

Intelligence Report



Settling the Score

How artists and galleries are trying to beat speculators at their own game.

En Garde! Smart contracts are artists' best weapon against predatory resellers. Here's how they work.

From the Studio to the Auction Block A primer on how the sales cycle sped up in the 21st century, brought to you by **Morgan Stanley**

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“You are not your work.” It’s a phrase you’ve probably heard from your therapist at least a dozen times.

But if you are an artist (and especially if you’re a good one), the line between you and your work is necessarily thin. So what happens when you sell a piece of yourself to a collector who promises to nurture and care for it, only to find out that they’ve sold it off to the highest bidder six months later? And, to add insult to injury, they ended up making seven times what you, the creator, were paid for it.

In most industries, investors are praised for this kind of canny arbitrage. But the art market is not most industries. Here’s one key difference: the creators of assets do not benefit directly when their work is resold for a much higher price.

Now, as demand for ultra-contemporary art reaches new heights, artists, their galleries, and a few savvy entrepreneurs are trying to tip the scales and help artists profit from the rampant speculation in their work on the secondary market. This shift is all the more urgent as stormclouds gather on the horizon of the economy at large.

In this issue, we explore the many different mechanisms by which artists are working to fight flippers—and even beat them at their own game. Some of these measures are technological: tools like smart contracts can automate the distribution of royalties and empower artists to customize the terms of a resale.

Other initiatives, like Artist’s Choice at Sotheby’s and a new sale series from Simon de Pury, allow artists to do an end run around flippers and put their work up for auction directly. Then, of course, there is the age-old tactic of social pressure, like galleries’ blacklisting and outing of bad actors.

In her authoritative cover story, Katya Kazakina explores the rise of flipping, the worst offenders, and where we go from here. She also interviews the patron saint of the practice, Stefan Simchowitz, about how artists have seized the upper hand.

The phenomenon of art flipping encapsulates what makes the art market distinct: it’s a big business that is built on the back of real people’s creativity, vulnerability, and personal expression. As one of the artists interviewed for this issue put it, giving creators a percentage of the upside from resales would, at the very least, help pay for therapy.



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Marketplace

The background of the entire page is a reproduction of Titian's painting 'The Penitent Magdalen'. It depicts a woman with long, wavy brown hair, wearing a white, translucent, off-the-shoulder garment and a striped shawl. She is seated, looking upwards with a pensive expression, her hands clasped over her chest. In the foreground, there is a skull and an open book. To the left, a small glass is visible. The background shows a landscape with trees and a blue sky.

The biggest takeaways from
the market's performance to date—

and insider tips on how to get
ahead before the year is out.

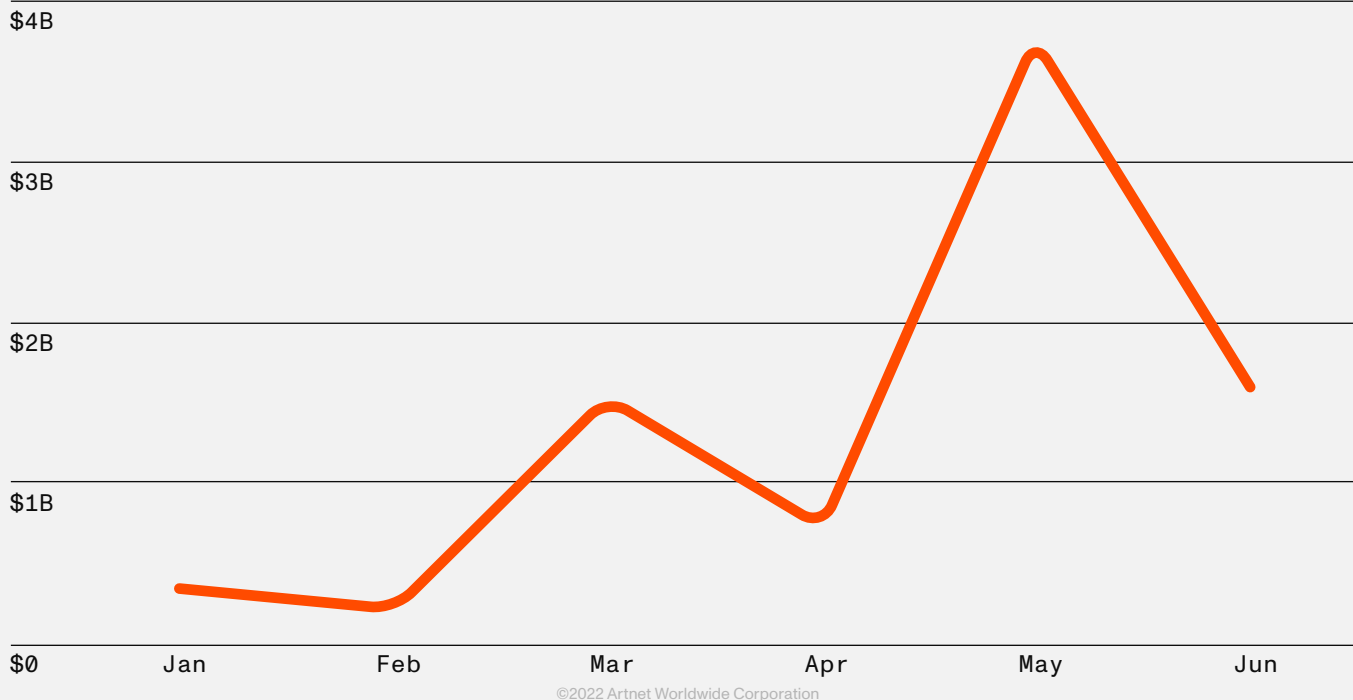
Titian's *The Penitent Magdalen*

By the Numbers

Can what goes up... keep

going

Total Fine-Art Sales (USD) in 2022



Rampant inflation. A looming recession. A pandemic that's *still* not over.

This stormy weather is unsettling the stock market, crypto markets, and other sectors of the economy. But as we have seen repeatedly in recent decades, it takes the art market considerably longer than many other markets to feel macroeconomic tremors.

While the S&P 500 Index experienced its worst first half since 1970, the art market was doing just fine. A robust \$7.9 billion worth of fine art sold at auction worldwide in the first six months of this year—up an eye-popping 138.7 percent from the depths of lockdown in 2020 and \$9 million (about 0.1 percent) more than the equivalent total in 2021.

"A lot of people made a lot of money during the pandemic, so while there are these economic impacts from inflation and interest rates, you are also dealing with individuals that continue to have more disposable income and general liquidity than they may have had," said Joe Charalambous, president of TPC Art Finance.

In addition to the pent-up desire to spend, the art market benefited from a pent-up desire to sell. During the megawatt May sales in New York, the final chapter of the Macklowe collection made \$246 million at Sotheby's, while Christie's generated a combined \$681 million from the estates of socialite Anne Bass and brother-and-sister Swiss dealers Doris and Thomas Ammann. These three collections helped elevate sales of art priced at \$10 million and up by nearly 30 percent.

There are signs, however, that some overheated segments of the market may be cooling down. For years, ultra-contemporary art—which we define as work made by artists born after 1974—has been the fastest-growing sector of the auction market; it got an extra boost from the NFT craze last year. But in the first six months of 2022, the segment expanded a slim 6.5 percent, less than any other category.

Meanwhile, China—whose growing population of young collectors helped power the frenzy for young artists—is

also experiencing a slowdown. Although the Asian nation emerged as the leading market hub during the pandemic, art sales there dipped 62.1 percent in the first half of 2022 amid prolonged travel restrictions, a real-estate crisis, and a plummeting yuan.

The world's 500 richest people lost \$1.4 trillion in the first half of 2022, according to the Bloomberg Billionaire Index, the sharpest decline ever. But the global elite accumulated so much wealth during the pandemic that they still have plenty to spare—and they may be particularly keen to park cash in assets like art that are viewed (rightly or wrongly) as a hedge against inflation.

The question of just how high the art market can go given the current economic outlook will be answered later this fall. That's when the collection of the late Microsoft cofounder Paul Allen will be sold at Christie's, where it is expected to generate as much as \$1 billion.

7.9 Billion

The total amount of money (in USD) spent on fine art at auction in the year's first half—an increase of about 0.1 percent from the equivalent period in 2021.

43,726

The average price (in USD) of a fine artwork sold at auction in the first six months of 2022. That figure is up 60 percent from 2020, when consignors were too skittish to sell big-ticket items publicly.

0

The number of NFT lots that sold for more than \$1 million at auction. That's a big change from 2021, when four NFTs sold for more than \$15 million apiece. Maybe next time, Beeple.

72%

The unusually strong sell-through rate for fine art at auction in the year's first half. What's going on? Auction houses' hybrid online-IRL business models have made the market more efficient, increasing the volume of transactions and the likelihood that collectors will quickly find exactly what they're looking for.

3.3 Billion

The total amount of money (in USD) spent on Impressionist and Modern art in 2022's first six months, up almost 30 percent from last year. The category overtook postwar and contemporary for the first time since 2019, thanks to an abundant supply of top-tier treasures from the likes of the Anne Bass estate and the Macklowe collection.

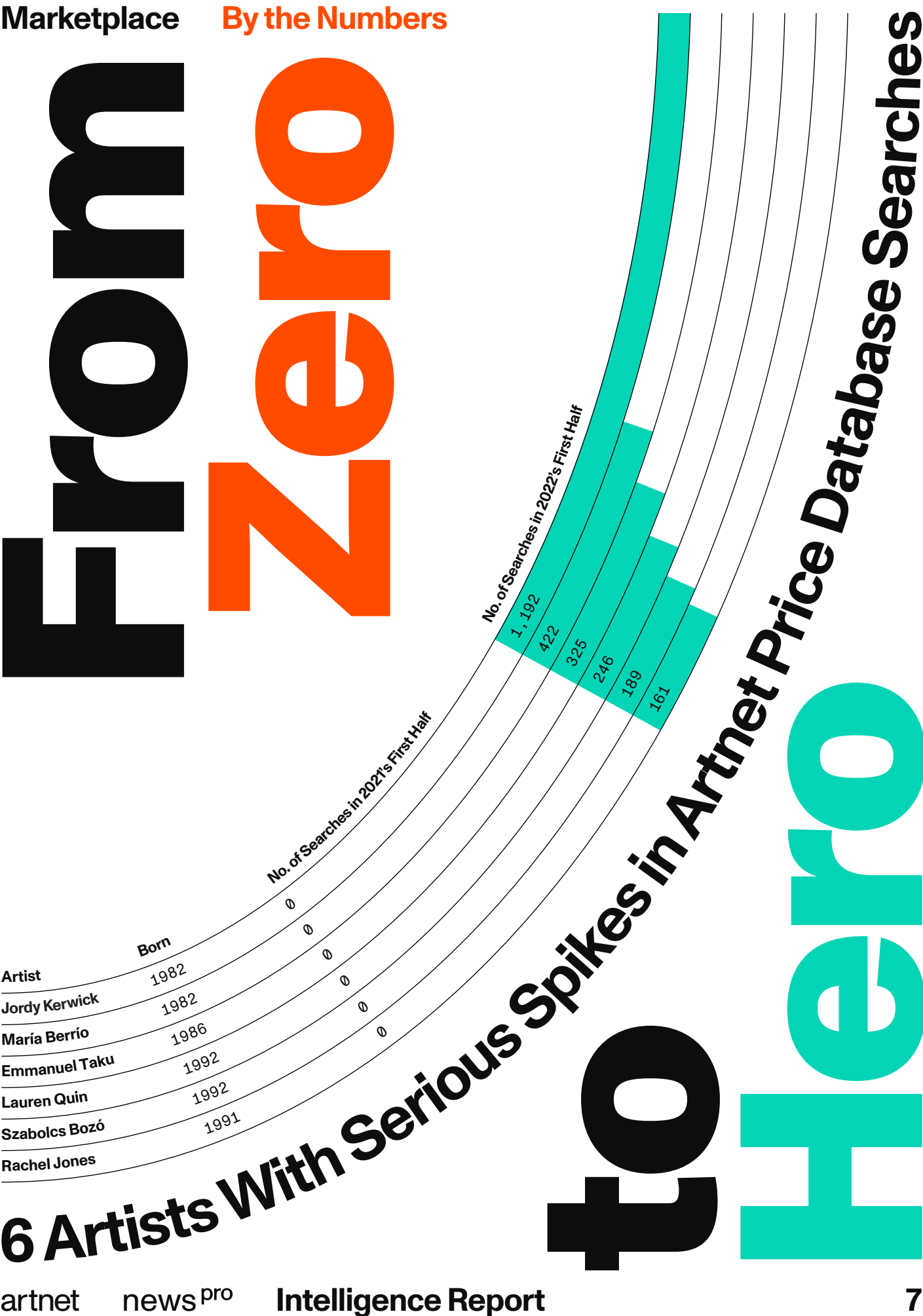
-71.5%

The decline in revenue from online-only fine-art sales at Sotheby's, Christie's, Phillips, Bonhams, and Artnet Auctions compared with the first half of 2021. As live auctions came roaring back, big-ticket sales in cyberspace slowed. Nevertheless, this segment remains more than three times as large as it was before the pandemic.

12

The number of women among the 100 top-selling fine artists at auction in the first six months of 2022. That's up six from the equivalent period in 2021—but still embarrassingly low. The 12 artists are, in order: Yayoi Kusama (11th place), Shara Hughes (47th), Cecily Brown (51st), Helen Frankenthaler (52nd), Joan Mitchell (56th), Agnes Martin (57th), Louise Bourgeois (62nd), Ayako Rokkaku (65th), Barbara Hepworth (70th), Flora Yukhnovich (81st), Claude Lalanne (82nd), and Bridget Riley (85th).

From Zero



6 Artists With Serious Spikes in Artnet Price Database Searches

to Hero

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Ultra-Contemporary

This list might be more remarkable for what *isn't* on it than for what is: there's nary an NFT in sight. Last year, the market for ultra-contemporary art—which we define as work made by artists born after 1974—was infiltrated by non-fungible tokens as auction houses hustled to appeal to the new crypto-rich. But between May and August 2022, the average price of an NFT plummeted 92 percent, according to the blockchain firm Chainalysis, and no individual NFT has surpassed \$1 million at auction so far this year. Meanwhile, collectors continue to compete for wet paintings by young artists, but buyers may be showing a bit more discernment. “People have gotten smarter about waiting for the better work if they're going to deploy certain amounts of capital,” said Naomi Baigell, managing director of TPC Art Finance.

Adrian Ghenie, *Pie Fight Interior 12* [detail] (2014)



	Artist	Life	Title	Date	Sale Price (USD)
1	Adrian Ghenie	b. 1977	<i>Pie Fight Interior 12</i>	2014	\$10,326,246
2	Adrian Ghenie	b. 1977	<i>Degenerate Art</i>	2016	\$9,286,700
3	Matthew Wong	1984–2019	<i>The Night Watcher</i>	2018	\$5,897,150

Matthew Wong, *Green Room* (2017)

4	Matthew Wong	1984–2019	<i>Green Room</i>	2017	\$5,340,000
5	Avery Singer	b. 1987	<i>Happening</i>	2014	\$5,253,000
6	Christina Quarles	b. 1985	<i>Night Fell Upon Us Up On Us</i>	2019	\$4,527,000
7	Adrian Ghenie	b. 1977	<i>The Trip</i>	2016	\$4,500,000
8	Flora Yukhnovich	b. 1990	<i>Warm, Wet 'N' Wild</i>	2020	\$3,605,133
9	Matthew Wong	1984–2019	<i>Day 1</i>	2018	\$3,176,000
10	Jonas Wood	b. 1977	<i>Green Garden Landscape Pot</i>	2016	\$3,060,000

Contemporary

Jean-Michel Basquiat continues to reign supreme in the contemporary sector, which comprises artists born between 1945 and 1974. Aside from his untitled billboard-size painting that fetched \$85 million at Phillips—the highest result ever recorded by the auction house for a work of art—price points for the category were generally down year over year. In the first six months of 2021, nine contemporary works (five of which were Basquiats) fetched more than \$15 million each. So far this year, only that one Basquiat exceeded the \$15 million benchmark.

Yoshitomo Nara, *Oddly Cozy* [detail] (2013)



	Artist	Life	Title	Date	Sale Price (USD)
1	Jean-Michel Basquiat	1960–88	<i>Untitled</i>	1982	\$85,000,000
2	Jean-Michel Basquiat	1960–88	<i>Il Duce</i>	1982	\$14,915,491
3	Yoshitomo Nara	b. 1959	<i>Oddly Cozy</i>	2013	\$14,269,511
4	Kerry James Marshall	b. 1955	<i>Beauty Examined</i>	1993	\$13,538,000



Jeff Koons, *Balloon Monkey (Magenta)* (2006–13)

5	Jeff Koons	b. 1955	<i>Balloon Monkey (Magenta)</i>	2006–13	\$12,372,147
6	Yoshitomo Nara	b. 1959	<i>Wish World Peace</i>	2014	\$12,368,310
7	Jean-Michel Basquiat	1960–88	<i>Untitled (Self Portrait)</i>	1982	\$9,716,831
8	Fang Lijun	b. 1963	<i>Series Two, Part Four</i>	1992	\$9,515,610
9	Liu Wei	b. 1965	<i>Family Portrait</i>	1992	\$8,572,621
10	Christopher Wool	b. 1955	<i>Untitled</i>	1988	\$8,405,000

Postwar

Can an auction lot be among the priciest to change hands in six months and still disappoint? Multiple paintings in this category, which we define as work done by artists born between 1911 and 1944, invited this question during the first half of 2022, including the most expensive of all. Andy Warhol's *Shot Sage Blue Marilyn* (1964), the crown jewel of the Ammann collection, became the second-costliest artwork ever sold at auction, thanks to its premium-inclusive \$195 million price. Yet the gaudy sum still landed south of the work's unpublished \$200 million estimate. A similar fate befell the third- and eighth-priciest lots in the category: a 1969 Cy Twombly that brought \$2 million less than its \$40 million low estimate even after fees and a \$24 million Warhol *Skull* (1976) expected to bring at least \$1 million more. All are reminders that, in this year's auction sector, even the bottom line has not always been the bottom line.

