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Would you rather be the head of a lion or the tail of a mouse? A comparative study of the art markets in London and New York

Clio Giner Garcia

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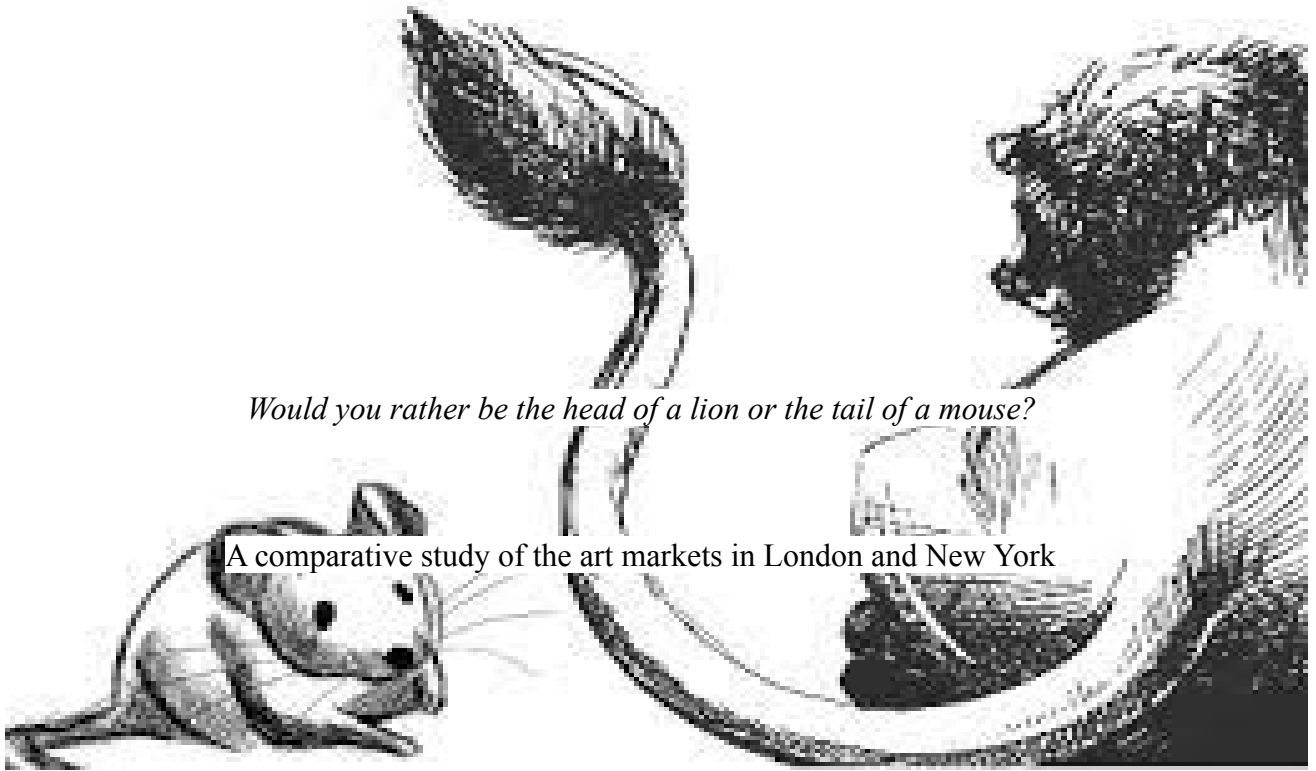
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INDEX

	Page
1. Introduction	3
2. Challenges	6
3. Literature Review	8
4. The Gallery	10
4.1. Metrics	14
4.2. So why London or New York?	19
5. London	33
6. New York	30

7.	Comparative Analysis	33
8.	Conclusion	36
9.	Bibliography	37

Chapter 1: Introduction

The purpose of this thesis is to investigate which city best suits our goals in opening a gallery abroad; London or New York. This question arises from a debate with my father about the future of our business, which is a contemporary art gallery that we opened in Spain in 2012. It opened originally in Marbella, a city with a wealthy international population. Later in September of 2020, we welcomed our second space in the capital of Spain, Madrid. We have agreed the next step for us is to open up our third space abroad within the next 5 years. Our discussion is thus centred on what we expect from this space, and which city/country is best suited to these goals. This thesis will be in essay format as opposed to a business plan format to better explain and explore the necessary factors in depth, from a discussion point of view. As mentioned previously, more than the actual facts of the data itself, it is the personal views of my father and I based on the data that I ultimately take into account. The thesis will be divided into 8 chapters. Firstly, I will include a chapter on the challenges incurred in writing this dissertation, followed by the literature review in Chapter 3. I will introduce the gallery and give a brief overview of its history and modus operandi in Chapter 4. I will then focus on our metrics for success and our aims within the same chapter. For reasons I will get into in Chapter 4.1, we are centred on New York or London as the next step forward. For Chapter 5, I will study the present situation of London's market and its projections, followed by a study of New York's current and future art markets in Chapter 5.1. Both chapters will include my own personal opinions and impressions, and those of my father, about the quality and prospects of

their respective markets. Chapter 6 will delve into the question at the heart of this thesis, which is the namesake of my dissertation. Chapter 7 will be the conclusion.

The reason why we are debating this topic now is due to our own success following the pandemic in 2020 - we believe it is the time to take the next step and open up abroad. If we did, we would be the first Spanish gallery to have its own space in another country. In fact, this would be a huge feat for any art gallery: As of 2022, most dealers (95%) reported that they currently operated from one physical premises or gallery, with 5% operating in multiple markets (including 3% in two regions and 2% in three or more). Opening up a third space would be a major step forward and place us very close in stature to the top competitors in the industry.

