

THE GLOBAL ART MARKET AND COVID-19

Innovating and Adapting

Citi GPS: Global Perspectives & Solutions

December 2020



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THE GLOBAL ART MARKET AND COVID-19

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Throughout the ages, great artists have tended to push the boundaries, challenging themselves, their audiences, and the conventions of their medium. The market for art, by contrast, has historically tended to evolve somewhat less rapidly. Indeed, it is an understatement to say the art industry has been slower than many others to embrace digital technology. Online sales of art and collectibles were \$4.82 billion in 2019, or just 7.5% of global art sales, with expected growth rates only in the single digits.

Still, there is nothing quite like a crisis as a catalyst for change. When COVID-19 hit last spring, galleries around the world were forced to close their doors; international art fairs were postponed or quickly went virtual, while major auctions were delayed. The art market's response to these unprecedented restrictions was to embrace technology and the virtual world at long last.

In March, Art Basel Hong Kong took the decision to hold an entirely virtual fair instead of the planned physical event. The virtual gallery gave viewers resources they don't usually get on the floor of a fair, such as direct access to research and background information, and most transformative, pricing data. Digital incarnations of the Frieze Art Fair in New York and Art Basel in Switzerland were even more user-friendly and comprehensive.

For the leading auction houses, meanwhile, the challenge was how to conduct their traditional live sales. Christie's, Sotheby's, and Phillips opted to combine their May and June sales into virtual sales. First up was Sotheby's June 29 livestreamed sale of Modern and Contemporary art. In total, the sale generated \$363.2 million, with a sell-through rate — the proportion of lots sold — of 93%. One notable feature of the sale was its extended duration, taking some five hours to get through 62 lots, indicating people bid more slowly on the phone compared to when they are actually in the auction room.

The success of the Sotheby's event was followed soon thereafter by a sale at Christie's who reported that globally over 80,000 people signed in to view the four hour-long sale, which realized \$420 million from buyers across the world.

That buyers have shown a willingness to bid millions or tens of millions of dollars online is a significant development. The strength of buying interest — despite the intense uncertainty of the pandemic and a deep economic downturn — is also encouraging. Even when in-person auctions return in full, we feel that online sales are here to stay and will continue to play a growing role in the art market. Overall, the growth of online channels provides greater accessibility and convenience for collectors and others.

However, there is at least one caveat here. Virtual-only auctions have made certain features of the market more fluid. The dates of major sales can now be shifted fairly easily, and with no traditional printed catalogs currently produced, the scheduled lots for a particular sale can change much less conspicuously. This actually makes it harder for collectors to keep track of developments prior to major auctions. Are works of art removed from virtual sales because of a lack of interested buyers, condition, or provenance issues? Today they simply disappear.

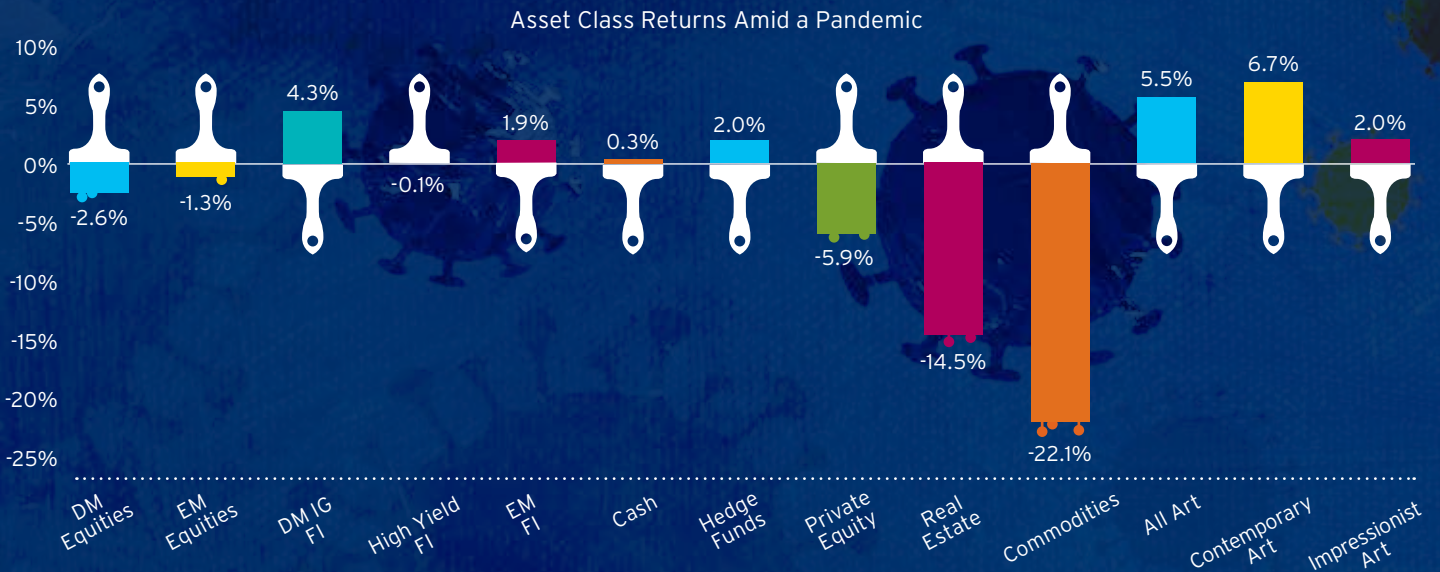
The role of the art advisor has therefore gained an additional dimension in this virtual world.

Resilience in a Time of Turmoil

The art market has remained resilient in 2020 amid turbulence brought on by the COVID-19 pandemic. Rapid digitization in response to the crisis is laying the foundation for a deeper, more permanent shift as the industry adapts to changing preferences and demographics.

FIRST IN CLASS

In the first seven months of 2020, the art market outperformed ten major asset classes with Contemporary art achieving the strongest gains. Low interest rates, ongoing digitization, and a growing recognition of art as a portfolio diversifier could further support its prospects.



Source: Art represented by the Masterworks to All Art, Contemporary Art and Impressionist Art Indices; All returns estimated in U.S. dollars. Other asset class returns estimated by the global Asset Allocation team, Citi Private Bank. Past performance is no guarantee of future returns. ©2020 Masterworks.io LLC; All rights reserved. Indices revised as of November 2020. DM = Developed Market; EM = Emerging Market; FI = Fixed Income; IG = Investment Grade

NECESSITY IS THE MOTHER OF INNOVATION

Auction houses led the digital wave during the pandemic through their virtual sales events. These and other digital innovations may leave lasting legacies as the industry undergoes a long-awaited technological evolution.

Source: ArtTactic and Art Basel & UBS

AUCTION HOUSES

Livestreamed hybrid online/in-person auctions

Online sales in Jan-Aug 2020 (% YoY growth)

Sotheby's: **413%**
Christie's: **120%**
Phillips: **52%**

GALLERIES

Digital initiatives **+72%** YoY in 1H2020

Online sales (% of total sales)

10% in 2019
37% in 1H2020

INTERNATIONAL ART FAIRS

Launched virtual fairs with robust content and greater pricing transparency

Dealers reported reaching a wider audience and new collectors

THE MILLENNIAL BUYER CEMENTS THE DIGITAL SHIFT

The digital imperative will grow stronger as more millennials buy art. Building trust online will be critical for increasing sales – a steep change for a market built on in-person contact.

UNDER-40 ART BUYERS AT SOTHEBY'S

(Jan-Nov 2020)



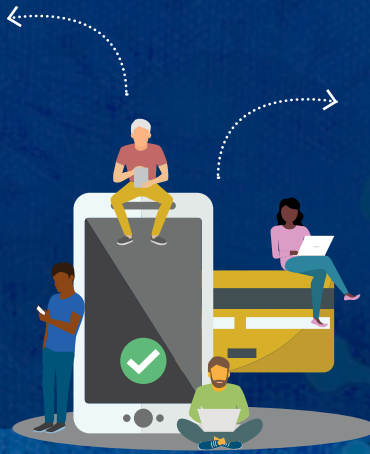
25%
of online bidders



15%
of live bidders

VS.

Source: ArtTactic



THE MILLENNIAL ART BUYER



29%
preferred buying art
online in 2019 vs.
14% in 2015



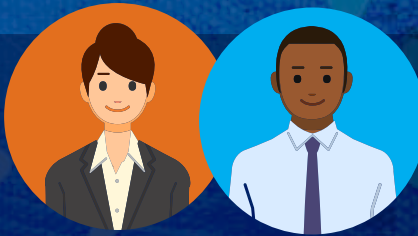
1/3rd
use a mobile device
to buy art

TAKING ACTION ON SOCIAL CHANGE

Museums are grappling with economic pressures from COVID-19 as well as cultural issues related to racial, social, and economic injustices.

73% of museum staff identify
as white in 2018 vs. 84% in 2015

Source: The Andrew W. Mellon Foundation



African-Americans made up **4%**
of museum curators in 2018, doubling
from just 2% in 2015

Ways to embody the values of a racially just society

Truth, reconciliation,
and transparency on
history and legacy



New models of
leadership focused on
inclusion and equity

New models of
curatorial practice
and training



Welcome new audiences
devoted to cultural exchange



Broaden knowledge
and perspective

Contents

Art in Investment Portfolios	8
Art Has Not Imitated Life Amid COVID-19	8
Higher-Value Paintings in the Context of History	10
Explaining Art's Resilience in 2020	11
Negative Rates and the Art Market	12
Art in Portfolios	12
Art Galleries and the Impact of COVID-19 on the Industry	15
Assessing the Impact	15
Facing the Challenges	16
What's Next?	17
From Analog to Digital: A Systemic Shift in the Global Art Market?	19
Slow Adopters	19
Auction Houses Lead the Way	20
Consumer Behavior Is Changing as the Younger Generation Takes Center Stage	22
Businesses Need to Follow Where Consumers Are Going	22
The Future Landscape	23
An Art Curator's Perspective: Some Thoughts from the Field	26
The Art Market's Response to a Global Pandemic	34
Art in the Digital Realm	35
Industry Collaboration	38
Rise of the Hybrid, Livestreamed Auction	39
Upending the Auction Calendar and Categories	42
Volumes Down, Less than Expected	44
Women Shine	45
Looking Ahead	46
Appendix	49
Further Reading	49

Art in Investment Portfolios





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The Masterworks.io price-weighted All Art Index was up 5.5% in the first seven months of 2020

Art in Investment Portfolios

Throughout history, tumultuous times have frequently left their imprint upon the art world. Hardship, warfare, and disease are among the many crises artists have depicted in their works to lasting effect. Various pandemics of bygone eras, for example, inspired paintings by the likes of Rembrandt, Titian, and Caravaggio. In 1919, Edvard Munch immortalized his own suffering in his haunting *Self-Portrait with the Spanish Flu*. Which masterpiece the period of COVID-19 bequeaths to posterity remains to be seen. However, the pandemic's impact on the art industry has already been transformative.

