Day 15 - Charles Saunders

The Chelsea district has been a one-stop destination for the New York art world for a number of years, consisting of over 300 galleries. The greatest contingent of galleries at Art Basel 2007 came from Chelsea. The rise in the concentration of galleries in Chelsea came with such stunning speed, though, that it may not be indicative of a long-term trend; it is still too early to fully broadcast the strength of the district. In the art world, prestige and a defined "named brand" are paramount drivers of value of demand, and the high profile of Chelsea as an art center certainly serve to increase the incentive for galleries to relocate there, which in turn introduces more artists to the area, increases supply, and thus visibility. However, real estate prices rise as well, which serves to place a high ceiling on the types of galleries who can show there, especially as other, perhaps more profitable industries seek to capitalize on the cultural prestige that Chelsea currently holds and relocate to the district, increasing the competition not just among rival galleries, but among rival industries for the limited space. Art spaces in Chelsea are relatively industrial, which can prove a double-edged sword. On one hand, the spaces offer more creativity and flexibility for art designers to "work with the space," and created individualized gallery ambiances. The large size considerations also allow for the exhibition of particularly large pieces of art, a consideration that is not necessarily available elsewhere. However, the industrial quality is not necessarily "artistic," and many players in the community would prefer a more intimate, classical "Soho-esque" space to fully complement the inherent aesthetic qualities of their art.

Chelsea's survival may be in jeopardy. Probably the most important factor in determining its future is the fact that the booming worldwide demand for art is coinciding with a boom in the commercial real estate market. Rising rents proved the downfall of Soho, and many parallels exist today in Chelsea. In Soho, rising real estate prices introduced a flood of fashion boutiques that were much more appealing to landlords than art galleries, and landlords conspired to push galleries out, eventually settling on the then relatively district of Chelsea. As Chelsea grew in stature, the incentive for galleries to relocate there increased, and so began the flood of demand for Chelsea real estate that has made it the artistic hotbed we see today. Since Chelsea could not legally consist of residences, many galleries were insulated from the high prices that could be charged to condominiums, which offered some degree of rent protection; many galleries that could afford it opted to own their own space to further protect themselves from rent volatility. The zoning protection ended in 2005, however, which may help speed Chelsea's downfall as an concentrated art district. The vast majority of galleries in Chelsea do not own their own space; as rising real estate prices coincide with the increase in popularity of Chelsea as an art destination, the increasing demand for limited space may prove prohibiting for many existing galleries, and a severe die-off of galleries could ensue.

A candidate for replacement is the Lower East Side, bolstered by the New Museum of Contemporary Art, which suggests a dramatic and instant rival. The lower density is seen as an advantage by some, as the larger spaces allows for "breathing room," a stark difference from the industrial spaces of Chelsea. Germany also offers a potential rival, as real estate is extraordinarily spread out -- there is no "island constraint" that is present in Manhattan, meaning that location is in greater supply and is not fixed by natural boundaries, which could serve to maintain low prices regardless of any influx in demand. It seems like New York, if it wants to retain its place as the forefront in the international art market, must spread out to survive -- the model of concentration may no longer be viable.