

ARTS AND ENTERTAINMENT

Art Basel ahead, shared ownership is making the future of fine art more accessible

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As the world-renowned exhibition approaches, retail investors step into the spotlight. Image credit: Art Basel

By AMIRAH KEATON

As Art Basel's approaches, a set of new-age art collectors have unexpectedly arrived.

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Unconventional in approach and dissimilar in demographic as compared to traditional art world patrons, retail investors are stepping into the art market. In turn, experts are watching this space, as Basel programming kicks off from Nov. 29 through Dec. 4.

"The art market has been largely stagnant for the last decade on an inflation-adjusted basis," said Alexander Forbes, head of collector services and private sales for [Artsy](#), New York.

"Galleries, auction houses, and other players in the market recognize that the industry needs to transform to be more welcoming to folks who haven't previously purchased art, especially those who frequently buy other luxury goods," Mr. Forbes said. "Ultimately, collectors are driven by their passion for art and 75 percent have maintained or increased the amount they have spent on art so far this year, despite the turbulent macroeconomic environment."

"I remain very optimistic about results for the fairs next week and the art market as a whole in 2023."

Art markets disrupted by democratization

Just beyond the Miami Beach art fair, the industry's most defining trend in decades may lie in the hands of the sector's newest consumers.

In terms of overarching market trends, the largest online platform for art worldwide Artsy shares that in 2022, 73 percent of all collectors purchased the same amount of works or more than last year, up from 68 percent in 2021.

"Looking at the recent auctions, we're seeing a more thoughtful market emerge with collectors focused on top-level blue-chip works that have fantastic provenance as well as works by rising stars who are making their secondary market debuts," Mr. Forbes said.

"The primary market remains robust, but I expect collectors will take some time to make decisions about larger purchases," he said. "In similar markets previously, we've seen demand for emerging art remain hot, given the relatively lower price points of those artworks."

"The art market also tends to recover from periods of economic downturn more quickly than equity markets, given HNWI and UHNWI are typically more diversified and retain wealth and therefore discretionary spending power at a higher rate than the economy as a whole."

Further collector stratification reveals the emergence of an interesting shift toward democratization.

Experts are exploring the forces propelling this group forward. Sizable returns and alternate financing options appear to be largely responsible for the leap.

Key findings listed in Artsy's [2022 Collector Report](#) speak to the landscape's latest new collector influx.

Of those who began collecting in the last four years and have spent at least \$5,000 on art in one of those years Artsy dubs this bracket "next-generation collectors" 86 percent reported purchasing the same number of works or more, as compared to 78 percent last year.

With values that veer from those of the art world's upper echelon, this cohort values transparency, as they navigate an industry often intentionally shrouded in mystery.

"More than 60 percent of those new collectors tell us that things like a price not being visible when they're browsing for works holds them back from purchasing," Mr. Forbes said.

First, new collectors are being drawn in by the wider margins that alternative investments often tout.

Yieldstreet, which offers private market investment products across art, real estate, legal and other industries, details the concept in a new release, [Opportunities amid uncertainty: Art](#).

In a new video, Yieldstreet talks through report findings

The company's market research states that, with 14 percent in annual returns over the last quarter-century and as of December 2020, contemporary art is yielding profits that exceed those derived from legacy stock indexes like the S&P 500 which, conversely, saw returns of 9.5 percent annually.

While alternative investments are not necessarily new, entry points are widening.

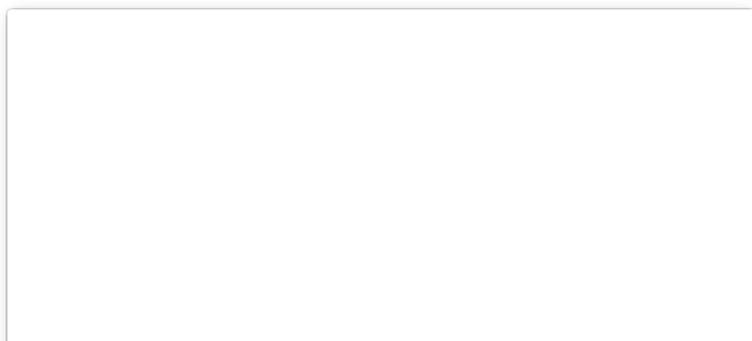
Last month, trading platform Public.com launched a new alternative vertical, granting access to a bevy of luxury goods including a limited-run Herms rare 2011 "35 So Black Birkin," investable by way of shared ownership in the form of fractional shares ([see story](#)).

"Diversification is the key to a modern investment portfolio, especially as the investing landscape as a whole is experiencing a great deal of volatility this year," said Keith Marshall, general manager of alternatives at Public.com, New York, for the story.

"Because some of these alternative asset classes are uncorrelated to the latest market volatility, they can help investors get strong risk-adjusted returns with reduced correlation with exchange-listed equities," he said. "We have seen the high end of the art and collectibles market hold up relatively well in the current climate."

Shared art ownership vehicles maintain their appeal for these exact reasons no longer does one individual require upward of millions of dollars to acquire artworks of a higher caliber.

One example of a platform progressing the culture of collecting by helping customers unlock the potential of private art markets is blue-chip contemporary investment company [Masterworks](#).



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The platform uses proprietary data to understand which artists are accelerating quickly and have the most attractive historical price appreciation rates, allowing members to invest in multimillion-dollar works by artists like Basquiat, Picasso and Banksy.

The premise of democratization deepens interest among a growing community of retail investors, in a similar fashion to fintech players like Robinhood.

Its promise fits the art world's current escapades well, as sales set new records ([see story](#)).

Exclusivity expectations

UHNWIs have long enjoyed the fruits of artists' labor – this cohort has used art in the strategic acquisition of cultural cachet as often as it has reaped the monetary benefits of its appreciating assets.

High in aspirational value, high art as an effective tool for growing generational nets has also historically been reserved for and limited to the use of the ultra-wealthy ([see story](#)).

No wonder newer buyers are now seeking to get in on the action, but will the industry allow access?

"In terms of exclusivity, there is a small cohort of artists with long waiting lists, and galleries will prioritize which collectors to sell to," Mr. Forbes said.

"For those artists, auctions and private sales are great avenues for any prospective buyer to use to gain access and channels we've prioritized at Artsy, consistent with your mission to expand the art market by welcoming in new buyers," he said. "But all galleries are eager to find new clients, and by and large, most gallery artists are available for purchase by anyone."

One facet encouraging continued equalization involves the industry's digital transition.



Based in Basel, Switzerland, Art Basel works with partner cities to stand-up programming each year. Image credit: Art Basel

Studies are showing that online marketplaces are quickly becoming the platform of preference.

Artsy shares that 76 percent of collectors bought art online in the past 12 months. For the "next-generation" collectors, Artsy's report reflects that buying art online is highly preferred, with 90 percent having done so over the past year.

A [2022 Artsy Gallery Insights Report](#) shares that 64 percent of galleries reported that their volume of online sales increased in 2021 compared to 2020, which it notes quelled doubts that online sales models would be temporary measures.

The trend could very well continue at this year's Art Basel.

"In the two years since the pandemic started, the art world has made a drastic shift online," said Dustyn Kim, chief revenue officer of Artsy, for the report.

"As lockdowns and social distancing became everyday realities, galleries shifted their operations online in order to connect with new collectors virtually," Ms. Kim said. "In 2021, digital sales remained important even as art spaces reopened and in-person events returned, with many galleries reporting record online sales volumes compared to years past."

"The result is a truly hybrid art world where online sales are just as important as those that happen in person."

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