Andy Warhol, *Shot Sage Blue Marilyn* [detail] (1964)



	Artist	Life	Title	Date	Sale Price (USD)
1	Andy Warhol	1928–87	<i>Shot Sage Blue Marilyn</i>	1964	\$195,040,000

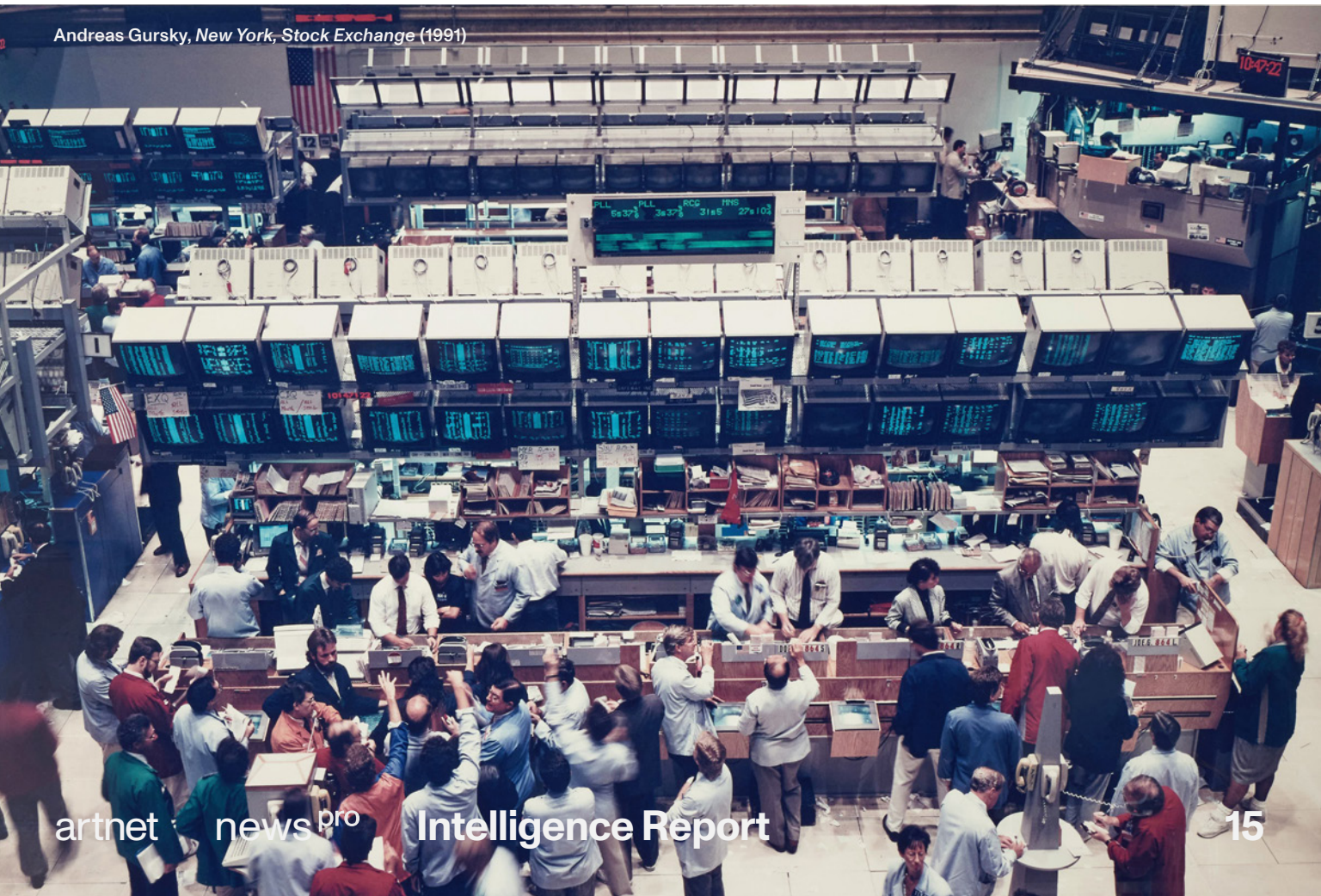
Jackson Pollock, *Number 31* (1949)

2	Jackson Pollock	1912–56	<i>Number 31</i>	1949	\$54,205,000
3	Cy Twombly	1928–2011	<i>Untitled</i>	1969	\$38,000,000
4	Gerhard Richter	b. 1932	<i>Abstraktes Bild</i>	1994	\$36,500,000
5	Zao Wou-Ki	1920–2013	<i>29.09.64</i>	1964	\$35,414,464
6	Yves Klein	1928–62	<i>Anthropométrie de l'époque bleue (ANT 124)</i>	1960	\$33,195,411
7	Gerhard Richter	b. 1932	<i>Seestück [Seascape]</i>	1975	\$30,198,500
8	Andy Warhol	1928–87	<i>Skull</i>	1976	\$24,000,000
9	Andy Warhol	1928–87	<i>Elvis</i>	1963	\$21,581,000
10	Andy Warhol	1928–87	<i>Silver Liz (Ferus Type)</i>	1963	\$21,225,040

Photography

Parallel trends define the market for this sector: the shrinking supply of vintage photographs and contemporary artists' embrace of photography as a key medium. The top lots are evenly divided along these lines, with five works by contemporary figures like Andreas Gursky, Cindy Sherman, and Richard Prince and five by such venerable figures as Man Ray and Ansel Adams. The most notable result this season shows just how high the market can go for extraordinary vintage prints. Ray's *Le Violon d'Ingres* (1924) became the priciest photograph ever sold at auction, smashing the previous \$4.3 million record set by a Gursky work in 2011. *Le Violon d'Ingres* had a whole lot going for it, noted art advisor Megan Fox Kelly: an iconic image, sterling provenance in collectors Rosalind and Melvin Jacobs, and an early print date of 1924. It is also the only print of this image that is both a photograph and a rayograph.

Andreas Gursky, *New York, Stock Exchange* (1991)



Artist

Life

Title

Date

Sale Price (USD)

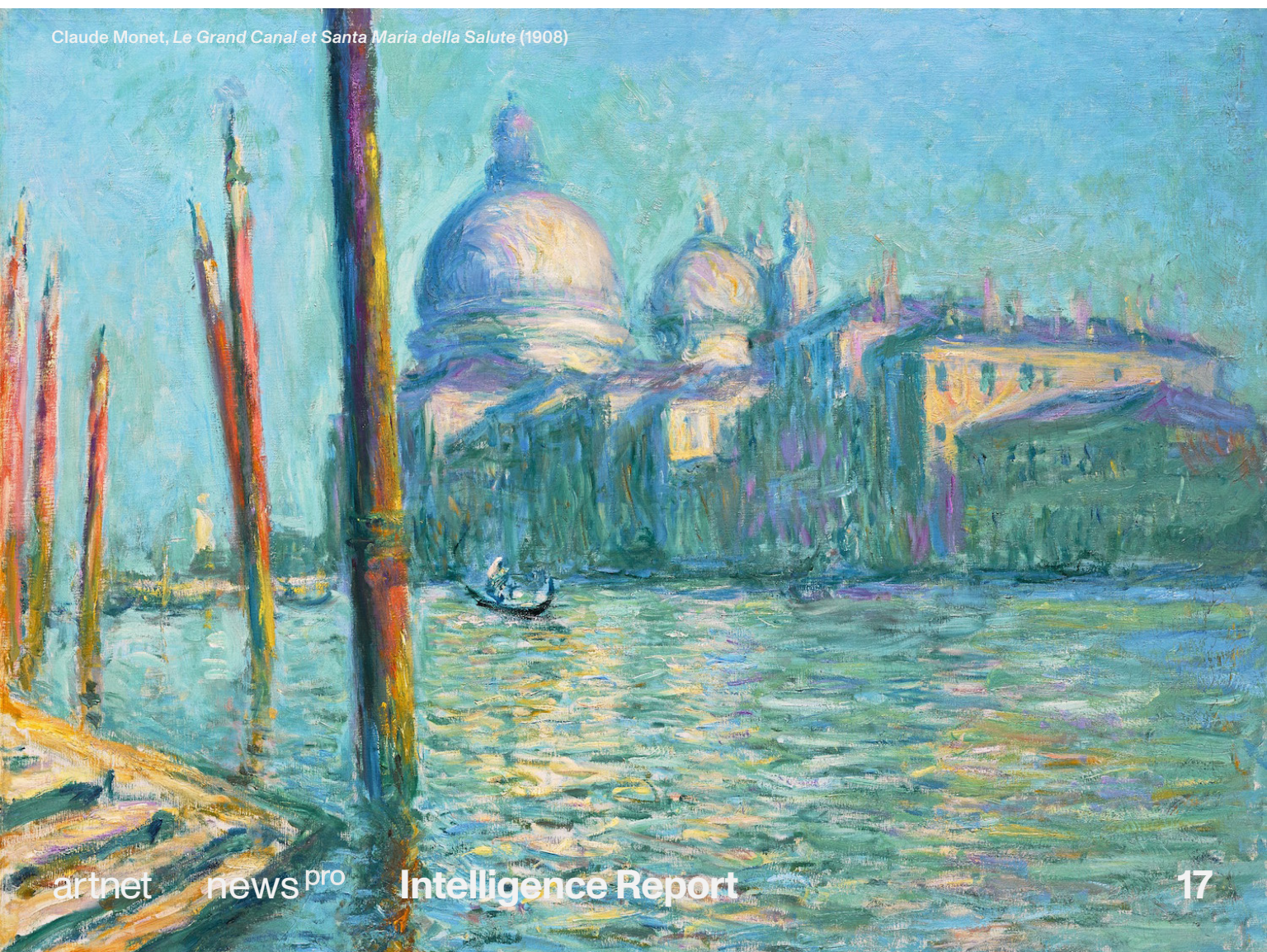
Man Ray, *Le Violon d'Ingres* (1924)

1	Man Ray	1890–1976	<i>Le Violon d'Ingres</i> , 1924	1924	\$12,412,500
2	Helmut Newton	1920–2004	<i>Big Nude III (Variation)</i> , Paris	1980	\$2,340,000
3	Cindy Sherman	b. 1954	<i>Untitled</i>	1981	\$882,000
4	Richard Prince	b. 1949	<i>Untitled (Cowboys)</i>	1992	\$724,500
5	Diane Arbus	1923–71	<i>Identical Twins, Roselle, N. J.</i>	1966	\$693,000
6	Ansel Adams	1902–84	<i>Moonrise, Hernandez, New Mexico</i>	1941	\$504,000
7	Christopher Makos	b. 1948	<i>Portfolio of 10 Photographs (1977–88)</i>	1982	\$498,930
8	Andreas Gursky	b. 1955	<i>New York, Stock Exchange</i>	1991	\$453,600
9	Peter Beard	1938–2020	<i>Giraffes in Mirage on the Taru Desert, Kenya, 1960</i>	1960	\$200,000
9	Barbara Kruger	b. 1945	<i>GO/STAY</i>	2007	\$200,000

Impressionist & Modern

Many of 2022's biggest prices to date were achieved in the Imp-Mod category, which comprises work made by artists born between 1821 and 1910. In fact, for the first time since we started releasing these reports, all top 10 works in the sector sold for more than \$50 million each. That's due in part to the abundance of exceptional material by Monet and Picasso from collectors like the Ammanns, the Macklowes, and Anne Bass. At the same time, evolving tastes led to the anointment of new must-have artists. "I can't recall a Magritte being the most expensive painting of the season in the Impressionist and Modern category, but his work in particular and Surrealism in general are in terrific demand," noted auction-house veteran David Norman.

Claude Monet, *Le Grand Canal et Santa Maria della Salute* (1908)



	Artist	Life	Title	Date	Sale Price (USD)
1	René Magritte	1898–1967	<i>L'Empire des lumières</i>	1961	\$79,430,557
2	Claude Monet	1840–1926	<i>Le Parlement, soleil couchant</i>	1900–03	\$75,960,000
3	Pablo Picasso	1881–1973	<i>Femme nue couchée</i>	1932	\$67,541,000
4	Mark Rothko	1903–70	<i>Untitled (Shades of Red)</i>	1961	\$66,800,000
5	Franz Marc	1880–1916	<i>The Foxes (Die Füchse)</i>	1913	\$56,804,501
6	Claude Monet	1840–1926	<i>Le Grand Canal et Santa Maria della Salute</i>	1908	\$56,625,500
7	Claude Monet	1840–1926	<i>Nymphéas</i>	1907	\$56,495,000
8	Francis Bacon	1909–92	<i>Study for Portrait of Lucian Freud</i>	1964	\$52,636,949

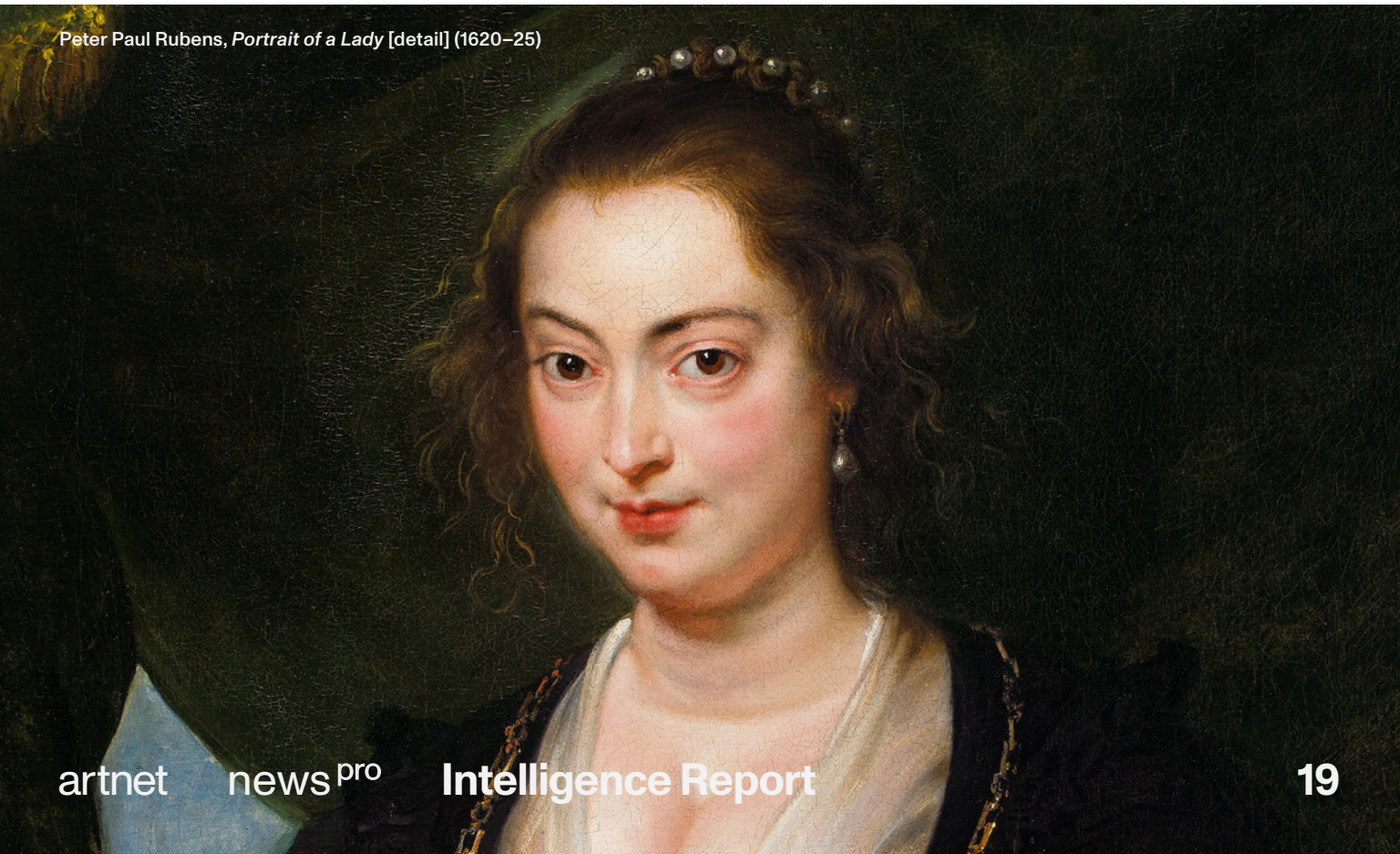
Vincent van Gogh, *Champs près des Alpilles* (1889)

9	Vincent van Gogh	1853–90	<i>Champs près des Alpilles</i>	1889	\$51,915,000
10	Francis Bacon	1909–92	<i>Triptych 1986–7</i>	1986–87	\$51,217,480

European Old Masters

The Old Masters category—which embraces European artists born between 1250 and 1820—is being reinvented. Sotheby’s conducted a big marketing push to drum up interest in Asia for Sandro Botticelli’s *The Man of Sorrows*, while auctioneers continue to promote the work of female Old Masters to engage a new generation of collectors. (It should be noted that no women made the top 10 this time around.) Two star lots—a Botticelli and a Michelangelo—hammered below expectations. But there were pleasant surprises, too: Jean-Baptiste-Siméon Chardin’s *Basket of Wild Strawberries* nearly doubled its high estimate and is now the subject of a fundraising war between the Louvre and the Kimbell Art Museum in Texas. “Each work in the group is not just of ‘museum quality’ but worthy of one of the top museums in the world,” said the dealer Robert Simon. “The fact that such pictures can still appear on the market makes the Old Master field unceasingly exciting.”

Peter Paul Rubens, *Portrait of a Lady* [detail] (1620–25)



	Artist	Life	Title	Date	Sale Price (USD)
1	Sandro Botticelli	1444–1510	<i>The Man of Sorrows</i>	1500–10	\$45,419,700

Jean-Baptiste-Siméon Chardin, *Le Panier de fraises des bois* (1761)

2	Jean-Baptiste-Siméon Chardin	1699–1779	<i>Le Panier de fraises des bois</i>	1761	\$30,137,584
3	Michelangelo	1475–1564	<i>A Nude Man (After Masaccio) and Two Figures Behind Him</i>		\$24,319,614
4	Pieter van Mol	1599–1650	<i>Diogenes With His Lantern Looking for an Honest Man</i>		\$5,779,200
5	Titian	1485–1576	<i>The Penitent Magdalen</i>	c. 1560	\$5,075,319
6	Fra Angelico	1400–55	<i>Saint Dominic and the Stigmatization of Saint Francis</i>	c. 1425–30	\$4,740,000
7	Orazio Gentileschi	1562–1647	<i>The Madonna and Child</i>	c. 1607	\$4,440,000
8	El Greco	1541–1614	<i>Portrait of a Young Man, Traditionally Identified as Saint Aloysius (Luigi) Gonzaga (1568–91), Half-Length, With a Book</i>		\$3,660,000
9	Bernhard Strigel	1460–1528	<i>Ange thuriféraire vêtu d'une tunique jaune</i>		\$3,547,290
10	Peter Paul Rubens	1577–1640	<i>Portrait of a Lady</i>	1620–25	\$3,294,068

swadd!!

Have Ruled
the Art
Market.



Now,
Artists
are Fighting
Back

by Katya Kazakina

Report

Collector Jacobo Garcia Gil made an unusual confession to his Instagram followers this summer. He outed himself as the seller of a painting by emerging artist Adriana Oliver at a forthcoming Phillips auction in Hong Kong.

“It’s a long-term project that I’ve been working on with Adriana,” he said. “She’s fully aware, and she has been collaborating.”

Garcia Gil bought *April of 1958* for about \$3,600 from the artist’s first solo show in 2018. Painted in a flat style that evokes Julian Opie and Tom Wesselmann, it depicts a dark-haired man in a suit, his face blank. Phillips estimated it would bring in \$12,700 to \$19,110. The final price was \$19,300, including fees.

Going public about flipping a painting was noteworthy. Although widespread, speculative trading used to be anathema to the art world. Galleries like to control prices and access, and auction sales interfere with both, potentially hurting an artist’s long-term prospects when the demand dries up. Garcia Gil consigned the work

to Phillips to position Oliver as part of the Spanish New Wave, a catchy brand name for a group of young Spanish artists—including Javier Calleja, Edgar Plans, Cristina BanBan, and Jordi Ribes—with strong auction followings.

Although Oliver, 32, is far from a household name, her solo shows have all sold out and her auction sales have generated \$436,504 since 2020, according to the Artnet Price Database. About a third of the 95 lots by Oliver at auction have been offered at Japan’s SBI Art Auction, dubbed by Garcia Gil “the House of Flippers.” (A representative for SBI said they were unfamiliar with this moniker, and that clients frequently refer to them as “the House of the Trendsetter.”)

“We cannot stop the flippers in Japan,” Garcia Gil recalled telling Oliver. “Instead of trying to fight them, let’s join them. I’d rather take you to a global auction. If I position you within an art movement, everyone wins.”

She wasn’t entirely convinced. The sale went ahead anyway.

The Rise of the Flipper

Flipping is the *bête noire* of the art world—and the volume and velocity of these transactions have never been higher than right now.

Sales of works by ultra-contemporary artists (those born after 1974) offered at auction within three years of their creation soared to \$257.4 million in 2021 from \$22.8 million in 2012. That’s a 1,000 percent increase over the course of a decade. Over the same period, the S&P 500, which had also been on a tear, rose just about 200 percent.

Of course, these figures don’t account for inflation or the carrying costs of buying and selling art, including auction-house fees, insurance, and storage. Those can (and do) add up. But in the public imagination, art is one of the best investments out there, and a growing number of platforms are luring uninformed investors into the fold with the promise of helping them find the next Basquiat or KAWS.

As speculation becomes more widespread, the attitude toward it is changing. It’s not a matter of *if* a hot artist ends up at auction but *how quickly*. There was a time when emerging art wouldn’t even make it to the auction block. More recently, young artists would be first tested in auction day sales. Now, little-known names are routinely launched at the most glamorous and high-stakes evening sales in New York, London, and Hong Kong.

In 2021, artworks created a year before generated \$139 million at auction, 10 times more than a decade earlier, according to the Artnet Price Database. During the same period, the average amount of time it took for an artist to ascend from the day to evening sales at one of the Big Three houses shrank to less than 18 months from three and a half years.

“It is a problem,” said Jack Shainman, whose gallery represents popular artists Lynette Yiadom-

Boakye and Nina Chanel Abney. “It always has been. It’s worse than ever now.”

