

The Art Market During Economic Downturns and How 2020 Was Different

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The art industry has been transformed by the events of 2020. And while some of the changes adopted by the sectors are likely to be fleeting, others may alter the industry's composition for years to come.

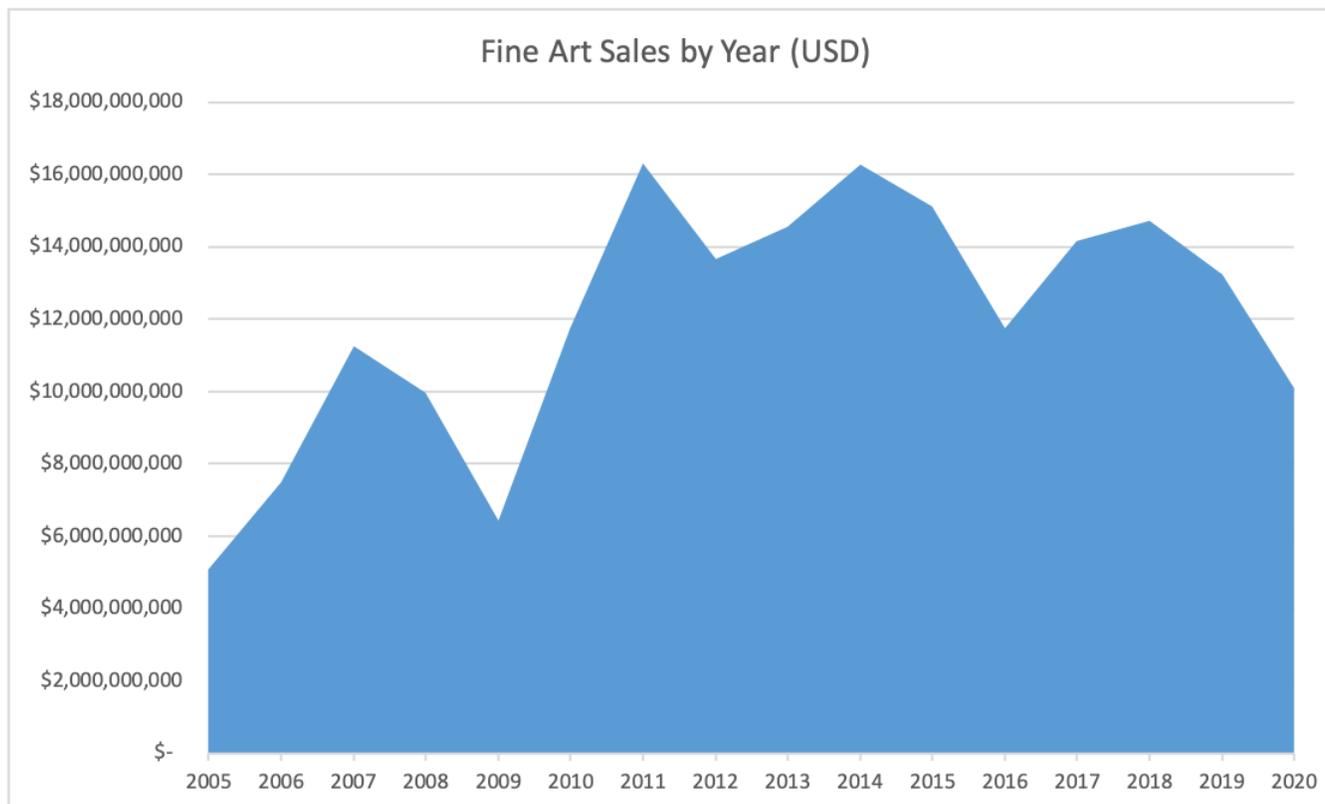
In collaboration with Artnet, Morgan Stanley's Art Resources Team ("ART") will demonstrate how the art market changed over the past year. First, we'll explain the impact the lockdown had on the auction market and how last year's results differed from those recorded during other economic downturns over the last 15 years, using data from the Artnet Price Database and Artnet Analytics.

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair." - Charles Dickens, "[A Tale of Two Cities](#)"

Then, we'll bring together key takeaways from various surveys conducted over the past year to demonstrate how the pandemic has affected other sectors of the art economy beyond auctions — and tell you what these data points might mean for those engaging in the market in the future.

