



# ART & FINANCE



## Why do you collect?

Passion

As an investment

Asset diversification

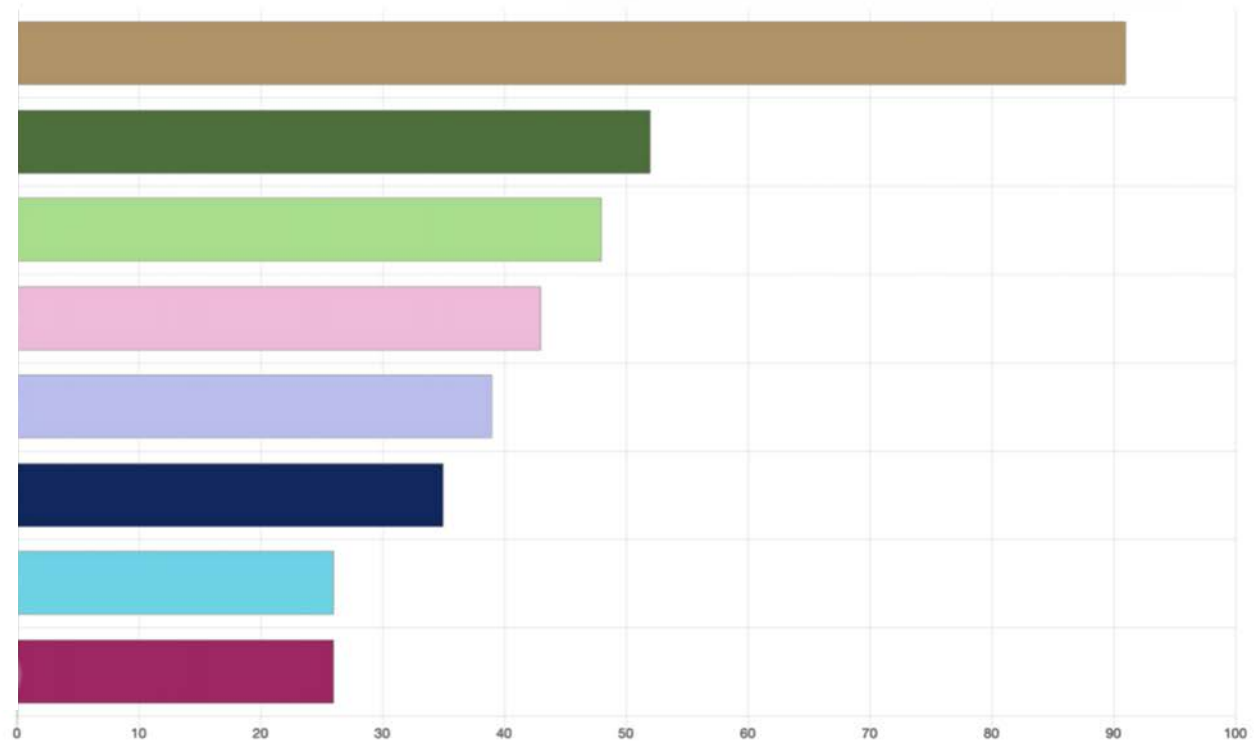
Support for the Arts & Culture

Knowledge purposes

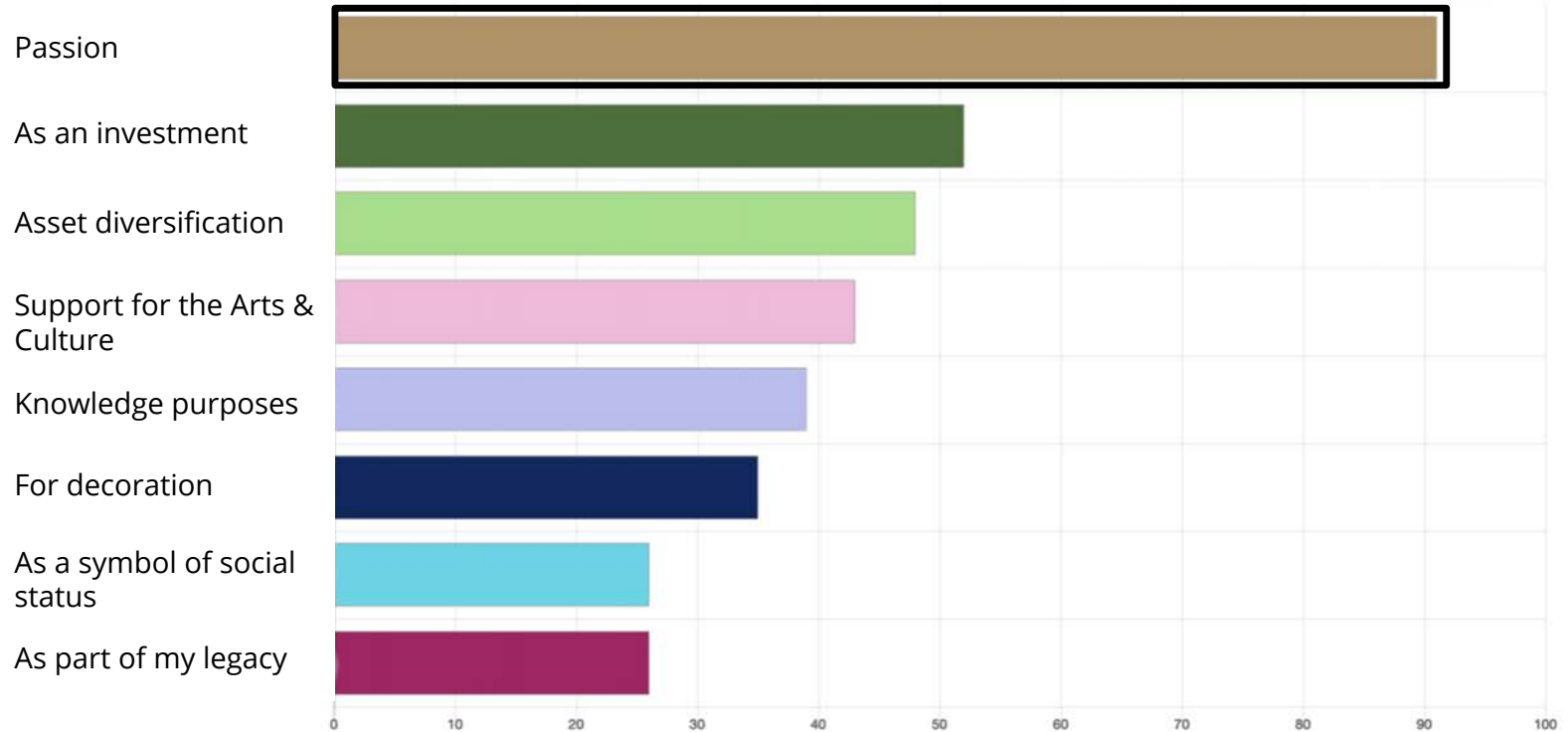
For decoration

As a symbol of social status

As part of my legacy



## Why do you collect?



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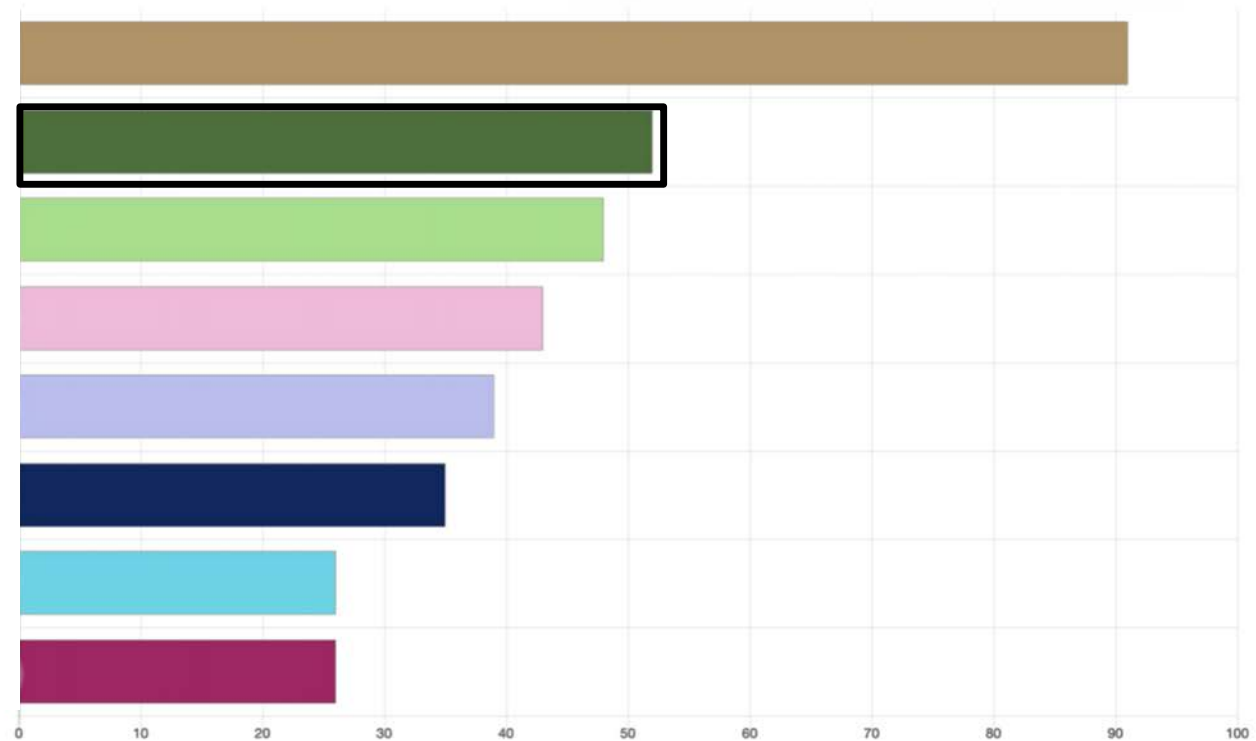
