

**TEFAF
Art Market
Report 2015**



TEFAF

Prepared by Dr. Clare McAndrew

TEFAF ART MARKET REPORT 2015

THE
EUROPEAN
FINE
ART
FOUNDATION

Prepared by Dr Clare McAndrew
Arts Economics

COLOPHON

Publisher
The European Fine Art Foundation (TEFAF)
Broekwal 64, 5268 HD Helvoirt
The Netherlands
T +31 411 64 50 90
F +31 411 64 50 91
E info@tefaf.com
I www.tefaf.com

Design & Production
Ideebv, Maastricht, The Netherlands
www.ideebv.com

All rights reserved. No part of this publication may be reproduced or transmitted, in any form or by any means, without the prior permission of the publisher.

© 2015 TEFAF

ISBN/EAN 978-90-75375-20-6
NUR 640

TABLE OF CONTENTS

Foreword	9	3.5 Ultra-High Net Worth Individuals	130
Acknowledgements	11	3.6 HNWLs and their Allocation to Art and Antiques	134
SUMMARY OF KEY FINDINGS	13	3.7 Average Incomes and the Art Market	137
		3.8 Art Buyers	145
		3.9 Conclusions	149
CHAPTER 1 The Global Art Market in 2014	19		
Key Findings	21	CHAPTER 4 Art Fairs	153
1.1 Art Market Overview	22	Key Findings	155
1.2 The Distribution of the Global Art and Antiques Market	24	4.1 The Emergence of Art Fairs	156
1.3 Auction Sales	26	4.2 The Regional Distribution of Art Fairs	158
1.4 Fine Art Auction Prices	32	4.3 Art Fair Visitors	159
1.5 Dealer Sales	41	4.4 Exhibitor Numbers	162
1.6 The Cross-Border Trade in Art	49	4.5 Art Fair Sales	166
CHAPTER 2 Sectors	65	CHAPTER 5 Online Sales	173
Key Findings	67	Key Findings	175
2.1 Fine Art Sectors	68	5.1 Introduction and Context	176
2.2 Post War and Contemporary Art	70	5.2 The Development of the Online Art Market	177
2.3 Modern Art	78	5.3 The Structure of the Online Art Market	183
2.4 Impressionist and Post-Impressionist	86	5.4 Website Traffic and Global Reach	194
2.5 Old Masters	92	5.5 E-Commerce in China	204
2.6 Decorative Art Sectors	101	5.6 Conclusions and Outlook	206
2.7 20th and 21st Century Design	101		
2.8 Chinese Decorative Art and Antiques	109	CHAPTER 6 Economic Impact of the Art Market	213
		Key Findings	215
CHAPTER 3 Changing Patterns of Global Wealth and Art Collecting	115	6.1 Employment	216
Key Findings	117	6.2 Ancillary Economic Impact	218
3.1 Economic Growth	118		
3.2 World Wealth	121	Appendix – A Note on Data Sources	223
3.3 HNW Wealth	125	Appendix – Current International Context of Legislation Regarding Movable Cultural Heritage	229
3.4 Global Millionaires and Wealth	127		
			3

TABLES AND FIGURES

CHAPTER 1 The Global Art Market in 2014

Table 1a.	The Global Art Market: Value and Volume of Transactions	22
Table 1b.	Growth in Sales on the Global Art and Antiques Market	23
Table 1c.	Global Market Share of the US, UK and China 2006 - 2014	24
Table 1d.	Average Auction Prices for Fine Art by Country 2007-2014	33
Table 1e.	Share of Artists with Sales at Auction by Price Bracket in 2014	37
Table 1f.	Auction Sales Above and Below €50,000 in 2014	39
Table 1g.	Share of Global Dealer Sales Transactions by Price Bracket 2012 to 2014	46
Table 1h.	Global Imports and Exports of Art and Antiques in 2013	52
Table 1i.	Summary Statistics: EU Imports and Exports of Art and Antiques	54
Table 1j.	Imports of Art and Antiques to Emerging Markets (€ Million)	60
Table 1k.	Exports of Art and Antiques from Emerging Markets (€ Million)	61
<hr/>		
Figure 1a.	Global Art Market Share by Value in 2014	25
Figure 1b.	EU Art Market Share by Value in 2014	25
Figure 1c.	Global Auction Market 2004 to 2014	26
Figure 1d.	Auction Market Global Share by Value in 2014	27
Figure 1e.	Fine Art Auction Market Global Share by Volume in 2014	28
Figure 1f.	Auction Sales in the Chinese Auction Market 2004 - 2014	29

Figure 1g.	Lots Offered Versus Sold and Buy-in Rates in the Chinese Auction Market 2004 - 2014	30
Figure 1h.	Averages and Medium Fine Art Auction Prices in 2014	35
Figure 1i.	Share of Lots Sold and Total Value at Global Fine Art Auctions in 2014 by Price Bracket	36
Figure 1j.	Market Share of Fine Art Auction Market for Works Sold less than €50,000, more than €50,000 and more than €1 million	40
Figure 1k.	Share of Dealer Businesses by Total Sales: 2012 to 2014	42
Figure 1l.	Average Time Taken to Sell Works from Dealers' Inventory	45
Figure 1m.	Share of Global Dealer Sales Transactions by Price Level in 2014	46
Figure 1n.	World Imports of Art and Antiques 2003 - 2013 (Billion Euro)	49
Figure 1o.	World Exports of Art and Antiques 2003 - 2013 (Billion Euro)	50
Figure 1p.	Share of the Value of Global Imports of Art and Antiques, by Country	51
Figure 1q.	Share of the Value of Global Exports of Art and Antiques, by Country	53
Figure 1r.	Average Intra-EU and Extra-EU Imports and Exports of Art and Antiques	58

CHAPTER 2 Sectors

Table 2a.	Prices in the Post War and Contemporary Sector in 2014	75
Table 2b.	Top 20 Selling Post War and Contemporary Artists in 2014	76

TABLES AND FIGURES

Table 2c.	Top Prices in the Post War and Contemporary Sector in 2014	77	Figure 2g.	Sales by Price Bracket in the Modern Art Sector in 2014	82
Table 2d.	Prices in the Modern Sector in 2014	83	Figure 2h.	Impressionist and Post-Impressionist Auction Sales 2004-2014	86
Table 2e.	Top 20 Selling Modern Artists in 2014	84	Figure 2i.	Market Share of the Impressionist and Post-Impressionist Sector in 2014	87
Table 2f.	Top Prices in the Modern Sector in 2014	85	Figure 2j.	Sales by Price Bracket in 2014	88
Table 2g.	Prices in the Impressionist and Post-Impressionist Sector in 2014	89	Figure 2k.	Old Master and European Old Master Painting Sales 2004-2014	93
Table 2h.	Top 20 Selling Impressionist and Post-Impressionist Artists in 2014	90	Figure 2l.	Sales by Price Bracket in 2014	95
Table 2i.	Top Prices in the Impressionist and Post-Impressionist Sector in 2014	91	Figure 2m.	20th/21st Century Design Sales 2004-2014	102
Table 2j.	Global Market Share: Old Master Paintings in 2014	94	Figure 2n.	20th/21st Century Design Market Share in 2014	103
Table 2k.	Prices in the Old Master Sector in 2014	96	Figure 2o.	Sales by Price Bracket in 20th/21st Century Design in 2014	105
Table 2l.	Top 20 Selling Old Master Artists in 2014	99	Figure 2p.	Sales in the Chinese Decorative Arts Auction Market 2011-2014	109
Table 2m.	Top 20 Prices in the Old Master Market in 2014	100	Figure 2q.	Market Share in the Chinese Decorative Art Auction Market	110
Table 2n.	Prices in the 20th/21st Century Design Sector in 2014	106	Figure 2r.	Sales by Price Bracket in Chinese Decorative Arts in 2014	111
Table 2o.	Top 20 Prices in the 20th/21st Century Design Sector in 2014	107			
Table 2p.	Prices in the Chinese Decorative Art Sector in 2014	112			
Table 2q.	Top 20 Prices in the Chinese Decorative Art Sector in 2014	113			

Figure 2a.	Market Share by Sector of the Fine Art Auction Market in 2014	69	CHAPTER 3 The Global Distribution of Wealth		
Figure 2b.	The Post War and Contemporary Art Sector: 2004 to 2014	71	Table 3a.	Growth in National and Regional GDP per Annum (%)	120
Figure 2c.	Market Share of the Post War and Contemporary Sector in 2014	72	Table 3b.	Share of National Wealth in the Top Decile	123
Figure 2d.	Sales by Price Bracket in the Post War and Contemporary Sector in 2014	73	Table 3c.	High Net Worth Wealth 2000-2016	126
Figure 2e.	The Modern Art Sector: 2004 to 2014	78	Table 3d.	Population of "Dollar Millionaires"	129
Figure 2f.	Market Share of the Modern Sector in 2014	81	Table 3e.	UHNWIs and their Wealth in 2014	131
			Table 3f.	Allocations by HNWIs to Jewellery, Art and Collectibles in 2014	136
			Table 3g.	National Distribution of Population by Wealth in 2014	139

Table 3h.	GDP per capita and Growth Rates: Selected Nations	140	CHAPTER 5 Online Sales			
Figure 3a.	Share of World Population in the Top 1% of Wealth	124	Table 5a.	Global Internet Penetration Statistics	176	
Figure 3b.	The Total Global Population of HNWIs	125	Table 5b.	Website Rankings by Traffic	196	
Figure 3c.	Global Population and Wealth of "Dollar Millionaires" 2010-2014	127	Table 5c.	Website User Engagement	200	
Figure 3d.	Distribution of the UHNWI Population in 2014	133	Table 5d.	Website Reputation and Use of Social Media	202	
Figure 3e.	Distribution of the UHNWI Wealth in 2014	133	Table 5e.	Web Analytics for China's Top Art E-commerce Sites	206	
Figure 3f.	Allocation of Investments of Passion in 2014	135	Figure 5a.	Timeline for Art Market E- Commerce: Selected Companies	181	
Figure 3g.	UHNWIs Allocation to Luxury Goods and Services (% of Total Expenditure)	136	Figure 5b.	Share of Inventory Sold Online by Price Level	185	
Figure 3h.	Global Wealth Distribution in 2014	138	Figure 5c.	The New Online Art Market	187	
Figure 3i.	Income Quintile Share Ratio: Selected Countries	141	CHAPTER 6 Economic Impact of the Art Market			
Figure 3j.	Growth in Share of Income Groups in the US Since 1920	144	Table 6a.	Ancillary Expenditure and Employment Generated by the Art Trade in 2014	220	
Figure 3k.	Market Share of Sales by Buyer Group	146	Figure 6a. Spending by the Global Art Trade on Selected Ancillary Services (2014, Billion Euro)			219
Figure 3l.	Most Important Nationalities for Dealers in 2014	147				
Figure 3m.	Location of Top 200 Collectors	148				
CHAPTER 4 Art Fairs						
Table 4a.	Visitor Numbers- Selected Major Art Fairs	160				
Table 4b.	Visitor Numbers - Selected Smaller Art Fairs	162				
Table 4c.	Exhibitor Numbers - Selected Major Art Fairs	163				
Table 4d.	Exhibitor Numbers- Selected Smaller Art Fairs	165				
Figure 4a.	Timeline for the Emergence of Art Fairs	157				
Figure 4b.	The Geographical Distribution of the Top 180 Art Fairs in 2014	158				
Figure 4c.	Share of Dealer Sales by Channel in 2014	166				
Figure 4d.	Share of Dealers' Sales at Local versus Overseas Art Fairs	167				
Figure 4e.	Estimated Total Art Fair Sales 2010 to 2014 (Billion €)	168				

FOREWORD

We are delighted to present the latest TEFAF Report on the international art market. This annual study by Arts Economics, which surveys the state of the global market, reveals that 2014 was a record year for art sales, which reached a total of €51 billion worldwide.

This year's Report examines the various ways in which people buy art, including the increasing use of online art sales which have gained impetus in recent years. It also considers the role of art fairs, like TEFAF Maastricht, and concludes that they continue to make a substantial contribution to the growth and expansion of the international art market by providing a geographical focus for art collectors.

In examining the economic impact of the art market, the Study concludes that not only does it directly support some 2.8 million jobs, but it also generates a further 438,000 jobs in ancillary industries, including in art fairs. This underlines the importance of ensuring that a favourable environment is maintained to encourage a prosperous art market.

As before, we are grateful to Anthony Browne for directing this annual research programme for TEFAF.

Willem Baron van Dedem
Willem van Roijen

President
Chairman

ACKNOWLEDGEMENTS

The information presented in this study is based on data gathered and analysed directly by **Arts Economics** (www.artseconomics.com) from dealers, auction houses, art and antique collectors, art and financial databases, industry experts and others involved in the art trade. (Please see the Appendix for a note on the data sources.)

An important part of the research each year involves a global survey of art and antique dealers. I would like to say a special thank Erika Bochereau of CINOA (Confédération Internationale des Négociants en Oeuvres d'Art) for her generous support in helping to make this survey possible, along with the presidents of the dealer associations around the world. Thanks also to Joe Collinson for helping distribute the survey. My sincerest thanks to all of the individual dealers who took the time to support this research by completing the surveys.

Many thanks also to all of the auction houses who also took part in the auction survey. Thanks especially to Laure Camboulives (Christie's) and Vicky Hurst (Sotheby's).

I would like to extend a special thank you to all of the online companies who shared their information and experiences with me through interviews and surveys, which helped to gain a much clearer understanding of this very interesting layer of

the art market. Thanks also to the fair organisers and their PR companies for their help gathering information on visitors.

The fine art auction data supplier for this report was Artnet, and my sincerest thanks and appreciation especially to Jonathan Yee for his diligence, care and patience in helping to put together this complex data set. Auction data on China is supplied by AMMA (Art Market Monitor of Artron) and my great appreciation to Gloria Guan and Tracy Xu for their continued support of this research on the Chinese auction market.

A special thanks to all of those who provided research assistance on the report, particularly to Zhang Yi for his continuing insights into the Chinese art market and Andrew Klug, whose input in the research on the online art market proved invaluable.

Finally, my very special thanks to Anthony Browne for his time and efforts in coordinating the research, as well as for his most valuable insights into the art trade.

Dr Clare McAndrew
Arts Economics

SUMMARY OF KEY FINDINGS



KEY FINDINGS

- The global art market reached a total of just over €51 billion in 2014, an increase of 7% year-on-year and its highest ever recorded level.
- The volume of sales also grew by 6% to 39 million, but the number of transactions was still less than at the peak of the market in 2007.
- The distribution of sales by value in the global art market was dominated by the three major art markets of the US (39%), China (22%) and the UK (22%).
- About 1,530 lots were sold at auction for over €1 million in 2014 (including 96 for over €10 million) a rise of nearly 17% in number from 2013. These lots together represented 48% of the value of the fine art auction market, but only 0.5% of the number of transactions.
- The dealer sector (including dealer and gallery sales and private sales within the art trade) was estimated to account for around 52% of the global art and antiques market by value, or some €26.4 billion in 2014.
- In 2013, world imports of art and antiques reached a total of €19.3 billion, a 10% increase year-on-year, and the highest total historically recorded. The US and UK accounted for a combined 62% of all world imports of art and antiques.
- World exports also grew 10% year-on-year, and reached an historical peak of €19.8 billion in 2013. Again, the UK and US together accounted for the majority of the value of art exports, with a combined share of 60%.
- In 2014, Post War and Contemporary was the largest sector of the fine art market, representing 48% of all fine art sales by value. Auction sales of Post War and Contemporary art reached €5.9 billion, an increase of 19% year-on-year, and its highest ever recorded level.
- The US was the key centre worldwide for sales of Post War and Contemporary art with a share of 46% of the market by value.



- Sales of Modern art were the second largest, accounting for 28% of the global fine art auction market, with auction sales of €3.3 billion.
- In 2014, there were at least 180 major art fairs with an international element, covering fine and decorative art. The top 22 fairs generated visitors in excess of 1 million.
- Sales made at art fairs accounted for a reported 40% of all dealer sales in 2014 or an estimated €9.8 billion, the second largest sales channel after in-gallery transactions.
- In 2014, sales of art online were estimated conservatively to have reached €3.3 billion, or around 6% of global art and antiques sales by value.
- The middle-market has been the focal point for online selling with the majority of sales taking place between about \$1,000 and \$50,000.
- The art market in 2014 was made up of some 309,000 companies around the world, most of them small businesses, employing an estimated 2.8 million people.
- The global art trade spent €12.9 billion on a range of external support services directly linked to their businesses in 2014. These expenditures were estimated to support at least 315,745 further jobs.
- Art fairs were again the second largest item of expenditure at €2.3 billion or 19% of the total, despite only being incurred by dealers.

CHAPTER 1

THE GLOBAL ART MARKET IN 2014

THE GLOBAL ART MARKET IN 2014

Key Findings

- The global art market reached a total of just over €51 billion in 2014, an increase of 7% year-on-year and its highest ever recorded level.
- The volume of sales also grew by 6% to 39 million, but the number of transactions was still less than at the peak of the market in 2007.
- The distribution of sales in the global art market was dominated by the three major art markets of the US (39%), China (22%) and the UK (22%) in 2014.
- About 1,530 lots were sold for over €1 million in 2014 (including 96 for over €10 million) a rise of nearly 17% in number from 2013. These lots together represented 48% of the value of the fine art market, but only 0.5% of the number of transactions.
- The dealer sector (including dealer and gallery sales and private sales within the art trade) was estimated to account for around 52% of the global art and antiques market by value, or some €26.4 billion in 2014.
- In 2013, world imports of art and antiques reached a total of €19.3 billion, a 10% increase year-on-year, and the highest total historically recorded. The US and UK accounted for a combined 62% of all world imports of art and antiques.
- World exports also grew 10% year-on-year, and reached an historical peak of €19.8 billion in 2013. Again, the UK and US together accounted for the majority of the value of art exports, with a combined share of 60%.

1.1 Art Market Overview

The global art market reached a total of just over €51 billion in 2014, an increase of 7% year-on-year (in Euro terms) and its highest ever recorded level. After three years of consistent growth, the market has now extended beyond its previous peak in 2007, and has more than doubled in value over a decade.

The total value of all sales in the art and antiques market increased by 81% from 2009, when the market reached its lowest point in recent years in the fallout from the global financial crisis. This recovery has been driven mainly by continuing strength of the fine art sector, especially for Post War and Contemporary art.

The volume of sales also grew year-on-year (by 6%) to 39 million, but the number of transactions was still less than at the peak of the market in 2007, when close to 50 million transactions were carried out. The slower growth in the volume of sales again indicates that escalating prices in some sectors explain the increase in the overall value of the market.

The leading market hubs of the US and UK both saw strong sales year-on-year. The US has been one of the best performing markets over the last three years and reached sales of €19.9 billion in 2014, a 10% increase year-on-year, which brought the

Table 1a. The Global Art Market: Value and Volume of Transactions

Year	Value (€m)	Volume (m)
2004	€24,385	26.6
2005	€28,833	28.2
2006	€43,331	32.1
2007	€48,065	49.8
2008	€42,158	43.7
2009	€28,335	31.0
2010	€42,951	35.1
2011	€46,351	36.8
2012	€44,091	35.5
2013	€47,657	36.5
2014	€51,216	38.8

© Arts Economics (2015)

market to just above its previous peak in 2006. After years of stagnant growth, sales in the UK improved significantly in 2014, with a 17% uplift across all sectors. This brought the market's value to €11.2 billion, but this was still less than its peak of 2008, when it reached over €14 billion. Sales in the rest of Europe were mixed: in France they were relatively stagnant, rising just 1%; Germany and Italy saw growth in excess of 10%; while a number of other smaller markets suffered losses. Overall the strong performance of the UK helped to pull up total sales values in the EU, which grew 10% year-on-year.

Table 1b. Growth in Sales on the Global Art and Antiques Market

Year	Change in Value	Change in Volume
2004/05	18.2%	6.0%
2005/06	50.3%	13.8%
2006/07	10.9%	55.1%
2007/08	-12.3%	-12.2%
2008/09	-32.8%	-29.1%
2009/10	51.6%	13.2%
2010/2011	7.9%	4.8%
2011/2012	-4.9%	-3.5%
2012/2013	8.1%	2.8%
2013/2014	7.5%	6.3%
2004 to 2014	110.0%	45.9%
2009 to 2014	80.8%	25.2%
2007 to 2014	6.6%	-22.1%

© Arts Economics (2015)

The trajectory in China has been considerably different to other markets. When the remainder of the markets hit their lowest points in 2009, China was in the middle of an unprecedented boom, which continued for two years with sales peaking in 2011. Since then, growth has been much more subdued, and in 2014, sales were stagnant (dropping fractionally by less than 0.5% in Euro terms).

Worldwide there were approximately 309,000 businesses involved directly in buying and selling fine art, decorative art and antiques in 2014, including auction houses, galleries, dealers and a growing number of online companies¹. There were also an increasing number of consultants, agents and other intermediaries involved in transactions in the market. The breakdown between public auction sales and private sales varies widely between countries and between the different sectors of the market. In 2014, private sales by dealers, auction houses and other private agents had a slightly larger share of the market at 52% by value, with public auctions accounting for 48%.

THE GLOBAL ART MARKET REACHED €51 BILLION IN 2014, ITS HIGHEST EVER RECORDED LEVEL

¹ The online art market is discussed in Chapter 5. Although online sales are growing in significance, online-only sellers, selling on their own account, still make up a very small proportion of the global art market (less than 1%).

1.2 The Distribution of the Global Art and Antiques Market

As in recent years, the distribution of sales in the global art market was dominated by the three major art markets of the US, the UK and China² in 2014. These accounted for 83% of the market's value in 2014, up 1% year-on-year.

The ranking between these three leaders has seen some reshuffling over the last four years. China, which emerged from virtually nowhere (accounting for less than 5% of global sales up to 2006), took over from the UK as the second largest art market in 2010, breaking the traditional duopoly held by the US and UK for nearly 50 years. In 2011, at the peak of its boom and with older markets still in recovery, China became the leading market worldwide with a

marginally larger share than the US. The top three positions (the US, China and UK in third place) have been maintained since then. However, after a strong year of sales in the UK and a very slow market in China, the margin between the second and third rank was considerably reduced in 2014, with China only 0.5% ahead of the UK. China's share of 22% represents a 2% drop year-on-year, and is its lowest share since 2009 (although it is still more than double any year prior to that). While the UK's share gained 2%, it is still significantly below its position at its peak in 2008 when it accounted for 34% of the global market. Similarly, the US gained share year-on-year and its share of the global market has increased by 10% in the last three years. Nonetheless its share remains 7% below 2006, when it accounted for 46% of all sales.

Table 1c. Global Market Share of the US, UK and China 2006 - 2014

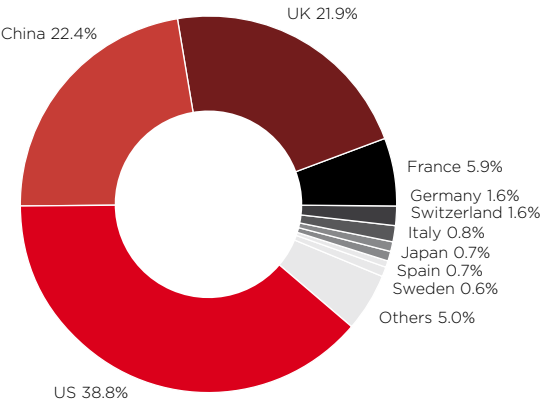
Share of	2006	2007	2008	2009	2010	2011	2012	2013	2014
US	46%	38%	35%	31%	34%	29%	33%	38%	39%
UK	27%	27%	34%	23%	22%	22%	23%	20%	22%
CHINA	8%	9%	9%	18%	23%	30%	25%	24%	22%
Rest of World	20%	26%	22%	28%	21%	18%	19%	18%	17%

© Arts Economics (2015)

² The results for "China", unless otherwise indicated, include Mainland China, Hong Kong, Taiwan and Macao.

The share of the remaining markets has contracted slightly over the last three years with France on 6%, and Germany and Switzerland both on 2%. The EU has lost significant market share in the last decade. It accounted for more than half of the global market in 2003, declining to 48% in 2004 and has seen fairly consistent decline since then. However in 2014 it increased by 1% to 34%, due mainly to growth in the UK market.

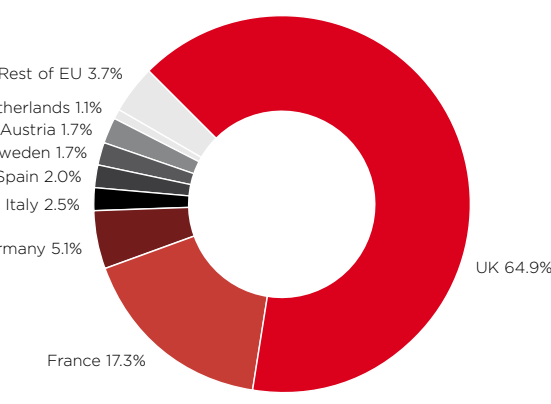
Figure 1a. Global Art Market Share by Value in 2014



© Arts Economics (2015)

Within the EU, the hierarchy of sales has remained stable, and the UK was once again the largest market by a considerable margin. In 2014, the UK accounted for 65% of all sales in the EU, up 2% on 2013. France also remained in second place with 17% (down 2%), and Germany in third place with a stable share of 5%.

Figure 1b. EU Art Market Share by Value in 2014



© Arts Economics (2015)

1.3 Auction Sales

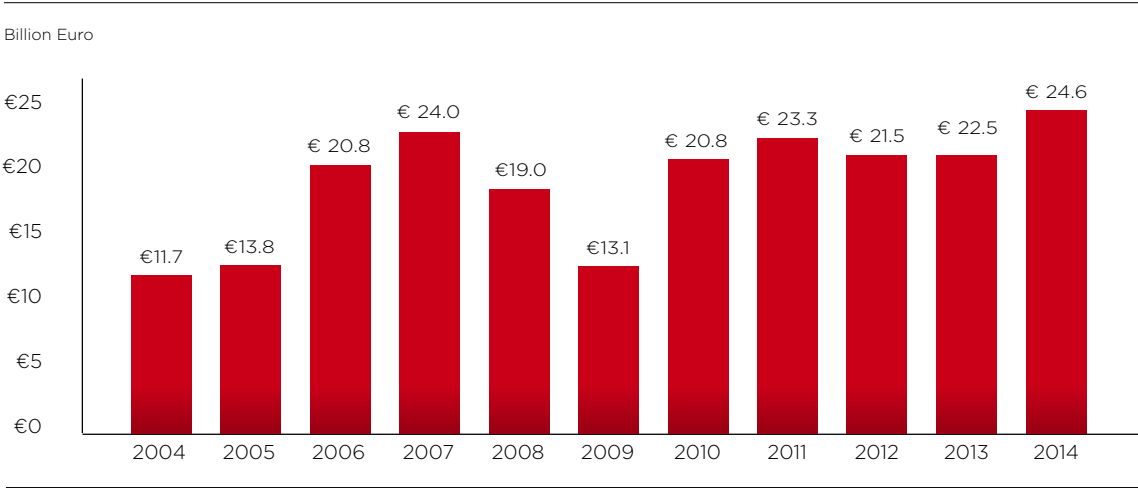
Sales at public auction of fine and decorative art accounted for 48% of the overall market in 2014, reaching €24.6 billion, up 9% year-on-year. Total sales have now exceeded the peak in the market in 2007, and have recovered in value by 88% since their low point in 2009.

Global public auction sales have more than doubled in the decade from 2004 through to 2014, with high prices in the fine art market, the emergence of

China's auction market and strong sales in the US all driving values higher.

Christie's and Sotheby's, where most of the highest priced lots were sold during the year, continued to dominate the auction sector, with a combined 42% share of the auction market. Christie's reported total sales of \$8.4 billion, up 17% on 2013 in US dollar terms and a record high for the company. This included \$6.8 billion (€5.5 billion) in public auction sales and \$1.5 billion (€1.2 billion) in

Figure 1c. Global Auction Market 2004 to 2014



© Arts Economics (2015) with data from Artnet and AMMA

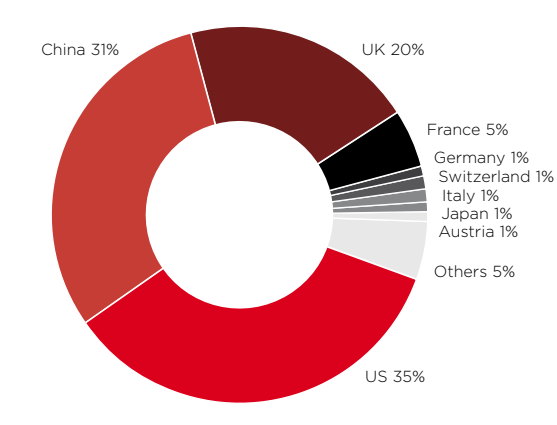
privately brokered art sales, representing 18% of their total sales. The auction house also sold \$35.1 million (€28.1 million) of art online, up 60% from 2013 in US dollar terms. Sotheby's total sales at public auctions reached \$6.0 billion (€4.8 billion), up 18% on 2013 and also a record high for the company. In the first nine months of 2014, their private sale commissions represented just 8% of the company's total agency revenues (versus over 14% in the same period in 2013).

China's Poly International was the third largest auction company with public auction sales (as reported by AMMA³) of €908 million in 2014 (about 20% of which were in their Hong Kong branch), down by nearly 6% year-on-year in RMB terms. The next largest houses worldwide included Bonham's, with sales of close to €710 million, and China Guardian with reported sales of €621 million, with 11% in Hong Kong, also a decline on 2013 of over 20% in RMB terms. Dallas-based Heritage auctions, which makes just over one third of its sales in rare coin auctions, reported its highest ever total of \$969 million (about €775 million). This included \$623 million (just under €500 million) in public auction sales and the remainder (36%) in private sales. The trend towards diversification into private sales has been significant in these top tier houses. However for the smaller and second tier houses, the level of private sales is much lower, averaging

just 4% according to the survey of this sector conducted in 2014.

Geographically, the global share of auction sales is even more dominated by the US, China and the UK, which accounted for a joint share of 86% of total sales in 2014. There is a much larger margin between China and the UK in the auction market, as China's dealer sector remains weak, whereas the UK has a significantly more developed infrastructure of private and retail sales. The US was still the leading auction market in 2014 with a share of 35% of all sales.

Figure 1d. Auction Market Global Share by Value in 2014

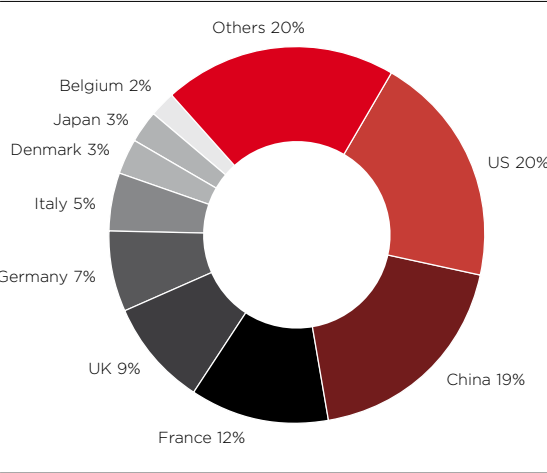


© Arts Economics (2015) with data from Artnet, AMMA and various auction houses

³ AMMA is Art Market Monitor of Artron. Data is reported to Arts Economics in January each year and pertains to all data available and reported to AMMA by December 31st of the previous year.

Trends in the overall number of sales in the global fine and decorative art market can be more difficult to interpret than trends in the value. Some auction houses sell large numbers of decorative items and small collectibles, which can vary widely over time and between sales. Analysis based on the fine art auction sector only can therefore provide a better benchmark for comparison of trends in supply and demand between countries and over time.

Figure 1e. Fine Art Auction Market Global Share by Volume in 2014



© Arts Economics (2015) with data from Artnet

The volume of transactions in the fine art auction market increased marginally, by just 1% in 2014. The US had the largest share of fine art auction sales with 20%, followed by China with 19%,⁴ while France once again saw a higher number of lots sold than the UK. The number of lots sold rose in many of the major markets, including small positive increases in China, France, Germany and the UK. In the US, on the other hand, the volume of transactions fell slightly (by 2%), despite the sharp increase in values. In the EU as a whole, transactions were fairly stagnant, increasing marginally (by 1%).

A Note on the Chinese Auction Market

The performance of the Chinese art market has been one of the most interesting global developments in the art trade's recent history, and its auction market has been through a volatile period. While growth in the auction sector seemed unstoppable until 2011, the last three years have shown much more moderation.

After a rapid boom in sales from 2009 to 2011, the auction sector slowed in 2012, as lower prices and decelerating volumes forced a sharp contraction, in sales and the market slipped back to second place in the global ranks. While a recovery began in 2013, this was tempered by more cautious buying and a moderation in prices at auction, which experts believe may indicate a new phase of maturity in

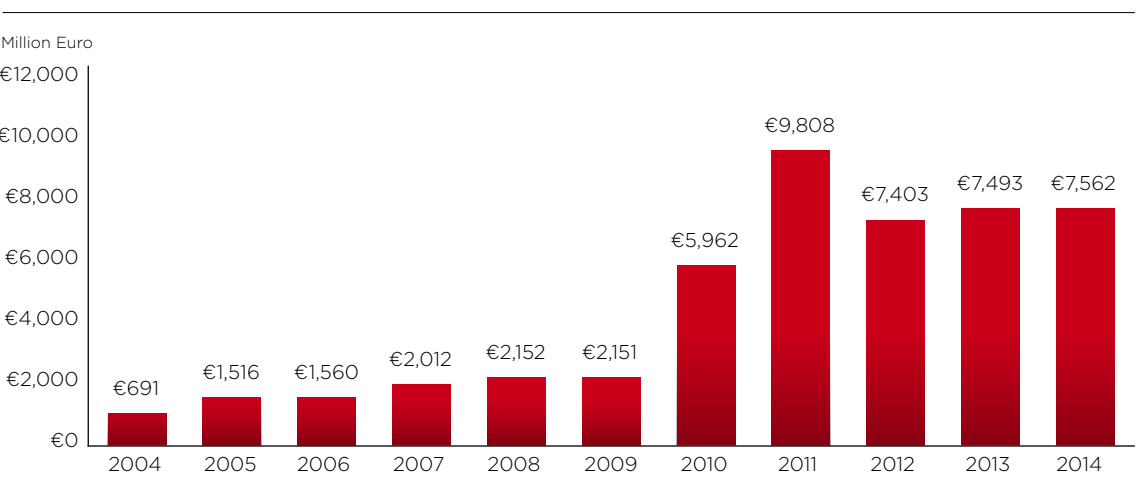
⁴ This market share by volume is based on data from Artnet. Artnet gather fine art auction data from Chinese auction houses in Mainland China, Macao and Hong Kong. The transactions are considerably less than the 286,225 reported by Artron as they exclude decorative art, exclude Taiwan and do not report data from all of the smaller regional houses covered by Artron and only cover works with estimates above \$500. Please see the Appendix for information on the different data sources.

the Chinese market. 2014 proved a difficult year and the auction market was stagnant: sales fell 1% in RMB terms but showed a slight positive movement of 1% when measured in Euros. The best performing sectors, unlike in many Western markets, were among the decorative arts, with ceramics and other wares increasing 8% year-on-year, while the largest sector, Chinese painting and calligraphy (which accounted for just over half of the market's value), declined by 7%. Despite three lacklustre years, the trajectory of growth over ten

years is still phenomenal, with an increase in the value of the auction market of over ten times.

While the volume of works coming onto the market rocketed up to 2011, the rise in the number of works sold in recent years has been much more restrained. Despite 8% more lots being offered on the market in 2014, 1% less actually sold than in 2013, with the highest rate of buy-ins the market has yet seen (at 57%). The number of lots brought to auction over the last decade has increased by

Figure 1f. Auction Sales in the Chinese Auction Market 2004 - 2014

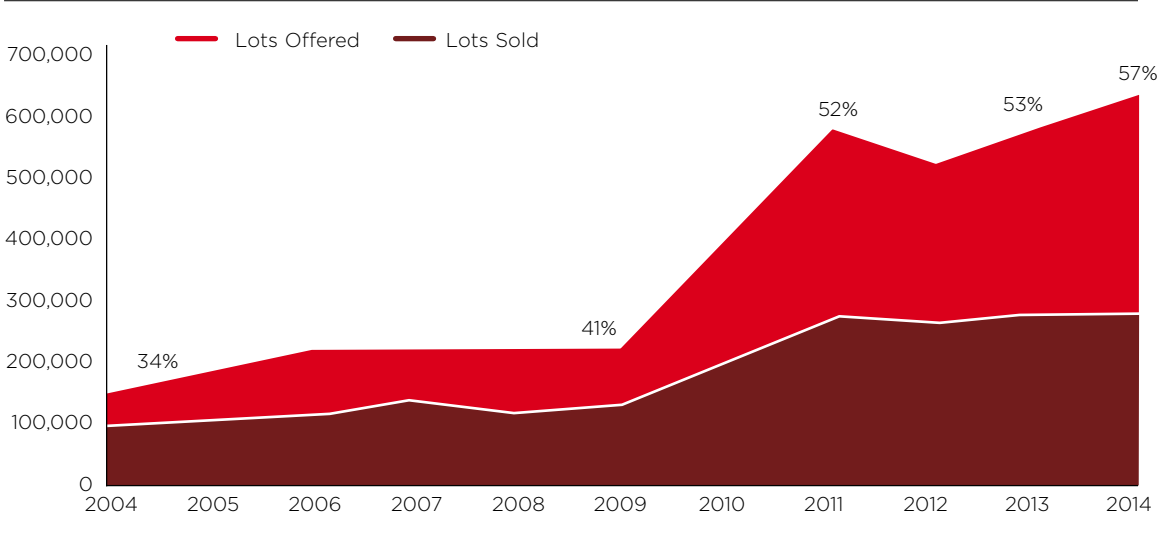


© Arts Economics (2015) with data from AMMA

over 338%. However those that sold increased by 187%. In 2004, 34% of the lots offered at auction were bought-in, but this rate has risen steadily since, and even at the height of the market's boom it reached in excess of 50%, according to data from AMMA. As noted in previous years, this was an unusual trend in a booming market, as buy-ins generally fall as demand expands, and it indicated an insufficient buyer base as well as quality-related supply issues in the market.

The persistence of low selling rates over 2014 shows that buyer confidence has been slow to return and many collectors are now more vigilant, particularly regarding provenance, and with a lower tolerance for what are perceived to be over-priced, low quality works. Some caution undoubtedly relates to the persistent problems of fakes and forgeries. A lack of legislation on guarantees of authenticity and little legal recourse for fakes has failed to

Figure 1g. Lots Offered Versus Sold and Buy-in Rates in the Chinese Auction Market 2004 - 2014



© Arts Economics (2015) with data from AMMA

provide adequate incentives for many auction houses to issue full warranties and leaves little protection for customers.

The problem of late payment or non-payment by winning bidders at auction has been a particular focus for art market observers within China and globally. Although late payment is not unique to China, its extent there is clearly much more marked and persistent than in other markets. There are several reasons for high rates of late payment in the market, including issues related to questions of authenticity or provenance, and a different culture of negotiating and transacting. In the year to June 2013, for all licensed auction houses, 30% of the lots sold for works over RMB 10 million were not paid for within six months, which although high, represented an improvement of 10% on 2012. However, in 2014, the non-payment rate for these high level works increased again to 35%, despite considerable improvements in some individual auction houses.

The strong market concentration that is a feature of the global auction sector is increasingly being replicated in China, with the structure of the auction sector becoming more oligopolistic as the top few houses begin to take market share from the second tier. In 2014, the top ten auction houses accounted for 54% of sales, with Poly International, Christie's, Sotheby's and China Guardian accounting for 36%.

Over 76% of sales by value (and 89% by volume) are now in Mainland China, as Beijing remains the largest home of high net worth wealth.

The structure of the art market in Mainland China contrasts significantly with the other major markets of its size internationally where private and retail sales dominate. In China, on the other hand, auction sales still account for close to 70% of total sales of art and antiques. The remaining sales are made by galleries (who deal primarily in Contemporary art), private dealers, and sales directly from artists. The influence of auction houses in the art market in China also extends significantly beyond their impact in the West. As consistent sources of information and platforms for discussion on subjects relating to quality and value are still developing, auctions have played a major role in determining valuations as well as controlling the public's exposure to, and ultimately taste in, art. This is in marked contrast to the West where the network of galleries, experts and consultants outside the auction sector is very well developed.

The auction sector is therefore likely to dominate the market for the foreseeable future. Experts in the market in China point to several areas that may continue to keep the market stagnant, including a lack of high quality lots, a reduction in the number of investment funds and other investment driven

buyers since 2011, and the continuing crack down on corruption (with a segment of the art market previously believed to be used for bribery and other black market practices). Some also feel that in the Contemporary sector, many young artists have continued to connect with the auction market directly, rather than through the gallery route, often resulting in very short careers in the process. At the same time, some collectors feel that they have already purchased enough works of some of the more established artists in the sector, such as Zeng Fanzhi, Zhang Xiaogang, with some also considering that works by these artists have become overpriced. The slowdown in the economy may also have some effects on the market, although many within the art trade feel this has to some extent been mitigated by a rapidly growing HNW sector, with plentiful cash for transactions.

Some of these HNW collectors have also begun to make a bigger impact outside China. There were a number of high profile sales to Chinese buyers in 2014. Chinese businesswoman Zhang Lan bought a work by Andy Warhol for \$10.5 million, and one by Martin Kippenberger for a record \$18.6 million at Christie's New York. Media millionaire Wang Zhongjun bought a Vincent van Gogh painting for \$61.8 million at Sotheby's, New York which is believed to be the highest price paid overseas for Western art by a Chinese collector.

There were several highly priced Impressionist and Modern works sold at Sotheby's and Christie's to Asian buyers, with the vast majority of value sold to Chinese buyers. These included Monet's *"Nymphéas"*, for \$27 million at Christie's, which also reported an 18% annual increase in spending globally across categories from Asian clients, accounting for 27% of their total sales globally.

While the wealth, supply and economic dynamics all point to a solid outlook for long-term growth for sales in China and for purchasing by Chinese collectors globally, the path of growth in the Chinese auction sector is likely to be filled with many short-term challenges, as the market addresses issues in its regulatory framework, infrastructure and other problems.

1.4 Fine Art Auction Prices

In 2014, fine art⁵ sales once again dominated the overall art market in terms of total sales values, and fine art accounts for the highest priced lots sold at auction (see Chapter 2 for a discussion of these by sector). In 2014, the average share of fine art in top tier auction houses was 72%, while in the second tier houses, it accounted for an average of just over 50% of sales. For many of the smaller auction houses, decorative art continued to make up the majority of sales, with a high number of low value transactions of decorative art, antiques and collectibles accounting for between 60% to 80% of their annual sales.

32

⁵ For the purposes of this analysis, fine art includes paintings, sculptures and works on paper (including watercolours, prints, drawings and photographs), while decorative art includes furniture and decorations (in glass, wood, stone, ceramic, metal or other material), couture, jewellery, ephemera, textiles and other antiques.

Average fine art prices at auction increased by 12% in 2014. In the US, prices advanced 25% year-on-year, nearly twice the global average increase, and now exceeding the level achieved in the previous market peak in 2007. The UK saw an increase of 27%, which, despite mixed performance elsewhere, led to a significant rise in average prices in the EU as a whole. After five years of growth, average prices in the UK have more than doubled since 2009. Prices in France dropped 2%, decreasing

for the second year. The UK again had by far the highest average prices of any of the EU member states, over six times those in France and nearly ten times those in lower priced markets.

As the art market continued to slow in China, prices at fine art auctions showed a decline in Euro terms of 2%, and are now down some 28% from their peak in 2011.

Table 1d. Average Auction Prices for Fine Art by Country 2007-2014

Country	2007	2008	2009	2010	2011	2012	2013	2014
Austria	€ 11,455	€ 9,578	€ 9,204	€ 12,903	€ 9,847	€ 11,224	€12,812	€12,620
France	€ 17,337	€ 11,806	€ 18,534	€ 13,037	€ 13,808	€ 14,440	€14,158	€13,854
Germany	€ 9,757	€ 7,262	€ 6,834	€ 7,144	€ 8,217	€ 8,486	€8,628	€9,206
Italy	€ 23,247	€ 14,295	€ 12,923	€ 8,652	€ 6,417	€ 5,938	€5,973	€7,455
Netherlands	€ 13,732	€ 12,730	€ 12,281	€ 13,577	€ 10,629	€ 12,983	€13,993	€16,003
Sweden	€ 8,777	€ 10,558	€ 6,934	€ 8,897	€ 9,974	€ 11,673	€12,085	€11,306
UK	€ 72,403	€ 72,860	€ 37,579	€ 54,842	€ 56,863	€ 66,001	€68,332	€86,822
EU	€ 29,962	€ 25,995	€ 16,695	€ 18,852	€ 19,041	€ 21,262	€19,878	€24,081
Singapore	€ 31,901	€ 21,975	€ 18,371	€ 20,572	€ 21,295	€ 25,298	€36,055	€29,795
Japan	€ 25,352	€ 12,730	€ 9,817	€ 12,255	€ 6,711	€ 7,900	€7,629	€9,043
Switzerland	€ 17,966	€ 18,278	€ 10,419	€ 16,323	€ 20,367	€ 19,950	€17,990	€15,620
China ⁶	€16,434	€17,902	€17,150	€29,972	€38,899	€29,917	€28,644	€27,935
UAE	€ 52,375	€ 65,509	€ 27,416	€ 50,497	€ 26,009	€ 23,756	€37,638	€52,723
US	€ 62,362	€ 48,337	€ 27,115	€ 42,855	€ 36,057	€ 48,410	€54,236	€67,525
TOTAL	€ 39,086	€ 31,372	€ 20,640	€ 30,773	€ 32,445	€ 31,576	€32,723	€36,753

⁶ Average prices for China are from AMMA and have been adjusted to reflect only the categories of oil painting and contemporary arts and Chinese paintings and calligraphy.

Average prices at auction are often skewed upwards by a small number of very highly priced sales. To gauge trends in prices over time and between markets, the median price is a useful comparative measure and is analysed in Figure 1h.⁷ It is clear from the Figure that averages in all markets are distorted by high prices. This phenomenon has been increasing, particularly in markets such as the US and UK. For example in 2009, the average price at US fine art auctions was 14 times that of the median price. This rose to just over 20 times by 2013 and increased again to 25 times in 2014. The markets with the lowest differences between these two measures tend either to be low volume markets such as the UAE and Singapore, which have a small number of relatively highly priced transactions, or lower priced markets like Germany and Italy, where there are much fewer very high priced works sold at auction, relative to the total number of lots sold.

Although high priced transactions have a significant effect on average prices, they generally represent a tiny fraction of the day-to-day art trade in all countries. The bulk of transactions carried out at auction, as well as through dealers, take place at the lower priced end of the market. In 2014, half the lots sold at fine art auctions were sold for €3,000 or less, even though they made up less than 2% of the value of the market overall. The imbalance between a few high priced objects and the rest is

even more pronounced in the decorative art and antiques market than the fine art market.⁹

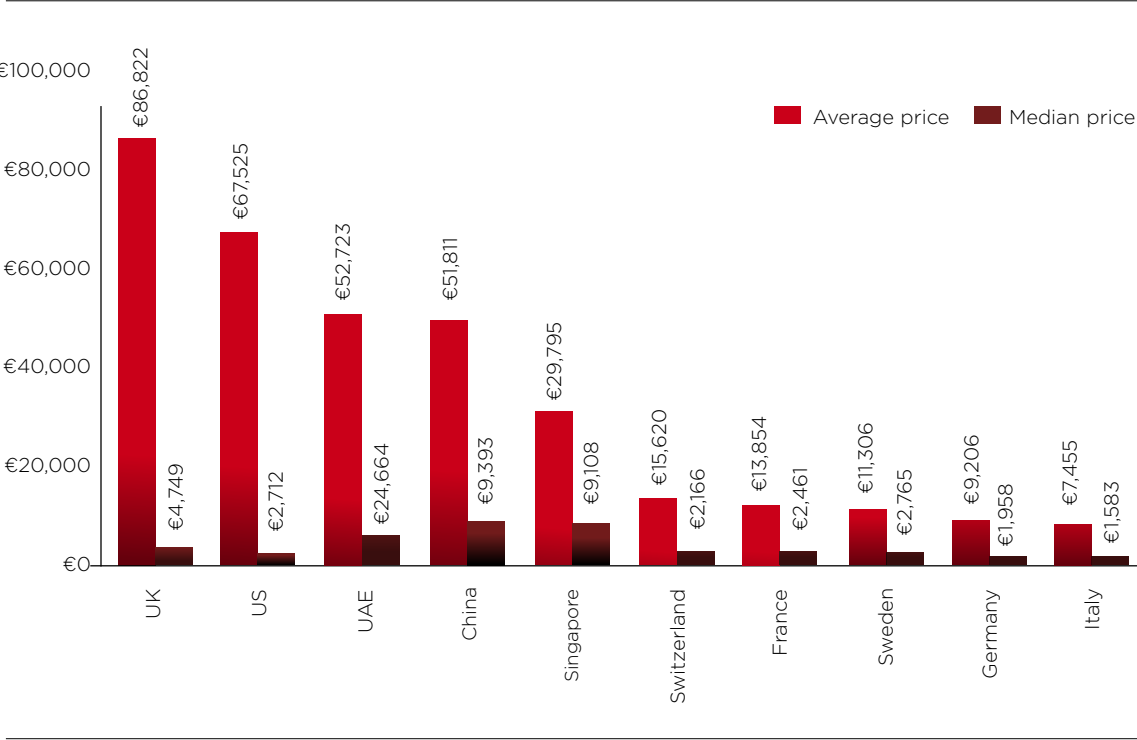
About 1,530 lots were sold for over €1 million in 2014 (including 96 for over €10 million) a rise of nearly 17% in number from 2013. These lots together represented 48% of the value of the fine art market, but just less than 0.5% of the number of transactions. The share of value in the top end of the market has been steadily increasing year on year: works priced over €500,000 accounted for 50% of the market in 2011 and this grew steadily each year by two percentage points per annum until 2013. From 2013 to 2014 it grew 4%, reaching its highest share to date at 58%.

