

# decorative arts as an Asset Class

by Nancy  
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**Fig. 1:** Chippendale mahogany armchair, Salem, MA, ca. 1770. Owned by Elias Hasket Derby of Salem, MA. Israel Sack, Inc. sold to a private collector in 1973 for \$65,000. In 2001 Israel Sack sold the chair for \$1,500,000. The c.a.r.r. (compounded annual rate of return) was 11.86%.

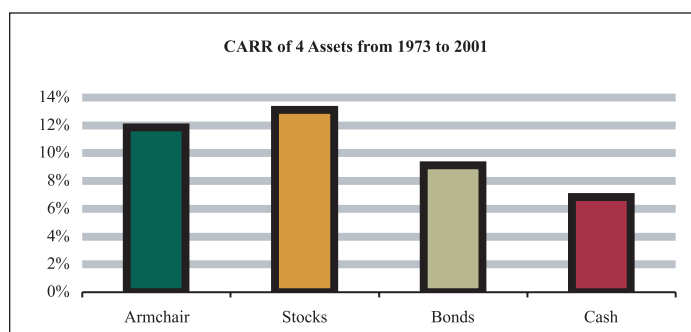
**Value-added:** *adjective* — being or pertaining to something added to a product to increase its value or price.

When I was a trader on Wall Street I worked with a long list of brokers and agents upon whom I relied to succeed and make a profit. For a fee, all of them provided a service, whether it was supplying information or making a trade. The rates, fees, and commissions generally conformed to industry standards. That said, every once in a while someone or some company proved so outstanding that I was happy to pay a premium for their services. This is not uncommon in the world of finance—where someone providing exceptional service is known as a “value added.”

During the years I worked at the antiques firm of Israel Sack, Inc., in New York, I heard frequent debates on the pros and cons of purchasing from private dealers as opposed to auctions. The fact is there are talented individuals in both areas. I can’t speak to the subject of auction houses since I have little experience in that field, but during

my time with the Sack family I got to know many value-added dealers. For the sake of my experience, I will advocate the significance of the dealer role in collecting. *Continued on page 138*

**Myth:** *noun* — a traditional story accepted as history; serves to explain the world view of people.

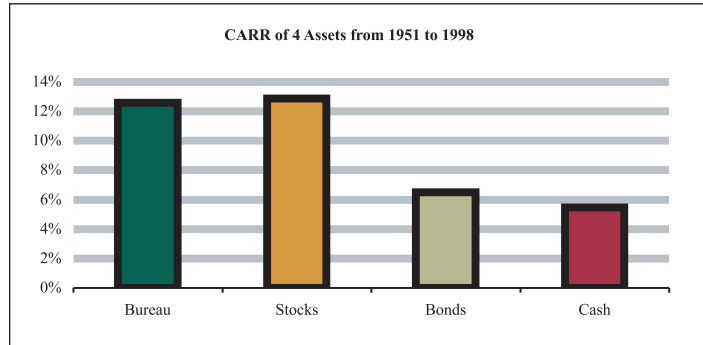


**Fig. 1a:** Chart for armchair. c.a.r.r. = compounded rate of return.

Continued from page 136



**Fig. 2:** Chippendale mahogany chest-of-drawers, labeled by John Townsend (1732–1809), Newport, RI, dated 1792. Courtesy of Christie's Images, Ltd. 2005. Sold in 1951 by Israel Sack for \$18,000. Christies sold the bureau in 1998 (with buyer's premium) for \$4,732,500. The c.a.r.r. is 12.59 %.

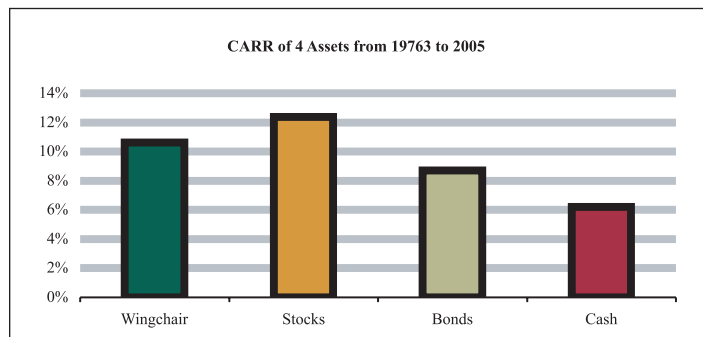


**Fig. 2a:** Chart for chest-of-drawers.

One of the myths I come across time and time again is “I would never buy from a dealer, their prices are outrageous” or, “Their mark-up is sooo high, why should I make them rich?” The fact is that both dealers and auction houses sell materials for a profit; after all, they need to run their businesses and be profitable. Dealers ask a percentage above what they paid based on their overhead and business needs, and auction houses receive buyers and sellers commissions based on their operational requirements. Make no mistake there are unscrupulous people in every industry, but the Enrons and Tycos don't keep us from investing. We wise up and move on.

