

# To Have and to Hold?

**IT HAS LONG BEEN TAKEN FOR** granted among art market professionals that collectors are prepared to put a premium on works that are fresh to the market—and, conversely, that the price will suffer if a work is re-offered at auction after too short a period of time. But just what length of time is considered optimal for holding on to a particular work? Conventional wisdom dictates that collectors should wait at least seven years before selling to realize an optimal price. To put this supposition to the test, this month we look at our database of nearly 30,000 resales, works that were sold at auction at least twice between 1985 and 2012. The resulting analysis shows that this seven-year rule of thumb generally held up in all categories except contemporary. Furthermore, as more investors have entered the market over the past decade, their willingness to look at any work as a potential source of profit has diminished the traditional collectors’ reluctance to buy recently sold works. **BY ROMAN KRAEUSSEL**

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## PERFORMANCE IN THE PERIOD 1985–2011 VERSUS 2002–2012

By splitting our data into two sets—one looking at works with a second sale that took place between 1985 and 2001 and the other looking at those with a second result in the 11 years starting in 2002—we sought to find out if the market has shifted in recent years. The rates for works held five years or longer remained largely unchanged, with returns peaking in the 5-to-10-year holding period. However, the punishment doled out to Old Masters and Impressionist works held for less than five years slackened in the later period, reducing losses from more than 9 percent to just over 4 percent. Most significantly, postwar and contemporary works flipped in less than five years went from showing minor losses to making impressive gains.





Claude Monet had five resales in 2012 that produced an average annualized rate of return of 9.2 percent. However, there were outliers. *Voilier sur le petit bras de la Seine, Argenteuil, 1872*, left, was sold in April 2012 at Fine Art Auctions Miami for \$9.3 million, more than double the \$3.5 million it realized just three years earlier, an extremely robust 55 percent annualized return. A more typical short-period resale price performance was seen for Monet's *La maison dans les roses, 1925*, which was sold in June 2012 for \$2.9 million after an original investment in 2010 of \$3.2 million, resulting in an annualized loss of 11 percent.

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## OPTIMAL HOLDING PERIOD BY AUCTION CATEGORY

Across all auction house categories examined except postwar and contemporary, a peak in returns is realized by holding artworks for a period of 5 to 10 years. Indeed, both collectors and investors would do well to note the impressive consistency of the optimal holding period.

CATEGORY	<2 YEARS	2 TO 5 YEARS	5 TO 10 YEARS	10 TO 20 YEARS	>20 YEARS
<b>ALL</b>	0.21%	1.32%	4.47%	3.98%	1.61%
<b>Old Masters</b>	-8.27%	-5.43%	3.74%	2.81%	2.50%
<b>19th-century European</b>	-3.93%	-2.29%	3.22%	2.97%	1.11%
<b>American</b>	-3.62%	-4.83%	2.88%	3.05%	1.53%
<b>Impressionist and modern</b>	-2.55%	0.15%	4.20%	3.73%	2.41%
<b>Postwar and contemporary</b>	7.49%	4.54%	5.90%	4.69%	3.35%