

The Art Market 2020

An Art Basel & UBS Report

Prepared by Dr. Clare McAndrew
Founder of Arts Economics

Contents

| | |
|---------------------|----|
| Tables and Figures | 4 |
| Acknowledgments | 11 |
| Director's Foreword | 14 |
| Statement by UBS | 15 |

Key Findings 17

1 The Global Art Market in 2019

| | |
|--------------------------------|----|
| Key Findings | 28 |
| 1.1 Overview of Global Sales | 30 |
| 1.2 Global Market Share | 36 |
| 1.3 Regional Performance | 42 |

2 Dealer Sales

| | |
|--|-----|
| Key Findings | 54 |
| 2.1 Dealer Sales | 56 |
| 2.2 Prices in the Dealer Market | 66 |
| 2.3 Dealer Financing | 68 |
| 2.4 Buyers | 74 |
| 2.5 Artist Representation | 86 |
| 2.6 Numbers and Nationalities of Artists Represented | 88 |
| 2.7 Representation Structure and Artists' Stages | 96 |
| 2.8 Cross-Subsidization and Artists' Share of Sales | 102 |
| 2.9 Gender and Representation | 104 |
| 2.10 Gallery Longevity | 112 |
| 2.11 Outlook | 118 |

3 Auction Sales

| | |
|--|-----|
| Key Findings | 124 |
| 3.1 Auction Sales in 2019 | 126 |
| 3.2 The Global Distribution of Auction Sales | 134 |
| 3.3 Price Segmentation in Fine Art Auctions | 137 |
| 3.4 Fine Art Sectors | 146 |
| 3.5 Post-War and Contemporary Art | 150 |
| 3.6 Modern Art | 162 |
| 3.7 Impressionism and Post-Impressionism | 168 |
| 3.8 Old Masters and European Old Masters | 174 |
| 3.9 Conclusions | 182 |

4 Art Fairs

| | |
|--|-----|
| Key Findings | 186 |
| 4.1 Art Fairs in 2019 | 188 |
| 4.2 Art Fair Locations | 189 |
| 4.3 Art Fair Sales | 192 |
| 4.4 Art Fair Attendance | 198 |
| 4.5 Art Fair Costs | 202 |
| 4.6 Art Fair Visitors and Exhibitors | 206 |
| 4.7 Art Fair Content | 214 |
| 4.8 Art Fairs and HNW Collectors | 220 |
| 4.9 Art Fairs and the Sustainability of the Art Market | 228 |
| 4.10 Conclusions | 236 |

5 Online Sales

| | |
|--|-----|
| Key Findings | 242 |
| 5.1 The Online Art Market | 244 |
| 5.2 The Online Retail Market | 248 |
| 5.3 Online Auctions | 262 |
| 5.4 HNW Collectors and Buying Online | 268 |
| 5.5 Website Traffic and Social Media | 280 |
| 5.6 Conclusions | 285 |

6 Global Wealth and the Art Buyers

| | |
|--|-----|
| Key Findings | 290 |
| 6.1 Introduction | 292 |
| 6.2 World Wealth | 296 |
| 6.3 Global Millionaires | 297 |
| 6.4 Billionaires | 304 |
| 6.5 Art Collector Survey | 313 |
| 6.6 Purchasing and Preferences of HNW Collectors | 322 |
| 6.7 Art Collections of HNW Collectors | 330 |
| 6.8 Why and How HNW Collectors Purchase Art | 338 |
| 6.9 The Outlook of HNW Collectors | 352 |

7 Economic Impact and Conclusions

| | |
|--|-----|
| Key Findings | 358 |
| 7.1 Employment in the Art Market in 2019 | 360 |
| 7.2 Dealer Sector Employment | 361 |
| 7.3 Auction Sector Employment | 366 |
| 7.4 Ancillary Economic Impact | 368 |
| 7.5 Conclusions | 371 |

Appendix – Sources Used in
The Art Market 2020 376

Tables and Figures

1 The Global Art Market in 2019

Table 1.1 | The Global Art Market: Value and Volume of Transactions **31**

Figure 1.1 | Sales in the Global Art Market 2009–2019 **32**

Figure 1.2 | Growth in Sales in the Global Art Market **33**

Figure 1.3 | Global Art Market Share by Value in 2019 **36**

Figure 1.4 | Global Art Market Share of the US, UK, and China 2010–2019 **37**

Figure 1.5 | Sales in the Major Art Markets 2009–2019 **43**

Figure 1.6 | EU Art Market Share by Value in 2019 **46**

2 Dealer Sales

Table 2.1 | Top Challenges in the Next Five Years **119**

Figure 2.1 | Share of Surveyed Dealers by Total Sales in 2019 **56**

Figure 2.2 | Changes in Aggregate Turnover by Dealer Turnover Segment 2018–2019 **57**

Figure 2.3 | Average Annual Sales by Sector, 2018 and 2019 **59**

Figure 2.4 | Dealers' Views on Future Sales **61**

Figure 2.5 | Averages and Median Volume of Sales by Sector **64**

Figure 2.6 | Median Prices by Sector in 2019 **66**

Figure 2.7 | Share of Total Dealer Sales by Price Bracket in 2019 **67**

Figure 2.8 | Debt Ratios in the Dealer Sector in 2019 **69**

Figure 2.9 | Average Inventory to Sales Cycle 2017–2019 **70**

Figure 2.10 | Average Payment Cycle for All Dealers 2017–2019 **72**

Figure 2.11 | Average Number of Buyers by Dealers' Sales Turnover in 2019 **75**

Figure 2.12 | Share of Sales to Buyer Groups by Purchase History **76**

Figure 2.13 | Share of Sales by Buyer Type in 2019 **78**

Figure 2.14 | Share of Number of Buyers by Age and Sector in 2019 **79**

Figure 2.15 | Share of Female Buyers and Sales to Female Buyers in 2019 **81**

Figure 2.16 | Share of Dealers' Sales to Local vs. International Buyers in 2019 **84**

Figure 2.17 | Average and Median Sales Turnover 2019 **87**

Figure 2.18 | Foreign vs. Local Artists Represented in 2019 **88**

Figure 2.19 | Share of Artist's Exhibition in Home Market **92**

Figure 2.20 | Share of Artists Represented by Primary Market Dealers in 2019 **97**

Figure 2.21 | Structure of Artist Representation in Gallery Exhibitions **98**

Figure 2.22 | Structure of Artist Representation in Museum Exhibitions **101**

Figure 2.23 | Sales Share of Top Artists in 2019 **103**

Figure 2.24 | Share of Female vs. Male Artists Represented by Galleries in 2019 **105**

Figure 2.25 | Share of Female Artists Represented by Galleries in 2019 (3,160 Galleries) **106**

Figure 2.26 | Share of Established and Non-Established Artists by Gender in 2019 **107**

Figure 2.27 | Share of Female vs. Male Artists Exhibited in Commercial Galleries **108**

Figure 2.28 | Share of Female vs. Male Artists Exhibited in Museums **110**

Figure 2.29 | Number of Years in Business in 2019 **113**

Figure 2.30 | Gallery Openings and Closures **115**

3 Auction Sales

Table 3.1 | Annual Growth and Share of Sales by Value of Auction Sales by Price Segment **139**

Table 3.2 | Annual Growth and Share of Sales by Volume of Auction Sales by Price Segment **142**

Table 3.3 | Global Market Share: Old Masters Paintings in 2019 **177**

Figure 3.1 | Global Market for Public Auction Sales 2009–2019 **127**

Figure 3.2 | Share of Sales by Buyer Type for Second-Tier Auction Houses in 2019 **132**

Figure 3.3 | Auction Market Global Share by Value in 2019 **134**

Figure 3.4 | Share of Lots Sold and Total Value at Global Fine Art Auctions in 2019 by Price Bracket **137**

Figure 3.5 | Growth of Sales by Value in Auction Price Segments 2005–2019 **141**

Figure 3.6 | Market Share of the Fine Art Auction Market by Price Segment in 2019 **143**

Figure 3.7 | Share of the Fine Art Auction Sales by Female Artists by Price Level in 2019 **144**

Figure 3.8 | Market Share by Value of the Fine Art Auction Market: Selected Years 2000–2019 **147**

Figure 3.9 | Market Share by Sector of the Fine Art Auction Market in 2019 **148**

Figure 3.10 | The Post-War and Contemporary Art Sector: 2009–2019 **151**

Figure 3.11 | Market Share of the Post-War and Contemporary Sector in 2019 **152**

Figure 3.12 | Sales in the Post-War and Contemporary Sector 2009–2019: Key Markets **153**

- Figure 3.13 | Sales by Price Bracket in the Post-War and Contemporary Sector in 2019 **154**
- Figure 3.14 | Share of Sales by Living vs. Deceased Post-War and Contemporary Artists in 2019 **156**
- Figure 3.15 | Share of Sales by Value within the Post-War and Contemporary Sector **157**
- Figure 3.16 | Sales of Living Artists' Works by Price Bracket in 2019 **158**
- Figure 3.17 | The Modern Art Sector: 2009–2019 **163**
- Figure 3.18 | Market Share of the Modern Sector in 2019 **164**
- Figure 3.19 | Sales in the Modern Sector 2009–2019: Key Markets **165**
- Figure 3.20 | Sales in the Modern Sector by Price Bracket in 2019 **166**
- Figure 3.21 | Impressionist and Post-Impressionist Auction Sales 2009–2019 **169**
- Figure 3.22 | Market Share of the Impressionist and Post-Impressionist Sector in 2019 **170**
- Figure 3.23 | Sales in the Impressionist and Post-Impressionist Sector 2009–2019: Key Markets **171**
- Figure 3.24 | Sales by Price Bracket in the Impressionist and Post-Impressionist Sector 2019 **172**
- Figure 3.25 | Old Masters Painting Sales 2009–2019 **174**
- Figure 3.26 | Sales in the Old Masters Sector 2009–2019: Key Markets **179**
- Figure 3.27 | Sales in the Old Masters Sector by Price Bracket in 2019 **180**

4 Art Fairs

- Table 4.1 | Visitor Numbers at 20 Selected Major Fairs **207**
- Table 4.2 | Visitor Numbers at a Selection of Regional Fairs **209**
- Table 4.3 | Exhibitor Numbers – Selected Major Art Fairs **210**
- Table 4.4 | Exhibitor Numbers – Selected Smaller Art Fairs **211**
- Figure 4.1 | Art Fair Geography: Share of Number of Fairs in 2019 **189**
- Figure 4.2 | Number of Major Fairs and Number of Exhibiting Galleries **190**
- Figure 4.3 | Estimated Art Fair Sales 2015–2019 **192**
- Figure 4.4 | Shares of Sales by Selling Channels in 2019 **193**
- Figure 4.5 | Art Fair Sales Share 2019 **194**
- Figure 4.6 | Changes in Number of Art Fairs Exhibited at 2018–2019 **198**
- Figure 4.7 | Share of Reported Dealer Sales at Local vs. International Art Fairs 2010–2019 **200**

- Figure 4.8 | Attendance and Share of Sales at Local vs. International Art Fairs in 2019 by Turnover Level **201**
- Figure 4.9 | Estimated Total Art Fair Costs 2015–2019 **203**
- Figure 4.10 | Share of Artists at Art Fairs by Level of Acclaim **215**
- Figure 4.11 | Global Gender Division of Artists' Works Exhibited at Art Fairs **216**
- Figure 4.12 | Regional Share of Female Artists' Works Exhibited at Art Fairs **217**
- Figure 4.13 | Exhibitions and Events Attended by HNW Collectors in 2019 **222**
- Figure 4.14 | Average Number of Exhibitions Attended by HNW Collectors by Market in 2019 **224**
- Figure 4.15 | Number of Art Fairs Attended by HNW Collectors: Local vs. Overseas 2019 **225**
- Figure 4.16 | HNW Collectors' Reasons for Planned Reduction in Travel to Art-Related Events **228**
- Figure 4.17 | Environmental Initiatives by Art Fairs in 2019 **233**
- Figure 4.18 | Dealers' Views on Art Fair Sales in the Next Five Years **236**

5 Online Sales

- Table 5.1 | Website Metrics: Selected Companies in 2019 **282**
- Figure 5.1 | The Online Art and Antiques Market, 2013–2019 **245**
- Figure 5.2 | Online Sales in the Art Market vs. General Retail **246**
- Figure 5.3 | Share of Dealer Online Sales by Buyer Category **248**
- Figure 5.4 | Dealers' Views on Online Sales Over the Next Five Years **251**
- Figure 5.5 | Gallery Sales Online by Price Segment: Value and Volume 2019 **252**
- Figure 5.6 | Online Prices and the Volume of Transactions by Seller Region 2019 **254**
- Figure 5.7 | Share of Online Transactions by Distance between Buyers and Sellers in 2019 **256**
- Figure 5.8 | Average Distances between Buyers and Sellers in Online Transactions in 2019 (by Region of Gallery Making the Sale) **257**
- Figure 5.9 | Average and Median Prices Online by Distance of Transaction 2019 **258**
- Figure 5.10 | Share of Online Sales (via Invaluable) by Auction House Turnover Level 2014 vs. 2019 **264**
- Figure 5.11 | Share of Online Sales (via Invaluable) by Auction House Turnover Level 2017–2019 **265**
- Figure 5.12 | Share of Online Sales (via Invaluable) as Percentage of Annual Turnover 2009–2019 **266**

- Figure 5.13 | Share of HNW Collectors Who Are Regular Users of Online Platforms **269**
- Figure 5.14 | Share of HNW Collectors Who Are Regular Users of Instagram **270**
- Figure 5.15 | Frequency of Use of Online Platforms and Instagram by HNW Collectors **272**
- Figure 5.16 | Share of HNW Collectors Preferring to Buy Online **274**
- Figure 5.17 | Highest Price Paid Online in 2019 by HNW Collectors (Share of Collectors) **275**
- Figure 5.18 | Highest Price Paid Online in 2019 by HNW Collectors by Market **276**
- Figure 5.19 | Highest Price Paid Online in 2019 by HNW Collectors by Generation **277**

6

Global Wealth and the Art Buyers

- Table 6.1 | Average Length of Resale Period **341**
- Table 6.2 | Choice of Sales Channels **348**
- Table 6.3 | HNW Collectors' Views on the Art and Stock Market's Future: Short-term and Long-term **354**
- Figure 6.1 | The Distribution of World Wealth in 2019 **296**
- Figure 6.2 | Number and Wealth of Dollar Millionaires 2010–2019 **298**
- Figure 6.3 | Changing Income Distribution in China **299**
- Figure 6.4 | Global Share of Dollar Millionaires in 2019 **300**
- Figure 6.5 | Global Share of Millionaires with Wealth in Excess of \$50 Million in 2019 **301**
- Figure 6.6 | Number and Wealth of Global Billionaires: 2008–2019 **305**
- Figure 6.7 | Global Distribution of Billionaire Population: 1996–2019 Selected Years **306**
- Figure 6.8 | Global Billionaires in 2019 **308**
- Figure 6.9 | Age of Global Billionaires Selected Years 2001–2019 **310**
- Figure 6.10 | Gender of Global Billionaires 2010–2019 **311**
- Figure 6.11 | Survey Market Summaries **314**
- Figure 6.12 | Gender Breakdown of HNW Collectors by Market **318**
- Figure 6.13 | Age Breakdown of HNW Collectors by Market **319**
- Figure 6.14 | Wealth of HNW Collectors by Market **321**
- Figure 6.15 | Share of Respondents Having Purchased Art, Collectibles, and Luxury Assets from 2017–2019 **323**

- Figure 6.16 | Share of Respondents Purchasing Art and Antiques 2017–2019 **324**
- Figure 6.17 | Total Value and Volume of Purchases 2017–2019 **325**
- Figure 6.18 | Share of the Value of Total Expenditure 2017–2019 **326**
- Figure 6.19 | Most Common Price Range for Purchasing Works of Art and Objects **327**
- Figure 6.20 | Share of HNW Collectors Most Commonly Purchasing at \$1 Million and Above **328**
- Figure 6.21 | Average and Median Collection Size by Market **330**
- Figure 6.22 | Collection Content: Share of Works Purchased by Artists' Characteristics **332**
- Figure 6.23 | Storage and Exhibition Location of Collections **334**
- Figure 6.24 | Share of HNW Collectors by Share of Value of Their Collection in Storage **335**
- Figure 6.25 | Motivations for Purchasing Art **338**
- Figure 6.26 | Share of HNW Collectors Having Resold Works from Their Collections **341**
- Figure 6.27 | HNW Collector Considerations When Purchasing Art / Objects **342**
- Figure 6.28 | Number of Galleries Purchased from 2017–2019 **344**
- Figure 6.29 | HNW Collector Preferences: Local vs. Overseas Galleries **347**

7

Economic Impact and Conclusions

- Table 7.1 | Ancillary Expenditure and Employment Generated in 2019 **370**
- Figure 7.1 | Numbers Employed in the Dealer Sector in 2018 and 2019 **361**
- Figure 7.2 | Gender and Age Profile in Employment in the Dealer Sector in 2019 **363**
- Figure 7.3 | Gender and Age Profile in the Second-tier Auction Sector in 2019 **367**
- Figure 7.4 | Share of Expenditure by the Global Art Trade on Ancillary Services in 2019 **369**

Appendix

- Figure 1 | Share of Dealer Survey Respondents by Turnover in 2019 **378**
- Figure 2 | Geographical Distribution of Dealer Survey Respondents in 2019 **378**

Acknowledgments

The Art Market 2020 presents the results of comprehensive research on the global art and antiques market in 2019. The report describes some of the key high-level trends in the global art trade, analyzing the performance of different regions, sectors, and value segments of the market.

The information presented in this study is based on data gathered and analyzed directly by Arts Economics (artseconomics.com) from dealers, auction houses, collectors, art fairs, art and financial databases, industry experts, and others involved in the art trade. (The Appendix offers an outline of some of the main data sources used in the report.)

Chapter 1 provides an overview of the global market in 2019, reporting on the value, volume, and regional distribution of sales of art and antiques, with a review of performance in the decade beginning in 2010. It provides an overview of sales in some of the major national art markets over a 10-year period. The chapter also includes commentary on what trade integration tells us about the art market, with an analysis of US trade data over 30 years.

Chapter 2 focuses on dealers and galleries, analyzing sales and other key indicators in different value segments and sectors of the market, as well as presenting an analysis of important areas such as profitability, inventories, financing, and buyers. This chapter looks at artist representation, focusing on issues such as gender, career stage and acclaim, and the cross-subsidization of sales. It also addresses gallery longevity and other key issues facing galleries in 2020.

Chapter 3 looks at the auction sector, analyzing key trends in sales by region and value segment. It presents a comprehensive analysis of some of the principal fine art auction sectors, describing their performance in terms of sales, regional market share, and price distribution.

Chapter 4 provides a brief overview of art fairs, reporting on sales, attendance, exhibitors, costs, and other key variables. It includes an analysis of the content of fairs in terms of the gender and level of

acclaim of the artists exhibited, and reveals some key findings from high net worth (HNW) collector research in relation to attendance at fairs and other events. It also considers some of the wider issues related to the environmental impact of art fairs and the sustainability of the art market.

Chapter 5 looks at sales in the online art market, reporting on its size and key structural features. The chapter focuses on e-commerce in the dealer and auction sectors, and presents findings on distance and pricing in online transactions. It also provides insights into how HNW collectors interact with the market online and through social media.

Chapter 6 provides a brief overview of world wealth, showing how changes in the size and distribution of wealth within and between regions are shaping trends in the art market. This chapter presents the results of a comprehensive survey of more than 1,300 HNW collectors in the US, UK, France, Germany, Singapore, Taiwan, and Hong Kong carried out in 2019 in conjunction with UBS Investor Watch.

Chapter 7 discusses the significant economic contribution the art market makes to the economies in which it operates in terms of employment and revenues, as well as the support of a range of ancillary industries. It concludes by reviewing some of the key issues from the report that continue to affect the market in 2020.

A critical part of this research every year is the global survey of art and antique dealers. I would like to say a very special thanks once again to Erika Bochereau of CINOA (Confédération Internationale des Négociants en Oeuvres d'Art) for her continued support of this research, along with the presidents of the dealer associations around the world who promoted the survey among their members in 2019. Thanks also to Art Basel for helping to distribute the survey. The completion of this report would not have been possible without the help of all of the individual dealers who took the time to support this research by completing the survey. I am extremely grateful to them all for their help. Special thanks also to all those dealers who shared their valuable insights on the art market through interviews and discussions during the year.

Many thanks also to all of the top and second-tier auction houses that also took part in the auction survey. Thanks especially to Susan Miller (Christie's), Simon Hogg (Sotheby's), Jason Schulman (Phillips), and Eric Bradley (Heritage Auctions).

Thanks also to the online companies for their support of the survey and for providing other information on the sector. I am especially grateful to Andrew Gully and Neal Glazier from Invaluable.com for the use of their online auction data.

I am very grateful also to Tamsin Selby of UBS for her help with the HNW collector surveys, which expanded significantly this year, providing hugely valuable regional and demographic insights for the report.

The primary fine art auction data supplier for this report was Artory, and my sincerest thanks to Nanne Dekking along with Lindsay Moroney, Anna Bews, and Chad Scira for their hard work and dedication in putting together this very complex set of data. The auction data on China is supplied by AMMA (Art Market Monitor of Artron), and I am very grateful for their continued support of this research on the Chinese auction market. Many thanks also to the Xu Xiaoling and the Shanghai Culture and Research Institute for their help researching the Chinese art market.

Data from Wondeur AI on gallery, museum, and art fair exhibitions was a very valuable new addition to the report this year. My sincerest thanks also to Sophie Perceval and Olivier Berger for their help generating the data, as well as for offering their key insights on gender, artists' careers, and other interesting perspectives.

I would like to thank the team at Artsy, especially Alexander Forbes and Simon Warren, for their continuing support of the report, allowing access to their extensive database on galleries and artists to analyze some of the key issues in the gallery sector and helping to investigate the relationships between buyers and sellers online.

Thanks to Marek Claassen at Artfacts.net for his support and provision of data on fairs and galleries. Many thanks also to all of the art fairs that shared information for the report.

Very special thanks to Benjamin Mandel for his interesting and thorough analysis of the links between trade and the art market, which offered important context to some of the key themes in the report this year. I'm very grateful also to Diana Wierbicki of Withersworldwide for her help with information and insights on US tax regulations. Thanks also to Bruno Boesch for his legal advice on European issues.

Finally, I am very grateful to Noah Horowitz and Florian Jacquier for their time and encouragement in helping to coordinate the research.

Dr. Clare McAndrew
Arts Economics

Director's Foreword

While all markets ebb and flow over time, the pace of change and the increasingly complex alchemy of factors – cultural, social, political, financial, technological – impacting the art market and entangling it to others has escalated sharply of late, underlining the critical importance of measured analytical research.

We could therefore not be more honored to collaborate once again with Dr. Clare McAndrew, Founder of Arts Economics, on the publication of this fourth edition of *The Art Market* in partnership with UBS. For if the merits of such a study are evergreen, the insights gained are all the more essential in moments of flux – offering data-driven intelligence on how we got here, where the market is headed, and what this all means.

In these pages, Dr. McAndrew underscores that while the overall market cooled in 2019 – driven by a notable easing of inventory and sales at the highest levels of the auction sector – considerable resiliency remained: individual markets in Europe were up despite the challenges of Brexit; the dealer sector posted incremental gains, with the majority reporting stable or growing turnover; and private sales at the top-tier Western auction houses grew substantially. She also offers insightful new analytics on art fair sales channels, while shedding fascinating light on emergent trends and statistics within the online sphere – spanning the rationales for and current limitations of art e-commerce – and mapping

a granulated picture of global collector tendencies via the most extensive surveys of high net worth individuals to date, conducted in collaboration with UBS – with especially noteworthy new data on millennials and female buyers. Lastly, readers are reminded of the potential risks that rising legislation and cross-border tariffs impose upon today's global trade, as well as the centrality of both confidence and trust in driving the market.

On behalf of Art Basel, I would like to thank Clare for the consummate determination, integrity, and collegiality she brings to this study, as well as our counterparts at UBS who have been exemplary partners since its inception and whose vital contributions continue to grow year by year. Lastly, a heartfelt thanks to the gallerists, art market professionals, and our global team whose extensive contributions make this benchmark report possible.

Noah Horowitz

Director Americas,
Art Basel

Statement by UBS

The art market often mirrors the economic developments and trends we see in wealth creation. Global economic growth was below normal in 2019. Geopolitical and trade issues created uncertainty for companies. Consumers stayed firm, however, and equity markets were strong. The 2010s were the best decade for global stocks since the 1980s.

In the art market there was a drop in overall sales by value in 2019. This was partly due to seller confidence and supply. The fall was mainly in the highest value area of the market. The value of sales grew in other areas. The *volume* of sales reached its highest level in a decade.

Art Basel's 50th anniversary this year is a milestone in an industry that has transformed since the 1970s. New markets and buyers have come from a more globalized base, helped by growth in wealth creation. There is still a need to attract a broad base of new buyers at different price levels.

A number of interesting developments in wealth creation are relevant:

Our report on billionaires identified an 'Athena Factor'; the number of female billionaires is growing at a faster pace than the number of male billionaires. The UBS Investor Watch and Art Economics survey of 1,300 active high net worth collectors revealed that female collectors, although fewer in number than men, were spending substantially larger sum. Women also had larger collections overall.

This survey of high net worth collectors also showed that millennial collectors bought the most and spent the most. Millennials spent \$3 million over two years, on average. That is more than six times the spending of their parents' generation (the Boomers). Perhaps unsurprisingly, millennial collectors were the most regular users of the online channel, with only 8% having never bought online. The technological revolution that is changing the economic world will also change the art world.

One enduring trend is that art fairs remain a critical part of the art market's infrastructure. A large share of art sales are centered on these events. For over a quarter of a century UBS has been the Lead Partner of Art Basel. Since 2017 UBS has proudly partnered with Art Basel on *The Art Market*. We hope this publication will be a useful guide for you to get an even deeper understanding of the art world today.

Paul Donovan

Chief Economist, Global Wealth Management
UBS, Global Lead Partner of Art Basel

Key Findings

Global

- 1.** Global sales of art and antiques reached an estimated \$64.1 billion in 2019, down 5% year-on-year, returning the market to just above its 2017 level.
- 2.** The three major art hubs, the US, the UK, and China, continued to account for a majority of the value of global sales in 2019, although their share decreased slightly by 2% year-on-year to 82%.
- 3.** The US was the largest market worldwide and accounted for 44% of global sales by value. Sales declined 5% year-on-year to \$28.3 billion; however, the market remained at its second highest level in history.
- 4.** After two years of resilient growth given the country's turmoil with the rollout of Brexit, the UK market declined by 9% in 2019 to \$12.7 billion, accounting for 20% of the global market by value.
- 5.** Sales in China fell by 10% in 2019 to reach \$11.7 billion, a second year of declining sales and accounting for 18% of the global market.
- 6.** France was the one major market to buck the declining trend, with sales advancing 7% in value to \$4.2 billion, and increasing its global share from 6% to 7%.

Dealers

- 1.** Sales in the gallery and dealer sector were estimated to have reached \$36.8 billion in 2019, growing just over 2% year-on-year.
- 2.** The magnitude of the year-on-year changes varied widely: dealers with turnover between \$500,000 and \$1 million reported the biggest decline (-9%) and those with sales from \$250,000 to \$500,000 grew the most at 17%.
- 3.** Dealers were more optimistic about their sales in 2020, with 42% expecting an increase versus 30% the previous year. The lower end of the market showed a higher level of optimism, with 47% of dealers with turnover less than \$1 million expecting sales to rise in 2020 versus 29% in the \$10 million plus segment.
- 4.** Finding new buyers was the biggest challenge cited by dealers in 2019. The share of sales to new clients increased 5% year-on-year to 34%.
- 5.** The representation of female artists by primary market galleries rose 8% year-on-year to 44%, while their share of sales also increased from 32% in 2018 to 40% in 2019.

Auctions

- 1.** Sales at public auction of fine and decorative art and antiques (excluding auction house private sales) reached \$24.2 billion in 2019, down 17% year-on-year as values decreased in the key global auction hubs.
- 2.** Despite the decline in public auction sales, private sales increased, including sales of over \$1.8 billion at Christie's and Sotheby's.
- 3.** The three largest auction hubs – the US, China, and the UK – maintained their dominant position in 2019 with a combined share of 84%, down 4% year-on-year. France was one of the best performing markets, increasing its global share by two percentage points to 7%.
- 4.** Works selling for more than \$1 million accounted for 55% of the value of fine art auction sales in less than 1% of the lots sold. The segment of works sold for over \$10 million was the worst performing in 2019, declining 39% in value (and with 35% fewer lots sold).
- 5.** Post-War and Contemporary art was the largest sector of the fine art auction market in 2019, with a share of 53% by value. Sales reached \$6.1 billion, a decline of 10% year-on-year. Works created in the last 20 years accounted for 23% of the value of Post-War and Contemporary sales in 2019.

Art Fairs

- 1.** Art fair sales were estimated to have reached \$16.6 billion in 2019. Dealers reported that 15% of these sales were made before the fair (\$2.5 billion), 64% during the fair (\$10.6 billion), and 21% after the fair as a direct result of exhibiting at the fair (\$3.5 billion).
- 2.** The share of dealers' annual sales by value made at art fairs has grown from less than 30% in 2010 to 45% in 2019, declining 1% year-on-year from 2018.
- 3.** On average, dealers attended four fairs in 2019, stable on 2018. Galleries with sales in excess of \$10 million exhibited at more than twice as many fairs (eight on average) as those with turnover less than \$500,000 (averaging three).
- 4.** While fairs accounted for 30% of sales for dealers with turnover of less than \$500,000, this rose to 47% at the higher end for dealers with over \$10 million in annual sales.
- 5.** HNW collectors reported attending an average of 39 art-related events in the last 12 months, including seven art fairs, on par with visits to gallery exhibitions.

Online

- 1.** Online sales of art and antiques were estimated at \$5.9 billion in 2019, a decline of 2% year-on-year, and accounting for 9% of sales in the art market by value.
- 2.** For those dealers who made online sales in 2019, 57% were to new buyers, and for second-tier auction houses new buyers accounted for 34% of their online sales.
- 3.** While the bulk of online gallery transactions (77%) connected buyers and sellers who were more than 1,000 kilometers apart, around 18% were within a 500-kilometer radius of each other, including 11% who were less than 50 kilometers apart.
- 4.** While online sales are impacting the auction sector at all levels, they are critically important for smaller auction houses. Auction houses with sales under \$1 million made 23% of their sales online in 2019 versus 4% for those with sales over \$10 million.
- 5.** HNW millennial collectors were the most regular users of the online channel, with 92% having bought online. 36% of millennial HNW collectors who purchased online had paid over \$50,000 for a work of art or object online, including 9% who had spent more than \$1 million.

Wealth

- 1.** Surveys of more than 1,300 HNW collectors conducted by Arts Economics and UBS Investor Watch in seven markets indicated that millennial collectors purchased the most and also spent the most on art and collectibles, averaging a total expenditure of \$3 million over two years.
- 2.** Although they were smaller in number, the impact of female collectors on spending in the market was significant: 34% of women had spent over \$1 million in the last two years (versus 25% of men), with 16% having spent over \$10 million.
- 3.** HNW collectors had an average of 76 works in their collections (with a median of 27). More than 30% of the works in their collections were held in storage that was essentially out of view (in general storage, bank vaults, or in a Freeport).
- 4.** The majority of HNW collectors in all countries had sold a work from their collection, with the highest frequency of resales among millennial collectors. For those reselling works, the average period between original purchase and subsequent resale was just under four years.

Economic Impact

- 1.** It is estimated that there were approximately 310,810 businesses operating in the global art and antiques market in 2019, employing 3 million people, relatively stable on 2018.
- 2.** There were more than 2.7 million people employed worldwide in the gallery and dealer sector in 2019 in about 296,580 businesses. 62% of those employed in the sector were women, and 56% were under 40 years of age.
- 3.** The auction sector was estimated to have employed 285,100 people worldwide in 2019 (an increase of 1% on 2018) in about 14,230 businesses.
- 4.** In 2019, it is estimated that the global art trade spent \$19.9 billion on a range of ancillary and external support services directly linked to their businesses, supporting 368,860 jobs.
- 5.** The largest area of expenditure, although only incurred by dealers, was on art fairs, which reached \$4.6 billion, a decline of 4% year-on-year and representing 23% of total ancillary expenditure.





The Global
Art Market
in 2019

Key Findings

The Global Art Market in 2019

- 1.** Global sales of art and antiques reached an estimated \$64.1 billion in 2019, down 5% year-on-year, returning the market to just above its 2017 level.
- 2.** Contrary to the trend in value, the volume of sales grew by 2% year-on-year. The number of transactions reached an estimated 40.5 million, the highest level in a decade.
- 3.** Sales in the auction sector (including both public auction sales and private sales by auction houses) made up 42% of the market, down by 4% in share year-on-year, while the dealer sector accounted for 58%.
- 4.** The three major art hubs, the US, the UK, and China, continued to account for a majority of the value of global sales in 2019, although their share decreased slightly by 2% year-on-year to 82%.

5. The US was the largest market worldwide and accounted for 44% of global sales by value. Sales declined 5% year-on-year to \$28.3 billion; however, the market remained at its second highest level in history.

6. After two years of resilient growth given the country's turmoil with the rollout of Brexit, the UK market declined by 9% in 2019 to \$12.7 billion, and accounting for 20% of the global market by value.

7. Sales in China fell by 10% in 2019 to reach \$11.7 billion, a second year of declining sales and accounting for 18% of the global market.

8. France was the one major market to buck the declining trend, with sales advancing 7% in value to \$4.2 billion, increasing its global share from 6% to 7%.

1.1 | Overview of Global Sales

Global sales of art and antiques reached an estimated \$64.1 billion in 2019. After two years of growth, declines in the three largest art markets contributed to a fall in sales of 5% year-on-year, returning the market to just above its 2017 level.

The market started the latest decade with a strong recovery in sales, following the substantial contraction of values in 2008 and 2009 in the fallout from the global financial crisis. From its low point of \$39.5 billion in 2009, the newly booming Chinese market and a rapid bounce back in sales in the US pushed the market up to a high of just under \$65 billion by 2011. The sharp ascent in China was unsustainable, and it halted in 2012, leading to a temporary contraction in global sales values.¹ However, strong market performance elsewhere over the two years that followed, particularly in the US, led sales to a historic high of \$68.2 billion by 2014.

Since that high point, diverging performance by region, sector, and segment tended to moderate the size of annual growth in industry-wide sales, although there was some volatility in the direction of sales growth during the five years. Economic and political uncertainties affected market confidence in 2016, dropping sales to a low of \$56.9 billion, with less high-end supply in key sectors. Growth returned in 2017, with strong sales at the highest end of the

Sales in the global art market in 2019 reached \$64.1 billion, a decline of 5% year-on-year

market and the auction sector outperforming the dealer market. Growth slowed in 2018 in a slightly more cautious market, although both the auction and dealer sectors continued a positive trajectory, with a global advance in sales of 6% to \$67.7 billion. This time dealers led the market, with almost twice the rate of growth of the auction sales.

In 2019, the performance of these two sectors diverged further. Dealer sales (covering both the primary and secondary market) rose moderately, while the public auction sector contracted, leading to an overall drop in sales. In the wider global context, 2019 was a year marked by geopolitical tensions and trade issues, with a looming trade war and the rise of protectionism in key economies subduing investment, leading to reduced global growth (with the slowest rates of growth in global GDP since the financial crisis of 2008–2009). The continuing trade conflicts between the two major art markets of the US and China, the impeachment of the US president, political and social unrest in Hong Kong, and the

protracted and difficult rollout of Brexit in the UK all created uncertainties for buyers and sellers of art.

Although the market has increased in value by 62% from its low point in 2009, the reduction in sales in 2019 meant that the market reverted to a similar level of sales by value as achieved in 2011, and remained 6% below its peak in 2014.

Despite the art market having often shown great resilience to underlying events in the economy, in less certain or declining economic climates, the perception among vendors can be that there is greater risk and less potential for better-than-anticipated results in the public auction sector, which can steer some to hold back or sell privately. This appears to have been the case once again in 2019, particularly in the two largest auction markets of the US and China, with the global public auction sector contracting by 17%, while both private sales by auction houses and dealers grew. While there were some strong sales at auction at different price levels, including those in excess of \$1 million, the very highest end of the fine art market (works sold for more than \$10 million) was significantly thinner in terms of supply, with a reduction in the number of lots sold by 35%, which contributed to the overall contraction in sales. Even in the dealer sector, although aggregate sales rose by 2%, performance within the market was mixed, with certain segments continuing to struggle and sales at the very highest end pulling up averages.

Table 1.1 | The Global Art Market: Value and Volume of Transactions

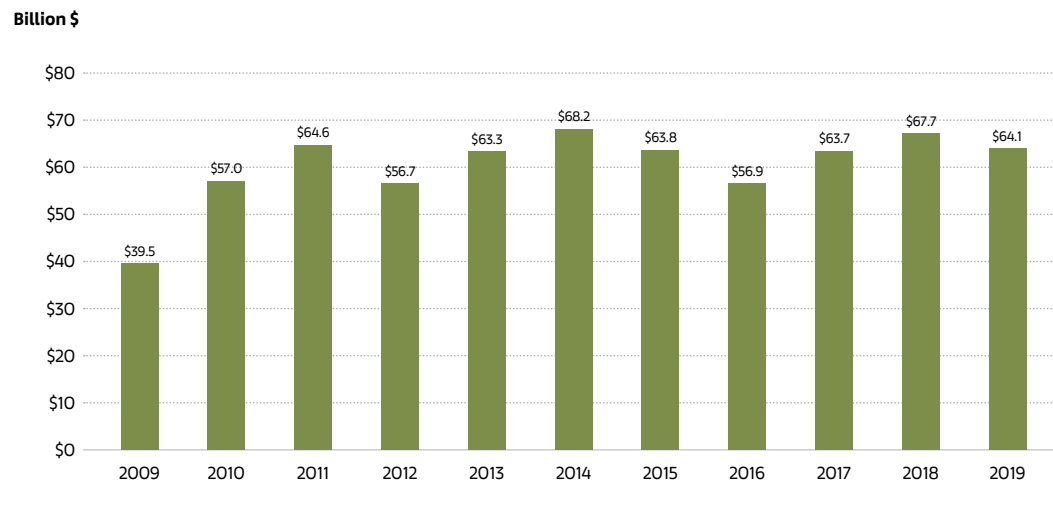
| Year | Value (\$m) | Volume (m) |
|------------------|-------------|------------|
| 2009 | \$39,511 | 31.0 |
| 2010 | \$57,025 | 35.1 |
| 2011 | \$64,550 | 36.8 |
| 2012 | \$56,698 | 35.5 |
| 2013 | \$63,287 | 36.5 |
| 2014 | \$68,237 | 38.8 |
| 2015 | \$63,751 | 38.1 |
| 2016 | \$56,948 | 36.1 |
| 2017 | \$63,683 | 39.0 |
| 2018 | \$67,653 | 39.8 |
| 2019 | \$64,123 | 40.5 |
| Growth 2018–2019 | -5% | 2% |
| Growth 2009–2019 | 62% | 34% |

© Arts Economics (2020)

Contrary to the trend in value, the volume of sales, as measured by the number of transactions, grew by 2% year-on-year. The number of transactions reached an estimated 40.5 million, the highest level in a decade, as some lower- and middle-priced, higher volume segments of both the dealer and auction markets maintained a high level of transactions.

¹ The Chinese market (unless otherwise specified) refers to sales in mainland China, Hong Kong, Macau, and Taiwan.

Figure 1.1 | Sales in the Global Art Market 2009–2019

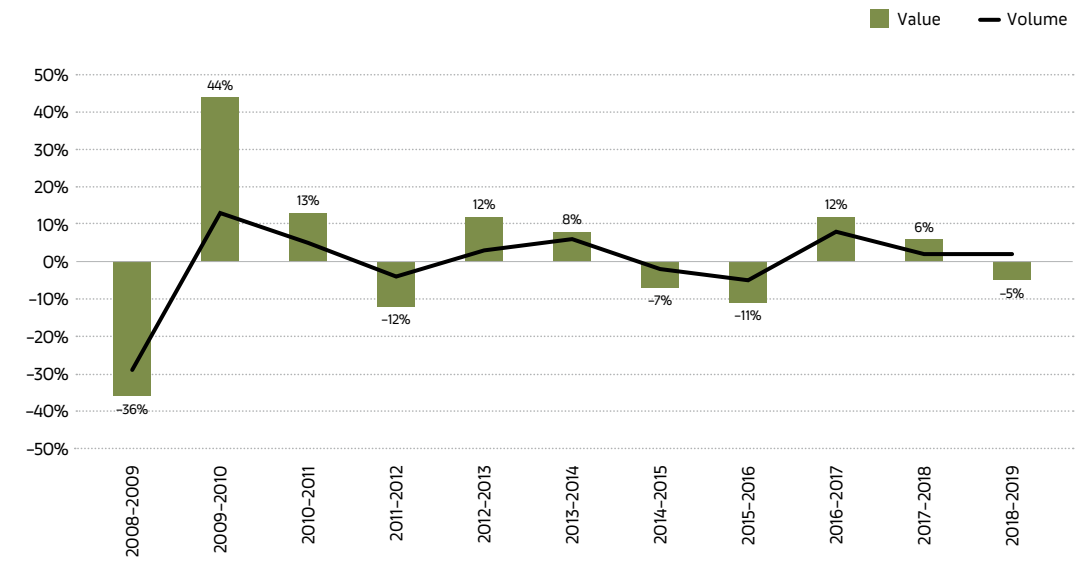


© Arts Economics (2020)

The division between public auction sales and private sales varies widely across different regions and sectors of the art market. While the market could once be divided clearly into the distinct segments of auction versus dealer sales, this traditional split between sellers has become somewhat outdated and there is now a more complex network of sellers and transactions with significant overlap between the segments.

In 2019, sales in the auction sector (including both public auction sales and private sales by auction houses, both online and offline) made up 42% of the market, down by 4% in share year-on-year, while the dealer sector (including dealer, gallery, and online retail sales) accounted for 58%. A detailed analysis of the dealer sector is given in Chapter 2, and Chapter 3 examines the auction sector in 2019.

Figure 1.2 | Growth in Sales in the Global Art Market



© Arts Economics (2020)

Sales in the auction sector made up 42% of the market, down by 4% in share year-on-year, while the dealer sector accounted for 58%

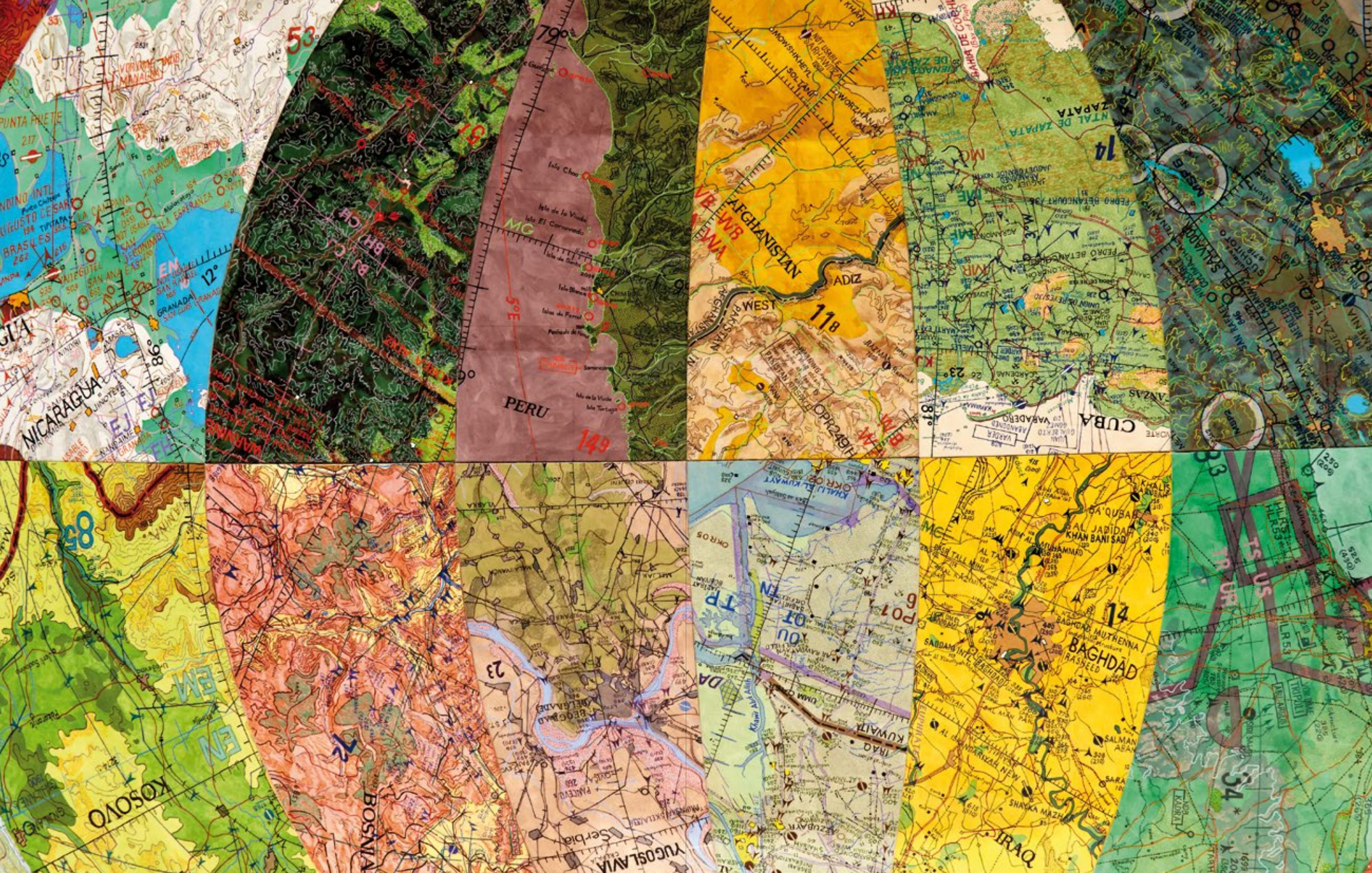
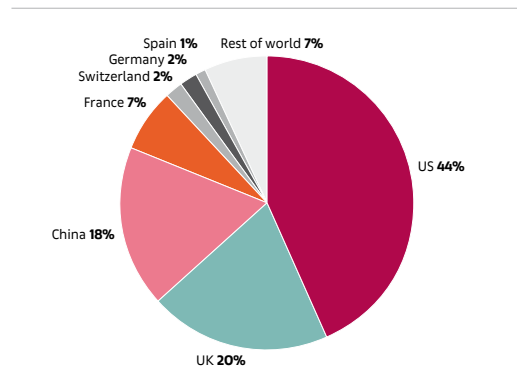


Figure 1.3 | Global Art Market Share by Value in 2019



© Arts Economics (2020)

1.2 | Global Market Share

The three major art hubs, the US, the UK and China, continued to account for a majority of the value of global sales in 2019, although their share decreased slightly in 2019. The combined sales of these three leading markets accounted for 82% of the market's overall value, down 2% year-on-year, as both the UK and China marginally lost share.

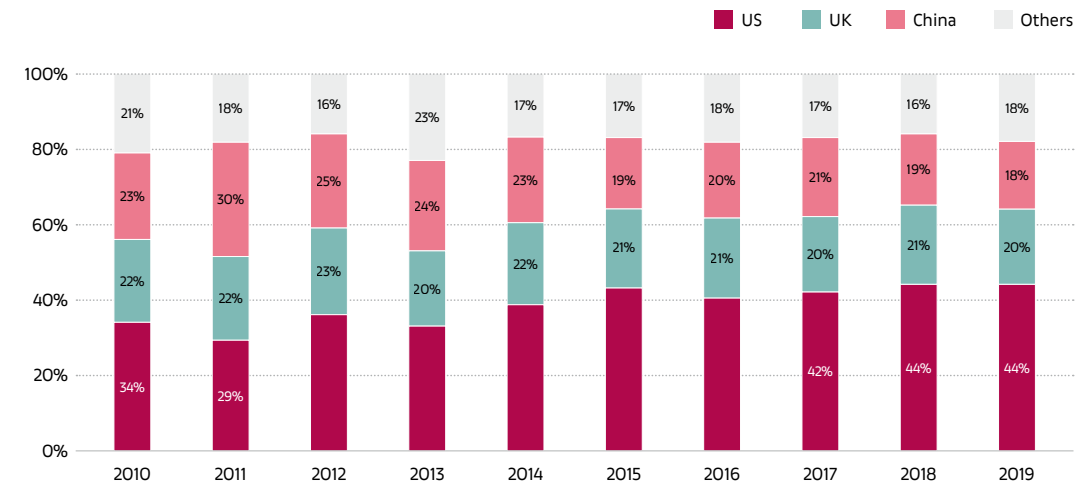
Despite a decline in sales in 2019, the US retained its leading position with a share of 44% of global sales

values, stable on 2018. The US has retained a lead in the market for most of the last 50 years, supported by one of the largest bases of high net worth and upper-middle income wealth in the world, as well as a highly developed cultural infrastructure, support services, and expertise. In addition to its dominance as a market for domestic sales, the US has been one of the most important centers for the cross-border trade in art, which has been critical to its leading position in the market. (The historical importance of international trade to the US market is analyzed in more detail in Exhibit 2).

The rise of protectionism in the US under its current administration has therefore been a cause of concern, with trade wars with China and other regions having negative trickle-down effects on investor and consumer confidence in some industries. Most economists agree that the majority of tariffs have damaging short-term effects without any long-term benefits, but their impact on the art market in the US, as an entrepôt market and trading hub for sales, is potentially even more damaging.² The success of the US market in the last 50 years has relied on a critical mass of works of art being accumulated together for sale at any one time in order to provide an attraction for art collectors from the US and elsewhere to participate in the market. These tariffs extended more directly to the art market in 2019, with new tariffs imposed on

² The University of Chicago Booth's Experts Panel showed that 100% of economists thought tariffs were a bad idea under a range of scenarios, and specifically, of those who had a certain opinion, 100% felt that the negative effects of US import tariffs against China in 2019 would fall primarily on US households, and primarily on lower-income groups. See <http://www.igmchicago.org/surveys/china-us-trade-war>.

Figure 1.4 | Global Art Market Share of the US, UK, and China 2010–2019



© Arts Economics (2020)

imports of art and antiques from other major art markets, including China and Europe (see Exhibit 1). The potential of tariffs to deter international vendors from bringing works to the US (while having no effect on the demand for American art) means that they could strengthen other markets and weaken sales in the US for certain categories of art. Although the

categories of art remain relatively narrow and exclusions are currently being sought by the art trade, these regulatory changes were a cause of concern for many in the US art market in 2019 and are likely to carry forward into 2020.

Exhibit 1: A Note on US Tariffs on Works of Art

Beginning September 1, 2019, as part of the ongoing US-China trade war, the US implemented customs tariffs of 15% on the import of Chinese works of art, including paintings, prints, antiques, and other related works.³

The US tariffs on Chinese artworks apply to products whose last substantial transformation was in China. In other words, it is based on where the product was made and it is irrelevant whether a product was used elsewhere or shipped elsewhere. In late 2019, both Christie's and Sotheby's sought exclusions from the tariffs, arguing that they would result in a significant loss to their US businesses. Christie's stated that the tariffs '...will severely impact the US art market as a whole, drying up any ability to purchase Chinese artworks outside of the United States...

Punishing the US art market in this manner flies in the face of an important American value of support for the art world.⁴

On December 13, 2019, the US and China announced that they had reached an agreement on a Phase One trade deal by which China committed to make substantial additional purchases of US goods and services in the coming years and the US agreed to modify its Section 301 tariffs.⁵ Pursuant to this Phase One trade deal, the tariffs on Chinese-origin artworks have been reduced to 7.5%.

In 2019, the US also extended tariffs on certain European works of art. On October 18, 2019, following

the World Trade Organization's decision that the EU had breached its trade agreements regarding a dispute between the US and the EU over subsidies to airplane manufacturers Boeing and Airbus, the US imposed tariffs on various EU products, including a 25% tariff on printed books, brochures, leaflets, printed matter in single sheets, lithographs on paper or paperboard created in the last 20 years, and pictures, designs, and photographs printed in the last 20 years being imported into the US from the UK or Germany.⁶ These tariffs are in addition to tariffs imposed on various other luxury food and wine products from the UK and Germany. These tariffs will have a significant effect on the import of prints and photographic works, which are an important part of the contemporary art market.

It is difficult to anticipate the long-term effects of these tariffs because they seem to be moving targets with little certainty regarding how long any one particular tariff will remain in effect and when a new tariff will be imposed on products from another country. However, if these tariffs do remain in effect, they could create a disincentive for dealers to bring works into the US by artists who do not already have an established US market for fear that they may incur the tariff expense without the guarantee of generating revenue from a sale.

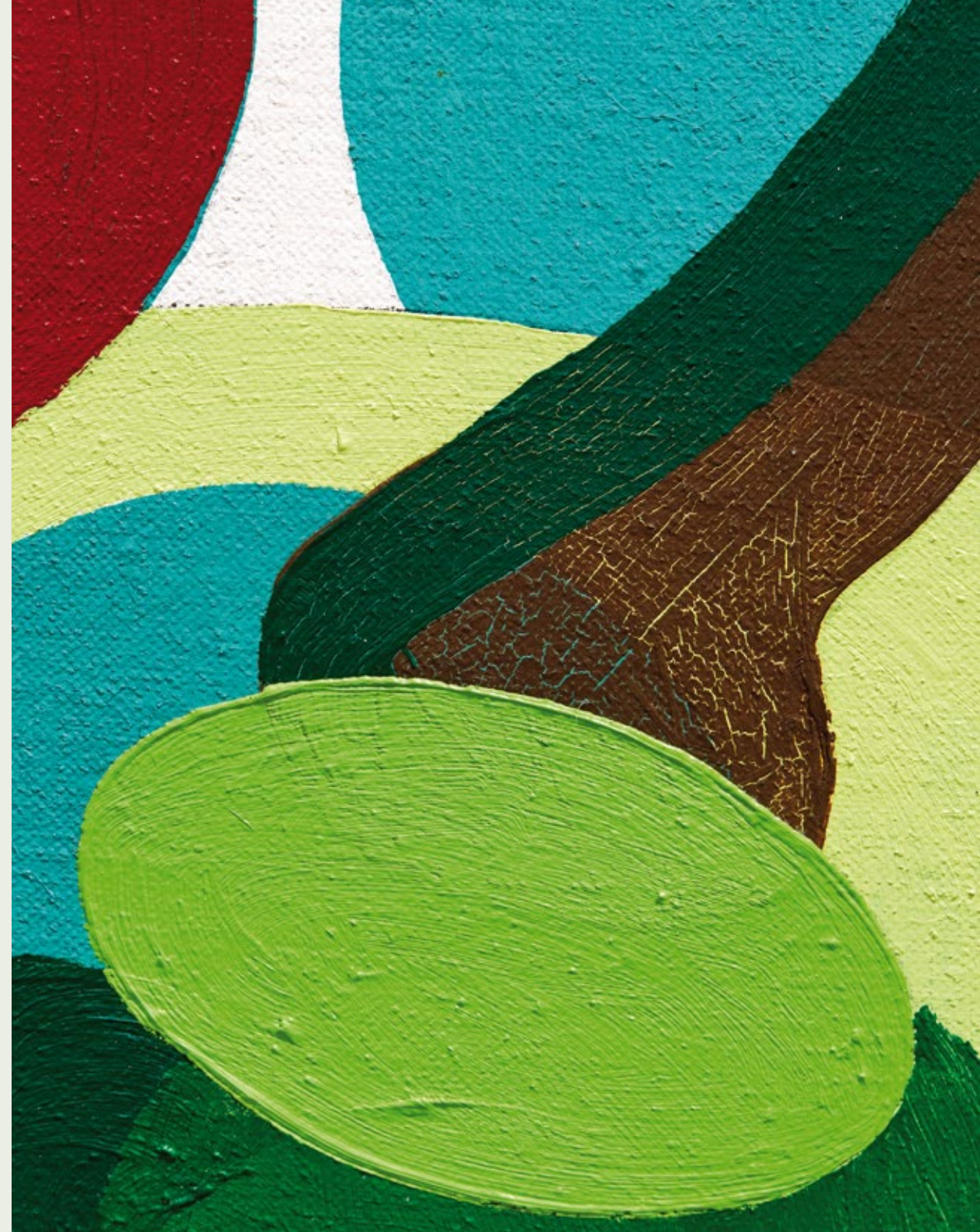
*Information provided by Diana Wierbicki,
Global Head of Law, Withersworldwide.*

³ See Harmonized Tariff Schedule, available at <https://hts.usitc.gov/current>.

⁴ Mark Niquette, Christie's Seeks Relief from Trump's 'Punishing' Tariffs on Art, October 31, 2019, available at <https://www.bloomberg.com/news/articles/2019-10-31/christie-s-seeks-relief-from-trump-s-punishing-tariffs-on-art>.

⁵ United States and China Reach Phase One Trade Agreement, December 13, 2019, available at <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/december/united-states-and-china-reach>.

⁶ Claire Selvin, New US Tariffs Could Hit Some Prints, Photographs from Germany, United Kingdom, October 11, 2019, available at <http://www.artnews.com/2019/10/11/tariff-contemporary-art-germany-united-kingdom/>.



The UK retained its second place in the global ranks in 2019 with a share of 20%, despite a challenging and anxious year for many businesses in the British art market, as the departure of the UK from the EU remained plagued with uncertainty and problems. After two missed deadlines for implementation and a general election in December 2019, the UK formally left the EU on January 31, 2020. While this went some way to alleviate the stresses of a no-deal Brexit, it has not clarified any of the new regulations and procedures that might affect the art trade, with the process entering a transition phase for 12 months, during which trade agreements are expected to be hammered out. Essentially, this has meant that nothing has changed yet for the market, but businesses continue to prepare for the challenges and opportunities that might arise once this implementation period ends in January 2021.

China retained third place and a market share of 18%, a marginal drop in share of 1% year-on-year. China pushed ahead of the UK in 2010 and maintained a higher share and second position in the global ranks until 2014. In the years that followed there was reshuffling of position between the two markets, but China has remained in third place now for two years as its dominant auction sector has continued to decline in value. In 2019, China's economic growth slowed to its lowest level since 1990, with a negative

drag from the ongoing trade disputes with the US and weaker external demand. Some of this trickled down to cautious buying, which, alongside continuing issues in the supply of high-quality works, led to a market contraction. Despite a positive reduction in import VAT in 2018, other VAT reforms within the auction sector introduced at the end of 2018 were also believed to have played a role in the slowdown, changing the deductions allowed by corporate buyers and dealers from purchases at auction with a significantly negative effect on transactions.⁷

Hong Kong's business-friendly, tax-free environment has ensured the market's status as the key hub for art sales in Asia. However, it was beset with its own issues in 2019, particularly as escalating political protests in Hong Kong reduced international visitors and increased anxieties in the region. Sales in the dominant auction market in mainland China fell 9% year-on-year, while in Hong Kong this decline was even more pronounced at 25%, its second year of double-digit declines in value after sales having reached their highest ever level in 2017.



⁷ See Chapter 3 for a discussion of these changes in the auction sector in China.

1.3 | Regional Performance

The decline in global sales in 2019 was driven by slowing sales in some of the major art markets over the year.

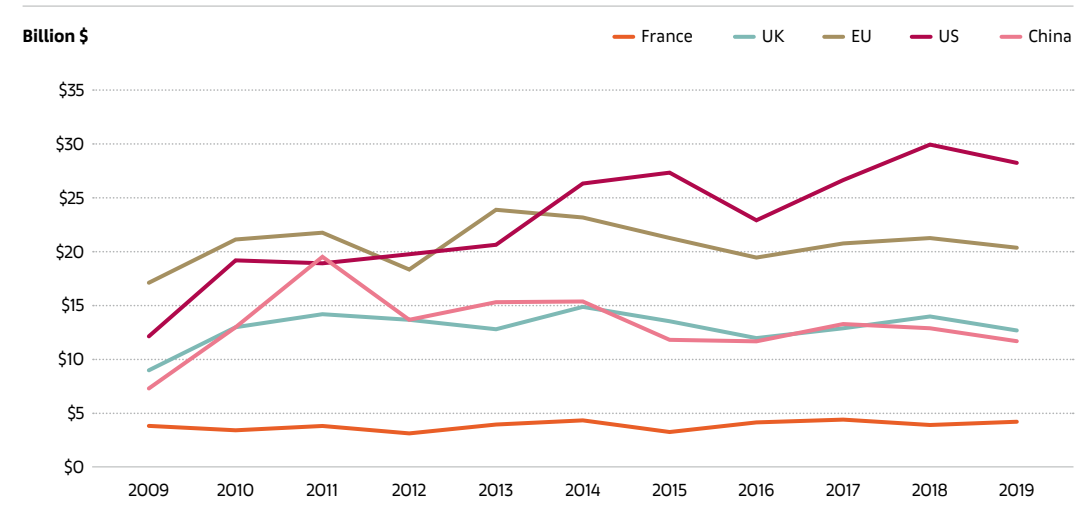
The US has been one of the strongest markets of the past decade, leading the global recovery of sales in 2010, with strong growth to 2015. The market declined by 16% in 2016 as political uncertainties and a lack of high-end supply damaged growth; however, this was short-lived, and sales rebounded to reach a historic peak of just under \$30 billion in 2018, twice the global growth rate with a 12% increase in value. In 2019, although many dealers still reported strong sales, a significant contraction in the auction sector (again largely due to a reduction in the volume of very highly priced works on sale) brought the aggregate market value down to \$28.3 billion. While this

represents a 5% drop year-on-year, the market is still at its second highest level in history and has grown by just over 130% since the low point of the market in 2009, more than twice the increase of any other market, including China (61%) and the UK (42%).

A decline in the US market was predicted by some members of the art trade at the start of the year due to the withdrawal and subsequent winding down of like-kind exchanges (or 1031 exchanges) as part of the Tax Cuts and Jobs Act of 2017 – the US tax reform act. While it was hoped that other capital tax reliefs that were introduced, such as opportunity zone investing reliefs, would provide similar or better opportunities for art investors, there was little take-up on these tax incentives in 2019, and they appear to be perceived as being not as straightforward or attractive to collectors as the Section 1031s.⁸

Since the low point of the market in 2009, sales in the US have grown by just over 130%, more than twice the increase of any other market, including China (61%) and the UK (42%)

Figure 1.5 | Sales in the Major Art Markets 2009–2019



© Arts Economics (2020)

⁸ 'Opportunity zone' reliefs offer a tax break on capital gains from the disposal of art if the profits are reinvested in a fund or private investment in one of 8,700 low-income communities that have been designated as qualified opportunity zones within the US within six months, under the 2017 Tax Cuts and Jobs Act. Qualified opportunity zone funds could be attractive to those selling highly appreciated art who wanted to defer their capital gains taxes and were comfortable investing in the real estate industry. (Information from Diana Wierbicki, Global Head of Art Law, Withersworldwide).

Sales in China fell for the second consecutive year due to both demand and supply issues. The total value of sales reached an estimated \$11.7 billion in 2019, a decline of 10% year-on-year. While the dealer sector reported positive sales, the dominant auction sector declined by 16%, with falling sales in the traditional, older fine and decorative art sectors. The Chinese market in 2019 was 10% lower than its level a decade earlier, when booming sales led it to outrank the UK, becoming the second largest market worldwide. This boom in sales from 2009 to 2011, when other markets were struggling to recover from the fallout from the global financial crisis, also led China to temporarily become the largest global art market, with sales of \$19.5 billion in 2011. However, a sharp contraction in sales of 30% in 2012 meant this was a temporary position, and it was followed by slow and declining sales up to 2016. After a short rebound in 2017, a looming debt crisis, trade wars, and other

economic issues dampened demand, leading to a cautious climate for both buyers and sellers and a slower market over the next two years.

After two years of surprisingly resilient growth given the country's turmoil with the rollout of Brexit and its effects on market confidence, the UK market declined by 9%, with falling sales in both the dealer and auction markets. Sales reached \$12.7 billion, just marginally above their level a decade previous in 2010.

Elsewhere in Europe, a number of regional markets performed better, albeit from a much lower base. These included France, discussed further below, and other mid-sized markets such as Spain, the Netherlands, and Austria, which all saw increasing sales, restoring their markets after stagnant or declining sales in 2018. Sales in the EU overall reached \$20.4 billion, a decline of 4% year-on-year. Excluding

Sales in China fell for the second consecutive year due to both demand and supply issues, reaching \$11.7 billion in 2019, a decline of 10% year-on-year

the UK, which exited the EU in 2020, sales would have risen 5% year-on-year to \$7.6 billion (which is less than 40% of the size it was with the UK).

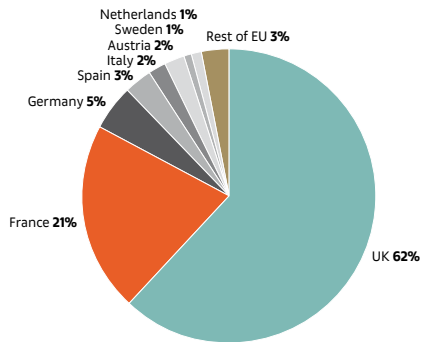
France was the one major art market to buck the declining trend, with sales advancing 7% in value to \$4.2 billion. This rise also led to an increase in global share from 6% to 7%. France was once the center of the art world, being the largest and most important location of sales in the early 1900s. However, by the end of the 1920s, a combination of economic and political events, including the 1929 stock market crash and ensuing Great Depression, and a massive devaluation of the French franc, caused many dealers to go out of business, leading the market to shift towards the US and UK where economic and buyer power rested. During the decades that followed, the US market dominated, with Europe feeding supply and wealthy American collectors supporting demand. This enabled a strong infrastructure of galleries, auction houses, and expertise to consolidate in New York, further strengthening its position. However, during the 1950s, the popularity of its artists and the School of Paris, as well as the dynamism of its galleries, saw Paris gain a temporary revival, with buoyancy of the market largely supported by foreign buying. Within a decade, London and New York regained their premier positions. This was again due to their established bases of wealth and economic power,

but also – importantly – because of the introduction of a new system of taxes on art sales and other regulatory deterrents that drove both buyers and sellers away from France to more liberal trading regimes elsewhere. The French market was burdened with a highly complicated and rigid set of fees and taxes on art sales that added nearly 40% to sales prices, versus 10% to 15% in the UK. Add to that a tax on imports into France as well as the *droit de suite* royalty on sales of living artists' works, neither of which was in place in the UK or US at that time, and the regulatory quagmire led Europeans and Americans to simply bypass Paris and conduct sales in London and New York.

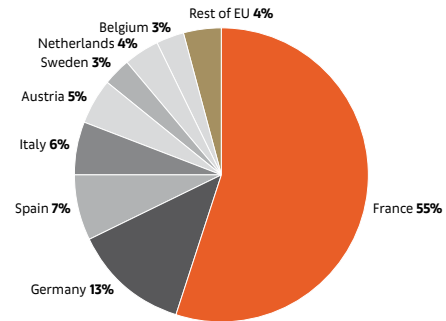
Since the 1960s, although France has remained a key market in Europe, it has never rivaled the size or centrality of the UK or US as a global market hub. As the UK has been the central, low-cost entry point for sales into and out of Europe until now, its exit from the EU has been seen as an opportunity for another market in Europe to act as a gateway for trade between the EU and the rest of the world, with most hopes pinned on the French market, given its relative size, cultural infrastructure, and historical significance. Several UK- and US-based galleries opened branches in France in 2019, including major top-tier dealers such as David Zwirner. While these shifts may assist the market's buoyancy in the

Figure 1.6 | EU Art Market Share by Value in 2019

a. EU Market including the UK



b. EU Market without the UK



© Arts Economics (2020)

The most immediate effect after Brexit on the analysis of sales will be the reduction in the size of the EU art market: without the UK, it would have accounted for just 12% of global sales in 2019

short term, many of the issues that have prevented the market from rivaling the UK are still in place, including overregulation and tax complexities. France will still be subject to EU directives for VAT and resale royalties, as well as the newly introduced EU Regulation 2019/880, which substantially limits the import of books and manuscripts, ancient art, and antiques into the EU, and which was put into law in 2019. Although many of these directives have been shown to have negative consequences on the trade in art, countries such as France have not yet taken the opportunities to minimize their effects by competing on an equal footing with the UK. Now out of the EU, the UK also has the opportunity to divest itself of some EU regulations and to the extent that it does so, will still leave France at a competitive disadvantage for extra-EU sales, which make up the bulk of the trade by value.

The future terms of trade between the UK and other EU member states remain unclear, and any deterioration of these could affect art businesses and promote more intra-EU trade to the benefit of France. This will have less of a detrimental effect on the UK, however, as it is estimated that EU sales currently only make up around 20% of the value of imports and exports from the UK, with extra-EU trade dominating values.

The most immediate effect after Brexit on the analysis of sales will be the reduction in the size of the EU art market. The share of sales by value in the EU has declined from just under half of the global market in 2008 to a low of 31% in 2018. With the UK still a member of the EU this remained relatively stable in 2019 at 32%, but without the UK, the EU market would have accounted for just 12% of global sales.

Despite the decline in value, the global art market maintained a relatively strong level of sales in 2019. The shortage of highly priced works for sale had a negative effect on growth in the auction sector, and this had the greatest impact on the three global art hubs of the US, UK, and China, as the locations of the highest priced international art sales. Some domestic markets that were less reliant on high-price segments and more based around local and regional trade fared better.

An analysis of how international trade has affected art sales over time in the leading US market is given in Exhibit 2.

Exhibit 2: What Trade Integration Tells Us About the Broad Market

Benjamin R. Mandel, Economist, J.P. Morgan Asset Management

Much has been written about the multi-decade trend in the globalization of art sales. Although the market remains highly concentrated geographically – with the US, UK, France, Germany, Italy, and Switzerland accounting for the vast majority – it is far less so than it was at the turn of the millennium. The poster child for this trend is China, which began as a rounding error in global auction sales in the year 2000, but grew to represent over a quarter of global sales in 2015, and about a fifth today. China accounted for a third of the global auction market's growth between 2000 and 2014 as it entered the global market.

If the art market has made room for a quarter of its sales in a new entrant country in under two decades, should it not be fairly obvious that global proliferation is a key feature of that market? Or that the economies of scale inherent to more international demand is, at least in part, driving the sales dynamics of both auction and dealer markets? Perhaps less obvious than one would think. For all of the progress towards globalization and integration, the broad market still exhibits a well-defined core, which sets into relief the more granular nature of its periphery. Cross-border flows of art also face an array of headwinds given the prevalence of trade barriers, entrenched interests of local sales networks, and real or perceived limitations to cultural globalization. Notwithstanding these forces, an analysis of US art-trade data argues that the underlying global structure of the market is an increasingly important driver of its overall dynamics.

International Trade Data

The US trade data for art shows that the size of international flows is substantial. The annual volume of painting imports has fluctuated around \$7 billion over the last five years, accounting for roughly a quarter of total sales in the US market.⁹ Equally impressive is the steady growth between 1995 and 2015, increasing by almost 500% cumulatively, a 9.2% compound annual rate over that 20-year period. The contour of rapid growth in those middle years suggests a more general reorganization of trade linkages than simply inflating the 1995 structure of the market as it stood then.

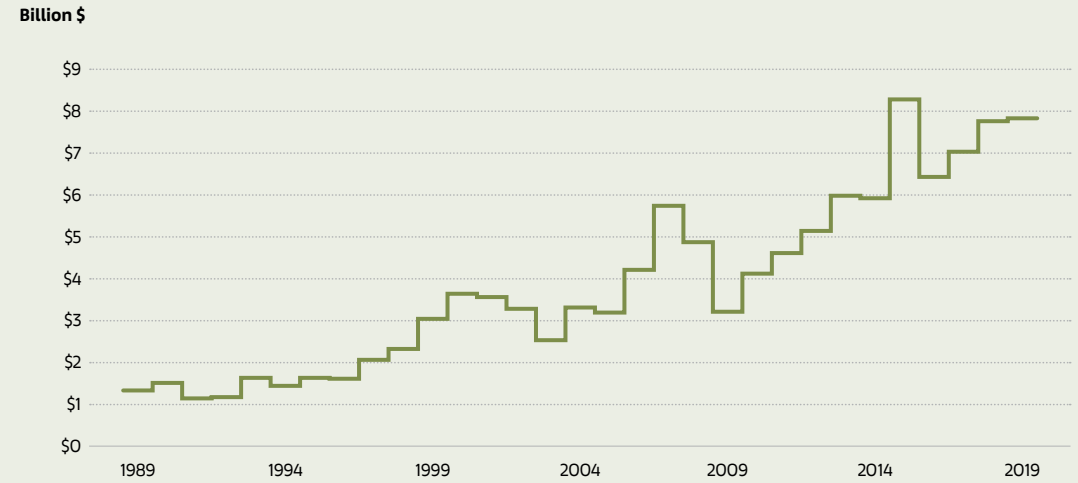
Perhaps the most convincing evidence that trade data is capturing the dynamics of the global market is that it is highly correlated to the growth of the broader US and global markets. While differing greatly in terms of levels, their contour of growth from year to year has a remarkably similar profile. US import growth and world market growth have a correlation of 0.62 for the years 1992 to 2019. The directions of the two growth rates are the same in 20 of the 27 years. The correlation is even closer, at 0.66, for US import growth and that of the US market since 2005.

A Wider Geographic Footprint

A perennial theme in *The Art Market* reports is the core-periphery hierarchy in the geography of global art sales. The top three markets dominate in terms of sales value, with the US, UK, and China accounting for over 80% of the market, with the US roughly half of that. The 'second tier' of markets includes five to 10 predominantly European countries, each with single-digit market share. Lastly, the long tail

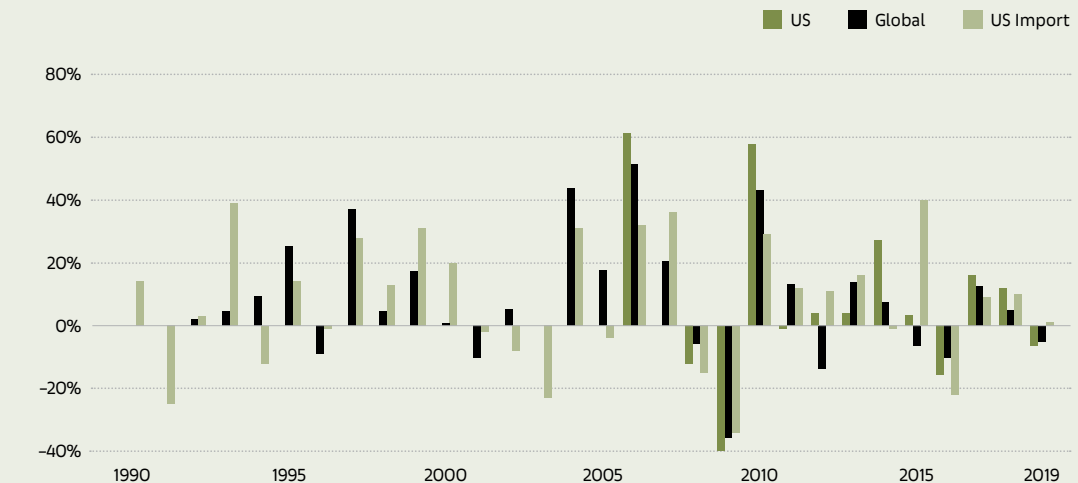
⁹ The United States uses a classification rubric for international trade based on the World Customs Organization's Harmonized System, employing a 10-digit statistical classification of approximately 18,000 narrow product categories. We focus on HS code 9701.10.0000, 'Paintings, Drawings and Pastels other than of Heading 4906.' The data for 2019 is through November 2019.

Figure i. | Annual Imports of Paintings (1989–2019)



© Arts Economics (2020) sourced from B.R. Mandel using data from USITC

Figure ii. | Annual Growth Rate of US Painting Imports vs. US Art Market Sales and Global Art Market Sales (1990–2019)



© Arts Economics (2020) sourced from B.R. Mandel using data from USITC

of the distribution includes a large number of countries, each with roughly infinitesimal global share. With a few exceptions, the structure of art trade broadly reflects this hierarchy. US imports of paintings also come predominantly from three sources: France, the UK, and a third position rotating between Switzerland, Italy, and Germany. Together, these account for about 60% of the current value of imports. The second tier is made up of mostly smaller European markets that together account for roughly 30% of import value. And then there is the long tail, which covers the remaining 10%.

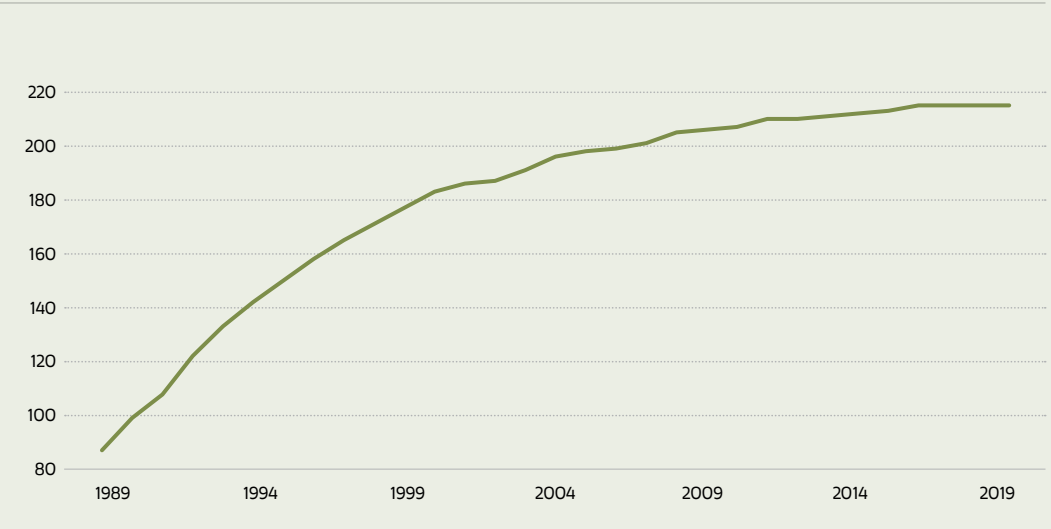
The one glaring difference between the US import distribution and the global sales distribution is China, which accounts for a fifth of global art sales but only about 1% of US imports. A number of factors are likely at play. For one, there might be a selection bias in Chinese exports which makes the US import composition less representative of that domestic market, including the domestic focus of the Chinese market and dominance of Chinese art within it, repatriation trends, and other factors. Emerging economies, generally speaking, still appear to be on a transition path into the global market. Of the top dozen import sources, emerging markets are at the tail end, with Mexico, Brazil, and China's shares all well below those of Europe and Japan.

