

SE Focus
HD **Galleries: going, going, gone?**
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WC 2,126 words
PD 24 June 2014
SN The Age
SC AGE
ED First
PG 16
LA English
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As the art industry is reshaped by the internet, fairs and tighter rules for collectors, are Melbourne's **commercial** galleries becoming an endangered species? Lucinda Schmidt reports.

When Andy Dinan told a Melbourne art dealer about her plans for a three-storey **commercial** gallery in Windsor, his reaction was blunt. "Just how fast do you want to go broke?" he joked, in that tone people use when they're not really joking.

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Her cutting-edge contemporary art gallery, which opens next month off Chapel Street, devotes half the basement to video installations - a medium the dealer asserted no one buys.

In an industry being battered and reshaped by the rise of the internet, art fairs, pop-up galleries and a globalising art market, why, he asked, would Dinan waste precious space on something that won't sell?

She admits the dealer has a point - at least about the huge challenges facing **commercial** art galleries. Since Dinan opened her first gallery, MARS, in Port Melbourne nine years ago, she has seen a fundamental shift in the way people **buy** art - and it's bad news for many **commercial** galleries.

Fewer people are visiting galleries to learn about emerging artists and **buy** their work to build a collection. Instead, they flick through images online at home, jet off to art fairs in Sydney, **Hong Kong**, Auckland and Basel, or join art clubs to **group-buy** artworks for speculative profit rather than passion.

Meanwhile, galleries are being squeezed by higher rents and continuing ructions from the global financial crisis, which forced many collectors to sell. Tighter rules on art **purchases** by self-managed superannuation funds and the art resale royalty scheme have added to gallerists' woes.

Anna Pappas, president of the Australian **Commercial** Galleries Association, estimates that overall sales of new artworks are down 25 per cent to 30 per cent in the past few years, with indigenous artwork particularly hard hit. "No one has the real figures as galleries do not reveal their true sales easily," she says.

But that estimate matches Dinan's experience at her Port Melbourne gallery, which mainly exhibits emerging artists in the \$5000-\$20,000 range. She says turnover is down about one-third from four years ago, while visitor numbers have plunged even more.

In her first few years as a gallerist, more than 300 people would cram into MARS for 11 exhibition openings a year, and the better-known artists in her stable would often sell out a solo show. Now a good opening at her gallery attracts about 100 people - mainly the artists' friends and family - and if she sells one-third of the exhibits, that's a good result. (She's funding her Windsor venture by selling six apartments built above the gallery by her husband's **property** development **company**.)

Pappas says her eponymous gallery in Prahran has more people walking through the door and attending exhibition openings but fewer actually buying.

The tough market has forced several well-known Melbourne galleries to close or merge. Pappas lists a dozen Melbourne galleries that have closed, merged or relocated to the dealer's home in the past year or two, including Nellie Castan in South Yarra, Mossenson Galleries in Collingwood, John Buckley in Richmond, Catherine Asquith in Collingwood, and Helen Gory's Prahran gallery. She estimates that just 30 to 40 "proper" galleries remain in the Melbourne art scene.

Castan, who closed her South Yarra premises last December after 15 years to launch a business showing artists at international fairs, says dealers must become more flexible as the art scene becomes more global.

"I've come to believe that galleries no longer need to be strictly bricks-and-mortar spaces ... I feel I can now step outside the white cube and go global," she told The Age in January.

In Sydney, art critic, author and lecturer Andrew Frost says at least eight **commercial** galleries have closed since the GFC, including the high-profile Breenspace last December. Others, such as Olsen Irwin, have merged.

"This is equal to the late '80s-early '90s recession, if not worse," says Frost, adding that five or six long-standing galleries in Perth have also shut up shop.

Pappas agrees. "This crisis is stronger, deeper and longer than we have seen for many years," she says. She estimates that across Australia, about 30 per cent of **commercial** art galleries have closed since the double whammy of the GFC and the superannuation changes.

The latter, in particular, has hit hard. From July 2011, art bought by a self-managed superannuation fund has had to be insured and stored but cannot be displayed at home. Melbourne accountant and tax adviser Tom Lowenstein says the rules have discouraged investors because of the additional costs.

Should we care that about 30 per cent of Australia's **commercial** art galleries have closed since the global financial crisis? Well, yes, says Lowenstein, who represents more than 2000 visual artists.

"**Commercial** galleries are still the backbone of the contemporary art scene," he says. "Artists are the worst salespeople you could come across; they can't sell their own works. A substantial amount of artists' sales are through **commercial** galleries."

Traditionally, a gallery represents and supports a stable of artists, mounting exhibitions of their work and bringing them to the attention of collectors, public institutions and corporate clients. So tough times for **commercial** art galleries mean tough times for contemporary artists.

This is spelt out in figures Lowenstein has compiled from a survey of about 100 of his artist clients, comparing their 2008 and 2012 incomes. The total income for Lowenstein's top **group**, comprising well-established and successful artists, dropped 46 per cent, while the second **group** of mid-career artists earned 30 per cent less. It was only the third **group**, comprising young emerging artists, that earned more in 2012.

The hotly debated resale royalty scheme, at present under review, was introduced in 2010 to collect a 5 per cent royalty for the artist each time a work is resold for more than \$1000. Lowenstein says the scheme has discouraged speculators from taking a punt on artworks because they have to pay the royalty even if they resell the work at a loss.

Without investors and speculators, the only remaining buyers are collectors. "We're now going through a stage of looking for the next generation of collectors," Lowenstein says.

