

The most interesting trends in the art market

Interview: Elizabeth Von Habsburg
Managing Director of Winston Art Group



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Based on your experience and according to your point of view as expert market operator, which are the most interesting trends in the art market?

Several market forces are prevailing now:

1) Rapid increases of emerging artists' sale prices when works are flipped - We have seen, over the last two years or more, extraordinary increases in the prices achieved by emerging artists within short periods of time, leading to a frenzy of buying and flipping works of art. This is unhealthy for the market and can lead to an unsustainable price level for those artists. Lynne Drexler, Anna Weyant, Jennifer Packer, Lucy Bull, Shara Hughes, and other artists, now placed in the first few lots of the auctions, have shown exponential increases in a very short time, fuelled by this desire by collectors to cash in on the rapid price inflation. For example in the Sotheby's New Now sale in May 2022 in NY, Anna Weyant's work estimated at \$150,000-200,000 brought over \$1.6 million; in Sotheby's Contemporary Day Sale in May 2022, a Lynne Drexler estimated at \$50,000-70,000 brought \$630,000, a Lucy Bull estimated at \$60,000-80,000 fetched \$907,000, and a Christina Quarles, estimated at \$600,000-800,000 brought over \$4.5 million. Another Lynne Drexler at Christie's 20th century Day Sale in May 2022 estimated at \$70,000-100,000 brought \$1.5 million. Are these prices sustainable? Who benefits from these sales other than the initial collector? Will benefits trickle down to the artist? Are these prices sustainable? These are questions market participants are asking.

2) Economic, Health, and Political Climate

– With the current war in Ukraine, the sanctions on Russian oligarchs, the on-going Covid crisis particularly in Asia, the Stock Market volatility, supply chain disruption, inflation and the impending recession in the US which may have impacts



Elizabeth von Habsburg | Managing Director of Winston Art Group,

the largest independent art advisory and appraisal firm in the US. The firm's 75 specialists cover all areas of fine and decorative art through US offices in New York, Boston MA, Washington DC, Charlotte NC, Palm Beach FL, Houston TX, Denver CO and Los Angeles CA, and worldwide representation in London, Geneva and Tel Aviv. Prior to Winston Art Group, Elizabeth was President of the US operations of an international appraisal and advisory firm for 18 years, and before that, she was Vice President of Habsburg Auctioneers. She started her career at Christie's as Assistant Vice President in charge of the Appraisal department. She was a Board Member of the Appraisers Association of America from 2003-2015, and was a 2008-2015 Trustee and 2014 Chair of The Appraisal Foundation in Washington, DC. Elizabeth is a Fellow of the Morgan Library and of the Royal Institute of Chartered Surveyors, and a member of ArtTable, Inc. She is a member of the Women Presidents Organization Platinum Chapter 8 and the New York Chapter 3. Elizabeth is a Director of the Albert Kunstadter Family Foundation, and was on the Board of Trustees of Christie's Education through 2020. She has qualified as expert witness in Fine Art and Decorative Art in the New York, Palm Beach, FL, Philadelphia, PA and Texas courts, and lectures worldwide on all aspects of art. Elizabeth is Certified by AAA in Modern and Impressionist art and European Furniture and Works of Art, and is compliant with the Uniform Standards of Professional Appraisal Practice (USPAP). She revised four Antiques Hunters Guides (2000-2001), contributed to "Fine Art and High Finance" (2009), to the Appraisal Handbook (2012), and to "Regulation of Art Investments" (not yet published). In 2015, she was named one of the Fifty Most Influential Women in Private Wealth, by Private Asset Management.

globally, the volatile crypto currency market, and increasing Anti-money laundering and Customer Due Diligence requirements, the art market will likely see long term impacts. We follow all of the major economic and political events as they evolve since these factors influence the desire and ability of market players to engage in the market. With Asian buyers being a major factor in contemporary and modern art transactions, when parts of Asia are on lockdown and movements restricted, this has a direct effect on the art market. With some Russian oligarchs facing sanctions, their purchasing power is affected. With US financial uncertainty, some collectors are not actively participating in the art market. Going forward, we expect these disruptions and factors to have a visible impact on various art market sectors.

3) **Technological innovations** – Traditionally, technology was not embraced by the art market players. However, in the last few years the art market is actively engaging with technology in a meaningful way. New apps have been launched and new firms have been created to use technological solutions to impact the way collectors, institutions, dealers, insurers, and all the ancillary professions engage in the art market. Algorithms are used by firms such as Thread Genius (owned by Sotheby's) and Articker (in a joint venture with Phillips) to determine what works collectors will find of interest and which emerging artists will likely rise in value. Masses of data is scraped from the internet and other sources in a new app (Vitis) to allow collectors and insurers to determine when a wine will be at peak and when it will be past drinking and begin to lose value. Artory, a block-chain and data firm, has undertaken a joint venture with our firm, Winston Art Group, to launch several art funds which will fractionalize and tokenize works of art, so they are tradeable on the secondary market prior to the termination of the holding period. These are a few examples of the impact technology has and will continue to have on the art market as art will increasingly be considered an asset class used to diversify clients' portfolios.