Furthermore, from the Art Basel market report, 2022, we can see that the art market concurs with us: with over £400 million in sales, this past year was the most successful season since the market peak in 2018, up 68% from February 2021. With an average sell-through rate of 91%, these sales are an indicator that the art market is steadily and securely flourishing – and more importantly, all sectors of the art market are experiencing growth. The market showed great resilience under continuing uncertainty in 2021, with the recovery buoyed by robust growth in the auction sector, where sales of high-end artworks provided a significant uplift in value. For this reason we are unafraid of the current instability caused by Brexit in London, or the US' inflation and increasing participation in the war in Ukraine. The art market has always presented great recovery rates, and we believe investing in an uncertain market to be more like turning a crisis into an opportunity, as opposed to taking a risk in an uncertain time. In powerhouses like the UK and the US, unstable economic situations

are temporary, and not reflective of a permanent change in status. Furthermore, the original gallery opened in 2012, when Spain was in the middle of the largest financial crisis of this century, so investing in our future during the worst economic times is not something we are afraid of, or unfamiliar with.

While opening a space requires a market analysis and review of data, there is also a personal aspect to any business decision that is at the heart of any family firm - not only what is best for the business but also what direction you want to take it in, which requires an assessment of your own personal preferences. For that reason, there is also a deeper question that underlies this dissertation. Throughout our discussions, my father would often ask the following question: “*Que es mejor, ser cola de león o cabeza de ratón?*” (What’s better, to be the tail of a lion or the head of a mouse?). In many ways, this is the key framework through which we view the future of our gallery in all our conversations. As I will discuss in the coming chapters, New York is clearly in a stronger place and the best location to open up a new space, given the current success of the market there at this time. And yet, London does not lag so far behind despite clearly being the weaker market. It presents a greater opportunity for reputation building and networking by virtue of being a smaller, less cut throat market. I will have a concluding section where both markets will be compared from our own personal perspective of what opening in either city would entail.

Chapter 1: Challenges to this dissertation

The main challenge to this dissertation came from the opaque nature of the primary art market. This has begun to improve in the past years (Migan, 2020) thanks in part to the increasing encroachment of the internet into art market activity and the ever growing integration of the secondary market with the first (Migan, 2020).

Nevertheless, the lack of transparency in art is still a pervasive challenge facing the art market: a maladaptive trait of old school market practices in response to the changes brought about by technology. The internet makes transparency a necessity in order to use it - it is a platform where providing information is the goal, after all. For its part, the art market has acquiesced only to an extent, and mostly only through the secondary market and auctions. The secondary market is very open to price transparency and practices due to its nature: auctions are open to the public and prices are encouraged to be as transparent as possible as they serve to promote the artist (Migan, 2020). Therefore, when searching information relating to the respective art markets of London and New York, most of the data is extracted from auction house results and secondary market sales, as this is where most of the information can be found in the first place. This works well to ascertain the current state of the market, as the secondary market takes the lionshare, but it is particularly challenging for a thesis focusing on the art market from the lens of my gallery. Our gallery focuses on the primary market and selling emerging artists, who are not always at a point in their career where their works feature often at auction. Furthermore, we take particular care in separating our activities from the secondary market. We do not fix our prices to the level set by auction results or the demand and supply rules that would normally affect our prices on the secondary market. All of this collectively means that most of the

data available for this dissertation has to be understood as a whole of the art market, and not simply the part of the market we find ourselves in. For the purposes of my gallery and the aims of the thesis, I will make a distinction between what data directly concerns the gallery and which are more generally market facts. All segments of the market grew in 2021, but the auction sector showed the strongest year-on-year advance, with public auction sales increasing by 47% (ArtBasel, 2022). Nevertheless, as the gallery grows and represents larger artists, the auction world does help provide some insight so it will nevertheless inform my thesis somewhat.

To counteract this challenge, the nature of the research for this dissertation must be adapted. It will focus much more on the general economic trajectory of either city but above all be focused on three things. Firstly, to better formulate the aims of the gallery itself, and secondly by ascertaining what is best for its trajectory based on more objective and transparent facts available. Thirdly and most importantly, I will be heavily relying on the personal assessments and collective goals of my father and I. The reason for the reliance on our own opinions is because the cities of London and New York do not differ so much and in general balance out somewhat. As a family business, it is our own assessments of what is more important or necessary that will really make a difference when choosing the city. For this reason, an important part of the dissertation will be extracted from conversations with my father. These conversations took place over January 9-14th, in 2023.

Chapter 2: Literature Review

As I have explained above, this thesis will be informed by several art market reports, individual opinions by persons working in the art worlds of London and New York respectively, and the opinions and goals of my father and I for our own gallery.

The bulk of the data will be extracted from internet sources and art market reports.

The main art market report I shall use will be the Art Basel market report as this is the most widely referred to report by people in the field. I will use the reports from the years 2019, 2021, and 2022 to inform my thesis. Because of the ceasing and slowing down of activities in 2020, I believe it is not useful to factor in this year's data into my thesis as it is an outlier. However, I will still use information from alternate internet sources that cover the primary art market specifically, as from personal experience I know it was not particularly harmed by the events of 2020. In fact, our gallery made its greatest profits yet from sales that year alone, and I know this is true for many other galleries, as I will mention later on, from the interviews I have conducted. I will also use the UBS and art price market analysis of the respective years to uphold the data conclusions from the art basel market report. There will be information extracted from opinion articles from experts of the field in each city, and economic data extracted from other sources that are not necessarily art related, such as the Financial times.

To elucidate more on the future projections of the market in each city as well as our own goals, I will be taking information from in depth conversations with my father relating to our own gallery and experience in these years, as well as our own goals for

the future. This information is perhaps skewed and flawed as it is subjective information based on our own experiences, which is something I will take into account when writing this dissertation. However, I believe that it is nevertheless important and relevant, as family business decisions are made with a mixture of personal and objective information. It is necessary to include opinions and judgements that come from the individuals involved, as they and the business they are building are the subject and goal of this thesis.

