

RESIDENTIAL RESEARCH



ART SPECIAL.

Luxury Investment Index 2015



INTERNATIONAL DEMAND
DRIVES PRICES

ART MARKET
PERFORMANCE IN FOCUS

THE RISE OF THE
PRIVATE MUSEUM

Global demand pushes art up investment agenda

Art is outperforming the wider luxury investment sector, according to the latest results from the Knight Frank Luxury Investment Index (KFLII)



Fine art and luxury property have always gone hand in hand. The best works of art need the best spaces to display them in, and many of Knight Frank's clients are discerning collectors. That is why we are delighted to have attended Art Basel Miami last December and TEFAF Maastricht 2015. To mark this growing relationship between art and property, we have created this special "art edition" of the unique Knight Frank Luxury Investment Index.

I hope you enjoy reading it

ANDREW SHIRLEY
The Wealth Report Editor

In 2014 the overall value of KFLII rose by 10%. But art increased by 15%, fractionally behind cars, the index's top performer, which rose by 16%.

However, while the annual price growth of cars decelerated sharply compared with 2013 (when values rose by 47%), growing international demand helped push art up another gear. The art index used in KFLII is now 15% higher than the peak it reached in 2008, before the fall-out from the global financial crisis (GFC) wiped almost 30% off its value in just 18 months.

"It is now a truly global market," says Celine Fressart, Head of Special Projects at 1858 Ltd, an art advisory business. "There is hardly a country in the world now without a serious collector."

In 1990 there were 17 nationalities represented in the list of the world's top 200 art collectors, according to data published in the *TEFAF Art Market Report 2014*. By 2013 that had risen to 29.

This increasingly diverse base helps to explain why the art market recovered so quickly following the GFC, says Dr Clare McAndrew, author of the TEFAF report. "It took over 10 years for the market to really recover from the Japanese boom and bust that the market went through in the early 1990s."

The total value of the international art and antiques market hit €47.4bn in 2013, close to its all-time high, with even higher sales expected in 2014, adds Dr McAndrew.

According to the results of *The Wealth Report 2015 Attitudes Survey*, 63% of wealth advisors and private bankers report rising interest from their clients in art. "Wealthy individuals are increasingly viewing art as a way to diversify into a safe-haven investment asset," says Ms Fressart.

Looking forward, Ms Fressart expects the demand for art to remain strong, especially as more young collectors enter the market.

A number of records have already been broken this year. These include the £30.4m sale of Gerhard Richter's

Abstraktes Bild by Sotheby's – the highest auction price for a living European artist – while Paul Gauguin's portrait of two Tahitian girls set a new high for an individual work of art after its reported private \$300m sale to a Qatari buyer.

In conjunction with auctions, art fairs such as TEFAF are playing an increasingly dominant role in the market and are helping to increase its international appeal, says Peter Osborne of London's Osborne Samuel Gallery, a regular TEFAF exhibitor.

"The number of fairs has tripled over the past 10 years and there are more private jets at TEFAF than anywhere else in the world. Collectors are less interested in building up a relationship with a gallery and like to shop around."

However, Mr Osborne warns that a lot of the art being sold around the world should not necessarily be viewed as an investment. "There is so much contemporary art available now that people need to think very carefully about what they are buying. A contemporary art auction sale these days might have two or three times as many lots compared with 10 years ago. It is very possible that some of these works will not stand the test of time."

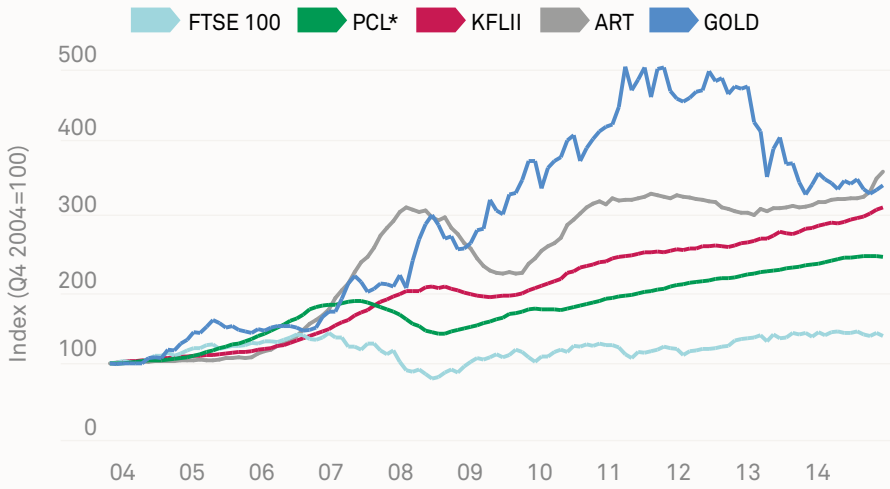


The Wealth Report 2015

The Luxury Investment Index is part of *The Wealth Report*, which is published annually in March by Knight Frank.

