

Alternative investment: Getting savvy at state-of-the-art investing

by Rajmohan Krishnan, 27th June, 2014

■ Alternate Investments

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Art is a symbol of beauty, grace and wealth, and an integral part of ones assets.
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It is a vast subject encompassing several categories ranging from paintings and sculptures to bronze icons to wooden craft to art installation. Each comes with its own uniqueness and complexities.

Though buyers nowadays have access to online information on artists, their genres, trends and popular galleries, it is advisable to consult an art advisor or a serious collector before investing large sums in art. To evaluate the true worth of a piece, one needs to understand how stable a trending artist and his work will be.

Should you decide to venture on your own, these tips on art purchase will help you.

Painting

Check the artist, theme (abstract, landscape or portrait), style (experimental or conservative), medium used (oil on canvas or water colour), age of painting and its condition.

Sculpture

Consider the material used (marble/limestone/granite/sandstone) and age of the sculpture (analyse for accretion of oil, erosion, weathering etc).

Metal

Match the piece with styles of different periods for authenticity. Check for the type of corrosion.

Marble

Look at the fineness of the grains and density. Old wooden objects can be identified by scratching the surface.

These are only guidelines it is extremely difficult to differentiate an original from a fake these days. Only an art connoisseur with years of experience can identify and buy the original at the best price.

Historically, art has been bought for keeps and to create a legacy, and never for resale unless forced by circumstances. This is true of purists even today, irrespective of age and family background. However, a definite change in trend is visible with the emergence of a whole new set of art buyers. This (mostly neo-rich) segment contributes significantly to the art resale market. Whether it is

making a statement, meeting social obligations or hoping to get decent returns, these buyers have become a boon for the market and, especially, for upcoming artists.

Age, style, condition, face value, rarity of the piece, popularity of the artist broadly determine the value of high-end art. The valuation of the mid-low range, however, also depends on the marketing skills of the gallery.

Many experts believe the art market is about to take a quantum leap as India, like other markets, is likely to move into mass production and prints. This is the right time for collectors to pick up high-end work when it is still affordable. In fact, works of several young artists are still reasonably priced.

Successful art investments not only require extensive knowhow of artistic qualities and authenticity of the object, but also an understanding of peculiarities of the art market. However, there are large gaps in expertise between buyers and sellers, and investors often have difficulty assessing the actual price. One of the pitfalls is the high transaction cost commissions to galleries, auction fees, insurance and maintenance costs.

While there is no set time to sell, art is not a field where investors can make quick money. It takes years, even decades, for it to appreciate. In short, there are no good rules on when to sell.

I would recommend that if you choose art as an asset class, the best way to insure it would be purchasing something you like so that you can live with it even through the lean years.