China and other emerging economies are the leading edge for broader, slower-moving changes underway in the structure of the market. The transition from the US being a relatively provincial market in the 1980s and early 1990s to more global today is evident in the variety of source countries that have shipped paintings there. In 1989, the US imported paintings from 87 countries, or roughly 40% of the countries in the world. The cumulative number of countries increased dramatically over the subsequent decade, reaching 200 in the mid-2000s. This margin of expansion closely matches the trend in overall sales.

One can see the influence of this long-run shift most clearly in the reallocation of sales among the top dozen source countries, but it extends to smaller exporters as well. While two to three source countries still account for half of imports, the number of countries accounting for larger majority shares has been steadily climbing. The market as a whole is broader too, going from 24 countries representing 99% in 1998 to about 30 today. Though small in terms of the number of countries in the overall import market, growth dynamics in the tail of the distribution can be an important bellwether. The 131 countries that appeared in the US import statistics after 1989 now contribute \$200 million annually to imports. Analogous reasoning applies to the medium-sized markets, which have encroached on the exceptionalism of the top three source countries.

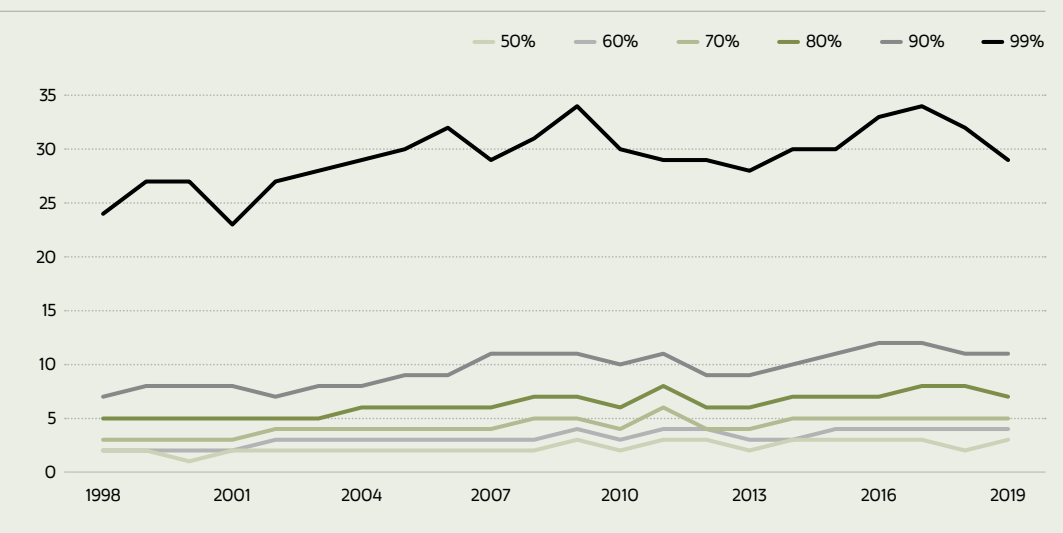
As the structure of international interactions in a post-globalization era takes shape, the global footprint of the art trade remains a useful signpost for market dynamics. But uncertainty over the rate, even direction, of this evolution suggests an array of potential scenarios in the coming years. In the more sanguine scenario, global art markets continue their slow integration, decreasing their high degree of concentration, and extending the economic and cultural gains that have really only just begun to materialize. A less favorable outcome would be for the changing structure of the global economy to further slow the globalization process, including outright barriers to trade being erected, such as an extension of the current tariffs on Chinese and European sales to a broader range of categories or sectors. This risk accrues primarily to emerging market economies and could potentially stifle the incipient uptrend in their share of the international art trade.

Figure iii. | Cumulative Number of Source Countries for US Painting Imports (1989–2019)

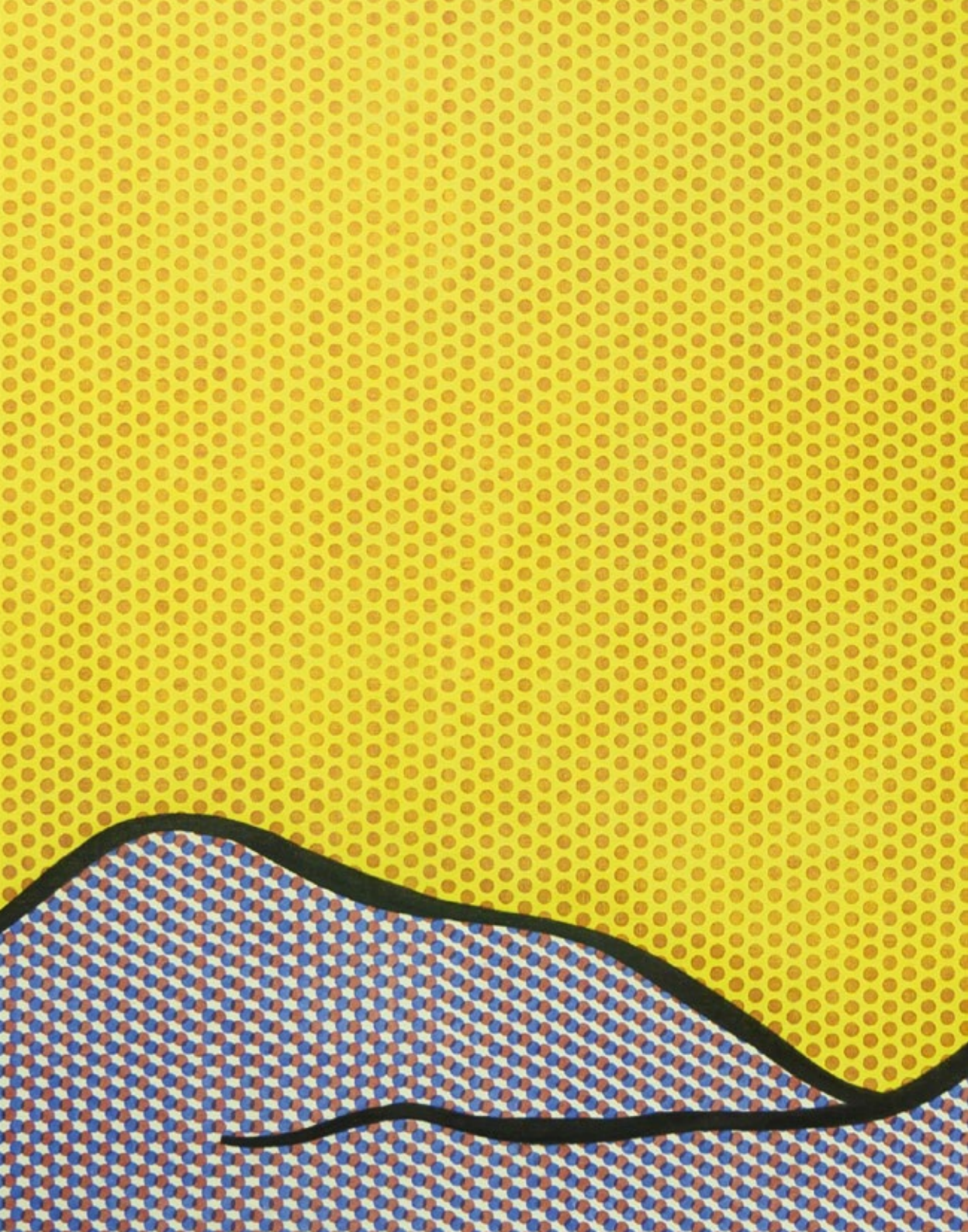
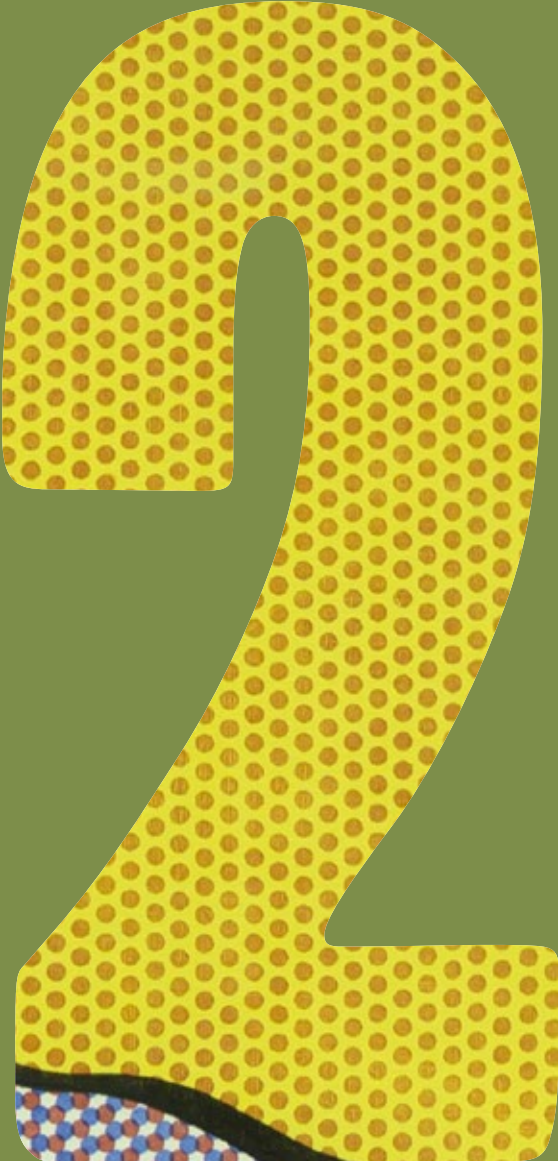


© Arts Economics (2020) sourced from B.R. Mandel using data from USITC

Figure iv. | Country Composition of US Painting Imports (1996–2019)



© Arts Economics (2020) sourced from B.R. Mandel using data from USITC



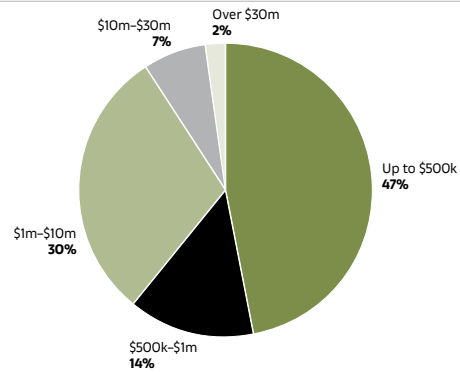
Key Findings

Dealer Sales

1. Sales in the gallery and dealer sector were estimated to have reached \$36.8 billion in 2019, growing just over 2% year-on-year.
2. The magnitude of the year-on-year changes varied widely: the segment of dealers with turnover between \$500,000 and \$1 million reported the biggest decline (-9%) and those with sales from \$250,000 to \$500,000 grew the most at 17%.
3. Dealers were more optimistic about their sales in 2020, with 42% expecting an increase versus 30% the previous year. The lower end of the market showed a higher level of optimism in 2019, with 47% of dealers with turnover less than \$1 million expecting sales to rise in 2020 versus 29% in the \$10 million plus segment.
4. The majority (84%) of individual transactions in the dealer sector were for prices below \$50,000, but these represented a smaller share of the value of sales at 27% in 2019, down 10% from 2018, with more value shifting to the higher end.

5. Finding new buyers was the biggest challenge cited by dealers in 2019. The share of sales to new clients increased 5% year-on-year to 34%, and new buyers were more important for dealers with lower turnover. New buyers accounted for 40% of the sales of dealers with turnover less than \$500,000 versus 26% for dealers with total sales in excess of \$10 million.
6. The survey indicated that 57% of the total sales of galleries working in the primary market came from their top three artists, with 43% from just one artist (stable on 2018).
7. The representation of female artists by galleries working in the primary market rose 8% year-on-year to 44%, while their share of sales also increased from 32% in 2018 to 40% in 2019.

Figure 2.1 | Share of Surveyed Dealers by Total Sales in 2019



© Arts Economics (2020)

2.1 | Dealer Sales

Sales in the gallery and dealer sector were estimated to have reached \$36.8 billion in 2019, growing just over 2% year-on-year. This highly fragmented market is made up of close to 296,580 businesses covering both the primary and secondary markets, which account for the bulk of companies and individual agents operating in the art trade. Of those, however, less than 5% are responsible for more than 50% of the value of sales in the sector.

The results presented in this chapter focus on the core gallery and dealer sector, consisting of businesses trading in fine art, decorative art, antiques, and antiquities. The details of gallery and dealer sales are private, and there is limited current and publicly available data on turnover and other aspects of their businesses. To research the sector, surveys are a critical tool to try to bridge the gap in available information, as they are in many other industries where private sales and smaller firms dominate. Arts Economics, with the assistance of dealer associations throughout the world, conducted its annual global survey of more than 6,500 dealers from North America, Europe, Asia, Oceania, Africa, and South and Central America in 2019. The survey had a response rate of 17%, stable on 2018. The surveys were supplemented with interviews with dealers in different sectors and regions to provide deeper insights into some key trends. Official statistics and other databases were also used to check and cross-reference the data where possible. More information on the sources used in the report is given in the Appendix.

The vast majority of the dealer sector is composed of small businesses, both in terms of headcount and sales turnover. By the nature of the sampling methods used (through dealer associations, fairs, and databases), those included in this research tend to be more

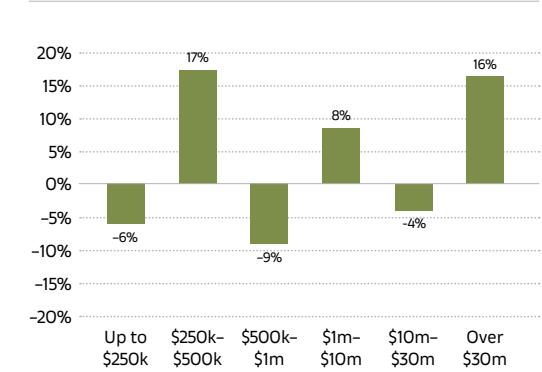
established, dealing from a gallery or fixed premises, but there was still a wide range of turnover levels in the sample. The highest representation was dealers with turnover levels below \$500,000 (47%), as well as larger dealers with sales between \$1 million and \$10 million (30%), which were also the largest segments of respondents in 2018. In 2019, 9% of respondents were dealers at the very high end, with turnover of more than \$10 million (a stable share on 2018).

While dealers with total sales greater than \$1 million comprised 39% of the sample size, they accounted for the bulk of the growth in the market in 2019, driving 95% of the growth in aggregate sales in 2019 (with over 70% of the growth from those with turnover of more than \$10 million).

The magnitude of the year-on-year changes varied widely between segments of the market, with very different performance reported by dealers at different turnover levels, and the high end driving the moderate growth in aggregate sales.

The poorest performing segments of the market for the last three years have been those dealers at the lower end, particularly dealers with turnover less than \$500,000 per annum. This continued in 2019; however, the cutoff level declined. In 2017, dealers with turnover below \$1 million experienced decreasing aggregate sales; in 2018, it was those

Figure 2.2 | Changes in Aggregate Turnover by Dealer Turnover Segment 2018–2019



© Arts Economics (2020)

below \$500,000; but in 2019, it was the segment with turnover below \$250,000 reporting a decline (of 6%). This indicates significant pressure on this lowest tier of dealers, after a decline of 18% in this segment in 2018, but also improvements in the outcomes for those in some middle ranges. Those dealers in the range from \$250,000 to \$500,000 saw the greatest improvement overall from a decline in sales in 2018 to growth of 17% in 2019.

Looking ahead to 2020, 42% of dealers expected an increase in sales

Another significant reversal in outcomes was for those dealers in the range of \$500,000 to \$1 million, where aggregate reported turnover declined 9% (versus a slight increase of 3% in 2018). Dealers in the \$10 million to \$30 million range also saw an aggregate decrease in value (of 4%) after a positive year in 2018. These losses were offset against the advance of the thin segment of dealers at the highest end above \$30 million. This segment had the second largest advance of all, at 16%, which although based on a very small number of businesses, helped to boost aggregate sales.

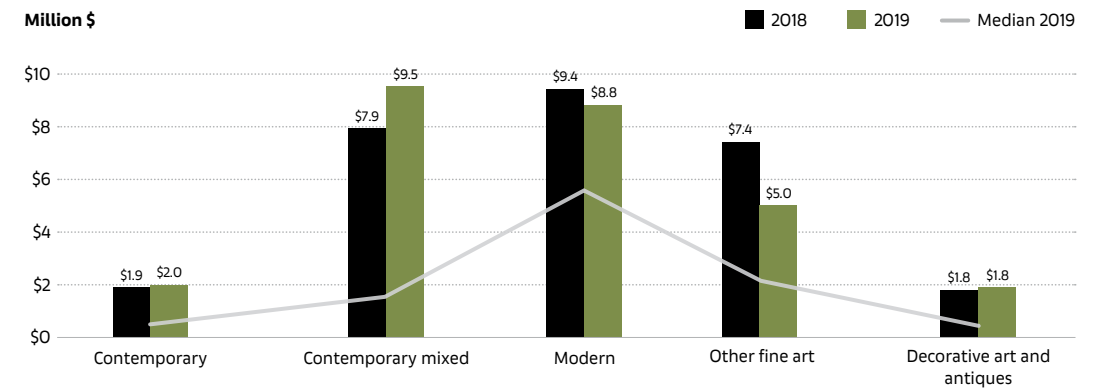
There were also differences in performance year-on-year by sector. The survey covered dealers in fine art (83%) and decorative art and antiques (17%). The majority of respondents (62%) dealt in contemporary art, with 49% selling it exclusively, while the remainder sold it alongside other sectors, most commonly Modern art. Dealers mixing contemporary and other sectors had the highest average sales in 2019 (at \$9.5 million, up 19% year-on-year); however, this was skewed by a small number of very high-end dealers. Within

this sector, 80% of the growth year-on-year was from those dealers with turnover in excess of \$10 million.

Despite a decline in averages year-on-year, the highest median sales were in the Modern art sector (at \$5.5 million, which also had the highest median in 2018). Figure 2.3 shows median versus average sales in 2019 in a range of sectors, with the middle of the market significantly below the average for each, indicating a consistent asymmetry of sales, with a small number of high-turnover businesses tending to pull averages upwards, while the majority of businesses are in the lower range. This is particularly the case in the contemporary sector, where average sales were five times the median, and – of the 7% growth experienced year-on-year – nearly half was driven by the relatively small share of dealers with sales in excess of \$10 million per annum (and 90% of those in the \$1 million plus bracket).

Dealers of 'other fine art,' which included Impressionism, Old Masters, 19th Century, and other pre-Modern fine art works, experienced the largest decline in average sales year-on-year (32%); however, at \$5 million in 2019, this was still twice the average level of contemporary dealers. After reporting a strong rise in sales from 2017 to 2018, dealers of decorative art and antiques had a more stable year in 2019, with averages advancing just 1%.

Figure 2.3 | Average Annual Sales by Sector, 2018 and 2019



© Arts Economics (2020)

Although 2019 was a year of mixed performance for different segments and sectors, the survey indicated more optimism concerning the outlook for 2020. Looking ahead to sales in 2020:

- 25% of dealers predicted their sales would be lower than in 2019 (including 8% predicting significantly lower sales).
- 33% thought they would be stable.
- 42% expected an increase in sales.

This represents a more optimistic outlook than in 2018, when only 30% of the dealers surveyed expected increases and the majority of dealers were expecting stagnant (41%) or declining (29%) sales. It is interesting to note also that the lower end of the market showed a higher level of optimism in 2019, with 47% of dealers with turnover less than \$1 million expecting sales to rise versus 29% in the \$10 million plus segment.

In interviews, most dealers' views on the coming year were shaped by the specifics of their programs or secondary market supply they knew would be available. However, a common issue discussed was the level of distractions their collectors were subject to in relation to a range of pressing political, social, and economic issues, and how these concerns might affect sales. As noted by one dealer:

'The art market has been holding its own, and you can bear the ups and downs in the economy with some diversity in your program. 2020 will be a challenging year, but rather than major political dramas having a direct financial impact, their main danger for us is to distract people's attention. Distractions and anxieties can take people away from buying art, even if the economy is booming and they're still in a position to spend.'

Along with such distractions, another common challenge cited by mid- and higher-level galleries was the continued saturation levels of their current buyer base who had supported the market strongly over the last decade. Some underlined their need to continue to broaden interest from different regions, as well as attract new clients in their own markets, in order to ensure their sales did not stagnate. They also discussed the practical challenges they faced in doing so, including different cultural norms, language barriers, payment cycles, discounts,

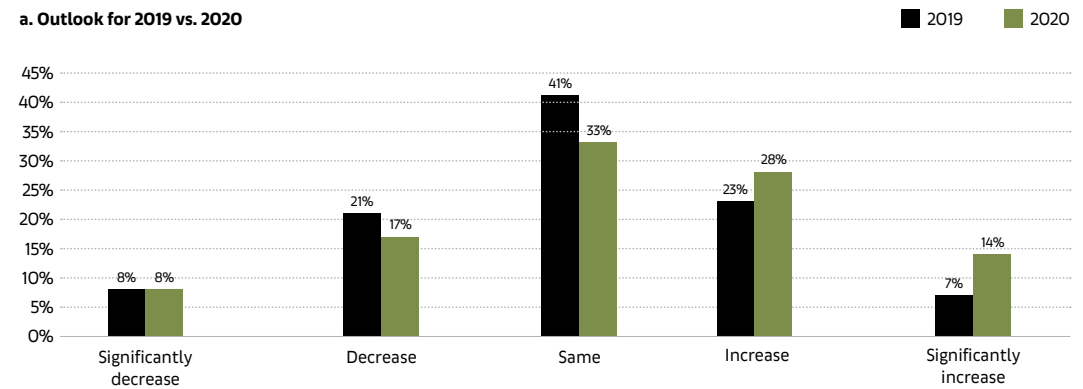
and preferred ways of interacting. The ability to innovate and remain flexible was seen as a benefit for some smaller galleries and a cause for optimism, although others stated that the commercial pressures they faced as a small gallery left them less able to take risks and forced them to look at more commercial exhibitions and programs than they would have if their turnover was higher.

The most optimism about the year ahead tended to come from respondents in smaller markets such as those in Africa and South America. Of the more mature markets, dealers in the UK had the highest hopes for 2020, with 41% expecting a better year. However, this was based on their relatively poor year in 2019 with an aggregate decline in sales of 4%. 2019 was a challenging year for most British dealers, with the uncertainty concerning Brexit having direct and indirect effects on their businesses and the collectors they worked with. Regardless of their views on the issues surrounding Brexit, most hoped 2020 would bring greater certainty – and hence more stability and the potential for stronger sales.

Dealers were also asked about how they predicted sales in their region would perform over the next five years. As is often the case when considering a longer timeline, optimism rose: 40% of dealers thought their sales would increase, 37% thought they would be stable, and 22% expected declines.

Figure 2.4 | Dealers' Views on Future Sales

a. Outlook for 2019 vs. 2020



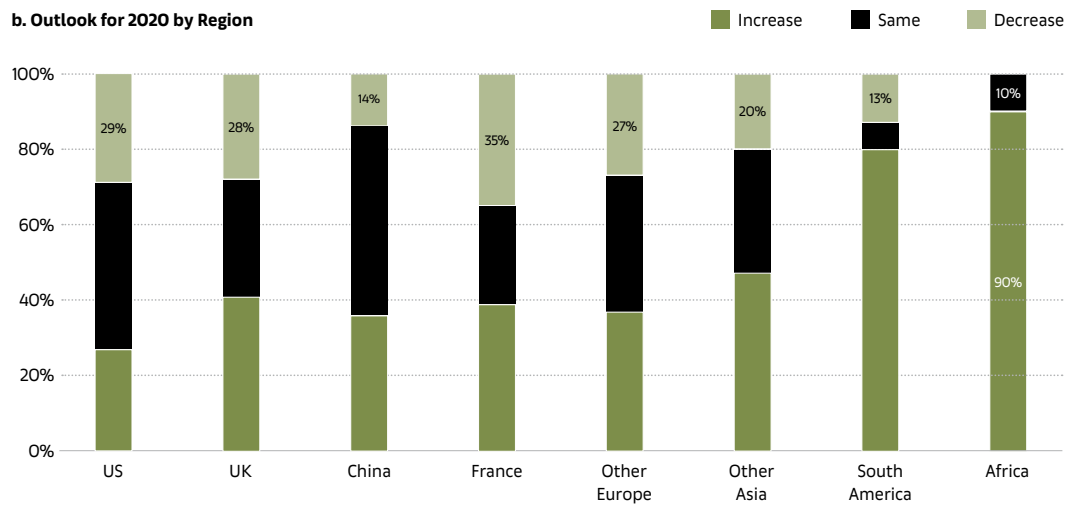
© Arts Economics (2020)

Although there were few significant differences by turnover level, there were again differences by region, with US dealers showing the lowest share expecting increasing sales (one-third of dealers) versus 50% in China. However, around half of US dealers polled thought their sales would be stable, and although they were less optimistic on the upside, they were also less pessimistic on the downside than other major markets. Again, some of the smaller national markets in Africa were the most hopeful that from their current relatively small bases, sales would continue to grow over the next five years.

When asked for their five-year view on their sector, contemporary dealers were the most positive, with 53% expecting an increase in sales over five years. In most other sectors, the outlook was also positive for around half of the dealers surveyed, with the exception of dealers in the Modern art sector, where only 8% expected increasing sales, although close to 75% thought they might maintain their current level. Views of dealers in decorative art and antiques were split; around half felt they would continue to increase, but a significant 36% expected lower growth for this sector over five years.

Figure 2.4 | Dealers' Views on Future Sales (continued)

b. Outlook for 2020 by Region

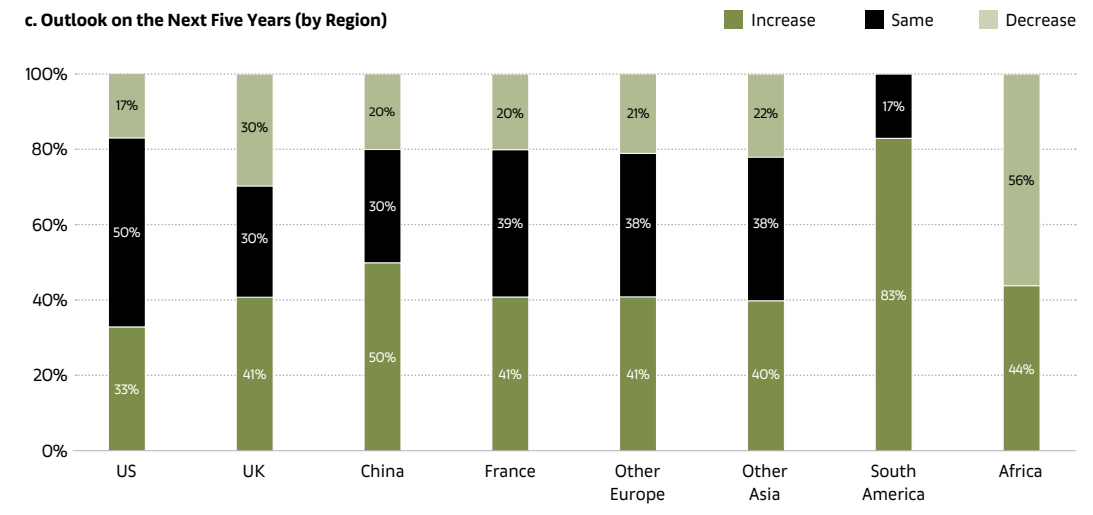


© Arts Economics (2020)

The average volume of sales by dealers in 2019 was reported as 99 works or objects, an increase of 10% year-on-year for the dealers surveyed. The reported volume of sales in the dealer market can fluctuate significantly and is often skewed by some dealers carrying out large volumes of transactions in lower price segments.

This is true in all sectors, but is most frequent in the decorative art and antiques segments, where the average volume of works or objects sold in 2019 was 118, the highest of all sectors (as it had been in 2018) and more than double the volume of some fine art sectors such as Modern art.

c. Outlook on the Next Five Years (by Region)



© Arts Economics (2020)

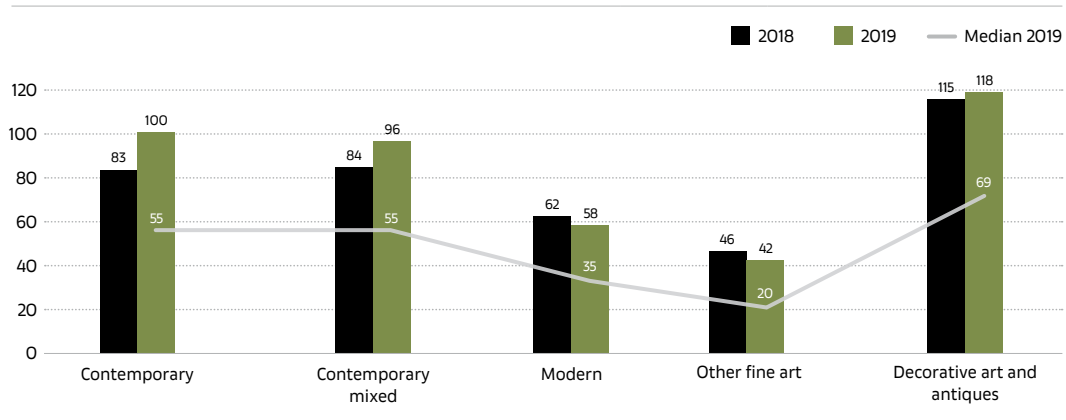
The median number of works sold in 2019 was therefore more representative at 55 for the sector as a whole, an increase in this sample of 10%.¹⁰

The greatest increase in volume was in the contemporary art sector, with those dealers exclusively selling contemporary art increasing transactions by 20%. The older fine art sectors of the art market

saw a decline in averages, with the supply of quality works continuing to be an issue reported by many dealers anecdotally. Dealers in the decorative art and antiques sector had a slight increase in the average number of transactions, boosted by a few high-volume antiques dealers, but their median sales volumes fell 8%.

¹⁰ Annual comparisons of volume for 2018 and 2019 are for dealers included in the 2019 survey who were asked to report the number of works or objects sold in both years. The median volume of sales reported by dealers in the 2018 survey was higher at 78, influenced in part by a slightly higher share of non-fine art dealers in this survey.

Figure 2.5 | Averages and Median Volume of Sales by Sector



© Arts Economics (2020)

The greatest increase in volume was in the contemporary art sector, with those dealers exclusively selling contemporary art increasing transactions by 20%

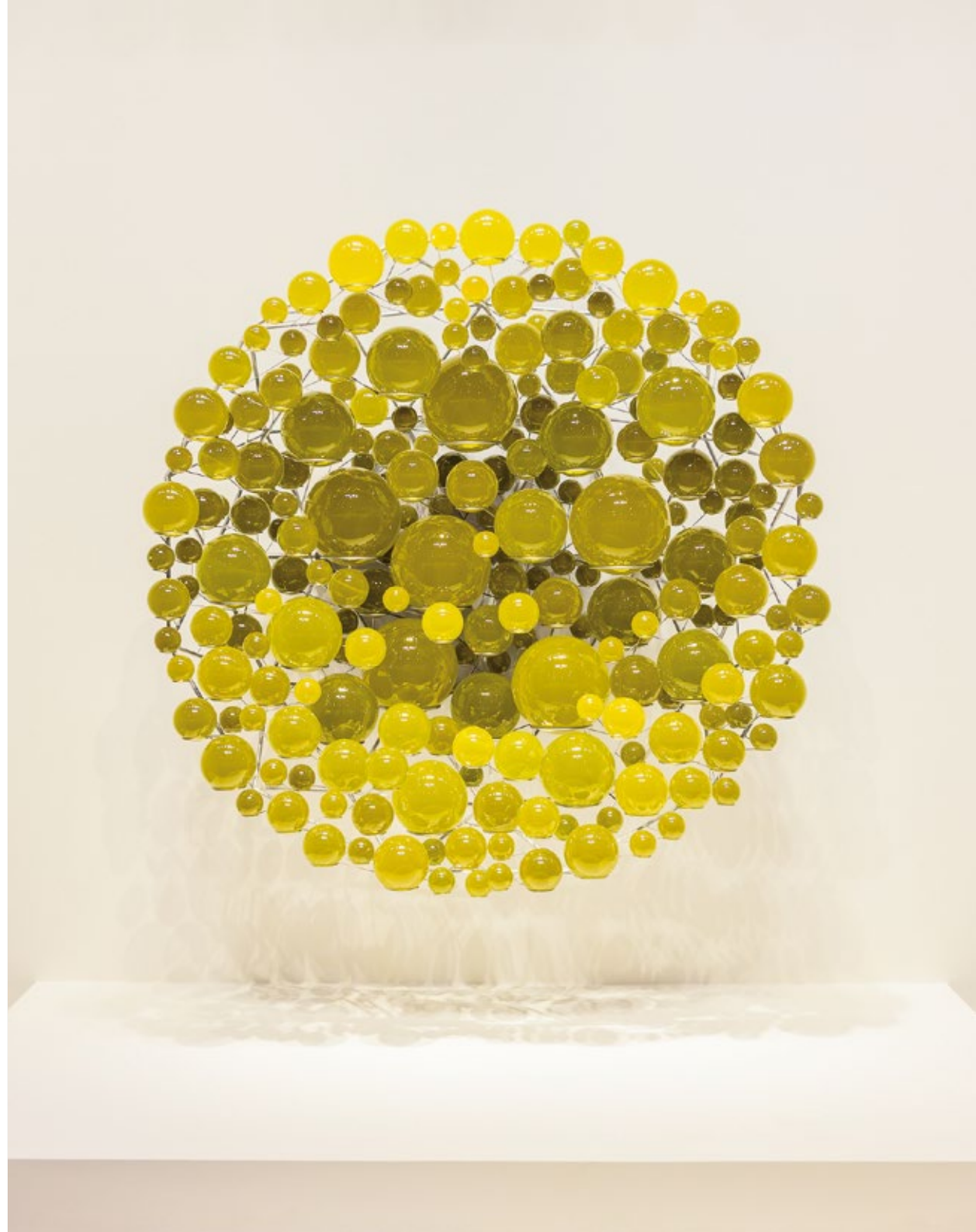
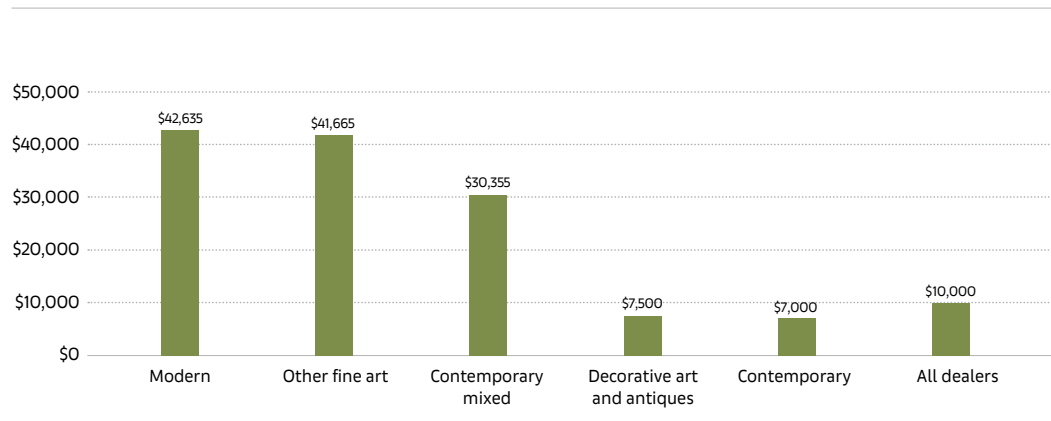


Figure 2.6 | Median Prices by Sector in 2019



© Arts Economics (2020)

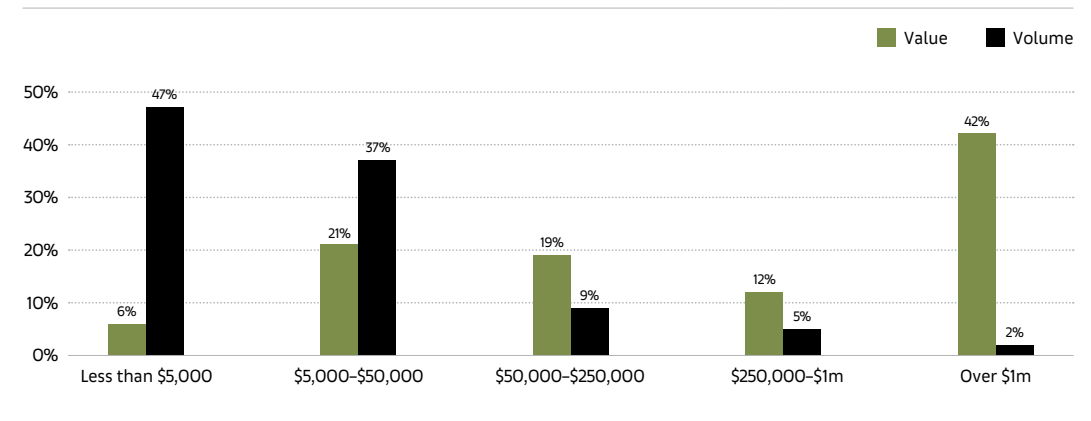
2.2 | Prices in the Dealer Market

The highest prices in the dealer sector in 2019 were once again in the Modern art sector. Although respondents did not supply prices for individual transactions, averages were derived based on their individual reported value and volume of turnover. Using this method, Modern art had the highest median price at \$42,635, six times the level in the contemporary sector. The median was down 38% from 2018, restoring prices in the Modern sector to 2017 levels. Contemporary dealers also saw a

decline of 25% from \$9,335 to \$7,000, while there was a rise of 11% for dealers in the decorative art and antiques sector. Measured in this way, the median across all dealers did not change significantly year-on-year, at \$10,000 rising from \$9,335 in 2018.

The distribution of sales over different price segments was also relatively stable, apart from a drop of 10% in the share of value accounted for by the lowest segment of prices (below \$5,000), despite more works being sold in this segment. The share of value in all of the segments above \$50,000 rose slightly,

Figure 2.7 | Share of Total Dealer Sales by Price Bracket in 2019



© Arts Economics (2020)

including the segment over \$1 million, which increased in share by 2% to 42%. This continued to be the largest segment by value by a significant margin despite only accounting for 2% of the total number of works sold.

The majority (84%) of individual transactions in the dealer sector were for prices below \$50,000, but these represented a smaller share of the value of sales at 27% in 2019, down 10% from 2018, with more value shifting to the higher end.

The majority (84%) of individual transactions in the dealer sector were for prices below \$50,000

Mid-level sales (from \$50,000 to \$1 million) expanded their share of value from 23% in 2018 to 31% in 2019. While this broad segment of prices has been reported as difficult for some businesses in recent years, many dealers noted stronger sales in five- and six-figure sums at fairs and through their galleries in 2019 than in the previous two years, to both newer regional collectors and US buyers. Some dealers reported that this included newer buyers trying to follow trends or ‘buy what they think the smart money is buying,’ including female artists, black artists, and others who they viewed as potentially being currently under-valued. While this was seen as a positive development in the market in many respects, expanding the focus away from the very small group of blue-chip, white, male artists priced above the budgets of most collectors, others worried about what they considered was ‘bandwagon jumping’ and the negative effects it could have on the stability and longevity of some of these artists’ markets.

2.3 | Dealer Financing

While aggregate sales in the dealer sector have risen for the third consecutive year, many dealers have noted anecdotally that their costs have also escalated, often at a higher rate, leaving margins under pressure. The market continues to be characterized by a relatively small number of businesses making above-average profit, while many businesses struggle to break even. Participation in fairs and the costs this entails was identified as one of the top three challenges in the sector, while business overheads such as rent of their gallery or business premises was also ranked highly, shifting up in the rankings to one of the top three challenges for US dealers.

Rising costs and variable sales have put many businesses under financial strain, which is compounded by poor access to financing in the sector. As noted by one dealer, while lending based on using art as collateral has been expanding at an increasing rate, there is still virtually no trade financing for most galleries.¹¹ The majority of dealers sell on consignment due in part to a lack of financing, which further compounds the issue, as they have no owned inventories that can be viewed as assets by lending institutions on which to base business loans.

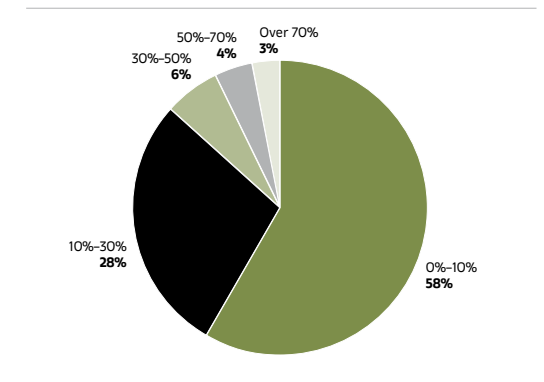
The lack of lending was evident once again in the levels of debt in the sector. The majority of dealers

(58%) had a debt ratio of less than 10%, a stable share on the previous year.¹² Regardless of their turnover level, most dealers maintained less than 30% debt, with those holding a ratio of over 30% dropping five percentage points year-on-year (to 13%).¹³

Previous surveys showed that dealers at lower levels of turnover tended to have lower levels of debt. In 2019, there was little difference between those with turnover under and over \$1 million, however, dealers with sales in excess of \$10 million did have higher leverage, including 18% of respondents with debt in excess of 50%. This could indicate greater financial risk at this level of trading but is most likely due to better access to credit and lending facilities.

An issue noted by some galleries at the higher end was the need to use external financing to help fund new programs and assist in the production of individual works. Some galleries were concerned that the lack of funding in the sector and financial pressures were having potentially detrimental effects on programming and content, with some observing an increase in conservative, commercial artworks being exhibited, particularly at art fairs, where small galleries especially continued to struggle to ensure they covered their bottom line.

Figure 2.8 | Debt Ratios in the Dealer Sector in 2019



© Arts Economics (2020)

As explained by one dealer:

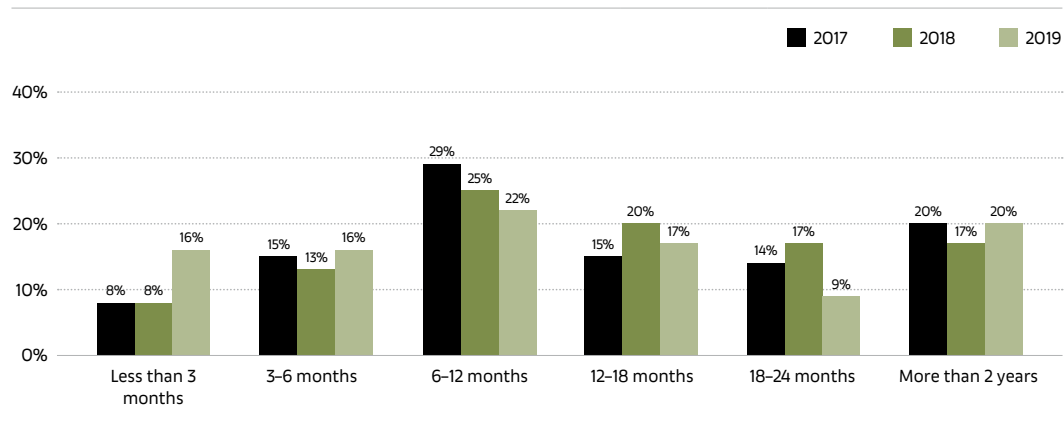
‘There has been a big shift in the type of art that is the most relevant and important for our time. Some of the most important works being produced are large-scale, challenging institutional works, that are very expensive to produce and exhibit, and are not “market art”. These are commercially and financially difficult for galleries to help produce and support unless they have adequate funding.’

¹¹ Estimates from Art Tactic and Deloitte (2020) are that there was somewhere in the region of \$21 billion to \$24 billion in outstanding loans against art in 2019, with just 8% to 10% of those accounted for by dealers and galleries. From the Art Tactic/Deloitte (2020) *Art & Finance Report 2019*.

¹² The debt ratio in this context describes a company’s debt and liabilities versus its assets (sales and stock). It can be interpreted as the proportion of the company’s assets that are financed by debt and is therefore also an indicator of their financial risk.

¹³ For a point of comparison, the global market debt-to-equity ratio in general retail industries at the start of 2020 averaged 37% globally (or 50% if adjusted for leases). This was slightly lower for specialty retail at 29% (or an adjusted 48%). These ratios are defined differently from those in the survey but are useful for benchmarking. The market debt-to-equity ratio is estimated using the aggregated value of debt divided by the sum of equity (or market capitalization), and the data was supplied in January 2020 courtesy of Aswath Damodaran, Stern School of Business at New York University.

Figure 2.9 | Average Inventory to Sales Cycle 2017–2019



© Arts Economics (2020)

An issue that affects many dealers' profitability is the slow-moving and variable nature of sales against regular and high fixed costs. Dealers were asked to report on their average inventory cycle, that is, the length of time from works entering their inventory to final sale. The average cycle across the sector was 12 months (with a slightly lower median of nine), and the most common inventory cycle for dealers was between six and 12 months (22%), a stable result on the last two years. There was a substantial increase in shorter inventory cycles versus previous years, with

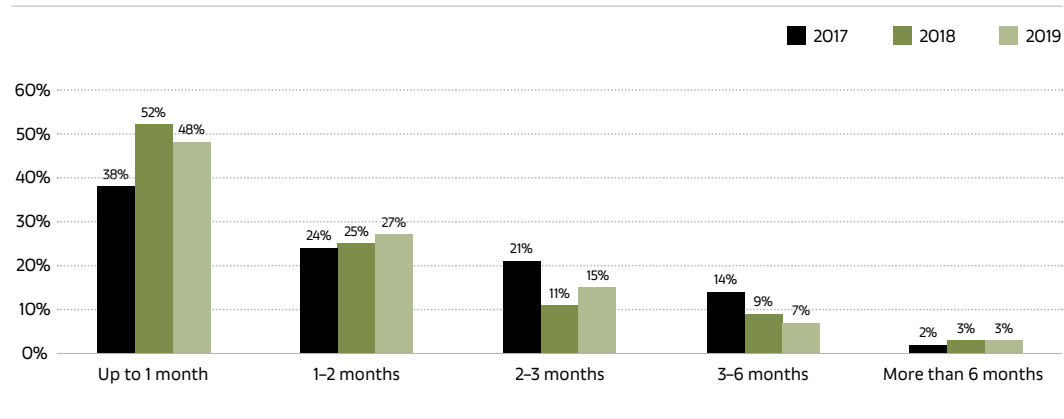
those dealers selling works within three months rising to 16%. However, at the other end of the spectrum, there was also an increase in those dealers with slow cycles, with the very slowest cycle of more than two years increasing to a 20% share after two consecutive years of decline, and indicating the persistence of low liquidity and slow-moving stock in some parts of the market. Decorative art and antiques dealers had the largest share in this segment (37%), however, even in the contemporary market, over 40% of dealers had an inventory to sales period of over one year.

With median inventory to sales periods ranging from averages of nine months in contemporary art to 15 months in decorative art and antiques, the dealer sector has a slow average pace of sales compared to other retail sectors.¹⁴ This puts dealers under considerable financial pressure in some areas, as the costs to their businesses in producing, promoting, and exhibiting works in their galleries and through art fairs are often considerable and disconnected from the timing of the final sale. Dealers also have substantial costs related to their support of the production of artists' works and related expenditures for their artists' participation in museum exhibitions and biennials. For antiques dealers and those working in older sectors of the market, the model of owned inventory is still common, which puts further pressure on businesses that need to purchase, restore, and conserve works prior to a sale. These issues, combined with rapidly increasing rent and staff costs (particularly in major cities) and declining footfall, have led a number of galleries to close or downsize. The problems faced are again exacerbated by limited access to external credit and financing that could be used to bridge the gaps and help smooth cash flows over a longer period, an issue that has been consistently raised by dealers as a key problem in the sector for the last 10 years.

The pressures of selling slow-moving goods can be compounded in some cases by slow payment cycles. However, just under half (48%) of the dealers surveyed were paid within a month of purchase, and 75% within two months, which would be considered a standard payment cycle in most countries. Although this two-month and under segment declined slightly year-on-year, it has steadily grown over time, from 61% in 2016. While this is a positive trend generally, anecdotally some dealers noted that this improvement was related more to their inability to offer more extended terms due to internal cost pressures. Flexible and delayed payments, extending loans of works, and the 'slow and calm exchange of thoughts and ideas about a work over an extended period' were in fact viewed as a key added value dealers could offer over other sellers. Many collectors placed a high value on these aspects of transacting, valuing being given the time to make a thoughtful and less pressured purchase decision. Some dealers noted that flexibility in payment terms was part of personalizing the sales experience with collectors, which was seen as particularly important in the current fast-changing political and economic context, where those able to stay most connected to distracted art buyers were seen as having the most chance of success.

¹⁴ Although there are few comparable industries, in the second-hand car market the industry standard is reported as 95% of stock sold within a three-month period for offline dealers, see Indicia (2019) *Seven Key Metrics in Used Vehicle Business*. Rates quoted in other industries include medians of 34 days in miscellaneous retail and just over 50 days for furniture and fittings (see *Ready Ratios IFRS Financial Reporting*, available at www.readyratios.com). These are all significantly less than the median in the dealer sector, which exceeds 250 days.

Figure 2.10 | Average Payment Cycle for All Dealers 2017–2019



© Arts Economics (2020)

Others, however, welcomed the tighter cycle of payments, particularly when dealing with clients from newer markets in China and some other regions, who sometimes had a different culture of bargaining and payment terms that made finalizing transactions more challenging. It is interesting to note that in China, where delayed payments are known to be more problematic in the auction sector, 75% of galleries reported that they were paid within two months, which although less than North America (at 81%) was on par with the global and European average.

While some larger galleries in Europe and the US noted difficulties with late payment from Chinese buyers, local businesses in China appear to find it easier to enforce tighter payment terms. Within Europe, French dealers had the largest share of dealers with a more extended payment cycle, with just under one-third reporting a period of over three months.



2.4 | Buyers

One of the key challenges identified by dealers over the last three years has been finding new buyers. In terms of their existing base of clients, on average businesses in the dealer sector sold to 64 clients in 2019, a decline of 12% from the average reported in 2018 (but remaining above 2017, when the average was 54).

The average number of buyers rose steadily and largely in proportion to their level of turnover: dealers with turnover under \$1 million dealt with less than half the number of buyers those with turnover in excess of \$1 million did (at 43 versus 99). While a greater number of buyers generally meant more sales, there appeared to be exceptions, and there was also mixed performance between segments with the same number of buyers. As noted previously, while the segment from \$1 million to \$10 million saw an increase in sales overall of 8% year-on-year, if fragmented further into dealers with sales above and below the \$5 million level, it was the higher level of \$5 million to \$10 million that saw the best performance (with sales increasing 15%) versus the \$1 million to \$5 million segment (where sales rose just 3%), despite the higher level having significantly fewer buyers. Although this is likely to be due to a variety of reasons, it fits with some of the anecdotal evidence from dealers in this segment that described a strategy of maintaining

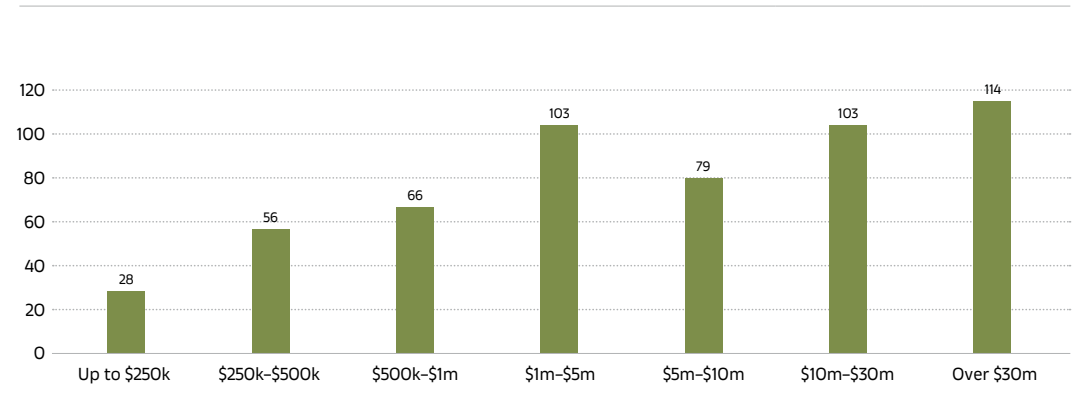
a closer focus on what they considered to be a core of buyers from key regions during the year.

At the highest level (dealers with sales in excess of \$30 million), the number of buyers was the highest, with an average of 114. Many dealers at this level deal from multinational premises around the world and reach a wider pool of international buyers, which has undoubtedly helped to boost their sales from year to year.

Finding new buyers in different regions and in new demographic segments in their existing markets continued to be critical to businesses in the sector, and there was evidence in 2019 that some dealers were successful in achieving a greater level of diversification in their sales. While dealers still made the largest proportion (37%) of their sales to buyers who had been with the gallery for one to five years, the share of sales to new clients increased 5% year-on-year to 34%. The remaining 29% were sales to buyers they had dealt with for between one and five years (down by 4% from 2018).

As has been the case consistently in recent years, new buyers were more important for dealers with lower turnover levels than for those at the highest end. For dealers with turnover of less than \$500,000, new buyers accounted for 40% of their sales (up 6% year-on-year) versus 26% for dealers with turnover

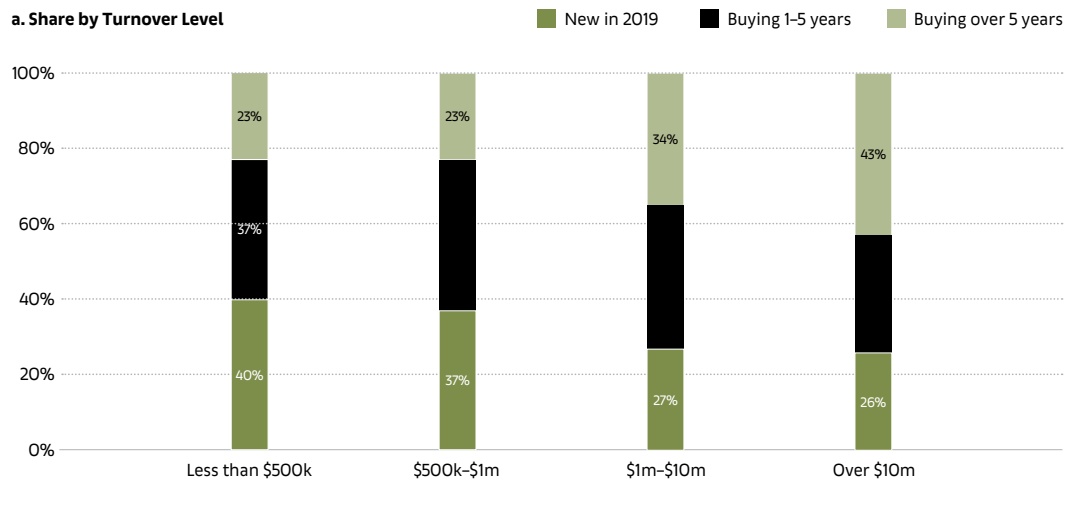
Figure 2.11 | Average Number of Buyers by Dealers' Sales Turnover in 2019



© Arts Economics (2020)

While dealers still made the largest proportion (37%) of their sales to buyers who had been with the gallery for one to five years, the share of sales to new clients increased 5% year-on-year to 34%

Figure 2.12 | Share of Sales to Buyer Groups by Purchase History

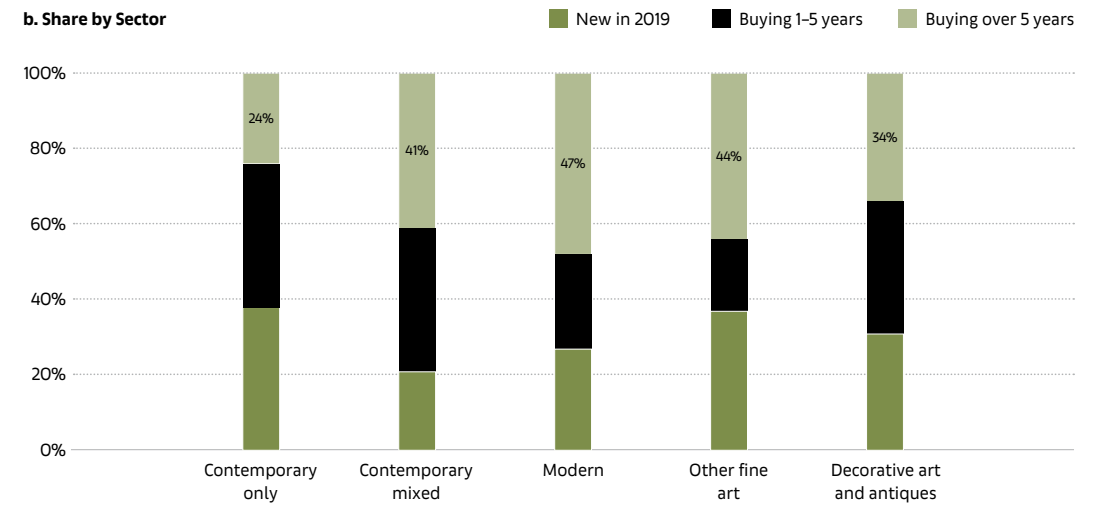


© Arts Economics (2020)

of more than \$10 million. In this highest sales segment, the share of sales to new buyers dipped slightly year-on-year (by 2%), while longer-term buyers became significantly more important, accounting for 43% of their total sales (from 32% in 2018).

There were also some differences according to sector, with new buyers accounting for the largest share of sales for contemporary dealers at 38% (up 7% in

year-on-year), but a lower share for those dealing in Modern art and decorative art and antiques. As was the case in 2018, the segment most reliant on more established clients was those dealers in the Modern sector, with the share of sales to buyers purchasing from them for more than five years at 47% (from 41% in 2018). The decorative art and antiques segment had the most balanced sales to new versus



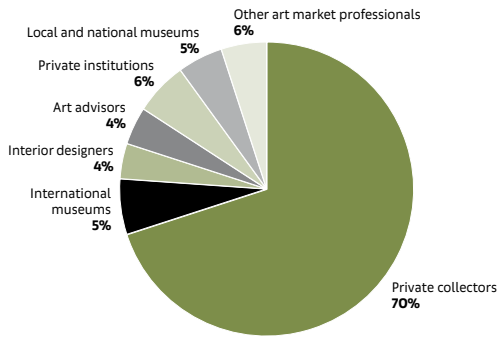
© Arts Economics (2020)

established clients, but saw growth in the share of new client sales (of 3% from 2018) as did all of the sectors shown in Figure 2.12. Their share of sales to their most established buyers declined by 4% year-on-year, having already fallen by 11% in 2018, showing that despite concerns from the sector, some dealers have been successful in reaching new buyers. (This is also backed up in the findings

on HNW collectors in Chapter 6, which shows that many younger collectors are engaging in cross-collecting in various segments, including antiques, with some active at a high level of prices.)

Sales to private collectors once again dominated in 2019, with their share edging up further (by 2%) to 70%. A further 8% of sales were made to interior

Figure 2.13 | Share of Sales by Buyer Type in 2019



© Arts Economics (2020)

Sales to private collectors once again dominated in 2019, with their share edging up further (by 2%) to 70%

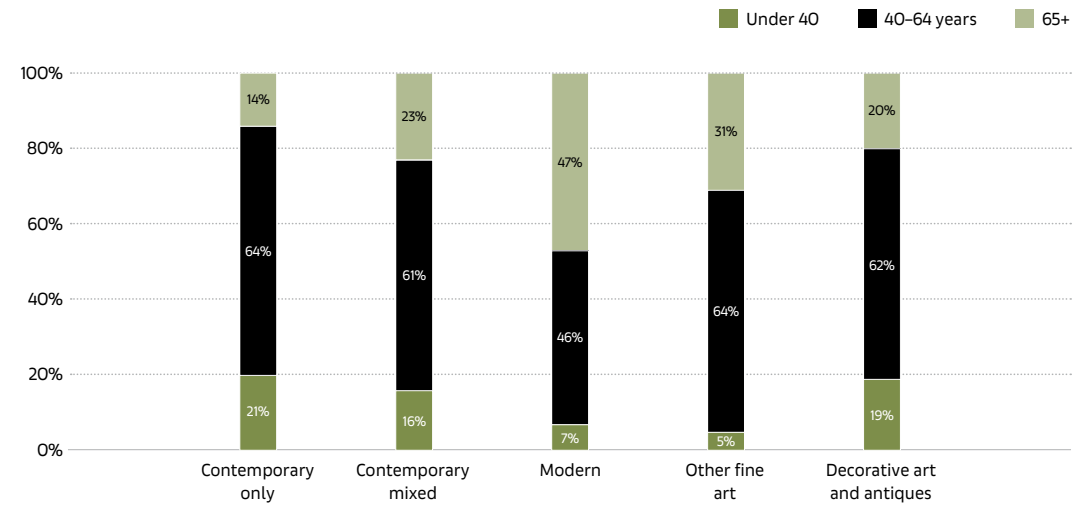
designers and art advisors (both of whom predominantly worked for private clients), which means that in reality, close to 78% of the value of sales made by dealers were to or on behalf of private individuals.¹⁵ Sales carried out through advisors were highest in the contemporary sector at 5%, whereas interior designers were, unsurprisingly, more important for dealers in decorative art and antiques at 10% (stable on 2018), versus 3% or less for all of the fine art sectors.

Sales to other members of the art trade were stable on 2018 at 6%, although they were considerably more important to dealers in older sectors focused on the secondary market, with a share of 18% for those working in the Impressionist, Old Masters, and other older fine art sectors and 17% in decorative art and antiques (versus just 3% for contemporary dealers).

Sales to corporations and private institutions were a stable share of 6% year-on-year and again more significant for contemporary dealers than others. The share of sales to museums also stayed relatively stable, dropping just 1% in share, and balanced between local and international institutions. The share of museum sales was highest for Modern art dealers at 14% (with 9% of those to local institutions), while the lowest was once again for those in decorative art and antiques (at 6%), although this was an advance of 5% in share for these dealers on 2018, due in part to the addition of more

¹⁵ As noted in previous years, this may understate the significance of advisors, as some collectors work with advisors prior to a sale, researching the market and sourcing works from galleries before making a final purchase from a dealer.

Figure 2.14 | Share of Number of Buyers by Age and Sector in 2019



© Arts Economics (2020)

antiquities dealers to the sample in 2019. There was little change for contemporary dealers, who reported that 10% of their sales by value were made to museums in 2019.

In terms of their demographic profile, buyers aged between 40 and 64 years were the largest buyer segment for dealers in 2019, accounting for a stable share of 62% of their total buyers (down just 1%

from 2018). The biggest growth year-on-year was in the number of buyers under 40 years of age, which advanced in share by six percentage points to 19%. While the contemporary sector had the largest share of younger buyers (21% under 40 years), the second highest was in decorative art and antiques, despite these sectors being often typecast as more suited to an older demographic. The Modern art sector, on the other hand, had the largest share of older

buyers, with just under half of their base of clients reported as being 65 years or older. The level of pricing in the Modern sector could have influenced this to some extent, as there were also differences by level of turnover, with those dealers with annual sales less than \$1 million having the highest share of young buyers (20%) and lowest share in the 65 plus age group (15%). The share of older buyers increased with turnover: 28% for dealers with more than \$1 million in sales and 40% for those with sales greater than \$10 million.

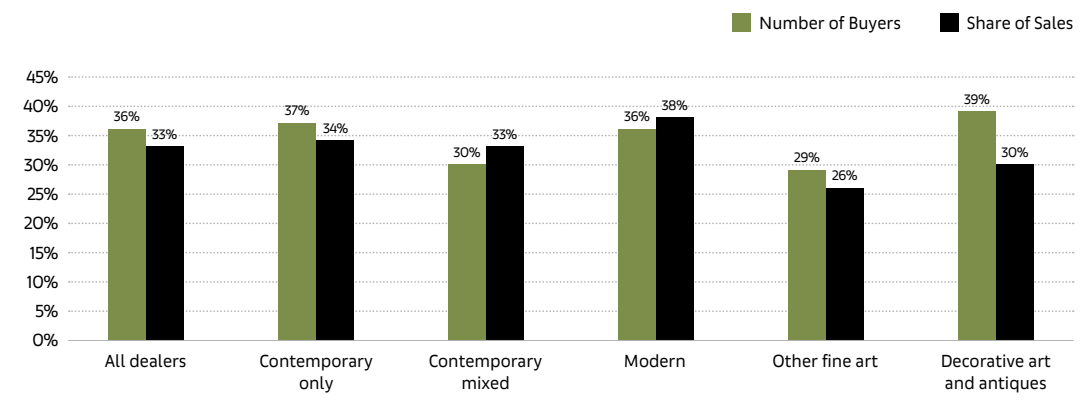
Across all dealers, the average share of female buyers was 36%, which although a minority, advanced by 9% on the figures reported in 2018. Despite the increase in number of buyers, the share of sales by value made to them was stable at 33%. Female buyers were a minority in every sector, with a slightly higher average in the decorative art and antiques markets at 39%. The largest share of sales to women was in the Modern art sector (at 38%).

There were more notable differences by turnover level, with dealers with sales less than \$1 million having a larger share of female buyers at 38% versus those with sales over \$1 million (30%). This share of buyers declined further at the highest end over \$10 million (to 25% in terms of numbers), with women only accounting for 20% of sales in this segment (versus 35% of sales for those with sales under \$1 million).

The share of sales to women also varied by region, highest in the US at 45% and countries in Africa (averaging 40%), and lowest in the UK and France (at 32% and 28%, respectively). The average in Asia was 35%, with China a slightly lower 33%.

While most dealers already collect a significant amount of information on their buyers, there has been a recent push in regulations in some regions that will increase the amount of information required to be able to transact in the sector. An EU regulation that gained much attention in 2019 from dealers was the *5th EU Anti-Money Laundering Directive*, implemented by national legislation, including in the UK, by the *UK Money Laundering and Terrorist Finance (Amendment) Regulations*, passed at the end of 2019, and effective in January 2020. For the first time, the art market has become part of the regulated sector across Europe for anti-money laundering purposes, meaning all art market participants involved in transactions worth €10,000 or more must carry out satisfactory 'know your client' and 'customer due diligence' checks before completing transactions. At the start of 2020, the implications and requirements of these new laws are still being discovered, however, they are likely to increase the information-gathering requirements as well as the administrative burdens and costs of dealers in Europe.¹⁶

Figure 2.15 | Share of Female Buyers and Sales to Female Buyers in 2019



© Arts Economics (2020)

Across all dealers, the average share of female buyers was 36%, which although a minority, advanced by 9% on the figures reported in 2018

¹⁶ In the US, the House of Representatives also passed a bill in October 2019 (The Corporate Transparency Act of 2019) that required antiquities dealers to disclose similar information about their transactions, clients' identities, and financial information. The bill is currently still sitting in the Senate in early 2020 but would remove the exemption afforded to these dealers under the Bank Secrecy Act of 1970. Through successful lobbying by the art trade, fine art dealers were excluded from the US regulations. Information provided by Bruno Boesch (collectionslegal.art) and Diana Wierbicki, Withersworldwide.

For dealers trading at lower price points not covered in these regulations, some have noted an opposite issue related to the increasing loss of client information in recent years as more of their sales moved online. One dealer commented that it was impossible to ascertain the gender or age of their online buyers, unless very obvious in an email address, and hence they felt they were losing touch in some regard with some key strategic information that they had previously taken for granted through in-person sales. Many dealers noted that their key value-added centered on advice, expertise, and other personal services, and that they differentiated themselves based on the access and knowledge they provided to buyers. Some felt that the movement of their sales online reduced the personal contact with buyers, while others differentiated buyers as online ‘shoppers’ at lower price points versus their largely offline ‘collectors’. (Online sales are discussed in more detail in Chapter 5.)

Local buyers still made up the highest share in the sector at 61% of buyers and 58% of total sales

Local buyers (from within the country of the gallery’s reporting location) still made up the highest share in the sector at 61%, despite some dealers’ efforts at regionally diversifying their clients. Some galleries noted their increasing focus on a core group of clients, and this may have had an impact on the aggregate figures, with the share of local buyers increasing 4% year-on-year. However, the share of sales (by value) to local buyers did not expand as much, up 2% to 58% of total sales.

Although shares varied widely for individual businesses, 39% of the sample reported that 80% or more of their buyers were local. The distribution of local versus international buyers varied by turnover level, and, as in 2018, dealers with lower turnovers tended to have a higher reliance on local buyers. Dealers turning over less than \$500,000 reported that 67% of their buyers were local, and these accounted for 62% of their sales. While the majority of their buyers being local was not necessarily a problem for all dealers at this level, some noted that they were actively trying to expand beyond local markets in order to boost sales. Reaching more overseas buyers was a key challenge for their businesses, with different approaches being taken to try to gain a competitive foothold, from fairs and exhibitions to widening their reach online.

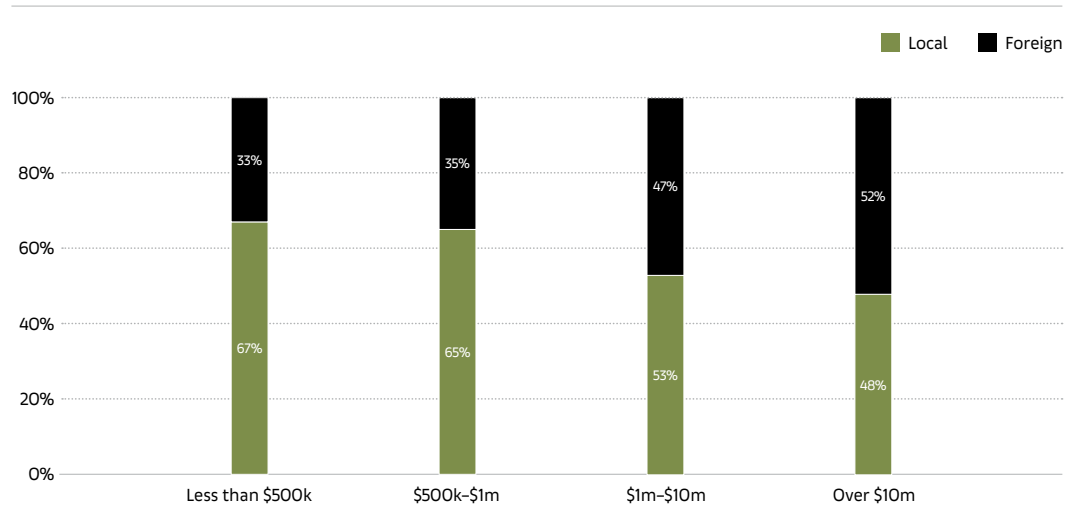
At the highest end (dealers with sales over \$10 million), there was a greater dependence on foreign buyers (52%), and these accounted for just over half (51%) of their sales. This fits with some evidence from interviews, where dealers described pursuing internationally based business models, focusing on key and geographically diverse buyer segments through fairs and collaborative exhibitions as some of their existing buyers slowed their pace of buying. However, even for this segment of dealers, the share of local buyers increased in 2019 (by 6%), with increases at every turnover level, apart from the \$1 million to \$10 million range, where international buyers rose 4%.

Local buyers accounted for the majority of clients for contemporary dealers (61%) but, as in 2018, their share of sales was slightly lower at 58%, indicating that, on average, some international sales were higher value than local ones. Local collectors made up the majority of buyers for all sectors, with the exception of the dealers in older fine art sectors such as Old Masters and Impressionist works, where there was a balance between local and international clients, with the latter taking a much larger share of sales (62%). Dealers in decorative art and antiques maintained a strong local base of buyers (63% of their clients, which generated 57% of their sales).

Another key influence on the importance of local business was where the dealer was located. In very large art markets, such as the US, with a dense local population of high net worth individuals (HNWIs) and collectors at different levels, it was easier for dealers to gain support for their business locally, with US buyers accounting for an average of 76% of the value of sales. In China also, the majority of sales (58%) were to Chinese buyers. However, in Europe, key centers such as London acted as more international hubs for the sale of art, with a much lower share of sales to British buyers (46%), while the share in France, an important market for buyers in Europe and internationally, was also lower at 45%. (The rest of Europe without these key markets had a higher than average share of sales to local buyers at 63%).

In some smaller, new-growth markets in Africa and other regions, dealers balanced sales to international clients (52%) alongside local sales, with some key ultra-high net worth millionaires and billionaires in local markets reported to have supported sales through the year. However, in South America, sales to local buyers still accounted for a majority, at 57% in Brazil and 73% for the entire region of South and Central America.

Figure 2.16 | Share of Dealers' Sales to Local vs. International Buyers in 2019



© Arts Economics (2020)

When asked about the key challenges for their businesses over the next five years, finding new clients was the number one issue across the entire sector. This ranked in the top three challenges regardless of turnover level, with dealers at the lowest end needing more buyers to expand their businesses to the next level, while those at the top end were seeking new segments as some of their existing buyer bases aged out of active collecting or tapered their buying after several years of high

activity. There were indications that the drive to boost buyers was not simply an international diversification effort but also an attempt to find ways to combine this with encouraging new generations of collectors and more sales at home. According to some of the dealers interviewed, the key focus of much effort at the start of 2020 was finding ways to increase the accessibility of their programs through multiple channels, including fairs, online sales, and collaborative exhibitions and projects with galleries and other businesses.



2.5 | Artist Representation

Excluding dealers of decorative art and antiques, the dealers surveyed in 2019 included dealers working in the primary market (55% of fine art dealers), who dealt in the works of living artists brought to the market for the first time; those in the secondary or resale market (8%); and also those that worked across both markets (37%).

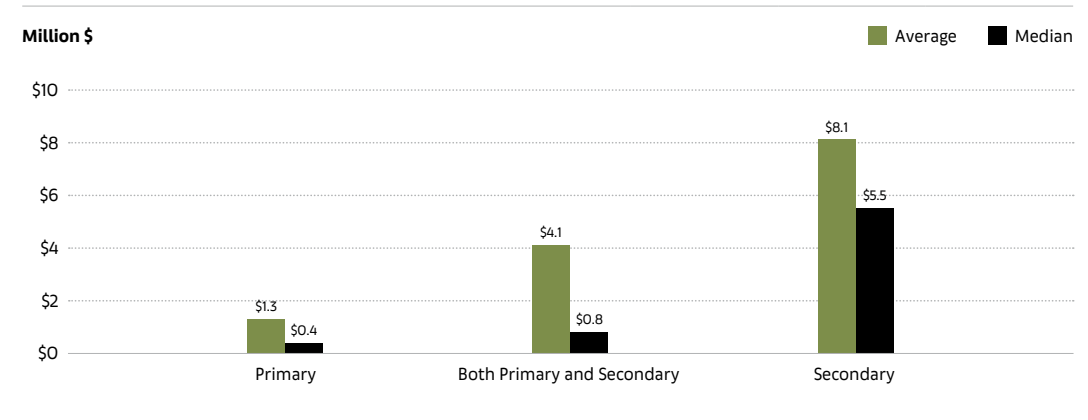
While the division between primary and secondary sales is found in other industries, a unique feature of the art trade is that the secondary or resale market dominates values, with the highest value of trade

For dealers working across both markets, the average split of sales was 56% primary market and 44% secondary market

taking place between former and future consumers and their intermediaries, rather than between producers and consumers. Artists whose works trade in the secondary market are generally more established, and a large share are also deceased, leading to limited supply, which can drive up prices. Due to this scarcity, the durability of works of art, and their non-reliance on any degenerative practical function, the tendency is for many works of art in the commercial market to appreciate in value over time, and the risks associated with their valuation to decline (rather than the depreciation seen in other second-hand markets). This means that values and prices in the secondary market are generally higher. While there are many exceptions, and increasingly greater numbers of highly successful living artists with stable and high prices, as the primary market is made up of a wide range of artists at different stages of their careers, including those only starting out, primary market prices are lower and more volatile.

These market features were borne out in the survey, with dealers working solely in the primary market having the lowest median turnover of \$375,000 in 2019, versus \$5.5 million for those working exclusively in the secondary market. Dealers working in both markets had a median turnover of \$840,000, and their average split of sales by value was 56% primary market and 44% secondary market.