"There are decades where nothing happens; and there are weeks where decades happen."— Vladimir Lenin

Part One
Data / Charts and Commentary



Source: Artnet Price Database

1. The Fine-Art Auction Market Has Repeatedly Shown Resilience after Economic Shocks

When lockdowns started sweeping major economies globally in 2020, some art market participants feared the pandemic could lead to a historic collapse in sales. However, when the dust settled at year's end, total worldwide sales of fine art at auction retracted by less than one-quarter year over year—a significant decline, but not the worst in recent memory.¹

The art market absorbed a much harder blow during the Great Recession. While total fine-art sales at auction retrenched only 11 percent by value year over year in 2008, they plunged by 36 percent in 2009, cementing that year as the most challenging in a generation.²

The closest corollary to 2020's pandemic-induced decline was 2016, when fine-art sales under the hammer dropped 22 percent year over year—just two percentage points less than last year. While 2016 reflected a time of considerable pressure, it is not a period that lives in infamy within the art market and in fact, sales at auction recovered roughly two-thirds of 2016's drop in 2017 to land at more than \$14.1 billion.³

Notes:

¹ Artnet Price Database and Artnet Analytics

² Artnet Price Database and Artnet Analytics

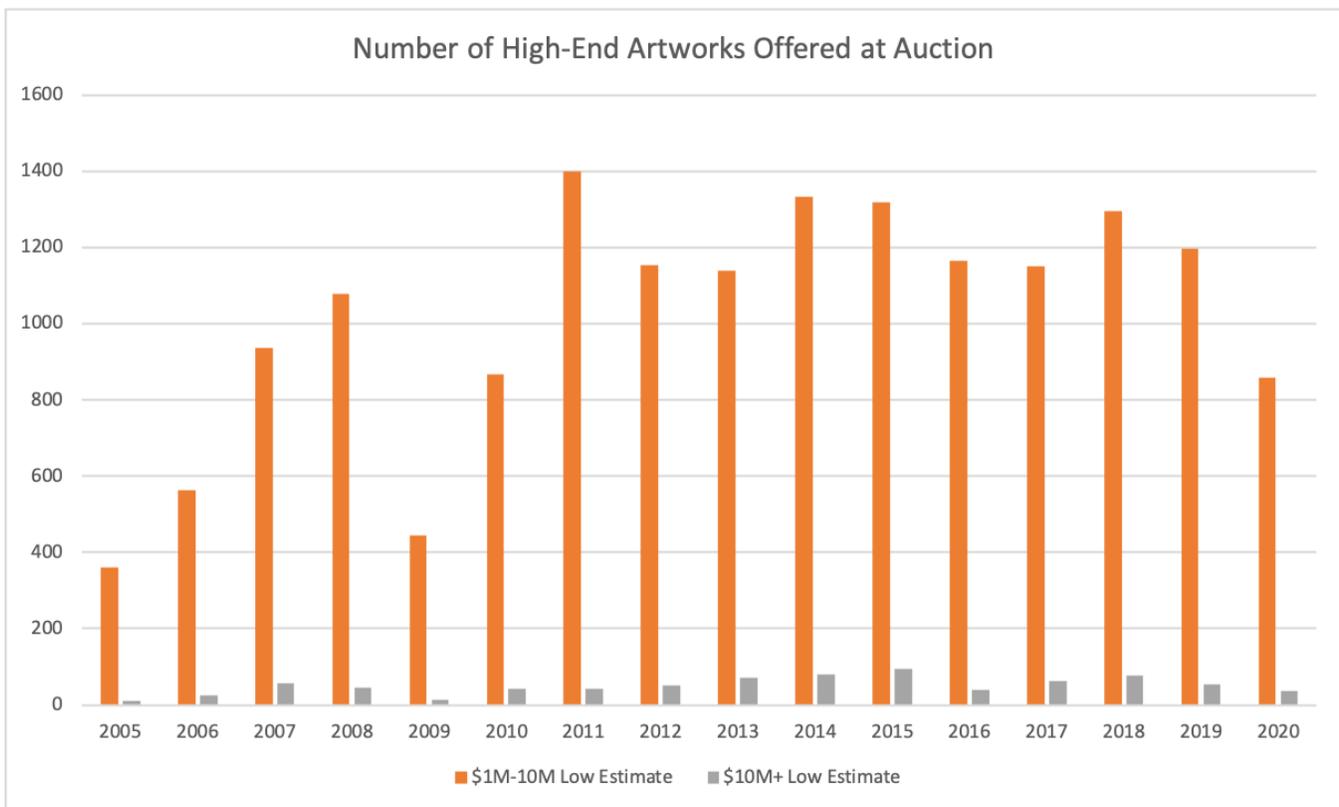
³ Artnet Price Database and Artnet Analytics