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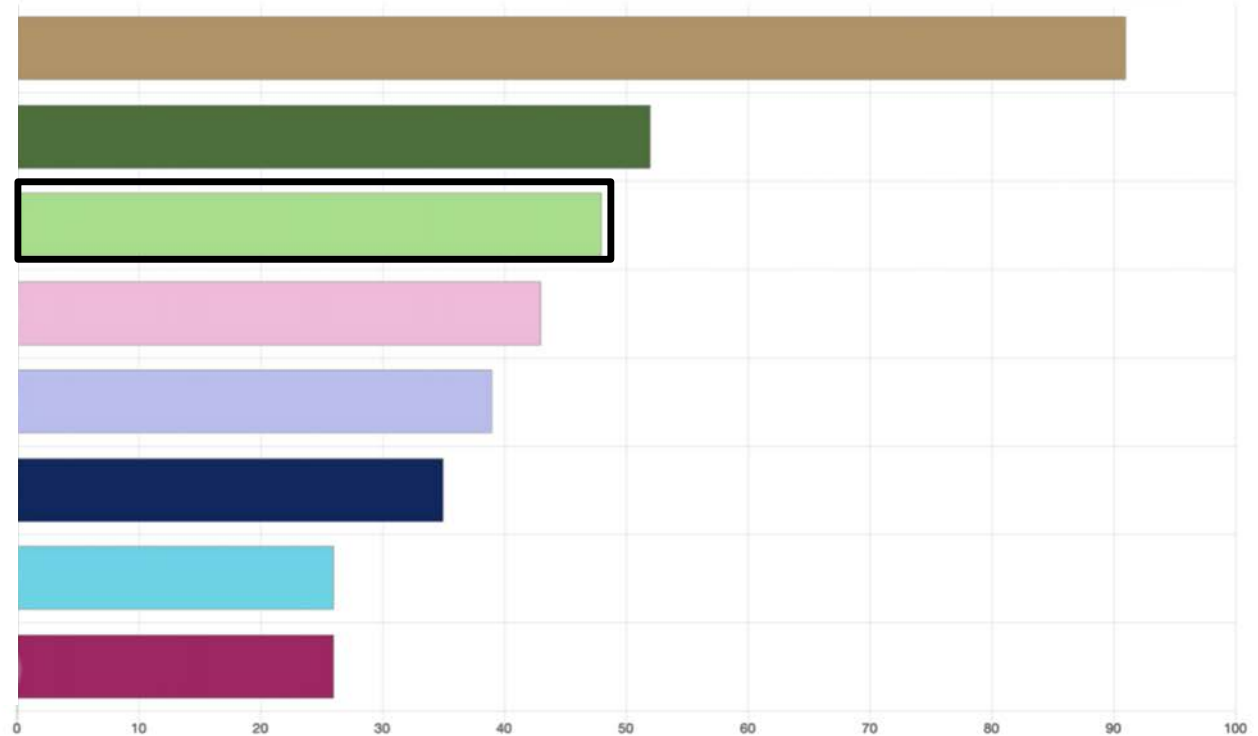
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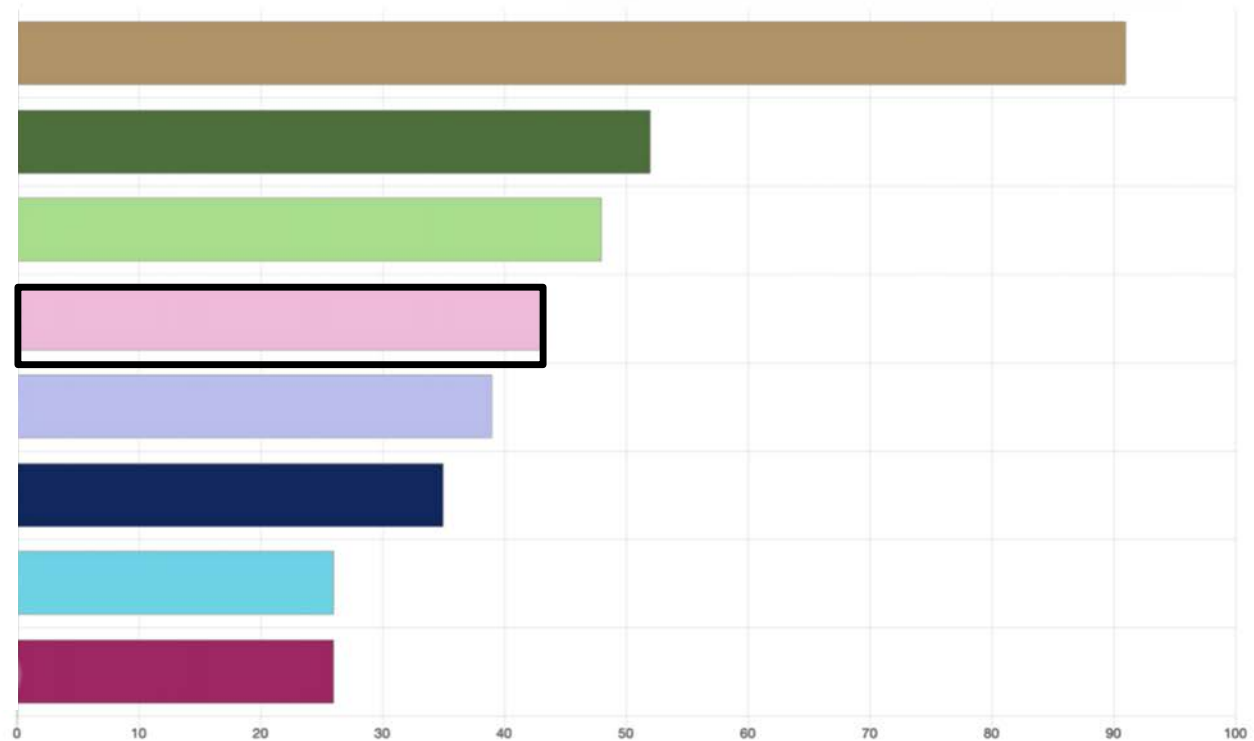
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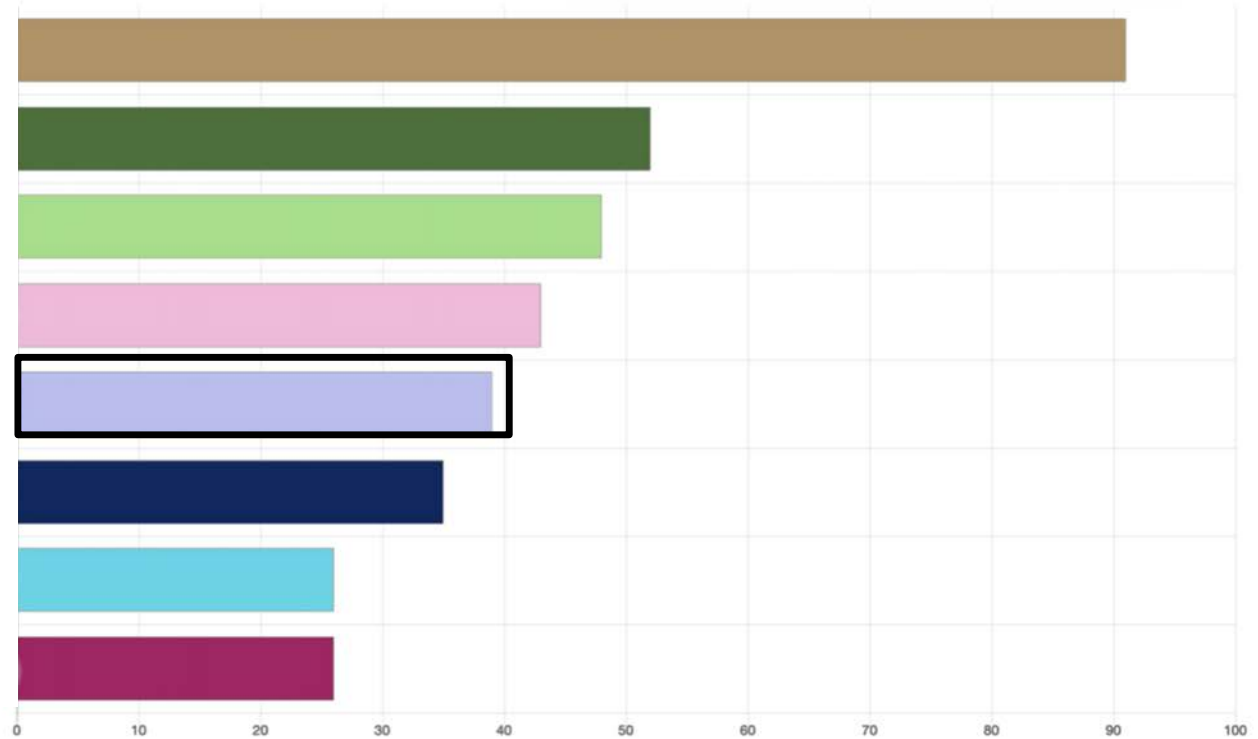
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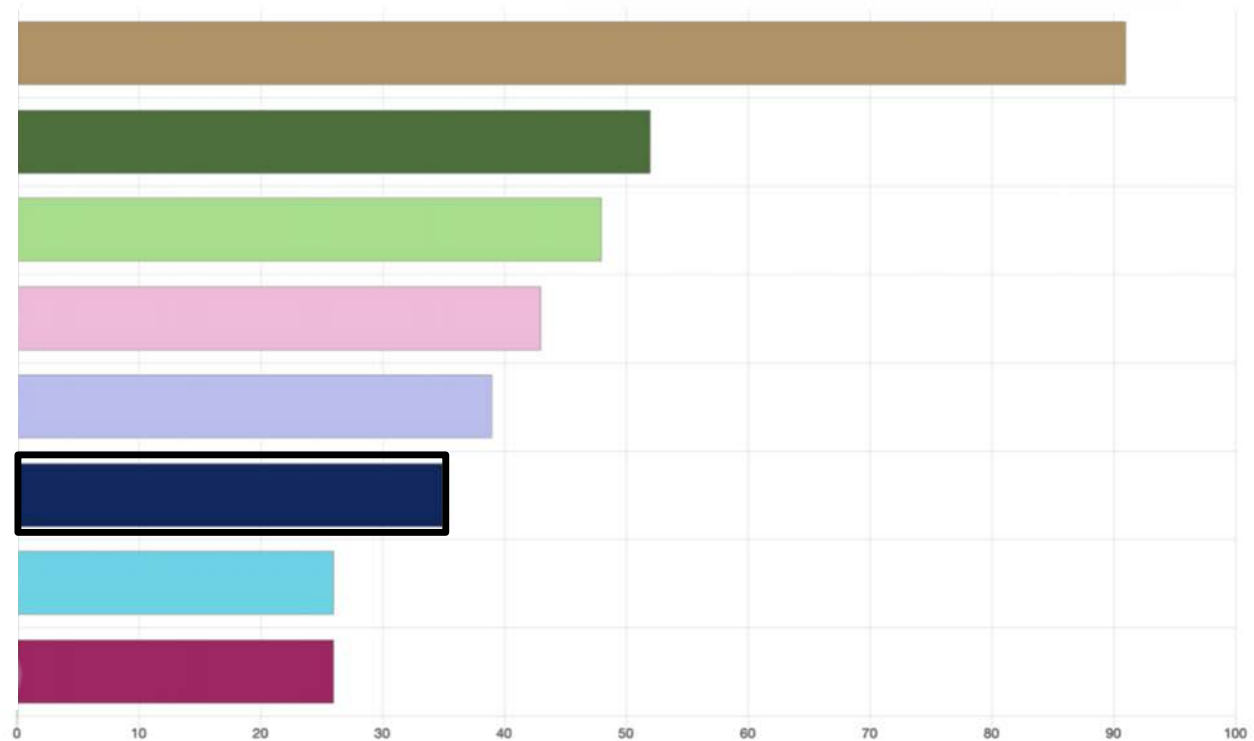
