

Canadian Art as Investments: Looking at the Numbers

Part 1 of 4

By Rocco Pannese

Should art be a part of your overall investment portfolio? Does it have the credibility you need before investing your hard-earned income? After all, it's all about the ROI, isn't it? What if I were to tell you that based on the performance of many sectors of the market, the answer would be a resounding YES!

Since 1950, the stock market has never had 3 consecutive years of losses. In fact, only twice in the last 55 years has there been losses in 2 consecutive years. Likewise, as reported by the WPL Canadian Composite Art Index, Canadian art has experienced only 2 occasions when the market dropped for 2 consecutive years or more (1981-83 and 1989-93). However, just like stocks, which historically rebound with a bull run shortly after a lull, Canadian art also resoundingly displayed resiliency after these dips. The 1981-83 slide was followed by a sustained rally from 1983-89 culminating in record highs for many of the indexes. A 5 year rally followed closely after the dip in 1996-2002. Since 1920, the stock market has registered almost twice as many up years as down years. It's telling that Canadian art has posted 15 annual gains versus 3 losses since it began to be monitored.

So what does this all mean for the average investor? Very few of us are familiar, let alone, experts in the field of Canadian art. How do we know which artists to invest in? What should our expectations be? How scientific is it really to invest in art? Maybe to answer some of these questions, we should look at some common principles when it comes to investing.

The first such principle is "Buy Low, Sell High". The same holds for art investments:

The rallying cry from every brokerage house during and after the massive stock meltdown of 2001 was "Stay Invested!". The same applies to art; like stocks, they provide their best returns after being held for at least 5 years or more. Secondly, it's best to buy when the demand is relatively low. Canada, currently, is seen as an up and coming nation when it comes to art. With annual auction sales for Canadian art at a relatively modest \$25-\$30 million dollars per year, and a growing demand for our art (especially Inuit carvings) reaching all-time highs, Canada can confidently expect to grow from its current 0.8% of the worldwide fine art market.

According to The European Art Market in 2002, a survey concluded that fine art prices at auctions increased 63% from 1991-2000. However, between 1998-2001, the average price sold at auction in Europe declined 39% while in the U.K., it increased 54%. In the U.S., it advanced 75% and Canada stayed strong at 54%.

All of the preceding data point directly to the fact that Canadian fine art is an excellent investment. In the next several issues, we will examine specific types of art that has exploded on the international scene, with a special emphasis on Inuit Carvings. You won't believe how savvy investors have parlayed a passion into money-making enterprises.

Rocco Pannese is a well-respected collector and dealer of Canadian fine art. He is close to numerous top Canadian artists and many of their works are featured in his wonderful gallery located at Highway 7 and Kipling. Rocco's gallery has been featured in many respected publications such as *The Globe and Mail*.



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Canadian art as a perfect investment is not so outlandish if you take into account many factors. For example, consider this: Most investments we make are nothing more than impersonal, cold, calculated, business decisions which we hope will eventually pay off. They take the form of emotionless stocks, bonds, mutual funds, money markets, commodities, etc. You hang on to them only until it's the right time to sell and you repeat the whole process again and again. If you're like most Canadians, this is a very familiar scenario. But do you ever stray from the pack? Have you ever "experienced" art? To know that someone you don't personally know laboured countless hours just because of an inspiration? To own and show for all to see? The best news? It actually increased in value!



With Canadian art and art in general, the logistics of investing are the same. Just as you would experience with stocks or bonds, the return is there; there is a market in which you carry out the transaction; there are brokers ready to take your order; and there are price guides to define the "tangibility" of a certain artist, just like a prospectus on a particular stock. However, with art there's a difference. It can be defined as the real return on investment: Your personal enjoyment!

Paintings and sculptures involve you and your senses in their acquisition. Not just the actual work, but the total experience of discovery, acquisition and display. You can get an adrenalin rush when you bid on them at auctions or find them tucked away in a store. You can experience pride and prestige while displaying your investment to all your friends and family. They actually become

parts of your life and all the while, they appreciate in value! Some say that not all art are good investments but then again, what stocks or commodities are sure things?

