

A SQUARE'S ART SERIES WITH PHILIP HOFFMAN.¹ - V RUSSIAN ART

Description:

Russian art consists of a great many media and movements. For example, the June 2007 Russian sale at Sotheby's in London consisted of over 600 items, including a marble bust of Catharine the Great, varied paintings including a number of popular 19th Century romantic landscapes, and even a *Fabergé* cigarette case. Russian art has always played a major role in western art sales and collections, with the work of [Kandinsky](#), [Chagall](#), [Jawlensky](#) and [Malevich](#) consistently appearing at top Impressionist and Modern auctions. Now some of the names that were only well known in Russian circles are starting to command top prices. Antiquities, such as icons, furniture and jewellery would also be considered part of this market.

Movements and Artists:

- Icons (pre-Twentieth Century)
- Avant-garde (approximately 1890-1930):
[El Lissitzky](#), [Kazimir Malevich](#), [Wassily Kandinsky](#), [Alexander Rodchenko](#), [Marc Chagall](#)
- Symbolism (end 19th Century, start 20th Century): [Mikhail Nesterov](#), [Victor Borisov-Musatov](#)
- Contemporary: [Ilya & Emilia Kabakov](#), [Eric Bulatov](#), [Irina Korina](#)

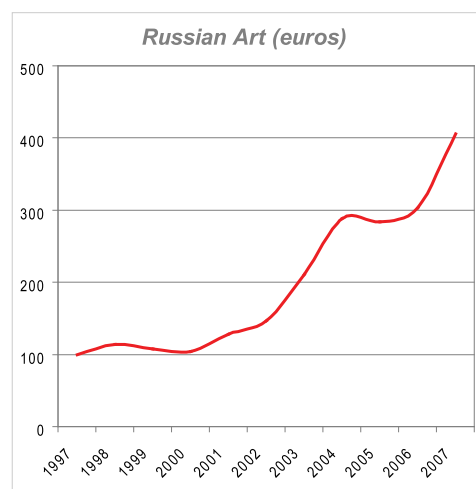
The Russian art market has been flourishing over the last decade owing to the simultaneous boom experienced by the former Soviet Union's industry. Rising wealth has bred a new group of collectors with nationalistic buying trends. Jo Vickery, head of Sotheby's Russian department was quoted in *The Economist* on 6th June, 2007 saying that the Russian market was previously controlled only by Russian *émigrés* and collectors with "old" Russian connections. She says, "Now, over 80% of our buyers are Russians from Russia, buying back their heritage. These buyers are serious collectors, increasingly market-savvy, ready to pay a great deal of money for the best pieces".

Christie's and Sotheby's have both witnessed a quantum leap in Russian art sales. For example, Sotheby's first sale of Russian avant-garde and Soviet contemporary art in Moscow was held in 1988 - since then this house has seen this market consistently increase. In 2006 they sold GBP86mn worth of Russian Art, which rose 43% from the previous year, and appreciated twenty times since the GBP4mn that they sold in 2000. They have just opened a new Russian office and are also consistently previewing important lots from their major London and New York Impressionist, Modern and Contemporary sales in Moscow, as these buyers are not just buying Russian art, but are also contributing to the movement of the Western market as well.

- The world record price for a Russian work of art was fetched at Christie's London in November 2006 for the painting *Pastorale Russe*, by [Konstantin Andreevich Somov](#), which sold for GBP2.7mn.
- Contemporary Russian art has yet to progress to the price niveau commanded by historical works
- Today the Russian Contemporary market has a turnover of less than USD20mn per year - this is anticipated to change.

Strengths of the Russian market:

- This is a very wide market, as there is a varied array of artworks and antiquities that can potentially come to the market
- Works of historical importance are fetching higher prices than Contemporary works, which follows what some would consider, a natural progression of the market
- There is an extensive wealth base looking to enter the art market
- Once older 'historical' works of quality become scarce and stop trading hands, other areas of the market will also strengthen, such as Contemporary, as the collectors move forward.
- Historical works tend to largely appeal to Russian collectors, but avant -garde works have long



Graph shows: 100 EUR invested in 1997 in the Russian market has quadrupled in value over the 10 year period.

This market has experienced dizzying growth over the past decade, as illustrated by the graph (courtesy: Dr. Rachel Campbell, Assistant Professor of Finance and an art market analyst at Maastricht University)

Data Source: Art Market Research

Contact Information:

The Fine Art Fund Group Ltd.,
Philip Hoffman, Chief executive

Telephone : +44 20 7647 0915
Email : philiphoffman@thefineartfund.com
Website : <http://www.thefineartfund.com>

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been strong in the global art market and will continue to rise even more in value as Russians drive prices up. For example, Christie's London placed two paintings by avant-garde artist [Natalia Goncharova](#) in their June 2007 Impressionist and Modern evening sale, and one painting from 1909, *Picking Apples*, sold at thrice its estimate (GBP4.9mn), making [Goncharova](#), the new record holder for the world's most expensive female artist. The buyer was Russian.

- All areas of the Russian art market should appreciate in value as the base of Russian collectors continues to widen

Weaknesses of the Russian Market:

- Historical works do not appeal to non-Russian buyers
- The Contemporary market has yet to take off – which makes it an interesting investment opportunity
- Russian buyers are getting increasingly involved in the Western market and might turn their attention and cash flow towards this area, creating a drop in their own market
- Condition and title are very relevant issues in the areas of icons, jewellery, etc. and must be taken into consideration in all purchases and sales
- There are several forgeries on the market. [Marc Chagall](#) is reportedly the second most forged artist in the market, [Amedeo Modigliani](#) being the first. Icons have been forged for centuries.
- This market hinges on the fortune of the Russian industrialists
- Russians do not like to be seen as publicly collecting and do not spend money in their own country.
- Art fairs and exhibitions in Moscow are not successful as the majority of Russians purchases are in London and New York.
- Money-laundering can be an issue
- Contemporary artists can be censored and controlled by the government, limiting their creativity and free expression of political views

Opportunity:

- A portfolio of young artists would be relatively inexpensive and should accumulate in value as these artists receive global promotion and acclaim.
- A portfolio of avant-garde painters should increase in value as works by top tier artists get scarcer, and a re-evaluation of some of the lesser known artists begins

Threat:

- Political instability
- A financial market crash in Russia

Risks involved:

- Theft/ Damage/ Provenance/ Title issues are very important, as is verification of authenticity
- Authentication of a newly discovered work can be virtually impossible
- As with all sectors of the market, getting caught in market inefficiencies, i.e. transaction costs via galleries and auction houses

Forecast:

- Continued strength and financial growth of Russian industrialists, will sustain growth across all sectors
- Within Russian history, there are many artists that are appreciated by both Western collectors and by Russians, and competition for top work is going to drive up the market.
- Russian contemporary art has not yet reached a level that comes even close to that of the West, and already curators and gallerists are uncovering new talent. The Russian Pavilion was one of the most talked about at the 2007 Venice Biennale.

(*All prices are approximate and if sold at auction include the buyer's premium)

1. Philip Hoffman is founder of The Fine Art Fund, which is still the only global art fund of its kind, and has since expanded into The Fine Art Fund Group Ltd., which consists of The Fine Art Fund I, The Fine Art Fund II, The Chinese Fine Art Fund, The Indian Fine Art Fund & an art advisory arm, FAIR (Fine Art Investment & Research)

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