

Interview with Art Market Analyst

Nicholas Forrest

Editors Note: We wanted to interview Nicholas Forrest, Australian art consultant and art market analyst, and keeper of [Art Market Blog](#). But we found this interview, by Italian Flash Art, already on his site and wanted to begin with this as a starting point for the discussion, and primer for our interview.

What about your education? Can you tell me about its main steps?

Nicholas Forrest: I completed a Bachelor of Arts (Art History and Criticism) degree in 2003 and have continued to educate myself on the art market through working in different areas of the market and doing as much research as I can. I am also about to undertake further study in Europe on fine art.

What is Art for Profits?

NF: Art For Profits (www.artforprofits.com) is basically a step by step guide to art investment with on-going comments on, and analysis of the art market.

Why should one invest in art? Two of the reasons that you allege are the stability of this market and the fact that art is tangible. Could you better explain me these concepts?

NF: One should invest in art for four good reasons:

First of all the art market is a relatively insulated market which means that outside influences such as the economy, the share market, interest rates etc. tend to have very little, if any, impact on the value of artworks. This also means that the art market tends to be very stable compared to other investment markets. Secondly art is an asset backed investment which means that you are investing in something tangible as opposed to the stock market where you could potentially end up with nothing. An artwork will always have a value and if chosen correctly should not go down in value over the long term with a worst case scenario of the artwork holding its value for a period of time.

Thirdly the art market allows you to invest in something that is not only a good investment but also provides long lasting enjoyment, a factor that should be seriously considered when looking at investments. Finally art makes a good addition to ones investment portfolio by providing balance and diversity as well as enjoyment.

The 10 most important rules for successfully investing in art:

NF:

1. Be prepared to hold on to your investment in art for at least five years
2. Always go for quality
3. Don't get caught up in short term fads and trends
4. Invest in established artists with proven track records
5. Don't invest all your money in art
6. Diversify your portfolio of art
7. Understand the methods and costs of selling artworks
8. Research an artist/artwork before investing
9. Only buy from reputable dealers
10. Have a strategy and goals for your investment in art

Which are the investors' most frequently asked questions?

NF: The most common questions I receive are:

Why should I invest in art?

How do I know what to buy?

How do I know when to sell?

In your opinion which are the main risks when investing in art? And the main traps?

NF: The two main risks of art investment are buying fraudulent/fake artworks and purchasing works that go down in value although both these risks can be significantly reduced or removed if you do your research

and listen to the experts. The main traps in art investment involve being lured by hype and fads, not doing sufficient research on artwork/artist, and making purely emotional purchases

1997-2007: how is the art market changed over the last 10 years?

NF: The last 10 years have seen the art market become a global market with countries such as China, India and Russia becoming prominent contributors. The globalisation of the art market has provided extra stability and greater acceptance of the art market.

I have 5.000 dollars and I want to invest in art. What should I buy?

NF: I would invest in a limited edition print by a well known, established artist. Limited edition prints are a great investment and allow people to invest in, and benefit from, a well known, established artist without spending huge amounts of money.

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Takashi Murakami

Which are the different ways to invest in art? What is Art Rental? Which are its advantages?

NF: There are two main ways you can invest in art. The first is purchasing an artwork outright and taking advantage of the capital appreciation and the second way is to invest in art rental. Art rental basically allows investors to purchase a work of art from an art broker and then have the artwork rented out to the corporate sector on their behalf for a certain period of time giving the investor a rental return. The investor owns the work but allows the art broker to rent the artwork to the corporate sector for them to hang in their office space, building etc. Once the rental period is over the investor will usually have the choice of taking collection of the artwork or going back into the rental market. The advantages of art rental are that you can get a rental return on your investment while you take advantage of the capital appreciation.

Could the Art Rental be a way to reach the unapproachable blue chip artists?

NF: Art rental may allow investors to invest in more expensive artworks due to the fact that they are deriving an income from the artworks that means that the investor will have more capital to invest in the long run.

Why choose a Fine Art Fund? How does it work? What are the benefits?

NF: Fine art funds allow investors to purchase shares of an artwork with other investors much like investing in the stock market. Investors can purchase a certain number of shares in an artwork and then receive a portion of the profits when the artwork is sold. Fine art funds allow people to invest in high end

artworks by blue-chip artist that they may not have been able to purchase. By investing in a fine art fund you have the advantage of investing in riskier artworks that but can provide higher profit margins.