LOTS SOLD FOR
OVER €1 MILLION
ACCOUNTED FOR
48% OF THE VALUE
OF THE FINE ART
MARKET

⁷ The median is a measure of central tendency that is used when distributions are skewed to get a better idea of where the middle of market is. The median price is simply the price separating the higher and lower halves of the distribution of prices: if prices in the art market were arranged from lowest to highest, the median price is the middle price or centre point along the spectrum.

⁹ For example, using Artnet's decorative art database, which contains a subset of the higher end of the decorative art auction market (explained further in Chapter 2), lots less than €3,000 made up close to 65% of the market, although they accounted for a larger share of its value at 15% as this is a generally lower priced market than fine art.

Figure 1h. Averages and Medium Fine Art Auction Prices in 2014



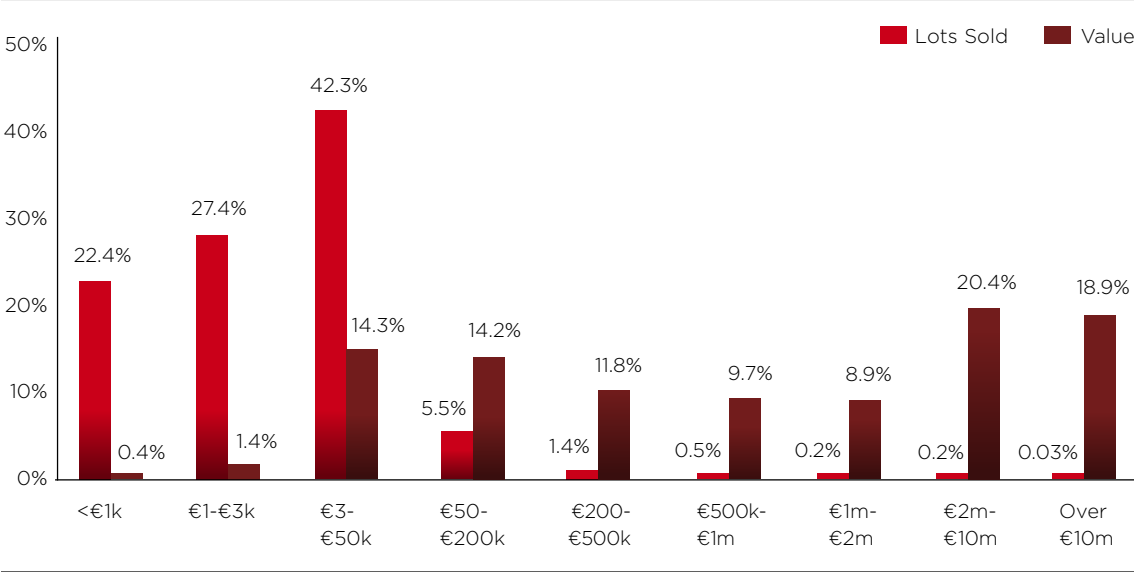
© Arts Economics (2015) with data from Artnet only⁸

⁸ Please note the higher average prices for China quoted here reflects the coverage of Artnet versus AMMA and the fact that Artnet excludes lots below \$500.

An analysis of the auction sales of the work of individual artists shows that the majority of sales by value were for works by a very small group of artists. The overwhelming majority of artists, whose works were sold at auction in 2014, sold for below €50,000. Globally, only 8% of artists whose works were sold at auction reached prices above €50,000, and the work of less than 1% of artists

was sold for over €1 million (fewer than 800 artists worldwide). Of the 127,365 artists whose works sold during the year, only 54 accounted for lots priced at over €10 million. This again demonstrates the narrow focus of value in the market, with less than 1% of artists accounting for close to half of the fine art auction market's value.

Figure 1i. Share of Lots Sold and Total Value at Global Fine Art Auctions in 2014 by Price Bracket



© Arts Economics (2015) with data from Artnet

Table 1e. Share of Artists with Sales at Auction by Price Bracket in 2014

	<€3k €50k	€3- €200k	€50- €500k	€200- €1m	€500k- €10m	€1m- €10m	Over €10m
France	62%	32%	4%	1%	0.3%	0.21%	0.01%
Germany	65%	31%	3%	1%	0.2%	0.10%	0%
Italy	70%	26%	3%	1%	0.1%	0.05%	0%
Netherlands	53%	40%	6%	1%	0.2%	0%	0%
Spain	67%	32%	1%	0%	0%	0%	0%
Sweden	58%	38%	3%	1%	0.2%	0.33%	0%
UK	45%	39%	9%	4%	1.5%	1.74%	0.14%
EU	61%	33%	4%	1%	0.4%	0.43%	0.03%
Switzerland	63%	32%	3%	1%	0.2%	0.19%	0%
China	39%	45%	10%	4%	1.5%	1.12%	0.01%
Japan	67%	30%	3%	1%	0.2%	0%	0%
Singapore	23%	61%	12%	4%	0%	0%	0%
UAE	4%	70%	20%	4%	0.9%	0%	0%
US	61%	29%	5%	2%	0.9%	0.97%	0.12%
World	59%	33%	5%	2%	0.6%	0.58%	0.04%

© Arts Economics (2015) with data from Artnet

Table 1f examines the number of lots sold and the value of sales by country for works above and below €50,000. In all markets, the share of the number of lots selling for less than €50,000 dominates, with 92% of all works sold at fine art auctions in 2014 in this segment (but accounting for just 16% of the market's value). In all of the larger art markets,

higher priced lots also account for the majority of value, with a share of 92% in both the US and UK. However in many of the smaller markets, lower value lots have a larger share by value, for example in Germany and Italy where there are very few very high value lots sold and a relatively high flow of trade in works up to €50,000, accounting for close to half of each market's value.

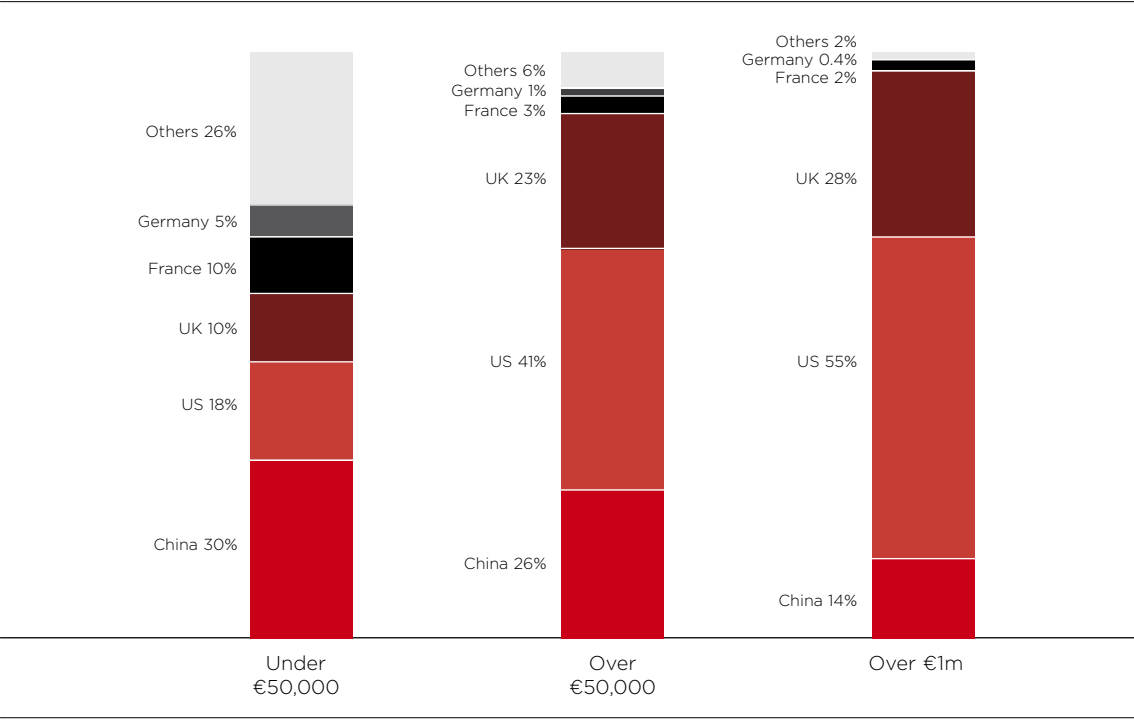


Table 1f. Auction Sales Above and Below €50,000 in 2014

Country	Lots		Total Sales	
	Lots greater than €50,000	Lots less than €50,000	Value greater than €50,000	Value less than €50,000
Austria	4.3%	95.7%	51.9%	48.1%
Belgium	1.0%	99.0%	25.3%	74.7%
France	4.2%	95.8%	62.8%	37.2%
Germany	2.7%	97.3%	52.1%	47.9%
Ireland	0.7%	99.3%	21.1%	78.9%
Italy	2.5%	97.5%	50.8%	49.2%
Netherlands	7.1%	92.9%	56.8%	43.2%
Spain	1.1%	98.9%	27.7%	72.3%
Sweden	2.7%	97.3%	54.0%	46.0%
UK	13.7%	86.3%	92.1%	7.9%
Rest of EU	1.5%	98.5%	34.3%	65.7%
EU	4.9%	95.1%	79.8%	20.2%
China	17.1%	82.9%	81.9%	18.1%
Japan	3.4%	96.6%	47.3%	52.7%
Singapore	15.0%	85.0%	67.6%	32.4%
Taiwan	9.3%	90.7%	74.1%	25.9%
UAE	29.9%	70.1%	76.2%	23.8%
Norway	2.7%	97.3%	32.1%	67.9%
Switzerland	4.4%	95.6%	71.0%	29.0%
US	8.2%	91.8%	92.1%	7.9%
Rest of World	4.7%	95.3%	58.7%	41.3%
World	7.9%	92.1%	84.0%	16.0%

© Arts Economics (2015) with data from Artnet

Figure 1j. Market Share of Fine Art Auction Market for Works Sold less than €50,000, more than €50,000 and more than €1 million



© Arts Economics (2015) with data from Artnet

Figure 1j shows the market share by value in the fine art auction market for the same two price levels and for works priced over €1 million. While the top rankings are unchanged, it is clear that, in the lower value segments, the leading markets of the US, China and the UK are much less dominant.

In the market for works below €50,000, the top three ranking art markets accounted for a majority of 58% of the market. However, as the price level increases, so does their share, accounting for some 97% of the market over €1 million (with the share of the US alone having increased to 55%).

The US accounted for 38% of the number of individual transactions priced at over €1 million (with the UK with 29% and China with 26%). For individual sales over €10 million, the US's share was much larger (67% of the volume and 73% of the value of such sales).

1.5 Dealer Sales

At the end of 2014, Arts Economics conducted its annual global dealer survey of over 6,000 dealers from the US, Europe, Asia, Australia, Africa and Latin America. The survey was supplemented by a series of interviews of dealers in different sectors and countries and some important insights can be gained from these.

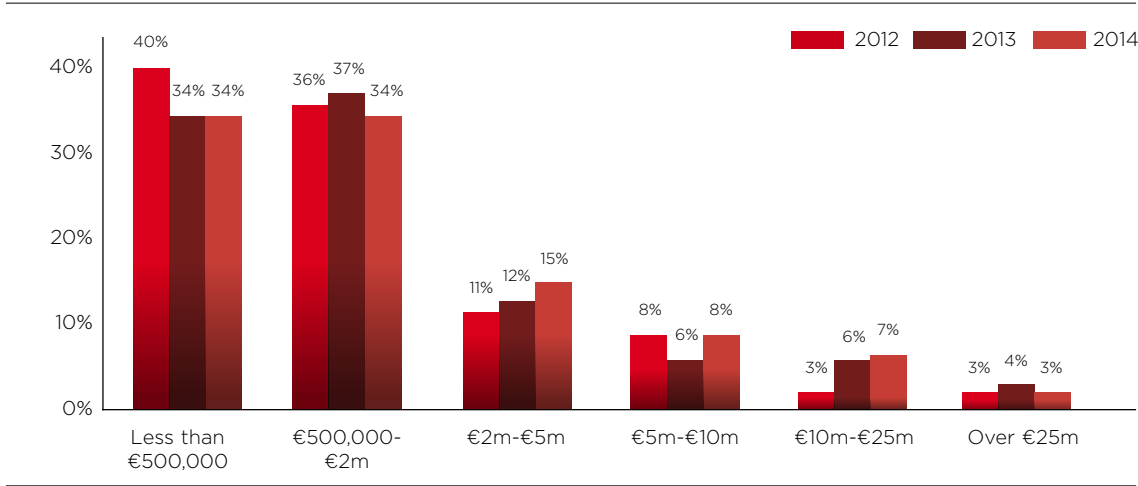
In 2014, the dealer sector (including dealer and gallery sales and private sales within the art trade) was estimated to account for around 52% of the global art and antiques market by value, or some €26.4 billion. This share was down slightly on 2013 (by 1%), due to a more moderate rise in dealer sales of 5% year-on-year than the rise in the

auction market. As always, this share varied widely between countries. In the larger mature markets, the share was generally over 55%, while in China it remained at close to 30%.

Based on the survey data, the median turnover for dealers decreased by 13% from the results of the survey conducted in 2013 (from €920,000 to €800,000). The dealers sampled in 2014 were asked to report sales in the last two years. In these results the median also fell in 2014, but interestingly average sales increased by 12%, indicating that the biggest uplifts were at the higher end of the market. Specifically, based on the un-weighted averages of the changes for individual businesses year-to-year, the survey indicated that:

- Dealers with sales under €500,000 reported that average turnover decreased 1% year-on-year.
- Dealers with sales of between €500,000 and €2 million reported increased sales of 7%.
- Those with sales between €2 million and €10 million increased on average by 2%.
- The top end of the market, where dealers generated sales of over €10 million, reported an average increase of 18%.

Figure 1k. Share of Dealer Businesses by Total Sales: 2012 to 2014



© Arts Economics (2015)

These average trends fit with some of the anecdotal evidence that the higher end of the market has been recovering at a quicker pace than the rest of the market, with growth in sales values in the top segments more than double others over the last two years.

Most dealers are small and medium sized enterprises. In the sample, only 3% of businesses reported sales in 2014 that were in excess of €25 million and the majority (68%) had sales of less

than €2 million. This distribution has not changed significantly in the last three years.

Looking ahead to 2015, most felt that their sales would either be stable (48% of respondents) or increase (31%, with 6% predicting significantly higher sales). The remaining 21% thought sales would decline, with 12% fearing that they would significantly decrease. These views were not materially different between regions or price segments, although there was slightly more

optimism in the market above €2 million than for those with sales below that level (with a 5% greater share predicting a rise in sales). There was also a more positive view in the US than in Europe.

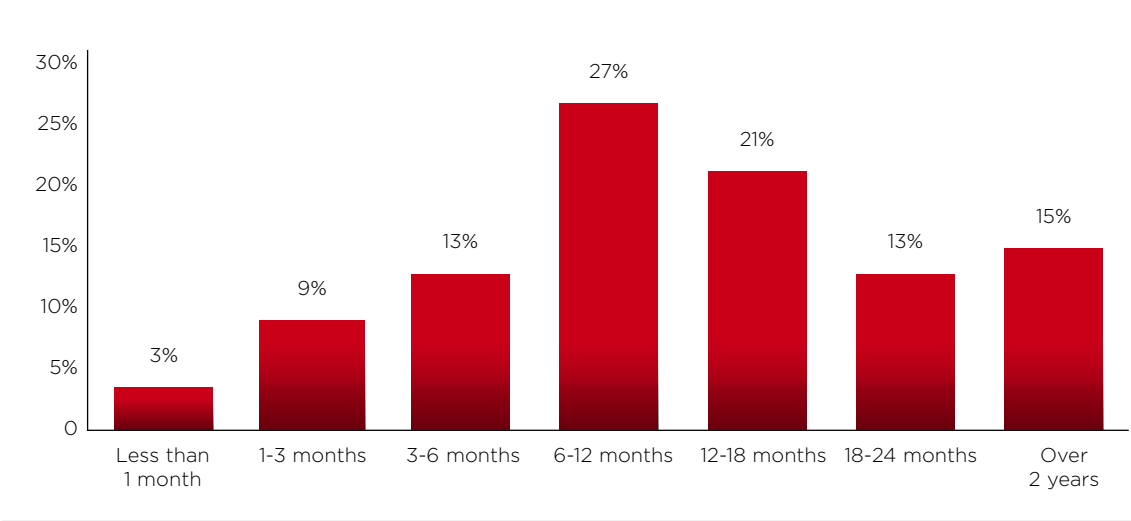
The average number of works sold by dealers in the sample increased 9% to 350 in 2014. This was significantly higher than the 127 works reported in the previous survey in 2013. However averages are often skewed by some decorative art and antique dealers, who tend to sell a high volume of smaller items. The median number of works sold is considerably more stable, reaching 84 in 2014, an increase of 5% from 80 in 2013 (and 78 in 2012).

Dealers were asked how long it took on average to sell a work from their inventory. The highest response rates were for periods between six and 12 months (27%) and 12 and 18 months (21%). There was little difference in the responses between fine and decorative art dealers, although the latter had a slightly higher majority (62%) reporting that they sold in less than a year (versus 50% for fine art dealers). Splitting the market by value, however, indicated that those with higher value turnover tended to sell works quicker than those at the lower end of the market. For example, the share of those with sales of less than €2 million per year selling within six months was 22% versus a share of 41% for those with sales in excess of €2 million.

IN 2014, THE DEALER SECTOR ACCOUNTED FOR 52% OF THE GLOBAL ART AND ANTIQUES MARKET BY VALUE, OR €26.4 BILLION



Figure 1l. Average Time Taken to Sell Works from Dealers' Inventory



© Arts Economics (2015)

Figure 1l shows the slow moving nature of most dealers' inventories, with only 3% of respondents reporting that they sold works within an average of one month. This obviously puts considerable financial pressure on many small businesses, as it does with all retailers of slow-moving goods, where cash flow can become problematic, and access to inventory financing is difficult. According to the survey, financing was one of the key challenges currently facing dealers.

Prices in the Dealer Sector

As with auctions, the majority of transactions taking place through dealers in 2014 were at the lower priced end of the market.

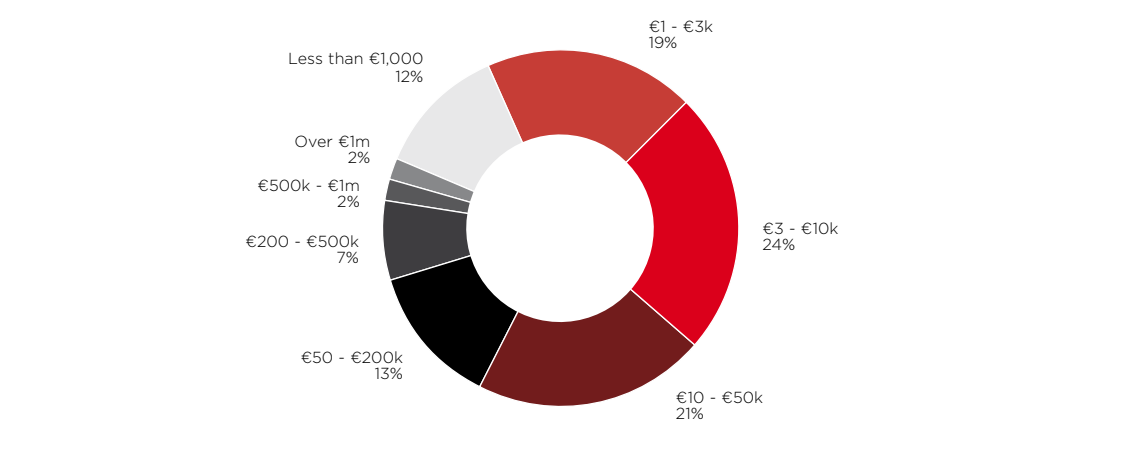
In 2014, dealers reported that the majority of their sales (76%) were at prices of €50,000 or less (up 4% year-on-year). Sales in the lowest end (less than €3,000) were down 6% on those reported in 2013, while the segment from €3,000 to €50,000 saw a

Table 1g. Share of Global Dealer Sales Transactions by Price Bracket 2012 to 2014

Price Bracket	2012	2013	2014
Less than €3,000	26%	37%	31%
€3,001 - €50,000	51%	35%	45%
€50,001 - €200,000	13%	16%	13%
€200,001 - €500,000	6%	8%	7%
€500,001 - €2m	2%	3%	4%
Greater than €2m	1%	1%	1%

© Arts Economics (2015)

Figure 1m. Share of Global Dealer Sales Transactions by Price Level in 2014



© Arts Economics (2015)

significant rise of 10%. The higher priced segments of over €500,000 have also seen marginal increases in the last three years. However a fairly stable feature of the market is that, despite dominating values, transactions of over €1 million only account for about 2% of the market by volume.

Dealers were also asked about the biggest challenges they faced over the next five years. Some common themes emerged:

- i. **The economy.** Many dealers felt that the economic situation, particularly in Europe, would be a continuing challenge for their businesses. Key areas of concern included a trend of reduced spending by many middle classes buyers as personal and public debts remained high. Also buyers with more discretionary income were continuing to choose to spend very carefully on all luxury segments, which included art and antiques.
- ii. **Competition.** One of the most commonly cited challenges was that of competing with the growing power of auction houses, and in particular with their growing interest in retail and private selling, which dealers feared was encroaching on their businesses. Many dealers also thought that auction houses were more effective in reaching new wealthy buyers

(through marketing and the media). Many considered that the key competitive challenges centred on accessing high quality inventory in the face of stiff competition from auction houses.

Some also reported that the rise of the number of art consultants was having a negative impact on the market, and that it could damage their businesses in future by directly taking away business or simply deterring buyers from involvement in the art market:

“...The rise in the number of ‘art advisors’, many of whom have little or no experience and no significant training in the curatorial aspects of the business, has been a limiting factor, as it has made some potential buyers scared of entering the market. Significant works of art should be sold based on the understanding of a buyer who has been well-informed of all of the various aspects of the process. Ill-equipped advisors and the lack of high quality information on the internet have stood in the way of that...”

When asked in the survey whether they felt that the rise in the number of art consultants was a positive trend in the art market, 68% of dealers disagreed, with close to 20% of them strongly disagreeing. However several considered that

this was due to a lack of consultants with adequate knowledge and experience and the unregulated nature of the profession, with no standards or requirements needed to work as a consultant.

- iii. **Sales channels.** Many dealers thought that the biggest challenges ahead were related to sales via multiple channels including art fairs and online. These issues are discussed in more detail in Chapters 4 and 5, but several expressed concerns regarding the drop in visitors to galleries, the costs of attending fairs and the problems of adapting to new technologies. Some also noted that, despite continuing and substantial investments in new channels, particularly online selling, they had yet to see really significant positive results on their businesses.
- iv. **Buyers.** Finding and accessing new buyers, and getting new and young buyers interested in the art and antiques market was also cited as a challenge. Many dealers, particularly those working in older sectors of the market, remarked on changes in taste, as many younger buyers often focused on contemporary and modern sectors, with “a lack of interest in or knowledge of the past”. It was felt that the biggest issue was how to promote the art market to a wider

audience so that it was not so dependent on the very small group of high net worth buyers. Many felt that arts and cultural education was lacking in schools relative to other subjects.

- v. **Regulations.** 81% of dealers surveyed thought that the regulatory burdens on their businesses had increased in recent years, with half of those stating that this impact had been significant. Most (79%) also felt that increased regulation had imposed considerable additional costs. Dealing with various aspects of regulation and government intervention in the market was a common challenge reported, with specific areas such as Artists Resale Rights (ARR), CITES, VAT, import and export regulations and charges, restitution issues, money laundering regulations, and online selling rights for consumers being cited. However, a small number commented about the need for more regulation in some areas, particularly in relation to fakes, forgeries, theft and online sales. Some contemporary dealers noted that even those with relatively few regulations were heavily burdened by apparently small additions to the cost of business through ARR and VAT. These additional charges were considered to be a tipping point by some, on top of the costs of rents, shipping, art fairs and other essential parts of their businesses, which were already stretching them to their limits of solvency.

1.6 The Cross Border Trade in Art

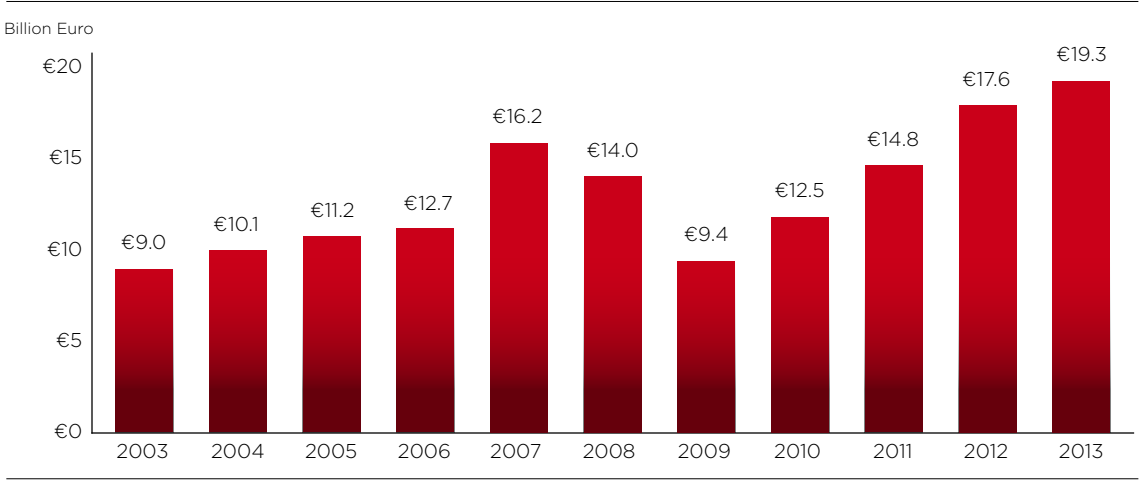
While aggregate global sales within countries reached their highest ever level in 2014, there was also more art and antiques crossing national boundaries than ever before. Fully comprehensive aggregate global trade statistics are only available with a lag of at least 12 months. However, based on the most recent complete year of data (2013), global imports and exports of art both saw gains year-on-year, and international trade hit its highest ever level, with exchanges between an increasingly diverse range of countries.¹⁰

Imports

In 2013, world imports of art and antiques reached a total of €19.3 billion, a 10% increase year-on-year, and, after four years growth, reaching the highest total historically recorded. Imports fell by 42% from 2007 to 2009 as the global financial crisis reduced purchasing by many of the big art buying nations. However, since the lowest point of €9.4 billion in 2009, they have recovered significantly, increasing 105% by 2014.

Imports grew 115% from 2003 to 2013 against the background of the 156% overall growth in value

Figure 1n. World Imports of Art and Antiques 2003 - 2013 (Billion Euro)



© Arts Economics (2015) with data from the United Nations

¹⁰ Trade statistics come primarily from the United Nations Comtrade Database and Eurostat, and are only made available with a lag of 12 to 18 months in the case of many countries. For consistency and to follow reporting of 2012 data in the 2014 TEFAF Art Market Report, 2013 is analysed here, as it is the latest full year with a complete set of trade data.

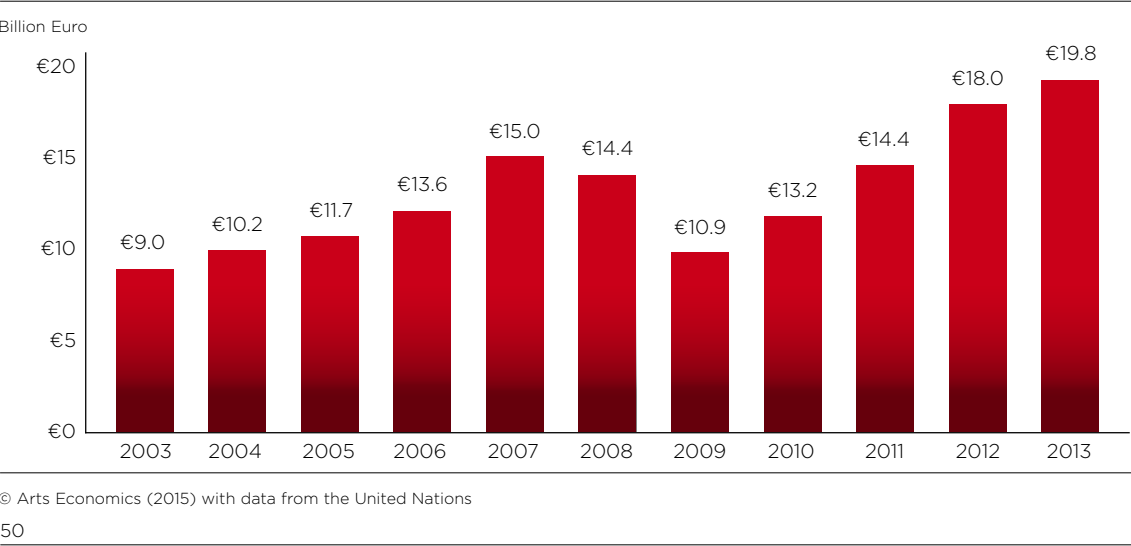
of the art market. This slightly slower trajectory reflects in part the fact that China and some other newer markets have remained relatively domestic, with a lower share of foreign trade than the major market hubs in the US and UK.

Analysis of imports and exports worldwide continues to emphasize the importance of the global entrepôts of the UK and US as centres for the international trade in art and antiques. These act as international market hubs, by assembling a critical mass of high quality art together in one location to

attract global interest from both buyers and sellers. Art sold in London or New York is often as likely to be sold to an overseas buyer as it is to a local buyer.

The US and UK accounted for a combined 62% of all world imports of art and antiques, a drop in share of 7% on 2012, largely due to a drop in imports to the UK. Their consistently high margin vis-à-vis other countries underlines their continuing importance as entrepôt markets for the art trade. Switzerland was marginally the third largest importer ahead of China, which has seen its share advance steadily

Figure 1o. World Exports of Art and Antiques 2003 - 2013 (Billion Euro)

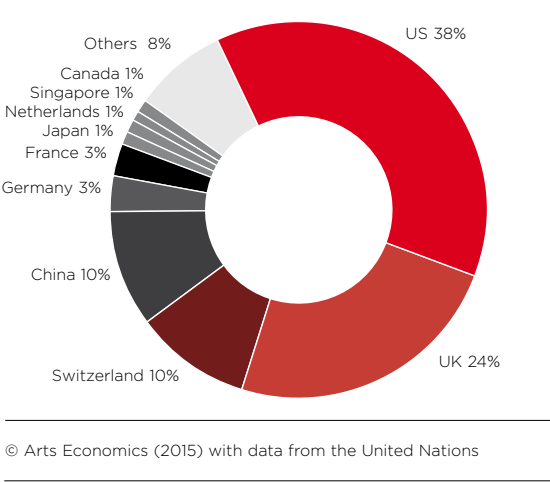


over the last few years. China is by far the highest value trader of all of the newer and emerging art markets, with imports having increased by over ten times their value from 2003 to 2013.

Exports

World exports also grew 10% year-on-year, and, like imports, after their fourth year of consecutive growth from 2009, reached an historical peak of €19.8 billion in 2013.¹¹ Exports suffered slightly less than imports during the global financial crisis, although they still lost some 27% in value in the two years from 2007 to their lowest point of €10.9

Figure 1p. Share of the Value of Global Imports of Art and Antiques, by Country



¹¹ The data reported for art and antiques in 2013 is based on the Harmonised System (HS) of tariff nomenclature, which is the internationally standardized system to classify traded products. It is worth noting that a comparison of world imports and exports of art reveals a discrepancy of €495 million in excess exports. Ideally bilateral trade statistics would be symmetrical between countries. However, in practice asymmetry is common for several reasons, including different national price and trade systems, exchange rates, different thresholds for recording international trade, product classification or misattribution, the treatment of re-exports and re-imports and more inconsistencies or inaccuracies in some national records. These differences are not peculiar to art and antiques, but art is among the most mismatched statistics in some regions, notably China.

billion in 2009. Since then they have seen an 82% advance in value to 2013, and have more than doubled in value in ten years.

Again, the UK and US together accounted for the majority of the value of art exports, with a combined share of 60% (down 5% year-on-year). Other notable exporters of art and antiques included France and Switzerland, whose combined share remained fairly stable year-on-year. Strong growth in exports from China in 2013 saw it overtake Germany to become the fifth largest exporter of art, with a share of 6%.

Figure 1q. Share of the Value of Global Exports of Art and Antiques, by Country

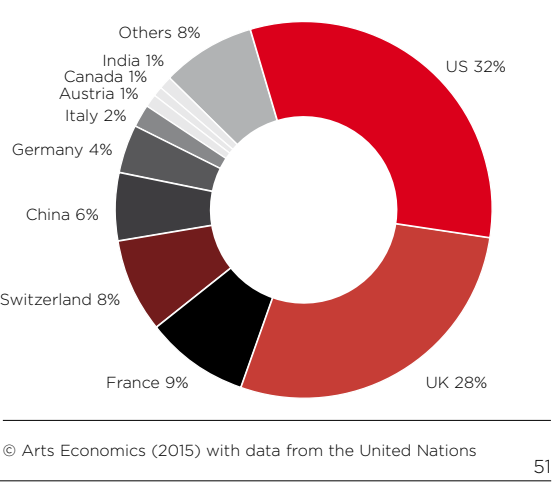


Table 1h. Global Imports and Exports of Art and Antiques in 2013

Reporter	Imports	% Change on 2012	Exports	% Change on 2012	Net Exports
Austria	€169.0	31%	€260.7	165%	€91.7
Belgium and Luxembourg	€158.9	27%	€110.4	-28%	-€48.5
France	€503.7	6%	€1,716.3	19%	€1,212.6
Germany	€642.8	11%	€742.2	-18%	€99.4
Italy	€104.0	-53%	€459.5	47%	€355.5
Netherlands	€266.9	101%	€87.8	26%	-€179.0
Denmark	€60.2	81%	€37.4	-15%	-€22.8
Spain	€39.6	-24%	€104.7	23%	€65.1
Sweden	€24.0	-2%	€35.8	4%	€11.8
UK	€4,675.0	-23%	€5,604.2	-4%	€929.2
Other EU	€91.6	13%	€67.1	-17%	-€24.4
EU	€6,735.8	-15%	€9,226.3	2%	€2,490.5
Switzerland	€1,845.9	36%	€1,494.3	23%	-€351.6
Norway	€58.5	-4%	€71.7	-42%	€13.2
US	€7,357.0	21%	€6,240.4	8%	-€1,116.6
Australia	€121.9	15%	€76.0	6%	-€45.9
Canada	€189.0	1%	€234.2	47%	€45.2
China	€1,827.0	76%	€1,270.3	62%	-€556.6
Singapore	€207.5	41%	€176.2	49%	-€31.3
Japan	€231.2	24%	€215.5	62%	-€15.7
Korea	€117.1	-9%	€140.9	47%	€23.9
Qatar	€75.1	7%	€52.6	24%	-€22.4
Brazil	€42.3	41%	€99.1	174%	€56.8
India	€40.6	120%	€228.1	20%	€187.5
Russia	€14.9	455%	€3.8	-69%	-€11.1
WORLD	€19,317.3	10%	€19,812.1	10%	€494.7

© Arts Economics (2015) with data from the United Nations and Eurostat

The US

The US was the largest trading centre for art and antiques in 2013, with a global share of 38% of imports and 32% of exports. In 2013, imports reached €7.4 billion, increasing 21% year-on-year, the fourth year of growth since 2009 when they totalled €3.6 billion. Exports also increased, but with a lower advance of just 8% to €6.2 billion, also the fourth year of growth since 2009, when they stood at €4.6 billion. In the period from 2009 to 2013, the advance in imports has been much greater (a 105% increases versus a 36% rise in exports) reflecting the stronger recovery in buying in the US than in other regional centres. Over the longer term however, exports have grown more, increasing over the decade by over 160%, versus just over 90% for imports. This advance in value is in part the result of rising prices for fine art, with paintings and sculpture consistently accounting for the vast majority of the value of works traded. Painting and sculptures accounted for a share of 80% of imports and 85% of exports in 2013.

The fact that the value of imports was greater than exports implies that the US was a net importer of art and antiques in 2013, running a trade deficit for its second year. This indicates strong local demand, with the US dominating as an important global buyer for art, even though many buyers of the works imported may reside elsewhere.

The main sources of art imports to the US were the major markets in Europe. France was the largest source by value, accounting for a 32% share of imports into the US, while the UK accounted for 19%. The top five sources in Europe (France, the UK, Italy, Germany and Spain) accounted for a combined 75% of the total, while China accounted for just 4%. For exports however, China accounted for double that share, at 8% in 2013, while the most important destinations were the UK (at 33% of exports) and Switzerland (24%).

THE GLOBAL ENTREPÔTS OF THE US AND UK ACCOUNTED FOR 62% OF ALL IMPORTS OF ART AND ANTIQUES AND 60% OF EXPORTS

The EU

The EU was a net exporter of art in 2013, as it had been for the previous ten years, maintaining one of its largest trade surpluses, of €2.5 billion in 2013. After a significant rise in 2012, imports fell by 15% year-on-year, reaching €6.7 billion. This was still close to double their value ten years before, and the second highest level ever recorded.

Exports saw positive growth, but the advance of 2% over 2013 to €9.2 billion was much less than the previous three years of double-digit growth.

Values have recovered by over 117% from the market low in 2009, and have increased 90% over ten years.

The EU's more lacklustre performance than the US meant that its share of global imports fell, dropping sharply by 10% to 35%, the lowest share in ten years. The share of exports fell just 3% to 47%. Looking ahead, some initial data for the first 6 months of 2014 from Eurostat indicates that imports have increased from the same period in 2013, but exports have continued to decline.

Table 1i. Summary Statistics: EU Imports and Exports of Art and Antiques

Year	Imports	Exports	Net Exports	Share World Imports	Share World Exports
2003	€3,409	€4,893	€1,484	38%	54%
2004	€4,017	€5,325	€1,307	40%	52%
2005	€4,313	€6,015	€1,702	38%	51%
2006	€4,891	€6,316	€1,426	38%	47%
2007	€6,254	€6,870	€616	39%	46%
2008	€5,097	€5,740	€643	36%	40%
2009	€3,402	€4,249	€846	36%	39%
2010	€4,830	€5,992	€1,162	39%	45%
2011	€6,411	€6,704	€293	43%	47%
2012	€7,955	€9,046	€1,091	45%	50%
2013	€6,736	€9,226	€2,490	35%	47%

© Arts Economics (2015) with data from the United Nations and Eurostat

The UK remained by far the EU's largest importer and exporter of art and antiques in 2013, with a 61% share of the value of EU exports (down 3% on 2013) and 70% of imports (down 8% year-on-year). It is a key international entrepôt with a significant share of global imports and exports (24% and 28% respectively, although both of these shares saw significant declines year-on-year).

After achieving record highs in 2012, both imports and exports fell during 2013. Imports decreased 23% year-on-year, reaching €4.7 billion, the first decline since 2009. From 2007 to 2009, imports fell substantially (by 52%) but they recovered well for three years, increasing in value by close to 200% by 2012. However 2013 represented a distinct change in trend. Exports which have seen more volatility in growth since 2009, also fell by 4% to €5.6 billion, although this remains the second highest total in history, and an increase of 135% from 2009.

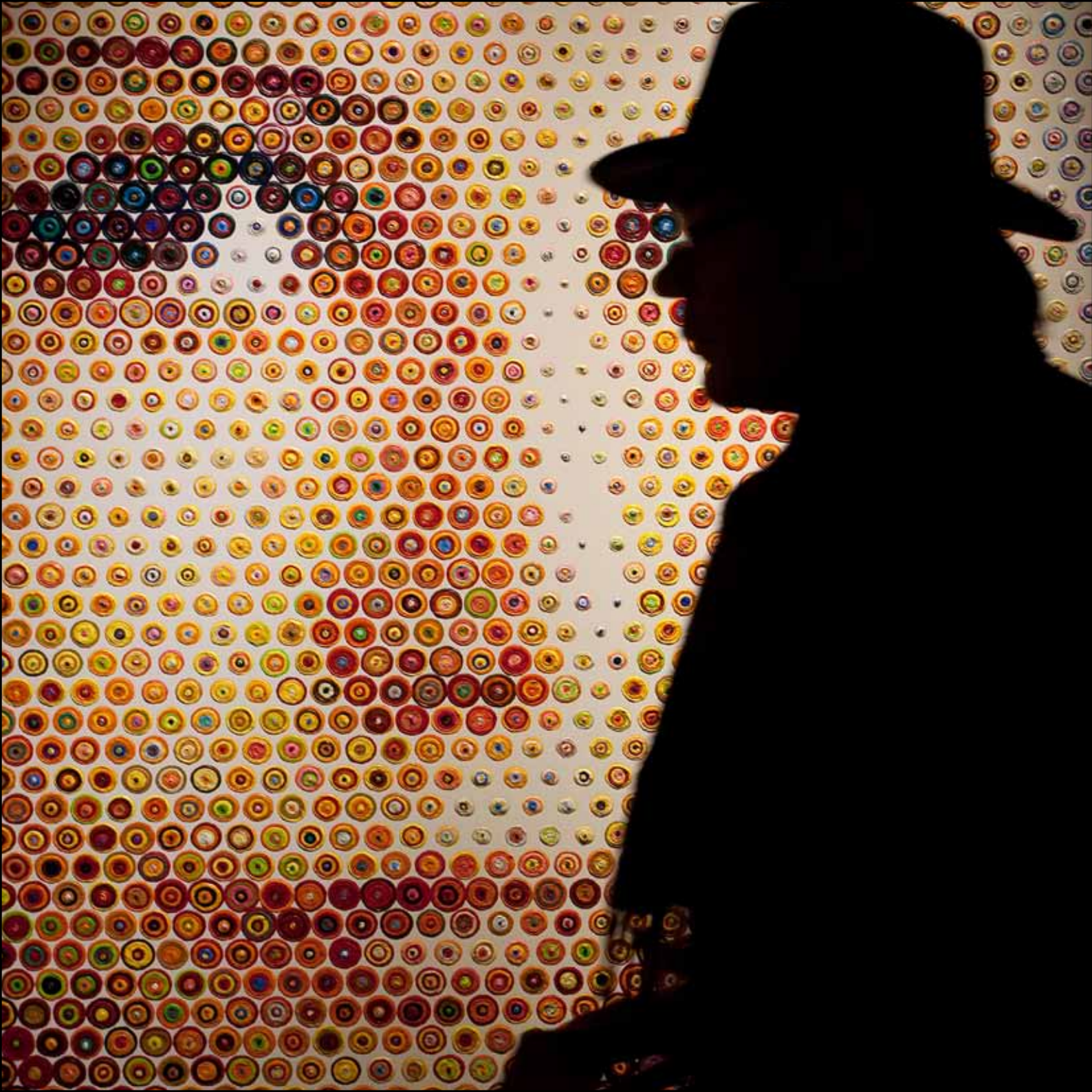
Due to the underperformance of imports, the UK returned to a trade surplus of net exports in 2013, after two years of deficit, implying strong overseas demand for art sold in the UK, or that domestic demand was less than domestic sales. It is important to reiterate however that “local demand” in the UK also comes from buyers throughout the EU, who use the UK as a conduit

for purchases made outside the EU, as the UK maintains the lowest import VAT rate in Europe (at 5%).

The main sources for UK imports in 2013 were the US, with a share of 34% (down 8% year-on-year), Switzerland with 16%, and France with 8%. While China was the source for 4% of the UK's imports in 2012, it accounted for less than 3% in 2013. The US was also the main destination for UK exports, with a 49% share of their value, while Switzerland accounted for 25%. The emerging markets were also important to the UK, with China accounting for 8%, Russia 5% and Qatar 2% of exports.

France and Germany were the next largest traders in the EU. Germany, which dominates France in terms of high net worth wealth, was the second largest importer in 2013, with a 10% share (next to 7% in France). France, which has a larger art market, was the second largest exporter in the EU behind the UK, with 19% of the EU export trade (next to Germany's 8%).

In France, imports reached €504 million, an increase of 5% year-on-year, while exports grew a substantial 19% to reach €1.7 billion. After three years of growth, and more than doubling in size from their lowest point of €726 million in 2010, exports were more



than three times the size of imports creating a substantial trade surplus of €1.2 billion. France has been a consistent net exporter of art and antiques for the last decade, with exports primarily destined for the US (with a 47% share), Switzerland (25%) and China (8%). Imports also mainly came from these regions with the US accounting for 42%, Switzerland 19%, and the UK and China 5% each.

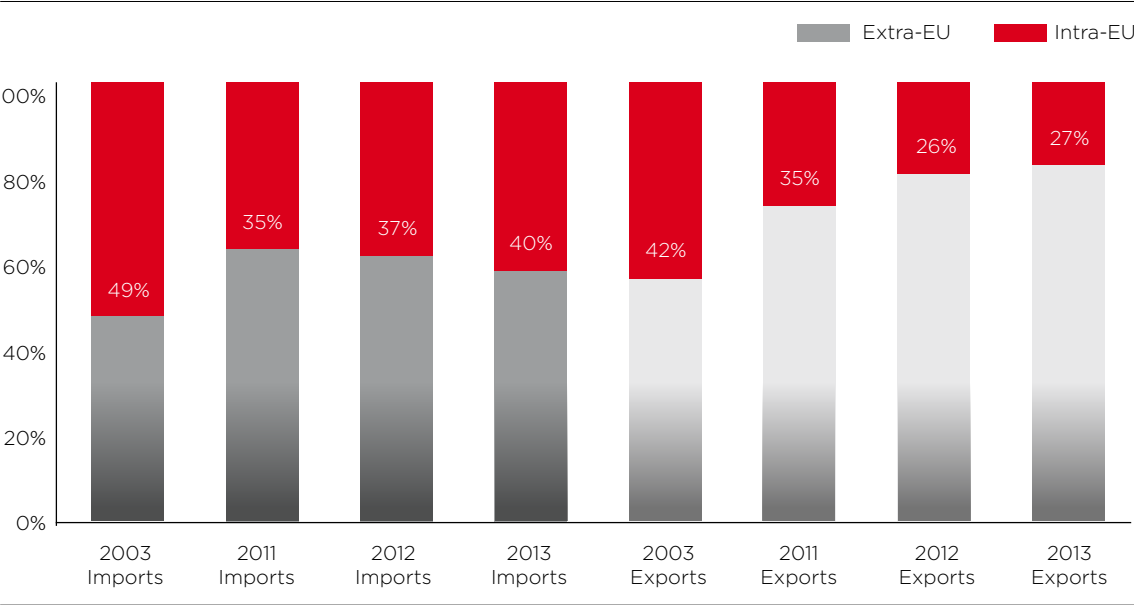
German imports reached €643 million, an advance of 11% year-on-year and an increase of 137% since their lowest point in €271 million in 2009. Over the decade from 2003, imports have grown by over 200%. Exports from Germany, on the other hand, have been more volatile. They decreased by 18% year-on-year to €742 million, but have grown just over 70% over the decade. The important destination markets

for German exports were neighbouring Switzerland (34%), the US (29%), China and Austria, which each accounted for 5%. Germany's biggest source of imports was the US (45%) and Switzerland (32%), with the UK accounting for a 5% share.

In 2013, extra-EU trade flows continued to dominate intra-EU imports and exports because of the larger value and higher amount of trade between EU markets and major external centres such as the US, Switzerland and China. Aggregating all EU trade flows in 2013, the value of extra-EU imports was 81% of total imports of art and antiques and 91% of exports. These figures are heavily dominated by the flows in and out of the UK, which has a high proportion of extra-EU trade and acts as the main entry and exit point for third countries into the EU.

THE SINGLE MARKET HAS HAD LITTLE EFFECT
ON THE LOCATION OF ART MARKETS IN EUROPE
AND THE UK REMAINS THE LARGEST CENTRE FOR
TRADE WITH A 61% SHARE OF EU EXPORTS AND
70% SHARE OF IMPORTS

Figure 1r. Average Intra-EU and Extra-EU Imports and Exports of Art and Antiques



© Arts Economics (2015) with data from Eurostat

Some of the smaller countries in the EU trade more with each other. However, overall, the average share of extra-EU trade has risen substantially since the formation of the Single Market. Average extra-EU exports have risen from 55% of trade in 2000 to 73% in 2013, while for imports extra EU-trade has gone from 48% to 60%. This is due in part to the

fact that the Single Market has had little effect on the location of art markets within Europe.

