



Art Investment: A Historical Perspective

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Investment Characteristics

- Liquidity
- Transaction costs
- Holding costs
- Authenticity
- Quality
- Longevity

INDICES CAN BE DEVELOPED BASED ON

Average prices

Average prices plus some object specific characteristics such as size (Hedonic)

Change in value of the same object sold multiple times (Repeated Sales)

New Repeat-Sale Database

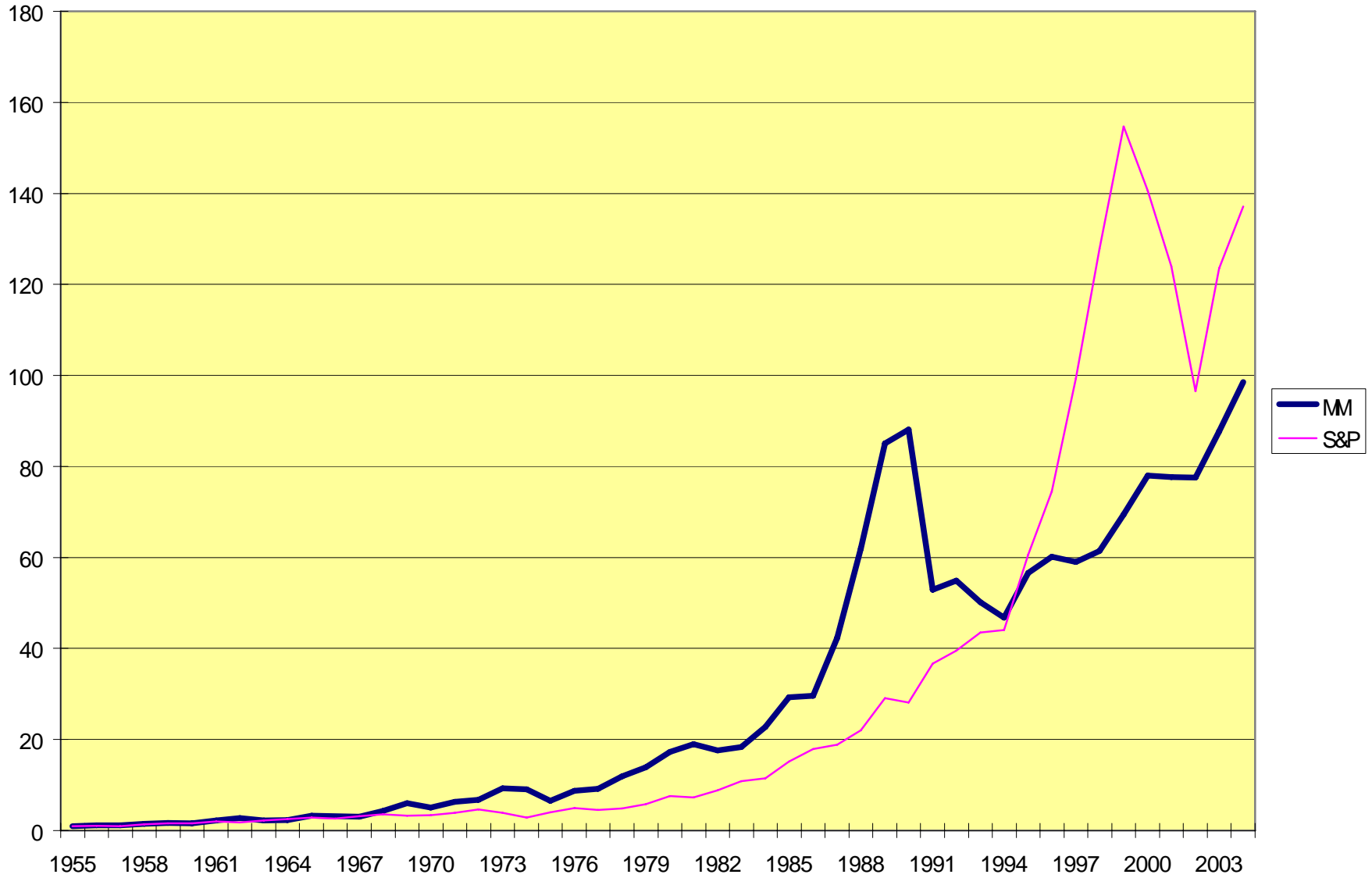
- New York auction market 1950-2007
 - >12,000 paired observations
 - We go back as far as possible with each object
 - 25% of observations are multiple sales
 - Highest multiple-sale object has 7 prior sales
 - Earliest purchase date in the database is 1646
 - After every auction season we add 250-500 new pairs