Some blame Australia's small population and even smaller pool of dedicated art collectors and corporate and institutional buyers for the industry's malaise, but cities around the world are also lamenting the decline of their **commercial** art gallery hubs.

In London, top-end galleries in Mayfair's Bond Street are closing at an "alarming rate", according to a March report in The Telegraph. Rents have tripled amid competition for space from global retail brands, forcing out dealers such as Colnaghi, which shut its West End shop recently after 250 years.

San Francisco's downtown gallery district has also been hit hard by rising rents. One displaced gallerist, moving his business to his home after 22 years, told the San Francisco Chronicle his peers in Chicago and Los Angeles were doing the same.

"Ten years from now, traditional galleries will be a thing of the past," he said. "The auction houses and art fairs will have taken over - and the internet."

Traditional galleries may be struggling, but at the very top end, a new model is emerging - the mega-gallery. Some of the world's best-known **commercial** art galleries are connecting with wealthy new collectors by opening multiple sites as part of the art world's growing globalisation.

New York gallerist Larry Gagosian, for example, is opening his third London gallery this year, taking his network to 14 exhibition spaces in eight countries. Closer to home, Pearl Lam, in Shanghai, **Hong Kong** and Singapore, is believed to be casing Australia for a fifth gallery and will be exhibiting at the Melbourne Art Foundation's Melbourne Art Fair in August. It's a blueprint that Frost believes is unlikely to work for Australian galleries.

"There's simply not enough support from private collectors, corporations or institutions," he says.

Nor are there enough Australian artists with strong international reputations to attract serious overseas collectors. The best a local gallery can manage, Frost says, is to get international exposure by showing at the **Hong Kong** art fair, one of the world's oldest and most prestigious fairs.

The growing number and popularity of art fairs presents gallery owners with a dilemma. Assuming their application to exhibit is accepted, it's a costly undertaking to rent space at the fair, package, insure and transport the works, and perhaps take along an artist or two.

Pappas, who chairs the Melbourne Art Foundation, estimates there are about 60 art fairs around the world, compared with only 10 a few years ago. She has reduced her participation in international fairs because of the expense and because she prefers discussing art with locals who feel a connection to its roots, history and culture.

But if a gallery is not represented at a major art fair, particularly in Melbourne or Sydney, it can raise eyebrows.

Frost describes the inaugural Sydney Contemporary art fair, held last September, as an "act of faith" for gallerists, who paid tens of thousands of dollars to exhibit.

"They're like trade fairs - you get your wares out and put them on display."

One gallerist has sniffily labelled art fairs a "form of art tourism", but they can also generate a large chunk of a gallery's annual sales.

Dinan describes taking artist Daniel Agdag and his intricately carved cardboard sculptures to the Sydney fair and watching the media pack and the VIP crowd rush past her stall without a glance. Then the doors opened to the public and Agdag's exhibition **sold** out in 45 minutes.

In a healthy financial environment, Pappas believes the fairs, pop-up galleries, auction houses, and even internet sales, act as an extension of, rather than a replacement for, **commercial** galleries. In the current environment, however, that symbiotic relationship is weaker. But few agree that traditional galleries will die within a decade.

"As to whether the model is broken, I don't know," Frost says. "I feel there is a fundamental need for art to be experienced firsthand. Galleries are still going to have to have a bricks-and-mortar showroom so people can see the work."

He doubts the internet will ever replace **commercial** art galleries.

"It can be a sales tool, or used to educate investors, but the immediate physical reaction between you and a work of art can't be replicated other than by physically seeing it."

Lawyer and art lover Pamela Hanrahan, who regularly visits galleries in Melbourne and Sydney, says she would be very reluctant to **buy** through the internet unless she knew exactly what the work would look like because she had physically seen similar work previously and she trusted the gallery owner to give an honest report on its condition.

"For many people, including me, looking at the art in the gallery is still important, particularly if it is new work rather than an artist you know well or work you have seen before," Hanrahan says.

"Good gallery owners support the artists and teach collectors about art. They are incredibly important in developing a collection rather than just acquiring things. Rich people may have private advisers or curators, but for people starting out or at the more modest end, we rely very much on the generous way gallery owners share their expertise."

As Dinan strides around her almost finished gallery, pointing out smart lighting that will adjust to the time of day, huge cantilevered windows that open to the street, and an iPad touchpad that downloads price

lists to visitors' phones, she cheerfully admits that some people think she's crazy to expand in this environment.

"But you have to have a gallery to convey the true intent of the artists and to show the art in the best possible way," she explains. "You can't see the brushstrokes on the internet."

RECENT CLOSURES AND MERGERS

Nellie Castan Gallery, South Yarra:

Now doing projects and international art fairs.

John Buckley Gallery, Richmond:

Now a consultant with a small gallery in his Prahran home (pictured).

Mossenson Galleries, Collingwood:

Now focusing on its Perth gallery.

Helen Gory Galerie Prahran:

Now sharing premises with Dianne Tanzer in Fitzroy.

Lindberg Galleries, Fitzroy:

Now sharing premises with James Makin Gallery in Collingwood.

Catherine Asquith Gallery,

Collingwood:

Now sales director at Art Plural Gallery in Singapore.

Jenny Port, Richmond:

Now an art advisor/curator, Place Gallery, Richmond.

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RE austr : Australia | melb : Melbourne | sydney : Sydney | victor : Victoria (Australia) | apacz : Asia Pacific | ausnz : Australia/Oceania | nswals : New South Wales

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