Switzerland

In 2013, Switzerland was the third largest importer and fourth largest exporter of art and antiques, next to the US and UK, with a share of 10% of

imports (up 2% year-on-year) and 8% of exports. It continued to be a net importer of art, with an increasing trade deficit, which reached €352 million in 2013.

Imports grew substantially year-on-year, reaching €1.8 billion, their highest ever recorded level and an increase of 36%. This was double their level in 2009, when they hit a low of €916 million and represented an increase of 137% in ten years. Exports also grew by 23%, which, after two years of growth, also reached an historical peak at €1.5 billion, close to double their value in 2009.

Swiss exports were mainly to the other large art markets, with 35% to the US, 28% to the UK, and France and Germany accounting for a combined 15%. Imports were also from the US (29%), France (19%) and the UK (17%), while the British Virgin Islands also accounted for 8%.

Switzerland remains a key international centre of freeports for the storage of art, offering secure warehousing, confidentiality and some tax advantages. Many of these premises have expanded in recent years and new facilities have opened in response to rising international demand. However, if a work of art is held in storage at a freeport in Switzerland and then consigned elsewhere, it may not show up in the national trade

statistics, as reported to the UN and Eurostat. This could well mean that the actual flows of art in and out of Switzerland are much larger than the statistics indicate.

Emerging Art Markets

The emerging markets have generally reported relatively low trade figures in recent years. However, significant increases in Chinese cross-border trade in 2013 meant that the BRIC regions together accounted for some 10% of world imports and 8% of exports.

China recorded by far the largest cross border trade among the emerging markets in 2013, and was again a net importer of art and antiques, as it has been for the last ten years. Imports into China as a whole (i.e. Mainland China, Hong Kong and Macao) in 2013 reached an historical peak of €1.8 billion, increasing 76% year-on-year, and to about 12 times their size over ten years.

Exports also rose significantly, increasing 69% in value to a record peak of €1.3 billion, with a similar advance of over 11 times their value since 2003. It is worth noting that the trade figures reported for China aggregate all of the imports and exports of Mainland China, Hong Kong and Macao. If the intra-trade between the regions is excluded, aggregate imports would be reduced

Table 1j. Imports of Art and Antiques to Emerging Markets (€ Million)

Imports	China	MC	HK	Macao	Singapore	Brazil	India	Russia	Korea
2003	€155.2	€5.1	€150.1	€0.1	€25.1	€3.1	€1.2	€3.3	€85.8
2004	€167.0	€5.3	€161.2	€0.5	€70.0	€3.5	€0.6	€6.4	€74.3
2005	€221.2	€5.7	€215.2	€0.3	€46.8	€2.2	€7.7	€11.8	€86.6
2006	€315.4	€9.9	€303.1	€2.4	€86.1	€4.3	€22.3	€2.2	€189.5
2007	€514.1	€7.1	€504.2	€2.8	€211.4	€11.0	€45.6	€9.3	€566.0
2008	€525.3	€15.1	€508.8	€1.5	€283.9	€15.3	€19.3	€26.1	€494.1
2009	€402.0	€7.7	€389.9	€4.3	€79.6	€3.6	€16.2	€69.3	€153.7
2010	€612.7	€19.5	€591.3	€1.9	€145.1	€5.5	€22.2	€8.3	€140.8
2011	€1,042.1	€30.3	€1,007.3	€4.4	€187.3	€11.9	€45.1	€17.7	€173.6
2012	€1,039.2	€68.4	€967.0	€3.8	€147.0	€30.0	€18.5	€12.1	€128.9
2013	€1,827.0	€625.9	€1,201.1	-	€207.5	€42.3	€40.6	€14.9	€117.1
2012-2013	76%	815%	24%	-	41%	41%	120%	23%	-9%
2003-2013	1,077%	12,283%	700%	6,707% to 2012	728%	1,257%	3,302%	356%	37%

©Arts Economics (2015) with data from the United Nations

to €1.6 billion and exports to €1.2 billion. Although this would extend the margin slightly, it would not affect China’s ranking as the fifth largest exporter and fourth largest importer of art and antiques worldwide in 2013.

Hong Kong strongly dominated inward trade in recent years, accounting for between 93% and 97% of annual imports by value up to 2012. However in 2013, Mainland Chinese buyers were more active

in the international market, and the share of total Chinese imports to Mainland China climbed to 34%, as imports to there grew by over eight times their size in one year. The main sources for Mainland China’s imports in 2013 were Thailand (accounting for 53%), France (13%), and the Netherlands and the US (at 6% each). Growth in imports to Hong Kong was more moderate, at 24%, and half of these were from the US (26%) and UK (24%). Switzerland was a source for 10% and France and Japan accounted

Table 1k. Exports of Art and Antiques from Emerging Markets (€ Million)

Exports	China	MC	HK	Macao	Singapore	Brazil	India	Russia	Korea
2003	€112.3	€18.5	€93.8	€0.0	€12.1	€4.4	€16.6	€1.1	€30.3
2004	€121.0	€23.3	€97.7	€0.1	€22.9	€7.3	€28.3	€2.3	€56.1
2005	€203.4	€35.2	€168.0	€0.2	€49.3	€4.3	€32.4	€1.3	€140.4
2006	€228.0	€50.4	€177.5	€0.1	€150.9	€8.9	€63.1	€0.6	€277.0
2007	€313.1	€53.8	€259.1	€0.1	€105.8	€6.6	€160.3	€1.6	€119.3
2008	€335.9	€50.2	€284.9	€0.8	€227.2	€12.7	€91.7	€2.4	€536.6
2009	€196.1	€35.6	€160.0	€0.5	€77.7	€24.5	€47.8	€0.9	€208.8
2010	€341.7	€121.3	€220.2	€0.2	€121.6	€14.6	€166.0	€2.4	€102.4
2011	€588.8	€269.5	€319.3	-	€141.9	€40.7	€199.0	€1.7	€73.2
2012	€785.8	€415.6	€370.2	-	€118.6	€36.1	€190.1	€2.7	€95.9
2013	€1,270.3	€845.3	€425.0	-	€176.2	€99.1	€228.1	€3.8	€140.9
2012-2013	62%	103%	15%	-	49%	175%	20%	41%	47%
2003-2013	1,032%	4,471%	353%	471% to 2010	1,357%	2167%	1,277%	254%	365%

©Arts Economics (2015) with data from the United Nations

for just over 6% each. 13% of Hong Kong’s reported imports (€168 million) came from Mainland China, although Mainland China reports a slightly smaller amount of exports to Hong Kong at €155 million, showing the recurring problems of mirror statistics in analysing trade, particularly in China.

Mainland China’s share of exports has grown at a much more rapid pace than imports, from just 16% in 2003 to 66% in 2013. Over 83% of exports

from China in 2013 were fine art. Although still the minority, antiques and decorative art accounted for a larger share of imports (with imports showing a breakdown of 63% fine art and 27% decorative art). Nearly half of the exports from Mainland China in 2013 went to Japan, with 18% to Hong Kong, 11% to the US and 4% to Switzerland. The US was the most important destination for exports from Hong Kong, accounting for 34%, followed by the UK (16%), Switzerland (10%) and France (9%).



Of the remaining regions, Singapore and Russia were net importers. This reflects Russia's role in the international market as an art buyer rather than seller, although reported trade remains very low compared to others.

Singapore had robust growth of 41% in imports and 49% in exports in 2013. Flows in and out of Singapore peaked in 2011, just after the opening of the freeport in 2010, and fell back in 2012.

Brazil, a net exporter of art, also saw strong increases year-on-year, particularly for exports, which are actively encouraged by policy measures, increasing 175% to just under €100 million and more than doubling imports.

Korean imports and exports peaked in 2007 and 2008, with imports reaching a substantial €494 million and exports of €537 million. However, the levels have since fallen considerably (by 74% and 82% respectively).

In India exports of art are more than five times the value of imports and the domestic market remains relatively small and locally based.

Other regions, such as the so-called MINT countries (Mexico, Indonesia, Nigeria and Turkey), have had very little impact on the international trade in art.

These four countries combined accounted for just 0.3% of world imports of art and antiques and 0.2% of exports in 2013.

The growth and global distribution of wealth (discussed in Chapter 3) and the international trade in art remain closely linked, and in general, wealthy nations import and export more art and other luxury goods. An increase in the number of global HNWIs and advancing wealth per capita in many regions has boosted spending on luxury goods, which are purchased locally and overseas, raising both domestic consumption and international trade and exchange.

However, the art market is characterised by having a very limited number of key international trading hubs, principally the US and UK (with other significant markets in Switzerland and Hong Kong), even though HNW buyers are widely dispersed globally. Trade in these hubs is based on bringing together enough desirable works of art and antiques for sale to attract both local and international art buyers. Its status as a key centre for international trade has continued to keep the US in such a dominant position for sales in the global market in 2014.

CHAPTER 2

SECTORS



SECTORS

Key Findings

- In 2014, Post War and Contemporary art was the largest sector of the fine art market, representing 48% of all fine art sales.
- Auction sales in the sector in 2014 reached a high of €5.9 billion, an increase of 19% year-on-year, and its highest ever recorded level. The US was the key centre worldwide for sales of Post War and Contemporary art, with a share of 46% of their value.
- Sales of Modern art were the second largest, accounting for 28% of the global fine art auction market. Sales grew 6% to €3.3 billion, and China and the US had virtually equal shares of the global market by value (at 31%).
- The Impressionist and Post-Impressionist sector accounted for 12% of the value of the fine art auction market, and total sales values increased by 10% to €1.5 billion. The US was the leading market by value in 2014, with a share of 34%.
- The Old Master sector accounted for 8% of the fine art auction market in 2014, with European Old Masters accounting for close to 5%. European Old Masters fared better over 2014 than the wider sector, with total sales values increasing by 11% to €582 million (versus €1,030 million in the overall sector).
- The UK is a key global centre for the trade in Old Master paintings and notably for more traditional European Old Masters, where its global share was over 50% by value.
- Sales in the 20th and 21st Century design sector at auction in 2014 reached €314 million, up 2% year-on-year. The US was the largest auction market with a global share by value of 41%.
- Total global sales of Chinese decorative art and antiques reached €1.6 billion in 2014, falling by 2% year-on-year. China's global share by value was 82%.

Rather than being a single homogenous entity, the global market is made up of a combination of unique and independent submarkets that are defined by artists, periods and genres, with each developing at its own individual rate and with its own specific price and risk trajectories and trends. Macro-economic forces and other external influences often affect all markets, with the global financial crisis being a good example. However, the performance of the different sectors of the art market is often not correlated either with other sectors or with the financial markets, and have performed in a varied way over the last decade.

Precise analysis of individual prices and sales by art market sector depends primarily on data from auction sales, as this is publicly available and can be collated on a large scale. Even given the openness of auction sales, aggregating total auction sales is not without complexities, and in many regions, auction houses only offer limited or selected results. The following analysis of the key sectors of the art market is based on global auction data from the Artnet's database covering over 1,600 auction houses in over 52 countries. Details on the data used are given in the Appendix, but a basic criterion for inclusion in the analysis is that the individual works sold had

a minimum estimate of over \$500. This covers all major sales in all first and second tier houses around the world. It excludes a large volume of very low value works, which are important in some locations, although they do not tend significantly to affect aggregate trends in the market because totals are heavily influenced by higher priced sales.

2.1 Fine Art Sectors

Although sectors of the market have varied in importance over time, in the last ten years, fine art has dominated decorative art and antiques, particularly at the higher end of the market. Modern and Contemporary art led the boom in the market up to 2007, and in the last five years of recovery, they have reached unprecedented levels, and it is within these sectors that most of the value and highest prices in the market are found.

A number of different definitions are used within the art trade to classify different sectors. To analyse sales performance in any consistent manner, it is necessary to divide the sectors based on criteria including an artists' date of birth, date of creation of their works and also their importance to a particular movement. For the purposes of such analysis by sector, the following definitions are used¹²:

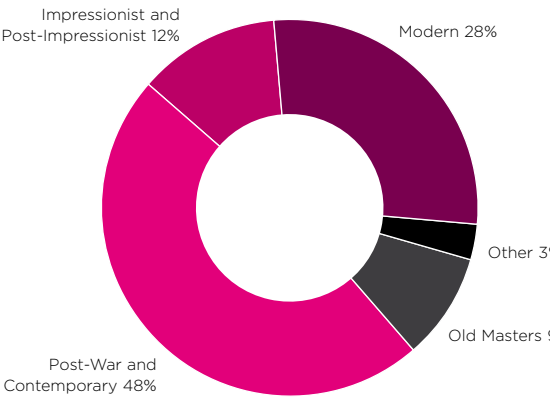
¹² Most artists categorization is based on date of birth, but there are a small number of artists who are included in different sectors because of their relevance to a particular movement, for example Francis Bacon (born 1909) and Mark Rothko (born 1903) are both included in the Post War and Contemporary sector. despite the cut offd

- a. Post-War and Contemporary, defined as artists born after 1910.
- b. Modern, defined as artists born between 1875 and 1910.
- c. Impressionist and Post-Impressionist, which are defined as artists born between 1821 and 1874.
- d. Old Masters, defined as artists born before 1821.¹³ Within the Old Master sector, European Old Masters are analysed separately.

In 2014, the largest sector by value was Post War and Contemporary art, which represented close to half of the value of sales in the fine art auction market at 48%, up 2% in share year-on-year. Sales of Modern art were the second largest, accounting for 28% (down 1% on 2013). The combined share by value of these two sectors in 2014 was 76% of the fine art auction market. They also accounted for the majority of the number of transactions (68%).

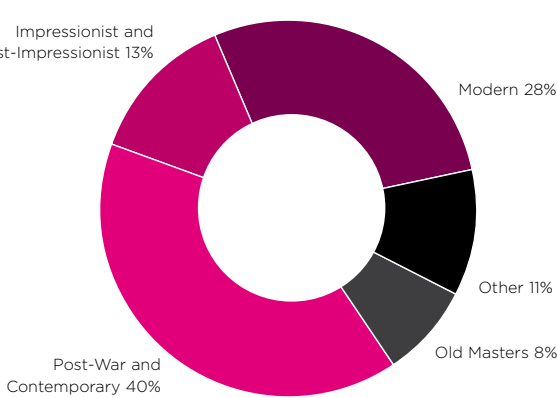
Figure 2a. Market Share by Sector of the Fine Art Auction Market in 2014

i. By Value of Sales



© Arts Economics (2015) with data from Artnet

ii. By Volume of Sales



© Arts Economics (2015) with data from Artnet

¹³ More specifically, this sector is defined as artists born between 1250 and 1820, or works executed 1275-1850.

While the number of Modern works sold was stable, the share of Post War and Contemporary art fell 4% on 2013, while most other sectors remained unchanged.¹⁴

2.2 Post War and Contemporary Art

The market for Post War and Contemporary art has grown phenomenally over the last 30 years from a tiny, precarious sector frequented only by the most avant-garde dealers and unconventional collectors, to by far the largest in the market by value, and the most popular category for new and established art buyers. In the 1980s, the most valuable sectors of the global art market were Impressionist and Modern, while the Contemporary sector was small and perceived as high risk. Even the earliest investment-driven collectors, such as the British Rail Pension Fund, refused to invest in Contemporary or Modern art as they were seen as being too volatile (whereas now financially-motivated investors primarily look at these sectors for purchases and sales).

During the 1990s, and particularly in the last ten years, the popularity of Post War and Contemporary art has rocketed, and prices have expanded dramatically. In 2014, Post War and Contemporary art was the largest sector by both value and volume, and it continues to be one of the fastest growing, increasing in value by over 600% in the decade from 2004 to 2014.

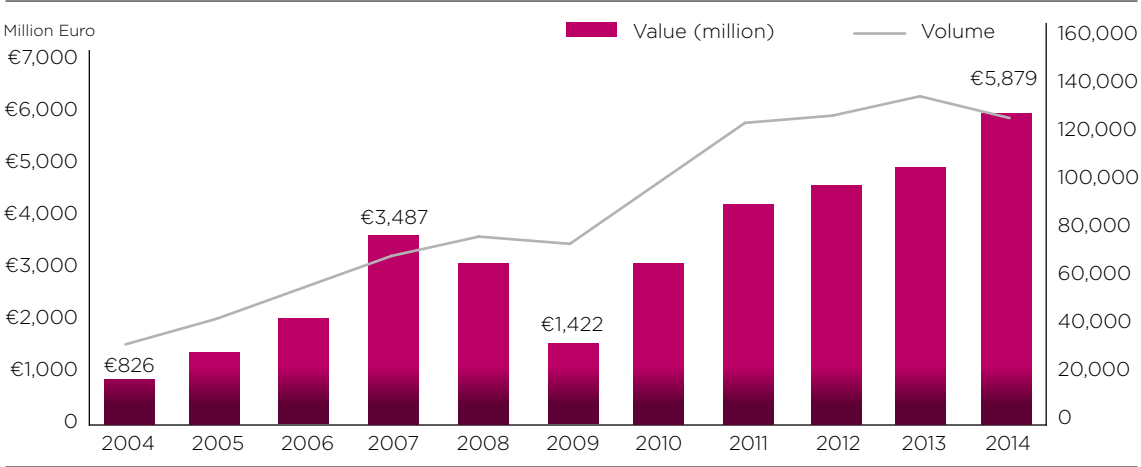
In 2014, the sector reached a high of €5.9 billion in auction sales, an increase of 19% year-on-year, and its highest ever recorded level. In the period from 2003 to 2007, this sector increased in value by close to 500%, as Contemporary art became one of the main targets of global collectors and investors. However, as one of the most speculative, it was also the hardest hit in the recession, losing 60% of its value in the two years to 2009.

From this low point, however, the market has rapidly expanded, increasing more than 300% in value. It is interesting to note that the volume of transactions has not grown at as fast a pace in 2014, and the number of transactions actually declined 6%, despite the substantial rise in value. Since 2009, the number of transactions has also increased by just over 70%, indicating that much of the increase in value has been driven by rapidly rising prices. The highest prices have been achieved by a narrow group of artists, such as Andy Warhol, Francis Bacon, and Mark Rothko, each of whose works has consistently achieved sales prices of over €20 million in the last few years.

In 2014, the US was once again the key centre worldwide for sales of Post War and Contemporary art, with a global share of 46% of the value of sales, a rise of 2% year-on-year. Auction sales within in the US had another strong year, growing by 25%

¹⁴ There was a 5% increase year-on-year in the number of transactions classified as “other”. This category includes a small number of artists born before 1275 or any artist where a birth date could not be established or there was a lack of full attribution to the artist.

Figure 2b. The Post War and Contemporary Art Sector: 2004 to 2014



© Arts Economics (2015) with data from Artnet

in value to reach €2.7 billion (despite a 13% fall in the number of lots sold), as prices continued to rise for some key artists. Sales of Post War and Contemporary art in the US have now increased by over 425% in the period between 2009 and 2014.

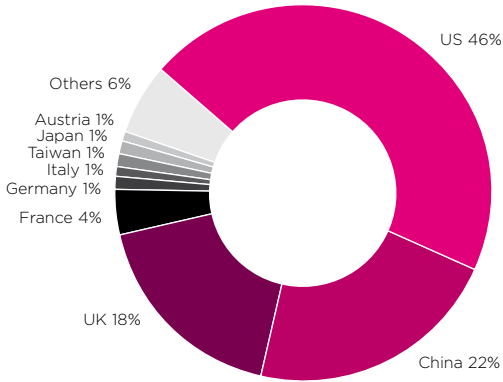
After a poor year of declining sales in 2013, the UK improved in 2014, with sales increasing to €1.1 billion. This helped to buoy up aggregate sales in the EU, which saw a rise of 31%, despite poor performances in some other major markets, such as France (which declined 6% year-on-year). The UK was the third

largest market worldwide in this sector by value, with a share of 18%. However, this still remains considerably lower than its peak in 2008 when it reached a global share of 35%. Although France was a smaller market by value than the UK (with a 4% global share), it had a larger number of transactions in 2014 (at 9%). The EU as a whole accounted for 26% of the market by value in 2014.

Sales in China were stagnant in 2014, with values declining slightly (by 1%) and the number of lots sold decreasing 2%. Although it remained the second

Figure 2c. Market Share of the Post War and Contemporary Sector in 2014

i. Market Share by Value

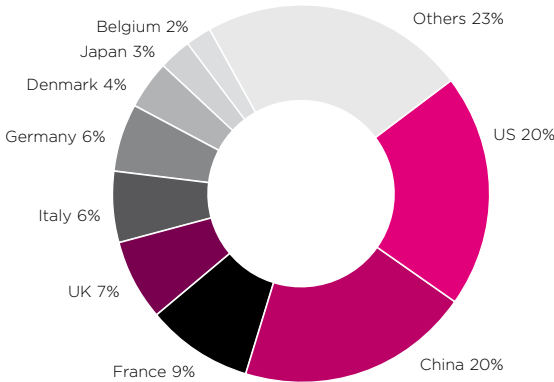


© Arts Economics (2015) with data from Artnet

largest global market for Post War and Contemporary art, its market share slipped back to 22%, a decrease of 4% year-on-year, and down from a previous high of 33% in 2011, when it was temporarily the largest market globally.

Despite being distinguished by recording the highest number of record prices in 2014, 92% of all transactions at auction in the Post War and Contemporary sector were at prices below €50,000,

ii. Market Share by Volume



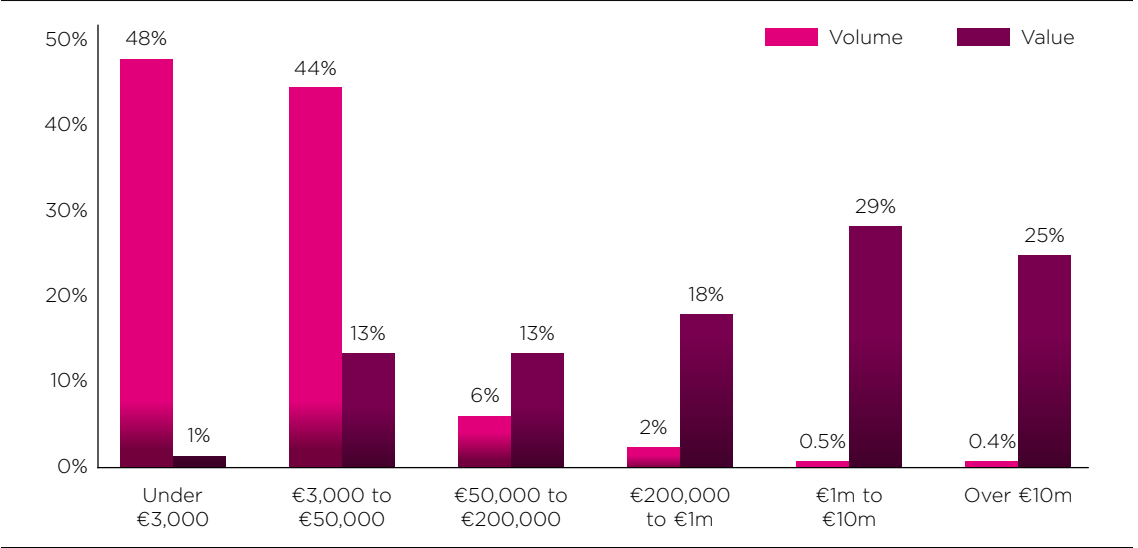
© Arts Economics (2015) with data from Artnet

with a substantial 22% below €1,000. However, the sector remained highly dominated in value terms by the top end of the market, with more than half of the value (54%) coming from transactions priced at over €1 million. Most of these highest priced lots were sold in New York: 67% of the value of the market for individual sales over €1 million in 2014 was in the US, and 48 of the 60 lots sold for more than €10 million were sold there, with the remainder in the UK (10 works) and China (two).

The average price of works sold in the US and UK were up to ten times higher than in many European markets and more than double the global average. As seen in Table 2a, however, these averages are

skewed by the small number of works at the high end, as the middle of the market, represented by the median price, was much lower in both countries.

Figure 2d. Sales by Price Bracket in the Post War and Contemporary Sector in 2014



© Arts Economics (2015) with data from Artnet

67% OF THE VALUE OF POST WAR AND CONTEMPORARY ART PRICED OVER €1 MILLION WAS SOLD IN THE US IN 2014



Table 2a. Prices in the Post War and Contemporary Sector in 2014

Country	Prices		Share of Value		Share of Lots Sold	
	Average Prices	Median Prices	Under €50,000	Over €50,000	Under €50,000	Over €50,000
Austria	€14,461	€3,243	44%	56%	95%	5%
Belgium	€5,240	€1,824	75%	25%	99%	1%
China	€47,537	€10,562	21%	79%	84%	16%
France	€16,825	€2,498	32%	68%	95%	5%
Germany	€9,295	€1,904	48%	52%	97%	3%
Italy	€8,444	€1,472	43%	57%	97%	3%
Japan	€10,006	€2,895	51%	49%	96%	4%
Netherlands	€21,218	€4,792	36%	64%	90%	10%
Singapore	€25,630	€8,395	39%	61%	87%	13%
Spain	€3,448	€1,334	86%	14%	99%	1%
Sweden	€11,064	€2,783	47%	53%	98%	2%
Switzerland	€6,220	€1,993	63%	37%	98%	2%
Taiwan	€36,522	€6,940	24%	76%	89%	11%
UAE	€49,588	€23,927	25%	75%	70%	30%
UK	€111,459	€6,349	7%	93%	82%	18%
US	€103,351	€3,428	6%	94%	90%	10%
TOTAL	€44,019	€4,324 ¹⁵	14%	86%	91%	9%

© Arts Economics (2015) with data from Artnet

Although works by more than 45,200 artists were sold in this sector in 2014, the overall value of sales was concentrated on the work of a narrow group of artists. The work of fewer than 1% of all artists, sold during the year, fetched over €1 million, while 56% of artists accounted for individuals sales of less than €3,000. The work of 90% of artists sold

for less than €50,000. There were just 28 artists whose work sold for over €10 million. The highest selling artist was Andy Warhol, alone accounting for over 8% of the sector's value, including the most expensive work sold in Euro terms, *Triple Elvis*, at Christie's New York. (He was also the highest selling artist across all sectors worldwide in 2014.)

¹⁵ World median is the average median of all countries.

The top 20 artists in this sector accounted for 42% of the value of total sales, despite only accounting for 4% of the number lots sold in 2014. The market was also highly concentrated in terms of sellers, with the top five auction houses (Christie's, Sotheby's, Philips, Poly International and China Guardian) accounting for over 78% of sales by value in just 18% of the lots sold in the sector in 2014.

THE TOP 20 ARTISTS ACCOUNTED FOR 42% OF THE VALUE OF POST WAR AND CONTEMPORARY ART SALES

Table 2b. Top 20 Selling Post War and Contemporary Artists in 2014

Rank	Artist	Share of Value	Share of Lots Sold
1	Andy Warhol	8.5%	1.0%
2	Francis Bacon	3.9%	0.1%
3	Gerhard Richter	3.8%	0.2%
4	Mark Rothko	3.6%	0.0%
5	Jeff Koons	2.2%	0.1%
6	Jean-Michel Basquiat	2.2%	0.1%
7	Cy Twombly	1.9%	0.0%
8	Roy Lichtenstein	1.7%	0.3%
9	Willem de Kooning	1.6%	0.1%
10	Zao Wou-Ki	1.6%	0.4%
11	Huang Zhou	1.4%	0.4%
12	Christopher Wool	1.3%	0.0%
13	Lucio Fontana	1.3%	0.2%
14	Alexander Calder	1.2%	0.3%
15	Barnett Newman	1.0%	0.0%
16	Peter Doig	1.0%	0.0%
17	Wu Guanzhong	1.0%	0.1%
18	Cui Ruzhuo	1.0%	0.0%
19	Chu Teh-Chun	0.9%	0.2%
20	Martin Kippenberger	0.9%	0.1%
TOTAL	Top 20	42%	4%

© Arts Economics (2015) with data from Artnet

Table 2c. Top Prices in the Post War and Contemporary Sector in 2014

Artist	Lot Title	Auction House	Price (€m)	Price (\$m)
Andy Warhol	Triple Elvis (Ferus Type)	Christie's New York	€ 65.7	\$81.9
Barnett Newman	Black Fire I	Christie's New York	€ 61.3	\$84.2
Francis Bacon	Three Studies for a Portrait of John Edwards	Christie's New York	€ 58.8	\$80.8
Andy Warhol	Four Marlons	Christie's New York	€ 55.8	\$69.6
Cy Twombly	Untitled	Christie's New York	€ 55.8	\$69.6
Francis Bacon	Portrait of George Dyer Talking	Christie's London	€ 51.4	\$70.2
Mark Rothko	Untitled	Christie's New York	€ 48.2	\$66.2
Andy Warhol	Race Riot	Christie's New York	€ 45.8	\$62.9
Mark Rothko	Untitled	Phillips New York	€ 40.9	\$56.2
Francis Bacon	Seated Figure	Christie's New York	€ 36.0	\$45.0
Mark Rothko	No. 21	Sotheby's New York	€ 36.0	\$45.0
Francis Bacon	Three studies for portrait of George Dyer	Sotheby's London	€ 33.6	\$45.6
Mark Rothko	Untitled	Sotheby's New York	€ 32.0	\$39.9
Andy Warhol	White Marilyn	Christie's New York	€ 29.9	\$41.0
Mark Rothko	Untitled	Sotheby's New York	€ 29.3	\$36.6
Jasper Johns	Flag	Sotheby's New York	€ 28.9	\$36.0
Jean-Michel Basquiat	Untitled	Christie's New York	€ 25.4	\$34.9
Andy Warhol	Liz #3	Sotheby's New York	€ 25.3	\$31.5
Gerhard Richter	Abstraktes Bild (648-3)	Christie's New York	€ 25.3	\$31.5
Jeff Koons	Jim Beam - J.B. Turner Train	Christie's New York	€ 24.6	\$33.8

© Arts Economics (2015) with data from Artnet

2.3 Modern Art

Modern art was the second largest sector of the fine art auction market in 2014, with a share of 28% of both the value and volume of transactions. (These shares were stable year-on-year.) However, since 2007, the Modern sector has relinquished its position as the leading centre of value in the fine art market. Until 2006, Modern was the largest sector (with a global share that year of 36%, versus 34% for Post War and Contemporary). However in 2007, Post War and Contemporary art gained significant ground (rising in share to 43%), while

Modern slipped back to 29%, and has remained the smaller sector of the two since that point.

After a strong recovery from 2009 to 2011, when sales increased by close to 150%, the sector was much more subdued in 2012 and 2013, with the value and volume of sales declining. However, 2014 saw sales growth returning with a 6% increase to €3.3 billion. Although this is significantly greater than the previous boom in 2007 (when the market reached €2.3 billion), it is still down 13% on the high achieved in 2011. The growth over 2014 was achieved

Figure 2e. The Modern Art Sector: 2004 to 2014



© Arts Economics (2015) with data from Artnet

mainly through the very high prices attained by artists such as Alberto Giacometti, Amedeo Modigliani and Pablo Picasso, as the volume of sales in the sector dropped slightly (by 1%).

China and the US had virtually equal shares of the global market by value (at 30.6% and 30.5% respectively). This margin was considerably closer than in 2013, when the Chinese market accounted for 36%, eight percentage points above the US. The Chinese market has fallen 16 percentage points in share since 2011, with its marginal lead now driven more by a large volume of moderately high price works, rather than by very top priced sales. (No Chinese artists featured in the top 20 prices in the sector in Table 2f below.) Sales within China declined by 9% year-on-year, while in the US they rose 14% to just over €1 billion, narrowing the gap between these two major markets. Looking over the longer ten-year period however, China's share

has still shown significant growth, rising from only 3% in 2004, when the US accounted for half of the value of the market.

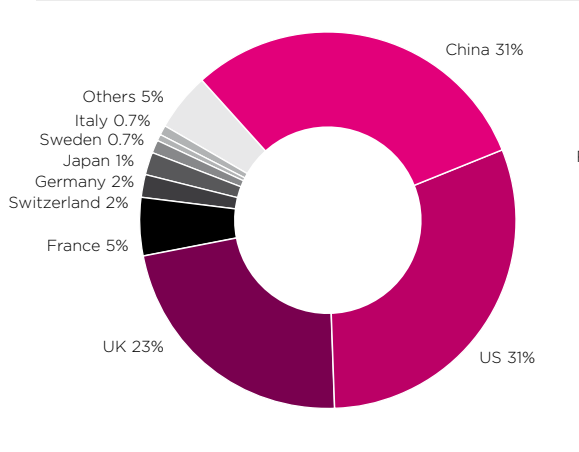
The EU showed a small increase in share of 3% year-on-year, to 34%, and it accounted for 48% of all of the transactions. The two leading markets in Europe, the UK and France, both showed strong performances. After a very stagnant period in both 2012 and 2013, sales in the UK advanced 26% to just under €753 million, an historical peak, driven partially by a small number of record sales achieved in London. France experienced four years of declining sales from its peak of €355 million in 2009, but saw this trend finally turn in 2014, with sales increasing 12% to €182 million. Other smaller markets, such as Germany, Italy and the Netherlands, fared less well, with sales decreasing on 2013. However, the growth in the two largest markets meant that the EU as a whole grew 16%.

MODERN ART WAS THE SECOND LARGEST SECTOR IN 2014, HAVING RELINQUISHED ITS POSITION AS LEADER TO POST WAR AND CONTEMPORARY ART IN 2007



Figure 2f. Market Share of the Modern Sector in 2014

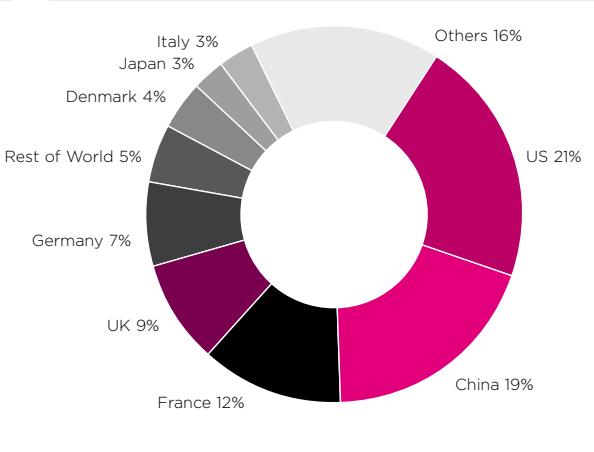
i. Market Share by Value



© Arts Economics (2015) with data from Artnet

Like the Post War and Contemporary sector, the majority of the number of Modern works sold (91%) were for price points below €50,000, despite them accounting for just over 16% of the overall value of the sector. Just under half of the lots sold were at prices below €3,000. For Modern art, the value is slightly less concentrated at the high end, although in 2014 a substantial 45% of value still came from works sold for over €1 million.

ii. Market Share by Volume



© Arts Economics (2015) with data from Artnet

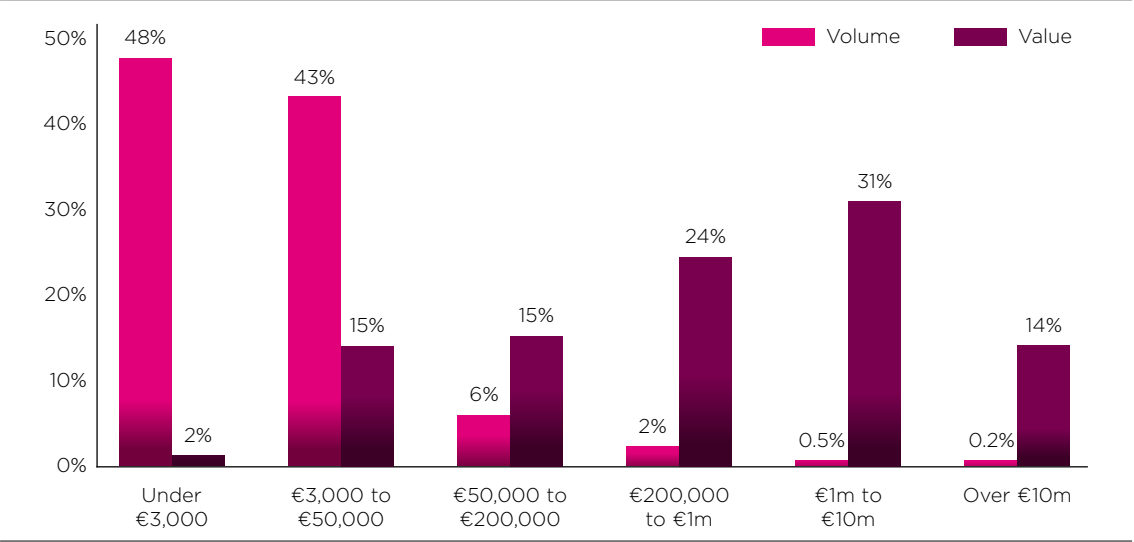
There were just 21 transactions over €10 million in 2014, and these accounted for 14% of total sales. In the market for works priced at over €1 million, the US had a much clearer lead, accounting for 45% of the market by value, versus 16% in China (and close to 60% of all transactions over €10 million, with China only accounting for 3%). The majority (60%) of the value of the market in China fell within the segment from €50,000 up to €1 million.

The highest average prices tended also to be in the largest art markets, with the exception of smaller markets such as the UAE and Singapore that sold a very low volume of higher priced works. The average price in the UK was close to double that of the US, due mainly to the much lower volume of sales (with 9,500 lots sold versus about 26,400 in the US).

There were a smaller number of artists whose works were sold at auction in 2014 than there were

in Post War and Contemporary, with a total of about 26,220. Again, most sold in the lower price brackets, with 91% of the total number selling in the segment of works priced at less than €50,000. A very small fraction (less than 200 artists, or less than 1%) were responsible for works for over €1 million, and only 15 artists accounted for works over €10 million. Picasso remained the top selling artist in the segment and was also the second highest selling artist worldwide in 2014.

Figure 2g. Sales by Price Bracket in the Modern Art Sector in 2014



© Arts Economics (2015) with data from Artnet

Table 2d. Prices in the Modern Sector in 2014

Country	Prices		Share of Value		Share of Lots Sold	
	Average Prices	Median Prices	Under €50,000	Over €50,000	Under €50,000	Over €50,000
Austria	€9,293	€ 2,389	52%	48%	96%	4%
Belgium	€5,152	€ 1,588	65%	35%	98%	2%
China	€58,386	€ 10,879	17%	83%	81%	19%
France	€16,256	€ 2,604	33%	67%	95%	5%
Germany	€10,196	€ 2,179	46%	54%	97%	3%
Italy	€7,482	€ 1,799	54%	46%	97%	3%
Japan	€10,484	€ 2,892	52%	48%	96%	4%
Netherlands	€12,271	€ 2,068	46%	54%	95%	5%
Singapore	€50,266	€ 11,954	16%	84%	74%	26%
Spain	€5,470	€ 1,815	80%	20%	99%	1%
Sweden	€11,401	€ 2,970	47%	53%	97%	3%
Switzerland	€21,638	€ 1,991	20%	80%	94%	6%
Taiwan	€29,566	€ 4,647	25%	75%	93%	7%
UAE	€106,959	€ 40,675	13%	87%	56%	44%
UK	€96,277	€ 4,757	7%	93%	86%	14%
US	€54,411	€ 2,822	10%	90%	92%	8%
WORLD	€36,837	€ 5,003	16%	84%	92%	8%

© Arts Economics (2015) with data from Artnet

LESS THAN 1% OF ARTISTS WERE RESPONSIBLE FOR WORKS SOLD IN THE MODERN SECTOR FOR OVER €1 MILLION

The concentration of value in the top 20 artists is also more pronounced in this sector, with their work accounting for 50% of the overall value. Within the group, Western artists accounted for a much greater share of value than in recent years, with Chinese artists accounting for just 16%. Despite the continuing concentration of value in Post War and Contemporary art , Alberto Giacometti's Chariot, which sold in November at Sotheby's New York for \$101 million, was the highest priced work sold at auction in 2014, the second highest auction result for the artist and second-highest price paid for any sculpture at auction.

All of the top 20 highest priced lots were sold at Christie's and Sotheby's in 2014, which jointly accounted for 58% of the value of this sector, despite only accounting for a 12% share of all lots sold. The top five auction houses (Christie's, Sotheby's, Poly International, China Guardian and Beijing Council) accounted for 71% of the value of sales (and 17% of lots sold).

Table 2e. Top 20 Selling Modern Artists in 2014

		Share of Value	Share of Lots Sold
Rank	Artist		
1	Pablo Picasso	10.0%	3.1%
2	Alberto Giacometti	5.4%	0.2%
3	Zhang Daqian	5.2%	1.0%
4	Xu Beihong	2.7%	0.3%
5	Fu Baoshi	2.6%	0.2%
6	Amedeo Modigliani	2.6%	0.0%
7	Marc Chagall	2.4%	1.1%
8	Joan Miró	2.2%	1.2%
9	Henri Matisse	1.9%	0.4%
10	Fernand Léger	1.7%	0.2%
11	Georgia O'Keeffe	1.6%	0.0%
12	Li Keran	1.5%	0.2%
13	Lin Fengmian	1.4%	0.3%
14	Lu Yanshao	1.4%	0.4%
15	René Magritte	1.4%	0.1%
16	Juan Gris	1.4%	0.0%
17	Norman Rockwell	1.3%	0.1%
18	Pu Ru	1.2%	1.1%
19	Wassily Kandinsky	1.1%	0.1%
20	Piet Mondrian	1.0%	0.0%
Total	Top 20	50.1%	10.0%

© Arts Economics (2015) with data from Artnet

Table 2f. Top Prices in the Modern Sector in 2014

Artist	Lot Title	Auction House	Price (€m)	Price (\$m)
Alberto Giacometti	Chariot	Sotheby's New York	€ 80.9	\$101.0
Amedeo Modigliani	Tête	Sotheby's New York	€ 56.7	\$70.7
Juan Gris	Nature morte à la nappe à carreaux	Christie's London	€ 41.6	\$56.7
Georgia O'Keeffe	Jimson weed/White flower no. 1	Sotheby's New York	€ 35.6	\$44.4
Pablo Picasso	Le sauvetage	Sotheby's New York	€ 22.9	\$31.5
Pablo Picasso	Femme au costume turc dans un fauteuil	Christie's London	€ 20.2	\$27.5
Piet Mondrian	Composition with red, blue and grey	Sotheby's London	€ 19.0	\$25.9
Kurt Schwitters	Ja - Was? - Bild	Christie's London	€ 17.4	\$23.7
Pablo Picasso	Portrait de femme (Dora Maar)	Christie's New York	€ 16.4	\$22.6
Norman Rockwell	The Rookie (Red Sox Locker Room)	Christie's New York	€ 16.4	\$22.6
Piet Mondrian	Composition No. II with Blue and Yellow	Christie's London	€ 14.8	\$20.2
Fernand Léger	Les cylindres colorés	Christie's London	€ 14.4	\$19.7
Henri Matisse	La séance du matin	Sotheby's New York	€ 14.0	\$19.2
Amedeo Modigliani	Portrait de Paul Alexandre	Sotheby's Paris	€ 13.6	\$18.4
Amedeo Modigliani	Jeune homme roux assis	Christie's New York	€ 12.8	\$17.6
Wassily Kandinsky	Strandszene	Christie's New York	€ 12.5	\$17.2
Pablo Picasso	Composition (Composition au minotaure)	Sotheby's London	€ 12.4	\$16.9
Alberto Giacometti	Femme de Venise II	Christie's London	€ 11.3	\$15.3
Henri Matisse	Boléro violet	Sotheby's London	€ 10.9	\$14.9
Alberto Giacometti	Trois hommes qui marchent I	Christie's London	€ 10.8	\$14.7

© Arts Economics (2015) with data from Artnet

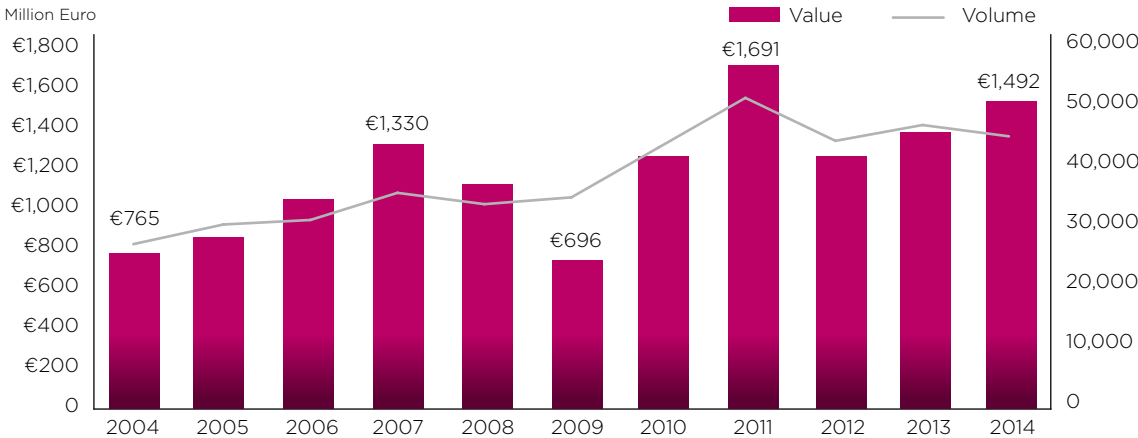
2.4 Impressionist and Post-Impressionist

The Impressionist and Post-Impressionist sector accounted for 12% of the value of the fine art auction market in 2014, down just 1% on 2013. Although this sector was the primary focus of many of the top collectors in the 1980s, a scarcity of works and the rise in the popularity of Post War and Contemporary art has meant that it has taken less prominence in recent years. Until 2000, the sector maintained a share of just over 30% of the fine art market by value, but this has since declined, with Impressionist and Post-Impressionist art

accounting for 24% in 2004, and then falling to half that share by 2014.

In 2009, the market hit its lowest point in the last decade with total sales of €696 million. But it then recovered well, with values advancing over 140% to reach a peak of €1.7 billion in 2011. However both the value and volume of sales dropped in 2012 before returning to growth in 2013. In 2014, the positive trend continued, with total sales values increasing by 10% to €1.5 billion, despite a contraction in the number of lots sold (by 4%).

Figure 2h. Impressionist and Post-Impressionist Auction Sales 2004-2014



© Arts Economics (2015) with data from Artnet

The US was the leading market by value in 2014, with a share of 34%, up 5% on 2013, while China dropped 2% to 27%. The US also sold the largest number of lots, but the volume of sales is more diversely spread, and the EU accounted for just over half of the volume of transactions.

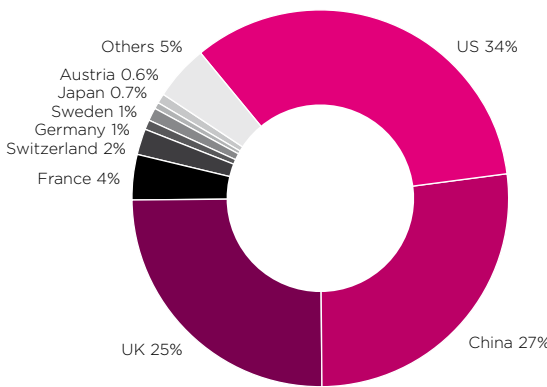
Sales in the US grew strongly, rising 28% year-on-year to reach €508 million, although this was still almost €100 million less than the peak of the market there in 2007. The market in China was

stagnant year-on-year, with values falling by a small fraction and transactions dropping by 1%.

While sales in the UK were strong, with 23% growth year-on-year to €369 million and its global share rising three percentage points to 25%, other European markets performed poorly. Switzerland, France, Germany, Sweden and Italy all saw declines in the value of sales of between 17% to 42%, and the EU as a whole contracted by 7% in value (and 3% by volume), with its global share dropping from 45% to 38%.