The auction market bounced back admirably after 2009 as well. In 2010, worldwide fine-art sales reached nearly \$11.8 billion, roughly half a billion dollars more than its pre-recession high in 2007.⁴

Although past data is no indication of future results, art sales have shown resilience after their two most significant shocks of the 21st century prior to 2020.⁵

Another metric to help understand the fine art market is sell-through rates, which have remained remarkably stable in the past 15 years. In both 2008 and 2009, only 61 percent of fine-art lots offered by auction houses found buyers—the worst conversion rate in the sample period. However, annual sell-through rates have hovered between 64 percent and 69 percent every other year since 2005, including in 2020.⁶

This is not a coincidence, for the reasons detailed in the next section.



Source: Artnet Price Database

Notes:

⁴ Artnet Price Database and Artnet Analytics

⁵ Artnet Price Database and Artnet Analytics

⁶ Artnet Price Database and Artnet Analytics

2. High Quality Works Can Still Sell Well in Market Downturns, but Aren't Often Given the Opportunity to Do So

When macroeconomic uncertainty strikes, few collectors with top-quality fine artworks feel motivated to sell unless they are forced to by one of the Five D's: death, debt, divorce, disenchantment, and dislocation. Otherwise, potential consignors tend to prefer to hold onto their premier pieces until stability returns.

Auction houses reliably take action to prevent consigned works from failing publicly, too. Most often, they do so by agreeing to withdraw pieces when specialists register what they consider to be insufficient interest from bidders before a sale begins. (Many of these same works are then immediately offered by the houses' private sales departments, where they can still fetch fair prices without the risk of being "burnt," i.e. going unsold at auction. It's estimated that Christie's and Sotheby's private sales were up over 50 percent in 2020⁷.)

For these reasons, the number of high-value consignments in the fine-art market historically dwindles in response to economic shocks. In 2009, for instance, auction houses worldwide offered only 12 "trophy" lots with a pre-sale estimate of more than \$10 million—nearly three-quarters fewer than in the previous year. Less than 40 lots in this price band came to market in both 2016 and 2020, as well. This contrasts sharply from all other years since 2012, when the houses offered between 50 and 95 trophy works annually.⁸

A similar but less severe trend has manifested among fine artworks with a presale estimate between \$1 million and \$10 million each. The supply of such lots plummeted by nearly 60 percent year over year in 2009, and by nearly 30 percent in 2020. (They showed a modest year-over-year drop of only about 12 percent in 2016.)⁹

The scarcity of high-value consignments means down markets lead to a decline in fine art sold at auction. After all, bidders can only buy what is made available. When would-be consignors and auction houses alike react to uncertainty by playing it safe with the most valuable artworks, their protectionist tendencies have an outsize impact on total annual sales across the sector.

However, history has proven that high quality artworks can still sell well when they are allowed to come to market. During the depths of the recession in February 2009, the sale of the collection of Yves Saint-Laurent and Pierre Berge went ahead at Phillips de Pury & Luxembourg. The trove included objects ranging from Old Master paintings and Constantin Brancusi sculptures, to Qing dynasty bronzes and 18th-century Italian dining chairs. In total, the sale amassed \$484 million in winning bids and set six artist records en route to becoming, at the time, the most valuable private collection ever sold at auction.¹⁰

Although 2020 lacked any estate sales that could rival the Saint-Laurent collection, auction houses still notched several major wins for a wide range of top-quality fine artworks. Sotheby's boasted the most expensive artwork of the auction year in Francis Bacon's Triptych Inspired by the Oresteia of Aeschylus, which sold for a staggering \$84.6 million. Renowned paintings by Roy Lichtenstein and David Hockney both traded for more than \$41 million each.¹¹

Artists much younger and much, much older also saw strong sales last year: 17 artists under age 40 totaled more than \$1 million each in total auction sales (led by the late Matthew Wong at nearly \$25 million), and 10 paintings

Notes:

⁷ Art Market Monitor, "Sotheby's and Christie's Announce Preliminary 2020 Sales." 12.8.20