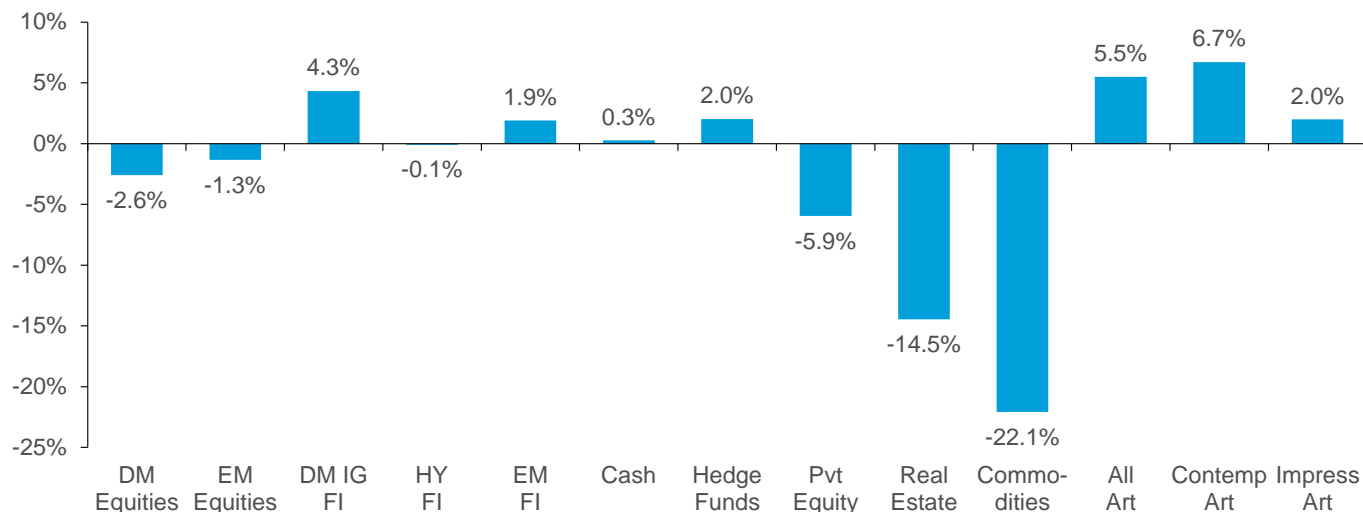
Art Has Not Imitated Life Amid COVID-19

In 2020, the global art industry underwent a 'great digitization'. As unprecedented lockdown measures came into force across much of the world, international art fairs, major galleries, and auction houses rapidly migrated their activities online. Virtual sales held by Christie's, Sotheby's, and Phillips attracted impressive levels of interest. Numerous records were broken in the course of a Sotheby's auction, which generated a total of \$363.2 million and included the highest Internet bid ever received at \$73.1 million. Online art sales as a whole increased six-fold in the first seven months of 2020.

So, what can we say of the art market's overall performance during these COVID-19-stricken months? For a timely perspective, we turn to the Masterworks.io All Art, Impressionist, and Contemporary Art Indices. The Masterworks platform allows anyone to invest in shares of blue-chip works of art — see www.masterworks.io. Its indices are built using data sourced from auction sales and based on established methodologies developed for the housing market. Masterworks.io has recently added price-weighted versions of each of these indices, giving greater emphasis to higher-valued works of art. While the indices are only published annually, we are grateful to Masterworks.io for sharing their interim calculations.

In the first seven months of 2020, the Masterworks.io price-weighted All Art Index — which tracks the art market as a whole — was up 5.5%. This performance was greater than the ten major asset classes addressed in our strategic asset allocation methodology (Figure 1). Meanwhile, its Contemporary Art Index and Impressionist Index gained 6.7% and 2.0%, respectively. As an asset class, art has therefore not imitated the turbulence of life in 2020.

Figure 1. Asset Class Returns Amid a Pandemic

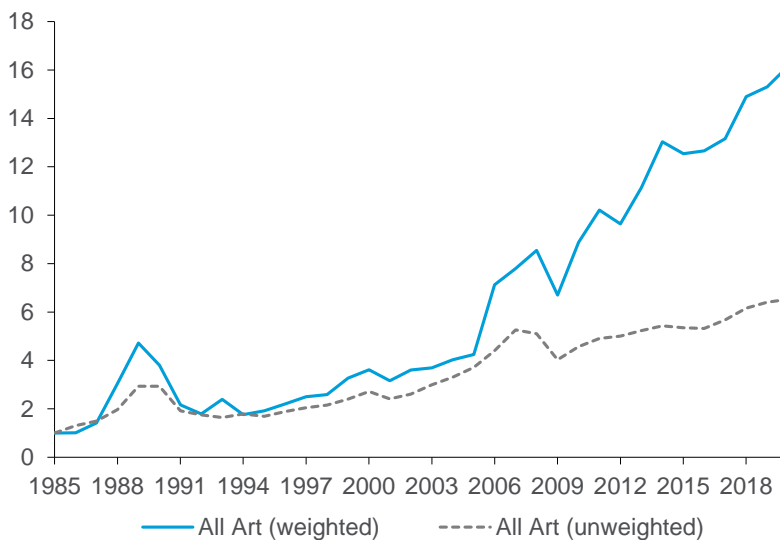


Source: Art represented by the Masterworks.io All Art, Contemporary Art and Impressionist Art indices; All returns estimated in U.S. dollars covering the seven months to July 2020. Other asset class returns estimated by the Global Asset Allocation team, Citi Private Bank. Past performance is no guarantee of future returns. © 2020 Masterworks.io LLC; All rights reserved. Indices revised as of November 2020.

Higher-priced works performed better than lower-priced works in the first seven months of 2020

Interestingly, the resilience came chiefly from the top end of the art market. We can tell this by comparing the performance of the price-weighted versions of the Masterworks.io indices with the unweighted versions (Figure 2). The weighted version of the Masterworks.io All Art Index rose 5.5% in the first seven months of 2020, nearly three times the unweighted index's gain in the same period. The weighted Contemporary Art Index experienced a 6.7% gain, versus a modest fall of 1.9% in its unweighted counterpart. This tells us that higher-priced works — especially paintings purchased for over \$500,000 to \$1 million — tended to perform better than lower-priced works.

Figure 2. Higher-Value Art Has Outperformed



Source: Art represented by the Masterworks.io All Art, price-weighted and unweighted indices; Price-weighted as a clearer performance indicator for the 'blue-chip' segment of the market, generally defined as works that cost \$500,000 or more. All returns estimated in U.S. dollars. Other asset class returns estimated by the Global Asset Allocation team, Citi Private Bank. Past performance is no guarantee of future returns. © 2020 Masterworks.io LLC; All rights reserved. Indices revised as of November 2020.

Higher-Value Paintings in the Context of History

The outperformance of higher-valued works of art is not a new phenomenon. Going back to 1971, the price-weighted Masterworks.io All Art Index generated a higher annualized return of 8.8%, compared to its unweighted counterpart's 7.8%. Data for the Contemporary and Impressionist sub-categories didn't begin until 1985 but again, the price-weighted series showed higher returns than the unweighted series.

Since 1985, Contemporary art has outperformed most other asset classes...

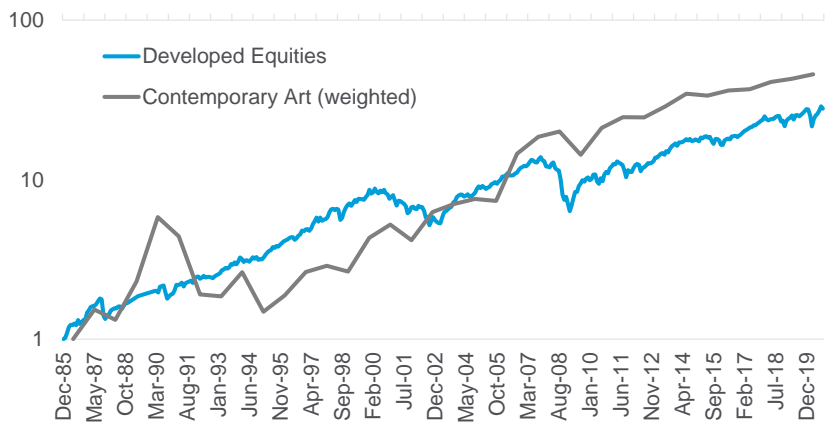
Figure 3 compares the top end of the art market's performance over recent decades with those of other asset classes. Since 1985, returns from the art market have been similar to those of high yield bonds from developed countries and emerging market bonds. Focusing on higher-value Contemporary art, we see its performance has been ahead of both developed and emerging market equities.

Figure 3. Long-Term Asset Class Returns

	Estimated Annualized Returns 1985-2020 (%)
Global Developed Market Equity	9.9%
Global Emerging Market Equity	10.7%
Global Developed Market Investment Grade Fixed Income	6.5%
Global High Yield Fixed Income	8.0%
Global Emerging Market Fixed Income	8.6%
Cash	3.2%
Hedge Funds	8.9%
Private Equity	13.8%
Real Estate	8.0%
Commodities	3.5%
All Art	8.3%
Contemporary Art	11.5%
Impressionist Art	6.8%

Source: Art represented by the Masterworks.io All Art, Contemporary Art and Impressionist Art price-weighted indices; Price-weighted as a clearer performance indicator for the 'blue-chip' segment of the market, generally defined as works that cost \$500,000 or more. All returns estimated in U.S. dollars. Other asset class returns estimated by the Global Asset Allocation team, Citi Private Bank. Past performance is no guarantee of future returns. © 2020 Masterworks.io LLC; All rights reserved. Indices revised as of November 2020.

Figure 4. Higher-Valued Contemporary Art Has Outpaced Developed Equities



Source: Contemporary art represented by the Masterworks.io Contemporary Art Index price-weighted index; Price-weighted as a clearer performance indicator for the 'blue-chip' segment of the market, generally defined as works that cost \$500,000 or more. All returns estimated in U.S. dollars. Other asset class returns estimated by the Global Asset Allocation team, Citi Private Bank. Past performance is no guarantee of future returns. © 2020 Masterworks.io LLC; All rights reserved. Indices revised as of November 2020.

...but it has also been a riskier investment

Of course, with higher returns come greater risks. And so it has been with the top end of the art market. Since 1985, the art market has suffered periods of substantial annual drawdowns. In the worst year of the early 1990s recession, Contemporary and Impressionist art saw calendar-year declines of 56.8% and 28.9%, respectively, with the market as a whole falling 43.2%. The bursting of Japan's economic and financial bubbles during this period was a major factor with a decline in Japanese demand causing Impressionist prices in particular to soar and then collapse.

It is important to point out that not all downturns in the art market have been nearly so sharp. Around the 2008-09 Global Financial Crisis, for example, the Contemporary market declined by 28.5% and the market as a whole by 21.6%. This was a more muted sell-off than other risk asset classes such as equities, which experienced calendar year drops of more than 40%. (Figure 4) Likewise, the art market showed relative resilience in the aftermath of the bursting of the 'dot com' bubble in the early 2000s.

Explaining Art's Resilience in 2020

Past crises have impacted the art market

While art has held up well amid the COVID-19 pandemic to date, the market has been impacted during past crises. Anecdotal evidence suggests heavy falls in the era of the Spanish flu of 1918-20. Admittedly, however, any analysis of that episode is complicated by the effects of transition from war to peacetime, as well as highly unstable inflation. Going back to 1971 — when the Masterworks.io data set begins — the high end of the art market has experienced four large drawdowns. These have occurred amid periods of generalized economic and financial market turmoil, albeit not always in synchronicity with such episodes. The obvious question this raises is why the market has not been affected this time around.

So far in 2020, the market has held up, possibly because the equity market decline was short-lived...

One clue is the financial market turmoil in 2020 was violent but short-lived. The U.S. equity market saw its fastest-ever drop, falling almost 30% in 22 trading days, followed by a quick recovery. Equities and other risk assets began to rally hard from around late March. Typically, buyers at the high end of the art market also tend to own substantial portfolios of financial investments. So, whereas a deep and sustained drawdown in risk assets might have left them less willing to purchase expensive artwork, the market action in 2020 did not. That said, the longer-term secular trend of asset allocation to more illiquid alternatives generally has provided a tailwind to the art market.

...or it may just be experiencing a delayed reaction

A perhaps overly cautious interpretation might be that the art market is instead experiencing a case of delayed reaction. There is historical precedent for this. Around the Global Financial Crisis, for example, the top end of the art market and indeed the broader market suffered declines later than other asset classes. Whereas equities and various other asset classes sold off in 2007 and 2008 and began recovering in 2009, art suffered the bulk of its downside in 2009, consistent with its lack of synchronicity with other asset classes. However, we are not especially convinced a delayed reaction is in store this time. The robust performance of gold during the pandemic — another tangible asset with some of the same drivers — is one factor behind our view.

Still, even if art were to experience a delayed sell-off, historical precedent suggests it could be a relatively mild one. When the 'dot com' bubble collapsed in the early 2000s, equities went into a fairly long and painful bear market. By contrast, the art market saw only a moderate decline in 2001 and gains in each of the years on either side of it, such that it delivered a positive return for the three-year stress period as a whole.