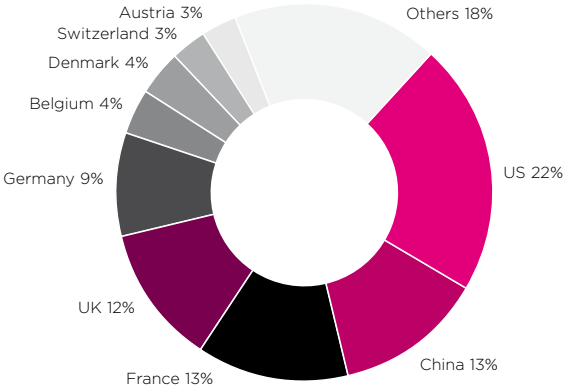
Figure 2i. Market Share of the Impressionist and Post-Impressionist Sector in 2014

i. Market Share by Value



© Arts Economics (2015) with data from Artnet

ii. Market Share by Volume



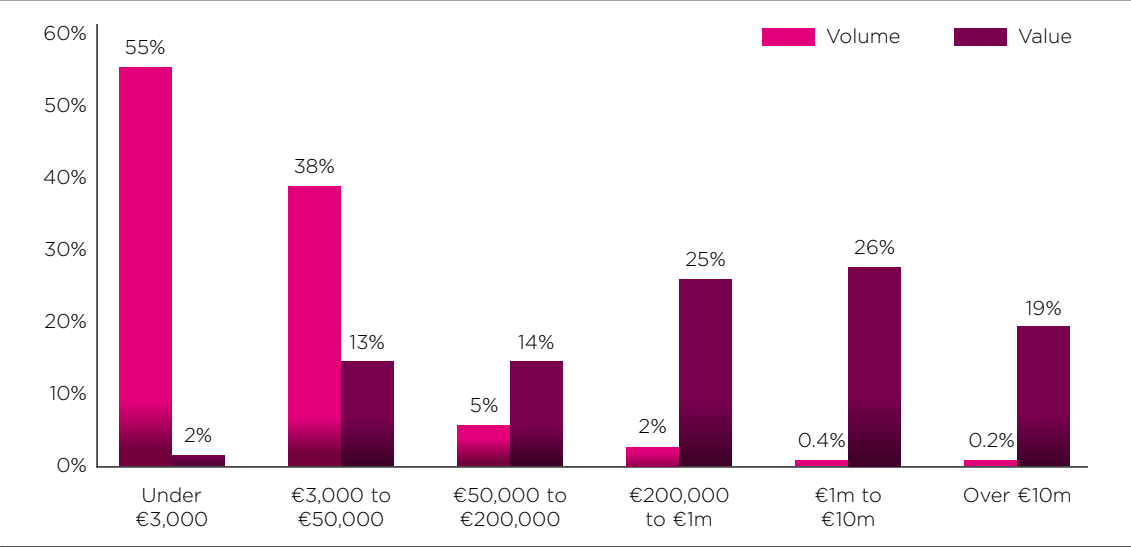
© Arts Economics (2015) with data from Artnet

Although this sector contains the important cohort of French Impressionist painters and other historically significant painters such as Vincent Van Gogh and Qi Baishi, most sales occur at relatively low price points. In 2014, 93% of the transactions at auction were for prices below €50,000, with a substantial 55% below €3,000 (despite only accounting for 2% of sales).

As in the Modern sector, 45% of value came from

transactions priced over €1 million, although this was from just 180 lots, or 0.4% of those sold (versus close to 440 in the Modern sector). The US accounted for half of the market for works of above €1 million by value, and the UK had a 34% share. The UK also achieved the highest average prices in the sector in 2014, with seven of the top 20 lots being sold there. Only 11 works sold for more than €10 million in 2014 (all in the US and UK), and these accounted for 19% of the sector's overall value.

Figure 2j. Sales by Price Bracket in the Impressionist and Post-Impressionist Sector in 2014



© Arts Economics (2015) with data from Artnet

Table 2g. Prices in the Impressionist and Post-Impressionist Sector in 2014

Country	Prices		Share of Value		Share of Lots Sold	
	Average Prices	Median Prices	Under €50,000	Over €50,000	Under €50,000	Over €50,000
Austria	€7,142	€ 2,746	73.3%	26.7%	98.0%	2.0%
Belgium	€3,965	€ 1,470	79.9%	20.1%	99.5%	0.5%
China	€66,767	€ 7,764	10.8%	89.2%	77.9%	22.1%
France	€9,006	€ 2,183	50.5%	49.5%	97.2%	2.8%
Germany	€5,775	€ 1,833	67.2%	32.8%	98.5%	1.5%
Italy	€5,794	€ 1,600	61.9%	38.1%	98.7%	1.3%
Japan	€12,736	€ 2,941	42.5%	57.5%	94.6%	5.4%
Netherlands	€14,399	€ 2,988	44.9%	55.1%	94.0%	6.0%
Singapore	€63,550	€ 63,550	33.1%	66.9%	50.0%	50.0%
Spain	€6,477	€ 2,206	67.1%	32.9%	98.5%	1.5%
Sweden	€15,035	€ 2,680	35.0%	65.0%	96.4%	3.6%
Switzerland	€21,489	€ 2,179	24.4%	75.6%	94.0%	6.0%
Taiwan	€8,226	€ 3,470	52.3%	47.7%	96.0%	4.0%
UAE	-	-	-	-	-	-
UK	€71,870	€ 3,096	8.2%	91.8%	89.3%	10.7%
US	€53,186	€ 2,215	9.1%	90.9%	92.5%	7.5%
WORLD	€33,604	€ 116,860	15.1%	84.9%	92.7%	7.3%

© Arts Economics (2015) with data from Artnet

ALTHOUGH IT WAS THE PRIMARY FOCUS OF TOP COLLECTORS IN THE 1980'S, IMPRESSIONIST AND POST-IMPRESSIONIST ART ACCOUNTED FOR ONLY 12% BY 2014

The number of artists whose work was sold at auction in this sector was less than half those in the Post War and Contemporary market, at just over 20,070. Most (94%) sold at prices of less than €50,000 and just 0.5%, or 96 artists, featured in the price brackets above €1 million in 2014. However, the market is relatively concentrated: the top 20 artists accounted for a combined share of 64% of the value of the sector, with the top two artists Qi Baishi and Claude Monet, accounting for 26%. There were several very highly priced Monet works sold during the year, with the artist accounting for nine of the top 20 prices achieved in auctions in London and New York. Qi Baishi, on the other hand, accounted for at least 30 works selling for more than €1 million during the year, but only one in the top 20 (*Flower and Birds in Four Pieces* for €6.6 million). As a prolific artist, 778 of his works sold versus only 34 by Monet.

As in the other sectors, Christie's and Sotheby's dominated the market, accounting for 57% of the value of lots sold (and 10% of the volume), while the top five houses (Sotheby's, Christie's, China Guardian, Beijing Council and Poly International) accounted for 71% of the value and 15% of the volume of works sold at auction.

Table 2h. Top 20 Selling Impressionist and Post-Impressionist Artists in 2014

		Share of Value	Share of Lots Sold
Rank	Artist		
1	Qi Baishi	12.9%	1.8%
2	Claude Monet	12.7%	0.1%
3	Vincent van Gogh	5.2%	0.0%
4	Huang Binhong	5.1%	0.7%
5	Wu Changshuo	4.9%	1.3%
6	Édouard Manet	4.1%	0.1%
7	Pierre-Auguste Renoir	3.7%	0.5%
8	Camille Pissarro	2.7%	0.3%
9	Paul Cézanne	1.7%	0.1%
10	Auguste Rodin	1.6%	0.2%
11	Edgar Degas	1.2%	0.2%
12	Georges Seurat	1.1%	0.0%
13	Alfred Sisley	1.0%	0.0%
14	Sir Winston Spencer Churchill	0.9%	0.0%
15	Paul Gauguin	0.9%	0.1%
16	Thomas Moran	0.8%	0.0%
17	Valentin Aleksandrovich Serov	0.8%	0.0%
18	Ren Bonian	0.7%	0.3%
19	Pierre Bonnard	0.7%	0.2%
20	Paul Signac	0.6%	0.2%
Total	Top 20	63.5%	6.2%

© Arts Economics (2015) with data from Artnet

Table 2i. Top Prices in the Impressionist and Post-Impressionist Sector in 2014

Artist	Lot Title	Auction House	Price (€m)	Price (\$m)
Édouard Manet	Le Printemps	Christie's New York	€ 52.2	\$65.1
Vincent van Gogh	Nature morte, vase aux marguerites et coquelicots	Sotheby's New York	€ 49.5	\$61.8
Claude Monet	Nymphéas	Sotheby's London	€ 39.7	\$54.0
Claude Monet	Alice hoschedé au jardin	Sotheby's New York	€ 27.1	\$33.8
Camille Pissarro	Le boulevard Montmartre, matinée de printemps	Sotheby's London	€ 23.5	\$32.1
Vincent van Gogh	L'homme est en mer	Sotheby's London	€ 20.2	\$27.5
Claude Monet	Nymphéas	Christie's New York	€ 19.7	\$54.0
Claude Monet	Sous les peupliers	Sotheby's New York	€ 16.3	\$20.3
Valentin Aleksandrovich Serov	Portrait of Maria Zetlin (1882-1976)	Christie's London	€ 11.7	\$14.5
Claude Monet	Le pont japonais	Sotheby's New York	€ 11.5	\$15.8
Claude Monet	La Seine à Argenteuil	Sotheby's London	€ 10.7	\$14.5
Claude Monet	Antibes, vue du Plateau Notre-Dame	Sotheby's London	€ 9.9	\$13.5
Thomas Moran	The Grand Canyon of the Colorado	Christie's New York	€ 9.1	\$12.5
Pierre-Auguste Renoir	Jeunes filles jouant au volant	Christie's New York	€ 8.3	\$11.4
Huang Binhong	南高峰小景 (View of south peak)	China Guardian	€ 7.3	\$10.1
Claude Monet	L'Église de Varengeville, soleil couchant	Christie's London	€ 6.8	\$9.3
Qi Baishi	花鸟四屏 (in 4 parts)	Poly International	€ 6.6	\$8.9
Huang Binhong	江山卧游图 (in 4 parts)	Beijing Council	€ 6.3	\$7.9
Claude Monet	Église de vernon, soleil	Sotheby's New York	€ 6.2	\$7.8
Claude Monet	Le jardin de vetheuil	Sotheby's New York	€ 6.1	\$7.6

© Arts Economics (2015) with data from Artnet

2.5 Old Masters

The Old Master sector accounted for 8% of the fine art auction market in 2014, down 2% on 2014, and the smallest of the individual fine art sectors. This category contains all works sold by artists born between 1250 and 1820 of all nationalities. However, commonly, the use of the term Old Master paintings is associated with the works of European artists. 56% of the value of Old Master paintings and 69% of individual transactions were by European artists, and this subset accounted for just 5% of the value of the global fine art market and 5% of lots sold.

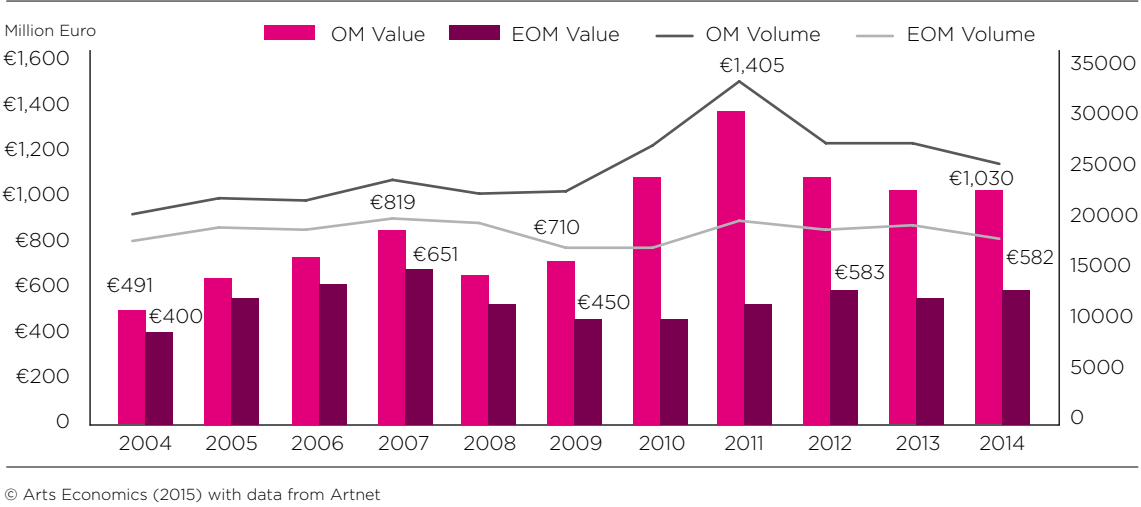
In recent years, the Old Master market has tended to perform somewhat differently from other fine art sectors. It reached €819 million in 2007, before losing some 25% of its value in 2008, but it recovered more rapidly than most other sectors in 2009. After two years of solid growth, it reached its highest ever recorded level of €1.4 billion in 2011, but has seen poor performance over the last three years, as the Chinese market cooled. The market was virtually stagnant during 2014, and from 2011 to 2014, it lost 27% of its value, with 24% less works sold. Taking a longer view however, at just over €1 billion in 2014,

the market is well above levels achieved in 2007, and it has more than doubled its size in ten years.

European Old Masters fared better in 2014, with total sales values increasing by 11%, despite an 8% contraction in the number of lots sold. Old Masters have seen much less volatility than the Contemporary and Modern art, peaking at €651 million in 2007 after several years of strong growth, and then falling over 30% in the two years to 2009. The sector began to recover again from 2011, and by 2012 had reached €583 million. In 2014, it was still slightly below this level and 11% less than in 2007, as a result of continued scarcity of the highest quality major works appearing on the market. Looking at this sector over ten years, the number of works sold has grown by less than 1%, while its overall value has increased by 45%.

Old Master sales in China decreased by 20% in 2014, as the volume of sales contracted by 14% and prices fell. This reduced China's global share of the Old Master market as a whole by 7% year-on-year to 33%, while a strong year of sales in the UK pushed it to a marginal first ranking and a slightly larger share of global transactions (of 18%).

Figure 2k. Old Master and European Old Master Painting Sales 2004-2014



The UK is a key global centre for the trade in the more traditional European Old Masters, where its global share was just over 50% by value. The UK has maintained a share of between 44% and 55% of this sector over the last ten years, while the US has consistently been the second largest market, with a share in 25% in 2014. The UK saw particularly strong growth during 2014, with sales rising 27% by value to €294 million (despite a fall in lots sold of 10%). The US also saw growth in European Old Master sales of a much more moderate 3% in value,

while in the wider Old Master sector, sales in the US actually fell by 1%.

Due to the strength of the UK and some other smaller markets, the EU accounted for a larger share of the market for the European Old Master sub-sector. In 2014, the EU accounted for 72% by value globally, up four percentage points on 2013 (and 79% of lots sold). In the wider Old Master sector, the EU accounted for 46% of total sales in 2014 (up 8% on 2013) and 62% of all lots sold.

Table 2j. Global Market Share: Old Master Paintings in 2014

Old Masters			European Old Masters		
Country	Share of Value	Share of Volume	Country	Share of Value	Share of Volume
UK	32.9%	17.6%	UK	50.5%	21.9%
China	32.7%	16.5%	US	25.1%	14.5%
US	18.7%	15.3%	France	7.1%	18.5%
France	4.8%	15.1%	Germany	6.5%	16.7%
Germany	4.0%	12.6%	Austria	3.0%	4.7%
Austria	1.8%	3.7%	Switzerland	2.4%	4.9%
Switzerland	1.5%	3.8%	Netherlands	1.5%	3.1%
Netherlands	0.9%	2.3%	Italy	1.5%	4.7%
Italy	0.9%	3.5%	Spain	0.5%	1.1%
Others	1.9%	9.6%	Others	1.9%	9.7%

© Arts Economics (2015) with data from Artnet

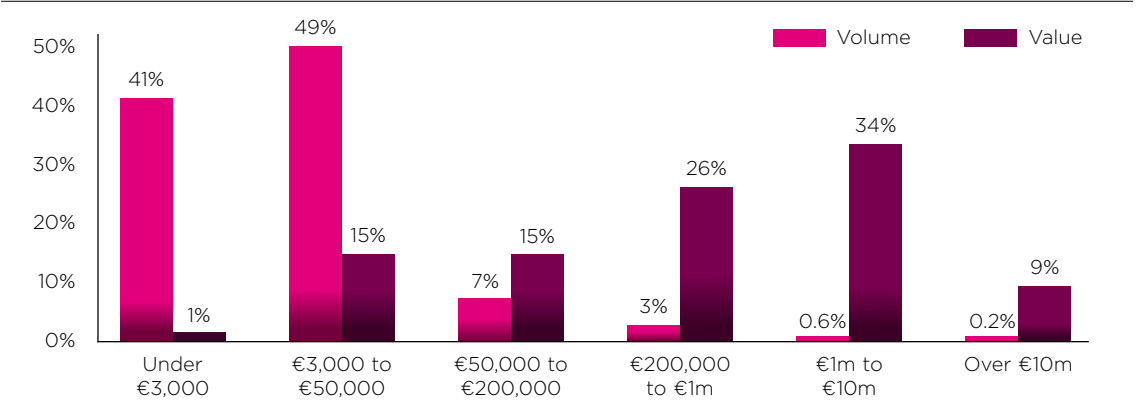
In 2014, the majority of lots sold in the Old Master sector were in the lowest end of the market at prices less than €50,000.

In the European Old Master sub-sector, there were just 72 lots sold for over €1 million in 2014 (less than 0.5% of the market), although they represented 46% of the value of sales. Only three lots sold for over €10 million during the year.

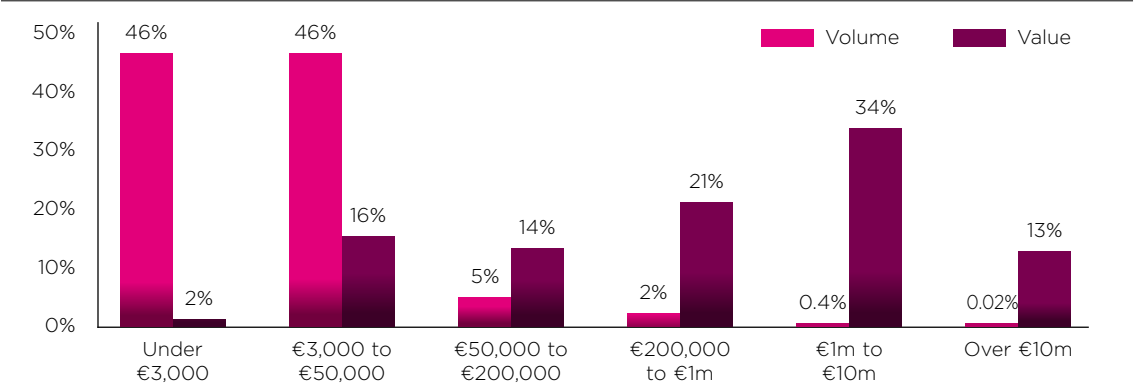
Similarly in the wider sector of Old Masters (of

all nationalities) less than 1% of lots or 143 transactions took place at prices in excess of €1 million, and these accounted for 42% of sales values in the sector. Only 1 non-European artist's work sold for over €10 million. China and the US achieved the highest average price of the major art markets in the Old Master sector, while in the European Old Master sub-sector, the UK accounted for the highest prices, which were on average over three times those of any other market in Europe in 2014.

Figure 2l. Sales by Price Bracket in 2014
i. Old Masters



ii. European Old Masters



© Arts Economics (2015) with data from Artnet

Table 2k. Prices in the Old Master Sector in the Old Master Sector in 2014
i) Old Masters

Country	Prices		Share of Value		Share of Lots Sold	
	Average Prices	Median Prices	Under €50,000	Over €50,000	Under €50,000	Over €50,000
Austria	€ 20,237	€ 6,095	43.6%	56.4%	92.6%	7.4%
Belgium	€ 4,531	€ 2,179	86.0%	14.0%	99.4%	0.6%
China	€ 80,961	€ 10,852	11.2%	88.8%	78.5%	21.5%
France	€ 12,829	€ 3,115	43.4%	56.6%	95.5%	4.5%
Germany	€ 13,068	€ 2,265	37.3%	62.7%	96.8%	3.2%
Italy	€ 10,128	€ 3,040	54.7%	45.3%	96.2%	3.8%
Japan	€ 11,427	€ 3,460	54.8%	45.2%	94.6%	5.4%
Netherlands	€ 15,842	€ 5,460	49.7%	50.3%	92.0%	8.0%
Singapore	€ 174,563	€ 174,563	0.0%	100.0%	0.0%	100.0%
Spain	€ 13,343	€ 4,985	58.8%	41.2%	96.4%	3.6%
Sweden	€ 8,232	€ 3,503	74.3%	25.7%	97.1%	2.9%
Switzerland	€ 16,115	€ 3,043	36.9%	63.1%	95.0%	5.0%
Taiwan	€ 2,963	€ 2,050	100.0%	0.0%	100.0%	0.0%
UAE	-	-	-	-	-	-
UK	€ 76,225	€ 6,091	10.1%	89.9%	86.3%	13.7%
US	€ 49,946	€ 3,892	12.5%	87.5%	88.4%	11.6%
WORLD	€ 40,832	€ 12,034	16.4%	83.6%	90.2%	9.8%

© Arts Economics (2015) with data from Artnet

ii) European Old Masters

Country	Prices		Share of Value		Share of Lots Sold	
	Average Prices	Median Prices	Under €50,000	Over €50,000	Under €50,000	Over €50,000
Austria	€ 20,993	€ 6,245	42.7%	57.3%	92.4%	7.6%
Belgium	€ 4,664	€ 2,155	84.9%	15.1%	99.3%	0.7%
China	€ 18,012	€ 12,181	73.4%	26.6%	92.0%	8.0%
France	€ 12,697	€ 3,012	42.7%	57.3%	95.6%	4.4%
Germany	€ 13,020	€ 2,180	36.5%	63.5%	96.9%	3.1%
Italy	€ 10,326	€ 3,043	54.4%	45.6%	96.1%	3.9%
Japan	€ 7,928	€ 3,202	71.5%	28.5%	96.7%	3.3%
Netherlands	€ 16,234	€ 5,539	48.0%	52.0%	91.6%	8.4%
Singapore	-	-	-	-	-	-
Spain	€ 14,139	€ 5,094	57.0%	43.0%	96.0%	4.0%
Sweden	€ 7,828	€ 3,658	80.8%	19.2%	98.0%	2.0%
Switzerland	€ 15,949	€ 3,016	37.3%	62.7%	95.1%	4.9%
Taiwan	-	-	-	-	-	-
UAE	-	-	-	-	-	-
UK	€ 76,692	€ 6,087	10.0%	90.0%	86.4%	13.6%
US	€ 57,480	€ 3,622	10.2%	89.8%	88.5%	11.5%
WORLD	€ 33,249	€ 4,080	18.4%	81.6%	92.8%	7.2%

© Arts Economics (2015) with data from Artnet

Sales in the Old Master sector tend to be made up of a much smaller number of artists, with the work of about 15,190 being sold in 2014, of which 11,295 were European. Over 90% of these artists' works sold for less than €50,000. Less than 1% of artists accounted for works sold in excess of €1 million (119 artists in the wider group and just 68 European Old Master artists).

The strongest selling Old Master artist in 2014 was the English artist J.M.W. Turner, whose work accounted for 4% of the wider market and 7% of the European Old Master sub-sector (from just 25 lots sold). A work by Turner, (*Rome from Mount Aventine* selling for €38.4 million at Sotheby's London) was the highest priced work sold in the sector at auction during the year. The best selling Chinese artist in the sector, was painter and calligrapher Wang Duo, accounting for 3% of the Old Master sector, and the second highest sales by value.

SALES OF EUROPEAN OLD MASTER WORKS INCREASED BY 11%, DESPITE AN 8% CONTRACTION IN THE NUMBER OF LOTS SOLD

Despite a relatively small number of artists, value in this sector is much less concentrated than in all of the other sectors of fine art. The top 20 artists in the Old Master sector accounted for just 31% of total sales (and 39% in the European sub-sector), which is around half of the share of the same group of Modern artists.

In 2014, the top five auction houses selling Old Master works (Sotheby's, Christie's, Poly International, China Guardian and Beijing Council) accounted for the majority of the value of lots sold (74%) and number of transactions (27%). The European Old Master sub-sector had an even more concentrated selling base with the top five (Sotheby's, Christie's, Bonham's, Dorotheum and Koller Auktionen Zürich) accounting for 81% by value (with Sotheby's and Christie's jointly responsible for 76% as well as 34% of the lots sold).

Table 2I. Top 20 Selling Old Master Artists in 2014

Old Master Artists				European Old Master Artist			
		Share of Value	Share of Lots Sold			Share of Value	Share of Lots Sold
1	J.M.W. Turner	4.2%	0.1%	1	J.M.W. Turner	7.4%	0.1%
2	Wang Duo	2.9%	0.3%	2	Pieter Brueghel the Younger	4.8%	0.1%
3	Pieter Brueghel the Younger	2.7%	0.1%	3	Adriaen de Vries	3.9%	0.0%
4	Bada Shanren	2.7%	0.1%	4	Francesco Guardi	2.3%	0.2%
5	Adriaen de Vries	2.2%	0.0%	5	Jan Brueghel the Elder	2.3%	0.1%
6	Emperor Qianlong	2.1%	0.1%	6	Sir Peter Paul Rubens	2.1%	0.4%
7	Wang Hui	1.6%	0.2%	7	George Stubbs	1.8%	0.0%
8	Francesco Guardi	1.3%	0.1%	8	Francisco de Goya	1.5%	0.9%
9	Jan Brueghel the Elder	1.3%	0.1%	9	Johannes Vermeer	1.4%	0.0%
10	Sir Peter Paul Rubens	1.2%	0.3%	10	Canaletto	1.3%	0.2%
11	Dong Qichang	1.2%	0.4%	11	Joshua Reynolds	1.3%	0.1%
12	George Stubbs	1.0%	0.0%	12	Jacopo dal Ponte Bassano	1.1%	0.1%
13	Zheng Xie	1.0%	0.2%	13	George Romney	1.1%	0.2%
14	Vladmir Lukich Borovikovsky	1.0%	0.0%	14	Gerrit van Honthorst	1.1%	0.0%
15	Wen Zhengming	0.9%	0.3%	15	Hendrick Avercamp	1.1%	0.0%
16	Yi Bingshou	0.9%	0.2%	16	Willem Claesz Heda	1.1%	0.0%
17	Tang Yin	0.9%	0.1%	17	Ambrosius Bosschaert the Elder	0.9%	0.0%
18	Francisco de Goya	0.8%	0.6%	18	Rembrandt van Rijn	0.9%	2.3%
19	Johannes Vermeer	0.8%	0.0%	19	Bartolomeo Cavarozzi	0.8%	0.0%
20	Canaletto	0.7%	0.1%	20	François Boucher	0.8%	0.3%
All Top 20		31.3%	3.4%	All Top 20		38.8%	5.1%

Table 2m. Top 20 Prices in the Old Master Market in 2014

Artist	Lot Title	Auction House	Price (€m)	Price (\$m)
J.M.W. Turner	Rome from Mount Aventine	Sotheby's London	€ 38.4	\$47.6
Adriaen de Vries	Bacchic figure supporting the globe	Christie's New York	€ 22.5	\$27.9
Emperor Qianlong	御笔 (handscroll in 3 sections)	Poly International	€ 15.2	\$18.9
Francesco Guardi	Venice, the Bacino di San Marco, with the Piazzetta and the Doge's Palace	Christie's London	€ 12.5	\$16.9
George Stubbs	Tigers at play	Sotheby's London	€ 9.7	\$13.2
Jan Brueghel the Elder	The Garden of Eden with the fall of man	Sotheby's London	€ 8.6	\$11.7
Johannes Vermeer	Saint Praxedis	Christie's London	€ 7.9	\$10.7
Pieter Brueghel the Younger	The Road to Calvary	Christie's London	€ 7.0	\$9.4
Canaletto (Antonio Canal)	Venice, the Piazza San Marco looking east towards the basilica	Sotheby's London	€ 6.9	\$8.6
Jacopo Bassano	The Adoration of the Shepherds	Christie's New York	€ 6.5	\$8.9
Hendrick Avercamp	A panoramic winter landscape	Sotheby's London	€ 6.3	\$8.6
Hong Ren	西园坐雨 (Dwelling with elegance)	China Guardian	€ 6.2	\$8.6
Willem Claesz Heda	A blackberry pie on a pewter platter...	Christie's London	€ 6.1	\$8.3
Joshua Reynolds	Portrait of Lady Frances Marsham	Christie's London	€ 6.1	\$8.2
Bada Shanren	Album of 9 paintings	Beijing Hanhai	€ 5.6	\$7.1
Gerrit van Honthorst	A merry group behind a balustrade	Sotheby's New York	€ 5.5	\$7.6
Gilbert Stuart	Portrait of the Mohawk chieftain Thayendanegea	Sotheby's London	€ 5.2	\$7.0
George Romney	Portrait of Edward Wortley Montagu	Sotheby's London	€ 5.1	\$6.9
Pieter Brueghel the Younger	Winter landscape with a bird trap	Sotheby's London	€ 4.9	\$6.7
Bartolomeo Cavarozzi	The Sacrifice of Isaac	Sotheby's London	€ 4.6	\$6.3

© Arts Economics (2015) with data from Artnet

2.6 Decorative Art Sectors

Micro-level data on the decorative arts is more complex to compile and analyse, mainly due to issues related to classification and reporting. However Artnet has created the leading database available on decorative art, which has enabled an analysis of certain sectors. This database covers only sales of major works in the decorative art sector, as it is limited again to works with original estimates in excess of \$500. The database also covers a smaller range of countries than the fine art database (with 17 in total). As such, it represents a subset of the decorative art and antiques sector, and focuses on the higher end. The wider market contains millions of very low value transactions in most countries around the world.

The data has also only been available consistently for a period of four years, from 2011 through 2014. However, a review of this period enables an assessment to be made of trends in the decorative market, relative to the fine art market in 2014.

2.7 20th and 21st Century Design

20th and 21st century design is an important segment of the decorative art auction sector, although it remains difficult to define, due to the varied nature of the items included. For the purposes of this analysis it encompasses a range of objects, including furniture, jewellery, lighting,

ceramics and sculpture from the Art Nouveau, Art Deco, Modernist, Post Modernist, Contemporary and other movements of the 20th and 21st Century. It excludes mass-produced design furniture and jewellery, which although also auctioned, are beyond the remit of this study. Certain items straddle the boundaries of fine art and design but are included here because of their medium, for example embroideries.

As described by a leading auction expert:

“...The sector is rich and complex and therefore difficult to categorize, but they are generally items that collectors used at one time to furnish homes and adorn themselves – aesthetically pleasing items with an avowed function. For many items (such as jewellery), their value is in the concept, rather than the material they are made from...”

This sector is significant not only in its own right, but also because collectors are often buyers in other sectors such as Modern and Contemporary art.

Sales in the 20th and 21st Century design sector at auction in 2014 reached €314 million in 2014, up 2% year-on-year, but down 8% on the peak of €342 in 2012. The sector makes up around 8% of the value of Artnet’s decorative lots and is about 5% of the value of Post War and Contemporary sector, or

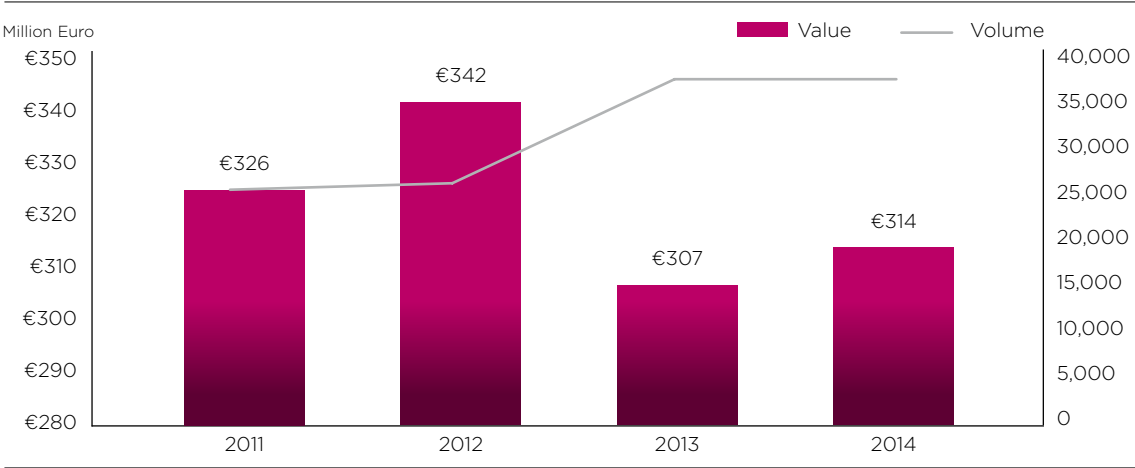
just over half that of European Old Master sales. However, this is a very dealer dominated market, and auction sales are likely to significantly under-represent its size. The number of lots sold was virtually stagnant year-on-year, but has grown by 43% in the four years between 2011 and 2014.

The US was the largest auction market in this sector in 2014, with a global share by value of 41% and accounting for 46% of the number of lots sold. It has maintained a leading share of between 40% and 47% over the four-year period from 2011 to

2014. France is the second largest market, both in terms of value and volume, with a share of 25% in 2014, stable year-on-year.

After a sharp drop in sales values of 25% during 2013, the US returned to growth in 2014, with values advancing 4% year-on-year to €129 million, and the number of transactions increasing by 3%. The French market was stagnant in terms of value, while the number of transactions actually declined 5% in 2014. Both France and the US saw a decline in their market in the four years between 2011 and 2014.

Figure 2m. 20th/21st Century Design Sales 2004-2014



© Arts Economics (2015) with data from Artnet

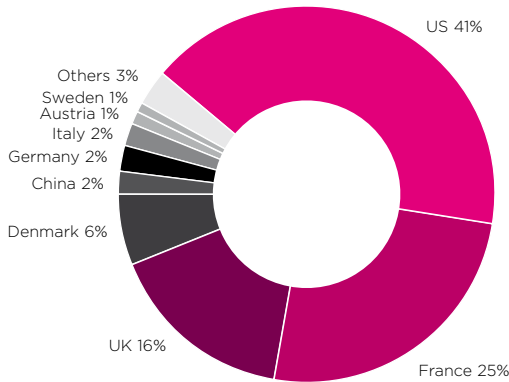
The UK accounted for 16% of the market by value in 2014, and has seen sales rise by 27% from 2011 to 2014, including a 24% rise year-on-year to €51 million. The global share of the EU in this sector in 2014 was 55% by value (and 51% of lots sold). This share was up by nearly 5% on 2013, as sales increased 15% year-on-year, despite little change in the number of lots sold.

As in all fine art sectors, the majority of decorative art lots sold in this sector are for prices of less

than €50,000. In 2014, 98% of lots sold were for less than €50,000, although these accounted for a larger (53%) share of the overall market by value than was the case in fine art sectors. The key value range for this market is between €3,000 and €200,000 (accounting for 66% of its value), and although there were at least 13 lots selling for over €1 million, the top end was much less dominant, with the €1 million plus segment accounting for only 8% of its value (as opposed to over half the value of Post War and Contemporary fine art).

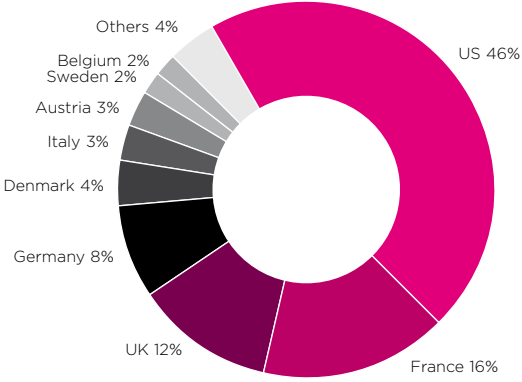
Figure 2n. 20th/21st Century Design Market Share in 2014

i) Market Share by Value



© Arts Economics (2015) with data from Artnet

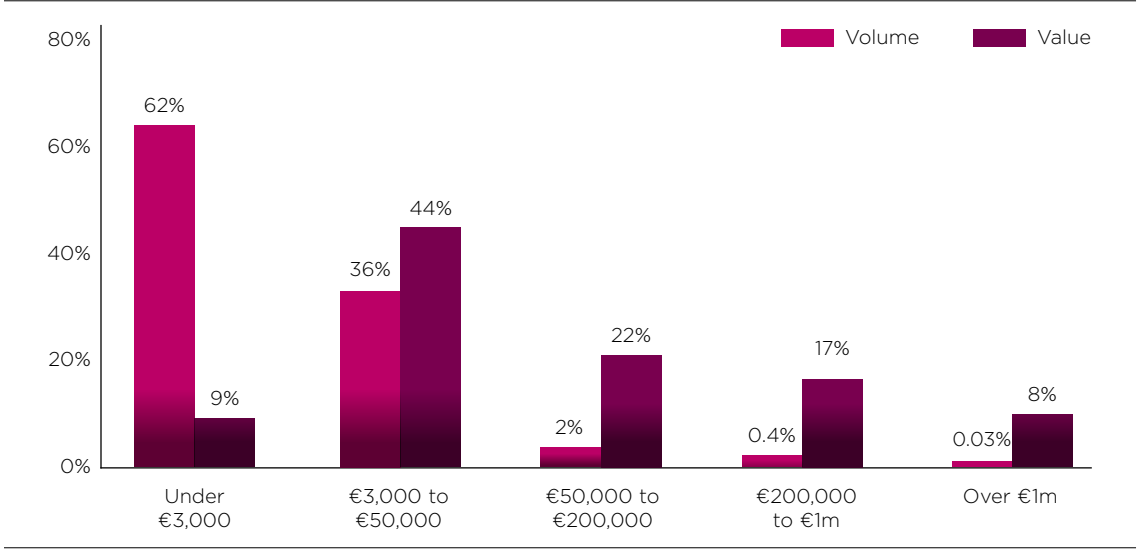
ii) Market Share by Volume



© Arts Economics (2015) with data from Artnet



Figure 2o. Sales by Price Bracket in 20th/21st Century Design in 2014



© Arts Economics (2015) with data from Artnet

In 2014, the highest average price among the key markets in this sector was in France, although there were only three individual sales in Paris in the top 20. According to experts in the sector, some of the highest spending in recent years has been on fine French Art Deco pieces, particularly those from the 1920s and 1930s, but there is also strong interest in other French, Scandinavian and Italian designs.

The Chinese design market is still relatively small, with auction sales of €7.4 million in less than 300 lots. There are several high value lots sold at Chinese auctions such as screens, fans and other calligraphic works that are similar in some respects to design works. However, in this analysis they are excluded from the data as their key value lies in their nature as a work of calligraphy and hence are categorised as fine art.

Table 2n. Prices in the 20th/21st Century Design Sector in 2014

Country	Prices		Share of Value		Share of Lots Sold	
	Average Prices	Median Prices	Under €50,000	Over €50,000	Under €50,000	Over €50,000
Austria	€ 3,638	€ 1,877	94.1%	5.9%	99.7%	0.3%
Belgium	€ 5,255	€ 2,505	82.3%	17.7%	98.8%	1.2%
China	€ 26,617	€ 7,732	38.6%	61.4%	89.2%	10.8%
Denmark	€ 13,122	€ 2,127	40.9%	59.1%	93.4%	6.6%
Finland	€ 2,447	€ 1,103	100.0%	0.0%	100.0%	0.0%
France	€ 13,280	€ 3,844	51.5%	48.5%	95.8%	4.2%
Germany	€ 2,526	€ 1,299	93.0%	7.0%	99.8%	0.2%
Italy	€ 4,034	€ 1,863	81.5%	18.5%	99.6%	0.4%
Japan	€ 7,355	€ 1,930	63.7%	36.3%	97.6%	2.4%
Sweden	€ 4,574	€ 2,565	98.6%	1.4%	99.9%	0.1%
Switzerland	€ 3,001	€ 1,088	74.1%	25.9%	99.5%	0.5%
UK	€ 11,438	€ 2,884	52.0%	48.0%	96.5%	3.5%
US	€ 7,532	€ 1,594	48.5%	51.5%	97.9%	2.1%
WORLD	€ 8,535	€ 2,329	52.8%	47.2%	97.5%	2.5%

© Arts Economics (2015) with data from Artnet

The highest price paid for a work at auction in the sector in 2014 was €3.7 million for a cabinet by French designer Jean-Michel Frank. It is clear from Table 2o that record prices are much more moderate than in most fine art sectors, despite also suffering from a scarcity of the best quality pieces. This is a feature common to several decorative sectors.

Sotheby's and Christie's are in a slightly less dominant position in this sector, although they still accounted for a joint share of 37% of the market by value in 2014. The top five auction houses (Sotheby's, Christie's, Phillips, Bruun Rasmussen and Bonhams) accounted for the majority of sales value (61%) and 28% of lots sold.

Table 2o. Top 20 Prices in the 20th/21st Century Design Sector in 2014

Artist/ Maker	Lot Title	Auction House	Price (€m)
Jean-Michel Frank	Cabinet	Sotheby's Paris	€ 3.69
Isamu Noguchi	The Goodyear Table	Phillips New York	€ 3.59
Unknown	The piano from the film "Casablanca"	Bonhams New York	€ 2.74
Unknown	Bert Lahr's Cowardly Lion costume from the Wizard of Oz	Bonhams New York	€ 2.47
Alighiero Boetti	Addizione	Christie's London	€ 2.06
Alighiero Boetti	Sottrazione	Christie's London	€ 1.86
Alighiero Boetti	Mappa	Sotheby's London	€ 1.48
B. Doshi and Le Corbusier	Managing Committee Table, model no. LC-AH-01-A	Phillips New York	€ 1.47
Diego Giacometti	Table au dragon à l'oiseau	Sotheby's New York	€ 1.40
Eileen Gray	The Maharaja of Indore's Transat chair (from Manik Bagh Palace)	Phillips New York	€ 1.24
Jean Prouvé	Importante table Trapèze dite Table Centrale	Artcurial - Briest-Poulain - F.Tajan	€ 1.24
Diego Giacometti	Table aux deux oiseaux (Blanc)	Sotheby's New York	€ 1.16
Alighiero Boetti	Mappa	Christie's London	€ 1.05
Tiffany Studios	Wisteria table lamp	Sotheby's New York	€ 0.97
Tiffany Studios	Wisteria table lamp	Sotheby's New York	€ 0.92
Carlo Mollino	Unique rolltop desk, Turin	Phillips New York	€ 0.80
Paul Iribe	Fauteuil nautille	Sotheby's Paris	€ 0.78
Eugene Printz	Unique asymmetrical sideboard	Christie's New York	€ 0.78
Tiffany Studios	Dragonfly table lamp	Sotheby's New York	€ 0.78
Salvador Dalí	The Eye of Time, brooch	Sotheby's New York	€ 0.77

© Arts Economics (2015) with data from Artnet

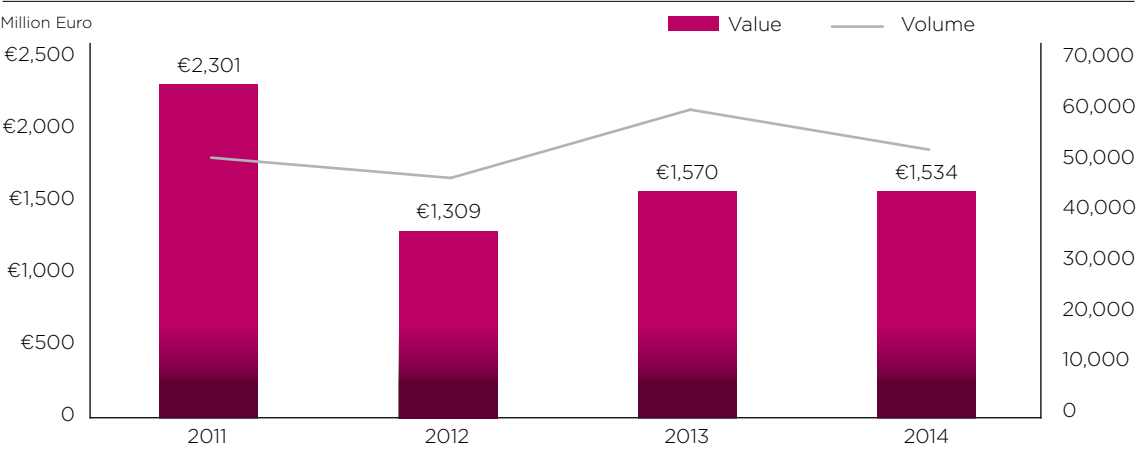


2.8 Chinese Decorative Art and Antiques

The importance of China as a leading centre for domestic sales of art is a relatively new phenomenon. However Chinese decorative art and antiques have played an important role in the global art market for many years. Although there is growing interest in fine art within China, the market has historically been based mainly on decorative arts, and this is still where there are some of the highest prices achieved at auction. Chinese decorative arts have featured in major museum collections around the world, and there are many important international galleries and auctions that currently feature such works in their sales.

Chinese decorative art and antiques includes works of porcelain, jade, furniture, textiles, metalware, carvings and other works, and is the second highest value collecting category within China, as well as having a very strong base of global private and institutional collectors. Total global sales in this sector reached €1.5 billion in 2014, falling slightly by 2% year-on-year as the number of lots dropped by 14%.¹⁶ The market has seen a significant decline in value from 2011, when at the peak of the boom in art sales in China, this sector reached €2.3 billion. The cooling off of the Chinese market in the last three years has filtered down to this sector, although this was still one of the best performing in China in 2014.

Figure 2p. Sales in the Chinese Decorative Arts Auction Market 2011-2014



© Arts Economics (2015) with data from Artnet

¹⁶ In the interests of preserving the integrity of the data from China, a number of unverifiable lots from Macao Chung Shun International Auctions have been removed from the data in this sector. Several lots were published by the auction house as in excess of €1 million, including at least five decorative lots for over €20 million. These lots could not be verified by experts in China and the sales data from this auction house (which was published at close to €366 million in 2014) has therefore been removed from the analysis for all years given.

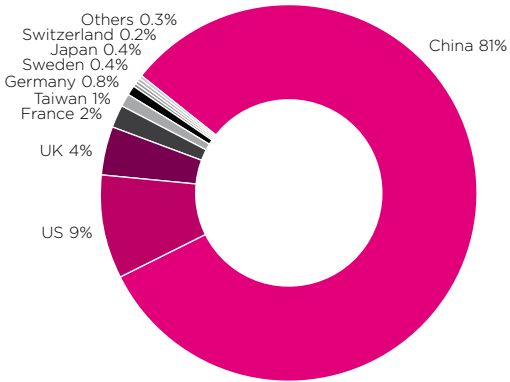
Not surprisingly, China dominates the market for Chinese decorative art, both in terms of the value of works sold and the number of transactions. In 2014, China's global share by value was 81%, and it accounted for 60% of the lots sold, with the US in second place, with 9% by value (and 20% of all lots sold).

Sales in China grew 5% year-on-year, despite a drop in the number of transactions (by 10%). However,

total sales were down by nearly one third in value since the peak of the market in 2011, and average prices fell by close to 40%. In the US, after growth in the value of sales of 34% in 2013, the market fell 13% to €145 million in 2014, also down 30% on 2011. The third largest market was the UK, which showed similar performance to the US, with sales values advancing in 2013, but declining by a substantial 45% in 2014, to just €67 million, over 60% below the levels of 2011.

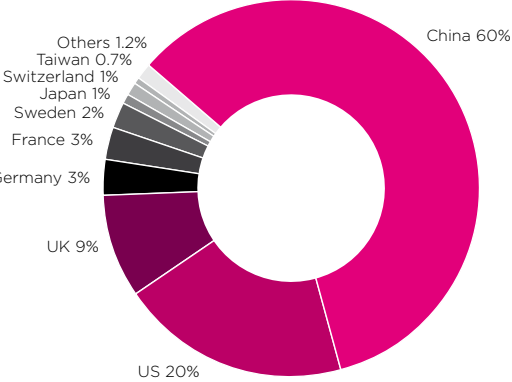
Figure 2q. Market Share in the Chinese Decorative Art Auction Market

i) Market Share by Value



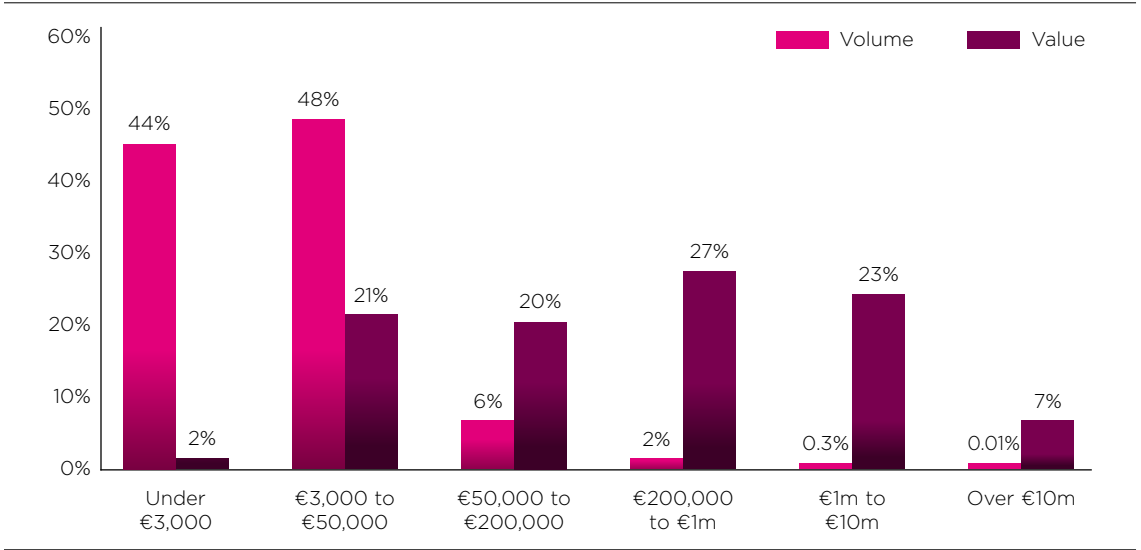
© Arts Economics (2015) with data from Artnet

ii) Market Share by Volume



© Arts Economics (2015) with data from Artnet

Figure 2r. Sales by Price Bracket in Chinese Decorative Arts in 2014



© Arts Economics (2015) with data from Artnet

Low to mid priced lots dominated this sector at auction, with 92% of all lots sold in 2014 at prices below €50,000. Although value is slightly more dispersed than in some of the fine art sectors, higher end works still made up a substantial share of the overall total, with objects priced at over €1 million accounting for 30% of the market's value,

despite representing less than 0.5% of the lots sold. China accounted for over 88% of the value and 89% of the number of lots priced at over €1 million, along with four of the five works selling for over €10 million. The highest average prices in 2014 were also in China and Taiwan.

