

## Is it worth it to invest in art?

**The Polish market is increasingly open to talented artists and investors in art. In recent times, it turns out that this type of investment also brings big profit in Poland. However, in this case, one has to not only be patient, but also gain specific knowledge.**

*Interest in art continues to grow, stretching not only to domestic market but also abroad. People willing to buy the work are all over the world. Image prices reach sky-high sums. "Silver car accident" of Andy Warhol was sold in 2013 for \$ 105 million. At the same time, investors combine profit with passion, searching works worth their weight in gold, which will probably gain in value. Works of art and collectors are the most attractive to investors - collectors. Technology has also expanded to distribution and sales channels in the virtual world of the Internet auction houses, online databases, catalogs and exhibition sites, artists pages and social media. More and more people have come to the conclusion that the possession of valuable paintings, drawings and sculptures will bring them financial benefits. This also happens in Poland.*

### **The long-term investment**

*Investment in the arts is one of the oldest ways of investing capital. Since ancient times people willingly invested in art, buying works of painters and sculptors. They willingly supported artists, allocating large sums of money to their development. One of these investors was Lawrence de 'Medici, who developed the art of the Renaissance. In Poland, among others, aristocrat Izabella Czartoryska supported art as did the king Stanisław August Poniatowski.*

*Collecting art is usually associated with snobbery and wealth. Contrary to appearances, not just wealthy people invest in the art but the middle class also invest. Works with a value of less than \$ 500 are up to 80% of all transactions in the art market. Global turnover in art auctions is growing. The Polish market is underdeveloped compared with places such as USA, UK, Britain and even China. Polish participation in the global art auction market is only 0.2%, but, analysts point out, this market continues to grow. The Polish art market has great potential. New auction houses have been created, as well as galleries and antique shops. Flea markets are organized as well as prestigious art-banking events. However, there is no denying that the most successful record collectors and longtime art lovers have success because of their experience and understanding of business. It is important to have knowledge that will help draw attention to the criteria integral to purchasing works. To a large extent, art-banking is developing. Private banking offers include professional advice on collecting works of art. The customer therefore has the chance to receive professional assistance in the acquisition of works of art, their valuation and confirmation of authenticity.*

*Investment in art is a process that can take a long time. The art market requires adequate patience from investors. The recommended minimum investment period is 4-8 years, although in some situations it may be a bit shorter. In the case of an image, the value depends largely on the fashion of the artist's work, as well as the prevailing economic situation. There are periods in which interest in art is high, which translates into higher prices for the works, but there are also years that are definitely weaker. You should avoid the sale of pictures, because the buyer will try to negotiate a much lower price than the one for which the work should be sold. The main advantage of works of art is a constant increase in value. You cannot lose out, because the demand is steadily increasing, while the supply is limited. The*

disadvantage is, however, low liquidity - in Poland, the number of works of art in the course of the market is very small, especially the most valuable objects. Works of art are not associated with the risk of geography and can easily be moved. There is a possibility of additional profits gained by hiring work or through participation in events. Purchasing unique items is a financially security future, and profits over time can be quite decent. Importantly, the work continues to grow regardless of the economic turmoil and is not dependent on the visible crises emerging to well-known financial instruments. Significantly, the greater crisis there is in the market, we see more demand for investment in the arts. This is due to the fact that the art market is more stable than the others – it cannot be on the loose. Profits on the sale of works of art are exempt from income tax if they are sold not earlier than six months from the date of purchase.

It is difficult to ignore cons of investing in art and you need to realize a number of additional factors before you finally decide on this form of deposits. The chance for a quick profit is small and often you can go many years before one appears. Dividends or interest will not be paid to investors, as in the case of other categories of assets, for example gold or oil. Thus, to preferably invest in art, a large part of the time must be devoted to acquiring expertise in this area. Or, one should ask for support specialists. There is also the risk of abuse and fraud on the market, such as at exhibitions.

### **What to invest?**

Projections suggest, however, that in the coming years, investment in the art market will continue to develop along with the wealth of society. In 2020 the Polish market investment in art can grow up to three times compared to the current value, ie. 300 million PLN, which is approx. 0.2% of the world market (data from 2013). This and so much, because by comparison the current global art market is worth approx. \$ 43 billion, of which 1/3 of this value falls on the United States.

