

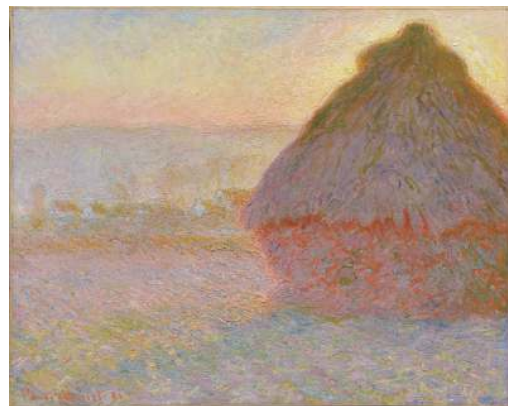


ARTEMUNDI'S ART MARKET FORECAST 2017

2016 year was a pivotal one for the art and auction world. Saatchi Gallery held its first all-female show in January. David Bowie's death rendered him one of the most talked-about collectors of the year. The news of the Brexit vote in late June caught the world by surprise, and caused a rippling of concerns across stake-holding nations. The sale of Claude Monet's *Grainstack* for \$81.4 million in November underscored that even in an uncertain market, collectors will vie at the top level for superior quality. The following article presents an overview of some art market trends that Artemundi Group have identified to be forecasted in this year.

Collectors and investors will go safe:

In the secondary art market, people are tending to focus on blue chip artists. In terms of investment, a name like Pablo Picasso, Andy Warhol, or Gerhard Richter is much more comforting than the lesser-known artist. In fact, even contemporary collectors are looking backward now to include some of the great modern names in their collections. Until we truly know what the world looks like once the political landscape stabilizes, collectors are going to feel a certain level of uncertainty.



Monet's *Grainstack*

The scarcity of good artworks in the market will arouse various auction records:

In a year of political turbulence which saw both the Brexit vote and U.S. election, it was evident that many people were sitting tight and reluctant to sell. The most recent Modern, Impressionist and Contemporary auctions in New York City went almost 50 percent down from where they were at this time last year. But the low BI rates point that the main issue this year was the lack of supply. There was abundant demand for sensibly estimated artworks of good quality preferably coming fresh to the market -the best will always be aggressively pursued even in a down market.

London hits back thought the currency leverage :

Market players were expecting a dramatic slowdown in British performances due to the climate of mistrust and gloominess generated by the Brexit vote a few months ago. This has not been at all the case, at least with regard to the second market, that of auctions, which has proved particularly dynamic

this autumn due to the drop of the pound used by international investors for profitability in the acquisitions. The figures speak for themselves: nearly 4,000 fine art lots were auctioned in London for a total of £101m in November 2016, compared with only £48.5m during the same month in 2015. Sales revenue therefore doubled, after a crucial adjustment period in the first half of 2016.¹

Blue-chip galleries are proving very tough competition:

The crisis really exists within the mid-level and small gallery system, which is essentially having its lunch eaten by the big gallery scheme, and by status-obsessed artists who are taking advantage of their mobility. Today's mid-market squeeze range from "one percent of the one percent" of buyers only being interested in investment-quality trophy works, which are in short supply and are now being found at auction to poaching by Mega-Galleries, as well as the steady erosion of the emerging market's lower end by online platforms. Together, these adverse headwinds result in an impossible situation, characterized by the increasing costs and continually shrinking margins for dealers working mostly with emerging artists.²

Cost of doing business has gone up:

Due to fairs, rising rents, and a relentless drive to expand and keep artists, the gallery model is becoming a cutthroat business. The blue-chip galleries are becoming monopolistic formations of culture, and they are essentially interested in the *crème de la crème* of the art world, which still are the estates of dead white male artists that generate the bulk of their revenue. Compared to them, everyone else in the system is just set decoration, and it is within this structure that mid-size and small galleries are enticed to do these frenetic fairs, hire a fancy curator and take on several costs. Then, after everyone has had a nice experience walking around the smaller galleries in a daze of pseudo-discovery, the big galleries have the prize spaces that people can tumble into and spend some real money.³



Miami Art Basel 2017

¹ Ehrmann, Thierry. "Flash News: Henri Matisse in Lyon – James Ensor, Paris-London – London hits back." *ArtPrice*. N.p., 16 Dec. 2016. Web. 20 Dec. 2016. <<http://www.artprice.com/artmarketinsight/flash-news-henri-matisse-in-lyon-james-ensor-paris-london-london-hits-back>>.

² Viveros-Fauné, Christian. "The Middle Market Squeeze, Part II: Galleries Get a Reality Check." *Artnet News*. N.p., 18 Oct. 2016. Web. 20 Dec. 2016. <<https://news.artnet.com/market/the-middle-market-squeeze-part-2-an-art-gallery-reality-check-703043>>.

