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Museums and the Market

Rumors vs. Reality

Photo credit: Alamy

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There is a widely held idea that solo exhibitions at major museums provide a boost to an artist's market. Take that bellwether, Pablo Picasso: just days after the opening in March of the revelatory exhibition "Picasso 1932: Love, Fame, Tragedy" at Tate Modern (until 9 September), a painting of his muse Marie-Thérèse Walter from the same year, *La Dormeuse,* sold at Phillips in London for £41.8m (est. £12m-£18m)—making it the second-highest price ever paid at auction for a 1932 Picasso, and the ninth most expensive public sale of any of his works.

Yet the adage that one should buy before a major museum show because prices will be too expensive afterwards bears some examination. In reality, the effects vary and are dependent on a number of factors: how well-known the artist's work is (the better understood the material, the less impactful the exhibition); what stage the artist is at in their career; whether they are dead or alive; how much supply there is (the scarcity of, for example, great Impressionist and Modern material makes broad and sustainable growth less likely); how respected the venue is; and the timing of the show (for example, an exhibition at the Fondation Beyeler during Art Basel will have more impact than a show there during the winter months).

Curators are, of course, another key component: no artist is immune to the deadening effects of plodding exhibitions. Yet brilliant shows by insightful curators of complicated artists can stall markets, which thrive on consensus and certainty and balk at ambiguity.

In this article we will challenge the myth that exhibitions cause markets to rise. Focusing on a handful of artists who have been the subject of important shows, we will track shifts in the value and volume of sales of their works before and after exhibitions, using data from Artnet. We will also look at returns on repeat sales using data from the Sotheby's Mei Moses index (an analytic tool based on repeat auction sales of single objects). And, finally, we will bring our own market intelligence to bear.

Mei Moses

Visitors at MoMA. Photo credit: Alamy

The Mei Moses team is working on a much larger and more conclusive piece of research on this topic, which will be more significant statistically and therefore more conclusive. For the purposes of this article we have taken just a small sample set of that data to glean some directional trends.

We logged all of the single-artist exhibitions to have taken place since 2002 at the top five museums in America, ranked by annual attendance. These museums are, in order: the Metropolitan Museum of Art, New York; the National Gallery of Art, Washington D.C. (NGA); the Museum of Modern Art, New York (MoMA); the Art Institute of Chicago (AIC); and the Los Angeles County Museum of Art (LACMA). We decided to focus on these five museums because of their high visibility: it would be interesting to see whether the data tells a different story for smaller, yet still very influential, museums.

In total, there were 335 exhibitions dedicated to 253 artists. Within this figure, 91 artists (the subject of 143 exhibitions between them) yielded a sufficiently large number of repeat sales to make statistically significant conclusions about the impact of museum exhibitions on auction prices. We then compared the returns—price changes—of repeat sales at auction by those 91 artists in the two years before and after a museum exhibition.

By focusing beyond just the top few lots we were able to see the health of these artists' broader markets and the specific impact of the exhibitions. While our sample size is large and the conclusions have been arrived at through rigorous analysis, it is important to keep in mind that summary results are directional indicators and usually throw up more questions than answers.

Rates of return

One might expect that museum exhibitions cause more interest in an artist's work and that such interest would translate into higher prices. This would be visible as statistically significant increases in realized returns (or compound annual return, CAR) for work by the artists in the two years after their museum exhibitions. (CAR measures the percentage difference between the price a work of art was bought for and the price it was sold for.)