Artists and their galleries, who rarely benefit directly from these resales, are fighting back. Some artists now withhold their best works from the market and hire managers to help them navigate the terrain alongside their galleries.

Dealers circulate blacklists of repeat offenders and expect a percentage of the upside when clients resell works. Businesses have sprung up to level the playing field between new talents and those who make a quick buck speculating on their work.

If You Can’t Beat Them, Join Them?

“There’s a huge inequality in the art world and the art market in the way we look at creativity,” said Lucien Smith, a poster child of the previous flipping craze, whose work became a hotly traded auction commodity in 2014.

To solve this problem, Smith partnered with a tech and data startup, Lobus. Together they are working to create a platform powered by blockchain technology where artists and galleries receive 10 percent of every trade, no matter how big or small. In this new system, those blacklisted flippers can come back into the fold and have a positive effect, Smith said.

“We are going to see the day-trader collector,” he predicted. “A collector who sits on the computer and monitors the PR and shows and museums and what collectors are buying. They’ll soak up everything they see where there’s a possibility to profit. And a portion of those transactions will be given to the original artists and galleries.”

Smith’s “Rain” paintings—made by spraying canvases with paint from a fire extinguisher—soared to \$372,120 and were routinely traded in the low six figures less than a decade ago. Then the music stopped. Collectors of new art began liquidating, fearful their investments would go down to zero. In 2014, art sold within three years of its creation date generated \$73.2 million at auction; three years later, that number dropped to just \$25.2 million.

“Everyone thought it was a negative experience,” Smith said. “I turned it into a positive one. My market was bound to go down, especially

when I stopped making art at the rate I was making it. I didn’t want to keep putting hard work into a system that was broken. I focused on fixing that system.”

Smith is not alone in trying to figure out how to get artists to benefit from their secondary markets. A growing number of galleries have started consigning works by emerging artists directly to auction. In 2020 and 2021, dealer and curator Destinee Ross-Sutton partnered with Christie’s on sales of new work by Black artists; 100 percent of the proceeds went to the creators, and buyers had to agree not to resell the works for at least three years. Baltimore-based Galerie Myrtis is selling works by six contemporary Black artists at Christie’s this fall.

Meanwhile, Sotheby’s recently launched Artist’s Choice, an initiative to get consignments directly from artists and their galleries, with a portion of the sale price going to charities of the artists’ choosing. The results of the first offering were strong: six works, all priced between \$15,000 and \$120,000 each, realized a combined \$919,800, tripling expectations.

These initiatives bubbled up after broader reforms failed. Lawmakers have tried unsuccessfully to pass federal legislation to help artists secure a resale royalty from auction sales at least eight times since 1978. Other creative industries, including music and publishing, reward musicians and writers with royalties, but, at least in the U.S.—the largest auction market in the world—artists still come up dry.

A Brief History of Flipping

While artists like Gerhard Richter and Jeff Koons are notoriously involved in their markets, most still prefer to focus on making art and leave the selling and marketing to their galleries, which typically receive 50 percent of each primary-market sale.

Prices for emerging art that makes it into the art-world ecosystem usually start below \$10,000 and go up incrementally from there. Galleries are loath to raise prices even when artists' secondary markets explode, in part not to price out public institutions, which have limited resources. This creates an absurd disconnect: the artists who make the work are left behind, unable to profit directly from their own success.

Things can get emotional. **Robert Rauschenberg** famously pushed his patron

Robert Scull during the 1973 auction of 50 contemporary artworks from Scull's collection at Sotheby's Parke-Bernet, where the artist's *Thaw* fetched \$85,000. Scull had bought it 14 years earlier for \$900. "I've been working my ass off for you to make that profit," Rauschenberg said angrily at the time.

Prices get vertiginous when there are more potential buyers than available artworks. Galleries restrict access to loyal clients and institutions. Everyone else has to compete for the coveted works on the secondary market. With each bubble cycle, the delta between primary and secondary prices gets wider and wider, and the potential profit for those with early access gets more and more attractive.

After the Scull auction, flipping resurfaced in the 1980s, when contemporary art began to draw global attention. "Somebody would come into a gallery, buy something for, say, \$25,000, then go sell it at auction the next week for 40 [\$40,000]," the painter Donald Sultan recalled in *Artforum* in 2003.

When the **Japanese stock-market** crash cast a pall over the art market, young artists retreated from the auction-house limelight. But flipping returned during the heady years just before the financial crisis in 2008, which left many a busted



From left: Robert Rauschenberg in 1966, and the Tokyo Stock Exchange, which hit a low in 2003.

career in its wake (remember Anselm Reyle?).

Then, all was quiet on the emerging-art front until 2014, when work by the so-called Zombie Formalists—young, mostly male painters who used novel, bro-ey processes to create abstract paintings that looked good above the couch—began to sell for big prices. Los Angeles-based entrepreneur Stefan Simchowitz emerged as a flipper extraordinaire pushing this movement. After it went bust, he became active in the markets of a number of Black and female artists.

The Mugar family is also known for buying large quantities of primary-market artworks from artists including George Condo, KAWS, and Joel Mesler, then flipping them at auction

over the years.

“People realized that emerging art had the ability to be a major financial vehicle,” said Bennett Roberts, coowner of Roberts Projects in Los Angeles, which represents Amoako Bofofo, whose auction sales have generated \$28.1 million since he burst onto the scene in 2019. In an effort to control his own market, Bofofo was part of a group that won his painting *The Lemon Bathing Suit* (2019) at Phillips in early 2020 for an estimate-smashing \$880,971.

“The art business has become a financial business,” Roberts said. “We can’t pretend that it’s not.”

Getting in on the Action

Some market players are looking for innovative ways to help artists benefit when their work is resold. One of these is veteran auctioneer Simon de Pury, whose recently organized online auction, titled “**Women: Art in Times of Chaos**,” was crafted to weed out speculative sellers.



Genieve Figgis's *Dreaming of Spring With Birds* (2022) sold for \$170,000 at Simon de Pury's sale “Women: Art in Times of Chaos.”

Featuring works by such in-demand artists as Genieve Figgis and Chloe Wise, all of them consigned directly by the artist and gallery, it generated \$831,310.

The proceeds were distributed back to the artists and dealers, who received the full hammer price to share however they typically split sales. De Pury also shared the identities of the purchasers and the underbidders. The crucial intelligence usually goes to the auction houses, to the detriment of the galleries and artists, he said.

“It’s just a novel way of looking at” the old process, de Pury noted. “And making sure that the artists and galleries—who create the art and champion it—benefit.”

A similar motivation underlies **Fairchain**, a startup that seeks to “square the tension” between the primary and secondary markets, according to its cofounder, Max Kendrick, whose father is sculptor Mel Kendrick.

Fairchain registers the sale of an artwork with a digital contract that serves as a certificate of authenticity and follows the work in perpetuity. Each time the artwork gets sold, the artist receives a resale royalty, the exact size of which is determined by the artist and their dealer.

“It really hurts an artist’s feelings when someone resells,” said Ellie Rines, owner of 56 Henry gallery, who signed up for Fairchain. “But it doesn’t have to be that personal. Fairchain helps soften the blow.”

Sotheby’s new Artist’s Choice initiative aims to create a path for artists and their galleries to capture the upside from their secondary-market sales through auction. The answer, according to executive Noah Horowitz, is to consign directly in an open and transparent way, eliminating the speculator. Artists receive the hammer price of the sale and donate 7.5 percent to a charity of their choice. Sotheby’s will match that amount (it will come out of its commission, known as buyer’s premium).

“It’s a win-win,” Horowitz said.

Getting something back from the auction houses would be meaningful and psychologically healing for artists, said painter Shara Hughes, whose work generated \$24.6 million at auction in the first six months of 2022.

“If the auction houses, buyers or sellers would give even a very small percentage back to the artist, especially living artists, to recognize that they are still working and can contribute to their studio in any way,” Hughes said, “I think that would validate a continuing practice way more than feeling taken advantage of.”



The team at Fairchain.

Fighting Back

Rines, whose gallery was the first to show rising star Anna Weyant, said she understands buyers’ need to sell their art purchases. A painting bought for a few thousand dollars can suddenly become valuable enough to be a down payment on a house. Weyant achieved her auction record of \$1.6 million just three years after debuting at 56 Henry.

“There’s a good way to go about it and a bad way to go about it,” Rines said. “The bad way is to put a painting up at auction. The good way is to offer it back to the gallery. You want to keep the resale as private as possible so that the market doesn’t become part of the conversation.”

She expects collectors to give her a percentage of the upside from a resale—even when they resell it through another venue. If not, she will restrict their access to future purchases, she said.

“I sold it to them,” Rines said. “I did them a huge favor.”

Galleries also push back by sharing information about bad actors in the form of blacklists.

“Blacklists do happen, but they are not as scary as they sound,” said Rachel Uffner, who until recently represented Shara Hughes. “If an artist I work with tells me, ‘I don’t want to sell to this person,’ I don’t sell to this person.”

To punish flippers, galleries have also shared their names with the press. In 2019, David Zwirner gallery leaked the name of Japanese collector Takumi Ikeda to Artnet News when he consigned **a painting by Dana Schutz**, who is represented by the gallery, to Christie’s, where it fetched \$1.1 million. Ikeda didn’t originally buy the work from Zwirner.

Similarly, a director of Anton Kern Gallery



leaked the name of the seller of a **Julie Curtiss** painting at Sotheby's in 2020. The collector, Evan Ruster, was a longtime client of Anton Kern, but he picked up the work at the Spring/Break art fair in 2017, long before Curtiss began working with the gallery. It fetched \$210,300.

Ruster said he thought about sharing some of the upside with the artist but changed his mind after being outed. That situation still reverberates, he added, and in some cases negatively impacts his ability to acquire works by emerging artists.

"I bought a lot of art that I couldn't sell for a dollar," said Ruster, who's been collecting art for more than 25 years. "It was an opportunity I couldn't pass up."

Galleries say that they do their best to vet potential buyers and prioritize important collectors and museums whenever possible. But the reality is more complex.

"Most people want to keep their good

standing in the art world, but it turns out that certain figures are too hard for people to ignore," Uffner said. "Even multibillionaires sometimes resell."

Howard Rachofsky, a major benefactor of the Dallas Museum of Art, flipped a painting by Christina Quarles, *The Night That Fell Upon Us Up On Us* (2019), at Sotheby's for record \$4.5 million in May, after buying it from Regen Projects in Los Angeles, according to a person familiar with the transaction. "You sell one to get 20," said the person. Rachofsky, who didn't respond to requests seeking comment, proactively offered part of the upside to the artist and Regen Projects, the person said. In addition, he bought another painting by Quarles,



Dana Schutz's *Shooting on the Air* (2016), which fetched \$1.1 million at Christie's in 2019, and Julie Curtiss's *Witch* (2017), another victim of the flipping phenomenon.



who is now represented by Hauser & Wirth, for the museum with the blessing of its curator.

Such voluntary resale royalty transfers are not customary, but they do happen. Collectors most commonly offer between 3 to 10 percent of the upside. “I’ve seen 20 percent but that’s

rare,” Uffner noted.

Shainman said that one collector sent a \$1 million check to the artist he flipped. The gallerist declined to elaborate, but remarked that “it’s highly unusual.”

Taking It to Court

Suing a wealthy patron for flipping a painting is normally the last resort for a gallery. That is why, in addition to employing technological and social measures, artists are increasingly seeking legal advice on beefing up their sales contracts. Megan Noh, a partner at Pryor Cashman LLP in New York, recommends that clients consider crafting invoices that make them third-party beneficiaries. “In case these provisions are breached, the artist will be able to bring a lawsuit,” she said.

She is also a fan of “contractual provisions that require a buyer who resells work to share a percentage of their resale profit with the artist.”

This requirement is part of a menu of provisions available to artists. Others include a period during which the artwork can’t be sold at all and a right of first refusal for the artist or the artist’s gallery. The non-resale periods vary but often range from three to five years, according to lawyers and dealers.

“I am trying to advocate for the artists and show how the artists and galleries can collaborate and share the burden,” Noh said. “It’s to everybody’s benefit to be able to control the market.”

Although Noh insists that the properly written contracts are enforceable under U.S. law, some

doubt the efficacy of the legal approach.

Collectors routinely disregard their contractual agreements, dealers and advisors say. They simply sell off the remainder of their “no resale” term to an eager buyer who might not have access through the gallery, with a stipulation that the work can’t appear on social media.

Sellers may even be willing to take a cut in price to “bury things,” making sure that the galleries don’t find out. “They are paying for silence,” said advisor Saara Pritchard, who has represented buyers in such deals. “I usually ask, ‘Do you need a high price, or do you want it buried?’”

Artists who aren’t armed with contracts or who don’t get a say in a sale can end up feeling raw. Oliver, the Spanish artist whose work was openly sold at Phillips by her longtime patron, is still processing the experience.

“He told me he wanted to finance other projects,” Oliver said. “And he kept saying that it’s good for me. I don’t think it’s good for me. I never confirmed or said, ‘Let’s do it.’ I just saw that the work was at auction. I was pretty angry.”

Not having a direct stake in the machinations can feel powerless. “It hurts your soul,” Oliver said.



“Do you need a high price, or do you want it buried?”



It was early 2014, and I was working on a story about an emerging-art bubble. Red flags of the previous bubble (the one that ended with the financial crisis) were suddenly everywhere: sold-out shows, waiting lists, “buy one give one” demands by galleries and, of course, quick resales with massive upside.

“There’s a person behind this,” a source told me on a windy January day, “but you didn’t hear it from me.” The name—Stefan Simchowitz—didn’t ring a bell. I googled it and found almost nothing related to the art world. So I called him.

The rest is history. My story inadvertently let the genie out of the bottle—and introduced the man later dubbed by the *New York Times* “The Art World’s Patron Satan.”

I’ve stayed in touch with Simchowitz over the years. As I tried to untangle the origin of surging prices for this or that emerging artist, the breadcrumbs of reporting inevitably led me back to him. First it was Oscar Murillo and Lucien Smith, then Tschabalala Self and Amoako Boafo. Despite being blacklisted by many galleries, he managed to gain access to the work, flip it, and make huge profits.

So it only made sense to seek Simchowitz’s views on the explosion of flipping around the globe and artists’ attempts to gain control over it. He immediately took issue with the premise—which he referred to as “the neoliberal narrative”—of artists as victims being taken advantage of by rich collectors.

“It’s bullshit,” Simchowitz said in a telephone interview. “The artists have huge amounts of power today.”

Below is an edited version of our conversation.

CHECKING IN WITH THE PATRON SAINT (?) OF FLIPPING

Flipping has entered the mainstream in the years since *Zombie Formalism*. The prices we are seeing now are just eye-watering. You have created a monster. I’m not smart enough to create a monster. I just saw the monster coming, and I understood the power and the forces that have occupied human speculation. The price is the product. The product is the price.

If you read *Rogues’ Gallery*, Philip Hook’s book, and you look at art dealers [Daniel-Henry] Kahnweiler and [Joseph] Duveen, this has been going on for years. The collectors who have had a complete monopoly on speculative advantage through their institutional structures no longer have that monopoly.

What is the biggest change, in terms of speculation, from 2014? The scale of it and the speed and the pervasiveness of it are so enormous that you can’t hide it anymore. So, you have to bring



it out into the open. Sotheby's is going to say to a gallery, "We'll just sell the stuff directly at auction on your behalf."

It's the levels, the numbers. It's reflective of a crisis of global liquidity that created an enormous asset bubble.

What hasn't changed? There's this speculative frenzy, where everyone believes everything that gets made and sold is worth gold. And this, I think, has actually created, in essence, the opposite problem in the market, where pricing has been inflated, where distribution has been restricted, because everyone thinks that they have a lottery ticket—and they don't.

How can artists benefit from their strong secondary markets? I think the artists who are successful consistently at auction end up making so much money—Jonas Wood, Mark Grotjahn, Mark Bradford. It's movie-star money from the 1980s. I mean, they make more money than George Clooney and Will Smith. Guys like Grotjahn and Wood make more than \$30, \$40, \$50 million a year. These guys benefit from the secondary market in a massive way.

Those artists are established at this point. But what about the artists who are just starting out? The artists are setting

up buying networks to bid up their own works, at auction. The artists are consigning directly, either through proxy or via themselves, to auction markets in globalized rig bidding pools. And eventually it works because the guys in Asia and China are like, "Oh, wow, look at this! It has got price stability, and the prices are high." They start to buy the work. A lot of that occurs with artists who are outside of U.S. jurisdiction.

Have you thought about sharing the upside with the artists when you sell their works and reap huge profits? When I buy something from a gallery that has blacklisted me and I'm lucky or smart enough to get access to the material, I don't share the upside. But when I have relationships, yeah, absolutely. I've shared upside on many occasions with artists whom I manage and finance.

What percentage do you share with artists? Is there a range? The range is none of your business. I think about balancing my checkbook to maintain relationships. If economic relationships are outta whack, you don't maintain them. I consider all my artists, who I work with, as partners.

If you look at my relationships with artists like Petra Cortright, who I've worked with for 11

years, it's not for the poverty of a good reputation that I've been able to maintain my working relationship.

Makes sense. There are many works you buy which you lose money on. When you buy a portfolio of works, sometimes you get lucky, but you don't get lucky often.

I feel like you get lucky pretty often. I get lucky often because I take risks. And other people are unwilling to take those risks.

Speaking of other people: There are a lot of new players in the market. New players have entered the fray and are lowering its quality dramatically. We're in this phase of transference now, where cultural production and consumption have clashed in sort of an epic battle. There's no clarity. There's huge amounts of movement. There's velocity, there's capital. This phase will die down. Things will become more sophisticated. More players and investment will come into the market to stabilize it and then really refine what's going on in terms of new topology of a cultural production and distribution.

That third phase will emerge over the next decade.

Interview by Katya Kazakina

"THEY MAKE MORE MONEY THAN GEORGE CLOONEY AND WILL SMITH."

SPREAD

THE

How Artists' Primary Market Prices Compare With Their Auction Results

Galleries have to make strategic decisions about how to price their artists' works when speculators flock to the secondary market. To explore the range of approaches, we examined the spread between the primary and secondary markets of 11 darlings of the auction circuit. Some of these artists have seen their primary and secondary prices rise in tandem; others are experiencing a yawning gap between the two.

Most galleries declined to disclose prices, so these numbers are gathered from sources familiar with the artists' markets and typically reflect the state of play since their most recent solo exhibition or fair outing. Things may have changed since then. Auction information comes from the Artnet Price Database and Artnet Analytics.

