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Business, But Not As Usual

Tension in the Tectonic Plates Underlying the Market

Plates shifting. Photo credit: Bart Pro/Alamy Stock Photo (Image in Iceland)

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The good news: the figures are big, demand is deep and there are more collectors buying art than ever. Meanwhile, there is real tension in the tectonic plates underlying the market. This is likely to cause significant disruption, not necessarily bad, later this year.

We interviewed many international dealers and other trade figures for this article, asking each how and where they were planning to focus their energies in 2018. Most feel that a huge shift is underway in terms of how we experience art and collect it; how tastes are determined and what will thrive.

Primary galleries—the heart of the art market—have functioned more or less in the same way since Leo Castelli opened in New York in 1957. Now, more than half a century later, we are in a moment of seismic movement. Some of these changes are about money; some about access; others about intellectual and emotional shifts on the part of the dealers, artists and others.

This will, of course, impact the rest of the trade, notably the art fairs. For now, though, expect expansion. The Frieze Art Fair is looking to launch a Los Angeles event in January 2019. “We are always exploring new ideas and discussing ways to respond to gallery’s needs but we can’t speak to any specific plans at this point,” Frieze said in a statement. Meanwhile, MCH Group, the parent company of Art Basel has ramped up its regional presence over the past 18 months. It now has stakes in three fairs: the India Art Fair (60.3% acquired in September 2016); Art Düsseldorf (25.1%, agreed last February); and the art and luxury event, Masterpiece London (67.5% in December). Art Basel also launched the partnership program Art Basel Cities with its first event in Buenos Aires in November.

Spread Between A, B and C

Appetites for top quality works of art are at an all-time high. Last year began with a fresh sense of conviction and ended, for many of the larger players in the market, with strong results. The auction houses were each up on the previous year’s total sales: Phillips’ tally was $708.8m; Christie’s $5.7bn; while Sotheby’s reported $4.7bn.

Supply remains the biggest challenge facing the market for several reasons, but principally because demand continues to consolidate around a few key names. There are of course meaningful exceptions but, by and large, collectors now are more strategic and conservative than previous generations. Art is expensive and there is fierce demand for the very best examples. “The spread between A, B and C pictures is as big as I have ever seen it,” says one trade figure. “People are willing to pay 100% for an A work, but 20% of that for a B work—if at all.”

There is only so much truly great art, after all. Collectors with prime examples need to feel motivated to sell (and have something better to do with their cash) or trade (and find a better work of art). The Trump administration’s removal of 1031 like-kind exchanges for art as part of its recent tax changes may compound this problem.

The Three Realms

At the top of the market there is increasing wealth and consolidation among a handful of galleries, who have become more efficient and focused on sales and promotion. Operating in parallel are dealers concentrating on secondary market sales. They are hustling hard, sometimes for record results.

It is worth noting signs that dealers at this level are moving to free up capital, suggesting they are stockpiling cash—perhaps in order to trade up or perhaps bracing for uncertain times. Some say they are simply cleaning out their cupboards: “Unless your inventory is A-quality or by an artist who is perceived to be going up, and there aren’t that many of them, you need to sell it,” says one secondary market dealer. “Frankly the economy has gotten so big, especially with China having come in, that there is a lot of money slushing around—but there is now a bigger division between top dealers and mid-level, for whom it’s getting harder and harder to keep up.”

Many of these are primary dealers of the next generation, whose evolution is endangered. Having done a fraction of the business of previous years, they are now questioning the survival of their galleries.

Then there are the dealers who deal in blue-chip contemporary artists, for whom all is going rather well. There is a lot of demand for their artists (though probably not enough supply) and prices are strong. Even so, they must remain nimble as tastes and price-consciousness begin to show signs of shifting.

Lynette Yiadom-Boakye, *The Hours Behind You* (2011) recently sold for $1.6m (est. $250,000-$350,000) at Sotheby's. Photo credit: Sotheby's

The two types of art that were the market and museum darlings over the past decade (production heavy sculptures and installations and pseudo abstract/Minimalist paintings) are being supplanted in their affections by figurative and content-rich work, especially by women or artists of color. This trend follows the (necessary) move by institutions to correct the oversights of the past and "fill the gaps" in their collections. It is also buoyed by demographic shifts: while there is a long way to go, the workforce in general is far more diverse than a generation ago—which means there are more stories being told and sought out by many more different kinds of people, from journalists to curators to collectors. This will only continue—with the caveat that, as always, time will tell which art really stands apart.

I am feeling like garbage

There has been a real disconnect in the system for some time. Dealers are paying huge amounts in rent but not getting people into their galleries. They are paying large sums to take part in fairs but not always getting a return. Many are investing in their artists but not necessarily attracting the support of collectors and curators. For some, the strain is becoming too much.

"I am feeling like garbage," says one gallerist, speaking anonymously. "I think there was something called art and then, for better or worse, an art world. The art world has basically stepped on, desecrated and destroyed art."

