Photo: Alex Ellinghausen

vaults of the Art Gallery of NSW

of NSW in 1980 by an exhibit

part of an eastern suburbs

# Market faces blue period as investors give the brush-off

**Andrew Taylor**

OLIVER REES collects Australian art as an investment and to support the local arts industry.

But new superannuation rules will force him to sell part of his collection of 19th century watercolours and paintings by Sidney Nolan and John Coburn.

"The cost of maintaining these assets outweighs any likely return I'll get," Mr Rees said. "Collecting art doesn't make sense as an investment now because of the change in regulations."

Mr Rees, a company director, said these art works were worth up to $5000. "It's not like I own a million-dollar [Brett] Whiteley."

Mr Rees is not the only small investor who has decided art is no longer a good investment, leading to a downturn in the art market.

Tom Lowenstein, a Melbourne accountant, who has campaigned against the changes, said many smaller investors with self-managed super funds had not only stopped buying art but were selling their art holdings because of uncertainty about the new laws.

"Also, the additional costs of storage and insurance act as a further disincentive," he said.

The strict new laws require art works to be stored externally rather than in the private homes of the owner of the super fund, insured separately rather than as part of a home and contents policy and assessed by an independent valuer.

The art consultant Michael Fox said this created a disincentive for people to buy art as part of their super fund.

"The anecdotal evidence is obvious to anyone associated with the art market," he said. "Galleries are closing, artists are finding it hard to sell because they are competing against auction houses selling their paintings at distressed pricing, and the Aboriginal art market has gone off the cliff."

The Cooper review into superannuation in 2010 recommended self-managed super funds be forced to sell all art works and collectables. The federal government opted to tighten the existing rules and give people who bought art via their super fund five years to comply with the new laws.

The art valuer David Hulme said he had been flooded with inquiries from small investors wishing to sell art or purchase back from their super fund.

"The perception that people who purchase art in super funds are all very wealthy is misguided," he said. "It's the average smaller investor or even what you might term 'mum and dad' investors who are really being affected."

Last financial year, self-managed super funds invested $20 million to $25 million in art and collectables, according to the Tax Office; three years ago, the figure was at least $85 million.