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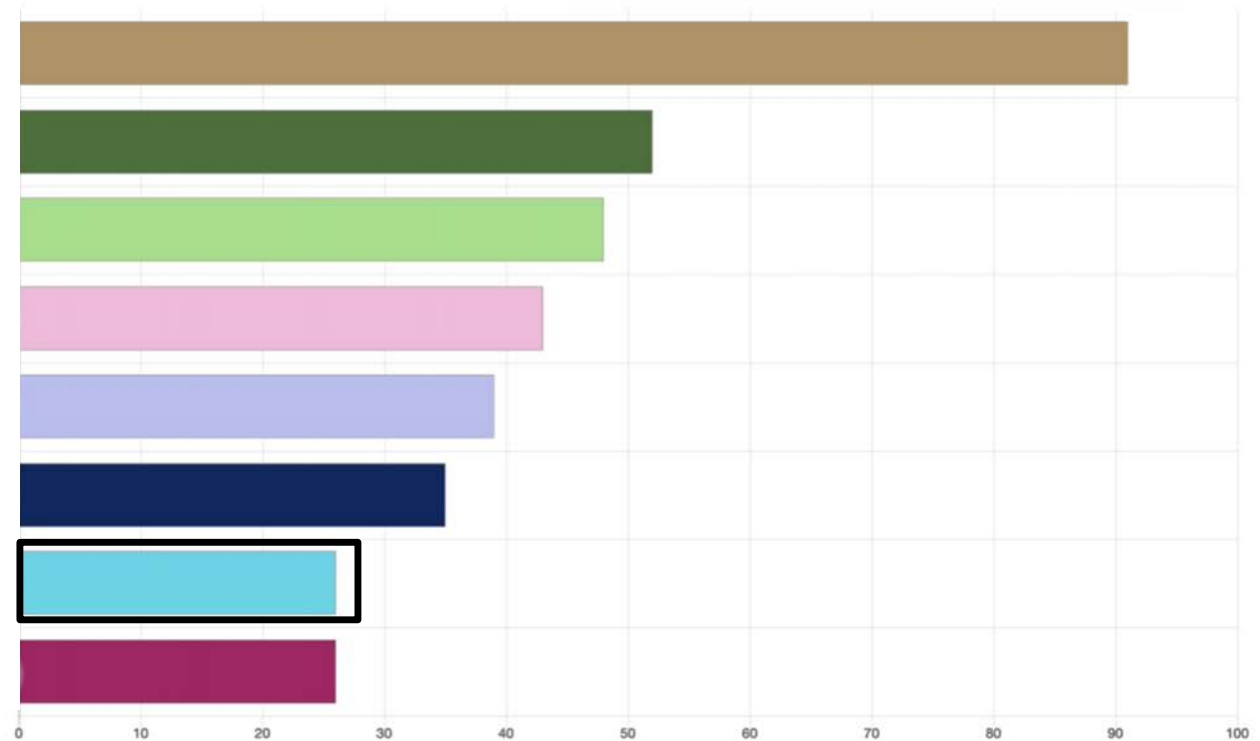
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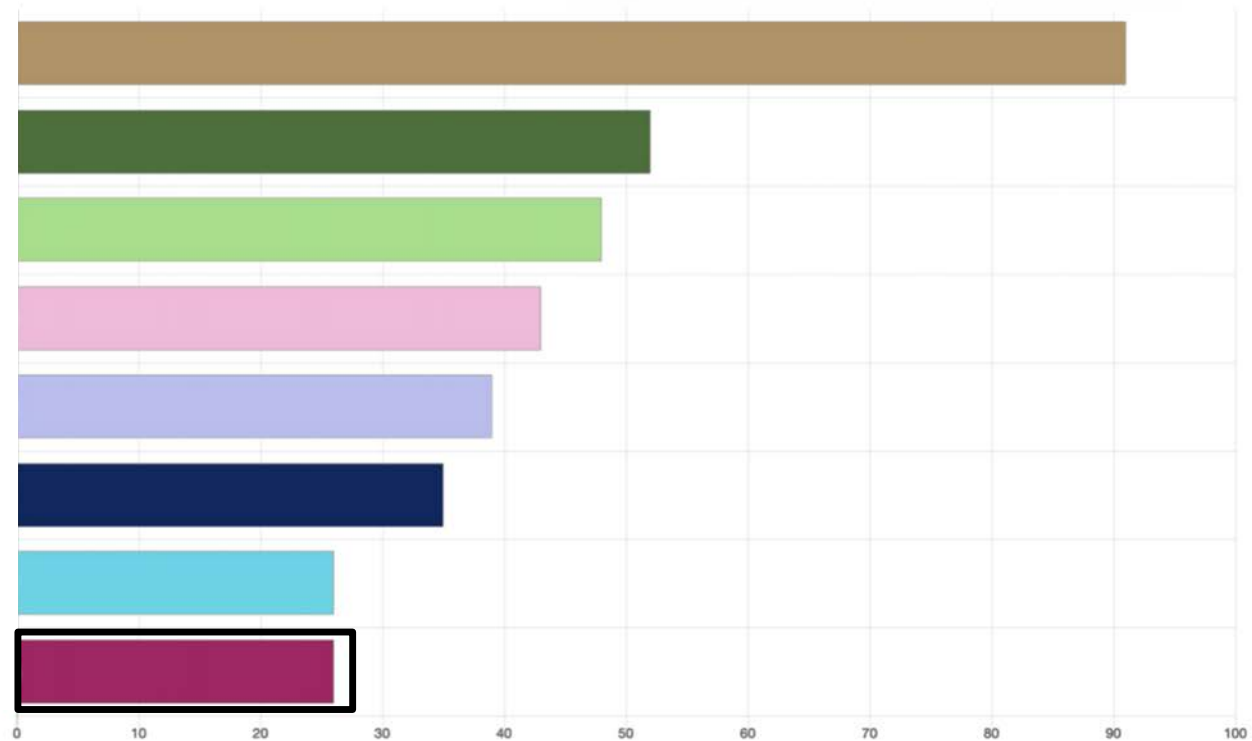
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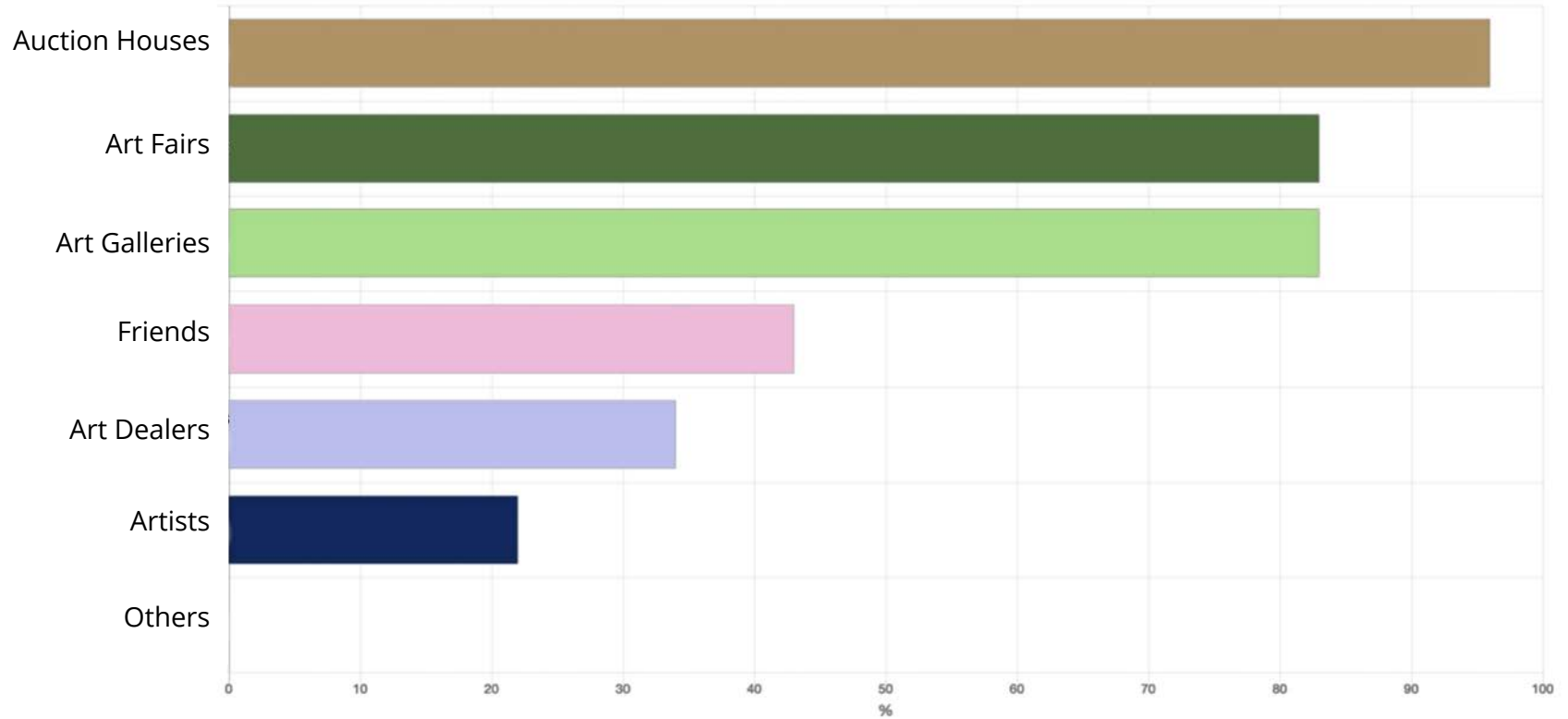
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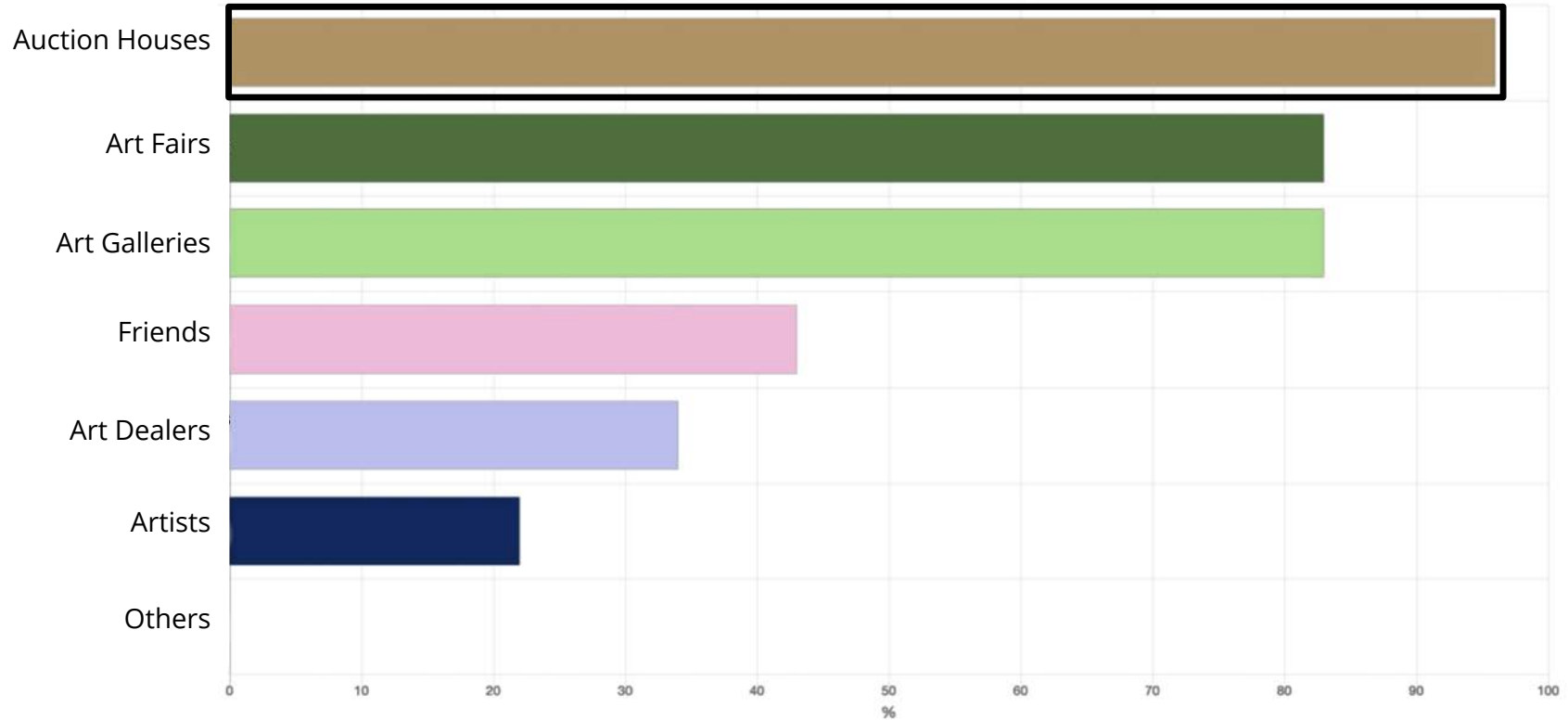
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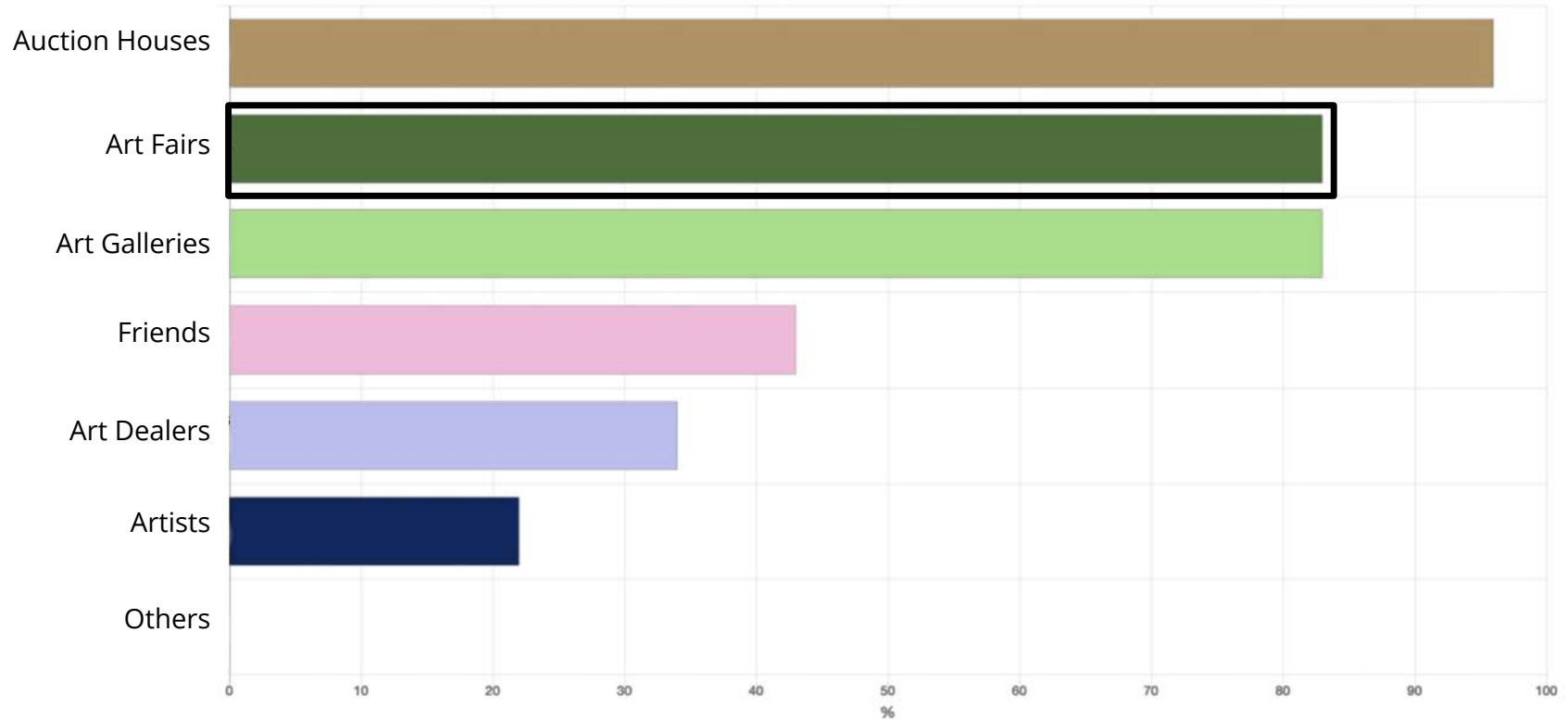
