

10 Things to Know About the New Art Market

By Ronald Varney

As I write this, a much-heralded private collection of Post War and Contemporary Art has just been sold in a gala evening “black tie” auction at Sotheby’s, with nearly monstrous expectations of success – all realized in a dazzling, stunning, theatrical event.

This was the Macklowe Collection sale, occasioned by a messy and very public divorce. Because the two parties could not agree on how to divide up this epic collection formed over five decades of marriage, a judge ordered it all to be sold at public auction. Amidst fierce competition, Sotheby’s won the consignment, with the first sale taking place on November 15th and a second one scheduled for May 2022.

While the financial deal offered by Sotheby’s was rumored to involve a whopping guarantee of perhaps \$600 million or more, in the end this didn’t matter. For the first part of the sale brought a fantastic total of \$676 million. The dizzying prices included \$78.4 million for a 1964 sculpture by Alberto Giacometti and \$82.5 million for a 1951 oil painting by Mark Rothko. The bidding on the 35 lots was at times frenzied bidding. As described in *The New York Times*, “it was the most valuable single-owner auction ever staged.”

With this blockbuster event as a backdrop, and in light of many months of constant change and reimagining in the global art market during COVID-19, it might be helpful to give some definition to the *new* art market in which we find ourselves. For it is vastly different from the one we knew in March 2020, when the whole world began to shut down.

Here are ten things to know about this new art market.

1. **After a short period of intense reinvention, the art market grew and prospered.**

It was truly fascinating to witness all the changes that swept over the global art market in the early months of 2020. Suddenly all sale activity had to take place online. Printed catalogues were largely scrapped, enabling more flexibility in sale deadlines. Elaborate stage-settings were created by the major houses for their biggest auctions — such as the ones of Post War and Contemporary art. They had to recreate the excitement and buzz of an actual live sale, only without any bidders present in the room. They accomplished this with great flair and drama. And as presale exhibitions were done “by appointment only” and the specialists had scattered to the four corners of the earth, it seemed as if the whole auction world had gone into hiding.

Yet this surreal tableau began to change over the ensuing months of 2020. The tempo of sales picked up, people started come back to exhibitions, in-person bidding slowly resumed, saleroom successes began multiplying, and the art market slowly but steadily came roaring back to life.

How to account for this remarkable turnabout? There was, it seemed, enormous pent-up energy among collectors and art enthusiasts worldwide. Perhaps more to the point: buyers had plenty of money to spend. And judging from the shocking results of the Macklowe Collection sale, they still do.

2. While many expected art fairs to collapse and disappear, they are back and flourishing.

Art fairs have become a global phenomenon. Art dealers long accustomed to having clients drop into their galleries to browse and buy, now find it necessary to travel the world showing their inventory at these fairs. The most prestigious — like Frieze Fair in Los Angeles, London and New York — have hundreds of dealers showing all manner of new paintings, sculpture, photographs and conceptual pieces. Attending a fair has thus become a carnival-like experience, thrilling and colorful, the whole art world seemingly in attendance.

And yet, COVID closed all the fairs for many months. Like the auction houses, though, the fair promoters and the dealers quickly adapted, reinventing their mode of presentation to include online exhibitions, informative seminars and roundtable talks to keep people engaged, all the while planning to reopen as soon as they safely could.

Hence the art fairs, in all their diversity and bustle, have returned. Coming in January 2022, for example, the venerable Winter Show at the Park Avenue Armory, one of the oldest and grandest of the traditional “antique” fairs, will reopen. It will be a fitting start to what many hope will be a return to “normalcy” in the art market during 2022.

3. Remote buying of art may be the new norm.

A strange thing happened during the past many months: art collectors became very comfortable bidding and buying art online — often sight unseen. This comfort level was greatly aided by various efforts made by the auction houses. For example, online catalogues presented 360-degree views and piercing close-ups of art works on offer, along with engaging videos and choreographed presentations by specialists and scholars, not to mention extensive condition reports and cataloguing notes. All of this audio-visual salesmanship, so far removed from the static presentations of the old printed catalogues, greatly enabled this new mode of “remote buying” to be done with the utmost confidence.

From my own experience, during the summer doldrums of 2021 I received notice of a sale that was taking place at a small auction house in London. It featured architectural drawings from a prominent collection, and it was taking place in partnership with Sotheby’s. Intrigued, I looked through the online catalogue, saw a particular group of drawings that I liked enormously, and left an absentee bid. And on the day of the sale I watched online as my bid succeeded. In a few days I had the drawings in hand. It was an entirely new experience for me, and one that I would happily repeat.

If anything, the auction houses are now gearing up to make this experience of buying-from-afar even easier and more reassuring. Being “in the room” for a sale, once imperative, now seems so old fashioned!