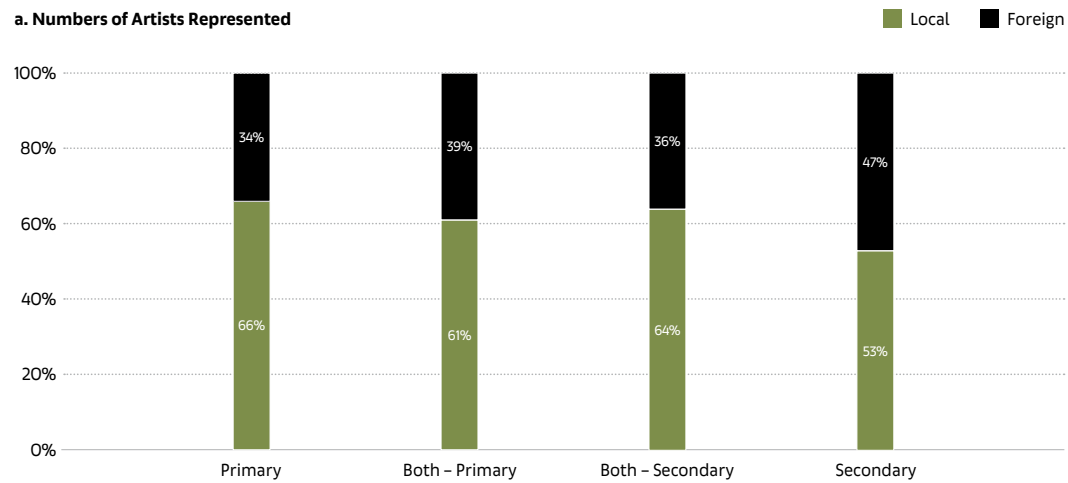
Figure 2.17 | Average and Median Sales Turnover 2019



© Arts Economics (2020)

Dealers working solely in the primary market had the lowest median turnover of \$375,000 in 2019, versus \$5.5 million for those working exclusively in the secondary market

Figure 2.18 | Foreign vs. Local Artists Represented in 2019



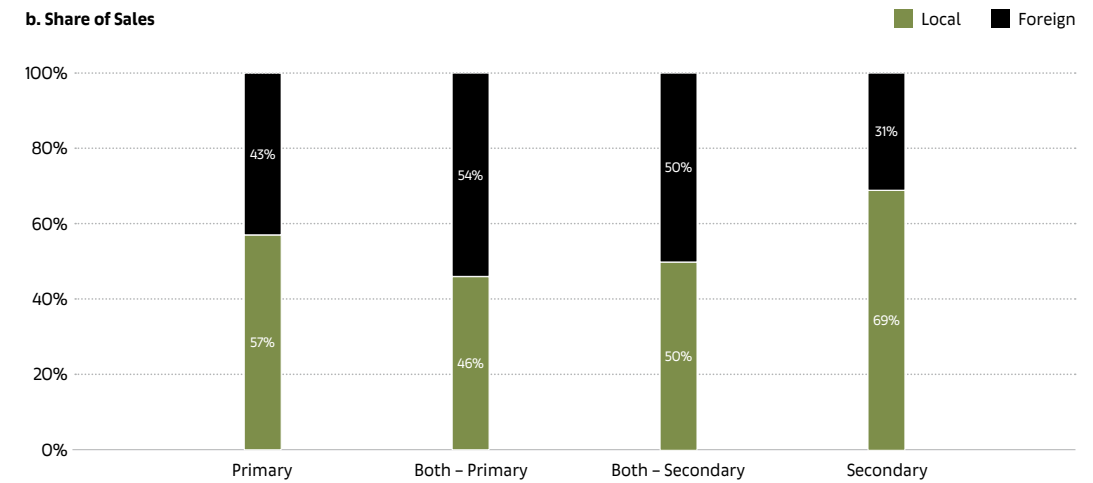
© Arts Economics (2020)

2.6 | Numbers and Nationalities of Artists Represented

The business models of the dealers working in these two segments of the market are very different, creating unique challenges for each.

Dealers in the primary market work closely with the artists they represent, playing an active role in

the establishing and building of their markets and the management of its supply over time. Many directly support the production of an artist's work and its subsequent promotion at early stages of their careers when sales are still low or unstable, which can mean significant outlays without immediate returns, often for lengthy periods. Primary market dealers tend therefore to focus on a limited number



© Arts Economics (2020)

of artists, and the average in the survey was 18, down from 22 artists in 2018. Although this may be partially explained by a slightly larger share of smaller galleries responding to the survey in 2019, it could indicate more deliberate strategies of galleries, with some choosing to concentrate on a smaller number of artists over time, having declined from an average of 25 in 2017. Although the number of artists

a gallery represents is not necessarily proportional to sales or profitability, there was a tendency on average for dealers with more artists to have larger sales. For those dealing only in the primary market with less than \$1 million in annual sales, the average number of artists represented was 16 versus 24 for those with turnover over \$1 million.

Dealers working across both markets tended to represent a higher number of artists on average, at 34. This was split between 58% in the primary market and 42% in the secondary market, and the number of artists represented was generally larger at higher turnover levels, with those with sales over \$1 million representing 41 artists on average versus 27 for those with sales less than \$1 million.

Dealers working exclusively in the secondary market, on the other hand, were active in the markets of 32 artists. It is interesting that in this market, the positive link between turnover and representation did not exist. Galleries with sales of less than \$1 million were active in the markets of more artists (42 on average) than those with higher turnovers (26).

All dealers tended to maintain programs that combined both local and international artists. For those dealers working in the primary market, the majority (66%) of the artists they represented were local, and these artists also generated the majority of the value of their sales in 2019 (57%, up 3% in share year-on-year). Dealers working exclusively in the secondary market had a more balanced share (53% local artists), however, those local artists produced an outsized share of sales by value, accounting for 69% of their total sales, the highest share of all the markets.

Dealers working across both markets had a majority of local artists in both the primary market and secondary market. The share of local secondary market artists fell 6% year-on-year, which may indicate dealers expanding their programs internationally to boost demand or may possibly be due to short supply. The share of sales by these artists also dropped slightly (by 2% to 50%). These dealers tended to glean more value from their smaller share of international artists in the primary market, with the share of value accounted for by these artists up 9% in 2019 and accounting for a majority of sales in the primary market.

When you combine all of the dealers in the primary market, including dealers who work exclusively in the market or also in combination with the secondary market, the share of local artists was 64% and their sales 53%. For all secondary market dealers, the share was 60% local artists and 53% of sales. Therefore, although there are many important nuances by segment and business, local artists tended to outweigh international artists by numbers represented, but there was a more balanced share of sales.

An interesting question that arises from these results is this: how important are local markets to the careers of the artists themselves? On an individual basis, many artists have achieved significant commercial success through sales in local galleries; however, the perception is that to achieve a higher level of critical acclaim (which should in turn correlate to higher-priced sales), exhibiting internationally is a prerequisite. To test this assumption, we used raw data from Wondeur AI (wondeur.ai) supplied for this report on a range of artists and where they exhibited. Wondeur AI is a platform that analyzes the careers of artists using exhibition and other data from a range of over 50,000 global sources, and covers an estimated 95% of the artists who have exhibited since 1900. (More details on their database are given in the Appendix.)

Using the categorizations that are assigned by Wondeur AI's database, artists were classified into four categories based on their level of fame or critical acclaim:

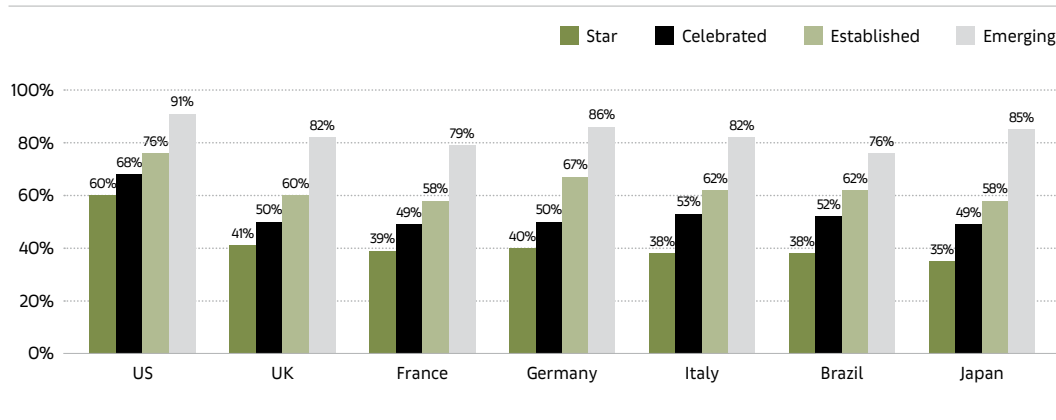
1. Star artists (which refers to the very top-tier of artists or top 1% of artists)
2. Celebrated artists (the second 1%)
3. Established artists (the next 14%)
4. Emerging and underrepresented artists (the remaining 84%)

The location of their exhibitions was then analyzed in seven different national markets, assessing the share of artists exhibiting there that were anchored in that market versus the artists' total number of shows. Rather than being based on nationality, the 'home' market was defined as where the artist had the most shows or was known to be based. The results indicate that, as seen in the surveys, artists mainly exhibit in their home markets, with 79% of exhibitions taking place in artists' anchor markets across the seven countries analyzed. This share was, unsurprisingly, highest in the US at 88%, a market which may present more local opportunities for exhibition, but it accounted for the majority in all of the markets given, with a minimum of 72% in Brazil.

However, as shown in Figure 2.19, as an artist's level of acclaim rises, their share of home exhibitions falls and they exhibit much more internationally, even those artists anchored in the US. The average share of home exhibitions for emerging artists across the seven countries analyzed was 83% (ranging from 76% in Brazil to 91% in the US). If this segment of artists did exhibit outside of their main market, the tendency was for this to be in only one other market.

For the established artists' group, the share of home exhibitions rose to 63%, lowest in Japan and France at 58% and highest in the US at 76%. The average range of countries they exhibited in outside

Figure 2.19 | Share of Artist's Exhibition in Home Market



© Arts Economics (2020) with data supplied by Wondeur AI

The average share of home-based exhibitions for emerging artists was 83%, while star artists had the lowest share at 42%

their home markets was four for US-based artists, and six for those based in the other markets.

For the next tier of celebrated artists, home exhibition shares declined again to 53%, again highest in the US at 68% and lowest in Japan and France (both 49%). These artists tended to exhibit outside their home market in a larger range of external countries: nine for US-based artists, 16 for those based in France, and 17 for German-based artists.

Finally, star artists had the lowest share of home-based exhibitions, averaging 42% across the seven regions, from a high of 60% in the US to 35% in Japan. These artists exhibited in a large range of external markets, averaging from 19 in the US to 28 in Germany, showing the much more diverse international coverage at this level.

The indications from this analysis are that artists need to exhibit away from their home markets in order to achieve higher levels of fame and greater critical acclaim. However, this differs considerably depending on the strength of the home market. The need for

US artists to diversify internationally is much less than for those artists from smaller markets. The exhibitions of US star artists were concentrated at 60% within the US, versus a minority share in all of the other markets. The top US star artists who exhibited abroad did so in 19 other countries versus up to 28 for artists from smaller markets such as Germany.

The Wondeur AI database also allows classification of artists within these categories based on their growth trajectories (dividing artists into low, medium, and high growth). Considering high-growth star artists in the US, these very top-tier, fastest growing artists still had a share of 57% of their total exhibitions within the US (with exhibitions in 22 other countries when exhibited externally). This can be contrasted with French artists in this top-tier, fast-growth segment, whose exhibitions in France only accounted for 38% of the total with exhibitions abroad in 27 countries, or German artists at 40% and 29 external countries. This shows why artists and their galleries often gravitate to key hubs like New York, where their careers can have greater support locally.

2.7 | Representation Structure and Artists' Stages

There has been much discussion in the dealer sector in recent years regarding the differing performance of galleries at different turnover levels and stages. Over the last few years, the surveys have indicated that the growth in sales in the sector has tended to be driven by dealers at the higher end, while smaller and mid-sized galleries have seen mixed results. Anecdotally, much has been said about the struggle of smaller primary market galleries to maintain profitability in the face of rising costs, and the threats to the infrastructure that this could pose given their pivotal role in launching the careers of emerging artists. Artists' contracts, vertical collaborations between tiers of the sector and those horizontally across regions, as well as the continuing issues of artist migration to top-tier galleries were all issues that continued to be discussed in the sector in 2019.

To offer some context to these ongoing debates, it was useful to again track the breadth of the programs pursued by galleries at different levels. Dealers in the primary market were asked to estimate how the artists they represented were broken down into the categories of 'emerging', 'mid-career', and 'established'.

On average for those working only in the primary market:

- 31% were emerging artists
- 44% were mid-career artists
- 25% were established artists

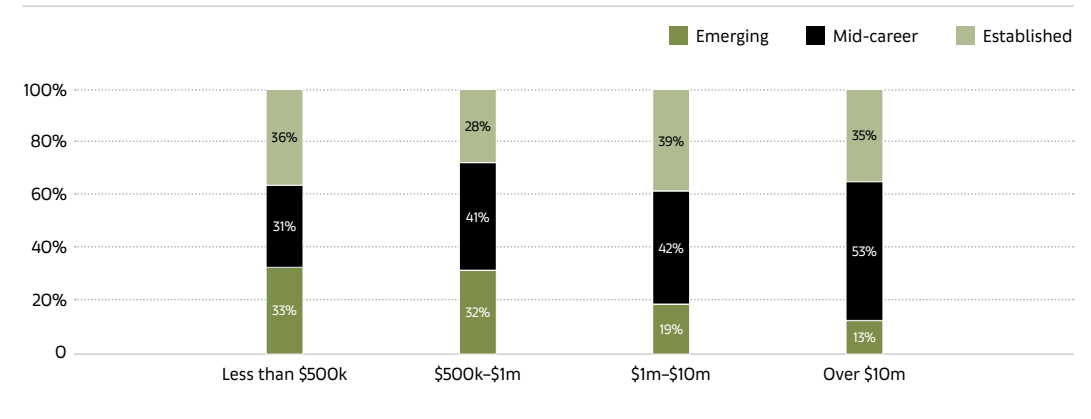
For those galleries that operated in both the primary and secondary markets, there was a slightly higher representation of more established artists, although the largest category again was mid-career artists (consistent with the findings in 2018):

- 25% were emerging artists
- 44% were mid-career artists
- 31% were established artists

Only 19% of the dealers surveyed that worked solely in the primary market had no emerging artists, and only 8% reported having no established artists. The results indicated, as they did in 2018, that the most common model in the sector was for galleries to work with a mix of artists at varying stages.

The debates on artist representation have sometimes focused on the uneven burdens shared by galleries at different levels in launching the careers of artists. Top-tier galleries are often presented as dealing exclusively with very high-level artists while smaller galleries bear the costs of developing new and emerging artists and supporting their early careers,

Figure 2.20 | Share of Artists Represented by Primary Market Dealers in 2019

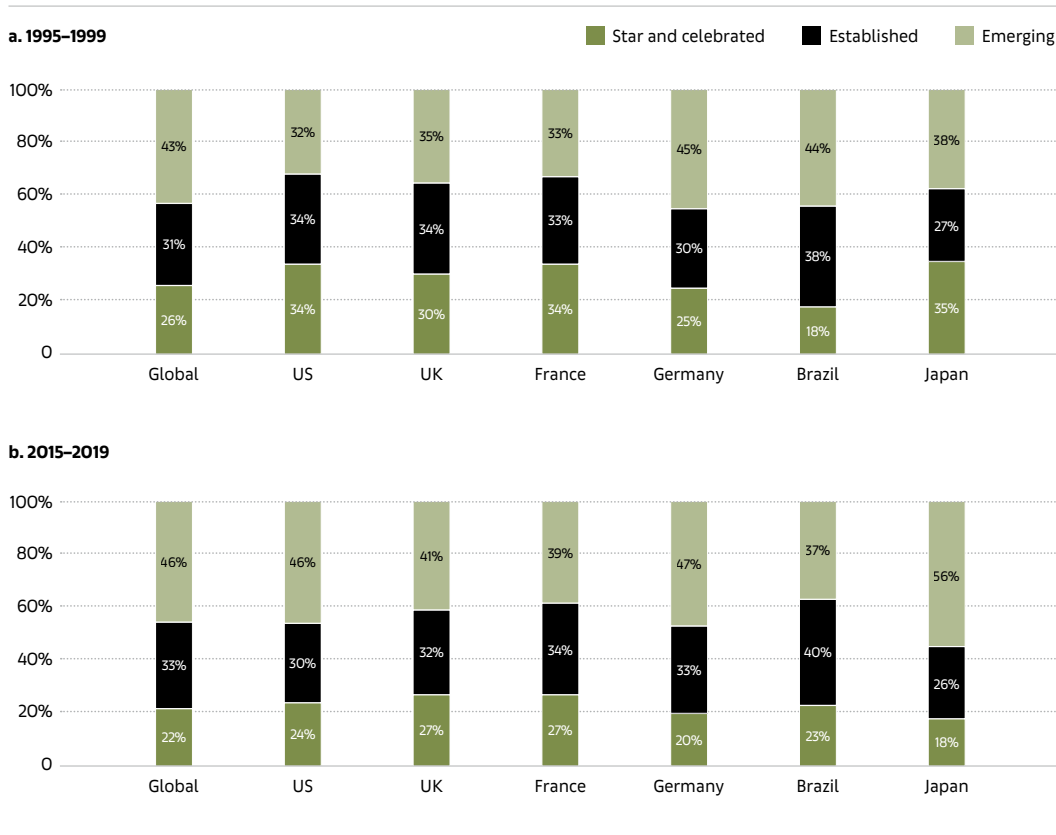


© Arts Economics (2020)

often losing them to larger galleries as they earn success and profitability. However, breaking down the data from galleries by turnover reveals that at all levels, galleries had a range of artists included in their programs. While galleries at the highest level did appear to have much narrower programs (with a smaller share of emerging artists at 13% for those with sales over \$10 million), at all levels, on aggregate, galleries tended to maintain a mix of artists at different career stages.

It is important to qualify that the level of establishment (which was self-ascribed in this survey by the gallerist responding) did not necessarily indicate the level of commercial success or price tier of the artist, and the 35% of established artists represented by the top-tier galleries in the survey were clearly likely to be very different from the 36% indicated by dealers at the lowest levels of turnover. Similarly, emerging artists are likely to be defined in a different manner by a very large and commercially successful gallery

Figure 2.21 | Structure of Artist Representation in Gallery Exhibitions



© Arts Economics (2020) with data supplied by Wondeur AI

versus a much smaller one. However, it does indicate that most galleries maintain a multi-level program that mixes artists at different stages of their careers.

To assess these results in a wider context using an alternative, unbiased, and external data source, a different proxy for career stages was allocated based on level of acclaim of over 250,000 artists included in the raw data extracted from the Wondeur AI database using the classifications described above, but combining star and celebrated artists to represent the top 2% of artists, with established artists again representing the next 14%, and emerging artists the remaining 84%.

The data from the exhibition programs of galleries was assessed to see how artists were distributed between these stages, focusing on a longer period from the 1990s to the present. As there are often

variations in the programs of museum and gallery exhibitions in a given year that can cause a spike in acclaim for certain artists (without being indicative of a significant underlying trend or change), rather than using a single year, the data was smoothed over two five-year periods, 1995 to 1999 and 2015 to 2019.

Figure 2.21 shows that the global share of exhibitions devoted to the different categories of artists has not dramatically changed over the 20-year period. The share of emerging artists has increased in all major markets since the 1990s, but only by three percentage points to 46%. The share of star and celebrated artists (the top 2%) in exhibitions has declined by 4%. These changes indicate that the dealer sector has become somewhat less focused on top-tier artists than 20 years ago, although the changes are relatively small.

The dealer sector has become somewhat less focused on top-tier artists than 20 years ago, although the changes are relatively small, with their share of exhibitions down 4%

The top 2% of artists account for 22% of the content of gallery exhibitions worldwide, while 84% of artists are represented in less than half of all shows

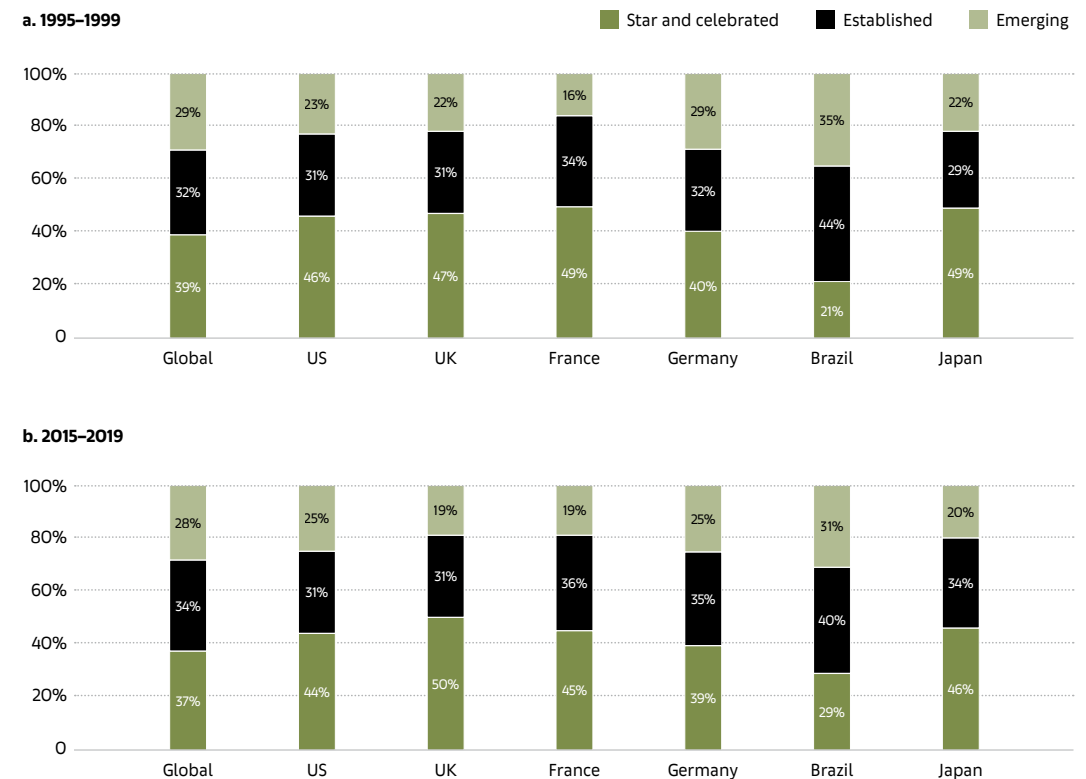
There have been some significant changes within national markets. In the US, the share of emerging artists grew 14%, one of the biggest changes of the seven countries analyzed, next to Japan (with an 18% increase in share).

This data is consistent with the information from the surveys that shows galleries represent a range of artists at different levels, and offers evidence that on aggregate at a national and global level, there is more diversity in the range of artists included in exhibition programs than there was 20 years ago. However, the imbalance in the sector is still clear in that the top 2% of artists account for 22% of the content of commercial gallery exhibitions worldwide (and the top 1% of artists account for 15%), while the majority (84% of artists) are represented in less than half of all gallery shows in the last five years.

To assess if this trend was consistent in other exhibitions outside the commercial gallery sector, Figure 2.22 shows the same breakdown of artists by level of critical acclaim in museum exhibitions in the two periods. Unsurprisingly, emerging artists make up a smaller share of museum exhibitions (28% in the recent five-year period), and there has been even less change in the global breakdown over 20 years.

Only France and the US increased the share of emerging artists in museum exhibitions (by just 3% and 2% respectively), while the share of star artists rose most significantly in the UK (from 33% to 41%) and Brazil (from 8% to 22%). This shows that emerging artists have not had a similar impact on the museum sector over time and that the top 2% of artists (star and celebrated artists) account for 37% of the content of museum exhibitions worldwide (with the top 1% or stars accounting for 30%).

Figure 2.22 | Structure of Artist Representation in Museum Exhibitions



2.8 | Cross-Subsidization and Artists' Share of Sales

Given the prevalence of this mixed structure of representation, in order to make their businesses viable, it is often necessary for galleries to use the commercial success of one or a few of their artists to help subsidize the careers of other emerging or less-successful artists. Galleries reported that they often have one or a small number of highly successful artists and rely heavily on the profits they make from their sales to invest in the careers of other artists.

The survey indicated that 57% of the total sales of galleries working solely in the primary market came from their top three artists, with 43% from just one artist (stable on 2018). Although the share of sales generated by their top artist varied little, the

concentration in sales around the top three artists was greater for galleries with lower turnovers: those with sales less than \$1 million generated 63% from these three artists versus 56% for those with turnover greater than \$1 million.

The level of concentration was also slightly less for those galleries working across both the primary and secondary markets, who maintained a more balanced distribution and lower risk model. However, even in this case, close to half (47%) of their sales in the primary market were from only three artists. There was also a negative correlation between the concentration of sales and turnover: for those galleries with sales of less than \$1 million, 54% of sales were generated by the top three artists in their programs versus 43% for those with sales in excess of \$1 million.

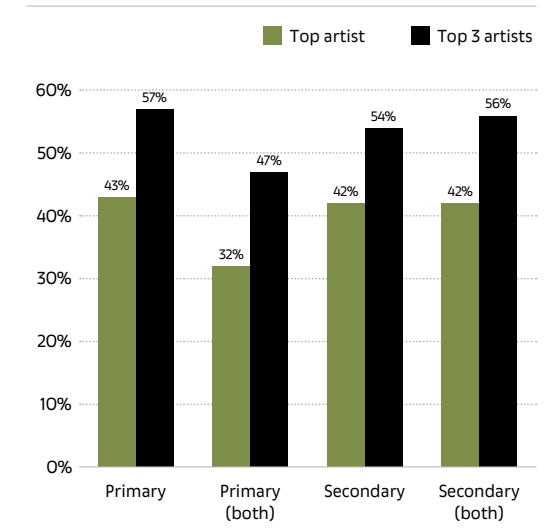
The distribution of sales shown in Figure 2.23 shows evidence of the concentration around one or a few artists and potentially the use of cross-subsidization by galleries. It also makes clear the precarious and high-risk model pursued by many galleries where the loss of one or a few artists, or shifting collector tastes, could lead to a substantial loss in sales. In the absence of external financing or lending to ride out these periods, smaller businesses could come under extreme pressure or be forced to close through such shifts in their program.

Securing the representation of estates has become particularly competitive in recent years, with new competition from auction houses and galleries

Despite this, contracts with artists that might alleviate such issues have been strongly resisted by many galleries in the sector, which has been discussed at length in previous editions of this report and at many industry forums.

Figure 2.23 also shows the breakdown in sales for secondary market dealers, which are similarly skewed to a few top artists, with more than half of their sales generated by their top three artists. As these dealers are not representing the artist, they are not subject to the same issues of switching galleries, but still have considerable pressure in accessing supply. According to dealers in the sector, securing the representation of estates has become particularly competitive in recent years, with new competition from auction houses and galleries, including those increasingly encroaching on their space from the primary market. Many primary market galleries are now looking after the estates of artists they represented, leading to a further layer of competition for secondary market galleries. This was borne out in the survey data: of those galleries working solely in the primary market, nearly one-quarter of the respondents reported that apart from working with living artists, they also managed the estates of deceased artists. For those that managed estates, the range of artists' estates they represented was between one and 12, with an average of two.

Figure 2.23 | Sales Share of Top Artists in 2019



© Arts Economics (2020)

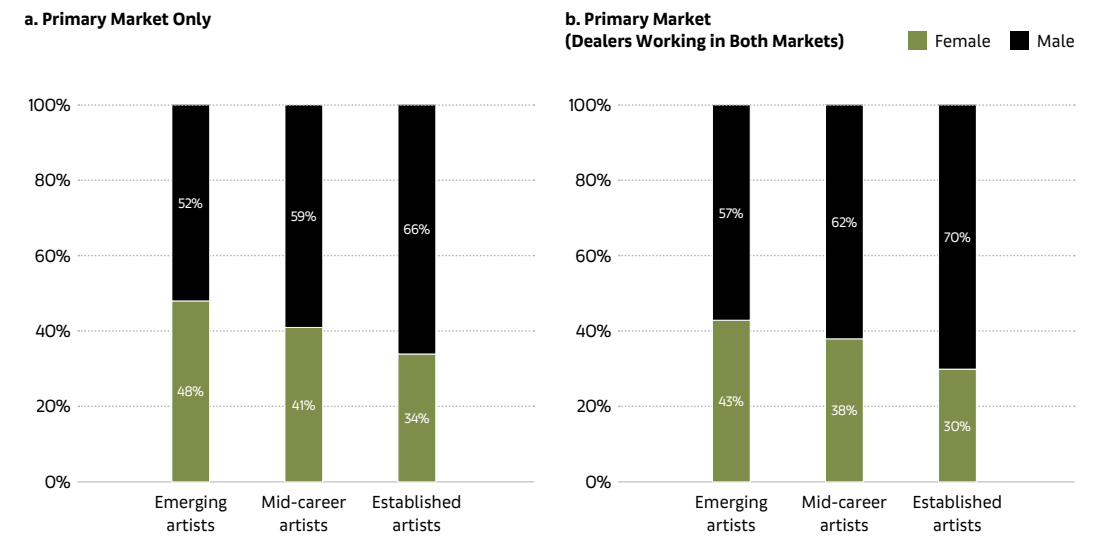
2.9 | Gender and Representation

Gender disparities and the underrepresentation of women in the art market continued to be a focus in the sector in 2019. While it has been the subject of much discussion, and many individual galleries and institutions have made active changes to address the imbalance in recent years, changes on an aggregate level have been relatively slow to materialize.

The survey evidence did show some developments in 2019, including a rise in female representation and sales by galleries in the primary market. For those galleries working solely in the primary market, 44% of the artists they represented in 2019 were women, an increase of 8% year-on-year. These female artists also represented a greater share of total sales at 40% on average (versus 32% in 2018).¹⁷ Continuing the trend observed in 2018, for those galleries working in both markets, the share of female artists was lower, but again saw an uplift year-on-year from 32% to 39%. The share of sales attributable to female artists by these galleries was 27% of their total, also advancing 4% from the results reported in 2018.

A persistent issue revealed in the survey data was that primary market galleries tended to have a higher share of emerging female artists (48% in 2019), and that the share of women declined as the level of artist establishment increased. This corroborates much of the other research on auctions and exhibitions that indicates fewer female artists become successfully established versus male artists. However, a positive finding in 2019 was that the share of female artists increased at each level, including a 5% greater share of female emerging artists, 7% more mid-career artists, and a 2% greater share of established artists. The same trends were evident for galleries working across both markets – the share of female artists declined as their career stage advanced, but representation increased from 2018, apart from in the emerging market category where there was no change at 43%.¹⁸

Figure 2.24 | Share of Female vs. Male Artists Represented by Galleries in 2019



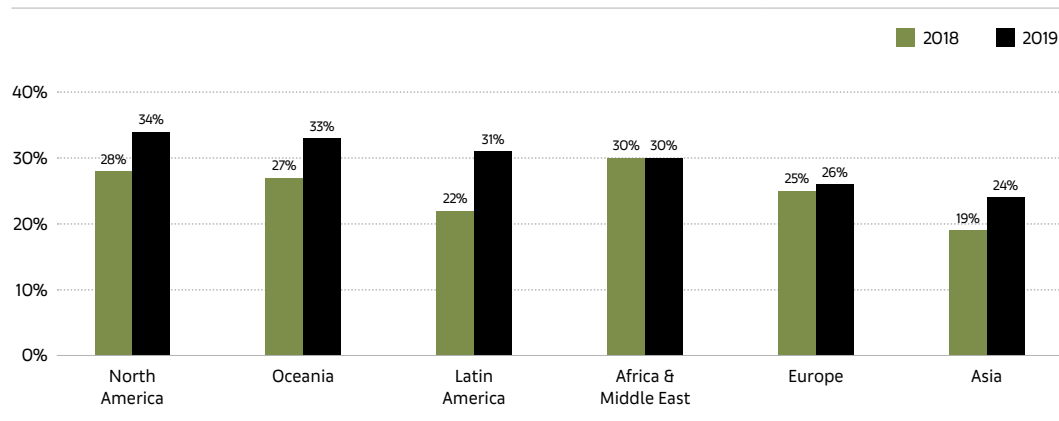
© Arts Economics (2020)

For those galleries working solely in the primary market, 44% of the artists they represented in 2019 were women, an increase of 8% year-on-year

¹⁷ In the survey's questions related to gender, galleries were asked to report on artists in three categories: female, male, and a non-binary gender category. The results presented in this chapter present the difference in male and female artist representation.

¹⁸ The share of mid-career artists increased by 6% and established artists grew 3% in share.

Figure 2.25 | Share of Female Artists Represented by Galleries in 2019 (3,160 Galleries)



© Arts Economics (2020) with data from Artsy.net

Combining all galleries working in the primary market, whether exclusively or in combination with the secondary market, the share of female artists represented in 2019 was 39% and the share of sales attributed to them was 36%. Although still a minority, this is a significantly more balanced share than for galleries working in the secondary market. Across all galleries working in the secondary market, the share of female artists was 23% and they accounted for just 17% of sales, less than half that of primary market galleries.¹⁹ This lower share of sales

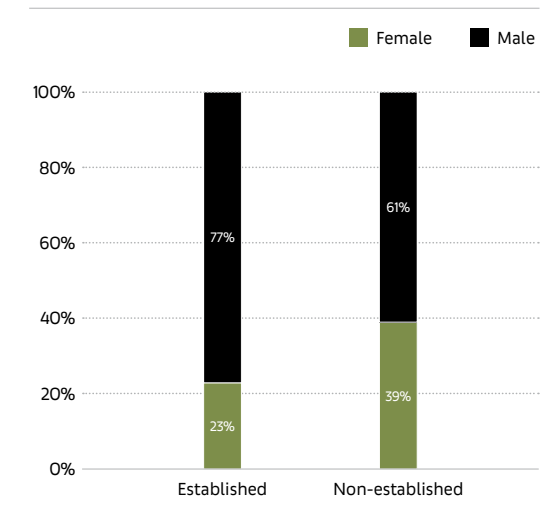
is due in part to the fact that many of these galleries specialize in older sectors of the market, where there are far fewer female artists historically than men, with women only permitted to enter art institutions after 1900 in many countries. However, despite some improvement, the persistence of the gap, specifically in the contemporary market, and especially at the higher end, remains an issue that requires further monitoring.

¹⁹ For those working exclusively in the secondary market, the share of female artists reported in 2019 was 15% and their share of sales only 8%.

To test the robustness of the results, data from a larger set of galleries from Artsy (Artsy.net) was used. Artsy is one of the largest online platforms for the gallery sector, with a database of more than 700,000 works of art for sale from more than 100,000 artists and 3,000 galleries in over 100 countries. For this analysis, a selection of 3,160 galleries from different regions was examined and compared to similar research carried out in 2018. This analysis also showed improved representation of female artists by galleries, with the highest increases in share in Latin America (up 9%) and a 6% increase in North America to 34%. These shares are lower overall than the survey results as they combine primary and secondary market galleries, however, they indicate a similar trend of increasing representation of female artists.

The gender breakdown is also assessed in Figure 2.26 between established and non-established artists, based on an objective criterion assigned on the basis of whether the artist has had an auction sale or not. The Artsy data shows that, like the survey data, the share of established female versus male artists at 23% was considerably lower than the average share for non-established artists at 39% (or all artists at 34%). But again, these ratios have all improved year-on-year, with established female artists' share, measured using this method, at 20% in 2018.²⁰

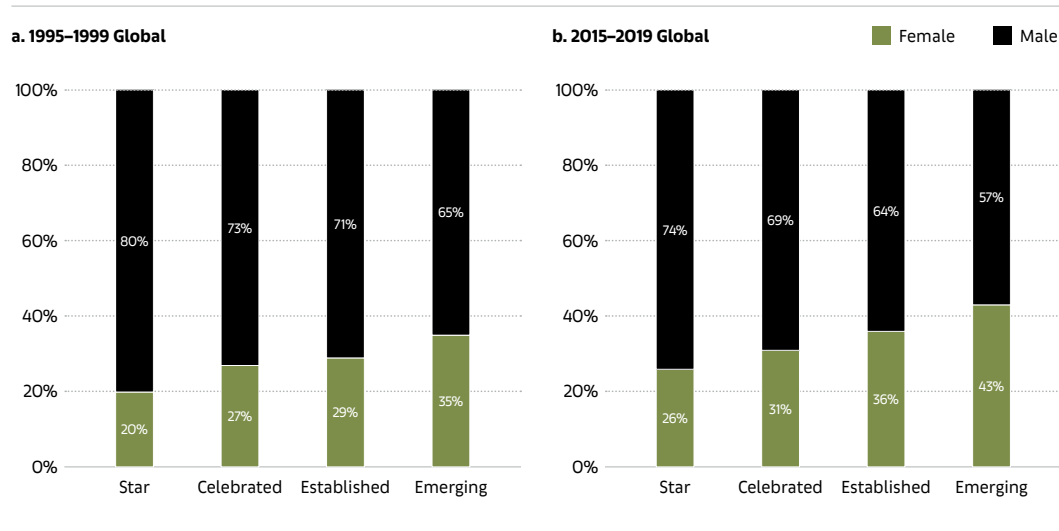
Figure 2.26 | Share of Established and Non-Established Artists by Gender in 2019



© Arts Economics (2020) with data from Artsy.net

²⁰ Artists are counted once in the analysis even if represented at several galleries. In 2018, the analysis was conducted for levels of artist representation even if the artist was represented in multiple galleries. This gave a share of 16% female established artists. Applying this method to the 2019 data also shows a marginal improvement year-on-year to 18% female established artists.

Figure 2.27 | Share of Female vs. Male Artists Exhibited in Commercial Galleries



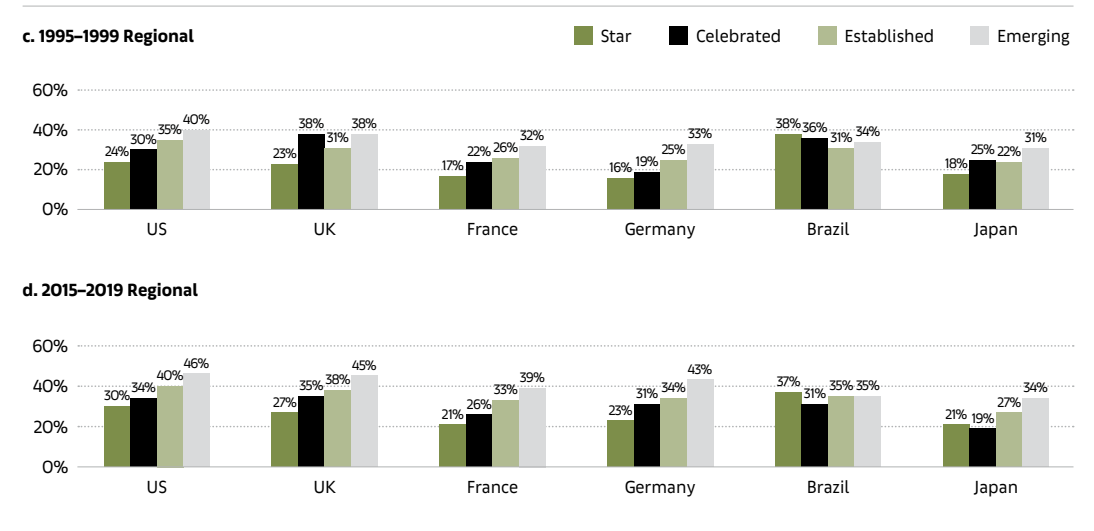
© Arts Economics (2020) with data supplied by Wondeur AI

It is also interesting to benchmark the data further against other measures of gender inequality. Again, using the database of artists from Wondeur AI, the share of male versus female artists in the four artist categories was analyzed to assess whether female representation declines as the level of acclaim rises.

The data shows that female artists remained a minority in exhibitions across all levels in commercial galleries. Although there was an increase in share

over time, the largest advances were in the category of emerging artists, which showed an increase in share of 8% over the two periods (versus an advance of 6% for star artists and 4% for celebrated artists).

In larger art markets such as the US, there was an improvement in the share of women across all levels of acclaim, with representation of 46% by emerging female artists in commercial gallery exhibitions in the recent period (versus 40% in the



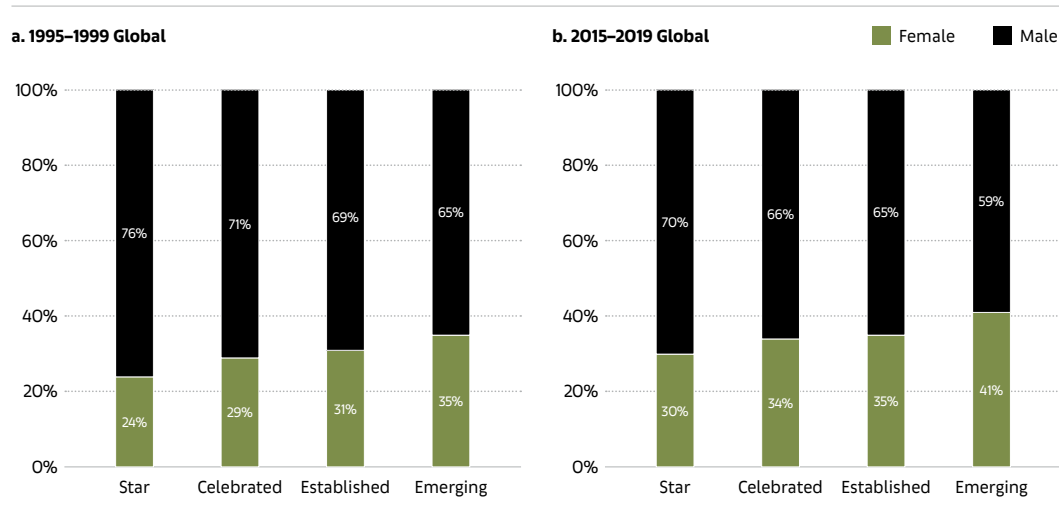
© Arts Economics (2020) with data supplied by Wondeur AI

late 1990s), and a 7% rise in share in both the UK and France. The smaller markets in Europe and Japan lagged behind the US and UK at most levels, while Brazil had a more consistent (and low) share at all levels of acclaim.

In all of the markets shown, the share of women was highest at the lower stages of acclaim, ranging from 34% in Japan to 46% in the US, versus 21% to 30% for star artists, which indicates that in

these markets, a similar pattern of increasing under-representation holds as careers extend and acclaim increases. Brazil is an exception, where female star artists had the largest share at 37% (but only marginally, with emerging artists accounting for 35%).

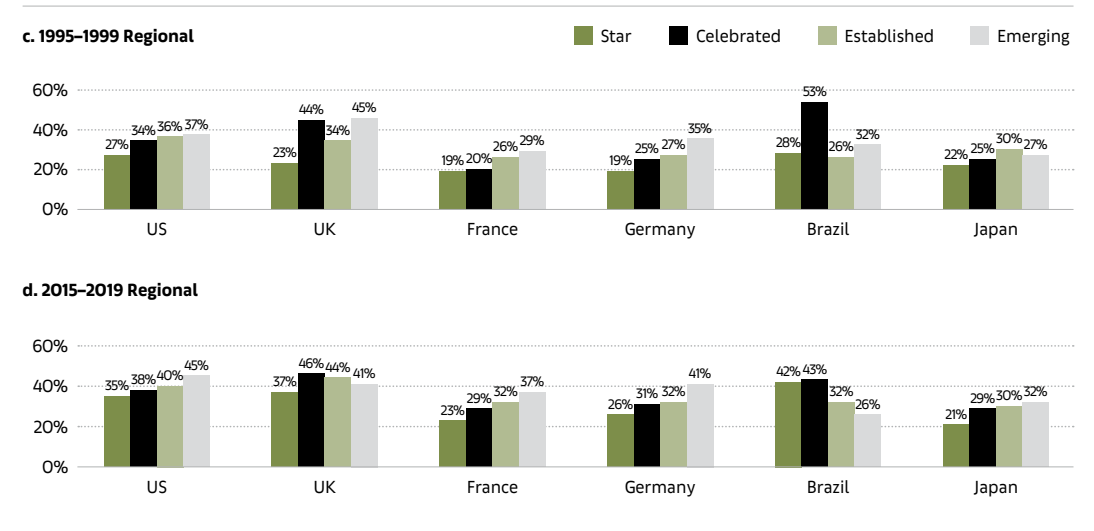
Figure 2.28 | Share of Female vs. Male Artists Exhibited in Museums



© Arts Economics (2020) with data supplied by Wondeur AI

This data can be contrasted with the representation of female artists in exhibitions in the museum sector in the two periods. Again, the data indicated that on a global level there has been an increase in the share of female artists in museum exhibition programs over 20 years, including a 6% rise in female star artists to 30% and a similar rise for emerging artists to 41%.

The largest share of female artists was in the emerging category, globally and in the US, France, Germany, and Japan. While the highest level of female representation in the late 1990s was for celebrated artists in Brazil (53%), in the recent period, they represented a minority in all markets and categories, with the highest being celebrated artists in the UK at 46%.



© Arts Economics (2020) with data supplied by Wondeur AI

It is interesting to note again that representation of women in exhibitions in France and Japan was significantly lower than in the larger markets of the US and UK with lower shares at all stages, and these lags have been consistent over time despite some small improvements.

On a global level there has been an increase in the share of female artists in museum exhibition programs

2.10 | Gallery Longevity

As dealt with in detail in previous reports, in the last decade, variable performance in sales alongside rising costs has put significant pressure on many dealers' businesses, and in recent years there have been fewer galleries opening and some businesses closing. Many established gallery owners have commented on how the job of being a gallerist has changed, with significantly more pressure, travel, and less time to spend with individual artists and collectors. They have also described how the rising costs of inventory, staffing, and overheads, as well as building close personal relationships with artists, collectors, and other members of the trade, have proven to be significant barriers to new entrants in many sectors.

Despite the challenges, there appears to be significant longevity in many businesses, and dealers in general have high company survival rates compared with

other industries. The average number of years in business for the dealers surveyed in 2019 was 23 years (down slightly from 25 reported in 2018). To put this in context with other industries, 63% of dealers had been in business for more than 10 years versus 58% for US retail businesses in 2019 and 50% for the US private sector generally. Similarly, while the share of companies in US retail surviving more than 20 years was 34%, and just 26% for all private sector businesses, 42% of the galleries surveyed had been operating for more than 20 years.²¹

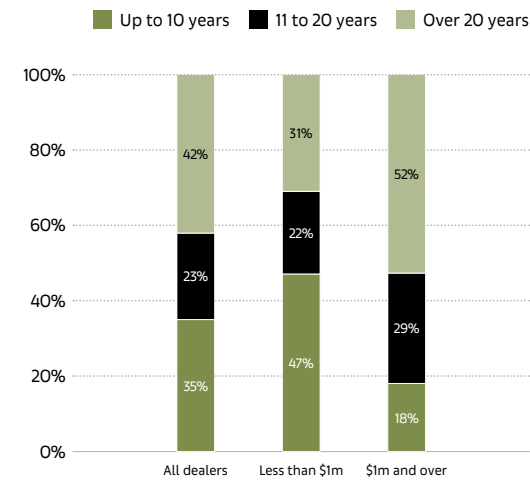
There were some differences in longevity by level of turnover. For those dealers with annual sales of more than \$1 million, there was a larger share (52%) that had been in business for more than 20 years, with a median length in business in the segment of 25 years. At the level below \$1 million in sales there were more newer businesses, with a median of 10 years.

The average number of years in business for the dealers surveyed in 2019 was 23 years

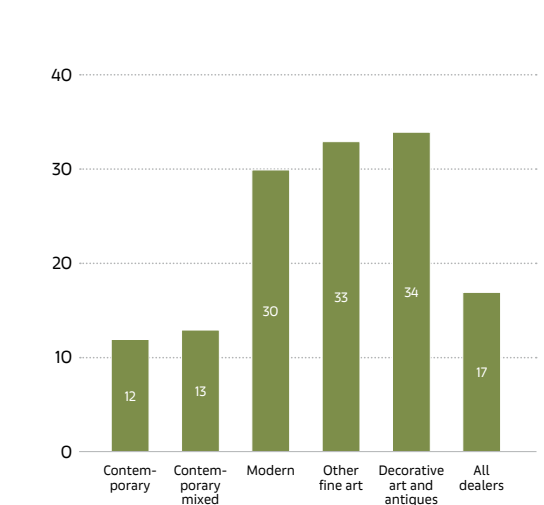
²¹ Galleries also showed a significantly higher survival rate compared with companies operating in the Arts, Recreation, and Entertainment sectors (with 45% 10-year and 26% 20-year survival rates). Industry data is from the US Bureau of Labor Statistics extracted in January 2020.

Figure 2.29 | Number of Years in Business in 2019

a. Share of Companies by Average Years in Business



b. Median Years in Business by Sector



© Arts Economics (2020)

Most new businesses were in the contemporary sector, and contemporary dealers had a significantly lower median number of years in business at 12 years versus dealers of decorative art and antiques at 34 years. However, even in the contemporary sector there was a significant range of answers, with 7% of the respondents in business for more than 50 years.

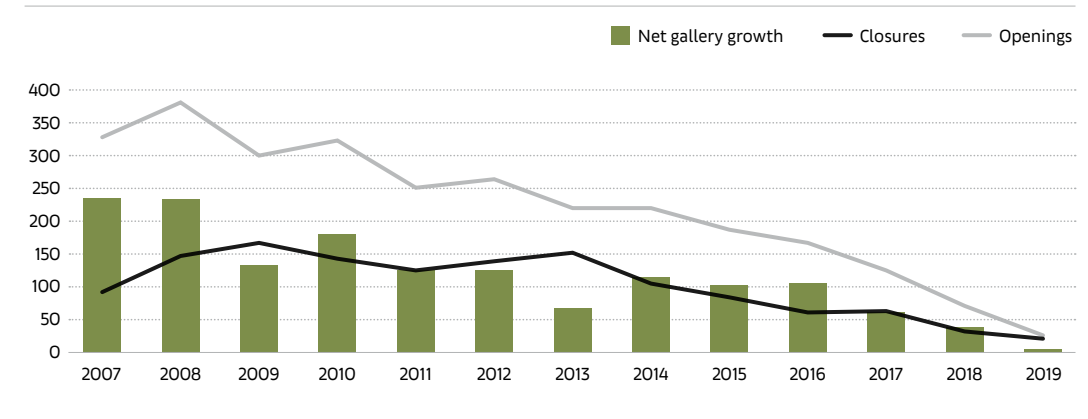
While the sector as a whole has better longevity than many other industries, this is not to underestimate the significant issues posed both by the diminishing pipeline of new gallery openings as well as the persistence of noteworthy gallery closures, especially small and mid-sized galleries, which form a critical part of the market's infrastructure. The other problematic areas are the difficulties entering and succeeding in the market without external financing or funding.

To study longevity further, data from Artfacts.net shows that the number of major galleries opening each year has exceeded the number closing in the last 10 years.²² While the ratio of openings to closures

peaked in 2007 at a ratio of about 4:1, this has declined rapidly since then. By 2011, the ratio had fallen to below 2:1, and it has remained at or below this level since that point. Initial estimates for 2018 showed the ratio at 2:1 and this dropped to 1.2:1 in 2019.

The number of gallery closures peaked in 2009 in the midst of the global financial crisis and the large contraction in sales in the art market, and stayed relatively high up to 2013. Closures were at their lowest aggregate levels in 2017 through 2019, at less than one-third of their 2013 level. The general trend for openings since 2012 has been one of steady decline. According to the data compiled by Artfacts, the number of new galleries that can be confirmed to have opened in the last three years is lower than the number opened in any one year prior to 2013. Net openings in the sector have dropped significantly since 2010, and this has been driven by fewer galleries opening rather than a significant rise in closures.

Figure 2.30 | Gallery Openings and Closures



© Arts Economics (2020) with data from Artfacts.net

Net openings in the sector have dropped significantly since 2010, and this has been driven by fewer galleries opening rather than a significant rise in closures

²² Artfacts.net tracks the openings and closures of galleries from an international database of between 5,000 and 6,000 of the top galleries. The galleries included in the data in Figure 2.30 are only those that have participated in at least one major fair in the past 12 years, with new branches of headquartered locations also appearing if the primary operation has participated in a fair. The data on openings is skewed by the criteria for inclusion: a gallery opening in 2019, for example, is unlikely to exhibit at a fair in its first year of operation, which means that the numbers for openings are lower in recent years than they are in the previous years. This also creates changes in the figures year-to-year as galleries are only revealed in the public domain as they appear in fair programs. Closures may also appear with a lag as some galleries close privately without publicizing their closures and their departures only becomes apparent through their non-appearance at fairs and through exhibition records in subsequent years. This means that the figures change year-to-year, as updates are required for the data in each subsequent year. Galleries are only included in the data where a clear year of commencement or closure is available, and therefore it does not include the large numbers of very small galleries and shops opening and closing in the wider art market year-on-year.



2.11 | Outlook

Although the challenges faced by individual businesses vary widely, one common issue that consistently ranks at the top of concerns for the dealer sector is how to find new clients. For established galleries, this is a key concern, as some of their existing clients who have supported them for decades reach capacity and age out. For new businesses, a key issue is reaching enough clients to make their businesses sustainable and in a position to grow. Finding new clients has ranked as the top challenge not only for the last three years, but also in 2019 across most regions and all turnover levels in the sector. Although galleries are taking different approaches to meeting this challenge, art fairs remain a key channel to find new buyers, with dealers mutualizing their clients with other dealers, as well as finding new regional collectors entering the market via this channel. (Art fairs are discussed in more detail in Chapter 4.)

Although many dealers have remarked on the ability of the art market to weather changing economic contexts, the challenges of operating in a highly unpredictable macroeconomic environment have had an impact, with many focusing on ways to curb costs and widen and diversify their client base. Many dealers have remarked on their increasing need to plan strategically for the future under a variety

of scenarios and economic contexts, rather than relying on their current models and clients. The economy and demand for art and antiques was again rated the second highest concern by dealers overall and the highest in the UK (next to political instabilities), where dealers have faced significant challenges and uncertainty in the last three years.

Although political instabilities ranked somewhat lower than the economy overall, nearly every dealer interviewed in 2019 commented on the distractions and mood-changing impact that politics can have on the market in which they operate. Political uncertainties were also in the top three challenges for dealers with the highest turnover. Some dealers at this level have noted that while ultra-high net worth individuals are not necessarily worse off under current administrations (and many, in fact, are better off), it has nonetheless been a challenging period and 'more hard work' to make sales when there are so many social and political issues coming to the fore. In times of uncertainty, many HNWI's tend to be less open about their spending and displays of wealth or conspicuous consumption, especially when there is more intense public scrutiny of the divide in wealth, as has been the case in recent years.

Table 2.1 | Top Challenges in the Next Five Years

| Challenges | 2019 rank | 2018 rank | 2017 rank |
|--|-----------|-----------|-----------|
| Finding new clients | 1 | 1 | 1 |
| The economy and the demand for art and antiques | 2 | 2 | 2 |
| Participation at fairs | 3 | 4 | 3 |
| Internet and online sales | 4 | 6 | 9 |
| The increased regulation of the art market and cross-border trade | 5 | 10 | 11 |
| Overheads for business premises | 6 | 7 | 5 |
| Financing business and debt | 7 | 3 | 8 |
| Political instabilities | 8 | 9 | 6 |
| Competition with auction houses | 9 | 5 | 4 |
| Accessing supply of objects, works of art, artists | 10 | 8 | 7 |
| Competition with other galleries | 11 | 11 | 10 |
| Sustainability issues and the environmental impact of the art market | 12 | na | na |
| Currency issues and exchange rate fluctuations | 13 | 12 | 12 |
| New technologies and their effects on businesses (e.g. blockchain, AI / machine learning, AR / VR) | 14 | na | na |

© Arts Economics (2020)

The issue that consistently ranks at the top of concerns for the dealer sector is how to find new clients

As noted by one dealer in this segment:

'The mega-wealthy are doing better than ever, but politics affects the mood and the art being made. We don't exist in a glass bubble and it's right that the artworld has responded to some of these most important social issues. But these are challenging times to sell luxury goods and it's much more difficult to engage spending at a high level when there is a lot of negative news around – people's minds are elsewhere.'

The rapid escalation of costs in the sector, whether from participation in fairs or simply the overheads of businesses in major cities, have also been identified as critical challenges for many businesses, with overheads in the top three concerns for dealers in the US in 2019. These issues have made many dealers review their current business models and continue to try to find new and innovative ways to cut costs and drive sales. Some businesses are experimenting with new ownership structures, collaborations across and between tiers, widening their geographical reach online, finding ways to arbitrage the increasingly complex myriad of trade regulations, and other strategies. Equally, others have reported on their strategies to refocus on key collector groups 'at home', concentrating on personalizing and adding value to individual sales experiences in order to stabilize and increase sales to their current collector bases.

The rapid escalation of costs in the sector, whether from participation in fairs or simply the overheads of businesses in major cities, have been identified as critical challenges for many businesses

While innovation of the gallery business model is commonly discussed in the sector, there are still relatively few new options coming to light. As noted by one smaller gallery, the ability to plan strategically for the medium to long term and think creatively about innovation is often stifled by the ongoing pressures to simply manage their day-to-day concerns and keep their businesses solvent.

'Innovation is our biggest challenge but even more so – finding the time to innovate. Due to the pressures on our time and finances, it doesn't seem to be possible to create something different.'





Auction Sales



Key Findings

Auction Sales

- 1.** Sales at public auction of fine and decorative art and antiques (excluding auction house private sales) reached \$24.2 billion in 2019, down 17% year-on-year as values decreased in the key global auction hubs.
- 2.** Despite the decline in public auction sales, private sales increased, including sales of over \$1.8 billion at Christie's and Sotheby's.
- 3.** The three largest auction market hubs – the US, China, and the UK – maintained their dominant position in 2019 with a combined share of 84% of the market, down 4% year-on-year. France was one of the best performing markets, increasing its global share by two percentage points to 7%.
- 4.** Works selling for more than \$1 million accounted for 55% of the total value of fine art sales in just 1% of the lots sold. The segment of works sold for over \$10 million has been the key driver of growth in value since 2009; however, it was the worst performing in 2019, declining 39% in value (and with 35% fewer lots sold).

- 5.** Post-War and Contemporary art was the largest sector of the fine art auction market in 2019, with a share of 53% of global fine art auction sales by value. Sales reached \$6.1 billion, a decline of 10% year-on-year. Works created in the last 20 years accounted for 23% of the value of sales.
- 6.** The Modern art sector remained the second largest in the fine art auction market in 2019, with a share of 25% by value. After two years of strong growth, sales declined sharply in 2019, falling 32% to \$2.9 billion.
- 7.** Sales of all Old Masters works reached \$843 million in 2019, falling 10% year-on-year, the sector's third year of declining values. Just under half (46%) of the value of Old Masters works sold in 2019 were by European Old Master artists.

3.1 | Auction Sales in 2019

Sales at public auction of fine and decorative art and antiques (excluding auction house private sales) reached \$24.2 billion in 2019. After two years of positive growth, there was a significant year-on-year decline in sales of 17% as values decreased in the key global auction hubs. The auction market remained above its level in 2016 but was 13% below values achieved 10 years previously in 2010.

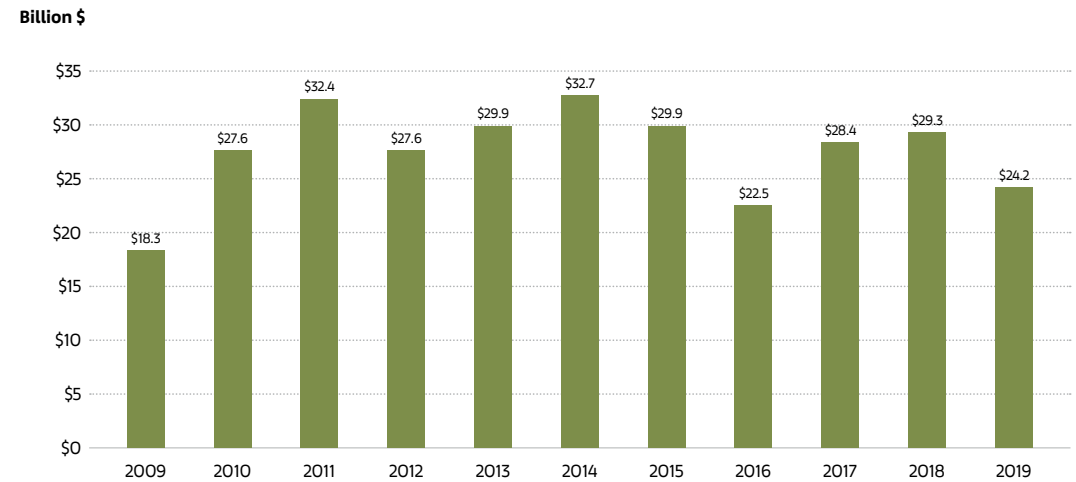
Although a number of works sold at auction during the year for prices in excess of \$50 million, including the highest-priced lot, Claude Monet's *Meules* (1891) for \$110.7 million at Sotheby's in May, the reduction in value was largely driven by a lower number of very high-priced lots coming up for sale, including a reduction of over one-third in the number of fine art lots sold for over \$10 million.

Underlying problems in the economies of the biggest auction markets – the US, China, and the UK – may have also had a negative impact on sales, with more vendors choosing to sell privately in declining or uncertain markets, as the risk at auction is greater and its potential for an unexpected upside significantly reduced. Political uncertainties may also have driven sales towards the private market in 2019, as evidenced by the substantial private sales at some of the major auction houses as well as by the increased share of the market held by dealers.

It is important to note, however, that these two sectors are not like-with-like markets. Aggregate dealer sales include the substantial and growing segment of primary market transactions as well as those of secondary market actors and a large number of businesses that work across both markets. In the public auction sector, on the other hand, transactions are almost exclusively secondary market sales, with a few very rare exceptions.

While the broader economy is very likely to have had an impact on vendors' and buyers' plans, other factors also contributed to the slowdown and volatility in the auction market. The lack of exceptionally large estates coming up for auction in 2019 reduced values versus 2018, when two very high-profile, single-owner collections (the Collection of Peggy and David Rockefeller and the Barney A. Ebsworth Collection) helped to boost sales. There was also a lower number of extremely highly priced outlier lots, such as the \$450 million record auction price in 2017. While nearly all segments of the market declined, the segments ranging from \$250,000 to \$5 million showed the least negative performance overall. Therefore, while growth in previous years has masked difficulties in the lower segments of the market, the reduction in aggregate values in 2019 masked some relative improvements in some middle tiers.

Figure 3.1 | Global Market for Public Auction Sales 2009–2019



© Arts Economics (2020) with data from Artory, AMMA, and other sources

Sales at public auction of fine and decorative art and antiques reached \$24.2 billion in 2019, a significant year-on-year decline of 17%

Changes in the volume of auction sales in the global fine art and decorative art and antiques market are often less conclusive indicators of market performance than trends in its value, with many auction houses selling large volumes of decorative art and collectibles that can vary widely among different sale types and regions over time. To compare the lots sold across countries on a consistent basis, fine art auctions offer a clearer benchmark. The volume of fine art auction transactions declined 11% year-on-year in 2019. China and the US had an equal share of global sales volumes (both at 19%), while the UK accounted for 18% and France for 10%. This indicates that although value was heavily concentrated in the three major markets, the volume of transactions was more much globally diversified, with the three top markets accounting for 56% of the total fine art sales in 2019.

While the auction market expanded rapidly from 2000 to 2007, the global financial crisis dampened growth, with the market losing 44% of its value from 2007 to 2009. However, a booming Chinese auction market and quick recovery in the US assisted a rapid recovery in 2010, and – with some annual volatility – sales reached a high of \$32.7 billion by 2014. Since that point, the volume of lots at the highest end of the market has played an outsize role in determining the market's growth, with a shortage of these in 2016 causing the market to drop back to its lowest level since 2009.

Record-breaking prices and solid sales of works over \$10 million helped to boost the market in the years that followed, and after two years of consecutive growth, sales reached just under \$29 billion in 2018. However, the market cooled in 2019 as the volume of top-priced lots fell, leading to declines in the major art markets where these higher priced sales are concentrated, and an aggregate decrease in sales overall.

At this very high end of the market, guaranteed lots continued to be a feature of the sales of top-tier auction houses in 2019, as they have been in recent years. While auction houses have had a long history of guaranteeing works, in more recent years the use of third-party guarantees has increased. These allow auction houses to take on less risk themselves.

The market cooled in 2019 as the volume of top-priced lots fell, leading to declines in the major art markets where these higher priced sales are concentrated

A third-party guarantee means that an interested third party, rather than the auction house itself, underwrites the lot at a guaranteed price should the bidding not reach that price. While such guarantees reduce risk and increase auction houses' sell-through rates, they have come at a financial cost to the auction houses, as the guarantor receives a fee and is given a share of the upside if bidding exceeds the guaranteed price. Therefore, while guarantors assume the risk that the work might not sell, they earn revenue from the transaction through fees regardless of the outcome.

There are some concerns that conflicts of interest could potentially be created when guarantors are allowed to bid on the items they have guaranteed. Some experts have expressed concerns that these guarantees act as 'pre-auction auctions' and interfere with the normal price mechanisms of the sector. However, although the number of guaranteed lots declined somewhat in 2019, they remained an important part of the sector at the high end, with their numbers based on the specifics of supply coming on to the market, which in turn determines investor confidence and expected returns, as well as the preferences of vendors. An analysis of the Post-War and Contemporary evening sales in New York, London, and Hong Kong by Art Tactic in 2019 showed that the number of guaranteed

Although the number of guaranteed lots declined somewhat in 2019, they remained an important part of the sector at the high end

lots fell from 320 in 2018 to 288 in 2019 in the three major houses of Christie's, Sotheby's, and Phillips. Despite the decline they remain substantially higher than the 165 guaranteed lots in 2016 and continued to be an important part of the market, accounting for 40% of the value of these sales in 2019, based on their pre-auction low estimates.²³

Sales at nearly all of the major auction houses declined in 2019 and value remained highly concentrated in the top tier, with the top five auction houses (Christie's, Sotheby's, Poly Auction, China Guardian, and Phillips) accounting for over half of the value of global public auction sales, with the combined share of Christie's and Sotheby's at just over 40%.

²³ Art Tactic (2019) *Auction Guarantee Analysis*, December 2019.

In top-tier houses such as Christie's, Sotheby's, and Phillips, the share of fine art sales has increased by value over time and accounted for an average of around 76% of total sales in 2019, down 4% year-on-year. However, in the major auction houses in China, decorative art and antiques have a larger share, with fine art sales representing 59% of auction sales by value in 2019, a rise in share of 7% year-on-year. The structure of sales at Heritage Auctions, the sixth largest auction house by value of sales, is also substantially different, with fine art having a minority share.²⁴

Christie's continued to lead the public auction market in 2019 with public auction sales of \$4.9 billion, down 19% year-on-year. Including private sales, total revenues for Christie's reached \$5.8 billion, down 17% in total from 2018.²⁵ While public auction sales declined, private sales increased by 24%, to \$811 million, a second annual increase year-on-year, and advancing their share from 9% in both 2017 and 2018 to 15% of their total sales. The auction house also saw a 3% increase in online-only sales (which make up 1% of their total revenues).

Almost half of sales at Christie's took place in the US, with the expenditure by American buyers accounting for 36% of their total global sales. Buyers from Europe accounted for 31% of sales, with Asian buyers' expenditures accounting for 26%, up just 1% from 2018.

Sales at public auction for Sotheby's were down 9% from 2018 to \$4.8 billion, while their total sales reached \$5.8 billion, down 5% from 2018.²⁶ These included \$990 million in private sales, decreasing slightly from just over \$1 billion in 2018 (their highest total since 2013), but having advanced 70% from 2016. Private sales accounted for 17% of the company's total revenue, their highest share since 2013 (at \$1.2 billion and 19% of sales).

Sotheby's has been a public company since 1988, but was privatized in 2019 through a purchase valued at \$3.7 billion by BidFair USA, the wholly owned company of Patrick Drahi. Sotheby's was previously privately owned through a purchase by Alfred Taubman in 1983, but was then listed on the New York Stock Exchange in 1988, where it remained for 31 years. The effects of the privatization remain to be seen in 2020, with the most obvious initial effects at the start of the year being the lack of public reporting requirements and some initial restructuring of the company's staff.

China's Poly Auction was again the third largest auction company, with public auction sales of \$1.1 billion, down 8% from 2018, representing a second consecutive year of declining sales.²⁷ Just under 80% of their sales by value took place in Beijing, with sales in Hong Kong accounting for 14%.

China Guardian regained its fourth position in the global ranks, going against the declining trend with an increase in sales of 9% to \$952 million, with 89% in Beijing and 11% in Hong Kong (versus 13% in 2018).

Phillips achieved sales of \$908 million, down just 1% from 2018, when sales had reached \$916 million, the company's highest-ever recorded total. While public auctions declined to \$736 million, private sales advanced 34% to \$172 million, a second year of double-digit increases, and accounting for 19% of the company's total sales.

The next largest house worldwide was Heritage Auctions, with sales of \$825 million in 2019, stable on 2018, and including \$257 million in private sales. Heritage's sales are focused largely on the antiques and collectibles categories, unlike other top-tier houses such as Phillips, Christie's, and Sotheby's, where fine art dominates. Heritage Auctions also conducts a majority of their sales online, with this component of sales accounting for 59% of their turnover by value, a stable share from 2018.

Despite the concentration of values at the top, the auction sector is multi-tiered, and there are more than 500 medium to large sized second-tier auction houses that also generate significant sales, dominating in their own domestic markets but also engaging with international buyers and sellers.

Third-tier houses are smaller businesses in domestic markets that tend to specialize in their own national art and related areas, while there are also many auction houses that regularly sell art alongside other property, such as real estate, cars, and collectibles.

While the top-tier houses were highly engaged in private sales in 2019, these were generally at low or nonexistent levels for many of the smaller and second-tier houses. In a survey of more than 500 second-tier auction houses carried out by Arts Economics in 2019, respondents reported that private sales constituted 6% of their annual totals on average, up 1% year-on-year. The second-tier houses reported that 75% of their sales were made at public auction, with 19% taking place online.

Although not having as vast a client base as the top-tier auction houses who deal with thousands of multinational buyers at all levels, the survey results for the second-tier houses showed that most (80%) dealt with over 100 buyers in 2019. These auction houses concentrate largely on local buyers (71% in 2019, up 4% in share year-on-year) and made 68% of their sales by value to buyers within the primary country of their operations in 2019.

Like dealers, the majority of their sales in 2019 were to private collectors (68%, stable on 2018). Auction houses made 12% of their sales to other art market

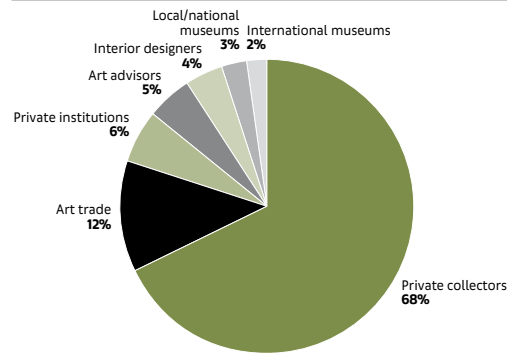
²⁴ In the second tier, the share of fine art averaged 57% in 2019, and 30% or less in the lower-tier houses.

²⁵ This figure includes auction sales of wine and spirits totaling over \$45 million in 2019 (excluding charity sales) which were not included in the analysis in this report.

²⁶ This figure includes auction sales of wine and spirits totaling just over \$90 million in 2019 which were not included in the analysis in this report.

²⁷ Sales data is from AMMA, the 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 31 of the previous year.

Figure 3.2 | Share of Sales by Buyer Type for Second-Tier Auction Houses in 2019



© Arts Economics (2020)

professionals in the art trade (double the share for dealers in 2019), but just 5% to museums (versus 10% for dealers).

Second-tier auction houses reported that 22% of the sales they made during 2019 were to buyers who were new to them (down 2% in share year-on-year). The remaining 40% were to buyers they had been dealing with for one to five years, and 38% were to long-term clients of over five years' standing (up 6% from 2018).

In terms of buyer demographics, auction houses in the second tier reported that most (83%) of their sales were to buyers who were over 40 years of age, with 26% over 65 years. Although the share of sales to younger buyers rose slightly year-on-year (by 2% from 2018), some auction houses reported anecdotally that they felt in general the portion of the under-40 demographic who were interested in buying at auction was decreasing over time, and that the industry as a whole needed to find more ways to engage with them and understand their spending habits. As in 2018, the sector was dominated by male buyers, accounting for 69% of the total number of buyers, and 72% of aggregate sales.

Although many auction houses had a flat or declining year of sales, just under half (46%) thought their sales would increase in 2020, with 38% predicting they would be stable, and 16% expecting declines. They were more optimistic over the longer term, with 83% predicting increases over the next five years and just 4% expecting lower sales.

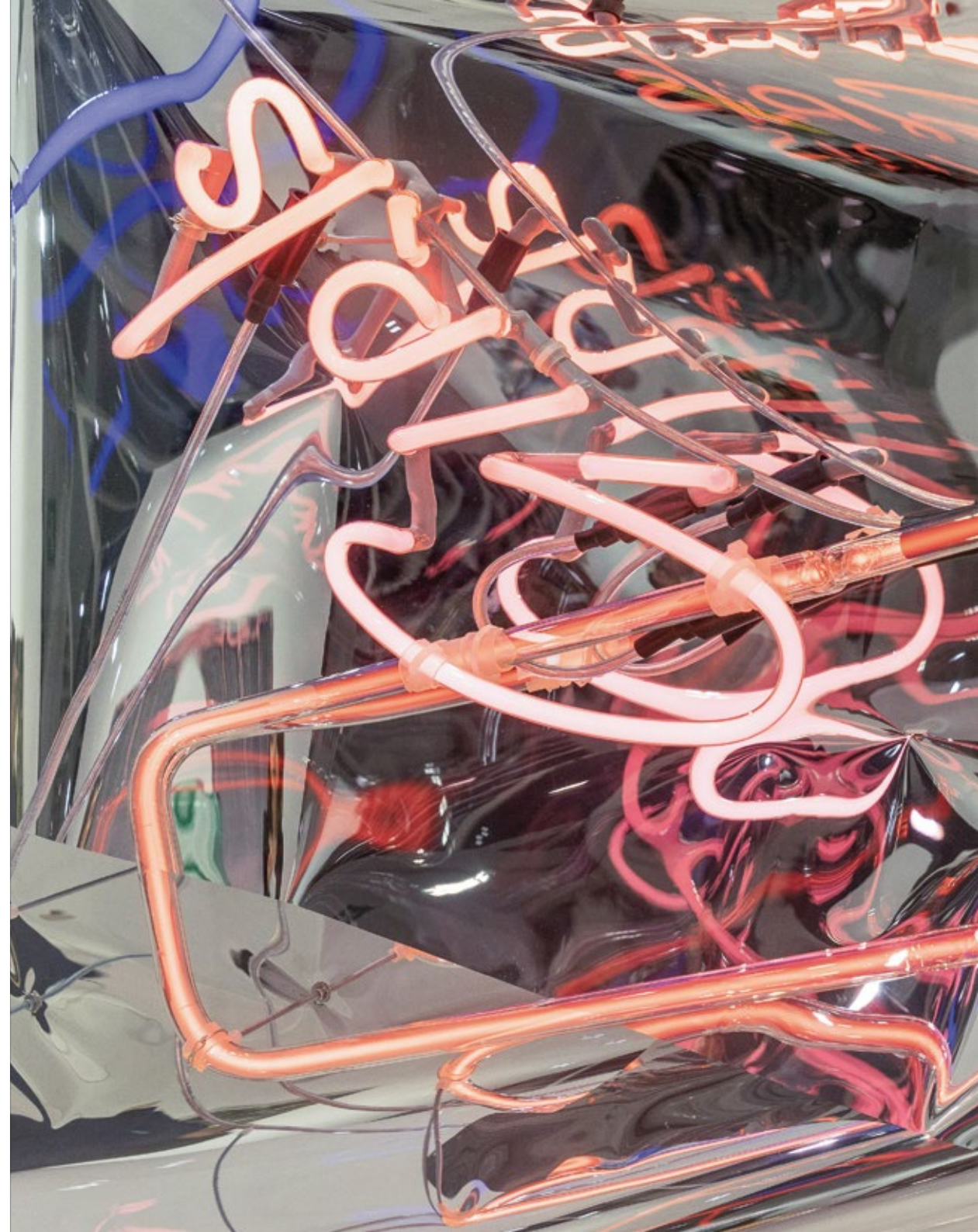
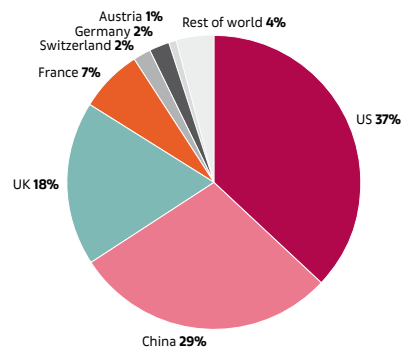


Figure 3.3 | Auction Market Global Share by Value in 2019



© Arts Economics (2020) with data from Artory, AMMA, and other sources

The US, China, and the UK maintained their dominant position in 2019 with a combined share of 84% of the market

3.2 | The Global Distribution of Auction Sales

Despite declining sales in 2019, the three largest auction market hubs of the US, China, and the UK maintained their dominant position in 2019 with a combined share of 84% of the market, down 4% year-on-year.

The US market was the largest, with a share of 37% of global auction sales by value, down 3% from 2018. After an advance of 18% in 2018 to a historic peak of \$11.8 billion, the US market declined by 23% in 2019 to just over \$9 billion.

Sales in the UK declined by 20% to \$4.3 billion, remaining third in the global ranks behind China, with a global share of 18%. This dragged down the growth of the EU market, with sales falling 13% year-on-year to \$6.8 billion, despite a strong year of sales in France. The French market was one of the best performing of the year, with sales increasing 16% to over \$1.6 billion and its global share shifting up two percentage points to 7%. The auction market was boosted by strong sales in some of the top-tier houses, including a record year for Sotheby's Paris at \$395 million, up 41% from their sales in France the previous year. The share of the EU market by value was relatively stable at 28%.

China's share of the global auction market was 29% in 2019, stable on the previous year, and remained the second largest national market in the sector.

Sales in China declined 16% in 2019 to \$7.1 billion, driven by lower values in older fine art and decorative art and antiques sectors. The 'contemporary and oil painting' sector saw a moderate increase year-on-year of 6% (to \$1.3 billion), however, this is one of the smallest sectors in the Chinese market, accounting for 18% of total sales in 2019.²⁸ This was driven by some strong sales in Hong Kong, with both top-tier Western auction houses Christie's and Sotheby's seeing record prices for Modern and contemporary artists, including the highest-selling lot of the year in China, Sanyu's *Five Nudes* (1950), which sold for \$39.1 million at Christie's Hong Kong, a record for the artist, alongside *Nu* (1965), the artist's third highest-priced lot, selling at Sotheby's Hong Kong a month before for \$25.2 million. However, outside this sector, sales were weaker, and values in Hong Kong fell 25% year-on-year to \$2.3 billion, down over 40% from their historical peak in 2017 at \$3.9 billion, but still 11% higher than in 2011. Auction sales in mainland China dropped 9% to \$4.4 billion and continued to account for the majority of the value in the market, with a 62% share.