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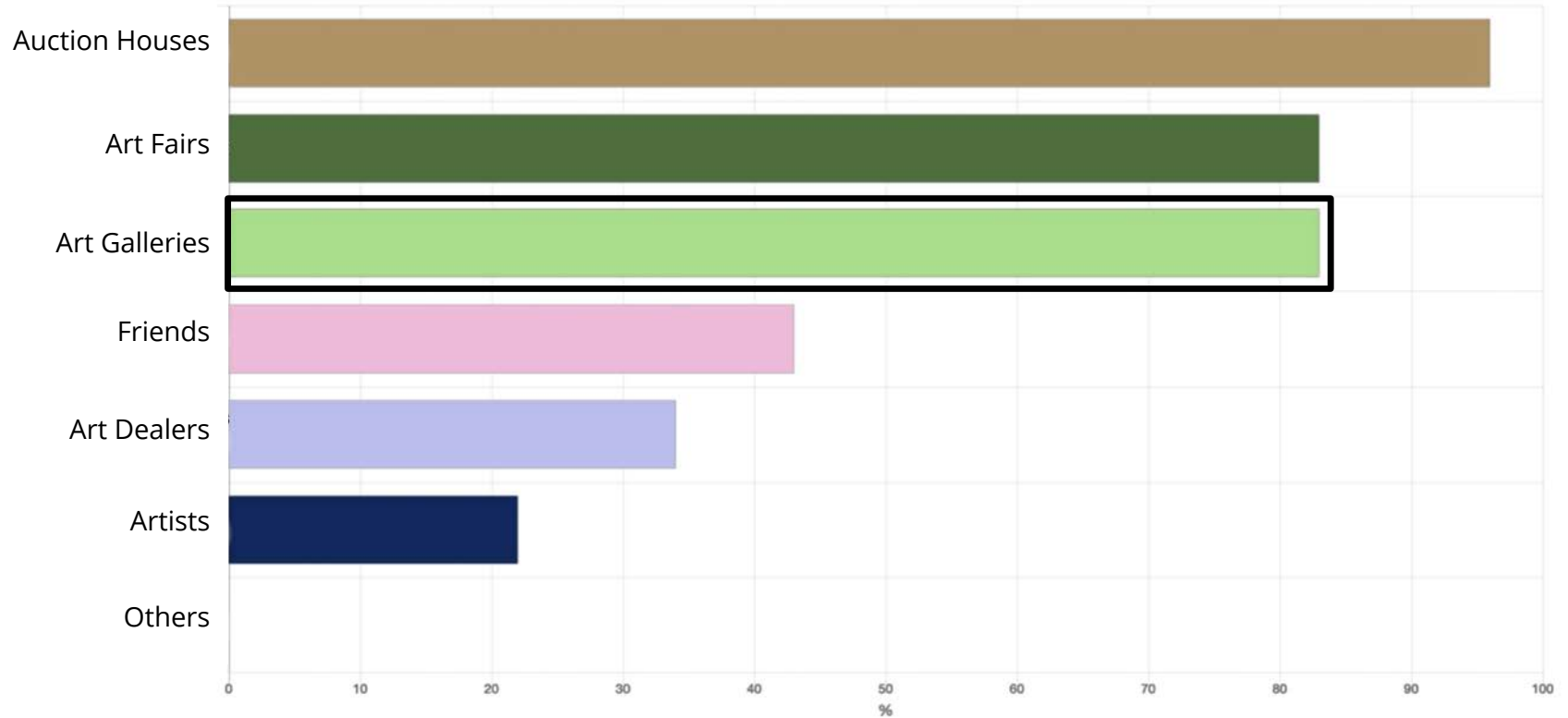
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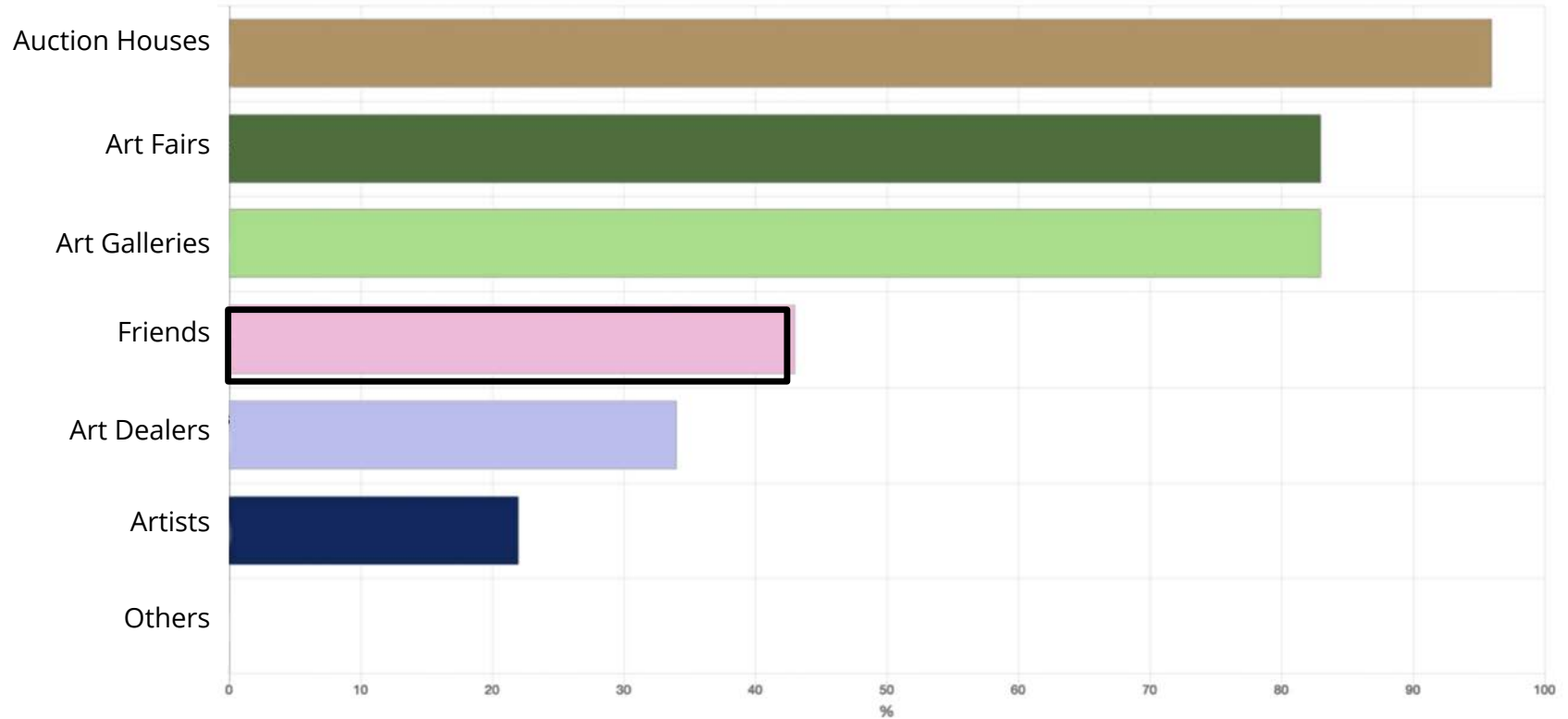
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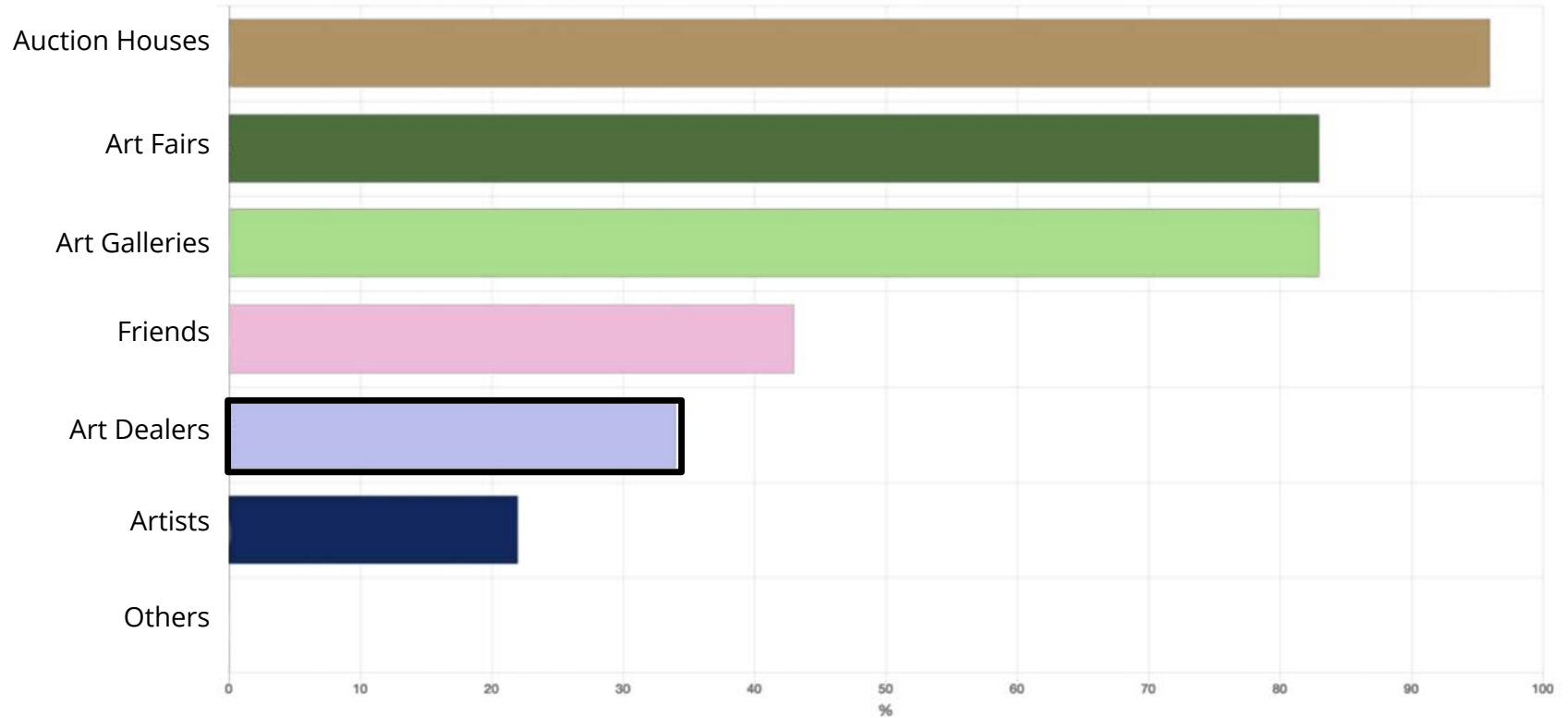
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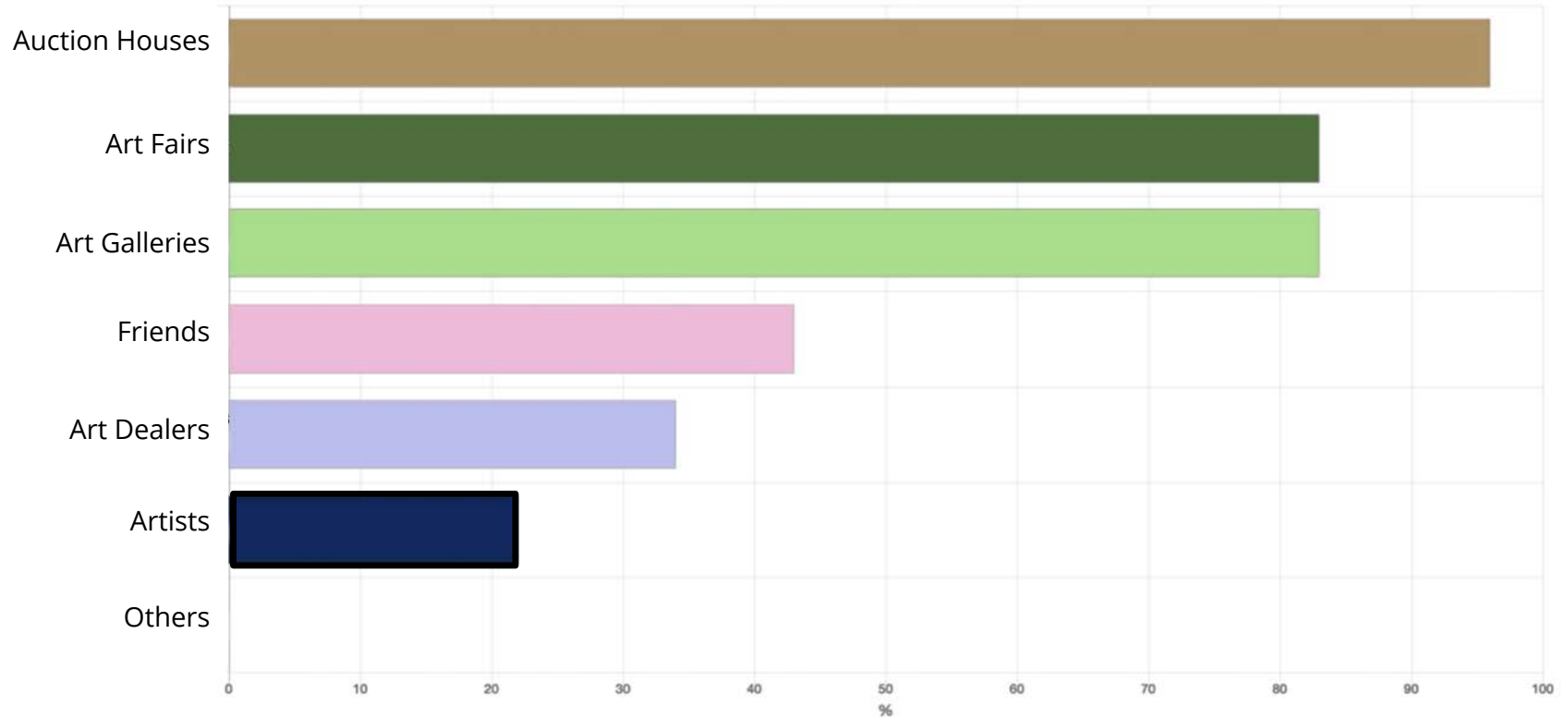