Over time, art prices have tended to move more closely in line with changes in real interest rates

Central banks are expected to keep interest rates artificially low in the coming years — making it easier for governments to pay interest on their debt as well as eroding the value of those debts

Negative Rates and the Art Market

Over time, art prices have tended to move more closely in line with changes in real interest rates, that is, interest rates after inflation. Periods of falling and/or low real interest rates have often coincided with rising art prices. This relationship is rooted in the nature of art as an investment. Art does not pay an income stream to its owners. Indeed, it has a slightly negative income stream, as owners have to pay for insurance, storage, transportation, and maintenance. When real interest rates are high or rising, the opportunity cost of owning art is higher. Owners are passing up the returns they might otherwise have earned on interest-bearing assets. However, this consideration fades as real rates fall, hence art's often-stronger performance in such times.

Amid the pandemic, real interest rates have pushed into deeper negative territory. And this phenomenon may well outlast the COVID-19 period. Over the coming years, Citi Private Bank expects various leading central banks globally to keep interest rates artificially low. As well as trying to stimulate more economic growth, their aim is also to generate more inflation.

The negative real rates this may well produce have obvious attractions for governments right now. Many find themselves with even heavier debt burdens following emergency fiscal measures during the pandemic. In many nations, the authorities hope to borrow and spend significantly to stimulate recovery, for example by investing in infrastructure. Artificially low interest rates make it easier for governments to pay interest on their debts, and ideally help private borrowers too.

However, there is another reason central banks are likely to keep rates artificially low. While they do not readily admit to it, inflation rates that exceed interest rates erode the real value of their debts. So, not only do governments pay lower interest rates on their borrowings, but they find ultimate repayment easier because inflation has eroded the value of those debts.

The world has been here before. In the 1970s, for example, real interest rates were frequently negative. Cash and bonds from developed economies produced negative returns after inflation during the years most characterized by negative rates, while developed equities eked out a barely positive return. By contrast, the price-weighted Masterworks.io index shows an annualized return after inflation of around 10% per year with a fair degree of volatility, including three calendar years with declines of more than 20%.

To be clear, we do not expect a repeat of the economic volatility of the 1970s, with its oil-price shocks, runaway inflation, and painful recessions. Instead, we look for a return to more stable growth after the pandemic, accompanied by very low or negative real rates for some time. This combination could be favorable to the art market, potentially enabling price growth but with less volatility than at certain times in the past.

Art in Portfolios

Art is not one of the asset classes within Citi Private Bank's strategic asset allocation methodology, which we use to customize a long-term investment plan for every client. We do not therefore make tactical recommendations with regard to buying and selling art. At the same time, we recognize that some of our clients have substantial art collections, whose relationship to their investment portfolios and other assets requires consideration.

The broad art market exhibits low or flat correlation with other asset classes therefore it could potentially improve diversification in a portfolio

Figure 5 shows the correlations between art and ten broad global asset classes from our strategic asset allocation methodology. Again, we focus upon Masterworks.io's price-weighted indices, given the greater representation they give to higher-valued works of art. By this measure, the broad art market has exhibited low or flat correlation with the other asset classes. These include real estate and commodities, which like art, are tangible asset classes. Indeed, art's strongest positive relationship is with cash, and even then it is only a modest 0.26. Given these relationships, we can say that adding broad art market exposure to a multi-asset class portfolio could potentially improve diversification.

What of the outlook for art over the years beyond COVID-19? One difficulty we have in answering that question is the lack of objective valuation-based metrics that we have when assessing, say, equities or fixed income. However, the likelihood of low or negative real interest rates could be helpful to the art market. Growing recognition of the diversification potential for art, as well the increasing digitization of aspects of the art market, could also increase its appeal to collectors and investors.

Figure 5. Art's Correlation with Other Asset Classes

1985-2020	Developed Equities	Emerging Equities	Developed Invest. Grade Fixed Income	High Yield Fixed Income	Emerging Fixed Income	Cash	Hedge Funds	Private Equity	Real Estate	Commodities	All Art	Contemporary Art	Impressionist Art
Developed Equities	1	0.68	0.26	0.72	0.32	0.13	0.78	0.84	0.63	0.22	0.12	0.19	0.13
Emerging Market Equities	0.68	1	-0.03	0.63	0.54	0.09	0.67	0.75	0.55	0.47	0.25	0.27	0.22
Developed Investment Grade Fixed Income	0.26	-0.03	1	0.33	0.11	0.35	0.46	0.15	0.29	-0.21	0.04	0.15	0.00
High Yield Fixed Income	0.72	0.63	0.33	1	0.46	-0.11	0.72	0.79	0.66	0.22	-0.18	-0.17	-0.11
Emerging Market Fixed Income	0.32	0.54	0.11	0.46	1	-0.04	0.46	0.44	0.52	0.58	-0.02	0.11	-0.12
Cash	0.13	0.09	0.35	-0.11	-0.04	1	0.44	-0.12	-0.12	0.08	0.26	0.30	0.31
Hedge Funds	0.78	0.67	0.46	0.72	0.46	0.44	1	0.71	0.51	0.29	0.08	0.15	0.05
Private Equity	0.84	0.75	0.15	0.79	0.44	-0.12	0.71	1	0.75	0.23	0.07	0.10	0.06
Real Estate	0.63	0.55	0.29	0.66	0.54	-0.12	0.51	0.75	1	0.18	0.09	0.16	0.03
Commodities	0.22	0.47	-0.21	0.22	0.58	0.08	0.29	0.23	0.18	1	0.09	0.19	0.05
All Art	0.12	0.25	0.04	-0.19	-0.03	0.26	0.08	0.06	0.09	0.09	1	0.77	0.91
Contemporary Art	0.19	0.27	0.15	-0.18	0.10	0.29	0.15	0.10	0.15	0.18	0.77	1	0.55
Impressionist Art	0.13	0.22	-0.01	-0.12	-0.13	0.31	0.05	0.06	0.02	0.05	0.91	0.55	1

Source: Citi Private Bank Global Asset Allocation Team, as of October 31, 2020. Correlations are measured on a scale of 1 to -1, where 1 = two asset classes move in the same direction all of the time; -1 = two asset classes move in the opposite direction to each other all the time. Art represented by the Masterworks.io Total Art, Contemporary Art and Impressionist Art Indices © 2020 Masterworks.io LLC; All rights reserved. Indices revised as of November 2020.

Art Galleries and the Impact of COVID-19 on the Industry



Art Galleries and the Impact of COVID-19 on the Industry



Source: VAM Photography

Maureen Bray
Executive Director
Art Dealers Association of America

At the end of the week of February 24th, 2020, my team and I had just completed one of our most successful iterations of the Art Dealers Association of America's (ADAA's) annual art fair, [The Art Show](#), at the Park Avenue Armory. Despite the news of a virus growing in strength on the horizon and the attendant wobbles in the stock market, our member exhibitors had presented beautiful booths and sales had taken place at a brisk pace. We were tired but triumphant.

By the week of March 9th, it became clear the virus had made its way to New York City's doorstep and I informed the ADAA team to prepare for shutting the office down. Our member galleries had started to consider the same thing. But how does that work for a gallery? What does it mean if they aren't open to the public? How do their exhibitions, many of which had just opened, get seen?

By Friday the 13th, it was no longer a hypothetical exercise — galleries across the U.S. were making the tough decision to shut their doors for an unknown period of time, an experience unprecedented in the industry.

Over the next six months, the ADAA moved from a triage response to a long-term strategy, helping our members navigate through a dense forest of complications and challenges. [As the nation's leading trade association for art galleries](#), we had a responsibility and a duty to lead from the front.

We had no idea how long the galleries would be closed, but we knew the first step was to find a way for the public to see the exhibitions artists had been working so hard to create (artists who had waited years to have their shows, some even making their debuts — a benchmark for any artist's career). We cleared the decks on our social media feeds and started helping members produce and post short video walk-throughs of their exhibitions that had been on view. It was a small but critical step toward taking action that shook us free of the initial shock and got us working in a proactive manner. How do we help the galleries? What do they need right now?

As the "temporary closure" e-blasts began flooding in from members around the country, the ADAA scoured resources for small business assistance and asked our public policy advisors in Washington to identify any federal level aid that may be forthcoming. We initiated a series of informational alerts and webinars for members beginning in late March and continuing through the fall, including everything from updates on local small business assistance to changes to employment law, pivoting to an online-only presence, and most critically, how to apply for the Paycheck Protection Program (PPP) that was formulated by the federal government, among many other topics.

Assessing the Impact

The next step, in early April, was to survey our members (and those in other U.S. gallery associations) to understand the depth of their concerns and their financial projections for the immediate future.¹ The results were sobering:

¹ ADAA, COVID Impact Survey of U.S. Art Galleries, May 2020.

- For the period of March 15–April 15, 2020, there was an 85% average decrease in gross revenue as compared to the same 4-week period in 2019.
- Galleries saw a 31% overall decrease in actual gross revenue as compared to the respondents' original projections for the first quarter of 2020.
- Art galleries across the U.S. projected an overall gross revenue loss of 73% in the second quarter of 2020.
- 80% of respondents rent their space and were desperately trying to negotiate arrangements with their landlord for rent concessions. In New York, collective hopes were dashed when Governor Cuomo made it clear that while the State had placed a moratorium on evictions, there was to be no legislation to help commercial tenants and landlords with rent abatements.
- The galleries we surveyed represented a combined total of over 2,400 living artists and employed over 1,500 staff members. 78% of gallery respondents had applied for a PPP loan in the hopes of protecting as many full-time staff as possible.
- While 85% of full-time gallery staff had retained their positions as of April, 74% of the contractors that galleries had regularly engaged prior to March 13, 2020 were no longer employed.

The data above illustrates not only the impact of COVID-19 on galleries, but the ripple effect that occurred due to the challenges faced by those galleries. There was a wide range of artists, cultural workers, and other small businesses — art handlers, framers, book designers, foundry workers, art shippers, caterers — that saw their main source of income disappear overnight.

At the time of the first survey, we asked what we now know was an absurdly naïve question: how many more art fairs did the galleries plan to participate in during the rest of 2020? We had no idea at the time that there would be no further art fairs in 2020.

Pre-COVID-19, art fairs represented, on average, 45% of a gallery's annual revenue.² What does a year of that missing revenue look like? The long-term effects of this remain to be seen. While online fairs provide a placeholder, they cannot be a full substitution — dealers will need to refine their outreach tactics beyond the digital offerings presented thus far, returning to the deep relationships built with clients over years of interactions.

Facing the Challenges

Galleries have had to look for opportunities to support their own small businesses, as well as those ancillary small businesses that rely on them, by embracing new modes of conducting business and engaging with clients and the public, demonstrating their ability to persevere under extraordinary circumstances.

² Dr. Clare McAndrew, "The Art Market 2020", Art Basel and UBS, March 2020, p. 193.

In spite of the high-end art world's long-standing wariness of online commerce, galleries adapted quickly, developing online viewing rooms and a more sophisticated virtual presence to make sure international collectors could still have dynamic access to their programming. Clare McAndrew's recent 2020 mid-year survey found that, in the first half of 2020, 72% of galleries surveyed had increased their efforts in the digital realm.³ Over at the ADAA, we partnered with Artlogic to create online viewing rooms for our members, free-of-charge, from June through November of this year, giving those who were new to the technology an immediate and robust online presence.

As summer was in full swing, New York City and other major cities began to consider re-opening retail businesses. Once confirmed, the next step was to provide webinars on return-to-work strategies and to make sure members were aware of their state's COVID-19 business guidelines, which are constantly shifting and are different for each state and city.

What's Next?

In the fall of 2020, with most galleries open (although facing the specter of yet another shutdown like that experienced in the U.K. and Europe), exhibitions have gone back on view again and more business is being done than originally projected. (The ADAA plans to do another survey in the spring of 2021 to look back at the last year and obtain another set of financial projections for the future.)

Dealers are resilient and innovative. Throughout the economic downturns that I've witnessed during my career, they have always proven to be forward-thinking and resourceful in the face of changing and adverse conditions, coming together to brainstorm creative solutions to sustain their businesses and support their artists. That has been the case during the past year, and I have no doubt that will continue. And as we do year-round, the ADAA will keep providing members with access to industry experts, webinars, and other resources to support them in navigating the current crisis and making decisions for their businesses going forward in to an uncertain future.