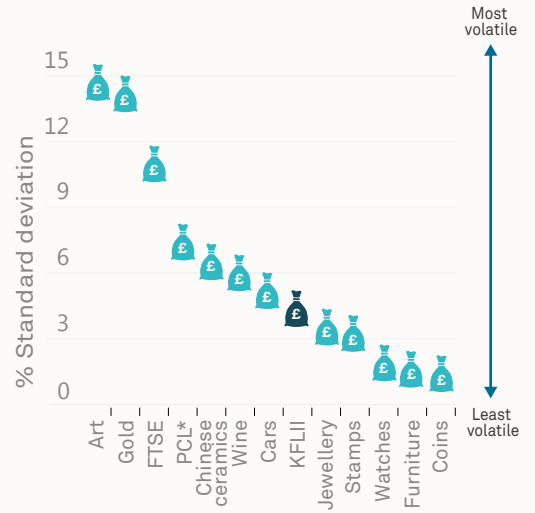
For more details please go to www.knightfrank.com/wealthreport

KFLII performance versus other asset classes (to Q4 2014)



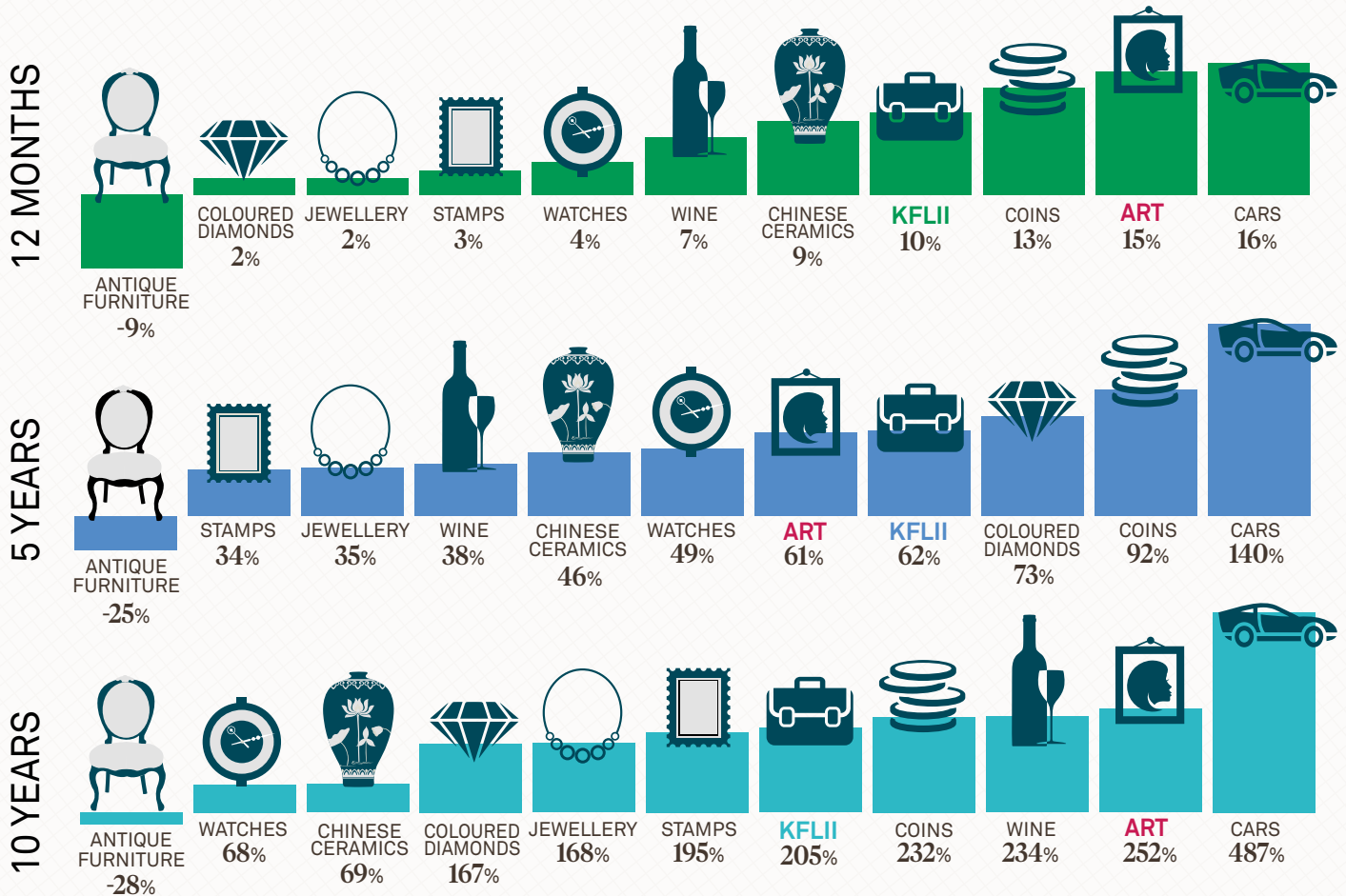
*Knight Frank Prime Central London Residential Index
Source: Knight Frank Residential Research