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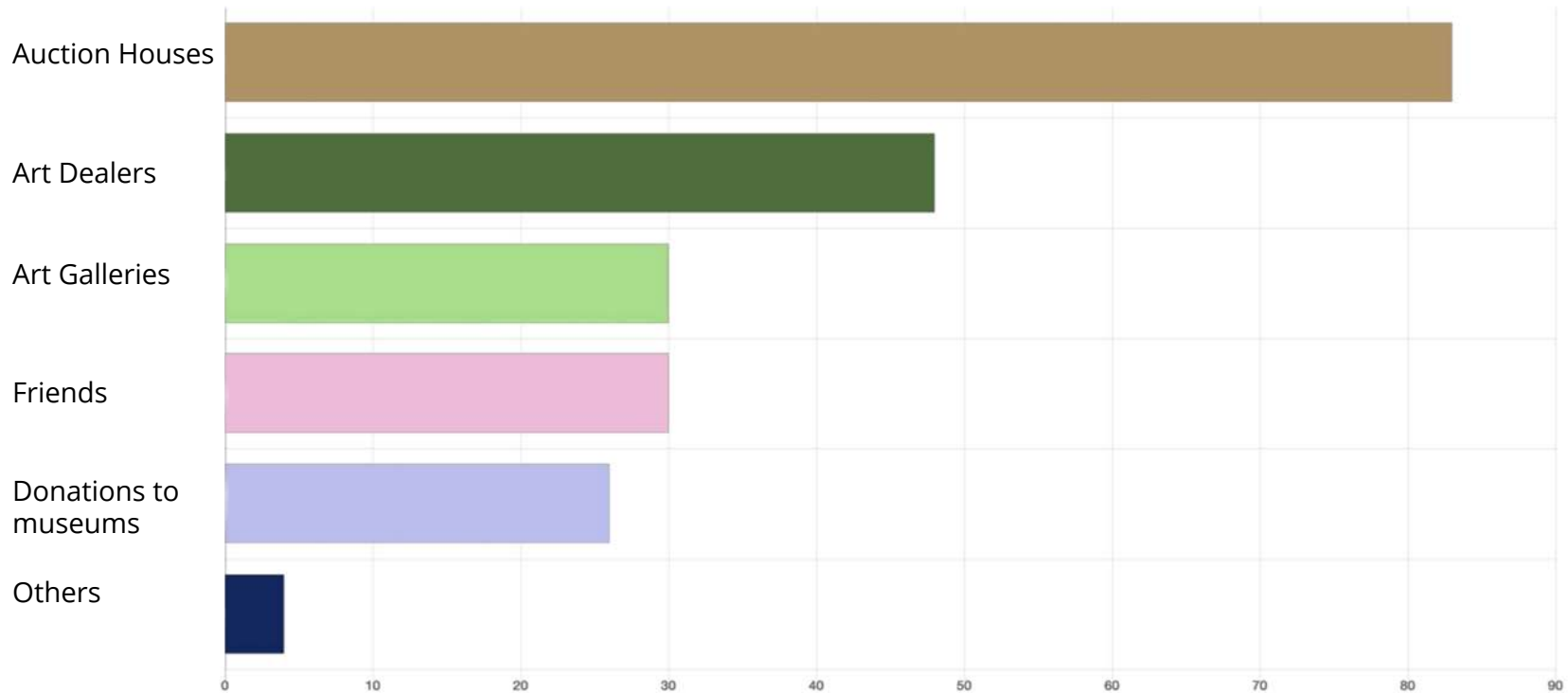