I am often asked by collectors how they can help galleries and artists (and by extension, museums) at this moment. The answer is simple — continue to collect art. Use the extra time not spent on airplanes, rushing from art event to art event, to call your favorite dealers and have long, in-depth conversations about an artist whose practice is of interest to you or a new body of work that an artist you collect has been developing. Patronizing the gallery means helping the artists, as well as those vendors caught in the ripple effect who make up the art world. Art dealers, and particularly ADAA members, are well-regarded for their expertise. Use that access to lead in your community and engage with the dealers, to make meaningful additions to your collections and help support the community that has brought you so much joy in brighter times.

³ Dr. Clare McAndrew, "The Impact of COVID-19 on the Gallery Sector", Art Basel and UBS, September 2020, p.40.

From Analog to Digital: A Systemic Shift in the Global Art Market?



From Analog to Digital: A Systemic Shift in the Global Art Market?



Anders Petterson
Founder and Managing Director
ArtTactic

The COVID-19 pandemic continues to inflict significant damage to the global art market. Artists, galleries, art fairs, auctions, and museums around the globe are struggling to adapt to the new restrictive world caused by lockdowns and social distancing. However, despite the pain and personal tragedies, the pandemic has also been a catalyst for change and innovation. It has accelerated the transformation and adaptation of new digital strategies across the art industry from new online art gallery models, to online art fairs and new hybrid auction formats.

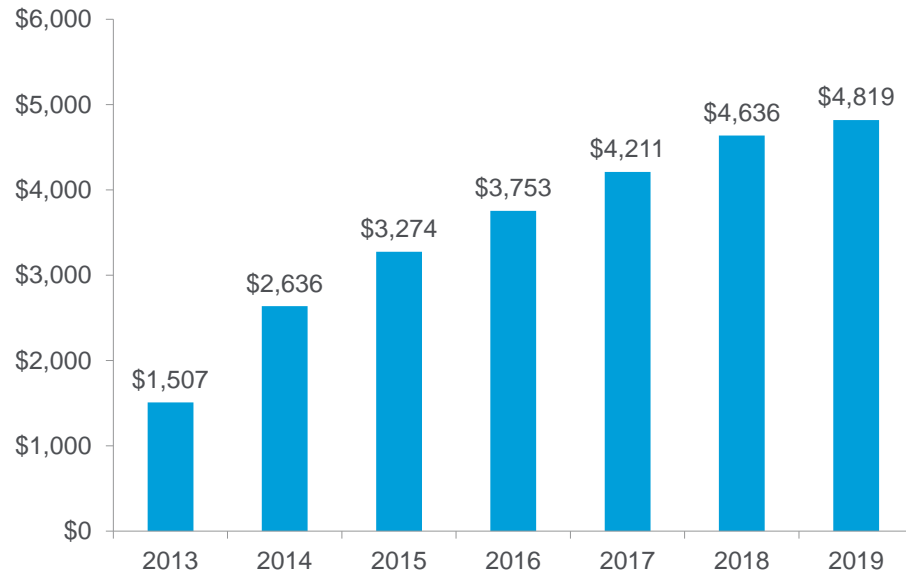
Since March of 2020, the advent of the pandemic has resulted in more digital innovation, experimentation, and risk taking than we have seen in the past decade, and the art market is at a tipping point of entering a new era, potentially redefining what it means to be an art business in the 21st century.

Slow Adopters

Although the art market has been relatively slow to adopt new technologies and online ecommerce strategies over the last two decades, the online art market has come a long way since the early attempts by Sotheby's in the late 1990s and early 2000s to build an e-commerce platform for art and collectibles.⁴ Global online art sales increased from an estimated \$1.5 million in 2013 to more than \$4.8 billion⁵ in 2019. Auction houses have been ramping up their online sales with Sotheby's and Christie's posting annual online sales growth of 16% between 2015 and 2019. However, online sales still accounted for only 6% of total auction sales in 2019, a sign that online sales were merely a sideshow. Galleries, dealers, and the art fairs have been equally complacent in adopting technology. A survey carried out by ArtTactic for the Hiscox Online Art Trade Report in 2018, showed that 39% of galleries surveyed had no e-commerce strategy for their business. In addition, according to the latest Art Basel Art Market Report, online gallery sales were only 10% in 2019.

⁴ In 1999, Sotheby's partnered with Amazon to start a collectible online bidding platform to take on the competition from eBay; however, the venture was short-lived and the partnership ended in October 2000. This was followed by another short-lived venture, between Sotheby's and eBay in 2002, which ended the year after as parties involved were unable to generate sufficient profit from the venture, reflecting the immaturity of the broader ecommerce market and the online art market at the time.

⁵ Hiscox Online Art Trade Report 2020 – Part 1.

Figure 6. Online Art Sales (\$ million)

Source: Hiscox Online Art Trade Report 2020

The art world has been slow in adopting technology partly because there has been little pressure to change its traditional operating models

With traditional sales channels interrupted, the art world has no other option but to fully embrace digital platforms and online sales

Auction houses were quick to switch to online formats as early as March

So why has the art world been slow in adopting technology? Part of the answer, lies in the fact that there has been very little pressure for anyone to change traditional operating models as they have worked well for a long time. There was also an inherent suspicion of Silicon Valley-inspired business models that were going to disrupt the traditional art market, by bringing in technology as a lever to rapidly democratize and grow the art market. But not everyone viewed democratization as the solution and preferred instead to focus on the exclusive relationship-based model that has been dominant to date. The online market has struggled to gain similar status as the traditional, offline art market, and has up until the outbreak of COVID-19 been largely viewed as an inferior (often low value) conduit for selling art.

However, this is rapidly changing, as traditional sales channels such as physical gallery exhibitions, art fairs, and auctions have been cancelled or postponed — leaving the art world with no other option but to fully embrace digital platforms and online sales.

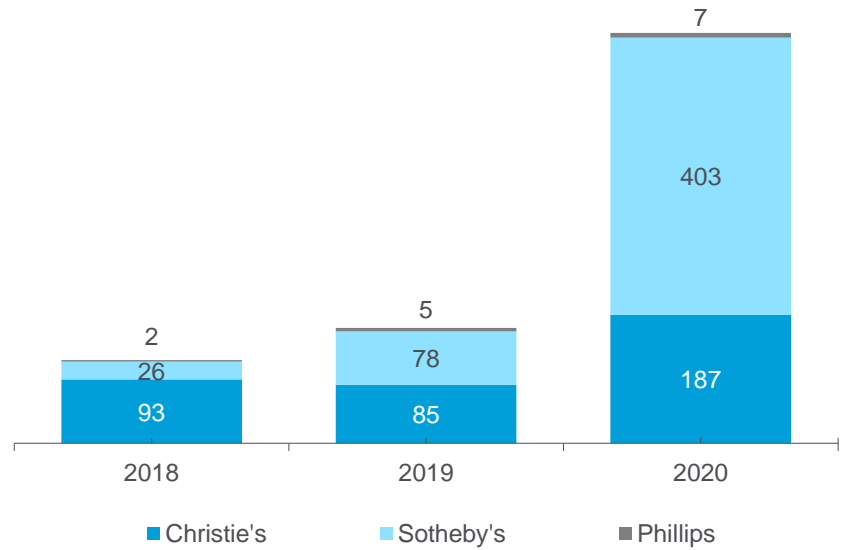
Auction Houses Lead the Way

Shortly after Sotheby's, Christie's, and Phillips' traditional auction season in London in early February 2020, the entire auction world was thrown into the unknown as the COVID-19 virus started to spread across Asia, Europe, and the U.S. The first casualties of lockdowns and new social distancing rules were the spring auctions in Hong Kong, followed by the most important season of auction sales in New York in May. Auction houses responded quickly to the new challenge by switching their traditional offline auctions to online formats. In March alone, Sotheby's organized 10 online-only auctions, which by July had accelerated to 180 online auctions in total since the beginning of the year, up from 69 in 2019 and 17 online-only auctions for the entire year of 2016. Sotheby's online-only sales grew from \$78.5 million in first eight months in 2019 to \$402.6 million (+413%) for the same period in 2020. A similar, but less pronounced trend was seen by Christie's (+120% growth) and Phillips (+52% increase).

Average online-only price points have increased...

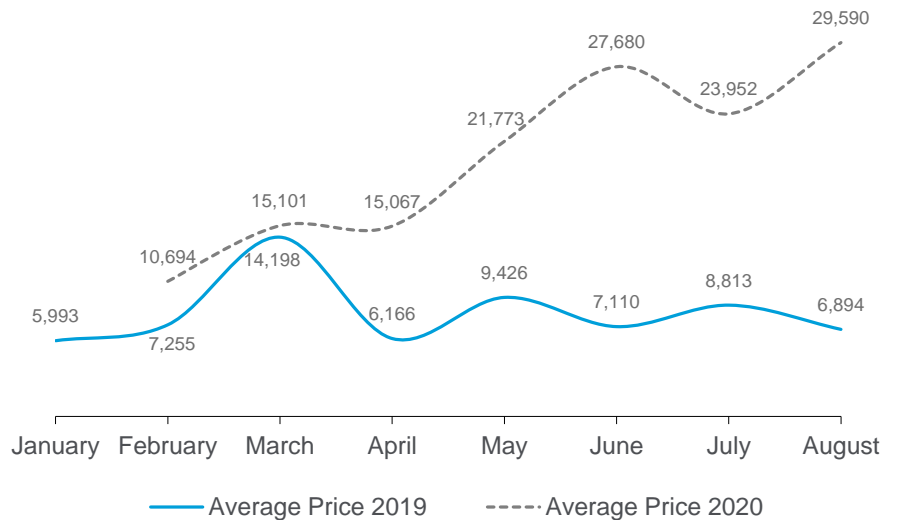
From February through August of 2020, buyers became increasingly confident in buying art and collectibles online at higher price points, with an average online-only price of \$24,000⁶ recorded in the first eight months of this year, a jump from \$8,000 in 2019.

Figure 7. Online-only Auction Sales (\$ million, Jan-Aug 2020)



Source: ArtTactic RawFacts – Online-only Auctions 2020

Figure 8. Online-only Auction Average Hammer Price (\$)



Source: ArtTactic RawFacts Online-only Auction Review January-August 2020 (Sotheby's, Christie's, and Phillips)

⁶ ArtTactic RawFacts Online-only Auction Review January-August 2020.

...as has the number of buyers transacting with auction houses for the first time

Sotheby's reported over a third of all online buyers in this same period were transacting with Sotheby's for the first time. This is good news for the auction houses, as engaging new buyers has been a challenge for the auction industry over the last decade. New formats and user experiences were needed to engage new buyers, and it looks like the pandemic has catapulted the art auction market towards a new path of digital transformation.

Consumer Behavior Is Changing as the Younger Generation Takes Center Stage

Despite the reluctance of the art market to fully embrace online, consumer behavior has for some time showed that online buying habits are changing. Take the personal luxury goods market as an example; where about \$37 billion⁷ worth of goods were sold online in 2019, up from \$4.7 billion in 2010, and where growth has been predominantly driven by a younger consumer demographic. According to Bain & Company,⁸ Millennials accounted for 35% of luxury goods consumption in 2019, and they forecast this could reach 45% by 2025, particularly driven by a younger generation of Asian buyers.

Younger buyers are gravitating to the online auctions, making up 25% of online-only auction bidders vs. 15% in live auctions

The presence of younger art buyers is already being felt in the art market. Sotheby's reported younger buyers (under 40) now account for 25% of bidders in online-only auctions compared to 15% in live auctions, up 122% from 2019.⁹ Research by ArtTactic shows online art spending habits among Millennials have leapt during the pandemic. The traditional art market's transition to online during the pandemic has created new opportunities and engagement channels for new and younger art buyers. Research by ArtTactic signaled over the last five years that younger art buyers have an increasing preference for buying art online, with 29% of Millennial art buyers saying so in 2019, up from 14% in 2015. With a new generation of art buyers knocking on the door, the art market will have to adapt to these behavioral changes or risk losing out on an entire generation of potential buyers who will become increasingly important over the coming decade.

Businesses Need to Follow Where Consumers Are Going

More than half of art buyers surveyed believe the art world's move to online will lead to a permanent shift

It is very likely much of the new online behavior in the art market accelerated by the pandemic is here to stay. More than half of art buyers surveyed by ArtTactic recently said they believed the art world's move online during COVID-19 will lead to a permanent shift, and that the art market will not revert to normal as we come out of the pandemic.

