FINANCIAL TIMES

January 8, 2012 5:45 pm

Art market beats equities for second year

By Patrick Mathurin in London

The art market defied the economic gloom to return 11 per cent to investors in 2011, outpacing stock market returns for a second consecutive year.

The performance of the Mei Moses All Art index, a leading barometer of art returns based mainly on paintings sold in New York and London, beat the total return of the S&P 500 index of US equities by about 9 percentage points. The gap, the largest since 2008, was driven by strong growth in Chinese demand and high prices for the work of popular artists such as Andy Warhol.

The Mei Moses has beaten the S&P 500 in six of the last 10 years, with an average annual return of 7.8 per cent compared with 2.7 per cent for the benchmark US index. The Mei Moses tracks the prices at which individual works of art sell over time using repeat sales data, in a methodology similar to the S&P Case-Shiller property index.

“Art prices are not correlated to sudden swings in stock markets but their prices tend to match changes in wealth creation and destruction. I’m not surprised by this growth as we are not seeing the wealth damage of 2008-2009,” said Michael Moses, creator of the index.

The performance of the index was led by a strong contribution from traditional Chinese works, which rose 20.6 per cent during 2011, as Chinese investors sought to repatriate cultural assets that had been sold to western investors.

"With China there is massive wealth. And the new wealthy want to show off their prized works to friends. It doesn't take many to cause a surge in prices," said Philip Hoffman, chief executive of the Fine Art Fund Group, an investment manager specialising in art with about $100m under management.

Elsewhere, there were record auctions for paintings such Roy Lichtenstein's *I Can See the Whole Room…and There's Nobody in It!* which sold at Christie's in November, making gains in excess of $40m for its seller, who bought it for $2m in 1988. Andy Warhol's *Dollar Sign* also made big returns when it sold for twice its estimate at $698,500 in 2011, having been bought for $27,000 23 years earlier.

The relative buoyancy of the art market will be a relief for collectors, who were hit by the collapse in art prices after of the financial crisis.

However, Mr Moses warned that signs of slowing global growth were beginning to dent confidence. "Recent economic conditions have made art investors much more cautious and thus have tempered their enthusiasm, resulting in somewhat lower growth," he said. "If the economy continues to stagnate we could see darker days for art collectors."

Among individual categories of art last year, impressionist and modern art delivered returns of 14 per cent, postwar and contemporary art grew 6.4 per cent, while Old Master and 19th-century art increased modestly by 4.8 per cent.