New Repeat-Sale Database

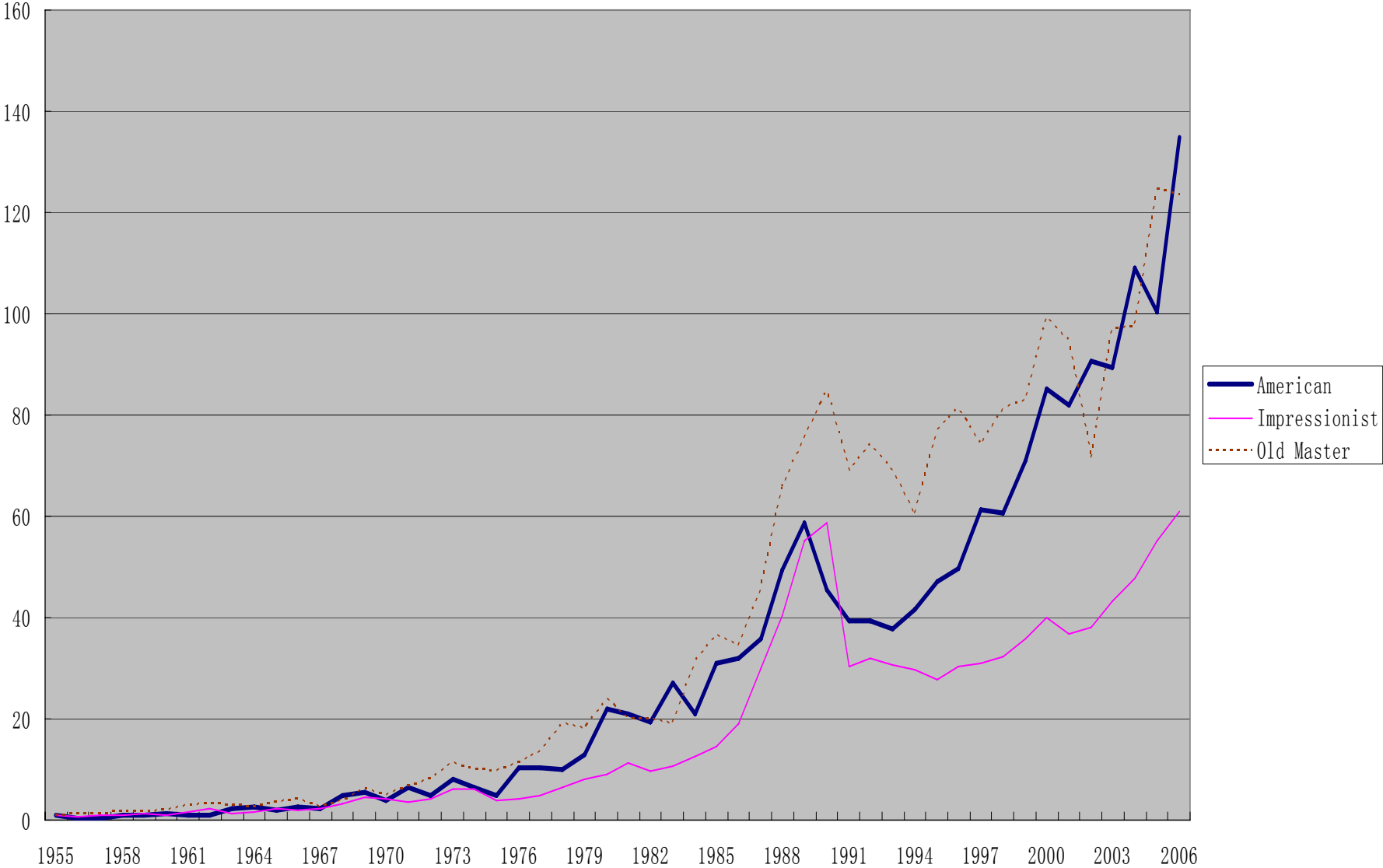
- Collecting Categories – Paintings

	Time Period	# Price Pairs	# Artists
– American	1650-1950	1500	345
– Impressionist & Modern	1875-1950	3600	241
– Old Master and 19 th Century	1200-1875	3800	1503

