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DATA-DRIVEN ART MARKET INSIGHTS

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INVESTOR UPDATE



ART SALES & THE DEMAND FOR COMPREHENSIVE VR

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Discussions concerning the impact of the coronavirus, irrespective of the topic of conversation, almost invariably conclude with the same question: “when society returns to normal, what lessons will we carry forward from this crisis?” In the context of the art world, our lesson may manifest as a paradigm shift in the way we understand virtual reality.

By virtual reality, or VR, we don’t necessarily mean augmented spatial reality, as you might associate with headsets and goggles like Facebook’s Oculus technology. For the sake of this discussion about the art market, VR can be construed as any immersive and self-directed digital experience.



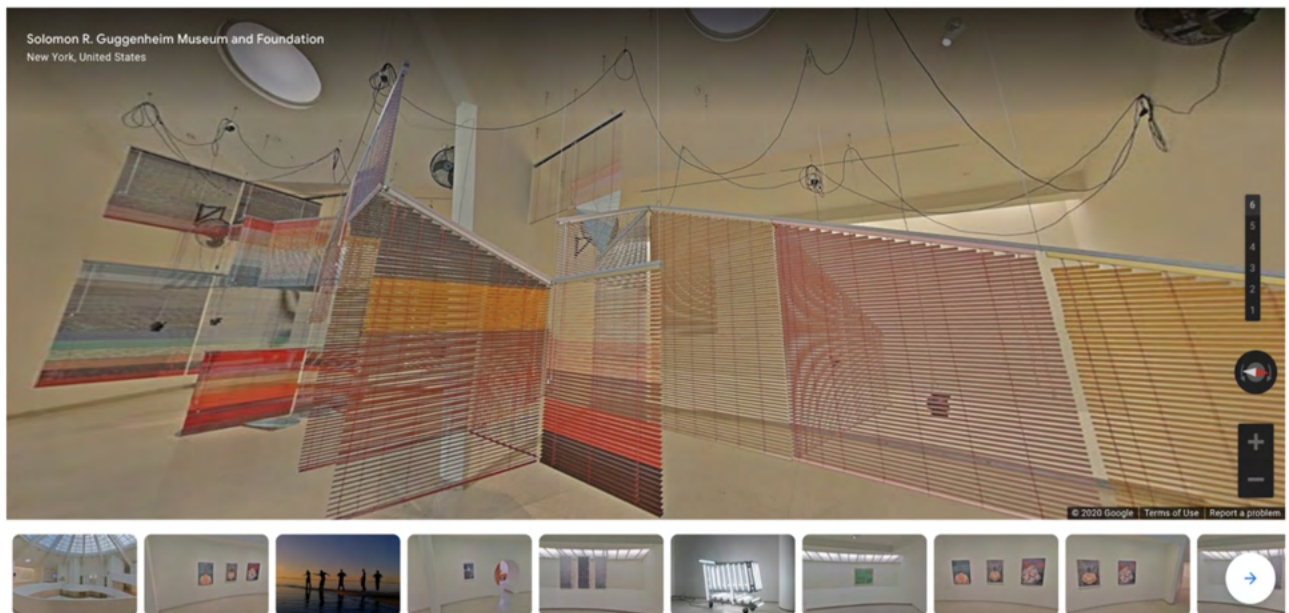
Zenka's AR artwork at *Art of VR*, presented by The VR Society at Sotheby's New York, June 22–23, 2017¹

Though art, as a discipline, may present many interesting avenues for virtual and digital technological development, the art market, as an industry, has encountered challenges in applying VR to its transactions. Traditional art-viewing in a gallery space requires complete freedom of movement between multiple vantage points to appreciate the dynamic interplay of light and shadow across physical textures. In assessing both figurative and abstract artworks, connoisseurs cherish the sensation of a wandering eye, as the human gaze naturally traverses a work’s perspectival

shifts and narrative flow. Above all, there is no substitute for the sheer quality of visual resolution achieved by walking into a museum, tip-toeing precisely up to the line on the floor, baiting the security guard, and gazing deeply, longingly, into the abyss of a painting mere inches from your nose. For all of these reasons, and many more, the commercial arm of the art world has historically lagged other fields in adopting new technologies, and continues to heed the advice of “purists” who resist innovation that might inhibit personal engagement with art.