⁸ Artnet Price Database and Artnet Analytics

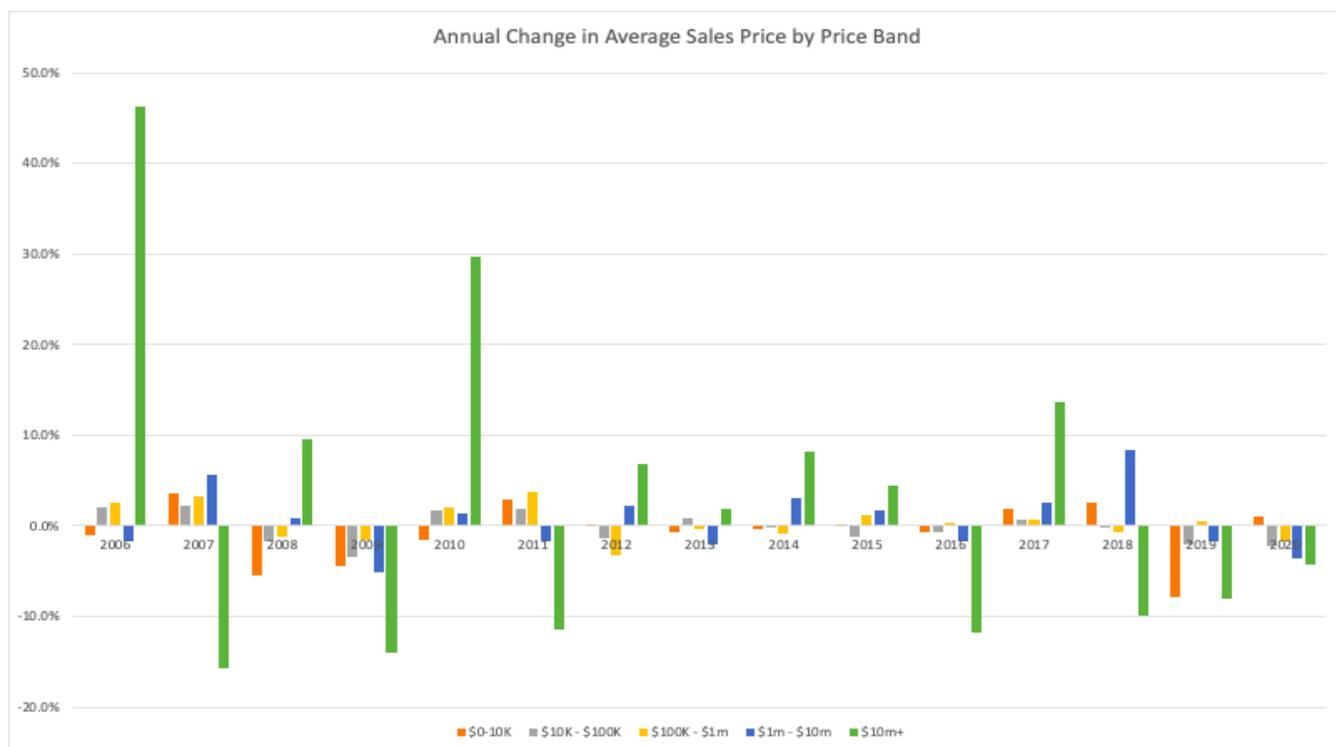
⁹ Artnet Price Database and Artnet Analytics

¹⁰ <https://www.reuters.com/article/us-france-ysl-auction/record-breaking-ysl-art-auction-shrugs-off-crisis-idINTRE51J5QU20090226>

¹¹ Artnet Price Database and Artnet Analytics

by European Old Masters made more than \$5 million each (led by a Rembrandt self-portrait for almost \$19 million).¹²

In short, quantitative and anecdotal evidence has shown that in moments perceived as “unfavorable” in the market may not be if consignors are willing to put major works for sale at auction. Last year was no different, especially as a dearth of revenue forced several American museums to deaccession quality pieces from their permanent holdings, either to fund new acquisitions or to take advantage of the Association of Art Museum Directors’ temporary dispensation to use such funds to cover the care and maintenance of the collection.¹³



Source: Artnet Price Database

3. In Turbulent Times, The Most Liquid Works Have Been Those Priced between \$100,000 and \$1 million

Although the highest-priced works set the overall tone of any fine-art auction year, lower price bands have demonstrated better liquidity and general stability. Historical data shows that works sold for between \$100,000 and \$1 million tend to attract the most active bidding in a notoriously illiquid market.¹⁴

