Investing in Art: How to Structure & Manage an Art Collection

STEP Arabia – Frontier markets & the future of our business

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Outline

1. Art: a few facts
   - Global market
   - Middle Eastern market

2. Collecting art …
   - When buying
   - When holding
   - When managing

3. Art & finance: trends
## Global art market: value & volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Value ($m)</th>
<th>Volume (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$35,903</td>
<td>28.2</td>
</tr>
<tr>
<td>2006</td>
<td>$54,425</td>
<td>32.1</td>
</tr>
<tr>
<td>2007</td>
<td>$65,875</td>
<td>49.8</td>
</tr>
<tr>
<td>2008</td>
<td>$62,020</td>
<td>43.7</td>
</tr>
<tr>
<td>2009</td>
<td>$39,511</td>
<td>31.0</td>
</tr>
<tr>
<td>2010</td>
<td>$57,025</td>
<td>35.1</td>
</tr>
<tr>
<td>2011</td>
<td>$64,550</td>
<td>36.8</td>
</tr>
<tr>
<td>2012</td>
<td>$56,698</td>
<td>35.5</td>
</tr>
<tr>
<td>2013</td>
<td>$63,287</td>
<td>36.5</td>
</tr>
<tr>
<td>2014</td>
<td>$68,237</td>
<td>38.8</td>
</tr>
<tr>
<td>2015</td>
<td>$63,756</td>
<td>38.1</td>
</tr>
</tbody>
</table>

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Global art market share by value 2015

- US: 43%
- UK: 21%
- China: 19%
- France: 6%
- Germany: 2%
- Switzerland: 2%
- Italy: 1%
- Spain: 1%
- Others: 5%
Private sales ...

- *The Card Players* – Cézanne
- Private sale in 2011 by Qatar
- Over USD 250 million
... Private sales

- *Nafea Faa Ipoipo* (When Will You Marry?) – Gaugin
- Private sale in 2015
- USD 300 million
Art: a few facts - Middle East (1/2)

Figure 10. Middle-East Modern & Contemporary art market (2007-2015)
Auction sales (in millions US$) based on Christie’s, Sotheby’s and Bonhams

Source: ArtTactic
Art: a few facts - Middle East (2/2)

- **Dubai banks** included for the first time in Deloitte Art & Finance Report 2016

- Middle-East Modern & Contemporary art market in 2015: **USD 23,93 million**

- Increasing interest in asset diversification and continuous desire for luxury goods
When buying

- Appraisal
- Applicable law & Disputes
- Contract
- Provenance (Stolen art)
- Cultural goods
- Intellectual property
- Insurance
- Customs & Taxes

Additional topics:
- Intellectual property
- Provenance (Stolen art)
- Cultural goods
- Insurance
- Customs & Taxes
Top legal issues to consider

- Valuation
- Conservation
- **Provenance**: stolen / looted art
- **Financial due diligence**: money laundering / terrorist financing
- Cultural good

- Contract
- Applicable law and forum
- **IP rights**: copyright, trademark, *droit moral*, *droit de suite*
- **Insurance**: damage, loss, authenticity, legal title
- **Taxes / Customs**
When holding

- Collector’s objectives
- Legal planning
  - Applicable law to the estate and matrimonial property regime
  - Legal structures: e.g. direct ownership, companies, trusts, foundations, donation to public museums
- Taxes
- Best practices
Top issues to consider

✓ Personal situation?
✓ Control over the collection?
✓ Public interest?
✓ Integrity of the collection?
✓ Protection against creditors?
✓ Applicable law and forum
✓ Conservation
✓ Taxes and customs
Options

- Direct ownership
- Companies
- Foundations
- Trust
- Donation
Best practices

- **Clear objectives**: e.g. unity of the collection, peaceful enjoyment, public exhibition
- **Legal viability**: clear deed, flexibility, transparent and clear decision process
- **Financial viability**: sufficient financial resources to fulfil the donor’s will
- **Operational structure**: supervision, checks & balance
Art & finance: trends

- A large majority of collectors buy art for passion with an investment view
- Clients demand art-related services as part of the wealth management offer
- Trends
  - Art funds
  - Financial products around artworks
  - Art lending
Conclusion

“Life is short, art long, opportunity fleeting, experience perilous, and decision difficult.”

Hippocrates
Thank you

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