4. Many old and established traditions of the art market have vanished.

For years, the auction houses have been eager to do away with printed catalogues, which are time-consuming in production and an enormous expense. Think of the phonebook-sized volumes that in recent years were produced for the greatest sales of Post War and Contemporary Art. These catalogues weighed a ton and cost a fortune to print and distribute. Indeed, they were so cumbersome that the auction houses had to print a smaller, more compact version for bidders to have at the actual sales.

But, as a result of COVID, the dream of discontinuing these printed catalogues came true. Almost overnight the auction houses announced that they would be emphasizing *online* catalogues as the primary means of sale presentation, thus enabling far more flexibility in setting sale deadlines,

as the old printed catalogues had always been “the tail that wagged the dog” on scheduling for a sale. This trend will only continue as printed catalogues fade away and are forgotten.

One other tradition was seemingly unlimited staff travel and related expenses. For example, for any important sale at the auction houses, whole teams of specialists would arrive from all over the world, staying for perhaps a week of lavish entertainment during the exhibitions and sales. Here again was a staggering expense. But COVID preempted all of that travel and proved that lavish sale presentations could be done remotely, without the specialists ever leaving their home cities. Another dream come true!

One other change has been the blurring of collecting lines. For example, in the old days the auction houses mounted any number of sales in specialized areas of collecting like silver, porcelain, rugs and furniture. These sales took place like clockwork several times a year, and they were aimed not only at collectors but at dealers, who were a reliable source of bidding and buying. But in the *new* art market, where there is so much attention on all things contemporary, many of these old and traditional fields of collecting have been pared away and diminished. Some have been dropped altogether as being too “low end.”

In their place have come a dazzling array of *blended* “high end” sales, ones with such lofty titles as “The Elegant Eye” or “The Exceptional Sale.” These themed events offer the rarest and most expensive examples in these traditional fields of collecting, all curated together as if to show potential buyers how a set of Meissen porcelain, for example, or an elaborate Oriental carpet might look in their country house or New York City apartment. This trend is very much in keeping with the “masterpiece” emphasis of an art market that is increasingly all about luxury.

5. The global art market is more inviting and inclusive than ever.

For centuries, the art market was more like a private club than a business open to the public. Enormous marketing efforts and initiatives in past decades, however, have made the art world much more inviting and easier to navigate, and one would have to give credit to Sotheby’s and Christie’s for advancing many of these changes.

Also, with the explosion of wealth throughout the world, as well as a growing emphasis on contemporary art — notably on more accessible, *of-the-moment art* — new buyers and enthusiasts have emerged from everywhere, making the art market much more democratized and inclusive. Hence, museums, art fairs, galleries and auction houses have all sought new ways of doing business in a more informal manner that invites the broadest participation by newer and younger collectors.

6. Financial and legal advisors have emerged as important *influencers* in the art market.

As the art market has become ever-more challenging and complex, affluent families and individuals have turned increasingly to their most trusted financial and legal advisors for help in navigating it. And these advisors have sought, above all, to ensure that their clients enjoy happy, successful and stress-free experiences in the art market. This means providing the same measure of intense oversight and due diligence of the sort their clients expect from them in all their financial market activities.

It is thus no exaggeration to say that these financial and legal advisors — notably family offices, trust companies, law firms, wire houses and accounting firms — have become important centers of influence in the art market.

Yet many of these advisors and their firms don’t yet realize this fact. For many, the art market remains a murky realm, one of fantasy, flamboyance and mystifying protocols.

Over time, however, as their clients increasingly turn to them for guidance in art market matters and will expect solutions to various challenges, these advisors will have to pay heed.

7. Planning is the new mantra of the art market.

This may seem self-evident, as trust and estate lawyers and financial advisors seem to be feverishly involved with their clients these days in all manner of tax and philanthropic planning.

And yet, planning around art often seems to loom on the *edge* of these planning consultations. This may be the case because art is a difficult and challenging topic of conversation for most advisors. What questions should they ask? How can they sound knowledgeable in an area well outside their area of expertise? How do you even *start* a conversation about art?

When thinking of these questions, I am reminded of so many occasions from my days in the auction world at Sotheby's when a family would suddenly be forced to make decisions around an art collection left to them by their parents. Suddenly the collection — perhaps one of enormous value and importance — needed to be valued and sold. Time was of the essence.

Often these families were ill-prepared to embark on such decision-making. Some even resented having to do so, as they had played no role in acquiring the art or in building the family collection. Someone else's passion was now their *burden*. These situations always made me wonder what actual *planning* had been done on an art collection before it became an estate situation.

Hence, in this new art market, with the value of art exploding and a worldwide quest by wealthy new buyers for the finest and rarest art, often coming from old family collections and thus all the more prized, planning around art has taken on new meaning and importance.