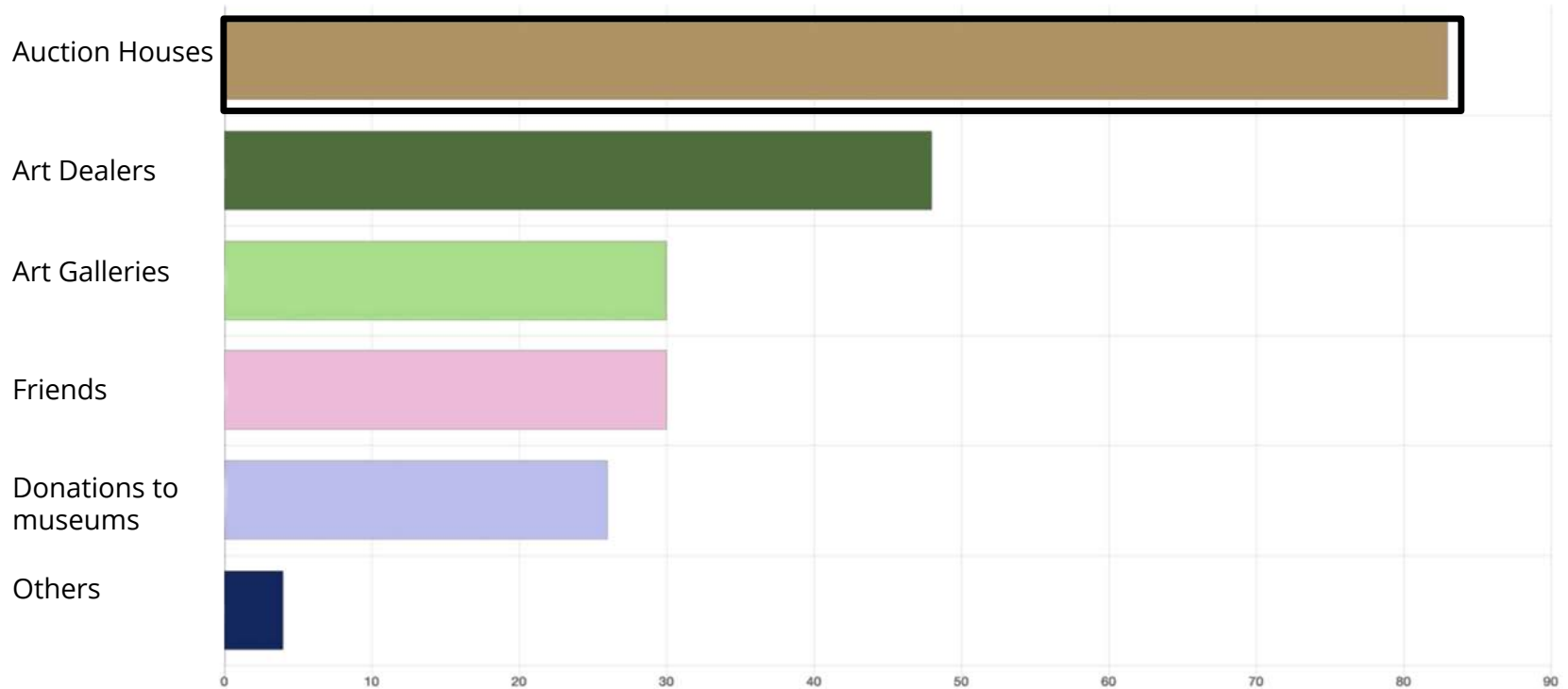
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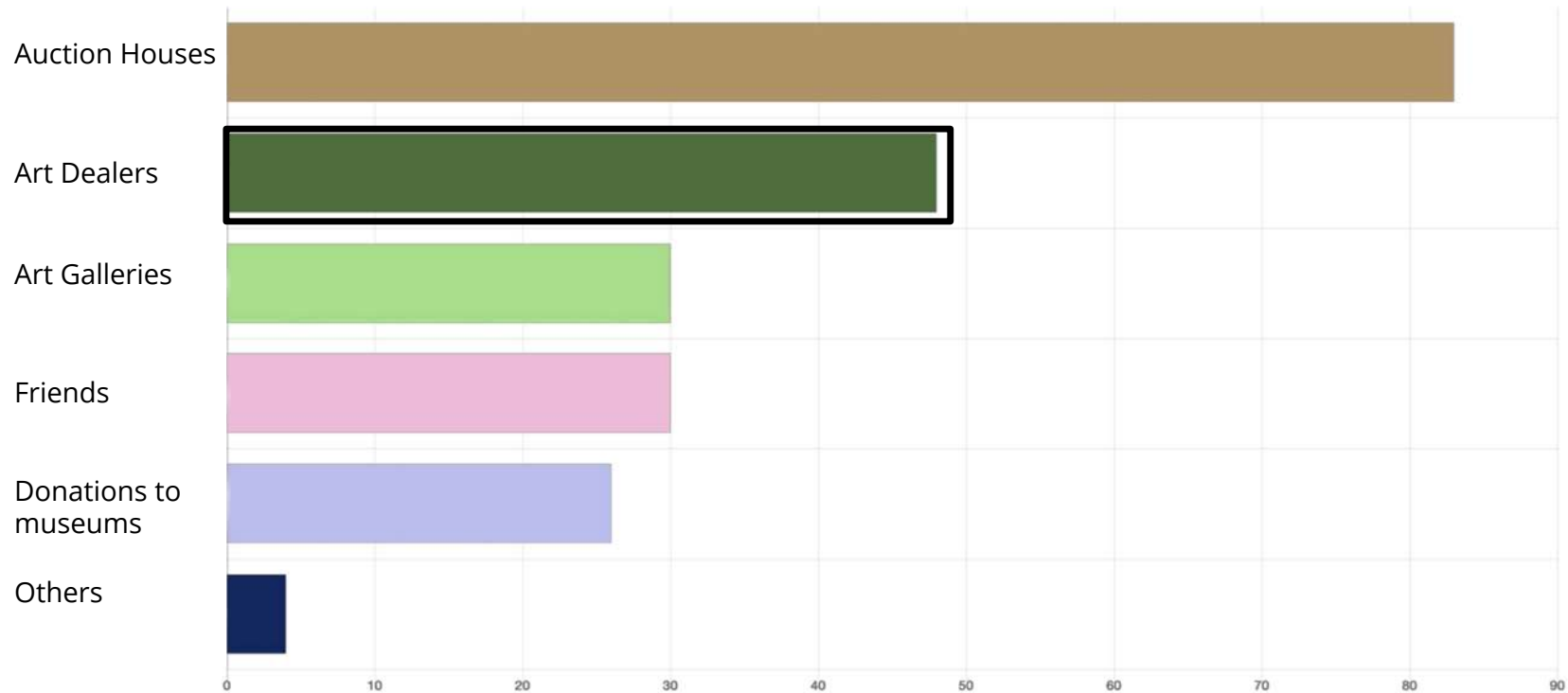
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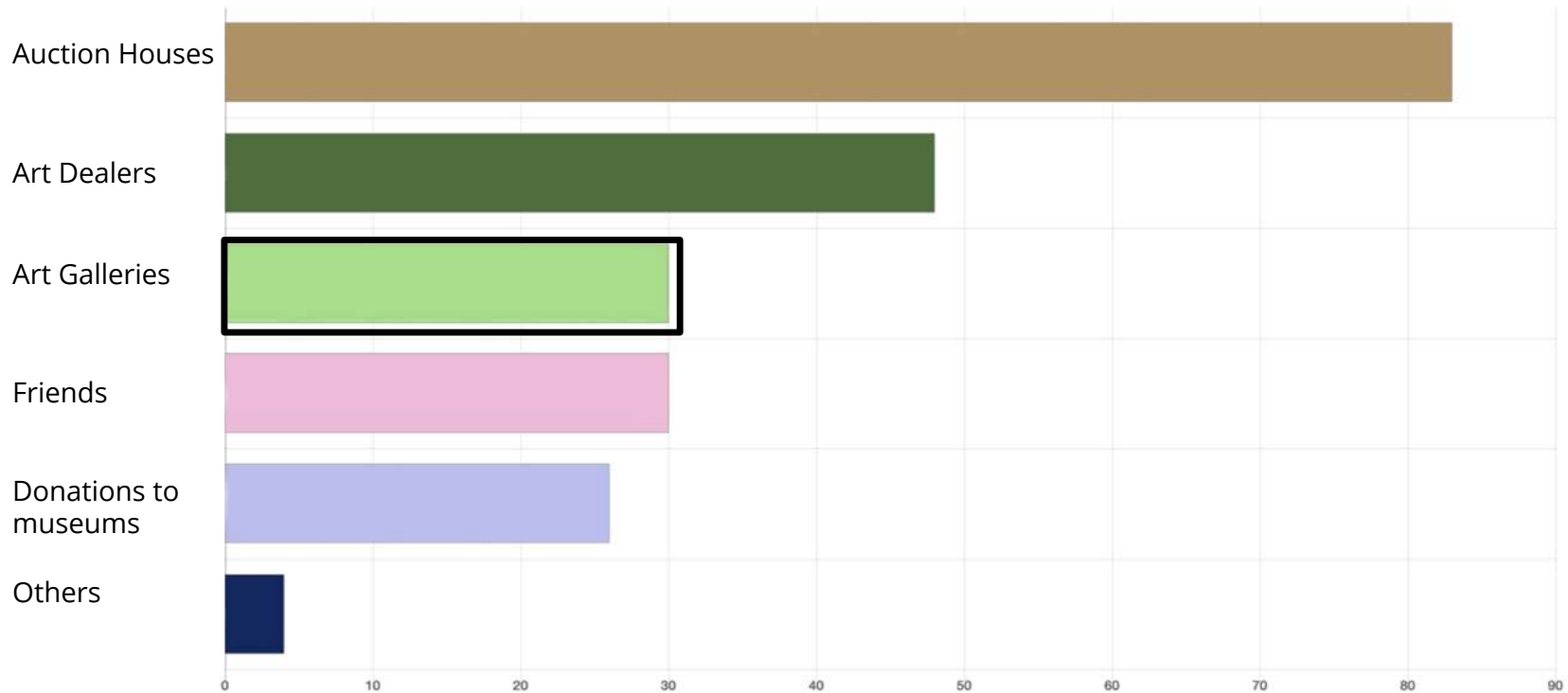
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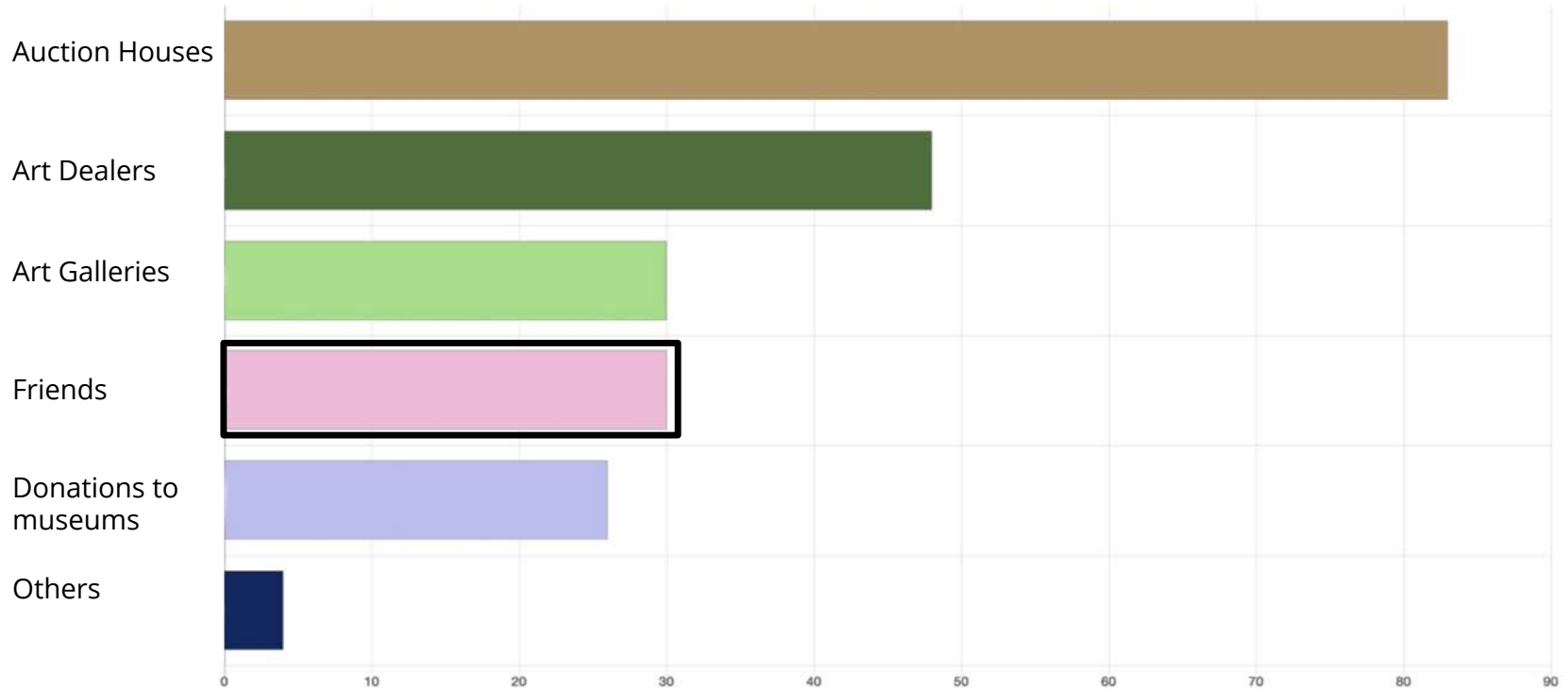
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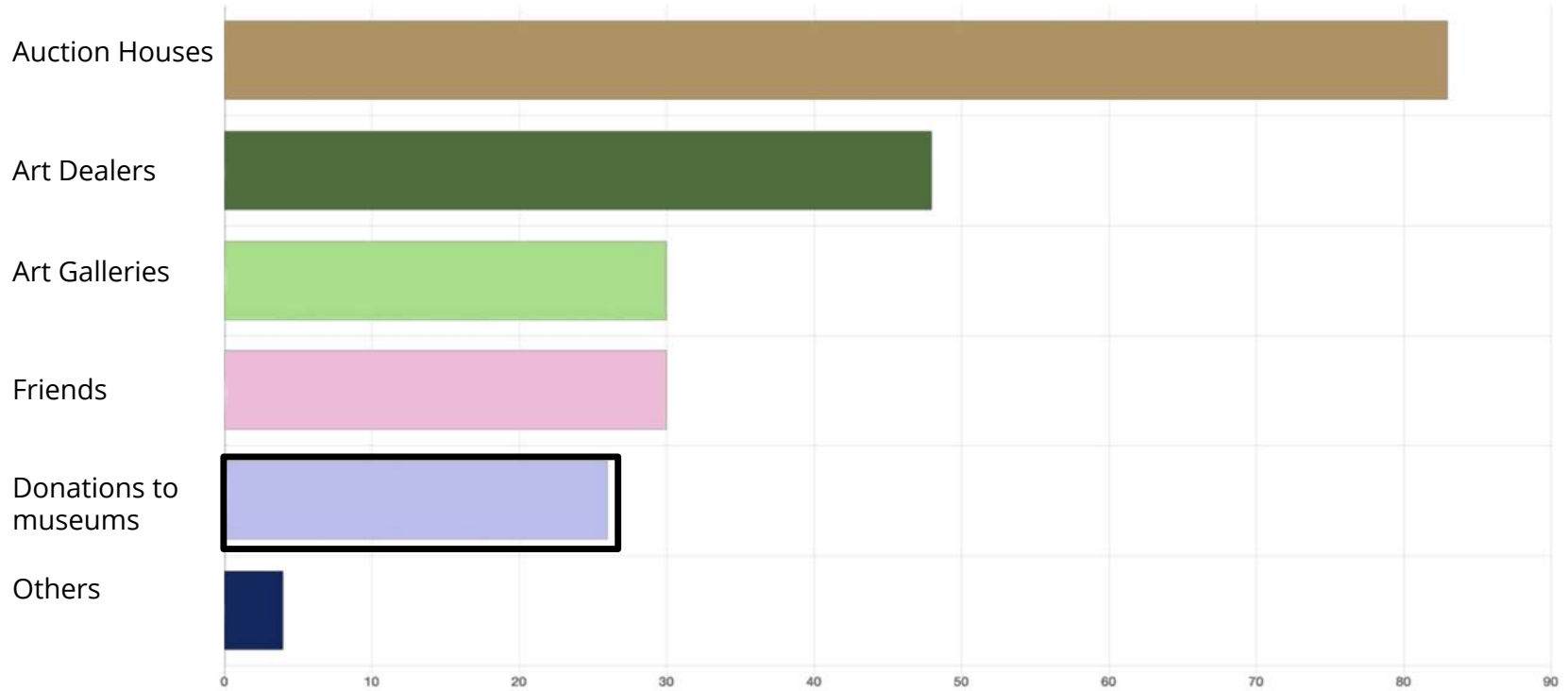
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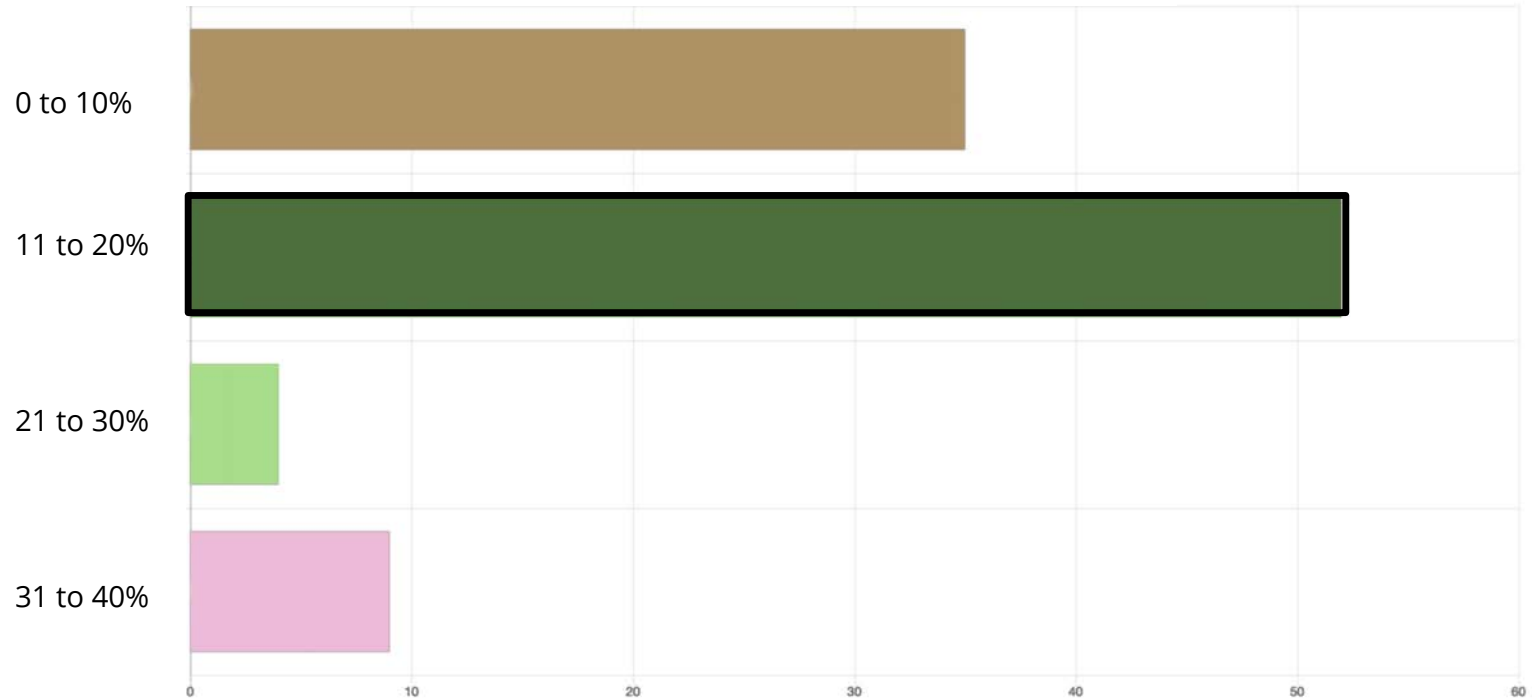