Should you have 10 millions to invest today in artworks, how would you invest them? Can you elaborate a little bit?

Investing in art, similar to investing in stocks, is not a guarantee of strong financial returns, however with careful due diligence and foresight, can be extremely successful. To manage risk when investing, I would recommend investing in a mixture of Emerging, Mid-career, and "Blue Chip" or Established artists, all in the Contemporary arena. Generally, the Emerging category includes artists with a primary market (representation by a small or midsized dealer) with few if any museum shows. Prices range up to \$200,000 or more. Examples are many, and would include such artists as Paola Pivi, street artist Invader (who recently made over \$1 million), Derek Fordjour, Julie Curtiss, and Shazia Sikander (who just had a show at the Pierpont Morgan Library in New York, and will surely soon be considered mid-career). Mid-career artists generally have one or more primary dealers, a modest secondary/auction market, and one or more solo museum shows. Prices range up to \$750,000 or more. Examples include Hilary Pecis (until recently an Emerging artist), Shara Hughes, Julie Mehretu, Sarah Sze, and Simone Leigh (now making Blue Chip prices), among many more. Blue Chip artists have established primary market/dealer representation at one or more major international dealers, and have a vibrant secondary/auction market, with several major museum shows. Prices are limitless! Examples include Nicolas Party, George Condo, Andy Warhol, Damien Hirst, David Hockney, KAWS (Brian Donnelly), and Banksy. The categories are fluid, and artists quickly move from one to the other over a short period of time in the current market. I would recommend trading works when they appear to have reached a reasonable plateau or multiple of original purchase price, and reinvesting the funds in new artists. Remember that for tangible property such as art, there are additional costs of insurance, shipping, storage, and yearly appraisals (valuations) to check on the

current market value, as well as potential transaction expenses when the works are sold. For collectors who do not wish to trade and whose motivation is only to enjoy the works of art for the long term, however, I would suggest picking a theme or themes which run through the collection, whether that be a category of artists such as female, African and African Diaspora, other regional artists, Street Art, Appropriation art, Abstract art, Representational/figural art, or any of many threads that will connect the collection. In this way, a collector can continue to grow the collection in a focussed manner.

Italy is famous and well-known for its artistic heritage; do you think Italian art is still attractive and “trendy” ?

Italian art is absolutely attractive and desirable. At auction, Christie's London integrates a specialized Italian paintings auction into its October sale of Contemporary and Modern art. 2021 saw strong prices in that auction for 20th century and Contemporary works by Alberto Burri, Piero Manzoni, Enrico Castellani, and Giorgio de Chirico among others, in an auction that totalled over 64 million British pounds sterling. At all the major auction houses, in the more Contemporary and Emerging arena, Paola Pivi, Maurizio Cattelan, Michelangelo Pistoletto, Francesco Clemente, and Enrico Castellani are regularly included. There has been some volatility in the Pistoletto market recently, however Francesco Clemente's work, especially the oils, have seen strong prices, including a \$1,500,000 hammer price on a work estimated at \$80,000-120,000 in the May 2022 New York auction at Christie's, the Pearl works by Paola Pivi have well exceeded their high estimates at auction in the past few years, and the Castellani acrylic on canvas prices are steadily selling in the \$300,000-\$1,500,000 range. In the US, Magazzino, a major and active private museum founded by collectors Giorgio Spanu and Nancy Olnick, focusses only on Italian Arte Povera artists

of the late 1960s through to the subsequent generations of like-minded artists, and includes major works by Piero Dorazio, Enzo Cucchi, Michelangelo Pistoletto, Alighero Boetti, Giuseppe Penone, and Jannis Kounellis.

Which are the world top art collectors now? How do they manage their collections?

Top collectors are truly international, including those from the US, from Europe: France, England, Monaco, Switzerland, Germany, Spain, Greece, from the Middle East: notably UAE and Qatar, from the Asian continent: Indonesia, Japan, Hong Kong, Taiwan, Singapore, and China, from South America: Mexico, Brazil and Argentina, and more. Easily recognizable names include hedge fund and finance industry figures such as Debra and Leon Black, Steven and Alexandra Cohen, and Kenneth Griffin; entertainment industry figures such as Swizz Beatz and Alicia Keys, George Lucas and Melody Hobson, and David Geffen; and luxury goods and e-commerce industry figures such as Jeff Bezos, Patrick Drahi, Ronald and Jo Carole Lauder, Leonard Lauder, Francois Pinault, and Helene and Bernard Arnault.