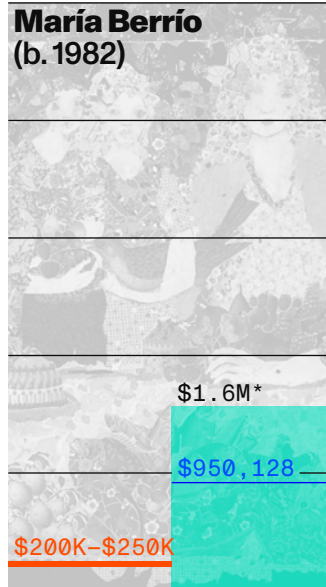
by Eileen Kinsella and Katya Kazakina

How Artists' Primary Market Prices Compare With Their Auction Results

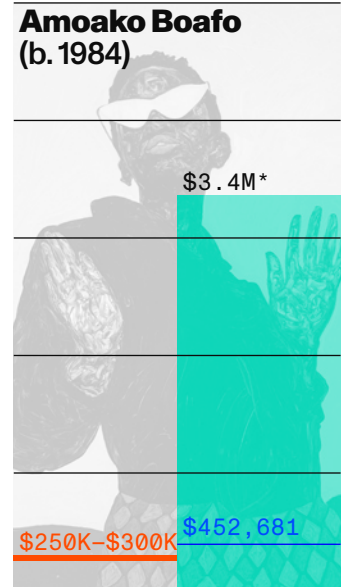
- Primary Market Price Point
- Auction Record
- Average Auction Price



*at Phillips London in Mar 2022



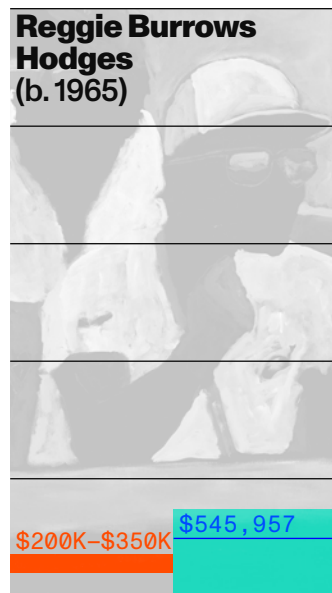
*at Sotheby's New York in Mar 2022



*at Christie's Hong Kong in Dec 2022



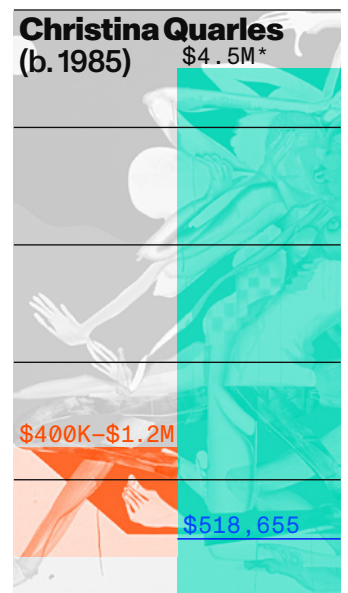
*at Phillips Hong Kong in Jun 2022



*at Phillips New York in May 2022



*at Sotheby's New York in Mar 2022



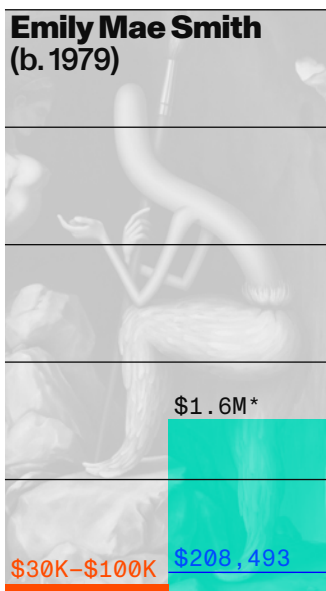
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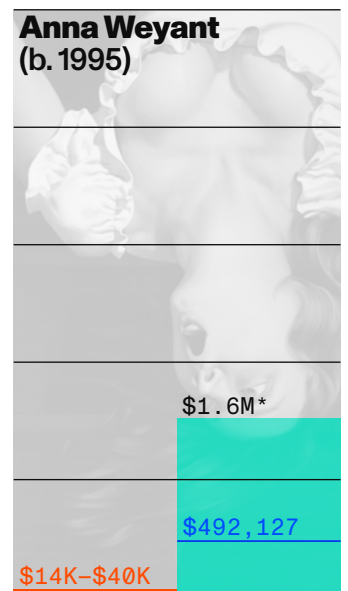
*at Phillips London in Mar 2022



*at Phillips London in Mar 2022



*at Phillips Hong Kong in June 2021



*at Sotheby's New York in May 2022

Are Smart Contracts the Key to Empowering Artists Over Flippers?

by Tim Schneider

You want to buy a new painting from a midsize gallery? It's not as simple as it sounds.

After you pay the PDF invoice, you'll need to remember to save it in a folder you won't forget about, because the invoice and your proof of payment act as your legal title to the painting. If the gallery includes a certificate of authenticity to memorialize the sale, that document too becomes your responsibility to maintain; worse, it might not even guarantee the piece is legit without separate confirmation that it came directly from the artist's studio. If you later decide to sell the painting without the gallery's or the studio's involvement (whether or not doing so violates any resale covenants in the original invoice), both entities might lose track of the work for good, reducing its odds of inclusion in museum exhibitions or an eventual catalogue raisonné.

Does any of this seem desirable for anyone involved?

As it turns out, there is another way. Imagine that you could pay for the painting and immediately receive separate digital proof of title through a verified, super-secure database that you, the gallery, and the artist bear no responsibility to maintain yourselves. What if the chain of title also automatically updated every time the painting changed hands afterward, regardless of what you or later resellers communicated to anyone outside the deal? And what if you knew that breaching any resale covenants governing your original acquisition would remotely trigger immediate enforcement measures—or that stewarding the painting long-term could generate surprise bonuses from the gallery or the artist?

Every upgrade in this second scenario is now possible, thanks to smart contracts—algorithms digitally coded to self-execute and self-document on the blockchain. No other recent tech product could strengthen the hand of artists and dealers so quickly or so aggressively.

Smart contracts have already sent shock waves through the banking and lending industries. Rather than try to work with institutions that hold the power to deny, delay, or charge fees to carry out desired transactions, a growing number of customers have begun leveraging the blockchain for peer-to-peer labor arrangements, loans, and insurance via smart contracts. Blockchain software developer ConSensys estimated that this subsector of the economy, known as DeFi (short for “decentralized finance”), generated more than \$120 billion worth of business in March 2022, even as the cryptocurrency market leaned into an extended swoon.

As a growing number of art-market players begin to circle smart contracts, exactly what they can do—and why the industry should care—remains shadowy to most. Allow us to break it down.

Below, we describe three epiphanies the art industry needs to have in order to truly embrace smart contracts. Then, we offer three practical ways smart contracts could shift the status quo away from the speculators who have driven so much art-market activity in the 21st century and back toward the creators.

What to Understand in Order to Understand Smart Contracts

Epiphany #1

Smart Contracts Aren't That Smart. But They're Efficient.

A central irony here is that experts on all sides of the issue agree that smart contracts are neither particularly “smart” nor even genuinely contracts at this point.

On their own, smart contracts can automate only transactions rudimentary enough to be reduced to “if-then” instructions with objective triggers that can be described in a programming language. Most of the human complexities of a true contract (for example, a commitment that one party will “take all reasonable steps” to accomplish a mutually desired outcome) are incompatible with this requirement.

In fact, most judges would say that smart contracts cannot even contain the necessary ingredients of a deal; they can execute an outcome only once the bargaining is over. “In a legal sense, a contract means two people agreeing,” said Louise Carron, an associate at Klaris Law specializing in intellectual property at its nexus with new technology. “If you look at smart contracts as lines of code, that’s not where the agreement between parties is.”

These limitations make it difficult for the tech to ever be much more than a vehicle for the automated transfer of money, property, or assets. Case in point: in the U.S., only a handful of states have so far passed legislation recognizing these packages of code as enforceable in court.

Although smart contracts work best when supplemented by traditional contracts, they still bring new value. “One benefit is the ubiquity, transparency, and relative permanence of blockchain,” said Kevin McCoy, the artist, NFT coinventor, and cofounder of NFT-services platform Monegraph.

Smart sales contracts for art (physical or digital) live in collectors’ crypto wallets, whose contents can be viewed publicly using free software. By jointly maintaining the database, the many computers making up every blockchain network also ensure there is no single point of failure for critical details about artworks and their ownership history.

Kevin McCoy’s *Quantum* (2014)—the first NFT artwork ever minted—on view at Sotheby’s London in 2021.

Epiphany #2

Artists Have the Power to Push for Wide Adoption.

Given the art world’s typical techno-hesitance and the current state of tokenization, smart contracts for physical artworks face an uphill battle for adoption. But the rest of the trade would suffer an immediate reckoning if a critical mass of the people making the work that so many others are desperate to buy simply said, “The only way to acquire anything of ours is by using digital contracts.” The question is whether the makers are cognizant of their own might—and ready to wield it for this cause.

“Until artists recognize that they have more power and influence than they realize, things won’t change,” said Max Kendrick, cofounder of Fairchain, a platform that uses blockchain-backed records to authenticate, track title to, and facilitate sales of art. “However, that realization is starting to take shape.”

Fairchain is evidence of the shift. Its advisors include established artists Hank Willis Thomas and Laurie Simmons, while it counts Carroll Dunham, Alteronce Gumby, and rising star Ludovic Nkoth as investors. Dealers are coming around, too: New York-based Hannah Traore is another investor, and fellow Gotham galleries David Lewis, 56 Henry, Sargent’s Daughters, and Charles Moffett will soon hold shows where works can be acquired via Fairchain’s services. (Kendrick stressed that, in contrast to most other smart-contract algorithms, the company’s blockchain-based agreements are supplemented by traditional contracts that are digitally signed by all parties.)

Epiphany #3

The Contracts Don’t Have to Be Perfect to Be Valuable.

There is a key obstacle to the art trade’s adoption of smart contracts. Within crypto circles, it is most commonly known as “the oracle problem,” but it is also sometimes called the blockchain air gap. Both terms describe the impossibility of flawlessly linking a blockchain-based asset like a smart contract to an external asset like a painting. (Smart contracts are only usable for an off-chain asset once it has been tokenized, meaning documented with an entry on the blockchain.)

A number of startups claim to offer solutions, such as shooting high-resolution photographs of prescribed slivers of artworks, then linking to them from the associated smart contracts’ metadata for later cross-checking against the purported real thing. But critics say the current options are insufficient to prevent forgers, looters, or scammers from taking advantage.

Nanne Dekking, founder and CEO of blockchain-powered artwork-title registry Artory, admits that existing methods for closing the blockchain air gap are “not there yet.” But he also contends that bad actors are likely to regard the mere existence of a professionally vetted, shared digital record of provenance as a red line not worth crossing when it comes to unique objects.

“If a work is registered on the blockchain, the chances that someone will create a forgery of it become very low,” said Dekking. To analogize: Why risk robbing a house with a security system sign out front when there are so many others without one?



Now You Know the Basics.

Here's What Smart Contracts Can Do for You.

Value Proposition #1

They Can Embed Provenance Records.

Air gaps are not exclusive to digital technology. Significant ones already exist between physical artworks and the most prized forms of traditional record keeping: invoices, certificates of authenticity, catalogue raisonné entries, inventory-management software. Even if their information is accurate and current, each of these items can be forged, corrupted, destroyed, improperly updated, or simply lost over time.

Well-designed smart contracts are more secure, more trustworthy, and more complete than all of the above. The reason goes beyond the security measures and redundancies built into every blockchain network. When used for sales, smart contracts also automatically update ownership details for all parties in the transaction. This means that artists and their representatives always have comprehensive provenance and that buyers always have clean proof of title tracing all the way back to the studio—without, say, anyone's overburdened assistant having to manually make changes in a shared Google Doc or one-sided inventory-management database.

Value Proposition #2

They Can Make Enforcement Automatic.

Artists and dealers have long tried to combat speculators by writing resale covenants into traditional contracts. Most often, these covenants hold buyers liable for monetary damages if they flip a work either before a designated holding period expires or without granting the gallery right of first refusal. The problem? Enforcing these covenants requires first finding out that the buyer is in violation, then bringing an expensive, time-consuming lawsuit that generally cannot even recover the artwork should it succeed.

Smart contracts could do much more. McCoy suggested they could be coded with a “clawback clause” that automatically returns the digital title to the artist's crypto wallet if, say, a buyer tries to transfer a work to someone else before the specified holding period ends. Hard-coding veto rights is another possibility; this wrinkle would make it impossible to transfer the smart contract (and, thus, on-chain title) to another party without electronically notifying the studio or gallery, which could then block the transaction with one click.

A physical artwork could still be sold without its on-chain title, of course. But any such sale would be fraudulent by default, with the smoking-gun evidence sitting right there on the blockchain for all to see.

Value Proposition #3

They Can Offer Novel, Creative Rewards.

If you've heard anything about using smart contracts for physical art sales, it's that they can embed an automatic resale royalty to the artist. Every work sold through Fairchain, for instance, can transfer a royalty for the creator immediately upon payment of the purchase price. Arsnl, the Artists Rights Society's in-house NFT platform, even wrote smart contracts that prevent Frank Stella's “Geometries” NFTs from being resold on an exchange that refuses to pay resale royalties to creators.

While this prospect is an incentive for artists to use smart contracts, it has for decades been seen as a deterrent to buyers. (Artist Seth Siegel and attorney Robert Projansky wrote a similar clause into their analog Artist's Reserved Rights Transfer and Sales Agreement in the 1970s; it never really caught on despite being made freely available.)

What is seldom discussed, however, is that smart contracts could also facilitate tangible rewards for buyers. Since the execution of every smart contract is time-stamped on the blockchain, the metadata could be coded to, say, airdrop an NFT or other exclusive digital content by the artist to any buyer of a blockchain-backed physical artwork who holds it for a certain time period. Studios or galleries could also maintain these kinds of “loyalty programs” by manually checking the contents of clients' crypto wallets, then sending out rewards. The smart contract doesn't just need to be the stick—it can also be a carrot.



An NFT from Frank Stella, titled *Geometry XXII* (2022)

So... What's Next?

Even optimists recognize that there are obstacles to the wide adoption of smart contracts in the art trade. While coding and deploying smart contracts is something that artists or dealers could do themselves in theory, the complexity of the process means that “in practice, only blockchain developers are doing it,” McCoy said.

At the moment, the industry can realistically integrate smart contracts with physical works only through specialized intermediaries like Fairchain and Artory. But that may change as asset tokenization gathers momentum across the finance, video-gaming, music, and publishing industries.

The past several decades have seen successful artists accumulate more money, business

autonomy, and social influence than ever before. If enough of them decide to leverage some of their nascent power to standardize the use of smart contracts for greater control of their physical artworks, no one could stand in their way.

The technology's fate in the art market will be determined primarily by artists' interest in one of crypto's animating principles: self-sovereignty. If the third decade of the 21st century follows the same trajectory as the first two, tokenization of paintings, sculptures, and other tangible works could be the next destination on that trend line.

“It's not a matter of if but when,” said Kendrick, “and you don't want to be the last one to board this train.”



Venus Over Manhattan posted the smart contract for “Chromie Squiggles” on the wall during its February exhibition of the series by Erick Calderon.

What's Really Happened in the Art Market So Far This Year

See what **flew** at auction—
and what

Data

flopped

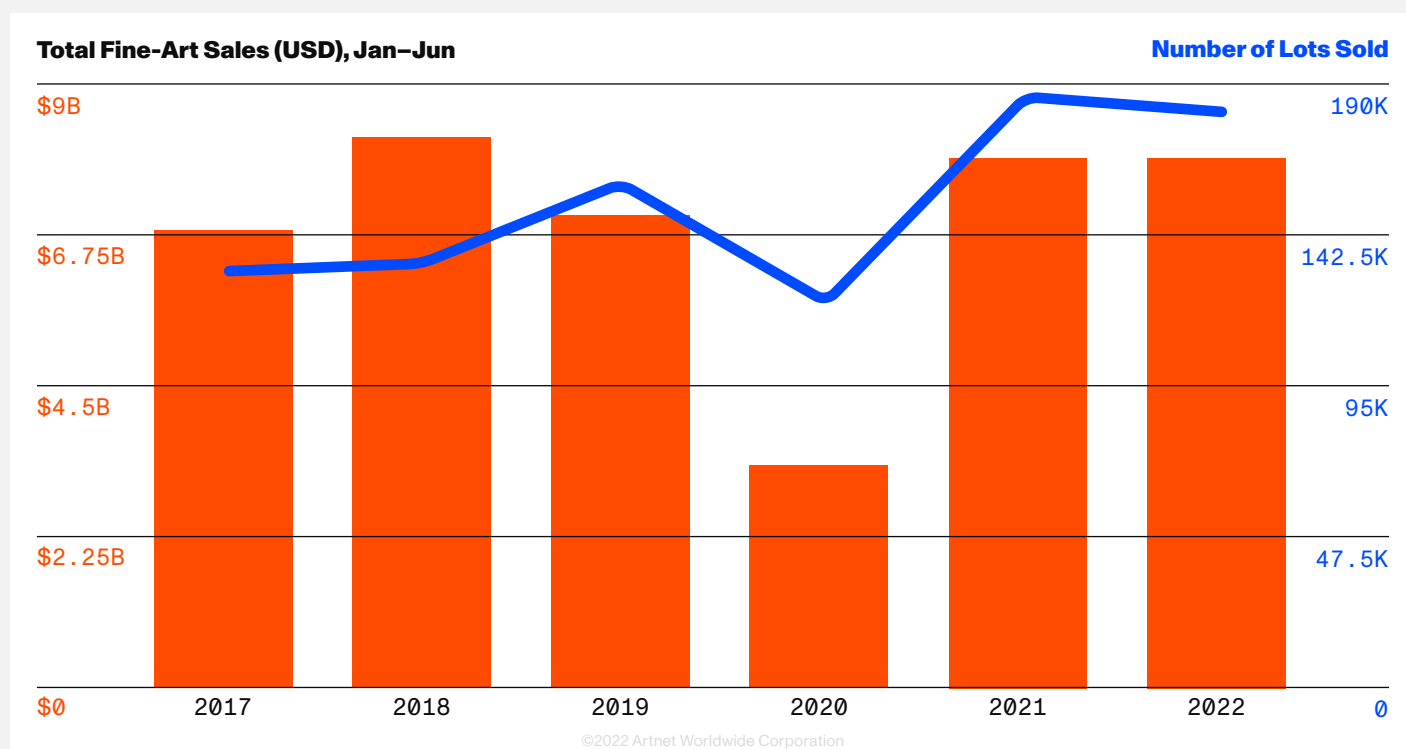
By Naomi Rea

Dive



Clockwise from bottom left: Zao Wou-Ki, 29.09.64 (1964), Diane Arbus, Identical Twins, Roselle, N.J. (1966), Botticelli, The Man of Sorrows (1500–10)

How Much Fine Art Sold at Auction in the First Half of 2022?



The art market has always been slower than many other industries to feel the impact of changing economic conditions. So despite rampant inflation and recession headwinds, there were few signs of a serious slowdown in the first half of 2022.

Fine-art sales at auction totaled \$79 billion in the first six months of this year. Although gargantuan, that is up just 0.1 percent from the equivalent period in 2021.

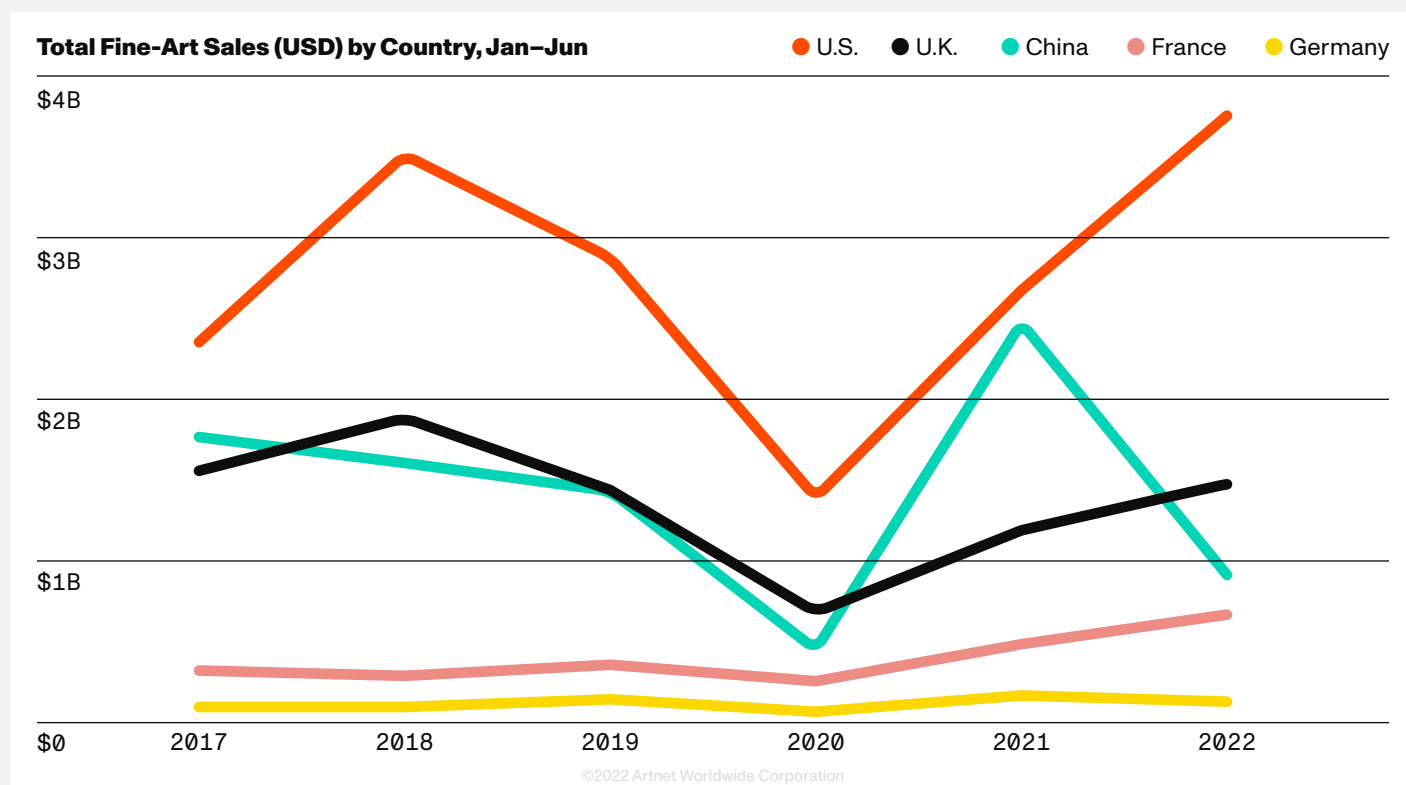
This infinitesimal improvement might seem lackluster unless you consider that 2021 was an exceptionally strong year due to pent-up demand and a flood of top-quality inventory, such as the storied collection of divorced couple Harry and Linda Macklowe.