10-year asset price volatility



Based on six-monthly price points
Source: Knight Frank Residential Research

KFLII performance by asset class (to Q4 2014*)



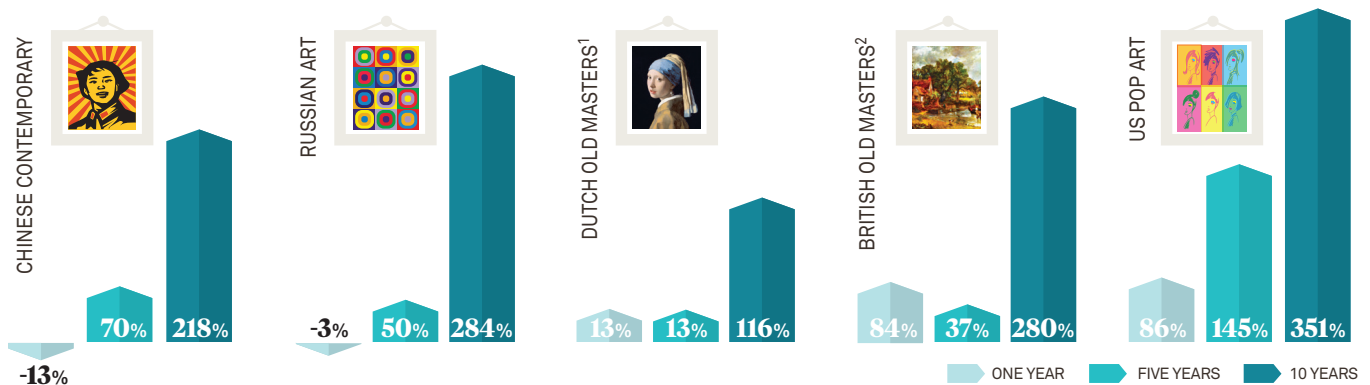
*Except coloured diamonds (Jan 2005 to Oct 2014)
Source: See back page for details of data suppliers

Markets in focus

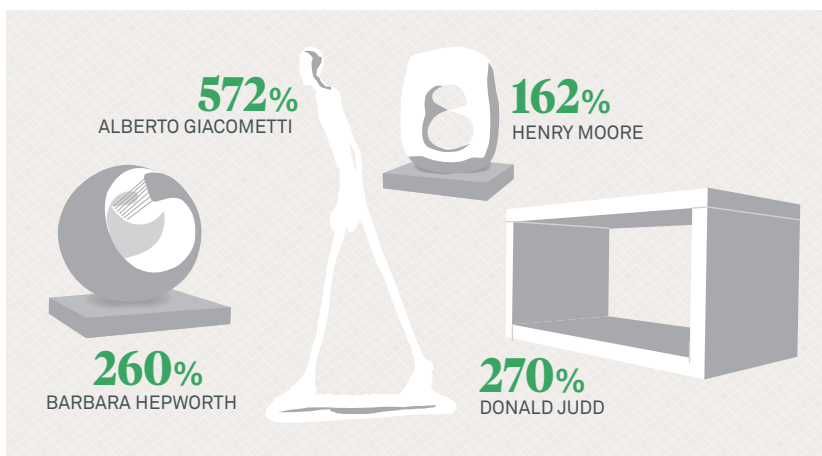
The historic performance of art and furniture varies considerably by genre, sector and period. Dipping into the extensive databank of Art Market Research we highlight some key trends of recent decades