The volume of works sold in China also fell during the year (by 12%) and buy-ins remained high, with 55% of the works offered not selling. Although the rate of buy-ins dropped by 2% year-on-year, they have remained persistently high and considerably more than other major art markets (for example, the

The US market was the largest, with a share of 37% of global auction sales by value

US had a rate of 24% in fine art auctions in 2019 and the UK had 22%).²⁹ The highest rates of buy-ins were in the Chinese painting and calligraphy sectors at 57%, and the lowest in contemporary art and oil paintings at 34%.

Again, the decline in values was due to fewer very high-value lots being sold in China, with the number of works priced at \$15 million or more decreasing by 26% (and down 17% by value). Slowing economic growth and the prolonged and volatile trade wars with the US were reported as having negatively influenced both buyers' and vendors' participation in the market, as well as new buyers being deterred by the negative recent performance of the auction market.

Despite a positive change in regulations reducing import VAT in 2018 (from 3% to 1%), other VAT reforms introduced at the end of 2018 were believed to have played a role in the slowdown, changing the deductions allowed by corporate buyers and

²⁸ The classification of works sold at auction in China differs considerably from what is used in Western auctions. An explanation of these sectors is given in the Appendix.

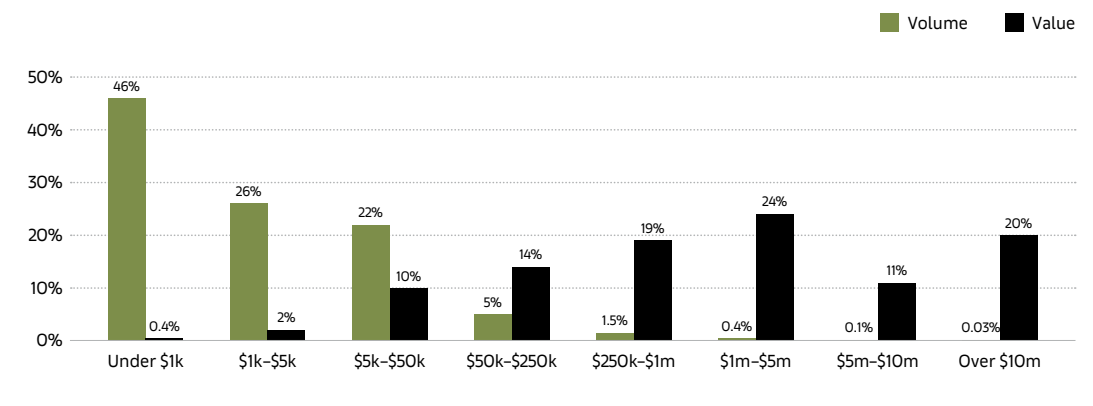
²⁹ Estimates for China include all auction houses and are supplied by AMMA, whereas those for other countries are from Artory and based on fine art auctions only.

institutions from purchases at auction. Under these reforms from July 2018, the Chinese tax authority have required that auction houses can only issue VAT invoices for the commission income they receive, while VAT invoices for the objects sold must be issued directly by the seller. This means that while Chinese auction houses issue a receipt for payment, they can no longer provide the full sales price on their formal tax invoices to successful bidders with the hammer price and commission, but must instead only include their commission. Currently in the Chinese auction market, more than 90% of vendors are individuals who do not have the ability to issue invoices, and who need to apply to the taxation department for issuance. In the process of issuance, information about buyers and sellers would need to be exchanged, which goes against the current accepted practices of the auction industry in China. As a result, for more than a year, buyers have not been able to obtain full invoices for the objects they bid for, which has reduced transactions, especially for corporate and institutional buyers. Prior to this, corporate buyers and dealers were issued a full invoice and could claim the purchase price of works of art as expenses, providing an incentive for purchases. From the auction house's perspective, these new regulations have also created further payment delays or even cancellation of deals. The China Association of Auctioneers is actively discussing solutions with the

Chinese tax authorities, as the new regulations are believed to have been detrimental to the market in 2019.³⁰

The issue of late payments and non-payment was also a continuing problem in the market in 2019, although there were some signs of improvement. The China Association of Auctioneers published figures based on a sample of auction houses for lots paid up to mid-May 2019. In their sample of lots over ¥10 million (around \$1.5 million), the share of unpaid lots fell slightly for the second year to 35% (from 37% in 2018). The remaining lots were either fully paid (50%, a substantial increase of 11% in share) or 'partially paid' (15%). This feature of the market is driven by a number of factors but is again indicative of the fact that some auction houses have had to continue to extend more flexible payment conditions as the market's performance has wavered in recent years, despite the pressures this puts on many businesses.

Figure 3.4 | Share of Lots Sold and Total Value at Global Fine Art Auctions in 2019 by Price Bracket



© Arts Economics (2020) with data from Artory

3.3 | Price Segmentation in Fine Art Auctions³¹

One of the key drivers in the downturn of the market in 2019 was the reduction in the volume of the highest priced lots sold. While values in the auction market remained dominated by higher priced works, the number of works sold for over \$10 million declined, affecting aggregate values due to their disproportionately large share of the market's value. The majority of works sold at this level are fine art, and the changes in supply of a relatively low volume of these works has substantially affected trends in

the auction market over the last decade, without relating to the performance of the majority of businesses in the sector whose sales are based on higher volumes of lower priced works.

Figure 3.4 shows the distribution of fine art sales in 2019 by price segment. 94% of the works sold at auction were for prices lower than \$50,000, a stable share on 2018. These accounted for just 12% of the market's value. The majority of works sold (72%) were for prices below \$5,000, although these made

³⁰ Information supplied by Mr. Yu Jinsheng, Secretary General, Culture and Artworks Committee, China Association of Auctioneers.

³¹ For the purposes of this analysis, fine art includes paintings, sculptures, and works on paper (including watercolors, prints, drawings, and photographs), while decorative art includes furniture and decorations (in glass, wood, stone, ceramic, metal, or other material), couture, jewelry, ephemera, textiles, and other antiques.

up just 2% of sales values.³² Works selling for more than \$1 million accounted for 55% of the total value of fine art sales in less than 1% of lots. This share was down 4% from 2018 (but still above the 48% share in 2016, when the number of high-value lots sold dropped significantly).

While the largest segment in 2018 was works selling for over \$10 million (accounting for a 27% share by value), its share dropped seven percentage points in share in 2019 to 20%, with the number of lots sold at this level declining in number by 35%.

While the largest segment in 2018 was works selling for over \$10 million, its share dropped seven percentage points in 2019 to 20%, with the number of lots sold declining by 35%

This share of value was just marginally above its lowest point of the last five years in 2016 when sales above \$10 million accounted for 19%. The value of sales in the segment over \$1 million fell 23% year-on-year, and most of that decline was in the highest end of lots sold for over \$10 million, where values dropped 39%.

To analyze the performance of the different value segments of the market, the following very broad definitions are used:

1. The low end: prices up to \$50,000.
2. The middle market: price segments ranging from \$50,000 to \$250,000, and from \$250,000 to \$1 million.
3. The high end: prices in excess of \$1 million, including the 'ultra-high end', with prices in excess of \$10 million.

For the last decade, the high end of the auction market has been driving its performance, with annual growth rates tending to rise in direct proportion to the price levels in auction sales. In the 10 years from 2010 to 2019, while there was some growth in the very lowest segment below \$1,000, the low end of the market (lots sold for less than \$50,000) declined in value by 21%. The middle market (between \$50,000 and \$1 million) also fell 5%, with the most value lost in the lower end of prices below \$250,000. In contrast, the market over \$1 million grew 23%.

³² Artory, the source of the global fine art auction data, added a number of smaller auction houses in Asia and Europe to their database in 2019, which increased the share of transactions at the lower end, with little effect on values. Comparisons between 2018 and 2019 include these new entrants to the database for both years, which has introduced minor changes to the historical data.

Table 3.1 | Annual Growth and Share of Sales by Value of Auction Sales by Price Segment

| | Low End | Middle Market | | High End | | |
|----------------------------------|-------------|---------------|-------------|-------------|-------------|-------------|
| | Under \$50k | \$50k–\$250k | \$250k–\$1m | \$1m–\$5m | \$5m–\$10m | Over \$10m |
| Share in 2010 | 16% | 17% | 20% | 22% | 8% | 17% |
| Share in 2019 | 12% | 14% | 19% | 24% | 11% | 20% |
| Change in value 2010–2019 | -21% | -13% | 1% | 15% | 47% | 24% |
| CAGR ³³ 2010–2019 | -2.2% | -1.3% | 0.1% | 1.3% | 3.5% | 1.9% |
| Change in value 2009–2019 | 3% | 30% | 71% | 151% | 224% | 284% |
| CAGR 2009–2019 | 0% | 2% | 5% | 9% | 11% | 13% |
| Change in value 2018–2019 | -12% | -11% | -7% | -6% | -14% | -39% |

© Arts Economics (2020) with data from Artory

Looking over the longer term, Table 3.1 shows that the highest end of the market (prices over \$10 million) has been the key driver of growth in value since 2009. Even with the decline in 2019, this segment increased in value by 284% since 2009 (and had grown by over 525% up to 2018). However, focusing on 2019, it was this very highest segment that showed the poorest performance of all, with a decline in sales of 39%, more than three times the rate of any price segments in the middle market and low end, and considerably worse than the other segments in the high end

between \$1 million and \$10 million. The segment of the market between \$1 million and \$5 million performed best (that is, had the lowest decline in sales) at -6%.

Summarizing the data into the broad categories above, the middle market performed 'best' (or the least poorly) in 2019: sales at the high end fell 23%, they fell 12% in the low end, and they fell by 9% in the middle market.

³³ CAGR refers to the compound annual growth rate.

Despite this cooling at the very top of the market, the distribution of sales still remained more skewed in 2019 than a decade previously, when the middle market had a larger share. The share of market accounted for by works priced over \$1 million has grown from 33% in 2005 to 47% in 2010, and to 55% in 2019. This has been at the expense of the middle market, which dropped from 45% in 2005 to 33% in 2019, while the low end fell from 22% to 10%. The increasing share of the high end is in part due to the increasing prices of works sold generally over time; however, it also indicates that, despite its volatility, the higher end has been growing faster than the rest of the market.

To put some of these changes into a longer-term perspective, Figure 3.5 charts the growth in sales values in the fine art market in the different price segments, using 2005 as the base year. It clearly confirms that the highest end of the market (works sold for over \$10 million) has pulled away from the other segments and grown at a much faster rate over time. Also evident is the volatility in this segment, with large declines in 2009, 2016, and 2019, as the presence or absence of a relatively small number of very high-value works changed the trend in growth substantially.

In 2009, in the fallout from the global financial crisis, all segments of the market declined, including a decline of 8% in the low end and 25% in the middle

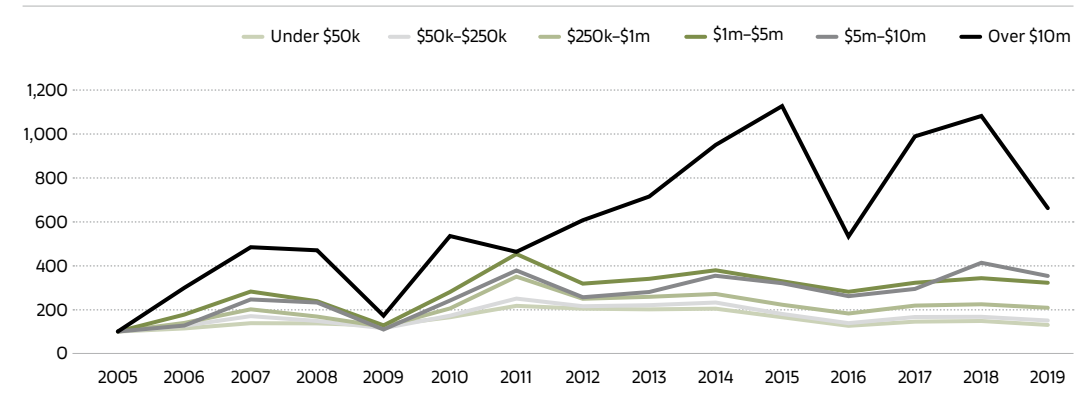
market year-on-year from 2008 to 2009. However, the high end saw a much sharper contraction (of 54%), with the \$10 million-plus segment dropping by 63%. Similarly, in 2016, this very highest end fell 53%, more than double the decrease of any other segment of the market, and it also had the largest decline of all segments in 2019. Despite this, considered from 2005 to 2019, aggregate values have far outpaced other segments; the low end expanding only 30% in 15 years, the middle market by 78%, the high end by 304%, and this ultra-high end by 562%.

The ultra-high end (over \$10 million) segment of the auction market also saw one of the largest decreases in the number of works sold in 2019, with the number of lots sold declining by 35%. In the broader categories, however, the changes in volume year-on-year were relatively similar (the low end declining 12%, the middle by 11%, and the high end, including all sales above \$1 million, dropping by 10%).

In terms of the share of the number of lots sold between different segments, there has been very little change over 10 years, with the high end consistently accounting for around 1% of the number of lots sold, while the low end makes up the bulk of transactions, at 90% or more.

Because most of the very highest priced works are sold in the three largest art markets of the US, UK, and China, the global distribution of fine art auction

Figure 3.5 | Growth of Sales by Value in Auction Price Segments 2005–2019



© Arts Economics (2020) with data from Artory and other sources

sales varies significantly with price level. These three markets make up the majority of sales in all segments of the market by value and volume; however, their share increases as the price level rises, especially the share of the US.

In the market for works priced below \$50,000, the US, China, and UK accounted for 68% of sales by value in 2019 and just over half of the lots sold. In the middle market (works priced between \$50,000 and \$1 million) their share increased to 81% (and 79% by volume). China maintained the largest market

share in both of these price segments of the auction market, as it had for the last two years.

In the market over \$1 million, the three leading markets accounted for 95% of the value of sales, with the US having the largest share at 48%, down 3% year-on-year. And in the highest end of works sold for over \$10 million, 98% of the value of sales came from these three markets, with the US accounting for the majority of sales at 62% by value, also down 2% from 2018.

Table 3.2 | Annual Growth and Share of Sales by Volume of Auction Sales by Price Segment

| | Low End | Middle Market | | High End | | |
|-----------------------------------|-------------|---------------|-------------|------------|-------------|-------------|
| | Up to \$50k | \$50k-\$250k | \$250k-\$1m | \$1m-\$5m | \$5m-\$10m | Over \$10m |
| Share in 2010 | 90% | 7% | 2% | 0.5% | 0.1% | 0.03% |
| Share in 2019 | 93% | 5% | 1% | 0.4% | 0.1% | 0.03% |
| Change in volume 2010-2019 | 32% | -16% | 0.2% | 8% | 47% | 35% |
| CAGR 2010-2019 | 3% | -2% | 0.02% | 1% | 4% | 3% |
| Change in volume 2018-2019 | -12% | -11% | -9% | -7% | -11% | -35% |

© Arts Economics (2020) with data from Artory

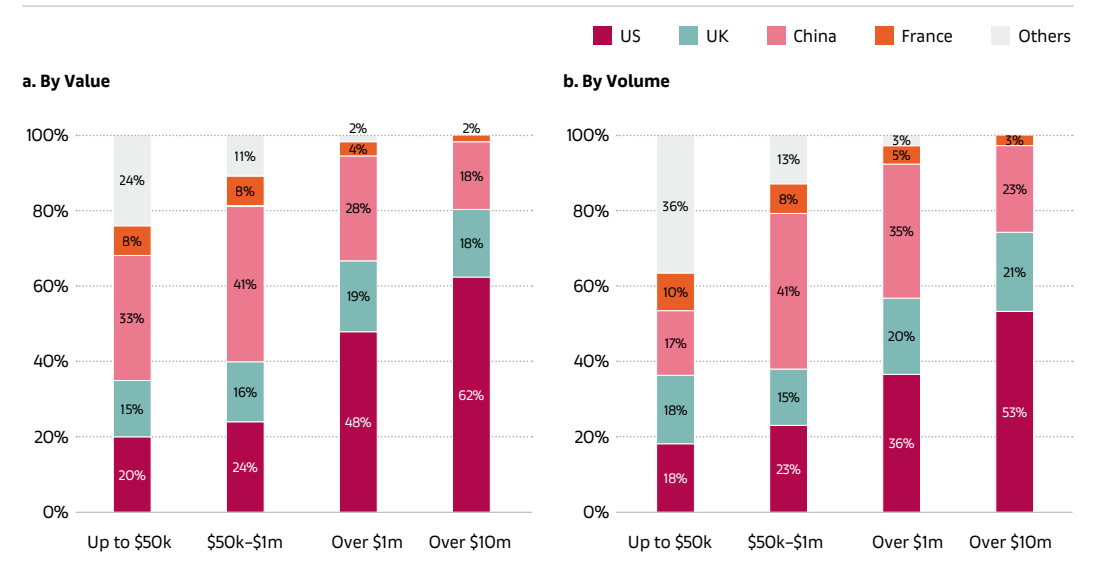
Despite its decline in 2019, the very thin market at the highest end had a disproportionately large influence on aggregate figures, despite being made up of a very small number of artists and sales. A further analysis of the data showed that just under 1% of the artists active in the auction market in 2019 were responsible for works that sold for over \$1 million, which has been a consistent finding over the decade.

It also revealed that, of those artists with works selling for greater than \$1 million, very few were women. The dominance of male artists at auction, both in terms

of the number of artists and value of sales, is well established at all levels. In 2019, where gender could be assigned, the data showed that on aggregate works by female artists accounted for just 7% of the lots sold and 6% of the value of sales in the auction market.³⁴ Only 7% of the artists with works selling for over \$1 million were women, and this was even more disproportionate at the highest level of over \$10 million, where only 5% of the lots sold were by women and these accounted for an even smaller share of sales at 3% by value.

³⁴ These shares are based on a subset of just less than half of the total lots sold at auction in 2019 from Artory's database where gender could be assigned and confirmed.

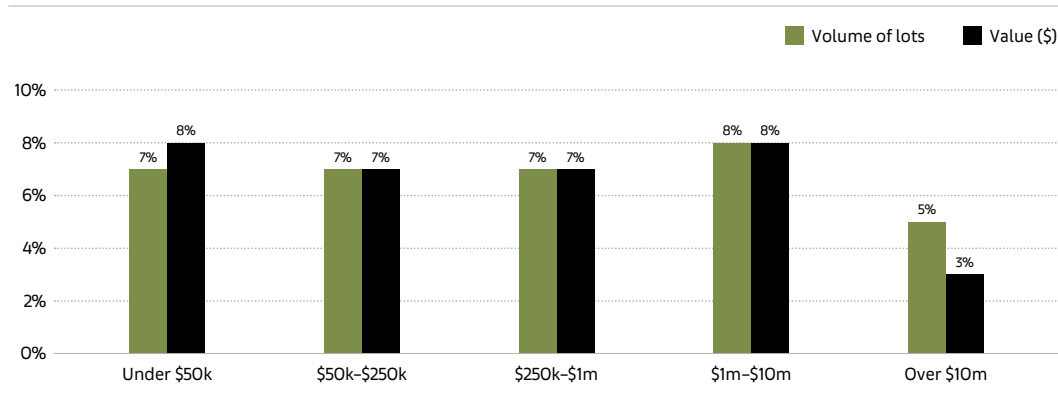
Figure 3.6 | Market Share of the Fine Art Auction Market by Price Segment in 2019



© Arts Economics (2020) with data from Artory

Just under 1% of the artists active in the auction market in 2019 were responsible for works that sold for over \$1 million

Figure 3.7 | Share of the Fine Art Auction Sales by Female Artists by Price Level in 2019



© Arts Economics (2020) with data from Artory

Works of art by female artists accounted for just 7% of the lots sold and 6% of the value of sales in the auction market



3.4 | Fine Art Sectors

Fine art has been a key driver in the growth of the market over the last 20 years and has maintained a larger share in most years than decorative art and antiques by value at auction, as it is where most of the highest priced works are sold. Within the fine art auction market, however, performance between sectors has varied. Modern and Post-War and Contemporary art have dominated the market for the last 20 years, with the greatest combined share, accounting for many of the works sold for prices over \$1 million. There have been some years when a small number of lots from older sectors such as Old Masters and Impressionism surpass them in price. Most notable was the \$450 million sale of Leonardo da Vinci's *Salvator Mundi*, a record price for the auction market. In 2019, the highest priced lot sold at auction was *Meules* (1891), by the Impressionist artist Claude Monet.

To analyze the performance of auction sales by sector it is necessary to define these sectors based on specific criteria such as an artist's date of birth, the date of creation of their works, and also the importance of artists to a particular movement.

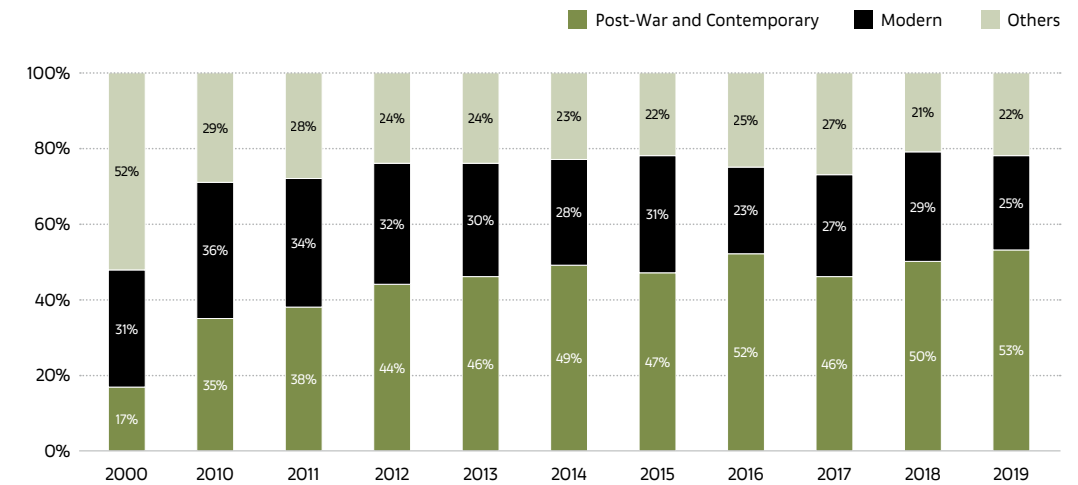
Within the art trade, there are many different definitions of the various sectors but, for the purposes of this analysis, we have used the following³⁵:

- Post-War and Contemporary, defined as artists born after 1910.
- Living artists, defined as artists alive in 2019, which are analyzed as a subset of the Post-War and Contemporary sector.
- Modern, defined as artists born between 1875 and 1910.
- Impressionist and Post-Impressionist, which are defined as artists born between 1821 and 1874.
- Old Masters, defined as artists born between 1250 and 1821.
- European Old Masters, defined as Old Master artists of European origin, which are analyzed separately as a subset of the Old Master sector.

To ensure the most consistent and comprehensive analysis of sales, one central art database is used from Artory, part of the Artory Registry, with data for Chinese sales supplemented from Artron. The Artory database covers sales from 4,000 auction houses, with consistent auction results gathered for around 250 businesses in 40 countries. The database

³⁵ 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-off date of 1910.

Figure 3.8 | Market Share by Value of the Fine Art Auction Market: Selected Years 2000–2019³⁶



© Arts Economics (2020) with data from Artory

comprises results from major sales in first- and second-tier auction houses around the world, and does not restrict inclusion by final price or estimate value, hence offering coverage of the full range of prices that occur at auction. The data by sector in the following analysis is based on the sample of 250 auction houses, and only includes data where full

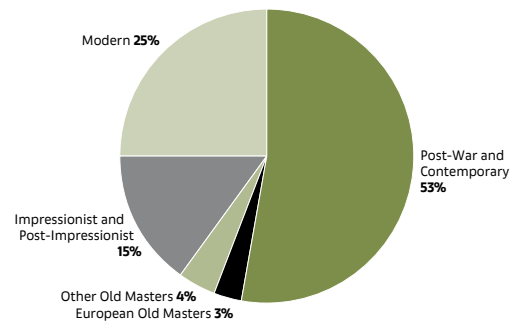
artist attributions can be assigned to the sale. This allows for consistent estimates over time of the key trends in the sector, but the values and volumes do not represent the entire amount of sales at auction in these sectors. It is estimated that these top auction houses represent close to 80% of the value of the market in most sectors.³⁷

³⁶ The shares in Figure 3.8 and throughout the chapter indicate the share of these sectors out of the four main sectors of the art market: Post-War and Contemporary, Modern, Impressionist and Post-Impressionist, and Old Masters, including European Old Masters. It excludes the small number of transactions that cannot be classified within these distinct sectors.

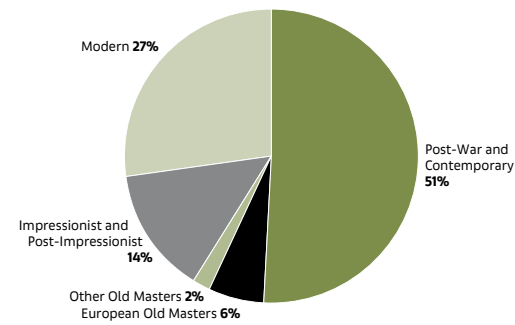
³⁷ Artory continually expands and improves its database, covering more small and mid-sized regional auction houses as their data comes into the public domain and reducing coverage in some countries through closures and auction houses changing the data they publish. The database added several smaller auction houses in Asia and Europe in 2019, and the data has been adjusted to reflect these and any other changes in both 2018 and 2019 in the analysis.

Figure 3.9 | Market Share by Sector of the Fine Art Auction Market in 2019

a. By Value of Sales



b. By Volume of Sales

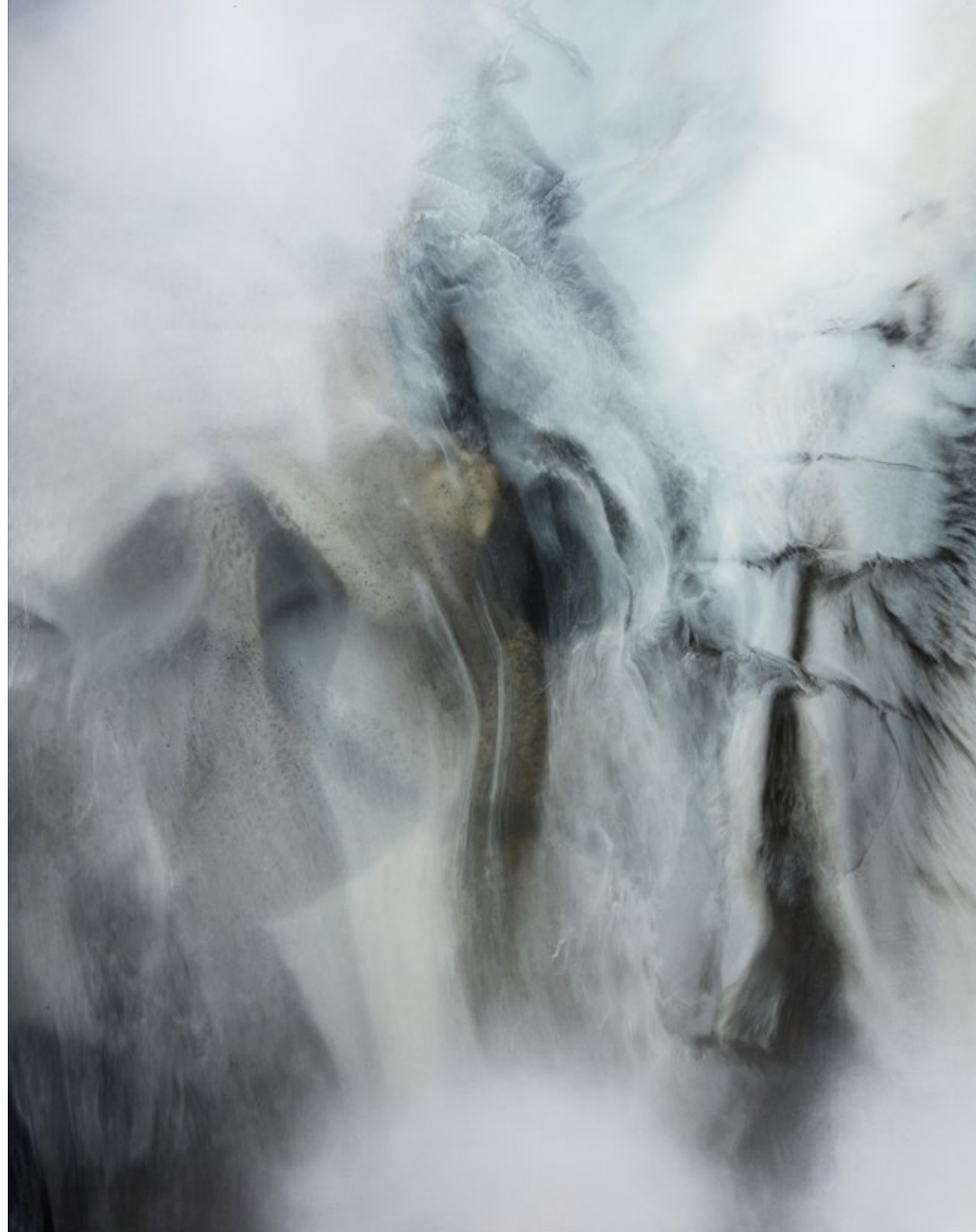


© Arts Economics (2020) with data from Artory

In 2019, the largest sector in the fine art auction market by value was Post-War and Contemporary art, which along with Modern art accounted for over three-quarters of the value and volume of sales. In 2000, these two sectors accounted for less than half of the overall value of the fine art market, with a combined share of 48%, and the Modern sector being the larger of the two. However, since then, in most of the last 20 years, the combined share by value of

these two sectors has exceeded 70%, with Post-War and Contemporary leading (with the exceptions of 2009 and 2010).

Post-War and Contemporary sales reached their highest share in 2019 at 53%, just marginally higher (by 1%) than in 2016, while the peak for Modern art in terms of share was in 2006 at 36%.



3.5 | Post-War and Contemporary Art

Post-War and Contemporary art was once again the largest sector of the fine art auction market in 2019, with a share of 53% of global fine art auction sales by value (up 3% year-on-year) and 51% by volume. Sales in the sector reached \$6.1 billion, a decline of 10% year-on-year, while the number of lots sold dropped more substantially (by 19%).

This has been one of the fastest growing and most volatile segments over 10 years, with trends highly influenced by sales of very highly priced works. Sales grew rapidly until 2007, increasing by more than 450% in value from the level of 2003. However, values fell 58% between 2007 and 2009, one of the biggest declines of any of the fine art sectors in the fallout

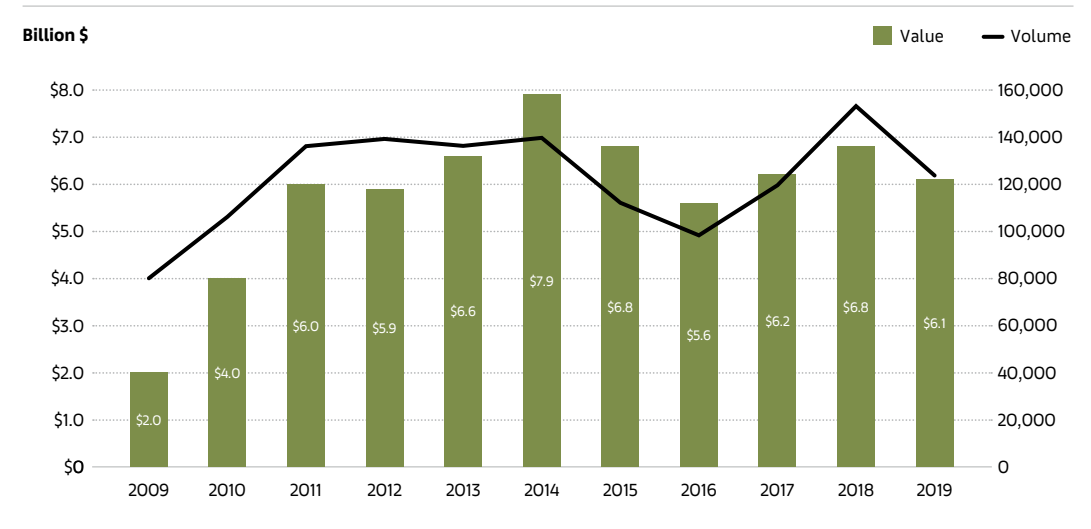
from the global financial crisis as prices and the supply of high-quality works declined. The market rebounded quickly, and by 2014, values had expanded by nearly 300% to reach a historic high of \$7.9 billion. From this peak, the performance of the sector has been mixed, with negative growth to 2016 followed by better performance in 2017 and 2018. The reduced volume of very highly priced works in 2019 subdued growth, and the level of sales – although still higher than in 2016 – was 22% below its peak value in 2014.

The US was the leading market for sales of Post-War and Contemporary art in 2019, with a stable share of 42% by value (up 1% year-on-year) and 23% of the total number of transactions (an increase of 3%). After two years of growth, sales in the US declined by 7% to \$2.6 billion. Despite the drop in sales, the market has still increased in value by 56% over the decade leading to 2019 and has advanced 255% since its low of \$721 million in 2009.

The majority of the highest priced lots sold in this sector were sold in New York. In 2019, the highest priced work, Jeff Koons' *Rabbit* (1986) was sold in New York at Christie's for \$91.1 million. Robert Rauschenberg's *Buffalo II* (1964) sold for \$88.8 million and Andy Warhol's *Double Elvis (Ferus Type)* (1963) sold for \$53 million, both at Christie's in New York. All other of the top 10 lots in the sector were also sold in New York, bar one.

Post-War and Contemporary art was the largest sector in 2019, with 53% of global fine art auction sales

Figure 3.10 | The Post-War and Contemporary Art Sector: 2009–2019



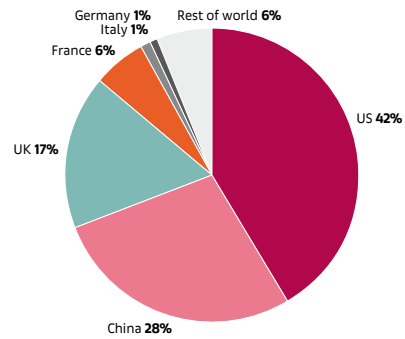
© Arts Economics (2020) with data from Artory

China was in second position in 2019, with a market share by value of 28% (down 3% year-on-year), and accounting for 16% of the number of lots sold (also declining in share by 7%). This sector peaked in China in 2011 at \$2.2 billion and has had mixed performance since that point. After growth of 13% in 2018, the market reverted to 2017 levels, with sales

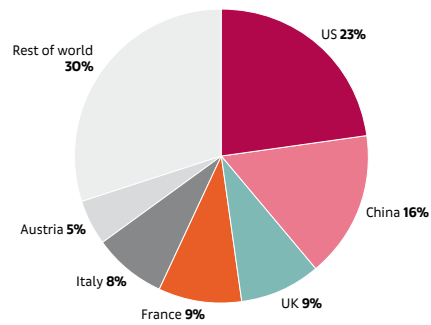
dropping 13% to \$1.7 billion. Despite these ups and downs, the market still advanced 88% over the decade to 2019, and considered over the longer term, has grown to more than 11 times its size in 2005. The highest selling artist in the sector in 2019 in terms of aggregate sales was Zao Wou-Ki, with sales of over \$235 million, the majority of which were in China.

Figure 3.11 | Market Share of the Post-War and Contemporary Sector in 2019

a. Market Share by Value



b. Market Share by Volume



© Arts Economics (2020) with data from Artory

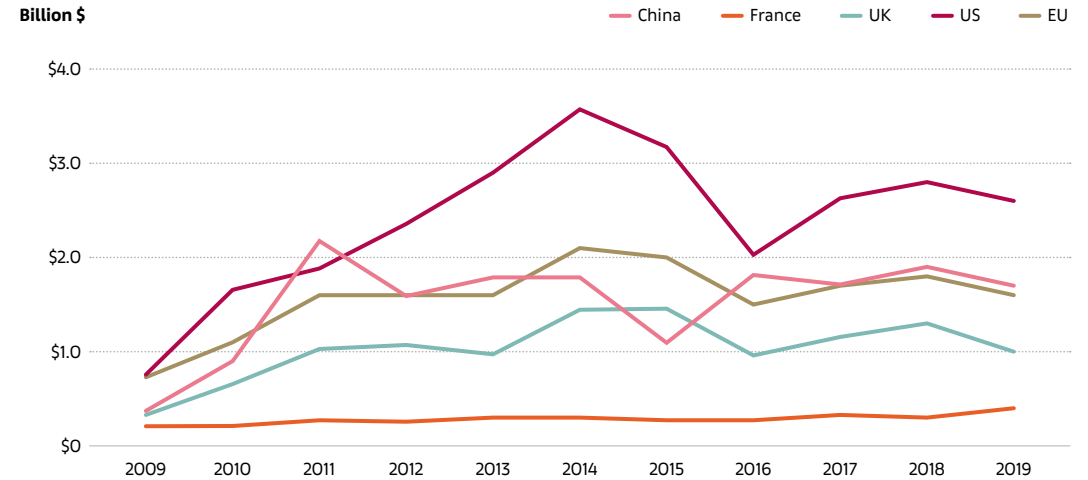
The share of sales in the UK market fell 2% year-on-year to 17% by value, with a stable share of 9% of the volume of lots. After two years of growth, sales in the UK fell by 19% to just over \$1 billion, almost 30% below the peak in 2015, but still larger than a decade previously in 2010, when sales were \$638 million.

The UK market has grown over 215% since the bottom of the market in 2009, which although slower than the growth in the US, has seen a larger advance than the EU as a whole (130%). Considering the market over 15 years, the UK has grown to more than three times its size since 2005 (when sales were just under \$335 million).

After declining sales in 2018, the French market was one of the best performing in the sector in 2019, with an advance in sales values of 31% to their highest ever level of \$381 million. This brought France's global share up two percentage points to 6%.

The fall in sales in the dominant UK market was enough to ensure the EU as a whole still declined by 10% year-on-year to \$1.6 billion. The global share of the EU by value was stable at 26%, but measured without the UK market, EU sales would have accounted for just 10%.

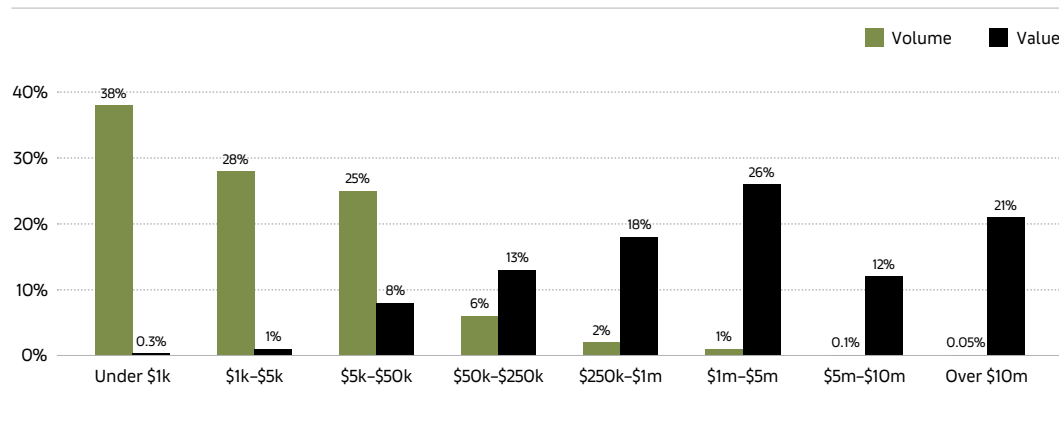
Figure 3.12 | Sales in the Post-War and Contemporary Sector 2009–2019: Key Markets



© Arts Economics (2020) with data from Artory

After declining sales in 2018, the French market was one of the best performing in the Post-War and Contemporary sector in 2019, with an advance in sales values of 31%

Figure 3.13 | Sales by Price Bracket in the Post-War and Contemporary Sector in 2019



© Arts Economics (2020) with data from Artory

In 2019, living artists' works accounted for 44% of the value of sales in the Post-War and Contemporary sector, down 3% in share year-on-year

While most of the highest priced works sold in the art market in recent years have been in this sector, the vast majority of Post-War and Contemporary transactions are at much lower price levels, with 91% of works sold priced below \$50,000 in 2019. As in 2018, the majority (66%) of works sold were at prices of less than \$5,000, although these accounted for only 2% of the sector's total value.

At the other end of the market, works priced at over \$1 million accounted for the majority (59%) of value in 2019 in less than 1% of lots sold, stable in share from 2018.

The proportion of works sold in the highest end of the market – over \$10 million – fell year-on-year by three percentage points to 21%, with 20% fewer individual lots sold in this price bracket in 2019 versus 2018.

The highest selling artist at auction in this sector in 2019 was Zao Wou-Ki (as was the case in 2018), along with Andy Warhol, Wu Guanzhong, David Hockney, and Jean-Michel Basquiat, and these top five artists accounted for 14% of total sales values. The sector had a relatively low concentration of sales in the top 20 artists compared to others, with sales of their works in 2019 accounting for 38% of total sales values (up 2% year-on-year).

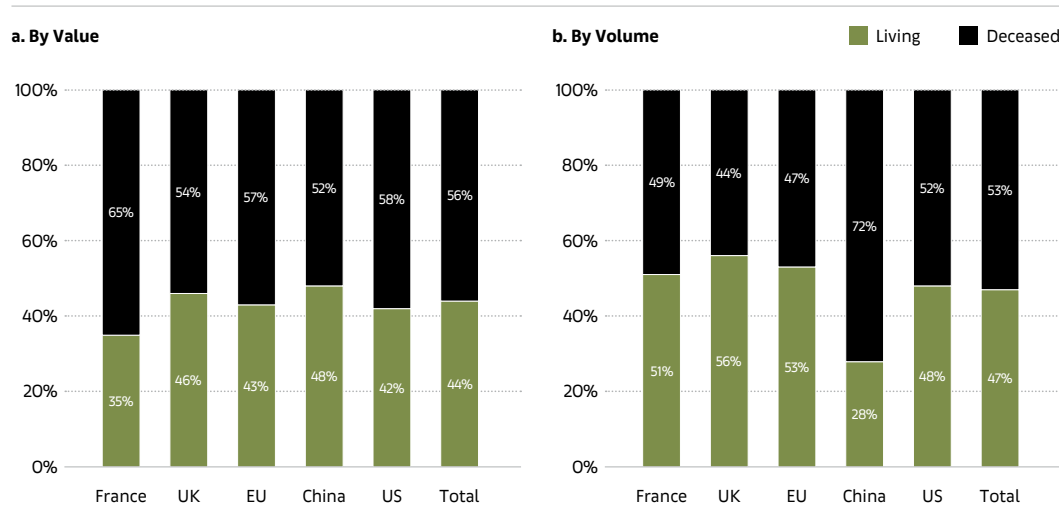
Most of the highest priced lots in this sector were sold in New York and the major auction houses dominated, with Christie's leading the market. The top five auction houses by value of sales (Christie's, Sotheby's, Phillips, China Guardian, and Poly Auction) accounted for 77% of the value of sales (although only 18% of the number of lots sold).

A Note on Living Artists

The Post-War and Contemporary sector includes a variety of artists, including both deceased artists and living artists at various stages of their careers. Although there are a few rare, noteworthy examples of primary market sales at auction, most sales of works by living artists at auction are resales.

Sales of living artists' works typically comprise a minority of the value of all sales of Post-War and Contemporary art, but this share fluctuates annually and varies across countries. In 2019, living artists' works accounted for 44% of the value of sales in the sector, down 3% in share year-on-year. Although the share was stable in the largest market of the US, it declined in all of the other major markets, notably China (from 55% in 2018 to 48%), which has had the highest share of sales by living artists for the last two years. The lowest share of the major markets by value was in France at 35% (also the lowest in 2018).

Figure 3.14 | Share of Sales by Living vs. Deceased Post-War and Contemporary Artists in 2019



© Arts Economics (2020) with data from Artory

at 27%). The UK maintained one of the highest shares of all of the larger markets in Europe at 46% by value, although this declined year-on-year from 51% in 2018.

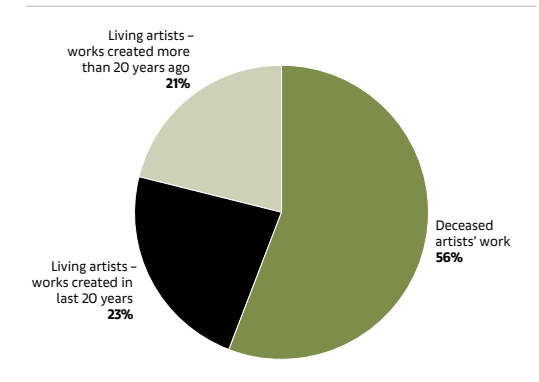
The ratio of the number of works sold by living versus deceased artists also dropped globally, from accounting for a majority of the lots sold in 2018 (at 59%) to less than half (47%) in 2019, with declines in all of the major markets, again, most notably China.

After substantial growth in 2018, sales of the works of living artists fell by 5% in 2019 to just over \$3 billion

After substantial growth in 2018, total auction sales of the works of living artists fell by 5% in 2019 to just over \$3 billion, a less severe decline than in the Post-War and Contemporary sector as a whole, and thank the decline of 22% in the number of lots sold.

Within this segment of living artists' works, there was a significant increase in the amount of very new works being sold in 2019 – 35% of the lots sold within the subsector of living artists were works created in the last 20 years. These accounted for 52% of the total value of all sales of works by living artists, an increase of 17% year-on-year and totaling \$1.6 billion in sales. In terms of the wider market therefore, 23% of the value of Post-War and Contemporary sales in 2019 were works created in the last 20 years (up from just 14% in 2018) and these accounted for 16% of the number of transactions. Top-selling artists in this segment of newly created works included KAWS, with an auction market of over \$108 million in 2019, and Yoshitomo Nara (with sales of over \$90 million) as well as Zao Wou-Ki, Yayoi Kusama, Kerry James Marshall, and several others. This indicates an increasingly rapid turnaround for some artists from the primary market to the secondary sector, and an increasing movement of the auction sector into what might have been traditionally a more dealer-driven part of the market.

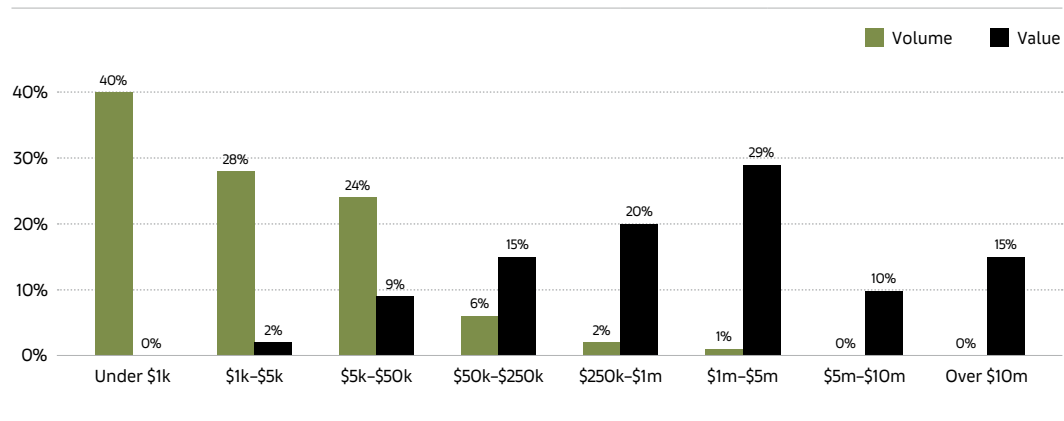
Figure 3.15 | Share of Sales by Value within the Post-War and Contemporary Sector



© Arts Economics (2020) with data from Artory

23% of the value of Post-War and Contemporary sales in 2019 were works created in the last 20 years

Figure 3.16 | Sales of Living Artists' Works by Price Bracket in 2019



© Arts Economics (2020) with data from Artory

Works selling for over \$1 million accounted for 54% of the value of the living artists' works, with the largest segment being lots sold between \$1 million and \$5 million

The geographical distribution of sales in the living artists segment are much like the wider Post-War and Contemporary sector, with the US leading with a global share of 39% by value, while China accounted for 31%, and remained in second place after having been the leading market for living artists by value in 2017. Along with the UK (at 19%), these three top markets combined to account for 89% of the value in the sector and 46% of the lots sold.

As noted, the highest selling lot of 2019 in this sector was by Jeff Koons, setting a record price for the artist. Ed Ruscha's *Hurting the Word Radio #2* (1964) sold for \$52.5 million at Christie's in New York (also a record high for the artist), and there were at least 65 lots sold during the year in this segment for over \$5 million. However, the highest selling artists on aggregate were David Hockney (with sales of \$129 million) and Gerhard Richter (\$128 million). Overall, there was an increase in concentration of value in the sector in 2019, with the top 20 artists accounting for 44% of total sales, versus just 37% in 2018.

Despite these very high-value lots, as in the wider artists sector, the majority of sales were at much lower prices, with 92% of works sold for prices of less than \$50,000 and the majority (68%) sold for prices less than \$5,000. This segment is slightly less skewed to the high end than the wider Post-War and Contemporary art sector; however, works selling for more than \$1 million still accounted for 54% of the value of the sector in less than 1% of lots sold. The largest segment by value was sales between \$1 million and \$5 million, as it has been for the last two years. These works accounted for 29% of the total value of works sold, up 4% year-on-year, while the share of segments at higher prices were stable.



3.6 | Modern Art

The Modern art sector remained the second largest in the fine art auction market in 2019, with a share of 25% by value and 27% by volume, both down in share by 4% year-on-year. Sales of Modern art have been lower than Post-War and Contemporary art since 2011, with the margin between them increasing in 2019 to 28%.

Sales of Modern art experienced significant growth up to 2007 but fell sharply in value over the next two years, with the market losing one-third of its value and dropping to \$2.2 billion in 2009. Strong US sales and the booming Chinese market aided a strong recovery, and the market more than doubled in value again in the space of two years to a historic peak of \$5.4 billion in 2011.

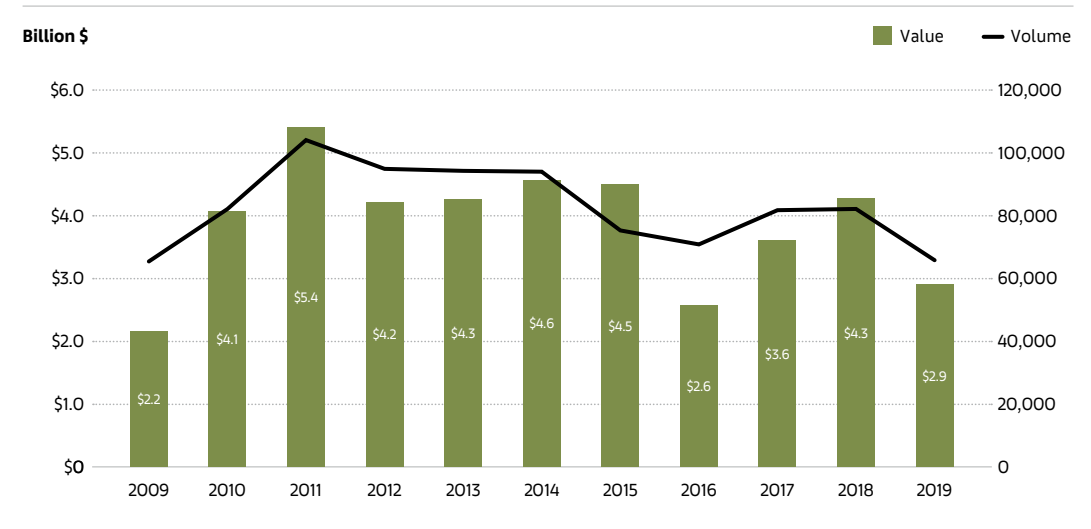
The subsequent decline in 2012 was due mainly to the Chinese downturn, but then sales were relatively stable through 2015. In 2016, as supply contracted at the very high end, sales fell 43% to \$2.6 billion, their lowest level since 2009. After two years of strong growth from that point, sales declined sharply again in 2019, falling 32% to \$2.9 billion, while the number of lots sold also fell by 20%. Although in 2019 values still remained above their 2016 low, sales in the Modern sector have declined by 28% over the decade to 2019.

China took over from the US as the largest market for Modern art in 2019, with a 41% share of sales by value, up 8% in share year-on-year. Following two years of growth, sales fell by 16% in China to \$1.2 billion in 2019, reducing the market to less than half of its size at its peak in 2011, when it was also the largest market worldwide in this sector, with \$2.7 billion in sales and a share of 50% of global values.

Sales in the US fared worse, dropping by 49% year-on-year to \$904 million, their lowest level since 2016. This put the market in second place by value with a share of 31%, down 10% year-on-year. Sales in the US peaked in 2015 at a high of just over \$2 billion but their downward trend in 2019 left them 24% below their level a decade previous in 2010.

The UK market remained in third position with a more moderate loss of global share of 2% by value. Following two strong years of double-digit growth, the market fell 42% to \$460 million, its lowest level in 10 years (although still above 2009, when they had dropped to \$351 million). The French market fared considerably better, with sales advancing by 23% to \$152 million. However, the poor performance of the UK meant EU sales as a whole still declined by 30% (to \$730 million). The EU's global share was stable year-on-year by value at 25% but has dropped considerably over the longer term, previously accounting for 52% in 2008.

Figure 3.17 | The Modern Art Sector: 2009–2019

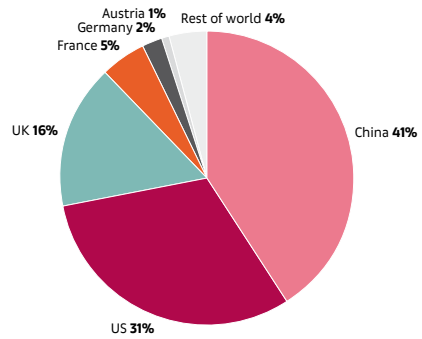


© Arts Economics (2020) with data from Artory

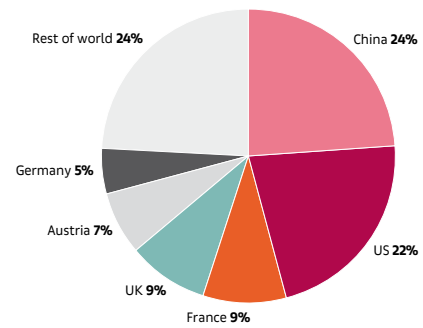
After two years of strong growth, sales of Modern art declined sharply in 2019, falling 32% to \$2.9 billion

Figure 3.18 | Market Share of the Modern Sector in 2019

a. Market Share by Value



b. Market Share by Volume

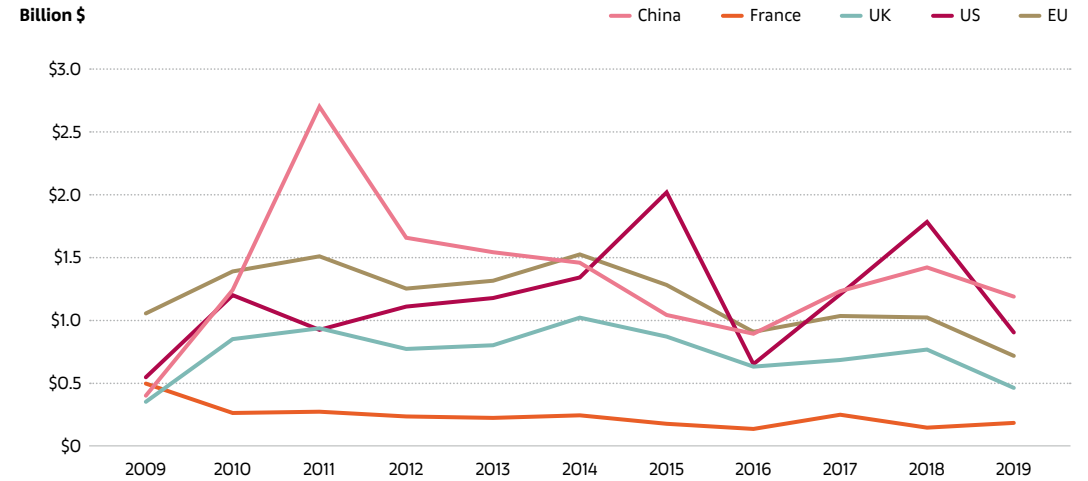


© Arts Economics (2020) with data from Artory

Pablo Picasso was the top selling artist in this sector in 2019, as he had been for the previous two years, with sales of \$341 million, less than half those achieved by the artist's works in 2018. The highest priced lot sold in the sector in 2019 was Picasso's *Femme au Chien* (1962), which sold for \$54.9 million at Sotheby's in New York. The second highest was Sanyu's *Five Nudes* (1950), which reached \$39.1 million at Christie's Hong Kong, one of two lots in the top 10 by the artist.

The second highest ranking artist in terms of aggregate sales, Zhang Daqian, was also unchanged from 2018. The top 20 artists accounted for 59% of the value of sales in the sector, stable on 2018 and indicating a much greater concentration of values around top artists than in Post-War and Contemporary art.

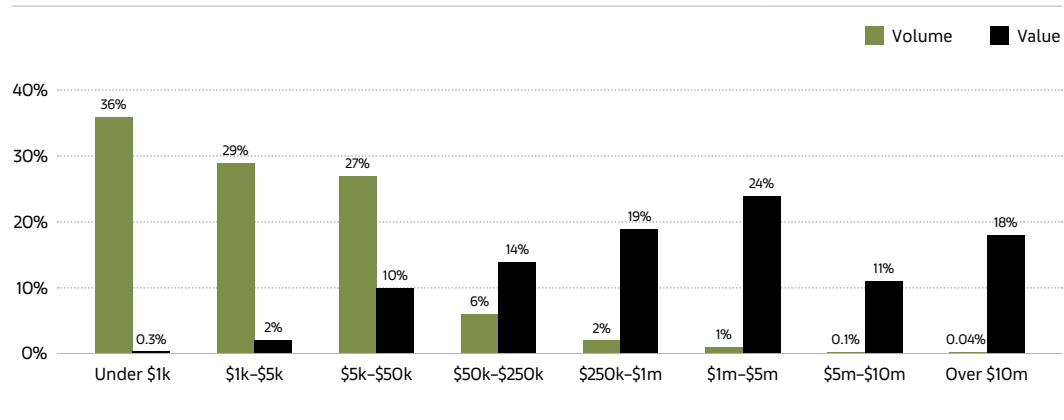
Figure 3.19 | Sales in the Modern Sector 2009–2019: Key Markets



© Arts Economics (2020) with data from Artory

The top 20 artists accounted for 59% of the value of sales in the Modern art sector, a much greater concentration of values than in Post-War and Contemporary art

Figure 3.20 | Sales in the Modern Sector by Price Bracket in 2019



© Arts Economics (2020) with data from Artory

Despite these high prices, the share of value in the top end of the market declined in 2019. Works sold for over \$1 million still accounted for the majority of lots at 53%, but this was down by 13% year-on-year, with half the number of lots sold at prices above \$10 million versus 2018. In the Modern sector, 92% of the lots sold for prices below \$50,000 (stable year-on-year), and these accounted for 12% of sales. As in 2018, the majority (65%) of lots sold were at

prices less than \$5,000, although these accounted for a very small share of just 2% of total sales values.

Christie's and Sotheby's accounted for just over half (56%) of the total sales by value in the market in 2019, and along with China Guardian, Poly Auction, and Huayi International, the top five houses made up a 68% share.



3.7 | Impressionism and Post-Impressionism

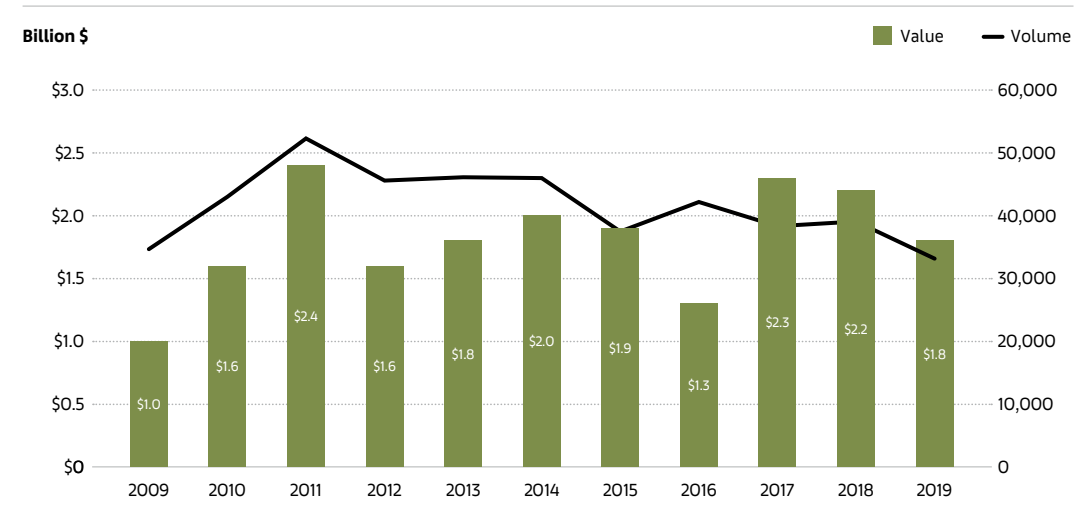
The Impressionist and Post-Impressionist sector was one of the largest in the market in the late 1980s and early 1990s, and drove the boom in global sales in the late 1980s. However, since around 2000, sales of Modern art overtook the sector by value, and with the rapid expansion of Post-War and Contemporary since that point, its share rapidly declined. By 2005, sales of Impressionist and Post-Impressionist works combined made up just 20% of the market, and in 2019 they accounted for 15% of the value and 14% of the number of global fine art lots sold at auction, both stable year-on-year.

The sector has seen mixed performance over the last decade, with declining sales values for the last two years. Following a period of growth up to 2007, sales declined to a low of just \$1 billion in 2009, as supply at the high end contracted sharply in the sector. However, buoyed mainly by strong sales in China, the market recovered quickly to a historic peak of \$2.4 billion in 2011. As the Chinese market entered a recession in 2012, values in this sector also declined significantly (by 31%), and the market had poor and unsteady sales up to 2016. Although sales grew substantially in 2017 (by 71%), this was not sustained in the last two years, and sales fell a further 19% in 2019 to \$1.8 billion, while the number of lots sold also fell by 15%. Over the decade from 2010, the market grew just 8% in value.

As in 2018, there was varied performance by region in this sector in 2019. The US market maintained its leading position with a share of 45% of the value of sales, but this was down 6% year-on-year. After two years of high growth, sales in the US dropped 28% in 2019 to \$787 million, reverting to their previous 2017 level. This was despite having some of the highest lots of the sector, including the top three: Claude Monet's *Meules* (1891), which sold for \$110.7 million at Sotheby's in New York (a record for the artist and the highest lot sold at auction in 2019), Paul Cezanne's *Bouilloire et Fruits* (1888–1890) for \$59.3 million at Christie's New York, and Van Gogh's *Arbres dans le Jardin de l'Asile* (1889) for \$40 million (also at Christie's). Despite the decline, sales were up 67% over 10 years and have grown more than 169% since their lowest recent point of just \$300 million in 2009.

After a poor year of sales in 2018, sales in the UK rose by 21% to \$431 million, the best year-on-year increase of any of the larger art markets, and boosting the UK's global market share by 9%. Apart from the lots mentioned above, five of the top 10 lots in the sector were sold in the UK during the year, which along with other highly priced works helped to boost sales. This rise in sales returned the UK to its second ranking position, accounting for 25% of sales in the sector globally by value.

Figure 3.21 | Impressionist and Post-Impressionist Auction Sales 2009–2019

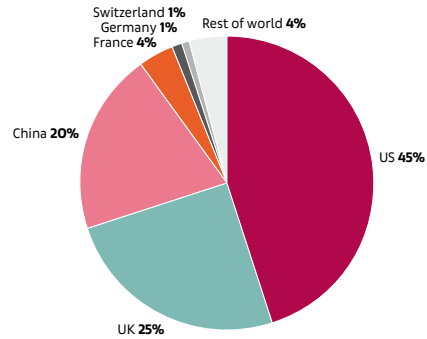


© Arts Economics (2020) with data from Artory

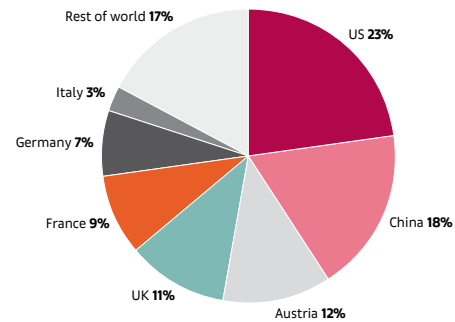
Although sales grew substantially in 2017 this was not sustained in the last two years, with sales falling a further 19% in the Impressionist and Post-Impressionist sector in 2019 to \$1.8 billion

Figure 3.22 | Market Share of the Impressionist and Post-Impressionist Sector in 2019

a. Market Share by Value



b. Market Share by Volume



© Arts Economics (2020) with data from Artory

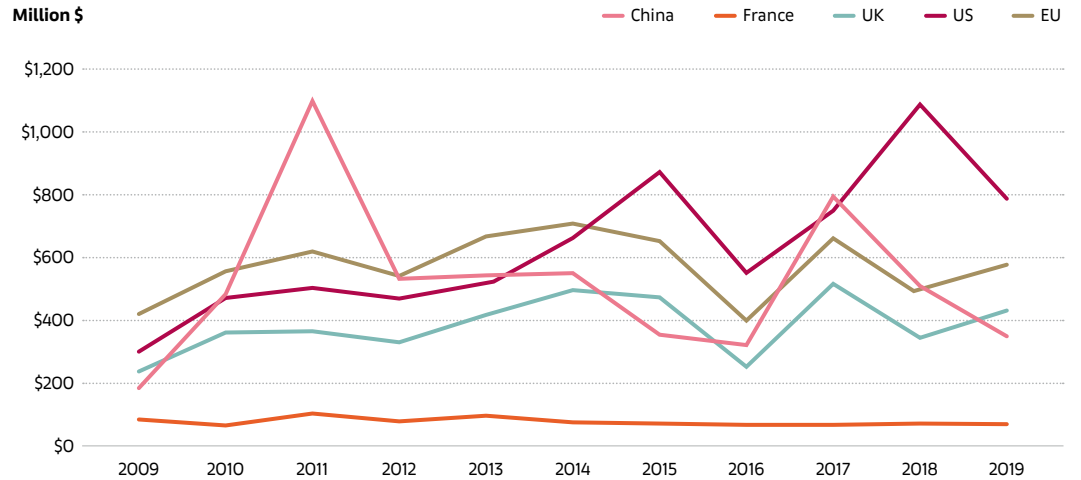
Sales in France fell (by 13%), as did some other EU markets, but the boost in UK values was enough to ensure sales in the EU as a whole rose by 9% to \$577 million. These sales accounted for one-third of the value of global sales (up from just 23% in 2018).

China slipped back to third place in the sector with global share by value of 20% (down 4% year-on-year, with an equivalent fall in its share by volume to 18%). Sales fell for a second year by 33% to \$349 million, and were down 28% in value versus a decade earlier in 2010.

High-value lots accounted for the majority of sales in the sector in 2019, with works sold for more than \$1 million accounting for 60% of the value of sales (down 6% year-on-year) in less than 1% of transactions. The largest segment by value was again the \$10 million-plus segment, but this fell in share by 6% year-on-year (to 30%) with a slightly thinner market at the highest end. The bulk of individual sales at auction remained in the lower price levels, with 91% of works sold during the year achieving prices of less than \$50,000, although these made up just 9% of the market's value.

Figure 3.23 | Sales in the Impressionist and Post-Impressionist Sector 2009–2019: Key Markets

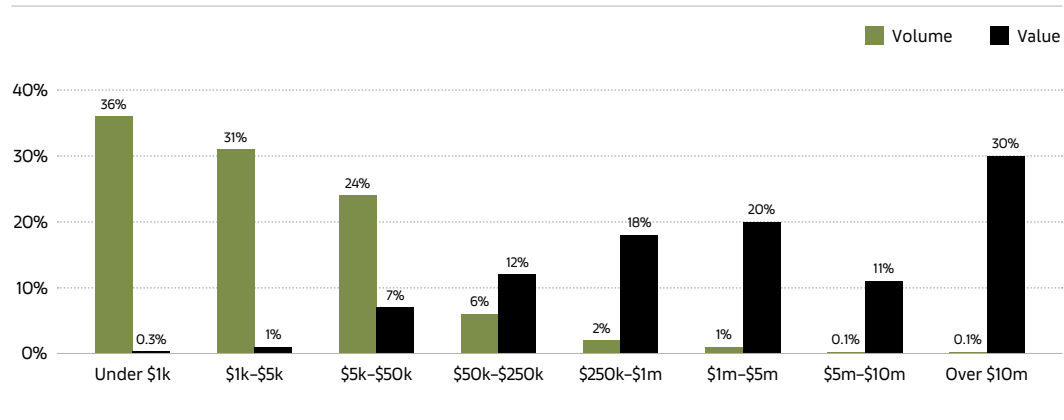
Million \$



© Arts Economics (2020) with data from Artory and other sources

The US maintained its leading position in the Impressionist and Post-Impressionist sector with a share of 45% of the value of sales

Figure 3.24 | Sales by Price Bracket in the Impressionist and Post-Impressionist Sector 2019



© Arts Economics (2020) with data from Artory

A majority (67%) of lots were sold for prices less than \$5,000, an increase in share of 6% year-on-year.

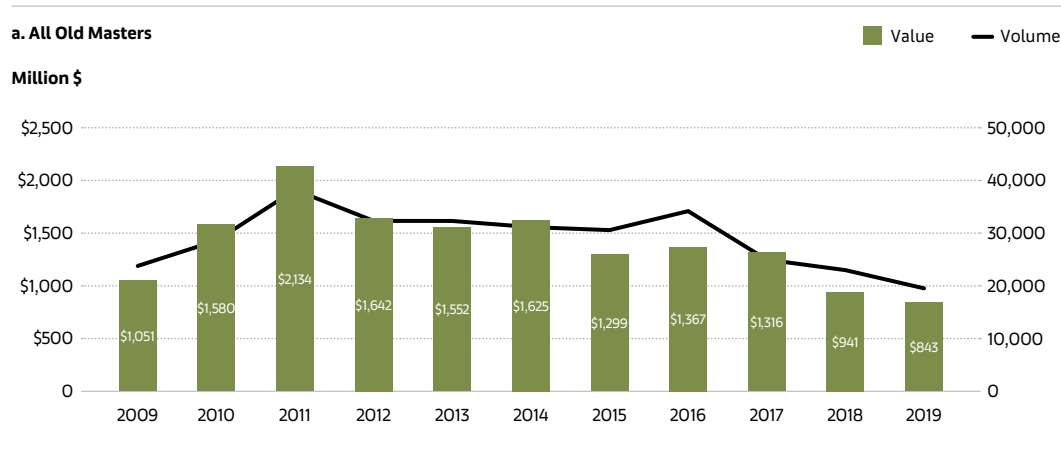
Claude Monet was the highest selling artist in the sector for a second year, with a market of \$355 million, down 17% from 2018. Monet also accounted for five of the 10 highest priced lots. Chinese artist Qi Baishi had the second highest sales, with Paul Cezanne in third place. These three top artists accounted for a combined 31% of the value of sales. The concentration of value at the top of this sector is more pronounced

than other sectors and has increased over time. Sales of the top 20 artists accounted for 70% of the value of sales in 2019, up 3% year-on-year and from just 49% in 2017.

Most of the top lots were sold at Christie's and Sotheby's, accounting for a combined 68% of the value of sales in the sector in 2019, stable in share on 2018. Along with China Guardian, Bonhams, and Xiling Yinshe, the top five auction houses accounted for 76% of the value of sales in the sector.



Figure 3.25 | Old Masters Painting Sales 2009–2019



© Arts Economics (2020) with data from Artory

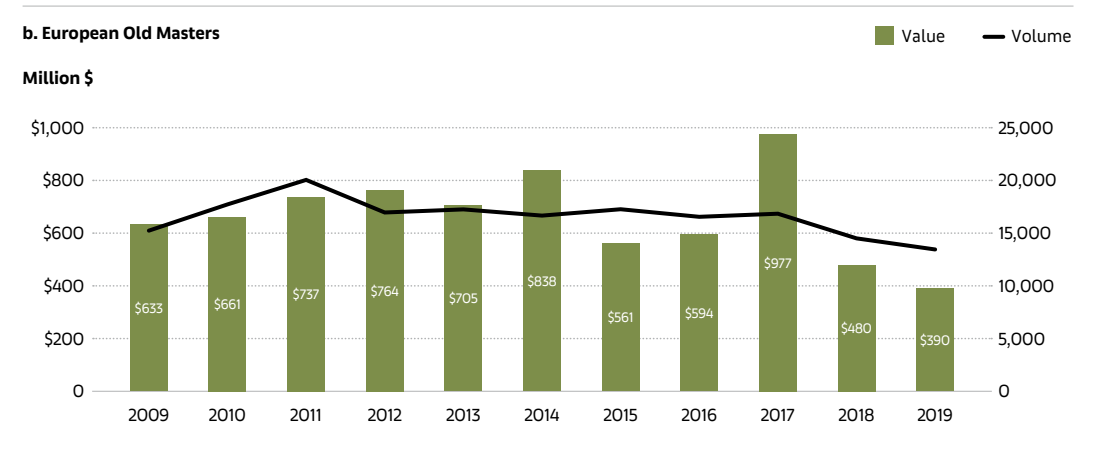
3.8 | Old Masters and European Old Masters

The Old Masters sector accounted for 7% of the fine art auction market by value in 2019, up marginally year-on-year (by 1%) but remaining the smallest of the fine art sectors. It also had the smallest share of lots sold globally, accounting for 8% of transactions, stable on 2018.

The Old Masters sector covers works sold by artists of all nationalities born between 1250 and 1820.

However, the term 'Old Masters' is most commonly associated with the works of European artists. Just under half (46%) of the value of Old Masters works sold in 2019 came from European Old Master artists, stable on 2018, and they accounted for 69% of the individual lots at auction.

Sales of all Old Masters works reached \$843 million in 2019, falling 10% year-on-year, the sector's third year of declining values. The number of lots sold also



© Arts Economics (2020) with data from Artory

Sales of Old Masters works reached \$843 million in 2019, falling 10% year-on-year, the sector's third year of declining values

fell by 15%. The wider Old Master market has been influenced by Chinese Old Master sales in recent years and peaked in 2011 at \$2.1 billion at the height of the boom in China. As China's market contracted in 2012, values in the sector dropped by 23%, and this was followed by a few years of relatively stable sales. However, since 2017 the market has declined 36%, and was at its lowest point in the last 10 years in 2019, with values having fallen 47% since 2010.

Sales values in the European Old Masters sector also receded to their lowest level in more than a decade. This sector tended to have less volatile swings in sales from year to year than some of the newer sectors up to 2016. However, in the last three years there has been substantially more market movement.

China was the largest market for sales in the Old Masters sector, with a share of 48% by value and accounting for 23% of the lots sold

The sector saw a massive boost in values in 2017, increasing 64% to a historic peak of \$977 million, due to the presence of just one outlier sale, the Leonardo da Vinci lot for \$450 million, without which sales would have actually fallen 11%. Since that high, sales have fallen for two years, with the 19% decline year-on-year in 2019 bringing the market to \$390 million, its lowest level in 10 years. The market has decreased in value by 41% in a decade, with the continuing shortage of high-quality works available for sale limiting growth.

China was the largest market for sales in the wider Old Masters sector, with a share of 48% by value, down 2% year-on-year, and accounting for 23% of the lots sold. Sales of Chinese artists' works have been a fundamental part of this sector for the last decade, and in 2019 the highest selling artist was Zhao Mengfu, with sales of \$37 million, while seven of the top 10 selling artists of the year were also Chinese. After a strong increase in sales of over 40% in 2018, sales of Old Master works in China were stagnant in 2019, dropping just 2% to \$402 million. The values achieved in 2019 were less than half of the peak in the market in 2011, when sales totaled \$1.1 billion and have fallen 50% over the decade from 2010. Taking a longer view, however, sales in China have grown to nearly 10 times their size over the 15 years since 2005, a greater advance than any other major market.

Table 3.3 | Global Market Share: Old Masters Paintings in 2019

| Old Masters | | | European Old Masters | | |
|---------------|----------------|-----------------|----------------------|----------------|-----------------|
| Country | Share of Value | Share of Volume | Country | Share of Value | Share of Volume |
| China | 48% | 23% | US | 37% | 17% |
| US | 21% | 16% | UK | 37% | 24% |
| UK | 18% | 18% | France | 11% | 10% |
| France | 5% | 7% | Austria | 6% | 15% |
| Austria | 3% | 11% | Germany | 4% | 17% |
| Germany | 2% | 12% | Switzerland | 1% | 4% |
| Rest of world | 3% | 13% | Rest of world | 3% | 13% |

© Arts Economics (2020) with data from Artory

Sales also fell in the US Old Master auction market, dropping 8% to \$175 million, the lowest level since 2010. Sales reached a peak in 2017 of \$646 million, having advanced 162% year-on-year as the Leonardo da Vinci lot temporarily boosted values. (Without this lot, sales in the US would have declined by 21%, showing the impact these extreme prices can have on market trends in a relatively thin market such as this.) The US was the second largest market in the sector in 2019, with its share by value increasing by three percentage points to 21%.

The UK fell back to third place in the wider Old Master sector in 2019, with its share by value declining from 24% in 2018 to 18%. Sales fell sharply for the second

year running by 35% to \$153 million, their lowest level in over 15 years. Sales performed better in France, with an increase of 30% year-on-year to \$43 million; however, considered over the decade, they have declined by 46%, and this was still their second lowest level in 15 years next to 2018. In the EU as a whole sales fell 23% (to \$252 million) and accounted for 30% of the value of global sales in the sector, down from 35% in 2018.

