Who will be the next “hot” artist; and how do I buy good art?

by Phil Whittaker

Phil Whittaker joined Sotheby’s Institute of Art in February 2007 as the Director of its Singapore campus where he redesigned Sotheby’s programmes for delivery in Asia and set up the initial programme which launched in the same year. He holds two psychology degrees, an MA in Management Learning and an MBA. Whittaker’s key areas of interest are cultural economics and art valuation. His current research focuses on the 2005-2008 boom in the Chinese contemporary art markets and how this can be explained using cumulative prospect theory.

1)

“Who will be the next “hot” artist?” this is the question I am asked the most often. I am asked this question whenever I give a lecture or talk. I am even asked this question despite the fact that in every lecture and talk I give I specifically indicate that the answer to this question is always an unknown. To support this belief I can point to all of my professional art colleagues who, without exception have the, "I could have bought one of those" story. The artists differ, but the story is always the same; “I could have bought (insert the name of a now famous artist) when the work only cost $5,000, and now they're selling for $1 million”. This should clearly indicate that not even professionals working in the art world can get this prediction correct consistently.

The reason that people want to know the next “hot” artist is simple and obvious; they want to buy early and at low-cost in order to make a financial killing when they sell the work after a few years. But so does everyone who is associated with the art world. We all want either to make the financial killing, or better still (for some) be the one who discovers the next big artist, thereby cementing a place in the annals of art history and gaining not only fortune, but fame AND fortune. Remember the famous Hoving quotation, “Art is sexy, art is money – sexy, art is money – sexy social climbing fantastic”. Discovering the hot new talent would certainly be a positive thing in that world.

However, let's consider the reality of the question, “Who will be the next “hot” artist?” If a stranger asked you this question, and for the purpose of illustration let us assume that you know the answer; what would you say? I somehow suspect that most people would not give this lucrative secret away, and yet remarkably people keep asking this question of gallery owners, academics and art dealers. The simple and honest answer should be, "I don't know".
If by chance you did know the answer I suspect that you would have bought all of the work you could get your hands on, sold it and you would be conducting business via video link from your yacht in the Caribbean. You would certainly not be letting anyone else into the secret.

2)

Also remember these two important aspects of the art market, first it is unregulated, and second that market information is not transparent with information skewed towards the dealers. First the unregulated element, this means that there is not real code of practice or laws governing the sale of art, and in practice this means that the price of art is really only set by what the buyer is willing to pay. That is to say there is no real external “retail” price for art. The “value of art” is a flexible concept, but for now it is useful just to point out that art very often does not have an intrinsic value, but a value that is largely set by the seller.

Second is the information imbalance. This information includes the background, track record, and the potential of the artists concerned. This imbalance of information should not discourage anyone from buying art, but it should encourage greater research on the part of the buyer. Simple research can be done using some well known web sites such as [www.artprice.com](http://www.artprice.com) or [www.artnet.com](http://www.artnet.com), both of which list previous auction prices and the sale records of artists. If the artist is not selling at auction then it is possible to search other galleries to see if anyone else is selling either the artists work, or similar work. In this way it may be possible to work out some form of price comparison.

The simple truth is that there is no way of guaranteeing who the next “hot” artist will be. However, by applying a modicum of common sense and by conducting some simple research it may be possible to limit the number of "cold" artists and pieces of work that you buy.

How to gather the information and what to do with it is addressed below, but if you are already tired of reading here is the brief version: you should never buy on impulse, and never buy without doing some background research on the artist, on the gallery, and on the work itself. In this way you will be better equipped to make sensible, and well informed buying
decisions, which will result in fewer mistakes and a better relationship with the commercial side of the art world.

3)

Above I took the position that spotting the next “hot” artist is almost impossible. However with some relatively simple precautions you can limit the risk of buying potentially “worthless” art, that is to say art that is very unlikely to appreciate in value. The purpose of this next section is to offer you a list of do’s and don’ts when buying art. The focus will be on contemporary painting because this is where most of the volatility and hence most of the risk lies.

The first thing to remember is Do buy art that you like and can live with. Remember not all art will appreciate in value, and also that art is a long-term investment; as such you may need to live with the piece for several years. This becomes more tolerable if you enjoy the piece. In addition it will help to take the sting out of any loss you may incur if you have made a poor decision. Speaking from experience there is nothing worse than owning a piece that you do not really like AND one that has lost you money.

Secondly, Do your research. Research the artist, where he was trained, what exhibitions has he done, who represents him etc. This is important because successful artists rarely come from obscurity. There are exceptions, but we are trying to limit risk and not indulge in speculative gambling. So for example if we were looking for diamonds we would normally go to a diamond mine and not just start digging in the garden hoping to get lucky. This is the same for good artists, and so academy trained artists are obviously less of a risk than non-academy trained artists.

Although it sometimes seems that artists suddenly burst onto the scene this is seldom true, and good artists will always have a good track record. This track record and their reputation give the artist and their work a potential to gain in value. In a similar way to luxury brands the better known and critically received the artist is the more likely it is that the work will appreciate in value.
Once you are satisfied that the artist is of a good standard and the gallery has a good reputation then check that the price being asked for the work is fair. This can be done by looking at comparable work at other galleries, or check if the work has been sold at auction. This can be easily done via web site like ArtPrice.com or from individual auction house web sites. This is extremely important because as previously stated the seller always has more information than the buyer. All we are doing here is to redress that balance of knowledge and power.

Finally, don’t ever buy on impulse. If you do like a piece then ask to put it onto reserve for 24 hours until you have had time to carry out some research.

In conclusion, please enjoy your collecting, please keep collecting, but please be sensible and treat buying art like any other buying decision, i.e. do your research and check that the purchase is a good deal for you.