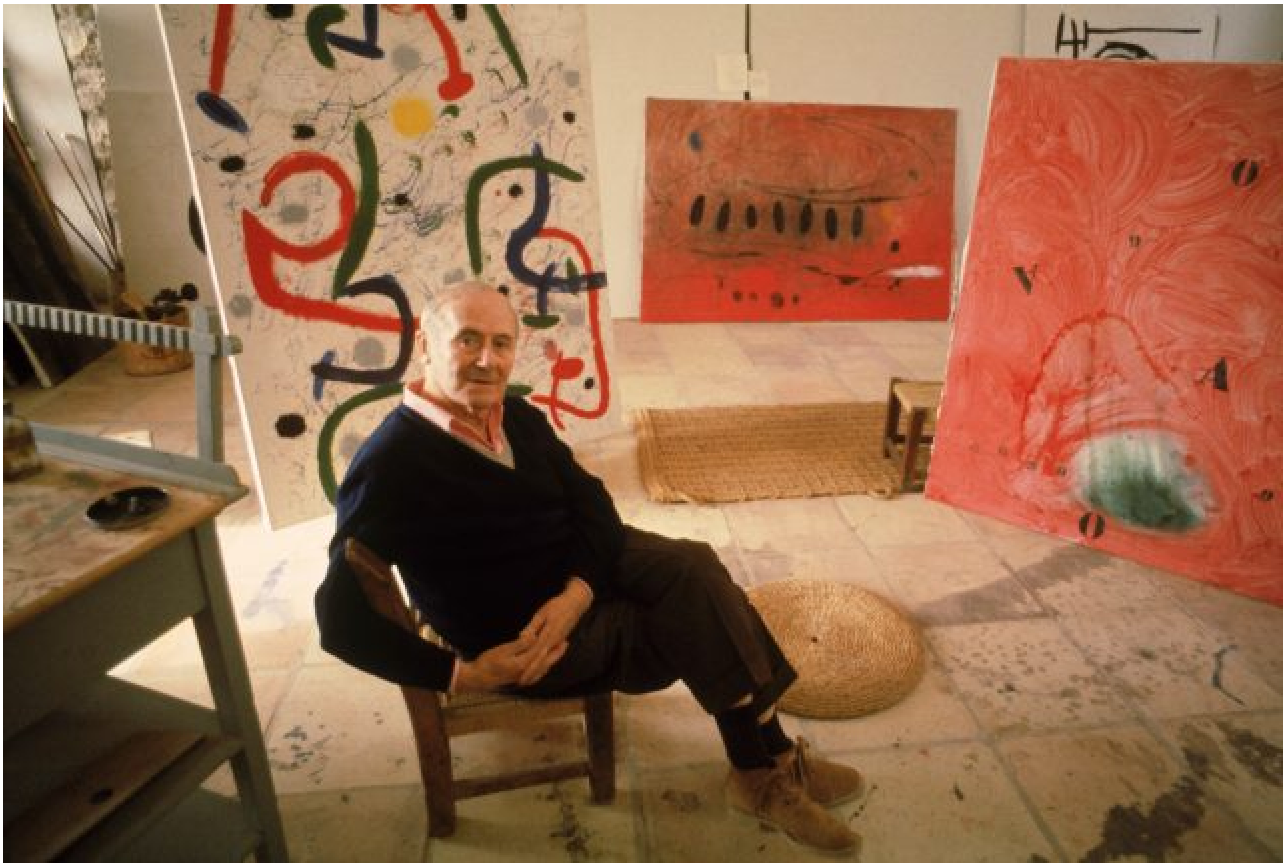
Our analysis shows that this actually was not the case with Impressionist and Modern exhibitions, after which there were lower returns: on average 8.1% before exhibitions and 6.3% afterwards. The returns were lower for thematic shows than retrospectives: a decline of 2% compared with a decline of 1%.

Average returns were higher after contemporary art exhibitions—albeit only slightly (11.4% before and 12.1% afterwards). There was around 3% difference between the impact of retrospectives and thematic exhibitions: there was a 2.2% increase following survey shows and a 1.3% decrease following thematic exhibitions.

Rumors vs. reality

The analysis from the Mei Moses team suggests that prices do not accelerate in the years immediately following an exhibition at one of the five largest museums in the United States. Much of this might be explained by the fact that rumor can have more impact than reality. People *expect* exhibitions to both boost prices and increase the supply of works, so are more inclined to sell or buy once a major show has been announced. This causes the market to rise. Then, after a show, things level out, for a number of reasons.