In the European Old Masters sector, sales in all of the major art markets, with the exception of France, fell year-on-year. Sales fell moderately in the US market, by 5% to \$145 million, with a steeper decline of 37% in the UK, leaving the two markets neck and

neck, with the US very marginally ahead by value. While the UK accounted for half of the market by value in 2018, this fell back to 37% in 2019, on par with the US (which increased its share by 6%). While sales in the US are still above their level 10 years ago in 2010, the UK has lost over 50% of its value in a decade, and was at its lowest level in more than 15 years in 2019.

The EU accounted for a much larger share of 66% of the value of sales in this subsector of Old Masters, which was stable year-on-year, despite a drop in EU sales of 25% to just over \$390 million.

Values in the Old Masters sector are less concentrated on the top artists than in other sectors, and the top 20 artists in 2019 accounted for 36% of total sales values (up 2% year-on-year), and 38% in the European Old Masters sector (down 5% year-on-year). The top-selling European artist Joseph Mallord William Turner accounted for just 3% of total sales (at just under \$13 million). Turner's *Landscape with Walton Bridges* (c. 1845) was the highest priced lot of the year, selling for \$10.3 million at Sotheby's in London. In the wider Old Master sector, Chinese artists' works had the highest prices, including Zhao Mengfu's *Letters*, which sold for \$38.1 million at China Guardian in Beijing.

In 2019, 91% of the lots sold in the Old Masters sector fetched less than \$50,000, accounting for 14% of the

market's total value. A majority of 60% were sold for prices below \$5,000, a stable share in this lower end year-on-year. The share of value accounted for by works selling over \$1 million was smaller than some other sectors at 48%, and down 3% year-on-year. The largest segment by value, as it was in 2018, was works priced between \$1 million and \$5 million, which accounted for 26% versus just 10% accounted for by works sold in excess of \$10 million.

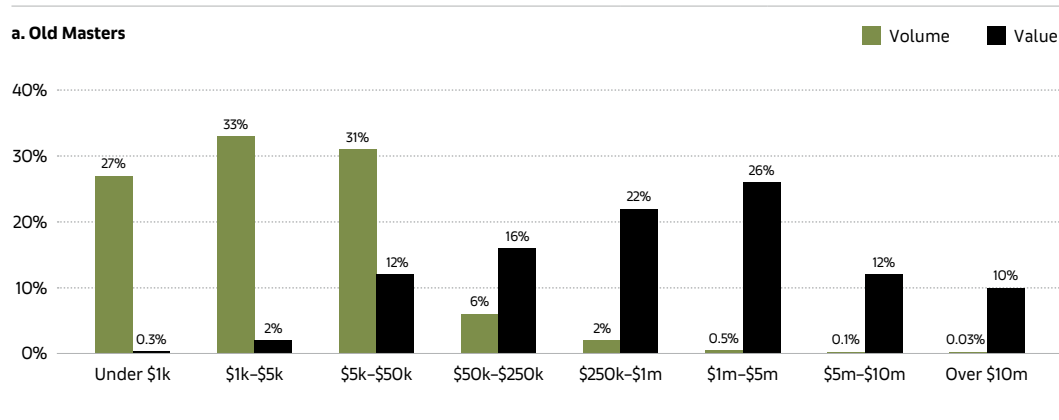
Sales in the European Old Masters sector had a similar distribution, with a slightly higher 93% of lots sold for prices less than \$50,000, which accounted for 19% of the sector's total sales values, up 4% on 2018. Lots sold for over \$1 million accounted for 43% of the sector's sales values (down 7% from 2018) in just 1% of the transactions.

Lots sold for over
\$1 million in the European
Old Masters sector
accounted for 43% of the
sector's sales values

Figure 3.26 | Sales in the Old Masters Sector 2009–2019: Key Markets



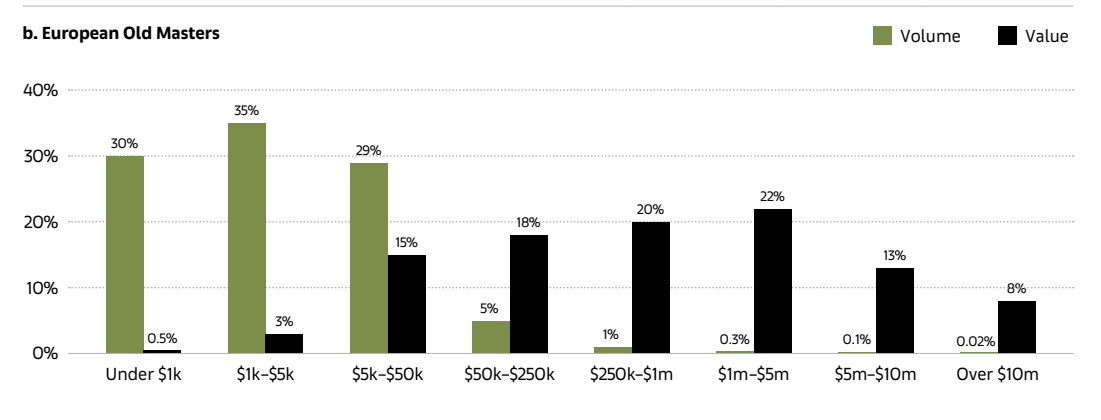
Figure 3.27 | Sales in the Old Masters Sector by Price Bracket in 2019



© Arts Economics (2020) with data from Artory

Christie's and Sotheby's were the largest auction houses by value of sales in both the wider segment and European Old Masters. In the wider segment, they accounted for 47% of the market, and together with the Chinese houses China Guardian, Xiling Yinshe, and Poly Auction, the top five houses accounted for a combined share of 71% of sales (and 26% of the

lots sold). In the European Old Masters sector, the combined share of Christie's and Sotheby's was more dominant at 76% by value, and along with Dorotheum, Artcurial, and Bonhams, the top five houses accounted for 87% of the value of sales and 43% of all lots sold in 2019.



© Arts Economics (2020) with data from Artory

Christie's and Sotheby's accounted for 47% of the wider Old Masters market by value, but were more dominant in the European Old Masters sector at 76%

3.9 | Conclusions

Although performance was strong in some areas, the auction sector as a whole had a poor year of sales in 2019, with significant declines in all of the major art markets with the exception of France. The decline in the sector and the shift from public to private sales reflected to a large extent the uncertainty in many of the major art markets' economies, with vendors enticed out of the public arena and into the relative security of private sales.

The Post-War and Contemporary sector continued to dominate the fine art market, accounting for more than half of all sales, and just over half of its value. Within this market, there has also been a notable shift to selling recently created works, with nearly one-quarter of the value of this sector in

2019 being sales of works created in the last 20 years. This rapid turnover to the resale market aligns with the findings of Chapter 6, which shows the increasing trend among HNW collectors to resell works they have purchased, including a significant proportion doing so within a relatively short period of time. While most collectors' motives are not purely financial, their behaviors suggest that growing numbers are driven by financial concerns, particularly in the Post-War and Contemporary sector. Based on the frequency of resales, the growing share of new works at auction, and the continued use of third-party guarantees, investment and financially driven motives for collecting appear to be an important and growing part of this dominant auction sector.

The decline in the sector and the shift from public to private sales reflected the uncertainty in many of the major art markets' economies, with vendors enticed out of the public arena and into the relative security of private sales



Art Fairs



Key Findings

Art Fairs

- 1.** Art fair sales were estimated to have reached \$16.6 billion in 2019, increasing by less than 1% year-on-year from \$16.5 billion in 2018.
- 2.** Dealers reported that 15% of these art fair sales were made before the fair (\$2.5 billion), 64% during the fair (\$10.6 billion), and 21% after the fair as a direct result of exhibiting at the fair (\$3.5 billion).
- 3.** The share of dealers' annual sales by value made at art fairs has grown from less than 30% in 2010 to 45% in 2019, declining 1% year-on-year from 2018.
- 4.** On average, dealers attended four fairs in 2019, stable on 2018. Galleries with sales in excess of \$10 million exhibited at more than twice as many fairs (eight on average) as those with turnover less than \$500,000 (averaging three).

5. While fairs accounted for 30% of sales for dealers with turnover of less than \$500,000, this rose to 47% at the higher end for dealers with over \$10 million in annual sales.

6. HNW collectors reported attending an average of 39 art-related events in the last 12 months, with art fairs making up just 18% of those, or seven per year, on par with visits to gallery exhibitions. Non-commercial events were still the most attended, with an average of 13 museum exhibitions attended by collectors.

4.1 | Art Fairs in 2019

Art fairs remained a critical part of the art market's infrastructure in 2019, with a large portion of its sales centered on these key events. Fairs are central to most dealers' business models and continue to be an important force, bringing dealers and their buyers together, often from geographically diverse locations. However, the year was marked by change, with several events closing and new fairs emerging in different regions.

The number of art fairs has expanded rapidly, from around 55 established international art fairs in 2000 to close to 300 in 2019 with an international element, covering fine art, decorative art and antiques, as well as hundreds of smaller regional and local fairs that cover broad areas of the art and collectibles markets.

2019 saw a number of new fairs emerge, particularly in Asia, including Taipei Dangdai, S.E.A. Focus in Singapore, Art Moments Jakarta, and Nanjing International Art Fair. The Chicago Invitational and Frieze Los Angeles also opened in the US in 2019. Other new events are planned in 2020, including new editions of current fairs, such as Paris Photo New York in April, as well as experimentation with alternative models, including Future Fair New York (offering a profit-sharing model for its 36 start-up galleries) and the booth-free Eye of the Collector fair in London, both opening in May.

However, alongside these start-ups there were several disruptions to current art fairs, including closures and temporary suspensions. These notably included Art Stage Singapore, Art SG (a new Singapore fair postponed until 2020), Volta New York (cancelled to make room for exhibitors of the concurrently running Armory Show due to structural issues at its location), the New Art Dealers Alliance (NADA) New York fair, the Brussels edition of Independent, and Art Berlin. Art Basel Hong Kong, the largest fair in Asia, was also forced to cancel its March 2020 edition due to the outbreak of the coronavirus disease 2019 (COVID-19) originating in mainland China. Data supplied for this report by Artfacts (artfacts.net) noted a net decline in their number of listed art fairs by 14 events in 2019, 12 of which were 'major' fairs with a minimum of 20 galleries.

While there are various specific reasons for the suspensions and closures during the year, including some unrelated to the market, there are signs that the growth in fairs reached a peak in 2018, and may have begun a period of stabilization, with continued consolidation of sales around major events, while smaller, regional, or specialized fairs enter and exit at a more normal rate versus the rapid expansion of the decade prior to 2018.

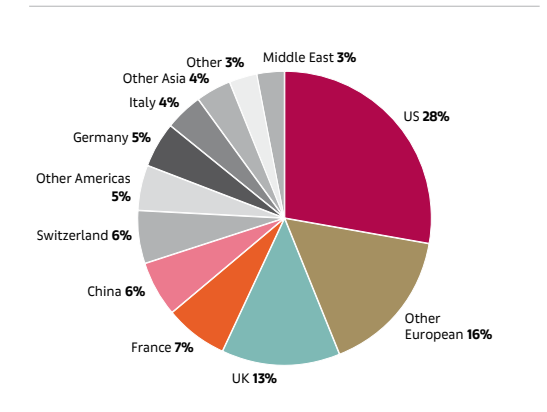
4.2 | Art Fair Locations

Some of the earliest modern international art fairs started in the 1960s in Europe, with events such as Art Brussels and Art Cologne, which were still running in 2019. While Europe still accounts for a majority of the major fairs, these events have become much more geographically diverse.

From a database of 285 of the largest international art fairs in 2019, Figure 4.1 shows that 51% of these events took place in Europe, with 13% in the UK. The US was still the largest national base for fairs (28%), although Asia now accounts for 10% (which excludes many smaller domestic events in China and elsewhere).

A subset of larger art fairs, with a minimum of 20 exhibiting galleries, tracked by Artfacts can be used to chart the growth of fairs over time. From this sample, the number of fairs declined 7% year-on-year in 2019, but was still higher in number than any year prior to 2018. The number of galleries exhibiting at these major events also declined slightly year-on-year to 12,588 in 2019. The number of galleries exhibiting increased up until 2008, but then declined to their lowest point in 10 years in 2010 in the aftermath of the global financial crisis and contraction in art market sales. Since then, exhibitor numbers have seen some volatility from year to year, but with two strong years of growth since 2016, they reached a historic peak of 12,614 in 2018, having increased by 30% over 10 years.

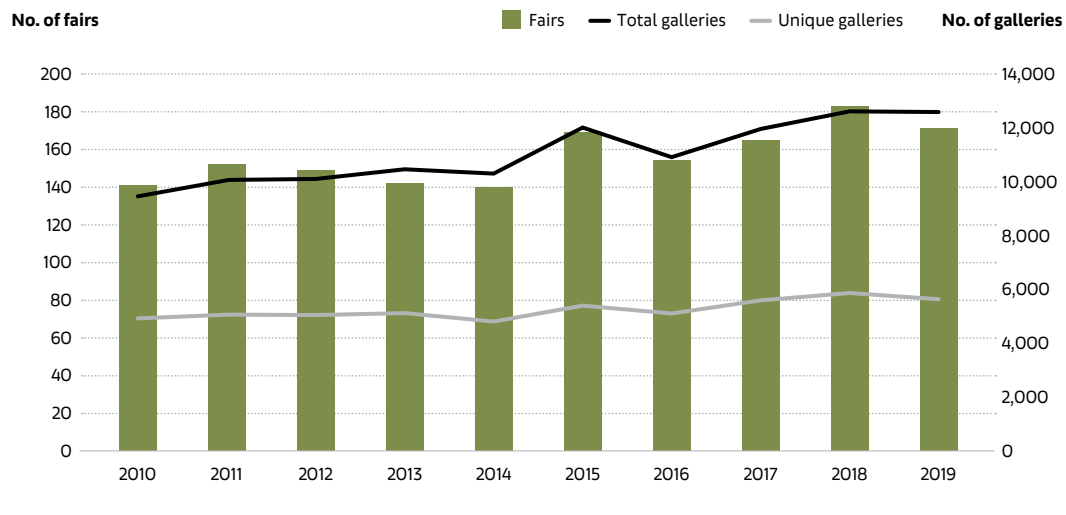
Figure 4.1 | Art Fair Geography: Share of Number of Fairs in 2019



© Arts Economics (2020)

The number of fairs declined 7% year-on-year in 2019, but was still higher in number than any year prior to 2018

Figure 4.2 | Number of Major Fairs* and Number of Exhibiting Galleries



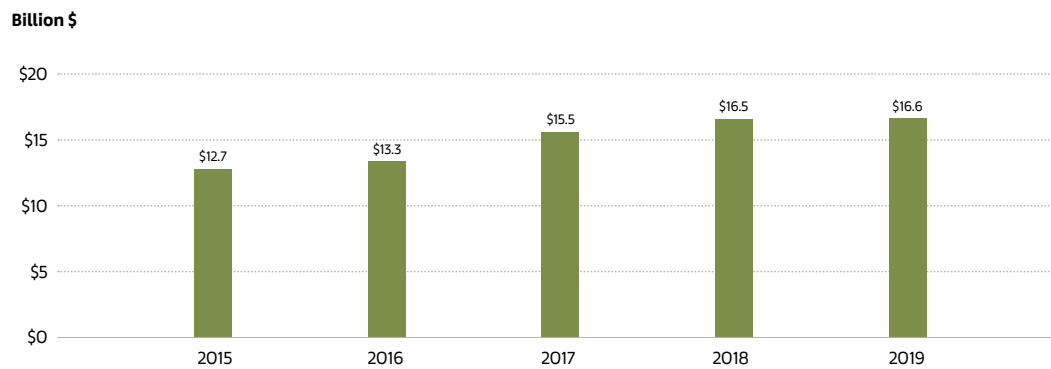
© Arts Economics (2020) with data from Artfacts.net

*171 major fairs with 20+ exhibitors

Figure 4.2 shows the total number of galleries tracked by Artfacts.net exhibiting at major art fairs. This includes the total number of galleries as well as the number of unique individual galleries, which counts a gallery only once even if it exhibited at several fairs during a given year. The number of unique exhibitors grew at a slower pace over 10 years (by 14%) and

declined by 4% in 2019. The decline in the total number of galleries was less than the decrease in the number of unique galleries. This implies that although on aggregate fewer galleries exhibited in 2019 across all fairs, some of those that did exhibit, exhibited at more fairs.



Figure 4.3 | Estimated Art Fair Sales 2015–2019

© Arts Economics (2020)

4.3 | Art Fair Sales

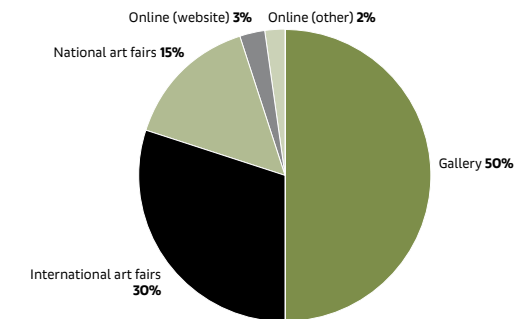
Art fairs do not report detailed or consistent information on sales made by their exhibitors, however, estimates can be made regarding the level of sales using the data reported by dealers in the global survey on the share of their sales made through different channels. Applying the turnover-weighted average share of sales made via local and international art fairs to the aggregated sales in the dealer sector in 2019 indicates an estimated \$16.6 billion

The share of dealers' annual sales by value made at art fairs has grown from less than 30% in 2010 to 45% in 2019

in 2019, an increase of less than 1% year-on-year from \$16.5 billion in 2018.³⁸

The share of dealers' annual sales by value made at art fairs grew from less than 30% in 2010 to 45% in 2019 (a decline of 1% year-on-year from 2018). This is close to parity with sales made through galleries, which increased 2% year-on-year to 50%, but have declined steadily over the last decade as the event-driven marketplace has continued to capture an increasing share of sales through fairs. Many galleries have noted that newer collectors were now more aware of and loyal to fairs rather than their individual exhibiting galleries, as these events have become the new global focus for sales. While not everyone viewed this positively, most agreed that this also presented them with greater opportunities to meet new clients who were not previously aware of their galleries or their programs.

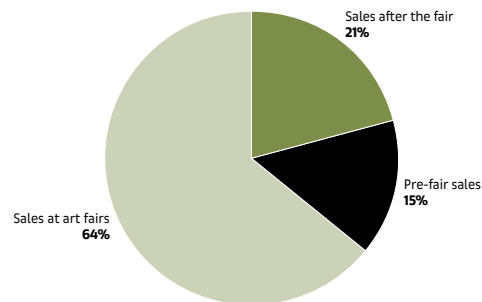
An issue in analyzing how dealer sales are made arises in the practical division between the sales channels. Because dealers make sales before, during, and after fairs, there can be issues in attributing which sales are actually 'fair sales'. Besides the sales generated at the events themselves, art fairs also play a pivotal role in reaching new clients and in future business development. Although many galleries focus on ensuring that their fair programs are saleable enough to directly cover the costs of exhibiting, fairs are

Figure 4.4 | Shares of Sales by Selling Channels in 2019

© Arts Economics (2020)

also increasingly used as an exhibition platform to promote particular parts of galleries' programs to wider audiences. As a direct result of their contact with new and existing clients at fairs, some sales are concluded after the event has finished, or post-fair sales. These sales are directly connected to their exhibition at the fair, and generally are of sales of works they exhibited or alternative works by an artist they exhibited, and would not have happened without their participation in the fair. There is also a significant and increasing number of sales made by participating

³⁸ It is important to note that, as outlined in Chapter 2, most of the dealers surveyed for this report are in the middle to higher end of the market, as they generally must either be in a dealer association or have taken part in an art fair in recent years to have been surveyed. Although there are some dealers in the survey that do not attend any fairs, by the nature of the sample's design, it is skewed toward those who attend fairs and does not include many lower-end dealers that do not attend art fairs, but comprise up to 20% of the market's value. The estimate of art fair sales given here is therefore likely to represent the higher boundary of what art fair sales may have reached in 2019 (and other years), as it estimates the entire market with a similar distribution to those included in the survey.

Figure 4.5 | Art Fair Sales Share 2019

© Arts Economics (2020)

galleries before a fair. Dealers will send advance notice of their forthcoming fair exhibition programs to VIP clients often weeks before an event, allowing larger private and institutional collectors the time needed to preview and prepare for their purchases. As explained by a dealer:

'Our biggest collectors don't just wander in and buy something on the spot. Some of the highest priced transactions have been thought about and maybe even agreed upon before we open our booth. Our old-school collectors will still get to preview the "hot stuff" before the fair, and they have greater access to it anyway. While this does mean that some won't go to as many fairs, we've found people still want to go, even if they have already purchased works, to feel like they are part of the community.'

Other dealers noted that museum acquisitions in particular can involve many layers of decision-making and administration, making it necessary to proactively use advance notice to allow time to make a sale at a fair feasible. Many museum buyers (and other private collectors) will still need to see the work in person at the fair before finalizing a sale, particularly for works that are larger-scale or more complex, but works will be reserved and the transaction agreed to in principle prior to their visit.

For smaller galleries, online platforms have also offered a forum to allow a wider collector base to preview works, and therefore direct traffic to their booths or, in some cases, purchase works before the event. Part of the impetus for the development of art fairs was to offer dealers a way of collaborating in the face of increasing competition from auction houses by creating some of the same one-room excitement and competitive energy as an auction. This was intended to galvanize buyers by creating a sense of urgency around sales within a limited time frame. Some dealers worried that previews and presales risk taking some of the drama, discovery, and competitive tension out of the fair experience. However, it has been a common practice for some time – especially in the face of rising participation costs – and does not appear to have deterred sales at the events themselves, allowing for responsible due diligence as well as enabling more buyers to use their time at the fair more effectively.

While many dealers at the higher end noted that often up to half of their exhibits may be sold or reserved prior to a fair, the surveys indicated that the average across all levels was considerably lower. When asked how their sales made through art fairs were distributed, dealers reported that:

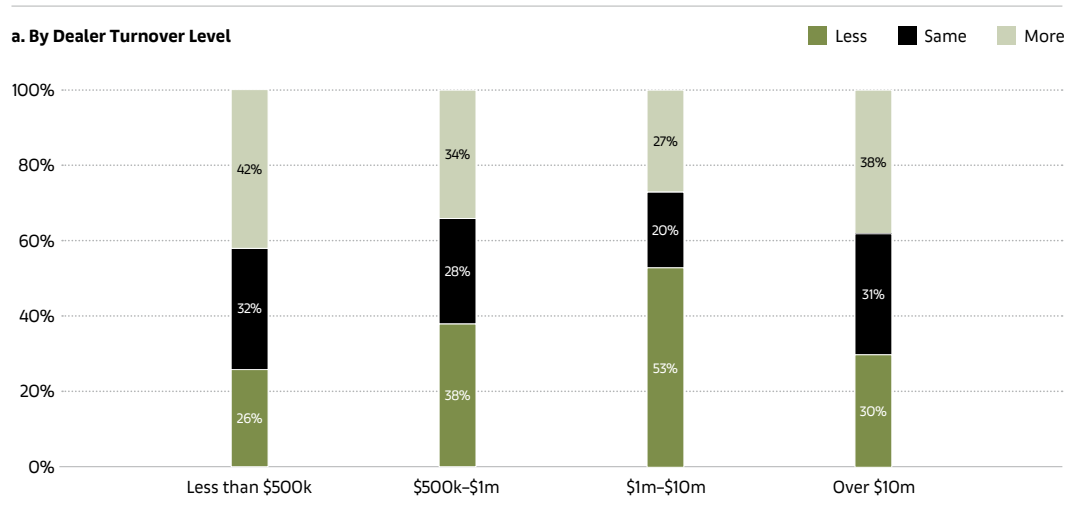
- 15% of art fair sales were made in pre-fair sales (which, according to the estimates above, could account for up to \$2.5 billion)
- 64% of sales were made during fairs (\$10.6 billion)
- 21% of sales were made after the fair as a direct result of exhibiting at the fair (\$3.5 billion)

Therefore, based on turnover-weighted averages, an estimated \$10.6 billion (29%) of dealers' total sales were made at art fairs in 2019, with an additional \$6 billion (16%) directly as a result of exhibiting at the fair in pre-fair or post-fair sales.

15% of art fair sales were made before the fair, 64% were made during fairs, and 21% were made after the fair as a direct result of exhibiting



Figure 4.6 | Changes in Number of Art Fairs Exhibited at 2018–2019

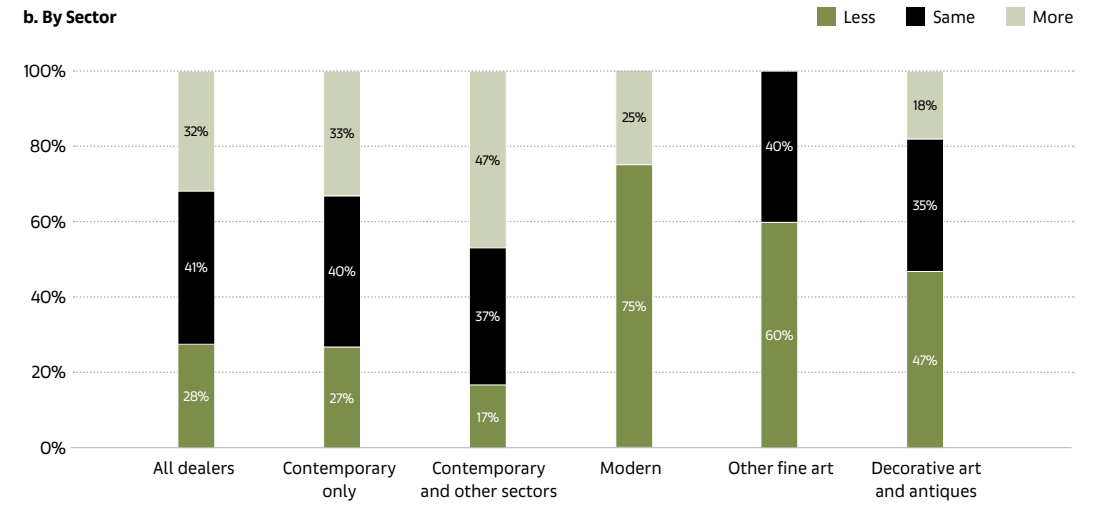


© Arts Economics (2020)

4.4 | Art Fair Attendance

On average, dealers attended four fairs in 2019, stable on 2018, but down slightly from the average attendance reported in the surveys from 2016 and 2017 of five fairs each. Attendance ranged between sectors and segments, with around one-third of all respondents having exhibited at five or more fairs during the year.

Larger galleries with higher sales turnover attended more fairs than those with lower sales. Galleries with sales in excess of \$10 million exhibited at more than twice as many fairs (eight on average) as those with turnover less than \$500,000 (averaging three). There were also differences in the changes in their attendance year-to-year. The highest share of those who increased the number of fairs they exhibited



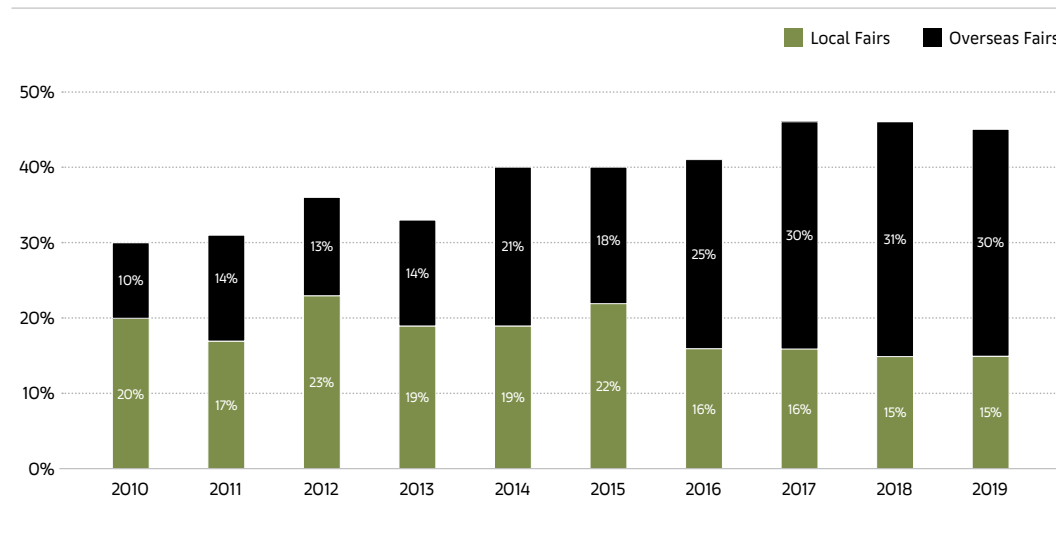
© Arts Economics (2020)

at in 2019 was the segment of galleries with sales less than \$500,000, at 42%. The most cutbacks during the year were for dealers in the sales bracket between \$1 million and \$10 million, who exhibited at fewer fairs in 2019 than they did in 2018.

There were small differences by sector, with older sectors of the fine art market and decorative art and

antiques dealers exhibiting at slightly fewer fairs (three) than Modern (five) and contemporary (four) dealers. Almost half (47%) of dealers of contemporary art with other sectors increased their attendance year-on-year by one or two fairs, while the majority of non-contemporary fine art dealers reduced their art fair exhibitions.

Figure 4.7 | Share of Reported Dealer Sales at Local vs. International Art Fairs 2010–2019



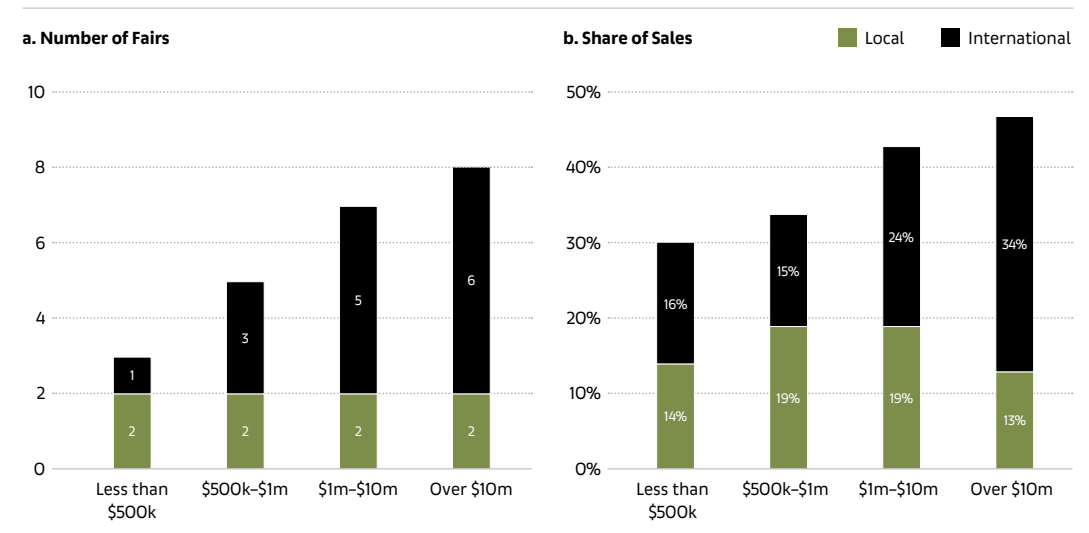
© Arts Economics (2020)

As in 2018, attendance at local versus international events in 2019 was divided evenly (two local and two overseas or international fairs on average). Although there was likely to have been considerable variation between individual businesses and specific fairs, this implies that, on average, dealers generated 30% of the value of their annual total sales from just two international events during the year.

The share of value of sales made at overseas fairs (that is, outside the gallery's home market) was relatively stable, dropping just 1% year-on-year; however, it has risen steadily over the last five years and has accounted for a consistently larger share of sales by value.

The division of sales reported in Figure 4.7 is influenced by the relatively smaller number of dealers at the

Figure 4.8 | Attendance and Share of Sales at Local vs. International Art Fairs in 2019 by Turnover Level



© Arts Economics (2020)

very high end of the market reporting a large share of sales at international fairs. For dealers with annual sales in excess of \$1 million, international fairs had a larger share than local events at 56% of total fair sales, but this rises to over 70% for dealers with sales greater than \$10 million. The concept of local versus overseas fairs has become less relevant for some of the top multinational dealers who operate galleries

in several locations worldwide. However, Figure 4.8 also makes clear that these higher end dealers attend more fairs, and that fairs account for an increasing share of their annual sales as their turnover rises. While fairs accounted for 30% of sales for dealers with turnover of less than \$500,000, this rose to 47% at the higher end for dealers with over \$10 million in annual sales.

While fairs accounted for 30% of sales for dealers with turnover of less than \$500,000, this rose to 47% at the higher end for dealers with over \$10 million in annual sales

One departure from this trend is dealers with turnover of less than \$500,000. For these dealers, the average number of local events exceeded international ones, but this smaller number of overseas fairs accounted for a majority of their fair sales (53%). This fits also with some of the anecdotal evidence from dealers at this level, who explained how one or two important international fairs acted as key sales generators for their businesses and were critical from a financial and promotional perspective, but who also felt it was crucial to maintain a presence at sometimes less lucrative and smaller local events to maintain local ties, build community, and in some newer markets, develop a new, local collecting base.

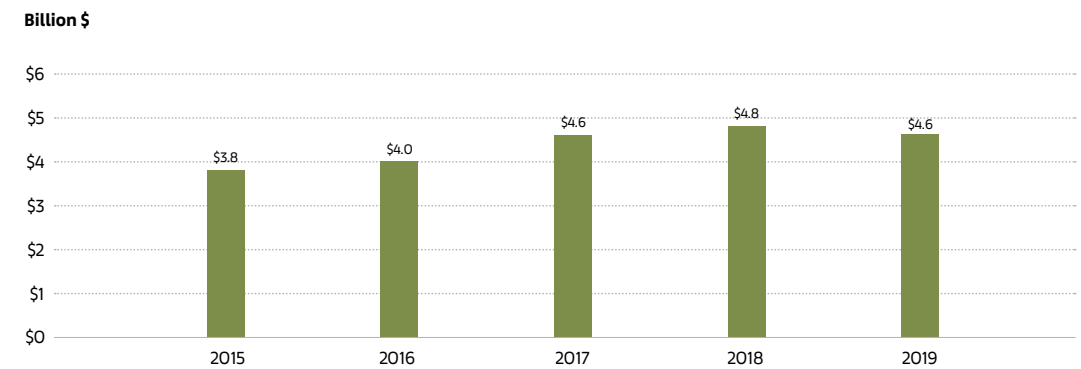
4.5 | Art Fair Costs

With the rapid expansion of sales at art fairs, dealers' exhibition and attendance costs have also risen. These costs are both direct costs (the money spent on travel, stands, packing, shipping, insurance, hospitality, etc.) and the opportunity cost of time spent away from their galleries and in preparation for fairs.

In 2019, dealers reported spending an estimated \$4.6 billion attending and exhibiting at fairs, a decline of 4% year-on-year. This implies the returns from fairs increased marginally in 2019, however, in general, the longer-term trend has been rising sales and rising costs, leaving the returns from fairs relatively stable. Any returns in 2019 were likely to have varied considerably for individual businesses, and as the data indicated that those dealers with higher turnovers accounted for a larger share of art fair sales, they are likely to have achieved somewhat better results, given costs are more evenly spread.

Art fairs continue to make up the largest component of ancillary spending for dealers, accounting for 36% of dealers' external expenditures in 2019. The ancillary impact of fairs and dealer spending is discussed in more detail in Chapter 7.

Figure 4.9 | Estimated Total Art Fair Costs 2015–2019



© Arts Economics (2020)

In 2019, dealers reported spending an estimated \$4.6 billion attending and exhibiting at fairs, a decline of 4% year-on-year



4.6 | Art Fair Visitors and Exhibitors

Art fairs remain a key method for dealers to reach a higher volume of new buyers from local and international markets. Thousands of visitors pass through these events, and although only a very small share of them may actually buy at fairs, the events also play an important role as a starting point for the education and familiarization of new collectors with galleries, artists, and the art market. The surge of affluent visitors to art fairs also has a very positive economic impact on the cities that host them, providing revenues well beyond the fair and its exhibitors to a range of other businesses, such as restaurants, hotels, transportation, and other services.

As these events have grown and diversified geographically, the volume of visitors has also expanded. Table 4.1 shows the reported visitor numbers at a selection of the major art fairs in 2019, which reached 1.2 million, increasing 4% year-on-year for this group and by 13% since 2013. While most fairs reported only marginal changes year-on-year, the largest increase was for Art Basel Hong Kong, up 10% in 2019, while The Armory Show and Frieze New York saw the biggest fall in numbers (declining 12% and 7%, respectively). ARCO Madrid again reported the largest number of visitors in this selection of fairs, as it has for the last three years, with an increase in number of 3% year-on-year; however, this large

Visitor numbers at a selection of the major art fairs reached 1.2 million, increasing 4% year-on-year and by 13% since 2013

volume of visitors is now being rivaled by fairs in population-dense regions in China such as Art Beijing (which reported 120,000 visitors in 2019).

Table 4.2 shows visitor numbers for a selection of smaller, specialized, or regional art fairs. These accounted for another 800,000 visitors, rising 10% annually. Although visitor numbers were stable year-on-year for many of fairs, some of these events have seen phenomenal growth in recent years, with fairs such as KIAF in South Korea growing from just 5,000 visitors in 2013 to 82,000 in 2019.

It is important to note that the visitor numbers reported are estimates supplied by fairs of the people passing through their events, with varying accuracy, due to the difficulties in measurement. Ticket sales underestimate foot traffic, while click-through rates

Table 4.1 | Visitor Numbers at 20 Selected Major Fairs

| Fair | First Edition | Visitors in 2019 | Visitors in 2018 | Change 2018–2019 | Change 2013–2019 |
|-------------------------|---------------|------------------|------------------|------------------|------------------|
| ARCO Madrid* | 1982 | 103,000 | 100,000 | 3% | -31% |
| The Armory Show | 1994 | 57,000 | 65,000 | -12% | -5% |
| Art Basel | 1970 | 93,000 | 92,000 | 1% | 8% |
| Art Basel Hong Kong | 2013 | 88,000 | 80,100 | 10% | 47% |
| Art Basel Miami Beach | 2002 | 81,000 | 83,000 | -2% | 8% |
| Art Berlin (now closed) | 2008 | 35,000 | 35,000 | 0% | 25% |
| Art Brussels | 1968 | 25,500 | 24,000 | 6% | -16% |
| Art Cologne | 1967 | 57,000 | 55,000 | 4% | -5% |
| Artissima | 1994 | 55,000 | 54,800 | 0% | 10% |
| Brafa Art Fair | 1956 | 66,000 | 64,000 | 3% | 38% |
| Expo Chicago | 2012 | 38,000 | 38,000 | 0% | 27% |
| FIAC | 1974 | 74,580 | 72,499 | 3% | 0% |
| Frieze London | 2003 | 70,000 | 67,800 | 3% | 75% |
| Frieze Masters | 2011 | 44,000 | 42,400 | 4% | 69% |
| Frieze New York | 2012 | 39,000 | 41,800 | -7% | -13% |
| Frieze Los Angeles | 2019 | 30,000 | — | — | — |
| Masterpiece | 2010 | 55,000 | 51,000 | 8% | 62% |
| Paris Photo | 1997 | 70,598 | 68,876 | 3% | 28% |
| TEFAF Maastricht* | 1988 | 70,400 | 68,271 | 3% | 0% |
| Viennacontemporary | 2012 | 29,163 | 30,863 | -6% | 27% |

© Arts Economics (2020) *ARCO also continued their Portuguese fair ARCO Lisboa in 2019, which had a further 11,000 visitors. TEFAF also continued their spring and fall shows in New York, with a reported 17,500 for each in 2019.

at gates can also overestimate numbers due to multiple entries by the same person. Fairs also vary in their level of detail in gathering visitor statistics. From research in 2019 distributed to more than 100 major fairs, only around 50 were willing or able to provide detailed information on visitor numbers and estimates of where their visitors came from. The results from this sample showed that the ratio of national to international visitors was around 7:3. On average, 70% of the visitors to the fair lived in the country where the fair took place, while 30% were visiting from another country. Of the national visitors, close to 60% came from within the city of the fair itself. The average duration of a fair was five days (ranging from three to 10 in the sample), and this had remained stable for the vast majority of fairs over the last few years.

Despite the measurement issues, the figures given in the tables provide useful, indicative measures of trends over time, which show the steady and increasing number of attendees at international art fairs, despite claims of collector exhaustion from these events. They also show the growing public engagement with them in both mature and emerging regions. These events provide a huge injection of expenditure into cities, with a rapid influx of local and international visitors over an average of less than one week, spending both at the fair and at a variety of other locations.

Growth in the number of visitors also does not necessarily equate to an equally growing number of serious buyers at events, which is often a very small fraction of total visitors. In some smaller, niche fairs with relatively low visitor numbers, the share of buyers can be higher, with more dedicated collectors attending. Regardless of the commercial intentions of visitors, the volume of traffic suggests these events are important in the wider economy and as part of the general public's cultural education and shared experiences.

Exhibitor numbers also vary among fairs and over time. In 2019, in the fairs surveyed, these ranged from 40 at specialized, video art fair Loop to 290 at Art Basel in Basel, which had the highest number of exhibitors for the last three years. Just over half of the fairs listed kept their numbers stable or increased the number of exhibitors. There was slightly more stability in the numbers at some of the larger fairs, whereas five out of the 20 regional fairs saw declines of 10% or more. However, there is likely to be a variety of reasons for these declines. For some, it indicates falling demand, while for those that are oversubscribed and constrained by space, the reductions can be deliberate actions by fair organizers to try to improve or maintain the quality of the exhibition space.

Table 4.2 | Visitor Numbers at a Selection of Regional Fairs

| Fair | First Edition | Visitors in 2019 | Visitors in 2018 | Change 2018–2019 | Change 2013–2019 |
|--|---------------|------------------|------------------|------------------|------------------|
| 1-54 Contemporary African Art Fair (London)* | 2013 | 18,000 | 18,000 | 0% | 200% |
| AIPAD | 1980 | 16,000 | 15,000 | 7% | 39% |
| ARTO21 Shanghai | 2013 | 80,000 | 80,000 | 0% | 82% |
| Art Beijing | 2006 | 120,000 | 120,000 | 0% | 100% |
| Art Central Hong Kong | 2015 | 37,000 | 39,000 | -5% | — |
| Art Dubai | 2007 | 28,500 | 28,000 | 2% | 14% |
| Art Rio | 2011 | 48,000 | 48,000 | 0% | -20% |
| Art Toronto | 1999 | 20,000 | 23,000 | -13% | 5% |
| ArtBo | 2004 | 35,110 | 35,122 | 0% | 40% |
| Arte Fiera | 1987 | 50,000 | 48,000 | 4% | 19% |
| Beirut Art Fair | 2010 | 36,000 | 34,000 | 6% | 140% |
| Contemporary Istanbul | 2006 | 74,000 | 74,000 | 0% | 311% |
| Cosmoscow | 2010 | 22,000 | 19,000 | 16% | 57% |
| Investec Cape Town | 2013 | 16,000 | 16,000 | 0% | -78% |
| KIAF | 2002 | 82,000 | 63,000 | 30% | 1540% |
| Loop | 2004 | 4,300 | 4,200 | 2% | -95% |
| Olympia (Summer Edition) | 1972 | 21,002 | 26,000 | -19% | 282% |
| Olympia (Winter Edition) | 1990 | 9,147 | 15,294 | -40% | -70% |
| SP-Arte | 2005 | 35,500 | 34,000 | 4% | 79% |
| ZONAMACO | 2002 | 62,000 | 62,000 | 0% | 182% |

© Arts Economics (2020) *1-54 Contemporary African Art Fair also had fairs in Morocco and the US in 2019, with a further 16,000 visitors.

Table 4.3 | Exhibitor Numbers – Selected Major Art Fairs

| Fair | First Edition | Exhibitors in 2019 | Exhibitors in 2018 | Change 2018–2019 | Change 2013–2019 |
|-------------------------|---------------|--------------------|--------------------|------------------|------------------|
| ARCO Madrid* | 1982 | 203 | 208 | -2% | 1% |
| The Armory Show | 1994 | 197 | 198 | -1% | -6% |
| Art Basel | 1970 | 290 | 292 | -1% | -5% |
| Art Basel Hong Kong | 2013 | 242 | 248 | -2% | -1% |
| Art Basel Miami Beach | 2002 | 269 | 268 | 0% | 4% |
| Art Berlin (now closed) | 2008 | 113 | 121 | -7% | -13% |
| Art Brussels | 1968 | 157 | 145 | 8% | -17% |
| Art Cologne | 1967 | 176 | 210 | -16% | -12% |
| Artissima | 1994 | 208 | 196 | 6% | 9% |
| Brafa Art Fair | 1956 | 133 | 134 | -1% | 2% |
| Expo Chicago | 2012 | 135 | 135 | 0% | 8% |
| FIAC | 1974 | 199 | 195 | 2% | 4% |
| Frieze London | 2003 | 160 | 160 | 0% | 5% |
| Frieze Masters | 2011 | 130 | 130 | 0% | 0% |
| Frieze New York | 2012 | 195 | 190 | 3% | 4% |
| Frieze Los Angeles | 2019 | 70 | — | — | — |
| Masterpiece | 2010 | 156 | 160 | -3% | -4% |
| Paris Photo | 1997 | 213 | 199 | 7% | 57% |
| TEFAF Maastricht* | 1988 | 279 | 278 | 0% | 12% |
| Viennacontemporary | 2012 | 110 | 110 | 0% | -13% |

© Arts Economics (2020) *ARCO also continued their Portuguese fair ARCO Lisboa in 2019, which had a further 74 exhibitors. TEFAF also continued their spring and fall shows in New York, with an additional 180 visitors at both events.

Table 4.4 | Exhibitor Numbers – Selected Smaller Art Fairs

| Fair | First Edition | Exhibitors in 2019 | Exhibitors in 2018 | Change 2018–2019 | Change 2013–2019 |
|--|---------------|--------------------|--------------------|------------------|-------------------|
| 1-54 Contemporary African Art Fair (London)* | 2013 | 45 | 43 | 5% | 181% |
| AIPAD | 1980 | 94 | 96 | -2% | 15% |
| ARTO21 Shanghai | 2013 | 110 | 103 | 7% | 279% |
| Art Beijing | 2006 | 190 | 160 | 19% | 8% |
| Art Central Hong Kong | 2015 | 107 | 102 | 5% | — |
| Art Dubai | 2007 | 92 | 105 | -12% | 23% |
| Art Rio | 2011 | 80 | 80 | 0% | -25% |
| Art Toronto | 1999 | 112 | 122 | -8% | -8% |
| ArtBo | 2004 | 67 | 70 | -4% | 3% |
| Arte Fiera | 1987 | 141 | 182 | -23% | -18% |
| Beirut Art Fair | 2010 | 55 | 53 | 4% | 20% |
| Contemporary Istanbul | 2006 | 74 | 83 | -11% | -22% |
| Cosmoscow | 2010 | 67 | 66 | 22% | 179% (since 2014) |
| Investec Cape Town | 2013 | 106 | 98 | 8% | 203% |
| KIAF | 2002 | 175 | 174 | 1% | -4% |
| Loop | 2004 | 40 | 42 | -5% | -9% |
| Olympia (Summer Edition) | 1972 | 130 | 145 | -10% | -24% |
| Olympia (Winter Edition) | 1990 | 72 | 70 | 3% | -33% |
| SP-Arte | 2005 | 160 | 199 | -20% | 31% |
| ZONAMACO | 2002 | 190 | 170 | 12% | 54% |

© Arts Economics (2020) *1-54 Contemporary African Art also had fairs in Morocco and the US in 2019, with a further 42 exhibitors.



4.7 | Art Fair Content

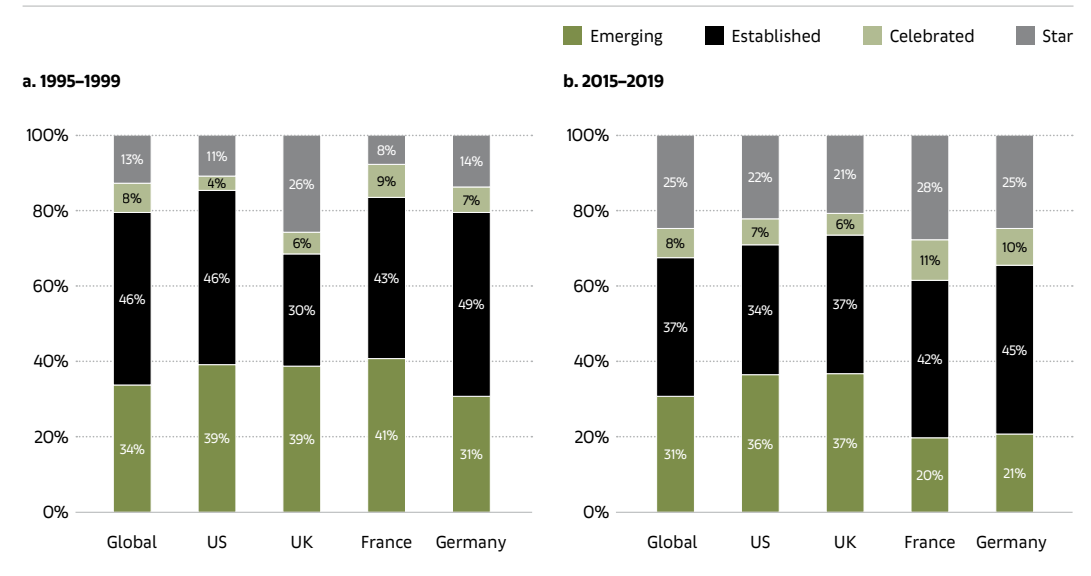
As they have become more central to the infrastructure of the art market, the importance of art fairs has been recognized as extending beyond commerce and as a forum for exchanging ideas and addressing social and political themes in a growing global network. Fairs have increasingly become the first point of contact for some new collectors with the art market, a role traditionally occupied by gallery exhibitions. They are also often a key platform for artists at the beginning of their careers, as well as for more established artists showing new bodies of their work. It is interesting to assess therefore, at a macro level, what kinds of artists are exhibited at art fairs and if this has changed over time.

Using the data from Wondeur AI introduced in Chapter 2 and a sample of four large art markets in the US and Europe shows that there are a range of artists presented at art fairs at different levels of acclaim, with the share of emerging artists (the 'bottom 84%' by level of acclaim) at 31%, balanced with stars and celebrated artists (the top 2% of artists) at 33%. Emerging artists also had a considerably higher share in the bigger markets of the US and UK versus France and Germany, with these major hubs hosting a greater range and larger number of fairs, which possibly allows for more variety.

What is particularly notable in Figure 4.10, however, is how the level of emerging versus top-tier artists has changed over time. In the mid to late 1990s, the top 2% (stars and celebrated artists) accounted for just 21% of those exhibited globally, whereas in the recent five-year period, this had grown to 33%. Their share more than doubled in France and also rose substantially in the US and Germany (by 14%). The UK is an interesting exception, where the top 1% of artists or stars fell by 5% over 20 years, while emerging artists had the highest share of the four countries shown. These changes brought the UK's distribution of artists more in line with the US, which had a much higher share of star artists in the 1990s. France experienced an opposite trend, with its top-tier artists expanding and its emerging artists' share dropping by half.

Overall, therefore, while a range of artists at different levels are exhibited at fairs, the share of the very highest tier artists has tended to advance in global art fairs, and 2% of the most famous artists make up one-third of the exhibition programs at art fairs.

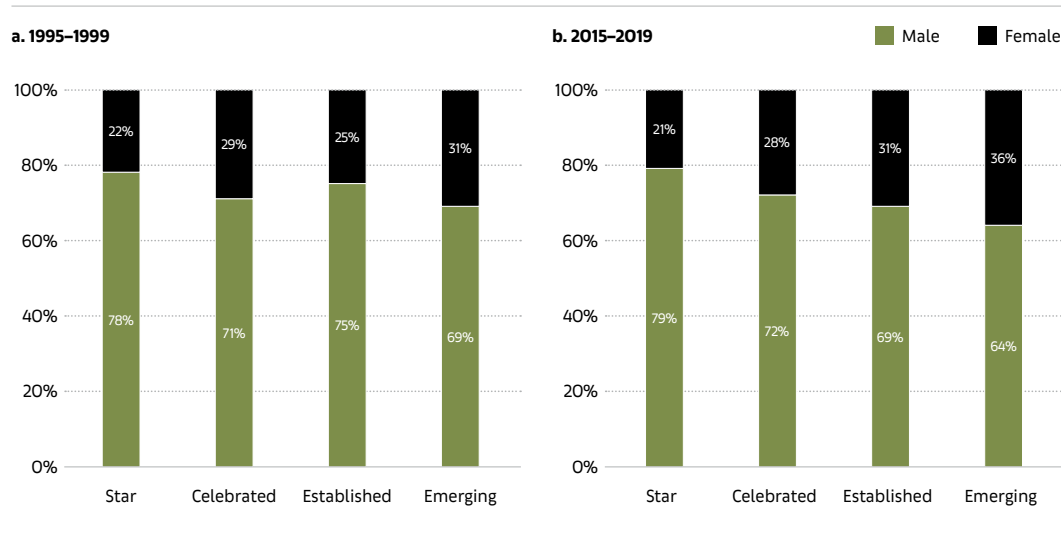
Figure 4.10 | Share of Artists at Art Fairs by Level of Acclaim



© Arts Economics (2020)

While a range of artists at different levels are exhibited at fairs, the share of the very highest tier has advanced, and 2% of the most famous artists make up one-third of the exhibition programs

Figure 4.11 | Global Gender Division of Artists' Works Exhibited at Art Fairs



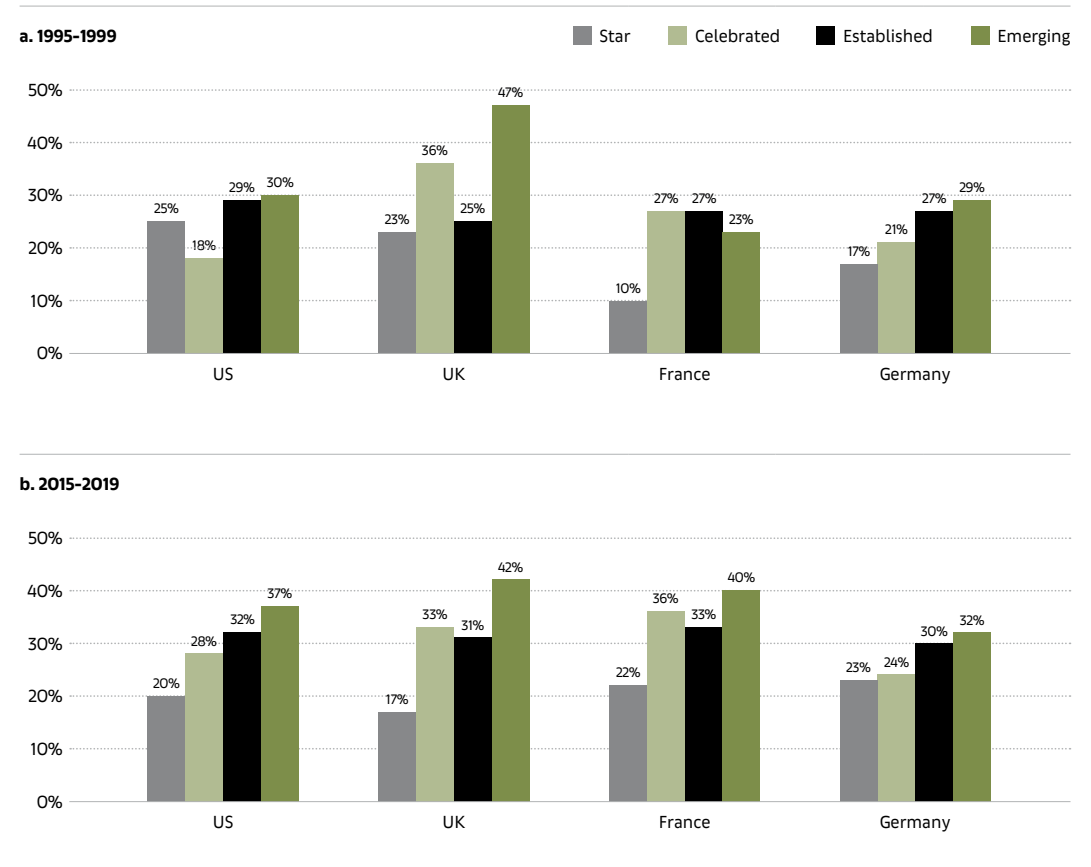
© Arts Economics (2020)

The data can also be used to assess the gender divisions in the artists exhibited globally at art fairs and within these four sample national markets. Figure 4.11 shows the global division by artists' gender of the works exhibited at art fairs in the two periods, showing that works by female artists make up the minority. The share of female representation at art fairs also diminishes as artists' acclaim rises, with emerging female artists making up 36% of the total

versus just 21% of star artists in the recent period from 2015-2019.

Also, while there has been some increase in the share generally for emerging and established artists over 20 years (advancing in share by 5% and 6% respectively), the share of female artists represented in the top 2% segment of artists has marginally declined.

Figure 4.12 | Regional Share of Female Artists' Works Exhibited at Art Fairs



© Arts Economics (2020)

By region, the UK had the highest representation of female emerging artists in the current period, but as shown in Figure 4.12, the share of female artists in the UK has declined in all categories apart from established artists. The UK had the lowest representation of female star artists in the current period of the countries shown, and this share declined 6% over the two periods. In the US also, the share of female star artists declined 5% from the 1990s to the current period, while other categories showed improvements. The smallest art market of the four, Germany, had the highest representation of female star artists, with moderate improvements in the representation of female artists across all levels. France saw the greatest increase over time, with the share of female star artists more than doubling, albeit from one of the lowest bases in the 1990s.

The issues of persistent underrepresentation of women artists in the art market remained widely debated in 2019. As discussed in detail in previous reports, theories are often divided between demand-side explanations, focusing on potential discrimination by institutions, collectors, galleries, and others, versus supply-side mechanisms (which propose that women create different artworks from men, and their characteristics are undervalued for various reasons). On a positive note, there has been renewed interest by institutions and individual researchers in measuring and analyzing the differences, but despite this, and some significant

The share of female representation at art fairs diminishes as artists' acclaim rises, with emerging female artists making up 36% versus just 21% of star artists

progress in gallery representation and the promotion of some female artists, the metrics show that the disparities remain, and progress over the last 20 years on aggregate has been very slow and patchy.

Views also vary widely on what can be done about this and other disparities, such as underrepresentation by race, age, socioeconomic status, and career stage. Several dealers voiced concerns about collectors 'just following trends' they see at fairs and in the media and 'buying what they think the smart money is buying' by trying to get the latest works by fashionable or sought-after black or female artists, which they felt might be detrimental to their markets in the long run, especially if 'the work becomes secondary to the artist'. However, most agreed that the reasons for the lack of gender and racial parity in the art market

were multiple and complex, requiring multifaceted solutions, and that it was the responsibility of institutions and art fairs to be actively involved in monitoring these issues and fostering solutions.

More generally, the issue of the social and political content of art fair exhibitions was raised by many dealers, with some feeling that the rising costs and competitiveness of fairs forced them to show a narrower selection of more commercial works to ensure they can sell out their booths and cover costs. Some fear this promotes a group of specific, commercial, and established artists and makes it more difficult for other artists producing very important, historically relevant works to gain a foothold in the market. Although the issue of collector (and gallery) 'fair fatigue' has been talked about for several years, many dealers also noted that some of their artists were also feeling increasingly pressured and drained by the urgency to produce new works for fairs. Some felt that the limited exhibition space and context meant that some artists were forced to make smaller and more saleable works than they might have made for a gallery or museum show, and to the extent that art fair exhibitions crowded these out, this could have an important impact on the content of works created by several sought-after artists.

The issue of the social and political content of art fair exhibitions was raised by many dealers, with some feeling that rising costs forced them to show a narrower selection of more commercial works

4.8 | Art Fairs and HNW Collectors

It is also relevant to analyze the impact of art fairs from the perspective of the collectors who attend them. Art fairs attract a large number of visitors, but of these, only a few are serious buyers, many of whom are global HNWIs. A survey of 1,300 HNW active collectors by Arts Economics with UBS Investor Watch in 2019 across seven regional art markets in the US, Europe, and Asia showed that art fairs ranked third overall with regard to the frequency of use for purchasing art by collectors (with galleries ranking first and auctions second).³⁹

A majority of the HNW collectors (57%) used art fairs often or always to buy art, ahead of online platforms, Instagram, buying directly from artists or other collectors, and buying through an advisor

A majority of the HNW collectors polled (57%) used art fairs often or always to buy art, ahead of online platforms, Instagram, buying directly from artists or other collectors, and buying through an advisor. Fairs were also more popular and commonly used among younger collectors than their older peers; however, younger collectors purchased more frequently across all channels. 70% of millennial collectors regularly purchased via art fairs, as well as 66% of those with wealth in the higher bracket of \$5 million and above.

Art fairs had a high frequency of use for purchasing art in the Asian markets, with only 2% and 3% of collectors from Taiwan and Hong Kong respectively having never bought at an art fair. They were also a preferred channel for purchasing over galleries in Hong Kong, ranking second next to auctions. Collectors in Germany also showed a higher-than-average preference for art fairs, being their highest-ranking purchase channel (above galleries), with 67% of collectors using them always or often to purchase art. They were also more popular among millennial collectors, again ranking second in terms of preferences, next to galleries.

The survey also revealed the often-frenetic activity levels of some collectors in the event-driven art market. The findings showed that HNW collectors attend multiple events each year. Collectors reported attending an average of 39 art-related events in the

last 12 months, with art fairs making up just 18% of those, or seven per year, on par with visits to gallery exhibitions.⁴⁰ This shows that these HNW collectors are not only active in the art market but also highly engaged in the non-commercial art sector, with museum exhibitions the most popular (averaging 13 exhibitions attended, including private and public museums). Only a small share of 4% of collectors had only been to art fairs and not gallery exhibitions. However, considering only collectors who had been to at least one of each, nearly one-quarter (24%) had been to more fairs than gallery exhibitions, with

Collectors reported attending an average of 39 art-related events in the last 12 months, including seven art fairs

a further 31% attending an equal number of fairs as exhibitions in galleries. The concern that collectors' loyalties lay as much with fairs as their exhibitors voiced by some dealers during interviews is therefore likely to have some validity if the activities of these collectors are representative of their preferences.

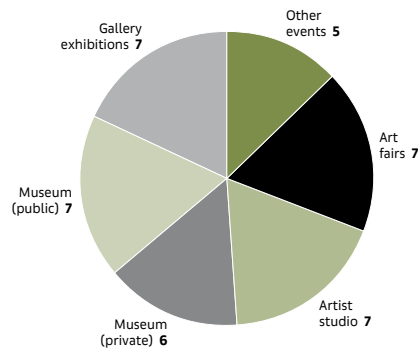
It is important to note that these figures are not likely to be indicative of the number of visits to exhibitions by the general public. For inclusion in the survey, each respondent had to have a personal net worth, excluding property and business assets, of over \$1 million, have been active in the art and collectibles market in the last two years, and have spent a minimum of \$10,000 on art and collectibles in that period. However, the survey results do show the importance of art fairs for HNW collectors and, more generally, the very event-driven nature of the art market.

³⁹ This was the same ranking found in similar surveys of HNW collectors over a smaller sample of five countries in 2018, with art fairs ranking in third place alongside buying privately from other collectors.

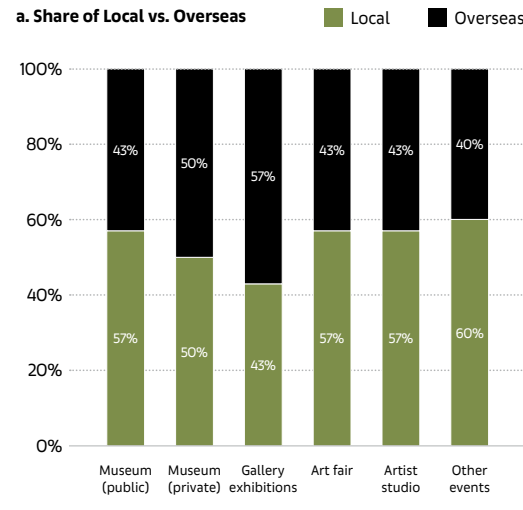
⁴⁰ From this sample, five outlier variables were removed (collectors who claimed to have attended 200 or more fairs in 12 months).

Figure 4.13 | Exhibitions and Events Attended by HNW Collectors in 2019

a. Average Number of Events



a. Share of Local vs. Overseas



© Arts Economics (2020)

Of the 39 exhibitions attended by HNW collectors, 18 were overseas events

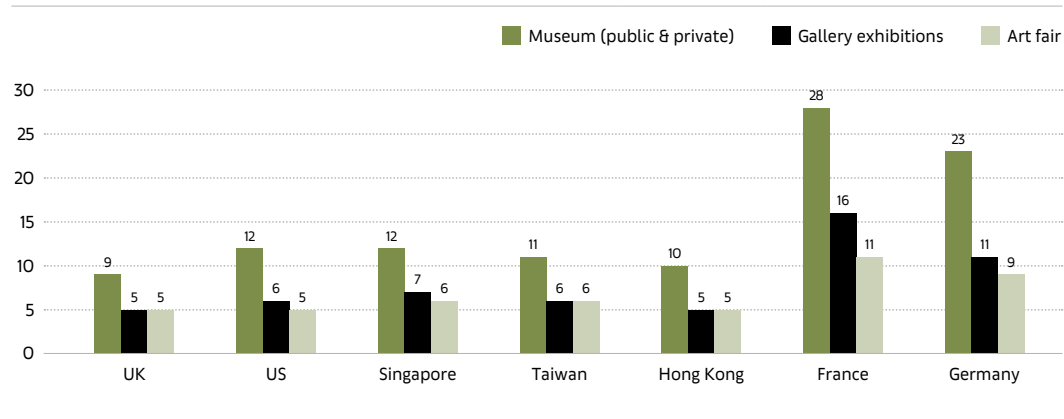
The majority of events attended by HNW collectors were local events within the country where they were primarily based. This was true for all age groups, but there was a tendency for a higher share of attendance at local events as age increased, for example averaging 54% for millennial collectors (aged 23-38) versus 55% for Gen X (aged 39 to 54) and 64% for Boomers (aged 55-73). There was also a higher share in the largest art markets, with the UK and US averaging 60% each, versus smaller markets such as Singapore at 40%, where there were fewer local options on offer to collectors.

French and German HNW collectors attended the most events overall, averaging almost double or more the number of art fairs in the last 12 months as US collectors. In all countries, non-commercial museum exhibitions ranked higher in terms of the number of exhibitions attended. Gallery exhibitions were on par with attendance at art fairs in the UK, Taiwan, and Hong Kong, but galleries dominated in the other four regions. The biggest divergence was in France, where collectors attended an average of 16 gallery exhibitions over the year, more than double the overall average (versus 11 art fairs per year, including six local events).

Attendance at local art fairs was ahead of overseas fairs in all of the countries except Singapore and Taiwan, where they were on par. German collectors showed the highest share of support of local events and also the highest average number alongside France (at six local fairs).

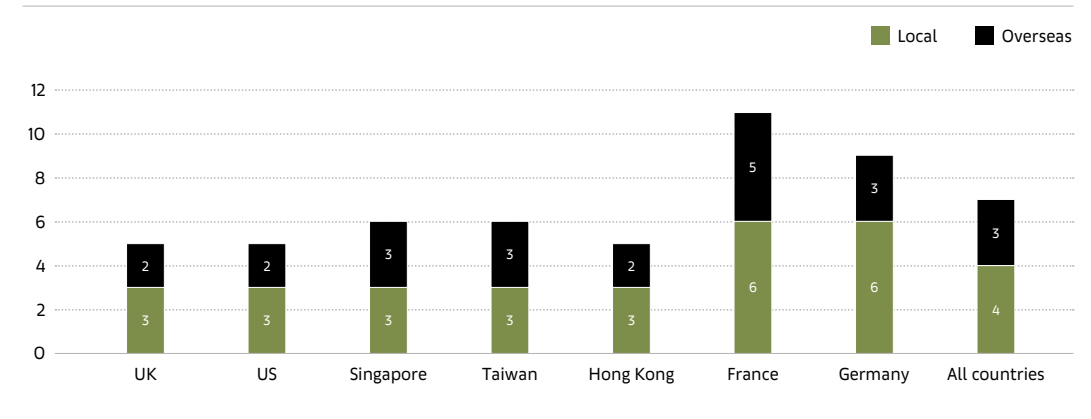
Although collectors tended to have visited slightly more local than overseas exhibitions, the margin – where it existed – was small and the data reinforces the commonly observed fact that collectors, particularly those at the higher end, do a significant amount of international travel to art-related events. Of the 39 exhibitions attended by HNW collectors (on average), 18 were overseas events. While many collectors view this as an integral part of their interaction with and involvement in the art market, there has also been much written on ‘fair fatigue’ and the density of the fair and exhibition calendar.

Figure 4.14 | Average Number of Exhibitions Attended by HNW Collectors by Market in 2019



© Arts Economics (2020)

Figure 4.15 | Number of Art Fairs Attended by HNW Collectors: Local vs. Overseas 2019

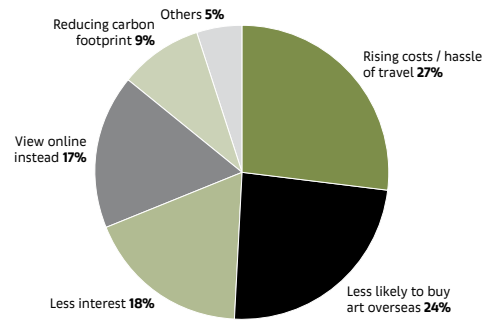


© Arts Economics (2020)

French and German HNW collectors attended the most events overall, averaging almost double or more the number of art fairs in the last 12 months as US collectors



Figure 4.16 | HNW Collectors' Reasons for Planned Reduction in Travel to Art-Related Events



© Arts Economics (2020)

The majority of HNW collectors are concerned about the sustainability of the art market, viewing it as essential or a high priority that they offset their carbon footprint from art-related travel over the coming years

4.9 | Art Fairs and the Sustainability of the Art Market

The environmental impact of travel to art events has been a frequently debated topic over the last few years, and was in the spotlight in many forums in 2019 as various campaigns to improve sustainability and battle climate change gained global focus. As the number of art fairs and other art-related events has proliferated, a growing concern of both collectors and the art trade is the damaging environmental impact and carbon footprint from the international movement of people and objects between these international events. Airline travel is particularly impactful and is estimated to account for close to 2.5% of current man-made CO₂ emissions.⁴¹

According to the surveys in 2019, the majority of HNW collectors are concerned about the sustainability of the art market, with 58% of the sample (and almost 70% of millennial collectors) viewing it as essential or a high priority that they offset their carbon footprint from art-related travel over the coming years. However, taking the first step of reducing their impact is not as popular, and their concerns regarding the environment have not filtered down into changing actual travel plans for most collectors. When asked about their travel plans over the next 12 months, a majority of collectors (67%) said they planned to travel to more fairs, exhibitions, or events than they did in the last year, 24% reported that they would do around the same amount, and only 9% said they would reduce their travel. This small share planning to reduce travel was consistent in all markets, ranging from 4% in Taiwan to the highest share of 15% in both Hong Kong and France. Despite their greater reported concerns regarding sustainability, wealthy millennial collectors were most likely to be planning to travel more (with 80% planning an increase versus 61% of Gen X, 34% of Boomers, and just 13% of the Silent generation, most of whom wanted to keep their plans stable).

Even among those 9% of collectors who planned to reduce their travel, very few were doing this to reduce their carbon footprint. This motivation for change

ranked the lowest in the list of reasons to reduce travel, with just 9% rating it as their reason across all regions. It was also only slightly higher for millennial collectors at 11% (but still their lowest area of concern). The biggest issues cited were the rising costs and inconveniences associated with overseas travel (27%) or that they were less likely to buy art overseas (24%). 18% said they were changing their plans because they were less interested in overseas fairs, exhibitions, and events over the next 12 months, while 17% said their reduction was due to the fact that they could view the events and exhibitions online instead of traveling to them.

Sustainability is also a big concern in the art trade. Dealers were asked roughly how many flights they took per year for work-related travel and the average per gallery was 12, including seven short-haul flights (less than six hours) and five long-haul flights. The biggest travelers were contemporary art dealers (averaging 11 flights for those dealing only in contemporary art and 14 for those who mixed contemporary with other sectors). Decorative art and antiques dealers travelled least (averaging two long-haul and two short-haul flights per year). There was also a large margin between those with turnover of less than \$500,000 per annum at six flights per year, versus 23 for those with annual sales over \$10 million (who also employed more gallery staff).

⁴¹ Figures from *Carbon Brief* (2020). These state that in 2018, domestic and international flights emitted around 895m tons of CO₂, which is around 2.5% of global energy-related CO₂ emissions. See also their discussion of Corsia, the carbon-offsetting deal agreed upon by 192 countries through the UN's aviation agency at <https://www.carbonbrief.org/corsia-un-plan-to-offset-growth-in-aviation-emissions-after-2020>.

A number of carbon calculators have been developed, with varying accuracy and differing results depending on their methodologies. Using these tools from myclimate.org, the impact of one economy class long-haul return flight from New York to Hong Kong is 4.4 metric tons of CO₂e (and 8.5 for the same flight on business class).⁴² A short-haul (economy class) flight, for example from New York to Miami, is 0.6 metric tons of CO₂e. If these flights were representative and assuming all travel was economy class, galleries could each emit close to 27 metric tons of CO₂e on average from work-related air travel alone, disregarding any activities at the fairs and getting to the airports and around the cities they visit.

In addition to personal travel, the packing, transport, and shipping of works of art and objects also creates a substantial environmental impact whether it is purchased online or offline. The carbon footprint from these activities not only involves the shipping process and the carbon emissions from their transport by land, sea, or air, but also the waste generated in the crating and soft packaging required to move objects safely between destinations for art fairs, exhibitions, and commercial sales. Rokbox, a company focused on sustainable packaging for works of art, provided a calculator and data for this report measuring the emissions from the transport of crated works between destinations. Using these tools, a small crate

(43 x 43 inches) with a 5-kilogram artwork shipped one way from New York to Hong Kong by air has a carbon footprint in the region of 0.91 tons of CO₂e. To understand the impact in real terms, this single shipment is the equivalent of adding 51 bags of trash to a landfill or driving nearly 4,620 kilometers in a passenger car. Although some crates are reused, dealers report that many are bespoke and designed for specific artworks and are thrown away after shipping, adding an additional and significant impact to their use. Companies in the art market's logistics sector are trying to address these issues through innovation in packaging and shipping products. Some shipping companies have started to use biodegradable packaging and bubble wrap and to recycle their materials when possible. Rokbox launched products in 2019 that use an innovation in lighter and reusable crates. Crates such as these, by nature of being 40% lighter, only account for 0.65 tons in emissions using the same calculations as above or a saving of 0.26 tons of CO₂e (or 23 bags of trash into a landfill, per single, one-way trip).⁴³ The crates and packaging within them are also reusable, creating zero waste, and the company goes further in offsetting the carbon footprint they generate in the manufacture of each Rokbox with carbon credits. Initiatives such as these illustrate the innovative and practical ways the art market is responding to these issues and are likely to

become more mainstream as pressure to take responsibility for its sustainability continues to mount.

Nearly all of the dealers interviewed in 2019 mentioned concern about sustainability issues and their environmental impact and most were trying different ways to reduce it. Most dealers were already engaged in sustainable practices concerning their own gallery businesses, such as recycling and reducing waste, however, some were also trying to change their indirect emissions through focusing on the logistics for the transport, packing, and shipping of their works of art and objects. These practices ranged from consolidating shipments to using reusable packaging and shipping materials and working with logistical partners who were aligned with sustainable goals. Some dealers were also moving from air to sea transport for their works of art. While some noted this as a 'win-win' by reducing their impact, being more economically viable, and forcing a more structured timetable for the preparation and scheduling of their exhibition programs, others stated that a possible three-month transporting process was not feasible considering the deadlines they needed to keep for collectors and fairs.

The biggest issue for businesses working in the art market remains trying to reduce their own personal and staff travel to fairs and other events. For both commercial and environmental reasons some dealers

The biggest issue for businesses working in the art market remains trying to reduce their own travel to fairs and other events

noted that they had begun reducing the number of people going to fairs from the gallery, consolidating the number of fairs they attended, and travelling economy class (even for long-haul flights), however, many were struggling with how to introduce further reductions in practice as well as the concept of doing so while maintaining their international focus. As noted by one dealer:

'On the one hand, the art market likes to think that it is at the forefront of championing political, social, and environmental issues, but on the other, it's based on a business that sends practically use-free, high-cost goods and people continuously around the world. We could reduce our travel and the transport of works by only selling locally, but not only would that make it impossible to sustain our bottom line, it would also be against the core responsibility of the gallery.'

⁴² See myclimate.org for the calculator and its methodology.

⁴³ To offer some scale, in 2019 a study by EuGeos Ltd commissioned by Rokbox estimated that if 118 of the New York-based galleries shipping works to Art Basel Hong Kong sent five artworks in Rokbox 70s instead of wooden crates, their carbon footprint would be reduced by an estimated 675 tons of CO₂, equivalent to 2.7 million kilometers driven by a passenger car, 115 homes with electricity for one year, or 29,417 trash bags added to a landfill. A New York gallery shipping 20 works of art to and from six art fairs (two in London and one each in Miami, Hong Kong, Los Angeles, and Basel), with half sold and not returned, could reduce its impact in a similar manner by 47.7 tons of CO₂, equivalent to 187,850 kilometers of driving, eight homes' electricity for a year, or over 2,000 bags of trash added to a landfill. See Rokbox (2020) *Environmental Summary*, at rok-box.com.

Many dealers viewed art fairs as their main reason for travelling, and as long as they continued to be their focus for sales and new collectors, they would continue to have to travel to them. Close to 100 art fairs were polled by Arts Economics in 2019 on a variety of issues, including what sustainable practices they were engaged in. Of the 70 responding fairs, 56 provided information about the initiatives they were currently using.

