



Real Rates of Return

MANY FACTORS can influence the price achieved by an artwork on the block. Most important are its provenance and the timing of the sale, which make it difficult to establish an expected measure of return on investment (ROI). The challenge of predicting ROI is further compounded by two major analytical obstacles: the heterogeneity of artworks and the infrequency of their trading. To minimize these, we look here at repeat sales only—that is, sales of works that have made at least two successful appearances on the block. (This method inherently favors the upside as it ignores buy-ins and all works not accepted by houses worried about posting a lower price than has previously been documented.) Our data—consisting of some 71,000 individual works that sold at least twice between 1985 and 2016 drawn from the Blouin Art Sales Index (BASI) resulting in some 95,000 pairs of records—has enabled us to take stock of the market and determine where the best and worst buys were found in terms of real ROI. As expected, the Impressionist and modern works tend to yield returns that are the most consistently positive, albeit relatively modest. In contrast, the market for postwar and contemporary art—often fueled by speculation—is far more volatile, producing instances of double-digit annualized gains over short holding periods, but also the risk of severe losses. The charts here single out nine examples from 2015, and compare those to the 10 best and 10 worst performing works from the full period under review. BY ROMAN KRÄUSSL

THE MOST EXPENSIVE RESOLD WORKS IN 2015

Pablo Picasso's *Les femmes d'Alger (Version 'O')*, 1955, earned the record as the most expensive work sold at auction in 2015, creating an annualized return of more than 10 percent for all 17.5 years during which it was held.

NO.	ARTIST	TITLE	AUCTION HOUSE DATE PRICE (USD)	PREVIOUS AUCTION HOUSE DATE PRICE (USD)	GAIN	PERCENTAGE GAIN	HOLDING PERIOD (IN YEARS)	ANNUALIZED RETURN
1	Pablo Picasso	<i>Les femmes d'Alger (Version 'O')</i> , 1955	Christie's New York 5/11/15 \$179,365,000	Christie's New York 11/10/97 \$31,900,000	\$147,465,000	462.3%	17.5	10.3%
2	Roy Lichtenstein	<i>Nurse</i> , 1964,	Christie's New York 11/9/15 \$95,365,000	Sotheby's New York 5/2/95 \$1,500,000	\$93,865,000	6,257.7%	20.5	22.4%
3	Cy Twombly	<i>Untitled (New York City)</i> , 1968	Sotheby's New York 11/11/15 \$70,530,000	Sotheby's New York 5/8/90 \$5,000,000	\$65,530,000	1,310.6%	25.5	10.9%

THE BEST PERFORMERS IN TERMS OF ANNUALIZED RETURN ON INVESTMENT IN 2015

Although the market for artworks by relative newcomers Peter Doig and Christopher Wool can be volatile, these works brought impressive returns in part because their long holding periods encompassed the full span of time over which the artists' markets matured.

NO.	ARTIST	TITLE	AUCTION HOUSE DATE PRICE (USD)	PREVIOUS AUCTION HOUSE DATE PRICE (USD)	GAIN	PERCENTAGE GAIN	HOLDING PERIOD (IN YEARS)	ANNUALIZED RETURN
1	Jean Dubuffet	<i>Le lit I</i> , 1964	Christie's London 6/30/15 \$3,292,547	Artcurial Paris 5/29/11 \$887,941	\$2,404,606	270.8%	4	37.7%
2	Peter Doig	<i>Swamped</i> , 1990	Christie's New York 5/11/15 \$25,925,000	Sotheby's London 2/7/02 \$455,444	\$25,469,556	5,592.2%	13.2	35.6%
3	Christopher Wool	<i>Untitled</i> , 1994	Sotheby's New York 5/12/15 \$3,946,000	Sotheby's New York 11/20/96 \$17,250	\$3,928,750	22,775.4%	18.4	34.1%

THE WORST PERFORMERS IN TERMS OF ANNUALIZED RETURN ON INVESTMENT IN 2015

Two modern works took bad hits last year. Both performances can in part be blamed on earlier auction prices that were near the maximum of their respective markets when sold earlier.

NO.	ARTIST	TITLE	AUCTION HOUSE DATE PRICE (USD)	PREVIOUS AUCTION HOUSE DATE PRICE (USD)	LOSS	PERCENTAGE LOSS	HOLDING PERIOD (IN YEARS)	ANNUALIZED RETURN
1	Joan Miró	<i>Peinture (l'oiseau)</i> , 1926	Sotheby's London 2/3/15 \$2,712,374	Aguttes Paris 12/21/07 \$8,897,456	-\$6,185,082	-69.5%	7.1	-15.3%
2	Pieter Brueghel the Younger	<i>A Winter landscape with Skaters</i> , ca. 1621	Sotheby's London 7/8/15 \$1,674,264	Sotheby's New York 1/25/07 \$3,288,000	-\$1,613,736	-49.1%	8.4	-7.6%
3	Alexander Calder	<i>Tic Tac Toe</i> , 1941	Sotheby's New York 5/12/15 \$2,590,000	Christie's New York 5/15/13 \$3,035,750	-\$445,750	-14.7%	1.9	-7.6%

Roy Lichtenstein's *Nurse*, 1964, opposite, earned 22.4 percent in annualized returns from 1995 to 2015.

10 BEST PERFORMING WORKS BY ANNUALIZED RATE OF RETURN, 1985-2016

Volatility is a two-edged sword, bringing bigger gains but also larger losses. Contemporary artists dominated the market in terms of the highest yields—even over relatively brief holding periods, ranging from 1.5 to 6.5 years. Gerhard Richter tops our list, having realized an annualized return of 120.7 percent when one of his 1992 *Abstraktes Bild*s sold in May 2007 for \$6.2 million at Christie's New York; 18 months earlier it fetched only \$1,864,000 at the same auction house; a gain of 232.6 percent.