Chapter 1 - The gallery

Yusto/Giner was founded by my father in 2012 in Marbella, a city in the south of Spain. From the beginning, we have been focusing on Spanish art, specifically from the southern region (Andalucía) where we are from. Within this, we are particularly interested in representing figurative painting. At the time that the gallery opened, figurative art was seen as out of style in Spain, and conceptual art was all the rage. For this reason we have remained for a long time on the fringes of the Spanish art market, a situation we are not afraid of, although we have suffered from delays in our success due to this. For example, we have also never been invited to participate in ARCO, Spain's largest international fair. This fair is problematic within Spain itself, having recently been the subject of lawsuits where they were found guilty of mismanaging government funds to promote the galleries of the private members of the committee and their friends. It is a big setback when applying to international fairs whose committee members do not understand the inner workings of ARCO and understandably consider it a drawback that we do not participate. We have received calls on two occasions from fair directors asking us to explain why we are not in this fair, as they cannot accept us into their own fair when we do meet the requirements within our own country. Because we have always been on the fringes of the art market in Spain and we have largely focused our efforts on expanding abroad despite the added difficulty. For this reason we have amassed a large number of collectors in the Americas (north and south) and Asia especially. Now that we are more established within Spain and the international market, we notice that our own interests and relations in Europe is an area that is lacking in the gallery. This is why I consider opening in London (while no longer part of Europe but still has ties to it) a strong stand off point to gain a better footing in the continent. On average, we participate in one fair per month: Estampa (Madrid), Art021 (Shanghai), Abu Dhabi Art (UAE), Zona Maco

(Mexico), Urvanity (Madrid), ArtDubai (UAE), ExpoChicago (USA), ArtBusan (Korea), ArteSantander (Spain). From 2021, we are now open in two cities in Spain: Marbella and Madrid.

In a time of economic uncertainty and increasing reliance on technology, the huge investment that a physical space in a foreign country would necessitate requires serious thought. In conversations with my father on the topic however, this is our clearest way forward. For one, we are both straightforward and traditional with our approach to business, and adopting further technological strategies is not something that we are both keen on - it detracts from our enjoyment of the business and we would not be able to compete with galleries that are much more proficient in this area. We believe in playing to our strengths, and our physical spaces are impeccable:

Both spaces share artists but have a different identity and goal. Marbella is a large 500m² space in an industrial centre. Its isolation and size give it an institutional quality which grants exhibitions a sense of gravitas and prestige. Because of the lack of interest in art that Marbella experiences (despite this changing slowly over the years) this gallery space does not count on foot traffic or support from local collectors. It is a space that showcases art sold to international collections that view the works remotely. Its proximity to Malaga, a city boasting of museums with international repute such as the Pompidou, Carmen Thyssen, and the CAC, to name a few, is also important. It lends the Marbella space additional institutional weight, as a point of contact between Marbella's art scene and Malaga's. Its large walls are ideal for maximum visual impact both in person and digitally, and they are a great advantage to offer artists the possibility of working on large formats and exhibiting them in a visually pleasant fashion.

The gallery in Madrid is altogether a different space in many ways. Firstly, it is located in the heart of Madrid, in a newly popular gallery area. It is also an upscale residential area, so most of our local collectors actually live within walking distance and visit the gallery regularly. It is a storefront on one of the busiest streets, ensuring a steady influx of people entering the gallery. This requires special safety measures and additional responsibilities in tending to the public, and the challenge of receiving shipments and preparing packages without disturbing the space of the gallery. The space, while still relatively large for Madrid, is much smaller than Marbella: only 170m², 110 metres of which are exhibition space. Nevertheless it is an extraordinary space, and likely the most modern and ‘technical’ gallery in Madrid. It has highly specialised adjustable lighting and moveable walls that shift the space in many ways. A wall pivots to break the clean space into two, or can be moved to varying angles to create a small, triangular third room. A large wall can also retreat behind a neighbouring wall, revealing additional 8 pivoting walls that open up like an inverted book - also creating a separate space. Graphics below serve as a visual guide to these descriptions. The qualities of this space make it all together different from our one in Marbella. This one allows for more creative exhibitions where the art can interact with the space itself as well. Because of the cultural importance of Madrid it has allowed us to appeal to more established artists and expand beyond our typical roster of emerging Spanish art.

There is also an additional consideration to take into account when favouring a physical space above increased online presence. Firstly, that these two are not mutually exclusive - focusing on a new space can be done at the same time as we invest effort in the digital market, through platforms like instagram, artsy, and online viewing rooms. While technology is increasingly important, there is still much to be said about the importance of a physical space: Humans

have limits when it comes to technology. For example, a VR experience will never replace the real thing. The same occurs for art - visually, it is important to be able to see art physically, at least when possible. There is an enjoyment to this feature that is hard to mimic when purchasing and viewing works online. We experienced this during covid, when online art fairs had very little success compared to their in person fairs of the years prior and post pandemic. A physical space ties up the identity of a gallery, is an incentive tool for working with artists, and provides a base of operations for your gallery team. Smaller galleries that are taking advantage of the current state of central London's real estate prices understand this. To them, physical exhibitions will increasingly play a part in the venture—a necessity, as there are now “far more artists than galleries”. Physical exhibitions are a central pillar of these galleries’ vision to build highly successful and sustainable careers for artists.” (Shaw, 2022)

We will be considering a number of factors that will influence our decision in relation to which city would more successfully cater to our goals for the gallery: the type of collector we are looking for, how we will measure our success, and what geopolitical factors will affect the market of each respective city.

Chapter 4.1

What type of collector / profile we are looking for

Gallerists and dealers remain the most-favoured channel for collectors, with nearly all collectors (93%) purchasing through a dealer, whether at their gallery, at a fair, or online.

Nearly half of their spending on art (45%) was via a dealer. And they bought slightly less at auction than in 2021 (17% compared to 20%).