The highest priced works were sold mainly in Hong Kong and Mainland China, with important porcelain and ceramics featuring heavily. There was a significant focus in the global art media on the record sale for Chinese porcelain at Sotheby's Hong Kong of a fine Doucai “Chicken Cup” for over €26 million, sold to the high profile Chinese collector and billionaire Liu Yiqian. Liu also purchased the Imperial Embroidered Silk Thanga for €36 million from Christie's, which was also a world auction

record for any Chinese work of art sold by an international auction house.

Sotheby's was the highest selling auction house in the sector, and between it and second ranking Christie's, these two accounted for 29% of total sales in 2014 and 14% of the lots sold. The top five houses (which included Poly International, Beijing Hanhai and China Guardian) accounted for 60% of the market's value and 37% of lots sold.

Table 2p. Prices in the Chinese Decorative Art Sector in 2014

Country	Prices		Share of Value		Share of Lots Sold	
	Average Prices	Median Prices	Under €50,000	Over €50,000	Under €50,000	Over €50,000
Austria	€ 9,393	€ 1,561	24%	76%	97%	3%
Belgium	€ 1,753	€ 1,763	100%	0%	100%	0%
China	€ 39,784	€ 5,435	19.1%	80.9%	88.4%	11.6%
Denmark	€ 20,407	€ 4,596	32%	68%	92%	8%
France	€ 17,221	€ 3,813	39%	61%	94%	6%
Germany	€ 8,139	€ 2,018	57%	43%	97%	3%
Japan	€ 8,306	€ 2,647	61%	39%	97%	3%
Sweden	€ 7,519	€ 1,617	51%	49%	98%	2%
Switzerland	€ 5,730	€ 1,904	73%	27%	98%	2%
Taiwan	€ 40,674	€ 8,365	22%	78%	85%	15%
UK	€ 13,956	€ 4,484	52%	48%	95%	5%
US	€ 13,752	€ 1,520	31%	69%	97%	3%
WORLD	€ 29,007	€ 39,723	22.7%	77.3%	91.4%	8.6%

© Arts Economics (2015) with data from Artnet

Table 2q. Top 20 Prices in the Chinese Decorative Art Sector in 2014

Rank	Lot Title	Auction House	Price (€m)	Price (\$m)
1	Imperial Embroidered Silk Thangka	Christie's Hong Kong	€ 36.0	€ 44.9
2	Fine Doucai 'Chicken Cup', Mark and Period of Chenghua	Sotheby's Hong Kong	€ 26.3	€ 36.3
3	Fencai Flower and Landscape Vase	Skinner	€ 19.2	€ 24.7
4	Lobed Dingyao Basin, Northern Song Dynasty	Sotheby's Hong Kong	€ 13.7	€ 18.9
5	Wucai 'Flower' Pear-Shaped Vase, Kangxi Period	Beijing Hanhai	€ 11.5	€ 14.6
6	White-Glazed Veiled Bowl with Gold-Overlaid Design, Yuan Dynasty	Beijing Hanhai	€ 9.6	€ 12.2
7	'Dragon' Jar Seal, Mark and Period of Qianlong	Sotheby's Hong Kong	€ 9.6	€ 12.1
8	Pure Land-Mind Reading Hetian White Seed Jade and Celadon Seed Jade	XiLingYinShe	€ 8.9	€ 11.0
9	Blue and White Garlic-Mouth Vase, Yongzheng Seal Mark	Bonham's London	€ 7.9	€ 9.8
10	Yellow-Ground 'Yangcai' Vase, Seal Mark and Period of Qianlong	Sotheby's Hong Kong	€ 5.8	€ 7.4
11	Blue and White Palace Bowl, Mark and Period of Chenghua	Sotheby's Hong Kong	€ 5.7	€ 7.2
12	A White Jade Ornament with Carved Beauty, by Wu Desheng	XiLingYinShe	€ 5.2	€ 6.5
13	Yuyao Blue Glaze Double Dragons Vase, Qianlong Period	Dongzheng Auction	€ 4.7	€ 6.5
14	Celadon-Glazed Archaistic Vase, Hu, Qianlong Six-Character Seal Mark in Underglaze Blue and of the Period	Christie's Hong Kong	€ 4.5	€ 5.6
15	Blue and White 'Fruit' Meiping, Ming Dynasty, Yongle Period	Sotheby's Hong Kong	€ 4.5	€ 6.2
16	Copper-Red 'Three Fish' Stemcup, Mark and Period of Xuande	Sotheby's Hong Kong	€ 4.5	€ 5.6
17	"Toudeng No. 16" Guqin, Early Ming Dynasty	Poly Auction	€ 4.3	€ 5.4
18	Pair of Imperial Famille Rose Peach Dishes, Yongzheng Six-Character Marks within Double Squares and of the Period	Christie's Hong Kong	€ 4.3	€ 5.9
19	Gilt-Bronze Seated Figure of the Medicine Buddhha, Bhaishajyaguru, Ming Dynasty, Yongle Six-Character Mark Inscribed in a Line and of the Period	Christie's Hong Kong	€ 4.0	€ 5.5
20	Ground Blue and White 'Fruits' Tianqiuping, Seal Mark and Period of Qianlong	Sotheby's Hong Kong	€ 3.9	€ 5.4

© Arts Economics (2015) with data from Artnet

CHAPTER 3

CHANGING
PATTERNS
OF GLOBAL
WEALTH
AND ART
COLLECTING



CHANGING PATTERNS OF GLOBAL WEALTH AND ART COLLECTING

Key Findings

- The population of HNWIs (defined here as individuals with investable wealth greater than \$1 million) at the end of 2013 was approximately 13.7 million, advancing 15% year-on-year, while their wealth grew 14% to \$53 trillion.
- There were nearly 35 million dollar millionaires worldwide in 2014, an increase of 10% year-on-year, while their wealth grew 17% to \$116 trillion.
- There were an estimated 211,275 UHNWIs in 2014, an advance of 6% on 2013, including 2,325 billionaires (the highest number in history). The combined wealth of the world's UHNWIs was estimated at \$7.3 trillion, up 12% year-on-year.
- The most popular investment of passion among HNWIs in 2014 was jewellery, gems, and watches, with a 29% allocation. Art was ranked the third most popular, with a stable share of 17%. Antiques and collectibles was the second most popular segment worldwide (at 21%).
- In 2014, just 1% of the population accounted for 44% of all of the world's wealth and 9% accounted for 85% of it.
- By far the largest share (70%) of dealers' sales in 2014 were to private collectors, while sales to other members of the art trade were also significant at 16%.

Trends in the aggregate size and distribution of the art and antiques market are closely tied to the distribution of global incomes and wealth. Over the longer term, economic growth facilitates wealth accumulation, allowing the possibility of access to international luxury markets. In this way resident and non-resident high net worth individuals (HNWIs) support art sales in key art hubs throughout the world. The increased polarisation of the art market at the high end has been facilitated, to some extent, by a parallel trend in the distribution of wealth. It is useful therefore to look at some of the key trends in the distribution of global wealth in order to assess their potential effects on the art market.

Understanding the buying behaviour of art collectors is central to analysing the art market, yet besides some common demographics, notably concentrations of wealth, art buyers are a highly fragmented group of individuals, institutions and companies, with varied interests and characteristics. Direct surveys of collectors can only hope to capture a very small segment at a point in time. However, information on art buyers in 2014 can also be supplemented from the surveys conducted on dealers and auction houses, which offers some interesting insights.

3.1 Economic Growth

Five years after the global financial crisis, global activity and world growth picked up over 2014,

with worldwide GDP growing 3.3% year-on-year. Although this was still half the rates experienced up to 2007, there were signs of a more lasting recovery in some key economies. Despite remaining fragilities and downside risks, aggregate growth is expected to continue on a positive trend at least through 2015 and 2016. After a deep recession in 2009, many advanced nations have started to gain momentum, particularly the US and UK. In the emerging regions, many areas saw fairly subdued domestic demand. However, stronger external demand brought about a rebound in exports, which helped to slow the decline in growth in some cases.

The US has recovered strongly over the last five years, with GDP growing by over 2% in 2014, as domestic demand and exports improved and the fiscal drag was reduced. While the Euro area as a whole has turned the corner from recession to modest recovery, growth internally has been uneven. Most countries showed positive growth in 2014, with the notable exception of Italy, but high public and private debt and financial fragmentation are continuing to hold back significant increases in many areas. Rising inequality in income and wealth (discussed below) in Europe and the US is tending to redistribute income to those with a high propensity to save (such as HNWIs and companies) which is also leading to more subdued changes year-to-year.

The UK has had a considerably more favourable year than its neighbours within the Eurozone, and was one of the fastest growing of all of the developed economies, with growth nearly 1% higher than the Euro area (at 2.7%), buoyed by several factors including easier credit conditions, continued recovery in consumer spending and higher investor confidence.

Despite shifting into recovery, in most of the major developed art market economies, output gaps remain large and negative, indicating the persistence of weak demand and spare capacity, with room for improvement still in all economies.¹⁷

Growth in Mainland China rebounded strongly in the second half of 2013, as investment picked up. However, this was a temporary uplift, in part because of policy measures aimed at slowing credit

growth and raising the cost of capital, and it again fell slightly in 2014 (from 7.7% to 7.4%). Although countries such as China are still growing at rates of more than double many developed countries, there are many weaknesses in areas such as credit and financial markets. There also remains a range of structural reforms to rebalance growth from fixed investment to consumption which are still pending and likely to slow growth.

Other emerging nations, such as India and Korea, saw an uplift during the year, with increased external demand and a boost to investment. However Brazil and Russia performed very poorly, with stagnant growth from weak domestic demand, tighter financial conditions, political uncertainties and unrest, currency depreciations and policy bottlenecks all weighing down business and consumer optimism, investment and growth.

FIVE YEARS AFTER THE GLOBAL FINANCIAL CRISIS, GLOBAL ACTIVITY AND WORLD GROWTH PICKED UP OVER 2014, WITH GDP GROWING 3.3%

¹⁷ The output gap is an economic measure of the difference between the actual output an economy is currently producing and its estimated potential or ideal output, the maximum amount of goods and services an economy can turn out when it is most efficient or at full capacity. The US and the main economies in Europe all swung rapidly from a positive output gap in 2007 (i.e. actual output was more than full-capacity) to a negative output gap from 2009 as they began to produce at sub-par levels with slack capacity and weak demand. The UK and Germany have come closest to closing the gap in 2014, however the US still remains persistently low with a gap of over 4% (based on IMF data) indicating it is still underperforming in some areas.

Table 3a. Growth in National and Regional GDP per Annum (%)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015e	2019e
Australia	4%	3%	3%	5%	3%	2%	2%	3%	4%	2%	3%	3%	3%
Brazil	6%	3%	4%	6%	5%	0%	8%	3%	1%	2%	0%	1%	3%
Canada	3%	3%	3%	2%	1%	-3%	3%	3%	2%	2%	2%	2%	2%
China - Mainland	10%	11%	13%	14%	10%	9%	10%	9%	8%	8%	7%	7%	6%
China - Hong Kong	9%	7%	7%	6%	2%	-2%	7%	5%	2%	3%	3%	3%	4%
France	3%	2%	2%	2%	0%	-3%	2%	2%	0%	0%	0%	1%	2%
Germany	1%	1%	4%	3%	1%	-5%	4%	3%	1%	1%	1%	1%	1%
India	8%	9%	9%	10%	4%	8%	10%	7%	5%	5%	6%	6%	7%
Indonesia	5%	6%	6%	6%	6%	5%	6%	6%	6%	6%	5%	5%	6%
Italy	2%	1%	2%	2%	-1%	-5%	2%	0%	-2%	-2%	0%	1%	1%
Japan	2%	1%	2%	2%	-1%	-6%	5%	0%	1%	2%	1%	1%	1%
Korea	5%	4%	5%	5%	3%	1%	6%	4%	2%	3%	4%	4%	4%
Norway	4%	3%	2%	3%	0%	-2%	0%	1%	3%	1%	2%	2%	2%
Mexico	4%	3%	5%	3%	1%	-5%	5%	4%	4%	1%	2%	4%	4%
Qatar	19%	7%	26%	18%	18%	12%	17%	13%	6%	6%	7%	8%	5%
Russia	7%	6%	8%	9%	5%	-8%	5%	4%	3%	1%	0%	1%	2%
Singapore	10%	7%	9%	9%	2%	-1%	15%	6%	3%	4%	3%	3%	3%
Spain	3%	4%	4%	3%	1%	-4%	0%	0%	-2%	-1%	1%	2%	2%
Sweden	4%	3%	4%	3%	-1%	-5%	7%	3%	1%	2%	2%	3%	2%
Switzerland	2%	3%	4%	4%	2%	-2%	3%	2%	1%	2%	1%	2%	2%
Taiwan	6%	5%	5%	6%	1%	-2%	11%	4%	1%	2%	3%	4%	4%
UAE	10%	5%	10%	3%	3%	-5%	2%	5%	5%	5%	4%	4%	5%
UK	3%	3%	3%	3%	-1%	-5%	2%	1%	0%	2%	3%	3%	2%
US	4%	3%	3%	2%	0%	-3%	3%	2%	2%	2%	2%	3%	3%
World	5%	5%	6%	6%	3%	0%	5%	4%	3%	3%	3%	4%	4%
G7	3%	2%	3%	2%	0%	-4%	3%	1%	1%	2%	2%	2%	2%
EU	3%	2%	4%	3%	1%	-4%	2%	2%	0%	0%	1%	2%	2%
Emerging economies	8%	7%	8%	9%	6%	3%	7%	6%	5%	5%	4%	5%	5%
Emerging Asia	9%	9%	10%	11%	7%	7%	10%	8%	7%	7%	6%	7%	6%
Latin America	6%	5%	6%	6%	4%	-1%	6%	5%	3%	3%	1%	2%	3%
Middle East	9%	5%	7%	6%	5%	2%	6%	4%	5%	2%	3%	4%	5%

©Arts Economics (2015) with data from the IMF

3.2 World Wealth

While the overall economic situation remained mixed, general world wealth advanced at a strong rate, increasing by 8% in 2014 to reach \$263 trillion, its fifth year of growth since 2008 and highest ever level. North America continued to be the largest centre for worldwide wealth, accounting for a 35% share, next to Europe (32%) and the fast growing Asia Pacific region (19%).

Apart from regional differences, there continue to be significant disparities in the distribution of world wealth between individuals within and

across nations. Some of the greatest levels of wealth inequality among national populations are found in countries such as the US, Switzerland, Russia and Indonesia, where the share of wealth owned by the top decile was greater than 70% of the total. In many of the emerging economies, the share of wealth within this top 10% has been increasing over time, whereas in the US it has remained stable. Many of the larger European economies are somewhat more balanced in terms of distribution than the US, such as the UK and France, where the top echelon held just over half of the national wealth in 2014.

IN 2014, MILLIONAIRES (REPRESENTING LESS THAN 1% OF THE WORLD'S ADULTS), OWNED 44% OF GLOBAL WEALTH



Table 3b. Share of National Wealth in the Top Decile

Country	2000	2007	2014	% Change 2000 to 2014
Australia	51%	51%	51%	0%
Brazil	69%	69%	73%	6%
Canada	62%	58%	57%	-7%
China	49%	56%	64%	32%
France	56%	51%	53%	-6%
Germany	64%	62%	62%	-3%
Hong Kong	66%	69%	78%	18%
India	66%	72%	74%	12%
Indonesia	71%	70%	77%	8%
Italy	53%	48%	52%	-2%
Japan	51%	49%	49%	-5%
Korea	53%	55%	63%	18%
Mexico	69%	64%	64%	-7%
Norway	67%	67%	66%	-2%
Russia	77%	75%	85%	10%
Singapore	66%	57%	60%	-10%
Spain	54%	52%	56%	3%
Sweden	70%	69%	69%	-2%
Switzerland	73%	72%	72%	-2%
Taiwan	54%	55%	62%	14%
UAE	59%	61%	60%	2%
UK	52%	52%	54%	5%
US	75%	75%	75%	0%

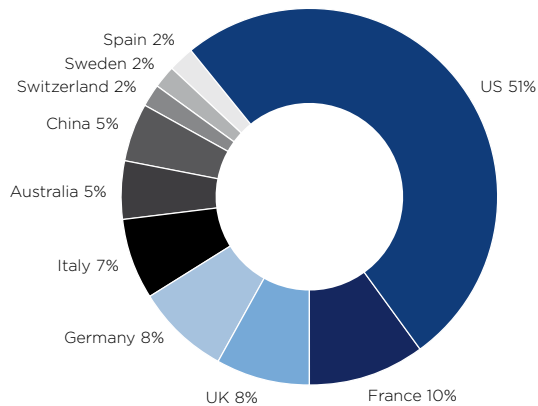
©Arts Economics (2015) with data from Credit Suisse

Credit Suisse estimated in 2014 that around 3.3 billion individuals (close to 70% of adults worldwide) had personal wealth below \$10,000, while the group of millionaires (representing less than 1% adults), owned 44% of global wealth. Similarly the top 1% of global wealth holders owned nearly half (48%) of all global assets. The concentration of wealth within the top percentile has been growing in many regions since the 1970s, and is particularly marked in some regions such as the US (discussed below). In 2014, over half of the population in the

top 1% was based in the US, and the top four global art market countries accounted for three quarters of this highest percentile.

Global wealth is expected to grow by 40%, reaching close to \$370 trillion by 2019. Emerging markets will account for 26% of the additional wealth, compared to 11% of the extra wealth in the period from 2000 to 2014. Therefore, although the gap remains large between regions, there are indications that it will narrow in future.

Figure 3a. Share of World Population in the Top 1% of Wealth



©Arts Economics (2015) with data from Credit Suisse

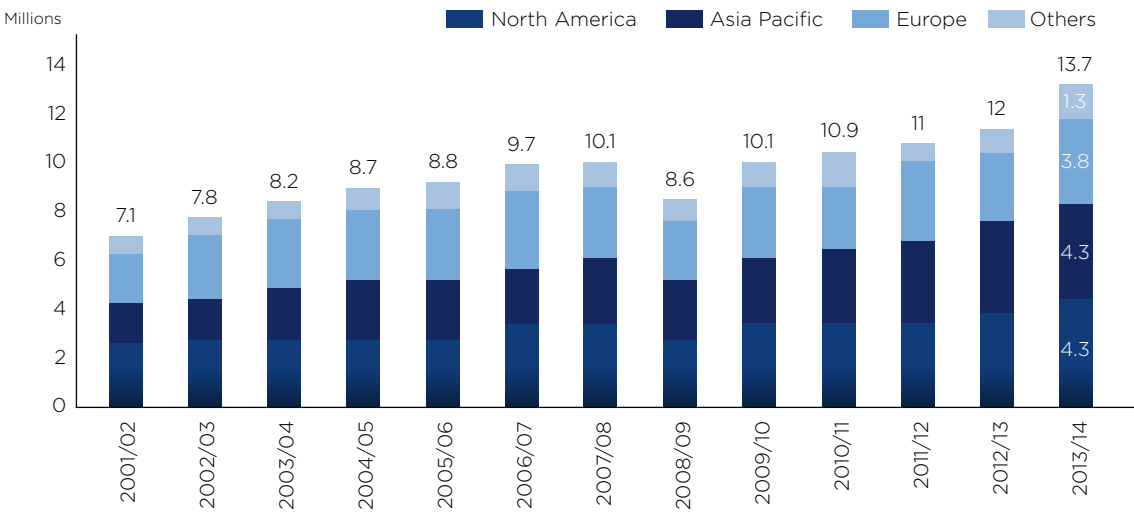
3.3 HNW Wealth

The key buyers that drive most of the trends in the art market and other luxury industries are within the group of global HNWIs. 2013 and 2014 have shown strong growth in both the number and the wealth of HNWIs, with the US and Asia Pacific regions leading the rise and spread of luxury goods sales. Although economic growth has slowed in key regions such as China (currently the world's fifth largest consumer of all luxury goods and second largest buyer of art and antiques), this has been

offset to some extent by rising income inequality, meaning that the income available to the highest income households is growing fastest of all.

After three years of solid growth, the population of HNWIs (defined here as individuals with investable wealth greater than \$1 million)¹⁸, at the end of 2013 was approximately 13.7 million, advancing 14% year-on-year and nearly double the level of 2001. The Asia-Pacific region grew the fastest (7% year-on-year) and continued to narrow the gap (to

Figure 3b. The Total Global Population of HNWIs



©Arts Economics (2015) with data from Capgemini/ RBC Wealth Management

¹⁸ This definition of what will be referred to as “HNWIs” is that used in Capgemini/ RBC Wealth Management (2014) *World Wealth Report 2014* from which these figures are derived. It measures HNWIs as those with US\$1 million or more at their disposal for investing and therefore excludes personal assets and property, collectibles and other consumables. These will be referred to throughout the chapter as HNWIs to distinguish them from the broader definition of “dollar millionaires” used later in the chapter when including property and other physical assets.

10,000) with the largest HNWI population centre of North America (with 4.3 million HNWI). Although the HNWI population in Europe has lagged behind these two regions, it also saw an increase of 13% year-on-year, driven by expanding wealth in the UK and a marginally less recessive economic climate than in most other countries.

Table 3c. High Net Worth Wealth 2000-2016

Wealth (US\$ trillion)	Total	North America	Asia Pacific	Europe	Middle East	Africa	Latin America
Forecast 2016	\$64.3	\$17.9	\$18.8	\$15.2	\$2.6	\$1.6	\$8.2
2013/14	\$52.6	\$14.9	\$14.2	\$12.4	\$2.1	\$1.3	\$7.7
2012/13	\$46.2	\$12.7	\$12.0	\$10.9	\$1.8	\$1.3	\$7.5
2011/12	\$42.0	\$11.4	\$10.7	\$10.1	\$1.7	\$1.1	\$7.1
2010/11	\$42.8	\$11.6	\$10.8	\$10.2	\$1.7	\$1.2	\$7.3
2009/10	\$39.1	\$10.7	\$9.7	\$9.5	\$1.5	\$1.0	\$6.7
2009/08	\$32.8	\$9.1	\$7.4	\$8.3	\$1.4	\$0.8	\$5.8
2008/07	\$40.8	\$11.7	\$9.5	\$10.7	\$1.7	\$1.0	\$6.2
2007/06	\$37.2	\$11.3	\$8.4	\$10.1	\$1.4	\$0.9	\$5.1
2006/05	\$33.5	\$10.2	\$7.6	\$9.4	\$1.3	\$0.8	\$4.2
2005/04	\$33.4	\$9.4	\$7.6	\$10.2	\$1.2	\$0.8	\$4.2
2004/03	\$30.7	\$8.9	\$7.1	\$9.3	\$1.0	\$0.7	\$3.7
2003/02	\$28.5	\$8.6	\$6.6	\$8.5	\$0.8	\$0.6	\$3.4
2002/01	\$26.2	\$7.6	\$5.1	\$8.4	\$1.0	\$0.6	\$3.5
2001/00	\$25.5	\$7.5	\$4.8	\$8.4	\$1.0	\$0.6	\$3.2

©Arts Economics (2015) with data from Capgemini/ RBC Wealth Management

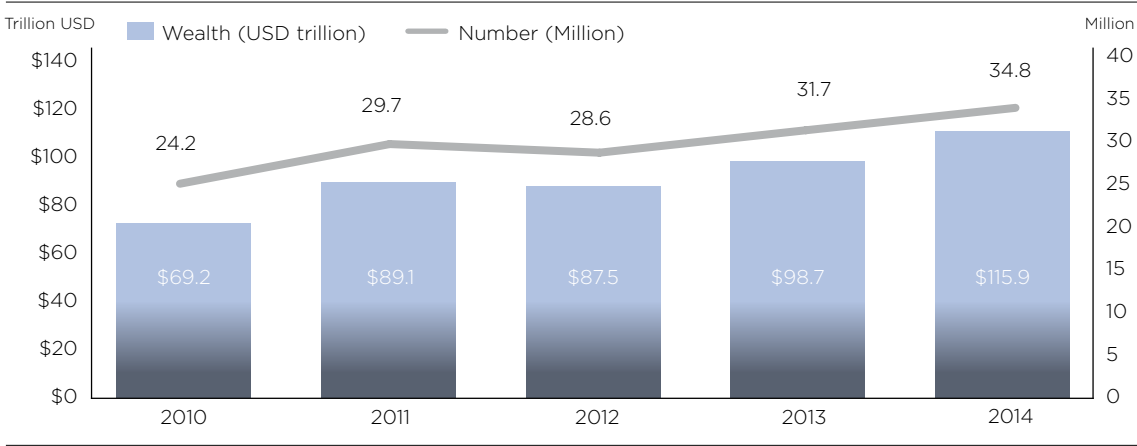
In terms of individual countries, the top four countries accounted for a combined 60% of the global population of HNWI (the US with 4.0 million, Japan with 2.3 million, Germany with 1.1 million and China with 758,000). These were also among the fastest growing national HNWI populations, accounting for a combined 70% of the year-on-year increase.

The wealth owned by global HNWI also saw significant growth, advancing 14% year-on-year to reach just under \$53 trillion, an increase of more than 60% since the recent low point in 2008/09. North America was once again the wealthiest region worldwide in terms of HNWI wealth, accounting for a 28% share of the total. However, the Asia Pacific region was close behind, and expectations remain that, by 2016, it will become the largest centre of HNWI wealth globally. The slowest growth in HNWI wealth is expected in Latin America.

3.4 Global Millionaires and Wealth

Aside from assessing investable wealth, individual net worth analysis can take account of non-financial assets. When the definition of personal net worth includes non-financial assets (such property and land) these so-called “dollar millionaires”¹⁹ form a much larger segment of world wealth. In 2014, according to estimates from Credit Suisse, there were nearly 35 million dollar millionaires worldwide, an increase of 10% on 2013. The wealth held by this group increased more rapidly, rising over 17% to

Figure 3c. Global Population and Wealth of “Dollar Millionaires” 2010-2014



©Arts Economics (2015) with data from Credit Suisse

¹⁹ The term “dollar millionaires” will be used here to describe the definition of high net worth individuals used in Credit Suisse’s *Global Wealth Databooks*, dating from 2010 to 2014, which is those with net wealth greater than \$1 million, with wealth defined as financial assets plus non-financial assets less debts. Non-financial assets include property, land and other physical assets in defining a HNWI.

reach \$116 trillion, an advance of 67% in the space of just five years. Although there is no definitive figure on the number of HNWIs that are art collectors, it is estimated that at least 2% of this millionaire segment (around 700,000) would be mid to high-level art, antiques or collectibles collectors.

The densest dollar millionaire population is found once again in the US, with the share of millionaires remaining stable year-on-year, at 41% of the global total, while Japan and Germany, the next largest nations, accounted for a combined 13%.

In 2014, the majority of countries saw their dollar millionaire populations rise, with the greatest growth in Russia and Mexico. While growth in general wealth in Russia has been slow and uneven in the past ten years, it has one of the most unequal wealth distributions of all nations, with 85% of all household wealth in Russia owned by the top decile, and its population of over 110 billionaires accounting for close to 20% of the country's wealth. Mexico is similar, with almost half the population in the lowest wealth bracket of less than \$10,000, while, at the same time, having one of the fastest growing number of millionaires worldwide.

Mexico is part of the so-called MINT countries (Mexico, Indonesia, Nigeria, Turkey), which have been forecast to surpass the BRICSs (Brazil,

Russia, India, China) in terms of millionaire population growth in the coming years, with most optimism surrounding the Mexican economy. Millionaires from Mexico and Indonesia have already made some impact in the global art market. However this has centred mainly on buying in established global centres, with the art markets within these countries being very small by international standards. Although a high proportion of millionaires is linked to the size of a country's art market, and it is a necessary condition for substantial art sales, it is not the only factor which determines the location of markets, and many regions have emerged solely as bases for new buyers rather than as new trading centres.

In all regions, over 85% of dollar millionaires in 2014 possessed wealth in the bracket between \$1 million and \$5 million. However, those with the highest share of millionaires in the segment of wealth greater than \$50 million, tended to be in the emerging markets, including China, Indonesia, Turkey, India, Russia and Brazil.

The millionaire segment is forecast to be one of the fastest growing segments of wealth worldwide, with projections of an increase to at least 53 million over the next five years, a rise of more than 50%. While millionaire population numbers in emerging economies are still considerably lower than in the

Table 3d. Population of “Dollar Millionaires”

Country	Millionaires 2013	Millionaires 2014	% Change yr - yr	Share of World's Millionaires	Share of Millionaires in National Population
Australia	1,123	1,252	11%	3.6%	5.3%
Brazil	221	225	2%	0.7%	0.1%
Canada	993	1,138	15%	3.3%	3.2%
China	1,123	1,181	5%	3.4%	0.1%
Hong Kong	103	102	-1%	0.3%	1.4%
France	2,211	2,444	11%	7.0%	3.8%
Germany	1,735	1,964	13%	5.6%	2.4%
India	182	182	0%	0.5%	0.0%
Indonesia	123	98	-20%	0.3%	0.0%
Italy	1,449	1,597	10%	4.6%	2.7%
Japan	2,655	2,728	3%	7.8%	2.1%
Korea	251	333	33%	1.0%	0.7%
Mexico	141	172	22%	0.5%	0.2%
Norway	279	256	-8%	0.7%	5.0%
Qatar	21	26	24%	0.1%	1.2%
Russia	84	158	88%	0.5%	0.1%
Singapore	174	167	-4%	0.5%	3.1%
Spain	402	465	16%	1.3%	1.0%
Sweden	506	467	-8%	1.3%	4.8%
Switzerland	610	663	9%	1.9%	8.2%
Taiwan	309	379	23%	1.1%	1.6%
UAE	48	46	-4%	0.1%	0.5%
UK	1,529	2,043	34%	5.9%	3.2%
US	13,216	14,166	7%	40.7%	4.4%
WORLD	31,680	34,837	10%	100.0%	0.5%

US and Europe, they are expected to rise rapidly, particularly in China which could see its number double to more than 2 million within five years, and with substantial rises also expected in Indonesia (64%), India (61%), Mexico (57%), Singapore (50%) and Brazil (47%).

3.5 Ultra-High Net Worth Individuals

Personal wealth has been growing fastest at the top during the last five years. The number of ultra-high net worth individuals (UHNWIs) and their wealth is growing much faster than general wealth. According to estimates by Cap Gemini and RBC Wealth Management (2014), despite the fact that they made up less than 1% of the population of HNWIIs, the global UHNWIs, with more than \$30 million of assets, held more than one-third of global HNWI wealth, and growth in wealth in this sector outperformed all of the other levels of HNWIIs, while their numbers also increased 16% year-on-year. These are a key group for the art market, with

estimates that across all luxury industries, UHNWIs account for over 20% of spending, despite their tiny number.

Estimates of the wealth and population within this highest segment differ depending on how wealth is defined, causing some differences in population and wealth estimates between sources. Nonetheless the basic trends are consistent, in terms of distribution of UHNW wealth and its growth. Using data from Wealth-X, which studies trends in the UHNW segment of those with net assets of \$30 million and above,²⁰ there were an estimated 211,275 UHNWIs in 2014, an advance of 6% on 2013, including 2,325 billionaires (the highest number in history). The combined wealth of the world’s UHNWIs was estimated at \$29.7 trillion, up 7% year-on-year. Despite only accounting for 1% of the population of UHNWIs, billionaires accounted for 25% of their wealth, and have accounted for over 40% of the growth in UHNW wealth between 2011 and 2013.

THE NUMBER OF UHNWIS AND THEIR WEALTH IS GROWING MUCH FASTER THAN GENERAL WEALTH

²⁰ Rather than explaining specifically how net assets are defined, Wealth-X states that it uses a “proprietary valuation model to assess all asset holdings including privately and publicly held businesses and investible assets to develop their valuation of individual net worth”.

Table 3e. UHNWIs and their Wealth in 2014

Wealth Band	Population 2014	Wealth 2014 \$bn	Population 2013	Wealth 2013 \$bn	Change in Population	Change in Wealth
>\$1bn	2,325	\$7,291	2,170	\$6,516	7%	12%
\$750m - \$999m	1,295	\$1,075	1,080	\$929	20%	16%
\$500m to \$749m	3,590	\$2,464	3,125	\$2,189	15%	13%
\$250m to \$499m	9,335	\$3,530	8,695	\$3,420	7%	3%
\$200m to \$249m	14,580	\$3,170	13,720	\$3,022	6%	5%
\$100m to \$199m	25,400	\$3,660	23,835	\$3,469	7%	6%
\$50m to \$99m	63,120	\$4,775	60,760	\$4,720	4%	1%
\$30m to \$49m	91,630	\$3,760	85,850	\$3,505	7%	7%
TOTAL UHNWI	211,275	\$29,725	199,235	\$27,770	6%	7%

©Arts Economics (2015) with data from Wealth-X and UBS

The US has the highest number of UHNWIs and the largest share of their wealth, and in particular showed the fastest recovery from the global financial crisis for this very wealthy segment of the population. In 2014, there were an estimated 74,865 UHNWIs in the US with total wealth of \$10.3 trillion, up 6% from 2013. The US is also the centre for the greatest number of billionaires, an estimated 571 in 2014 (25% of the total) with 31% of their wealth. New York was the city with the largest number of billionaires in 2014 (at 103).²¹

Europe is home to 61,820 UHNWIs with an estimated wealth of \$8.4 trillion.²² Germany is the key centre for UHNW wealth in Europe, with over

30% of the region’s population and wealth in 2014. The UK also accounts for a substantial 19% of the numbers and 17% of wealth in Europe. The UK is the third largest global centre for the billionaires (at 130 or 6% of the total population) versus 123 in Germany. However Germany’s billionaires are richer than their UK counterparts, accounting for a 6% share of global billionaire net wealth versus 5% in the UK.

It is interesting to note that in cities such as London and New York, the number of billionaires more than doubles when non-national/ non-primarily resident billionaires who have second homes in the city are included. This is a fairly common feature of the

²¹ Followed in order, according to estimates from Wealth-X, by Moscow (85), Hong Kong (82), London (72) and Beijing (37).
²² In Wealth-X estimates, “Europe” includes the EU, Switzerland, Norway, Russia, Ukraine, Belarus, Georgia, and Turkey. Considering only the EU member states, Germany had a larger share of 38% of the population and 40% of their wealth, while the UK has a share of 23% and 22% respectively. Within the wider European region, Russia accounted for just 2% of the population of UHNWIs but 8% of their wealth. Switzerland was also an important UHNW centre, with 11% of the population and 9% of their wealth. Norway also accounted for 3% and 2% respectively.



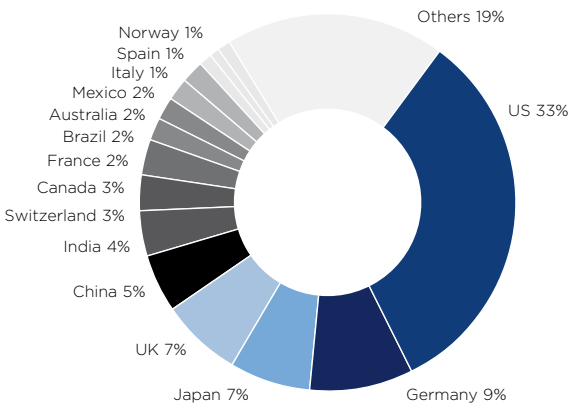
main hubs of wealth and art in Europe, with many billionaires having homes in several major locations around the world.

China and Asia accounted for 22% of the global UHNWI population and nearly 24% of their wealth in 2014, although the region grew slower than the global average year-on-year. While Japan is still the largest centre for UHNW wealth and population in Asia, the margin between it and China has significantly narrowed. The predictions are that

despite some volatility year-to-year, this region will still take over from Europe in terms of both wealth and population in the next decade.

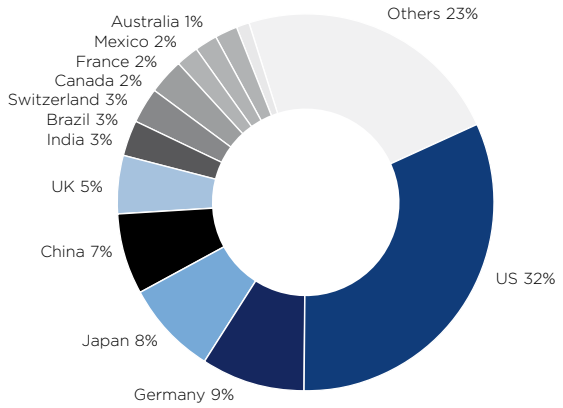
Mainland China had the second highest population of billionaires in 2014, at 190. Although their numbers grew twice as fast as the US, they still control significantly less wealth (6% of total billionaires' net wealth, versus 31% in the US), and the margin is not expected to close rapidly in the near future.

Figure 3d. Distribution of the UHNWI Population in 2014



©Arts Economics (2015) with data from Wealth-X and UBS

Figure 3e. Distribution of the UHNWI Wealth in 2014



©Arts Economics (2015) with data from Wealth-X and UBS

ART WAS THE THIRD MOST POPULAR INVESTMENT OF PASSION IN 2014 WITH A SHARE OF 17%

Latin America had slightly lower growth in both the UHNW population and their wealth than global averages, due to mixed performance between countries, whereas the Middle East saw growth in excess of twice the average, with particularly strong increases in Saudi Arabia and UAE.

Wealth-X estimate that within the next five years, the world's total UHNW wealth will have reached at least \$40 trillion, or an increase of nearly one third on current levels, while the number of individuals in the segment will grow by 18% to 250,000.

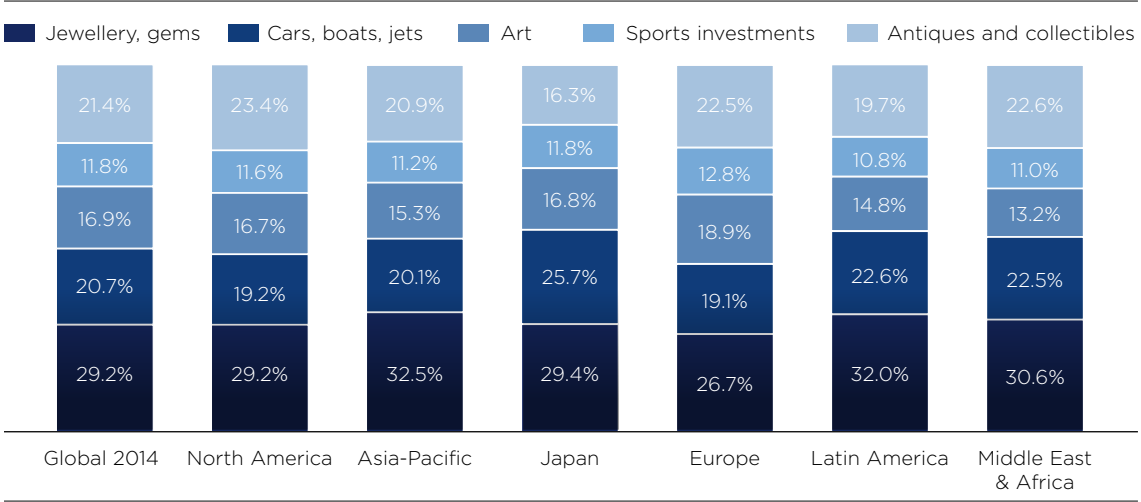
3.6 HNWI's and their Allocation to Art and Antiques

Research suggests that HNWI's generally hold an average of 10% of their net worth in so-called investments of passion,²³ although this proportion varies widely between individuals and countries.

Within these investments of passion, the most popular in 2014 were jewellery, gems, and watches, with a 29% allocation, down slightly on 2013. Despite the decline year-on-year, this segment has grown substantially in share from just 18% in 2006,

²³ This term is used in the annual World Wealth Reports from Cap Gemini and REBC Wealth Management and refers to investments in art, antiques, collectibles, sports investments, jewelry and gems and others.

Figure 3f. Allocation of Investments of Passion in 2014



©Arts Economics (2015) with data from Capgemini/RBC Wealth Management

rising to 22% at the height of the financial crisis at the end of 2009, and then to 32% in 2013.

Art was again ranked the third most popular, with a stable share of 17%. The allocation to art peaked in 2008 at the start of the global financial crisis at 25%, dropping to 22% by the end of 2009 and falling a further 5% in share over the next five years. Antiques and collectibles, which includes coins and wine, was the second most popular worldwide in 2014 (at 21%). The allocation to antiques and

collectibles has risen substantially from a low point of just 12% in 2008.

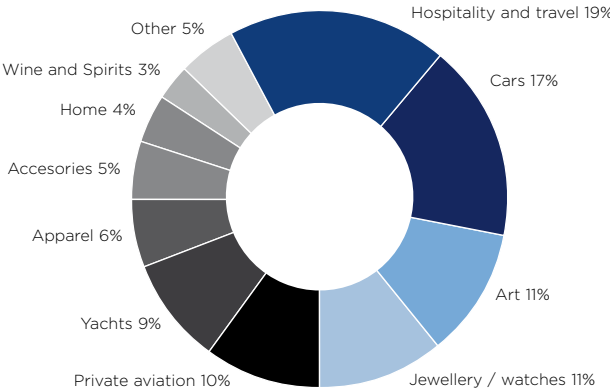
At a regional level, the highest allocation to art was in Europe (19%), followed by Japan and North America (17% each), while the lowest was in the Middle East and Africa (13%). Antiques and collectibles were most popular in North America, although their allocation dropped considerably (by 7%) on 2013, when they were the most popular category.

Table 3f. Allocations by HNWIs to Jewellery, Art and Collectibles in 2014

Region	Jewellery/ gems	% change yr - yr	Art	% change yr - yr	Antiques/ collectibles	% change yr - yr
Global Average	29.2%	-2.4%	16.9%	0.0%	21.4%	-3.0%
North America	29.2%	-1.1%	16.7%	-2.4%	23.4%	-7.2%
Asia-Pacific	32.5%	-1.0%	15.3%	-2.0%	20.9%	-2.1%
Japan	29.4%	-1.4%	16.8%	4.6%	16.3%	0.9%
Europe	26.7%	-5.0%	18.9%	1.2%	22.5%	-3.7%
Latin America	32.0%	-2.2%	14.8%	-1.0%	19.7%	-0.1%
Middle East & Africa	30.6%	-4.4%	13.2%	-3.9%	22.6%	5.5%

©Arts Economics (2015) with data from Capgemini/ RBC Wealth Management

Figure 3g. UHNWIs Allocation to Luxury Goods and Services (% of Total Expenditure)



©Arts Economics (2015) with data from Wealth-X and UBS

Table 3f shows the allocations by HNWIs to their investments of passion in 2014 in the three key relevant segments of jewellery and gems, art, and antiques and collectibles, along with their percentage change in share year-on-year. Allocations to all three categories in North America dropped, and they also showed declines in the Asia- Pacific region and Latin America. The greatest gains in share for art were in Japan and Europe, while antiques and collectibles only saw a significant rise in the Middle East and Africa.

Wealth-X research on UHNWIs estimated that these wealthiest individuals each spend somewhere in the region of \$1.1 million per year on luxury goods and services, which would amount to a combined expenditure of \$232 billion, with around 11% of that (or \$26 billion) on “art”. If this is the case, it would imply that the UHNWI segment accounts for about

half of the spending in the art market.²⁴ Art was estimated as the third highest area of expenditure on luxuries by segment in 2014, next to hospitality, travel and cars.

3.7 Average Incomes and the Art Market

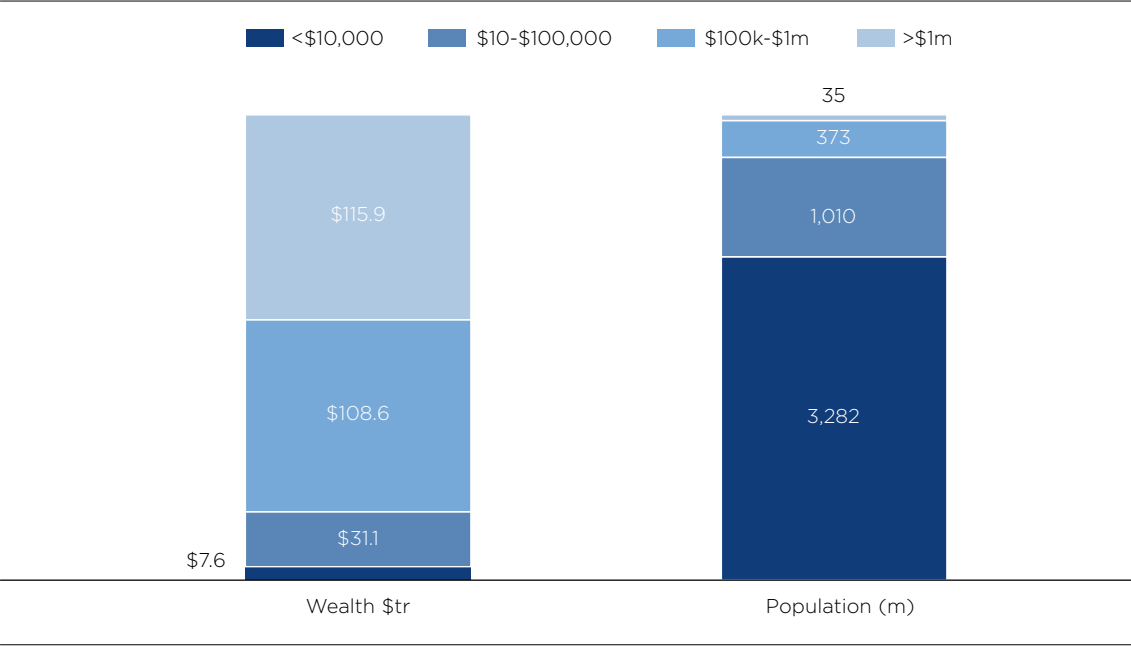
In 2014, just less than 1% of the population accounted for 44% of all of the world’s wealth and 9% accounted for 85% of it.

The higher wealth segments of the population tend to be where most art collectors are found, and the number of individuals with net worth above \$100,000 has increased from 217 million in 2000 to 408 million in 2014. The US accounted for 25% of the global population with wealth in excess of \$100,000, with Japan the second largest, at 13%, followed by the UK, France and Italy with 7% each.

IN 2014, LESS THAN 10% OF THE POPULATION ACCOUNTED FOR 85% OF THE WORLD’S WEALTH

²⁴ Wealth-X estimate that the UHNWI segment accounts for 19% of the overall expenditure of the luxury sector as a whole. They estimate that UHNWIs make the biggest impact in private aviation and yacht markets accounting for an estimated 82% and 88% of spending in these industries respectively.

Figure 3h. Global Wealth Distribution in 2014



©Arts Economics (2015) with data from Credit Suisse

Although most HNW collectors have a certain amount of accumulated wealth before they regularly purchase art, the amount people earn can be as important for the art market. Just as the bulk of wealth is owned by a relatively small share of the

global population, similarly a significant share of income is earned by a relatively small segment. In emerging art markets in particular, average incomes remain low and art buying is still, for the most part, the realm of a small fraction of society.

