1032-91-74 **Carlos A. Ulibarri*** (ulibarri@nmt.edu), Dept. of Management, 801 Leroy Place, Socorro, NM, and **Peter C. Anselmo** and **K. S. Hovespian**. *Perpetual real put options and art market efficiency.*

A 'real put option' is a contract granting the right to sell a non-financial asset at a predetermined price at some future point in time. The present study develops a model of a perpetual real put option for the analysis of art investment. This special case of the Black-Scholes (1973) option pricing formula is used in examining the risk-reward tradeoff in selling artwork. Given an arbitrary time horizon, the model provides testable implications of the seller's reservation price strategy, and the seller's risk-return tradeoff. An empirical form of the model is suggested for examining various propositions concerning art market efficiency. (Received August 13, 2007)