³ Goldstein, Andrew M. "The Art Dealer for the Apocalypse: Stefan Simchowicz on How to Sell Artworks in a Chaotic World." *Artspace*. N.p., 14 Dec. 2016. Web. 20 Dec. 2016. <http://www.artspace.com/magazine/interviews_features/qa/a-word-from-the-devils-advocate>.

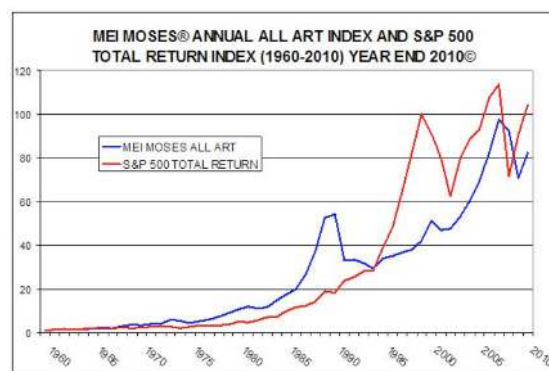


Technology will continue to focus its efforts towards authenticity issues:

In the largely self-regulated global market for art, price setting heavily relies on verifying a particular piece's authenticity. Forgers have long used technology to mimic the clues relied on by art experts to determine if an artwork is an original, making a complicated, ambiguous field even more difficult to navigate. Judges therefore often have to choose between two equally compelling and even forensic arguments regarding the artistic, stylistic, and compositional qualities of a piece of art. Recently, researchers have begun to work on a new DNA-based technique for authentication sponsored by Aris Title Insurance among others, in order to combat some of the uncertainty in legal decisions. In addition, Sotheby's has acquired Orion Analytical, a firm run by James Martin, a leading scientist and art conservator who has investigated the provenance of more than 1,800 works in a long and storied career. Martin will head up the brand new Scientific Research Department at Sotheby's.⁴ Nevertheless this practice might develop some conflicts of interest. That is to say, based in the computer analytics, the auction house might compromise the expertise opinions from third-party academics and specialists, especially in the Old-Master's category. For example, some fake imitations in this field are done with the same materials and techniques as the originals; nevertheless, their production is recent and therefore, the Orion Analytical result might be discredited. Furthermore, this insider study might aggravate the monopolization of auction houses from the secondary market.

Data is set to change the art market:

In late October, Sotheby's announced it had acquired the Mei Moses Art Indices, a database of repeat auction sales that tracks value over time; shortly after, Artnet said it had brought Tutela Capital, an analytics firm headed by Fabian Bocart, into its portfolio, which also includes a sizeable database of auction prices. Christie's have also created a new business analyst department with Adam Green from Art Tactic. Each company has different aims, but one thing is clear: data will play a key role in how they—and the art market—move



Mei-Moses Annual All Art Index vs S&P Total Return

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⁴ Freeman, Nate. "Sotheby's Acquires Anti-Forging Firm to Create New Scientific Research Department." *ARTnews*. N.p., 12 July 2016. Web. 20 Dec. 2016. <<http://www.artnews.com/2016/12/05/sothebys-acquires-anti-forging-firm-to-create-new-scientific-research-department/>>.

forward.⁵ But it will also arise new problems such as the traffic of information. For example, Heritage Auctions sued its giant rival Christie's last December augmenting that Christie's new searchable database of auction results includes millions of listings stolen from the Dallas auction house. Heritage says Christie's used a spider to snatch 31 accounts to get access to 5 million pages on its website.⁶

Connoisseur collectors are a dying breed:

Gallerists frequently complain that the people visiting their booths and galleries know much less about art than before. What happened? In part, it simply feels like a symptom of how fast the art world has grown; by definition, that means a lot of new collectors. Most of them do not come from families with a legacy of art collecting, like it used to be in the past. Just as importantly, even the most experienced and engaged collectors today tend to have far less time for art than their predecessors. The super-wealthy no longer represent the leisure class, at least not as the American economist and



Art Connoisseur by Norman Rockwell

sociologist Thorstein Veblen defined it. The newer buyers at art fairs are often actively running hedge funds or start-ups; they may be super-wealthy, but they also are super-busy. However much they may be interested in art, they are rarely able to devote their Saturdays to visiting galleries. Instead, many use intermediaries to do their research; that is why the ranks of art advisers are swelling so fast. Many of them also buy heavily at auction; it is a quicker process and it feels more transparent to them, even if insiders know that it might be the contrary. Furthermore, in the contemporary art market, it is said that you collect "by ear". That is to say, that the

contemporary artists have not passed the test of art establishment –meaning mostly the academia- and the consolidation of time. Therefore, "ear-collecting" has obvious disadvantages in the long-term in our opinion. This deep demographic shift in wealth also explains why art fairs have grown to such importance: because they so efficiently offer the time-stressed collector an overview of an ever more global market.⁷

⁵ Hanson, Sarah. "How Big Data is set to change the art market." *The Art Newspaper*. N.p., 8 Dec. 2016. Web. 20 Dec. 2016. <<http://theartnewspaper.com/market/how-big-data-is-set-to-change-the-art-market/>>.