In opening abroad, we are seeking a dual approach to collectors. What we are searching for is to establish a more loyal base and reach serious collectors. To that end, we aim to target both emerging and established collectors in the city of choice. We want to avoid flippers or collectors that manipulate the careers of an artist. This is one of the reasons we are very keen on opening up internationally: It is necessary to establish a base abroad to deepen these relationships and thus ensure you are not dealing with flippers. We are seeking to establish a base of young collectors who are interested in emerging artists, parallel to more established collectors that are seeking a closer relationship and access to in demand artists. This would require attaining more established artists by establishing ourselves permanently abroad in more desirable art locations, and marketing to appeal to younger collectors that are very much taken in by the dynamic and exciting qualities of the art market. It would be necessary to have a base where these collectors exist in order to create and maintain these relationships.

Differences between these in New York or London

For this metric, it is difficult to find accurate data online. For this reason this becomes more of a personal opinion based on our own experiences in the gallery. New York, being the contemporary art market capital of the world as well as one of the most important economic

centres of the world, has access to more and much richer collectors. With this in mind, if we were to have the metrics for success be measured in terms of sales, then New York would be more likely to be a successful step forward than London. However, collectors are not specific to one city or the next. Obviously, collectors that buy works in New York can come from all over the world, and this is true in London as well. Both cities have heavy ‘traffic’, with people flying in and out all the time. In fact, living in New York but going often to London, I have noticed I see many of the same people. Furthermore, I also notice many collectors/art people that go to London as frequently as others go to New York. Even if New York is the central hub, I believe London is closer for most and offers much of the same access to art. From personal experience, the difference is not as great as it would first appear. There is one other factor that comes to mind, from our dealings with American and British collectors. American collectors have more wealth and are generally keen on establishing a relationship with the gallery. However, I noticed they are primarily interested in our most successful artists and engage with us only as far as these are concerned. In one personal account, I was having lunch with the former director of an established gallery with bases in New York, Seoul, Hong Kong and London. They were very keen on working with a specific artist of ours and wanted to introduce me to several former collectors of hers. She asked me for the price of the artist - at the time her larger pieces were about 20k. She was shocked, to say the least, and immediately back tracked.

- “Let me know when the works are closer to 100 thousand, otherwise American collectors aren’t going to take it seriously” She told me.

We have fewer British collectors, but they have so far been interested in a range of artists, regardless of how successful they are. They are interested in liking the work and engaging

with the artists, sometimes personally via instagram, and buy a range of works from different ones. This has surprised me as I have noticed from our experience in the art fairs in Miami that American collectors are sometimes like this as well - perhaps the type of collector in the Basel satellite fairs is quite unique, as I have been told by several gallerists.

I would say the difference is not staggering between American and British collectors - although Americans are wealthier, at our current price points (and those in the near future) there is no deterrent for British collectors, such that I have had great experiences with both.

Metrics for the first level of success

Of course, as a business our main metric of success is profit. It is also the easiest metric of success to measure. However, we are an art gallery which means that success comes in different forms also. It would be very important to us to measure our increase in reputation, and number of collectors. An increase in reputation would be measured by an increase in art fair acceptance rates, easier access to more established artists, more attention from art publications, and increased social media activity around our name. It is harder to measure than profit, but we should be able to notice how our reputation has changed using these factors in the long term once we have opened up in a new space abroad. Number of collectors is highly important from both a business and art gallery perspective - it implies both more profit and better reputation. This is fortunately an easy metric to measure as it is numerical, like profits. It would also not necessarily be a long term measurement, as access to new collectors would occur relatively soon once you open a new gallery.

Expenses incurred in the investment in each respective city

One further disadvantage of opening up in New York is the price factor, excluding issues of inflation. New York is now ranked the most expensive city to live in in the world, according

to 2022 rankings (Botros, 2022). This means renting a space in a desirable area like Tribeca (the area I consider would most fit our gallery model) could cost upwards of 100,000 dollars for only 4 months of rental (self reported data, 2022). Add transport, bills, taxes, wages, and general day to day costs of living in the city and the budget would be incredibly stretched. Our current artist roster, or indeed our near future artist roster, does not have the price points necessary to generate profit without selling out every show. This would mean that artists' prices would have to be inflated to match the demands of the New York market. However, we cannot alter the prices of works in one country only - it has to be a general increase in prices. This would mean that we would have to raise the prices not due to the artists' career, but our own needs. This would be bad for the artist and something we are keen to avoid. There is an additional reason as to why we cannot raise the prices generally based on the expenses that New York would require. The average collector in Europe, or indeed other parts of the world, has different expectations of the prices of works than one would in the US. An expensive work in Europe is considered average in New York for example. To raise the prices to meet the New York standard would imply damaging the demand for this artist elsewhere, as collectors will be more keen on purchasing from other well known artists whose prices reflect the European market more closely. This is a very important disadvantage to consider when opening a space in New York. Although not completely discouraging, as should this venture pan out we would likely have access to more established artists that are priced more highly. This is however hypothetical, although a possibility, and so this disadvantage still needs to be taken into account by us when considering New York as our next venture for the gallery.

Geopolitical issues and currency

This section contains several important factors to consider and to discuss for my dissertation and business, considering the state of the world economy at this time. From the time that I

began researching this dissertation in October 2022, the dollar became very strong, even surpassing the Euro at one point (Botros, 2022) - In comparison, the pound has been fluctuating in value at the same time as both countries face very high rates of inflation. The United States is entering another war, ongoing pandemic measures and mid term elections, and the United Kingdom has had three prime ministers and two different monarchs within a year. It is an interesting time to ponder over a (relatively) large investment in either of these countries, but I believe that if we are able to, now is the best time to act (when everyone is uncertain) and obtain the best space for the best price. Geopolitical issues will be addressed more thoroughly in the respective chapters of London and New York, as they markedly impact the data analysis.

Chapter 4.2: So why London or New York?

