

**THE GORDON GALLERIES GUIDE
TO INVESTING IN ORIGINAL ARTWORK**

from your friends at
www.gordongalleries.com

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INTRODUCTION

Many people feel uncomfortable entering the world of art collecting. Perhaps you've spent the greater part of your life learning the skills needed to excel in your own field of endeavor, and didn't have time to learn a lot about fine art. You've built a successful career, taken care of your family, invested in other areas. You've done well; you feel good about what you've accomplished, and you should! But wouldn't it be fun to invest in something beautiful that you can enjoy as it grows in value?

Haven't you always wondered what it would be like to be knowledgeable about art? To be able to walk into any gallery in the world, know what you like and how to speak about it confidently?

That's why we are delighted to offer you this guide that clarifies some important concepts and terms that can help make that dream a reality. Granted, this is merely a starting point. You may study art all your life and never learn all there is to know — that's part of the fun! But we can answer some basic questions and point you in the right direction. The rest is up to you.

IS ART A GOOD INVESTMENT?

The good news is: yes, art CAN be a very lucrative investment. But in all honesty, that 'yes' needs to be qualified with a caveat: that's *if* you know something about what you are doing. Obviously, not all original art has investment potential. Later in this guide we'll discuss how to recognize the characteristics of a good piece of art. For now, let's assume you've read this guide, done your homework and chosen wisely.

WHAT'S HAPPENING IN THE CURRENT ART MARKET?

Experts at My.Art.Net estimate that the global art market is worth more than \$250 billion. Not only is there a great deal of interest in acquiring these treasures, but more and more people are becoming 'art educated', thereby increasing the market for fine art at an almost exponential rate. These factors, along with the proliferation of art-related websites and other publications, combine to paint a very bright future for art investors worldwide.

Eric Smulders of the Masters Painting Collection, Hong Kong, notes, “Prices of art are increasing. The generally buoyant global economy has sparked consistent demand, driving values up. As museums, private collectors and art trusts continue to acquire works (many of which will not ever be put on the market again) supply becomes scarce.”

The reality is: good art has always been a sound investment. Perhaps that is why so many major world leaders throughout history have always been interested in acquiring as much fine art as possible. The future outlook is at least as bright as ever.

We believe the international art market is on the verge of the greatest increase in values since the Renaissance. With some knowledge of how to invest, you can take advantage of this trend.

WHY INVEST IN FINE ART?

Patrick O’Brien, Art Analyst for World Venture Funds, details the following reasons.

- *Performance*—Art has consistently been recognized as one of the best strategies by the Wall Street Journal, USA Today, Consumer’s Digest and other respected financial publications.
- *Liquidity*—Investors, collectors, dealers, Wall Street cash funds and auction houses all serve to create a ready cash market for artwork.
- *Inflation hedge*— Artworks have traditionally outpaced inflation by a wide margin.
- *Tax-deferred growth and confidentiality*—As collectables, artworks are not subject to government disclosure rules. Transactions remain confidential. No taxes are imposed unless/until the artworks are liquidated.
- *Physical possession*—One of the many benefits of owning artwork is exactly that: you own it. It is in your possession to buy and sell as you choose. You also derive the aesthetic benefits of fine art in your residence or place of business.

Notice point number one: *performance*. That’s what we’re most interested in, isn’t it? Interestingly, original art outperformed all other investments consistently during the rocky, unstable year of 2001. On the next page are some figures:

TOP TEN BEST PERFORMERS

(as of January 1, 2002)

Art	\$23,496*	AMEX	\$7,700
Rare Coins (high grade)	22,700	NYSE	7,300
Rare Coins (low grade)	15,700	Growth Funds	7,150
Utility Stocks	9,200	S & P 500	6,400
Blue Chip Stocks	8,700	NASDAQ	2,900

*Dollars listed in values of \$100K, research by World Venture Funds, Inc.

Other experts concur:

“Invest in art...and enjoy your investment. Those who had the foresight and flair to buy “the right stuff” forty years ago now have on their walls more money than the smartest investors in real estate or stocks. Forty years ago one could buy a Dufy or a Warhol for \$500. This Dufy or Warhol enriched the surroundings of its owner, was admired (envied?) by all who viewed it, and is now worth in excess of \$500,000.” — Modarco Investments

Marion Kahan, exhibition manager for the famed Guggenheim Museum, has said, “Collecting art can be one of the most enjoyable ways to spend your money. An engaging work can provide its owners with a lifetime of visual pleasure—and then fetch cash.”

Jay Spectre, in an article entitled “The Designer’s Choices” published in Architectural Digest magazine, is quoted as saying, “A great deal of original art is not outrageously priced, and I believe people should take a lot more time to seek it out. Young artists are the hope of the future, and there is nothing so rewarding as buying a work by an unknown artist and tracing his career.”