Although perhaps not immersive enough to simulate the sensation of jostling other visitors for a good view of the wall labels, Google's VR view of the Guggenheim museum is nonetheless amazing, and offers an elegant visual solution to the tricky problem of reproducing sprawling, three-dimensional works like Haegue Yang's hanging installations (pictured below). While this technological advancement speaks to enormous recent achievements in

digital imaging, we still miss out on a key sensory element of Yang's work, described by the curator as "chemically manufactured scents, emanating from commercial scent emitters and branded with names like Buddha Temple and Ocean Mist."² When we talk about VR in the arts, we often dismiss its staying power and legitimacy, holding the technology up against the insurmountable standard of analog reality. Perhaps, however, the comparison is unfair.



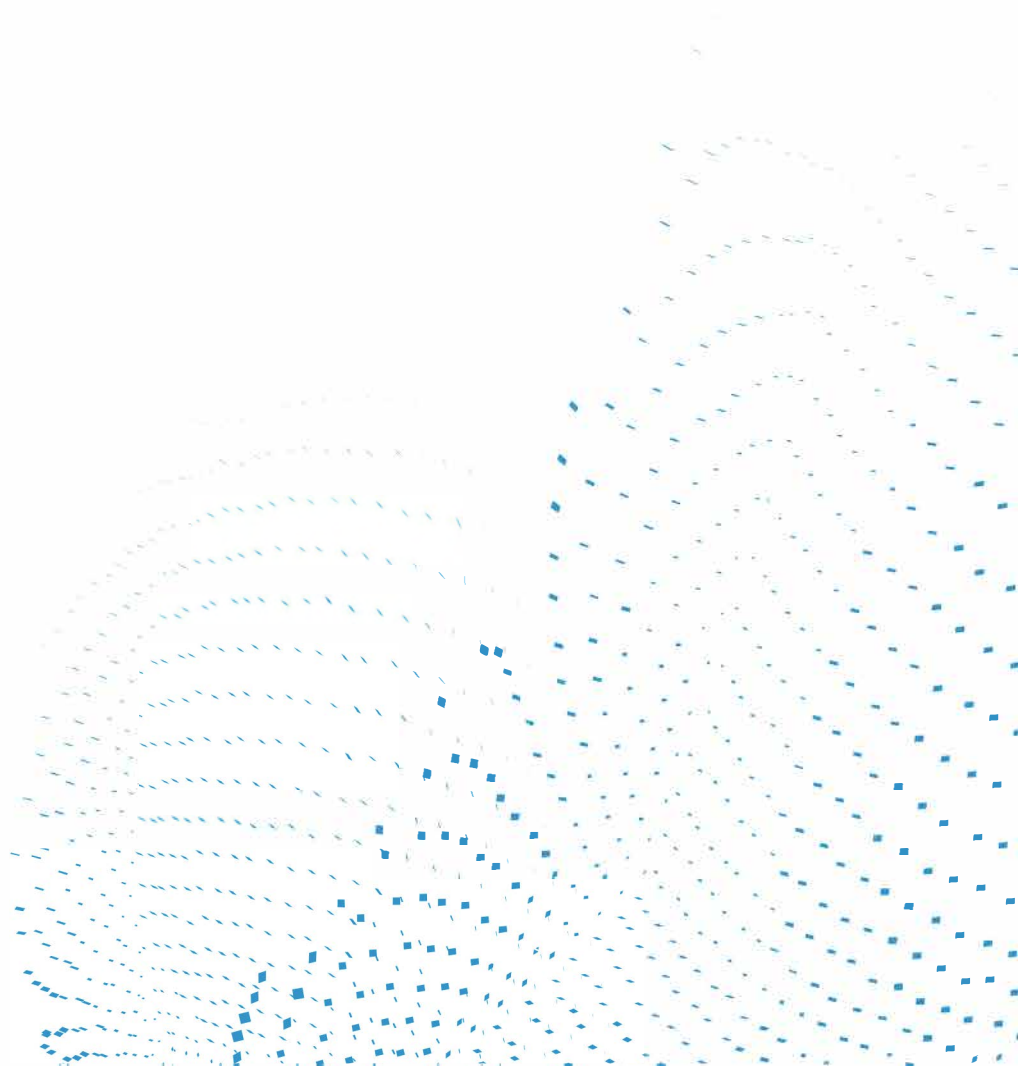
Series of Vulnerable Arrangements—Voice and Wind by Haegue Yang, 2009
Solomon R. Guggenheim Museum – Interior Streetview, Google Arts and Culture³

At least on the commercial side of the art world, astonishingly little viewing occurs in physical proximity to the art. Three years ago, in response to a new technology roll-out from Artsy, gallerist Virginia Martinsen remarked, "It used to be unthinkable that a collector would buy a work without seeing it in person. Over the last few years it was almost the opposite.

People would buy work from the gallery online and not come in for the show."⁴ If this attitude was apparent among the private-sale contingent as early as 2017, it should come as no surprise that online auctions are quickly replacing numbered paddles post-COVID, even despite our continued reliance on low-resolution 2D photographs.