At the core of digital transformation lies changes in consumer behavior, which in most consumer markets have changed the nature of the consumer journey — from discovery to the final purchase decision. With online playing a significantly more prominent role in the art market now than in past, the traditional art market will need to adapt to these behavioral changes.

⁷ Bain & Company, "Personal Luxury Goods Market Grew by 5% in 2018 to Reach €281 Billion", November 28, 2019, <https://www.bain.com/about/media-center/press-releases/2019/fall-luxury-report/>.

⁸ Bain & Company, "Eight Themes that are Rewriting the Future of Luxury Goods", February 5, 2020, <https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/>.

⁹ Sotheby's data for the period January 1, 2020 to November 3, 2020, compared with the same period in 2019.

This involves improving the mobile experience, as a third of Millennial art buyers¹⁰ said they used a mobile device when buying art online. In the absence of physical inspection of art work, the art market will need to change the way it builds trust among online buyers. ArtTactic research shows factors such as increasing price transparency and more information about the artist and the art work — such as provenance information, certificate of authenticity, and condition reports — is likely to increase the instances of buyers transacting online. This might sound obvious, but in a market that has relied heavily on in-person contact and trust built through personal relationships, the transition to online will be steep and challenging.

The Future Landscape

So how will the art market rise to the challenge and what impact is this likely to have on the broader art ecosystem? Is there a winning formula or are there multiple models that can succeed in this new digital era?

Although the art world has generated some mega-galleries and businesses, the large majority of players remains small. As consumer behavior is changing, is it possible to stay small in a world that is increasingly moving digital? Or are we moving towards a scenario where one or several dominant online marketplaces will take over, similar to how Amazon emerged as an online bookseller in the late 1990s and took on an industry of largely independent smaller booksellers, not dissimilar to the gallery and art world we know today?

Online art marketplaces have acted as enablers rather than disruptors, and smaller galleries are seizing on the online opportunity

While Amazon has pursued a strategy of disintermediation, the online art marketplaces (such as Artsy, Artnet, 1stDibs, Invaluable, and LiveAuctioneers) have so far focused on aggregation and enablement — i.e., bringing geographically fragmented and large numbers of smaller art businesses onto a common digital platform accessible to a global audience. By acting as enablers rather than disruptors, these platforms have continued to gain traction.

Being small does not mean you cannot prepare and adapt for a digital future. The fact that galleries have increased their online sales from 10% in 2019 to 37% in the first half of 2020¹¹ is a sign smaller galleries are already seizing opportunities created by the online market, both by improving their own websites and user experiences, as well as utilizing third-party platforms, marketplaces, and social media. To go back to the analogy of bookshops, platforms like Bookshop.org, have offered booksellers and consumers a more 'ethical' alternative to Amazon, by targeting a swath of socially-conscious consumers and financially supporting local, independent bookshops. A similar approach might be needed for the art market.

There is plenty of evidence that staying small is a viable business model. For example, there is a growing market evolving around small independent coffee shops and micro-breweries that cater to new consumer behaviors, including focusing on quality over quantity and local over global. In the art market, smaller galleries also play an integral part in supporting younger artists and emerging practices, a role that should be preserved. The art ecosystem needs smaller, risk-taking entities to ensure diversity, and to address the polarization and narrow focus that the most resourceful parts of the art market are currently championing. It is therefore paramount that the digital transformation currently sweeping through the art market preserves the diversity and pluralism of a well-functioning art ecosystem.

¹⁰ Hiscox Online Art Trade Report 2019.

¹¹ Dr. Clare McAndrew, "The Impact of COVID-19 on the Gallery Sector", Art Basel and UBS, September 2020.

Going forward, technology should be used in the future to re-distribute the wealth generated by a few to benefit the larger community of artists and galleries

Before the art world embarks blindly on the road to digital transformation, now might be a good time to stop and ask ourselves: What do we really want the art world and art market to look like in the future? Does the increasing commodification of art really benefit the broader art ecosystem, or could we use digital transformation as a process to address many of the biases and imbalances that currently exist? We should use technology to re-distribute the wealth generated by a few to benefit the larger community of artists and galleries. If we do nothing now, we risk shifting technology from a tool that is a force for good to potentially a force that undermines the rich and diverse art ecosystem we enjoy today.

An Art Curator's Perspective: Some Thoughts from the Field



An Art Curator's Perspective: Some Thoughts from the Field



Marianne Lamonaca
Independent Curator
President, Board of Trustees,
Association of Art Museum Curators
(AAMC) & AAMC Foundation

Like many curators, I have been thinking deeply about this moment of reckoning around issues of racial, social, and economic justice in the museum field in the U.S. As 2020 draws to a close, we are facing challenges — and with them, critically important opportunities — that are unprecedented for the arts in the United States. Petitions and open letters over the past months have called for change, including the complete dismantling of arts organizations that have perpetuated and continue to profit from inequality. Public demands have grown louder to diversify museum leadership and staff, decolonize the institutions, repatriate stolen artifacts, bring collections into dialogue with Native communities, and de-center the European, male-dominated art historical canon, among other things.

In late May, the violent killing of George Floyd at the hands of the police unleashed protests across the country, and around the world, by people who considered Floyd's death as yet another example of systemic, violent racism. The resulting unrest compelled organizations throughout the U.S. — including museums — to release statements denouncing violence and standing in solidarity with the Black Lives Matter movement. At the same time, social media posts by @ChangetheMuseum, #DismantleNOMA, and others incited a groundswell of criticism of museums by staff, artists, and their allies who shared personal stories of racism, discrimination, and harassment. This conversation sent shockwaves through the museum community.

Museum leaders responded to the sharp critiques with promises to do better; many were scorned for not articulating action steps and timelines. Paraphrasing an observation made decades ago about the slow nature of progress in museums by Robert Kennedy, director of the National Museum of American History, to Dr. Lonnie G. Bunch III, founding director of the National Museum of African American History and Culture and currently Secretary of the Smithsonian Institution, I wondered, “Why is progress so glacial?”

This discussion is not entirely new, but it is much louder, broader, and more urgent than ever before in my thirty-year museum career. I believe it is essential for the entire field to not only listen, but take action. A brief review of how museums have responded to these concerns prior to 2020 illustrates that glacial nature. Over the past several years, many museums have established internal committees to address diversity, equity, inclusion, and access. Some have begun to broaden their boards, staff, collections, and programs through increased representation of women, LGBTQ+, Black, Latinx, Asian, and Indigenous people. Since the early 1990s, museums have acknowledged the need to ensure their leaders and staff reflect a range of audiences and multiple perspectives. Yet progress has been slow. Museums, as discussed, are under more fire than ever for their lack of staff heterogeneity at all levels, and particularly at the level of director and curator. The Mellon Foundation's report *Art Museum Staff Demographic Survey 2018* found museum staff is more racially and ethnically diverse than it was in 2015, with 73% identifying as white, down from 84%, and with the percentage of African-American curators doubling from 2% in 2015 to 4% in 2018. While these numbers are encouraging, they are not nearly enough.¹²

¹² The Andrew W. Mellon Foundation, “Art Museum Staff Demographic Survey 2018”, January 28, 2019.

This push for staff diversity helps facilitate progress toward expanded representation of artists in permanent collections and exhibitions, and broadens perspectives to better reflect the communities they serve. In 2017, New York City's Department of Cultural Affairs announced a plan for equity and inclusion that would link city funding to staff and board diversity. While no punitive actions have been taken, the plan was meant to prioritize the importance of equitable representation. Additionally, the city's IDNYC identification card program offers free or discounted admission to cultural organizations across the city. Other recent markers of positive change in New York and beyond include: The Bronx Museum of the Arts' appointment of a social justice curator; the Smithsonian Institution's Latino Initiatives Pool; and efforts funded by the Ford Foundation with the Walton Family Foundation to diversify curators and management at art museums.

There is no doubt the ongoing contributions of museums and research centers focusing on underrepresented and marginalized artists and histories of art, have benefitted the wider art community. These include the Asian Art Museum of San Francisco, The Studio Museum in Harlem, the Eiteljorg Museum of American Indians and Western Art, and the International Center for the Arts of the Americas at the Museum of Fine Arts, Houston, have benefitted the wider art community.

Moreover, certain exhibitions affirm evolving art historical narratives. Recent examples include *Art and China after 1989: Theater of the World* (Solomon R. Guggenheim Museum, 2017), *Soul of a Nation: Art in the Age of Black Power* (Tate Modern, 2017), *Howardena Pindell: What Remains to Be Seen* (Museum of Contemporary Art Chicago, 2018), *Hearts of Our People: Native Women Artists* (Minneapolis Institute of Art, 2019), *Art after Stonewall, 1969–1989* (Columbus Museum of Art, 2019), and *Sahel: Art and Empires on the Shores of the Sahara* (The Metropolitan Museum of Art, 2020).

In addition to the outcry coming from the community at large, there has long been criticism of museums from within the art world. Artists have often acted as agitators and disruptors by questioning societal values. Over the past sixty years we have seen the direct interrogation of museums, their collections, and their practices by Marcel Broodthaers, the Guerilla Girls, and Fred Wilson, to name a few. And museums have faced public criticism for decades for their tone-deaf practices. In 1969, The Metropolitan Museum of Art's exhibition *Harlem on My Mind: Cultural Capital of Black America, 1900–1968* stirred controversy for ignoring the guidance of African American cultural advisors. It led to the formation of the Black Emergency Cultural Coalition, which staged protests at The Metropolitan Museum of Art, the Whitney Museum of American Art, and The Museum of Modern Art to denounce their exclusion of Black artists. Protestors also have long targeted museums to denounce museum and board members' investments in companies involved with South African apartheid in the 1980s; with Big Tobacco in the 1990s; and with Big Pharma; oil; and private security and prison firms in recent years. These denouncements of 'dirty' money have raised public awareness, but with limited success in terms of board members stepping down from their posts or museums changing their funding practices.

Today, the calls for radical change come at an interesting time in the field, as the coronavirus pandemic has had a profound impact on the daily functioning of museums. This has resulted in a period of economic instability during which museums have had to pivot quickly to accommodate staff working remotely and being physically closed to the public for many months. In June, the American Alliance of Museums released the findings of a survey of museums and how they are faring in terms of the health, safety, and economic concerns caused by the pandemic. It indicated that 87% of the respondents had only 12 months or less of financial reserves (approximately 20% of the institutions identified as art museums and 12% as historic house/sites). As of this writing, while needing to respond thoughtfully, responsibly, quickly, and as leaders to our socio-political climate, many museums remain closed. Those that are open have sharply curtailed attendance, and many have reduced staff through early retirement, furloughs, and layoffs.

As allies of artists, curators, and arts organizations, we must take steps to embody the values of a racially just society. To do this we must consider the entire cultural ecosystem that supports bringing art into our lives. The following bullet points are examples of some of the promising work now underway — while in no way a comprehensive list, it is a representative one. Many could point to other hopeful measures, and while action has been slow and is still not enough, with diligence, attention, and sustained collective effort, we can build on these approaches and initiatives to create real, lasting, and positive change.

- **Truth, reconciliation, and transparency:** Arts organizations must provide opportunities for open and safe dialogue about the history and legacy of colonialism, slavery, and white supremacy. This work requires a commitment of human and financial resources and time, and it must engage everyone: trustees, management, and staff. Participation in anti-racist, anti-micro-aggression, and other trainings that interrogate structural and systemic biases and power relationships contribute to the goal of bringing about meaningful changes in our institutions and to building trust.

Recognizing that colonialist and settler narratives underpin our histories, museums must seek avenues for reconciliation and repatriation. Today, museums are increasingly using land acknowledgements as expressions of recognition and respect to the Indigenous peoples whose territories we reside on. Native and non-Native museum professionals, cultural leaders, and artists are sharing their knowledge about materials, methods of production, and cultural practices. Guidelines developed by the School for Advanced Research (SAR) in Santa Fe are helping to facilitate such collaborations.

The lawful and ethical acquisition of objects is a foundational principle for collecting institutions. Museums must allocate sufficient resources for provenance research with the intention that stolen or looted artifacts will be repatriated or returned to their rightful owners.

