

Art as a Marketable Investment?

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ABSTRACT

The demand for art today seems higher than ever. The 21st century has witnessed the highest sales of art in the history of the global art market. Record-breaking sales at the high-end market are catching attention worldwide such as for instance the sale of Leonardo da Vinci's *Salvator Mundi* which was auctioned in November 2017 for USD 450 million making it the most expensive painting ever sold at an auction. Although the potential of art as marketable investment underlines its growing recognition as an alternative investment type, the question, whether art can keep pace with other investment types seems to remain a controversy.

Given the comparatively ambiguous performance of traditional asset classes as well as the uncertainty of today's stock markets, low interest rates as well as increasing prices for real estate in the recent years, investors are more and more deliberating alternative investment types. There is a trend observed towards passion investments and investment portfolios become increasingly allocated to passion investments such as investments in art and artefacts.

In contrast to any other asset, art is special and in contrast to any other market, the art market is highly complex. The latter is – on one side – characterized by its unique nature, its exorbitant price increases, low correlations to stocks and bonds and emotional returns and – on the other side – is subject to several risks, asymmetry of information, absence of regulation, lack of verifiable and meaningful data, non-transparency, illiquidity and high transaction costs. Consequently, the applicability of common financial techniques applying for other investment types is limited.

The goal of this thesis is to carefully examine the investment adequacy of art and attempts to answer the question, whether art is a marketable investment or whether investments in art are no more than a cultural patronage that provides its owner with an emotional dividend at most. The key findings are supported by an analysis of the contemporary global art market and its legal framework as well as by a comparison of art with other investment types.