

THE ART OF ART VALUATION

Dr. S. K. Gupta

*Managing Director
ICMAI Registered Valuers Organization*

To own a piece of art does not mean just a canvas. It's about owning a piece of history, owning a piece of that artist, and immortalizing him forever...

The Perspective

Art valuation is a part of financial valuation that deals with the estimation of the fair market value of works of art. The practice of art valuation combines the techniques of financial valuation with subjective views on the cultural value and significance of a particular artwork. Art valuation is a sophisticated branch of financial valuation since it requires a high level of expertise in valuation methods, as well as deep knowledge of the art world. It can be used for different purposes, including investments in works of art, tax planning, and insurance. Valuation of artwork is a perfect example of why financial valuation is both an art and a science.

Art valuation

There is no one answer to the question, "What is the value of art?" To some people, art is a valuable investment that can appreciate over time. Others see art as a way to express their taste and style. And for many people, art is simply something that brings them joy. Value is the quality of the artworks in terms of concept and the depth of the idea behind the work plus the execution of the work.

An art-specific subset of financial valuation, is the process of estimating the market value of works of art. As such, it is more of a financial rather than an aesthetic concern, however, subjective views of cultural value play a part as well. Art valuation involves comparing data from multiple sources such as art auction houses, private and corporate collectors, curators, art dealers, gallery owners, experienced consultants, and specialized market analysts to arrive at a value. Art valuation is accomplished not only for collection, investment, divestment, and financing purposes, but as part of estate valuations, for charitable contributions, for tax planning, insurance, and loan collateral purposes.

Facets of art valuation

Value is a tricky thing to define, but in the context of art, it can take on many meanings. Let's explore some of the different types of value that art can have. Art can have many different types of value, each with its own criteria and considerations. Understanding these types of values is crucial to appreciate and evaluate this complex and multifaceted form of expression that has captivated us for centuries.

Cultural value: Cultural value is the first type. This means that art is an important part of a society's heritage, identity, or tradition. Indigenous art is a great example of this, as it allows Indigenous communities to express their unique culture and history.

Historical value: Another type of value is historical value. Art can be significant because of its connection to a particular time period, event, or movement. For example, Renaissance paintings not only offer beauty but also insight into the cultural and political context of the time.

Aesthetic value: Aesthetic value is yet another type of value. Art can be valued for its beauty or emotional impact on the viewer. The Impressionist movement, for example, is famous for its beautiful use of colour and light that evokes a wide range of emotions.

Monetary value: Last but not least, art can have a monetary value. This means that it can be bought or sold for a certain price. A painting by a well-known artist can be worth millions of dollars because of its rarity and historical significance.

Key factors in Art valuation

The value of art is a complex subject that experts have studied and debated for centuries. Similar to traditional assets, the valuation of works of art may be driven by numerous factors. The art valuator should carefully assess all catalysts that can drive up the fair value of an art asset. Although personal value and preference may vary greatly, the methods by which one translates an appreciation and passion for art and design into dollars and cents remain the same.

Valuation estimates by auction

houses are typically given in ranges of prices to offset uncertainty. Generally, estimates are made by looking at what a comparable piece of art sold for recently, with estimates given in a range of prices rather than one fixed figure, and in the case of contemporary art especially, having few comparables or when an artist is not well known and has no auction history, the risks of incorrect valuation are greatest.

A variety of factors must be considered in determining an artwork's monetary value. The following variables are the primary factors influencing the valuation of artworks:

Artist : The artist is the most important factor to look at appraising art. Looking at history it's easy to see that some artists were more important than others and therefore their works will have more value than others. The prolificacy of the artist affects the value as well. All things being equal, a work by an artist who produced more will not hold the same value as one who produced less. Other aspects of the artist to consider is when in their career the work was produced and whether the work represents their style

Artist's intent : It is important to consider the artist's intent. What is the piece trying to communicate? Is it a portrait, landscape, still life, or abstract work? Once you have determined the intent, you can begin to evaluate whether or not the piece achieves its goal. Are the color values pleasing? Does the composition feel balanced? Is there a clear focal point? Is there high contrast? Is the subject matter interesting? These are just a few questions you can ask yourself when considering a work of art.

Subject : Although it's a matter of

taste to some degree, certain subjects will generally sell better than others, therefore increasing the value. It's important to keep in mind that this factor alone cannot determine the value of a work of art. It must be combined with other factors. For example, the subject of a work will narrow down the market of buyers who may be interested and as with anything, demand drives price.

The artwork : When determining the value of an artwork look at it's size, medium, it's message, whether it has any art-historical significance, and whether it is an edition. The cost of the material used for the work does not normally influence the price of the work unless it is an installation or sculptural work with high material costs like bronze.