Table 3g. National Distribution of Population by Wealth in 2014

Country	<\$10,000	\$10k-\$100,000	\$100k-\$1m	>\$1m
Australia	6.4%	23.2%	62.9%	7.5%
Brazil	66.5%	30.8%	2.5%	0.2%
Canada	22.6%	27.4%	45.8%	4.2%
China	62.3%	35.4%	2.2%	0.1%
China HK	29.2%	50.5%	18.7%	1.7%
France	21.5%	22.4%	51.0%	5.1%
Germany	27.9%	32.7%	36.5%	2.9%
India	94.5%	5.1%	0.3%	0.0%
Indonesia	87.4%	11.6%	0.9%	0.1%
Italy	20.0%	20.0%	56.7%	3.2%
Japan	8.6%	37.5%	51.3%	2.6%
Korea,	23.4%	58.4%	17.3%	0.9%
Mexico	49.0%	45.7%	5.1%	0.5%
Norway	20.0%	33.1%	40.1%	6.8%
Qatar	20.0%	45.8%	32.2%	2.0%
Russia	83.3%	15.2%	1.4%	0.1%
Singapore	18.2%	31.1%	46.6%	4.2%
Spain	17.0%	51.0%	30.8%	1.2%
Sweden	13.1%	46.9%	33.6%	6.4%
Switzerland	1.7%	46.7%	40.8%	10.8%
Taiwan	20.0%	40.4%	37.5%	2.1%
UAE	22.9%	50.3%	25.6%	1.2%
UK	16.4%	26.1%	53.3%	4.2%
US	28.6%	31.9%	33.5%	5.9%
World	69.8%	21.5%	7.9%	0.7%
Europe	44.3%	28.1%	25.5%	2.0%

©Arts Economics (2015) with data from Credit Suisse

Table 3h. GDP per capita and Growth Rates: Selected Nations

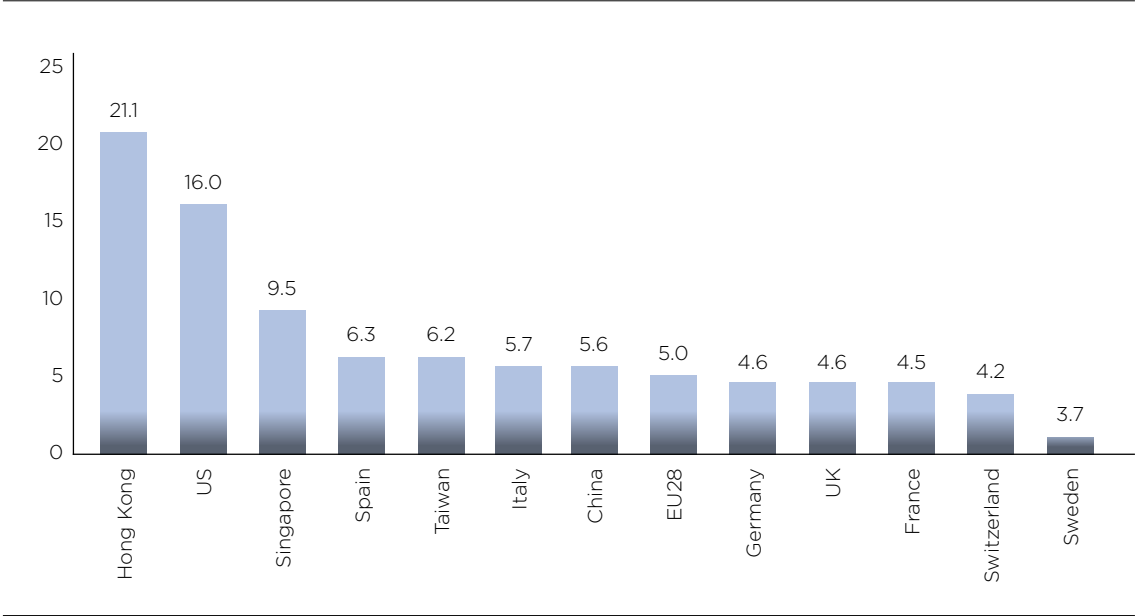
Country	2014	Growth 2004- 2014	Forecast 2014- 2019	Country	2014	Growth 2004- 2014	Forecast 2014- 2019
Norway	\$99,295	76%	12%	Japan	\$37,540	3%	16%
Qatar	\$94,744	115%	11%	Italy	\$35,512	17%	13%
Switzerland	\$84,344	66%	5%	Spain	\$30,113	23%	19%
Sweden	\$57,557	43%	25%	Korea	\$28,739	80%	42%
Singapore	\$56,113	105%	17%	Taiwan	\$21,572	44%	47%
US	\$54,678	31%	23%	Russia	\$14,317	248%	26%
Germany	\$47,201	43%	19%	Mexico	\$13,592	45%	25%
France	\$45,384	29%	14%	Brazil	\$11,067	205%	24%
UAE	\$44,771	14%	17%	China	\$7,572	406%	46%
UK	\$44,141	19%	26%	Indonesia	\$3,404	189%	34%
Hong Kong	\$40,304	62%	36%	India	\$1,626	147%	46%
G7 Advanced Economies					\$45,964	30%	21%
European Union					\$35,849	31%	20%
Middle East and North Africa					\$17,434	55%	23%
Latin America					\$15,175	52%	21%
Emerging market and developing economies					\$10,051	90%	33%
Emerging and developing Asia					\$9,140	142%	44%

©Arts Economics (2015) with data from the IMF

Table 3h shows that there is still significant disparity in GDP per capita in 2014 between mature and emerging markets. Despite the growing number of millionaires, the average income in China is still only 14% of that in the US. At a regional level

however, emerging and developing Asia has seen the fastest growth in average incomes over the last ten years, and is predicted to grow twice as fast as more advanced economic regions, such as the G7 or EU, over the next five years.

Figure 3i. Income Quintile Share Ratio: Selected Countries



©Arts Economics (2015) with data from Eurostat, WIID, WTID and BLS

Averages using GDP per head mask many important features and there is much evidence that, despite increases, income equality is decreasing in some regions. Currently the country with one of the highest levels of income inequality is the US. Figure 3i shows the income quintile share ratio for a selection of countries, which had current (2012 to

2014) comparable data. This ratio shows the share of the total income received by the 20% of the population with the highest income (top quintile) to that received by the 20% of the population with the lowest income (lowest quintile), with a higher ratio implying a more unequal share, or one more skewed to the highest end. The US ratio was 16



versus an average of just five in the EU. Although Hong Kong also scored very highly at 21, Mainland China was also much lower than the US, with a ratio just under six.

Rising income inequality within countries generally leads to a change in spending patterns over time and can introduce opportunities for businesses at both ends of the economic spectrum, but especially in the luxury industries. Income available to upper income households is growing faster than overall income, which helps to support luxury markets such as art and antiques. However the trends to increasing inequality in both income and wealth have mixed implications for the art market. Greater incomes in the top echelons of society has undoubtedly led to greater spending on art, and has certainly been a key factor buoying the strong sales and rising prices in sectors such as Modern and Contemporary art. However, this has also created a thin, narrow market (by value), where much of the successful performance of the last five years has been concentrated in the top end, making the market more susceptible to certain risks and limitations.

Income inequality influences the mix of goods people buy, and in particular, the balance between luxuries and necessities. While the general implication is that most people buy and consume a greater share of luxuries as incomes rise, the

shares of spending in the very top and very bottom percentiles have tended to vary the least. A greater share of income in the top few deciles is therefore a potentially more positive trend for the art market than the increasing share of just the top 1% or less. The spending of this top 1% has nonetheless been critical for the development of art markets in many regions: in emerging markets such as the BRIC regions, increasing prices for art and the value of art sales have been driven by these small portions of the nation's populations. However there will be limits to the extent of the development and depth of the markets in these regions unless more middle class and upper middle class consumers enter the market and start to purchase art.

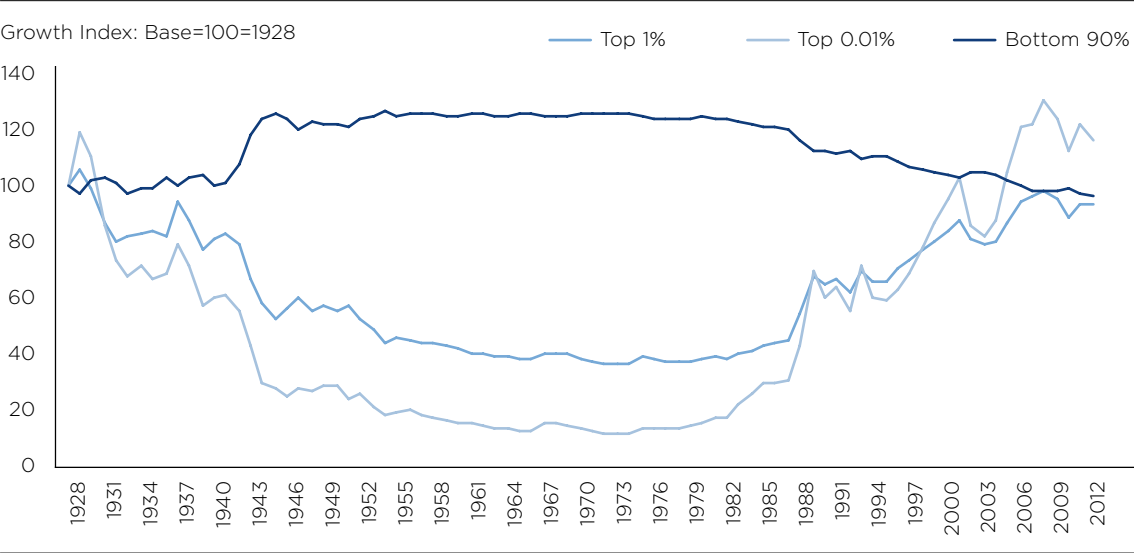
The US has been one of the most interesting nations to observe in terms of income inequality. In most advanced economies, income redistribution policies have reduced the extent of inequality. However the distribution in the US remains one of the most skewed. The concentration of incomes has followed a U-shaped cycle over the last 100 years: with a high concentration at the beginning of the 20th century; falling during the period from the 1930s during the Great Depression to the late 1970s when some of the highest rate taxes were drastically reduced; and rapidly rising ever since. The rise in recent years is due primarily to growth at the very top, with the share of the top 0.01%

growing even faster than the top 1%, while the bottom 90% has fallen.

Figure 3j shows that some trends in income distribution can be cyclical, with current levels of inequality reverting to those experienced in the 1920s. However there are concerns that, as the disparities continue to grow, resulting in more income shifts to the wealthy who will tend to spend less

of each marginal dollar, general consumption and economic growth will decelerate, as less purchasing power in the rest of the economy accentuates a slow down.²⁵ There are some similar risks in the art market. Some dealers and other experts assert that the narrowness of buyers and sellers at the top end, while good for keeping aggregate figures positive, may have limiting effects, should external factors create unfavourable conditions.

Figure 3j. Growth in Share of Income Groups in the US Since 1928



©Arts Economics (2015) with data from World Top Incomes Database

²⁵ American economist Alan Krueger also pointed out other potential effects: inherited wealth becomes dominant as income mobility falls, and a parents' income is more likely to predict their children's income; the middle and lower-income households are forced to borrow more money to maintain their consumption, which can put the economy at risk of financial and debt crises; and the wealthy gain more political power, which could result in policies that favour their wealth preservation or against redistribution which can further slow economic growth.

3.8 Art Buyers

Art collectors are a central part of any analysis of the art market. Yet gathering meaningful aggregate data on them is fraught with difficulties, as the group represents a wide range of individuals, institutions and companies, varied in terms of their location, goals, backgrounds, activities and influence. Surveys of groups of particular buyers are subject to many biases and can provide only a descriptive snapshot of a small subset of the population of collectors at a point in time.

However past surveys of specific segments of art collectors have revealed some common themes:²⁶

- Most art collectors are aged between 45 and 65 years, due primarily to the loosening of income constraints, as individuals progress in their professional lives.
- Most collect for passion and a love of art and antiques and their aesthetic attributes.
- Many buy in one or a few main sectors, although occasional cross-collecting is also common.
- While investment is not a primary motivator, most are conscious of current market values and prices in making a decision to purchase art.
- Regular collectors often spend between 5% and 10% of their incomes on art and antiques.
- While many have strong preferences for

different channels, most collectors have bought or regularly buy through all of the different channels including dealers, auctions, directly from artists, at fairs and online.

Some information on buyers can also be gleaned from the surveys conducted of dealers and auction houses in 2014.

In 2014, dealers reported that their median number of buyers was 50, although there was a wide range in number, from just three to several thousand. For second tier auction houses this figure was considerably higher, ranging from 250 to 10,000 with an average of 3,500.

Dealers reported that around 30% of their current clients were buyers new to them in the last year, 38% were buyers who had been clients for one to five years, and 32% longer-term buyers of over five years. These results were relatively stable across sectors, with nearly equivalent results for fine art dealers as for those dealing in decorative arts and antiques, and also across most of the major national art markets.

They were also quite similar to the responses from the second tier auction survey, which indicated that buyers familiar with the company for one to five years were the largest segment (43%). But again, margins were not that wide, with new buyers

²⁶ Themes from previous surveys by Arts Economics of collector groups in 2011/ 2012, and interviews in 2013 and 2014.

accounting for one third of their business on average, and buyers of more than five years at 24%.

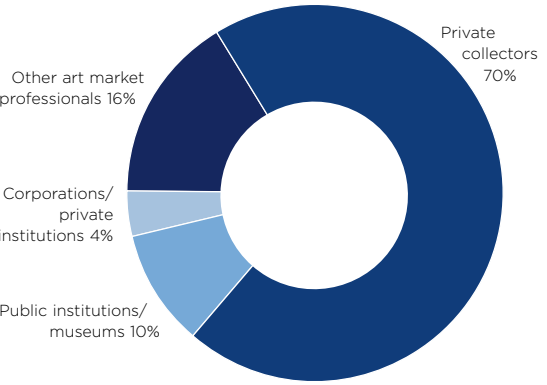
As in 2013, by far the largest share (70%) of dealers' sales in 2014 were to private collectors, while sales to other members of the art trade were also significant at 16%. Sales to companies dropped 3% year-on-year and was the smallest segment of buyers (at 4%).

It is interesting to note that, for second tier auction houses, other art market professionals, such as

dealers, were almost as important as private buyers in 2014 (at 41% versus 53%). However this is likely to reflect the fact that dealers often act as agents for private buyers as well as buying on their own account.

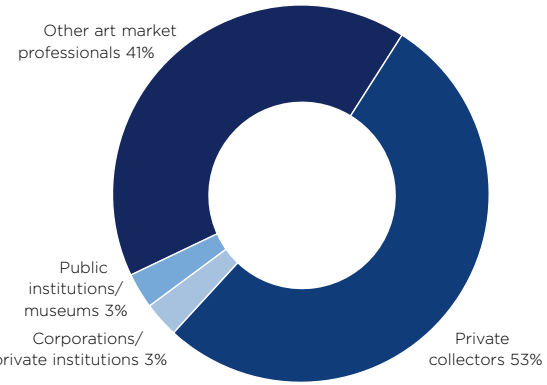
Despite the importance of art fairs and online selling in reaching a wider pool of buyers, local buyers are still the most important for the majority of dealers, with 62% from their local area (down 3% on 2013). However, the share of local buyers has declined 10 percentage points from 72% in 2010, which indicates

Figure 3k. Market Share of Sales by Buyer Group
i) Dealers



© Arts Economics (2015)

ii) Second-Tier Auction Houses



© Arts Economics (2015)

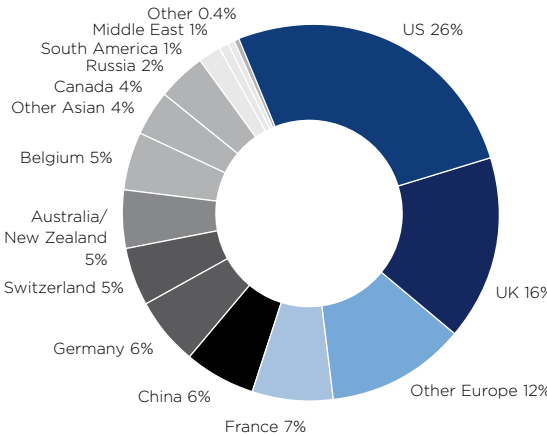
that some dealers have had to pursue a more internationally focused business model. Local buyers were also reported to account for 62% of the buyer base of second tier auction houses in 2014, and nationalities for overseas buyers spanned Europe, the US, China and Russia. For the top tier houses that had multinational operations, the most important buyers were from (in order) the US, Europe and China.

It was interesting to note that for dealers from the US, about 75% of their buyers were local, versus only 50% for dealers in the UK. In China, most galleries sold over 70% of their stock to local collectors. However, for a significant minority, the share of foreign buyers was between 50% and 65%.

Dealers' clients were spread throughout the world, with Europe accounting for just over 45% of those reported and the 16% from the US. As in previous years, the nationality of buyers varied somewhat, depending on the location and nature of the businesses responding:

- Asian dealers transacted more with local buyers in neighbouring Asia, or in the case of businesses run by foreign nationals, with buyers from their original country of origin.
- Continental European dealers had a large proportion of buyers in countries in fairly close proximity (with their next most important

Figure 3l. Most Important Nationalities for Dealers in 2014

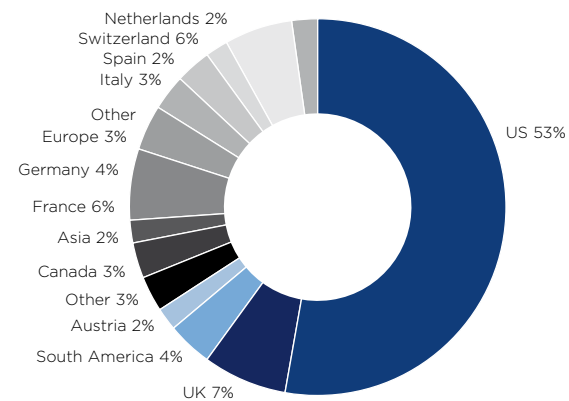


© Arts Economics (2015)

70% OF DEALERS' SALE IN 2014 WERE TO PRIVATE BUYERS AND 62% TO BUYERS FROM THEIR LOCAL AREA

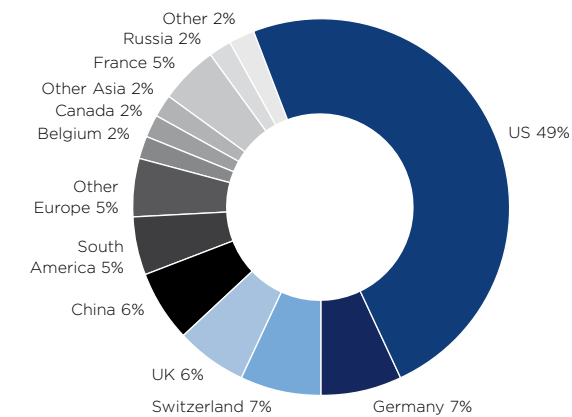
Figure 3m. Location of Top 200 Collectors

i) 2004



© Arts Economics (2015) with data from ARTNews

ii) 2014



© Arts Economics (2015) with data from ARTNews

73% OF DEALERS PREDICTED THAT SALES TO INTERNATIONAL CLIENTS WOULD INCREASE OVER THE NEXT FIVE YEARS

buyers generally being from the US).

- Buyers from developed markets were still more important for most dealers in those markets and as such, there was more bilateral trade within and between Europe and the US than external trade with other regions.
- There were some exceptions to the above, with some countries that had shared historical or political ties appearing to have more connections, for example Spain and Portugal with Latin America.

The top private collectors are dispersed throughout the world. Although it is impossible to provide any quantitative analysis of the wide group of collectors due to their private nature, the list of top collectors published annually since 1990 by *ARTnews*, provides some indication of their changing whereabouts. It is clear that there is a dense population centred in the US, and that this concentration has not changed substantially in ten years, with its share declining only 4%, with a concurrent rise in numbers from Asia and some other emerging regions.

The majority of dealers (63%) felt that their sales to local buyers would remain about the same over the next five years, 24% thought they might increase and 13% thought they would decline. A significant majority of 73% of those surveyed predicted that sales to international clients would increase in the

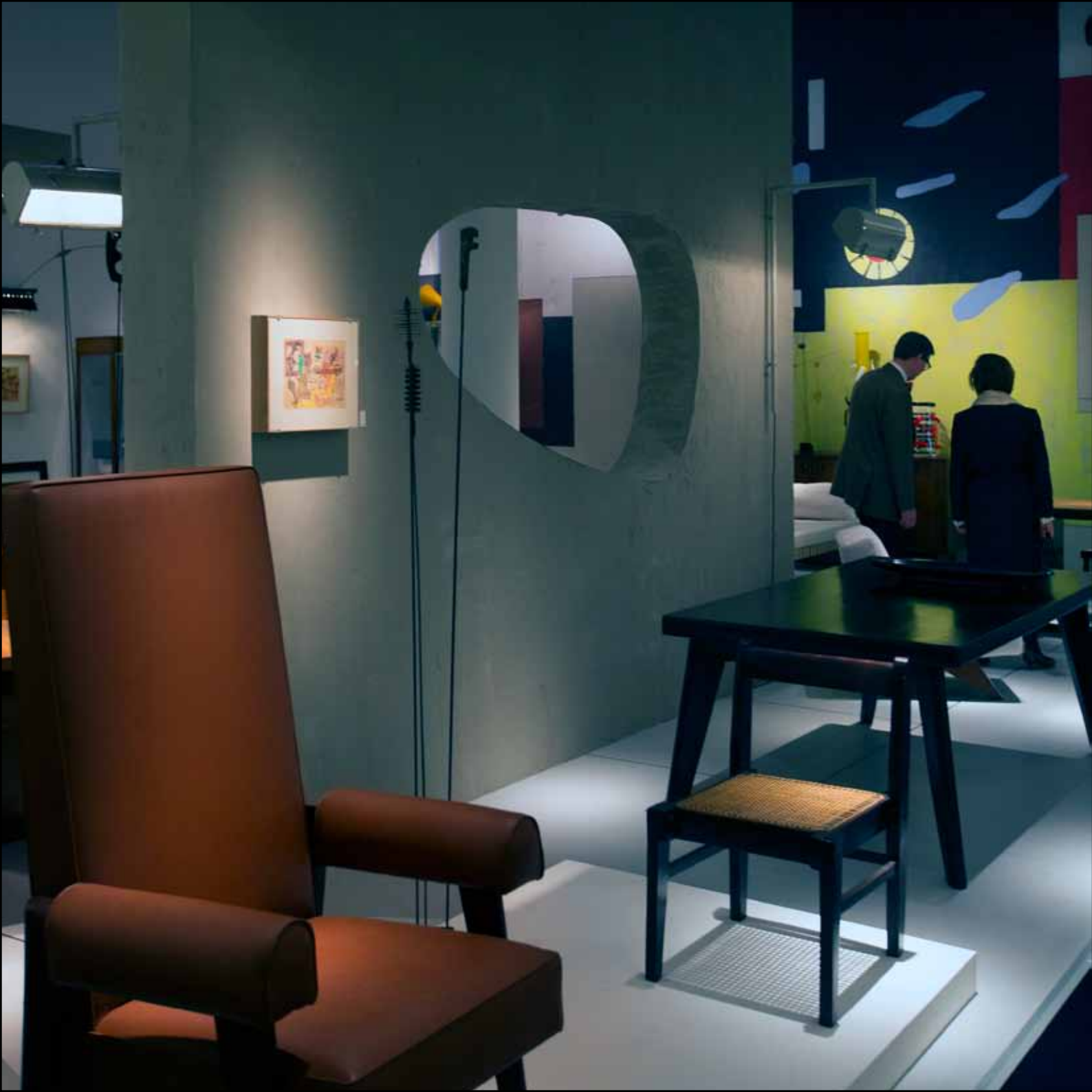
same period, with only 4% predicting a decline, and the remaining 23% estimating that they would remain stable.

A key challenge identified for dealers over the next five years centred on finding and accessing new buyers, both locally and internationally. Another common issue reported, particularly from dealers in older sectors, was in encouraging new buyers to become more interested in older and non-contemporary areas of the market. Some noted that finding new buyers and connecting with the younger generation was challenging, and that simply having a presence online, for example, did not necessarily encourage access.

3.9 Conclusions

2014 was a year of continued recovery in many economies important to the art market, but there are a variety of challenges ahead for different regions. The performance of developed, versus emerging economies is also very closely linked through trade, financial and currency exchanges, meaning that prosperity in one region is never independent of the fortunes of others.

The group of HNWLs and UHNWLs has continued to expand rapidly, and while this provides many positive outcomes and incentives in the art market and other industries, growing income inequality



has raised concerns. Aside from fiscal crises and high unemployment, severe income disparity has been widely earmarked as one of the key current and future global risks. Globalisation has brought about a polarization of incomes in emerging and developing economies, while the global financial crisis has squeezed the middle classes in developed economies. Despite the progress in average incomes, there are still widening gaps in many areas between the richest and poorest citizens. The effects of increasing inequality are not always negative, and have undoubtedly boosted art sales, but in more extremes they can threaten social and political stability, undermine the business environment and, as a consequence, hamper growth and economic development.

The same is true for the art market in many respects. Dealers and other experts in the US have frequently observed that, in recent years, the group of buyers at the high end is increasingly narrow, with a subsequent focus also on a narrow range of artists. Some fear that this concentration

of value in a narrow segment of the market puts the market at risk of becoming polarised by creating prices out of tune with values elsewhere. Some also noted that the rise of status-seeking and competitive consumption by some of the highest earning newer collectors in the art market has increased this over-narrow focus, and created a false hierarchy of prices. In economic terms, this is called “conspicuous consumption” and can lead art to have the characteristics of “Veblen” goods where demand rises as prices rise or “positional” goods, where demand falls the more people consume them due to the attraction of perceived exclusivity and status, in contrast to the normal laws of demand.²⁷

A comment from an analyst at the S&P which downgraded growth expectations in the US in 2014 due to what it saw as levels approaching extreme inequality, may in fact be apt also for the art market:

“...A rising tide lifts all boats...but a lifeboat carrying a few, surrounded by many treading water, risks capsizing...”²⁸

²⁷ The economist Thorstein Veblen in the late 1800s wrote a “Theory of the Leisure Class”, analysing conspicuous consumption, as a function of social-class consumerism. He proposed that the division of labour during the feudal period had actually continued into the modern era, where nobles and lords of the manor employed themselves in the economically useless practices of conspicuous consumption and leisure, while the middle and lower classes were employed in the industrial occupations that supported the entire economy.

²⁸ From Standard & Poors (2014) *How Increasing Income Inequality Is Dampening U.S. Economic Growth, And Possible Ways To Change The Tide*, from S&P Global Capital Portal, from www.globalcreditportal.com. Although there have been some discussions of the flaws in this research, its publication by a non-political, investor-focused organisation such as the S&P was indicative that the issue of income disparity has become more mainstream.

CHAPTER 4

ART FAIRS



ART FAIRS

Key Findings

- In 2014, there were at least 180 major art fairs with an international element, covering fine and decorative art. The US had the greatest share, with 39% of the total, Europe accounted for 38% and Asia 12%.
- The top 22 fairs generated visitors in excess of 1 million in 2014.
- Sales made at art fairs accounted for a reported 40% of dealer sales in 2014, the second largest sales channel after in-gallery transactions. These included sales made at international or overseas fairs (21%) and at local or national events (19%).
- Sales at art fairs reached an estimated €9.8 billion in 2014, although this underestimates their impact with many sales conducted after events as a result of attendance and exhibition.

As well as the growth in the size of the market and its increasingly diversified geographical distribution, some of the biggest changes over the last decade have centred on how people access and purchase art. Historically, the main channels to buy art have been private sales through dealers and public sales at auction. While these still remain the principal means by which transactions are made, new means of reaching art buyers have emerged and the boundaries between the two channels have become increasingly blurred. Moreover, a number of new sellers and intermediaries have appeared in the market, creating a more complex structure of sales.

Two of the most notable trends of the last decade have been:

- The rise of art fairs and the event-driven market place;
- The movement of art sales online.

While these are not new to the art market, they have changed and developed in recent years, creating new opportunities and challenges for the art trade.

4.1 The Emergence of Art Fairs

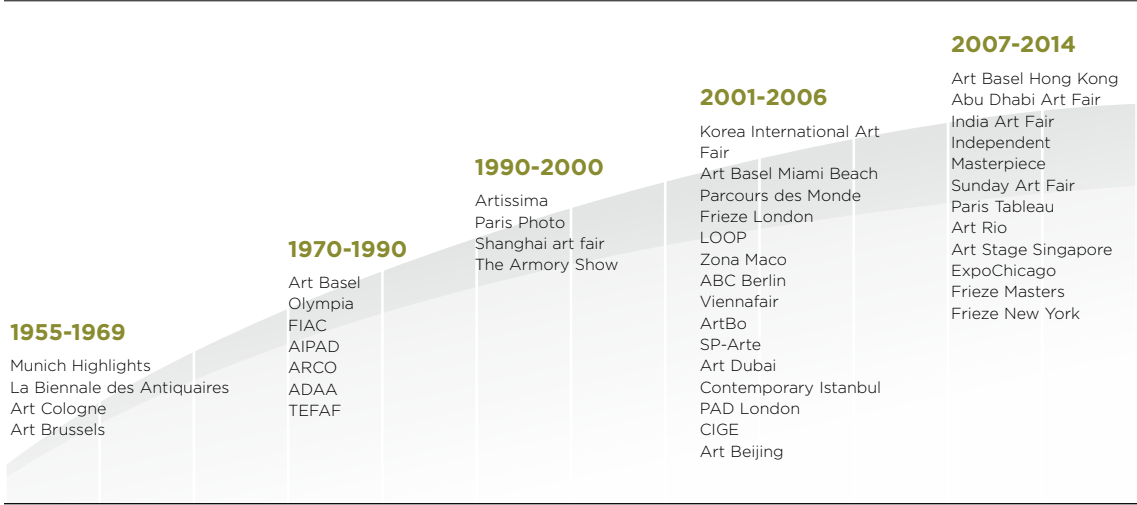
The rise of art fairs has been arguably the most significant trend for dealers in recent years. Dealers traditionally operated from fixed premises,

often grouped together in the same locality, but nonetheless representing a somewhat fragmented forum for buyers. Art fairs create a marketplace in which dealers can benefit from a much wider pool of potential buyers, for which major art fairs have become a focal point. While the first major events took place in the 1960s, the growth of fairs in the years since 2000 has made them central to most dealers' businesses. These events are a vital part of most dealers' livelihoods, allowing access to global buyers as well as to colleagues within the art trade, and many dealers exhibit at local and international events on a regular basis.

Much of the impetus towards the development of fairs was a conscious bid to react competitively to the rising power of auction houses. Fairs were viewed as a way for dealers to collaborate together and to replicate some of the competitive energy of auctions. Collectors centre much of their art buying on these events, which provide an important opportunity for the exchange of information and for building new relationships with dealers.

Figure 4a shows the time line for the emergence of some of the main art fairs that are still in existence in 2014. The earliest events date back to the 1950s and 1960s. However since 2000, it is clear that both the number and geographical spread of fairs has grown dramatically.

Figure 4a. Timeline for the Emergence of Art Fairs

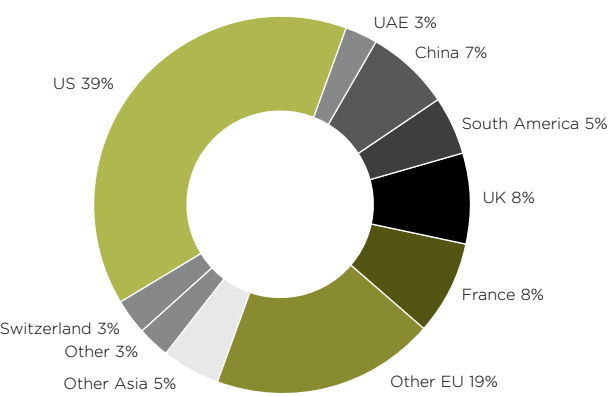


©Arts Economics (2015)

In 2000, there were about 55 relatively major international art fairs. This number has increased rapidly in the decade since then. As of 2014, there were at least 180 major fairs with an international element, covering fine and decorative art. In addition, there are hundreds of smaller regional and local fairs that cover areas of the art and collectibles markets.

THERE WERE AT
LEAST 180 MAJOR
FAIRS IN 2014 WITH
AN INTERNATIONAL
ELEMENT

Figure 4b. The Geographical Distribution of the Top 180 Art Fairs in 2014



©Arts Economics (2015)

4.2 The Regional Distribution of Art Fairs

Figure 4b shows the geographical distribution of the 180 major art fairs in 2014. The US has the greatest share, with 39% of the total, with fairs in Asia accounting for 12%. European fairs, which accounted for 38% of the top fairs by number, take place predominantly in the larger markets such as the UK and France, although there are also important international events elsewhere, notably in Switzerland and the Netherlands.

Art Fairs in China

Despite holding thousands of smaller commercial

selling events and tiny artist and dealer run fairs, Mainland China still has a relatively small number of large scale fairs, with only six major events held there in in 2014. After a one-year pause, China International Gallery Exposition (CIGE) was held in Beijing in 2014 with 121 exhibitors (up from 68 in its first year in 2004). These were mainly from China and Asia, about one third of which sold only Chinese contemporary ink works, with the remainder focusing on modern and contemporary works. Art Beijing, which also started in 2004, was a larger fair with 129 galleries exhibiting, 90% of which were from China. The most common price

range for sales at this fair was between €3,000 to €50,000 and there were no works sold above €500,000. It attracted a reported 50,000 visitors, double the number attending in 2008.

Shanghai hosted four fairs in 2014: SH Contemporary, Photo Shanghai, Art 021 and West Bund Art and Design. SH Contemporary (launched as Bologna Fiere SH Contemporary in 2014) displayed about 60 galleries (with around 75% from China) and six exhibiting museums, including the Long Museum and Yuz Museum Shanghai. Art 021 hosted 54 mainly contemporary Chinese galleries in 2014, while another new boutique fair, West Bund Art and Design, was also launched in 2014, with 25 Chinese and international galleries and five design agencies exhibiting. Unlike a normal fair schedule, this latter fair was divided into a five day fair and a 25 day exhibition.

Finally, Photo Shanghai also launched in 2014 and was the first international fair dedicated to photography in the Asia-Pacific region. There were 42 international galleries and an estimated 25,000 visitors at the fair, and although there is no definite information on sales, there were works reportedly sold for up to €150,000.

In an attempt to attract the growing base of younger collectors, affordable art fairs such as Surge and

“I Can Pay” have been launched in recent years. Surge has been held since 2006 in Beijing, and it has expanded to Shanghai and Chengdu. These were reported to have attracted around 10,000 visitors per fair. However, “I Can Pay”, which was originally set up by an art fund, was closed in 2014. There were thousands of tiny art fairs and events held across China during the year focused on the lower end of the market, and many combining pop-events with an online selling facility.

4.3 Art Fair Visitors

Although the proliferation of fairs has created new opportunities for dealers, it has also introduced substantial costs. Expenditure on art fairs was the single highest item of ancillary spending by art dealers globally in 2014, amounting to €2.3 billion, or one third of their entire expenditure on ancillary and support services. The expenses of travel, staff and exhibition are onerous, and many dealers have reported that, in the last few years, they have begun to reduce attendance and focus on key events best suited to their businesses.

However, the interest in art fairs by global collectors and other interested attendees shows no sign of slowing. A huge volume of foot traffic flows through these events, both bringing revenue to the art trade and making an important economic contribution to the cities that host them. Table 4a

Table 4a. Visitor Numbers- Selected Major Art Fairs

Art Fair	Year Fair Started	#Visitors Started or Earliest Year	#Visitors 2013	#Visitors 2014	%Change Year-on-Year	%Change Since Started
Art Basel Hong Kong	2007 (Art HK)	2008: 20,000	60,000	65,000	8%	225%
ABC Berlin	2005	2008: 9,000	28,000	28,000	0%	211%
ARCO Madrid	1982	25,000	150,000	100,000	-33%	300%
Art Basel	1970	1970: 16,300	86,000	92,000	7%	464%
Art Basel Miami Beach	2002	30,000	75,000	73,000	-3%	143%
Art Brussels	1968 ²⁹	1980: 7,000	30,432	28,829	-5%	312%
Art Cologne	1967	15,000	60,000	55,000	-8%	267%
ADAA	1988	not reported	20,000	not reported	not reported	-
Artissima, Turin	1994	15,000	50,000	50,000	0%	
ExpoChicago	2012	27,000	30,000	32,500	8%	20%
FIAC	1974	2006: 87,000	74,567	73,543	-1%	-15%
Frieze London	2003	27,770	40,000	60,000	50%	116%
Frieze Masters	2012	28,000	26,000	37,000	42%	32%
Frieze New York	2012	45,000	45,000	40,000	-11%	-11%
Independent, New York	2010	not reported	15,000	15,000	0%	
La Biennale des Antiquaires	1962	1968: 125,000	not held	90,000	na	-28%
Masterpiece	2010	18,000	34,000	35,000	3%	94%
Olympia	1972	not reported	30,000	30,000	0%	
Paris Tableau	2011	5,717	6,000	6,500	8%	14%
TEFAF	1975 ³⁰	1988: 17,672	70,000	74,000	6%	319%
The Armory Show	1999	20,000	60,000	65,000	8%	225%
Viennafair	2005	10,600	22,963	25,274	10%	138%

©Arts Economics (2015)

²⁹ 1968 as Art Actuel (Belgian only) then 1980 as international fair
³⁰ 1978 as Pictura Fine Art Fair, 1988 as TEFAF.

shows the reported attendance numbers at some of the main events in 2013 and 2014. Looking only at these 22 fairs, the visitor numbers in 2014 were well in excess of 1 million. Some of the larger fairs such as Frieze London and Frieze Masters saw significant increases in visitor numbers year-on-year. Although Arco, the largest fair in terms of visitor numbers, saw a fall of one third, numbers attending in 2014 were still four times larger than when the fair started in the early 1980s.

Table 4b shows visitor numbers for a selection of 16 smaller regional or specialised art fairs, which accounted for another 1 million visitors in 2014.³¹ Some of these smaller fairs have grown very rapidly: for example, LOOP, the video art fair in Barcelona, showed an increase in visitor numbers of over 200% year-on-year, and has advanced more than 900% since its first edition in 2003. Art fairs in densely populated areas tend to show very high visitor numbers, a good example being Art India. While numbers reveal interesting trends in the growth of the public’s interest in art fairs, the data does not indicate anything conclusive regarding a corresponding increase in sales. Anecdotally, many fair organisers with a very large number of visitors reported that less than 5% of them actually carry out transactions, while other fairs with smaller visitor numbers can have a more engaged group of buyers.

³¹ This selection is based on a small sample of fairs reported by dealers as important or interesting for their businesses. However those fairs that would not provide information on visitor numbers were excluded from the table.

EXPENDITURE ON ART FAIRS WAS THE SINGLE HIGHEST ITEM OF ANCILLARY SPENDING BY ART DEALERS GLOBALLY IN 2014 AT €2.3 BILLION

Table 4b. Visitor Numbers - Selected Smaller Art Fairs

Regional Art Fairs	Year Fair Started	#Visitors Earliest Year	#Visitors 2013	#Visitors 2014	% Change Year-on-Year	% Change Since Started
Art Dubai	2006	2008: 12,000	25,000	25,000	0%	108%
Art Rio	2011	46,000	52,000	51240	-1%	11%
Art Stage Singapore	2011	32,000	40,500	45,700	13%	43%
Art Taipei	1992	not reported	35,000	40,000	14%	not reported
ArtBo	2005	12,000	25,000	30,000	20%	150%
Arte BA	1991	20,000	100,000	100,000	0%	400%
Contemporary Istanbul	2006	37,500	72,000	77,000	7%	105%
India Art Fair	2008	6,000	400,000	500,000	25%	8,233%
SP-Arte	2005	6,000	22,000	21,000	-5%	250%
Zona Maco	2004	2006: 20,000		41,000		105%
AIPAD	1980	not reported	11,500	11,500	0%	not reported
LOOP	2003	1,700	5,500	17,000	209%	900%
PAD London	2006	25,000	25,000	25,000	0%	0%
Parcours des Mondes	2002	not reported	9,000	9,500	6%	not reported
Paris Photo	1997	2010: 3,400	55,239	59,825	8%	1660%

©Arts Economics (2015)

4.4 Exhibitor Numbers

Exhibitor numbers vary between the major fairs, from less than 50 to 274 (at TEFAF in 2014). Although most fairs have increased the number of exhibitors since their first appearance, many maintain relatively stable numbers and some have even actively worked to reduce numbers in order to ensure high-quality.

Table 4c. Exhibitor Numbers - Selected Major Art Fairs

Art Fair	Main sectors	#Galleries 2014	#Galleries in earliest year	#Galleries 2013
Art Basel Hong Kong	Modern and Contemporary	245	245	2008: 100
ABC Berlin	Contemporary	130	111	44
ARCO Madrid	Contemporary	201	219	90
Art Basel	Modern and Contemporary	304	285	90
Art Basel Miami Beach	Modern and Contemporary	258	267	160
Art Brussels	Contemporary	189	190	30
Art Cologne	Modern and Contemporary	200	221	16
ADAA Art Show	Fine art (all sectors)	72	65	na
Artissima	Contemporary	190	194	123
ExpoChicago	Modern and Contemporary	125	140	120
FIAC	Contemporary	191	184	2006: 168
Frieze London	Contemporary	152	160	2005: 160
Frieze Masters	Ancient to 20th Century	130	119	2012: 95
Frieze New York	Contemporary	188	189	2012: 180
Independent, New York	Contemporary	50	56	38
La Biennale des Antiquaires	Fine art, antiques and jewellery	120	89	68
Masterpiece	Fine art, antiques and design	163	157	117
Munich Highlights	Antiquities to Modern	50	46	50
Olympia	Art, antiques and collectibles	170	170	na
Paris Tableau	Old Masters	24	26	22
TEFAF	Fine art, decorative arts and design	265	274	1988: 97
The Armory Show	Modern and Contemporary art	210	205	75
Viennafair	20th/21st Century Contemporary	127	115	96

©Arts Economics (2015)



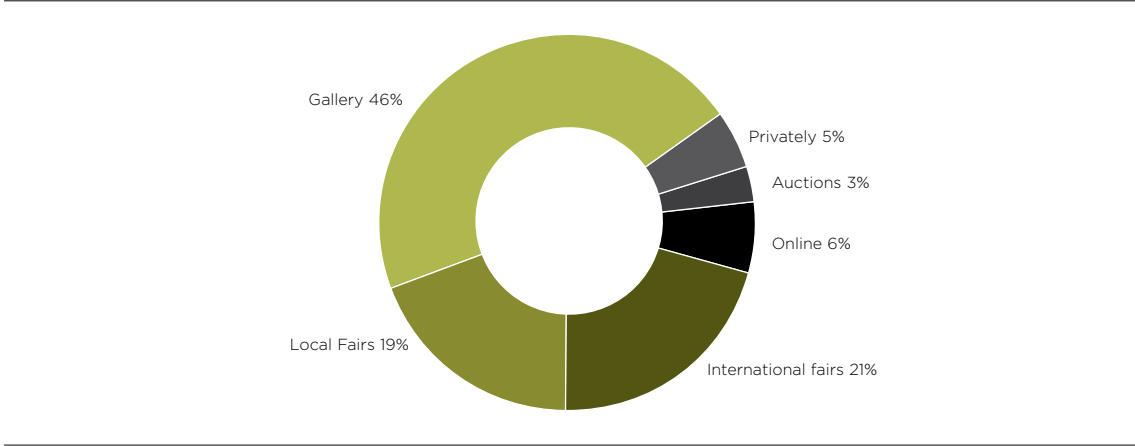
Table 4d. Exhibitor Numbers- Selected Smaller Art Fairs

Art Fair	Main sectors	#Galleries 2014	#Galleries in earliest year	#Galleries 2013
Abu Dhabi Art Fair	Contemporary	50	47	na
Art Dubai	Contemporary and Modern	75	85	67
Art Rio	Modern and Contemporary	106	99	83
Art Stage Singapore	Contemporary	131	158	121
Art Taipei	Contemporary	148	145	56
ArtBo	Contemporary	65	66	29
Arte BA	Contemporary	82	81	31
Contemporary Istanbul	Contemporary	95	108	49
India Art Fair	Modern and Contemporary	106	91	34
SP-Arte	Modern and Contemporary	122	138	41
Zona Maco	Contemporary		138	2006: 72
AIPAD	Photography	82	84	39
LOOP	Video Art	44	50	42
PAD London	Modern art, design and decorative arts	60	62	60
Parcours des Mondes	Tribal art	65	69	20
Paris Photo	Photography	136	143	2010: 107

©Arts Economics (2015)

VISITORS TO THE TOP 22 FAIRS IN 2014 WERE WELL IN EXCESS OF 1 MILLION

Figure 4c. Share of Dealer Sales by Channel in 2014



©Arts Economics (2015)

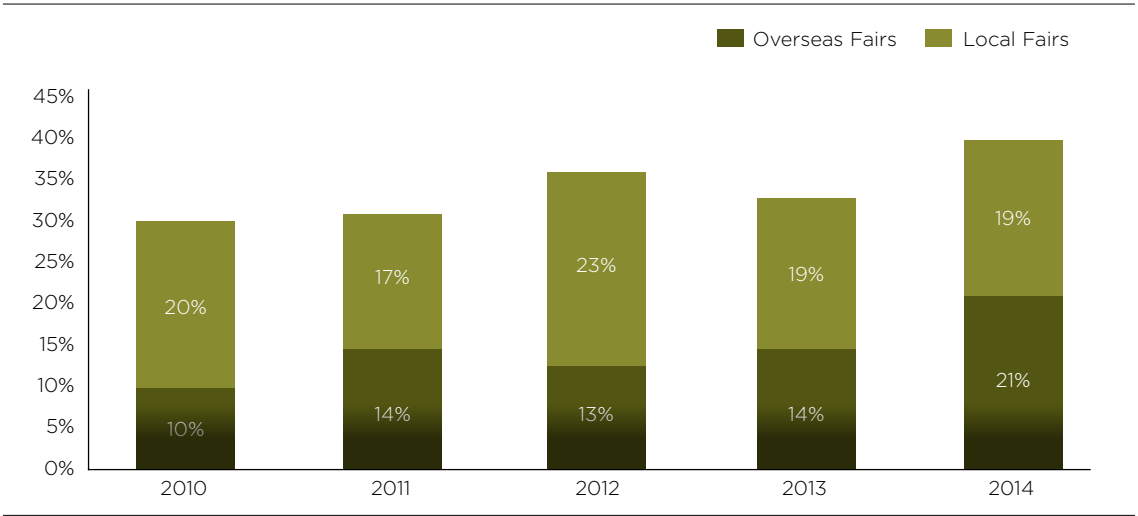
4.5 Art Fair Sales

Sales made at art fairs accounted for a reported 40% of all sales by dealers in 2014, the second largest sales channel after in-gallery transactions. The margin between sales at fairs and sales made in dealers' galleries has significantly narrowed over time. In 2014, there was a slightly greater share of sales made at international or overseas fairs (at 21%), versus 19% at local or national events.

Figure 4d shows the share of dealer sales at art fairs over the last five years. In 2014, sales reached

their highest aggregate share since 2010, growing 7%, driven by a higher level of sales at international fairs. While the share of sales attributed to the art fair channel has fluctuated, it has remained above 30% over the last five years. Some dealers interviewed during the last three years reported a backlash against the trend to greater sales at fairs, and have reduced the number of fairs they attend, concentrating their efforts on those offering the most suitable buyers. Such consolidation might have accounted for some of the decline in share in 2013 to 33%. In 2014, however, the trend was clearly reversed.

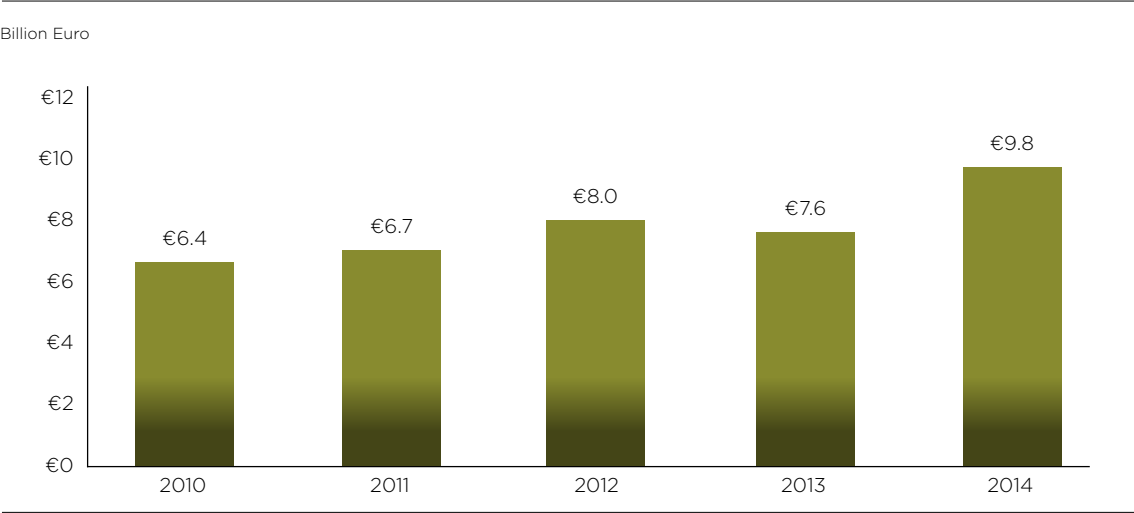
Figure 4d. Share of Dealers' Sales at Local versus Overseas Art Fairs



©Arts Economics (2015)

SALES MADE AT ART FAIRS ACCOUNTED FOR 40% OF ALL SALES BY DEALERS IN 2014

Figure 4e. Estimated Total Art Fair Sales 2010 to 2014 (Billion €)



©Arts Economics (2015)

Although few art fairs report consistent information on their aggregate sales, based on the data reported by dealers in the surveys, sales at art fairs reached an estimated €9.8 billion in 2014.

The importance of fairs varies greatly between dealers and, in 2014, 23% of dealers made less than 20% of their sales via art fairs (including 10% who made no sales through this channel). However, for the vast majority of dealers, these events

have become an integral part of their businesses, with 41% doing half or more of their annual sales through fairs.

Besides accounting for a significant proportion of growth in art sales by value, art fairs are also a crucial business development platform for nurturing future sales, as well as allowing cultural exchanges and dialogues between dealers, curators, collectors and others.

Many dealers also report that the importance of the art fair to their revenues goes way beyond immediate sales. In addition to sales finalized at the fairs themselves, dealers report that they can typically make more than twice the amount in post-fair “follow-on” sales, directly attributable to having exhibited at particular art fairs during the year. While the survey attributes such transactions to the dealer’s in-gallery sales, many dealers stated that these gallery-based transactions would not have occurred had it not been for attendance at fairs. Anecdotally, dealers noted that in the Contemporary art market, the “got to have it now” mentality of some buyers generated more immediate sales at the fair, but for older, more expensive works, buyers often preferred greater time for reflection and therefore sales could be slower with more made after the event.