This year, the market benefited from other strong consignments, including the collections of the Texas ranch heiress Anne Bass and Swiss connoisseurs Thomas and Doris Ammann.

Total fine-art sales are up 138.7 percent from the first half of 2020, when most countries were in lockdown, and a more revealing 12.3 percent from pre-pandemic 2019.

The total of 180,208 lots sold is down just 3 percent from 2021's number, which was the highest we've ever recorded. The latest figure suggests that the more efficient, faster-moving market ushered in by the pandemic is here to stay.

Which Country's Art Market Is Leading?



In 2021, China's strict COVID response helped jump-start its economy, while spending by young, wealthy Chinese collectors helped the country close in on the U.S.'s long-held lead. But the tide turned significantly in the first half of 2022. The yuan fell sharply against the dollar, prolonged lockdowns limited travel to and from Asia, and the Chinese property market became increasingly fragile.

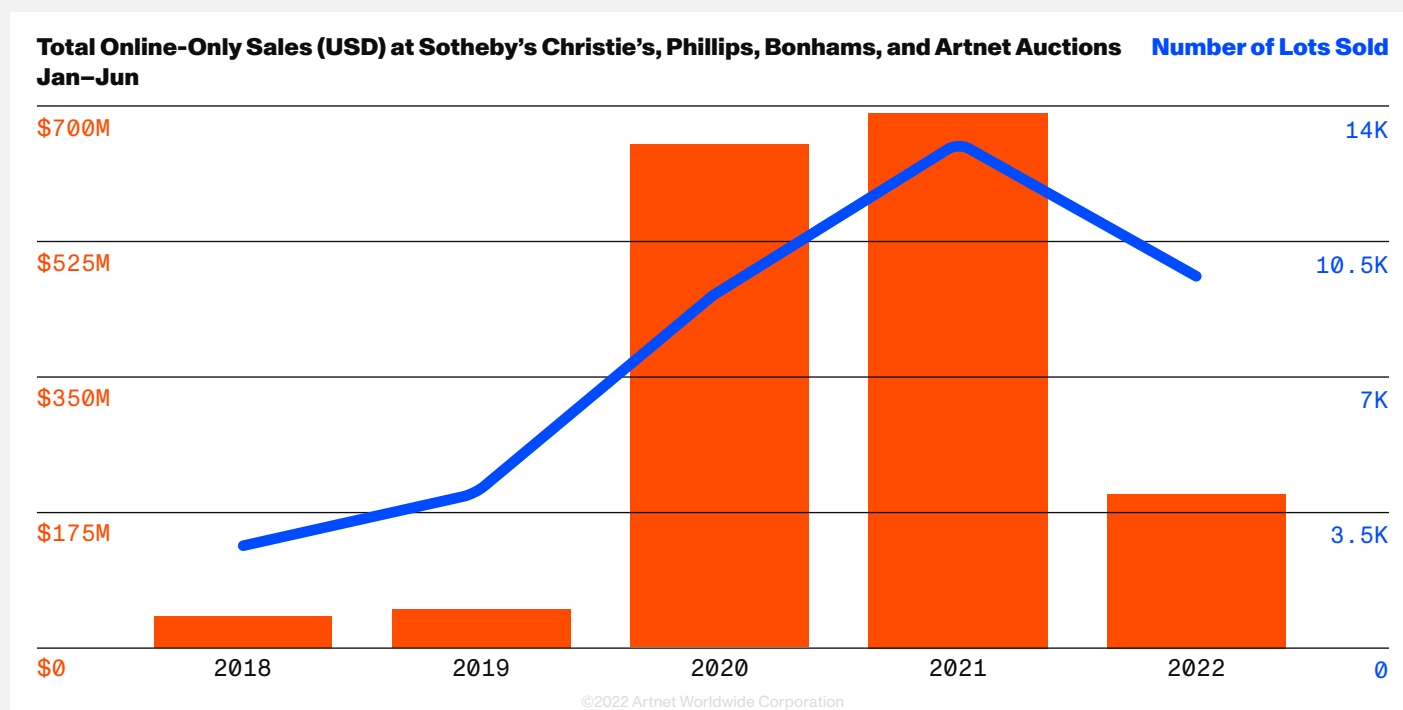
The U.S. market rode a wave of high-profile consignments toward a V-shaped recovery. In the first half of 2022, fine-art auctions in the country generated \$3.7 billion, up 165 percent from the 2020 trough.

Although the U.K.'s auction market experienced less dramatic peaks and valleys, its \$1.5 billion total put it in second place, eclipsing China's haul.

China recorded just \$927.9 million in total fine-art sales, down 62.1 percent from the first half of 2021. If we included Hong Kong's summer sales, which took place in the second half of the year, China's total would be \$1.6 billion, down 50 percent from 2021.

Ahead of the arrival of Art Basel in Paris, France's art market is up 28.4 percent over the first half of last year. The French market has benefited from Brexit and highly competitive VAT rates. The country's total auction sales have almost doubled from what they were in the wake of the Brexit vote in 2017.

How Much Art Sold Online in the First Half of the Year?



Online art sales boomed during lockdown, when there were few other ways to buy works. As the world transitioned to a new phase of the pandemic and live events returned, this segment of the market has lost some of the wind in its sails.

The growth of online-only sales—which we define as those held exclusively online with no live bidders in attendance—has slowed every year since 2020, when they spiked 1,278 percent.

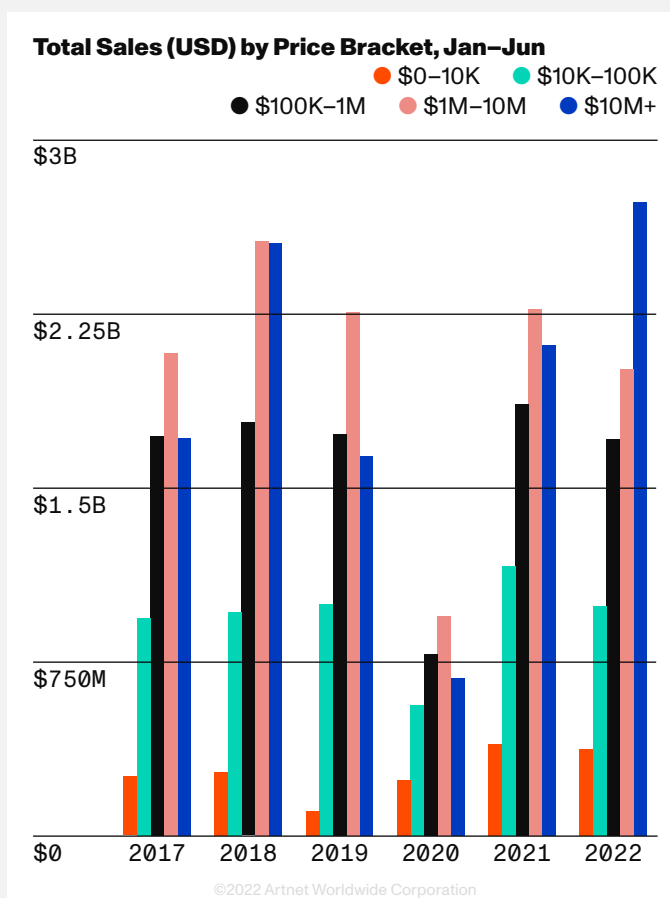
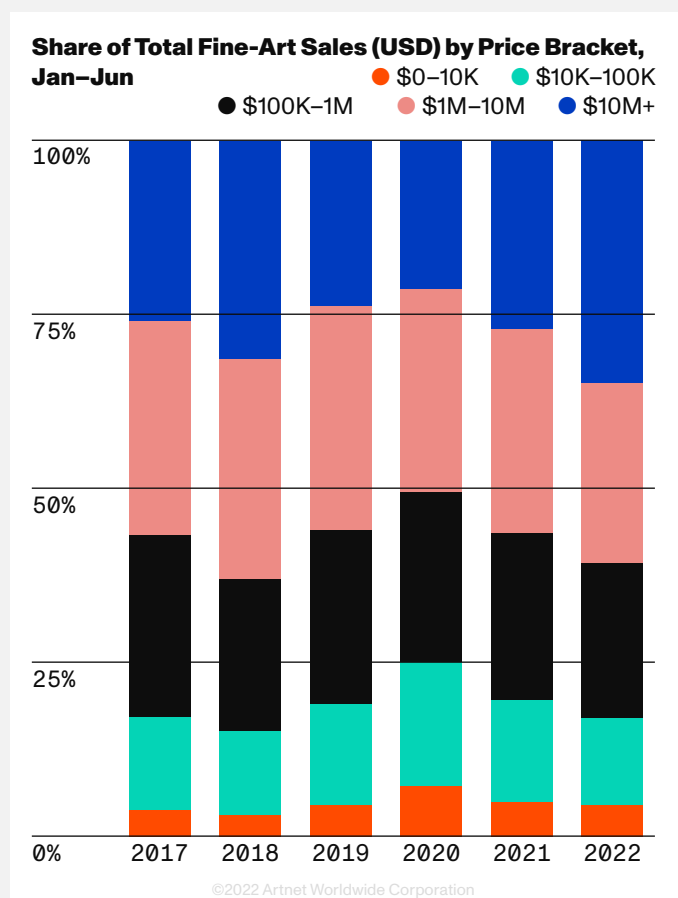
In 2022, the houses we examined generated \$197.6 million in online art sales, down 71.5 percent from 2021. Still, that figure is up almost 320 percent from the first half of 2019, suggesting that the pandemic turned up the volume of online trading for good.

As top material migrated back to in-person sales, the average price of a work sold online in the first half of 2022 dropped to \$20,198. That's down 72 percent from the same period in 2020.

More work than ever is being offered online, thanks to increasingly efficient online-sales operations and a new year-round schedule. Some 9,782 lots sold online in the first half of 2022, 8.7 percent more than in 2020.

Sotheby's is still head and shoulders above the competition when it comes to e-commerce, having netted \$108.4 million in total online sales by midyear. Christie's comes in second, with \$66.9 million worth of fine art sold at auction online.

What Price Point Was Most Popular in the Year's First Half?



Sales of fine art remained largely flat compared with the equivalent period in 2021. But the composition of the market—and the most popular price points—changed considerably in just one year.

The only price bracket to see an increase in total sales year over year was for works worth more than \$10 million. Sales in that uppermost tier rose by almost 30 percent, driven by headline pieces from the Ammanns and Anne Bass at Christie's, the Macklowe collection at Sotheby's, and a billboard-size Basquiat at Phillips.

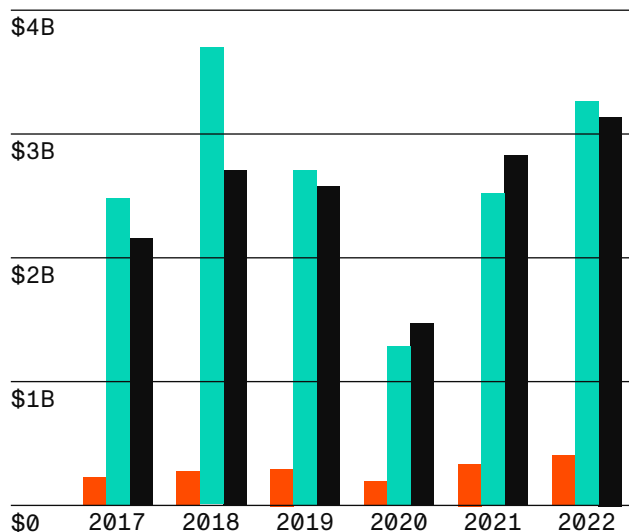
All other price points saw a decline in total sales compared with the first half of 2021, decreasing between 6.6 percent (for works under \$10,000) and 15 percent (for works between \$10,000 and \$100,000).

Only the very top bracket (more than \$10 million) and the lowest (under \$10,000) are in a better position than they were in 2019. Growth on the low end can be attributed to the pandemic migration to on-line sales, which made it easier and more cost-effective to transact at lower price points.

What Category Was the Most Lucrative Midway Through the Year?

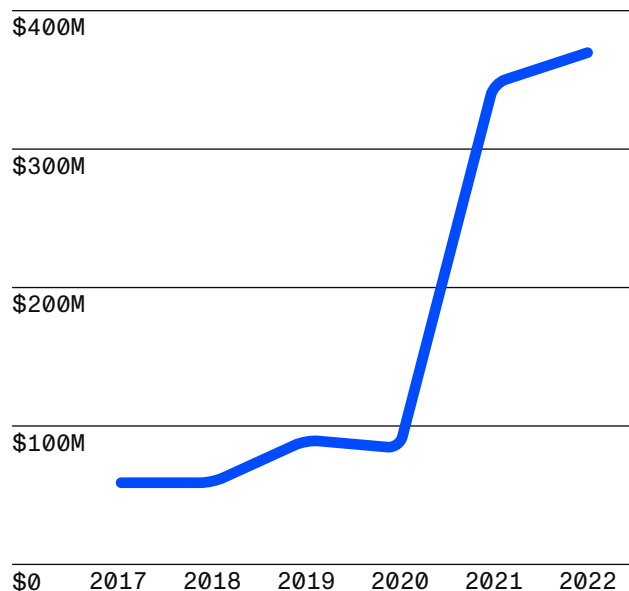
Total Fine-Art Sales (USD) by Category, Jan–Jun

● Old Masters ● Impressionist & Modern ● Postwar & Contemporary



©2022 Artnet Worldwide Corporation

Total Sales (USD) for Ultra-Contemporary Art, Jan–Jun



©2022 Artnet Worldwide Corporation

The performance of artistic categories often has as much to do with supply as demand. In the case of Impressionist and Modern art, a wave of top-notch material in a historically supply-challenged area made all the difference.

Impressionist and Modern art overtook the postwar and contemporary category as the biggest moneymaker for the first time since 2019, with \$3.3 billion in sales. The nearly 30 percent spike from 2021 can be attributed to an increased supply of Imp-Mod treasures worth more than \$10 million from collections like that of Anne Bass, which alone generated more than \$363 million this year.

Ultra-contemporary art, which for years was the fastest-growing sector of the market, has wavered. The sector delivered \$365.3 million in the first six months of the year, an increase of 6.5 percent. That's smaller than any other category in terms of year-on-year growth. Two factors contributed to the slowdown: the cooling of the NFT market and galleries' and artists' increased efforts to clamp down on flippers.

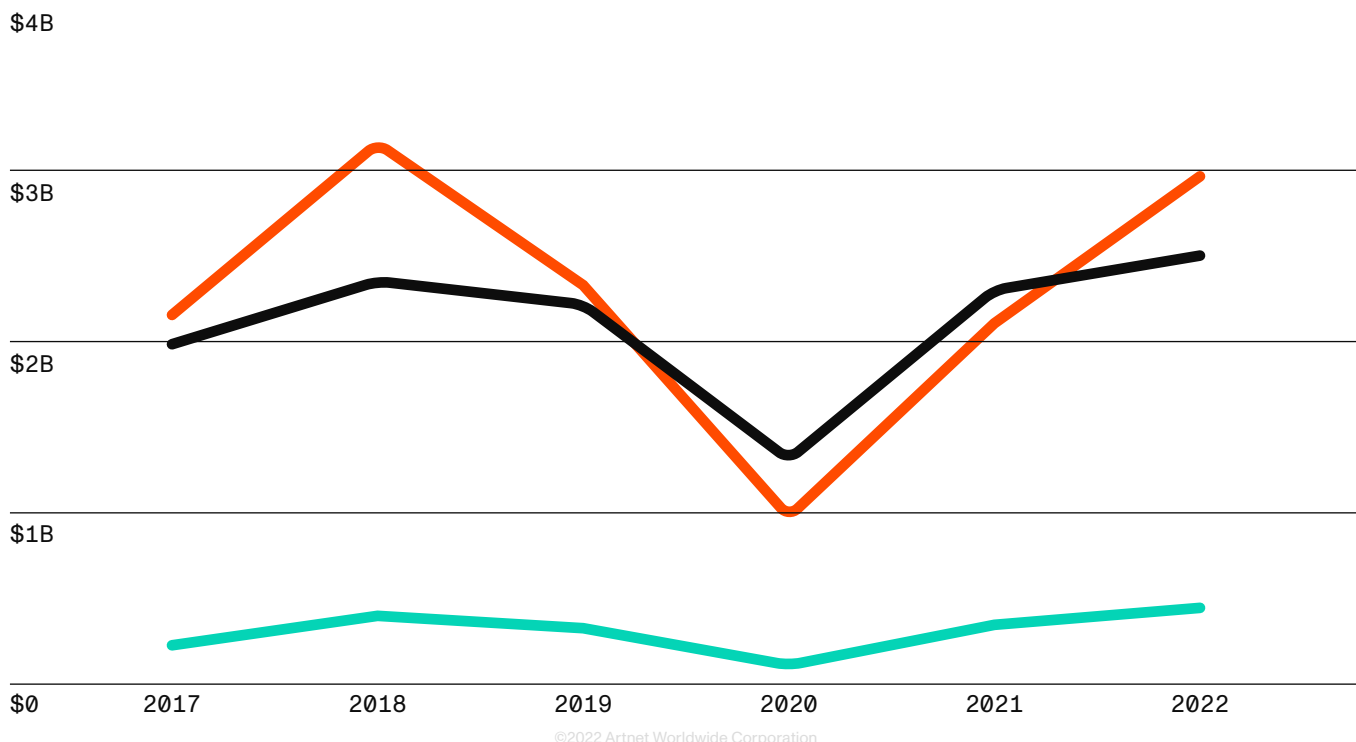
The postwar and contemporary segment is up almost 11 percent over the first half of 2021, with total sales of \$3.1 billion. That's the highest total for the category in at least a decade.

Old Masters had its strongest first half in five years, growing just under 20 percent and generating \$405.9 million. The sector outpaced ultra-contemporary after falling behind last year.

Which Auction House Came Out on Top in the Year's First Half?

Total Fine-Art Sales (USD) by Auction House, Jan–Jun

● Christie's ● Phillips ● Sotheby's



Each of the Big Three auction houses improved its taking in the first half of the year compared with the same period in 2021. But only one came out on top.

Christie's has taken the crown from rival Sotheby's, generating \$3 billion in total fine-art sales in the first half of 2022. That figure is up 44 percent from the equivalent period in 2021 and earns the house the "most improved" title as well.

Sotheby's—which gained an early lead during lockdown because of its faster transition to online sales—lagged behind at \$2.4 billion. It posted a relatively meager 7.6 percent improvement on 2021's first half.

Note that these figures do not include private sales and indicate total revenue rather than profit—which means they don't reveal any erosion of the auction houses' margins caused by deals they may have struck with consignors.

Phillips, which took the honors for most improved last year, generated \$449.3 million in fine-art sales, a 23.6 percent improvement on last year and a 184.4 percent boost from 2020.

Who are the **most bankable artists**?
See the 10 best-selling artists in
each genre so far this year—
and how the list has changed from
2021.