Performance of art*

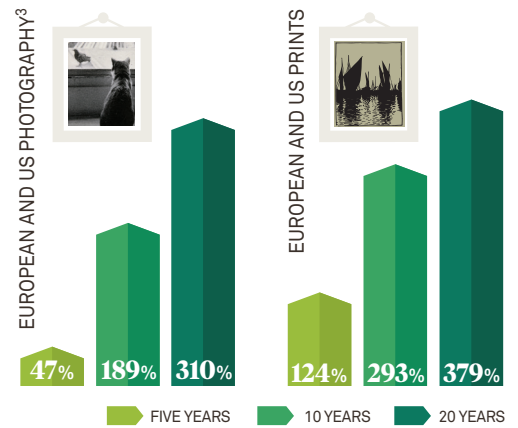
Paintings (auction sales to January 2015)



Sculpture (auction sales to Q4 2004 to Q4 2014)



Photography and prints (auction sales to Q4 2014)



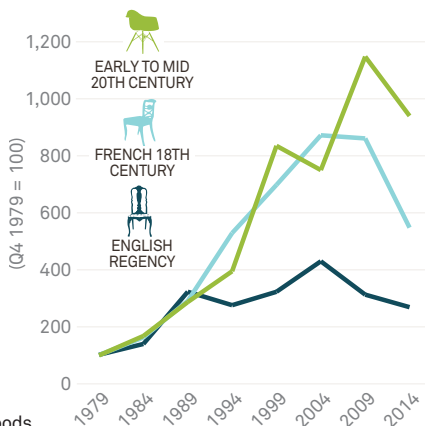
*All data based on central 80% of auction results for specific artists and genres

Performance of furniture and decorative art*

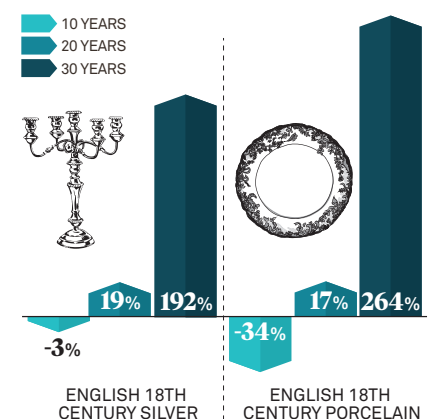
Jewellery (Q4 2004 to Q4 2014)



Furniture (to Q4 2014)



Silver & porcelain (to Q4 2014)



* All figures based on expert revaluation of a basket of goods

All data: Art Market Research

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Rise of the private museum

The globalisation of the art market is helping to bring art to everybody, not just the walls of the wealthy. Andrew Shirley talks to Ramin Salsali, a real-estate developer and art collector at the forefront of the burgeoning private museum movement



Ramin Salsali in the private museum he has established in Dubai

Ramin Salsali has a knack of being at the vanguard of the trends shaping the art world.

Take his very first works, purchased in the mid-1980s when he was just 21 and living in Germany after leaving his native Iran a year earlier. "I bought four paintings from my neighbour, a graffiti artist called Kiddy Citny," Mr Salsali recalls.

Citny sprayed many of his most iconic creations across the infamous Berlin Wall. After the wall was pulled triumphantly down in 1989, large chunks of it covered with the artist's motifs were shipped around the world. They now stand in leading museums, public spaces and buildings.

Graffiti and street art, epitomised in the UK by the anonymous Banksy, is currently one of the most collectable art genres, according to some commentators.

Mr Salsali's later acquisitions, however, took a different, but nonetheless pioneering, direction. About half of his collection, he tells me, is now by contemporary Middle Eastern artists, such as Hazem Harb and Sara Rahbar, or is connected to the region.

"Firstly, I wanted to collect that kind of art because I liked it, but also there was a gap in the part of Europe where I was living. Middle-Eastern art had just not arrived in Germany and Switzerland and I wanted people to be able to see it."

For somebody so keen to share his art with the world, a private museum was the obvious next step. "I was always planning some kind of public space," he says. Having spent a lot of time in Dubai, the emirate seemed the right place to once again break new ground.

"In the mid-1990s Dubai was culturally below zero," he explains. People worked there and then left. They had no allegiance or attachment to the city. I wanted to give something back and help to create a cultural centre that could change things. Private museums are a very important aspect of the development of a city and its communities."

After a hiatus caused by the global financial crisis, the Salsali Private Museum was eventually founded in 2011, and numerous galleries and public museums have also opened or are due to open across the UAE. "Dubai is now considered a hub for art and culture," says Mr Salsali with some pride.