In 2020, the average sales price of works in this price bracket declined only about 1.7 percent year over year—the least of any price band above \$10,000. This was an almost identical dip as in 2009, when the average price of a work sold for between \$100,000 and \$1 million declined only 1.6 percent year over year, making it the most stable of all price brackets during the worst year of the recession. This same subset of the fine-art auction market fared even better in the 2016 hiccup; their average price actually increased 0.3 percent year over year, while the

Notes:

¹² Artnet Price Database and Artnet Analytics

¹³ <https://news.artnet.com/art-world/aamd-coronavirs-guidelines-1836363>

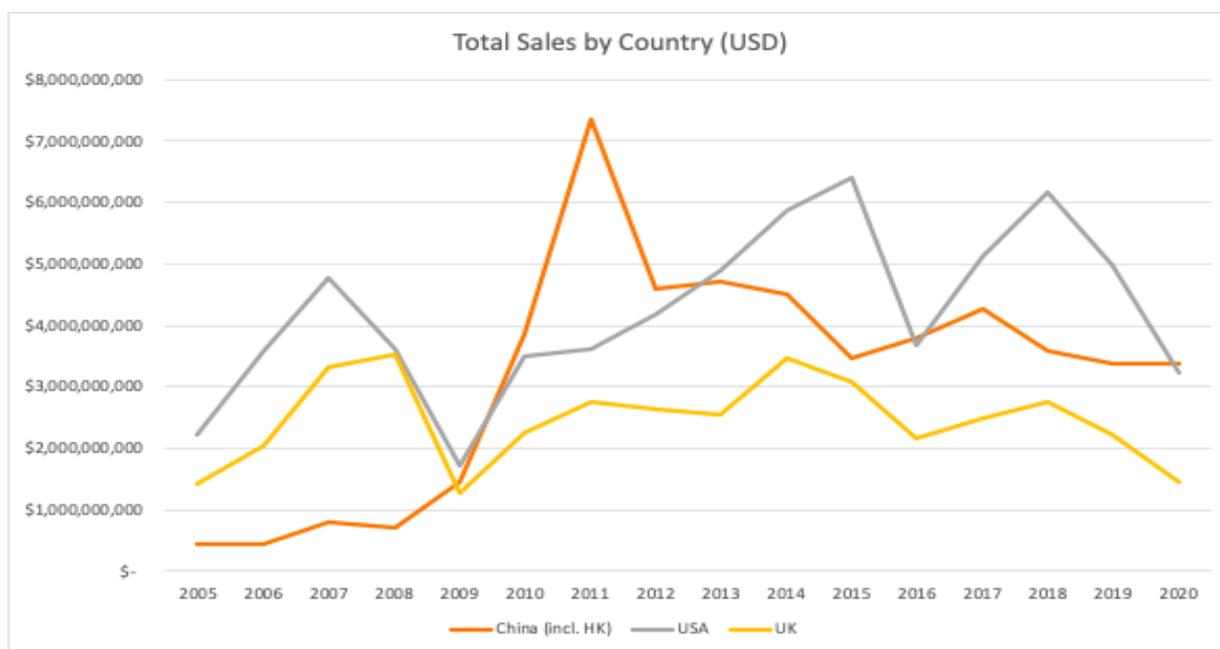
¹⁴ Artnet Price Database and Artnet Analytics

average price in all other brackets dropped at least 0.7 percent, even for entry-level works sold for less than \$10,000 each.¹⁵

In short, the upper-middle of the art market tends to hold its own when the world economy contracts, making works priced between \$100,000 and \$1 million the most liquid segment of a notoriously illiquid market. Think of it as a “sweet spot” where collectors suddenly needing to downsize come together with upwardly mobile buyers carrying enough discretionary income to upgrade their holdings, but not quite enough to compete for the handful of the very best works made available in turbulent times.¹⁶

This lesson has special value amid speculative art-market frenzies like the one we are currently experiencing for digital art.¹⁷ This fast-moving new art medium, which is influenced by everything from retail investors’ stimulus spending to epochal gains by longtime holders of new currencies and news of exponential returns on very short timelines, can make investors feel pressured to spend well before reliable information illuminates the underlying market dynamics.

While fine art in the \$100,000 to \$1 million range has its idiosyncrasies, it also has an established market history of public results to examine. This makes it a price point where participation can be guided by experienced veterans analyzing good data, as opposed to digital art, which is nascent.