Like it or not, the ebb and flow of consumer demand for art already sluices through a sieve of pixels, and the idea that collectors will refuse to engage with the art market unless they can physically inspect their purchases is perhaps an oversimplification of a complex buying process that involves various technological interventions at different stages in the consumer journey. Virtual reality exhibitions, therefore, are not replacing purse-sized magnifying glasses and complimentary sparkling wine in a Chelsea showroom. Rather, VR innovations will merely alleviate hunched squints through cracked iPhone screens and clumsy fingers zoom-enhancing Instagram posts.

The ideological viability of remote-purchasing art is already well proven, but the experience can stand to be drastically improved by VR.



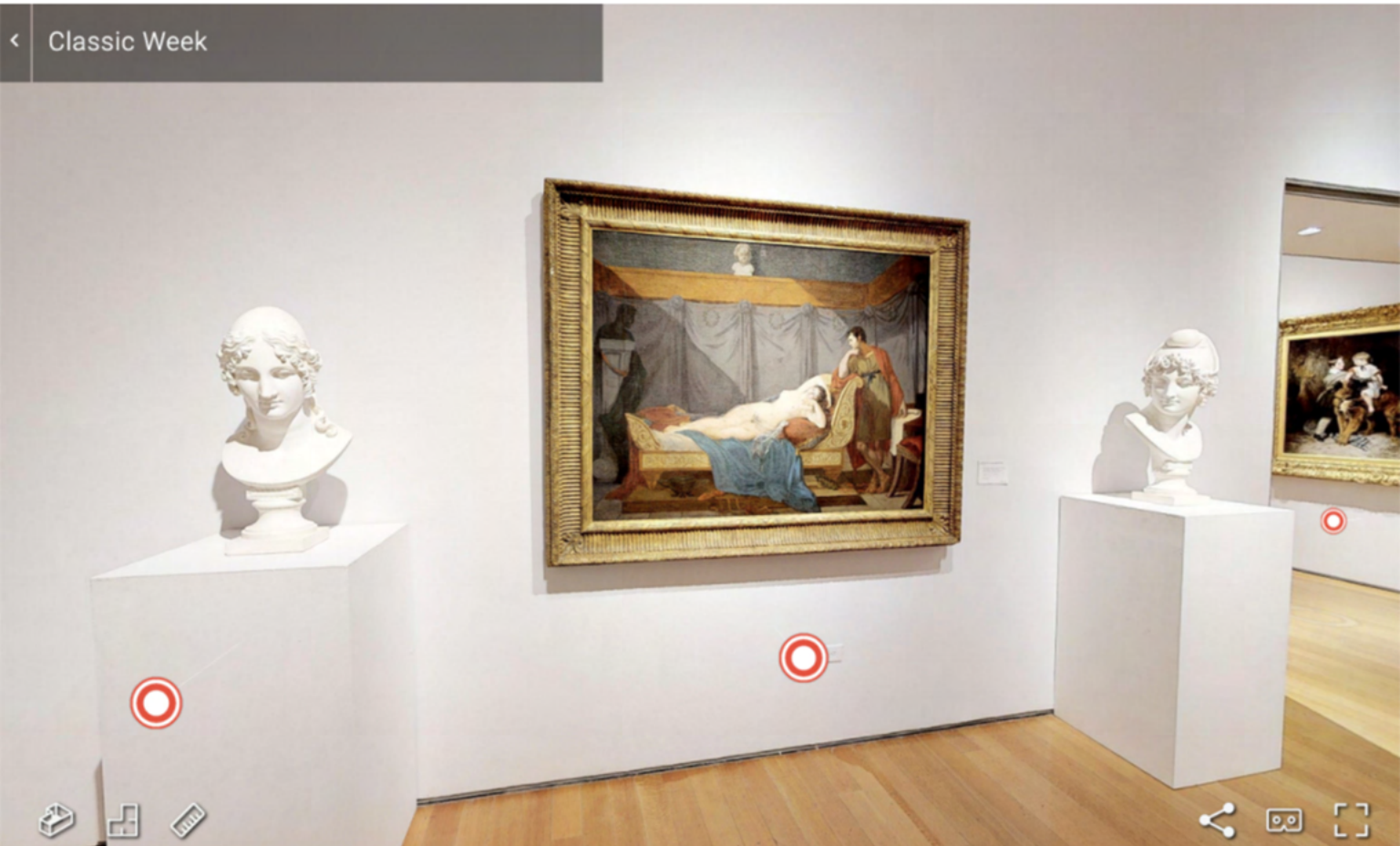
As a trivial yet telling statistical comparison, the 2018 Met Costume Institute exhibition, *Heavenly Bodies*, brought in a record 1.6 million visitors... which sounds like a huge figure until you consider that the red carpet event for the exhibition's corresponding gala achieved the same number of likes on official Met social media accounts within its first hour.⁵ Of course, it's easier to pull out your phone than it is to commit to a museum day trip. This admittedly ridiculous metric of eyeballs-per-artwork isn't intended to suggest an institutional revolution, or the apocalyptic decline of museums and galleries. Rather, it merely illustrates the raw breadth of "reach" achievable online. Reach builds awareness, and awareness builds engagement, digital, physical, monetary, and otherwise.