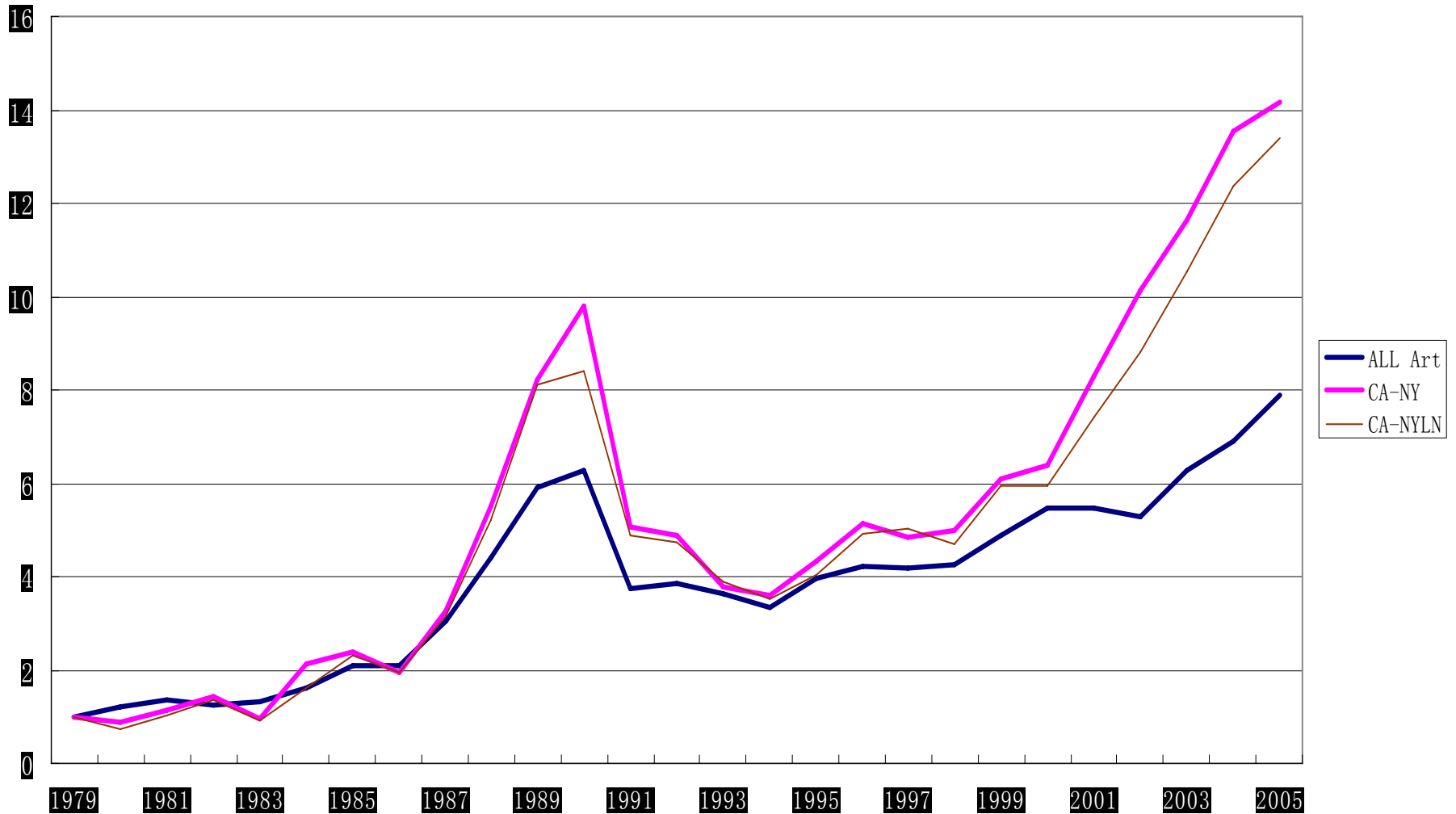
Mei Moses Fine Art Price Index S&P 500 Total Return Index 1955-2004