Size : Size matters in art. Not to say that bigger is always better, however, it does represent a certain level of skill that often adds value to a work. It's also important to consider what the buyer is looking for however as a massive piece may not work in every space.

Technique : Technique definitely affects the value of art. Is it an original hand painted work? Or a very rare photographic process for example? These will most certainly add value. It's also important to examine works within the same medium to help determine the value. Comparing two paintings by the same artist may give a better indication of value than comparing a painting and a print for example, as one will have little to no affect on the value of the other.

Quality : Every artist has created bad works and good works. As with most other things, the higher the quality of the work, the more valuable it will be. Aside from the quality of

the work itself, the quality of the materials can affect the value as well.

Colour : It has been noticed that **Colour** is a very strong influencer on the price of an artwork. At a recent auction, Sotheby's in London recognized a shocking trend that five of the six highest-selling masterpieces were mostly red. It appears that affluent cultures embrace the colour red to signify luck, passion, and fortune. Also, white colors rank high on the value scale while black, the least.

Activity of the art dealers : The price of artwork- may change due to the activities of art dealers. The dealers often enter into contracts with artists. It is common that art dealers may decide to acquire the works of artists at an auction, which subsequently affects the price of the artwork.

Edition : This factor does not apply to original painting, however in photography for example, or with any other technique where reproductions can be made, the edition influences the value of the work. The lower the edition, the higher the value might be. One-offs, therefore, will have the most value and therefore paintings, in general, are more costly than lithographs for instance.

Provenance : The provenance factor refers to an object's ownership record. When it comes to auctions, this can be an important contributor in influencing an artwork or an object's price.

Market and Demand

The current demand in the market is a key driver of an artwork's value. The demand is usually derived based on the demand for similar artworks.

However, the identification of comparables can be problematic due to the unique nature of the artwork. The market affects the value of all artworks. You may be in possession of a beautiful work of art, but if nobody's interested in buying it, unfortunately, it doesn't hold much monetary value. The art market is fluid and in a booming economy, art and other luxury goods become more sought after. Conversely, in a declining economy, the same piece could sell for half of its value. A great number of factors can affect the art market so it's important to keep an eye on it, try to spot trends and know what collectors are looking for at the moment.

Rarity : is determined by the frequency with which a work by an artist appears on the market, or the number of a specific type of work that is currently available from a particular period in an artist's career. When combined with demand, rarity becomes very important in appraisal.

Condition : is one of the most important factors in assessing value. Has the object been maintained in the same condition since its creation? If there are changes in the condition, what are they? Have they affected the *structure* of the object? Have they affected the *appearance* of the object? Has the object been *restored* since its inception? If so, has the original *integrity of the work* been upheld?

Importance of Date : The date a work of art is created is also crucial in two main ways. Firstly, art which has a high value is usually created soon after the conception of the style in which it is painted. For example, the most sought-after Impressionist works are painted during the main Impressionist era, while a similar

looking painting in the same style by a 20th century artist reworking the style has much less value. Moreover, the most valuable work for particular artists are those created during or soon after the artist's main creative period.

The Artist and the Exhibition History : Much depends on the age of the artist. Even contemporary artists, within the same age group, could have varying prices. So usually the price range of artists who have a certain exhibition history would be dependent on size, medium (for which he or she is better known). In the case of an artist with a longer exhibition history—one that has had several museum exhibitions—his or her work would be much higher priced than their contemporaries.” Therefore, when it comes to setting a price for a particular work of art, a lot hinges upon the artist in question and their exhibition history.

A legacy left behind : Lastly, a significant factor which increases an artwork's valuation is the death of the artist. When a famed artist passes away, their creative legacy lives on in the art that they leave behind. Therefore, through retrospective appreciation and sentiment alone, the demand for these pieces from both private buyers and galleries will generally increase. However, the death of the artist can also determine the artwork's valuation in a rather more mathematical sense. When an artist dies, the amount of original art available to purchase is naturally capped at the amount that they produced during their lifetime. For example, when one original Picasso piece is bought, that's one less original Picasso piece available to anyone else. Therefore, the death of an artist impacts the rarity of their work. This will certainly cause an increase in monetary value.

Conclusion

To conclude, to get a true sense of value you need to do much more than just compare what your work looks like to one that sold at auction. Valuing artworks involves consideration of a wide variety of factors, some indeed in conflict with each other. When valuing a work of art, you can see that a number of standard criteria have to be factored in. The challenge then is to decide what the real value is and what somebody will pay. Ultimately, the value of a work of art is subjective and can change over time. Today, the value of art is often determined by its market value, which can fluctuate depending on economic conditions. However, some experts argue that the true value of art lies in its ability to provoke thought and emotion, regardless of its monetary worth.