Take, for example, the major 2012/2013 retrospective of American Pop Artist Roy Lichtenstein at Tate Modern, London and MoMA. Two years before the exhibition opened, median returns were 14.3% on repeat auction sales (median rather than average returns are more appropriate for individual artist returns because of the smaller sample size). Two years after the show, they had fallen to 10.6%. However, in terms of specific sales and record prices, there was an uptick in the market for Lichtenstein's major works. Four of the top ten prices set after May 2010 for his work were set during, or immediately preceding, the exhibition.



Joan Miró. Photo credit: Alamy

Two years before the 2012 NGA exhibition of work by the great Spanish modern artist Joan Miró ("Joan Miró: The Ladder of Escape"), Mei Moses data shows that the median CAR was 9.7%. Two years after the show, that figure dropped to 5.4%.

There was a similar decline in the market for the Modernist Paul Klee after an exhibition at the Metropolitan Museum in 2012/13 of his late works ("Late Klee") (5.7% to 1.9%). Even the hugely popular exhibition of Matisse cut-outs at MoMA in 2014/15 ("Henri Matisse: The Cut-outs"), for which there were lines around the block, did not translate into increased market activity: median returns fell slightly from 4.2% to 3.6%.

Of course, the data can only tell us so much. With an artist like Matisse, for example, the lack of supply is probably more the issue than market demand. It is also worth noting that all of these artists had already had many major museum exhibitions, and their reputations were already well established.

It is often the case that exhibitions of work by well-known artists fail to have much impact on their markets, since their stories are already so well understood, at least in the West (it would be interesting to do a study of the impact of museum exhibitions in emerging art markets, such as China).

Wool market

The market for work by Christopher Wool is an interesting example of the effect of the announcement of an exhibition. Prices for his work began increasing in 2012 after it became known that there would be a major mid-career survey organized by the Guggenheim in New York and the AIC ("Christopher Wool" 2013/14). The immediate speculation that the show would cause a market rise led to increased activity: buyers were more motivated to acquire work, and at higher prices, which in turn made owners more likely to sell.

Average auction prices almost doubled from $1.2m in 2011 to $2.3m in 2012. In November 2013, a new record was set with the $26.5m sale at Christie's of the 1988 work *Apocalypse Now* (the painting had been pegged as the centerpiece of the Guggenheim show, but was pulled from the exhibition when news of the sale broke). By 2014, the year the Guggenheim show opened, the average price for a Wool at auction was $4.3m. By 2016, the market was peaking with an average price of $5.7m.

Installation view of “Christopher Wool” at the Guggenheim (2014). Photo credit: Sharon Mollerus, via Flickr

The combined annual sales of works by Wool at auction also grew: from $14.6m in 2011 to $74m in 2013; $93.9m in 2014 and $108.9m in 2015. Then came a dip, coinciding with a broader market correction, to $46m in 2016 and $38.7m in 2017.

However, the median compound returns tell another story, falling from 31% before the exhibition opening to 28% after. While the exhibition had a substantial impact on the average sale price and overall volume of transactions, it also caused returns on resales to dip.

Much of this can be explained by oversupply. There were only 12 paintings offered at auction in 2012, all of which sold. In 2013, there were 32 paintings at auction, three of which went unsold. Volume remained high over the next two years: 26 works were offered in 2014 (four unsold) and 28 works in 2015 (four unsold). By 2016, only 11 paintings were auctioned (three unsold). Equally important was the preference for work that was fresh to the market rather than a resale—especially a recent one.

Nevertheless, very strong prices have been set whenever a major painting has come to market since the retrospective was announced. The exhibition legitimized Wool as one of the most important painters alive and collectors remain willing to spend big sums to acquire the best paintings when they come to market—but they are increasingly discerning.

Time it right

Timing is everything. The first significant survey of a mid-career artist to take place in a major center, especially New York, can have a real impact on the market for their work. Take Laura Owens: her first major mid-career solo show opened at the Whitney Museum of American Art last November (“Laura Owens”). That same month, her auction record jumped from $360,500 for *Untitled* (2006), set at Sotheby’s New York in 2016, to $1.8m for *Untitled* (2012)—a piece from one of her most important series, “Pavement Karaoke”—in 2017, also at Sotheby’s. Collectors took faith from the exhibition, which confirmed Owens as one of the most vital artists working today.