Mei Moses American, Impressionist, and Old Master Indices 1955-2006



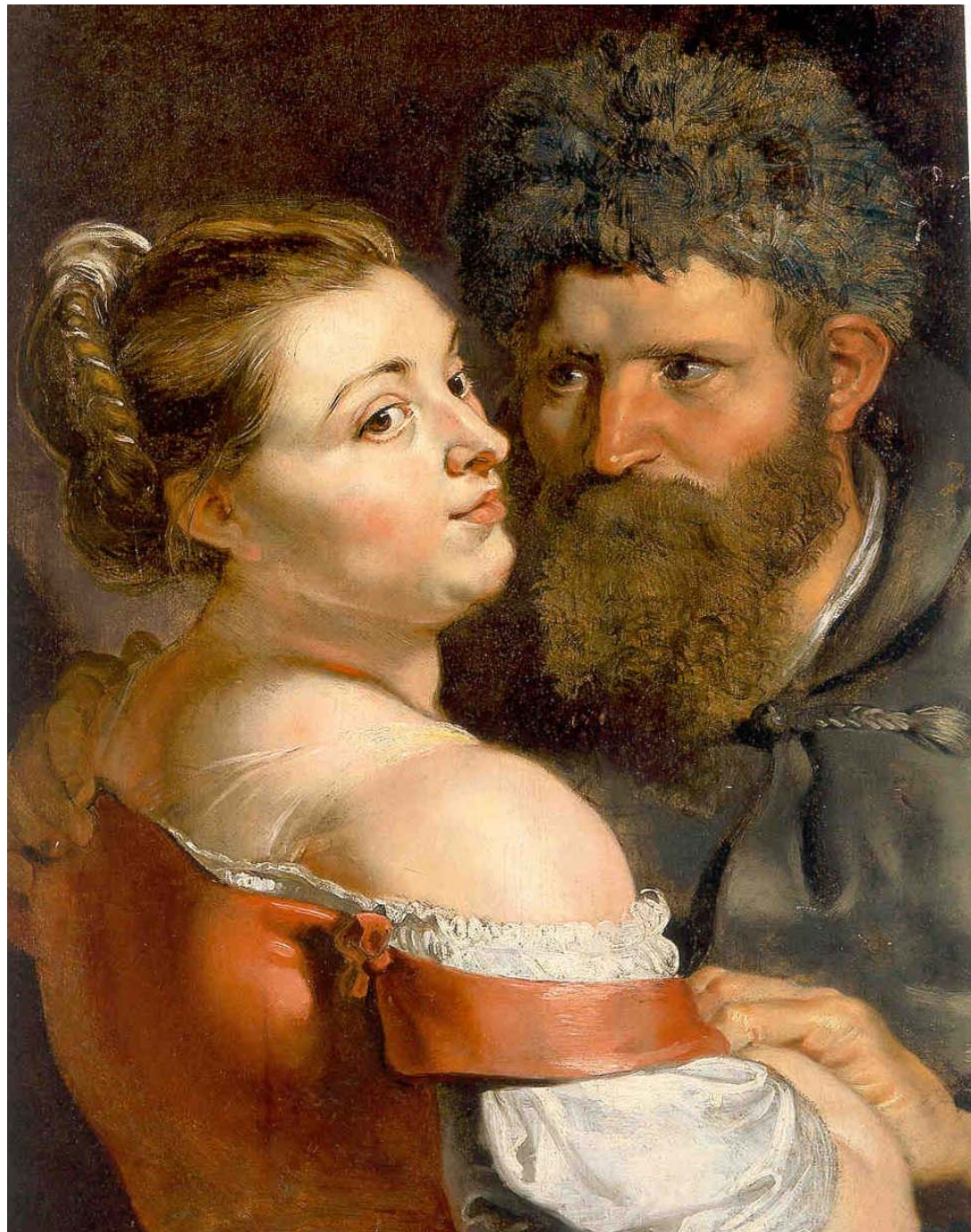
Mei Moses Contemporary Art Index



RETURN, RISK, CORRELATION

Risk-Return – All Art Index

	Art	S&P500	UST10YR	USTBILL	GOLD
Mean	10.0%	10.4%	6.5%	5.3%	5.0%
STD	18.6%	15.7%	8.7%	2.7%	21.5%
<u>Correlation</u>					
Art	1	0.029	-0.205	0.057	0.128
S&P500	0.029	1	-0.105	-0.022	-0.235
UST10YR	-0.205	-0.105	1	0.273	-0.239
USTBILL	0.057	-0.022	0.273	1	0.019
GOLD	0.128	-0.235	-0.239	0.019	1



RUBENS – FISHERMAN AND PEASANT WOMAN

**DID NOT SELL AT SOTHEBY'S
ESTIMATE OF \$ 2,000,000-3,000,000**

BOUGHT IN 1991 FOR \$ 342,000

15.9% RETURN WOULD YIELD

THE LOW ESTIMATE PRICE

S&P 500 RETURN OVER SAME TIME 9.2%

THE OLD MASTER INDEX GREW AT 2.8%

10% RETURN WOULD YIELD \$975,000

Art as an Asset

- ❖ Art Funds
- ❖ Art based lending
- ❖ Art Insurance
- ❖ Private Banking
- ❖ Art Hedge Funds

Conclusions

- ❖ Art beats fixed income securities for all holding periods, is equal to stocks since 1950, underperforms stocks since 1875.
- ❖ Valuation models can be developed independent of auction house pre-sale estimates and art experts
- ❖ Our art indexes have less volatility and much lower correlation with other asset classes than were found in previous studies.
- ❖ In some categories second tier painters produce higher returns
- ❖ Art can improve the performance of diversified portfolios