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**INVESTMENT ATTRACTIVENESS
OF THE ART-MARKET ASSESSMENT**

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Abstracts: *The authors offer an original approach for the investment attractiveness of art-market evaluation. The set of parameters for investment attractiveness of art-market evaluation is summarized. The selected parameters that are the drivers for investment attractiveness of art-market evaluation are permitted to provide the basis for an in-depth analysis of an artist's market, tracking art price trends, demand at auction, and top prices. Based on the results obtained, the safe art-investing strategies could be developed.*

Keywords: *art-market, investment attractiveness, art-market assessment, art-investment strategies*

INTRODUCTION

Art market is widely considered as a market of alternative investment. Very often, the art is viewed as a 'safe haven' or 'store of value' in times of economic uncertainty and conditions of the stock market instability. Successful art investment requires the investor to establish a scenario of future economic and social development including international factors, such as exchange rate movements, cultural factors, and market preferences. Investment attractiveness of the art-market is viewed as a comprehensive indicator, which helps to evaluate the general dynamics of the art-market development and risks on art-investments.

RESULTS

A reliable and proven method to analyze the investment attractiveness of the art market is to use art market significant indicators from the art-market databases, which are summarized in *Table 1*. However, we should mention,

the presented databases have not been built to use the aggregate data and most often are used as the supplementary tool for the art advisory and appraisals. Moreover, these platforms offer the subscription or pay-per-search databases of auction results gathered from auction houses of varying scales worldwide. Taking into account the lack of transparency and public availability of the art market data, the information needs to be critically considered to avoid the high risk in the art investment decision-making process.

Table 1

The set of parameters-drivers for investment attractiveness of the art-market assessment

<i>Measures of the art market performance</i>	<i>Authors</i>	<i>Description</i>	<i>Estimated results</i>
Sotheby's Mei Moses Index is the preeminent measure of the art market state, used to compare the art performance by the subcategories, identify trends and internal dynamics of the art market, as well as to understand the art market's relationship to extensive economic and societal factors	Jianping Mei, Michael Moses, New York University Stern School of Business in 2002	Index is based on the analysis of over 80000 repeat auction sales over 200 years (from 1810) of art history for the same art-object over time in order to control of differing levels of quality, size, color, maker, and aesthetics of the art-object	1950-2018, Realized Return (compound annual growth rate is the change in price between two auction sales, in percentage terms, spread across the number of years between auction sales) 8.8%
Blouin Art Sales Index (BASI)	Privately owned platform	It is a well-established online industry, an art market research tool letting art collectors, investors, researchers, analysts and scientists to use a comprehensive database of the fine art auction prices, updated with the most recent auction results. The platform gets access to 9.7 million records from 425,000 artists and 3,000 auction houses starting from 1922. It is the only database to perform analysis on the art market fully	BASI shows that the true annual return of art-object as an asset class between 1960 and 2013 was closer to just 6.3 %

Table 1: continued

<p>Arnet's Price Database</p>	<p>It is assembled by a publicly listed German company. This index tracks market trends for over 4,300 artists since 1980</p>	<p>The index is based on the price database that contains over 3.7 million auction results. The index uses key characteristics: a lot transaction data, bought-in statistics, sales, price levels and auction estimates to make a system that illustrate art market performance. The database covers a wide range of world auctions occurring periodically, and constantly updated</p>	<p>Since 1999 artnet.com AG has been listed on the Neuer Markt of the Frankfurt Stock Exchange; moreover, since 2004 Artnet has established solid partnerships with Sotheby's and with Art Basel</p>
<p>Contemporary Art Index C50</p>	<p>It is assembled by a publicly listed German company on the extensive data collection of Arnet's Price Database</p>	<p>Contemporary C50 index offers a reliable ranking of the top 50 contemporary artists</p>	<p>Artist Market Reports provide in-depth analysis on an artist's market, tracking price trends, demand at auction, and top prices</p>
<p>Artprice Index Market Artprice Global Artprice100®</p> <p>This is a databank of 30 million auction prices and indices, auction results and 635,000+ artists. Coverage from 1983. Lists upcoming auctions for over 6300 auction houses. Archive of 210,000 fine art auctions</p>	<p>Artprice Founder and CEO, Thierry Ehrmann (1997)</p> <p>Its objective is to monitor and quantify the art market value accretion by focusing on its most stable elements. This index helps in Artprice's panoply of proprietary decision-support tools. Starting from January 2000, an investment is made on the 100 artists; whose auction results are the most regular (constant) and the highest (in turnover terms) during the previous 5 years (i.e. 1995, 1996, 1997, 1998 and 1999)</p>	<p>Artprice is a French database created in 1987, and is one of the most complete in terms of auction numbers and artists analyzed. The database includes over 700,000 artists; once chosen via the search engine the artist who wants to deepen, offers the user a complete vision on all the most important aspects, from the record award prices, images, estimates of the works not yet sold, price levels, indices, also a biography. The index provides essential information. The artists included are the most famous over the previous 5 years</p>	<p>Over 18 years, the Artprice100® grew by 360% generating an average annual return of 8.9%. This approach to investment in the Art Market allows the financial and investment community to apprehend the Art Market via the art of "index management", a possibility that was hitherto non-existent. The average annual return of 8.9% shows the profitability of the art market's most stable segment</p>