New to the top 10 since first half of 2021	NEW
Up from first half of 2021	↑
Down from first half of 2021	↓
No change from first half of 2021	==

Gerhard Richter, *Abstraktes Bild* (1994) [detail]

European Old Masters



Pieter van Mol, *Diogenes With His Lantern Looking for an Honest Man*

		Name	Life	Lots Sold	Lots Offered	Sell-Through Rate	Total Sales
1	=	Sandro Botticelli	1444–1510	1	1	100%	\$45,419,700
2	NEW!	Jean-Baptiste-Siméon Chardin	1699–1779	1	2	50%	\$30,137,584
3	NEW!	Michelangelo	1475–1564	1	1	100%	\$24,319,614
4	NEW!	Pieter van Mol	1599–1650	1	1	100%	\$5,779,200
5	NEW!	Pieter Brueghel the Younger	1565–1636	4	5	80%	\$5,297,320
6	NEW!	Titian	1485–1576	1	1	100%	\$5,075,319
7	NEW!	Artemisia Gentileschi	1593–1652	3	3	100%	\$5,040,000
8	NEW!	Fra Angelico	1400–55	1	1	100%	\$4,740,000
9	NEW!	Orazio Gentileschi	1562–1647	1	1	100%	\$4,440,000
10	NEW!	Peter Paul Rubens	1577–1640	7	8	88%	\$3,755,594

Impressionist & Modern



Francis Bacon, *Study for Portrait of Lucian Freud* (1964)

		Name	Life	Lots Sold	Lots Offered	Sell-Through Rate	Total Sales
1	↑	Claude Monet	1840–1926	21	24	88%	\$450,808,867
2	↓	Pablo Picasso	1881–1973	1,374	1,567	88%	\$350,194,049
3	↑	Mark Rothko	1903–70	4	4	100%	\$172,868,000
4	↑	René Magritte	1898–1967	56	71	79%	\$159,381,091
5	NEW!	Francis Bacon	1909–92	74	84	88%	\$156,195,696
6	↑	Alberto Giacometti	1901–66	111	140	79%	\$94,429,936
7	NEW!	Marc Chagall	1887–1985	603	745	81%	\$91,288,082
8	NEW!	Willem de Kooning	1904–97	38	50	76%	\$76,038,985
9	↓	Vincent van Gogh	1853–90	7	7	100%	\$69,198,519
10	NEW!	Edgar Degas	1834–1917	53	84	63%	\$65,469,712

Postwar



Philip Guston, *Ominous Land* (1972)

		Name	Life	Lots Sold	Lots Offered	Sell-Through Rate	Total Sales
1	=	Andy Warhol	1928–87	720	836	86%	\$401,737,496
2	↑	Cy Twombly	1928–2011	47	52	90%	\$115,078,744
3	=	Gerhard Richter	b. 1932	159	173	92%	\$114,538,316
4	=	Yayoi Kusama	b. 1929	394	419	94%	\$91,291,072
5	↑	David Hockney	b. 1937	269	308	87%	\$71,938,374
6	NEW!	Yves Klein	1928–62	39	52	75%	\$71,709,404
7	↓	Zao Wou-Ki	1920–2013	162	186	87%	\$58,559,650
8	NEW!	Jackson Pollock	1912–65	15	15	100%	\$54,976,863
9	NEW!	Georg Baselitz	b. 1938	42	53	79%	\$39,287,818
10	NEW!	Philip Guston	1913–80	23	24	96%	\$38,457,253

Contemporary



Stanley Whitney, *Iraqi Blues* (2007)

		Name	Life	Lots Sold	Lots Offered	Sell-Through Rate	Total Sales
1	=	Jean-Michel Basquiat	1960–88	24	28	86%	\$131,138,611
2	↑	Yoshitomo Nara	b. 1959	209	236	89%	\$55,497,467
3	↓	Banksy	b. 1974	348	443	79%	\$46,125,807
4	↑	George Condo	b. 1957	71	78	91%	\$30,400,119
5	NEW!	Jeff Koons	b. 1955	112	151	74%	\$28,589,334
6	↑	Damien Hirst	b. 1965	429	491	87%	\$28,105,436
7	NEW!	Cecily Brown	b. 1969	20	23	87%	\$22,973,158
8	NEW!	Mark Grotjahn	b. 1968	10	10	100%	\$18,348,938
9	NEW!	Stanley Whitney	b. 1946	38	39	97%	\$17,583,602
10	NEW!	Christopher Wool	b. 1955	27	32	84%	\$16,165,841

Ultra-Contemporary

Shara Hughes, *Weeping Blur* (2018)

		Name	Life	Lots Sold	Lots Offered	Sell-Through Rate	Total Sales
1	↑	Adrian Ghenie	b. 1977	15	21	71%	\$31,667,542
2	N E W ↓	Shara Hughes	b. 1981	38	39	97%	\$24,610,067
3	↓	Matthew Wong	1984–2019	11	11	100%	\$21,325,793
4	↑	Ayako Rokkaku	b. 1982	115	125	92%	\$18,957,129
5	N E W ↓	Flora Yukhnovich	b. 1990	12	12	100%	\$12,536,587
6	=	Avery Singer	b. 1987	9	9	100%	\$9,177,633
7	N E W ↓	Aboudia	b. 1983	56	56	100%	\$9,164,431
8	N E W ↓	Nicolas Party	b. 1980	39	46	85%	\$9,163,033
9	N E W ↓	Amoako Boafo	b. 1984	12	13	92%	\$8,263,299
10	N E W ↓	María Berrio	b. 1982	7	7	100%	\$7,555,319

From the Studio

to the Auction Block

How the Path Between These Two Poles Shrank in the 21st Century—and What It Means for the Art Market

This article examines how early interest affects artists' long-term prospects in the 21st century through data. In particular, we focus on the genres of “Ultra-Contemporary” art, which for purposes of this article is defined as work made by artists born in or after 1975 through the present (“1975–present”) and “Postwar and Contemporary” art, which is defined herein as work made by artists born in or after 1900 through 1974 (“1900–74”). These categories of art have attracted a growing share of attention and dollars in recent years. What can the numbers tell us about

how the auction market has transformed over the past several decades to serve as a platform for new art—and what effect can this have on the market for young artists?

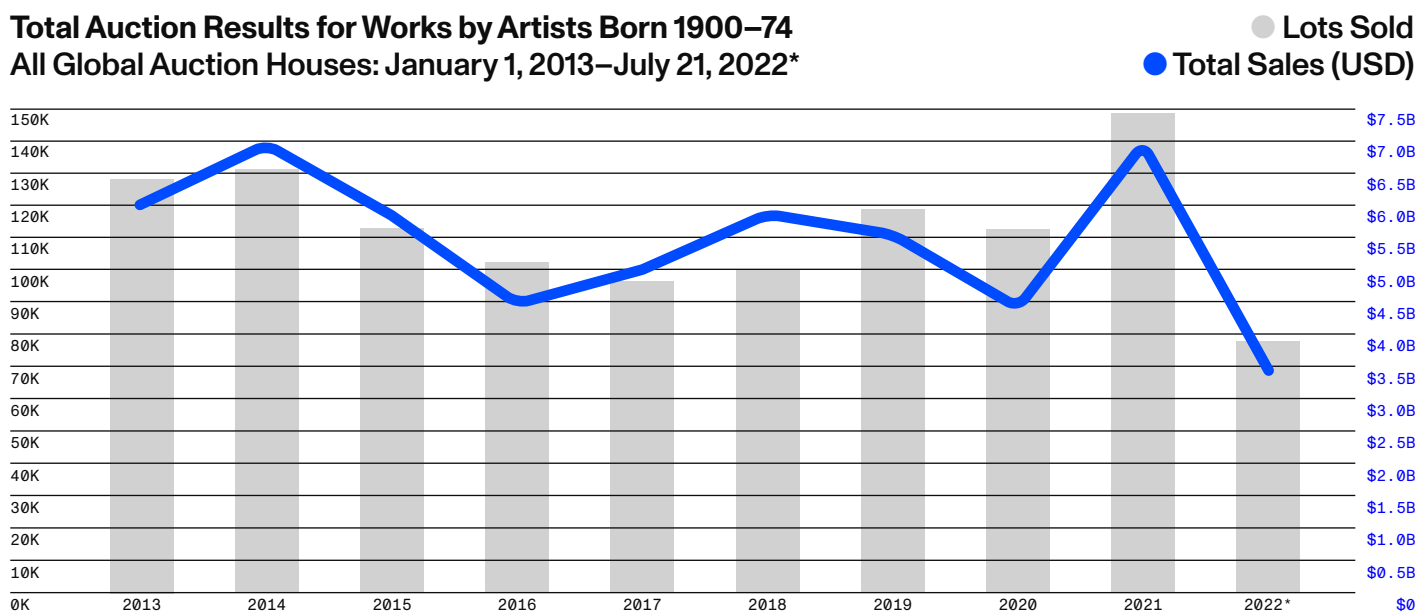
The analysis takes two related approaches: in the first, we examine macro data to identify significant shifts in artists' presence and results at auction in the past 20 years; in the second, we present five case studies of individual living artists whose auction sales have peaked at different points in the past two decades, as windows into how the speculative market has evolved during this century.

Methodology notes: Both samples of artists born 1900–74 and those born in or after 1975–present include only artists alive in the year their first work was included in a day auction at Sotheby's, Christie's, or Phillips. The samples also include living artists whose first appearance at Sotheby's, Christie's, or Phillips was in an evening sale—a phenomenon of recent vintage.

To best determine the average length of time between artists' debuts in the two categories of sales (day and the more prestigious evening) at Sotheby's, Christie's, or Phillips, we began by identifying the artists who saw their first work included in one of the three houses' evening sales in each year of the sample period. We then looked back to measure the time between that appearance and when the same artists' works were offered in any day sale held by Sotheby's, Christie's, or Phillips. Finally, we averaged the results for all qualifying artists in each year. (For artists whose first work in any Sotheby's, Christie's, or Phillips sale was in an evening auction, their time to progress to an evening was counted as 0.0 years.)

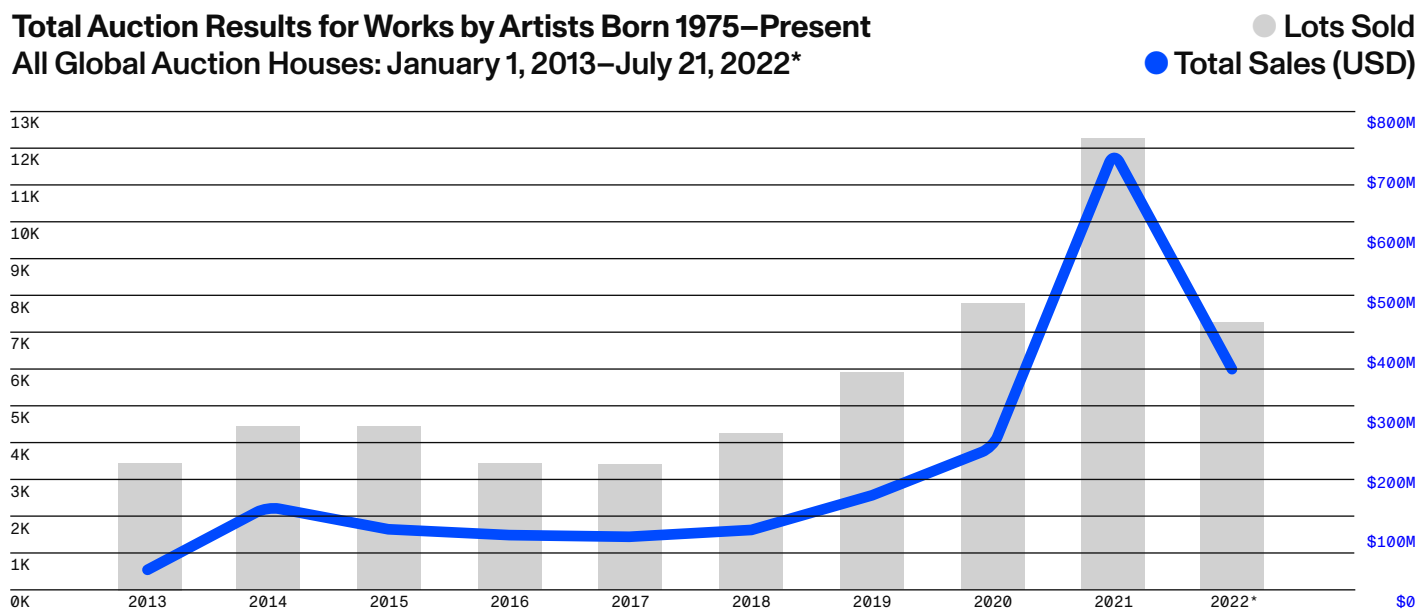
Total Auction Results for Works by Artists Born 1975–Present vs. Artists Born 1900–74

Total Auction Results for Works by Artists Born 1900–74
All Global Auction Houses: January 1, 2013–July 21, 2022*



© 2022 Artnet Worldwide Corporation
Source: Artnet Price Database and Artnet Analytics

Total Auction Results for Works by Artists Born 1975–Present
All Global Auction Houses: January 1, 2013–July 21, 2022*



© 2022 Artnet Worldwide Corporation
Source: Artnet Price Database and Artnet Analytics

Based on the data above, from 2013 through mid-July 2022, the growth in auction sales of Ultra-Contemporary art by artists born 1975–present has far surpassed that of work by artists born 1900–74, whether the annual sales growth is measured in dollar value or in the number of lots sold.

Total auction sales of Ultra-Contemporary art by artists born 1975–present have increased by more than 700 percent during this stretch, rising from \$91.4 million in 2013 to \$739.3 million in 2021. (Sales achieved this year through July 21, 2022, reached \$396.5 million, compared with \$359.0 million through the equivalent period in 2021.) In comparison, the apex by sales value for the older cohort of artists was achieved in 2014: \$6.95 billion, an increase of roughly 16 percent over the 2013 total. (Sales achieved this year through July 21, 2022, reached \$3.4 billion, close to the \$3.5 billion sold during the equivalent period of 2021.)

The number of Ultra-Contemporary lots made by artists born 1975–present sold at auction rose by roughly 250 percent over the sample period, from 3,487 lots in 2013 to 12,216 lots last year. (Through July 21, 2022, the volume of lots sold this year was 7,132, compared with the 6,386 lots sold during the equivalent period in 2021.) In contrast, while 2021 did see an all-time high number of lots sold by artists born 1900–74, this total (nearly 148,000 lots) was only about 16 percent higher than the equivalent total in 2013 (about 127,400). (As with total sales by value, the number of lots sold through mid-July 2022 fell from the equivalent period last year, to 76,053 from 80,230.)

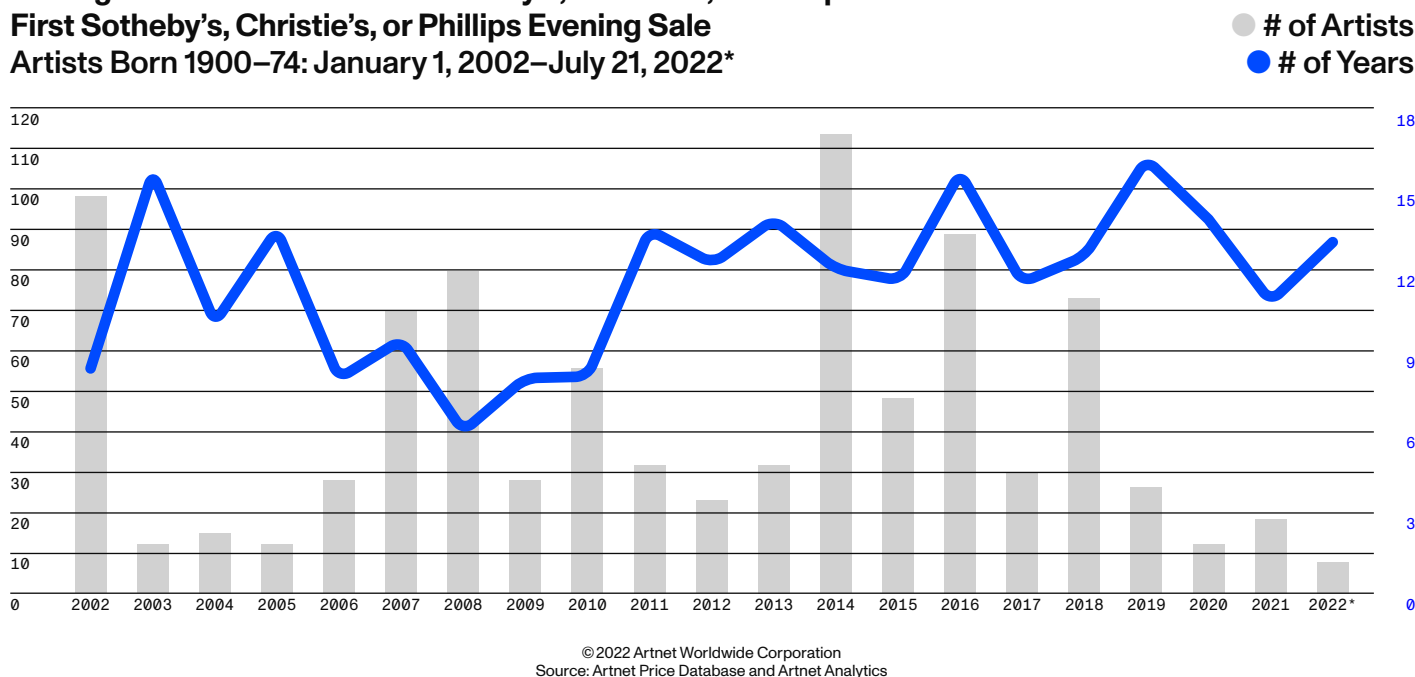
Also of note, the yearly sell-through rate for artists born 1900–74 has been, at best, only a few percentage points greater than for artists born 1975–present. On average, both groups of artists have found buyers for roughly two-thirds of the lots offered annually. The largest gap arose in 2018, when 69

percent of the lots by the older group found buyers, versus 63.8 percent for the younger group. While we cannot state for certain, the 5.2 percent advantage for artists born 1900–74 that year could be the result of the major auction houses offering multiple significant estates with especially strong holdings of works from the first half of the 20th century, including the collections of David and Peggy Rockefeller¹ and Barney A. Ebsworth (both at Christie's).²

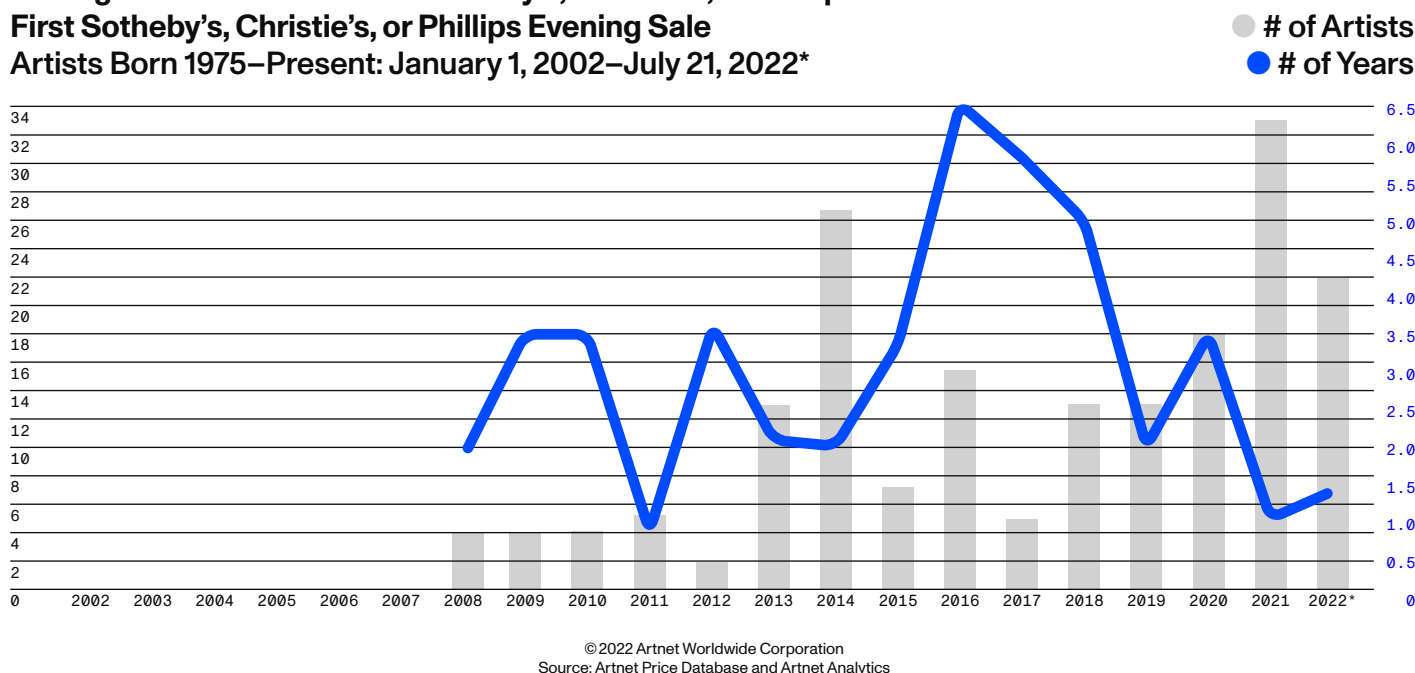
In summary, the data shows that buyers have grown the size of the auction market for Ultra-Contemporary art made by artists born 1975–present much larger—by two statistical metrics—than for artists born 1900–74 in recent years. Lots by the younger age group have also remained nearly as likely to find buyers at auction as lots by their more established predecessors, which could potentially suggest that both auction houses and bidders have come to view the majority of these works as worthy secondary-market acquisitions.

