NEW YORK. Banks have been loath to lend against art since the art market crashed in 1991, and the crisis that began in 2008 has reinforced their reluctance. “In the old days, they would give you a loan, but banks are very cautious these days and they do things to minimise their risks, so it’s not very cost-effective,” says one prominent New York art dealer, who asked to remain anonymous. Some dealers are now seeking alternative forms of private investment.

At a conference arranged by the UK’s Association of Art and Antique Dealers (Lapada) earlier this year, Richie Coulson of Lloyds TSB said that high-street banks did not have time to understand the art trade. He added that banks might lend against dealers’ property, but not their inventory, according to an article in the Antiques Trade Gazette.

“Banks still have art departments, but those act mainly as advisories to the super-rich—they don’t lend to dealers,” says Loretta Würtenerberger, the co-founder of the Berlin-based art equity firm Fine Art Partners. She and her partner Daniel Tümpel saw a niche in the market and set up their financing business in 2007, during the market’s peak.

Their principal focus is on exclusive partnerships with dealers, often funding up to 80% of the purchase price of a work for the dealer’s inventory, on condition that the dealer will market and sell the work within a set time period. Fine Art Partners takes a cut of the upside (the increase in a work’s value), rather than charging interest. “In our model, the dealers earn more than we do,” Tümpel says. “We try to find ratios where they earn up to 80% more than us.”

The business concentrated on the German market for its first three years, focusing on art from the 1890s up to 20th-century paintings and works on paper. Würtenerberger and Tümpel pulled out of the contemporary market months before Lehman Brothers’ collapse in 2008 to focus on classic modernism, which “proved to be our luck, leaving us with good results in 2008 and 2009”. Würtenerberger says. During the downturn, the firm often acted as a “crisis lender”, offering short-term loans to collectors and companies using art as collateral.

As the contemporary sector gained ground, the firm began reinvesting in it, in around 2009. “Today, it’s an important field of our activities,” Tümpel says. “In the primary market, dealers compete for works with the top artists, who usually have more than one gallery. In such cases, we can help the dealer to buy a complete show, so he doesn’t have to send works back to the artists but rather has the chance to market them for a longer period,” Würtenerberger says. “Other models in the primary market include supporting production costs for large sculptures.” They now work with around 20 dealers, and have expanded to other parts of Europe and to New York.

There are concerns that another correction could be in store, and Würtenerberger says that “2013 could be difficult” for dealers. Their strategy is “to stick to the top end, because that’s where the liquidity is”, Tümpel says. Dealers should “focus on the quality of the works. It is, and will be, all about triple-A quality: a really good piece will find its buyer.” He adds that dealers should “build up enough cash to buy top pieces whenever they come to market—or give us a call to help”.

Charlotte Burns