Even major art fairs, the industry's stalwart bastions of interpersonal interactions, are now rushing to implement new viewing room technologies, and experiencing success, as reported by a recent survey of results from Frieze New York.⁶ In fact, recent research demonstrates that visitor figures at brick-and-mortar institutions are amplified, and not cannibalized, by growing digital content.⁷

It's no radical notion, therefore, that digital experiences will soon mediate the vast majority of art viewership. Museums like the MET and the Guggenheim clearly understand this principle, which is why they invested so much time, money, and effort building out their VR capabilities long before coronavirus sent us scurrying indoors. What's strange, and hard to comprehend, is that nonprofit cultural organizations were faster to adopt widespread VR than their commercial counterparts.

The Met 360° Project has been around since 2016, and will likely soon reflect a comprehensive survey of the museum's various departments. Christie's VR showrooms, by comparison, though extant since 2017, are still very much a growing phenomenon. Christies made headlines last month when four new auction walkthroughs came online, indicating that the auction sphere still has a ways to go before they achieve full implementation of this technology.⁸

By all accounts, the financially-motivated market sector of the art world should be driving change in VR, and yet they have so far been content to drift along in the wake of museums.



Virtual tour: Classic Week, Christie's New York, 2019⁹

Think about it this way: some rough averaging suggests that the Met hosts almost million visitors per year and grosses \$55 million on admission. Even optimistically, that's only \$7 per guest. By contrast, a major auction house like Sotheby's frequently turns over \$200 million in sales during a single contemporary art evening auction. With fewer than 1000 engaged parties present at any given sale, even counting phone banks and pre-arranged bids, we can guess that the astronomical returns realized on the incremental new participant far exceed the costs of setting up fancy cameras.

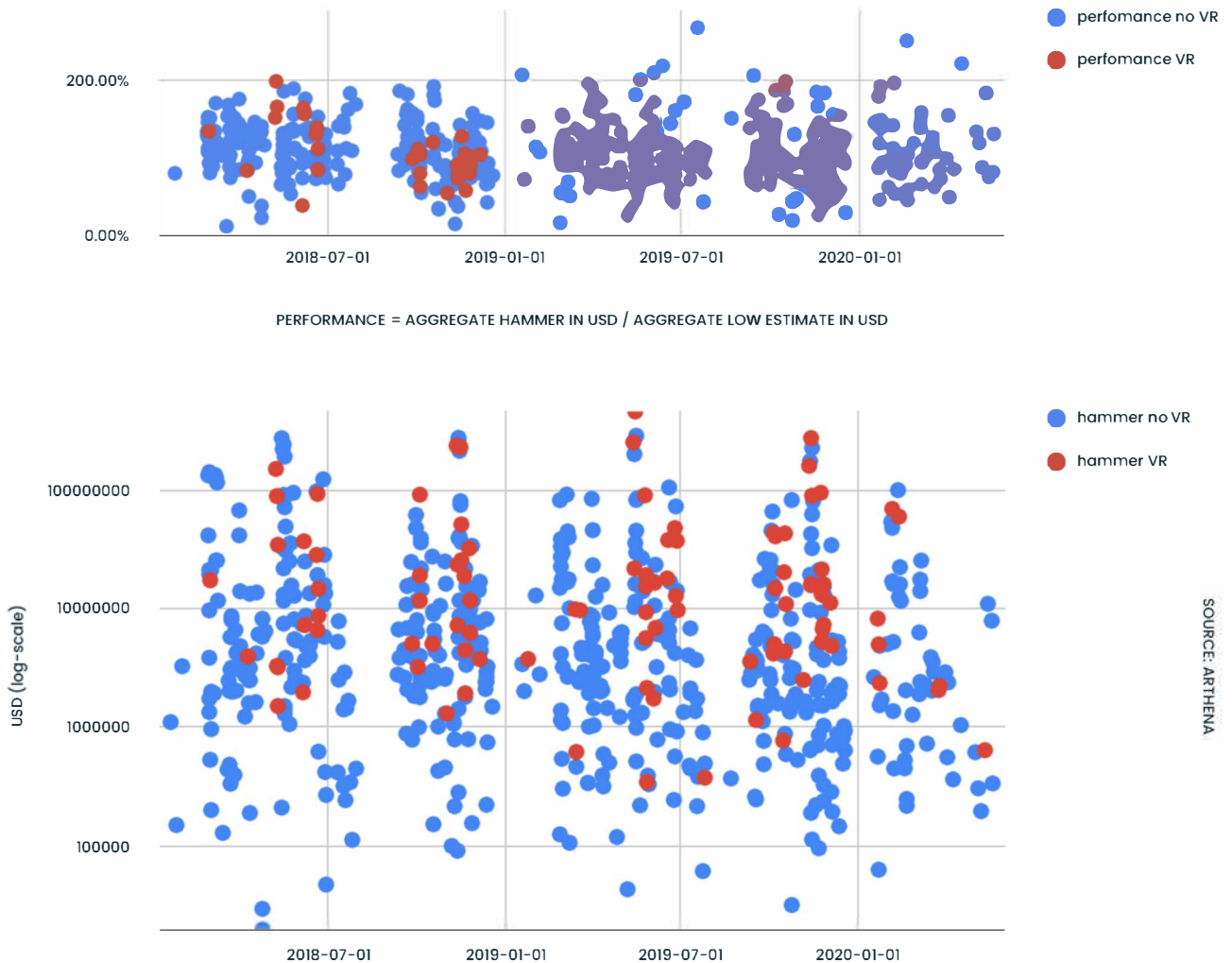
If VR is a worthwhile investment for museums, then it will be an inevitable innovation for auction houses as well. Acknowledging the vastly divergent business models in play, and granting that VR actively promotes new in-person audiences, the next question we ought to ask isn't "how will coronavirus change auction house technology?"