Accelerating the Path to a Sotheby's, Christie's, or Phillips Evening Sale

Average Time Between First Sotheby's, Christie's, or Phillips Sale & First Sotheby's, Christie's, or Phillips Evening Sale
Artists Born 1900–74: January 1, 2002–July 21, 2022*



Average Time Between First Sotheby's, Christie's, or Phillips Sale & First Sotheby's, Christie's, or Phillips Evening Sale
Artists Born 1975–Present: January 1, 2002–July 21, 2022*



One indicator of the art market's pronounced push toward youth is the accelerating speed at which artists progress through the tiers of prestige and price at auction houses. Three of the leaders in the Western auction sector are Sotheby's, Christie's, and Phillips.³ The offering of an artist's work for sale at one of these "Big Three" auction houses implies greater market demand than would its appearance at any other house in the sector. Among all art auctions held by the Big Three houses, the most prestigious are their evening sales, where (generally) the most coveted and highest-priced lots are offered.⁴

As another way to quantify whether bidders' interest in works by Ultra-Contemporary artists born 1975–present has been growing faster than for artists born 1900–74, we performed another analysis for both groups: a year-by-year measure of the average length of time separating the first offering of qualifying artists' work in any Sotheby's, Christie's, or Phillips sale and the first offering of the same qualifying artists' work at one of Sotheby's, Christie's, or Phillips' evening sales.

Ultra-Contemporary artists born 1975–present have consistently graduated to the Big Three houses' evening sales faster on average than artists born 1900–74. From 2008 through mid-July 2022, qualifying Ultra-Contemporary artists born 1975–present made the leap to a Big Three evening sale in between 1.2 years and 6.3 years on average. In contrast, qualifying artists born 1900–74 needed between 7 years and 16.6 years on average.

Period Between 2007 and 2010

Both groups' average time to reach an evening sale also increased or decreased in tandem with macro fluctuations in art auction sales. For example, the qualifying cohort of older artists progressed to the Big Three's evening sales fastest from 2007

through 2010, the years generally considered to have been most strongly impacted by the Great Recession; during this period, the number of such artists who were elevated to an evening sale ranged from 28 to 80 per year, in an average time of between seven and nine years.

This outcome meshes with the notion of a retreat to proven quality as market anxiety heightened.⁵ It's plausible that the major houses would have responded to this tension by taking more established artists who had been consistently profitable in their day sales and elevating them to their evening auctions. The comparatively low number of Ultra-Contemporary artists born 1975–present debuting at Sotheby's, Christie's, or Phillips' evening sales during this stretch—just four per year from 2008 through 2010—represents the other side of this strategic coin.

Period Between 2016 and 2018

A similar dynamic played out from 2016 through 2018. Of all the Ultra-Contemporary artists born 1975–present who have graduated to Sotheby's, Christie's, or Phillips evening sales from the day sales since 2008, those who did so between 2016 and 2018 took between 5 and 6.3 years, on average, longer than their peers in the other years on record. This makes sense against the backdrop of a downturn that took place in the fine-art auction market during these years; total sales plummeted from roughly \$15 billion to less than \$12 billion from 2015 to 2016, a year-over-year drop of more than 20 percent, and still had not fully bounced back to 2015 levels by the end of 2018.⁶ In this context, 2016 may be a cautionary tale for auction house specialists, who may have tried to balance a slowly growing appetite for younger artists in the preceding years' evening sales against steadily worsening market conditions in 2016 itself—opposing

forces that could have led to elevating Ultra-Contemporary artists born 1975–present who were deemed even surer sellers than the few who debuted in their evening sales during the Great Recession.

Period Between 2019 and the Present

The two groups' progress has inverted since 2019. As auction sales of Ultra-Contemporary works made by artists born 1975–present posted three consecutive years of record-high results, the number of Ultra-Contemporary artists born 1975–present graduating to a Big Three evening sale climbed to a new high (33 artists in 2021) while the time required to do so shortened to an all-time low of 1.2 years on average. (Through mid-July, 22 new Ultra-Contemporary artists born 1975–present had entered a Big Three evening sale, in an average time of 1.6 years from their initial Big Three appearance.) Meanwhile, the number of artists born 1900–74 who made their evening sale debut dropped by nearly 30 percent from 2019 through 2021, and the time required to do so expanded to a new average length of 16.6 years in 2019 before contracting slightly to 11.4 years in 2021.

These figures could represent a new “flight to quality” during and after the onset of COVID-19. More-conservative buyers may have been most interested in canonical artists who had long been fixtures at the Sotheby's, Christie's, and Phillips evening sales; more risk-friendly buyers (whose investment portfolios likely produced tremendous returns from the second half of 2020 through the end of 2021) may have been most interested in the Ultra-Contemporary artists born 1975–present, whose works were seen as the highest-upside “growth” opportunities in the art auction market. In short, if the auction houses were going to promote artists untested in their evening sales, they

had greater incentive to do so for the very youngest than for any other group.

The data complements an organizational push toward Ultra-Contemporary art made by artists born 1975–present at the Big Three auction houses, primarily Sotheby's. In fall 2021, Sotheby's reorganized its Contemporary art evening sales into two more specific auctions: “The Contemporary,” which generally encompasses artworks made from the Postwar era through the late 20th century; and “The Now,” which generally encompasses works completed in the 21st century—a designation that puts Ultra-Contemporary art made by artists born 1975–present at the forefront.⁷ Meanwhile, the focus on young female Ultra-Contemporary artists born 1975–present in “The Now” auctions represents a pivot away from past practice among the major auction houses in an era when gender equity has come to the fore.⁸

Sotheby's also hired Noah Horowitz, the former director of the Americas for Art Basel, to try to build bridges to primary-market galleries across price tiers.⁹ Horowitz recently unveiled Artist's Choice, a recurring initiative that allows artists and their galleries to consign works directly to auction, with a small portion of Sotheby's fees and the hammer price going to a charity selected by the artist.¹⁰ Auctioneer Simon de Pury launched a similar model in August 2022 with the sale “Women: Art in Times of Chaos,” which generated more than \$800,000 for artists and their galleries.¹¹

Case Studies

Two decades ago, it took an average of around eight years for an artist to ascend from the day sales to the more prominent evening sales at Sotheby's, Christie's, or Phillips.¹² That time shrinks in moments of frenzied spending on young artists—as during the “Zombie Formalism” craze for young abstract art in 2013–14 and, more recently, from 2020 to the present. The increased glare of prominent auction trading can have a big impact on the trajectory of an artist's market.

Just as the art market is made up of many individual genres, each genre is made up of markets for specific artists. There is much that may be learned from these individual cases. We selected five living artists from and across different decades who had dramatic spikes on the secondary market early in their careers to explore how each of their markets unfolded in the years after. We examine how a complex web of factors—including timing, gallery representation, supply, and broader market conditions—can shape the arc of an artist's market after early auction success.

There are limits to what these case studies demonstrate. We cannot get a full picture of each artist's private (i.e., primary) markets or insight into the personal decisions directing their careers. However, an analysis of auction results and other publicly available information does illustrate

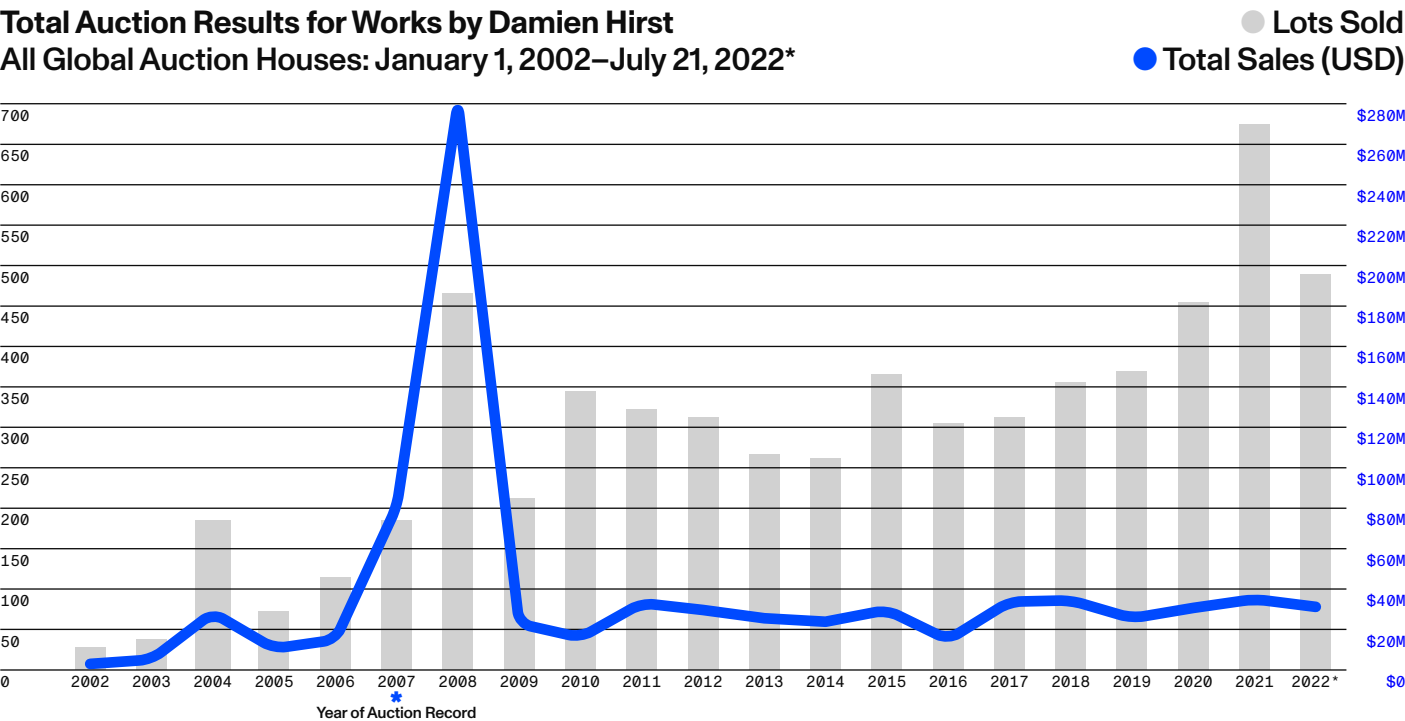
the different paths an artist's career can take after an early splash on the auction (i.e., secondary) markets.

Disclaimer: The following case studies are presented only for individual analysis of changing auction-market demand for living artists during specific periods since 2002. The artists chosen are not necessarily representative of auction results for all living artists in the same genre, nor are their past auction results indicative of future performance. Since there is scant publicly verifiable data about sales in the private art market (i.e., the gallery/dealer sector), we have included the date of each artist's first solo gallery exhibition (sourced from their curriculum vitae) only as an approximate reference point to suggest when collectors saw them as viable propositions in the private market, not just the auction market.

Damien Hirst

First solo gallery exhibition	1987
First appearance at a Sotheby's, Christie's, or Phillips day sale	June 1995
First appearance at a Sotheby's, Christie's, or Phillips evening sale	May 2000
Auction record set	June 2007*

Total Auction Results for Works by Damien Hirst
All Global Auction Houses: January 1, 2002–July 21, 2022*



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Source: Artnet Price Database and Artnet Analytics

Damien Hirst (b. 1965), who became famous in the 1990s after graduating from Goldsmiths as a member of the Young British Artists, a generation of boundary-breaking painters and sculptors in the U.K., made his auction debut in 1995—seven years before the earliest sample period in the rest of our analysis and eight years after his first gallery show.¹³ Unlike the other artists we are examining, Hirst himself was the engine behind his most prominent turn at auction.

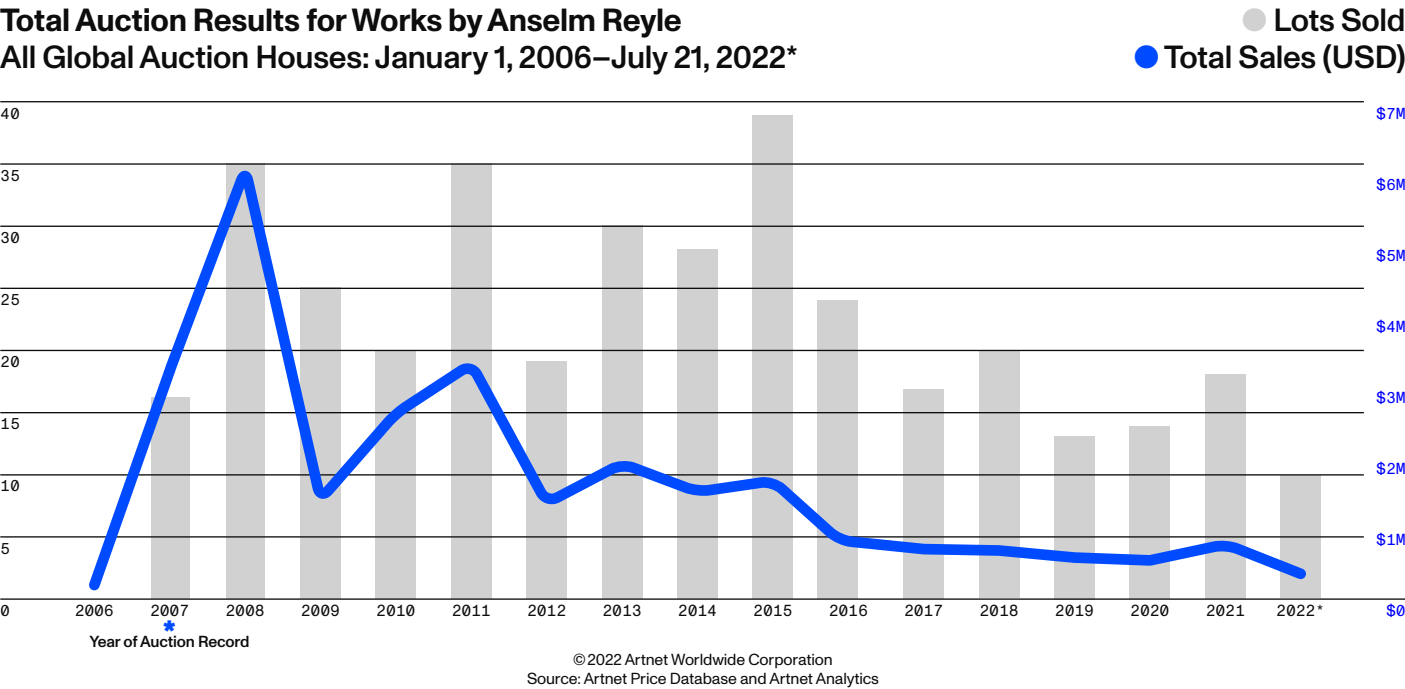
In 2008, the artist consigned 218 works directly from his studio to Sotheby's for the notorious “Beautiful Inside My Head Forever” sale. The auction—a then-radical market gesture that cut out his galleries—surpassed expectations, bringing in around \$200 million.¹⁴ That same night, Lehman Brothers collapsed and financial markets plunged.¹⁵ The dramatically timed sale saw the artist's total 2008 auction sales propelled to a record \$268.8 million.

The following year, as the art market began to feel the effects of the financial crash, Hirst's annual sales value plummeted 92 percent, to \$20.3 million.¹⁶ Ever since 2008, his auction market has been characterized by abundant supply, which may have constrained his prices: the number of works on offer each year has not fallen below 200.¹⁷ (In the first half of 2022, 429 Hirst lots sold, the most for any name among the top 15 contemporary artists at auction.¹⁸)

With some renewed success on the private market from his “Cherry Blossom” series, Hirst saw his best year at auction since 2008 last year, with his works generating some \$37.9 million.¹⁹ Still, the market remains far below its pre-recession peak. Last year, 820 Hirst works were on offer—almost 30 percent more than in 2008—and the total sales figure was still 85.9 percent below the record-setting sum.

Anselm Reyle

First solo gallery exhibition	2000
First appearance at a Sotheby's, Christie's, or Phillips day sale	October 2006
First appearance at a Sotheby's, Christie's, or Phillips evening sale	October 2006
Auction record set	October 2007*



The German artist Anselm Reyle (b. 1970) burst onto the art scene after attending Staatliche Akademie der Bildenden Künste Karlsruhe with his first gallery show in Berlin in 2000. Within four years, he had a solo exhibition at the prominent New York gallery Gavin Brown's enterprise.²⁰ He became known for his "crinkle" pieces, in which he bunched up colored foil, mounted it on canvas, and placed it behind glass.

Reyle's first work sold at auction in 2006 for just under \$58,000, comfortably within estimate.²¹ No other works by the artist appeared at auction that year. As his star rose, transactions began to pick up speed. The following year, Reyle joined megadealer Gagosian gallery, and 16 of his works hit the auction block.²² As interest in Ultra-Contemporary art rose more broadly, Reyle's auction market peaked in 2008, with total sales of just over \$6 million for 35 lots.²³ His works consistently outperformed estimates as he ascended to prime evening-sale positioning. A purple acrylic and foil piece from 2006, for example, fetched \$619,435 at the Sotheby's Contemporary art evening sale in February

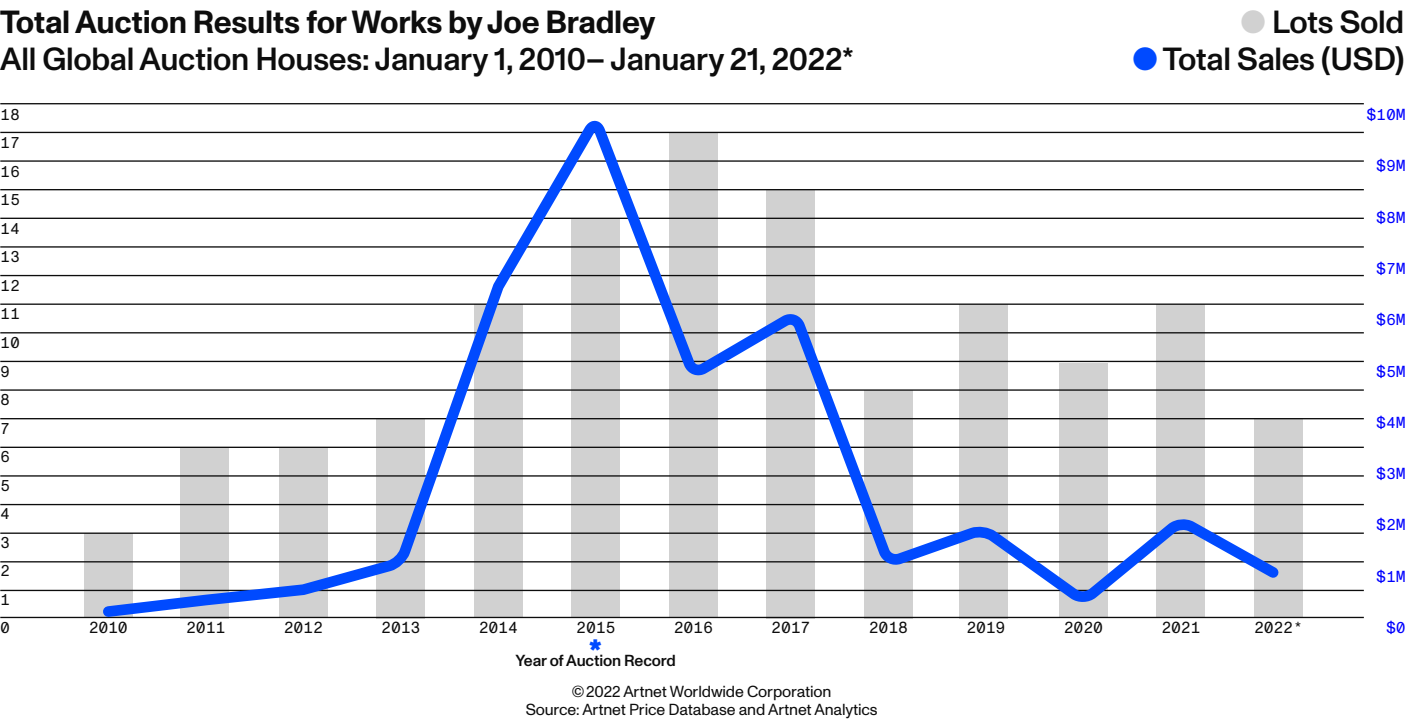
2008, surpassing its \$496,820 high estimate.²⁴

Then the recession hit the art market. In 2009, Reyle's total sales value dropped by 70 percent, and more than 40 percent of his works offered at auction failed to find buyers.²⁵ Although he matched or exceeded 35 lots sold in two subsequent years (2011 and 2015), his total annual sales did not exceed \$3.3 million.