Source: Artnet Price Database

Notes:

¹⁵ Artnet Price Database and Artnet Analytics

¹⁶ Artnet Price Database and Artnet Analytics

¹⁷ <https://nonfungible.com/market/history>

4. Where You Sell During a Global Contraction Matters, because Different Regions Perform Differently

While we live in a global economy, it is important to understand that regional trends in fine art can fluctuate depending on market volatility. Comparing the past 15 years of auction sales in the US, UK, and China (which includes Hong Kong), the art market's three dominant regions, one feature stands out: a strong (or weak) year for one is not necessarily a strong (or weak) year for all.

The two most recent art-market recessions prior to 2020 provide insight. In 2009, sales tumbled by half in the US and by nearly two-thirds in the UK. Yet they more than doubled in China the same year, from about \$711 million to over \$1.44 billion, the highest figure ever achieved in the region. The three countries' relative performances shifted again in 2016: the US suffered the most extreme fine-art sales loss, falling by roughly 45 percent to \$3.7 billion; the UK dropped by only about 30 percent, to \$2.2 billion; and China gained roughly 10 percent to reach \$3.8 billion.¹⁸

Eastern dominance returned during last year's downturn, as well. China declined a mere 0.1 percent in fine-art auction sales year over year in 2020, while the US and UK each contracted by about 35 percent. These results made China the world's most valuable auction market for only the third time since 2005.¹⁹

Rather than assuming China historically does well when the US and UK perform poorly, however, it is important to understand that these variances originate in specific policy decisions and economic circumstances. China took extremely aggressive actions when the coronavirus first emerged inside its borders, moving quickly to lock down cities and restrict travel.²⁰ These decisions allowed the country to flatten the curve much faster than other nations and reopen its economy sooner. This expedited recovery was reflected in the art market. Another important factor in China's resurgence was east and southeast Asia's younger population of high net worth individuals, who have proven to be more comfortable buying art for the first time, transacting at high prices online and adapting to market dynamics more nimbly than the relatively older art-buying populations in the US and UK.²¹

Part Two

How Different Sectors Fared in 2020

The auction market offers the most transparent and clear data demonstrating the impact of economic crises on the art economy, but other sectors have been transformed no less dramatically. From galleries to museums, the art world has been forced to adapt more quickly than it ever thought possible. Yet necessity breeds invention, and the new approaches that these sectors of the industry are developing will have implications for collectors at all levels of the art market.

Notes:

¹⁸ Artnet Price Database and Artnet Analytics

¹⁹ Artnet Price Database and Artnet Analytics

²⁰ [https://www.thelancet.com/journals/laninf/article/PIIS1473-3099\(20\)30800-8/fulltext](https://www.thelancet.com/journals/laninf/article/PIIS1473-3099(20)30800-8/fulltext)

²¹ https://www.bain.com/contentassets/d2488599211645eba2fad3bd0c4316f1/bain_report_china_private_wealth.pdf

Auction Houses

Total fine-art auction sales tumbled to \$10.1 billion in 2020, their lowest level since 2009, according to the Spring 2021 Artnet Intelligence Report.²² The auction market fared better than some expected: although it fell around 24 percent year over year, it remained steadier than it did in the wake of the Great Recession, when auction sales shrunk by around 40 percent.²³ Part of that relative steadiness was due to the fact that the pandemic did not generally hurt the bottom lines of the wealthy. American billionaires saw their collective wealth grow 40 percent in the year since March 2020, according to a recent report.²⁴ Deep-pocketed collectors stuck at home also began to transact more regularly online than they ever had before: online sales soared more than 1,000 percent at the Big Three auction houses (Sotheby's, Christie's, and Phillips).²⁵

Meanwhile, faced with inconsistent supply across sectors, auction specialists began to innovate, partnering with galleries for one-off online sales; holding cross-category evening sales like Sotheby's successful "From Rembrandt to Richter" auction in London; and collapsing departmental divisions, like Christie's decision to dissolve its Impressionist and Modern department in favor of a hybrid division known as "20/21," or "20th and 21st century art."²⁶

Trends to Look Out for: Continued collaboration with art fairs and other outlets that can offer a steady stream of supply; smaller sales taking place online-only going forward; and continued collapsing of traditional auction-house categories and sale calendars

Galleries

With a majority of in-person art fairs cancelled, dealers saw a sharp decline in revenue—but their absence also enabled them to cut costs substantially. (Each of these events can cost hundreds of thousands of dollars to participate in when factoring in art shipping, travel, and booth expenses.²⁷) Nearly half of galleries (46 percent) came out more profitable or about as profitable in 2020 as they did in 2019, according to the latest Art Basel market report.²⁸ Without the traditional methods to connect with collectors, dealers began to experiment by collaborating with auction houses on novel sales and initiatives. Meanwhile, buyer behavior began to shift: The share of dealers' revenues from online sales tripled, from 13 percent in 2019 to 39 percent in 2020.²⁹ Artnet's conversations with dealers suggest that, moving forward, they plan to divide their investment between "in real life" spaces and online infrastructure.