While at Israel Sack I had the opportunity of hearing about what the firm sold, to whom, and the fortunes that were made from these pioneer collectors by the patriarch, Israel, and later, his sons, Harold, Albert, and Robert. To the uninitiated, the art and antiques the Sacks dealt in appeared to be outrageously priced. Others respected the Sacks and knew that if the price was high it was because the object in question justified it. I must add that the Sacks never sold anything for investment purposes. When they sold

**Fig. 3:** The Robb Chippendale mahogany easy chair, Philadelphia, 1755–1765. Courtesy of Christie's Images, Ltd. 2005. Israel Sack sold this to a private collector for \$85,000 in 1976. Christies sold this chair in 2005 for \$1,584,000 (with buyer's premium). The c.a.r.r. is 10.61%.



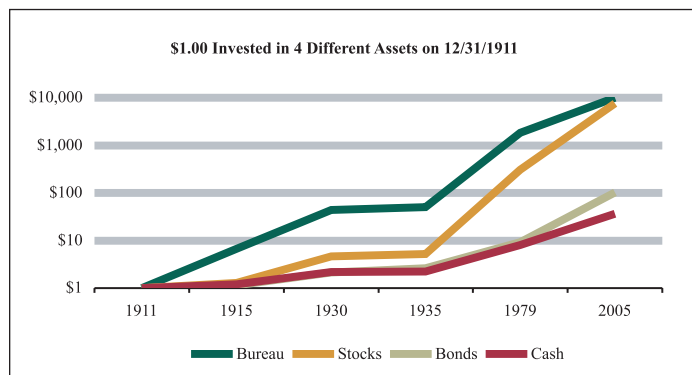
**Fig. 3a:** Chart for easy chair.







**Fig. 4:** An American Masterpiece. Chippendale mahogany bureau, Salem, MA, 1783. Courtesy of Albert Sack. Israel Sack, *American Antiques From Israel Sack Collection*, vol. 6, p. 1656. The c.a.r.r. is 10.29%.



**Fig. 4a:** Graph charting the price history of figure 4.

1911	Israel Sack purchased and sold for \$150
1915	repurchasd and sold for \$1000
1930	repurchasd and sold for \$6500
1935	repurchasd and sold for \$7500
1979	repurchasd and sold for \$275,000
2005	estimated value \$1,500.000 <sup>1</sup> (without fees)

The amounts paid for this piece, at every sale date, would have been deemed astronomical. Yet, as the graph above exhibits, based on the rates of return, if an investor began with one dollar (\$1.00) the appreciation for the ninety-four years of time over which this chest was bought and sold, was greatest in the alternative asset class of antiques.

a piece the emphasis was always on a love for the material with a focus on outstanding examples within their period, form, and class. The Sacks and other dealers in their league were and are experts, and savvy collectors recognize the value of their knowledge. Time has validated, as the illustrated graphs show, that such knowledge has proven worthwhile advice.

In my experience, most dealers are value added. They live, eat, and sleep the business. Like financial traders, their instincts are backed by training, research, and experience. For a collector, the advice of a reputable dealer is invaluable. Trust your instincts, but be open to the area in which the dealer excels. Be careful not to confuse collecting with investing and hopeful rates of return. Trust in a dealer's expertise and, given time, the rest should take care of itself.

The accompanying charts justify the advice of one value added dealer, Israel Sack, Inc., and clearly question the myths of dealer mark ups from a historic perspective. The four objects demonstrate the compounded rates of return on masterpiece material handled by the

firm. There were many more examples from which to choose (with better returns) but permission for price data was deemed proprietary. The graphs compare parallel investment vehicles had the buyer chosen stocks, bonds, or commercial paper. The examples shown lend credibility to the point that decorative arts in the masterpiece category, along with the guidance of a value-added adviser, prove to be a respectable alternative asset class.

The charts illustrated record only the years given. All dates are assumed to be as of December 31 of the year stated, except 2005, which is assumed to be as of November 30. Data source: Global Financial Data. @

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<sup>1</sup> Although figure 4 remains in a private collection, a subjective and conservative current estimate of \$1,500,000 was chosen based on assessments by Christies, Sotheby's, Nathan Liverant and Son, and Leigh Keno American Antiques.