- **New models of leadership:** Nonprofit museums exist as public charitable organizations for the advancement of education and to serve the public. While board members voluntarily take on fiduciary and legal responsibilities for the public good, this philanthropic model may itself be an impediment to inclusion and equity. Museums must rethink and commit to new pathways to board membership. The newly formed Black Trustee Alliance for Art Museums aims to promote the work of Black artists, curators, and directors with the goal of ensuring that leadership and staff better represent the communities they serve.

- **New models of curatorial practice and training:** Leadership from foundations such as Ford, Mellon, MacArthur, Walton, Pew, Luce, and others continues to be strong in identifying need, encouraging marginalized histories of art, and offering new models for change. The art world must support humanities programs to de-center Euro-centric, white, male histories of art and to create pathways into the museum field for marginalized voices. This can be done by introducing curatorial practice to high school students, supporting fellowships and internships at universities and museums, and supporting the publishing of new research.

Museums must create inclusive hiring practices to diversify their workforces. The American Alliance of Museums' guidelines suggest reconsidering educational requirements, assessing transferable skills from other industries, and being transparent about salaries and benefits.

The Association of Art Museum Curators (AAMC) & AAMC Foundation serves as a resource for the curatorial profession's best practices and ethical standards through resources such as the *Professional Practices for Art Curators in Nonprofits* handbook and career development opportunities. Museum leaders and other supporters must continue to provide funding to organizations that offer direct support for curatorial professional development and mentorship to help stimulate new professional models that focus on equity and inclusion.

- **Welcome new audiences:** Museums are re-committing to building relationships of trust with local communities. For many years now, museum education departments have taken on the responsibility of public engagement. Today we understand that this work must be done at all levels of our art institutions. Curators and arts organizations that are devoted to cultural exchange, new voices, and more faithful representation of our complex histories must continue to be encouraged and supported.
- **New ways to broaden knowledge and perspective:** Many foundations are providing strong leadership to support community, minority arts, and academic museums that foster inclusion and artistic excellence. The America's Cultural Treasures initiative, for example, benefits arts organizations that support Black, Latinx, Asian, and Indigenous art, including the Arab American National Museum, the Japanese American National Museum, the Museum of Chinese in the Americas, the Museum of Contemporary Native Arts, the National Museum of Mexican Art, and the Studio Museum in Harlem. Culturally-specific institutions provide space for multiple communities to see themselves reflected in arts programming. Support for non-traditional art spaces such as the East Oakland Youth Development Center, Project Row Houses, Locust Projects, and many others, is also critically important.

Many in the museum field are using social media along with more traditional means to engage with a diverse group of curators, artists, foundations, and other thought leaders in the field. The American Alliance of Museums' Center for the Future of Museums, organizations like the Inclusion Museum, MuseumNext, Museum Hue, the National Association of Latino Arts and Cultures (NALAC), and Native Arts and Cultures Foundation, and many of the foundations previously mentioned provide insights and direction that are leading to progress and change.

Over the past months, the physical, emotional, and psychological effects have been wide-ranging, complex, and multivalent: trauma, outrage, fear, complacency, anxiety, depression, inadequacy, and so on. At the same time, the difficult conversations we are having offer hope and opportunity. As we who work at, work with, support, and frequent museums continue this journey, let's leave space for empathy, fragility, courage, and even misunderstandings — with open communication and generosity of spirit, we can make progress. Let's not repeat the mistakes of the past and slide back into familiar and comfortable structures.

Together, let's make a difference.



The Art Market's Response to a Global Pandemic



40 YEARS IN ART ADVISORY & FINANCE

As one of the world's first art advisories, and as the originator of art lending as we know it today, Citi Private Bank's Art Advisory and Finance service has been at the vanguard of the international art market for over forty years. At every juncture, the Private Bank's Art Advisory was there. In this graphic, we revisit some of the landmark sales that the market has seen during the last four decades.

Auction houses evolve into fashionable places for the growing number of private collectors advocating for art as an investment

The art market booms towards the end of the decade; auction sales skyrocket as art market becomes increasingly global; Japanese collectors dominate, focusing on masterpieces of Impressionist and post-Impressionist art

1980s

SOOTHEBY'S MEI MOSES ALL ART INDEX

Source: Sotheby's Mei Moses Indices, as of Jul 2019.
Past performance is no guarantee of future returns.

Vincent van Gogh:
Dr. Gachet - 1890
Christie's, 1990

\$ 82.5 m

\$ 78.1 m

Pierre Renoir:
Bal du Moulin de La Galette - 1876
Sotheby's, May 1990

Contemporary art begins its ascendancy in the market

The internet becomes publicly available and has significant impact on art creation and art marketing

Art biennials around the world became central modes of artistic production and transmission, from Johannesburg to Sharjah to Gwangju

1990s



The art fair becomes a new global model for art commerce

Private museums open around the world, offering new and influential platforms for contemporary art

Social media, and especially photo-sharing platforms, revolutionize the art market and become commercial game changers

Asian buyers have a significant impact on the art market

Ascendency of the international mega-gallery: Gagosian, Hauser & Wirth, Pace and David Zwirner

The Art Market's Response to a Global Pandemic



Fotini Xydas

Art Advisor

Art Advisory & Finance, Citi Private Bank

Over the course of 2020, the COVID-19 pandemic has transformed the art market in ways that were previously unimagined. The changes, both positive and negative, have been profound, and some of them will undoubtedly be permanent.

Put simply, the industry has shown adaptability and innovative flair in its response to the pandemic and the resulting restrictions.

In this update, we take the opportunity to assess art market developments in 2020 thus far and ask what we should expect going forward.

Ruth Asawa *Untitled (S.401, Hanging Seven-Lobed, Continuous Interlocking Form, with Spheres within Two Lobes)*, circa 1953–54: a hanging looped-wire sculpture of enameled copper and brass wire, which set a new artist auction record when it realized \$5,382,500 at Christie's *ONE: A Global Sale of the 20th Century* on July 10. The long-overlooked Japanese-American artist is currently featured in the Forever Stamps series issued by the United States Postal Service.



Source: Artwork © 2020 Estate of Ruth Asawa/Artists Rights Society (ARS), New York. Courtesy The Estate of Ruth Asawa and David Zwirner. Photo: /Christie's Images Ltd.

Art in the Digital Realm

One of the immediate effects of COVID-19 was the cancellation and postponement of major art fairs around the world. This included all three editions of the Art Basel fair — in Hong Kong, Basel, and Miami Beach — as well as Frieze New York and Frieze London. With impressive speed, these marquee events underwent digital reincarnation. Many galleries have come to rely on sales from these widely attended global art fairs in recent years, with the share of dealers' annual sales growing from 30% in 2010 to 46% in 2019.¹³

Despite lacking a physical presence, several fairs launched online by way of virtual viewing rooms and platforms, and reported strong sales

In the second edition of Art Basel's Online Viewing Rooms in June — which featured 282 galleries from 35 countries and territories — some galleries apparently found themselves sold out during the VIP preview days.¹⁴ The mega-gallery Hauser & Wirth reported selling 20 works across its two digital presentations, including a Mark Bradford painting for \$5 million. Moreover, David Zwirner, one of the first large galleries to invest heavily in an online sales platform in 2017, sold 10 of the 15 works it had on offer, totaling \$10 million in sales. As part of its separate online "Studio" series focusing on recent works (2013-19) by artists represented by the gallery, Zwirner sold Jeff Koons's *Balloon Venus Lespugue (Red)* for \$8 million, reportedly a record for any single online sale by the gallery.

Mark Bradford, *The Press of Democracy*, 2020. The painting was reportedly sold by Hauser & Wirth for \$5 million during the online edition of Art Basel in June.



Source: *The Press of Democracy*, 2020 Mixed media on canvas, 287.7 x 359.4 cm / 113 ¼ x 141 ½ in.
© Mark Bradford, Courtesy the artist and Hauser & Wirth. Photo: Joshua White / JWPictures

¹³ Dr. Clare McAndrew, "The Art Market 2020", Art Basel and UBS, March 2020, p. 48.

¹⁴ Maximiliano Duron & Angelica Villa, "Dealers Report Robust Sales for Top-Dollar Works at Virtual Art Basel Fair as Art World Migrates Online", *ARTnews*, June 17, 2020, <https://www.artnews.com/art-news/market/art-basel-2020-sales-report-online-viewing-rooms-1202691559/>.

Some of these early successes were echoed with the launch of online fairs this fall. In October, Hauser & Wirth announced a total of \$15 million in art sold on the first day of the online edition of the Frieze art fair, typically held in London, including another Bradford painting for \$3.5 million and a Jack Whitten for \$2.5 million.¹⁵ Several other galleries, including Thaddaeus Ropac, Xavier Hufkens, Goodman Gallery and Axel Vervoordt Co. also reported strong sales via Frieze. During the October online launch of TEFAF (The European Fine Art Fair), which featured a single work of art selected by each of its 300 exhibitors, Di Donna Galleries reported the sale of Vilhelm Hammershøi's minimalist *Interior with a Woman Standing of 1913* in the region of \$5 million.

Vilhelm Hammershøi, *Interior with a Woman Standing*, 1913 was reportedly sold by Di Donna Galleries during the virtual launch of TEFAF in October in the region of \$5 million.



Source: Courtesy Di Donna Galleries

¹⁵ "Price Check! Here's What Sold – and For How Much – at the 2020 Frieze London and Frieze Masters' Online Viewing Room", *Artnet News*, October 19, 2020, <https://news.artnet.com/market/price-check-frieze-london-ovr-191548>.

Virtual fairs have the advantage of providing additional content online and featuring monumental works that would be impossible to display within a typical fair booth

A compelling benefit of virtual fairs is the transparency they bring to the typically opaque private sale market

Although gallery sales dropped in the first half of 2020, those that embraced online platforms were able to minimize their losses

While there is nothing quite like experiencing art in person, for many attendees the virtual fairs have proved a welcome respite from the frenetic pace, intense decision-making, and constant travel to which they have been accustomed. Galleries have provided additional content online, such as artist interviews and informational videos, enabling more thoughtful consideration of artworks. Dealers also report reaching a wider audience and a number of new collectors.¹⁶ Many galleries have launched concurrent virtual salesrooms on their own websites, providing supplementary information on the works offered via fairs or expanding their offerings. Others, meanwhile, have taken the opportunity to feature monumental works that would normally be impossible to display within a typical art fair booth.¹⁷ The art market has traditionally lagged behind other industries in its embrace of e-commerce.¹⁸ By necessity, COVID-19 has propelled its evolution significantly.

A compelling benefit of virtual fairs is the greater transparency they bring to the typically opaque private sale market, given that galleries post the prices of available works online. Despite these innovations, the results of the virtual fairs have not all been positive. Modest sales were reported for Art Basel's recent online events, *OVR:2020* (dedicated entirely to works of art made this year) and *OVR:20c* (featuring works created in the 20th century), as well as for TEFAF overall.¹⁹ Reports of successful sales are largely dominated by mega-galleries who are better equipped to weather a pandemic and digital transformation, and are skewed in that they only include results from galleries who wish to disclose such private sale information. The pandemic is likely to further exacerbate the gap between the art market's mega-players and top-tier artists, and everyone else.

In addition, gallery sales dropped by an estimated 36% in the first half of 2020, according to a recent report published by cultural economist and founder of Arts Economics, Dr. Clare McAndrew. The report surveyed 795 galleries from 60 different markets worldwide and 360 collectors from the U.S., the U.K., and Hong Kong SAR (China).²⁰ Still, the drop was far less than expected, given that almost all gallery spaces were closed — some 93% of galleries surveyed²¹ — and corresponding exhibitions were canceled during this period. Galleries that embraced online platforms were able to minimize losses. According to the same report, online sales accounted for 37% of galleries' total sales, up from only 10% in 2019. It is likely that the trend is here to stay: 66% of galleries surveyed anticipate a further increase in online buying in 2021.

¹⁶ Benjamin Sutton, "What Sold at Art Basel in Basel Online", *Artsy*, June 23, 2020, <https://www.artsy.net/article/artsy-editorial-sold-art-basel-basel-online>.

¹⁷ Tim Schneider and Eileen Kinsella, "High-Octane Sales during the VIP Preview of Art Basel's Second Online Fair Solidify the 'New Normal' of the Socially Distanced Art Market", *Artnet News*, June 18, 2020, <https://news.artnet.com/market/art-basel-online-viewing-rooms-sales-2020-1887994>.

¹⁸ *Ibid*, p. 8.

