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Here is a different approach to the fine art of finance

MARK BRIDGE meets a couple of young but deliberately old-fashioned financiers from Germany who aim to know more about the art market than the dealers do themselves

WHY does the trade have such difficulty finding bankers who understand the art and antiques business? This was one of the main questions asked at the recent LAPADA Conference in London, and the answer was a stark as it was discouraging.

Richie Coulson of Lloyds TSB bravely admitted to conference delegates that neither his bank, nor any of the big high street names, had the time or resources to understand art and antiques. They might be prepared to lend against a dealer's property, but to all intents and purposes a dealer's stock is of no interest and therefore of no value to them. At least his response was refreshing in its honesty.

Equally refreshing and rather more unexpected was the passionate interest in the art market shown by Loretta Würtenberger, a specialist Berlin-based art financier whose approach to the market turned out to be diametrically opposed to that of today's high street banks. Dr Würtenberger and her husband Daniel Tümpel run Fine Art Partners, a privately-funded family firm that provides financing only to art dealers. Much of their time is spent getting to know dealers personally and catching up with the latest developments in the art market.

"We cannot believe we are having so much fun. We thought we would have to earn our money in some other way in order to enjoy art," says Loretta.

"We typically spend three to four days every two weeks travelling to fairs – looking at the works, listening to the gossip and the rumours, finding out who's buying what. If we did not have small children we would be travelling more."

Both have had previous experience in banking, and Loretta has also made her mark as a lawyer, a judge and an online entrepreneur. But both were exposed to art from an early age. Daniel's father was an eminent Rembrandt scholar, his mother a museum director and his grandfather a student at the Bauhaus. Loretta is a serious collector of mainly 20th century works – anything from Bauhaus and Hans Arp to contemporaries such as Dash Snow and Vik Muniz. Yet when it comes to the art market, they make it clear that they are financiers first and collectors second.

"In some respects I feel as though we are bankers in an old-fashioned way," Loretta explains. "We build a relationship with our clients. We are the financiers and we never forget that is our role in a deal, but we do get intimately involved."

As the name suggests, Fine Art Partners likes to work alongside dealers, investing up to 70-80% of the purchase price rather than lending money. They do not charge interest but take a share of the profit.

"To do this we have to feel that we understand the market really well. We concentrate on works from Vienna 1890 through to Contemporary – that is the area that we understand. And we are looking at the top end of the market. We are working with more than a dozen dealers at the moment – all of them are well-known exhibitors at top fairs like Maastricht, Basel or Frieze," says Daniel.

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"The transparency and the global nature of the art market today mean that we have not seen the collapse that there was in the 1990s, but at the same time you need to be dealing in Class A works and you need to be able to react quickly, because good works are hard to find.

"But if you secure such works you can be confident that there will be buyers in the current climate where fear of inflation is a great driver and the best art is an attractive asset."

In these conditions he feels Fine Art Partners can offer dealers the liquidity to compete for the best works and resell relatively quickly:

"In many ways this is a classic arbitrage market where dealers can buy at one price and sell on at a profit. We are not in the business of taking a view on the market and gambling on a change in taste. Sometimes the work can be turned immediately and the average at the moment is about ten months."

Fine Art Partners has been going for five years.

"We started in Germany naturally and it took us that long to establish that our business model worked. We now feel we are ready to expand. We did some business in Switzerland. For about a year now we have been regularly in London and about four months ago we started to look at Paris," Daniel explains.

They have interesting observations on the nuances of the European art market: "Dealers across Europe do have a lot in common. Invariably they are driven by a passion and they have courage. In general they are owner-managed and are willing to take a personal risk if they see a great work.

"When we came to London we were amazed by how concentrated everything is. In one square mile around Mayfair you can find all the important players and the market is denser and larger. In Germany we are used to constant travel by plane: from Munich, to Düsseldorf to Berlin...

"We have found it surprisingly easy to do business in London. For one thing English dealers are much quicker to understand the language of bankers – many of their customers come from the financial markets – and the English in general are much more ready to borrow to buy. Germans are more conservative and more likely to save up before spending."

Paris is different again.

"It used to be a rather sleepy market, but there is a new energy there now. With the rise of FIAC and other initiatives you feel that things are on the move, something is happening."

"But there are signs of movement in London too. Recently there have been some step-changes in the status of Modern British artists like Ben Nicholson or Barbara Hepworth, who appear to be on the verge of moving into the upper category of the international market. Or Henry Moore, who has been there for a long time, but whose market has seen impressive price movements recently."

Being immersed in their own chosen field they are naturally a little reticent about answering the burning question that certainly interested delegates at the LAPADA conference: can a model which seems to work well for the Contemporary and Modern art market be applied to the more general art and antiques market?

As financiers they believe the main problem is likely to be one of scale. "The individual deals do need to be large enough to make it worthwhile," says Loretta. "Typically our lower limit would be £100,000. With new partners we would usually start at the lower end and go on to bigger deals when both sides are confident the relationship will work. As confidence grows there can be more flexibility. With one of our partners we currently have around 30 works co- owned. The highest individual value at this moment is $3m, but there are some at $50,000-80,000."

Clearly anyone wanting to apply a similar model to other areas of the market would need to look carefully at such financial realities. But they would also need the drive, the passion and the confidence to understand their chosen market and make their own decisions. As far as Loretta and Daniel are concerned, small is beautiful and personal involvement is essential.

"The only way to learn is to put your own money on the table. You make much better decisions if your own head is on the block," says Daniel.

"With us the managers are the principals," Loretta adds. "If that had been the case at Lehman Brothers things would have turned out very differently. But that's another story..."

www.fineartpartners.com

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