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1	Gerhard Richter	<i>Abstraktes Bild</i> , 1992	Christie's New York 5/16/07 \$6,200,000	Christie's New York 11/8/05 \$1,864,000	\$4,336,000	232.6%	1.5	120.7%
2	Francis Bacon	<i>Three Studies for Self-Portrait</i> , 1976	Christie's New York 5/13/08 \$28,041,000	Sotheby's New York 11/9/05 \$5,168,000	\$22,873,000	442.6%	2.5	96.1%
3	Jean-Michel Basquiat	<i>Joy</i> , 1984	Sotheby's Paris 6/2/10 \$1,804,074	Sotheby's New York 11/12/08 \$806,500	\$997,574	123.7%	1.5	67.9%
4	Jean-Michel Basquiat	<i>Ribs Ribs</i> , 1982	Christie's New York 5/15/13 \$5,163,750	Sotheby's New York 11/11/08 \$626,500	\$4,537,250	724.2%	4.5	59.6%
5	Damien Hirst	<i>3-(5-chloro-2-hydroxyphenylazo)-4,...</i> , 1998	Phillips London 2/28/08 \$3,081,180	Sotheby's London, 6/22/05 \$954,744	\$2,126,436	222.7%	2.6	54.6%
6	Christopher Wool	<i>One Year No Halloween</i> , 2004	Sotheby's New York 11/13/13 \$2,105,000	Phillips New York 11/08/10 \$602,500	\$1,502,500	249.4%	3	51.3%
7	Peter Doig	<i>Pine House (Rooms for Rent)</i> , 1994	Christie's New York 11/12/14 \$18,085,000	Christie's London 10/16/09 \$2,255,187	\$15,829,813	701.9%	5	50.6%
8	Joan Mitchell	<i>Bracket</i> , 1989	Christie's New York 5/13/08 \$4,745,000	Christie's New York 5/11/04 \$959,000	\$3,786,000	394.8%	4	49.0%
9	Jean-Michel Basquiat	<i>Untitled (Head)</i> , 1981	Sotheby's London 10/12/07 \$5,718,846	Christie's New York 11/10/04 \$1,799,500	\$3,919,346	217.8%	2.9	48.5%
10	Gerhard Richter	<i>Abstraktes Bild</i> , 1992	Sotheby's New York 11/9/11 \$14,082,500	Sotheby's New York 5/10/05 \$1,248,000	\$12,834,500	1,028.4%	6.5	45.1%

10 WORST PERFORMING WORKS BY ANNUALIZED RATE OF RETURN, 1985-2016

While superstars Jean-Michel Basquiat and Richter may be among the best performers, they too can yield disappointing sale results, particularly when the holding period is less than five years. The same can be said for blue-chip names of the modern era like René Magritte and Picasso.

NO.	ARTIST	TITLE	AUCTION HOUSE DATE PRICE (USD)	PREVIOUS AUCTION HOUSE DATE PRICE (USD)	LOSS	PERCENTAGE LOSS	HOLDING PERIOD (IN YEARS)	ANNUALIZED RETURN
1	Childe Hassam	<i>Paris, Winter Day</i> , 1887	Sotheby's New York 5/21/09 \$2,322,500	Sotheby's New York 5/22/08 \$3,961,000	-\$1,638,500	-41.4%	1	-41.4%
2	René Magritte	<i>Mesdemoiselles de l'Isle Adam</i> , 1942	Christie's London 2/2/16 \$2,858,574	Christie's New York 11/5/14 \$4,981,000	-\$2,122,426	-42.6%	1.2	-36.0%
3	Pierre Bonnard	<i>Les Coquelicots</i> , 1914	Sotheby's New York 5/11/94 \$1,400,000	Sotheby's New York 11/13/90 \$3,190,000	-\$1,790,000	-56.1%	3.4	-21.0%
4	Andy Warhol	<i>Brillo Box (3 cents off)</i> , 1963-64	Christie's New York 5/13/14 \$1,450,000	Christie's New York 11/10/10 \$3,050,500	-\$1,600,500	-52.5%	3.5	-19.1%
5	David Hockney	<i>Portrait of Nick Wilder</i> , 1966	Sotheby's New York 11/12/03 \$2,360,000	Christie's New York 11/13/02 \$2,869,500	-\$509,500	-17.8%	1	-17.8%
6	Jean-Michel Basquiat	<i>Untitled (Head of Madman)</i> , 1982	Sotheby's London 2/10/16 \$7,793,048	Christie's New York 11/12/13 \$12,037,000	-\$4,243,952	-35.3%	2.2	-17.5%
7	Pablo Picasso	<i>Tête de femme</i> , 1935	Sotheby's London 2/10/16 \$27,144,549	Sotheby's New York 11/6/13 \$39,925,000	-\$12,780,451	-32.0%	2.2	-15.6%
8	Joan Miró	<i>Peinture (l'oiseau)</i> , 1926	Sotheby's London 2/3/15 \$2,712,374	Aguttes Paris 12/21/07 \$8,897,456	-\$6,185,082	-69.5%	7.1	-15.3%
9	Marc Chagall	<i>La Musique</i> , 1967	Sotheby's New York 5/2/12 \$2,434,500	Sotheby's London 2/10/11 \$2,952,815	-\$518,315	-17.6%	1.2	-14.5%
10	Gerhard Richter	<i>Wolken (Stimmung)</i> , 1970	Christie's New York 5/11/04 \$2,023,500	Sotheby's London 2/6/03 \$2,400,000	-\$376,500	-15.7%	1.2	-12.6%