Location, location

There was significant growth in the Marlene Dumas market after a 2008/9 retrospective organized in association with the Museum of Contemporary Art, Los Angeles and MoMA (“Marlene Dumas: Measuring Your Own Grave”) According to Artnet, 104 works by Dumas came to auction in the two years prior to the show, compared to 113 in the two years afterwards. Prices quickly rose: her auction record was set just before the exhibition opened when *The Visitor* (1995) sold at Sotheby's London for £3.2m ($6.3m) (est. £800,000-£1.2m).

Then, a major exhibition at the Fondation Beyeler in 2015 created renewed momentum in the Dumas market. Three of the top five prices at auction, and six of the top ten, have been set since then (although, interestingly, none have broken the record set in 2008).

Installation view of "Marlene Dumas: Hope and Fear" at the Kupferstich-Kabinett Dresden (2017). Photo credit: AP/Rex/Shutterstock

The show was staged during the Art Basel fair, one of the prime exhibition slots anywhere in the world because of the unparalleled quantity and quality of collectors who visit Basel during that time. If the exhibition had taken place at the same institution in a different month, it would likely have had less critical and commercial impact.

There are rumors about a possible exhibition at the Beyeler of works by Rudolf Stingel, an artist whose market benefitted greatly from an exhibition at Palazzo Grassi during the Venice Biennale in 2013—another major slot in the art world calendar. The rise is his market is evidenced by the aggregate auction sales of his work: in 2012, before the show ("Rudolf Stingel") opened, the combined total was $7.9m. By the following year, this had almost doubled to $14.4m. By 2015, the total auction aggregate was $22.9m.

Top prices tell a similar story of growth. In 2012, the record for a work at auction was $1.3m. A further two lots sold that year for more than $1m, and the average price at auction was $436,761 against a mean estimate of $401,538. By 2015, the top price paid was $4.8m. A further eight lots sold for more than $1m, and the average price was $1.1m, against a mean estimate of $721,478.

Renewed vigor

Certain retrospectives of work by dead artists strengthen the market, especially when they create clarity and increase visibility around the artist's work. The 2015/16 exhibition "Alberto Burri: The Trauma of Painting" at the Guggenheim—the first in the United States in more than 35 years and the most comprehensive ever mounted—was a revelation to many.

Installation view of “Alberto Burri: The Trauma of Painting” at the Guggenheim (2015). Photo credit: George Oze/Alamy

It had the effect of growing the top end of the market as well as introducing collectors to series they were less familiar with, which have since increased greatly in value. Four of the top five, and seven of the top ten, auction prices have been achieved since the exhibition opened, with the auction record increasing by 479% from 2007, when *Sacco e Rosso* (1959) sold at Christie’s London for £1.9m ($3.8m) (est. £1m-£1.5m). In 2016, shortly after the exhibition closed, the same work sold at Sotheby’s London for £9.1m ($13.2m) (est. £9m-£12m).

The conclusion one can make of the positive impact the exhibition had on Burri’s market is further supported by Mei Moses’ research. The median CAR in the two years prior to the exhibition opening was 13%. This shot up to 16% in the two years after. The clarity and strength of the exhibition had a profound impact.

Eyes on the prize

Collectors with their eyes on the long-term are, of course, less likely to want to part with their best works following a very successful exhibition. What tends to happen is that the less desirable work, or pieces owned by speculators, come to the market instead. In these instances, a discerning market may now show the returns expected—more a function of supply than demand.

This is also the case for more established artists whose major works are already in museums. The requisite quality work does not come to the market and therefore the market does not catch on fire—instead becoming saturated with less strong material.

Complex calculation

The calculation for market success following major exhibitions is a complicated one. When the venue is right + when an exhibition is staged at the right moment + when the market is neither flooded or deprived of supply + when the curation provides clarity + when an artists’ reputation is either forged or revitalized = the possibility that exhibitions can lead to tangible increases in an artist’s market. If one or more of these factors is off, the effects can be negligible or negative.