Citigroup Private Bank agrees with Mr. Spectre. Their website makes the following statement explaining their motivation in guiding clients in the arena of art investment. “Owning art is a rewarding experience. Art offers and opportunity for portfolio diversification and financial gain. Art is a tangible asset that can appreciate in value. It can bring beauty to your surroundings and be a source of learning and pleasure.”

WHAT ARE SOME OF THE BENEFITS FOR BUSINESS?

Cheryl McGrath, of Pluto's Edge, points out some of the less tangible benefits for business. "When you invest in fine art, you are using innovative vision to achieve employee motivation, while giving your customers and clients an important message about your company. You add a source of dynamics and cultural connections to the larger world. And, when your artwork reflects the culture of your company, its spirit becomes something both employees and customers begin to appreciate. It shows you really care about them, and that you are interested in going beyond the balance sheet in creating strength in your relationship."

We would also add that artwork that has as its subject matter the landscape or other features of your geographical location, or is created by a regional artist, sends the message that you are invested in your community and makes for excellent public relations.

Original fine art in the workplace tells your clients that you are a well-established firm with what it takes to stay in business for the long haul. It's a subtle presence that speaks of your success like nothing else can.

WHY OWN ORIGINAL ART PERSONALLY?

The same can be said of original artwork in your home. No amount of clever décor can equal the distinction and panache of original paintings on the wall or bronze sculpture on the mantle. These are the kinds of quality collectables that can be passed down in the family for generations, increasing in value all the while.

So, original art can be a very lucrative and enjoyable purchase. However, your long-term enjoyment depends on making good selections, so...

HOW CAN I RECOGNIZE A GOOD PIECE OF ART?

- Archival quality (also referred to as 'museum quality') Does the artist A) use fine materials that will last for the ages? B) demonstrate good craftsmanship? and C) have a knowledge of chemistry that enables him/her to construct the work in such a way that it is likely to resist premature aging? By the way, if a gallery can't answer your questions about these issues intelligently, or won't take the time to do so, hit the road and find a dealer who can and will.

Also, look for other points of good construction. For example, a painting on canvas should feature a tightly stretched canvas with the fibers running parallel and perpendicular to the frame, not wavy or crooked. You should not see bare canvas on the front of the painting, and the canvas should be evenly primed with good quality latex or traditional gesso (looks just like white house paint) especially if it is an oil painting. If this important barrier between the paint and the cloth is missing, the oil in the paint will rot the canvas over time. Always ask about the ‘support,’ that is, what kind of canvas, paper or whatever has been used. Paper should be acid-free or 100% rag paper, while canvas should be made of 100% cotton or linen. Jute canvas or paper made from wood pulp will rot and/or discolor very quickly.

The quality and construction of the frame is usually a good indicator of the quality of the materials used for the painting itself. Look for well-joined corners, hand-rubbed finishes, and attention to detail.

- *Livability* Do you really like the piece? Does it reflect your taste? You won't enjoy owning it if you got talked into the purchase. Is the subject timeless enough that you'll still like it in twenty years?
- *Some cohesive quality* among works by the same artist. The total body of work by one artist is called his ‘oeuvre’ (pronounced: ühv). Does the artist seem to be mature or is he still finding himself? An artist whose work is all over the place style-wise is not a good bet. Conversely, you don't want to invest in an artist who churns out cookie-cutter images of the very same thing over and over.
- *Consistency* Would the piece fit well with other pieces you collect (or would like to collect)? It is a good idea to build a collection that is thematic in some way, such as a commonality of style, subject matter or era, or many works by the same artist or group of artists. One might collect French Impressionist paintings, or contemporary Western art, or portraits by Nicolai Fechin, for example.
- *Originality* Is there something about this artist's work that makes it stand out? Could you recognize his style in a roomful of other artists' work? Is the style copied too literally from some master of the past or present? Is the depiction of the subject fresh, not hackneyed?
- *Mystery* Could you look at the work for a long time and still see new things? You'll tire very quickly of a painting you can absorb in one glance or even one afternoon. Something should be left for the viewer's imagination. A work of art that is too photo-realistic can get very old, very fast.