Just like other traditional forms of investment, you need to do some research and align yourself with the proper guides to understand what's worthwhile and what's not. My main point is that if you could envision a level playing field where paintings and sculptures were as widely accepted as your most popular mutual fund or stock, which would you rather have? Which would give you more joy and a real sense of exclusive ownership?

The good news is that on a return basis, Canadian art has matched extremely well against any stock or mutual fund since the 50's. If you'd like more details or would like to acquaint yourself with these worthwhile investment options, give me a call or e-mail me. I love art and the more the merrier. It's my passion and the more people I can introduce to the intricacies and the simplicities involved in choosing art, the more gratified I become.

Just promise me one thing. Don't buy anything on your first trip. Let's get an understanding of your personal tastes and we'll go from there.

PS Investing in art is not cold and calculated. It is exciting and rewarding. For my money, it is the PERFECT investment!



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In the previous two issues, we discussed the added merits of collecting Canadian artworks as investments that are viable, sustainable, and profitable. To help illustrate, I'd like to introduce you to Peter Clapham Sheppard who is an excellent example of a Canadian artist of historical pedigree who has delivered the return for those who invested in his works.

His official biography reads as follows: "Sheppard occupies a place among a notable generation of artists the pioneer and firmly established a distinctively Canadian school of art. In the years preceding the Great War (1914-1918) and in the decades that followed,

these Toronto-based artists broke away from the academic, often dull and sentimental images



of the French and Dutch aesthetic to focus on the beauty of the Canadian landscape --- specifically the waters, forests and skies of Ontario's hinterland. They painted these elements transformed by the changing visages of the seasons in a new and vibrant modernist language. They were known as the Group of Seven.

Sheppard sketched and exhibited alongside these notable artists. However, because of the tremendous attention that the Group of Seven generated, others of this generation were more or less relegated to undeserved obscurity. It will only be a matter of time before the public and art historians discover and reassess the splendid and talented contributions of Sheppard, for he too played a vital role in recording the images of our urban and rural landscapes.

Born in Toronto on October 21, 1882, he trained under George Reid, John William Beatty and William Cruikshank at the Ontario College of Art. In 1912, he won the Sir Edmund Walker Scholarship and in 1913-14, the Stone Scholarship. In Canadian Landscape Painters (1932), A.H. Robinson comments, "[he] then began exhibiting pictures with a breadth of brush handling and

brilliance of colour which attracted favourable attention."

Quiet by nature, humble in spirit, Sheppard worked prolifically, producing sketches and large canvasses that extol his talents as a draughtsman and colourist. His versatility is evidenced in the many formidable examples of figural works, portraits, still life, landscapes, city and harbour scenes, circuses, courtly fairs, markets, and horse-cab stands. He taught at the O.C.A. summer school as well as at his studio in Toronto."



It is only in the last decade through market exposure that Sheppard's works have garnered the increased appreciation and values they truly deserve. For example, in the Fall 2000 Joyner Newsletter, reporting on its twice-yearly sale of Important Canadian Art, there was a growing trend among investors towards the lesser-known artists: "...works by ...under-estimated artists were also recognized and celebrated by collectors with an eye for quality. Works by artists such as Peter Clapham Sheppard which appear infrequently at auction and which are largely unknown by mainstream collectors garnered considerable interest by virtue of their mastery. This indicates a growing connoisseurship and broadening of interest among collectors who are not guided solely by name recognition but are scrutinizing works by a variety of Canadian artists in search of artistic merit regardless of period, medium or association."

In fact, according to Joyner's, Sheppard's market value rose a dramatic 200% between 1995 and 2001. An 8 1/2 x 10 1/2 oil which was purchased for under a \$1000 in 1995

was selling well above \$3000 in 2001. His paintings sold for much more than the estimated value in most cases. They continue to climb in value to this day. At the 2007 Heffel's auction, his painting of the *Bonsecours Market* (oil on board) fetched \$4888 which was \$1688 more than the estimated price. *Campers*, another oil painting sold for \$4600 (estimated price only \$2000); *Carnival* sold for \$3450 (estimated price \$2500).



