Why “Flipping” Art Is so Controversial

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“Flipping” an asset loosely means buying and swiftly reselling it to make a quick profit. You can flip stocks, trading them within 24 hours. If you want to flip houses, you can buy them, fix them up, put them back on the market, and—if you’re lucky—get your own hit HGTV show.

In the art world, however, flipping is a dirty word. “It’s disgusting,” said art adviser Lisa Schiff, noting how speculative buying practices can harm young artists’ careers. Speaking more subtly, Dr. Elizabeth Pergam, who teaches at Sotheby’s Institute of Art, noted that rapid run-ups in auction prices lead to a widely-held idea that flipping is “not healthy for the market.” Regardless of the data, art flipping carries a significant stigma in an industry that runs on relationships and reputations.

**Who flipping really hurts**

Most artworks, unlike stocks and houses, are made by working artists who rely on sales to support their creative practices. Artists often work with gallerists, who sell their artworks to institutions and collectors and give them a large portion of the proceeds. Such private exchanges are considered primary market sales.

Once a collector decides to put an artwork up for auction, it enters the secondary market. Artists don’t benefit from any of these sales, except in the few jurisdictions with resale royalty laws; most of the money goes to the consignors and auction houses. Heather Bhandari, an independent curator and educator who previously worked as a director at the Chelsea gallery Mixed Greens (which closed in 2015), believes that the art world frowns upon flipping in part “because the buyer rarely does anything to help
increase the value of the work—they profit from artists’ continued hard work without paying anything to the artists.”

For Pergam, buying and selling a single work of art within 5 to 10 years is a rapid turnover, and constitutes flipping. Schiff prefers a you-know-it-when-you-see-it definition. “It’s always obvious,” she said. It happens when “this artist is too young to be at auction.” From Schiff’s perspective, a painting by Christina Quarles, who’s in her mid-thirties, doesn’t have any place sharing an auction catalog with canvases by Kerry James Marshall or Gerhard Richter. The latter artists are far more established, with roughly 30 and 50 additional years of artmaking to their names. They’ve had adequate time to develop their work, without facing the pressures of the art market.

No one’s too concerned about flipping if the artist is well-established or dead—nobody is bothered on behalf of Jeff Koons, Takashi Murakami, or Jean-Michel Basquiat. But if an artist is just gaining traction in the art world, flipping can lead to spiking prices and ultimately destroy a career.

The trajectories of artists including Lucien Smith, Anselm Reyle, and Christian Rosa illustrate the dangers of flipping. Smith’s work began appearing at auction in 2013, when he was in his early 20s. Artnet’s price database lists 116 results since then. Smith’s first canvas to go to auction, *Hobbes, The Rain Man, and My Friend Barney / Under the Sycamore Tree* (2011), sold for $389,000—well over twice its high estimate of $150,000. In recent years, however, Smith’s works have increasingly been “bought in” (not sold) or gone for prices in the $5,000–$20,000 range.

In a 2015 article for *Bloomberg*, James Tarmy tracked a similar downfall for Reyle’s market. In 2007, before the artist turned 40, a work of his fetched $634,000 despite its high estimate of $51,000. “In one year, Reyle’s record at auction had increased by more than 1,000 percent,” Tarmy wrote. After the financial crisis hit in 2008, however, Reyle’s market toppled. That year, a third of his work, according to Tarmy, sold below its estimate or not at all.
third of his work, according to Tarmy, sold below its estimate or not at all. “The bottom line: A work by the once-hot artist Anselm Reyle sold last year for about $66,000, $30,000 less than it fetched four years ago,” Tarmy concluded. Unable to sustain his studio costs, Reyle had to temporarily retire from painting.

What are flipping’s macro repercussions?

While most agree that flipping hurts young artists, it’s less clear how the practice impacts the market as a whole. Doomsayers assert that today’s flipping is a new, ramped-up phenomenon—indicative of a vulgar, fad-obsessed class of collectors—which is bad news for the art market as a whole. Yet in an article for the New York Times, Lorne Manley and Robin Pogrebin found that the pace for turning over art in 2013 “was only slightly faster than it was in the mid-1990s, signaling that the reselling may be just the latest iteration of a historical cycle, not a lasting change.”

New ways of tracking who’s hot and who’s not, however, are making flipping a more in-your-face phenomenon. ArtRank, which started as an art fund’s algorithm back in 2012, ranks artists by their investment potentials. Categories include “Buy Under $10,000,” “Buy Under $30,000,” “Sell/Peaking,” and “Undervalued Blue Chip.” Not a single image of an artwork adorns the site’s welcome page, suggesting that aesthetics, creativity, ingenuity, and self-expression—values that draw many people to art in the first place—have been totally superseded by quantitative concerns.

A cure for flipping?

Flipping isn’t good for galleries, which play a key role in nurturing artists’ careers. While they can put clauses in contracts, restricting collectors’ terms of resale, Pergam noted that “lawyers say those clauses are unenforceable.”
Yet “if you buy art from respected galleries and they know you’ve sold it within 5, 10 years, they’re not going to sell you another one.” Auctions place no such restrictions on buyers. If you’re the highest bidder, you win the work—no matter your art world reputation.

It’s not just young, greedy collectors, new to the market, who flip, either. According to the *New York Times* article, artist Peter Doig accused Charles Saatchi of flipping. Collector Stefan Simchowitz has even advocated the practice. Both men have amassed extremely influential collections. Galleries aren’t going to stop selling to them over infractions that make up a small piece of their larger portfolios.

Schiff asserted that art advisers must be vigilant, too. She said speculative buyers—“fake people”—try to hire her and her peers “as beards for bad behavior.” The art world itself weeds out art advisers whose clients speculate: If her clients flipped, Schiff noted, “I wouldn’t have any clients or be an adviser. I would get cut off from every gallery.”

Schiff added that she “loves the art world and artists” and has “no desire to destroy careers.” A client’s profit in the short term could diminish her livelihood, an artist’s, and that of the gallerist who sold the client the flipped work. According to *artnet News*, to guard against the practice David Zwirner has imposed financial penalties on salespeople who sell work that ends up on the auction block too quickly.

Both Schiff and Bhandari believe the onus is on auction houses to curb flipping. Schiff doesn’t think auctions should be sourcing and selling art by artists who haven’t reached a certain stage in their careers. Bhandari, on the other hand, advocates resale royalties.

“Regardless of when the secondary market sale happens, artists should share in the profit,” she said. “It is a way to bring more equity to the market. In
other creative industries, royalties are a necessary income stream.” In the music industry, if someone wants to use your song for an advertisement, you often make money. Scholar Amy Whitaker believes that using blockchain to track an artwork could be a viable solution.

For her part, Pergam thinks the media and celebrity culture have helped feed the booming interest in contemporary art, which has led to flipping. “A lot can be attributed to the success of Art Basel in Miami [Beach] and that culture that’s sort of about glitziness,” she said. If rappers and movie stars are snapping up major works and going to art parties, perhaps bad actors will be encouraged to get in on the art-buying action—and turn a quick profit to further their exploits. That genie, however, doesn’t seem to be going back in the bottle anytime soon.

Yet it seems silly to point fingers at art-enthusiast celebrities, especially those who are bringing significant, celebratory attention to young artists and artists of color. Perhaps these celebrities could throw a little shade at flippers when they get the profile treatment, or publicly shame such get-rich-quick opportunists at parties. If these speculative buyers won’t listen to dealers at mid-tier galleries, maybe they’ll listen to Leonardo DiCaprio.

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