While the empirical evidence for sales at fairs remains very positive, dealers have mixed views regarding the future of art fairs.

Dealers have distinguished between the two main developments of art fairs in recent years: the “organically-grown” art fair model, where events have developed from existing cultural communities and are often run by dealers or others agents with a deep understanding of art; and the “synthetically-grown” fair, where civic or community leaders or

development corporations have launched events with the primary aim of stimulating economic impact in a region. Many felt that the former model has proven to be more successful and sustainable, and that there was often a greater commitment and more promotion of these events by exhibitors. Some also noted that the profits from these types of events were often more successfully reinvested in future improvements. Some dealers thought that, while there are several “synthetic” fairs in new regions such as the Middle East which have gained in importance, such events in mature markets generally have less appeal in terms of sales or the development of relationships.

Many also considered that the communication between dealers, and the building of relationships tended to work better in the more organically grown model. Some reported that the important academic and scholarly aspects of fairs had also been “hijacked by the commercial interests of some organisers”. Regarding fairs in general, one dealer noted:

“...Art fairs increase business, but are part of a general trend towards lack of scholarship and a sense of pure salesmanship in contrast to gallery exhibitions...”

Many dealers noted that the high cost of exhibiting at a fair requires a much more commercially-based approach to the choice of works exhibited, than might be the case for exhibition at a gallery, in order to ensure that the overheads associated with exhibiting at the fair were covered.

The re-routing of sales to fairs and away from galleries was a relatively common issue highlighted by dealers. This had its downside. Many considered that the burden of time, staff and overheads, as well as the opportunity costs of attending an increasing number of fairs, detracted from sales through their galleries. Many collectors were also less interested in visiting galleries and now expected the main points of contact to be at events and online. Some therefore concluded that, while art fairs were aiding the market to increase in size, this mainly benefited larger galleries, while smaller dealers were seeing declining profitability, or were going out of business altogether.

“...Art fairs are an expensive way to bring goods to the market. They are too expensive for some galleries to be a workable platform unless you have no other overheads, you deal from home, or you are at the very top end of price range in your field...”

Even some medium-sized and larger dealers felt that there were too many fairs, and that they

continually struggled with the combined financial burden of a high-quality gallery programme and exhibiting at international fairs.

For most dealers, it is a difficult decision to determine how many fairs they can afford to exhibit at in terms of staffing and costs, and also ensuring that they have enough new inventory to show. Some are increasingly consolidating their efforts around the few key events that offer the best results. The major fairs such as TEFAF, Art Basel and Frieze are still key for many of the largest galleries, while smaller galleries are focusing on the regional events best suited to their particular sector or buyer context.

Looking ahead, the majority (60%) of dealers surveyed felt that the continued growth of art fairs was a positive development in the art market. Excluding the 5% of respondents that were not sure, 55% thought that sales at, or connected to, art fairs would increase over the next five years, 34% felt they would stay about the same, and a minority of 11% predicted that they would decrease. 40% expected that in-gallery sales would increase, while 42% expected them to remain stable. There was optimism regarding the future of online sales (discussed in Chapter 5): while 11% of respondents were unsure of how this channel would progress for them, 73% felt that online sales were going to

increase in the next five years, and 15% predicted that they would significantly increase.

There are several links between online sales and art fairs, including online-only art fairs such as the VIP Art Fair, which ran for two years starting in 2011. These events, which in some cases had limited success, have been essentially replaced by other forms of online art platforms, exhibiting and selling art online in a multitude of different ways.

The exhibited content of some traditional fairs is now available for online viewing prior to the event, with companies such as Artsy posting full exhibition previews. While many dealers noted that this practice was not new, some feared that wide online publicity prior to an event could lessen the competitive tension and excitement of a fair. The original impetus for the move towards an event-driven market and centralisation of the dealer sector through fairs was a bid by dealers to react competitively to auction houses. Fairs were seen as a way for dealers to create the same one-room excitement and competitive rivalry among buyers that can be generated through auctions. Some therefore fear that over-publicising content prior to events could take the theatre out of the events, and diminish the special status and competitive buying advantage afforded to VIP clients at fair previews and related events, which in turn might deter some from attending.

Some predicted that, in the end, e-commerce might displace art fair sales altogether. One dealer reflected:

“...The art and antiques fair is a thing of the past. All clients, whether private or institutional, shop online. If they see an ad for a fair, they may browse websites for dealers represented at the fair, but may not attend the fair unless they see something that they know will be shown there. The internet, whether through individual dealer websites or online sales platforms like 1stdibs, represents a virtual fair, accessible by the buyer 24 hours a day 7 days a week...”

CHAPTER 5

ONLINE ART SALES



ONLINE ART SALES³²

Key Findings

- In 2014, sales of art online were estimated conservatively to have reached €3.3 billion, or around 6% of global art and antiques sales by value.
- The middle-market has been the focal point for online selling with the majority of sales taking place between about \$1,000 and \$50,000.
- In terms of website traffic the highest ranking art-specific retail sites in 2014 were Art.com, Artspace and Gagosian.com. The three leading 3P marketplaces were 1stdibs, Saatchi Art and Artsy. Christie's led the bricks-and-clicks in terms of website traffic and ranking, while Artnet's artnet.com was by far the most visited site of all of the online auction platforms.
- It is estimated that the turnover of online art business based in Mainland China was in the region of 2 billion RMB (€244 million) in 2014.

³² Thanks to Andrew Klug who offered valuable consulting for this chapter on the online art market.

5.1 Introduction and Context

The growth of companies in the online art space has been one of the most visible and widely discussed trends in the art market over the past decade. The internet has revolutionised communications in the art sector, allowing art and information to be accessed continuously and globally. In particular, the e-commerce of art objects has also gained significant momentum, creating increased convenience, efficiency and accessibility for both buyers and sellers, with much greater speed of transactions and wider global reach.

In less than a generation since internet protocols were first finalised in 1990, the internet has evolved from a new technology engaged by a small number of tech-savvy users to a common tool that has transformed the economic and social infrastructure of the world. The art market has been slow to engage fully in e-commerce relative to other retail sectors, but there have been significant and rapid developments over the recent past.

The increased interest in e-commerce in the art market has been driven in part by the expanding global base of buyers, but also largely by the expansion of technology and the increase in e-commerce in general, particularly in new emerging markets, which are important to the art trade. For art sellers, internet sales have lowered barriers to

entry and have reduced the costs for accessing new and broader markets worldwide. In 2014, there were just over 3 billion internet users worldwide (up 750% since 2014) corresponding to a global internet penetration of around 42%.³³ The rise in internet use has been driven by rising urban and middle class populations, expanding mobile coverage and mobile internet adoption, falling device and use costs, and an increase in the range and usefulness of online content and services. While penetration rates are still highest in developed regions, the overall growth has been higher in developing regions, with Asia currently having the leading share of internet users at 46% of the total population.

Table 5a. Global Internet Penetration Statistics

Region	Users %	Penetration	Growth 2000-2014
Africa	9.8%	26.5%	6,499%
Asia	45.7%	34.7%	1,113%
Europe	19.2%	70.5%	454%
Middle East	3.7%	48.3%	3,304%
North America	10.2%	87.7%	187%
Latin America / Caribbean	10.5%	52.3%	1,673%
Oceania / Australia	0.9%	72.9%	252%

© Arts Economics (2015) with data from ComScore, US Census Bureau and Internet World Stats

³³ Statistics from ComScore.com and Internetworldstats.com (2014).

While globalisation and internet penetration have encouraged e-commerce in the art market, the key driver, besides technological advances, has been the wider acceptance of e-commerce generally, with those who regularly purchase other goods online looking for the same ease in transacting in the art market. B2C e-commerce across all industries was estimated to have reached close to \$1.5 trillion in 2014, up 20% year-on-year, and more than doubling its value in five years, with sales of up to \$2.4 trillion anticipated by 2018.³⁴ This rapid advance has again been driven by factors such as the increasing number of smartphone users, an increased openness towards m-commerce among mobile internet users, innovations and improvements in secure shipping and payment methodologies, as well as a strong marketing push by many brands and companies worldwide.

As noted by one dealer and expert in the online art market:

“...While both increased global internet penetration and the globalization of the art market are on the margin certainly not harmful to the cause, the rise of art e-commerce has more to do with the embrace of e-commerce in general with people reasoning ‘well then, why not art, also?’ Let’s not forget, for now, art e-commerce hasn’t really hit a home run yet, just a bunch of people trying to make

it work, driven in their efforts by the observation that e-commerce has transformed pretty much every other consumer-facing industry. Nobody wants to be caught snoozing while someone else re-invents the art world online, but that doesn’t mean e-commerce is the answer...”

5.2 The Development of the Online Art Market

In 2014, sales of art online were estimated conservatively to have reached €3.3 billion,³⁵ or around 6% of global art and antiques sales by value.

According to research from McKinsey, sales in the online luxury sector are growing at least twice as fast as the offline luxury market. They estimated that pure online sales represent around 4% of the global luxury market but this could grow to between 6% and 7% by 2018. They estimated that this market could grow at a compound annual growth rate(CAGR) of up to 23% per annum between 2013 and 2018.

There are many reasons however why online art sales differ from other luxury goods, and are likely to grow at a slower and less certain pace. Many goods within the luxury market are purely consumables (with much more commodity-like characteristics than art) whereas art has the characteristics of both a consumption good and a financial asset at the same time, with investment

³⁴ Data and forecasts from e-marketer.com.
³⁵ Including reported online sales by traditional dealers and auction houses plus estimates for online-only companies selling on their own account.

considerations that are often not apparent in other luxury items. For most luxury goods, the brand most relevant to consumers is the producer (for example Chanel or Louis Vuitton), while for art, the identity and branding of seller is also highly important to value creation (for example Christie's and Sotheby's or Gagolian), which presents an additional obstacle, relative to the luxury market, for the e-commerce of art. The fact that art works are essentially unique and value is also determined by aspects such as their condition and provenance also sets them apart from luxuries, which are, in many cases, newly manufactured goods. However, even if the online art market was to grow at even half the pace predicted for luxury goods generally, the market could reach close to €5 billion in the next three or four years.

Although it has been the subject of much attention over the last three years, the online art space has existed since the beginning of the dot-com era. Many industries rushed to reinvent themselves according to the convenience, efficiency, and accessibility to new customers afforded by the internet's universal reach. Among new business models developed, online sales platforms were created for both consumer and B2B industries, displacing sales from the incumbent brick-and-mortar companies, with spectacular success in cases such as Amazon and eBay (founded in 1994 and 1995 respectively).

In the art and antiques sector, some of the first successful online companies focused on the lower-end market for prints and reproductions. Art.com started in 1998, selling uneditioned reproductions and posters at low price points. With an offering that would be better described as home décor consumer goods rather than fine art, Art.com nonetheless represents one of the largest online retailers of art (with annual sales reported at over \$200 million).³⁶

Besides the sale of art, online players were also making the art market more accessible to online consumers through the generation and publishing of data. While Art Sales Index had been collecting price data offline for years, Artnet launched its online fine art price database in 1995, providing online access to images and auction prices, bringing transparency to an opaque marketplace. Other companies such as Artprice and Artifact that had launched in the late 1980s also began selling data online during the 1990s.

The art market's first major forays into the realm of e-commerce were made by incumbent offline auction companies. Sotheby's unsuccessfully attempted an online auction platform in partnership with Amazon in 1999 (which closed one year later) and another short, unsuccessful partnership with eBay in 2003 (Sotheby's has renewed involvement with eBay

³⁶ www.sfgate.com/business/article/Art-com-s-brush-with-Union-Square-5035731.php and www.bizjournals.com/sanfrancisco/print-edition/2013/11/15/engineer-art-lover-art-com.html

in 2014, discussed further below). Heritage auctions, founded in the mid-1970s, conducted its first online sales in 1999. Online consolidators to offline auctions also appeared, including ATG's the-saleroom.com in 2001, LiveAuctioneers in 2002 and iGavel in 2003.

In the retail sector, 1stdibs was one of the earliest sales platforms, emerging in 2001 as an online vendor marketplace for collectibles and other luxury goods, that grew to include fine art, alongside other segments, such as watches and furniture.

For the most part, however, the failure of Sotheby's early joint ventures discouraged the art world from joining the online revolution. For a while, conventional wisdom held that art and expensive luxury products were high-stakes markets, where high price points and the high-touch characteristics of the incumbent brick-and-mortar business models outweighed the convenience and efficiency-oriented value propositions of the online space.

By the time of the global financial crisis in 2008, the luxury goods industry had begun to realize that the power of strong brands could lead consumers to purchase expensive goods online, despite the high price points. The strongest growing bases for luxury customers were in emerging markets, and these markets were identified by many companies

as key future prospects for e-commerce (once infrastructural and technological advances were achieved), and, with it, came the possibility of being able to diversify out of weaker mature markets.

In the last five years, there has been a rapid expansion in the number of companies launching in the online sector, involving various different business models. Christie's introduced online bidding in 2006 (Christie's LIVE) and launched online-only sales in 2012, and it now holds regular sales of wine, art and collectibles. Sotheby's launched its own online sales platform soon afterwards (Sotheby's BIDnow). However, in practice, both of these platforms are simply extensions by the auction houses of their underlying offline auction businesses. In 2008, Artnet introduced the first standalone, online-only auction platform, and over the next four years, a number of other online-only auction companies were formed, including Auctionata in 2012 and Paddle8, which was originally founded in 2011 as a dealer marketplace and subsequently converted to an online auction platform.

The period from 2010 to 2012 represented an explosion of art e-commerce companies, with at least 20 new entrants including 20x200, Artfinder, Artsicle, Artspace, ArtStack, ArtStar, Artstation, Artsy, ArtViatic, Auctionata, Barnebys, Ocula, Saatchi Art³⁷, and s [edition]. High valuations and correspondingly

³⁷ Saatchi Online was originally launched in 2006 and was relaunched in 2010 by Robert Norton prior to his founding of s [edition] in 2011. The company was re-branded in 2014 as Saatchi Art prior to it being acquired by Demand Media.

more accessible funding in the tech sector, together with the rising importance of mobile technology, enticed both entrepreneurs and investors to try new things, including art-based platforms.

Besides art e-commerce ventures and online intermediaries to the traditional offline art market, a small number of new companies have recently begun to attempt innovations, truly unique to the online art space. Artsy (founded in 2010) heralded new hopes for taking the art world online, with the idea of creating an online reference platform for information on artists and artworks, interconnected by an algorithmic discovery feature similar to Amazon or Netflix, and integrating within that a 3P vendor marketplace for dealers. s[edition] (founded in 2011) also presented an innovation to the e-commerce type model, with the idea of a digital platform on which not only to purchase limited edition digital artworks, but also to store, browse and “consume” art works (by viewing on various screens and devices) and, eventually, re-sell them on an integrated secondary market platform.

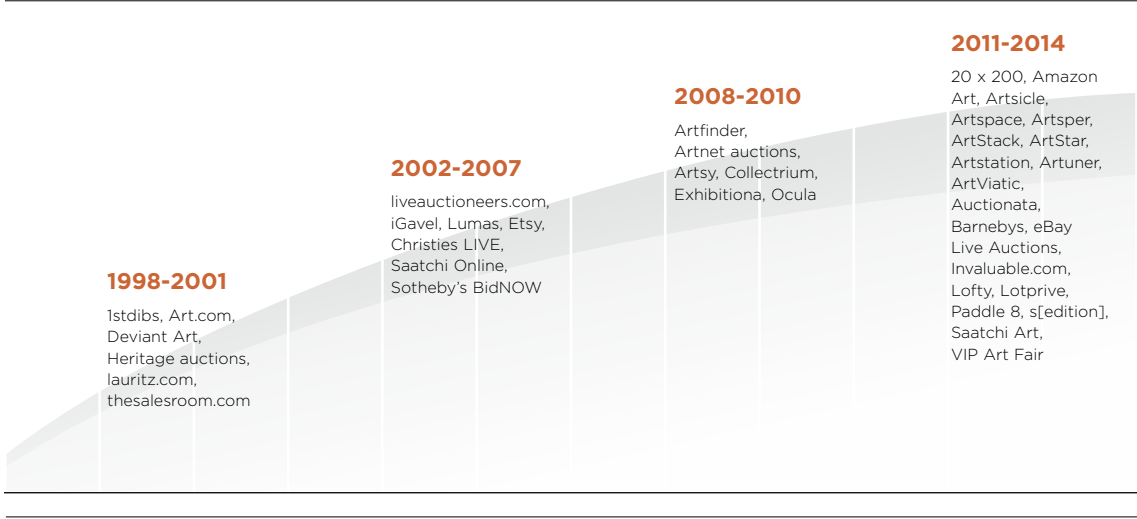
In the past two years, there has been a wave of new “art-dot-coms” with slightly different business models and offerings. For the most part these new players have business models centred on an online marketplace mediating between buyers and sellers of art objects, with those sellers being a combination

of primary and secondary dealers, offline auction houses (selling on behalf of collectors or other sellers), artists selling directly to consumers, and consumers selling to each other.

Besides the many new companies that have launched, existing online marketplaces have also expanded into the art sector. In 2013, Amazon launched Amazon Art selling original and limited edition works from more than 150 dealers, with a daily inventory of around 70,000 works. In 2014, eBay launched “Live Auctions”, with Sotheby’s as their anchor tenant alongside important second tier houses such as Doyle New York, Freeman’s, Garth’s Auctions, and Swann Auction Galleries, giving eBay shoppers the same access to auction merchandise as those bidding offline. Although this is the same model that has been used by companies such as ATG’s the-saleroom.com for several years, the launch garnered much attention in the art world, as eBay is one of the largest online marketplaces, with over 152 million buyers in 2014.

Despite the emergence of so many new companies, the level of sales is still relatively low compared to offline art sales. The survival of many online companies has therefore been dependent on significant injections of capital investment, which indicates, in some cases, both the continued confidence of some investors in the future of the online art space and, as yet, the

Figure 5a. Timeline for Art Market E- Commerce: Selected Companies



©Arts Economics (2015)

lack of consistent or sufficient revenue streams by new entrants. In 2013, Paddle8 received \$6 million in Series B funding, bringing their total funding to \$17 million during 2012 to 2014³⁸. Artsy raised \$26 million from its start-up in 2010 to 2014, Artspace raised \$12 million during 2011 to 2013, and Auctionata raised \$50 million during 2012 to 2014. 1stdibs raised \$42 million in investment at the end of 2012, giving a total of \$117 million in four funding rounds in the period from 2011 to 2014. Many of the smaller companies and

platforms in the sector have entered the market or continued to carry out development and operations based on successive rounds of investor support or acquisition. Most noteworthy have been Leon Black’s acquisition of Artspace (with the exact consideration undisclosed but reported to be less than \$5 million, via art publisher Phaidon which Black acquired in 2012), Demand Media’s acquisition of Saatchi Art for \$17 million (both in 2014), and Christie’s acquisition of Collectrium for \$16 million (in 2015).

³⁸ Data on investment capital from *CrunchBase : Monthly Export December 2014*.



5.3 The Structure of the Online Art Market

Value Segments

Despite the proliferation of companies, the majority of online art sales are still focused on the low- to mid-priced ends of the market. Including pure e-commerce and sales via intermediaries, much of the value of sales online is still generated by the top-tier auction houses and branded dealers, mirroring the traditional offline market. It is useful when analysing the online art market to examine how e-commerce has entered into the three main value segments of the art market.

The **high-end segment** of the art market is characterised by:

- Limited supply, with a small number of artists and works of art for sale at the highest prices;
- A small number of buyers, which are typically HNW and UHNW collectors and institutions;
- A small number of sellers (top-tier auction houses and branded dealers);
- Low volume, high value sales.

The combined effect of these characteristics has been that, to date, there has been very little e-commerce by new companies in the highest priced segments of the art market. While some new companies reported individual sales in excess of €1

million online in 2014 (including 1stdibs, Auctionata, Artviatic and Artfinder) these are still relatively infrequent. While the internet is an increasingly useful tool in this segment for publicity and the dissemination of information, large, high-priced and infrequent purchases are widely accepted as not being well served by e-commerce, and they have not been targeted by most of the new online companies.

The opposite, **low-end segment** of the art market is focused on lower priced prints and reproductions, and has been served by e-commerce for some time, particularly those items priced at less than about €200. Online marketplaces such as eBay have sold lower value art for many years. The company reported in 2014 that they sold at least \$8 billion worth of collectibles in the previous year (nearly half their reported total revenue), with art and antiques specifically totalling over \$1 billion, the vast majority of which were individual items below €200. Etsy.com is an online marketplace focused on original art and craft works, some of which are produced in editions and batches. Their sales across all categories totalled \$1.4 billion in 2013. Aside from online marketplaces, the retailer Art.com sells art alongside posters and printed material, with reported annual sales of over \$200 million, and posting more than 2.5 million works for sale on their site.

The market for printed material, such as posters, is outside the remit of this study. However the boundaries are not always clear at the level of individual companies. There is a wide spectrum of art sales between what could be termed “low art” to “high art”, with a very wide range of works in between. This makes it difficult to draw the line, as a number of them sell original art alongside posters and reproductions.

Between these two extremities lies **the middle market**, which is described for the purposes of this analysis as works priced between about €300 to €100,000. This segment has been the focal point for much of the attention of the online art space. Arts Economics carried out a short survey at the end of 2014 of 45 companies currently selling art online. Although the business models of these companies varied widely, making it difficult to aggregate all of the information, the survey revealed that the most common price range for those selling original inventory online was between about \$1,000 and \$50,000, with 67% of sales within this range for those surveyed.³⁹

Buyers in this middle segment are often middle- and upper-middle-class income earners who may have previously bought art offline with some frequency, but now use the online channel to transact for convenience and in order to access

a broad selection of offerings at any one time. The number of buyers is large and expanding within this segment, reflecting the global spread of wealth, particularly in emerging markets. Another factor is that some buyers in the high-end segments of the market have graduated down to lower price levels, as some works in the high-end are perceived as having become over-priced. Buyers at the low-end segment who may have grown comfortable purchasing lower priced original works, reproductions or prints online, are also graduating upwards as their incomes and interest in the art market expand.

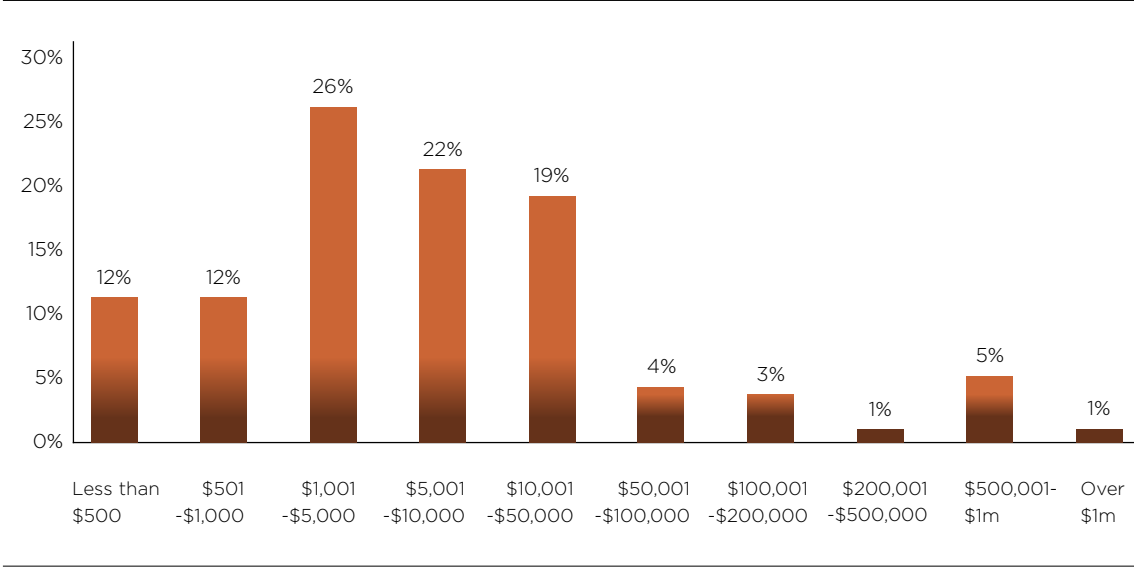
Online Art Market Structure

i) Online Sales in the Traditional, Offline Market

In order to understand how the online art space is structured, it is important to differentiate between online sales by traditional art market companies and genuinely new entrants and intermediaries. The traditional “offline” art market is built around the two key segments - auction houses and dealers/retailers - distinguishable in the past by their type of sales transaction: auction houses, for the most part, have concentrated on secondary market sales, while dealers have dealt in both the primary and secondary markets. Over the recent past however, the distinctions between these segments have become less clear, particularly as auction houses conduct more private sales through their

³⁹ This corroborates evidence revealed by other research addressing online art buyers. For example, Art Tactic and Hiscox’s (2014) *The Hiscox Online Art Trade Report* contains a survey of online art buyers which found that the most common average price range for paintings bought online was between £1,000 and £10,000 (although for prints and photographs, prices tended to be less than £1,000 for the majority of buyers).

Figure 5b. Share of Inventory Sold Online by Price Level



©Arts Economics (2015)

DESPITE THE PROLIFERATION OF COMPANIES, THE MAJORITY OF ONLINE ART SALES ARE STILL FOCUSED ON THE LOW- TO MID-PRICED ENDS OF THE MARKET

own internal retail channels, and as new agents have entered the market.

Online sales have grown to account for an increasingly important proportion of sales for many of these traditional offline dealer and auction house businesses, as well as for many artists selling their works directly online.

According to the dealer survey, in 2014 online sales accounted for an average of only 6% of sales conducted by traditional dealers, dropping from a high of 13% in 2010. The share reported in 2014 is heavily influenced by the fact that just over 63% of the dealers responding to the survey reported making no sales online during 2014. Excluding these and considering only those dealers reporting at least some online sales, the average share of sales through this channel was 20%. Compared in this way, the share of online sales increased more substantially, with the average up 6 percentage points year-on-year from 14% in 2013.

Of those who made sales online, a high share (46%) were to new buyers who had never been to the gallery or met the dealer in person, compared to 62% in 2013. The share of sales to regular, longer-term online buyers with whom they had not had personal contact, rose 6% to 16%, while 38% of online sales were to existing buyers who had

already had contact with the dealer or gallery offline (down 10% from 2013).

In the auction sector, transactions via the online channel accounted for a varying but mainly small share of sales. The online channel was more important in the second tier auctions, with an average of 15% of sales among those surveyed, more than double the share in 2013. There was a wide range of responses in this sample, however, and 43% of these houses did no online sales, while 14% did half or more online.

ii) The New Online Market

Apart from online sales made by traditional dealers and auction houses, a critical impact of e-commerce has been to add a new layer of companies into the art market. Some of the new players are retail companies selling their own stock of art directly (1P retailers, or 1-party, online dealers), while a large number of new intermediaries have emerged, interposing the players from the traditional art market, and creating “meta-intermediaries” (as some of the old world players such as dealers and auction houses that act as intermediaries offline are now being further intermediated with respect to online sales.)

Among online e-commerce companies selling art, one of the first main distinctions is whether they

Figure 5c. The New Online Art Market



©Arts Economics (2015)

a) own and sell their own inventory (1P retailers), or b) facilitate sales by other third party vendors (3P vendor marketplaces). The 3P marketplaces can have varied sales models: fixed-price retail versus auction-based, with some companies offering a mix of both. The companies can also be distinguished by whether they are involved in the sale of primary or secondary market inventory (and in which sectors), and the sources of that material (for example whether it is from

artists directly, from dealers, or from consumers such as collectors or museums). Finally, a useful distinction is the type of revenue model: some companies use a 1P retail model earning gross margin from buyers (sales revenues less cost of goods sold); others earn commission revenue from 3P vendors on the gross merchandise value sold; and some sites are paid a fixed listing fee for the traffic that they divert from their own site to their members' sites.

Although there is a certain overlap between categories for some businesses, the online art market can be divided into the following basic segments:

1. **Online Retailers:** Online 1P retailers are companies that sell their own stock directly online. These include:

- a. Online retailers selling on their own account, exclusively online, in the primary and secondary market. Most of the companies working within this segment are focused on Modern and Contemporary art works, with a large proportion focused on paintings, prints, and photography. The inventory of these companies varies from the smaller retailers, such as ArtStar and 20x200 with less than 500 works for sale at any given time, to companies such as eyestorm.com with a daily inventory of 1,000 to 2,000, to large companies such as Art.com with over 2.5 million works on offer. Works on these sites in 2014 ranged from as low as €20 up to a maximum of €15,000 and, just like offline retailers, they base their revenue streams on gross margins.
- b. Brick-and-mortar business with online sales (bricks-and-clicks), which includes many of the traditional offline galleries in different sectors that offer and make sales online. While many galleries detail their inventories online via their

websites (including images and an option to email or enquire for more details), other online retailers include some kind of automated click-to-buy mechanism, where collectors can complete the online transaction without human interaction on the part of the gallery. Although dealers report that many of the sales they make sight-unseen are in lower price brackets, it is not uncommon for buyers familiar with the gallery and the works they offer to purchase works in this way at higher price levels. Some galleries also concentrate on selling only certain media online, such as Gagolian.com, which has a lower priced online shop selling limited editions, prints and other design-based items.

Some companies have also developed hybrid models. For example online gallery Artuner (launched 2013) has highly curated online exhibitions, and collaborates with other galleries and institutions to hold complementary, offline “pop-up” events.

The online retail segment also includes many artists selling their works directly online. While some of these are complemented with sales through galleries, there are a few successful examples of artists who sell primarily through their own retail sites⁴⁰.

2. **Online Retail Marketplace Platforms:** Online retail marketplace platforms are intermediaries selling the

stock of 3rd party vendors based on a fixed-price or retail model. These platforms differ on the basis of whether the 3P vendors are:

- a. Artists – such as Saatchi Art, Deviant Art, and even marketplaces such as Etsy.
- b. Dealers – such as 1stdibs, Amazon Art (which has also introduced auction transactions), Artsper (also 1P retail), and Artsy (which also now sells via the auction channel).
- c. Collectors – such as the peer-to-peer intermediary ArtViatic.

These platforms vary widely in their sectors of focus. Large companies such as 1stdibs have a daily inventory of over 350,000 items across all sectors of the fine and decorative art markets, with works priced up to several millions. Some focus on one or a few sectors such as Saatchi Art, with works by over 45,000 contemporary artists at prices ranging from \$100 to about \$400,000.

There are also a number of lower volume, highly focused companies such as ArtViatic, which facilitates highly vetted private sales between collectors. This company has a much smaller inventory of only about 150 works, each with a minimum price of \$150,000, and sells a low volume of higher value works, currently up to a maximum of around \$2 million.

Marketplace platforms generally operate on a commission-based revenue model (usually paid by the 3P seller), alongside subscriptions or memberships, while others do not actually allow buyers to transact via the platform, but rather operate as a listing service for sellers to advertise their offerings, with buyers contacting the seller directly to transact. The largest example of the latter is 1stdibs. But there are others such, as Ocula, which pursues a very focused strategy, hosting only 175 galleries, with a strongly Asian focus. This platform concentrates on fewer galleries but with a greater depth of focus, and operates purely on a subscription basis.

3. **Online Auction Platforms:** Although auction houses are also a form of 3P vendor marketplace, online auction platforms are distinguished from retail marketplace platforms by their use of bidding or auction sales, as opposed to a fixed-price “buy-it-now” offer that defines retail. Companies in this category include:

- a. Online-only auction houses – such as Artnet⁴¹, Auctionata and Paddle8, where auctions are hosted only online and there is often limited access to, or exhibition of, the works prior to the sale.

⁴⁰ Peter Lik is a useful example, selling a very large volume online alongside 15 offline galleries, in both cases under his own banner and without dealer or other representation. Although most of his prints are sold in the region of \$2,000, Lik’s company issued a press release in 2014 stating that a collector had purchased three prints for \$6.5 million (setting a world record price for photographs), \$2.4 million and \$1.1 million. If these prices could be verified, it would show a high potential price ceiling for artists’ own sales of works online, however there have been questions within the art trade regarding their validity (see for example: <http://news.artnet.com/in-brief/new-york-times-exposes-peter-lik-photography-fraud-264858>).

⁴¹ Besides online auctions, Artnet also has a 3P retail marketplace for galleries.

b. Online extensions of offline auction houses (bricks-and-clicks) – traditional brick-and-mortar auction houses such as Christie's, Sotheby's, Phillips, Bonham's, Heritage and others provide mechanisms for buyers to bid and pay online alongside live and phone bidders in traditional offline auctions, and there is access to, or exhibition of, the works prior to the sale.

The online-only auction houses have received much attention due to their rapidly advancing sales. Paddle8's reported sales more than doubled in the last year, increasing from \$14.5 million in 2013 to \$33.3 million in 2014. Auctionata also reported a sales increasing by over 3.7 times, from \$11 million to \$41 million in 2014. Artnet, one of the first companies in this sector and one of the few that has public and audited turnover figures, has seen sales rise by more than 37% year-on-year to \$16.6 million in 2014.

In the traditional auction house sector or bricks-and-clicks, online sales have also expanded rapidly. Heritage Auctions is one of the largest online sellers of art and collectibles globally and in 2014 had close to 911,300 active bidder-members. The company's total sales reached over \$969 million in 2014, with nearly one third of their business (\$357 million) in online sales - the most of any auction house worldwide. Heritage's online results included

\$199 million from online bidding and \$158 from Heritage LIVE!, the company's live auction platform.

Some houses, such as Christie's, have also begun offering online-only auctions, with some success. Christie's now holds regular online-only sales and these have been slowly expanding in value. Christie's held 50 online sales in 2013, and this rose to 78 in 2014 totalling \$35.1 million (€28.1 million) up 60% in US dollar terms on 2013. Some 32% of buyers on the online platform were new, with buyers from 69 countries and 42% under the age of 45 years. The top price achieved in an online sale was \$905,000 for a Richard Serra painting, while the highest price for a work of art in the live auction room via Christie's LIVE was Tyeb Mehta's (*Untitled*) *Falling Bull* which sold for \$2.8 million (€2.2 million) in the India sale in December in Mumbai. Total sales for online buying via LIVE and the online-only auctions were reported as \$178 million (€143 million).

As noted above, Sotheby's was one of the first online auction platforms in the market in 1999 in partnership with Amazon, and then with eBay in 2003. Their major move back into the online sector, was the announcement in July 2014 of a renewed partnership with eBay to hold live online auctions, affording the e-commerce giant's multi-million buyer base direct access to Sotheby's inventory. The first live auctions, planned to launch in early 2015,

will focus on the lower end of the market, including jewellery, watches, prints, wine, photographs, and 20th century design (excluding their high profile evening sales, recognising that sales by eBay may be less suited to the most expensive works). At the time of the announcement of the partnership in 2014, both companies released some interesting facts about the crossover in price points between them, including that on any given day on eBay, more than 3,500 auctions close with a price over \$5,000, while (in 2013) more than half of Sotheby's lots were sold within the \$5,000 to \$100,000 price range.

Other auction houses have also chosen to team up with more experienced online partners before venturing further into the world of online sales. Phillips partnered with Paddle8 and Tumblr in 2013 and 2014 to carry out the auction and exhibition of contemporary digital art. The company had previously partnered with LiveAuctioneers to provide online auctions of more affordable contemporary art and design.

Most of the online auction companies and online sales via auction are based on a charging model similar to that of offline auctions, with buyers' premium and sellers' commission.⁴²

4. **Online Auction Consolidators:** online auction consolidators are online platforms or intermediaries

that provide access to online bidding for the offline auctions of 3rd party auction houses, or host online auctions with inventory from 3rd party houses. The segment includes companies such as iGavel, Invaluable and ATG's the-saleroom.com.

These auction consolidators have been crucial in enabling access to online selling for some smaller auction companies lacking the budgets or size to develop their own e-commerce arrangements. They generally facilitate live auctions (with remote online bidding which may be accompanied by offline bids), online-only auctions, or timed auctions. Some also merely direct traffic to the auction seller's own site where the auction then takes place.

Companies such as the-saleroom.com and Invaluable host both live and timed auctions of art and antiques. To date, live auctions have tended to perform better through these platforms, particularly for higher value art and antiques, although most of the larger companies run a combination of both live and times auctions. The revenue models of these companies are generally based on adding a commission to the buyer's price (between 3% to 5% which may or may not be absorbed by the individual auction houses), and a seller's commission, which may be combined with a flat fee or listing charge.

⁴² For example, Artnet applies a buyers' premium of 20% and a sliding scale of sellers' commissions, with those selling works over \$10,000 free from charges. Auctionata applies 23.8% to buyers and between 12% and 23.8% to sellers, while Paddle 8 has a flat rate of 8% from sellers and 15% from buyers.



Some companies, such as Barnebys, use alternative models, where no sales are carried out on their sites, but rather they direct traffic to the site of the auction companies they host on their platform, with revenues built around a pay-per-click, performance-based system.

Some of these companies have seen a rapid escalation in sales hosted through their sites, more than tripling in value in the last two years in some cases, with a strong consequential rise in revenues. The key challenges faced by these operators centre on ensuring the greatest ease in transacting (and particularly in concluding payments for both buyers and sellers), the effective categorization of the vast inventories on some sites (to enable ease of search and access), and, more generally, building traffic.

Just as in the offline sector, some of the companies in this segment have teamed with other online operators to create traffic and exploit synergies. Notably in 2014, Invaluable signed a multi-annual exclusive partnership with eBay to provide a virtual entrance for eBay buyers to their hosted auction house from anywhere in the world. This agreement gave eBay access to Invaluable's supply of auction companies and merchandise, along with their expertise in live auction technology, while providing Invaluable with access to eBay's huge global reach of buyers. Invaluable's commission revenues have

tripled in the period from 2012 to 2014, and are expected to increase a further 70% next year with the expanded customer base in 2015.

5. **Others.** Besides the aforementioned segments, there are a number of other commercial, online art-related businesses such as Artkick, ArtLens, ArtStack, Artsicle, Collectrium, Depict, Electric Objects and Second Canvas that have introduced innovative new business models not centred on buying and selling art objects per se.

Artsack is a social media platform or information-sharing site. The site functions like a Pinterest⁴³ for art, where artists, galleries, and fairs can make "boards" or collections of art they create, view, or own, with over 550,000 active monthly users. Artkick is a smartphone app that pushes high-resolution digital images to smart TV, while Depict and Electric Objects sell an actual bespoke art screen for displaying digital art. While these companies are relatively small as yet, in many respects they represent the most innovative part of the sector, providing new modes of consumption, with, for example, the display of art on screens (as opposed to traditional media), and the new economic models this can allow (for example, streaming and/or subscription to art as a service, as opposed to purchase or ownership of specific artworks).

⁴³ Pinterest is a web and mobile application that lets users create and share collections of images or visual bookmarks called boards. Boards are created through a user selecting an image or website or item and pinning it to an existing or newly created board which are then shared and added to over time.

Overall, while the above categories are useful to distinguish most companies, there are some that fall at the intersection of one or more of the segments described above. For example, Artsy acts as an intermediary for sales from galleries, from which it earns a commission, while also offering some limited auctions. Lofty.com, which launched in 2013, offers both retails sales and auction sales for different sellers. Others have shifted focus over time.⁴⁴

5.4 Website Traffic and Global Reach

While sales results indicate some trends in the

online market, it can be difficult to determine the impact and performance of different companies as they often employ very different revenue models.

Web analytics can therefore be useful in assessing the popularity of sites in the online art space (and of the sector as a whole), including metrics such as the number of visitors, the average number of page views per visitor, and the average visit duration.

The tables below analyse some of the key indicators for a selection of the main sites involved

A CRITICAL IMPACT OF E-COMMERCE HAS BEEN TO ADD A NEW LAYER OF COMPANIES INTO THE ART MARKET - SOME SELLING THEIR OWN STOCK DIRECTLY, WHILE A LARGE NUMBER OF NEW INTERMEDIARIES HAVE EMERGED

⁴⁴ A useful illustration is the parent company of Amazon Art, Amazon, which started out selling books from their own inventory (1P), then broadened their offering to a range of goods and subsequently began to include products being sold by 3P vendors, with Amazon intermediating the sale. Over time, Amazon was able to leverage its fulfillment infrastructure and efficiency to offer fulfillment as a service to their 3P vendors, so that the products bought by a consumer were being purchased via Amazon's website and being shipped from Amazon's warehouses, with Amazon effectively shifting inventory off the asset side of its balance sheet onto the balance sheets of 3P vendors, thereby greatly reducing its working capital requirements and allowing it to instead invest capital in more infrastructure to support further growth.

in e-commerce in the art and antiques market in 2014.⁴⁵ Table 5b shows the global ranking of e-commerce sites based on website traffic.⁴⁶ Global rank in this case measures a website's ranking of traffic compared to all other websites online. By far the highest ranked site within the group of 1P retailers is Art.com, both globally and in the US. Of the more "high art" retailers, Artspace and Gagosian.com also scored well.

Global Daily Reach and Estimated Visits November both measure visitor traffic to a website, with the former measuring the average on a daily basis (over the last year) and the latter a monthly total for November 2014. The two metrics show the significant margin between these three top rated sites and the other smaller companies. Apart from the UK-based retailer Artuner and artists.de, the highest share of visitors to all of these sites comes from the US, which accounted for the majority of visitors in most sites in all segments.

Regarding 3P retail marketplaces, an important caveat is that the metrics for sites such as Amazon, eBay and Etsy are given across all products, including art and antiques. It is clear that these sites rank among the highest in the world for attracting visitors, explaining their appeal to the auction sector for partnerships. The three leading art and antique specific sites were 1stdibs (with close to 2 million

visitors, the majority of which were from the US), Saatchi Art (which was the next highest ranked globally), and Artsy (which ranked higher in the US and has increased its global rank by over 10,000 points year-on-year). It is important to note that sites such as Artviatic with relatively low visitor numbers are not necessarily less successful sites, as they are built on a more exclusive business model, targeting only specific visitors rather than larger numbers.

In the auction platform segment, Christie's led the bricks-and-clicks in terms of website traffic and ranking, while artnet.com was by far the most visited site of all of the online auction platforms. It is worth noting that certain sites such as Artnet attract visitors by offering various services and information apart from e-commerce, often as loss-leaders to drive revenue from e-commerce. Paddle8 and Auctionata, both online-only auction platforms, show very close sales results with nearly identical visitor numbers, with the main difference between them being geographic, with Paddle8 more focused on US visitors and Auctionata attracting a greater share from Europe.

The table also shows the growing importance of auction consolidators for generating web traffic, with sites such as LiveAuctioneers and Invaluable commanding greater visitor numbers than major auction houses such as Christie's and Sotheby's.

⁴⁵ These statistics are derived from the two main web analytics databases, Alexa and Similar Web, which have each have their own measurement and accuracy issues, as much like a survey, they are providing a large sample of data from the universe of global websites currently existing. Besides these issues, the statistics show a snapshot at a point in time only (extracted at the end of 2014), and it is important to note that some of these indicators change rapidly with key events and other catalysts.

⁴⁶ Global rankings are from the Alexa database. These were compared with other web analytical databases such as Similar Web, and several differences were found, particularly for smaller sites, however the overall ranking within the group was fairly consistent.

Table 5b. Website Rankings by Traffic

1P Retailers	Global Rank	US Rank	Global Daily Reach	Estimated visits November	Most visitors from
art.com	10,944	3,065	346,075	2,600,000	US 70%
artspace.com	82,586	23,757	48,572	310,000	US 62%
gagosian.com	106,682	31,622	39,161	350,000	US 54%
20x200.com	250,990	30,917	12,447	140,000	US 82%
lumas.com	271,419	191,737	11,536	70,000	US 26%
artists.de	578,390	na	5,768	15,000	Germany 55%
seditionart.com	583,424	224,244	5,464	55,000	US 36%
artuner.com	587,846	1,071,354	3,643	5,000	UK 29%
artstar.com	630,815	167,058	4,554	20,000	US 60%
eyestorm.com	700,221	588,274	4,250	30,000	UK 42%
exhibitiona.com	841,641	261,556	3,643	25,000	US 69%
thegreyarea.com	892,779	141,436	2,884	25,000	US 83%
blindspot.com	2,004,767	785,169	1,184	7,000	US 76%
3P Retail Marketplaces	Global Rank	US Rank	Global Daily Reach	Estimated visits November	Most visitors from
amazon.com	7	3	280,776,456	1,000,000,000	US 72%
ebay.com	21	7	91,436,770	711,500,000	US 64%
etsy.com	153	38	16,138,043	69,100,000	US 65%
1stdibs.com	15,614	4,331	264,110	1,900,000	US 71%
saatchiart.com	16,117	11,263	227,681	1,300,000	US 37%
artsy.net	23,226	7,730	177,591	1,400,000	US 53%
artfinder.com	81,665	48,967	45,233	360,000	UK 44%
artsper.com	209,917	933,338	15,482	70,000	France 79%
artsicle.com	334,158	170,662	9,107	30,000	US 75%
lofty.com	368,401	82,184	9,411	70,000	US 82%
ocula.com	502,773	445,621	6,071	35,000	US 24%
artviatic.com	1,545,910	na	1,821	10,000	US 74%
artsation.com	4,668,023	na	455	7,000	Germany 27%

Auction Platforms	Global Rank	US Rank	Global Daily Reach	Estimated visits November	Most visitors from
Bricks-and-Clicks					
christies.com	16,886	9,254	236,788	1,600,000	US 44%
lauritz.com	20,931	131,506	145,716	1,200,000	Denmark 67%
ha.com	25,429	8,712	137,519	840,000	US 84%
sothebys.com	25,683	13,583	154,520	1,000,000	US 43%
bonhams.com	32,567	22,934	131,144	700,000	US 40%
phillips.com	107,834	45,650	35,518	240,000	US 52%
Online-Only Auction Platforms					
artnet.com	11,731	4,570	397,683	2,800,000	US 55%
artprice.com	27,808	40,394	124,769	540,000	France 30%
paddle8.com	88,787	24,325	45,233	290,000	US 65%
auctionata.com	89,407	61,833	45,536	300,000	US 33%
lotprive.com	375,254	744,919	8,804	35,000	France 62%
drouotlive.com	631,717		6,679	45,000	France 82%
Auction Consolidators					
liveauctioneers.com	12,832	5,048	273,217	1,800,000	US 70%
invaluable.com	21,055	8,325	173,948	1,200,000	US 58%
the-saleroom.com	25,295	104,909	110,198	480,000	UK 74%
barnebys.se	385,373	1,375,186	10,322	130,000	Sweden 83%
barnebys.co.uk	416,268	218,979	8,804	35,000	UK 27%
igavelauctions.com	449,424	168,828	6,679	45,000	US 83%

©Arts Economics (2015) with data from Alexa and SimilarWeb



Website traffic is crucially important for online art sellers. However, equally if not more crucial, is user engagement, as measured by the number of pages visited and time spent on the site. User engagement depends on a positive user experience and some form of value proposition (for example, information, content, or access to a broad or unique selection of works for sale) that encourages users to linger on the site, browsing, learning about art and antiques and, ultimately, in the case of e-commerce, making a purchase.⁴⁷

Website traffic figures reflect the number of unique visits to a site, while the average number of page views per user can indicate their level of interest and engagement. A higher number generally indicates that the average visitor goes deeper into the site's content, which could imply a greater level of interest in the inventory or information on offer, or greater perceived utility from the site. Similarly, the average time spent on a site is also a measure of user engagement, and as a rule indicates that visitors have a greater interest in the company and are more prone to use their services. Bounce rate is a similar (inverted) measure, indicating the share of visitors that leaves the site after only viewing one page.

In terms of the length of time spent and pages viewed, Artuner scored by far the highest of the 1P

retailers, with visitors spending more than half an hour on the site on average. It is interesting to note that this site scored considerably lower for visitor traffic than sites such as Gagolian.com, which had 70 times more visitors but a much lower depth of engagement, with an average of less than 2.5 minutes spent on the site per visitor. Artspace was the next highest ranking for time spent on the site, although the pages viewed per user was less than Art.com, which ranked just below them in terms of time spent.

Again, among 3P retail marketplace, the metrics for Amazon, eBay and Etsy, are given only as a point of reference, given their high levels of user engagement, but they cannot be used for direct comparison since they are not specific to art. Finally, it is interesting to observe that 1stdibs and Saatchi Art, the art and antiques-based sites with the greatest depth of offerings in 2014, were also those with the most visitor traffic.

Lauritz scored the highest among the bricks-and-clicks, traditional offline auction companies selling online, with visitors spending about twice as long on the site on average than Christie's and Sotheby's. Heritage auctions also scored highly in terms of time spent and pages viewed, while Paddle8 led the online-only auction companies. Despite ranking third in terms of traffic, ATG's the-

⁴⁷ While this applies to most of the companies discussed that sell art objects, some of the new and innovative business models used by the newer companies mentioned and those still in development are focusing on monetizing such user engagement beyond funneling it into the purchase and sale of art objects which they believe will hold the key to truly disruptive innovation in the online art space.