Table 1: continued

<p>Art Market Confidence Index (AMCI)</p>	<p>Constructed by a publicly listed French company, this index employs the same method used to compute the Consumer Sentiment Index</p>	<p>The AMCI surveys the users of Artprice.com asking them four questions with three possible responses: positive, negative or neutral. The index aims to survey 1.3 million members and art-market participants in pursuit of identifying the general feelings surrounding the market. If AMCI is positive, it is a good time to invest</p>	<p>The progression of the index allows to follow in real time the reactions of the art market actors in relation to the issues of current relevance (stock exchange variations, geopolitical events, results of media sales or exogenous events that can affect economies world)</p>
<p>ArtTactic's Art Market Confidence Indicator (ArtTactic CI)</p>	<p>Produced by ArtTactic, this index illustrates the average number of positive answers to a biannual survey</p>	<p>The system is similar to the CEO Confidence Survey. The questions are distributed to a group of 160 "art insiders". Using the average relative value as a benchmark to define the indicator value for each question, the index then averages the indicator values of different questions to create valid indicators</p>	<p>Estimating the ArtTactic CI is the best way to determine the mood of the top art market players before deciding to make major investments</p>
<p>400-component index for Chinese painting</p>	<p>Art Market Monitor of Artron (AMMA) has developed to reflect the impressive evolution of the Chinese painting market in the long-term</p>	<p>The index is calculated with the latest 5-year auction data of 400-selected Classic, Modern, and Contemporary Chinese painting artists from the major auction houses. The index is established at value of 1,000 in the base period of Spring 2000</p>	<p>The data from AMMA's 400-component index for Chinese paintings shows that sales in autumn 2018 reached \$49,288,600, an increase of 7% over the previous semester, and this index is currently sitting at 6,606 points, a drop of 5% compared to the previous semester</p>

Source: according to Sotheby's Mei Moses Index (2020); Mei, & Moses (2002); Blouin Art Sales Index (2020); Arnet's Price Database (2020); Contemporary Art Index C50 (2020); Artprice Index Market Artprice Global Artprice100® (2020); Art Market Confidence Index (2020); 400-component index for Chinese painting (2020)

The selected set of parameters-drivers for the investment attractiveness of the art market assessment provides the basis for an in-depth analysis of an artist's market, tracking art price trends, demand at auction, and top prices.

DISCUSSION AND CONCLUSIONS

Changing economic conditions and market conditions require continuous monitoring of the parameters-drivers of the art-market.

Based on results of this research we can conclude that the art-investors should monitor the indexes of the art-market investment attractiveness on the constant base, which will bring some transparency in the condition of lack of sales data available.

Still, the annual rate of return for artworks is uncertain, with different results produced by different indexes. The calculations of returns are limited to a small database of public sales and omit private transactions, which make up over half of the investment-grade art market. These indexes also ignore the pieces of artwork that fail to sell at auction each year.

At the same time, the art-market indicators of investment attractiveness similar to the NASDAQ and the S&P 500. They help to assess whether the art is a good investment, and to make assumptions about the art-market and to develop the art-investment strategy.

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