Time to Rethink

Dealers everywhere are considering their strategies. “A lot of people feel like they want to go a bit slower, and some seem to have lost their rhythm,” says Timothy Taylor, who has galleries in London and New York. “I love it as much as I did when I started but am more sanguine about it. Having worked hard to create a more efficient and economical team, I feel like I have more clarity,” he says. “I don’t believe you should be on the bandwagon, doing every fair or staging as many exhibitions throughout the year. You have to be discerning, choosing these expensive events with greater consideration”.

Thaddaeus Ropac, in the recording studio for an In Other Words podcast

Galleries seem to be dropping like flies and several dealers tell us they are considering closing their galleries, questioning the viability of maintaining expensive spaces that increasingly fail to attract visitors. Others, however, are doubling down. “I believe staunchly in the gallery space,” says Thaddaeus Ropac in an upcoming podcast. It is “where our business should be concentrated and where we should do most of our important sales. I really would like to get collectors back into the galleries, because we try everything in terms of a perfect space: light, floor and architecture.”

I would like to get collectors back into the galleries

Ropac, who expanded into London last year—his fifth international space, alongside others in Salzburg and Paris—see growth as a possibility rather than a necessity: “It’s an extra challenge you can take on but it’s not the basic challenge. [That] is to work with the great artists and give them all the possibilities they need for their vision.”

For some, alternative spaces add energy to their program. “We can mount really big exhibitions at the School in Kinderhook, which keeps things exciting,” says Jack Shainman, for whom 2017 was “a really good year, with lots of interest in our artists”.

Chelsea Rents Drop

Others are wondering how to take their business to the next level. “I am very much in the middle ground and these few years will lay the foundation for the next chapter of my career,” says Lower East Side dealer James Fuentes. “For me the lynchpin will be nailing it with the program and the artists. You can be a good business manager but if you don’t have the stellar artists then it doesn’t matter,” he says. “I also want to develop activity in the secondary market. One really successful deal is the same income as six sold-out shows.”

Fuentes recently considered (though decided against) moving from the Lower East Side to Chelsea: in a massive inversion of previous norms, rents there are now almost half, he says. Average prices in Chelsea, New York’s gallery epicenter, have tumbled. They now range from $95 to $140 per sq. ft (although newer developments are still asking for bigger figures, around $175 per sq. ft). Just a couple of years ago, average rents ranged from $125 to $175 per sq. ft, according to Jonathan Travis, a partner in the Redwood Property Group who specializes in gallery real estate.

Construction in West Chelsea, New York. Photo credit: Goran Bogicevic/Alamy Stock Photo

“During the construction boom in Chelsea a couple of years ago, landlords raised rents dramatically thinking that galleries would pay huge premiums to be there—but the opposite happened,” Travis says. “Lots of galleries I represent left because they didn’t like what was going on in the neighborhood—it’s a giant construction site with Meatpacking, the High Line and Hudson Yards all closing in.”

Defections to date from the area and around have been dispersed. For example, Gavin Brown and Elizabeth Dee moved to Harlem (Brown still has a space in the Lower East Side, too); Casey Kaplan to the Flower District; Anton Kern to midtown; Bortolami to Walker Street in Tribeca. The fragmentation is likely to continue.

Politically, things haven’t been so topsy-turvy since the 1960s

For some, there have been personal shifts that in turn impact their business. There is “a lunacy that exists in the circuit and the blind movement through it,” says Tim Blum of Blum & Poe, for whom 2017 was “inexplicably solid—I don’t think anybody knew how it would roll. The reality of the art market has been a disjunctive experience because socially, politically and culturally, things haven’t been so topsy-turvy since the 1960s. The strength of the art market makes me question what I do and why I do it. More of us are trying to get actively involved in what we are doing and what we believe in. Art is a force for change and that’s become paramount.”

Installation view of “Kanye West: Famous” (2016), Blum & Poe, Los Angeles © Kanye West. Courtesy the artist and Blum & Poe, Los Angeles/New York/Tokyo

In Blum’s case, this means having a diverse program and clientele. “I can only speak from the viewpoint of having done this for 24 years—but I know my audiences and I like to provide something for all of them, from Institutional Critique to Kanye,” he says. “The trick is to find the balance. You have to keep it fresh while keeping the core program tight.”

Whatever I do next, I want it to be meaningful

“Whatever I do next, I want it to be meaningful,” says Michele Maccarone, who is moving her space uptown and keeping the LA gallery the same. “Once you get off the treadmill and look around, you realize you can do whatever you want. I can’t compete on a global scale so I need to find a smaller way to be effective.”

With challenge comes opportunity. “Evolution does not mean you lose or ignore what has existed,” says Mary Leigh Cherry, who last week announced her departure from the LA gallery she co-founded, Cherry and Martin (her former partner has now launched the Philip Martin Gallery, working with the same artists). “One remembers a time when interest in contemporary art was dominated by a small group of collectors. [That] has grown massively—which is so positive,” she says. “I’m excited to innovate and make something I am passionate about—art and the art world—even better.”