Taking into account economic development and cultural factors, we have determined that the locus of the art market is largely centred around London, New York, China, and more recently Paris, Korea and Dubai. The real players of the market however, remain the triumvirate of New York, London, and China, as shown in Figure 1 below: (ArtBasel, 2022)

Top 15 countries by Contemporary Art auction turnover and market share (July 1, 2021 – June 30, 2022)

	Country	Turnover	Market Share
1	United States	\$1,052,513,660	39,00 %
2	China	\$740,362,262	27,00 %
3	United Kingdom	\$486,325,385	18,00 %
4	France	\$68,041,318	3,00 %

Figure 1. *Top 4 countries by market share*

With its relatively liberal trade regime, the US has held the largest global share of the art market (43% in 2021) for more than a decade (ArtPrice, 2022). Beneath that, the UK and China have consistently jostled for second place. From the first half of 2022, China now takes the number two spot, with a 27% market share. Greater China has maintained its share of 27% and was the second-largest art market, while the UK slipped back to third place. Having been on par with Greater China in 2020, the UK's market share fell by 3% year-on-year to 18%, its lowest in a decade, with a weaker recovery in sales than its two major peers. Possible causes of this are addressed later on.

This market share data mirrors our own client base and estimations quite accurately:

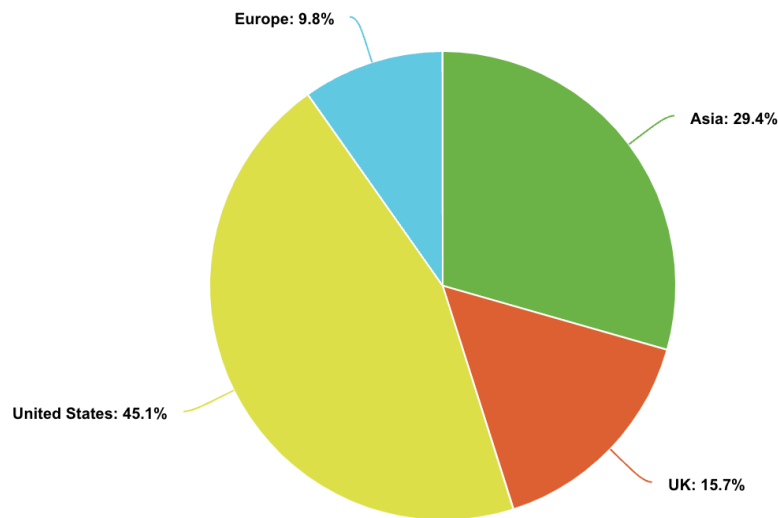


Figure 2. % of our collectors by region (self reported data, 2023)

As you can see in Figure 2., our largest Client bases are in New York, China (or Asia more broadly). We also have a large client base from South America, although In the interest of not over extending this thesis, I will explain briefly why this region is not a major focus area for us despite having a large client base and the ease of transactions from sharing the same language and to an extent, culture. South America is unstable politically, and the economic infrastructure of most countries is weak (Financial Times, 2022. With the exception of Zona Maco in Mexico City (Central America) there are no major fairs or large art hubs in the whole region. Furthermore, in the past two years, we have also noticed a decline in Maco itself, as frieze LA takes precedence over it for most collectors, stifling the number of collectors and sales at the Mexican fair. This is a trend that is likely to continue in the next few years. Lastly and most importantly, all of our South American collectors have secondary homes in the US and typically purchase our works from their American bank accounts. Thus, for all intents and purposes, they count as American clients to us. Therefore the logical places for us to expand are New York, London, or China. Despite London outbidding Hong Kong in

the first half of 2022, this may only be due to China's drastic zero-covid policy imposed during this period. The Hong Kong market will most likely pick up again in the second half of this year (Finance, Yahoo news, 2022). However, we have also excluded China as a potential third location for two major reasons. Firstly, China has a wildly different cultural background which makes integration and networking in this region very difficult. It is already difficult to maintain a basic client relationship with Chinese collectors while being overseas; in one case, we have a client that google translates his messages and sends us a screenshot of the google translated text from the browser itself. Opening a space in their country would necessitate much stronger connections and a level of local involvement which would be much harder for us to achieve than in either London or New York. The language is a big barrier for this too. China, being so large and economically important, can afford to do most of its economic activity in-house, eliminating the need for English as a default business language like the rest of the world does. Therefore, opening in China would require a strong level of Chinese as well as a strong understanding of the customs. The example of our google translating client is relevant here also. It would be much easier and efficient for us to open our first international space in the West, where we could very quickly integrate into the local art market. Secondly, as a result of its zero-covid policy, which paralyzed the country's major cities, China has experienced a considerable contraction of its art market during H2 2021 and H1 2022. Contemporary art turnover alone posted a -33% contraction in China, Hong Kong, Macao, and Taiwan to \$740 million, (ArtPrice, 2022). We have participated twice in Art021 in Shanghai, and have experienced first hand the difficulty and instability of economic activity in this country. The country has been paralysed for the better part of a year until the new government legitimises itself in early 2023. There is no telling what the government plans to do until it is announced - and then it is usually a particularly extreme policy that can be very limiting. Because of the opaqueness of the Chinese market, we have determined that

pursuing a future here is counter productive. Therefore the choice for us is clear: the next step forward for our future lies in London or New York.

Chapter 5: The head of the mouse

London

For the time being, London retains an undeniable place in the triumvirate that dominates the global art market. The UK capital even seems to have found its way back to growth, although its auction turnover totals are still much lower than in 2008 or 2014 (Finance, Yahoo news, 2022). The European contemporary art market is an important sector of the total market, and this is mostly due to the commercial activity that is based in London. The reason for this is that London has the most established art infrastructure, as it has been, historically, the birthplace of the biggest auction houses of today; Sotheby's, Christies, and Bonhams. It is also the birthplace for Frieze, Launched in the early 2000s in the centre of the English capital, and was subsequently exported to the USA; first to New York in 2016, then to Los Angeles in 2019. Most importantly, it also serves as the main gateway for collectors and other art related people from the Middle East, Asia, and Africa. For example, it has the leading art fairs for Asian and African art. For better or worse, Britain has built historic links with these regions of the world due largely to its infamous colonialist history. Since "ending" the colonialist period, Britain has skilfully adapted to the modern world by taking advantage of its existing relations and trade networks to efficiently transition from an imperialist state into one with a strong diplomatic network. The strong trade links and diplomatic relationships that have ensued have been a natural progression into hegemony in the art world in these regions. For example, perhaps incentivized by a weak pound, Asian bidders were out in full force across all the London sales in 2022, the white glove sale during London frieze last year (October 2022) being a prime example. Christie's in London was also the first auction house in the West to hold an evening sale in the morning, in order to adapt to the time zone in Shanghai - a clear sign of the strong links between London and China.

