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THE ART MARKET 2023

2023 in the Art Market has been one of readjustment and realignment, but thankfully not collapse – a market correction rather than the much talked about free-fall of the market.

2022 ended on a fever pitch high, with a slew of blockbuster auctions and record-breaking auctions – the **Macklowe Collection** brought in $922m at Sotheby's, the Anne Bass Collection achieved $383m at Christie's, and the **Paul Allen Collection** achieving just over $1.6b also at Christie's – taking the honour of being the first sale to top the billion-dollar mark.

Sotheby's London

Yet even as these records were being made, savvy pundits predicted a gloomier future for 2023 which turned out to be true.

Surprisingly, it was the top end of the market, with its superior quality and strong provenance, that failed to deliver the goods in 2023. It was badly hit in comparison to 2022, generating a little more than half the sales value compared to the previous years. In 2023, the most expensive artworks at auction paled in comparison to last year. The top 100 lots at auction this year totalled $2.4 billion, compared to $4.1 billion in 2022.

Why is this? Experts cite higher interest rates, continued inflations, and the ongoing turbulence in the financial markets as reason for the dip – but economic jitters aren't the only factor at play. The continuing war in Ukraine continues to negatively effect the global economy, as no doubt, the current Israeli/Palestinian war will too. Added to this, the post-pandemic exuberance of spending that fuelled the market in late 2021 and 2022 has certainly levelled off.

Across every category in the market, sales contracted in 2023 – but some were hit harder than others.

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All of this has had a negative effect on the market – spooking all but the motivated seller from consigning their treasures to an increasingly unpredictable and volatile market. Just like the property market, why would you sell in a falling market? As a result, the number of works coming to auction hit a three-year low in the year's first five months, and the contraction is most extreme on the high end. The May marquee auctions of Modern and Contemporary art in New York were noticeably underwhelming. The three main auction houses grossed an aggregate $1.4bn (with fees), significantly lower than the $2.5bn achieved the previous May, according to data provided by Pi-eX (the London-based art auction analysis firm).

Similarly, the up until now extra-hot, speculative/flip led market for young ultra contemporary artists also cooled down dramatically, with demand being far more measured than in 2022. In May 2022 in New York, Sotheby's The Now sale of 23 recent works by coveted, hard-to-source names had been a bidding frenzy that achieved $72.9m. In stark contrast, just over a year later in June this year, Sotheby's 14-lot London version of The Now format took £8.7m ($11m). This market had been characterised by heavy speculation and flipping by collectors keen to turn a quick (and often significant) profit on here to untested newcomers to the secondary market. However, market jitters have calmed this market down noticeably – with less activity from 'flippers' producing less demand and lower prices.

The biggest decline was in the Impressionist and Modern sector, whose sales plummeted by almost 30 percent year over year. The Postwar and Contemporary category had a slightly smaller dip of 23 percent. Ultra-Contemporary art, once the fastest-growing category, took a tumble as the froth surrounding the market for young artists began to dissolve. It shrunk by 26 percent year over year. The most stable category turned out to be Old Masters, whose revenue declined a comparatively modest 6 percent. It remains one of the smallest markets by dollar value, second only to ultra-contemporary (which covers around two dozen years of artistic production, while Masters embraces nearly six centuries).

Each of the big 3 auction houses saw their sales figures contract in 2023. Christie's narrowly beat Sotheby's in the race for the top spot, generating $8.9 million more in fine-art sales by mid 2023. Both houses saw revenue decline in the first five months of the year compared with the equivalent period in 2022. Christie's was down 23 percent while Sotheby's was down 20 percent. Hardest hit was Phillips, which reported $255 million in art sales, a 29 percent dip year over year, after reaching a record high in 2022.

In terms of the geographic split of the art market, the top three players stayed the same. The US reconfirmed it pre-eminence in this regard, albeit with sales down by 25 percent from the equivalent period in 2021, 2020, and 2019. China similarly reconfirmed its place as the second largest market, but in contrast to the US, its total sales spiked by more than 110 percent during the same period. The increase illustrates the continuing strength of the Chinese collector market, but it also reflects a statistical anomaly whereby several Chinese auction houses, including Poly International and Yongle Auctions, postponed their 2022 autumn sales to early 2023 in order to comply with government lockdowns, boosting the country's spring results.

The UK market experienced a decline in sales of 27 percent but still held third place in the global art market. The impact of Brexit and the increase in overall in logistical and importation costs still continue to effect the profitability of Britian's historic art market.

During the pandemic and the associated lockdowns, online and digital sales increased out of necessity and market survival and drove global art sales for this period. Now that in-person auctions have fully returned, online fine-art sales are hitting a plateau—but they remain far above pre-pandemic levels. A total of $155.8 million worth of fine art was sold in online-only sales at Sotheby's, Christie's, Phillips, Bonhams, and Artnet Auctions in the first five months of the year. That's down 5 percent from the equivalent period in 2022 and down 64 percent from 2021, when many high-profile sales had not yet returned to being held in-person. The 2023 total remains more than 300 percent higher than 2019, when online sales generated just $35.5 million in the year's first five months. What has changed is the comfort level of collectors to purchase via online routes – the average price in 2023 for an online purchase has dropped to $17,794 which is lower than since 2019.

In conclusion, 2023 – whilst certainly not a bullish year, it has still proved to be a strong market with no collapse foreseen in the near future. Bearing in mind the overall global uncertainties, and the fact that purchasing art is not a survival purchase, this is no mean feat!

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