“ This is a gift for people who live and work in NY, and for people from all over the world who come to visit our great artistic institutions.”

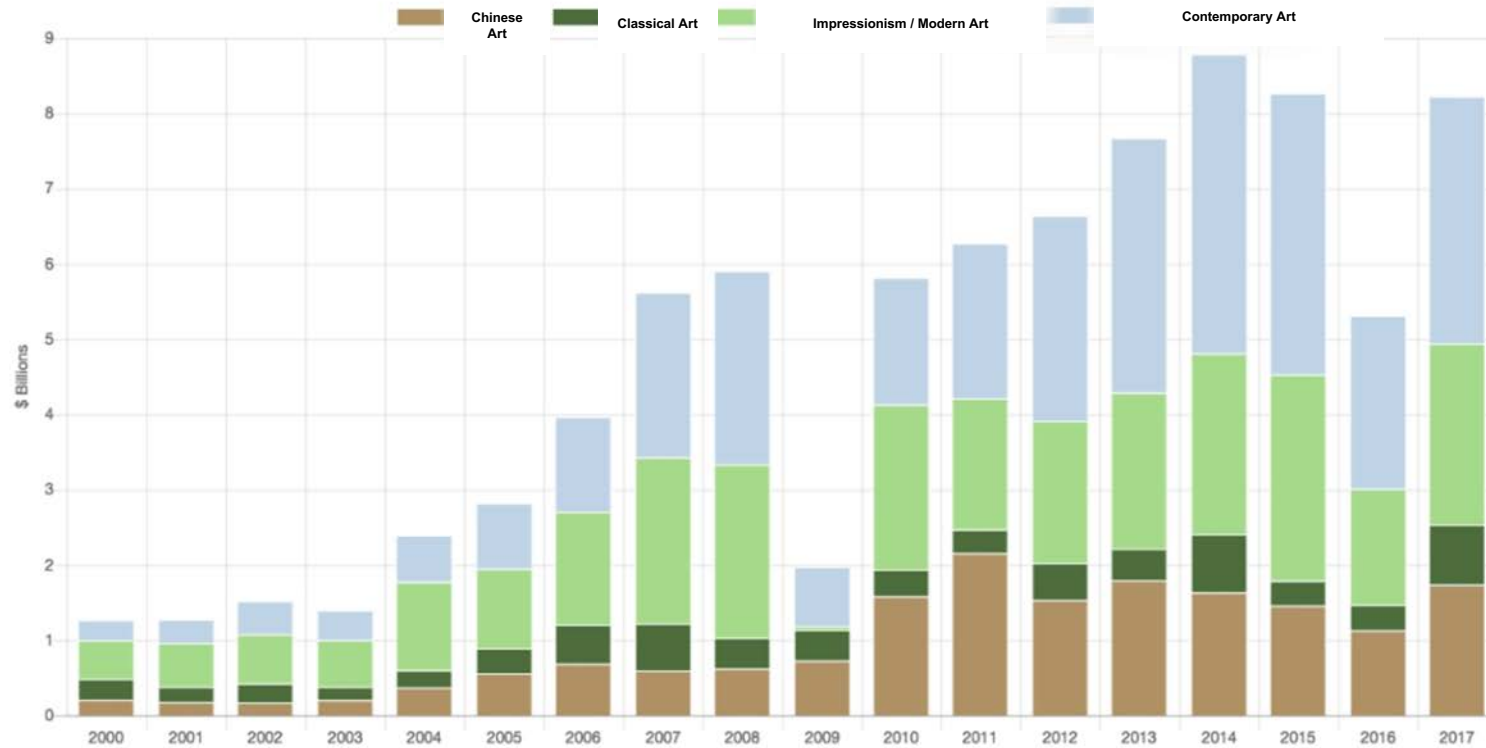
“Arts are a cornerstone of the cultural, educational and economic life of the city (New York City). I chose the MET as a way of sharing this collection with the world because I feel it is essential that Cubism, and the art movements that follow, are seen and studied within the collections of one of the most encyclopedic and biggest museums in the world.”

*Leonard Lauder, 2013.*

## How much of your collection do you expect to sell in the next 5 years?



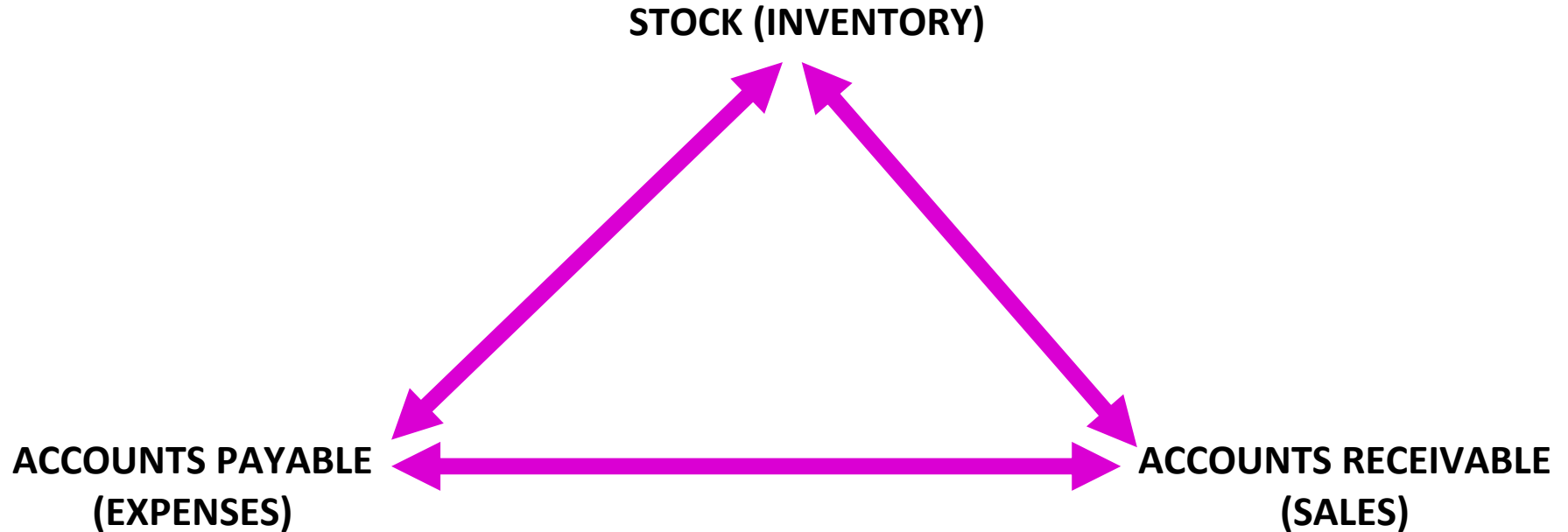
# Results from Sotheby's and Christie's (in USD) per category from 2000-2017



Source: ArtTactic

**THE IMPORTANCE OF FINANCIALS IN THE  
MANAGEMENT OF BUSINESS OF ART DEALERS,  
ADVISORS AND GALLERISTS.**

# WORKING CAPITAL



# TYPES OF EXPENSES

## 1. Financing:

- To have an inventory so I can sell Artworks.

## 2. Expenses to providers:

- Gallery space rent.
- Salaries.
- Insurance.
- Storage.



**All expenses can be fixed or variable.**



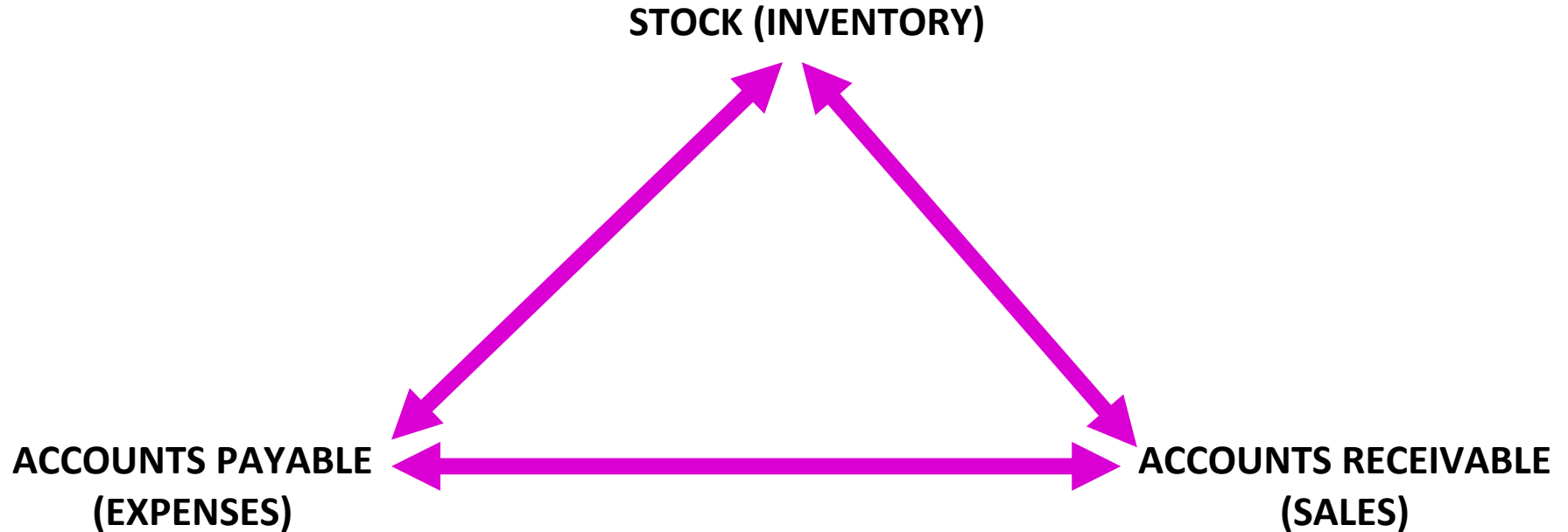
### For Brokers →

- Lower investment.
- Lower volume of expenses.
- Less income → only by commission.

