

## Recession for the Art Market?

The recent troubles with the mortgage lending industry have left the art world wondering about the impact on this very specialized industry. Art insiders were already wary that the record prices at fall and spring auctions could not be maintained. The contemporary market has seen unprecedented appreciation in prices, and a correction is anticipated.

The market crash from 1990 is still fresh in many minds, when galleries closed, and the auction houses withheld guarantees, laid off staff, and closed offices. The prices for contemporary artists fell by 50%, with many never recovering in value. The primary concern currently is that the market will be flooded by those trying to cash out, depressing of the value if too many works are available.

The art market historically lags six months to two years behind the stock market, so it could stake some time for the effects to be fully evident. Michael Moses, who created the Mei/Moses Fine Art Index of prices, said "It requires substantial change in wealth for a long period of time before people decide to change their investment decisions."

Long-term collectors like Eli Broad would welcome a price drop. The Los Angeles based collector/philanthropist reports that his insurance costs have exceeded the acquisition costs for many works in his collection. According to an interview with Bloomberg, "Some of the new buyers are genuine collectors and others are buying because it's the socially acceptable thing to do. Nothing should go up in a straight line, and we're looking at an adjustment like we had in 1989 and 1990."

Some are not worried that a recession is on the horizon, citing a diversification in the global market that can better support a possible downturn. The auction houses report that consignments have been constant, and that they are anticipating strong sales.

JSIS Insurance, September 2007