- *Good use of color* Look for neutrals as well as bright and muted color. Is there a pleasing relationship between warm and cool color? Warm colors include yellows, oranges and reds; while cool colors include blues, greens and violets.
- *Mastery of perspective and proportion* Do remote objects seem to recede into space in a realistic way? Is there a sense of atmosphere? Distant objects should appear cooler in color, grayer and fuzzier than objects in the foreground. Does somebody's arm seem noticeably too short? Take a close look with a critical eye.
- *Surface texture* Thin, transparent darks and thick, pasty ("impasto") light colors are good craftsmanship and good taste. Does the artwork make you want to touch it?
- *Composition* Are the objects or figures in the picture related to one another in a pleasing way? For example, the horizon should not fall exactly halfway up on the picture plane, which bisects the scene and causes tension. Dividing the picture into thirds is better design. Figures should have room within the picture plane, but not seem tiny and lost. Objects should clearly overlap or be separate, not have tangent edges. Is there a pleasing variety of textures in the composition? A clear focal point? A sense of rhythm? Balance?
- *Mastery of the illusion of three dimensions* Objects and people should seem lively and real, not flat. Shadows should be lifelike, yet subtle. Do all the objects in the picture seem to be lighted from the same source? That is, if the sun appears to fall on the trees in the foreground from the left side, then it should fall on everything in the composition from the same source.
- *Line quality* Look for some edges to be clearly defined, while others are smudgy and ambiguous. This is also called 'lost and found' edges. Organic shapes should be curvy and graceful, not labored and awkward. Think of a gazelle in flight as opposed to a lumbering hippo.
- *Varnish record* An oil painting should be thoroughly 'cured' — that is, allowed to dry for about six months, then coated with a thin, even layer of varnish. Damar varnish is reliable, but all varnishes yellow over time. Thus, all varnished works should be cleaned and restored by a qualified restorer/archivist every hundred years or so. Ideally, a qualified dealer should be able to tell you whether or not a painting has been varnished, by whom and when. The varnish record is an important factor in determining the value of a painting and how long it may be expected to last.

- *Provenance* (The ‘pedigree’ if you will) If you are not fortunate enough to buy the work directly from the artist, ask about where the work has been shown and who has owned it previously. A piece that has been in an important collection or owned by a famous person can be more valuable based on that fact alone.
- *Autograph* In dealing with a work by a very well-known historical artist, “autograph” refers to the degree of certainty that the artwork was created by the artist to whom it is attributed, not a student, copyist or forger.
- *Presentation* Look closely at the quality of the framing. Turn the piece over and look at the back. (Ask first so you don’t give the dealer a heart attack.) Look for solid craftsmanship, good materials, cleanly joined corners, etc. Of course, this is only an important consideration for relatively contemporary work. [If you are thinking of buying an antique, the frame may be of no comparative importance.]
- *Je ne sais quoi* (pronounced: jhu nuh say KWA; French for “I know not what”) That indescribable something. A really brilliant piece of work should haunt you, like the beautiful stranger you saw on the train. If the painting were translated into music, would you enjoy the melody? Don’t buy sappy, saccharine or maudlin work.

HOW DO I TELL WHETHER OR NOT A PARTICULAR ARTIST HAS INVESTMENT POTENTIAL?

“In the colorful world of art, the business of investing is black and white. You buy a piece of artwork, then hope the artist’s work goes up in value. Experts say you might not need to wait long. It can happen within hours of your purchase.”

This quote is from Robbie Woliver of Bankrate. He’s right, of course, but does the investment have to be so uncertain? Certainly not! As with other investments, you can become educated about the factors presaging success and make a much safer decision. Here are some of the indicators to look for when selecting an artist:

- *Career direction* Ideally you want to invest in an artist when he or she is on the cusp of fame — moving in a good direction, but not yet so famous that the prices are astronomical
- *Increase in prestige over time* It’s OK to start out in shows at the community college or art fairs, but credentials should mount in the career of an

- artist with investment potential. Look for mentions in the press, work in museums, international travel, workshops with other well-known artists, awards, one-person shows, grants, commissions, etc. Usually artists know who is up-and-coming before academics, dealers or galleries do.
- *Past performance record* What was this artist's work selling for ten years ago? Is it appreciably more now? The starving artist is a romantic but stupid notion. If he's starving, it may be because he's lacking in talent, lazy or just plain bad at business.
- *Depth* Does the artist produce something that has personal meaning for him/her? Or does he just seem to be churning out work in hopes of filling a convenient market niche? The work should say more than, "I had an afternoon to kill."
- *Passion* Is this artist committed to a lifetime of creativity? An artist who gives up and starts selling shoes mid-career is a poor candidate.
- *Conviction (yours)* Do you like what the artist seems to stand for? Art is like a permanent houseguest. Find some you will enjoy having around for a long time.

Finally, realize that YOU can have a lot of control over how a living artist's work appreciates in value. Since artists typically become well-known because someone else likes their work and talks it up, you can do many things to help your favorite artist achieve the kind of recognition that benefits you, the investor. Here are some practical ways to help highlight your favorite artist's work.

- Have a reception or dinner to introduce the artist to others. Publicize it on the society page or your local paper, in your corporate newsletter, or on your club's event calendar.
- Donate a piece to a museum or other charitable organization. Send out press releases with a photo.
- Have your business or organization sponsor an award honoring the artist or given in his or her name.
- Commission a portrait or a large public work.
- Attend gallery openings and invite others.
- Display original art in your place of business.

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