Peter Clepham Sheppard's works serve as excellent examples of notable Canadian art that will enrich the quality of our daily lives while ever appreciating in quantitative values. For more information on this and other great Canadian artists, visit Kipling Art Gallery at 7938 Kipling Avenue, at Highway 7. Who knows? You may find your gem!



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According to the **Canadian Art Sales Index 2006-2007** published by Westbridge Publications Limited (WPL), the Canadian art market gained 30% and posted a record 65 million dollars in total sales! The **WPL Composite Index** smashed the 1000 point barrier during which 134 paintings sold for over \$100,000 each and the average selling price for a painting, sold at auction, was up a whopping 31%, or an average selling price of \$13,132! In other words, Canadian art has dynamically outperformed most other types of investments. For collectors such exciting results should reinforce both the importance of getting unbiased consultation from a professional art consultant/dealer and the prudence of devising a game plan in order to achieve success.



To illustrate the indisputable evidence of an ascendant Canadian art market, I ask you to consider the following: In 2005-2006, total sales broke the 50 million dollar barrier. In 2006-2007, it hit just below 60 million dollars, or 75 million if you include the buyer's premium. Already, this buoyant market has lasted 5 years longer than any previous growth period; in fact, the market is currently in its eleventh consecutive year of annual gains culminating in last year's most impressive total increase in sales of 30% or \$65,344,437.

When it comes to choosing your investment pieces, try to think as you would when choosing a stock. "Blue Chip" artists provide safe, exceptional return and they collectively comprise the main thrust behind the exponential growth of Canadian art as an investment. People like J.E.H. MacDonald, Lauren Harris, Tom Thomson, Jean-Paul Riopelle, Emily Carr are examples of the more than 50 Canadian artists considered to be "Blue Chip" investments. What's really interesting is that despite salesroom estimates

of artworks (very similar to a manufacturer's suggested retail price), buyers have consistently paid much more when it came time to purchase. This is a true indication of the demand that is evident today. Like the value of any other investments, which is determined by supply and demand, the same holds true for art. For example, at a **Joyner Waddington** auction, a painting by J.E.H. MacDonald was estimated at \$25,000-\$35,000; however, it ended up selling for \$253,000 which was nearly 10 times the estimated value! In fact, million dollar investments no longer scare off buyers because of the proven reliability and consistency of demand.

There are also up-and-coming artists who pose extremely solid potential for growth. The backbone of Canadian art lies in the category of upwardly mobile artists who, with every improving year, slowly edge their way up to Blue Chip status. Artists such as Anne Savage, Randolph Hewton, Nora Colyer, Mabel Mey, and Sybil Andrews have proven to be increasingly viable as they represent the growing number of Canadian artists achieving world recognition.



When it comes to investing in art, the same maxim of "buy low and sell high" holds true. When you consider that 134 paintings topped \$100,000 (up 38%) in 2006-2007, you don't need to be a millionaire to purchase art. Again, the average selling price per work was \$13,132. This is a lot of money for most of us but remember that just the year before, the average selling price was below \$10,000! Furthermore and most importantly, you shouldn't be disheartened by these figures. The Canadian art market still presents many attractive prices and investment opportunities. 78% of all works fetched less than \$5000 and

almost 63% sold for less than \$2000. And if your budget restricts you to works of less than \$1000, don't despair; you still have 48.6% of the market to choose from!

Based on the preceding data and the fact that there was growth in just about every sector of Canadian art, I would suggest that you seriously consider a form of investment that not only creates profit but also furnishes innumerable "aesthetic dividends"... transcendent experiences that a simple piece of paper or a statement can never match. Art will inspire you and create a passion that's second to none.



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