

# Have changes in the status of art as an investment asset impacted the market for Australian Aboriginal Art?

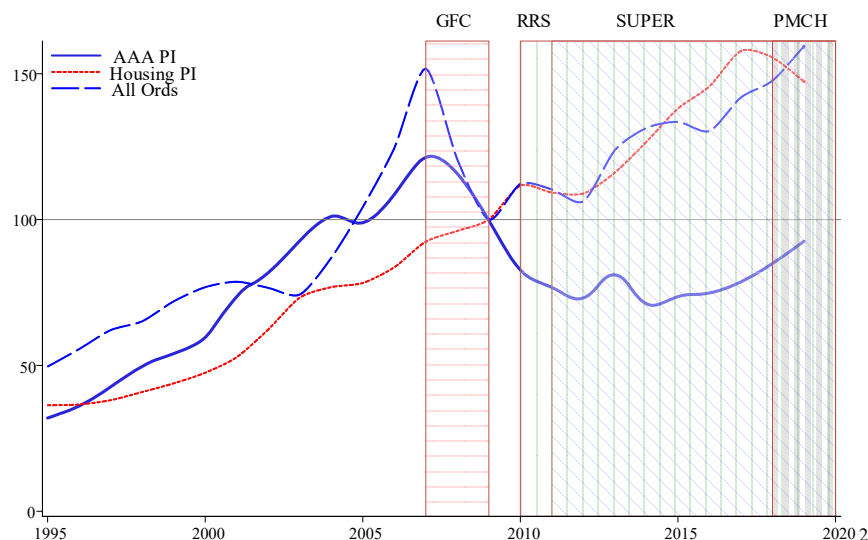
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We propose that recent changes in Australian legislation that limit how artworks can be considered as assets in self-managed retirement funds appears to have had an impact on the Australian Aboriginal Art market. To show this, we estimate the price index for this art based on prices paid for 13,555 works by 187 artists at art auctions from 1994 to 2019 - the majority of which were conducted in Australia. From this index we find a marked decrease in sales prices following the introduction of this legislation.

Using a regression approach, we estimate hedonic price models for various segments of the Australian Aboriginal art market. These models are used to estimate price indices in order to investigate if the changes in Australian laws concerning the sale and use of art assets has influenced the potential returns for different segments of the market.

The resulting average price index (AAA PI) that we have estimated is shown in the figure given below along with the indices for Capital City Housing prices and the All ordinaires stock market index. Note that we have added indicators for the periods in which legislation that influences the Aboriginal Art Market has changed as well as the GFC. From this plot it can be seen that subsequent to the end of the GFC, there has not been the rebound the other two asset price indices have had.

**AAA, All Ordinaires and Housing Price Indices.**

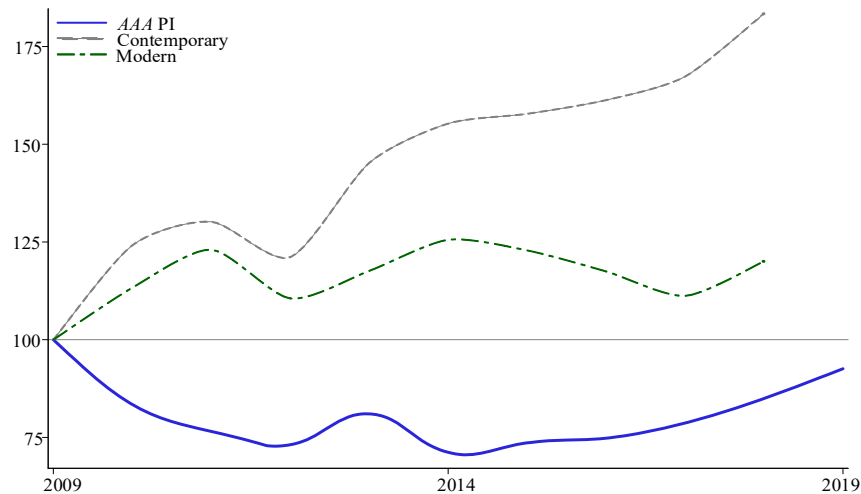


In the past 10 years fine art has increasingly become an alternative investment asset for more than just high net wealth individuals across the world. The Luxembourg office of the Deloitte consulting firm has promoted the consideration of art as financial asset in conjunction with more traditional assets such as equities, bonds, real estate and precious metals in a series of special reports on this alternative since 2011 (Deloitte and ArtTatic 2019). The increases in value of some portfolios of fine art have been measured as appreciating faster than many alternative traditional assets Etro and Stepanov (2019). The most recent estimate of the private holdings of art and collectables has been estimated as US\$1.742 trillion (page 27 Deloitte and ArtTatic 2019). In 2019 it has been estimated that global sales of art were US\$64.1 billion (page 1, McAndrew 2020) and since 2000 the increase in the price index for contemporary art has been approximately 300% (Etro and Stepanov 2019). In the figure below we show how the path of the Australian Aboriginal Art price index deviates from the increases in value the global art market has achieved.

<sup>1</sup> Our working paper is available on request. Corresponding author: J.hirschberg@unimelb.edu.au

<sup>2</sup> GFC= Global Financial Crisis, RRS= the Resale Royalty Scheme, SUPER= the changes to rules for display of investment art, PMCH=Protection of the Moveable Cultural Heritage Act.)

## Comparison of the estimated AAA price index and the global price index for Contemporary Western artists and Modern artists during the post-GFC period.



A caveat to our findings is the inherent limitations in the price data we employ for our analysis. In the 2019 global art market sales of 64.1 billion \$US only 24.2 billion \$US or less than 38% were estimated to be sold at auction (page 19 McAndrew 2020) with the remainder sold by dealers, at art fairs and on-line. In addition, we have no indication of the number of works that came to auction but did not sell nor do we know the actual transaction for the item since there are usually significant auction costs. Also, when comparing the rates of return of investments, we have not included the significant frictional costs in the market. The 10 to 17.5% buyer's premium charged the buyer and the 10% sellers commission would indicate that the price of an artwork would need to rise by up to 27.5% for a seller to make a profit from the sale.

Recently there is a growing concern that the rapid increase in the value of art sales has been fueled by money laundering activities which has resulted in the imposition of a more regulated art market (page 80 McAndrew 2020). This new set of requirements on the provenance of art and the details of ownership has also increased costs for the sellers of art but on the other hand may lead to a more stable market for art in the future.<sup>3</sup>

### References

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<sup>3</sup> Due to the remote locations of some Aboriginal artists, the provenance of a few works has been an issue as documented in Chappell and Hufnagel (2014).