However, the UK art market has endured a very challenging period for the last two years, dealing with the impact of the COVID-19 pandemic as well as its formal exit from the EU in January 2021. Following two years of declining sales in 2019 and 2020, the UK market increased in value by 14% year-on-year to \$11.3 billion in 2021. While the UK recovered some of its losses from the previous year, sales were still below those achieved in 2019 (\$12.2 billion), and the weaker uplift than Greater China or the US meant its share was down by almost 3% and shifted it to third place in terms of global rank (ArtBasel, 2022).

What is important to note and potentially the downfall of UK hegemony in the market, is the Brexit disaster. Britain's 2016 vote to leave the European Union, ending free passage of goods between the UK and the world's largest trading bloc, has damaged the London art market (ArtBasel, 2022). The transition and establishment of this policy has been tremendously confusing, inefficient, alienating, and expensive. As art dealer Browne points out, "there is still the perception that the UK is a more complicated place to do business". "Dealers in the US, for instance, have heard so much talk about how challenging it is going to be that they have just sat on their hands. Red tape at ports continues to be a challenge," he says. Delays in shipping to the EU of between four and seven weeks are not uncommon (art newspaper). This is something that we have experienced personally in the gallery. We have had to both import and export works from the UK prior to, during, and after Brexit was finalised. I can say that we have really noticed the difference that this change has brought about in terms of the increase in difficulty. During the transition the uncertainty caused a lot of confusion with the shipping companies in Spain as well as our own clients, and many opted to wait to ship the works until the situation was clearer, or simply to leave them in Spain / another country in their secondary homes. We have had fewer collectors from the UK in the years since the transition began. Shipping was already more expensive and slower, and this has been exacerbated once the Brexit measures have actually been put in place. In one

instance, one client lost their work and it took us two months to locate it. In another, one client was charged the import tax twice for their work and they were not able to correct this for months. Most recently, in preparing for an upcoming fair in Mexico (Zona Maco, Mexico City), we discovered that they no longer have transport links with the UK. Fairs do not allow galleries to personally organise transport, and instead usually have a company they work with that will handle everything. As we had one artist from London participating, works had to be shipped weeks prior to Spain to ensure they arrived on time to be shipped to Mexico. The artist had to have the works made a month before any of our other artists had to. This was difficult for her as it was a last minute change (we had not been notified until much later) and she had other shows to prepare for as well. The situation is hard for art fairs, galleries, and artists themselves. Furthermore, the works suffered delays in arriving in Spain and missed the due date. We are currently working out an arrangement with the fair to ship them separately, which will cost extra. We were looking to work more closely with UK artists as we appreciate them greatly, but this is a serious setback. Opening a space in the UK would mitigate the difficulty of working directly with British artists, but would multiply problems of shipping and exporting works, at least in the current state of affairs. I believe that the UK is still adapting and that Revenues and Customs in the UK will ultimately redesign their system to accommodate the changes and become a favourable trading hub for art again. Of course, this is only speculation and as of now Brexit seriously hampers the art market of the UK and our expectations of success if we were to enter it.

Post Brexit, Paris has stepped in and is positioning itself as the centre for European art. After a significant decline in 2020, the French market gained ground advancing by 1%, to 7%. Sales in the EU (now excluding the UK) had a global share of 14%, also up by 2% year-on-year. Therefore, London's art powerhouse legacy in Europe may stand to be replaced by Paris (ArtBasel, 2022) - Once London-based dealers were burdened with new

Brexit-related tariffs, bureaucracy and shipping costs, Paris became the logical alternative for international galleries. David Zwirner, Skarstedt, Mariane Ibrahim, Galleria Continua, White Cube and Gagosian have all set up new branches in the French capital, and Hauser & Wirth opens there next year. However, for all this cultural and commercial resurgence, Paris, for the moment at least, still lacks London's strength-in-depth of highly regarded contemporary dealerships that recognise and nurture serious artistic talent. A branch of Gagosian or David Zwirner is one thing, but finding Parisian equivalents of Sadie Coles, Thomas Dane, Josh Lilley, Stuart Shave and Carlos Ishikawa is another (Shaw & Harris, 2022). Paris also lags very far behind - 7% of the market compared to London's 18% (ArtPrice, 2022).

Furthermore, Paris still can't compete with the connections and established links that London has with the rest of the world. These links are what have made London become a powerhouse to be reckoned with, as statistics show that the European contemporary art market, in terms of demand and collectors, is not that strong. For Paris to take over the European demand would not necessarily diminish London's strength, as this is mostly due to outside demand.

Despite the initial and obvious harm of Brexit to the UK, London still has a significant share of the contemporary art market. Europe, combined, does not even scrape 15% (ArtBasel, 2022). For this reason I believe that Brexit, while damaging in the short term, is not a force that is likely to seriously diminish the art market long term, if the UK responds to the challenges accordingly. The biggest challenge the UK faces from Brexit are the new tariffs. From January 2021, all imports into the UK from EU states have been subject to VAT and other charges, which has created concerns for businesses in the art market that trade with and from Europe (ArtPrice, 2022). The success of art market hubs such as the UK has relied on their ability to attract the most expensive works of art for sale from sellers throughout the world, and therefore, like New York, the UK is dependent both on imports of art and

international buyers. Imports of art and antiques were recorded by the HM Revenue and Customs (HMRC) as \$2.1 billion in 2020, down by one third in 2019. The bulk of these (89% by value) were extra-EU from major partners such as the US, Mainland China, and Hong Kong SAR (China), which were unaffected by Brexit. However, in 2021, unlike the US, these imports did not improve, and fell a further 18%, leaving them at almost half the value achieved in 2019.