New openings

Around the world Mr Salsali estimates there are over 550 private museums and more are opening all the time, particularly in Asia where some of the largest are competing with the big public museums in terms of gallery space. "There is one in China that is 12,000 square metres, and another that is based around a 60,000 square-metre garden containing seven private museums."

But does he worry that in a world where the gap between rich and poor is under increasing scrutiny, private museums could be perceived as another way for the rich to flaunt their wealth? Mr Salsali insists that is emphatically not the case. "Many collectors see their museums as a kind of philanthropy and do offer a free-of-charge place for under-privileged parts of their communities to enjoy the art."

However, he acknowledges the issue is a real one. "It can create a lot of tension and there are risks if we do not contribute to narrow this obvious gap."

As well as providing people with access to art they would not usually get to see, Mr Salsali believes private museums can talk about social issues and contribute to public awareness in a way that public museums cannot. "They are mainly silent observers," he notes.

Another important difference, he highlights, is that private museums can foster young talent and contribute to the actual creation of art. "Although they offer a joy that cannot be quantified for the collector, the main benefits are to the artists."

Although private museums fulfil many functions that public museums cannot, they have always suffered from one disadvantage, says Mr Salsali. "Isolation is a problem. There hasn't been much communication between us, which is very sad. One voice is not strong."

That could be about to change though with the creation of the Global Private Museum Association, an initiative by Philip Dodd, of which Mr Salsali is a founding member. He says the association will offer many advantages and potential synergies in terms of sharing costs and, most importantly, ideas.

And does he have any advice for other collectors considering setting up their own museum, I ask as we finish one of the most fascinating conversations I have had for a long time. "Don't underestimate the amount of work, keep things simple and don't be afraid to make mistakes," says Mr Salsali.

With his encouragement, more people around the world will undoubtedly be enjoying the pleasure of art from private collections that would otherwise remain hidden away.

The Global Private Museum Association will be officially established on 20 May at the Global Private Museum Summit held at Art15, London, sponsored by Citi Private Bank.



GLOBAL BRIEFING

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Data digest

The Knight Frank Luxury Investment Index (KFLII) tracks the performance of a theoretical basket of selected collectable asset classes using existing third-party indices (see below). Each asset class is weighted to reflect its relative importance and value within the basket. The third-party indices selected are widely used by the media and analysts to track the performance of each asset class, but Knight Frank can take no responsibility for their accuracy or independence. The index does not take into account any dealing, storage or management costs.

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INDEX SOURCES

Art	Art Market Research
Chinese ceramics	Art Market Research
Antique furniture	Art Market Research
Jewellery	Art Market Research
Watches	Art Market Research
Wine	Wine Owners
Classic cars	Historic Automobile Group International (HAGI)
Stamps	Stanley Gibbons
Coins	Stanley Gibbons
Coloured diamonds	Fancy Color Research Foundation

Please contact andrew.shirley@knightfrank.com for more details of each index

The Knight Frank Luxury Investment Index

	Index change	12-month change	Five-year change	10-year change
Dec-04	100	-	-	-
Jun-05	105	-	-	-
Dec-05	109	9%	-	-
Jun-06	113	8%	-	-
Dec-06	119	9%	-	-
Jun-07	133	17%	-	-
Dec-07	154	29%	-	-
Jun-08	181	36%	-	-
Dec-08	195	27%	-	-
Jun-09	196	8%	-	-
Dec-09	188	-4%	88%	-
Jun-10	199	2%	89%	-
Dec-10	221	17%	103%	-
Jun-11	238	20%	110%	-
Dec-11	246	11%	107%	-
Jun-12	251	5%	89%	-
Dec-12	253	3%	65%	-
Jun-13	264	5%	46%	-
Dec-13	277	9%	42%	-
Jun-14	286	8%	46%	-
Dec-14	305	10%	62%	205%

Front cover: Dance XII by Lynn Chadwick (1958). Courtesy of Osborne Samuel Gallery, London. Price £350,000.

Contacts and acknowledgements

HAGI www.historicautogroup.com; Stanley Gibbons www.stanleygibbons.com; Wine Owners www.wineowners.com; Fancy Color Research Foundation: www.fcresearch.org; Art Market Research www.artmarketreport.com. AMR also tracks the price-movement of: sculpture, silver, porcelain, toys, carpets, clocks, photography, prints and many other collectibles. For more information contact info@artmarketresearch.com

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