¹⁹ Eileen Kinsella, "Dealers Report Only a Smattering of Sales at Art Basel and TEFAF's Online Art Fairs, Raising Doubts About the Value of the Virtual Events", *Artnet News*, November 3, 2020, <https://news.artnet.com/market/modest-sales-art-basel-tefaf-online-fairs-1920520>.

²⁰ Dr. Clare McAndrew, "The Impact of COVID-19 on the Gallery Sector", Art Basel and UBS, September 2020, p. 30.

²¹ *Ibid*, p. 6.

Industry Collaboration

A refreshing response to the challenges posed by COVID-19 has been the collaboration among various industry members. Several large and established galleries such as David Zwirner have forged partnerships with the small- to mid-size galleries that have suffered the most due to the pandemic in an effort to support them. Zwirner launched *Platform: New York* — a viewing room hosted on its own website that presents works from 12 independent New York-based galleries.²² All sales reportedly pass directly to those galleries without Zwirner taking a fee. Jeffrey Deitch, former director of the Museum of Contemporary Art, Los Angeles, and one of the founding members of Citi's Art Advisory & Finance team in 1979, spearheaded *Gallery Platform.LA* — an online initiative created to support galleries of all sizes in Los Angeles. The partnership involves 81 galleries and showcases 10 galleries and one curated project each week.²³ Of course, profit motive and necessity were drivers of some of the partnerships that have developed. In the pre-pandemic period, three mega-dealers — Acquavella, Gagosian, and Pace — teamed up to sell the \$450 million art collection belonging to the late Donald Marron. The joint venture, which allowed the dealers to compete with major auction houses to win the consignment, was so successful the dealers recently announced a collective new business called AGP (short for Acquavella, Gagosian, and Pace).²⁴ The partnership will enable them to be more competitive when facing off for major collections and estates.

The lines between auctions, galleries, and art fairs are becoming increasingly fluid

Sotheby's and Christie's have also allowed dealers to sell directly through their private sale channels. Sotheby's launched the new Gallery Network to promote artists represented by a select group of contemporary art dealers, including 24 galleries such as Lehmann Maupin, Jack Shainman Gallery, Kasmin Gallery, Van Doren Waxter, as well as primary-market works sourced directly from artist studios.²⁵ This new format makes works from dealers' rosters of emerging and established artists available for immediate purchase, with the pricing made public.²⁶

Sotheby's also organized specially curated auctions featuring a consortium of art dealers, such as *The Dealers Eye* auction in June that offered three items each from 39 Old Master dealers based in London and New York. While these efforts have had mixed results, they offer additional avenues for galleries and artists to promote their work.

²² Helen Holmes, "NYC's Small Galleries, Struggling Amid Coronavirus Closures, Get an Assist from David Zwirner", *Observer*, March 31, 2020, <https://observer.com/2020/03/david-zwirner-online-platform-new-york-helps-small-galleries/>.

²³ <https://galleryplatform.la/>.

²⁴ Tim Schneider, "The Gray Market: Why an Ongoing Alliance of Mega-Dealers Suggests the Gallery System is Still in its Infancy (and Other Insights)", *Artnet News*, September 14, 2020, <https://news.artnet.com/opinion/agp-ventures-ongoing-alliance-1908018>.

²⁵ "Innovation and Adaptation Drive Sotheby's Year-To-Date Sales in 2020 to \$2.5 Billion", *Sotheby's Press Release*, August 3, 2020, <https://www.sothebys.com/en/press/innovation-adaptation-drive-sothebys-year-to-date-sales-in-2020-to-2-5-billion>.

²⁶ Melanie Gerlis, "How Covid-19 has Forced the Art Market's Speedy Digital Conversion", *The Art Newspaper*, June 15, 2020, <https://www.theartnewspaper.com/analysis/how-covid-19-forced-the-art-market-s-speedy-digital-conversion>.

The first 'hybrid' auction by Sotheby's, a combination of an in-person and online sale, was livestreamed from New York, London, and Hong Kong on June 29.



Source: Sotheby's

Rise of the Hybrid, Livestreamed Auction

Despite being forced to postpone their annual Impressionist & Modern and Postwar & Contemporary art auctions — typically held in May in New York and June in London — Christie's, Sotheby's, and Phillips all managed to translate the spectatorship of an in-person auction to the virtual realm. At the end of June and the beginning of July, the three major auction houses held their first 'hybrid' sales, consisting of a combination of in-person and virtual auctions that were livestreamed and broadcast worldwide. Buyers were able to preview works in person by appointment.

Anxiously anticipated as the first public test of the market since the COVID-19 outbreak, neither the spectacle nor the results of the sales disappointed

On June 29, Sotheby's debuted the first-ever hybrid sale. This consisted of auction specialists spotlighted at phone banks like game-show contestants, simultaneously beamed in from auction rooms in Hong Kong, London, and New York.²⁷ The sale, which included works from the estate of the late cable television mogul Ginny Williams, generated a total \$363.2 million, with 93% of the works sold and 14 new auction records set.²⁸ The most expensive lot of the sale was Francis Bacon's *Triptych Inspired by the Oresteia of Aeschylus*, 1981, which brought in \$84.6 million, including fees.

²⁷ Eileen Kinsella, "Led by a Sizzling Bacon, Sotheby's First-Ever Hybrid Contemporary Evening Sale Format Nets an Impressive \$300.4 Million", *Artnet News*, June 30, 2020, <https://news.artnet.com/market/sothebys-tests-auction-waters-contemporary-evening-sale-1890889>.

²⁸ "Innovation and Adaptation Drive Sotheby's Year-To-Date Sales in 2020 to \$2.5 Billion", *Sotheby's Press Release*, August 3, 2020, <https://www.sothebys.com/en/press/innovation-adaptation-drive-sothebys-year-to-date-sales-in-2020-to-2-5-billion>.

A client from China reportedly bid up to \$73.1 million on the Bacon, the highest online bid for a painting thus far.²⁹ A four-panel Gerhard Richter depicting clouds, *Wolken (Fenster)*, 1970, sold for \$13.5 million at Sotheby's on July 28, 35% above the \$10.0 million it fetched at Christie's in 2014.

Christie's, in turn, launched its first hybrid, live-streamed auction called *ONE: A Global Sale of the 20th Century* on July 10. The four-hour long, relay-style sale offered 78 lots by lead-auctioneers across Christie's four headquarters in Hong Kong, New York, Paris, and London. The sale achieved \$420 million with a sell-through rate of 94% while setting 13 artist records.³⁰ The auction opened in Hong Kong to a full room of masked participants and over 20,000 online viewers, later concluding in New York. A leading lot was Roy Lichtenstein's 1994 *Nude with Joyous Painting* featuring the artist's signature comic girl, which triggered a bidding war between two competing clients in Hong Kong and New York. It finally sold for \$46.2 million, well in excess of its \$30 million estimate. Other highlights included Barnett Newman's 1952 *Onement V*, which sold for \$30.9 million, 38% higher than its 2012 sale price of \$22.4 million. Pablo Picasso's 1955 *Les Femmes d'Alger (version 'F')*, inspired by Eugene Delacroix's historic painting, achieved \$29.2 million.

Another Picasso depicting a Surrealist bathing scene, *Baigneuse au ballon*, 1928, sold for \$4.5 million against an estimate of \$1.2-\$1.8 million. The painting last sold in 2015 for \$3.5 million, against an estimate of \$1.0-\$1.5 million.

A new auction record was set by California painter Wayne Thiebaud, who turns 100 years old this year, with his *Four Pinball Machines*, 1962, at \$19.1 million, more than double the artist's previous record price. Phillips too sold every one of its 25 offerings on July 2, raising \$41 million in total.³¹

Many of the auction offerings had a financial guarantee from the auction house or a third party. In other words, they were essentially pre-sold for a minimum price prior to the auctions. This occurred in the case of an estimated 49% of the lots at Christie's and 30% at Sotheby's June 29 Impressionist, Modern, and Contemporary evening auctions, not including the estate of Ginny Williams, which was fully guaranteed. The guarantees undoubtedly helped persuade some collectors to offer high-caliber works for sale during a time of extreme economic disruption.

Overall, the first public test of the market provided clear affirmation of sustained collector demand. This is corroborated by a report by Clare McAndrew showing that, despite ultra-high-net-worth collectors being distracted by the COVID-19 pandemic during the first half of 2020, most remained active in the market. Indeed, 92% of those surveyed had purchased a work of art in the first six months of the year. In addition, some 59% felt the COVID-19 pandemic had increased their interest in collecting art.

²⁹ Angelica Villa, "Top Three Houses See 79 Percent Year-Over-Year Drop in Second Quarter of 2020: Report", *ARTnews*, August 5, 2020, <https://www.artnews.com/art-news/market/auction-houses-second-quarter-losses-coronavirus-1202696203/>.

³⁰ Angelica Villa, "Christie's Nets \$420 M. in First Livestreamed Global Relay Auction Led by \$46.2 M. Lichtenstein Nude", *ARTnews*, July 10, 2020, <https://www.artnews.com/art-news/market/christies-one-sale-results-roy-lichtestein-1202694117/>.

³¹ Kelly Crow, "Christie's Tests the Art Market's Strength Amid Coronavirus", *The Wall Street Journal*, July 8, 2020, <https://www.wsj.com/articles/the-art-market-faces-another-pandemic-era-test-11594221444>.

Pablo Picasso, *Baigneuse au ballon*, 1928—sold at Christie's *ONE: A Global Sale of the 20th Century*, on July 10 for \$4,575,000, against an estimate of \$1.2–\$1.8 million. The painting was last sold at Christie's in 2015 for \$3,525,000.



Source: © 2020 Estate of Pablo Picasso/Artists Rights Society (ARS), New York/Christie's Images Ltd.

Wayne Thiebaud, *Four Pinball Machines*, 1962—set an auction record for the artist when it sold for \$19,135,000 at Christie's on July 10.



Source: © 2020 Wayne Thiebaud/Licensed by VAGA at Artists Rights Society (ARS), New York/Christie's Images Ltd.

Upending the Auction Calendar and Categories

With auctions, galleries, and fairs shifting much of their focus to online sales, and no longer catering to collectors' travel schedules, the traditional art market calendar has been turned on its head. Rather than major auctions for Impressionist & Modern and Postwar & Contemporary art occurring twice a year in the largest salesrooms of New York, London, and Hong Kong, there are now smaller auctions occurring more frequently. Instead of the typical round of auctions held in November, Christie's held its first major fall sales in New York on October 6, featuring a beautiful Paul Cezanne watercolor, *Nature Morte avec Pot au Lait, Melon et Secrier*, 1900-06, and a 1941 Picasso portrait of Dora Maar, *Femme dans un Fauteuil* achieving \$28.6 million and \$29.5 million, respectively.³² Christie's further refined its hybrid live-streamed auction format, running its evening sale with a single auctioneer based in New York, and bidding rooms in London and Hong Kong.³³

Paul Cezanne, *Nature morte avec pot au lait, melon et sucrier*, circa 1900-06 sold at Christie's, New York, on October 6 for \$28,650,000. Christie's Images Ltd., 2020.



Source: Christie's Images Ltd.

³² Angelica Villa, "Christie's Can't Wait, Moves New York Sales to October with \$25M. Cezanne Announcement", *ARTnews*, August 26, 2020, <https://www.artnews.com/art-news/market/christies-20th-21st-century-sales-paul-cezanne-1234569335/>.

³³ Angelica Villa, "280,000 Watch Christie's Live-Streamed \$341M Evening Sale Featuring Rothko, Twombly and T. Rex", *ARTnews*, October 6, 2020, <https://www.artnews.com/art-news/market/wombly-cezanne-christies-first-merged-modern-and-contemporary-evening-sale-to-341-m-1234572850/>.

Traditional art market categories — i.e., Old Masters, Impressionist & Modern, Post-war & Contemporary — are increasingly blurred as the auction houses focus on offering quality works across diverse periods and geographies

In total, Christie's 20th Century art week total surpassed \$387 million, with an 84% sell-through rate for the evening sale. Among the highlights were Cy Twombly *Untitled (Bolsena)* of 1967, from a series of fourteen paintings inspired by the Apollo 11 space mission, that realized \$38.7 million; Mark Rothko, *Untitled* also of 1967, one of a handful of paintings the artist completed after finishing the Rothko chapel that year, that achieved \$31.2 million; and a 67 million year old Tyrannosaurus rex skeleton named "Stan", one of the most complete T. rexes ever discovered, which tripled a high estimate of \$8 million to realize \$31.8 million.