The UK's withdrawal from the EU is bound to have an adverse impact on the overall performance of the British art market as works imported from the EU are now subject to a 5% import tax (since 1 January 2021). However, after contracting in 2021, the UK's Fine Art auction turnover total expanded by 26% in H1 2022. Above all, the Ultra-Contemporary Art Market seems absolutely unaffected by Brexit and, on the contrary, posted an impressive growth of +141% between H1 2021 and H1 2022. (ArtPrice,2022)

From January 2021, all imports into the UK from EU states have been subject to VAT and other charges, which has created concerns for businesses in the art market that trade with and from Europe. The success of art market hubs such as the UK has relied on their ability to attract the most expensive works of art for sale from sellers throughout the world, and therefore, like New York, the UK is dependent both on imports of art and international buyers. Some members of the trade, however, believe Brexit could present an opportunity to strengthen Britain's competitive position. Anthony Brown, the chairman of the British Art Market Federation, which has been campaigning for the removal of import VAT on art, says: "Imports are the absolute life blood of an entrepôt market like ours. Without attracting art for sales from abroad, we cannot maintain our status." (Shaw & Harris, 2022)

Now, they are subject to a 5% levy. Moreover, this 5% rate (the lowest in the EU, where rates range from 5.5% in France to 21% in Spain) previously made it the top choice for those

wishing to bring art in from non-EU countries (around 80% of the value of the UK market is made up of non-EU trade). Works were routinely imported to the UK and then shipped on to other European countries at no extra cost (Shaw & Harris, 2022).

I believe personally, that it will be a more cost effective entry than if the UK was in its strongest economic position. Smaller galleries are adopting a bullish position and moving into central London. This flurry of moves and expansions among London's smaller and mid-sized galleries suggests dealers are rising to the twin challenges of the ongoing economic and political crisis, which currently has no clear end in sight (the art newspaper). In the year 2022, Britain went through 3 prime ministers and 2 monarchs - adding to the price inflation and the lingering effects of the brexit transition, is this a sign the middle market is thriving, or is it more a matter of adapting to survive in a post-Brexit, post-pandemic landscape? In hard times, the best policy is usually to get bigger in order to strengthen your position. This is why the current trajectory does not seem so daunting to me, although it is certainly a more risky investment than opening in the US.

The most likely long term harm of Brexit are the import tariffs that hinder its trade with Europe. Adding to this, I would say that it may even help as the UK is more free to engage with international clients outside of the policies of the EU, which many institutions within the UK have often felt hampered by. Furthermore, as London is the centre of the art market (or at least a gateway to the west) for Asian countries and the middle east, it stands to reason that separation from the EU will not bring long term harm.

There is one point in which the UK still holds incredible dominance: Auctions. In London, auctions are happening that gather interest and money from around the world. For example, as of March 2022, London was the site for the first auction in the West that was scheduled

according to Eastern time - making a morning auction happen in the evening in London, prioritising Chinese collectors over English ones (Person, 2022). While China has indeed beaten the UK in the global share of the market, in terms of Contemporary art, the domination of the Anglo-Saxon auction houses is absolute: Christie's (31% of global turnover), Sotheby's (26%), and Phillips (14%) account for more than 70% of the value of this segment. Faced with these results, the major Asian auction houses, China Guardian (3%), Poly Auction (3%), Seoul Auction (1.3%), and SBI Art Auction (1.2%) are playing David against Goliath. (ArtPrice, 2022). London is still a force to be reckoned with, and the UK, as an island nation, is a country that thrives off being isolated and being left to its own devices.

Who is going to replace the UK in Europe? No other country comes even close or is likely to in the near future - i.e. before Brexit has settled down and art policies adapt to the change.

London's art infrastructure vastly outranks that of any European country. France is the most likely successor, and yet it is significantly lagging behind the UK still (7% vs 18%). It lacks the diplomatic connections and history that the UK has and will continue to draw from in the future. The European market is still very focused on antiques and modern art, with London still the central hub for any contemporary art dealings. Important fairs abroad like Art Brussels or Fiac in Paris still do not have the appeal and collector base that London's art fairs have. The European art market is strong but very diluted among different countries, as opposed to a unified bloc.

Chapter 6: The tail of the lion

New York

New York can be a difficult market to evaluate as most statistics include the US as a whole. Although New York is definitely the main hub of the US market, unlike London, there is a secondary city that will be included in the data: LA is also a large segment and operates independently from New York. Statistics that encompass the US as a whole need to be taken into consideration. The US acts as a key global hub for the art trade, with the most expensive artworks in the world brought to New York for sale to both local and international buyers. The US market retained its leading position, shifting up slightly to 43% of worldwide sales by value. The value of imports of art and antiques into the US rose by 60% year-on-year in 2021, and although they were still below 2019 levels (at \$8.3 billion in 2021 versus \$11.8 billion in 2019), the role of the New York market as the headquarters for the international trade in higher-priced works of art is very evident.

After losing almost one quarter of the value of its sales in 2020, the US art market recovered robustly in 2021, with sales increasing by 33% to just over \$28.0 billion. While some changes were expected at the start of the year that might have hampered growth, from increased taxation on wealthy individuals to anti-money laundering regulations on the art trade, few of these materialised and the market was supported by strong supply, particularly at the high end, and ready demand as the base of HNW (high networth wealth) expanded. The US has been one of the strongest-performing markets of the past decade, driving the art market's recovery from the global financial crisis in 2010, with continuing growth in sales up to 2015. Of course, it should be noted that this surprisingly quick recovery from the financial crisis in 2008 is due in very large part to Chinese collectors entering the market for the first time and

investing on the US market. Now that China has its own robust art market infrastructure this leaves the US in a much more vulnerable position for the next recession, which is upon us.

