ART MARKET REPORT

The traumas of the financial world may take a long time to work their way through the art market if the shake out of 1989-94 is any guide, reports TERRY INGRAM. But this time the art that might be "sacrificed" is more tightly held, and the Reserve Bank has released early the low interest money that fuelled the last art market recovery.

Sharemarket crashes tend to divert disillusioned investors' interest to alternative investments, sometimes to the art market. The Australian art market, however, may require several years to recover from the crisis that gripped world financial markets last year.

The disillusionment was not enough to sustain art price levels after the last sharemarket crash in September 1987 and from that, it is interesting to note that the art market emerged as a very different entity with a different cast of characters and an entirely new focus.

After the September 1987 crash, the Australian art market probably did not fully bottom out until nine years later in 1996 when Christie's sold in Brisbane, under instructions from the Official Receiver in Bankruptcy, the bulk of an art collection put together by Brisbane accountant James Baker intended for a museum of contemporary art he wanted to establish in that city.

In fact, between the market crash of 1987 and the James Baker sale in 1996, the Australian art market hit a high that it was not to match until the 2000s.

But this was a twilight period of false promise and heightened confidence, which lasted only until the receivers tracked down the last mortgaged pictures recuperable. In that time substantial new galleries opened - one by Melbourne dealer now turned auction-house proprietor Chris Deutscher and another in Sydney by Melbourne's Stuart Purves - and at least one art float was launched. The Sydney CBD-based Macquarie Galleries moved to swish new premises at Rushcutters Bay and the sale of contemporary art remained relatively easy for awhile as it tended to be cheaper than the "traditionalists".

This phenomenon was repeated in the 2008 end-of-year art sales when lower priced works tended to sell well and higher priced works were left on the shelves. For example, in the 2008 November sales, lots priced at $100,000 plus had rough rides while buyers were much more prepared to spend up to $50,000. Artists like eX de Medici, whose works sold in the region of $50,000, attracted some very keen competition.

The 1980s crash did not challenge the long held credo that well provenanced, one-off material that is seriously looking for a home will always find one. The market peaked on such material in June 1989 with the record breaking sale of the collection of Sir Leon and Lady Peggy Trout in Brisbane just as the financial crash began to take its toll. So, 18 months after the first very visible signs that the world economy was in crisis, Australian art was riding high.

But a lot of the Trout material, paintings by John Peter Russell and Arthur Streton, has come back into the salesrooms and these days they struggle in the marketplace.

Definitions of what is one-off and quality art change all the time.

Art, in some households under financial pressure, will be one of the last assets to be sold by owners looking to liquidate assets because it is a commodity requiring no title deeds. That means it can easily be whisked away from sight to a place where it might escape the scrutiny of financial administrators and receivers.

It took a long while and hard work - judging by constant press reports - for the liquidators of the assets of Alan Bond and Christopher Skase to establish the whereabouts, ownership and status of some of the art assets of these (and other) corporate high flyers of the 1980s.

Many of the big collectors of the 1980s did not even own their celebrated and often very public collections and so were much less the masters of its destiny than today. They leased most of the works and when the payments were overdue the finance companies moved in quickly to collect them.

By 1990 sales of art under instructions from finance companies were commonplace.

The big spenders of the 2000s art boom time may prove a little more elusive and the chase for their assets more extended, as their debts are personal rather than corporate. The money borrowed from banks for its purchase is secured against the equity in the owner's house, rather than the art itself acting as its own security.

(Finance companies were badly burned by art in the 1980s crash. They learned that art is not always easily liquidated, especially when it is bought at boom time prices and hard times have set in. They kept it at a distance this time around and they are not so physically secured on art.)

Much of the art bought by the big end of town in the 1980s was owned through public companies. When the companies began to struggle, the art went rapidly through the door and into the salesrooms.

In the latest boom, companies were mostly the sellers of art collections (as opposed to being the buyers of art) and forced company sales were rare. Companies tend not to have such valuable collections anymore. CEOs more often bought art for themselves.
rather than being proxy collectors via their companies – and this time have a little more choice as to what goes out of the door first when the big margin calls on their shares have to be paid. It could be art – or the holiday home or the yacht. In some households, art is one of the least likely assets to be sold because it at least demands less maintenance. It might also be withheld from the market because of sentimental attachments.

Collectors these days tend to know the artists in their collections and often socialise with them, whereas the stellar art of the 1980s boom was largely the work of dead artists. So even for the hard-boiled executive-type, selling out an artist could now be a no-no, at least if there are other assets that can go first.

A lot of the very best art bought in the latest boom was secured on the advice of request of art museum directors specifically to fill gaps in the collection and it went straight into public galleries, so it is unlikely to come onto the market ever again.

Whether the art market is in for a softer landing than in previous times will also depend on the yet-to-be-mapped extent of the current financial crisis.

After a gradual drift lower after the September crash, the US sharemarket fell 20 per cent on 19 October 1987 and the Australian sharemarket fell 25 per cent on 20 October 1987. This followed a three per cent rise in inflation in the US, two percentage point rise in US bond yields and the US Federal Reserve tightening interest rates just as entrepreneurial shares in particular had become hugely overvalued.

