

**NEWS****Art comes of age as an investment for the wealthy**

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By Al Yoon

NEW YORK (Reuters Life!) - International businessman Nicolas Berggruen, the son of a famous art dealer, saw a rare opportunity to expand his father's renowned Picasso collection during an auction this month, but he was left empty-handed.

Fierce bidding at the New York sale may have sparked a degree of regret, but not surprise. Art lovers and investors from around the globe pumped prices of master works to record heights.

Berggruen said soaring prices at auctions and other signs suggest a growing market for art as investment with the very rich seeking tangible assets as the global economy remains "shaky."

"People have less and less confidence -- you can see in what's happening with the euro right now -- in paper money and more confidence in real things that are lasting, art being one of them," said Berggruen, who ranked No. 158 on the Forbes list of the 400 richest Americans in 2009.

Berggruen, who is accumulating works for an expansion of Berlin's Museum Berggruen, discounted the notion of a bubble forming in the art market. Two days after the auction, he wondered if maybe he should have gone further in bidding.

Asher Edelman, the founder of ArtAssure, Ltd., which guarantees prices on portfolios at auction, said art has never been in greater demand as an investment and is sought after by traditional buyers and those in emerging markets.

"You're at the beginning of the up-cycle in art," he said, adding that international buyers are suddenly playing a much larger role. "It's become an asset class, either subconsciously or consciously, for everybody."

#### **PENT-UP DEMAND, SOARING PRICES**

Art buyers who have not had the opportunity to purchase much since the financial crisis erupted in 2008, approached the spring auctions in New York with pent-up demand, Edelman said.

Pablo Picasso's "Nude, Green Leaves and Bust" sold for \$106,482,500 on May 4, a record for art sold at auction. The total \$224 million take from the collection

of the late Los Angeles patrons Frances and Sidney Brody, was the third best for Christie's.

Christie's Chairman Marc Porter said the auction house does not encourage buying art purely for investment.

"We recognize that clients are more keenly aware of alternative investment opportunities while the global financial markets remain somewhat volatile, and fine art is a stable store of value that tends to appreciate over time," Porter explained in an e-mail. "Our most recent sales in New York were a perfect demonstration of that."

The record-breaking Picasso had been bought for \$17,000 in 1950.

Turmoil in world stock markets over the past month and its impact on other securities and commodities markets should underscore the role that art can play in a portfolio, Edelman said.

Other real assets, such as real estate and precious metals, have carrying costs and trading restrictions, while art has fluency as a currency, he added.

Edelman thinks most money will be worthless over time as nations devalue currencies and inflation soars. The euro is falling hard, and since December has dropped to its lowest in 18 months as debts of Greece and other euro zone nations are seen crippling regional economies.

Edelman's work on guarantees is a step toward a more scientific future for art investors.

Drawing from experience in financial options while working with Nobel Prize winning economist Harry Markowitz in the late 1960s and early 1970s, Edelman and his staff are developing models that quantify everything around art sales aside from the subjective, such as historical price volatility and auction prices relative to estimates.

Once the models are perfected, he plans to create indexes that investors can use to make bullish or bearish bets.

(Additional reporting by Christopher Michaud; Editing by Patricia Reaney)