem de Kooning, Roy Lichtenstein, Jean-Michel Basquiat, Francis Bacon, Cy Twombly, and Lucio Fontana all appear on the tables for both years. **BY ROMAN KRAEUSSEL**



From left: Francis Bacon is one of several artists who appears on the lists of top selling contemporary names in both 2002 and 2012. His 1964 oil on canvas, *Study for Self-Portrait*, sold for \$33.6 million at Christie's London last June, one of several blockbuster prices that contributed to his \$151 million total auction turnover in 2012.

170

TOP 10 ARTISTS IN 2002 AND 2012

The list of the top 10 artists showed little variation between 2002 and 2012; aside from slight shifts in the ranking, Ed Ruscha and Jasper Johns appear in 2002 but not in 2012, when Mark Rothko and Yves Klein edged them out. The main difference between the two tables is the overall auction turnover, which ranges from a fivefold to a tenfold increase. For instance, auction turnover for Warhol went from \$68.5 million in 2002 to \$318.6 million in 2012. The overall 2002 auction total of \$217.5 million for the top 10 names leaped to nearly \$1.5 billion in 2012.

2002

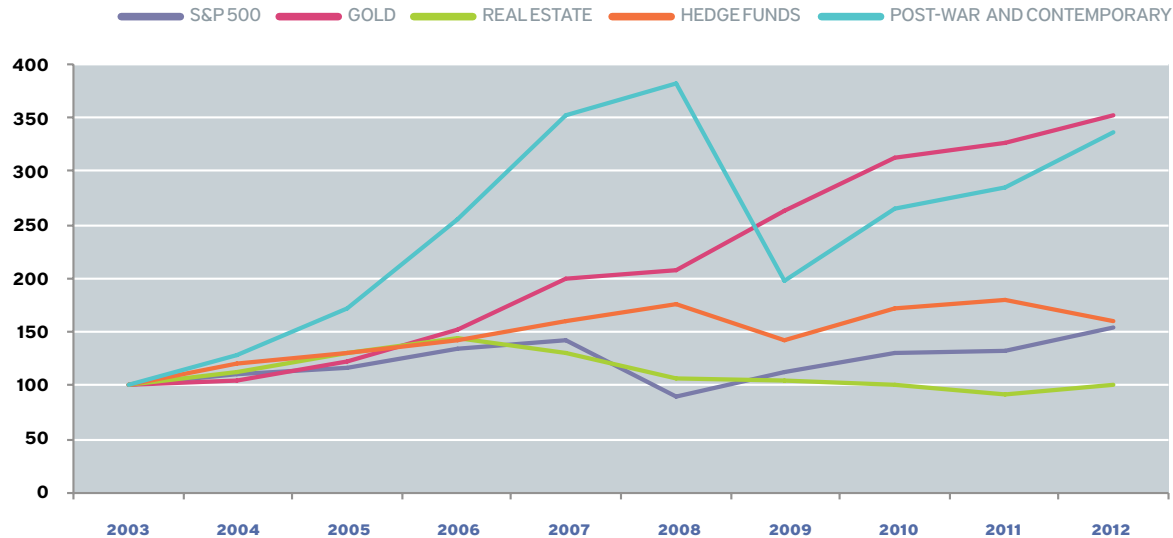
	ARTIST	NATIONALITY	AUCTION TURNOVER (\$)
1	Andy Warhol	American	68,493,720
2	Gerhard Richter	German	27,917,538
3	Willem de Kooning	Dutch	24,625,9435
4	Roy Lichtenstein	American	21,358,725
5	Jean-Michel Basquiat	American	15,525,011
6	Jasper Johns	American	13,413,659
7	Francis Bacon	British (Irish)	13,066,392
8	Edward Ruscha	American	12,847,427
9	Cy Twombly	American	10,570,488
10	Lucio Fontana	Italian	9,724,037

2012

	ARTIST	NATIONALITY	AUCTION TURNOVER (\$)
1	Andy Warhol	American	318,579,265
2	Gerhard Richter	German	259,483,106
3	Mark Rothko	American	168,399,023
4	Francis Bacon	British (Irish)	151,008,238
5	Jean-Michel Basquiat	American	137,468,325
6	Roy Lichtenstein	American	112,501,936
7	Yves Klein	French	105,731,250
8	Lucio Fontana	Italian	66,519,328
9	Willem de Kooning	Dutch	64,210,087
10	Cy Twombly	American	57,655,041

POSTWAR AND CONTEMPORARY ART VS. OTHER INVESTMENTS

We constructed an overall index to compare the performance of contemporary art with more traditional investments including the S&P 500, gold, real estate, and hedge funds. The art index outperformed all of these standard investments until 2008, when it fell—but only behind gold—amid the broader global economic crisis. After seven years of rising prices, the market contracted sharply in 2008/09, and Postwar and contemporary art nose-dived during late 2008 through 2009. The index shows art prices are still about 15 percent below the high seen at the peak of 2008 but are on the rise nonetheless.



I7I

POSTWAR & CONTEMPORARY PERFORMANCE BY YEAR AND PORTFOLIO OF ARTISTS

The indices below compare various segments of the postwar and contemporary market. They imply that investing in the top stars would have worked extraordinary well over the past 10 years, though this does not mean that the current top 10 (or top 50) will continue to generate the same levels of return in coming years, or beat the all-inclusive postwar and contemporary index. Further, had it been possible to predict the top 10 names for 2012, the return generated by a 2002 investment would have been an even higher \$434,000 (as compared with \$336,000 posted for all postwar and contemporary). However, the strongest performance would have come from investing in 2002, with perfect foresight, in the top 50 artists by turnover as of 2012: \$100,000 would have returned nearly half a million dollars, beating all other indices of this segment. Why? In 2012 many contemporary Chinese artists made it to the top 50, a trend which generated enormous returns over the last decade. Artists whose works sold for smaller amounts in the early to mid 2000s but who now command seven-figure prices, include Zeng Fanzhi (b. 1964), Zhang Xiaogang (b. 1958), and Chen Yifei (1946–2005).

