Ken Griffin's Big Buys Aside, Art Market Shows Weakness

June 02, 2016 Danielle Beurteaux

Experts say premium purchases are few and far between and much of the rest of the market is depressed.


By Neil Webb

Citadel has had a run of good performance in recent years, and founder Kenneth Griffin has been spreading some of his attendant wealth to the art world.

At the end of 2015, New York's Museum of Modern Art announced that Griffin -- who ties with Renaissance Technologies founder James Simons to top Alpha's Rich List this year with $1.7 billion in earnings --had made an unrestricted $40 million gift to the museum. Earlier in the year Griffin donated $10 million to Chicago's Museum of Contemporary Art. He also went on a personal shopping spree, snapping up Willem de Kooning's Interchange for $300 million and Jackson Pollock's Number 17A for $200 million. (Griffin declined to comment.) But did he buy at the top of the market?

These ultra-high-end artworks, valued at $10 million or more, grab the headlines, but they are a small subset of overall sales. Most of the market is depressed by concerns about overpricing and lack of quality, and this has motivated collectors to avoid expensive trophy items and instead consider lesser-known yet undervalued established artists.

Karen Boyer, principal of Elements in Play, an art advisory firm based in New York, thinks some of the market is inflated. Boyer, who raised money for hedge funds before changing careers, says the current global economic instability hasn't resulted in art bargains, in contrast to what happened post-2008. "When people were scared and they were parting with their art, there were deals," she says. "Now I don't get that sense. I've seen a lot of great pieces way too highly priced."

The most recent report by the European Fine Art Foundation, which analyzes 2015 global sales statistics, supports Boyer's observation. Postwar and contemporary art, some hedge fund collectors' favorite category, is the largest segment of the market, with 46 percent of value and 41 percent of sales. But last year's auctions fell 14 percent in value over the previous year, and there were 20 percent fewer transactions. With fewer blockbuster works available, buyers behaving cautiously and a growth rate that's difficult to sustain, a market decline could be the new normal for the foreseeable future.

For investors, the art market is an opaque and unregulated environment with few official public records. Boyer is often asked whether art is a good investment. While she thinks it can be, it's not, she cautions, a commodity. "Two paintings by the same artist can have vastly different values," she says. Many

MOST READ

1. The Morning Brief: Icahn Joins Hedgies in Allergan Trade
2. Hedge Fund 100 Firm Profiles
3. The Morning Brief: Elliott Targets Cybersecurity Firm
4. The 2016 Rich List of the World's Top-Earning Hedge Fund Managers
5. The Morning Brief: Soros Family Office Vets Prep Fund Launch

hedge fund art collectors, Boyer says, focus on a few artists, which can affect the market for an artist's work.

Art market research company Skate's uses the 10,000 top public auction works by sale as an index for the market. Its Annual Art Investment Report 2015 puts their combined value at $55.7 billion as December 2015, with an ERR of 5.01 percent. While there are returns like the 21.06 percent realized when Roy Lichtenstein's "Nurse" sold for $95.4 million, the contemporary market has a high likelihood of negative returns, says Skate's head of research Sergey Glekov via email. The art market has cooled, says Glekov, noting that the 2016 winter auction sales -- one of the annual market benchmarks -- dropped 41.1 percent compared with 2015, and returns were down, too. "There were no repeat sales during the February contemporary evening auctions that produced greater than 20 percent in annualized returns," he says.

The key to treating art as an investment, says Boyer, is to think of art as a portfolio and diversify to balance risk -- but that's doesn't mean eschewing aesthetics. "I think you can buy what you love and also buy something of value," she says. "They're not mutually exclusive."

Still, hedge fund managers are hardly abandoning the art market. Griffin isn't the only hedge funder who's dropped serious money on art lately; Point72 Asset Management's Steven Cohen acquired Swiss artist Alberto Giacometti's *L'homme au doigt* for $141.3 million last year, a sculpture sale record. In 2014, Cohen acquired Giacometti's *Chariot* for $101 million. With his latest venture, Stamford Harbor Capital, Cohen has a new office to fill with his collection. Perhaps the art market is headed for a reprieve after all.

ISSN: 2151-1845