Currently 70% of transactions in the market is contemporary art. There have also been increased prices of art from the 50s and 60s in the contemporary art market liking to classics like Jerzy Nowosielski, Zdzislaw Beksinski, Jerzy Duda Player, Tadeusz Kantor and Wojciech Sasnal, whose artistic achievements of the past 10 years could be seen on a large London show organized at the Whitechapel Gallery.

Works that came from the brush of the old masters now are by far getting less attention - the total market share is 35%. This does not mean, however, that investment in the old art is unprofitable. A safe investment appears to be purchasing works of nineteenth and twentieth-century classics of Polish painting. Works of famous artists who have prestige and a reputation among collectors always will attract potential buyers. No one is indifferent to such names as Stanislaw Wyspianski, Leon Wyczolkowski, Joseph Chelmonski or Gierymski. The work of the so-called. school École de Paris seems to enjoy particular esteem. On the other hand, old art still seems to be underestimated, especially the seventeenth and eighteenth-century paintings and sculptures.

However, newer art definitely is growing in popularity – it has a good market share in recent years, up 42%. Not only are collectors interested in this work, but corporations are interested as well. The investment in this type of art, however, involves risk. Artists only work on their recognition and you do not really know if their work will hold its value in the future . However, it may still happen that a new face will win recognition not only in the country but also abroad. And then a chance of increasing profit is

*much greater. According to experts in the art market, it is best to buy the works of young artists, because they have the greatest potential for growth. Of course, the works of young artists are little known, and thus low-priced, but in the near future - increase in value can be huge. Just a successful opening, good critics and sponsor support to their name suddenly shine in the firmament. Advisers generally suggest people who want to start their adventure with an investment in art, that the portfolio should contain 70 percent of classical works, and 30 percent of young artists. They should also be involved in the openings in Poland and abroad, in order to get the proper understanding of the art market and be aware that the creator has a chance at an international career, and is likely to gain widespread recognition. For starters, investors do not need to have huge money. Just 5-7 thousand, but a more valuable collection should use from 20 to 100 thousand.*

### **Others saw an opportunity**

*The current situation of the Polish art auction market looks very positive. According to the Deloitte report, the year 2012 was an extremely successful year for the auction. The total turnover of contemporary art in 2011 increased by 30% compared to the year 2010. The first quarter of 2012 recorded an increase in sales by nearly 90%. The reports summarizing it considered it a record, estimating a profit of 65-70 million zł. In 2013 there were a lot more auctions than in 2012, which meant an increase in the percentage of sales compared to the corresponding last year's period. Already in the first quarter of 2013 the total turnover amounted to approx. 13.7 million zł, which means that this value is about 5 million higher than in 2011, and 2.1 million lower than the previous year. Since 2011, only one fund in Poland operates a fund investing in art, Art Abbey Fund, which conferred investors profit up 16.6%. It is intended for wealthy people and requires a contribution of at least 160 000, but it is an example of the Polish art market considered to be very promising. The fund has already had five issues of investment certificates and garnered them close to 13 million zł (data for 2013).*

*Some banks have introduced into their portfolio a service called. Offer Art. Concierge. Consultants offer their assistance in the field of investment in the arts, in the searching and purchasing of specific works, as well as providing current information on the market. Developing Private Banking offers advisory services in the purchase or sale of works of art, and also provides evaluation services, collections management, and organizes seminars and conferences related to educating customers in the field of investment in the arts.*

*In the past few years, the sector of art on the Internet developed extremely quickly – Currently, there are more than 300 players currently operating in this market in the world. The internet increases its influence in the way the deals are made in the art world. Christie's reported a rapid development of its digital platform bidding, and companies such as Artnet.com and Paddle8, Fineartamerica, Etsy and Amazon Art in USA, Artprice France, Saatchi Online in UK. It is expected that in a few years, the Internet will take over a large part of the market share. This is the fastest form of presentation and sale of works of art.*

*Interest in the art market in Poland is constantly growing. Experts believe that Poland is currently one of the more dynamic art markets in Central Europe. According to the survey of the Institute of Skate's Art Market Research, the total number of properties sold at auction in the last 20 years (1991-2011) amounted to 500 million zł, in the year 2012 it exceeded the limit of 60 million zł - representing a nearly*

*25% increase compared to 2011. The average annual rate of return on the Polish art market between 1989-2012 amounted to 25.7% (excluding inflation and costs of Auction).*

*The author of the publication is Arthur Kalinski,  
expert in the field of promotion of art and advisor for investment in the arts.*