Trends to Look Out for: More online viewing room programming from dealers; a reduction in the number of art fairs dealers participate in annually; a growing openness to collaborations across market sectors, including with auction houses.

Notes:

²² <https://www.artnet.com/artnet-intelligence-report/>

²³ <https://www.artnet.com/artnet-intelligence-report/>

²⁴ <https://docs.google.com/spreadsheets/d/1LGeUxuE-Z2OyNKu54JQlffS1v588iUvV6yd6D2vH6Vc/edit#gid=1259834744>

²⁵ <https://www.artnet.com/artnet-intelligence-report/>

²⁶ <https://news.artnet.com/market/christies-is-merging-its-impressionist-and-contemporary-departments-amid-staff-cuts-1890370>

²⁷ <https://news.artnet.com/market/art-fair-economics-small-galleries-gamble-989555>

²⁸ <https://www.artbasel.com/about/initiatives/the-art-market>

²⁹ <https://www.artbasel.com/about/initiatives/the-art-market>

Art Fairs

Art fairs are the sector of the art market arguably most deeply affected by the pandemic. More than half of art fairs were cancelled (61 percent) in 2020, according to the Art Basel report, and they provided dealers just 13 percent of their revenue, compared with around 50 percent in a typical year.³⁰ In the pre-pandemic era, art fairs were increasingly becoming a global traveling circus, picking up in one city and popping down in the next. Moving forward, at least for the foreseeable future, fairs will likely be far more local affairs, catering to a smaller and more location-specific group of collectors.

Meanwhile, event organizers will have to work even harder to distinguish themselves from the pack and prove their ability to attract a top-flight audience of collectors. Having enjoyed the extra cash in their pockets they would otherwise have spent on fairs, dealers say they are likely to be choosier about which events they participate in even after lockdown lifts—and, anecdotally, it has been suggested they are more likely to focus strategically on the US and Asia as opposed to other regions.³¹

Fairs are already getting creative to keep dealers engaged: both Art Dubai and Art Basel Hong Kong offered dealers the opportunity to take out a booth without traveling to the fair, arranging installation via Zoom and staffing the booth with a fair employee. On the buy side, however, fairs are due for a comeback: More than 80 percent of high net worth individuals say they plan to return to art fairs this year, per the Art Basel report.³²

Trends to Look Out for: More local fairs and gallery-share initiatives that require less substantial and regular travel; more tailored VIP programming to draw museum groups, new clients, and others to “in real life” fairs; and robust online programming as a supplement to, rather than a substitute for, in-person art fairs

Museums

The pandemic has forced museums to face challenges they never anticipated. The top 100 most-visited museums saw attendance fall, on average, around 77 percent, according to The Art Newspaper’s 2020 attendance figures survey.³³ And as of November 2020, nearly one-third of American museum directors surveyed by the American Alliance of Museums confirmed there was a “significant risk” of closing permanently by next fall (12 percent), or “didn’t know” if they would survive (17 percent). Since March 2020, according to the same survey, more than half of museums have had to furlough or lay off staff.³⁴

There are signs, however, that audiences remain engaged with museums. Many have seen online engagement skyrocket, and visitors plan eventually to return: In a survey conducted by Artnet News in July, approximately 60 percent of respondents said they anticipate no change in how often they visit museums and galleries once they reopen.³⁵

Amid all this upheaval, the Alliance of Art Museum Directors (AAMD), the leading North American professional organization, announced it would change its rules around deaccessioning for a two-year period. While the traditional AAMD guidelines stated that proceeds from art sales could only be reinvested back into art acquisitions, the loosened rules allow for the funds to be used for “direct care of the collection.” (This umbrella

Notes:

³⁰ <https://www.artbasel.com/about/initiatives/the-art-market>

³¹ <https://www.artnet.com/artnet-intelligence-report/>

³² <https://www.artbasel.com/about/initiatives/the-art-market>

³³ <https://www.theartnewspaper.com/analysis/visitor-figures-2020-top-100-art-museums>

