

ABORIGINAL ART COLOURS FADE

The market is reeling from oversupply and changes to self-managed super rules. **Report: Andrew Heathcote**

● The Aboriginal art market is out of favour with investors due in part to new legislation that limits its appeal in self-managed superannuation funds.

The drop off, which is worse than the deterioration in the overall art market, has some experts suggesting the time may be right for savvy buyers to reconsider Aboriginal art.

Industry participants say the factors that are depressing prices have little to do with the art's inherent value and that long-term capital appreciation prospects remain sound.

About \$70 million in art has been sold at auction this year and that amount is expected to rise to about \$100 million by year's end.

The most recent art boom occurred in 2007 when \$175 million was sold at Australian auctions, up to 15 per cent of which was Aboriginal art.

The chief executive of art advisory and rental company Art Equity, Raj Nanda, believes the Aboriginal market has been hit much harder than the rest of the sector since 2007.

"Indigenous art got a bad rap because there was a major oversupply in 2007 and post 2007," Nanda says. "There was a lot of it around."

Last year's changes to superannuation laws stemming from the Cooper Review have meant that it is less attractive for

people to put art in self-managed super funds. One reason is because anyone who does so is no longer able to hang it on their walls.

Trustees are not permitted to derive immediate benefits from an asset in their fund and looking at art is considered an immediate benefit.

Storage is expensive. Some investors fear the cost of storage could outweigh their capital gains.

Those who bought art before July last year have until July 2016 to ensure they comply with the new rules. This could lead to more stock being put up for auction.

Art market commentator and director of ArtiFacts art consultancy Jane Raffan says auction houses were selling about 10 per cent of their stock to super funds before the new rules were introduced. Since then, sales to super funds have almost entirely collapsed.

"The Cooper Review is the biggest stranglehold on the market in its current form and the impacts are yet to be really felt," Raffan says.

Export permit rules also make selling art more difficult than it used to be.

The high dollar has meant that some buyers are seeking to buy back Aboriginal art from other markets. Nanda says large amounts of art were sold to overseas buyers, particularly in the UK, around 2007.

Restrictive legislation shouldn't be the only factor in an investor's decision, Nanda says. "It is a long-term asset with a long-term investment horizon."

Raffan says: "The works themselves are still of a very good quality. Once we get over the entanglement of legislation that is restricting the market, these works will still have legs." **BRW**

Hang it: Under changes to super rules, storage costs become an unexpected expense