To understand their responses, it is important to note that the control of emissions is segmented into three key areas under the GHG Protocol⁴⁴:

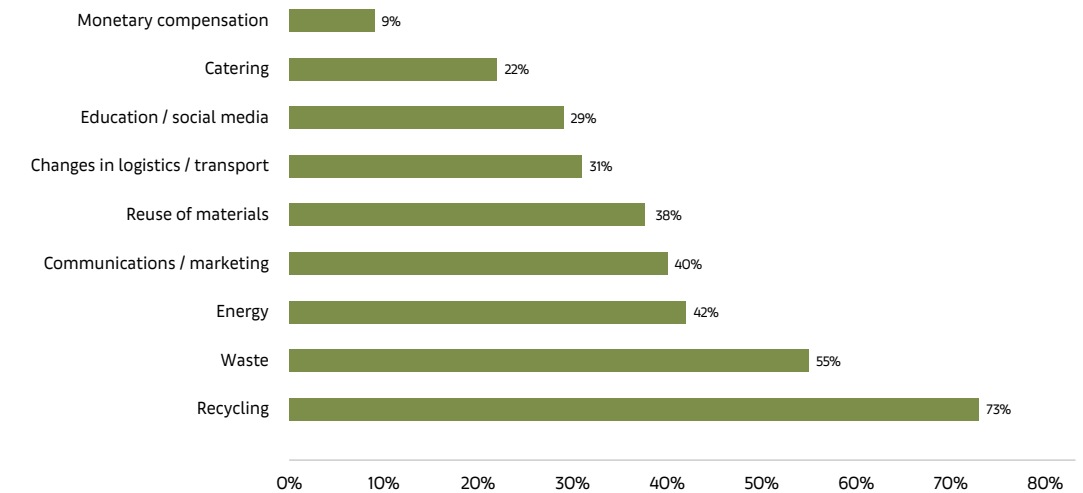
- Scope 1 or direct emissions – these are emissions from the activities owned and controlled by the company itself and its business. In this case, the art fair organizer’s company, their fair site and facilities, and their internal structures and logistics.
- Scope 2 or indirect emissions – these are emissions from the generation of purchased energy, that is, from activities purchased directly by the art fair organizers, which in this case could include the travel of their teams between events and fairs.
- Scope 3 or all other indirect emissions – these are emissions from the upstream and downstream activities in the value chain of the organization, but not owned or controlled by them. In the case of art fairs this relates to galleries and collectors and their carbon footprints.

The survey showed that, like most other businesses, art fairs are increasingly accounting for and reducing the emissions from their direct operations (Scope 1 and Scope 2). Most fairs (73%) were actively engaged in recycling programs for waste, as well as using recycled materials for construction, communication, catering, and in other areas. A majority were also taking action to reduce waste, banning single-use plastics, limiting printed materials, and using biodegradable and compostable materials for catering and other services. 38% of respondents also had specific initiatives to re-use the physical infrastructures of the fair, including carpets, walls, signage, booths, and other fixtures and fittings, with some of these passing them on to other exhibitions and projects if they could not be reused for the fair’s next edition.

42% of the fairs surveyed mentioned energy-related initiatives that they had introduced in recent years, including LED lighting, choosing sustainable or green heating, cleaning, and energy providers, and limiting the timing and use of air cooling and heating at fairs.

Fairs had also focused on digitizing communications, ticketing, and VIP cards. While many still printed physical catalogues (with some using recycled materials), respondents commented on limiting their print runs and some fairs were currently considering a full digital shift.

Figure 4.17 | Environmental Initiatives by Art Fairs in 2019



© Arts Economics (2020)

Most fairs (73%) were actively engaged in recycling programs for waste, and 38% had specific initiatives to re-use the physical infrastructures of the fair

⁴⁴ From Greenhouse Gas Protocol at www.ghgprotocol.org.

31% of respondents described initiatives related to transport and logistics, commonly the use of electric vehicles and shared transport services around the fair, but also extending to differing levels of engagement with exhibitors on the logistics and shipping of their artworks for the fair, including some offering extended storage facilities and partnerships with sustainable shipping companies.

Other initiatives included those related to catering, ensuring local, seasonal produce is offered at fairs and working with only local suppliers. Some had run talks, exhibitions, and other events devoted

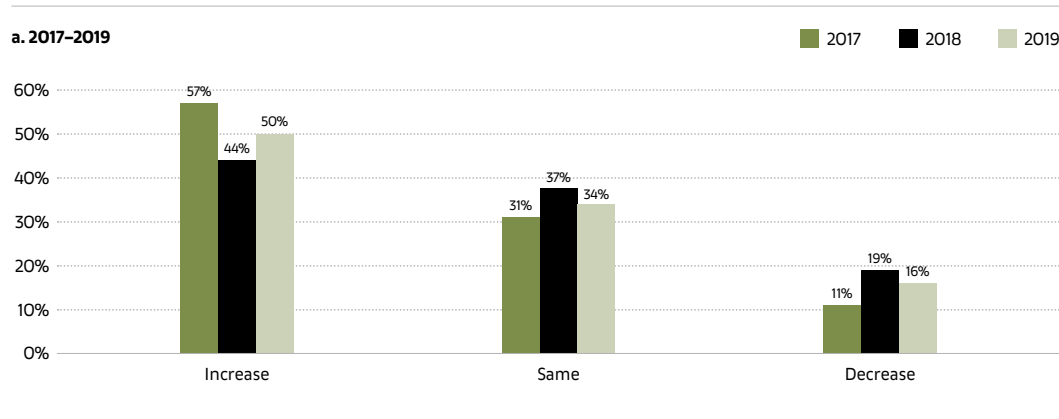
As climate change issues escalate, methods to increase the sustainability of the art market and its practices will continue to be at the forefront of gallery and art fair discussions and actions

specifically to issues surrounding climate change and the sustainability of the art market, as well as programs to heighten awareness through social media.

A relatively small proportion of fairs (9%) were currently using monetary compensations or carbon offsets for their CO₂ emissions. The fairs that did mainly focused on travel, while one fair based their offsets on their total estimated emissions.

While the survey showed evidence that fairs are actively engaged with the issue of their environmental impact, the emissions in Scope 3 are by far the largest but least accounted for. Art fairs, like other international events, are not environmentally friendly by nature, due to their requirements for extensive travel and shipping. Aside from commerce, in-person cross-cultural communication and experiences are at the center of the art fair's core functions. However, as climate change issues escalate, it is very clear that methods to increase the sustainability of the art market and its practices will continue to be at the forefront of gallery and art fair discussions and actions.



Figure 4.18 | Dealers' Views on Art Fair Sales in the Next Five Years

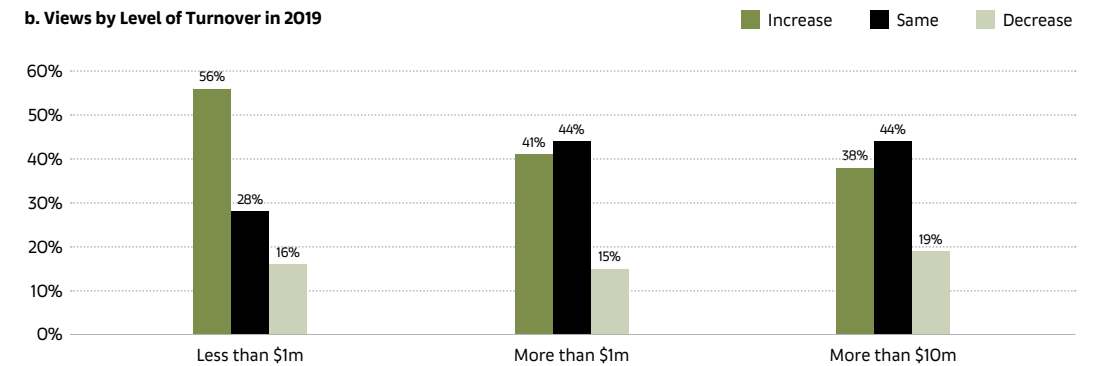
© Arts Economics (2020)

4.10 | Conclusions

Looking ahead over the next five years, dealers were a little more optimistic about art fairs than they had been in 2018. Half of the dealers surveyed thought sales made through art fairs would increase, while just over one-third predicted they would remain about the same. There was more optimism from dealers with sales below \$1 million than from those above. Dealers with sales above \$10 million also had the highest share of those expecting

a decline in sales (19%). Dealers in Europe and the US were considerably more optimistic than those in Asia, and contemporary dealers were more optimistic than those in older sectors such as decorative art and antiques.

Despite their optimism, dealers rated their participation at art fairs in their top three challenges in 2019, and it ranked considerably higher as a challenge for dealers with lower turnovers than for those at the top end of the market.

b. Views by Level of Turnover in 2019

© Arts Economics (2020)

Looking ahead over the next five years, half of the dealers surveyed thought sales made through art fairs would increase, while just over one-third predicted they would remain about the same

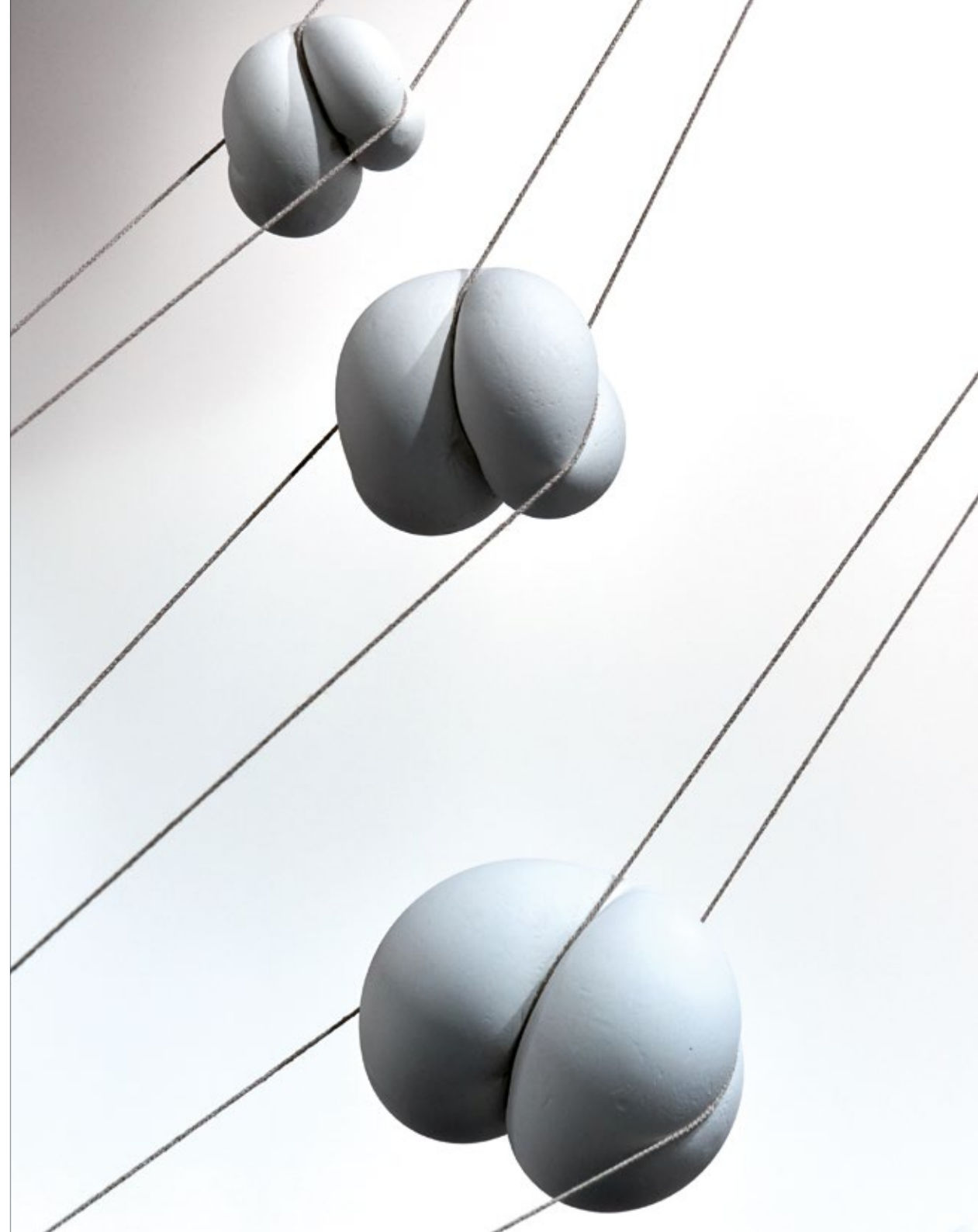
In 2019, art fairs continued to be one of the key channels for sales and the exchange of information in the gallery sector. They remain a key point of outreach to new collectors, allowing dealers to mutualize their buyer bases and find new collectors in more diverse international locations. Although there are concerns about how fairs have encroached on gallery exhibitions and changed the context in which new art is experienced and collectors are introduced to the market, the decline of the retail gallery is also part of a much more widespread trend in retail industries connected to falling foot traffic and escalating costs of running premises in many cities.

Viewing and experiencing artworks in person is still regarded by many collectors as a critical part of their interaction with the market. The social and intellectual aspects of exchanging ideas and discovering new artists and bodies of work is also seen as a highly important part of building relationships between dealers and collectors, and one that is not easily carried out online or at a distance. The art fair, although not the ideal venue for all exhibitions, is therefore arguably helping some galleries maintain a presence offline and reach collectors who might never otherwise pass through their galleries.

Despite all of their benefits, the mass international transit of objects and people to art fairs each year is one of the big areas of environmental impact generated by the art market. While companies are

actively reducing their own, controllable impact, it is Scope 3 emissions that are by far the biggest issue and as yet, still the least accounted for by fairs, galleries, and collectors.

The art market is a critical part of the world's cultural infrastructure and creates a cultural heritage for future generations, but at the same time, it supports and thrives from international consumption. It remains difficult to see how the artworld will radically reduce its travel, as it is very much an in-person, experience-based economy that requires travel by artists and their works, and by the buyers and sellers who interact with them. Having an international dimension to their exhibition profile is also critical for the validation of artists and the development of their markets. As the research indicated in Chapter 2, artists need to exhibit away from their home markets in order to achieve higher levels of fame and greater critical acclaim. However, innovations have been created to try to reduce impact, and the focus on these areas will continue to escalate over the coming years. While offsetting carbon emissions is growing in popularity, reducing impact is the crucial first step. Although it is not that evident yet in the data, it seems likely that galleries and collectors will continue to review their travel schedules, and this could lead to greater consolidation and focus around key fairs and events in the coming years.





Online Sales



Key Findings

Online Sales

1. Online sales of art and antiques were estimated at \$5.9 billion in 2019, a decline of 2% year-on-year, and accounting for 9% of sales in the art market by value.
2. Dealers reported that they made 5% of their sales online in 2019 but there was a range of ratios reported depending on turnover. For dealers with turnover less than \$1 million, 12% of the value of their sales was online, while those with total sales in excess of \$10 million reported that they accounted for just 1%.
3. For those dealers who made online sales in 2019, 57% were to new buyers, and for second-tier auction houses new buyers accounted for 34% of their online sales.
4. While the bulk of online gallery transactions (77%) connect buyers and sellers who are more than 1,000 kilometers apart, around 18% were within a 500-kilometer radius of each other in 2019, including 11% who were less than 50 kilometers apart.

5. While online sales are impacting the auction sector at all levels, they are critically important for smaller auction houses. Auction houses with sales under \$1 million made 23% of their sales online versus 4% for those with sales over \$10 million.
6. Although the majority of HNW collectors surveyed (65%) in 2019 had not exceeded a price of \$50,000 online for an individual work, one-quarter had spent more than \$100,000 and 8% had spent over \$1 million.
7. HNW millennial collectors were the most regular users of the online channel, with 92% having bought online. 36% of millennial HNW collectors who purchased online had paid over \$50,000 for a work of art or object online, including 9% who had spent more than \$1 million.

5.1 | The Online Art Market

After more than five years of continuous growth in sales, the online market slowed in 2019. Online sales of art and antiques were estimated at \$5.9 billion, a decline of 2% year-on-year, although still at their second highest ever level.

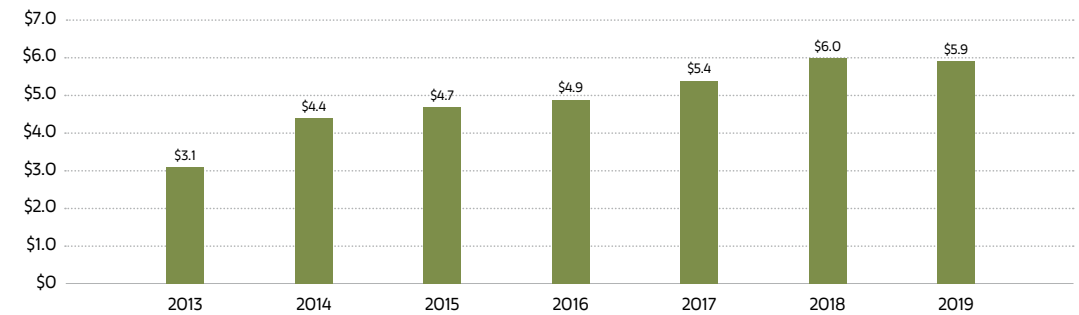
Despite a rapidly growing volume of sales in the last 10 years, the art market has lagged behind other industries in terms of its online share by value, and price levels, for the most part, continue to be predominantly lower than offline. As the aggregate art market also fell in value, the share of online sales from total sales of art and antiques was basically unchanged year-on-year at 9%. The proportion of online art sales is still lower than in other industries,

with e-commerce accounting for 14% of total retail sales in 2019, having advanced from 10% in 2017. Although global online retail sales also slowed their pace of growth in 2019, they were still positive and grew at strong, double-digit rates of 21% (down from 23% in 2018 and 28% in 2017). The online retail sector is expected to continue to grow, with forecasts of an increase of more than 85% in size in the next four years (from its current \$3.5 trillion), which alongside much slower growth in offline is projected to increase its share by seven percentage points to 22% by 2023.⁴⁵ Although it is unlikely to match that pace, there are indications, particularly in the auction sector, that the share of online sales in the art market will also continue to edge upwards over the next five years.

Online sales of art and antiques were estimated at \$5.9 billion, a decline of 2% year-on-year, although still at their second highest ever level

Figure 5.1 | The Online Art and Antiques Market, 2013–2019

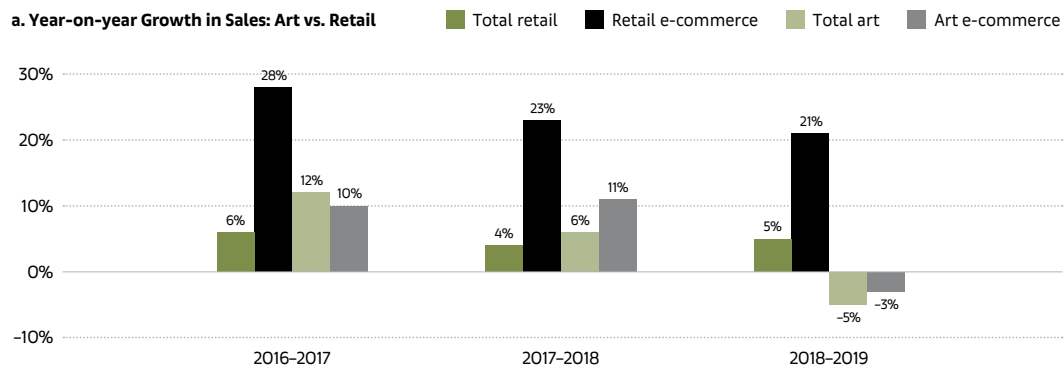
Billion \$



© Arts Economics (2020)

The share of online from total sales of art and antiques was basically unchanged year-on-year at 9%

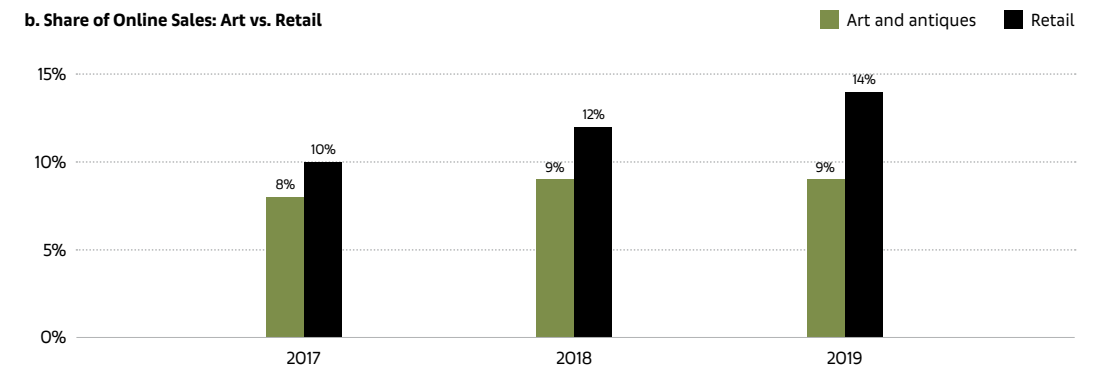
Figure 5.2 | Online Sales in the Art Market vs. General Retail



© Arts Economics (2020) with data from eMarketer.com

Online sales are defined here as including sales by traditional offline dealers and auction houses made online, either through their own platforms or third-party platforms, as well as those from online-only retail and auction companies selling on their own account. The bulk of online sales by value continues to be e-commerce conducted by offline companies in the dealer and auction sectors, which

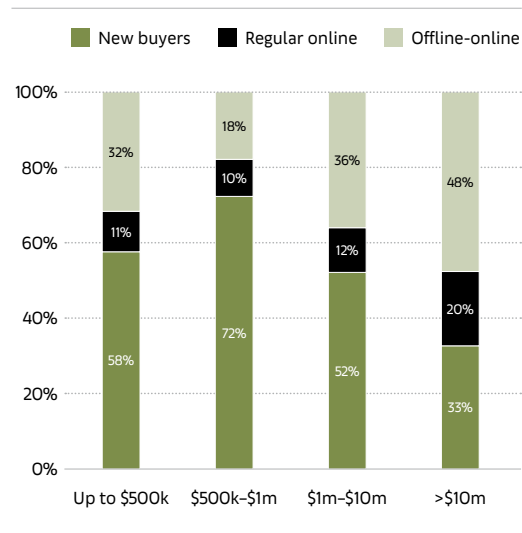
accounted for close to 85% of the total estimated online sales in 2019. While there are many interesting developments related to the wider online sector, as well as new technologies that are changing the ways art can be viewed, stored, and experienced, the focus of this chapter is on e-commerce and sales of art and objects online in the dealer and auction sectors of the art market.



© Arts Economics (2020) with data from eMarketer.com

The bulk of online sales by value continues to be e-commerce conducted by offline companies in the dealer and auction sectors, which accounted for close to 85% of the total estimated online sales in 2019

Figure 5.3 | Share of Dealer Online Sales by Buyer Category



© Arts Economics (2020)

5.2 | The Online Retail Market

Dealers reported that they made 5% of their sales online in 2019 (based on an average weighted by the dealer's turnover level), with 3% on their own websites or online platforms and 2% on third-party platforms. This was down slightly from the 6% reported in 2018, but there was a range of ratios reported depending on the dealer's level of turnover, with online sales making up a much larger component for those with lower annual sales. The survey indicated that:

- For dealers with turnover less than \$1 million in 2019, 12% of the value of their sales was online.
- For those with turnover between \$1 million and \$10 million, online sales accounted for 6%.
- For those with turnover in excess of \$10 million, online sales were 1% of the total, with most sales taking place via their galleries or at art fairs.

Despite being a relatively small component of their current sales by value, the online channel has remained critical for dealers accessing new buyers. For dealers making online sales in 2019, 57% of those sales were to new buyers who had never been to their gallery or met the dealer in person, up 5% in share year-on-year. The remaining 43% was divided between those buyers who regularly bought online from the gallery but had never visited in person

or did not have any other personal contact with the dealer (11%), and those buyers who also purchased offline and knew the gallery or dealer, but chose to purchase online via their website or without another form of contact (32%).

While the online channel was important for dealers accessing new buyers at all levels, it was particularly key for those dealers with lower levels of annual sales. For dealers with turnover less than \$1 million, 61% of their online sales on average were to new buyers (versus 50% for those with sales in excess of \$1 million). Figure 5.3 shows that, even if its role in sales was relatively low, the importance of this channel for access to new buyers remains key at all levels. (And finding new buyers was the number one challenge reportedly faced by dealers in 2019.)

There was also continuing evidence of the importance of the online channel for accessing new buyers in the expansion of online viewing rooms for top-tier galleries in 2019. As discussed in previous reports, several top-tier galleries have opened 'online viewing rooms' which allow viewers to access curated, online-only exhibitions, usually with an option to click to enquire further about works for sale, rather than offering any direct purchasing facilities. Most of these online exhibitions are open for sales for a limited time, with many paralleling an offline event such as an art fair or other exhibition.

David Zwirner launched their online viewing room in January 2017, where clients can view high-resolution images of works of art, with details on their prices and availability. While works cannot be purchased directly from the site, the gallery claimed viewing room sales had risen by 200% in the year from May 2018 and that virtual viewing rivaled art fairs as a means of accessing new clients, with 52% of enquiries through this channel coming from new clients.⁴⁶

In 2018, Gagosian also launched its first two online viewing rooms, with a reported rise in digital sales of 350% that year. These viewing rooms offer works for sale for a limited period of time with a relatively small inventory of items for sale, and, again, no direct

For dealers making online sales in 2019, 57% of those sales were to new buyers, up 5% in share year-on-year

⁴⁶ From Gerlis, M. (2019) 'Online Shows at David Zwirner Gallery – Virtual Selling is the Real Deal', available at <https://www.ft.com/content/8875d2fe-8772-11e9-b861-54ee436f9768>.

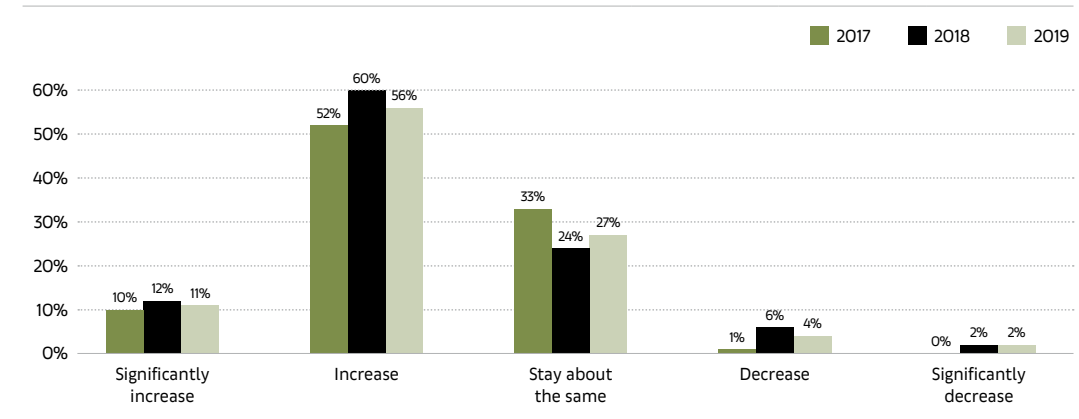
online purchasing but assisted transactions with 24-hour online assistance. In 2019, a work was sold with a listed price of \$6 million through this channel.⁴⁷ While these transactions still represent a small portion of the gallery's overall sales, they are indicative of the use of the online channel to assist in making sales at higher price levels.

In an attempt to complement their offline exhibition programs and reach a wider base of new clients, several other galleries launched similar viewing rooms over the last year, including Hauser & Wirth, Esther Schipper, David Kordansky Gallery, and others. Although these viewing rooms do not represent e-commerce, as sales are still generally conducted offline (through the gallery or over the phone with considerable due diligence required by galleries in many jurisdictions for works selling at higher prices), they are indicators of the importance of the use of online channels to extend the reach of galleries to a wider base of clients. Their success has also been enhanced as display and viewing technologies have significantly advanced in recent years.

Most dealers also expect that e-commerce will continue to be a key area of growth in future. The majority (67%) of the dealers surveyed in 2019 expected that their online sales would increase over the next five years, slightly lower than the 72% expecting growth in 2018. However, the share of dealers predicting a decline in online sales was also lower in 2019 (6% versus 8% in 2018).

Apart from galleries conducting sales online, there are also a number of online-only retailers selling on their own account, with a range of business models – from those who own or resell inventory to those who facilitate sales on behalf of artists. The vast majority of these businesses continue to be primarily focused on lower-value works of art, and a survey of close to 100 online-only businesses in 2019 showed that about 40% of them had an annual turnover of less than \$100,000.

Figure 5.4 | Dealers' Views on Online Sales Over the Next Five Years

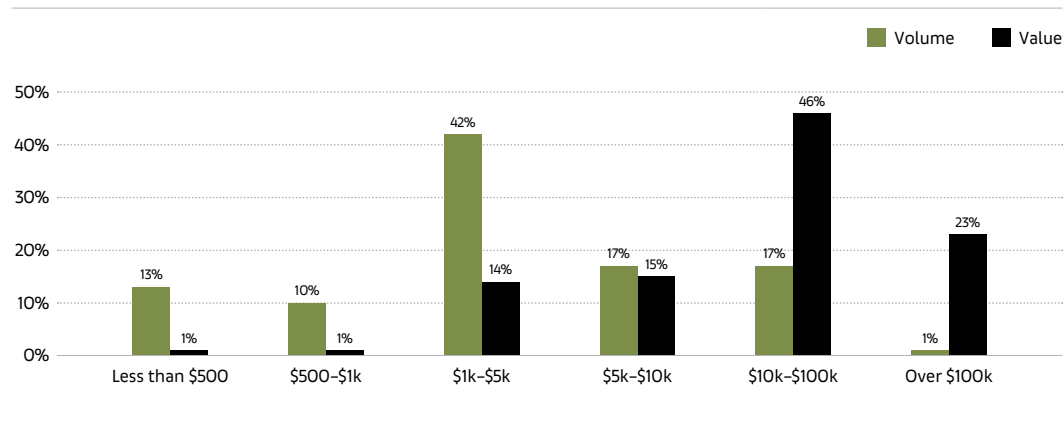


© Arts Economics (2020)

The majority (67%) of dealers surveyed in 2019 expected that their online sales would increase over the next five years

⁴⁷ A work by Albert Oehlen, *Abstract* (1988), was listed for \$6 million and sold in the Gagolian online viewing room in March 2019. The gallery confirmed that the price had exceeded the artist's previous record of \$4.7 million, although they did not report the final price of the transaction. See Sutton, B. (2019) 'A \$6-million Painting in Gagolian's Online Viewing Room Set a New Record for Albert Oehlen', available at <https://www.artsy.net/news/artsy-editorial-6-million-painting-gagolians-online-viewing-room-set-new-record-albert-oehlen>.

Figure 5.5 | Gallery Sales Online by Price Segment: Value and Volume 2019



© Arts Economics (2020) with data from Artsy

Some of the most active and successful areas of the online market to date have been online third-party platforms, both in the gallery and auction sectors

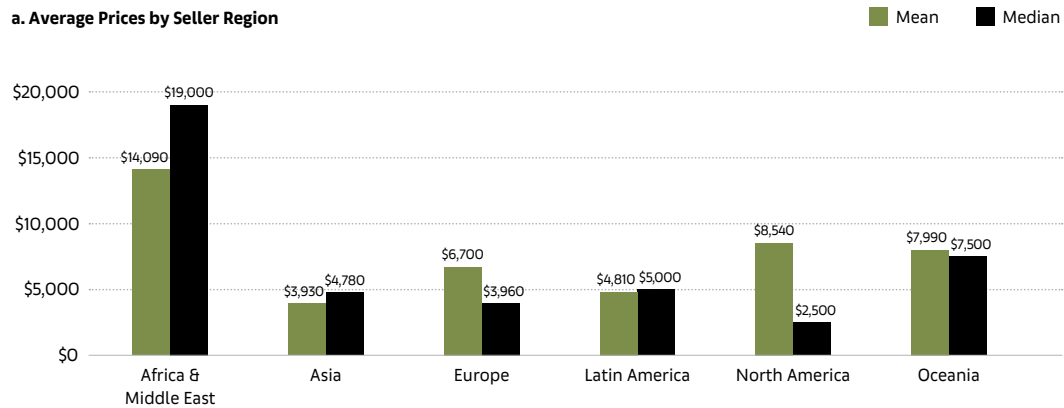
Some of the most active and successful areas of the online market to date have been online third-party platforms, both in the gallery and auction sectors. These platforms also have the most robust and largest datasets available on online behavior and sales. Data from Artsy, one of the largest online fine art marketplaces, showed that active collectors spent an average of \$20,000 in 2019 at a range of price levels, from a few hundred dollars up to seven-figure amounts. To investigate the prices paid online by collectors in more detail, a sample of data was supplied for this report by Artsy covering a range of around 5,000 fully anonymized sales where full pricing and buyer and seller location data were available. Artsy drives thousands of sales per month for their international

gallery partners, therefore this sample is only a small subset of the gallery transactions facilitated by the platform. Nonetheless, it lends some relevant insights into global pricing and transactions in an otherwise highly opaque part of the art market.

This data showed that the average price paid for a work online across all of the regions in the sample was \$8,025, with a median of \$3,160. The highest volume of sales took place in the price segment between \$1,000 and \$5,000, with a majority of sales taking place at values less than \$5,000. However, a significant 18% of transactions were at prices over \$10,000, and these accounted for 69% of the total value of transactions.

A majority of online sales took place at values less than \$5,000, however, a significant 18% of transactions were at prices over \$10,000

Figure 5.6 | Online Prices and the Volume of Transactions by Seller Region 2019



© Arts Economics (2020) with data from Artsy

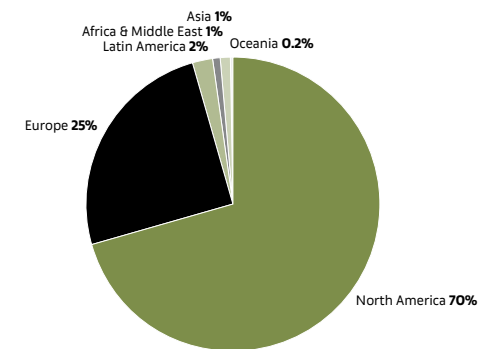
Based on the location of the seller's primary gallery, average prices also varied among different regions. For those galleries based in North America (which accounted for close to 70% of the transactions), the average was \$8,540, while those in Europe were lower at \$6,700 (with European galleries accounting for 25% of transactions).⁴⁸ Some of the highest averages were found in smaller markets, which also had a lower volume of sales in this sample. Sellers in Africa and the Middle East had the highest average prices

overall (at just over \$14,000) while those in Asia had the lowest (\$3,930), although both of these regions made up only 3% of the transactions analyzed.

Looking at specific countries where works were sold from, the average price in the US (which accounted for over 60% of the volume of transactions) was just below the global average at \$7,875, and just ahead of the UK at \$7,280 (which accounted for 11% of transactions). The highest average price was in the

⁴⁸ Prices are rounded to the nearest \$5.

b. Volume of Transactions in the Sample



© Arts Economics (2020) with data from Artsy

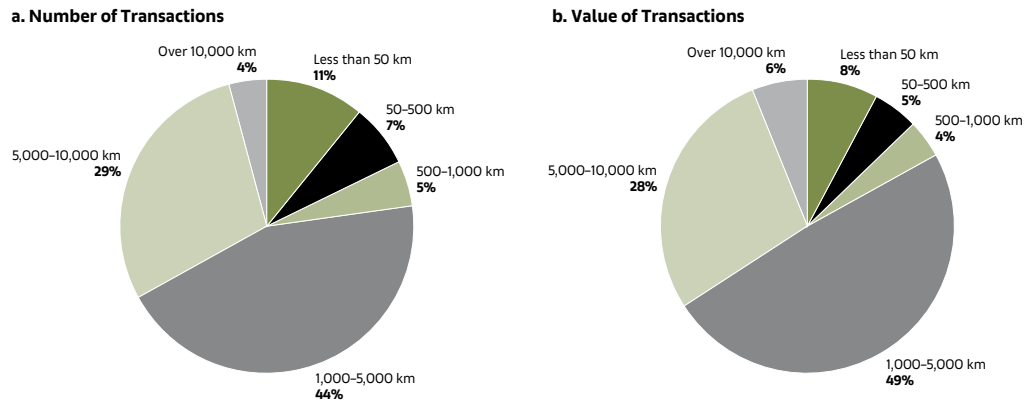
UAE (\$50,000) based on a very low volume of less than 10 sales in the sample provided. Hong Kong also had a much higher average (\$43,515) than mainland China (\$3,505), again based on a low volume of less than 25 transactions each within the sample.

There are many factors that drive collectors to purchase online and that determine what price range they are willing to buy in. The increased interest in e-commerce in the art market has been driven in part

⁴⁹ Artsy (2019), *The Online Collector Report 2019*, at artsy.net.

by the expanding base of global buyers. However, while much of the focus has been on how this channel has enabled dealers and other sellers to extend their global reach, the expansion has been as much about the increase in e-commerce in all industries and the diffusion of technology in new and emerging markets that are critical as buyers in the art trade. For galleries, internet sales have lowered barriers to entry and reduced the cost of accessing a broader range of markets worldwide, but the rise in transactions has been most about the wider acceptance of buying online generally, with those who regularly purchase other goods online looking for the same ease in transacting in the art market. From the buyer's perspective, online sales offer key advantages, including convenience, efficiency, transparency, and access to a broader range of offerings in terms of both variety and geography. In Artsy's own survey of collectors using their platform in 2019, the top factors identified as driving purchases online were access to works or artists that were only available online, and convenience (including easier searching and browsing and quicker transactions). Only one-quarter of the respondents said that they used the online channel because they wanted to buy from a gallery or at a fair that was outside their region.⁴⁹

Figure 5.7 | Share of Online Transactions by Distance between Buyers and Sellers in 2019

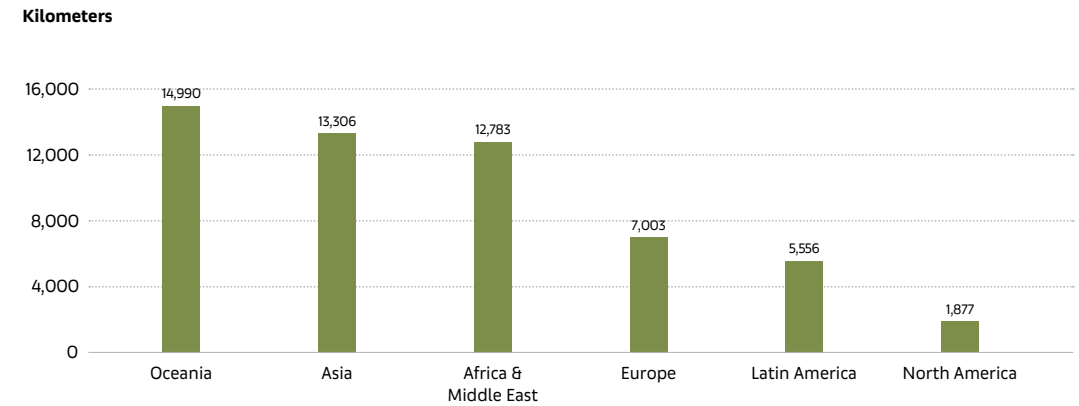


© Arts Economics (2020) with data from Artory

In assessing the drivers of online purchasing further and how it has facilitated long distance trading, it is instructive to look at the distances between buyers and sellers online. Using the Artsy data, which also offers information on the location of sales, the average distance globally between buyers and sellers online in 2019 was 3,730 kilometers, with a range from just four kilometers to over 17,000. Distances mean very different things in different regions of

the world, with this average being just over the distance of crossing the US from New York to LA, but over seven times the distance from London to Paris. However, interesting insights can still be gleaned. While the bulk of transactions (77%) connected buyers and sellers who were more than 1,000 kilometers apart, around 18% were within a 500-kilometer radius, including 11% of buyers and sellers who were less than 50 kilometers apart. These transactions within

Figure 5.8 | Average Distances between Buyers and Sellers in Online Transactions in 2019 (by Region of Gallery Making the Sale)



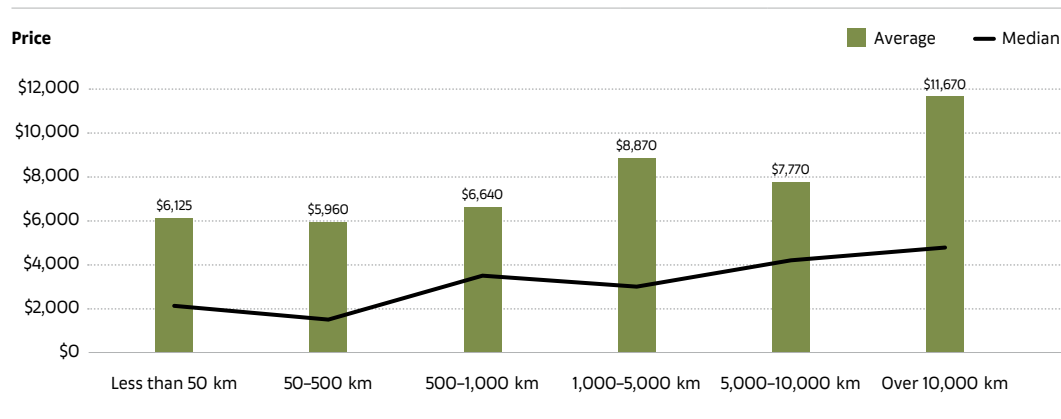
© Arts Economics (2020) with data from Artsy

500 kilometers made up just 13% of the value of the sales that took place, with most of the value in the segment over 1,000 kilometers.

The average prices paid for works also varied by distance. Although the average price paid for a transaction with a local gallery (less than 50 kilometers away) was higher than for one between 50 and 500 kilometers away, average prices tended to rise after that point up to a distance of 5,000 kilometers.

The pattern was not consistent beyond that point, and prices were not correlated in a linear manner with distances overall. Sales with the highest average prices were associated with transactions that were furthest apart, with buyers and sellers who were more than 10,000 kilometers apart transacting at the highest average and median prices. (These transactions were mainly sales by US galleries to Asian buyers or galleries in markets in Asia or Australia to US buyers).

Figure 5.9 | Average and Median Prices Online by Distance of Transaction 2019



© Arts Economics (2020) with data from Artsy

Although there is no clear correlation between prices and the distance between the parties at a global level, there were some regional variations. For sales in Oceania and Latin America for example, there was a strong negative correlation between price and distance: the further away the parties were, the lower the price. In other words, prices closer to home were higher. In Asia, on the other hand, the correlation was positive, implying rising prices as distance increased, particularly for the smaller Asian markets outside China.

In Europe there was no correlation, and there was a very low positive correlation for the North American region, but no correlation for the US.

Distances alone will not reveal whether the buyers and sellers are in the same country, especially given vast distances within one country such as the US and very short differences between countries in Europe. However, a deeper look at the data revealed that in fact 86% of the transactions carried out online by dealers in North America were domestic transactions linking buyers and sellers of

the same country. These domestic transactions also accounted for 81% of the value of transactions. The majority (53%) of transactions by Latin American dealers were also domestic. In Europe, on the other hand, only 3% were, implying European dealers predominantly traded internationally on the platform. From the lower volume sample of transactions carried out by dealers from Asia and Oceania, all were international transactions.

Looking at North America and Europe, where the volume of transactions was highest, average prices were higher for transactions outside the country than for domestic transactions. While the margin was only just over \$1,000 in Europe (\$6,780 for international transactions versus \$5,600 for domestic), in North America the average for international transactions was considerably higher at \$12,050 versus just under \$7,980 for those within the US.

Although there are many factors that influence the prices of individual transactions, all of which would need to be accounted for before drawing stronger conclusions about the relationship between prices and distance, what the preliminary analysis does show is that in larger markets such as the US, a high share of online transactions are carried out between buyers and sellers in the same country. Around 20% of the transactions that took place were also within 250 kilometers, conceivably in the same state.

This means that while these galleries were accessible offline, there were aspects of transacting online – be it convenience, ease of browsing and transacting, or simply finding an accessible and less intimidating entry point to collecting – that were preferred by at least some collectors to purchasing offline. For some purchasers also, there may be a sense of familiarity or perceived security with sellers that are physically closer, despite the lack of personal contact through an online transaction. For dealers in smaller markets, however, the importance of reaching a wider international base of clients through online selling remains key, and in regions such as Asia and Europe, international reach is likely to be a key motivator for galleries moving more of their sales online in the future.

86% of the transactions carried out online by dealers in North America were domestic transactions linking buyers and sellers of the same country



RELEASED

5.3 | Online Auctions

Online auction sales remained one of the biggest components of e-commerce in 2019, driven by traditional, offline auction houses moving more of their sales online. While some of the major auction houses continue to increase their e-commerce sales, some of the biggest shifts to digital have been made by smaller auction houses, attracted by both the potential for cost savings and access to a wider customer base.

At Christie's, online sales (including online-only sales and online bidding via Christie's LIVE) reached \$270 million in 2019, growing for a third year despite declines in overall sales. Sales advanced 8% year-on-year and have grown 26% since 2017. Christie's held 83 online-only sales in 2019 (down from 88 in 2018) which totaled \$86.1 million, stable in dollar terms on 2018. While still low relative to offline, online-only sales have grown rapidly from less than \$5 million in 2012. The growth in online sales is also significant when compared to the auction house's overall decline in sales for the year, as discussed in Chapter 3.

At Sotheby's, online sales (including online-only sales and successful online bidding in live sales) reached \$249 million in 2019, a 25% increase year-on-year. Their online-only sales reached \$76 million, an increase of 55% from 2018, and having grown to five times their size versus 2017. Sotheby's held 120 online-only

sales in 2019, covering a range of art and collectibles. These sales achieved a record price for online of \$1.5 million for the sale of the Nobel Memorial Prize in Economic Sciences awarded to Friedrich von Hayek in the online-only sale of items from the economist's personal collection.

Including fine art, decorative art and antiques, and collectibles, Heritage Auctions was once again the market leader in the online auction sector in 2019 with sales of \$483 million, down marginally by 1% on 2018. Online sales accounted for a larger component of their turnover than offline sales, with a share of 59% of their total sales, stable on 2018. Some of Heritage's strongest online sales in 2019 were in collectibles sectors, with their sales of vintage comic art and comics reaching a new record of \$79 million, 35% above the previous record set in 2018. These sales included the highest price ever paid for a work of comic art, \$5.4 million for *Egyptian Queen* (1969) by Frank Frazetta.

Online sales have also become increasingly important for second-tier auction houses, facilitating access to larger and more geographically dispersed global audiences, as well as reducing costs in some areas. A survey of second-tier auction houses in 2019 indicated that, on average, 19% of their sales were online, stable on 2018, with around half of those made through third-party platforms.

A survey of second-tier auction houses in 2019 indicated that, on average, 19% of their sales were online, stable on 2018, with around half of those made through third-party platforms

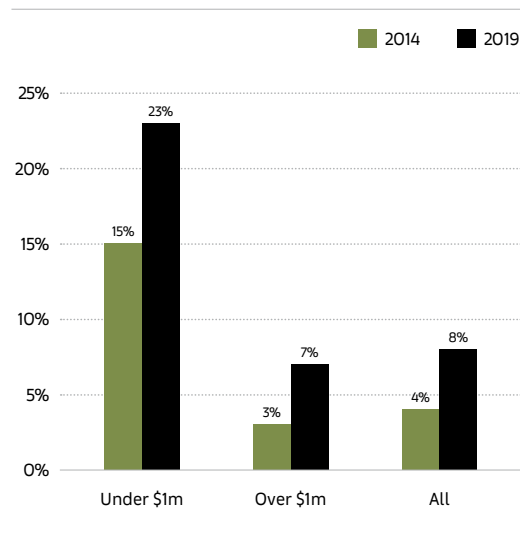
For those auction houses making online sales in 2019, 34% of these sales were to new buyers who had never been in personal contact or bid in another way in the past. This was an increase of 9% on 2018, when the share of new buyers appeared to have plateaued at 25% (but still below the 41% share of 2017). The remaining buyers were made up of regular online buyers (those with whom they had no other direct contact but who bought regularly online) at 28% and regular buyers (who had also bought offline in the past or had contact with the business previously), which remained more stable at 38%, up 4% on 2018.

The internet and online sales were identified as the fourth biggest challenge facing auction houses at this level in the next five years (next to the economy

and demand for art and antiques, finding new buyers, and accessing supply). It was also rated the number one challenge by European auction houses. Despite the challenges faced, the vast majority of businesses were positive that their online sales would increase: 83% of respondents predicted an increase in online sales over the next five years (versus only 50% in 2018); 13% thought they would be stable; and only 4% expected a decline (versus 10% in 2018).

Total sales estimates for e-commerce do not include the revenues and commissions of third-party auction platforms that conduct or facilitate sales or offer other intermediation services for offline businesses in the art and antiques market online. These platforms have been among the biggest successes in the sector, and continued to expand their presence in 2019, increasingly becoming the first port of call for buyers searching online for auctioned items. The rising costs of running physical premises combined with the drive to find new buyers has pushed more auction houses to increase the online component of their sales, with many choosing to do so through online platforms. Some of the major auction platforms are now offering auction houses both a platform to host sales as well as the back-end software with which to build their own platforms for their businesses, with auction houses increasingly taking up both options to maximize their coverage.

Figure 5.10 | Share of Online Sales (via Invaluable) by Auction House Turnover Level 2014 vs. 2019



© Arts Economics (2020) with data supplied by Invaluable

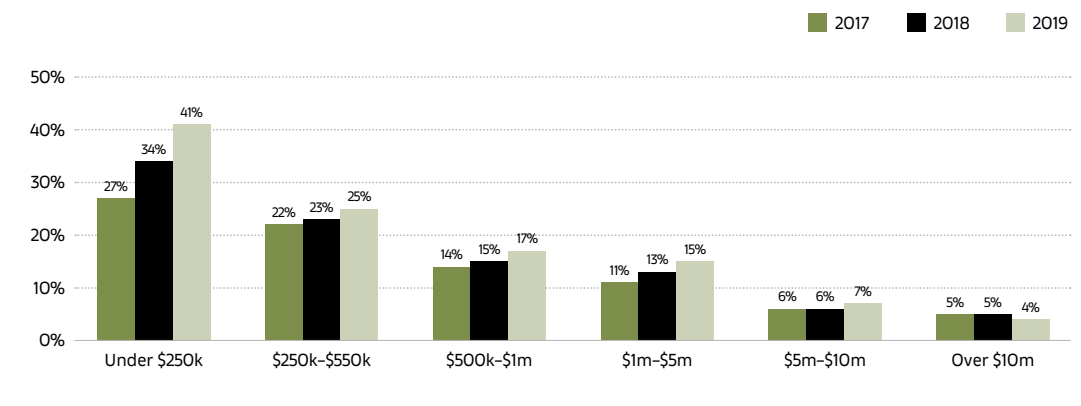
Invaluable (invaluable.com) is the largest global platform for online auctions of fine art, decorative art and antiques, and collectibles, working with around 5,000 auction houses including top-tier houses like Sotheby's, Phillips, Poly Auction, and Bonhams. In 2019, Invaluable increased the number of sales hosted on

their platform by 17%, driven both by more auction houses adopting the company's online sales technology to host sales on their own websites and further growth in online sales by auction houses already using the platform. The marketplace also saw an increase in the number of new auction houses looking to power their own online salerooms. In 2019 Invaluable achieved a 14% increase in the number of auction houses using their white-label software to power their own online salerooms, and these houses achieved a 42% increase in online sales versus the previous year's cohort.

Invaluable supplied online auction sales data for this report, which is relevant in demonstrating the growing importance of e-commerce, particularly for smaller auction houses. Analysis of the data from a sample of around 500 international auction houses from Invaluable's membership base showed that 8% of their sales turnover by value in 2019 (including online, phone bidding, and live sales) was conducted online (via Invaluable). This figure was stable year-on-year but has doubled in share in the last six years.

While online sales are impacting the auction sector at all levels, they are critically important for smaller auction houses. Auction houses with annual turnover of less than \$250,000 conducted 41% of their sales online in 2019, five times the average, and compared

Figure 5.11 | Share of Online Sales (via Invaluable) by Auction House Turnover Level 2017–2019

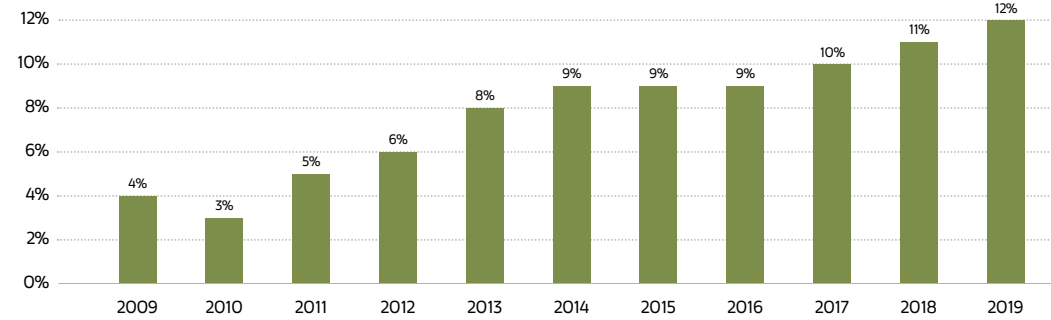


© Arts Economics (2020) with data supplied by Invaluable

to just 4% for those at the highest end above \$10 million (which represent a minority of the auction houses on the platform). The most rapid growth in online sales experienced on Invaluable in 2019 was by those auction houses with annual turnover of \$5 million or less, driven by a 14% increase in sales for those with turnover under \$250,000, and a 3% increase in those with sales between \$250,000 and \$5 million. All auction houses with turnover less than \$10 million increased their share of online sales in 2019.

All auction houses with turnover less than \$10 million increased their share of online sales in 2019

Figure 5.12 | Share of Online Sales (via Invaluable) as Percentage of Annual Turnover 2009–2019

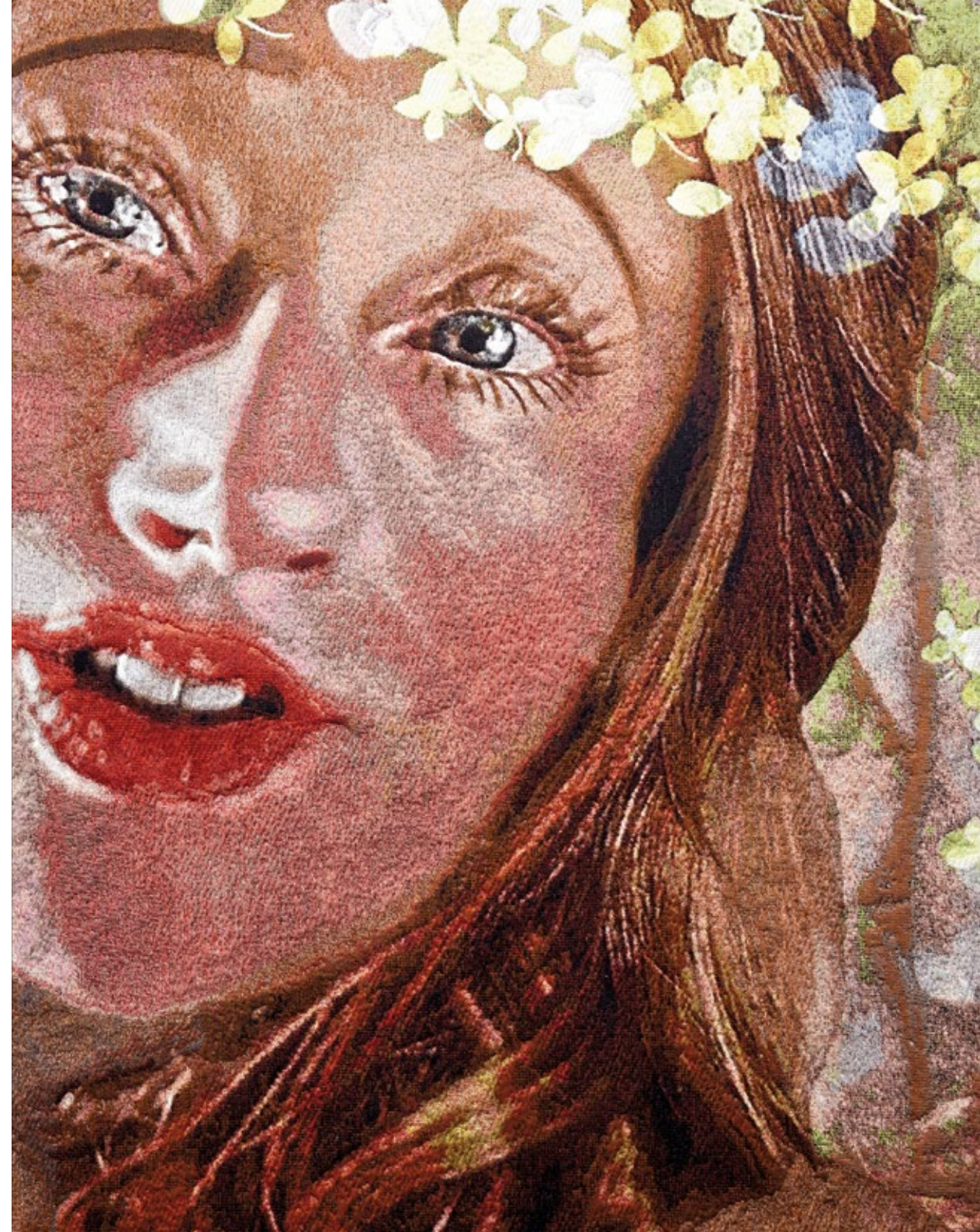


© Arts Economics (2020) with data supplied by Invaluable

Figure 5.12 tracks a subset of identical auction houses with data available each year over a longer period from 2009 to 2019. This also demonstrates the rising importance of online sales in the auction sector, with the proportion sold online rising to four times its share from 2010 to 2019 (from 4% to 12%).

The data shows that auction houses at the lower and mid-tiers are selling online at a more rapid rate than those houses at higher turnover levels. These houses also tend to sell a wide range of items, including collectibles. An analysis of the breakdown by sector shows that antiques, decorative art, and collectibles had a higher share of online sales

(averaging 6% in 2019) versus fine art (at just over 3% of total sales values). Certain segments such as prints, photographs, watches, and collectibles have been identified as the most 'online friendly', and most likely to shift towards being online-only in future, as more houses confront the reality that traditional saleroom auctions, with fixed infrastructure costs and low attendance, are not cost-effective in these categories versus online-only sales. Alongside their cost-effectiveness, improving visual technologies are also helping to increase buyer access to and confidence in the quality of the lots, which is also promoting the shift to digital sales in these sectors.



5.4 | HNW Collectors and Buying Online

While the lower priced end of sales dominates the volume of sales in the online art market, there is evidence that some collectors are increasingly willing to pay high prices online, particularly from established sellers and in specific sectors. A survey of 1,300 HNW collectors carried out by Arts Economics and UBS Investor Watch in 2019 showed significant use of online platforms to purchase art and antiques, as well as evidence of purchasing online at relatively high price points by these wealthy collectors.⁵⁰

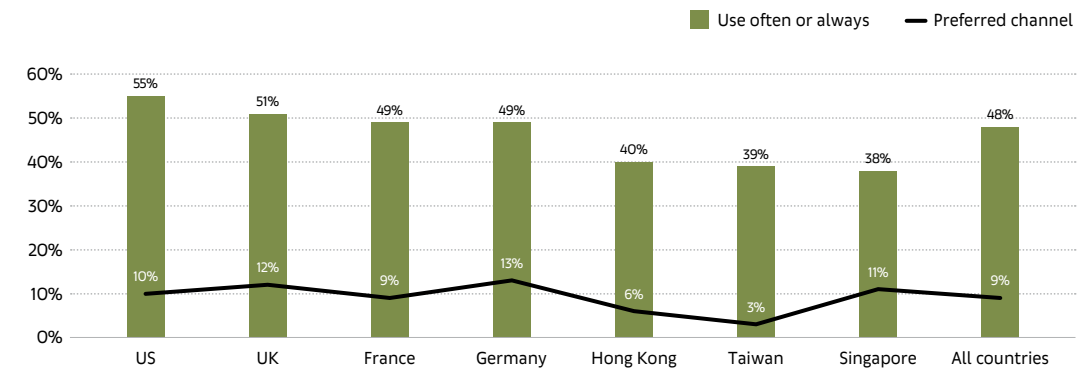
The surveys covered HNW collectors in key art markets in Europe, Asia, and the US, and across all of these regions, nearly half (48%) of the collectors surveyed used online platforms to purchase art either always or often (versus only 16% who never used them to purchase art). The use of online platforms was slightly more pervasive in Western markets, being highest in the US and lowest in Taiwan and Singapore, where more traditional channels were used most often by the majority of collectors.

Despite a relatively high level of use, the online channel is not necessarily the first preference for HNW collectors buying art. Collectors were asked which channels they preferred for purchasing art and

Nearly early half (48%)
of the HNW
collectors surveyed used
online platforms
to purchase art either
always or often

objects, and dealers and auction houses were rated the highest. Despite the continuing advance of e-commerce, most collectors still preferred to buy offline, with the online platforms only being the first preference for 9% of collectors overall, highest in Germany (13%) and least popular in Hong Kong and Taiwan (with only 6% and 3% respectively reporting them as their first preference for purchasing). This was an even smaller minority than similar research carried out in 2018 across five countries and territories (the UK, Germany, Japan, Singapore, and Hong Kong), which showed that 12% of the collectors surveyed opted for online platforms as their most preferred way to buy art.

Figure 5.13 | Share of HNW Collectors Who Are Regular Users of Online Platforms

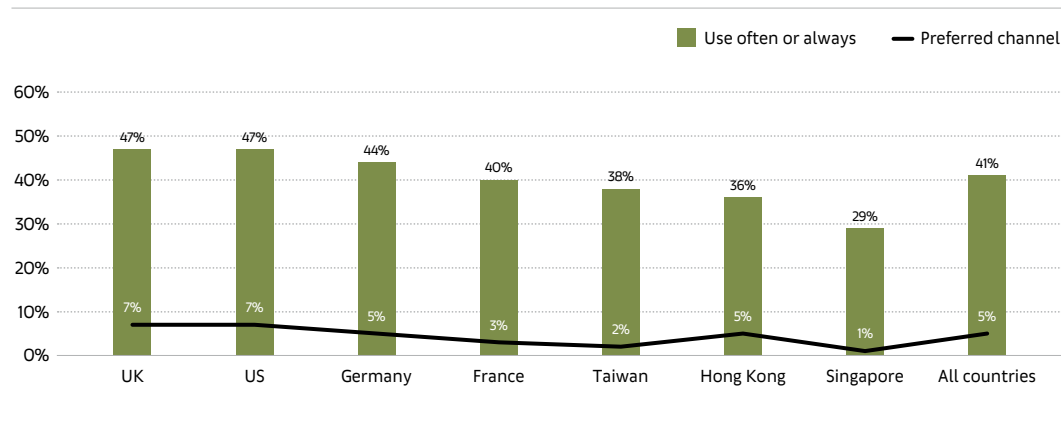


© Arts Economics (2020)

Despite the continuing advance of e-commerce,
most HNW collectors still preferred to buy
offline, with the online platforms only being the
first preference for 9% overall

⁵⁰ The full results of this survey are presented in Chapter 6.

Figure 5.14 | Share of HNW Collectors Who Are Regular Users of Instagram



© Arts Economics (2020)

Instagram's most effective use in the sector to date has been as a marketing tool, helping to spark interest in sales and offline experiences

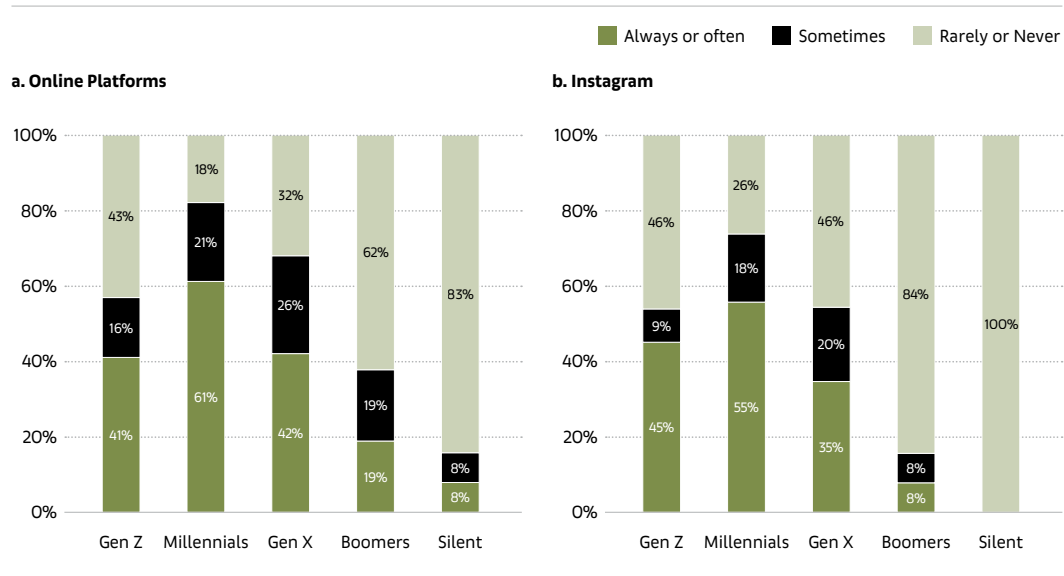
Instagram has become recognized as a critical social media platform for the art market. Despite relatively low direct sales, its most effective use in the sector to date has been as a marketing tool, helping to spark interest in sales and offline experiences, as well as generating awareness and confidence in galleries, artists, or their works through their endorsement by key influencers and experts in the sector. While it is not possible to purchase art directly on Instagram, artists use the platform to receive sales requests through private direct messages, allowing them to transact without an intermediary. Instagram's shopping feature, which the company has been rolling out since 2018, is also available for galleries and other online sellers, which allows tagging of items available for sale in Instagram feeds, which then link directly to an external website where the purchase can be completed.

The survey showed that 61% of HNW collectors across all countries had used Instagram to purchase art. Buying art through Instagram was more common in the larger Western markets of the US and UK, where just under half of the collectors responding used Instagram always or often. In Asia, this ranged from 29% in Singapore to a high of 38% in Taiwan. These lower shares could be in part due to the wider use of other platforms in Asia such as WeChat.

61% of HNW collectors across all countries had used Instagram to purchase art

However, overall it was more common for collectors not to have used Instagram than to have bought online through a platform: 39% of collectors across all countries had never used Instagram to purchase art, and this was as high as 38% in the US (versus only 16% having never bought through an online platform, including 21% in the US). Instagram was the preferred form of purchasing for 5% of the sample overall, and this share was low across all of the individual countries surveyed, with the highest rates of first preference in the UK and US, both at 7%. These results indicate that despite being an important platform for engaging collectors and shaping preferences, it is still limited in terms of its frequency of use to finalize actual sales.

Figure 5.15 | Frequency of Use of Online Platforms and Instagram by HNW Collectors



© Arts Economics (2020)

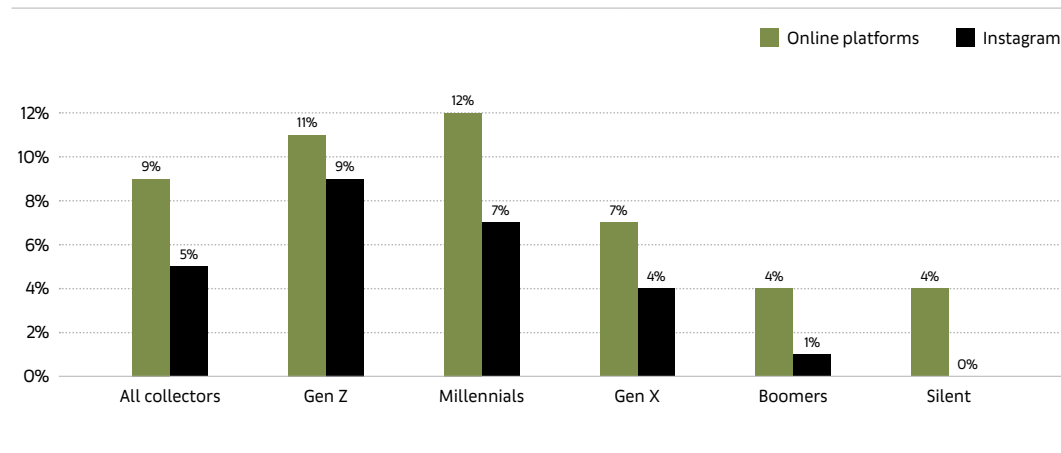
While there were some regional variations in the use of online channels, with a somewhat greater take-up in Western markets, the biggest differences in use were related to buyer demography, particularly age. The evidence from the survey showed both greater use of, as well as stronger preferences for, online channels from younger art buyers. When asked how often they used different channels for purchasing art and antiques, most collectors surveyed used multiple channels, but the offline gallery and auction channels were rated highest by all age groups. However, both usage and preferences were related to age: millennial collectors were the most regular users of the online channel, with only 8% having never bought online versus 16% of Gen X collectors and close to half (45%)

of Boomers. Millennials also showed the highest preferences for online platforms, with 12% choosing them as their preferred channel, which, although low, was considerably higher than Gen X (7%), Boomers (4%), and those from the Silent generation (4%).

Similarly, there was a strong inverse correlation between the age of collectors and their frequency of use of Instagram. While the majority of millennials across all countries were regular users of Instagram to purchase art, only 35% of Gen X collectors used the platform often or always, and there was significantly less use in older generations: 72% of Boomers and 96% of collectors from the Silent generation had never used Instagram to purchase art.

Millennial collectors were the most regular users of the online channel, with only 8% having never bought online versus 16% of Gen X collectors and close to half (45%) of Boomers

Figure 5.16 | Share of HNW Collectors Preferring to Buy Online



© Arts Economics (2020)

The majority of collectors in each country (and on aggregate across all countries at 65%) had not exceeded a price of \$50,000 online for an individual work, and 42% had not transacted above \$10,000. Although the research conducted on HNW collectors for this report over the past few years has covered different country profiles, there were some indications of the price ceiling for buying works of art online rising over time. The share of those having not exceeded a price of \$50,000 online was 72% in 2018,

indicating a 7% higher share willing to spend above this price level in 2019.

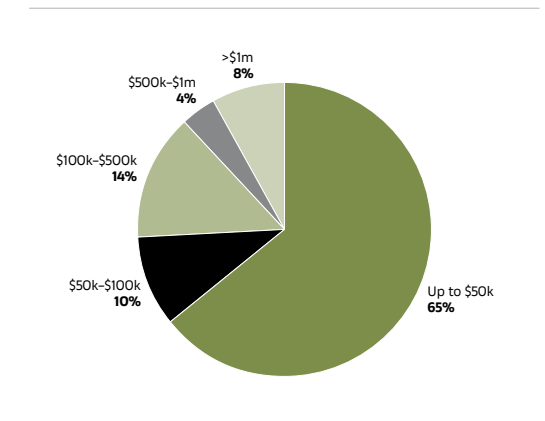
A quarter of the collectors surveyed in 2019 had spent more than \$100,000 online. There was also a significant 8% who had spent over \$1 million, double the share that had spent at that price level in 2018. It is important to note that these collectors are not representative of the public at large, with the 1,300 respondents in the 2019 survey more likely to

be high spenders, each having personal net worth excluding property and business assets of over \$1 million for inclusion in the survey, as well as being required to have spent \$10,000 or more on art and collectibles in the last two years. However, even if not at a high volume, the results indicate that there is significant activity at very high levels in the online segment, and that the price ceiling appears to be rising over time for HNW collectors.

The largest share of collectors spending over \$1 million was in the older European markets (Germany, France, and the UK); however, there were more collectors spending over \$50,000 in Taiwan and Singapore. Taiwan had by far the highest median price, and half of the collectors surveyed who had bought online had spent over \$50,000 on a work versus less than one-third in mature markets like the US and UK.

There were also indications that younger collectors were more comfortable buying art and antiques online at higher prices, with 36% of millennials who purchased online having paid over \$50,000 for a work of art or object, including 9% who had spent more than \$1 million, three times the share of Boomers. However, in terms of the scale of prices, Gen X collectors reported the highest average maximum price paid online at close to \$855,800 (up from \$500,000 in 2018) versus just under

Figure 5.17 | Highest Price Paid Online in 2019 by HNW Collectors (Share of Collectors)

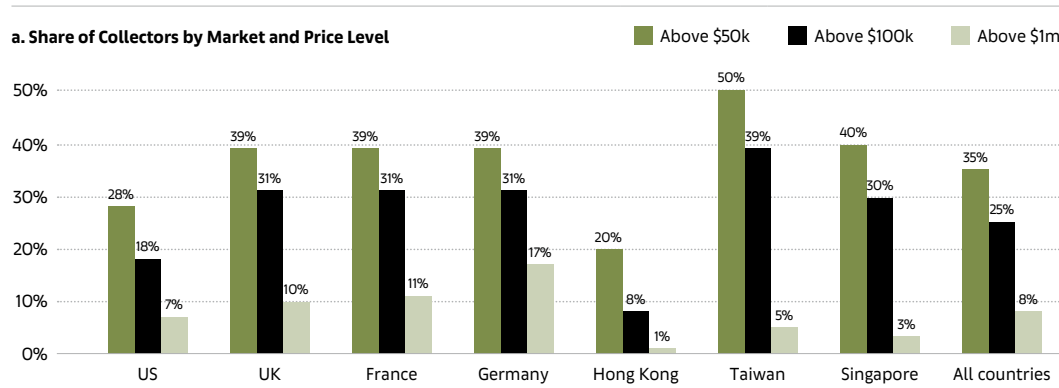


© Arts Economics (2020)

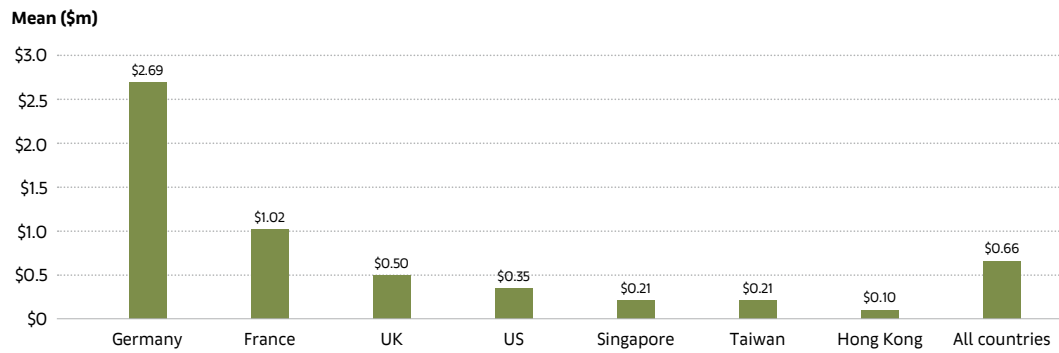
\$599,000 for millennial collectors. Past the age of around 55 years, however, the average dropped again, with a mean of \$141,300 for Boomers.⁵¹ Again, even if not necessarily representing a high volume of sales, the findings indicate that HNW collectors are prepared to transact at high price points online, and that these price levels are rising over time.

⁵¹ The average maximum for the Silent generation (aged 74 and over) was just \$7,800. In this sample, there were no collectors from the Silent generation who had spent more than \$50,000 online, while 16% of the Gen Z collectors (under 23 years) surveyed reported spending over \$1 million (and their average maximum price was \$542,930). Although these findings are interesting, they may be less generalizable than the responses of the three other larger generational segments, as they make up a very small share of those responding (a combined 4% of the total respondents to this question).

Figure 5.18 | Highest Price Paid Online in 2019 by HNW Collectors by Market

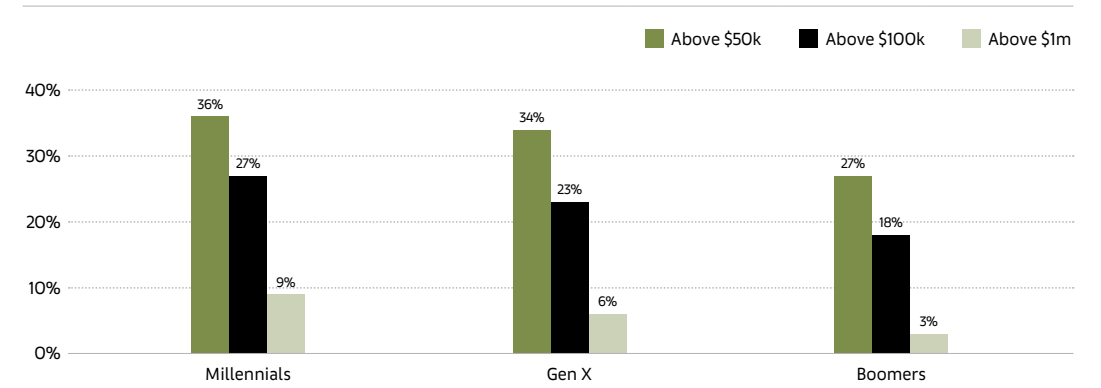


b. Average 'Maximum Price' by Market



© Arts Economics (2020)

Figure 5.19 | Highest Price Paid Online in 2019 by HNW Collectors by Generation



© Arts Economics (2020)

Younger collectors were more comfortable buying art and antiques online at higher prices, with 36% of millennials who purchased online having paid over \$50,000 for a work of art or object, including 9% who had spent more than \$1 million



5.5 | Website Traffic and Social Media

While many companies have invested in new technologies to enable e-commerce or enhance and improve search and other functions on their websites, one of the biggest challenges is attracting the attention of potential buyers and driving traffic to their sites in the first place.

Table 5.1 shows the global ranking based on website traffic and social media followings of a selection of companies involved in e-commerce in the art and antiques market in 2019.⁵²

The highest ranked sites for website traffic at the end of 2019 were the large global marketplaces, such as Amazon and eBay, however, these were based on their visitors across all products, including art and antiques alongside many others. The highest global rankings for websites that specifically sell art and antiques were sites such as 1stdibs, the online third-party retail platform, with 3.3 million visitors per month, and the third-party auction platform Invaluable.com, with 2.6 million visitors. Platforms such as Invaluable and Liveauctioneers.com had higher online visitor traffic than the major auction houses, underlining their importance for drawing new buyers to the auction sector.