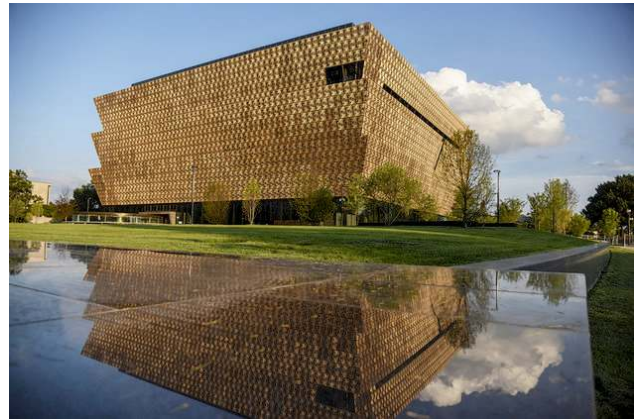
⁶ Lee, David . "Rival Claims Christie's Stole Data by the Millions." *Court House News*. N.p., 12 Dec. 2016. Web. 20 Dec. 2016. <<https://courthousenews.com/rival-claims-christies-stole-data-by-the-millions/>>.

⁷ Spliegler, Mark. "Ten questions all gallerists should be asking themselves now." *The Art Newspaper*. N.p., 23 Jan. 2019. Web. 20 Dec. 2016. <<http://theartnewspaper.com/market/analysis/ten-questions-all-gallerists-should-be-asking-themselves-now/>>.

Museums will continue to grow in scope and size:

Museums have become landmarks; that is, they are guides, reference points within the urban environment, framed in recognition. They symbolize progress and a new house of “worship” as well as community center, focused on art. Just as the Gothic era was the age cathedrals, the twentieth century was when museums became cathedrals for modern and postmodern eras. Their construction continues to spur attendance and be a fundamental social catalyst. They are places where societies search for identity and where their designers’ names,

brands, and signatures predominate.⁸ This year, museums across the globe increased their capacity to bring more art to more people. The Tate Modern’s £260 million, Herzog & de Meuron-designed expansion provided the London institution with a 60% increase in exhibition space. In the United States, the David Adjaye-designed \$540 million National Museum of African American History and Culture broke new ground, literally and symbolically, becoming



National Museum of African American History and Culture

the first national museum dedicated to telling the story of African-Americans in the country. And The Metropolitan Museum of Art in New York affirmed its growing commitment to contemporary art when it opened the Met Breuer. Amidst this growth, many in the art world continue to ask crucial questions about the emphasis on—and greater available funding for—major museums expanding in metropolises already with extensive access to culture, rather than expanding that access to less privileged locations around the globe. As art museums continue to grow, their role in crafting a more inclusive narrative around our history and our contemporary society will only become more important.⁹ Furthermore, we estimate that museums will become more interactive and will involve more than the exhibition spaces, becoming international creative hubs for production, research and education.

⁸ Lumbreras, Javier. *The Art of Collecting Art*. Fomento Cultural Banamex, Barcelona, 2011. p. 150.

⁹ Editorial, Artsy. "The Year in Art 2016." *Artsy*. N.p., 13 Dec. 2016. Web. 20 Dec. 2016. <<https://www.artsy.net/2016-year-in-art>>.



Trends are constantly changing and it is hard to know exactly how the art market will look like in 2017. Modern and Contemporary art is certainly dominating the market and will probably continue to do so in the near future. However, the reality is that buyers are looking for fresh-to-the-market, good condition, and superior quality examples in every category. The bottom line is that data tendencies and market connoisseurship will become pivotal features during the due-diligence process in every acquisition. This overview has inspired Artemundi Group to continue expanding the services to become a reliable “one-stop shop” for financial and management products related to art. Through Artemundi, in 2017 investors interested in this asset class will be able not only to invest in a diversified art portfolio through the purchase of common or preferred shares, but also to co-invest in particular artworks by way of debt or capital contributions, auction guarantees and art loans. Keep an eye out for our investment prospectus. We are looking forward to work with you in this 2017.

By Javier Lumbreras and Giovana Edid

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