Stan, incongruously sold as part of Christie's 20th Century art evening sale, helped create marketing buzz, and is the most salient example of the auction houses' continued success with cross category sales.

Tyrannosaurus Rex, South Dakota, USA, nicknamed "Stan", the most complete T. rex skeleton ever discovered, sold for \$31,847,500 on October 6th as part of Christie's 20th Century Evening Sale.



Source: Christie's Images Ltd.

Sotheby's, in turn, held its Impressionist & Modern and Contemporary art evening auctions on October 28, while keeping their day sales for these same categories to mid-November. The live-streamed sales had nearly 1 million viewers worldwide and achieved \$283.9 million with a sell-through rate of 97% by lot, despite several high-profile works on consignment from the Baltimore Museum of Art being withdrawn at the last hour due to the controversy generated by the museum's planned deaccessions. As was the case in June and July, many of the auction offerings at both houses had in-house or third-party guarantees, meaning they were already presold for a minimum amount — this included 46% of the lots in Sotheby's Contemporary evening sale and 42% of their Impressionist & Modern evening sale.³⁴

³⁴ Nate Freeman, "Sotheby's Two Evening Sales Bag a Muted \$283.9 Million, Fueled by the Scene-Stealing Inclusion of Three Futuristic Alfa Romeos", *Artnet News*, October 28,

Sotheby's totals did not include two of the priciest works from the auctions, which found buyers prior to the sale, Alberto Giacometti's *Grande Femme I* of 1960, which had a minimum bid of \$90 million, and Giacometti's *Femme de Venise IV* of 1956, which had an estimate of \$14-\$18 million (the private sale prices were not disclosed). A third Giacometti, *Femme Leoni* of 1958, was included in the auction and realized a strong price of \$25.9 million. Sotheby's added drama to the evening sale event by conspicuously including, not a fossilized dinosaur, but three futuristic, unique Alfa Romeo automobiles, which sold as a group for a total of \$15.5 million.

Volumes Down, Less than Expected

Initial estimates of auction sales for the first half of 2020 seemed to indicate volumes had significantly dropped compared to 2019. However, the figures failed to account for the delay in auction cycles that resulted in the postponement of major sales to the end of June and July. For instance, Pi-eX, a London-based art market data analysis firm, reported Christie's, Sotheby's, and Phillips saw a 40% drop in sales revenue from \$1.4 billion in 2019 to \$800 million in the first quarter of 2020, and a 79% year-over-year drop from \$4.4 billion in 2019 to \$900 million in the second quarter of 2020.³⁵

It is important to stress, though, that these figures do not represent an apples-to-apples comparison, given the shift in the auction cycle calendar.

We believe the increasingly global nature of today's art market makes it much more resilient, with demand for quality works across categories remaining unabated

In fact, between June 29 and July 28, the three major houses had achieved combined total sales of \$1 billion, with the four livestreamed evening sales drawing over 150,000 viewers. Sotheby's reported \$2.5 billion in sales from January 1 to July 31, a 25% drop from the \$3.3 billion it made during the same period last year. This performance is a more accurate reflection of the true sales trend, adjusting for the change in the auction calendar.³⁶ Sotheby's has held more than 250 live and online auctions so far in 2020, with an increase of 540% in online sales, and has seen 30% new bidders and buyers across all sales.³⁷ Its private sales of \$575 million for the first seven months were also similar to the \$583 million in the same period last year, and included sales from its newly opened gallery, Sotheby's East Hampton. Considering the global disruption caused by COVID-19, the sales figures are remarkably strong and the drop is considerably less than expected. By comparison, in 2009, the year following the financial crisis, auction sales fell by 36%, only to double the following year.³⁸

2020, <https://news.artnet.com/market/sothebys-two-sales-bma-pulls-controversial-consignments-last-minute-1919199>.

³⁵ Angelica Villa, "Top Auction Houses Saw 40 Percent Drop in Q1 Sales Revenue Because of Pandemic: Report", *Art Market Monitor*, June 4, 2020, <https://www.artmarketmonitor.com/2020/06/04/top-auction-houses-saw-40-percent-drop-in-q1-sales-revenue-because-of-pandemic-report/>.

³⁶ Angelica Villa, "Sotheby's Announces \$2.5 B. in Sales for 2020, Online Soars", *ARTnews*, August 3, 2020, <https://www.artnews.com/art-news/market/sothebys-first-half-earnings-2020-online-sales-1202695954/>.

³⁷ "Innovation and Adaptation Drive Sotheby's Year-To-Date Sales in 2020 to \$2.5 Billion", *Sotheby's Press Release*, August 3, 2020, <https://www.sothebys.com/en/press/innovation-adaptation-drive-sothebys-year-to-date-sales-in-2020-to-2-5-billion>.

³⁸ Scott Reyburn, "Could Covid-19 Kill Off the Market for the Art World's Star Names?", *The Art Newspaper*, July 7, 2020, <https://www.theartnewspaper.com/analysis/could-covid-kill-off-the-art-world-s-reigning-deities>.

Women Shine

The rise in prices of work by female artists was an especially bright moment during the June-July round of auctions, and continues to be a notable trend. Strong prices were achieved at Christie's for Joan Mitchell, whose diptych *La Grand Vallee VII*, 1983, sold for \$14.6 million, the second-highest price at auction; for the artist, Georgia O'Keeffe, whose *Pink Shell*, 1931, doubled its low estimate and sold for \$5 million; and for Ruth Asawa, whose looped-wire metal sculpture *Untitled (S.401)* set a new auction record for the artist at \$5.4 million. Asawa, a Japanese-American sculptor who reimagined a simple Mexican basket-weaving technique to create her own woven-mesh sculptures evoking cocoons, had barely passed the \$1 million mark a decade ago.³⁹ Abstract Expressionist Helen Frankenthaler's ebullient *Royal Fireworks*, 1975, sold at Sotheby's from the Ginny Williams collection for nearly \$7.9 million, a new auction record for the artist and far beyond the presale estimate of \$2-\$3 million. The painting last sold at Christie's in 2011 for \$818,000, indicating an appreciation of 860% over just nine years.

The Williams collection included a number of artworks by significant women artists, including Lee Krasner's *Re-Echo*, 1957, which sold for \$9 million and Louise Bourgeois's Surrealist-inspired sculpture *Eye Benches I*, 1996-97, which soared past a presale estimate of \$800,000-\$1.2 million to realize \$3.3 million. Other casts of the Bourgeois sculpture belong to art institutions worldwide, including the Storm King Art Center in New York. Strong prices were also achieved for female Surrealists, including Remedios Varo, Leonora Carrington, Leonor Fini and Alice Rahon as part of a group of fresh-to-the-market Surrealist works sold from an 'important estate' at Sotheby's.

Helen Frankenthaler, *Royal Fireworks*, 1975 — sold at Sotheby's as part of the Ginny Williams sale on June 29 for \$7,895,300, an auction record price. The painting last sold for \$818,500 in 2011 at Christie's.



© 2020 Helen Frankenthaler Foundation, Inc./Artists Rights Society (ARS), New York/Courtesy Sotheby's

³⁹ Kelly Crow, "Christie's Tests the Art Market's Strength Amid Coronavirus", *The Wall Street Journal*, July 8, 2020, <https://www.wsj.com/articles/the-art-market-faces-another-pandemic-era-test-11594221444>.

Leonor Fini, *Figures on a Terrace*, 1938, sold at Sotheby's Impressionist & Modern art evening sale on June 29 for \$980,000, against an estimate of \$400,000-\$600,000.



© 2020 Artists Rights Society (ARS), New York/ADAGP, Paris/Courtesy Sotheby's

Looking Ahead

Christie's, Sotheby's and Phillips are holding yet another round of 20th Century and Contemporary art auctions in December including more than 80 paintings, sculptures and works on paper from the collection of Morton and Barbara Mandel at Christie's, and David Hockney's vibrant *Nichols Canyon* of 1980 at Phillips in Hong Kong. Sotheby's announced a rare Botticelli portrait and Rembrandt biblical scene to be offered in the range of \$80 million, and \$20-\$30 million, respectively, in January 2021.

It remains to be seen whether the major auction houses will be able to sustain collectors' interest with these additional sales. The dispersion of the traditional auction calendar and overabundance of sales, while increasing the number of transactions and making up in part for the volume lost during the pandemic's shutdown, also risks diverting attention in too many directions. Artworks offered for sale benefit too from the broad exposure afforded by highly marketed, choreographed sales during specific cycles throughout the year.

Sandro Botticelli, *Young Man Holding a Roundel*, circa 1480, will be offered for sale at Sotheby's in January 2021 with an estimate in the range of \$80 million.



Courtesy Sotheby's

The digitization of art viewing has taken great leaps forward and will surely be one of the lasting legacies of this period

It has never been more important to support the art institutions, artists, and businesses that we love

The profusion of digital material that has resulted from the pandemic overall, from auction to gallery to art fair, threatens to diminish the traditional significance held by annual art events and the focus of collectors, who typically descend on the art world during synchronized periods of time and dedicated locations. The challenge going forward will be adjusting to this newly dominant virtual realm, while striking the right balance to maintain the excitement of centralized, in-person events.

The art market is poised to change forever as a result of the COVID-19 pandemic and our responses to it. With this comes the broader synthesis of art market categories, consolidation of art fairs and proliferation of the art market calendar as well as greater price transparency. The hybrid, livestreamed auction is likely to continue to be a mainstay, reaching a broader, more global audience than ever before. Partnerships among galleries and auction houses may persist.

Unfortunately, the pandemic will have further negative consequences as well.

A contraction is underway across the industry, as employees have lost jobs or have been furloughed from galleries, auction houses and museums, which in turn are suffering from reduced funding. The fear is that many small galleries, museums, and businesses will not survive, leaving only the mega-players standing.⁴⁰

As museums, galleries, and auction houses slowly reopen, as they have already done in many places, albeit in limited capacity, these effects will begin to subside. It is also important to remember the tried and true elements of art: amid an economic downturn, as in 2009, high-quality works of art have provided tangible safe havens for collectors. What is more, crisis periods have historically inspired the production of masterpieces that will forever serve as a testament to these extraordinary times.

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Appendix

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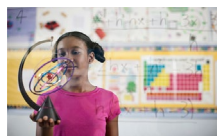


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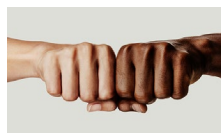
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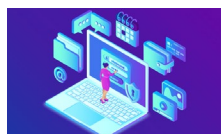
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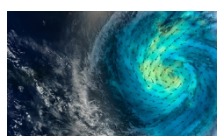
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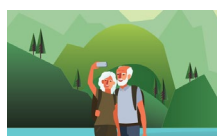
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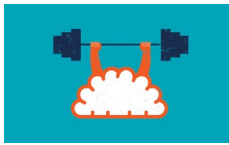
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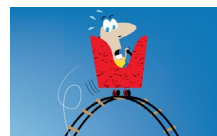
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Key Insights regarding the future of the Global Art Market



INNOVATION

The art market has been notoriously slow to adopt digital technologies but COVID-related lockdowns pushed auctions, gallery shows and international arts fairs online. / [Innovations in virtual arts events have opened new avenues to expand audiences and reach customers, incentivizing market players to further refine their digital strategies for long-term growth.](#)



SHIFTING WEALTH

Millennials are increasingly entering the art market, and exerting their demand for online and mobile offerings. Nearly 30% of millennial art buyers preferred buying online in 2019, up from 14% in 2015. / [The rise of the millennial art buyer underscores the digital imperative and signals more sweeping change across the industry. Art business models will need to adapt to building trust online rather than relying on in-person contact and personal relationships.](#)



SOCIAL CHANGE

Discussions on systemic racism have intensified within cultural and social institutions, including the role of museums in perpetuating and profiting from inequality. / [Museums must heed calls for reform by taking actions such as reviewing biases in historical and cultural narratives; diversifying leadership, featured artists, staff and curatorial talent pipelines; and increasing community engagement.](#)