In the traditional auction house sector, as in 2018, Heritage Auctions had the highest rank with 1.6 million visitors per month in 2019. They were followed by Lauritz.com, the Danish auction house, which has expanded to more than 30 auction houses in six countries, followed in rank by the major houses of Sotheby's and Christie's.

The highest-ranking 1P retailers⁵³ for the last three years have consistently been saatchiart.com (with 1.6 million visitors a month) and art.com (which includes posters and non-original prints). For all of these companies, visitor traffic gives an indication of level of interest or their online popularity, but does not indicate their success in making sales, with a key challenge remaining in how to convert more traffic into active buyers.

Social media remains key for building awareness and making sales. As noted above, the survey of HNW collectors in 2019 revealed that a majority had used Instagram to purchase art, while other surveys of collectors across more diverse wealth segments have also shown a high level of use. Artsy reported that 66% of the art buyers on their platform use Instagram and other social networks to keep up with the art market and related news. Gagosian, Sotheby's, and Artsy had the highest number of followers among art-specific Instagram accounts in 2019, as they did in 2018, with over 1 million each.

Several dealers in the gallery survey and interviews commented specifically on the importance of Instagram (and other social media platforms) in driving sales and broadening the market and the exposure of artists and galleries. As noted by one dealer, the influence of social media is not captured in the statistics of the share of online sales, as these channels drive gallery enquiries, which are then conducted by phone (and in person), keeping the transaction itself offline. As noted above, the use of online channels and social media for promoting sales and educating the market therefore remains one of the biggest impacts. Many dealers cited Instagram as a key marketing tool offering a critical way to reach new buyers, build relationships, develop confidence, and introduce collectors to new work.

Although social media platforms do direct traffic to websites, Table 5.1 shows that the share of traffic directed from social channels was low for most businesses (with the highest for artsation.com, the third-party platform for artists, which gets 15% of its traffic from social media, 72% of which comes from Instagram). For big companies with very established brands such as Christie's, Sotheby's, and Gagosian, very little traffic comes from social media (and Pinterest was the most important source), with direct traffic and searches being the main ways visitors find their way to their sites.

Several dealers commented specifically on the importance of Instagram in driving sales and broadening the market and the exposure of artists and galleries

⁵² Traffic statistics are from SimilarWeb, extracted in December 2019. The social media statistics are taken directly from the source on social media and not from these databases. Statistics quoted for visitors per month refer to December 2019. It is important to note that some platforms cited operate in multiple markets, with dedicated platforms in each. For example, Barnebys.com is part of Barnebys Group, which has platforms across eight markets, each with dedicated websites, including Barnebys.se, Barnebys.co.uk, and six others, plus ValueMyStuff, Collectors Weekly, and SAS Auctions. The combination of traffic figures from all sites would give them the same ranking as the rest of the leading platforms when considered on aggregate.

⁵³ A 1P retailer is a company or platform selling on their own account, including platforms for artists.

Table 5.1 | Website Metrics: Selected Companies in 2019⁵⁴

| a. Galleries, Artists, and Retail | | | | | |
|--|-------------------------|-----------------------|--------------------------|----------------------------|-----------------------|
| i. 1P Retail | Global Rank 2019 | Social Traffic | Twitter Followers | Instagram Followers | Facebook Likes |
| saatchiart.com | 25,916 | 7% | 226,000 | 600,000 | 436,110 |
| art.com | 30,002 | 11% | 29,700 | 43,500 | 445,266 |
| singulart.com | 103,379 | 10% | 113 | 12,300 | 29,061 |
| yellowkorn.com | 119,014 | 8% | 3,608 | 72,100 | 244,886 |
| artquid.com | 149,947 | 4% | 2,531 | 1,853 | 30,014 |
| askart.com | 155,264 | 2% | 336 | — | 8,117 |
| artpal.com | 172,274 | 12% | 1,669 | 101 | 60 |
| artfulhome.com | 184,501 | 13% | 1,834 | 10,000 | 27,526 |
| bluethumb.com.au | 227,948 | 7% | 1,559 | 37,600 | 50,390 |
| gagosian.com | 279,313 | 3% | 389,000 | 1,200,000 | 175,186 |
| ii. 3P Marketplaces / Platforms | | | | | |
| amazon.com | 9 | 5% | 3,200,000 | 1,409 | 29,331,204 |
| ebay.com | 24 | 3% | 715,000 | 882,000 | 11,101,961 |
| etsy.com | 98 | 10% | 2,490,000 | 2,200,000 | 3,603,152 |
| 1stdibs.com | 15,148 | 10% | 19,900 | 559,000 | 108,059 |
| rubylane.com | 34,781 | 7% | 10,800 | 14,800 | 184,118 |
| chairish.com | 28,317 | 8% | 8,342 | 275,000 | 53,207 |
| artfinder.com | 79,044 | 6% | 99,400 | 57,600 | 265,248 |
| artsper.com | 117,761 | 4% | 9,632 | 66,400 | 374,913 |
| artspace.com | 213,404 | 3% | 209,000 | 385,000 | 103,198 |
| ocula.com | 489,602 | 5% | 4,674 | 110,000 | 55,711 |
| goantiques.com | 607,122 | 3% | 178 | 24,000 | 7,649 |
| artweb.com | 941,584 | 4% | 30,400 | — | 25,380 |
| newbloodart.com | 2,161,654 | — | 1,761 | 2,648 | 2,592 |

b. Auctions

| i. Bricks and Clicks | Global Rank 2019 | Social Traffic | Twitter Followers | Instagram Followers | Facebook Likes |
|-----------------------------|-------------------------|-----------------------|--------------------------|----------------------------|-----------------------|
| ha.com | 27,448 | 3% | 54,600 | 9,961 | 84,870 |
| lauritz.com | 32,810 | 2% | — | 24,400 | 33,749 |
| sothebys.com | 37,695 | 7% | 116,000 | 1,100,000 | 647,515 |
| christies.com | 38,133 | 5% | 121,900 | 768,000 | 296,613 |
| bukowskis.com | 44,850 | 2% | — | 48,300 | 17,208 |
| bonhams.com | 61,639 | 7% | 44,100 | 65,900 | 38,812 |
| dorotheum.com | 66,318 | 2% | 1,781 | 16,500 | 22,014 |
| phillips.com | 101,341 | 4% | 42,100 | 203,000 | 50,579 |
| saffronart.com | 851,396 | 4% | 2,528 | 15,700 | 30,371 |
| dreweatts.com | 961,561 | 11% | 2,755 | 2,377 | 1,132 |

ii. Online-Only

| | | | | | |
|------------------|-----------|-----|-----------|---------|-----------|
| artnet.com | 17,940 | 11% | 1,900,000 | 999,000 | 363,734 |
| artprice.com | 48,090 | 0% | 30,200 | — | 4,744,021 |
| astaguru.com | 183,549 | 5% | 5,949 | 28,000 | 219,483 |
| catawiki.com | 15,459 | 2% | 8 | 17,700 | 825,984 |
| ebth.com | 28,354 | 2% | 3,342 | 98,700 | 180,881 |
| expertissim.com | 447,517 | 0% | 2,065 | 1,184 | 4,702 |
| hihey.com | 2,526,069 | — | 20 | 339 | 159 |
| paddle8.com | 447,093 | 13% | 37,200 | 82,300 | 38,119 |
| valuemystuff.com | 452,483 | — | 22,200 | 697 | 16,625 |

⁵⁴ Note that many companies offer a range of services, including combining auction and retail sales, making them difficult to classify. Companies were classified based on their most relevant link to art sales or where their primary focus was in 2019. Measurements were taken in November and December 2019.

Table 5.1 | Website Metrics: Selected Companies in 2019 (continued)

| iii. Third-party Platforms | Global Rank 2019 | Social Traffic | Twitter Followers | Instagram Followers | Facebook Likes |
|----------------------------|------------------|----------------|-------------------|---------------------|----------------|
| liveauctioneers.com | 12,337 | 4% | 2,800 | 2,965 | 18,804 |
| auctionzip.com | 13,006 | 2% | 4,683 | — | 40,508 |
| invaluable.com | 17,258 | 3% | 5,481 | 5,675 | 61,946 |
| the-saleroom.com | 24,520 | 2% | 6,497 | 2,315 | 7,184 |
| artsy.net | 25,190 | 9% | 1,820,000 | 1,000,000 | 878,732 |
| auctionet.com | 32,797 | 2% | 79 | 5,435 | 26,414 |
| bidspotter.com | 83,529 | 2% | 1,157 | 160 | 4,659 |
| lot-tissimo.com | 89,461 | 0% | 41 | — | 892 |
| interencheres-live.com | 96,852 | 0% | 3,065 | — | 28,589 |
| auction.fr | 112,099 | 2% | 679 | 1,300 | 5,237 |
| lofty.com | 496,572 | 1% | 1,387 | 512 | 16,135 |
| barnebys.co.uk | 607,159 | 5% | 3,981 | 19,000 | 34,151 |

© Arts Economics (2020) with data from SimilarWeb, Facebook, Twitter, and Instagram. Data measured in December 2019.

5.6 | Conclusions

The online art trade has grown substantially over the last 10 years. Although the online market was stagnant overall in 2019, its performance was still better than offline sales. The online market has continued to be focused on a high volume of low-value sales, as it has been for several years, and although there are some buyers willing to pay increasingly higher prices online, there are few signs of any major shift of high-end segments to digital channels. Even in the dominant online auction sector, while the internet has been pivotal in boosting participation in live auctions and alerting potential buyers to stock coming up for sale, selling has been predominantly focused on lower-priced fine art, collectibles, and luxury items, with major, unique, and highly priced works of art not generally sold online.

The sale of art and objects online offers many key advantages to buyers. Expanding geographical reach is a key driver for increasing online sales, but there is also evidence that a large proportion of the transactions being carried out online are between domestic buyers and sellers, at least in larger markets such as the US. However, for smaller markets and those in more remote places, international reach is undoubtedly still of critical importance for businesses trying to get a competitive foothold. For all markets,

and especially in larger art markets like the US, the convenience, efficiency in transacting, and access to a much broader range of inventories than it would ever be possible to see offline are all potentially big drivers of the choice to purchase online. Some buyers also find the process of buying online less intimidating than buying in a gallery or bidding at auction, particularly if they are new to the market, making this channel key for attracting new buyers.

The data available for online sales from the auction and dealer sector makes it clear that despite larger businesses engaging in e-commerce, online sales have had the biggest impact in small to mid-sized businesses in the art market. This keeps the size of the market lower than it would be otherwise, as the highest priced works still remain in the domain of offline auction houses and dealers. Dealers have explained that the need for discretion, as well as the various mechanisms of economic signaling and the intense social aspects inherent to such high-end purchases make online selling more difficult. The marketing of very top works is more complex than making them readily available for click-to-purchase by anyone at a transparent price, as might be the case for more commoditized goods in other industries.

While many of 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 art space certainly makes art more accessible. Even for collectors at a very high level, the use of online channels for discovering and viewing a greater range of works has continued to advance, particularly as technological developments have greatly enhanced the experience of doing so online, even if purchases continue to take place offline.

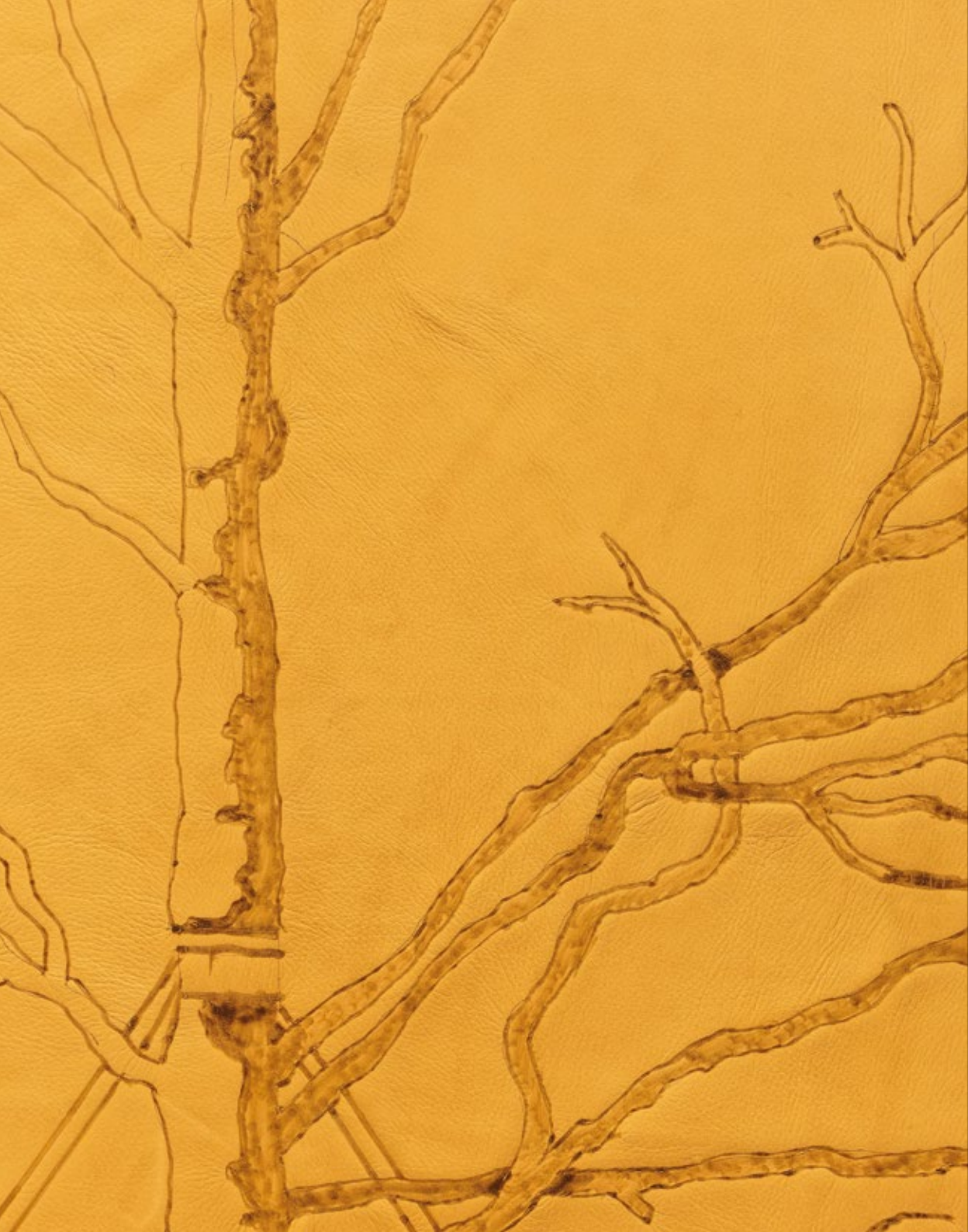
One issue that was raised in 2019 (as it has been in many other years) was the continued lack of pricing by some companies online. In their survey of art collectors, Artsy found that the lack of access to an artwork's price was the most frequently mentioned roadblock for collectors at all levels when trying to buy art. On their platform, artworks with their prices made public are up to six times more likely to sell than those made on request, and these works also receive a fraction of the number of enquiries, saving galleries time and resources. Rather than deterring collectors, transparent pricing was found to encourage sales, with collectors noting anecdotally that they often assumed a work was much more expensive than it actually was if a price was not included.

Online sales have had perhaps their most visible impact in the auction sector. The largest auction houses, such as Christie's and Sotheby's, still have a relatively low share of online-only sales and have not relied

exclusively on intermediaries to broaden their reach online more than they have on their own account. However, at other levels, online auction platforms have done much to bring online efficiency to the market, both in transactions and the flow of information, as well as transparency and liquidity. With the advancing share of sales conducted online by lower to mid-tier houses, it is feasible that the future could be one in which most auction houses that are dealing in anything but the high end carry out a majority of their sales online. With margins under increasing pressure and the costs of premises and staffing so high, traditional auctioneering and dealing in the middle to lower ends of the market may become less feasible.

E-commerce represents only a very small proportion of the interesting developments occurring in the wider online art sector in 2019. Outside the art market and e-commerce, there are many interesting uses of new technologies for recording, archiving, and selling works, with blockchain offering a good example, as well as significant advances in methods for viewing and experiencing art, some of which represent important innovations in the sector. The use of data generated from the burgeoning amount of people engaging with the sector through online platforms and websites will also continue to inform important research on buyer and seller behavior and preferences in the future.





Global Wealth
and the
Art Buyers



Key Findings

Global Wealth and the Art Buyers

1. Surveys of more than 1,300 HNW collectors conducted by Arts Economics and UBS Investor Watch in seven markets (the US, UK, France, Germany, Singapore, Hong Kong, and Taiwan) indicated that millennial collectors purchased the most and also spent the most, averaging a total expenditure of \$3 million over two years.
2. Although smaller in number, the impact of female HNW collectors on spending in the market was significant: 34% of women had spent over \$1 million in the last two years (versus 25% of men), with 16% having spent over \$10 million.
3. When asked in what price range they most often purchased works of art and objects, 24% of HNW collectors stated that it was at prices in excess of \$1 million.
4. HNW collectors had an average of 76 works in their collections (with a median of 27). Women had larger collections than men on average, with one-third exceeding 100 works (versus 21% of men).

5. HNW collectors reported that more than 30% of the works in their collections were held in storage that was essentially out of view (in general storage, bank vaults, or in a Freeport).
6. The majority of HNW collectors in all countries had sold a work from their collection, with the highest frequency of resales among millennial collectors. For those reselling works, the average period between original purchase and subsequent resale was just under four years.
7. As in 2018, the most frequently used channel for purchasing art and collectibles was a gallery or dealer, with auctions ranking second. Dealers and galleries were also the most preferred channel, and most collectors (75%) had purchased from between one and 10 galleries in the last two years (with a median of five).

6.1 | Introduction

Although the performance of different segments of the art market has varied, on aggregate the size and distribution of sales in the art market has been correlated with key economic variables over the long term, particularly with the growth and distribution of high net worth (HNW) wealth. It is useful therefore to look at some of the trends in the distribution of HNW wealth to assess the potential effects on the art trade.

In 2019, geopolitical tensions and trade issues dominated the global economy, with a looming trade war and rise of protectionism in key economies subduing investment, leading to reduced global growth. World GDP growth fell to 2.9% in 2019, its second year of decline, and its lowest level since the global financial crisis. Trade conflicts between some of the major economies caused uncertainty for businesses, which dragged down investment spending. Although there is some debate about which direction the causality runs, trade and economic growth are undoubtedly linked, and the fall in GDP was correlated with an even greater drop in the volume of global imports and exports.⁵⁵

Economic growth in the US slowed over the course of 2019 (to 2.4%) and this is expected to worsen over the next five years. In Europe, growth rates fell to their lowest levels since 2007, before the financial crisis

(with the EU growing at 1.5%). The UK's ongoing issues with the rollout of Brexit, culminating in a general election at the end of 2019, contributed to uncertainty and reduced business investment, which led to a second year of declining growth (by 0.2% to 1.2%), the lowest rate in the past 12 years. Most economic forecasts predict that growth will remain relatively stagnant for the next five years, even with an orderly exit from the EU – only improving marginally by 2024. Economic growth in mainland China also continued to decline, falling half a percentage point

In 2019, geopolitical tensions and trade issues dominated the global economy, with a looming trade war and rise of protectionism in key economies subduing investment, leading to reduced global growth

to 6.1% in 2019, more than three times the average of the G7 economies, but its lowest rate since 1981. While slower growth in the regions was predicted to negatively affect consumption, there was limited evidence of a major impact in 2019. Although investment and exports declined, the Consumer Confidence Index hit a 10-year high in 2019 as China's urban consumers continued to show resilient spending and have accounted for the majority of GDP growth since 2015.

Despite slowing growth, worries over US-China trade tensions, impeachment of the US president, political and social unrest in Hong Kong, and ongoing issues with the rollout of Brexit, financial markets were also highly resilient and global equities delivered returns of 27% over the year – a vast improvement on 2018 – with nearly all major asset classes in key regions, including equities, bonds, gold, and oil delivering positive returns. US stocks were one of the biggest drivers of growth in these markets in 2019, delivering returns of 31%, while Chinese equities achieved 24%, meaning that the two economies at the center of the trade dispute still managed to have the best performing equity markets.⁵⁶ Despite the escalation of trade tensions during the year, a 'Phase 1' trade deal was announced in December, which alleviated some uncertainties, and along with loosening monetary policy in China (and Europe) and three

cuts in interest rates by the Fed, the markets ended up with much better than expected results.⁵⁷

The art market has often shown great resilience to events in the economy, and at the high end of the market especially, art can be perceived as a safe haven for capital when financial markets are uncertain – similar to other durable assets such as gold. However, politics and economics, as well as broad views around the health and stability of global markets, feed into selling and buying plans. As an essentially supply-driven market, the perceptions of vendors during periods of economic uncertainty that it may be a poor time to sell can make them hold back from putting works on to the market, causing a decline in sales and liquidity despite ample demand for high-quality works. As noted by one dealer:

'The art market often seems immune to the economy, with successful results often built more around supply – divorces, estates, and other events that are not connected. But anything that distracts buyers' and sellers' attention can have a negative effect, and the distractions in politics and economics are now higher than ever before, which is bringing a high level of anxiety for many and with that the risk of people delaying spending until things seem better in the world and postponing plans to resell unless they really have to.'

⁵⁵ According to data from the IMF's Economic Outlook Database at the end of 2019, growth in the volume of world imports fell by 3% year-on-year and exports by 2%, reducing them both to 1% growth for 2019 and outweighing the decline of 0.6% for GDP.

⁵⁶ UBS Chief Investment Office (2020) *2019 in Review: Global Financial Markets*. UBS. Published January 5, 2020.

⁵⁷ The US and Chinese presidents signed this Phase 1 deal on January 15 in Washington, agreeing to cut some US tariffs on Chinese goods in exchange for pledges by the Chinese to purchase more from specified US industries and to address complaints about intellectual property practices. See 'What's in the U.S.-China Phase 1 Trade Deal' available at www.reuters.com/article/us-usa-trade-china-details-factbox/whats-in-the-us-china-phase-1-trade-deal-idUSKBN1ZE2IF.

Reductions in wealth inequality between nations have contributed to expanding the art market's global diversity

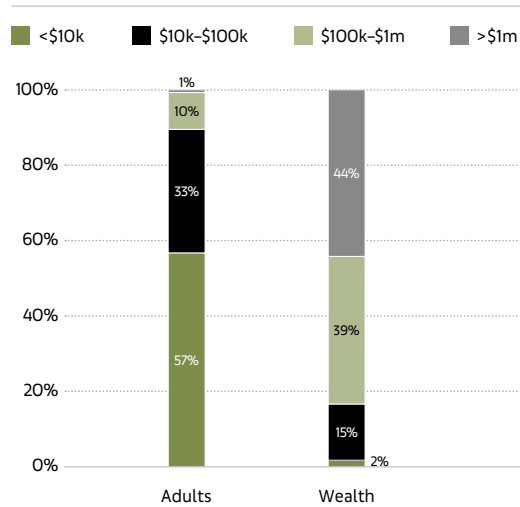
Considering the distribution of wealth from a macro perspective, two opposing trends have developed since the 1980s. From a regional perspective, inequality is in decline as developing economies, particularly led by China and India, have considerably narrowed the gap in wealth and incomes with wealthier countries. Considering average incomes, as measured by GDP per capita, China's incomes advanced 6% year-on-year in 2019 versus growth of 2% or less in most of the major economies.⁵⁸ Using purchasing power parity dollars, China's GDP per capita in 1999 was just 7% of the US, but this gap had narrowed significantly to 30% in 2019. The growth rate of average incomes in countries such as India and China is also expected to grow over five times the rate of countries such as the US and UK in the next 25 years, meaning that the regional inequality will continue to decline.

Alongside reductions in inequality between nations, however, inequality within many advanced economies is moving in the opposite direction, with decades of increasing divergence, particularly in relation to the distribution of wealth. In the US for example, data from the Federal Reserve indicates that in the early 1990s the top 1% of wealth holders in the US owned less than one-quarter of the nation's wealth, whereas this expanded to almost one-third in 2019, with much of the gains at the expense of the lowest wealth holders. In 2019 the bottom 50% of the US population accounted for less than 2% of the country's wealth.

Both of these trends in inequality have been important for the art market. The first has contributed to expanding its global diversity as new markets and buyers continue to emerge from a more diverse global base; and the second is driving the dominance of the top of the market as growth in HNW wealth has allowed more money to be allocated to purchases of art and antiques.

⁵⁸ According to data from the IMF, mainland China's GDP per capita in purchasing power parity dollars was just over \$17,025 in 2019 versus \$56,845 in the US and \$40,881 in the UK. However, they anticipate this will grow by 30% from 2019 to 2024, versus 6% and 5% respectively for the US and UK.



Figure 6.1 | The Distribution of World Wealth in 2019

© Arts Economics (2020) with data from Credit Suisse

6.2 | World Wealth

The world's wealth continued to grow in 2019, but at a relatively slow pace, with an advance of just 3% to \$360.6 trillion. This wealth is imbalanced between regions, with the US and Europe accounting for 57% of wealth but only 17% of the world's population.⁵⁹ It is also increasingly imbalanced within nations, as the rising gap between the rich and the poor has expanded.

The share of the world's population in the segment of wealth between \$10,000 and \$100,000 has grown the most over the decade (from 24% in 2010 to 33% in 2019), as emerging economies have become more prosperous and their middle classes have expanded. There have also been more moderate increases in those with wealth between \$100,000 and \$1 million (from 8% to 10% over the 10-year period).

In 2019, dollar millionaires represented the top 1% of wealth holders in the world (from 0.5% in 2010) and owned just under half (44%) of the world's wealth.⁶⁰ The wealth owned by this segment fell 3% year-on-year, easing inequality; however, it has expanded significantly in the recent past, increasing from just 34% in 2000. At the other end of the wealth spectrum, 57% of the world's population own just 2% of its wealth. While research on this bottom tier indicates great diversity in nationality, personal circumstances, habits, and ages, those in the top

tier tend to have much more in common, and are more geographically concentrated. They also have more in common in terms of lifestyles and consumption patterns around the world, tending to participate in the same luxury spending markets, including art and collectibles. This is borne out in several general studies of HNWIs by UBS, Credit Suisse, Wealth-X, and others, and also in the Arts Economics and UBS Investor Watch surveys of HNW collectors discussed later in this chapter. The preferences and channels for purchasing in high-end consumer and investment markets often have more in common with peers from this wealth band globally than with those in their region or demographic in different wealth bands.

The US has consistently had the largest share of millionaires for the last 20 years, maintaining a 40% share of the worldwide population in 2019

6.3 | Global Millionaires

The number of millionaires expanded only marginally in 2019, but the growth in their wealth significantly outpaced the population increase over the year. The total number of dollar millionaires worldwide reached just under 47 million, up 2% year-on-year and from a base of around 13.9 million in 2000. Although the rise of the millionaire classes is often discussed in the context of rising inequality, the main driver of their increasing number has been the increase in aggregate wealth across the board in all wealth segments of the population. However, as noted, millionaires do own a disproportionate amount of the world's wealth (44%), and this grew 12% to \$158.3 trillion year-on-year, more than doubling in value in 10 years.

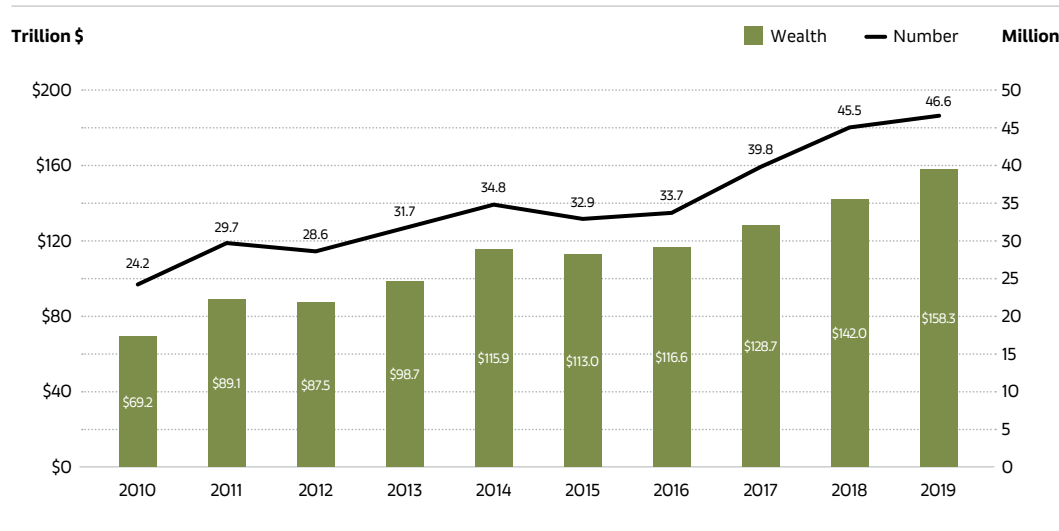
The US has consistently had the largest share of millionaires for the last 20 years, maintaining a 40% share of the worldwide population in 2019, with 18.6 million millionaires, almost 675,000 more than the previous year.

Almost 60% of the growth in the millionaire population in 2019 came from increasing numbers in the US, while several of the EU states experienced declines, including the UK, France, and Italy. Germany maintained positive growth (of 3%) with a 5% share of the global total, just fractionally lower than the UK.

⁵⁹ Data on world wealth is from Credit Suisse (2019) *Global Wealth Databook 2019* and previous editions, available at credit-suisse.com.

⁶⁰ The term 'dollar millionaires' is used here to refer to the millionaire segment as set out in Credit Suisse's *Global Wealth Databooks*, dating from 2010 to 2019, which identify 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 to be considered when defining a millionaire.

Figure 6.2 | Number and Wealth of Dollar Millionaires 2010–2019



© Arts Economics (2020) with data from Credit Suisse

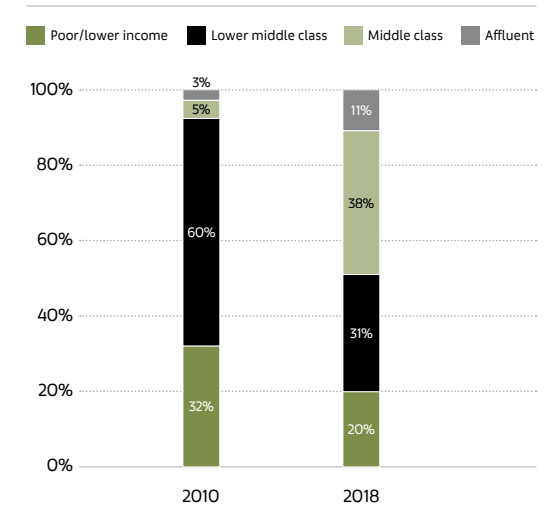
China (including mainland China, Hong Kong, and Taiwan) maintained the second largest population of millionaires worldwide, with a 12% share (5.5 million). China and other emerging economies have seen the fastest growth in millionaire populations since 2000, although from a much smaller base. China overtook Japan’s millionaire population in 2014, and had nearly

1.5 million more millionaires in 2019, having started with just 41,000 in 2000. China’s millionaire population grew just 3% year-on-year with the expansion driven by more millionaires in mainland China, which added 158,280, with those in Taiwan and Hong Kong both declining (by 6,542 and 11,897 respectively).

Although growth in aggregate wealth has been a key driver of the rising population of millionaires, in China a key factor has also been the change in the distribution of wealth. Alongside the growth in dollar millionaires, the pool of potential buyers for the art market at the upper levels of wealth more generally is expanding. While the middle class in China has shown the most expansion over time, the affluent segments, or upper end of the middle classes, have grown considerably, increasing in share from 3% of the population to 11% from 2010 to 2018, according to estimates from McKinsey.⁶¹ These primarily urban consumers have accounted for much of the continuing growth in GDP in China in the last five years, as well as one of the most significant portions of global consumption growth. McKinsey have suggested that by as early as 2021, China will have the most affluent households in the world. These new affluent consumers already have a strong presence in both local and global luxury markets, which indicates significant potential for their influence in the art market over the coming years.

Financial confidence is critical to expenditures and purchasing plans in the art market, often being more important than current levels of wealth. In their research, UBS reported that almost 80% of Chinese consumers felt that their financial situation would be better or much better over the next 12 months,

Figure 6.3 | Changing Income Distribution in China



© Arts Economics (2020) with data based on McKinsey estimates

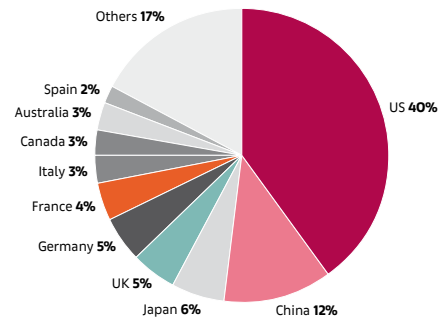
which again continues to signal positive prospects for future sales in the region should these consumers focus on art and collectibles.⁶²

Although it is not possible to estimate with precision exactly how many millionaires collect art and antiques, it is known that many do, and the total

61 The wealth segments of middle class and affluent are adapted from research by McKinsey, which segments the market into poor, low aspirant, aspirant, upper aspirant, mass affluent, affluent, and global affluent. Converting their RMB wealth bands to purchasing power parity dollars, the affluent described in Figure 6.3 would have incomes in excess of around \$45,000 using 2018 exchange rates or using purchasing power parity conversion factor would equate to those with incomes greater than \$160,000. See Ho, J. et al (2020) *China Consumer Report 2020*. McKinsey & Company.

62 UBS (2019) *UBS Evidence Lab Inside: European Luxury. Luxury at a Tipping Point*. Published September 17, 2019.

Figure 6.4 | Global Share of Dollar Millionaires in 2019



© Arts Economics (2020) with data from Credit Suisse

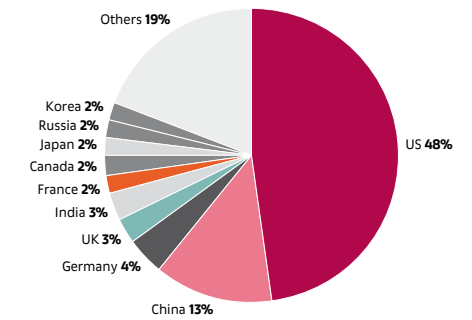
China maintained the second largest population of millionaires worldwide, with a 12% share

measurable sales in the art market in 2019 were only on par with 0.05% of aggregate millionaire wealth. Looking ahead, Credit Suisse estimate that by 2024 the millionaire population will have reached 63 million, and if their wealth growth continues at the same average pace it has for the three years leading to 2019, this could reach as high as \$264 trillion.⁶³ This has significant implications for the continued advance in sales in the art market, if its supply can capture and maintain the focus of this rapidly expanding segment. The three main countries expected to drive growth in the number of millionaires to 2024 are the US (adding an estimated 4.3 million more in five years), China (2.8 million) and Japan (2.1 million). However, in terms of growth relative to its current base, the US is expected to show one of the lower rates, advancing 23% in the next five years, versus over 50% growth in China and 35% in Europe as a whole.

Most millionaires fall into the segment of wealth between \$1 million and \$5 million. In 2019, this bracket accounted for 88% of the world's millionaire population. However, there is a smaller segment of HNW individuals with wealth over \$50 million. These ultra-HNWs are critically important for art and luxury markets, and they have experienced even more rapid growth in their population in recent

⁶³ Forecasts from Credit Suisse (2019) *Global Wealth Report 2019*.

Figure 6.5 | Global Share of Millionaires with Wealth in Excess of \$50 Million in 2019



© Arts Economics (2020) with data from Credit Suisse

Total sales in the art market in 2019 were only on par with 0.05% of aggregate millionaire wealth

years, driven by the expansion of absolute levels of wealth at the top of the wealth pyramid in emergent and developed economies.

In 2019, there were an estimated 167,349 ultra-HNWs, up 4% year-on-year. The US dominates even more in this segment with a share of 48% of the global population, stable year-on-year. The US added an estimated 4,197 wealth holders to the segment in 2019, which accounted for over 60% of the total global increase. China also added 681 to the global total, a modest expansion of 3% year-on-year, but is expected to have a faster rate of growth in the future than the US and other mature markets. Some of the largest growth in this segment in the coming years relative to their current base is expected to be seen in China (with a 52% increase expected from 2019 to 2024), India (56% over the same period) and Japan (70%), while the US and UK are expected to increase by 38% each.

By 2024, estimates are that HNWs with wealth over \$50 million will have expanded even more than the millionaire segment, growing 39% to reach 233,030, with most of the additions from the US (30,465) and China (11,831).⁶⁴

⁶⁴ Estimates based on raw data published by Credit Suisse and released at the end of December 2019.



6.4 | Billionaires

At the very top of the HNW segment, the world's billionaires also have an important impact on the size and distribution of the art market, and they have grown significantly and diversified geographically over time.

A key source for data on billionaires is the *Forbes Billionaire List*, which has recorded the number and wealth of the world's richest segment annually since 1987. That year the list totaled 139 billionaires, including 49 from the US, but that number has increased rapidly, as wealth and inflation have expanded over time. After reaching its highest ever level of 2,208 in 2018, the number of billionaires worldwide fell slightly (by 2%) in 2019 to 2,153, with 247 dropping out of the list, the largest decline since the global financial crisis in 2009. The most significant declines in numbers were in China (down 49 billionaires), the Middle East, and Africa. Over the longer term, the number of billionaires has risen by over six times in size since 2000 and the number of countries represented has increased from 43 to 72.

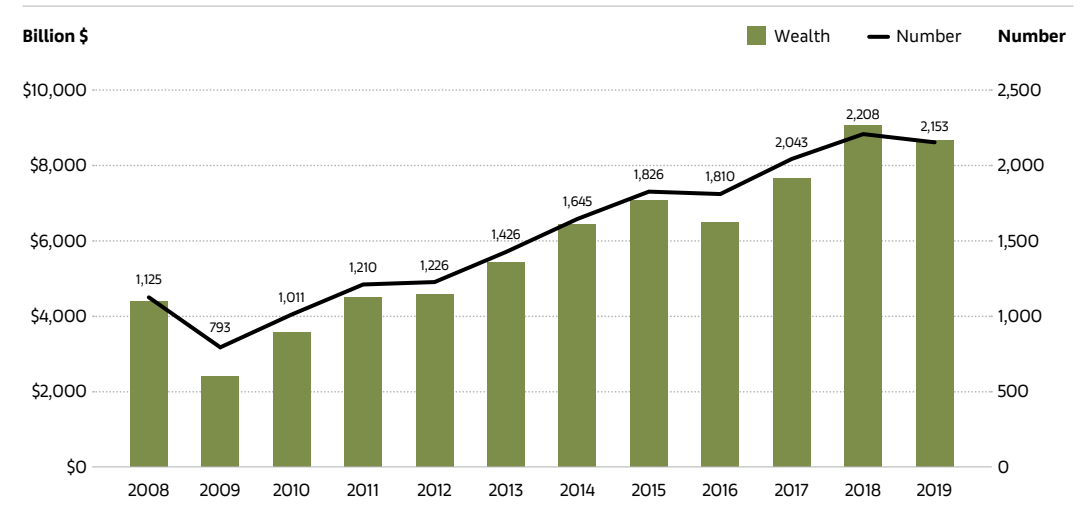
Billionaire wealth also declined by close to \$400 billion or 4%, falling from \$9.1 trillion to \$8.7 trillion, the second year of declines in a decade (having also fallen by 8% in 2016). The list from *Forbes* is published in March each year, therefore in reality it reflects more on the previous year. Later in 2019, there may have

been advances in the wealth of billionaires, with real-time individual estimates of wealth from *Forbes* from the top 100 ranked billionaires alone indicating a rise in their wealth of 14% from when the list was published in March 2019 to the end of January 2020. Considering the progress over a decade, wealth has expanded by 143% and has more than doubled since 2009, when it fell 45% year-on-year in the grip of the global financial crisis to \$2.4 trillion.

As has been the case in every year since the creation of the index, the US had the most billionaires in 2019 (at 607), bucking the declining trend by increasing in number 4% year-on-year. US billionaires accounted for 28% of the global population of billionaires and 36% of their wealth, estimated at \$3.1 trillion. Although they have always had the highest share of wealth, this has varied over time, from just under 30% in 1996 to a high of 45% in 2005.

China (including mainland China, Hong Kong, Macau, and Taiwan) had 436 billionaires in 2019, declining by 8% year-on-year, but still accounting for a 20% share of the global population and 16% of their wealth. The wealth of Chinese billionaires expanded rapidly from 2003 up to 2018, but against a tougher economic backdrop leading to more difficult conditions for some of China's business leaders, wealth at this very top segment declined by 10% to just under \$1.4 trillion in 2019. Asia as a whole, including China, accounted

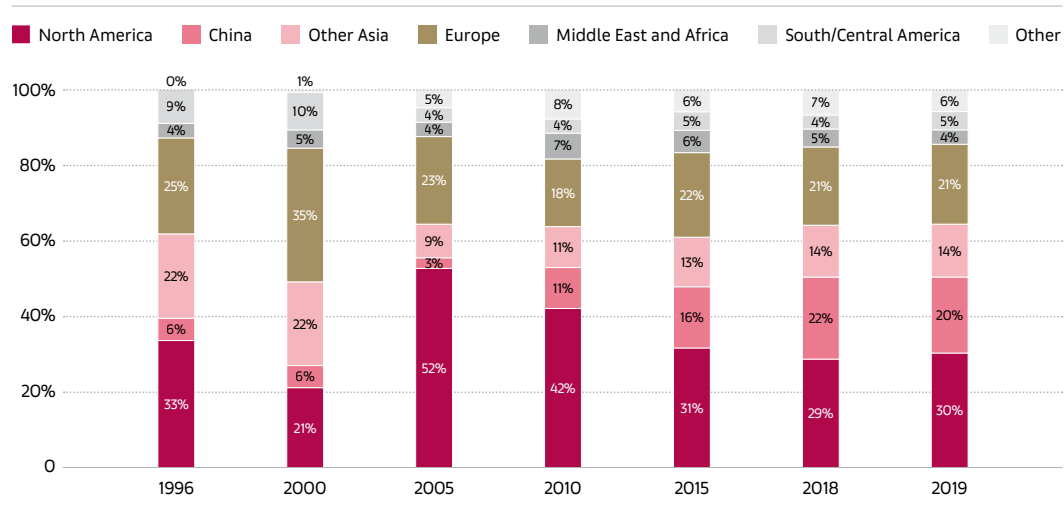
Figure 6.6 | Number and Wealth of Global Billionaires: 2008–2019



© Arts Economics (2020) with data from *Forbes*

The number of billionaires has risen by over six times in size since 2000 and the number of countries represented has increased from 43 to 72

Figure 6.7 | Global Distribution of Billionaire Population: 1996–2019 Selected Years



© Arts Economics (2020) with data from Forbes

for 34% of the billionaire population and 28% of their wealth. It is interesting to note that looking back to 1987, Asia accounted for 30% of the world's billionaire population, with Japan dominating at 17%. With the recession in Japan in the 1990s and only nascent growth in wealth in emerging Asian economies, this share had fallen to 12% by 2005. Since then, it has expanded again, driven by growth in China's HNW

segment, with Chinese billionaires accounting for 60% of the total population in Asia in 2019 and just under 70% of their wealth.

Europe, including the EU, Norway, and Switzerland, had a share of 20% of the population of billionaires in 2019 and 21% of their wealth, both relatively stable year-on-year. While the share of billionaires has not

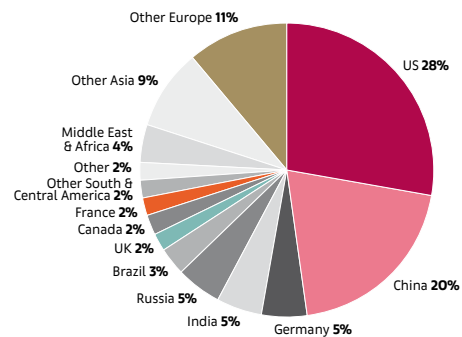
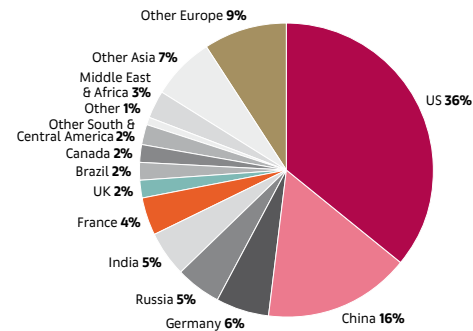
changed significantly in Europe in the last 10 years, it has fallen from 35% in 2000. Germany maintained the largest population of billionaires in 2019 (at 114, more than twice that of the UK), as well as the greatest share of billionaire wealth (\$501 billion versus \$330 billion in France and \$182 billion in the UK).

Although they have a relatively low share of the number of billionaires at 5%, the countries of South and Central America also had a better-than-average year, particularly in Brazil, with the number of billionaires in the region increasing by 13% to 104. Wealth in the region dropped slightly, however, as the advance in Brazil's billionaire wealth (of 2% to \$180 billion) was met with declines in Mexico (where wealth fell 6% to \$132 billion).

Although growth estimates vary between sources, if the future growth of the billionaire population is based on the average rate of growth in the last 10 years, the billionaire population could reach over 3,300 by 2024 and will have surpassed 5,000 within a decade. Similarly, using the average annual growth rate of billionaire wealth over 10 years as a predictor of the rate going forward, this segment could amass \$15 trillion by 2024 and just under \$25 trillion by 2029. If we assume that billionaires account for between one-third and half of the value of the current art market expenditure (that is, spending just 0.3% of their net wealth on art and antiques) and that

this share is stable in the future, billionaires could increase their annual spending up to \$74 billion in 10 years. Even if all other spending remained stable, the art market could potentially expand to close to \$115 billion, or more than double its size, by 2029. However, along with the various assumptions regarding spending and billionaire wealth, the market would either need to be able to offer billionaires adequate new or secondary market supply to advance to this level of spending, or undergo a considerable inflation in prices for the current volume of sales to achieve this level. While scarcity in some sectors will undoubtedly continue to escalate prices, the ability of the trade to source supply and attract the focus of the world's wealthy on an expanded range of artists will put boundaries on how much of this growth is ultimately achievable.

While spending is also likely to continue to diversify geographically in the future, the US seems likely to retain its premier position for some time to come, as well as its lead in the art market, given this powerful base of HNW and upper middle class wealth alongside the physical, human, and regulatory infrastructures that have built its leadership thus far.

Figure 6.8 | Global Billionaires in 2019**a. Global Billionaire Population Distribution in 2019****b. Global Billionaire Wealth Distribution in 2019**

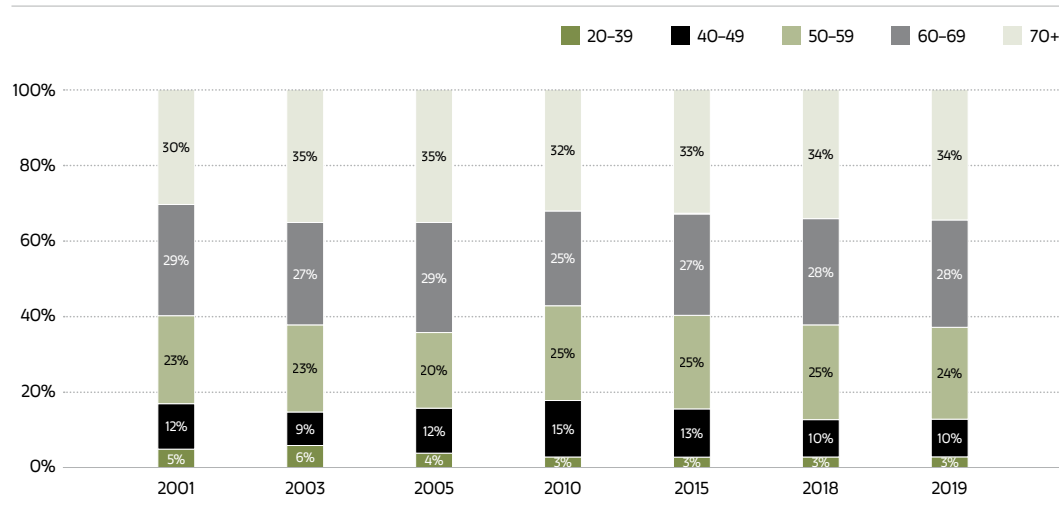
© Arts Economics (2020) with data from *Forbes*

While scarcity in some sectors will undoubtedly continue to escalate prices, the ability of the trade to source supply and attract the focus of the world's wealthy on an expanded range of artists will put boundaries on how much growth is ultimately achievable

In terms of their personal profiles, most billionaires are in an older age demographic, with 87% over 50, and a majority consistently over 60 years (62% in 2019). Although millennials have had a notable impact in various luxury markets and the art market, they are still a minority on the billionaires lists and have decreased in share over time despite the rises in general wealth. The millennial generation has faced some substantial challenges to wealth generation, including coming of age in the midst of the global financial crisis and the fallout this had on various economies and employment prospects around the world. Their position in the economic cycle combined with other pressures such as inflated house prices, technological change, and other factors have meant that many young professionals are doing less well and accumulating wealth more slowly than earlier generations, despite often having considerably higher education levels. This has very important implications for future art and luxury markets should they become out of reach for this generation of collectors.

One potentially important factor counterbalancing this to some degree for millennials is that in certain mature markets, such as the US, this generation is set to inherit a significant wave of wealth (and art) from their very wealthy Baby Boomer parents. Although born in the boom, Boomers themselves often had relatively few children (especially in China) and hence have much more concentrated wealth to support, and/or bequest to, their children. This may take many years to filter down to millennials as life expectancy and working lives extend, and is likely to be very unequally distributed (given the inequitable distribution of wealth inherent in the Boomer generation). This trend is also likely to increase the share of inherited wealth in the HNW segment in some countries and potentially increase inequality as more wealth shifts towards the wealthiest in society.

Figure 6.9 | Age of Global Billionaires Selected Years 2001–2019

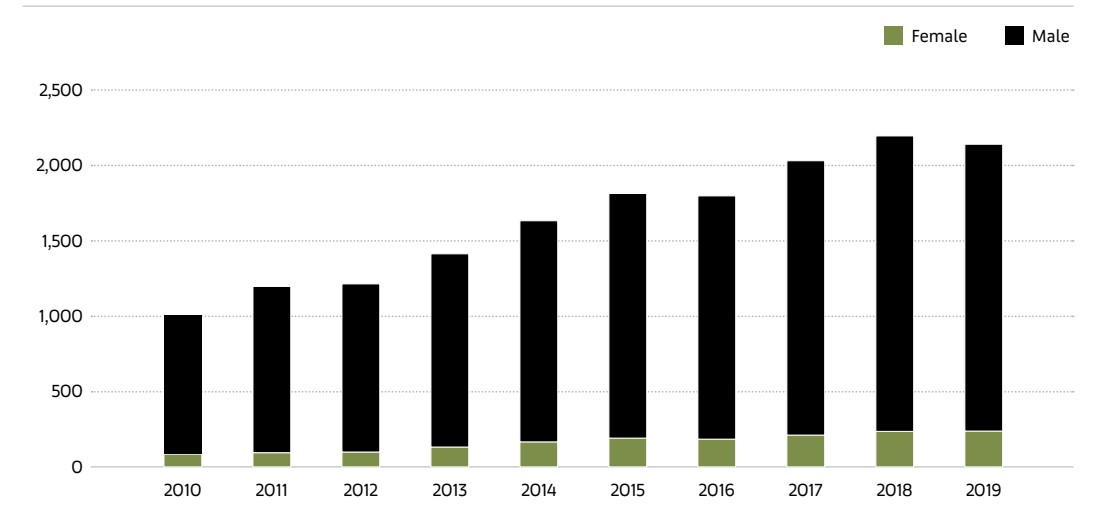


© Arts Economics (2020) with data from *Forbes*

Female billionaires are a minority. In 2019, there were around 244 women listed as billionaires (listed alone and not including those in couples) out of the 2,153, or 11% of the total. Their total wealth was estimated at \$912 billion, down 10% on 2018, but in line with the overall drop in aggregate wealth, leaving the share relatively unchanged at 11%. While this share has not

changed significantly over 10 years (from a low point of just 8% in 2011), from their lower base, the number of women who are billionaires has been growing at a faster rate than men. In 2019, UBS and PWC noted what they termed an ‘Athena Factor’ where the number of female billionaires was growing at a higher factor than men from 1995 to 2015 and that this had

Figure 6.10 | Gender of Global Billionaires 2010–2019



© Arts Economics (2020) with data from *Forbes*

continued through 2018, with their estimated growth rates from 2013 to 2018 for women at 46% versus 39% for men.⁶⁵

Figure 6.10 similarly shows that over the 10-year period, although from a markedly lower base in 2010, the number of female billionaires has grown by 168% versus 108% for men. Also, from 2018 to 2019,

the number of male billionaires declined by 3% while women rose fractionally (1%). If those trends continue, the gap may narrow, although given such a low base, this would not be expected to correct the imbalance anywhere in the near future *ceteris paribus*.

⁶⁵ UBS and PWC (2019) *The Billionaire Effect: Billionaire Insights 2019*. This report derives its research from a slightly smaller database of 2,101 billionaires listed at the end of 2018, among them 233 women. It is worth noting that the number of billionaires on the *Forbes* lists also fluctuate in real time during a given year as the net worth of various individuals listed changes.



6.5 | Art Collector Survey

Although art collectors include individuals from a variety of different backgrounds and wealth segments, the behaviors and preferences of HNWI collectors are crucial in shaping some of the key trends in the current art and antiques market. Arts Economics has worked with UBS Investor Watch for the past three years in surveying distinct, regional samples of HNWIs to gain insights into their motivations and methods of interacting in the art market.

In 2016 and 2017, the research focused exclusively on the largest art market, surveying US-based HNWI collectors, and this was expanded in 2018 to investigate other regions, including the UK, Germany, Japan, Singapore, and Hong Kong.

In 2019, the research expanded further, covering both mature Western markets and important Asian centers of wealth and art buying. In the largest geographical coverage to date, the countries and territories included in the study in 2019 were:

- US
- UK
- Germany
- France
- Hong Kong
- Taiwan
- Singapore

The US remains the core center of both wealth and art sales in the world by a considerable margin, and the spending patterns of US collectors have a significant influence on global trends. The UK, France, and Germany represent both the largest centers of HNWI wealth in Europe and also three of the largest and most established art markets. The UK is by far the largest art market, with a considerable margin from France in second place. Germany has a smaller market but has a large number of significant and active collectors who buy locally, as well as in the UK and other international hubs. Germany also has the largest base of HNWI wealth of the three European nations.

Singapore, Taiwan, and Hong Kong are correspondingly some of the key centers of wealth in Asia, with rapidly growing millionaire populations. These three regions have among the highest average incomes in the world, as well as a high proportion of HNWIs, making them a key focus of marketing efforts for many businesses in the art market.⁶⁶ Singapore has the highest per capita income with the highest rank for wealth per adult in Asia. However, both Taiwan and Hong Kong have a higher number of millionaires and billionaires.

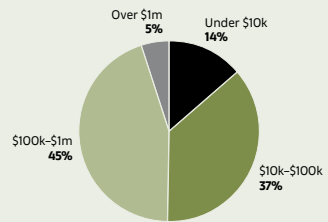
⁶⁶ In 2019, according to data from the IMF, Singapore's GDP capita in purchasing power parity dollars was \$90,080, while Hong Kong's was just ahead of the US at \$56,684. Taiwan was ahead of France, the UK, and Germany at \$48,085.

Figure 6.11 | Survey Market Summaries

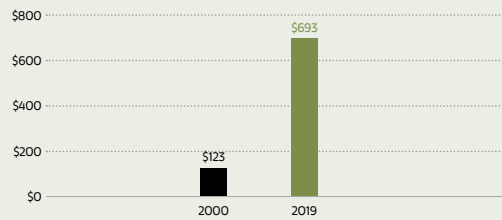
I. Singapore

- Number of adults with >\$50m (2019): 960
- *Forbes* billionaires (2019): 22 (+0%) / \$71.3 billion (+10.5%)
- Share of global top 1% wealth (2019): 0.4%

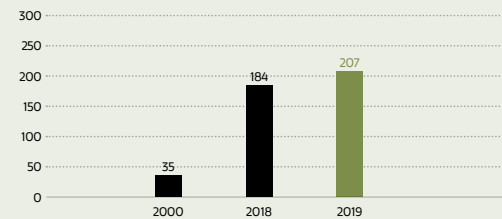
Distribution of Wealth (% Adults)



Millionaire Wealth (\$ bn)



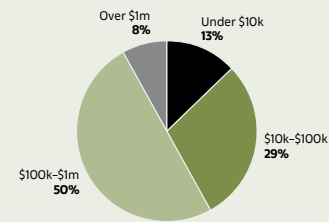
Millionaires (thousand)



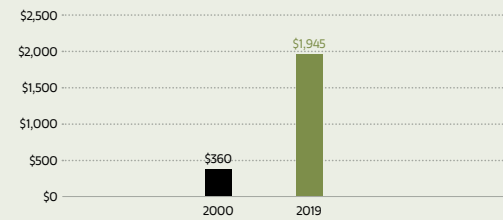
II. Hong Kong

- Number of adults with >\$50m (2019): 2,950
- *Forbes* billionaires (2019): 71 (+6.0%) / \$319.8 billion (-4.5%)
- Share of global top 1% wealth (2019): 1.1%

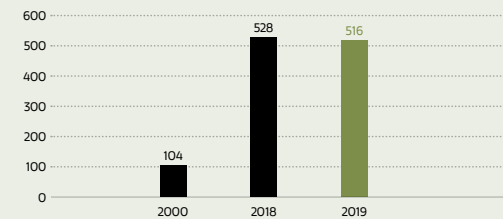
Distribution of Wealth (% Adults)



Millionaire Wealth (\$ bn)



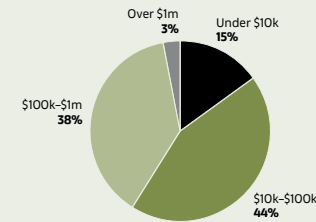
Millionaires (thousand)



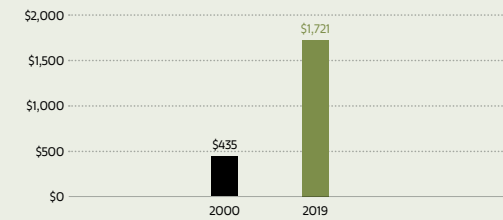
III. Taiwan

- Number of adults with >\$50m (2019): 2,138
- *Forbes* billionaires (2019): 40 (+12.5%) / \$85.5 billion (+1.3%)
- Share of global top 1% wealth (2019): 1.1%

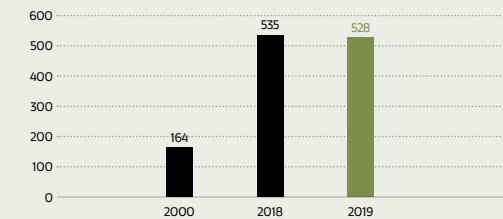
Distribution of Wealth (% Adults)



Millionaire Wealth (\$ bn)



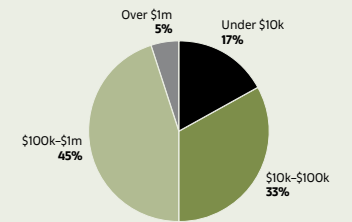
Millionaires (thousand)



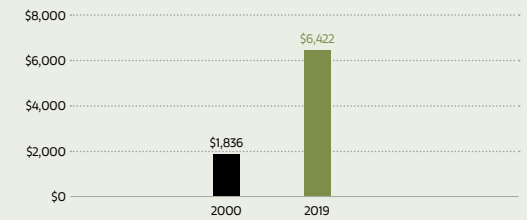
IV. United Kingdom

- Number of adults with >\$50m (2019): 4,527
- *Forbes* billionaires (2019): 54 (+0%) / \$182.0 billion (-10.3%)
- Share of global top 1% wealth (2019): 5.4%

Distribution of Wealth (% Adults)



Millionaire Wealth (\$ bn)



Millionaires (thousand)

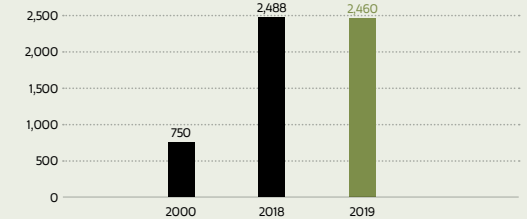
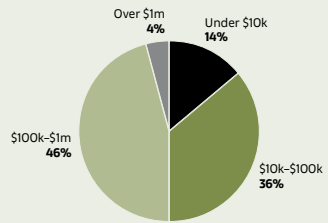


Figure 6.11 | Survey Market Summaries (continued)

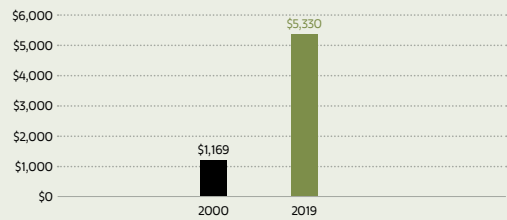
V. France

- Number of adults with >\$50m (2019): 3,615
- *Forbes* billionaires (2019): 41 (+2.5%) / \$329.9 billion (+3.0%)
- Share of global top 1% wealth (2019): 4.5%

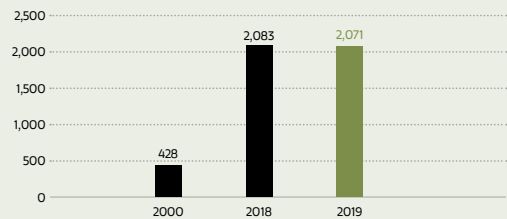
Distribution of Wealth (% Adults)



Millionaire Wealth (\$ bn)



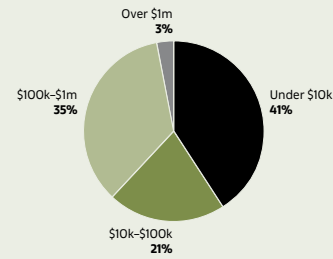
Millionaires (thousand)



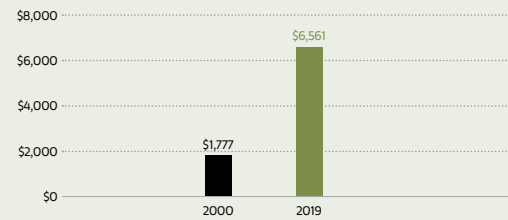
VI. Germany

- Number of adults with >\$50m (2019): 6,571
- *Forbes* billionaires (2019): 114 (-7.3%) / \$500.9 billion (-13.4%)
- Share of global top 1% wealth (2019): 4.7%

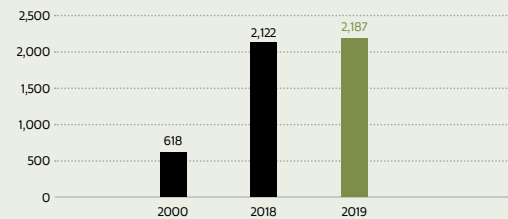
Distribution of Wealth (% Adults)



Millionaire Wealth (\$ bn)



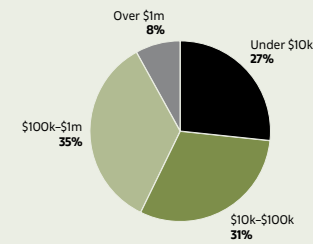
Millionaires (thousand)



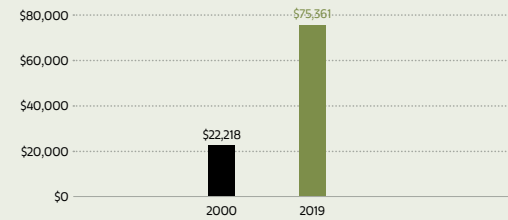
VII. US

- Number of adults with >\$50m (2019): 79,200
- *Forbes* billionaires (2019): 607 (+3.8%) / \$3,111.0 billion (-0.5%)
- Share of global top 1% wealth (2019): 5.4%

Distribution of Wealth (% Adults)



Millionaire Wealth (\$ bn)



Millionaires (thousand)

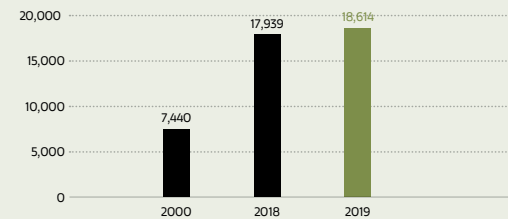
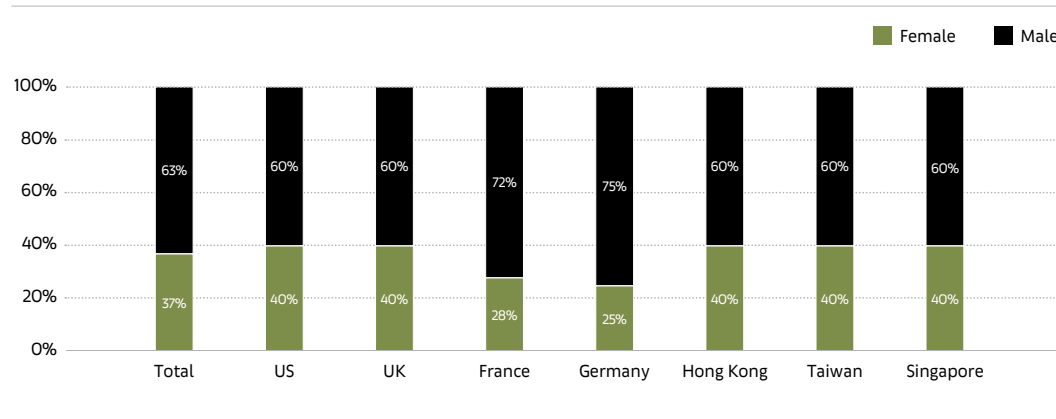


Figure 6.12 | Gender Breakdown of HNW Collectors by Market



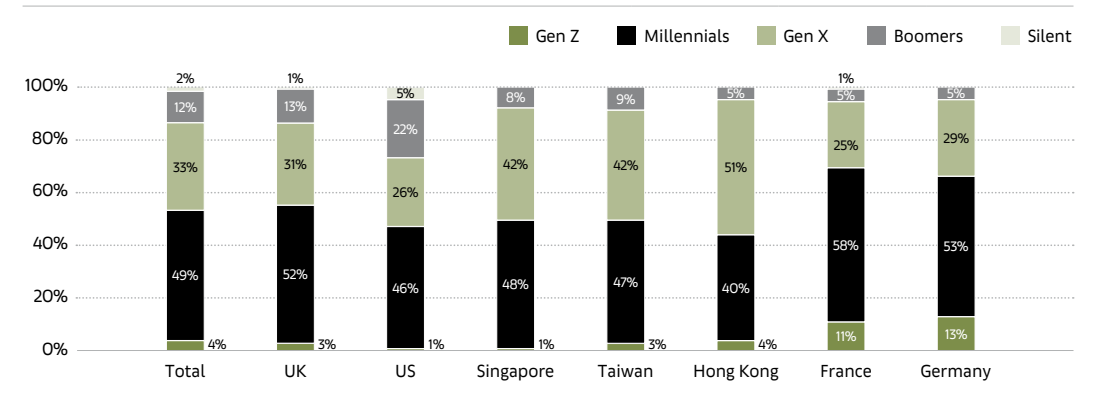
© Arts Economics (2020)

Each market gives an interesting, different context to enable comparisons of HNW collector behavior. The inclusion of seven markets provides a robust and sizeable global sample, as well as offering significant regional diversity to help assess if differences between regions dominate or if collector preferences and behaviors are defined more by features related to demography, wealth, and other characteristics.

For inclusion in the survey, respondents were screened according to their level of wealth as well as their spending in art and collectibles markets over two

years (from December 2017 through December 2019). To be included, respondents were required to have a current net worth in excess of \$1 million, excluding real estate and private business assets. To ensure they were active collectors, they were also screened out if they had not purchased fine art, decorative art, or antiques in the last two years. An added criterion in 2019 was that respondents had to have spent more than \$10,000 on art and collectibles in this period, which screened out even more occasional or low-value purchasers.

Figure 6.13 | Age Breakdown of HNW Collectors by Market



© Arts Economics (2020)

The screening process continued until there was a minimum of 150 completed responses from suitably qualified respondents for each market, and a minimum of 400 for the larger US market.⁶⁷

The gender breakdown of collectors was 63% male and 37% female – relatively similar to the breakdown of gender in the surveys carried out in 2018 (where female collectors were 33% of the sample). This share was similar across regions, apart from France and Germany, where women had slightly lower participation rates (at 28% and 25% respectively).

While women represented a minority in all countries, the share of female collectors increased at the top end of the wealth spectrum. Men represented 67% of respondents with wealth in the \$1 million to \$5 million range, but for those with wealth in excess of \$20 million this share fell to 53%, and for ultra-HNWIs with wealth over \$50 million, men and women were roughly equal. Although they were smaller in number, the impact of women on spending in the market was significant, with a substantially higher mean and median expenditure level from 2017 to 2019.

⁶⁷ The previous surveys were carried out without the minimum spending criterion, and in different regions and with some different sampling methods. The results are therefore not directly comparable in a like-for-like manner, but are still interesting points of comparison over time and have been quoted as a point of reference.

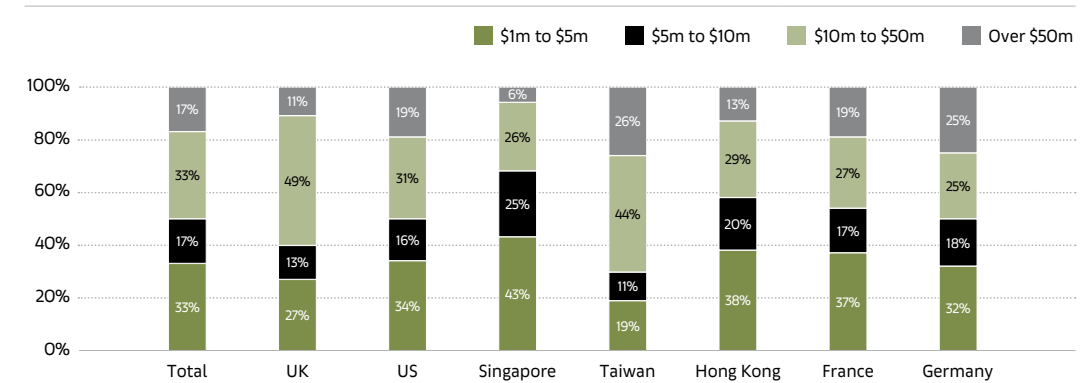
Younger collectors were strongly represented in the survey, with millennials (aged 23–38 years) making up just under half of the total respondents across all countries, and a majority of respondents in Europe. Gen X collectors (aged 39–54 years) were the next largest group and represented the highest share of respondents in Asia. This is a younger profile than previous surveys,⁶⁸ which may in part be due to different regional coverage, but is also influenced by the added minimum spending criteria in 2019, with millennials shown in the survey to be higher spenders in many regions in both 2018 and 2019. The age profile of respondents also remains highly reflective of the breakdown of activity in the market, where again millennials were the most active participants across all channels in all of the countries studied.

It is interesting to note also that the share of female collectors is higher in the millennial segment (43% on aggregate). This demographic segment of the market is already a key focus for other luxury sectors, with female millennial HNWI's having been identified as key in driving expenditure, particularly in China, which is currently estimated to account for at least one-third of luxury consumer spending.⁶⁹

All respondents had personal wealth in excess of \$1 million, but the introduction of the spending criteria meant that there was a higher proportion of collectors at the higher end of the wealth spectrum

than previous surveys. When asked what their total household investable assets were, one-third of respondents reported that these were between \$1 million and \$5 million (versus 75% in 2018), while 50% reported wealth in excess of \$10 million, including 17% in the ultra-HNW category of over \$50 million. The highest share of collectors in the ultra-HNW category was in Taiwan, which also had the highest share by a significant margin of all countries reporting in the \$10 million plus segment. The high level of wealth and active participation of Taiwanese collectors in local and international markets has already garnered much interest from the art trade, and it has been recognized as a key base of collecting in Asia, with new fairs opening there in the last year, including Taipei Dangdai in 2019, and some top-tier galleries using it as an expansion point into Asia.

Figure 6.14 | Wealth of HNW Collectors by Market



© Arts Economics (2020)

The highest share of collectors in the ultra-HNW category was in Taiwan, which also had the highest share by a significant margin of all markets in the \$10 million plus segment

⁶⁸ Millennial collectors made up 34% of the respondents across the five countries surveyed in 2018, with Gen X at 38% and Boomers at 25%.

⁶⁹ Bain and Company reported that China's luxury market had grown 20% over 2018, with growth 'driven by millennials and women'. See Lannes, B. (2019) *What's Powering China's Market for Luxury Goods?* March 2019, Bain & Company.

6.6 | Purchasing and Preferences of HNW Collectors

From eight different categories of art and collectibles, jewelry, gems, and watches were the most popular purchases across all collectors in the last two years, with 79% of the sample having purchased from this segment between 2017 and 2019.⁷⁰ This held across all of the national markets, with the exception of Hong Kong and Taiwan, where decorative art ranked as high or higher, with 89% of collectors from Hong Kong having purchased decorative works in the last two years.

Fine art was the second highest ranking overall at 76% across all countries (versus 53% in the surveys in 2018). The highest share of collectors who had purchased fine art over the last two years was in Singapore (83%), but all countries averaged 73% or more, showing a broad and dominant interest in this market across the collector base globally. Considering the three main generational segments, millennial collectors were the most likely overall to have purchased fine art (79% across all countries), with a higher than average share of 82% in the US.

Antiques had also been purchased by a majority of collectors (60% of those surveyed, up from 42% in 2018), with the highest share internationally in the UK at 66%. Collectors from the US were also above average with a share of 62% versus just 19% reported from the survey of US HNW collectors in 2017 (without a minimum spending criteria). While this

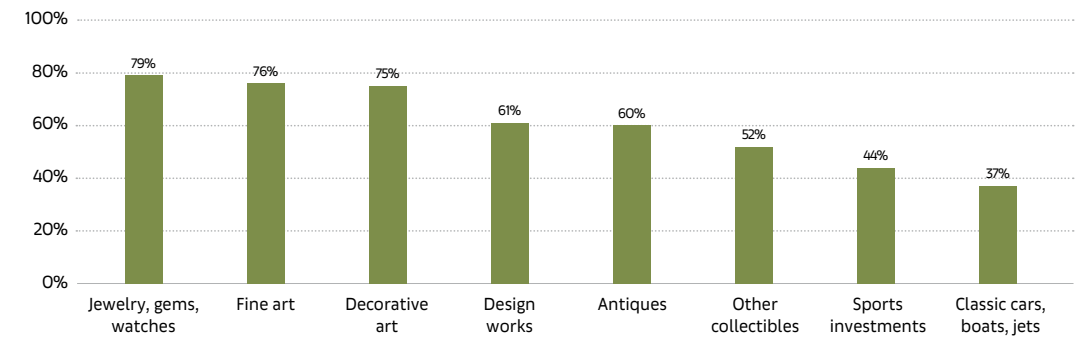
may indicate some resurgence of interest in antiques, it is also likely related to the fact that the current sample contains a greater number of wealthier collectors and higher spenders, who are more likely to cross-collect.

Buyers from the millennial generation were the most active buyers across all of the three key art and antiques segments, with a majority having purchased works of art or objects from all of these segments in the last two years.⁷¹ As in 2018, millennial collectors were the most active buyers of antiques, which is interesting given that this sector has often been seen as traditionally catering to older tastes.

As in 2018, the results across all countries indicate that millennial collectors' activity levels in different segments of art and collectibles often have more in common with each other globally than they do with collectors within their own region from a different generation, and this was particularly the case for fine art.

The average number of works purchased by HNW collectors over the last two years was 18, with the highest numbers in France and Germany.⁷² This was twice the average in the previous survey in 2018, but was influenced by a small number of higher volume spenders with a median of six works over two years.

Figure 6.15 | Share of Respondents Having Purchased Art, Collectibles, and Luxury Assets from 2017–2019



© Arts Economics (2020)

HNW millennial collectors purchased the most and also spent the most in the sample, averaging total expenditure of \$3 million over two years, more than six times the spending of Boomers. Over one-third of millennials (38%) had spent more than \$1 million over the period versus 21% of Gen X collectors and 6% of Boomers.

Female HNW collectors also had a higher average level of spending than men (\$2.7 million versus just under \$2 million), and 34% of women had spent

over \$1 million in the last two years (versus 25% of men), with a substantial 16% having spent over \$10 million.

Unsurprisingly, spending levels were also positively correlated with wealth, with the average spending of those collectors with wealth of \$5 million or more around five times that of those with less than \$5 million.

⁷⁰ The categories were: design works (20th or 21st century furniture, lighting, mirrors, objects); jewelry, gems, watches; decorative art (ceramics, glass, silver, textiles); fine art (paintings, prints, sculptures, works on paper); antiques (furniture and other objects over 100 years old); sports investments (e.g. horses, football teams); classic cars, boats, jets; and other collectibles (e.g. coins, wine, memorabilia). Respondents were only included in the survey if they collected fine art, decorative art, and/or antiques.

⁷¹ Gen Z collectors had lower participation rates than millennial collectors in all three segments, however, in fine art, collectors from the Silent generation were higher at 88%. This was based on a significantly smaller sample (less than 2% of the total sample).

⁷² One outlier variable was removed when estimating the overall average (a collector reporting purchasing more than 1,000 items).