8. Old out-of-fashion fields of collecting, seemingly outdated and forgotten, are coming back.

One hears so many disparaging comments made about “brown wood” that old furniture of any kind seems to have gone completely out of favor. And this has long been true. The auction houses, for example, have in recent years greatly reduced the volume of period furniture they sell, notably 18th and 19th century French, American and English pieces. Many dealers in this field have gone out of business as the older generation of collectors have faded away. Even the venerable Winter Antiques Show, held each January at the Park Avenue Armory, found it necessary to rebrand itself as simply “The Winter Show,” perhaps to eliminate the old-fashioned, brown-woody word *antique*.

In any event, I can report that the death of “brown wood” has been greatly exaggerated. Young collectors, in particular, have begun to appreciate the value and genuine craftsmanship of period furniture, and buying seems to be on the rise.

One of the reasons may be the clever repackaging that the auction houses have done with old and traditional areas of collecting, like furniture. Put into a theme sale with the alluring title, say, of “The English Country House” and emphasizing a majestic lifestyle built around fine furniture and decorations, “brown wood” suddenly appears new and novel, almost irresistible. In this manner, brown wood is gradually finding a new and younger audience of collectors.

9. The art market is more demanding than ever about authenticity and provenance.

One art market trend of greatest concern in recent years has been increased oversight and scrutiny of ownership. This is usually described as *provenance* — the timeline of a particular work's passage through the art market in the hands of various owners. A famous name or an elite institution cited in the provenance can raise the value of an item significantly. And as the value of

art has greatly increased through the years, buyers in this market demand assurances as to the lawful ownership and authenticity.

Hence, paperwork is increasingly important in all art market transactions, and sellers can expect to be asked a host of questions such as these: *Is there an invoice or a bill of sale for this painting? Has it been authenticated, and do you have the certificate? Has this diamond been graded and certified by the GIA?*

Sadly, these questions are often ignored in estate planning around art. I can recall, by way example, an Impressionist painting that came to Sotheby's from a prominent private collection many years ago, its value estimated to be upwards of \$10 million. The only problem was that the painting had never been seen by the authentication committee for the artist, a necessary protocol. Still, it had been acquired from a reputable source, exhibited from time to time at museums, had impressive provenance, and had been given a robust estimate by the auction house. So, the authentication process seemed to be a formality. But the committee deemed the painting a fake, and it was thus rendered unsalable.

This was an unfortunate situation for many reasons — not least because this painting might have been vetted well beforehand, thus sparing the family a truly mortifying, ill-timed piece of bad news.

10. Impartial advice on buying and selling art is more crucial than ever.

Perhaps we should end with this summing up: that impartial advice is always a good thing in the art market, where so many conflicts of interest seem ever looming. For it is a well-worn adage of the art market that *if something seems too good to be true, it usually is*.

Hence, getting impartial advice on some course of action one might envisage in this new art market — a market truly dazzling and enticing, but also loaded with pitfalls and unwelcome surprises — is perhaps the best advice of all.

About Ronald Varney

Ronald Varney founded his firm, Ronald Varney Fine Art Advisors, in 2002 after many years at Sotheby's. The firm advises UHNW families and individuals on all manner of art-related matters, notably sales of large and complex collections, and is active throughout the United States. The firm's website at www.ronaldvarney.com provides case studies of client engagements as well as many articles and essays on the global art market.

About PKF O'Connor Davies

PKF O'Connor Davies, LLP is a full-service certified public accounting and advisory firm with a long history of serving clients both domestically and internationally. With roots tracing to 1891, fourteen offices in New York, New Jersey, Connecticut, Maryland and Rhode Island, and more than 1,000 professionals, the Firm provides a complete range of accounting, auditing, tax and management advisory services. PKF O'Connor Davies is ranked 27th on *Accounting Today's* 2021 "Top 100 Firms" list. It is also ranked among the top 20 best accounting employers to work for in North America by *Vault*.

PKF O'Connor Davies Family Office, a division of PKF O'Connor Davies, LLP, provides a full range of family office, accounting, tax and advanced planning services to high net worth individuals, family offices, closely-held businesses, executives of multi-national corporations, family trusts and entrepreneurs. With each client's needs in mind, our professionals use state-of-the-art technology to develop customized and strategic solutions that meet their planning, reporting, financial and lifestyle challenges. Clients and their key advisors rely on PKF O'Connor Davies for extensive expertise in tax, accounting and reporting, wealth planning, charitable giving and investment oversight. The Firm's experienced team of dedicated family office professionals includes specialists in tax planning and compliance, estate and trust, state and local tax, and corporate and international tax.

PKF O'Connor Davies is the lead North American representative in PKF International, a global network of legally independent accounting and advisory firms located in 440 locations, in 150 countries around the world.

Our Firm provides the information in this e-newsletter for general guidance only, and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.