Australian shares fell 50 per cent and did not rise above the pre-crash highs until February 1994.

Daily headlines and financial commentary suggest the crisis this time around may be far more serious and complex. But central banks appear to have learned the lessons of the last recession and have moved quickly to reduce interest rates.

Low interest rates, which underpinned the art market recovery in the late 1990s, make non-income producing art look comparatively attractive and these low interest rates look like they are going to be around for some time.

Some of the prices paid in the 1980s have not still not been equalled and the dealer trade has never recovered. Several of its members left for overseas and have never returned.

The downturn bruised the auction industry...
but when art prices recovered they were generally paid at auction. Art consultants replaced art dealers as the auction industry built up a retail following.

In the twilight years of 1987-90, all the news was not good. The market experienced some very painful moments.

Streeton’s Hawkesbury River NSW (1896) was sold in 1990 for $770,000 against the $1.3 million paid three years before. John Glover’s The Bath of Diana was knocked down for an Australian auction record price of $1.9 million at Sotheby’s in June 1989 but the sale was never consummated. Frederick McCubbin’s Feeding Time, which made $630,000 in April 1986, sold for $462,000 when it was sold as part of Bond’s Dalholt collection in 1992.

Turnovers of lots offered at major auctions averaged around 50 per cent compared with a boom time 70 per cent, and totals shrank. This happened again in the 2008 year end sales. However, auction houses appear to have learned from the past and some auctions have comfortably exceeded this figure thanks to selective acceptance of stock and reserves.

In May 1990, van Gogh’s Portrait of Dr Gachet sold for US$82.5 million. This figure comfortably eclipsed the November 1987 auction record for any work of art, the US$83.9 million paid by our own Alan Bond for the same artist’s The Irises.

But the taste and focus of the new art market that emerged from the slump in the late 1990s were very different from the previous boom time market and this was not solely attributable to a price shakeout. The best pictures from earlier periods were no longer available. They had disappeared into public galleries and anyway, minimalism had taken root as the predominant feature of interior design. Out went the big gilt rococo frames and the works that were at home in them, colonial and impressionist paintings.

Once the bicentenary of 1988 had been celebrated, the enthusiasm for Australiana began to ebb. Few collectors wanted works by the leading colonial artist, Conrad Martens, anymore. They were too dark, complained one Australian tycoon, who sold his extensive collection.

The cracks in the market became most self-evident in November 1991 when, in the disposal of the Farrow collection put together for a Geelong building society, a landscape by John Peter Russell sold for $242,000 to Melbourne’s Dr Eric Stock. The work had been purchased two years earlier for $700,000.

The market in contemporaries followed.

At the James Baker sale, 758 lots were offered and works sold at sacrificial prices. Richard Godwin’s Vestibule for Viola sold for $2,800 against $15,000 in 1989. Scott Redford’s 1987 Floor Piece of five panels sold for $320, barely covering the cost of the three guitars incorporated into it.

In the mid-1990s, auction houses tried to hold specialised sales of contemporary art with very limited success. Ten years later this work, supported by the moderns, was the staple of most major art sales.

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**LOAN BOOST FOR TASMANIAN ARTISTS**

THE TASMANIAN STATE GOVERNMENT HAS INTRODUCED A LOAN SCHEME AIMED AT ENHANCING THE ART COLLECTIONS OF ITS CITIZENS AND THE LIVELIHOODS OF ITS EMERGING ARTISTS, REPORTS **MAXINE CLARKE.**

Following the French Government’s proposal earlier this year to revitalise French art sales by introducing interest free art loans, the Tasmanian Government has now announced its Collect Art Purchase Scheme, the first of its kind in Australia.

The Tasmanian scheme will make 12-month interest free loans of $750 to $7500 available to Australian citizens for the first purchase of artworks by Tasmanian artists bought from participating Tasmanian commercial galleries. The initiative includes works of sculpture, painting, drawing, furniture, new media and commissioned works, valued between $400 and $10,000, with Tasmanian dealers paying an annual $1000 licence fee to participate in the scheme.

In Europe, interest free art loan schemes, such as The Arts Council of England’s Own Art loan scheme and Wales’s 20-year strong Principality Collector Plan, have contributed towards supporting emerging artists and encouraging younger buyers into the market, therefore stimulating the art market on a national level.

However, the nature of the Tasmanian scheme – with finance available nationally for Tasmanian works purchased through Tasmanian galleries – is likely to have the effect of stimulating the Tasmanian art industry on a national scale, and will be of particular interest to younger collectors or those without ready finance.

With loans provided by the industry arm of Arts Tasmania, Department of Environment, Parks, Heritage and the Arts, and administered by the Department of Economic Development and Tourism, the scheme also has the potential to generate an increase in art tourism.

Another notable difference of the Collect Art Purchase Scheme is that while the French government’s approach to stimulation of the national art market included moves toward the relaxation of corporate art investment regulations, the Tasmanian scheme specifically precludes commercial or business transactions, providing an edge for individual collectors.

For more information about the Tasmanian art loan scheme visit: www.collect-art.com.au.