Instead, it's "why don't Christie's and Sotheby's publish a virtual walkthrough of every single sale?" Admittedly, much of the difficulty in applying VR solutions to auction exhibitions stems from logistical and timing concerns: for auction locations with tighter turnaround schedules and busy showrooms, the setup time for VR technology can pose an impediment. Even so, there are workarounds available to sales staff, including partial implementation of mini, curated exhibitions for featured lots. Ultimately, it's an economic marvel that VR hasn't propagated further through the ranks of art sellers, industry titans and scrappy online upstarts alike. Expect to see imminent and lasting change in the landscape of commercial art visualization, not because of some virus, but just because it makes sense. In the meantime, we strongly recommend you prepare for this new state of affairs by sampling some of the amazing art institutions already transmogrified in digital-3D: Virtual Tours.¹⁰



As a final visualization of the progress auction houses have already made towards full implementation of VR, and as a basic indication of their trajectory, consider the following charts which display auction

results for Impressionist, Modern, and Contemporary Art sales from Phillip's, Christie's, and Sotheby's based on whether or not each auction sale featured a publicized 360° virtual reality walkthrough.



All three houses currently use VR technology from a company called Matterport, so the figures below represent the log-scale total aggregate hammer price and the total performance (total hammer price / total low estimate) of each auction from the past two years, organized by occurrences of these particular Matterport VR experiences.¹² While it's not yet possible to consider every variable in this study, largely due to the sparse and recent nature of VR auction

data, we do already see indications that both the overall quantity and overall performance of VR-enhanced sales are slowly but steadily increasing in relation to their non-VR counterparts, resulting in a slightly better overall performance profile for the technology-enhanced auctions. These data points give us some indication that auction houses have at least considered the long-term implications of VR technology and are moving in the right direction.

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FOOTNOTES

1. <https://www.forbes.com/sites/charliefink/2017/07/11/artists-show-potential-of-vr/#4ab7d7725263>
2. <https://www.guggenheim.org/artwork/28092>
3. https://artsandculture.google.com/streetview/solomon-r-guggenheim-museum-interior-streetview/jAHfbv3JGM2KaQ?sv_lng=-73.95907104283359&sv_lat=40.7829111313827&sv_h=266.8172104141136&sv_p=-1.2654353855430713&sv_pid=52mLdzohUE_pLnq_PfflKg&sv_z=1.1829941682417755
4. <https://www.theverge.com/2017/7/18/15983712/artsy-fine-art-galleries-online-auction-sales>
5. <https://www.instagram.com/metmuseum/?hl=en>,
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11. <https://www.metmuseum.org/art/online-features/met-360-project>
12. <https://matterport.com/gallery/christies-auction-house>

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