³⁴ <https://www.aam-us.org/2020/11/12/art-museum-director-survey-2020/>

³⁵ <https://news.artnet.com/art-world/art-engagement-survey-artnet-news-1897510>

term encompasses operating funds, conservation, and even salaries for curatorial staff.) Since the new rules were implemented, American museums have sold more than \$50 million worth of art.³⁶ Institutions have benefitted from the strong provenance they supply, as well as careful conservation of key works. The Brooklyn Museum, for example, sold Lucas Cranach's *Lucretia* for \$5.1 million, more than twice its high estimate of \$1.8 million.³⁷

It doesn't look like the tide is slowing anytime soon, either: the Metropolitan Museum of Art, the richest museum in the world, has announced it is considering deaccessioning in order to counteract its pandemic-induced budget shortfall.³⁸

Trends to Look Out for: Potential increase in mergers between struggling museums; shared acquisitions to lessen the burden of both the purchase price and storage; more exclusive online initiatives and experiences, some of which museums will charge money for; longer exhibitions and more exhibitions drawn from museum collections rather than expensive loans; more deaccessioning of unique, high-end artwork to fund costs as well as to purchase more diverse artists in an effort to make collections more inclusive

Artists

As of today, 63 percent of artists and creative workers surveyed by Americans for the Arts have become fully unemployed because of COVID-19 and 95 percent have lost income.³⁹ The closure of museums and the cancellation of art fairs have also caused many to lose ancillary employment as educators or art handlers. In all, 62 percent of artists surveyed said they saw their productivity in creative work that generates income "drastically decrease," due in large part to a lack of access to supplies, resources, and space to work.⁴⁰ While artists whose work remains in high demand have seen little interruption from the pandemic (in fact, many wealthy people are more focused on building their art collections than ever), it remains to be seen just how many less established artists will shift career paths entirely or move out of cities like New York and London in search of more affordable pastures.

At the same time that traditional artists are seeing opportunities evaporate, however, others are finding new outlets in digital art. The market for digital art has taken off in recent months (as has the production of digital art — it probably helps that artists can make them from anywhere, including and most likely from home). In the first quarter of 2021, the market value of 38 discrete works of digital art tracked by CoinMarketCap surged more than eightfold to \$22.5 billion, according to Bloomberg.⁴¹ This novel art medium allows artists to take more control of their markets, earning a commission of around 80 percent on the initial sale (compared to 50 percent with a gallery) and a five to 10 percent cut on every resale thereafter.⁴²

Trends to Look Out for: Artists shifting career paths, moving to new less expensive locations; a dearth of supply in years to come; a growing volume of digital art on the market.

For more information to help guide you through these tumultuous times and prepare for what's ahead, reach out to Artnet Analytics and Morgan Stanley's ART team.

Notes:

³⁶ <https://news.artnet.com/market/will-museum-deaccessions-keep-trending-upwards-amid-relaxed-guidelines-1913011>

³⁷ <https://news.artnet.com/market/brooklyn-museum-raises-tk-million-and-announces-more-major-sales-1916110#:~:text=Lucas%20Cranach%20the%20Elder's%20Lucretia,its%20collection%20at%20Christie's%20yesterday>

³⁸ <https://www.nytimes.com/2021/02/05/arts/design/met-museum-considers-selling-art.html>

³⁹ <https://www.americansforthearts.org/by-topic/disaster-preparedness/the-economic-impact-of-coronavirus-on-the-arts-and-culture-sector>

⁴⁰ <https://www.americansforthearts.org/by-topic/disaster-preparedness/the-economic-impact-of-coronavirus-on-the-arts-and-culture-sector>

⁴¹ <https://www.bloomberg.com/news/articles/2021-04-03/nft-price-crash-stirs-debate-on-whether-stimulus-led-fad-is-over>

⁴² <https://news.artnet.com/market/galleries-give-green-light-nfts-artists-real-winners-1956422>

Artnet Price Database

From Michelangelo drawings to Warhol paintings, Le Corbusier chairs to Banksy prints, you will find over 12 million color-illustrated art auction records dating back to 1985. We cover more than 1,800 auction houses and 340,000 artists, and every lot is vetted by our team of multilingual specialists. Whether you are appraising a collection, researching an artist's market history, or pricing an artwork for sale, the Price Database will help you determine the value of art.

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