### For Dealers →

- Higher investment → need to finance the stock I own.
- Higher return → *"You make money when buying Art, not when selling it."*

# WORKING CAPITAL



# The Nature of Art Lending

**Nowadays it is possible to borrow money against art.**

**The main factors affecting the popularity of art lending are:**

- art's relative lack of liquidity & short-term volatility .

**The US is the leader** in art leading because:

- it's regulatory and legal landscape
- the size of the market



# The Advantages of Art Lending

*(for dealers, gallerists and collectors)*

In 2017, the estimated amount of art-secured loans was of 17 – \$20 billion (13% > 2016).

In 2019, it was estimated for the market of outstanding loans against art to be between \$21 - \$24 billion.

## **Advantages for Dealers and Gallerists:**

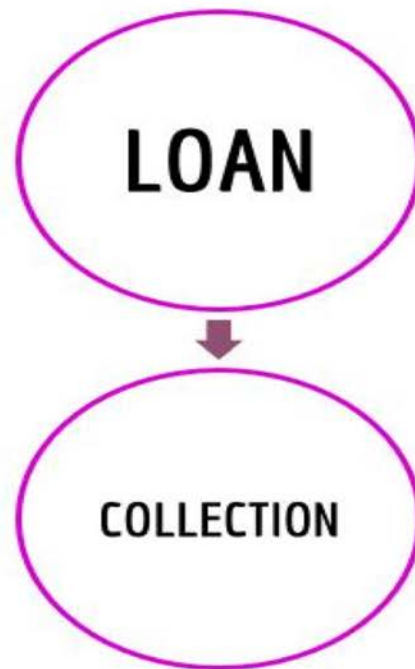
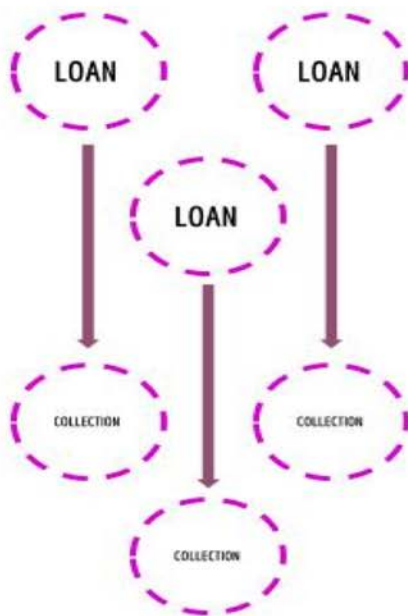
It can increase their business  
→ objectives = bigger.

Useful to cover expenses.

## **Advantages for Art Collectors:**

Useful to enlarge collection  
and use proceeds in other  
investments.

# SCHEMA ART LENDING



# Ways of Financing for Art Dealers

## 1. **Commercial Bank** →

- They usually prefer giving loans for home mortgages as they are less volatile assets.

## 2. **Auction Houses** →

- Some Auction Houses like Sotheby's offer financial services.

## 3. **Lending Boutiques** →

- You can use art as a collateral.

## 4. **Joint Ventures or Co-investments**→

- Financing without interests and a larger option of sale.

# Ways of Financing for Art Dealers

## 1. Private & Commercial Bank →

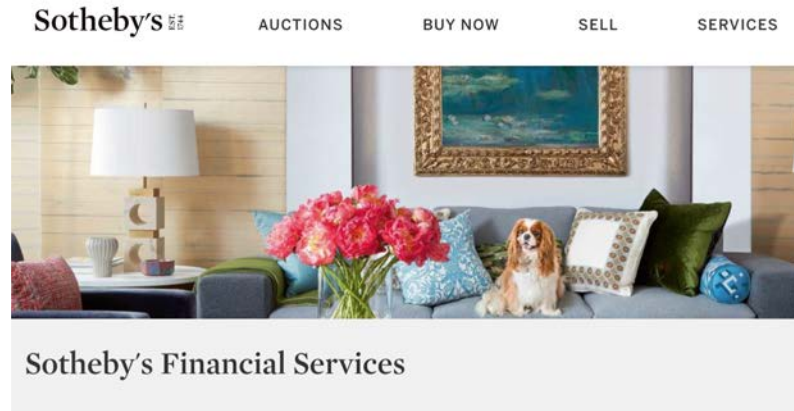
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# Ways of Financing for Art Dealers

## 2. Auction Houses →

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# Examples of boutique lenders

## **Based in Europe:**

### Fine Art Partners

It offers investment services to give differentiated advice to dealers, collectors and artists estates

### Thomas González Art Loans

Based in Berlin it offers art loans between Eu500,000 to Eu100 million.

Closed art loans worth a total of Eu55 million between 2009 and 2014.

## **Based in the US:**

### Art Assure

It Offers art loans from \$250,000 to \$250 million. It has also provided guarantees in the past.

### Art Finance Partners

A specialist firm dedicated to art finance based in New York.

### Platinum Art

Offers loans for art buyers and dealers.

### Arvest

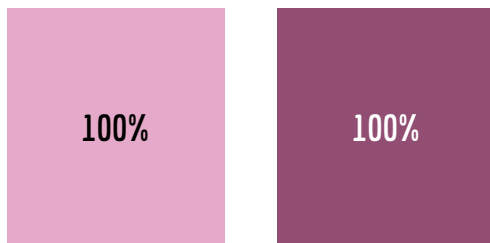
A specialist consultancy set up by ex-Christies finance specialists, Arvest also regularly arranges finance.

# Joint Venture



# Example: Possible ways of Financing

Example 1: SELF-FINANCING 100%



*100% Assets = 100% Self-Financing + 0% External*

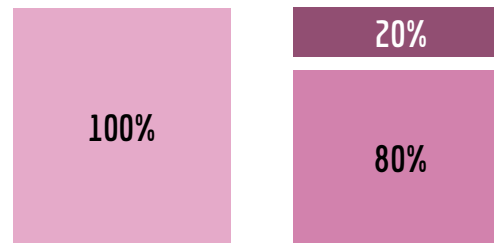
You sell: 120K EUR

Initial Capital: 100K EUR

---

**Benefits = 20K → 20% = 1.2x**

Example 1: LEVERAGE → 20% Own Capital vs.  
80% External Financing



*100% Assets = 20% Self-Financing + 80% External*

You sell: 120K EUR

Initial Capital: 20K EUR

---

**Benefits = 40K → 100% = 2x**



# Art Dealers and their Caution towards Leverage and Debt

SELLING PATTERNS  
=  
UNPREDICTABLE

The period between the acquisition & the sale is unpredictable → difficult to **manage liquidity**.

*"We know our assets are very good, but we do not know when we are going to sell them."*

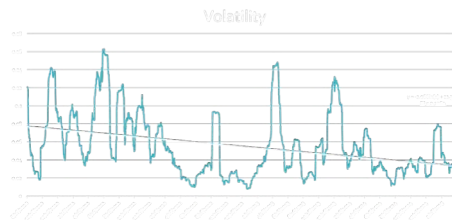
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Volatility in art prices appears to have increased in recent years



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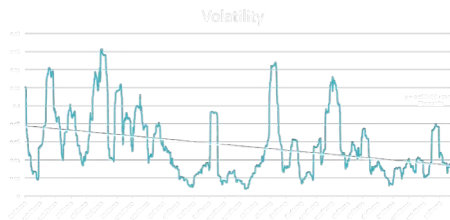
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⚠️  
LIQUIDITY

Half of art dealers are afraid of needing large amounts of liquidity.

The more capital your business needs, the greater liquidity problems can be.

# Retained Benefits & External Financing



## Reinvest

- To finance the inventory.
- To finance art fairs.
- For diversification.

## Dividends

- When we give dividends → our business is growing



## Pay off Debt

- Our business won't grow.
- Unlevered.



## Accumulate

- Our business won't grow.
- I don't pay debt.
- I don't reinvest.



## Banksy, *Untitled*



Image credits: Banksy (<https://www.banksy.co.uk/>)

## Basquiat, *Untitled*



Image credits: Basquiat (<http://basquiat.com/>)

## Gabriel Orozco, *La transparencia del dinero*

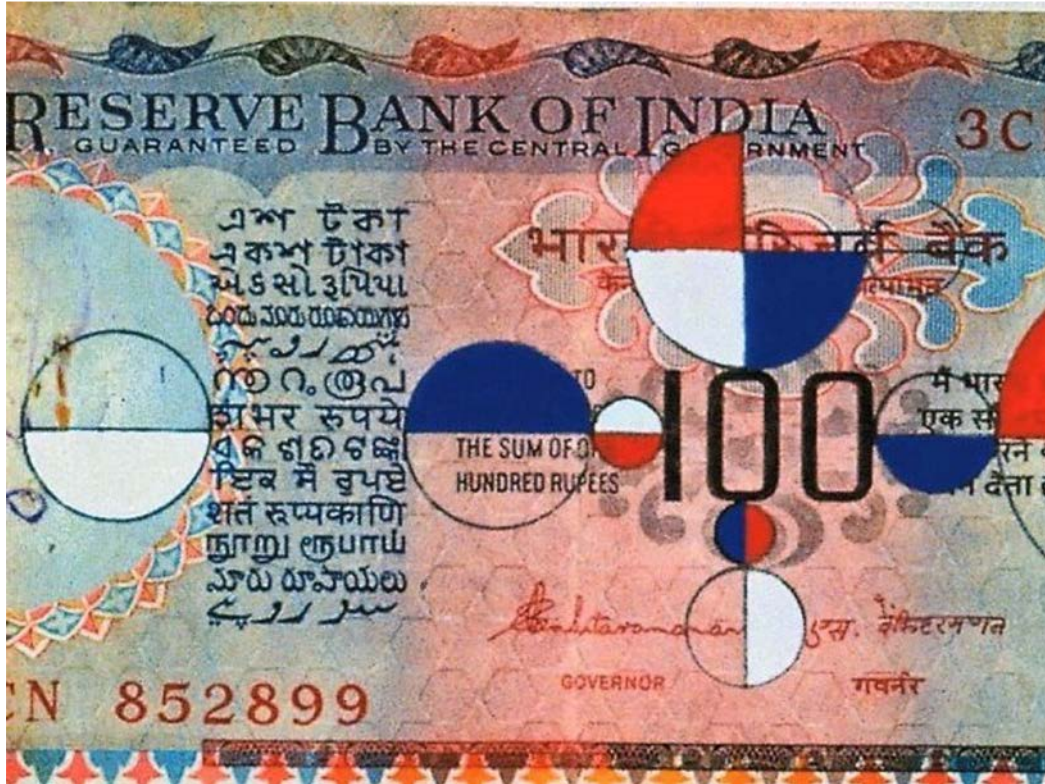


Image credits: Gabriel Orozco (<https://www.kurimanzutto.com/> & <https://www.mariangoodman.com/>)

# Sources of Financial Information:

- Tefat.com → Art Market report
  - <https://www.tefaf.com/initiatives/art-market-reports>
- Artbasel.com → The Art Market report
  - <https://www.artbasel.com/about/initiatives/the-art-market?>
- MutualArt.com → Art Market data
  - <https://www.mutualart.com/discover/price-database>
- Artnet.com → Analytics Report Packages
  - <https://www.artnet.com/analytics-reports/>
- Sotheby's financial services
  - <https://www.sothebys.com/en/about/services/sothebys-financial-service>



# Sources of Financial Information:

- The Economist
  - <https://www.economist.com/special-reports/>
- Los Angeles Times
  - <https://www.latimes.com/topic/arts>

## Other Sources:

- Deloitte
- Privateinvestor.com
- Artsy.com
- invaluable.com
- artworkarchive.com

# DIRECTION

## SOFÍA URBINA

**IMAGE & SOUND** JAVIER PÉREZ-PLA  
CARLOS GIVAJA

**STYLIST** NATALIA CAÑELLAS

**DESIGN** PAULA GURBINDO

**EDITING** PABLO DE LA ROCHA

**RESEARCH** ALIENOR BOSSE  
PAULA GURBINDO

# PRODUCTION

## ART ADVISORY SERVICES

**PRODUCTION ASSISTANT** MARLENE BÁEZ

**SPECIAL THANKS** JOSÉ ANTONIO DE URBINA  
GALERÍA CAYLUS  
ANA S. GISBERT  
GISBERT & ALCARAZ  
OK DIARIO  
IE UNIVERSITY