The top art collectors are generally savvy and well



educated about their collections, and must rely also on art advisors for due diligence on each work of art, appraisers for up to date valuations, art attorneys for contractual and transactional legal support, estate attorneys for estate planning purposes (art can be the largest asset class in many major collections, and needs special consideration for planning purposes), insurance brokers to ensure risk prevention and adequate insurance coverage, conservators who do periodic checks on the condition of each work, or who address condition issues, financial advisors who address planning issues, as well as collection managers who oversee the tracking and maintenance of the art collection. They often use a collection management system to track each work that includes images, descriptions, location, value, condition reports, provenance, literature and exhibition citations, invoices, loan agreements, and other paperwork about each work, and from which reports can be generated. Our most protected and happy clients are those who ensure that all of those advisors are regularly in touch with each other to ensure that everyone is moving in the same direction in coordination with the clients' wishes, and that all of the considerations surrounding the care and custody of a collection are anticipated and undertaken in a timely manner.

Which role do rationality and emotions play in buying artworks?

Rationality is not often at the forefront when collectors are purchasing. Emotions play a key role in the collecting as well as the sale or donation of works of art. When donating, collectors usually find an institution to which they are emotionally connected. That may be a university or school that the collector attended or a museum in an area where the collector lives or spends time. At auction, collectors can act out of emotion rather than rationality. It is important for collectors to decide on a firm maximum bid before engaging in the auction bidding process, considering condition, rarity, importance of a particular work in the artists'

body of work, medium, date, provenance, exhibition history, literature citations, and other factors. We have seen time and time again that bidders become so caught up in the bidding "war" that they lose track of the appropriate value of the work in the attempt to outbid their opponents. Collector remorse is a factor we have seen often due to this emotional engagement in an auction. To underscore the point, independent advice and due diligence in determining the correct level of value is important for collectors to seek prior to any auction purchase. We also see collectors buying at art fairs without rational research or the proper due diligence, influenced by the heady environment and the active purchasing of others. We often ask collectors if they would buy stocks or real estate or a business venture without independent rational due diligence, and remind them that buying art is a similar proposition. All this having been said, however, we always encourage clients to buy works that they love, have an emotional connection to, or that they find engaging. The works may not always be beautiful and may be disturbing, confusing, or complex, but they have qualities that are compelling and connect the collector emotionally to the work of art.

Do you think NFT are here to stay or just a short term trend?

I feel strongly that NFTs are here to stay, however perhaps the growth of the NFT market will slow as the market sector matures, and the volatility of prices will even out. NFTs have clearly engaged a new category of collectors. NFTs have encouraged crypto currency investors as well as younger (under 30) collectors to engage in this relatively new medium, with content, references, and images that are more relevant to the younger and technologically savvy demographic. Also, emerging artists as well as established artists who largely rely on dealers to promote their art have been minting NFTs outside of the traditional dealer market, therefore trading directly with collectors.

Smart contracts embedded in some NFTs allow artists to benefit from royalties each time their NFT is traded.

While we saw an initial rush to the market in 2020 and 2021 by our clients, as well as by galleries, artists, and institutions, we have seen some retrenching in the last few months. Citibank's March 2022 NFT report noted the concerns about "trademark infringement, security regulations, and the potential for fraud and abuse." Wallets have been hacked and NFTs stolen. Until the security is improved, this will continue to be a concern. Images have been copied without intellectual property rights. Additionally, with the increased emphasis on Anti-Money Laundering concerns, the users and the source of crypto currencies in purchasing NFTs will likely become more scrutinized over time.

According to a Reuters report by Elizabeth Howcroft on January 11, 2022, NFT sales were \$25 billion in 2021, and already \$7.4 billion in January 2022 alone, suggesting the market was expanding exponentially. However, in the past 4 months or so, the market has shown concrete signs of disruption and recalibration. Jack Dorsey, Founder of Twitter, sold his first tweet for \$2.9 million in 2021. It reappeared on the market in April 2022, offered on OpenSea by the buyer, Sina Estavi, with the highest initial offer at a meagre \$280. Subsequently, the bids increased, but only to just under \$25,000, an enormous loss for the seller. CryptoPunk NFT #7523 was sold in 2021 for \$11.8 million at Sotheby's, seeming to herald a new level for that series of NFTs. However, CryptoPunk #273, as noted in Fortune in an article written by Christiaan Hetzner on May 9, 2022, which was purchased within the last half year for \$1,026 million, sold for \$139,530 in May, 2022. We are advising our clients to only buy NFT artworks from reputable artists or in consultation with us or another independent advisor to avoid speculative offerings.



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