The fact remains, the heart of the global Art Market beats in New York where the high concentration of major players in this sector has a strong influence on international sales. This dynamic is already well documented: New York has long been the world's leading marketplace for Contemporary art, and much of its energy is now focused on Ultra-Contemporary art. (ArtPrice, 2022)

There are a number of factors that discourage us from pursuing this possibility in New York, however. There are some issues stemming from soon to be implemented policies that may potentially affect investment in the US:

The turnover in the Contemporary art segment was exceptional. The \$2.7 billion in global auction turnover (of which 38% from New York). That's a staggering \$1.05 billion, an increase of +20% vs the year-earlier period. Thanks to this historic performance, the United States recovered the 'leading marketplace' status (ArtBasel, 2022).

Throughout 2021, various federal tax reform proposals were introduced in Congress which would have reshaped the estate planning landscape and greatly increased the tax obligations of HNW collectors in the US. However, due to legislative gridlock, none were ultimately passed. This does not mean that the US is not continuing to look into new regulations - it certainly seems that this year marks the beginning of new policies that may harm the art market. Due to the pseudonymous nature of buyers and sellers in NFT transactions, fraud and anti-money laundering and other regulatory issues arise in relation to the sale of some artworks and the use of cryptocurrency. Reports suggest that 'wash trading' (artificially increasing the value of an NFT by being on both sides of the transaction) and money laundering are not uncommon. It seems the US is looking into more rigorous policies to

combat the opaqueness of the market. While I personally am in favour of transparency, it is yet to be seen what the impact of these will be.

▼

Chapter 7: Is it better to be the head of a lion or the tail of a mouse? Comparative analysis of
each city and our goals

The market analyses that I have reviewed in this dissertation provide a clear conclusion to my question: New York is in a stronger position and is very likely to stay that way in the long term. It is currently the art capital of the world and has an undeniable dominance over the art market in general, including the secondary market, modern art and antiques. As the epicentre of the financial world too - which is intimately tied to the art market - it is likely that New York will remain this way for the foreseeable future. As my father expected, it is a great place to consider opening up an art gallery. This is perhaps an oversimplified view of both markets: this dissertation intends to delve deeper and find out which is the preferable outcome. Taking into account the staggering competition of the New York market, my father and I ask ourselves the following question instead: would you rather be the head of a mouse or the tail of a lion?

Despite the temporary instability surrounding the American economy, and the higher cost of expenditures that opening up in New York would require, it is quite clearly the best choice to make purely in terms of financial data. However, there are drawbacks to this success. It is a highly competitive environment, for one. According to official New York government data, there are currently 1400 galleries in the city, more than any city in the US (Weisbrod, 2022). For contrast, there are 857 art galleries in London (London.gov, 2022). New York would require competing with a great number of other spaces that are offering very similar quality of work - how do you stand out over this number of galleries? Opening in New York would imply access to more resources, but in reality they are incredibly diluted due to the nature of the competition. As the 'new kids on the block' it would be incredibly hard to stand out, and begin to amass a network in an already over saturated market. In fact, it is probably such that

the advantages balance out with the relatively lower competition threshold that London offers.

In New York, not only would we be competing on the level of medium sized galleries, but the larger more established galleries would also present a threat. For example, had we opened up in New York earlier, our more successful artists would have been noticed by these galleries sooner and would likely have been offered exclusivity contracts. We cannot at this point compete with the advantages the larger wealthier galleries can offer, so this would be a persistent threat to our business and reputational growth. Working from Spain has afforded some sort of obscurity from established galleries (thanks to instagram and other social media platforms, the obscurity does not hamper our demand) until we have built up a good relationship with these artists and amassed collectors from their demand. However, even from Spain we have had these problems eventually, with our latest artist being taken up by Almine Rech. Opening up in New York would expose us to this sort of competition much sooner and more often. Additionally, when collaborating with New York galleries to work together with these artists, the basic condition they have is always to represent them exclusively in New York. Therefore, opening up there would actually limit us in terms of exhibiting our own artists. We could not negotiate exhibitions with top galleries without shooting ourselves in the foot (metaphorically speaking of course). So New York would present two major disadvantages; threat of competition and difficulty in obtaining reputation. It is the tail of the lion: the strongest market, where we could go unnoticed in the sea of other galleries unless we manage to overcome this barrier. It implies success, but perhaps not in the way we envision it.

London would also present a challenge on the competition front, but on much easier terms than New York. For example, in working with London galleries, we have not noticed the

intensity of the competition and domination of the established galleries that are open in the city. We have not faced problems with exclusivity or need for representation in London that galleries in New York enforce as one of their main terms. We have perhaps been lucky with this, but it has been our personal experience and for that reason I take it into account.

On the other hand, although it has a less cut throat market, it does present fewer opportunities. Opening here would be the head of the mouse: a smaller domain where we could amass more notoriety among national collectors, institutions, artists, and curators, which are still very important on a global scale. The fact remains that, if we were to open up another space in London, together with our success in Spain, we *could* amass a more significant percentage of success in Europe and abroad than in opening up in New York. The head of the mouse would imply much more success but within a smaller range. Knowing what I have investigated about the respective markets of both cities, it is simply choosing whether we prefer greater success in a smaller market or smaller benefits in the best market.

Chapter 8: Conclusion

In conclusion, the following statements can be made. One, that New York is a far superior but far more expensive and obscure market. Two, that London is more unstable and weaker, but nevertheless a worthy risk.

Perhaps it is from the experience of how the gallery first opened (during the height of the financial crisis in Spain), but the opportunity to be bullish with the London market and make it the scene for our next move forward, is very exciting. Although the data clearly shows that New York is superior, the London data does not lag so far behind that this way forward seems absurd. It is a strong art market regardless of the current economic situation. Opening in London would mirror the actions of other galleries on our level that are betting on going big and opening up in central London (Shaw, 2022). In conclusion, it is preferable to be the head of the mouse than the tail of the lion.

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Check everything makes sense