In February 2014, Reyle announced his retirement from art production; he had what he stated was his last show at Gagosian that same year.²⁶ But the retirement didn't last long. By 2015, he was back in his studio (with considerably fewer assistants)²⁷, and by 2016, he had returned to the gallery world with a solo exhibition at Contemporary Fine Arts Berlin.²⁸ He has shown regularly at galleries and museums since, but his prices on the secondary market remain considerably below where they were in 2008. In 2021, auction houses sold 18 of his works for nearly \$805,000; in the first half of 2022, the corresponding figures were 10 lots sold for roughly \$457,000.

Joe Bradley

First solo gallery exhibition	2000
First appearance at a Sotheby's, Christie's, or Phillips day sale	May 2010
First appearance at a Sotheby's, Christie's, or Phillips evening sale	October 2011
Auction record set	November 2015★



Shortly after graduating from the Rhode Island School of Design, Joe Bradley (b. 1975) had his first solo gallery show in Boston.²⁹ He made his name creating what *New York Times* art critic Roberta Smith called “ironic, anti-painting paintings,” characterized by motifs outlined in black oil crayon that looked like overblown doodles.³⁰ He left his New York gallery, Canada, in 2011 to join Gavin Brown’s enterprise, where he stayed for four years. Between Bradley’s first solo show at Canada, in 2006, and his first exhibition at Gavin Brown, in 2011, his prices on the primary market increased 1,100 percent.³¹ In 2015, he joined Gagosian.³²

These gallery shifts coincided with a sharp ascent on the auction market. Often, when an artist joins a new gallery (especially one of the largest), the new dealer increases the works’ prices and also tamps down supply, which can push collectors to compete more fiercely for that artist’s work when it does come up for auction.³³

Bradley made his auction debut in 2010. Between 2011 and

2015, his annual auction sales shot up 2,604 percent, from \$368,108 to just under \$10 million. The average price for one of his works at auction also rose, by a factor of more than 10. His total sales peaked in 2015, at a strong moment for the contemporary art market; the following year, the number of Bradley’s lots sold peaked at 17, but the dollar value of his annual sales had already decreased by more than half, to \$4.8 million.

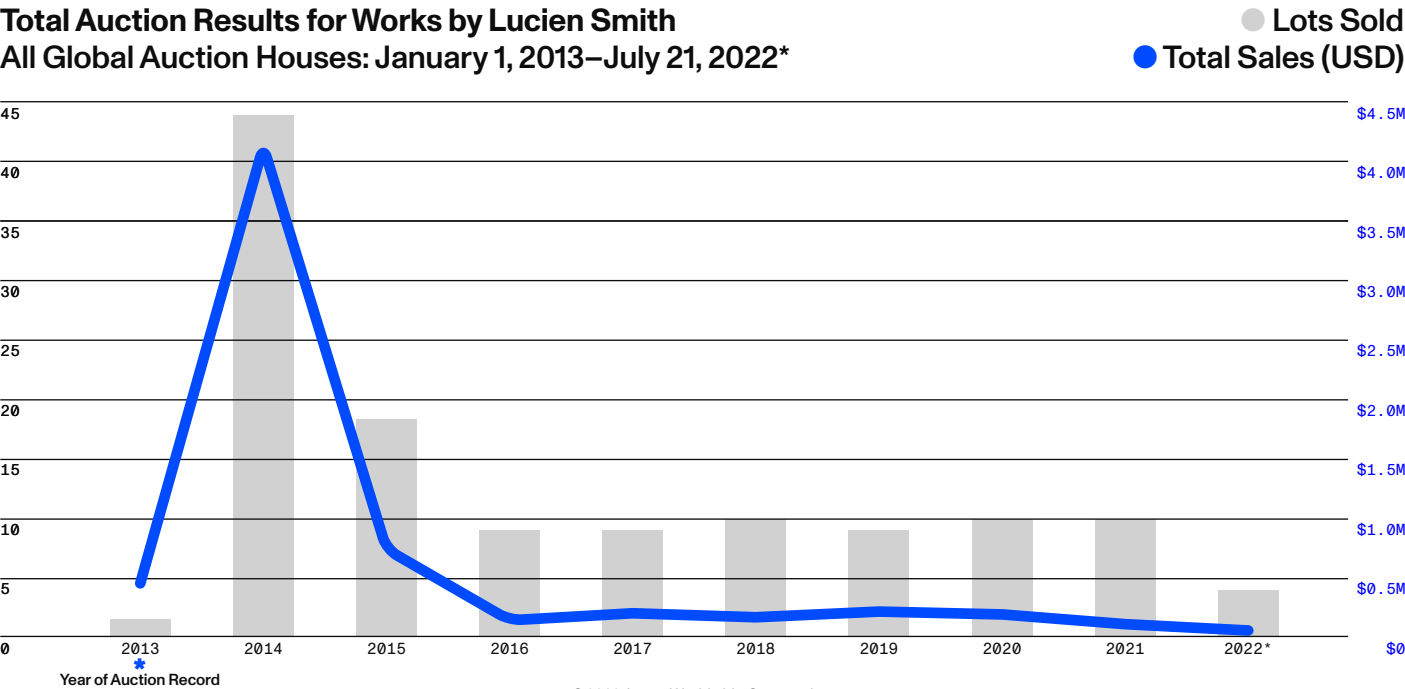
Over the next six years, the American artist continued to show at his galleries—Gagosian and Eva Presenhuber—and his style evolved from “anti-painting” to Abstract Expressionism-inspired brushy compositions on dirty canvases. He remained a consistent draw for bidders, albeit at a considerably lower level. The only full year in which his auction market has failed to generate at least \$1 million was 2020.

In 2021, Bradley left Gagosian to join Petzel and Xavier Hufkens. His first New York solo show in six years presented more conventional works that balance representation and abstraction—and drew strong reviews.³⁴

Lucien Smith

First solo gallery exhibition	2011
First appearance at a Sotheby's, Christie's, or Phillips day sale	November 2013
First appearance at a Sotheby's, Christie's, or Phillips evening sale	November 2013
Auction record set	November 2013*

Total Auction Results for Works by Lucien Smith
All Global Auction Houses: January 1, 2013–July 21, 2022*



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Source: Artnet Price Database and Artnet Analytics

A graduate of Cooper Union, the American painter Lucien Smith (b. 1989) rose to prominence as a member of the “Zombie Formalists.”³⁵ The term, coined by critic Walter Robinson, referred to a cohort of young artists who became popular in 2013 and 2014 for a particular brand of process-based abstraction—they created good-looking canvases with theatrical processes like applying paint with a fire extinguisher. Smith was considered among the group’s most high-profile members; in 2013, at the age of 24, *T* magazine called him an “art-world wunderkind.”³⁶

That year, he made his auction debut at Phillips, where the painting he created for his senior thesis was placed prominently as the first lot of the house’s fall New York evening sale. *Hobbes, The Rain Man, and My Friend Barney / Under the Sycamore Tree* (2011), a scene from *Winnie the Pooh* with the characters missing, carried a high estimate of \$150,000 and ended up selling for \$389,000 to an established dealer-collector.³⁷ Just two years earlier, it had

sold at Smith’s thesis exhibition for \$10,000.³⁸

No work by Smith has ever surpassed that price at auction. In 2014, 44 of his works hit the auction block, delivering a total of just over \$4 million. But with the fever for young artists cooling, his auction market fell 84 percent the following year, when 18 works sold for a combined \$639,000. The buyer of the record-setting *Hobbes* work told Bloomberg in 2015, “If you know someone who wants it, let me know.”³⁹

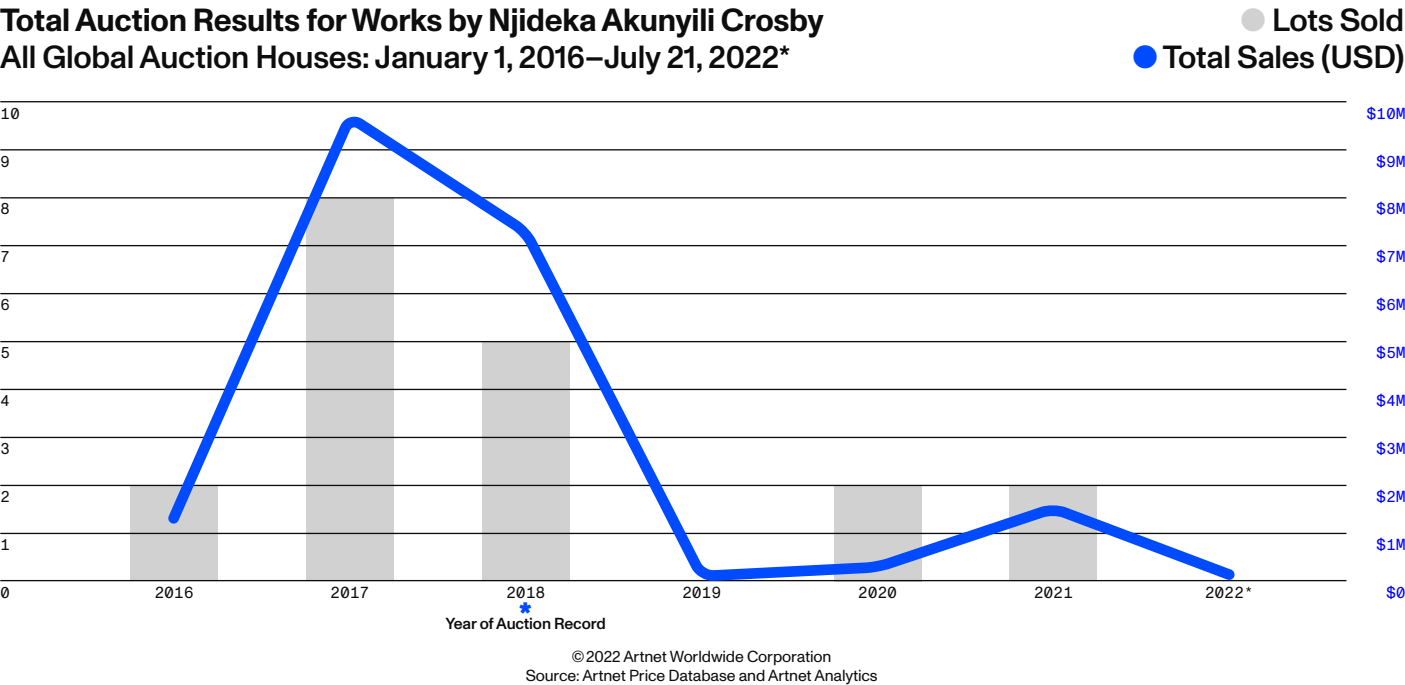
Smith’s decline continued as he largely retreated from the traditional art market. His annual auction sales have not reached \$200,000 since 2015, though they have also never fallen below \$113,415. In recent years, he has reinvented himself as an NFT (non-fungible token) artist, the founder of a nonprofit called Serving the People, and an ambassador for a fractional-ownership platform.⁴⁰

“I knew it was unsustainable,” Smith said in a 2021 interview. “Luckily I put my earnings in the right places so I would be comfortable.”⁴¹

Njideka Akunyili Crosby

First solo gallery exhibition	2013
First appearance at a Sotheby's, Christie's, or Phillips day sale	September 2016
First appearance at a Sotheby's, Christie's, or Phillips evening sale	November 2016
Auction record set	May 2018*

Total Auction Results for Works by Njideka Akunyili Crosby
All Global Auction Houses: January 1, 2016–July 21, 2022*



Njideka Akunyili Crosby (b. 1983) decided to become an artist only after she failed to get into her first-choice medical school.⁴² After graduating from the prestigious Yale School of Art in 2011, she began attracting attention with her lush, collaged depictions of her community in Nigeria, where she grew up, and New York, where she lives.

When she made her art-fair debut with Victoria Miro in December 2014 at Art Basel Miami Beach, her work stood out in contrast to the minimal, abstract “Zombie Formalist” works that were peaking in the market at the time. “We’ve never had such an immediate response to a new artist,” the gallery’s director, Glenn Scott Wright, said.⁴³ The interior scene ultimately sold to Cape Town’s Zeitz Museum of Contemporary Art Africa for nearly \$50,000.⁴⁴

Before long, the number of people who wanted to buy a work by Crosby far outpaced the available supply. (In an extremely productive year, she makes around a dozen works.⁴⁵) The growing demand helped push her into a Sotheby’s evening sale just two months after her first outing at one of the Big Three houses.⁴⁶ She

made her evening debut in November 2016 with *Drown* (2012). It sold for \$1.1 million, shattering its \$300,000 high estimate.⁴⁷

As with Smith, Crosby’s auction sales peaked the year after her debut. In 2017, eight of her works hit the auction block, generating more than \$9.5 million. Her auction record was set in 2018, when she donated the botanical composition *Bush Babies* (2017) to a benefit sale to support the Studio Museum in Harlem. It fetched \$3.4 million, more than four times its \$800,000 high estimate.

Crosby’s annual auction sales totals have declined considerably since then, but that has more to do with a tightening of supply than a drop in demand. Crosby and her dealers have taken deliberate steps to limit the number of her works that appear on the secondary market.⁴⁸ In 2018, the artist joined mega-gallery David Zwirner, which represents her alongside Victoria Miro.⁴⁹ The following year, no Crosby works were offered at auction, and only two were sold in each of the years 2020 and 2021. These efforts have continued in 2022, as none of the artist’s works have appeared at auction to date.⁵⁰

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- 50 Artnet Price Database

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This report reflects results from 433 auction houses worldwide from January 1–June 30, 2022. To consider how 2022's results stacked up to previous years, we compared them to worldwide auction sales from the equivalent period from 2017 through 2021. To encompass major auctions rescheduled from their spring dates, the 2020 data covers sales from January 1–July 10.

Artnet's Fine Art and Design Database includes fine art objects such as paintings, photographs, prints, and sculptures by artists ranging from Old Masters to contemporary artists and beyond. The Decorative Art Database contains antiques, antiquities, and collectibles. Both databases only include items with a low estimate of \$500 and above.

Every single lot included in the Artnet Price Database is verified against auction catalogues or directly with the auction houses and then categorized by a team of multilingual art history specialists to ensure the highest level of accuracy and allow for detailed data analysis. We only include Chinese auction houses that have been vetted by the China Association of Auctioneers, a national association in China that is seeking to standardize the auction industry. This report reflects the numbers in Artnet's Price Database as of July 18, 2022.

All sales prices are adjusted to include the buyer's premium. Price data from previous years has not been adjusted for inflation. All results are logged in the currency native to the auction house where the sale took place, then converted to U.S. dollars based on the exchange rate on the day of the sale.

We defined online-only sales as those held exclusively online with no live bidders in attendance.

We defined artistic categories as follows: "European Old Masters" covers European artists born from 1250 to 1820; "Old Masters" covers artists born from 1250 to 1820 from any country; "Impressionist and Modern" concerns artists born between 1821 and 1910; "Postwar" concerns artists born between 1911 and 1944; "contemporary" covers artists born in any country from 1945 to 1974; and "ultra-contemporary" covers artists born after 1974. To avoid anomalies, all genre breakdowns (except ultra-contemporary) in the "Data Dive" section and the Impressionist and Modern and postwar artistic categories exclude Chinese artists (but include Chinese artists with dual nationalities).

Notes on geographic terms: Oceania covers auction houses located in Australia and New Zealand. North America covers auction houses in the U.S., Canada, and Mexico. China includes results from both the mainland and Hong Kong.

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Revenge of the Fed-Up Artists Robert Rauschenberg in 1966. (Photo by Jack Mitchell/Getty Images); The Tokyo Stock Exchange on August 1, 1990. (Photo by Gerhard Joren/LightRocket via Getty Images); Genieve Figgis, *Dreaming of Spring With Birds* (2022). Image courtesy the artist and de Pury; The team at Fairchain, courtesy of Fairchain; Dana Schutz, *Shooting on the Air* (2016). Courtesy of Christie's Images Ltd.; Julie Curtiss, *Witch* (2017). Courtesy of Sotheby's; Stefan Simchowitz, courtesy of Stefan Simchowitz.; **The Resale Reckoning** Cristina BanBan, *El Sueño Va Sobre El Tiempo* (2019). Courtesy of Phillips; María Berrío, *La Cena* (2012). Courtesy of Sotheby's; Amoako Boafo, *Hands Up* (2018). Courtesy of Christie's Images, Ltd.; Lucy Bull, *8:50* (2020). Courtesy of Phillips; Reggie Burrows Hodges, *Intersection of Color: Suite* (2019). Courtesy of Phillips; Jody Kerwick, *Le Tigre* (2020). Courtesy of Sotheby's; Christina Quarles, *The Night That Fell Upon Us Up On Us* (2019). Courtesy of Sotheby's; Lauren Quin, *Airsickness* (2021). Courtesy of Phillips; Antonia Showering, *It Wasn't To Be* (2017). Courtesy of Phillips; Emily Mae Smith, *The Riddle* (2017). Courtesy of Phillips; Anna Weyant, *Falling Woman* (2020). Courtesy of Sotheby's.

Smart Contracts Kevin McCoy, *Quantum* (2014) at Sotheby's London in 2021. Photo by Tristan Fewings/Getty Images for Sotheby's; An NFT from Frank Stella, titled *Geometry XXII* (2022). Courtesy of Arsnl; Smart contract for *Chromie Squiggles*. Courtesy of Venus Over Manhattan.

Data Dive Zao Wou-Ki, *29.09.64* (1964). Courtesy of Christie's Images, Ltd; Diane Arbus, *Identical Twins, Roselle, N.J.* (1966). Courtesy of Sotheby's; Botticelli, *The Man of Sorrows* (1500–10). Courtesy of Sotheby's; **Most Bankable Artists** Gergard Richter, *Abstraktes Bild* (1994) [detail]. Courtesy of Christie's Images, Ltd.; Pieter van Mol, *Diogenes with his lantern looking for an honest man*. Courtesy of Sotheby's; Francis Bacon, *Study for Portrait of Lucian Freud* (1964). Courtesy of Sotheby's; Philip Guston, *Ominous Land* (1972). Courtesy of Sotheby's; Stanley Whitney, *Iraqi Blues* (2007). Courtesy of Phillips; Shara Hughes, *Weeping Blur* (2018). Courtesy of Christie's Images, Ltd.

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