Table 5c. Website User Engagement

1P Retailers	Page Views/ User	Bounce Rate	Time on Site (Minutes)	3P Retail Marketplaces	Page Views/ User	Bounce Rate	Time on Site (Minutes)
artuner.com	19	8%	31:16	ebay.com	14	21%	12:37
artspace.com	4	44%	08:40	amazon.com	11	26%	10:37
art.com	6	37%	05:33	etsy.com	11	25%	09:42
thegreyarea.com	5	34%	04:51	1stdibs.com	4	42%	07:04
lumas.com	5	33%	03:41	saatchiart.com	7	37%	06:38
20x200.com	5	39%	03:18	artfinder.com	6	32%	05:40
seditionart.com	3	43%	03:02	artsy.net	4	45%	04:11
exhibitiona.com	3	32%	02:23	lofty.com	3	45%	03:48
gagosian.com	3	39%	02:21	ocula.com	4	47%	03:43
artstar.com	4	42%	02:20	artsper.com	5	37%	03:24
eyestorm.com	3	44%	01:45	artsicle.com	5	40%	03:17
artists.de	3	51%	01:36	artviatic.com	2	57%	03:11
blindspot.com	3	39%	00:48	artsation.com	2	62%	01:16

saleroom.com showed by far the deepest user engagement, with time spent on the site close to double that of Invaluable and LiveAuctioneers, and the highest page views per user of any of the online art-related sites across all categories.

Although there are differing views regarding the importance and efficacy of social media in driving sales in the art trade (particularly at the high end),

it has proved to be an important facet of reputation building for new companies (and for the artists and makers on behalf of whom they sell), particularly those engaging with new audiences and with buyers new to the art market.

The importance of social media varies widely between companies. In general, website traffic generated from social media is low, and search

Table 5c. Website User Engagement (continued)

Auction Sellers	Page Views/ User	Bounce Rate	Time on Site (Minutes)
Bricks-and-Clicks			
lauritz.com	15	22%	08:37
ha.com	8	33%	07:09
sothebys.com	5	40%	04:56
christies.com	5	42%	04:30
bonhams.com	4	50%	04:10
phillips.com	4	40%	03:50
Online-Only Auction Platforms			
paddle8.com	4	38%	05:44
artprice.com	8	30%	04:51
auctionata.com	4	45%	04:10
artnet.com	3	58%	02:47
Auction Consolidators			
the-saleroom.com	24	16%	13:22
liveauctioneers.com	8	41%	07:08
invaluable.com	7	37%	07:05
igavelauctions.com	4	40%	04:14
lotprive.com	3	41%	03:16
barnebys.co.uk	2	41%	02:58
drouotlive.com	1	52%	01:46
barnebys.se	2	54%	01:41

©Arts Economics (2015) with data from Alexa and SimilarWeb

accounts for a much larger share in the majority of cases. The most liked sites on Facebook were Saatchi, Art.com and the much smaller company, s[edition], while larger companies such as Gagosian were more effective via Twitter. Among 3P marketplaces, Artsy and Artfinder have developed strong presences on Twitter, while Lofty and Artsper have built a significant profile on Facebook.

Artnet is by far the leading presence in the online auction sector on Twitter, followed by Christie's, Heritage and Paddle8. However the table shows that generally the auction sector (especially the consolidators) has used social media much less than the others.

While social media data may interest or reassure visitors to a site, it is important to realise that in any comparison, many of the social media scores can be significantly manipulated (with considerable incentives for doing so). Many questionable and underground services exist for buying likes and followers, and companies can legitimately buy likes via purchasing targeted Facebook advertising, which can make a new company appear to have huge popularity despite very little genuine interest.

Table 5d. Website Reputation and Use of Social Media⁴⁸

1P Retailers	Traffic from Social Media	Traffic from Search	Facebook Likes (thousand)	Twitter followers (thousand)
artstar.com	10%	5%	2.4	1.5
eyestorm.com	8%	42%	2.9	1.6
seditionart.com	8%	36%	524.6	2.6
20x200.com	7%	9%	28.9	24.7
artspace.com	6%	44%	64.3	113
artists.de	4%	79%	-	-
artuner.com	3%	3%	3.2	0.4
art.com	2%	38%	337.7	24.3
thegreyarea.com	2%	27%	3.0	1.5
gagosian.com	1%	54%	84.8	185
lumas.com	1%	33%	2.4	9.1
blindspot.com	na	16%	8.3	6.7

3P Retail Marketplaces	Traffic from Social Media	Traffic from Search	Facebook Likes (thousand)	Twitter followers (thousand)
etsy.com	12%	25%	1929.4	2,460
artfinder.com	11%	20%	180.1	48.9
saatchiart.com	9%	29%	366.4	89.3
artsper.com	8%	49%	38.7	2.6
artsy.net	6%	36%	44.4	131
ocula.com	5%	59%	4.4	1.4
1stdibs.com	4%	52%	32.6	10.2
artviatic.com	4%	5%	4.4	8.8
artsicle.com	3%	30%	9.4	9.0
amazon.com	2%	24%	26132.8	1,650
lofty.com	2%	34%	15.7	1.6
ebay.com	1%	21%	7873.4	462
artsation.com	1%	80%	27.5	1.8

202

⁴⁸ Note that Facebook likes were taken directly from Facebook as the data from the web analytics companies proved to be inconsistent with the data reported on Facebook. These numbers change daily and are only meant to be used to compare companies at a point in time (January 2015). They also report only the company's/ site's main Facebook page. Similarly the number of Twitter followers were taken directly from Twitter in January 2015.

Auction Platforms	Traffic from Social Media	Traffic from Search	Facebook Likes (thousand)	Twitter followers (thousand)
Bricks-and-Clicks				
phillips.com	4%	34%	20.7	24.6
sothebys.com	3%	54%	109.7	48.7
christies.com	3%	58%	118.8	65.7
bonhams.com	3%	57%	2.1	20.1
lauritz.com	2%	32%	28.6	0.3
ha.com	1%	26%	47.0	55.6
Online-Only Auction Platforms				
artnet.com	17%	48%	115.3	728
auctionata.com	2%	16%	29.6	0.3
paddle8.com	9%	24%	33.4	49.5
artprice.com	0%	55%	255.9	13.4
Auction Consolidators				
lotprive.com	4%	70%	1.5	0.3
invaluable.com	1%	34%	32.1	1.1
liveauctioneers.com	1%	45%	11.6	1.3
the-saleroom.com	0%	20%	3.6	2.8
drouotlive.com	0%	31%	30.5	3.3
barnebys.co.uk	0%	20%	1.3	0.6
barnebys.se	0%	83%	3.3	0.3
igavelauctions.com	0%	19%	1.1	0.6

©Arts Economics (2015) with data from Alexa, SimilarWeb, Facebook and Twitter

203

5.5 E-Commerce in China

The analysis in the chapter has concentrated largely on the Western online art market. However it is important to note that China's online art and antique sales have also been developing significantly in recent years. To provide some context, China has the highest number of internet users in the world, with an estimated 632 million in 2014 (versus 277 million in the US) and the value of the e-tailing market was estimated as being \$295 billion (7% to 8% of offline retail) versus \$270 billion (6% of retail) in the US.⁴⁹

It is estimated that the turnover of online art businesses based in Mainland China was in the region of 2 billion RMB (€244 million) in 2014. While there were many new sites launched that year, total turnover was relatively stable on 2013, as many of the new and established sites were primarily focused on achieving new rounds of financing and investment rather than on market expansion.⁵⁰

There are thousands of sites selling lower end art, reproductions, collectibles and antiques in China. The seven main sites for e-commerce in 2014 are listed in Table 5e. All of the sites tend of sell across several categories related to art, luxuries and various collectibles, while some, such as Taobao and Gome, sell across a wide range of industries, with art being a relatively small segment of their online marketplace.

Most companies pursue a hybrid model, with online auctions, 1P and 3P retail. For example, Hihey runs timed online auctions (with the majority of sellers being artists), while also retailing fine and decorative works from eight galleries. Around 90% of the sellers in the Chinese fine art e-commerce market are artists, which is due in part to the still relatively small gallery infrastructure in China, and the consequent lack of alternative points of connection to collectors and the public. The predominance of artists' sales tends to keep prices lower in the sector and it is estimated that in 2014, 50% of the works sold online in China were below 5,000 RMB (€610), and 70% of works were below 10,000 RMB (€1,220).

While most companies use a commission structure, some also rely on fees. Again, using the example of Hihey, sellers pay a 1,000 RMB service fee per year and 100 RMB for each image presented on their website. A large proportion of sellers are artists and some use their paintings to pay the fees, which Hihey in turn sell on their own account to the public. On top of fees, Hihey also charge commissions to both buyers and sellers (10% of the sales price for buyers and for sellers 30% for individuals and 50% for artists they represent). Like many other sites, they also run offline exhibitions (with associated fees of for sellers to participate). In order to attract more buyers and to earn the public's trust, almost every

⁴⁹ Data from Mc Kinsey's *Insights and Publications*, January 2015.
⁵⁰ For example, one of the leading online marketplaces, Hihey (hihey.com), which was founded in 2011, was successful in raising \$100 million in funds, although its sales remained relatively stable on 2013.

on-line business in China held offline exhibitions during 2014, and some have established regular exhibitions spaces in airports, shopping malls and other facilities.

Yidianchina, which was launched in 2012, acts primarily as an online intermediary for auction houses, and also offers third-party services bringing auction houses and online retailers together. In 2013 it teamed up with Poly International to hold a four-day online auction on Taobao, China's largest e-commerce platform, which is run by internet giant Alibaba. Taobao, which was founded by the Alibaba Group in 2003, has an inventory of some 800 million items across all categories (even larger than eBay with 550 million items) and 231 million active buyers. While most of the art works for sale on these and other sites are Chinese, there is evidence of more international exchanges in the last year, as interest in Western art among Chinese collectors slowly increases. In 2014, a Picasso print and an editioned sculpture by Salvador Dali were sold through Taobao. The works were sold on behalf of US-based Galerie Michael , with the Picasso selling for just over €150,000 and the Dali for about €46,600.⁵¹

In 2014, hundreds of businesses also began selling art through the social media site Wechat (Wechat Auction). The main companies include ART JieFu,

DaKaPaiMai, and ZhuoKe Arts, and experts estimate that the turnover of each of these exceeded €1.5 million this year, with commissions on sales averaging 5%. Like many of the Western sites, the focus is mainly on lower priced items, with 74% of the works sold by Wechat below 10,000 RMB (€1,220). The most expensive work sold in 2014 was by ART JieFu for 325,000 RMB or about €39,650. Some companies segment the market. For example DaKaPaiMai holds a day auction from Monday to Friday where works are usually sold for below 5,000 RMB / €610, while their Saturday night sale focuses more on established artists, with the prices ranging between 10,000 RMB to 100,000 RMB (about €1,220 to €12,200). Unlike their offline counterparts, buy-in rates at these auctions are very low, averaging around 10%, according to experts in the sector.

There are no specific regulations currently in place on online art businesses in China, and the market is plagued with the same issues of fakes and uncertain authenticity and provenance as in the offline market. However, under current Chinese law, all online buyers can return works with no specific reason within seven days of receipt. (However, they generally have to pay for their own shipping and associated costs.) There has also been an increased focus on the actions of online companies in relation to the artists on whose behalf they sell. In 2014, a legal action was taken by artists for the first time

⁵¹ China Daily Europe (2014) "Online Bidding for Picasso Print Starts at 1 Yuan", from www.europe.chinadaily.com.cn.

Table 5e. Web Analytics for China's Top Art E-commerce Sites

Metric	hihey.com	yidianchina.com	58art.com	zhaoonline.com	taobao.com	gome.com	artrade.com
Global Rank ⁵²	59,100	602,399	2,572,252	55,096	9	290	94,444
Global Reach	66,786	3,643	638	66,786	209.5m	11m	40,679
Rank in China	32,772	134,875	72,322	10,398	2	273	53,904
Page Views per User	3.9	12	7	5.5	9.54	4.24	4.1
Bounce Rate	12%	24%	na	12%	26%	6%	12%
Time on Site (mins)	02:18	08:47	13:14	03:48	09:15	05:37	03:13
Monthly	15,000	2,000	na	30,000	169m	1.5m	10,000
% Traffic from China	62%	54%	na	82%	68%	92%	44%
Traffic from Search	38%	73%	na	13%	6%	29%	49%
Traffic from Social Media	1%	0%	na	0.02%	2%	0.15%	0%

©Arts Economics (2015) with data from Alexa, SimilarWeb

against an online company: 47 artists successfully argued a case of fraud and deliberate default on payment against Hihey. Besides signalling the growth in potential litigation in the sector, it also shows the increase in importance of social media in China, which has to date been relatively limited compared to Western markets, due to limited access and use.

5.6 Conclusions and Outlook

The online art trade has grown considerably in the last decade. E-commerce has not only contributed more sales for existing companies in the traditional

art market, but it has also added an entirely new layer of sellers and intermediaries.

Looking forward, there are likely to be continued innovations in the sector. In 2013 and 2014, new players have begun to explore business models that assist artists in changing the mode of consumption of art, as opposed to merely seeking to intermediate and bring online efficiency to the market for buying and selling art objects. Flatscreen monitors and other screens are likely to become a more common way of consuming visual art, particularly for segments such as photographs and digital art.

⁵² Global rank is taken from Alexa, however as all of the sites rankings for China were not available, rank in China is taken from Similar Web.

There are several practical reasons for the potential increase in popularity of screens, such as the ability to rotate images on a wall by simply pushing a new image to a screen instead of having the burden of printing, framing and installing a new physical print. Important also is the rapid and continually improving display quality, with 4K screen resolutions already rivalling those of a 300 dpi print.

In 2011, s[edition] was one of the first noteworthy players to explore a platform for pushing art to screens, but its business model remains tied to the buying and selling of editioned art objects (albeit digital ones) and hence the economics of the traditional art market. Other new players have also begun to explore the display of art on screens as opposed to traditional media (Artkick, ArtLens, Depict, Electric Objects, Second Canvas) and innovative new economic models this can allow, for example, streaming or subscription to art as a service, as opposed to the purchase and ownership of art objects, drawing parallels to recent transformations in digital consumption in other industries such as music and film (via Netflix, Pandora, Spotify).

These new companies provide a further level of democratization of art, as they are targeted at mass-market audience, while leaving the traditional offline market to its own devices. The streaming of art as a service would not displace the collector spending

on high-end art works or attempt to intermediate in transactions, as is currently the model of many online sellers, but rather act as a further layer, complementary to traditional art sales and to the popularization of contemporary art in general.

In the current online market, the sale of art objects online offers key advantages to buyers including convenience, efficiency, transparency, and access to a broader range of offerings in terms of both variety and geography. Many buyers find the process of buying online more convenient and less intimidating than buying from a gallery or attempting to bid at a traditional auction. Excluding the 13% of dealers who were undecided, the majority (65%) of dealers surveyed in 2014 felt that the internet and online sales were having a positive influence on the art market, and 73% felt that their online sales would increase in future. Many noted that adapting to new technologies and adjusting to sales through multiple channels, including online, was one of the main challenges they faced over the next five years. While many saw the potential for selling online as a positive trend, some feared that it could increasingly phase out the need for multiple intermediaries, hence undermining the role of dealers.

There are still many factors that currently deter or limit buying art online, which are difficult to overcome. Both dealers and collectors have



highlighted the issue of the subjectivity of art purchases, with buyers feeling that they need advice and decision-making based on discussion and contact. This works against more online sales which are more anonymous and less personal. Many feel that the need for guarantees with the sale of art and antiques requires personal contact. Many of the dealers surveyed thought that buyers needed to see them in person and discuss issues such as provenance and authenticity, and that there was still some lack of trust with unknown online sellers. A number of collectors and those within the art trade also remain uncomfortable buying from an image and without physical inspection. Accordingly, issues related to the condition, attribution, scale and quality of some works remain a challenge for online sales.

These issues can nonetheless be dealt with online in the same manner as offline: by way of reputation and branding. When somebody buys an expensive Chanel handbag online, they are comfortable in doing so because they trust the Chanel brand. The same applies to art, and indeed collectors routinely purchase expensive works of art sight-unseen via email or jpeg from well-known, “branded” dealers. Similarly, Christie’s and Sotheby’s branding and credibility represent a monumental competitive advantage in e-commerce relative to the new online-only companies.

Some collectors were also uncomfortable with, or failed to see the value, of buying online, with worries over aspects of the transaction such as paying large sums online, shipping, insurance and returns. These factors are dealt with by individual companies in varying ways. Returns policies differed widely in the companies surveyed in 2014, from full returns with shipping, to no returns whatsoever. Commonly, returns are paid for if a work is damaged or there is a problem with an order, whereas the buyer pays the return costs if there is simply a change of mind post-purchase. As shipping costs at the high-end of the market can be considerable, it is easy to see why buyers remain concerned that they may not like a work as much “in person” and wish to view it first. Many of the intermediaries and consolidators also leave the returns policies to the sellers themselves, which presents a lack of clarity to buyers. Meanwhile, companies such as eBay are leveraging their “Money Back Guarantee” policies as a key selling point to attract buyers.

Despite the rising ceiling of prices paid online in the last two years, it is generally accepted that, above a certain threshold, values are too high for e-commerce to work effectively, and that it works best for lower-value and hence lower-risk purchases. A key factor keeping works offline at the high-end is also the need for discretion and privacy, as well as the mechanisms of economic “signalling” and the

intense social aspects inherent to such purchases . The marketing of top works is more complex than merely making them readily available for click-to-purchase by anyone at a transparent price, which is the case for commoditized goods. Some dealers pointed out that the more exceptional the work being sold, the more exclusively they worked with a small number of clients, and the less they wanted to reveal it to a mass global audience by making it available for sale online. Similarly, wealthy vendors often want to keep the details of what they are selling and when very private, which works against online sales.

Some of the key future challenges, as reported by art e-commerce companies in 2014, relate to finding the “winning business model” for extracting the most revenue from web traffic and users. Many also cite simply establishing a solid reputation and building traffic as being their key challenge, with buyer scepticism resulting in a lower number of sales and sales at lower price points. Some respondents noted that, once buyers had bought once through their site, repeat business was more common, and this presented prospects for future development if they could ensure that the first round buying experience remained very positive.

The development of the online art space is very much themed towards the democratization of art, bridging the gap between the elite world of top

collectors and the general public, and making art more accessible (a trend also visible offline with, for example, museum exhibitions increasingly seeking to appeal to a broader public audience, as opposed to merely the art world cognoscenti). While the highest spending, top collectors of art may not need any alternatives to the top auction houses and galleries, for art buyers below this level, the online space makes art more accessible, through 1P retailers, 3P retail marketplaces, auction platforms or art on screens.

Companies such as Artsy, Paddle8, VIP Art Fair and s[edition] have valiantly attempted to find online business models which would disrupt the art world. What they have in common, like most other online art players (until very recently), is their aim of challenging the offline market for the buying and selling of art objects by bringing that same market online.

However, most of the value in recent years in the offline market is generated at the top end of the market by leading auction houses and branded dealers. Companies such as Christie's, Sotheby's, Gagosian and others currently function as sales intermediaries, and have to date not required new “meta-intermediaries” to broaden their reach online more than they already have achieved on their own account. This has necessarily limited the size (in

value terms) of the online market compared to the traditional offline market. Many companies have essentially become internet intermediaries to the incumbent offline intermediaries, and mainly at the lower ends of their markets. The value proposition of most of the current e-commerce companies in the art market is therefore centred on intermediating and bringing online efficiency (in transaction and the flow of information), transparency and liquidity to the offline art market.

The online market has also failed to rival sales via art fairs as an alternative to the traditional choice of gallery versus auction. Projects such as VIP Art Fair attempted to leverage the efficiency and convenience of e-commerce while retaining the sense of urgency of an art fair with the time-limited nature of offerings, and personal contact with dealers via Skype. Despite art world buzz and the participation of a broad range of galleries, VIP saw significant visitor traffic, but was unable to generate a level of sales to satisfy the stakeholders involved, and it was dissolved after two editions (its mailing list sold to Artspace).

It seems likely therefore that, while the volume of works sold online is likely to grow considerably and become more competitive vis-a-vis offline sales, the online channel will remain a smaller channel, in terms of value, for buying art compared to offline.

While the online space has been very successful so far in capturing sales in the mid and lower segments of the market, the market for the highest priced works still very much remain in the domain of offline auction houses and dealers. If this segment of the market were ever to migrate online, the competitive impact of the online art space would be much more considerable than it is at present.

THE DEVELOPMENT OF THE ONLINE ART SPACE IS THEMED TOWARDS THE DEMOCRATIZATION OF ART AND MAKING ART MORE ACCESSIBLE

CHAPTER 6

ECONOMIC IMPACT OF THE ART MARKET

ECONOMIC IMPACT OF THE ART MARKET

Key Findings

- The art market in 2014 was made up of some 309,000 companies around the world, most of them small businesses, employing an estimated 2.8 million people.
- It is estimated that close to 2.4 million people were employed worldwide in the dealer sector in 2014 in about 295,000 businesses.
- The auction sector was made up of close to 14,000 businesses employing an estimated 448,000 people.
- The global art trade spent €12.9 billion on a range of external support services directly linked to their businesses in 2014. These expenditures were estimated to support at least 315,745 further jobs.
- Art fairs were again the second largest item of expenditure at €2.3 billion or 18% of the total, despite only being incurred by dealers.



The €51 billion in annual sales in the art and antiques market was generated by some 309,000 companies around the world, most of them small businesses, employing an estimated 2.8 million people. Total art market sales, which are very conservatively estimated for the purposes of this report, are not much greater than the annual revenues of Google, and less than half that of a major car company such as Ford or Daimler.⁵³ However the impact that the art market has on the global economy is much greater in proportion to its revenues. Art markets around the world make a very significant economic contribution to employment, the nurturing of specialist skills, the support of adjacent industries, as well as supplementing government budgets in taxes and charges on sales, income and trade. The art market also significantly enhances the cultural value of a nation, which brings many valuable and measurable indirect benefits to the economy and society. The value added by the sector comes both from the businesses directly engaged in the industry and through a range of specialised ancillary services that it supports, as well as through multiplier effects throughout economies.

6.1 Employment

Dealer Sector Employment

It is estimated that close to 2.4 million people were employed worldwide in the dealer sector in 2014 in

about 295,000 businesses. Most art and antique dealers are small to medium sized enterprises, both in terms of turnover and employment numbers. The average number of employees per business from the global survey in 2014 was eight (versus seven in 2013), with a stable median of five. 24% of those surveyed worked as sole traders or in a partnership of just two people, and 22% had ten employees or more (up to a maximum of 150). As in previous years, fine art dealers tended to employ greater numbers with an average of nine versus four in the decorative art and antiques sector.

There were also some differences in averages between countries. Most of the mature, larger art markets tended to be around the global average (eight in the US, UK and Germany and seven in France), while newer art markets tended to have higher numbers (such as 13 in China and 15 in Brazil). Some smaller markets in Europe especially tended to have smaller averages, such as between three and five in Spain, Austria, Belgium and the Netherlands.

After a difficult few years, employment has stabilised in the sector to some extent, and the majority of businesses (75%) kept numbers employed steady in 2014. 18% increased the numbers employed over the year, on average by one person, while 8% (all in Europe and China) saw numbers decrease.

⁵³ Google reported revenues of \$55 billion in 2013, and employed just less than 50,000 people in 2014. Ford generated \$147 billion with 181,000 employees and the Daimler Group €118 billion with 274,616 employees.

Employment within the dealer sector in 2014 was balanced by gender, with 51% female and 49% males. This is a closer gender balance than averages in the mainstream labour forces in many countries, which tend to show varying degrees of male dominance (for example the US reported 47% females in employment over the age of 16 years in 2014 and the EU was 45%).⁵⁴

In terms of employment status, the dealer sector averaged 75% in full time employment in 2014, with 25% part-time or temporary positions, virtually unchanged year-on-year. This is slightly higher than many regional averages in 2014, such as the OECD (17%), the EU (20%), and the US (22%).

In general, dealers are very well educated with a high level of formal, third-level qualifications. In 2014, 73% of those employed in the dealer sector globally held a university or third level qualification, up 1% on 2013, and remaining consistently high over the eight years that have been surveyed. In 47% of the businesses surveyed, all employees held third level degrees. As in 2013, the countries with the highest levels of graduates were the US and China (averaging 88% and 100% respectively), while there were also above average levels in France and Germany, at around 84%. These levels of educational attainment are much higher than the general labour force in most countries. For example

in the US at the end of 2014, 33% of the labour force had a bachelor degree or higher, and the average in the EU was about 28% across all member states. In cultural industries generally, the level of tertiary qualifications is generally around 24% higher than the mainstream labour force.⁵⁵

Auction Sector Employment

The auction sector was made up of close to 14,000 businesses in 2014 and is multi-layered, consisting of small, medium and large enterprises, employing an estimated 448,000 people in 2014. The top-tier houses consist of both national companies and multi-national global enterprises such as Christie's and Sotheby's, while the second and lower tiers are predominantly smaller companies operating locally.

In 2014, the largest top tier auction houses employed between 250 and 2,450 people worldwide, and most reported numbers staying stable year-on-year or increasing. For the multi-national top tier houses, the biggest locations for employment were the US and UK, with relatively equal shares of employment which aggregated to around three quarters of all employees worldwide. Chinese and Asian employees also made up more than 12% on average in this tier (except in the Chinese top tier houses where employment is mainly locally based in Hong Kong and Beijing).

⁵⁴ General labour market data for the US is from the US Bureau of Labour Statistics. Data for the EU is from the *Eurostat Labour Force Survey* and OECD statistics are taken from their various databases at oecd.org. The art market is also much more gender balanced than many multi-national corporations: using the Daimler example again, there were just 15% female employees in 2013, while Google had 30% in 2014.

⁵⁵ European Commission (2011) *Cultural Statistics*. Eurostat: Brussels.

The survey of second tier houses indicated that the average number of employees in 2013 was 32 people. The majority (59%) had kept employment numbers stable year-on-year, while 35% had increased in size (by one person on average) and 6% had decreased. Nearly all of the auction houses surveyed were located primarily in one country, where the majority of employees were based, although a small number had offices or facilities in up to three countries.

The top tier auction sector tends to be female dominated, with 66% female employees in 2014, up 3% on 2013. However, the second tier showed rates more like the general labour force, with 48% females (down from 56% in the survey in 2013). There was a high rate of full-time work in the top tier sector, with just 12% part-time workers in 2014, up 3% on 2013. Part-time work was higher in the second tier houses with an average of 25%, down just 1% on 2013, having fallen from a high of 47% in 2009.

Employees in the auction sector as a whole also tend to be well educated. In the top tier auction houses, the share of employees with a university degree or equivalent tertiary level qualification has measured over 90% in recent years, while in the second tier houses, it was 58% in 2014, (up 8% on 2013) and well above the general labour force in most regions.

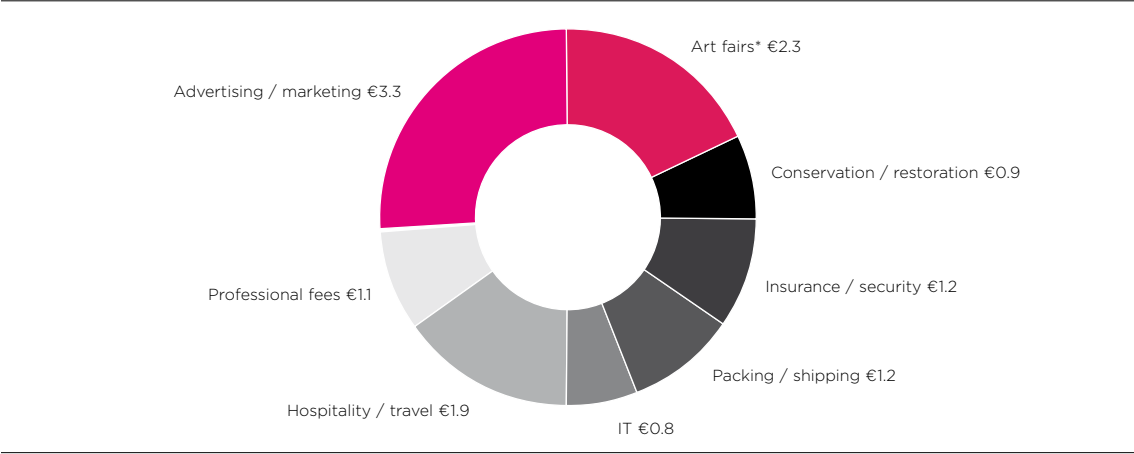
6.2 Ancillary Economic Impact

As well as generating 2.8 million knowledge-intense and gender-balanced jobs directly (in auction houses, dealers outlets and galleries), the art market also creates significant revenue and jobs through a number of ancillary industries and support services used by auctioneers, dealers and collectors. Many of these services are from highly specialized, niche industries that have developed specifically around the art market, and some, such as conservation and restoration, would find it hard to survive without it. Others such as packing, shipping, insurance and other professional services are used in other industries, but have developed into high value niche services to meet the specialized needs of buyers and sellers in the art market. The fortunes of these industries are therefore closely connected to the performance of the art market as a whole.

In 2014, it is estimated that the global art trade spent €12.9 billion on a range of external support services directly linked to their businesses. Total spending increased 7%, year-on-year, with substantial increases by dealers and top tier auction houses, while second tier auction houses' spending declined.

Figure 6a reveals how this expenditure was divided between different industries and services. There was little change in the ranking of spending year-on-year. The largest item of expenditure by the art

Figure 6a. Spending by the Global Art Trade on Selected Ancillary Services (2014, Billion Euro)



© Arts Economics (2015) *Spending by dealers only

trade was again on advertising and marketing at €3.3 billion, up 5% year-on-year and accounting for a stable share of 26% of total spending. In this category, auction houses had by far the largest share of spending, accounting for 72% of the total.

Art fairs were again the second largest item of expenditure, at €2.3 billion or 18% of the total, even though this spending was only incurred by the dealer sector. Spending reported by dealers on art fairs increased by 28% year-on-year, and accounted for one third of all their ancillary spending in 2014.

IN 2014, THE GLOBAL ART TRADE SPENT €12.9 BILLION ON EXTERNAL SUPPORT SERVICES

The next highest area of aggregate expenditure was on hospitality and travel at €1.9 billion or 15% of the total, and showing the biggest rise on aggregate year-on-year, increasing by 38%.

Table 6a examines ancillary sales and employment generation by the global art and antiques trade. In 2014, based on average sales per employee in a range of similar service industries, it is estimated that the €12.9 billion in revenues generated in ancillary industries by the art trade directly supported at least 315,745 jobs.

Besides the direct economic contribution of art businesses and support services, the art trade also has many positive links to other high value sectors in the economy, such as other cultural industries, tourism and finance.

Cultural tourism has been the most obvious example of the market's indirect contribution, as major events like exhibitions, art fairs and auction sales, continue to attract large numbers of high spending tourists to key art hubs. The World Tourist Organisation claims that cultural tourism represents between 35% and 40% of all tourism worldwide, and that it is growing at three times the rate of growth of general tourism. The World Travel and Tourism Council estimated that the tourism industry as a whole would contribute \$7.3 trillion

Table 6a. Ancillary Expenditure and Employment Generated by the Art Trade in 2014

Services	Revenue (€m)	Employment Generated
Advertising / marketing	€3,333	81,282
Art Fairs	€2,442	59,565
Conservation and restoration	€942	22,967
Insurance and security	€1,202	29,310
Packing and shipping	€1,218	29,716
IT	€832	20,291
Hospitality and travel	€1,879	45,832
Professional fees	€1,098	26,781
Total	€12,946	315,745

© Arts Economics (2015)

to world GDP in 2014 (or over 9%), supporting 274 million jobs. It is also one of the fastest growing sectors, outpacing growth in world GDP and expected by 2024 to account for close to \$11 trillion and nearly 350 million jobs globally, or about 10% of the world economy in terms of both GDP and employment.⁵⁶ The art market and cultural industries are hugely important in promoting cities as destinations for cultural tourism which provides significant jobs, revenues and fiscal contributions to national governments.

⁵⁶ Statistics from the World Travel and Tourism Council (2014) *Economic Impact of Travel & Tourism 2014. Mid-Year Update, October 2014.* From www.wttc.org.

While the growth in the online channel is having a marked effect on sales in some segments, art fairs still account for a much larger share of aggregate sales in the art market. Such events bring a surge of wealthy visitors into a city, spending much more than average tourists. Even the rapidly advancing art fair visitor numbers are dwarfed by the millions who visit exhibitions in museums and other cultural institutions on a daily basis around the world. It was estimated in 2014 that the top ten museums worldwide alone attract some 55 million visitors annually.⁵⁷ A strong arts infrastructure has also been shown to be critical for attracting investment and key skilled labour to a region, as well as having a core, but more immeasurable, role in building the cultural fabric of a nation and ultimately helping to shape its social progress and development.

Although the global turnover of the art market may be relatively small by comparison with other economic sectors, its nature (with a preponderance of small to medium sized enterprises widely spread geographically, high levels of ancillary expenditure and art's attraction to a wider visitor audience) significantly magnifies its economic impact.

⁵⁷ The Art Newspaper Special Report Spring/summer 2014: *Visitor Figures 2013.*

IN 2014, THE REVENUES GENERATED IN ANCILLARY INDUSTRIES BY THE ART TRADE DIRECTLY SUPPORTED AT LEAST 315,745 JOBS

APPENDICES



APPENDIX: A NOTE ON DATA SOURCES

Due to the complex nature of the art and antiques market, information presented in this report comes from a wide range of sources. All of the data is gathered and analysed directly by **Arts Economics** from dealers, auction houses, art and antique collectors, art price databases, financial and economic databases, industry experts and others involved in the art trade and its ancillary services.

Some of the key data sources are listed in this Appendix. This is not a full list of those used and does not provide a detailed explanation of the methodological approaches taken. However for more specific information or any queries on data or methodology, please feel free to contact Dr. Clare McAndrew, clare@artseconomics.com.

Auction Data

Auction data used in this report comes from 4 main sources:

1. Artnet

Global auction data is supplied by Artnet, which is the most reliable, transparent and comprehensive global source for auction data in this sector. The Artnet Price Database has over 9 million auction results spanning over 30 years, including a total of over 1,600 auction houses and over 300,000 artists. Every lot is catalogued, translated, and

edited by professional, multilingual specialists to ensure data accuracy and correct categorization. Artnet works directly with auction houses so that prices are posted on the same day of the auction for the major auction houses. Since 2013, Artnet has been working with the China Association of Auctioneers (CAA) to better screen auction houses from Mainland China and it only covers data from auction houses that have passed the CAA's annual evaluation.

The fine art database includes original paintings, sculptures, works on paper, photographs, prints and multiples, and installations. Original paintings, sculptures, works on paper, photographs, prints and multiples, installations with a known artist, and Contemporary mixed artist portfolios must have a minimum estimate of \$500 to be included. Artists with a qualified name, or artists known only by their initials, nationality, or period, or others that can not be specifically identified require a \$2,000 estimate for inclusion.

Artnet's decorative database includes 20th- and 21st-century Design objects with an artist and/or maker, furniture, silver, porcelain, ceramics, glass, rugs, carpets, clocks, books, jewellery, watches, and more. Similarly lots must have a minimum estimate of \$500 to be included.

2. AMMA

Both fine and decorative auction data for the Chinese art market is supplied by AMMA (Art Market Monitor of Artron). Artron.net was founded in 2000 as an interactive online community devoted to Chinese works of art. AMMA is a subsidiary of the Artron Group and conducts research, monitoring and analysis of the Chinese art market. It has the most comprehensive and reliable available database on the Chinese art market. The Artron Chinese Artwork Database has recorded nearly 3,700,000 results from over 15,000 sales from over 700 auction houses since the first art auction in China in 1993. The company supplies data-processing services, art appraisal and other price consulting services.

3. Auction Houses Published Results

Arts Economics collects data directly from the published auction results and press releases of auction houses throughout the world.

4. Auction House Survey

Arts Economics distributes two surveys in the auction sector: a top-tier survey of the top 20 auction houses worldwide, plus a second tier survey of around 450 national second tier auction houses.

Dealer Data

To compile data on the dealer sector, Arts Economics conducted an anonymous online survey

of approximately 6,000 dealers from the US, Europe, Asia, Africa and South America in 2014. Response rates varied between countries and sectors, but on aggregate came to approximately 13%.

Ideally, to analyse the market without bias, a random sample of all 295,000 businesses would be drawn and surveyed. However due to the private nature of the industry and the potential problem of low response rates from random sampling, a stratified sample was used, based on the populations of dealers belonging to art dealers associations throughout the world, those exhibiting at art fairs, and those in lists compiled with the help of experts in particular national markets. While the survey revealed dealers with a wide range of levels of turnover, by the nature of the sampling process, it is skewed towards the middle to higher end of the market and it does not account for the very large number of small businesses, consultants and other agents in the market which do not belong to associations or exhibit at fairs.

As in 2013, the survey was conducted in Mainland China both through the online survey and through in person interviews with more than 20 art galleries in Beijing. A series of supplementary interviews were also conducted with dealers around the world.

Trade Data

The two main databases used for international cross-border trade data are:

1. The UN Comtrade Database

The United Nations Commodity Trade Statistics Database (UN Comtrade) contains detailed imports and exports statistics reported by statistical authorities of about 200 countries, with data from the early 1960s to the most recent year. It is the most comprehensive trade database available with more than 1 billion records in 2013. The database is continuously updated. However, most countries’ statistics are only available with a lag of 12 to 18 months.

2. Eurostat

Eurostat is the statistical office of the European Union. Its international trade statistics track the value and quantity of goods traded between EU member states (intra-EU trade) and between member states and non-EU countries (extra-EU trade). Since customs formalities between member states were removed, data on intra-EU trade is collected via Intrastat. In the Intrastat system, data is gathered directly from trade operators, which send a monthly declaration to the relevant national statistical administration. These statistical authorities also collect extra-EU trade statistics from the relevant customs authorities each month, although reporting to Eurostat varies between Member States with lags of one to 18 months.

Online Data Sources

The research on the online sector was informed in part by a survey of about 45 online businesses selling art and antiques in 2014. This was supplemented by a series of interviews with those working in the online art space, collectors and other experts.

The two main databases used for web analytics were Alexa and Similar Web. There are many sources available and these two are commonly used and have amongst the widest coverage. There are weak spots in all of the web analytics databases due mainly to lack of coverage in certain areas, and small samples which lead to various limitations and inaccuracies. The data should therefore be only treated as a relative view of the companies presented at a point in time.

Secondary Sources

The report uses a large number of secondary sources (that are cited in the report). Some key sources used for data in the report included:

- The IMF World Economic Outlook (Database)
- Merrill Lynch and Capgemini World Wealth Reports (various years)
- Credit Suisse Global Wealth Databook (various years)
- Wealth-X and UBS UHNW and Billionaire Reports (2013 and 2014)
- World Top Incomes Database

APPENDIX: CURRENT INTERNATIONAL CONTEXT OF LEGISLATION REGARDING MOVABLE CULTURAL HERITAGE

Written by Marja Heese - Inspector Cultural Heritage at the Dutch Ministry of Education, Culture and Science.

Introduction

The trade in cultural goods is for many countries an important cultural, economic, social and political occurrence and is related to the significance that societies attribute to culture and cultural heritage. Objects in which is dealt with can be very exclusive, with combined high prices and a large geographical playing field. As there is a firm legal aspect to the trade in cultural goods, there is unfortunately also an illegal side. Many countries suffer the loss of their cultural heritage through theft, illegal excavation or unlawful export, especially for the fields of archaeology, religious artefacts and ethnology. This loss has a strong impact on both the history of a country and the cultural awareness of its people, as these objects are non-renewable by nature and, in the case of archaeology, a lot of information is lost when not properly excavated. It is therefore necessary to take legal and practical measures on a national and an international level in order to fight this loss. Due diligence, provenance issues and check on a possible unlawful origin of the goods are factors to keep in mind for buyers and sellers of cultural goods.

To give the reader more insight into the complex field of legal instruments and the coherent measures and obligations, this section gives an overview of the current international context of legislation regarding

movable cultural heritage, the legal situation in the Netherlands in this respect and some practical guidelines.¹

International context

Since the Second World War the development of legal instruments for the protection of cultural heritage moved rapidly. Especially the United Nations Educational, Scientific and Cultural Organization (UNESCO) has an important role and mandate in this as it strived for ‘a human-centred approach to development based on mutual respect and open dialogue among cultures which can lead to lasting, inclusive and equitable results’.² Six Conventions developed by UNESCO are devoted to cultural heritage of which half of them have been drafted in the past 15 years.

The first instrument UNESCO developed was the 1954 Convention for the Protection of Cultural Property in the Event of Armed Conflict with Regulations for the Execution of the Convention, and its (First) Protocol. The Convention, also called the Hague Convention, came into force on 7 August 1956. It is the first and only international multilateral instrument developed specifically for the protection of cultural property during wartime. The (First) Protocol to the Convention has provisions which contain issues as the position of the bona

fide purchaser, the role and scope of statute of limitations and the regulation of ownership issues by the State. But the most important aspect of the Protocol is the prevention of the export of cultural property from the occupied territory during an armed conflict.

An addition to the 1954 Convention and its Protocol came in 1999 with a new protocol which provides more protection for cultural goods in wartime and results from the many conflicts at the end of the 1980s and beginning of the 1990s, in Afghanistan, Cambodia, Iraq, Lebanon and Yugoslavia. This so-called Second Protocol to the Hague Convention can be seen as supplementary to the 1954 Convention with a scope that extends to also national armed conflicts.

The second cultural heritage instrument under UNESCO’s responsibility is the 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property, adopted on 14 November 1970. It is the pioneer and most broadly ratified international Convention (almost 130 States Parties) on the issue of illicit trafficking in cultural property. The Convention requires that cultural goods considered as an important component of national cultural heritage must be returned to their

country of origin if they have left the territory of that country unlawfully (theft or illegal export).

Whilst the 1970 Convention is the first international treaty dealing with protection of movable cultural heritage and illicit traffic, the UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects (Rome, 1995) is the second significant instrument, complementing the 1970 UNESCO Convention from a private law perspective. It is a self-executing Convention focusing on the recovery phase with uniform rules and conditions for restitution claims on all stolen cultural objects and return claims on illicitly exported cultural objects. One of the key principles of the UNIDROIT Convention is that ‘the possessor of a cultural object which has been stolen shall return it’, with the possibility of a compensation paid to the possessor of the stolen object where care was taken to avoid acquiring stolen cultural property. Another key principle of the Convention is that clandestinely excavated objects are considered to be stolen.

With the principle of a free market for persons and goods in the European Union, European legislation came into force in 1992/1993 regarding the import and export of cultural goods.³ The legal instruments are the Council Directive 93/7/EEC on the return of cultural objects unlawfully removed from the

¹ This article is based on several documents: Patrick J. O’Keefe and Lyndel V. Prott, *Cultural Heritage Conventions and other instruments, a Compendium with commentaries*, Institute of Art and Law, 2011; S.R.M. Mackenzie, *Going, Going, Gone, Regulating the Market in Illicit Antiquities*, Institute of Art and Law, 2005; N.M. van der Horst, ‘The Dutch Ratification of UNESCO: Implementation Acts and the Protection of Cultural Property’, in: *Art Antiquity and Law*, vol. XV, Issue 3, October 2010, pp 261-273; UNESCO Handbook Legal and Practical Measures Against Illicit Trafficking in Cultural Property, 2006; Neil Brodie, Jenny Doole and Peter Watson, *Stealing History: The illicit trade in cultural material*, Cambridge 2000.

² UNESCO website ‘Protecting our Heritage and Fostering Creativity’.

³ Both instruments are implemented in the Netherlands in the Cultural Heritage Preservation Act (1984/2002). A new Dutch Heritage Act is foreseen in which the international legislation is implemented. As regards the content of the international legislation no major changes are predicted. It is expected that the Heritage Act will be in force in 2017. Also foreseen is a recast of Council Directive 93/7/EEC into Directive 2014/60/EU of the European Parliament and of the Council of 15 May 2014 on the return of cultural objects unlawfully removed from the territory of a Member State and amending Regulation (EU) No 1024/2012. In the Netherlands the Directive will enter into force in the course of 2015. One of the changes laid down in Directive 2014/60/EU is the check on provenance and due diligence (stated in art. 10); the wording is comparable to art. 6 in the 1970 UNESCO Implementation Act (2009) and derived from art. 4(4) of the 1995 UNIDROIT Convention.

territory of a Member State and Council Regulation (EC) No. 116/2009 on the export of cultural goods. The Council Regulation standardizes the system of export licenses for all member states of the EU for temporary or permanent export of specific categories of cultural goods. The 15 categories (mentioned in Annex A to the Regulation) have different thresholds for financial value and age and apply not only to goods being permanently exported to a country outside the EU, but also to goods being temporarily exported, for restoration or for exhibition in a museum or at an art fair. The form of transport (baggage, through the post or cargo) across the border makes no difference. But one has to take into account that the object to be exported must be the property or in the lawful possession of the person who intends to sell, use or exhibit it in a country outside the EU. The Directive and Regulation are thus far the only legal instruments on a Community level intended to the fight against illicit trafficking in cultural goods.

The 1970 UNESCO Convention has led to several codes of ethics, like the *UNESCO International Code of Ethics for Dealers in Cultural Property* (1999) and the *Code of Ethics for Museums* developed by the International Council of Museums(ICOM).⁴ The main aim of the UNESCO Code is that professional traders in cultural property will not import, export or

transfer the ownership of this property when they have reasonable cause to believe it has been stolen, illegally alienated, clandestinely excavated or illegally exported. The need to investigate the provenance of the material in which is traded, is therefore significant and traders must actively examine the background of the objects they are offered and question the seller. This check can raise the reputation of the business and show that there is a real and serious effort to prevent damage and destruction by professional dealers in order to fight against the illegal trade and to promote a ‘clean’ art trade. Furthermore, it can contribute to the insurance for collectors that they did their best to ensure that the provenance of the object was legal.⁵

The ICOM has also developed several Red Lists for Antiquities at Risk to raise public awareness and prevent illegal export of vulnerable cultural goods, which are most likely to be illegally bought and sold.⁶

Iraq and Syria are countries which are currently in a conflict situation and suffer very heavily from almost irreparable destruction of built, movable and intangible heritage (safeguarded under the 2003 UNESCO Convention for the Safeguarding of the Intangible Cultural Heritage). In the Netherlands two Sanction Orders are in force (based on EU and UN measures) to facilitate the safe return

⁴ The Code was adopted in 1986 and revised in 2004.
⁵ UNESCO Document CLT/94/WS/11, http://www.unesco.org/culture/legalprotection/theft/index.html_eng/publication.htm.
⁶ See for an overview of the Red Lists: <http://icom.museum/resources/red-lists-database/>.

to the legitimate owners of goods constituting Syrian and Iraqi cultural heritage which have been illegally removed from these countries. It is prohibited to bring any cultural objects from Iraq or Syria into EU territory or, if they are already in the EU, take them out of EU territory. Furthermore, it is forbidden to trade in cultural property that is known or reasonably suspected to have been illegally removed from Iraq⁷ or Syria⁸. The list of categories with the corresponding customs codes is largely identical to the list in the Annex of Council Regulation 116/2009, though without the value thresholds.⁹

UNESCO, UNIDROIT, INTERPOL, the World Customs Organization, ICOM and other specialised IGOs and NGOs work closely together in the fight against illicit traffic in cultural heritage. For example, INTERPOL fights actively against the illicit traffic of cultural heritage by, notably, inviting police, the public and art and antiques dealers and owners to play an active role in the exchange of information, through in particular its Stolen Works of Art Database. This database makes it possible to check the possible unlawful origin of a cultural good.¹⁰ The access to the database is free of charge and enables potential buyers to perform ‘due diligence’ by checking on possible stolen items.

⁷ For Iraq the sanctions measures are laid down in Council Regulation (EC) no. 1210/2003 concerning certain specific restriction on economic and financial relations with Iraq (art. 3) and implemented in the Netherlands in the Iraq Sanctions Order (II) (2004). The prohibition does not apply to cultural property if it is proved that the property was exported from Iraq before 6 August 1990, or to property that is being returned to Iraqi institutions in accordance with the objective of safe return as set out in UNSC Resolution 1483 (2003).
⁸ The measures for Syria are laid down in Council Regulation (EU) No 1332/2013 of 13 December 2013 and in the Netherlands in the Syria Sanctions Order (2012). The prohibition shall not apply if it is demonstrated that (a) the goods were exported from Syria prior to 9 May 2011 or (b) the goods are being safely returned to their legitimate owners in Syria.
⁹ Further information on cultural objects which are at risk, can be found at the websites of the 1970 and the 1954 Conventions: <http://www.unesco.org/new/en/culture/themes/illicit-trafficking-of-cultural-property/emergency-actions/> and <http://www.unesco.org/new/en/culture/themes/armed-conflict-and-heritage/emergency-actions/>.
¹⁰ See <http://www.interpol.int/Crime-areas/Works-of-art/Works-of-art>. The access to the database is free of charge and enables potential buyers to perform ‘due diligence’ by checking on possible stolen items. In 2012 a modernization project was started which will be completed at the end of August 2015: Member States can modify information on stolen items easier and faster, the database is enlarged with data from the Italian database Leonardo (1 million records of stolen items) and the searches in the database will be simplified and speeded up by the provision of an image comparison tool.

PHOTOGRAPHS COPYRIGHT

Harry Heuts
Pages 16, 38, 62, 104, 108, 116, 122, 132, 142, 150,
182, 192, 208

Loraine Bodewes
Pages 14, 20, 44, 56 66, 74, 80, 154, 164, 174,
198, 214, 224