How does the investment in companies involved in the art market work (like for example Sotheby's, Artnet AG, Art Price S. A, Finarte Case d'Arte, ecc. which are companies listed on the stock exchange)? Who would you suggest this kind of investment to?

NF: For those that would like to take advantage of the art market boom but are averse to investing in artworks for whatever reason, there are several art market related companies listed on stock markets around the world that you can buy shares in such as Sotheby's and Art Price

You claim that ebay has opened a new market for investments. How?

NF: Ebay has provided buyers with the ability to purchase works from all over the world and invest in artworks that they would not previously had the opportunity to invest in. Ebay has also provided sellers with a platform that allows the seller to promote their sale to a world wide audience.

Which are the most important features of the ideal artist one should invest on?

NF: The most important feature to look for in an artist is commitment to furthering their career as you are investing as much in an artist's career as you are in their artwork.

First of all you should look at the artists education that should include tertiary tuition in art from a reputable art school or university which will prove a level of commitment. Secondly you should look at how many exhibitions they have exhibited their work at which again is a sign of commitment. You can also compare the works of the artist you are looking at to the caliber of the other artists they exhibited alongside to give you an idea of their place in the market. Finally you should get the opinions of other people such as gallery owners or art consultants so that you can get an honest opinion from someone who is not biased.

And which kind of artwork should one invest on?

NF: As a general rule people should invest in high quality artworks by artists with a good track record that have proven to be committed to their career progression. If you are going to be hanging the artwork in your house then it is also important to purchase something that you like looking at although this should not be the primary deciding factor. The art market will always react positively to iconic, high quality artwork as these works will be the most desirable and the most in demand.

Are websites like artprice.com or artnet.com useful? Are they trustworthy?

NF: artprice.com and artnet.com are very trustworthy and very useful sources for information on artists and the value of artists work. Both sites provide accurate and up to date information from a wide range of expert sources.

Which geographical areas of the world are the investments moving towards?

NF: There has been major interest in Russia, India and China where there has been significant economic growth which has resulted in a new generation of wealth being invested into the artists in these countries.

And which areas of the world come the present main investors from?

NF: The biggest art investors tend to be from countries such as the USA, Russia, Germany and China.

Is it important to know the "biography" of an artwork (its ownership history)?

NF: The biography of an artwork is extremely important as the provenance of an artwork can have a significant affect on the value of an artwork. Knowing the history of an artwork can also give you extra proof of an artworks authenticity and can reveal if an artwork is a fake.

How do you evaluate the fact that also banks like Deutsche Bank, UBS, Macquarie, etc. invest in art through a specialized service of Art Advisory? Are they "special" kind of investors?

NF: The big bank collectors such as Deutsche Bank, UBS and Macquarie have to be extra vigilant in their investments as they are answerable to their staff, customers and investors so they need to show that they have taken every precaution and got the best advice before purchasing works for their collection. Unlike

most people the banks also have the funds available to be able to do the kind of research and analysis and get the expert advice that they do.

Last February the show “Not for Sale” opened at P. S.1 in New York. It included artworks of more than 40 artists that for different reasons were not on sale. Jerry Saltz defined it on New York as a rare case of “When bad ideas create possible shows”. What do you think about the fact that the art market and its dynamics of selling and buying are analyzed not only by investors but also by critics, curators, museum directors, and become even the theme of a show?

NF: Whether or not artists like it, the art market is an integral part of the visual arts. Without a market for their work many artists would not be able to afford to produce artworks. I do agree that the art market does on occasion become too involved with commercialism and money so I think that the “Not for Sale” show was a good and refreshing idea that provides an alternative view of the art market. The only problem with the show is that I think it is more likely to create demand for the artworks that were not for sale and have a positive effect on the prices of the artists which is the opposite of what it was trying to achieve.

Again Jerry Saltz, in January, has provocatively asked from the pages of The Village Voice the questions: “Is the art market making us stupid? Or are we making it stupid?”. How would you answer?

NF: I agree that some of the factors that affect the value of artworks are false and not at all related to the abilities of the artist or the various factors that distinguish between good and bad artworks. It is important for the art market not to become too obsessed with image and money and for people to be involved with art as a cultural and artistic means. I do not think that at this point we are making the art market stupid or that the art market is making us stupid but we need to ensure that the business and financial side of the art market does not take anything away from the artistic and cultural side and that an appropriate balance is maintained.

After all, the art market is a product of the cultural and artistic pursuits of artists that need to be nurtured and preserved in order for the art market to maintain its integrity and sustainability into the future.