Figure 6.16 | Share of Respondents Purchasing Art and Antiques from 2017–2019

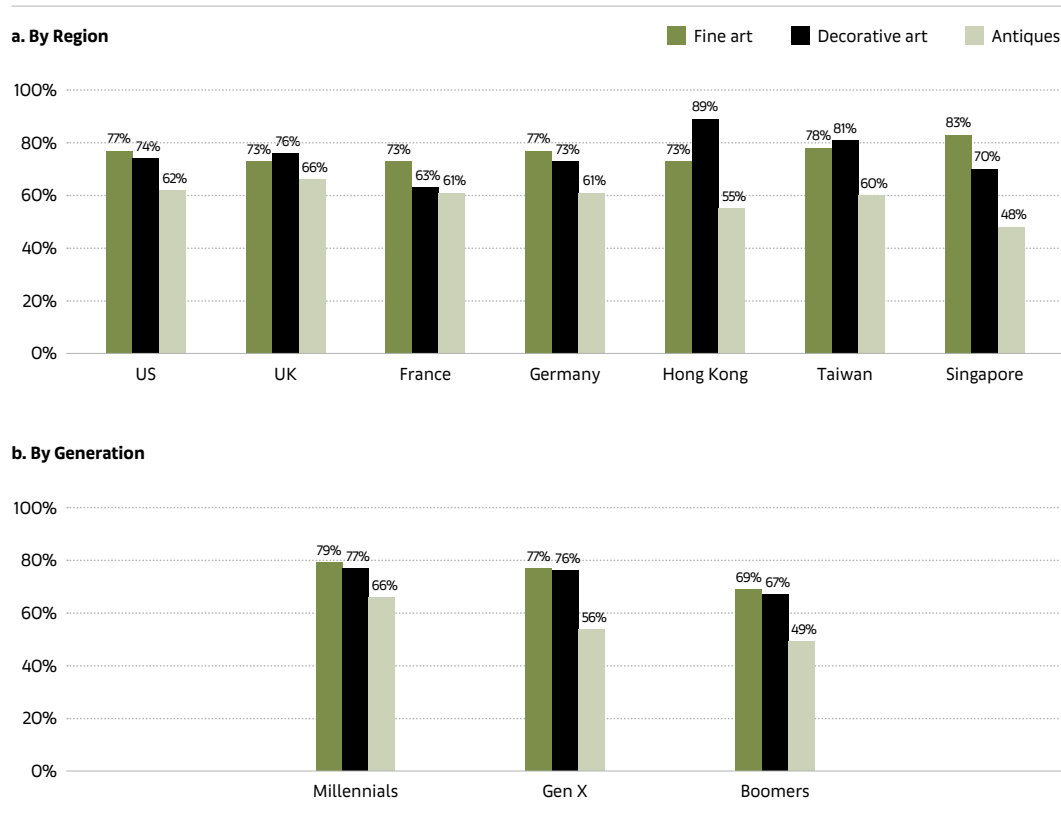


Figure 6.17 | Total Value and Volume of Purchases 2017–2019

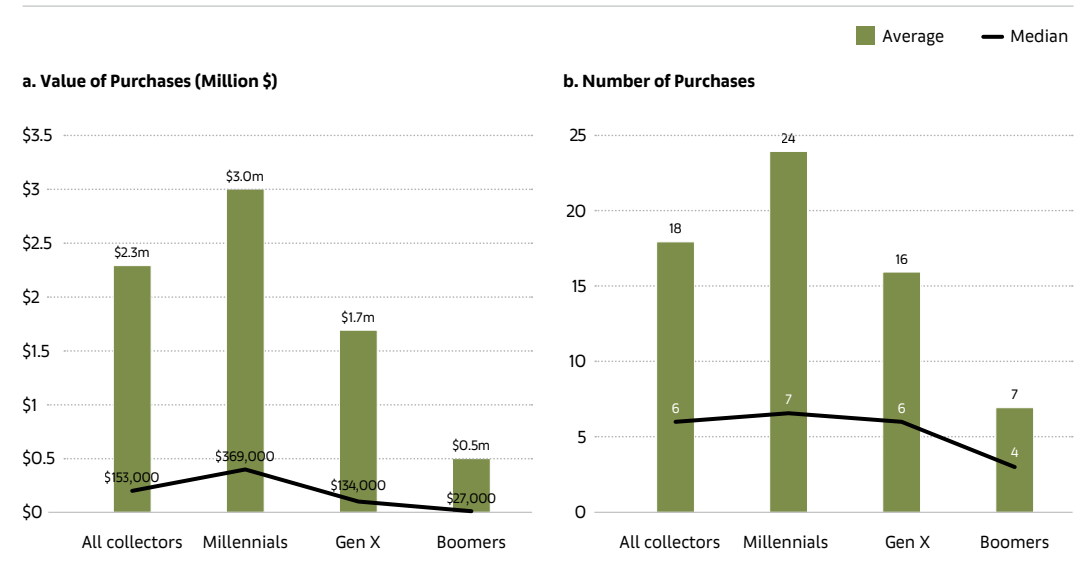
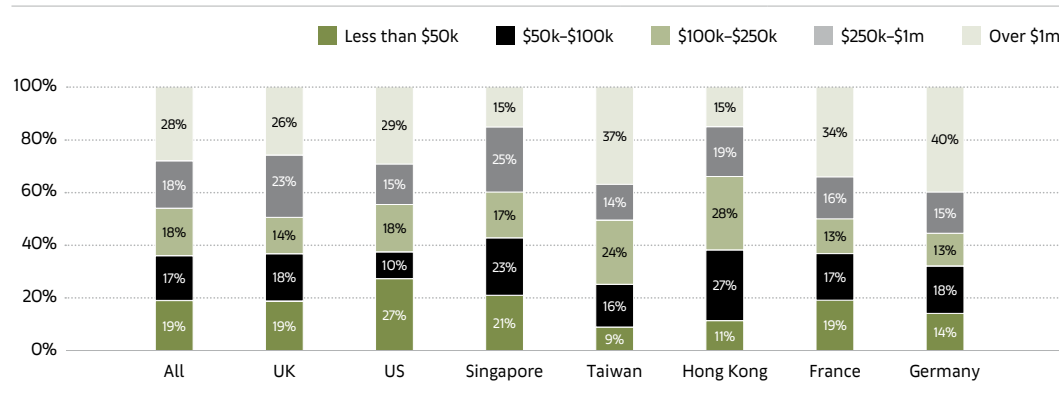


Figure 6.18 | Share of the Value of Total Expenditure 2017–2019



© Arts Economics (2020)

Regionally, the highest average levels of spending over the two-year period were in Germany, a key center of wealth in Europe, and Taiwan, where wealthy collectors were having a substantial impact on sales both locally and overseas. In all countries, a majority of the collectors surveyed had spent \$100,000 or more (from the lowest share of 57% in Singapore to 75% in Taiwan), indicating the highly active participation in the market by these HNW and ultra-HNW individuals in the last two years.

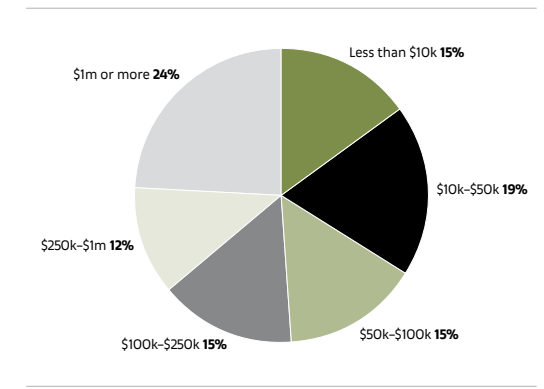
When asked in what price range they most often purchased works of art and objects, responses varied; however, the largest overall share (24%) was at prices in excess of \$1 million. Price ranges were proportional to the respondent's wealth, with a much greater share of those spending at over \$1 million at higher wealth levels. Only 15% of the sample reported that they typically bought works for less than \$10,000, which had previously been the largest share by far in the surveys in 2018 (at 43%).

There were regional differences, with a higher than average share of frequent \$1 million-plus spenders in the mature art markets (35% in Germany and 29% in both France and the US) versus a lower proportion in Singapore (10%) and Hong Kong (11%), where spending in the segment from \$100,000 to \$1 million was considerably stronger.

When reporting on the highest price they had paid for a work of art in their collections, the highest averages were in Germany and Taiwan (both at close to \$2.8 million). Taiwan also had the highest share of collectors reporting spending in excess of \$10 million (at 17% versus the average of 12% across all countries and as low as 3% in Singapore). This backs more anecdotal evidence that Taiwanese collectors 'punch above their weight' when it comes to the art market, being relatively small in number compared to some of the more mature markets, but active at high levels in local and overseas markets.

Young collectors were also the most active at high price levels. Of those most commonly spending over \$1 million, 69% were millennial collectors (from 41% at this level in the 2018 surveys), ahead of Gen X collectors at 21%. The high share was driven both by their higher level of spending as a segment, and their dominance as a segment of respondents; however, the results were very consistent across countries. The

Figure 6.19 | Most Common Price Range for Purchasing Works of Art and Objects

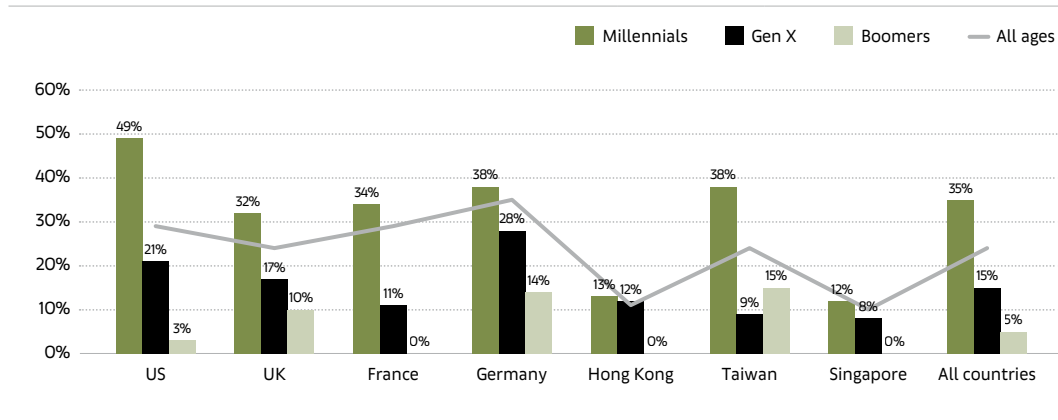


© Arts Economics (2020)

highest level was in the US, where nearly half of all millennial collectors reported the \$1 million range as their most frequent price point.

Millennials also reported the highest maximum price paid for an individual work in their collections of the three main age segments, with an average of \$2.9 million (versus \$1.7 million for Gen X and \$618,690 for Boomers).

Figure 6.20 | Share of HNW Collectors Most Commonly Purchasing at \$1 Million and Above

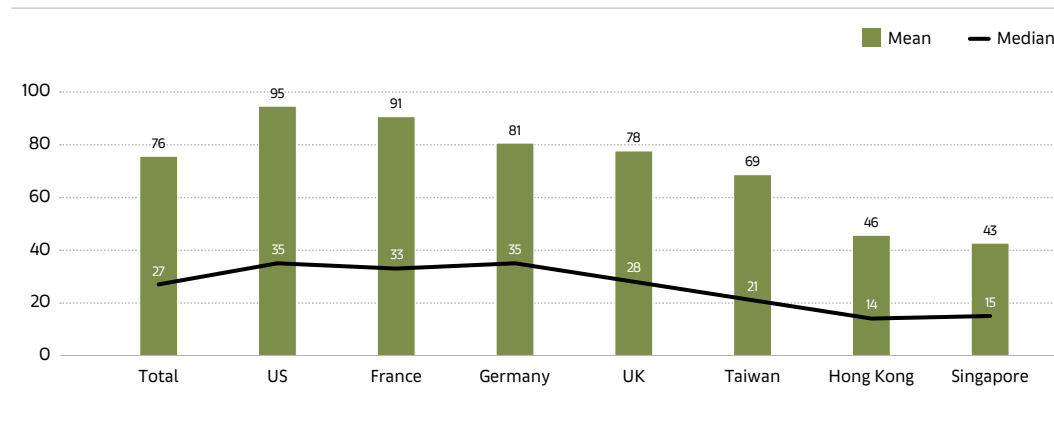


© Arts Economics (2020)

It was notable again that women were also better represented at these higher levels of expenditure. While men were a significantly larger share of those spending at price points of less than \$50,000, when this rose to a level of \$1 million or more, the

share of female collectors (31% of female respondents) dominated men (20%). The average maximum price women had paid for a work in their collection was also higher at \$2.7 million, versus \$1.9 million for men.



Figure 6.21 | Average and Median Collection Size by Market

© Arts Economics (2020)

6.7 | Art Collections of HNW Collectors

The majority of collectors (62%) across all of the markets surveyed had fewer than 50 works in their collection. The average number of works was 76 (with a median of 27), with larger collections tending to be in Western markets (from 78 in the UK to a high of 95 in the US), and smaller ones in Asia (43 in Singapore to 69 in Taiwan).

Just over one-quarter of all the HNW collectors surveyed had large collections with 100 works or

more. Women had larger collections than men on average with one-third exceeding 100 works (versus 21% of men). Collectors with higher levels of wealth tended to have built up more extensive collections. Those with wealth in excess of \$5 million had collections more than twice the size on average as those with less than \$5 million.

In terms of their content, collectors tended to own works by artists from a variety of regions, both local and foreign, with a slightly higher share of local artists

on average at 53%. Collectors from the major, longest established markets, such as the US and UK, had the highest share of local artists (59% and 57% respectively), while the collections of HNWI from Hong Kong and Singapore were the exception (as they had been in 2018), being dominated by works by foreign artists (with local artists accounting for 42% and 47% respectively). Consistent also with the results from 2018 was the fact that younger collectors tended to buy less locally than older collectors. Across all countries, the share of works by local versus foreign artists purchased by millennial collectors was roughly on par; however, foreign artists' works were a smaller share of the collections of Boomers (35%) and those from the Silent generation (29%).

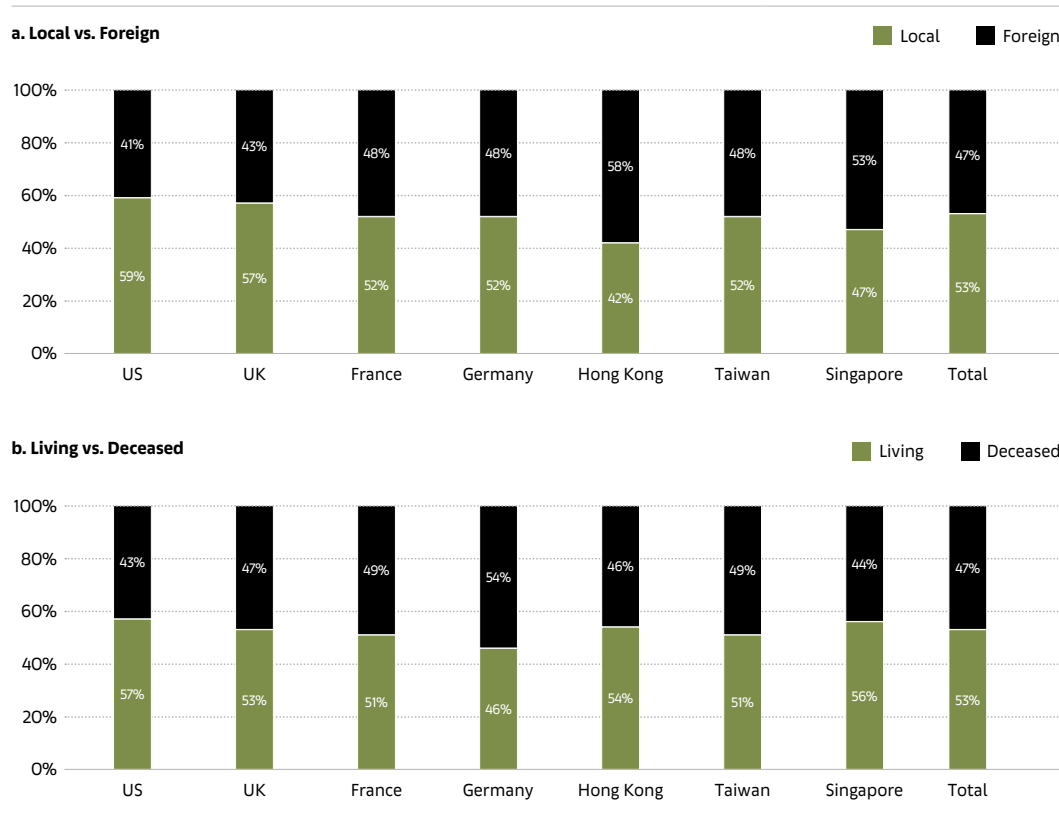
Collections were also balanced between works by living and deceased artists, with living, contemporary artists making up a majority of 53% across all countries (down from a reported 57% in 2018) and with the highest average in the US (57%). Germany was an exception, with a smaller share of living artists' works (46%), which is aligned with other findings of spending at higher price points by German collectors (which are generally more often in the secondary market, where deceased artists' works dominate). There were few significant differences by characteristics such as gender or wealth; however, as was the case in 2019, millennials had a slightly lower share of living artists' works than other

Collectors tended to own works from artists by a variety of regions, both local and foreign, with a slightly higher share of local artists at 53%

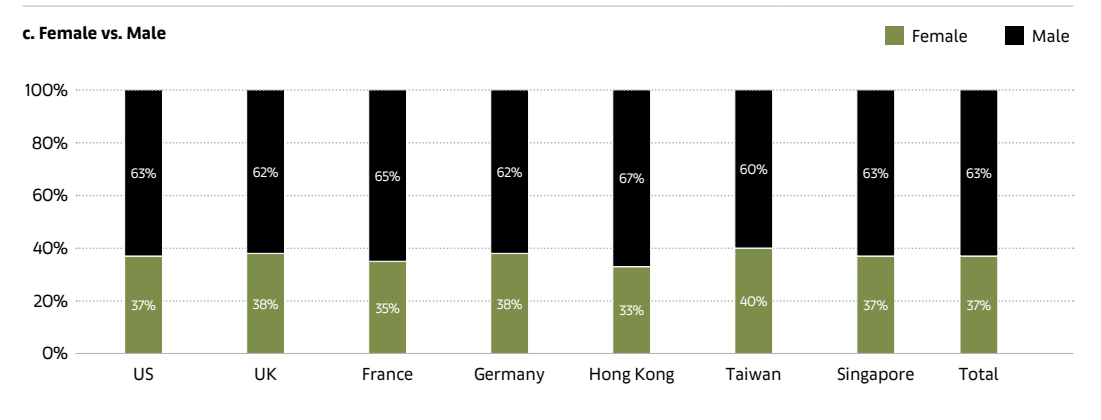
age groups (for example Boomers at 60%), although they were still a majority at 52%.

Collections across the board tended to be dominated by the work of male artists, with an average share of works by female artists of 37%, up from 33% in 2018, but representing a consistent minority share in each market – regardless of the gender of the collector. The share of works by female artists was slightly greater for female collectors than male collectors overall (40% versus 35%). In most of the individual countries, however, the differences were relatively small. The share of works by female artists in female HNWI collections ranged from a low of 29% female works in the US to 40% in the UK, while for male collectors this ranged from 29% to 36%.

Figure 6.22 | Collection Content: Share of Works Purchased by Artists' Characteristics



© Arts Economics (2020)



© Arts Economics (2020)

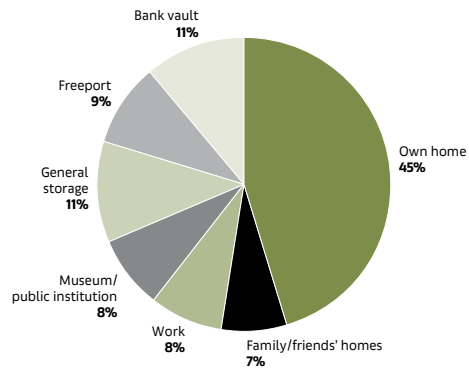
In previous surveys, millennial collectors had a slightly greater share of female artists in their collections than older generations (at 47% in 2018), however, this was less pronounced in this sample at 39%, just 2% above the average but 7% above the average for Boomers.

Given the high average collection size and significant share of collections containing more than 100 works, storage has become an important issue for collectors. Of the collectors surveyed, 86% stated that storage

costs and where to keep works of art were important considerations when purchasing works of art, with 64% considering them very or extremely important. Collectors were asked where they held, exhibited, and stored works from their collection. Just over half (52%) had works stored or displayed at their own homes or those of family and friends, and a further 8% at their office or place of work.

On average 8% of their collections (six works based on the average above) were held at museums or public

Figure 6.23 | Storage and Exhibition Location of Collections



© Arts Economics (2020)

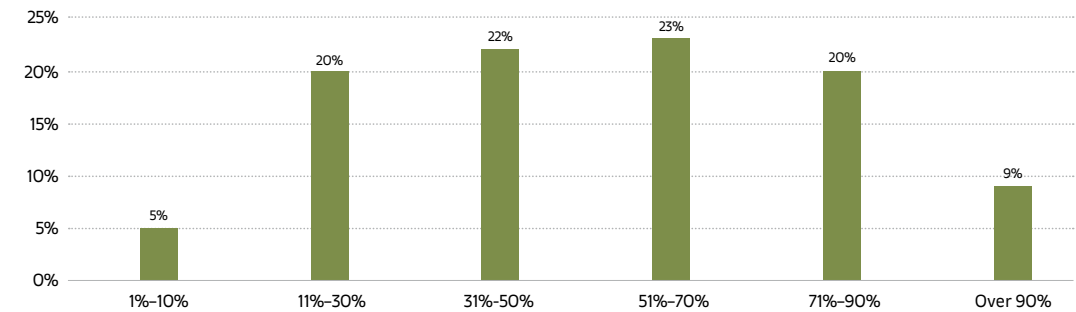
86% of collectors stated that storage costs and where to keep works of art were important considerations when purchasing

institutions, and this ranged from 5% in the US and UK to 13% in Germany and Singapore, but was a fairly consistent share between generations and genders.

Collectors in Singapore had the lowest share of works held in their family homes or offices, but by far the largest in Freeports at 23% (versus 5% in the US), with local facilities such as Le Freeport offering accessible specialized storage for art.

Although there was much variation between individuals, Figure 6.23 shows that, on average across all collectors, just over 30% of the works in their collections were held in storage that was essentially out of view (in general storage, bank vaults, or in a Freeport). Collectors also reported having a high share of the value of their collections allocated to generalized or specialized storage. Just over half (52%) of the respondents had more than half of their collection by value in storage, and 29% had over 70% of its value in storage. Although 37% of collectors only stored works for a period of less than six months, the average time to leave works in storage was two years. Around one-third of collectors had parts of their collection in storage for more than three years and 12% of those for more than five years. The majority (60%) of those with long-term storage (five or more years) had at least half of the value of their artworks stored away, and 29% of those collectors had most (90% or more) of its value locked away and out of view.

Figure 6.24 | Share of HNW Collectors by Share of Value of Their Collection in Storage

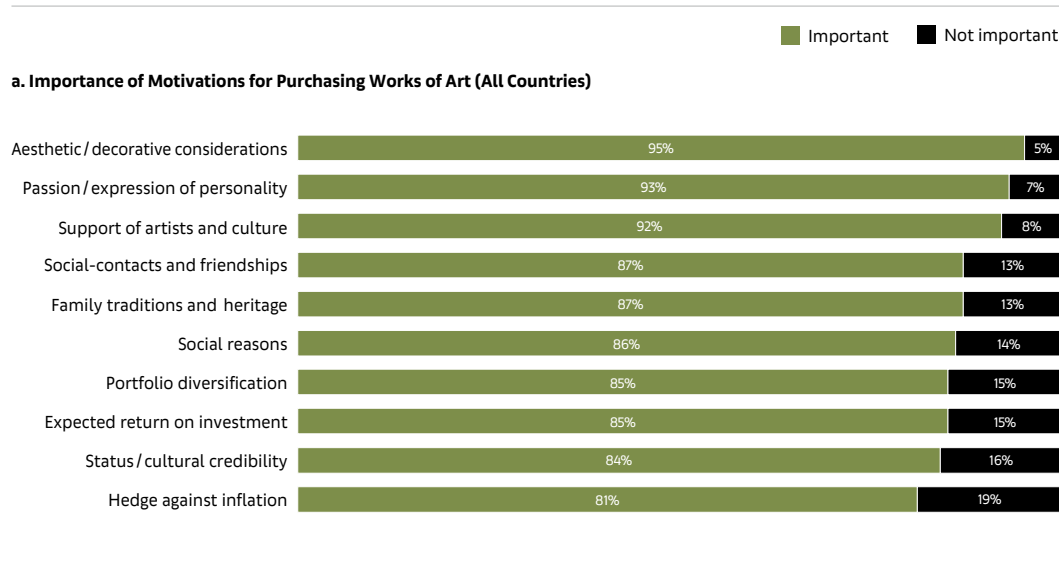


© Arts Economics (2020)

On average across all collectors, just over 30% of the works in their collections were held in storage that was essentially out of view (in general storage, bank vaults, or in a Freeport)



Figure 6.25 | Motivations for Purchasing Art

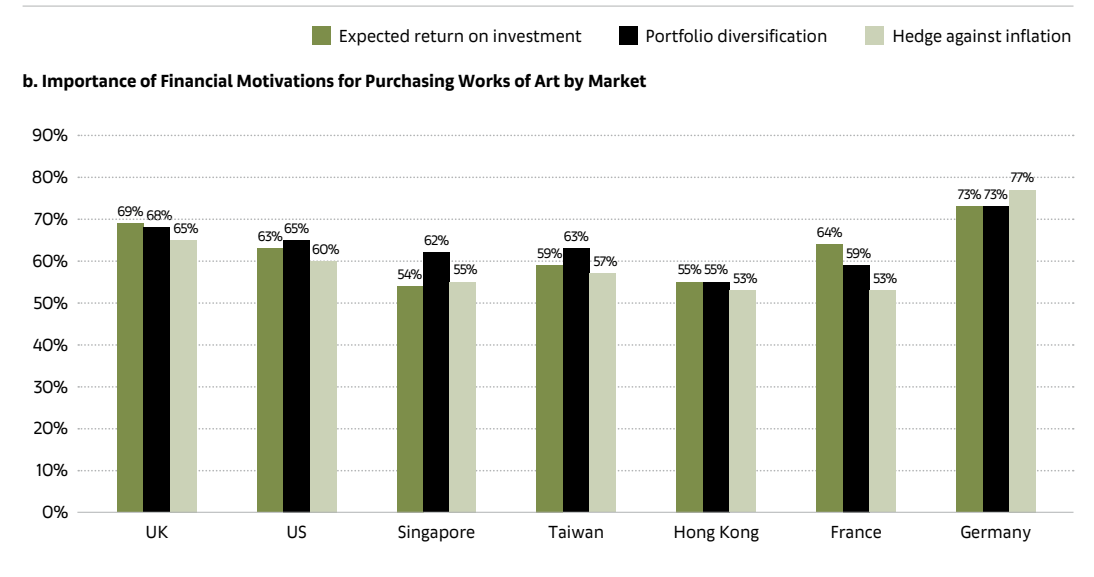


© Arts Economics (2019)

6.8 | Why and How HNW Collectors Purchase Art

The reasons for keeping works in storage are likely to be varied, from practical or personal to financially driven motivations, and depending on why and how they had purchased or acquired the art in the first place. Collectors were asked to rank the importance

of a number of factors in their decision to purchase works of art or objects for their collections. As in the previous surveys, the most highly ranked factors were aesthetic and decorative considerations, with 95% of all collectors considering them important, including 77% who felt they were very or extremely important.



© Arts Economics (2020)

93% of respondents claimed they were driven by art collecting as a passion or expression of their personalities, again with 73% rating these motivations as very or extremely important. These two considerations were ranked the two highest in each market and also regardless of age or gender.

Financial motivations for collecting were also important for the majority of collectors but rated at the lower end of the spectrum versus others. In 2018, financial motivations were highest in Hong Kong, with 89% of collectors rating these important. This dropped to 55% in 2019, and Hong Kong had the

lowest importance ratings attached to financial motivations of all countries. This could be due to changes in the sample, or the focus of collectors shifting to more aesthetic, social, and cultural factors.

Using art as a method to diversify portfolios of wealth ranked the highest of the financial motivations in the US and Asia, while expected return on investment was the key financial driver in France. Financial motivations also declined with age, with almost three-quarters of millennial collectors regarding them as important versus a third or less of Boomers.

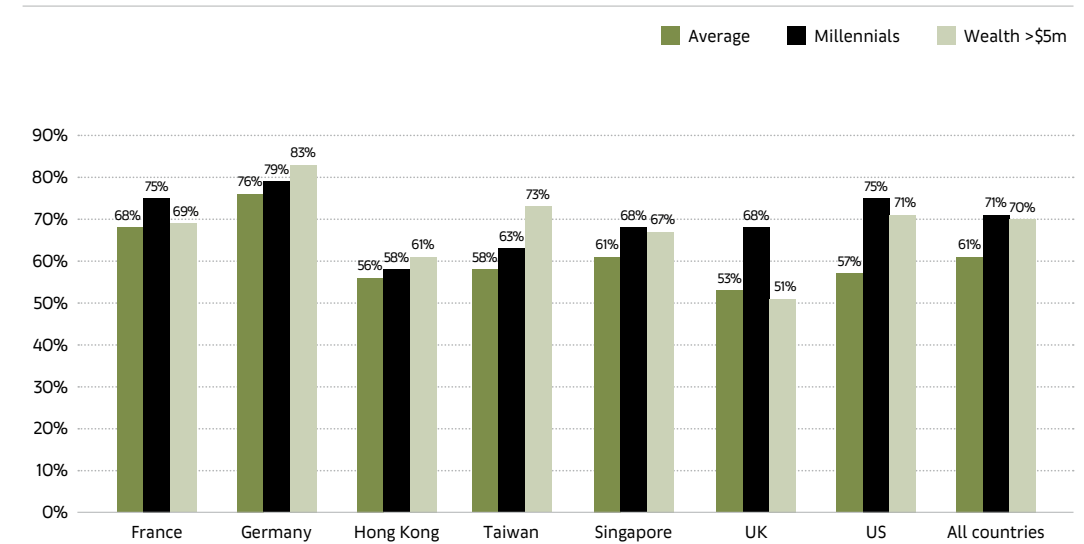
Financial motivations such as return on investment can rate lower than others due to a reluctance by collectors to sell works from their collections in order to realize a financial return. Previous surveys of US collectors in 2017 showed that 86% of those surveyed had never sold a work from their collection, while in surveys in 2018 the average share was 50%. While these surveys also covered HNWIs, they included a significantly wider range of collectors, some at a very low level (as there was no expenditure requirement in the survey), which is likely to have made it much less likely for them to resell works. However, in this group of collectors across all countries, the share was considerably higher, with 61% of the sample having resold works. The majority of collectors in all countries had sold a work from their collections, with the share ranging from 53% in the UK to a high of 76% in Germany.

As in 2018, millennial collectors were more likely to have resold works in all regions, with an overall average of 71% overall (versus just one-third of Boomers). Another consistent finding with previous studies and across nearly all countries was that the likelihood of engaging in resales was higher for those collectors with wealth in excess of \$5 million than those with lower level wealth (however, these wealth effects did not continue to escalate as wealth expanded beyond \$5 million).

This high level of resales for the majority of collectors indicates that, despite identifying themselves as collecting for aesthetic or emotional reasons, in reality, they are getting in and out of their investments in art on a very fluid basis. This is backed up by the finding that for those reselling works, most do so within five years of purchasing the work, with the average period between original purchase and subsequent resale just under four years. Around one-quarter of collectors had resold works within a year (down from 30% in 2018), with a majority having sold within three years in Germany, the UK, Singapore, and France.

It might be posited that collectors in major hubs such as the UK and US would have greater opportunities for resales, with a stronger local network of galleries and auction houses, and may therefore resell more quickly to take advantage of changes in the market. This was the case in the UK, which showed the highest share of all countries selling within five years (93%);

Figure 6.26 | Share of HNW Collectors Having Resold Works from Their Collections



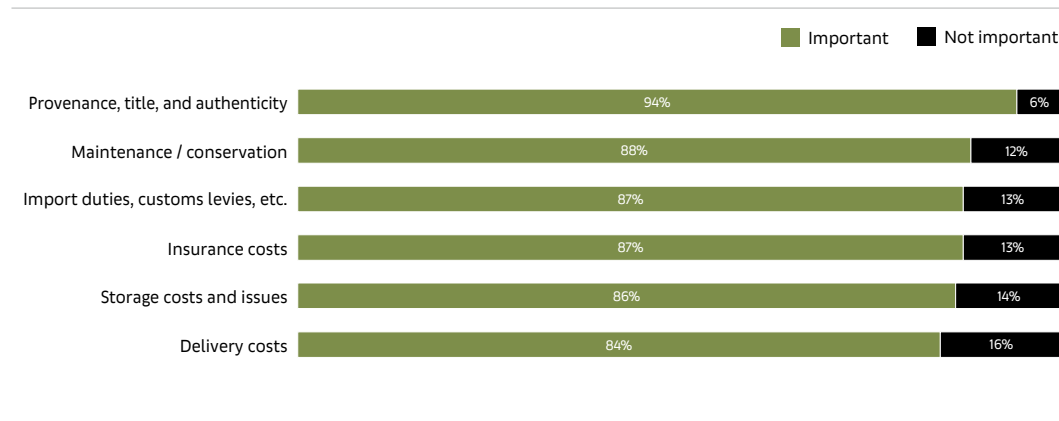
© Arts Economics (2020)

Table 6.1 | Average Length of Resale Period

| | Total | UK | US | Singapore | Taiwan | Hong Kong | France | Germany |
|------------------|-------|-----|-----|-----------|--------|-----------|--------|---------|
| Less than 1 year | 25% | 33% | 22% | 8% | 17% | 12% | 39% | 41% |
| 1-3 years | 24% | 31% | 16% | 43% | 26% | 24% | 17% | 28% |
| 3-5 years | 23% | 29% | 22% | 32% | 24% | 30% | 19% | 13% |
| 5-10 years | 18% | 6% | 27% | 15% | 17% | 27% | 15% | 6% |
| 10+ years | 10% | 1% | 13% | 2% | 16% | 7% | 11% | 12% |

© Arts Economics (2020)

Figure 6.27 | HNW Collector Considerations When Purchasing Art / Objects



© Arts Economics (2020)

however, collectors in the US did not corroborate this theory, with the highest share reselling in the longer term (40% of collectors averaging more than five years between purchase and sale, and 13% more than 10 years). As noted by many dealers and collectors anecdotally, the motives for resale are varied and relate to exogenous events such as deaths, divorces, house and location moves, and other changes in personal circumstances as much as opportunistic financial or speculative motives. However, the high level of activity in resales does indicate changes

in the market, with some collectors treating it more as a trading ground in which to invest and divest often over relatively short periods.

Apart from their underlying motivations, collectors have to consider a range of practical issues when deciding to buy, from the logistics of delivery, international shipping costs and processes, and where and how the work will be stored and looked after.

Figure 6.27 outlines some of the key issues collectors considered when buying art and their perceived importance. By far the biggest concern for all collectors was the provenance of a work of art or object and ensuring it had good title and proof of authenticity, with 94% of collectors rating this important, including 77% who felt it was very or extremely important. This was the highest ranked concern regardless of location, gender, or age.

When considering the logistics of purchasing and issues such as shipping and storage, around half of the collectors surveyed relied on the dealer or auction house they were purchasing from for advice, 24% used an art consultant, and 15% used another specialist, such as a lawyer or logistical consultant. Just 12% of collectors surveyed opted to do their own due diligence and source logistical services directly. This was slightly higher in the largest art markets (17% in the UK and 19% in the US), possibly due to the availability of more local or accessible resources. Boomers also did a higher than average amount of due diligence themselves (31%), which may be related to greater experience in the process.

When it came to provenance and authenticity, 40% of collectors put their trust entirely in the seller (gallery, auction house, or other seller) for advice and verification. However, 26% also took extra advice from an art consultant, 24% sought additional

information from some other kind of specialist such as a lawyer or financial consultant, and just under one-third (32%) also did their own due diligence and research. The share of collectors doing their own due diligence on provenance rose with age, from 26% of millennials to 47% of Boomers. It was also higher than average in Hong Kong (46%).

While many resources for conducting due diligence have become accessible online in recent years, it is interesting to note that 44% of the HNW collectors surveyed did the majority of their research and checking offline, using their own personal networks along with the archives and publications from libraries and other sources. The remaining 56% did the majority online through auction price databases, auction house catalogs, gallery and museum websites, and other sources. The use of offline resources increased with age, with 45% of Boomers doing the majority of their research offline versus 37% of millennials.

Purchasing Channels

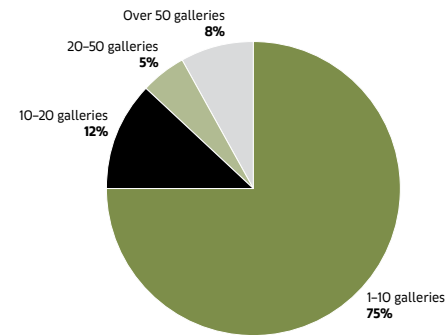
Collectors used a variety of different sales options to make their purchases, with most active across several channels. On aggregate across all countries, and consistent with the collector surveys for the last three years, based on their frequency of use, the most used channel for purchases was a gallery or dealer, with 92% of the sample using them to purchase art.⁷³ This included 64% using them often or always (up from 48% in 2018). Auctions were (again) the second most common channel, used by 85% of the sample.

Dealers and galleries were also the most preferred channel to make purchases, with auctions again ranked second overall. This was influenced by a higher than average share of first preferences for galleries in the largest sample of collectors from the US. The choice of purchasing through a gallery in the US may help to explain why the dealer sector was resilient in 2019, with many of these high spenders in the largest market choosing this channel over auctions.

Most collectors (75%) had purchased from between one and 10 galleries in the last two years. The average number of galleries across all countries was 16; however, this was influenced by a small 8% of collectors who had bought from a very large number of dealers (over 50 in total), and the median number was considerably lower at five.

Figure 6.28 | Number of Galleries Purchased from 2017–2019

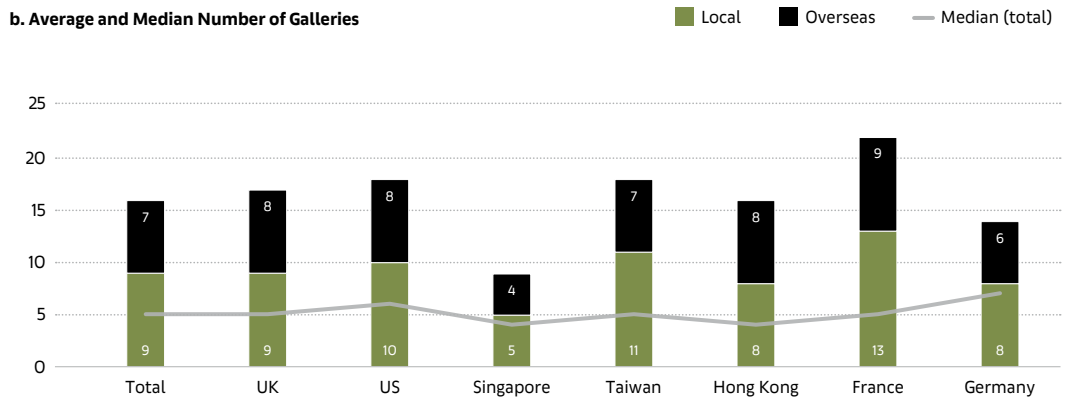
a. Share of Collectors



© Arts Economics (2020)

The highest average number of galleries purchased from in the two year period was in France at 22 galleries, including 13 from France and nine overseas. The lowest was in Singapore, with collectors buying from nine galleries, including five local businesses. The average share of local versus foreign galleries that collectors purchased from on aggregate was slightly in favor of local (56%), with the highest local share in Taiwan (61%, or 11 of the 18 galleries).

b. Average and Median Number of Galleries



© Arts Economics (2020)

On aggregate across all countries, and consistent with surveys for the last three years, the most frequently used channel for purchases was a gallery or dealer, with 92% of the sample using them to purchase art

⁷³ 'Use' in this context is the sum of those who reported using the channel sometimes, often, or always and excludes respondents who never used or used them only rarely.

Apart from the number of businesses that they purchased from, collectors also tended to have a fairly balanced share in terms of the volume of works they had bought from local versus overseas galleries. The average across all countries was again slightly in favor of works sourced locally (54%), but this ranged from a high of 65% in France to 43% in Hong Kong. There were only minor differences by age and gender, but wealthier collectors tended to have purchased a larger share of works overseas.

If given the choice, just under half (48%) of collectors preferred to purchase from local galleries, 25% preferred overseas galleries, and the remaining 27% were indifferent to where the gallery was located. The strongest preferences for buying locally were in the UK and US (53% and 50%) where the options were possibly more numerous and with greater variety on offer than in some smaller markets. Older collectors also preferred local galleries – while just over one-third were indifferent, 56% of Boomers liked to shop locally (versus 45% of Gen X and 48% of millennial collectors).

Millennial collectors had the highest frequency of use by far for all of the channels, a consistent finding with 2018, with their most used channels being both auctions and dealers (used always or often by 73% of respondents from this age group). Their favored channel was dealers and galleries, followed

Just under half (48%) of collectors preferred to purchase from local galleries, 25% preferred overseas galleries, and the remaining 27% were indifferent

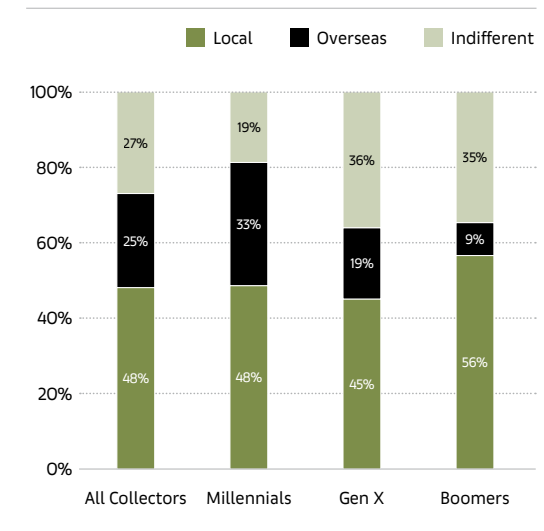
by art fairs, and they showed the highest level of preferences among the generations for both art fairs and purchasing via online platforms.

Around 75% of collectors had bought through an advisor, with half of the sample doing so always or often. This was a substantial increase from the results of the survey in 2018 (where 31% used an advisor often or always). Besides the introduction of higher spending criteria, this may have also been skewed upwards by the introduction of French and US collectors, with both regions showing higher than average rates of frequent advisor use (57% and 54% respectively). As in 2018, advisors were more commonly used by millennial collectors (31% used one every time they purchased art), and their use declined in share with increasing age, with half of the

respondents from the Boomer generation having never used one. While 15% of the sample overall had never used an advisor, this varied somewhat by country, with the highest rates of non-use in the larger markets of the UK and US. This may be due in part to the fact that many collectors use the dealers and galleries they buy from as primary sources for advice, and there was a greater range of dealers to source information from in these markets.

Finally, it is interesting to note that buying privately from other collectors and directly from artists are both frequently used and popular channels for purchasing in several regions, particularly the US. These findings indicate that there is a significant level of transacting that goes on beyond the galleries, auctions, fairs, and online sellers covered in this report. Global sales represented in this report therefore underestimate the total sales occurring in any given year, and these channels and the extent of activity within them are important avenues for future research and analysis.

Figure 6.29 | HNW Collector Preferences: Local vs. Overseas Galleries



© Arts Economics (2020)

Table 6.2 | Choice of Sales Channels**a. Frequency of Use of Sales Channels by Market⁷⁴**

| | Total | UK | US | Singapore | Taiwan | Hong Kong | France | Germany |
|----------------------------|-------|-----|-----|-----------|--------|-----------|--------|---------|
| Dealers | 92% | 92% | 88% | 90% | 93% | 89% | 93% | 95% |
| Auctions | 85% | 85% | 89% | 85% | 90% | 84% | 84% | 81% |
| Artist studios | 84% | 84% | 79% | 83% | 91% | 83% | 83% | 85% |
| Art fairs | 83% | 77% | 79% | 85% | 85% | 88% | 91% | 87% |
| Private / other collectors | 82% | 80% | 81% | 87% | 85% | 82% | 86% | 79% |
| Advisor | 74% | 68% | 71% | 79% | 77% | 79% | 80% | 73% |
| Online platforms | 69% | 71% | 72% | 69% | 69% | 65% | 69% | 69% |
| Instagram | 58% | 55% | 63% | 59% | 59% | 57% | 67% | 52% |

b. Most Preferred Sales Channel by Market

| | Total | UK | US | Singapore | Taiwan | Hong Kong | France | Germany |
|----------------------------|-------|-----|-----|-----------|--------|-----------|--------|---------|
| Dealers | 20% | 18% | 22% | 34% | 14% | 15% | 17% | 13% |
| Auctions | 19% | 20% | 16% | 11% | 25% | 27% | 23% | 15% |
| Private / other collectors | 14% | 15% | 16% | 9% | 22% | 11% | 12% | 13% |
| Art fairs | 14% | 7% | 8% | 13% | 16% | 21% | 19% | 26% |
| Artist studios | 12% | 14% | 13% | 13% | 12% | 9% | 9% | 9% |
| Online platforms | 9% | 12% | 10% | 11% | 3% | 6% | 9% | 13% |
| Advisor | 7% | 7% | 6% | 9% | 7% | 7% | 5% | 6% |
| Instagram | 5% | 7% | 7% | 1% | 2% | 5% | 3% | 5% |
| Other | 1% | 1% | 1% | 0% | 0% | 0% | 1% | 1% |

© Arts Economics (2020)

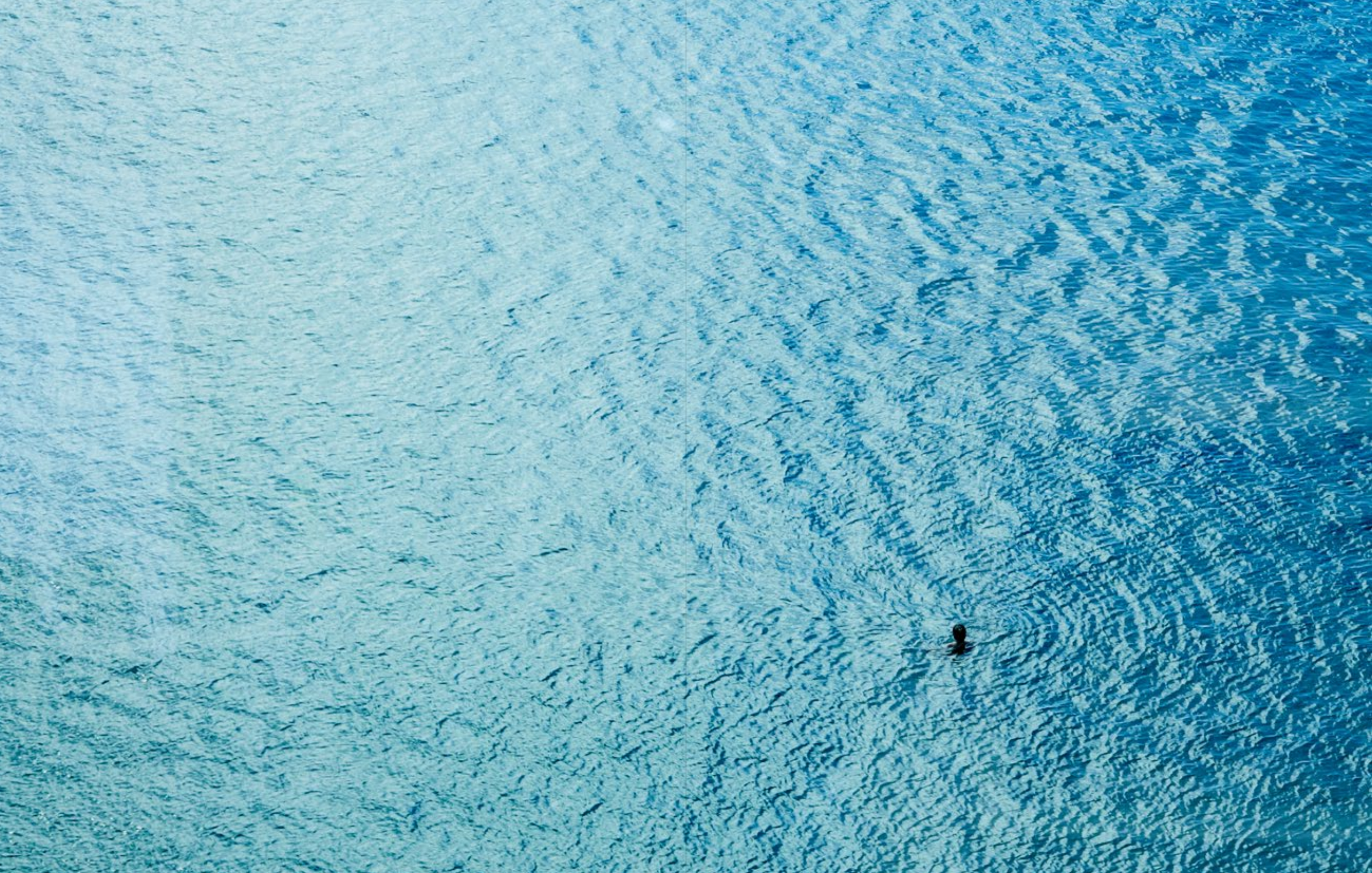
c. Share of Frequent Use (Used Always and Often) by Generation

| | Gen Z | Millennials | Gen X | Boomers | Silent |
|----------------------------|-------|-------------|-------|---------|--------|
| Auctions | 57% | 73% | 53% | 39% | 29% |
| Dealers | 52% | 73% | 61% | 42% | 50% |
| Private / other collectors | 57% | 71% | 53% | 24% | 8% |
| Artist studios | 61% | 71% | 48% | 26% | 13% |
| Art fairs | 52% | 70% | 54% | 24% | 4% |
| Advisor | 48% | 65% | 43% | 18% | 0% |
| Online platforms | 41% | 61% | 42% | 19% | 8% |
| Instagram | 45% | 55% | 35% | 8% | 0% |

© Arts Economics (2020)

Millennial collectors had the highest frequency of use of all sales channels, a consistent finding with 2018, with their most used channels being auctions and dealers

74 The share of those used always, often, or sometimes (i.e. excluding rarely or never).



6.9 | The Outlook of HNW Collectors

2019 was a mixed year, with trade tensions and political issues leading to slower growth in the global economy and many of its major art-trading nations. Despite these economic anxieties and the context of political fragility and polarization, global financial markets were resilient in 2019, indicating some optimism about the strength of financial markets to ride out difficult periods. HNW collectors around the world were also optimistic for the most part. The majority (65%) of collectors were optimistic about the prospects for the art market in the next 12 months, with the most optimism in Germany, Singapore, and the US, and least in Taiwan and Hong Kong. While in Taiwan this was due to a relatively large share of those who were unsure of the future or neither optimistic or pessimistic, Hong Kong collectors were the least optimistic overall about the coming year, but this pessimism was shared both for the art

market and equity markets. However, even these collectors did hold out hope that the current issues would pass, with a majority optimistic about the prospects of the art market over a 10-year period.

Overall, the share of those collectors expecting a negative outcome in the art market was less than half those expecting a poor outcome for the equity markets, both in the short and long term. While these two markets are often insulated from each other and perform differently in different periods, there have also been many connections noted empirically in academic and other market studies. Stock market performance can have dual effects on the art market: an income effect, with periods of positive performance driving financial confidence, offering liquidity and driving more expenditure on art; and negative or substitution effect, where more investment-oriented or risk-averse collectors shift between financial

The majority (65%) of collectors were optimistic about the prospects for the art market in the next 12 months, with the most optimism in Germany, Singapore, and the US, and least in Taiwan and Hong Kong

and real assets such as art depending on the market context, with negative performance or volatility in equity markets driving some to seek safe havens for their capital in these and other tangible assets. Studies trying to connect the markets show varied results and depend highly on the period and sectors compared, as well as their underlying methodologies. The distribution of wealth, particularly HNW wealth, does however seem to have had important effects on the market over time, and the commercial art market has followed both money and those environments in which it can favorably transact.

A positive finding from the HNW collector research is that young collectors remain the most hopeful about the art market, with around three-quarters of millennial collectors optimistic about its performance in the next year and decade. The surveys over seven countries consistently showed that this segment of

collectors is highly active across many different channels, and regularly spends at high levels in the market. In large, infrequent, and discretionary luxury purchases such as art, the level of optimism of different segments of collectors can be crucial to their plans, and the extent to which this can translate into sales will be critical for the market's continued buoyancy in the years ahead.

Although the millennial generation faces significant barriers to entry, they have also been highly entrepreneurial, particularly in technology industries, where most of the wealthiest millennials have generated their wealth. However, aside from their own wealth generation, the impact of millennial collectors may also be determined by their inheritance from Boomers over the next 20 to 40 years, with many not only inheriting financial wealth, but also collections of art that they will have to manage or

Young collectors remain the most hopeful about the art market, with around three-quarters of millennial collectors optimistic about its performance in future

Table 6.3 | HNW Collectors' Views on the Art and Stock Market's Future: Short-term and Long-term

| Art Market | | | | | | | | |
|------------------------|-------|-----|-----|-----------|--------|-----------|--------|---------|
| Short-term (12 months) | Total | UK | US | Singapore | Taiwan | Hong Kong | France | Germany |
| Optimistic | 65% | 63% | 68% | 70% | 59% | 48% | 69% | 77% |
| Neither / not sure | 25% | 25% | 24% | 17% | 36% | 31% | 24% | 16% |
| Pessimistic | 10% | 12% | 8% | 13% | 5% | 21% | 7% | 7% |
| Long term (10 years) | | | | | | | | |
| Optimistic | 67% | 66% | 72% | 72% | 61% | 57% | 63% | 73% |
| Neither / not sure | 26% | 28% | 22% | 17% | 32% | 35% | 29% | 21% |
| Pessimistic | 7% | 6% | 6% | 11% | 7% | 8% | 8% | 6% |
| Stock Market | | | | | | | | |
| Short-term (12 months) | Total | UK | US | Singapore | Taiwan | Hong Kong | France | Germany |
| Optimistic | 62% | 61% | 66% | 67% | 55% | 41% | 61% | 77% |
| Neither / not sure | 23% | 25% | 21% | 17% | 32% | 23% | 26% | 17% |
| Pessimistic | 15% | 14% | 13% | 16% | 13% | 36% | 13% | 6% |
| Long term (10 years) | | | | | | | | |
| Optimistic | 65% | 69% | 70% | 74% | 53% | 51% | 58% | 74% |
| Neither / not sure | 23% | 23% | 19% | 15% | 34% | 30% | 27% | 20% |
| Pessimistic | 12% | 8% | 11% | 11% | 13% | 19% | 15% | 6% |

© Arts Economics (2020)

sell. Although collectors in all surveys tend to indicate their main motivations for purchasing art are emotional and aesthetic, the picture emerging from the surveys of the modern collector is in fact a highly mobile one, who cross-collects, purchases from multiple channels across different art and collectible assets, and is comfortable selling works that may not suit their collection (for whatever reason, be it financial or non-financial). Despite being motivated by aesthetics, collectors keep up to 30% of their collections in storage such as bank vaults and Freeports and out of view for considerable periods, indicating that other financial motivations also drive at least some of these collectors.

Anecdotally, those in the art trade note that this speculative dimension of collectors is something that has emerged much more prominently over the last 20 years. With a few noteworthy exceptions, the typical collector of the 1970s and 1980s purchased works of art to hold for long periods, selling works only out of necessity or during key life events. While most collectors may not be purely financially motivated, their behaviors – based on the frequency of resales and the value and volume of work in long-term storage – suggest that their actions are increasingly driven by monetary concerns, with some trading into and out of their art assets as often and quickly as they do equities and other financial

assets. As millennials begin to dominate further, the fluidity of this marketplace is likely to increase. At least part of the art market's future therefore will be determined by what these millennials do with the art and wealth they inherit, as well as how and what they choose to buy in their own right.

The picture emerging from the surveys of the modern collector is a highly mobile one, who cross-collects, purchases from multiple channels, and is comfortable selling works that may not suit their collection



7

Economic
Impact and
Conclusions

Key Findings

Economic Impact and Conclusions

1. It is estimated that there were approximately 310,810 businesses operating in the global art and antiques market in 2019, employing 3 million people, relatively stable on 2018.
2. There were more than 2.7 million people employed worldwide in the gallery and dealer sector in 2019 in about 296,580 businesses. 62% of those employed in the sector were women, and 56% were under 40 years of age.
3. The auction sector was estimated to have employed 285,100 people worldwide in 2019 (an increase of 1% on 2018) in about 14,230 businesses.
4. In 2019, it is estimated that the global art trade spent \$19.9 billion on a range of ancillary and external support services directly linked to their businesses, a slight decline of 2% year-on-year.

5. The largest area of expenditure, although only incurred by dealers, was on art fairs, which reached \$4.6 billion, a decline of 4% year-on-year and representing 23% of total ancillary expenditure.
6. The second largest area of ancillary spending was on advertising and marketing, which totaled \$3.5 billion, an annual increase of 11%, and representing 18% of the total expenditure in 2019.
7. In 2019, based on average sales per employee in a range of similar service industries, it is estimated that the revenue directly generated by the art trade in ancillary industries supported 368,860 jobs.

7.1 | Employment in the Art Market in 2019

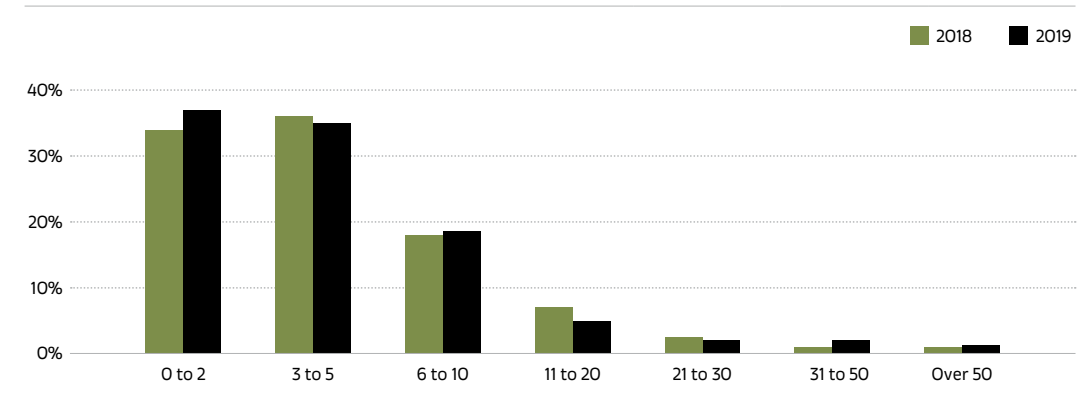
The art market makes a very significant contribution to the global economy in employment, revenues, and the nurturing of specialist knowledge and skills. The value added by the sector comes both from the businesses that are directly engaged in the art trade and across a range of ancillary service industries that it supports. Most of these are highly specialized and niche businesses in their own right that would find it hard to exist without the art market, and each of these supports a range of knowledge-intensive and highly skilled jobs. Art fairs and other cultural events also produce revenue and employment directly as well as generating second-round spending and employment in unrelated industries, while significantly enhancing the cultural attractiveness of the cities that host them.

It is estimated that in 2019 there were approximately 310,810 businesses operating in the global art and antiques market. The overwhelming majority of these are small businesses, both in terms of turnover and employees.⁷⁵ The market is estimated to directly employ about 3 million people, with aggregate employment numbers remaining relatively stable for the past three years despite the ups and downs in the market. Employment has increased significantly over 20 years, and has become much more globally dispersed. Besides the number of jobs it generates, the employment supported by the art market tends to be highly skilled, knowledge-based, and gender balanced.

It is estimated that in 2019 there were
310,810 businesses operating in
the global art and antiques market, directly
employing 3 million people

⁷⁵ A small business is defined differently in different regions, but in Europe small businesses are those with turnover less than €10 million (\$11.2 million in 2019) and staff headcount of less than 50 in Europe (by Europa), and defined in the US, for art dealers, as one with a turnover less than \$7.5 million (by the US Small Business Administration). Definitions vary by industry in China, but in the retail industry for example, a small enterprise is one with less than 50 employees and less than 5 million RMB turnover (close to \$725,000 in 2019).

Figure 7.1 | Numbers Employed in the Dealer Sector in 2018 and 2019



© Arts Economics (2020)

7.2 | Dealer Sector Employment

It is estimated that there were more than 2.7 million people employed worldwide in the gallery and dealer sector in 2019 in about 296,580 businesses.

The dealer survey showed that the average number of employees was stable at seven, but the median dropped from four to three. This was due in part to more very small businesses included in the sample: 37% of the businesses surveyed were sole traders or in partnerships of just two people (up 4% from 2018), while just 9% employed more than 10 people, down 3% year-on-year. However, even with some changes

in the sample, Figure 7.1 shows that the structure of the sector remains basically unchanged and is dominated by a large number of very small businesses, and a small number of larger dealers with more than 50 employees.

Most dealers (66%) had kept the numbers employed in their businesses stable year-on-year. About one-quarter of the businesses had increased employment (up 5% from 2018), while 8% experienced a decline in numbers (on par with 2018 at 7%) and with an average increase of two people.

Employment varied by sector and region. Fine art dealers tended to employ larger numbers, with an average of eight for contemporary dealers (stable on 2018, and with a lower average of six for those working in the primary market), five for dealers in the Modern art sector, and four for those in Old Masters and other older fine art sectors. The average for those working in decorative art and antiques was three. Regardless of the sector, there also tended to be larger numbers employed by those galleries with higher turnover, with an average of three employees for businesses with less than \$1 million in sales, versus five for those with over \$1 million, and 15 for those in larger businesses with turnover in excess of \$10 million.

There were also differences between countries, with the US accounting for one of the highest averages of 12, stable on 2018, while the average numbers employed in galleries in China dropped from seven to six. In Europe, numbers varied, from four in France and Spain to six in Germany and Austria. The UK's average increased to ten (from six in 2018), although this was skewed by a small number of dealers employing large numbers, with a lower median of five.

Employment in the dealer sector has been shown, in general, to be based around high-knowledge, gender-balanced jobs. Gender ratios in the labor force tend to favor male participation.

The gender balance in the dealer sector has been female dominated, with women making up 62% of those working in the sector in 2019

The International Labour Organization (ILO) estimates that women made up 39% of the global labor force in 2019, with a share of 46% in both the EU and the US. The gender balance in the dealer sector has been shown to be much more female dominated, and this was again the case in 2019, with the surveys indicating that women made up 62% of those working in the sector, up 1% from 2018.

The profile of employment is also skewed towards younger workers, with the majority (56%) of those employed in the dealer sector aged under 40 years, although this was down 5% year-on-year. 36% of those employed in the sector were aged between 40 and 64 years, and 8% were over 65 years (up 2% on 2018). This demographic breakdown shows that a higher proportion of younger people are employed in

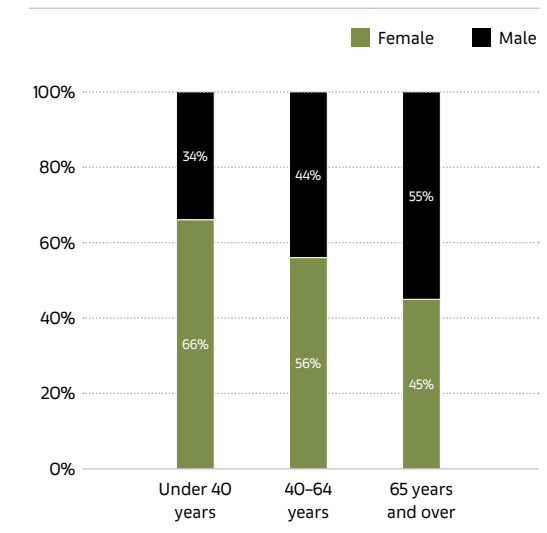
the sector than in the general labor force. For example, in both the US and UK in 2019, 47% of those employed in the aggregate labor force were under 40 years, while in the EU the share was lower at 42%.⁷⁶

As indicated in previous reports, the share of female participation tends to decline with age. The survey showed that the highest proportion of female employment (at 66%) was in the under-40 age segment, while women were a minority of 45% in the segment of 65 years and over (up 4% from 2018). However, this is higher than most national or alternative industry benchmarks, with women representing 39% of total employment in the EU in the 65 year plus age group in 2019 and just 36% globally.

The majority of those working in the dealer sector in 2019 were employed in full-time positions (77%, stable on 2018), with 23% in part-time or temporary positions. This was higher than the averages in the US (22%) and EU as a whole (18%) but on par with countries like the UK (23% in 2018).⁷⁷

The dealer sector has consistently shown a very high rate of university-level education. In 2019, 84% of those employed in the sector had a university or graduate degree, up 1% from 2018. These education levels are much higher than the general labor force in most countries, with averages in the EU and US of less than 40% in 2019.

Figure 7.2 | Gender and Age Profile in Employment in the Dealer Sector in 2019



© Arts Economics (2020)

⁷⁶ Statistics are derived from ILO databases from ilo.org.

⁷⁷ EU labor force statistics from Eurostat Labour Force Survey, and US data from ILO.



7.3 | Auction Sector Employment

Employment in the auction sector was also estimated to be relatively stable in 2019, with an estimated 285,100 people employed worldwide (an increase of 1% from 2018) in about 14,230 businesses.

Employment in the top-tier auction houses increased by 6% year-on-year and the top five auction houses employed more than 5,300 people in 2019. This came after two years of declining employment in this tier of the auction market; however, some of the uplift was from increasing apprenticeships and non-permanent employees. Experts in the sector also noted anecdotally that this trend might be

reversed in the coming year, with larger houses such as Sotheby's having already begun to restructure their staff in early 2020. Also, more generally, many experts in the auction sector have noted that cost-cutting measures are becoming an increasing priority as more sales shift online and businesses become more consolidated. This could have implications for employment in the top and other tiers over the next five years.

In the two top-tier houses in China, employment is centered in mainland China, with less than 5% in Hong Kong and small international offices. At just under 400 employees, China Guardian and Poly International are the smallest employers in the top tier and the most domestically focused. In the other top three auction houses (Christie's, Sotheby's, and Phillips), employment in the US dominated, accounting for 37% of those employed, down 3% year-on-year. The UK accounted for a further 33% (down 2%), and there was an additional 12% accounted for in other parts of Europe (including Switzerland). Employment in Asia accounted for a 12% share, up 2% from 2018.

According to the survey of second-tier auction houses, the average number employed was 20, stable on 2018, with a median of 14. Just over half (54%) of auction houses in this tier reported that they had kept employee numbers relatively stable since 2018; 29% reported an increase (by an average of two

Employment in the auction sector was stable in 2019, with an estimated 285,100 people worldwide in about 14,230 businesses

people), and 17% had declining numbers (of three people on average).

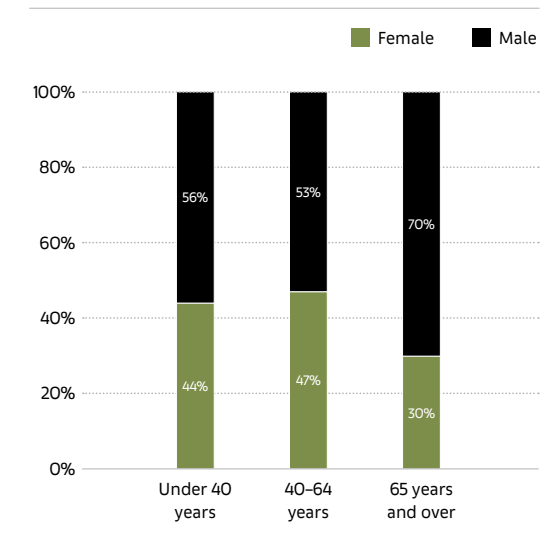
The gender breakdown of employment in the top-tier houses was 66% female, up 1% year-on-year. The share in the second-tier sector has always been more evenly balanced. However, in 2019 this ratio declined to 45% female employment (from 52% in 2018). The lowest share of female participation was in the segment of employees aged 65 years and over, while the largest decline year-on-year was in the segment of 40 to 64 years (decreasing by 11%).

The age profile of the segment remained relatively stable year-on-year, with the largest share of those employed aged 40 to 64 years:

- 42% of those employed in the second-tier auction sector in 2019 were under 40 years of age, stable on 2018.
- 48% were aged 40 to 64 years, up 6% year-on-year.
- 10% were aged 65 years or over, down 2% on 2018.

In the top-tier auction houses, the majority of employment was full-time, although the share of part-time employees rose by 4% year-on-year to 19%. Employment in the second-tier experienced the opposite trend, with part-time employment declining 5% year-on-year to 20%.

Figure 7.3 | Gender and Age Profile in the Second-tier Auction Sector in 2019



© Arts Economics (2020)

As in the dealer sector, auction house employees tend to have a high level of educational qualifications. The average of those employed in the second-tier auction houses in 2019 with a third-level degree was 67% (down 4% year-on-year), while in the top tier, the average was around 75%. Both are considerably higher than in the general labor force.

7.4 | Ancillary Economic Impact

Besides contributing to employment and revenues through the businesses directly working in the art trade, the art market also generates important economic benefits through its expenditure on a range of ancillary goods and services, many of which are highly specialized, niche industries that would find it hard to exist without it.

In 2019, it is estimated that the global art trade spent \$19.9 billion on a range of ancillary and external support services directly linked to their businesses, a slight decline of 2% year-on-year.

The largest area of expenditure, although only incurred by dealers, was on art fairs, as it has been consistently in recent years. Spending on art fairs in 2019 reached \$4.6 billion, a decline of 4% year-on-year and representing 23% of total ancillary expenditure. This level of spending underlines the very significant impact that fairs have on their host cities. Besides spending by dealers at fairs and on local goods and services, there are important economic benefits from attracting an influx of high-spending visitors in a very short period of time who can inject substantial revenue into a city and create and support employment. This positive impact is particularly beneficial in smaller cities that do not already have a significant inflow of international cultural tourists, with Basel and Maastricht offering

In 2019, it is estimated
that the global art
trade spent \$19.9 billion
on a range of
ancillary and external
support services

good examples. The fairs surveyed in 2019 revealed that around 30% of their visitors were from outside the country where the fair was held, and most were visiting exclusively for the fair and its related activities. These events also have very positive effects on a city's general cultural attractiveness to visitors, with culture having become an important element of tourism, creating distinctiveness in an increasingly crowded marketplace. Visitors to cultural events have been shown to spend significantly more in local economies than visitors to sporting events for example, reflecting a higher impact, higher spending visitor rather than just a greater quantity.⁷⁸

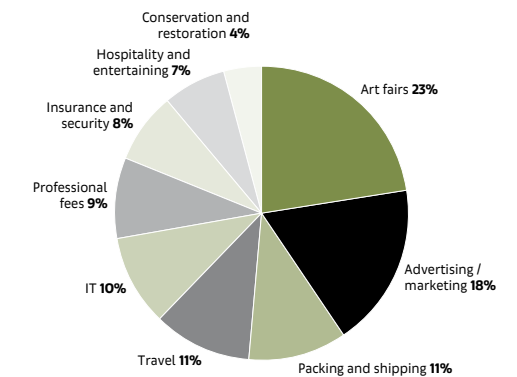
The second largest area of spending was on advertising and marketing, which totaled \$3.5 billion, an annual increase of 11%, and representing 18% of the total expenditure in 2019. Auction houses accounted for

the majority of this (69%) and it was their single largest area of external spending, accounting for 34% of spending across all auction houses, and increasing by 25% year-on-year, versus a decline of 12% in the dealer sector.

Packing and shipping made up a substantial 11% of ancillary spending at just under \$2.2 billion. The amounts spent varied, with dealers reporting a rise of 1% in their costs in this area year-on-year, while auction houses reported a 17% decline, which is likely to be connected to the drop in the volume of their sales during the year.

In 2019, businesses were asked to report separately on their work-related travel, which amounted to just under \$2.2 billion, 11% of total ancillary spending. The travel and tourism sector in 2019 was estimated to have added \$9 trillion to the global economy (over 10% of global GDP) and accounted for as many as one in 10 jobs around the world (as well as being responsible for the creation of one in five new jobs over the last five years). However, aside from its economic impact, there are many in the art trade increasingly concerned with some of the negative externalities generated by travel, particularly its impact on the environment. Finding ways to make global travel more sustainable is a key focus on a worldwide level, from the protection of destinations'

Figure 7.4 | Share of Expenditure by the Global Art Trade on Ancillary Services in 2019



© Arts Economics (2020)

The largest area
of ancillary expenditure,
although only
incurred by dealers,
was on art fairs

⁷⁸ See for example Visit Britain (2020), where visitors to the UK attending the theatre, opera, or other cultural events were shown to account for five times as much spending as those attending a live football match. Available at www.visitbritain.org/activities-undertaken-britain.

Table 7.1 | Ancillary Expenditure and Employment Generated in 2019

| Services | Expenditure (\$m) | Employment Generated |
|------------------------------|-------------------|----------------------|
| Advertising / marketing | \$3,538 | 65,635 |
| Art fairs | \$4,613 | 85,580 |
| Conservation and restoration | \$757 | 14,040 |
| Insurance and security | \$1,494 | 27,715 |
| Packing and shipping | \$2,194 | 40,715 |
| Hospitality and travel | \$1,476 | 27,380 |
| Professional fees | \$1,709 | 31,710 |
| IT | \$1,949 | 36,155 |
| Travel | \$2,152 | 39,930 |
| Total | \$19,881 | 368,860 |

© Arts Economics (2020)

natural and built resources, to responding to the long-term impacts of overtourism, climate change, and global warming. It seems likely that this area of spending will continue to be closely scrutinized by businesses eager to control costs which many feel have escalated to an unsustainable level, as well as to account for their wider impact.

Expenditure on IT and third-party online costs accounted for 10% of total ancillary spending at just under \$2 billion, declining in both the auction and dealer sectors year-on-year (from \$2.6 billion in 2018). Professional fees to lawyers, auditors, banks, and

others also declined year-on-year, but remained a significant area of expenditure at \$1.7 billion, and 10% of total spending.

Table 7.1 shows the ancillary expenditure in the global art market derived from the figures reported by auction houses and dealers in 2019, with estimates of the associated employment potentially generated by this expenditure. In 2019, based on average sales per employee in a range of similar service industries, it is estimated that the revenue directly generated by the art trade in ancillary industries supported 368,860 jobs.

7.5 | Conclusions

Sales in the art market have often shown great resilience to events in the wider economic and political context. However, the challenges of operating in an unpredictable global macro environment have had an impact on many businesses in the art market. Uncertainties have fed into the selling and buying plans of vendors and collectors. A notable trend in the last decade is that, during periods of uncertainty, vendors are often enticed out of the public arena and into the relative security and privacy of private sales. This appears to have been the case in 2019, as is indicated by the substantial increase in private sales by some of the major auction houses, an increased share of the market by dealers, and a decline in the auction sales in most of the major art markets.

2019 was a year of mixed outcomes. Despite the decline in the auction sector, there were many strong sales at different price levels, including those in excess of \$1 million. But the very highest end of the fine market was thinner in terms of supply, which contributed to the overall contraction in sales. In the dealer sector too, although aggregate sales increased, performance within the market was mixed, with certain segments continuing to struggle, while dealers at the very highest end of the market helped to pull up averages.

Although there are many new agents operating in the art market, both online and offline, the basic structural divide of sales continues to be between auction houses and dealers. However, this distinction is being blurred as major auction houses have increased their involvement in private sales. The sales of relatively newly created contemporary works at auction further shows where the line has been crossed into what may have been traditionally seen as dealers' territory.

This speed with which artists' new works are resold on the secondary market, with an increasing trend among HNW collectors to resell works within a relatively short period of time, also suggests there is a trading and investment-driven aspect to current collecting, particularly at the higher end of the contemporary art market.

The challenges of operating in an unpredictable global macro environment have had an impact on many businesses in the art market

Millennial collectors appear to be the most investment-driven. Although not their most important motivation for purchasing art, 74% of HNW millennial collectors reported that the expected return on investment was a very or extremely important consideration when purchasing art. These HNW millennial collectors were again shown to be a critical part of the art market – being the most active across all channels, and cross-collecting in several categories of art and antiques. Although their spending power is less than some of their older peers, their impact on the market over the next decade may be substantially enhanced by a potential windfall of inheritance from wealth-rich Boomer parents, with many millennials not only inheriting financial wealth, but also collections of art that they will have to manage or sell. As millennials begin to dominate further, the fluidity of the marketplace is likely to increase and its size continue to expand. This all assumes that these collectors will continue to purchase from traditional channels such as galleries and auctions. Although these were still the most preferred channels in 2019, young collectors trade frequently with each other through private channels outside the market, both online and offline. The need to engage these new collectors and find ways to communicate and transact with them is likely to be a key determinant of success for many art businesses in the coming years.

Comparative advantage is not founded on who can produce the best art, but on which locations allow an efficient and cost-effective interaction between buyers and sellers

Although it is generally agreed that the volume of online sales will continue to expand, viewing and experiencing artworks in person is still regarded by many collectors as essential. The social and intellectual aspects of discovering new artists and works, and exchanging ideas, is a critical part of building relationships between dealers and collectors, and one that cannot be carried out in the same way online. Art fairs have therefore continued to help dealers not only reach collectors who might never otherwise have passed through their galleries, but also to maintain relationships with their existing clients.

The relatively unencumbered international exchange of certain categories of art, particularly contemporary art, has encouraged a booming import and export

trade, and expanded the market's size. Art is an internationally traded, portable, and mobile asset, which means that the fiscal and regulatory conditions in one country versus another can easily lead to a migration of the market.

The market is dominated by trade through key hubs or entrepôts, most notably London, New York, and Hong Kong. The bulk of exports and imports are recorded in these market hubs, despite the fact that the eventual buyers of imported works may exist elsewhere. Rather than import demand being fueled solely by national wealth, imports into an entrepôt are driven by the existence of the market itself. Because works of art are often not traded directly between the artist and the collector, the comparative advantage of trading locations is also not chiefly founded on who can produce the best art, but on which locations allow an efficient and cost-effective interaction between buyers and sellers. This could, in principle, take place anywhere, and is why the regulatory environment plays an even more important role for comparative advantage than it does for trade in other goods.

While the current hierarchy is unlikely to be challenged in the short-term, international cross-border flows of art currently face a range of opposing forces, from increasing trade regulations and tariffs to the drive to purchase and use more locally to reduce the art

market's impact on the environment. While these issues have had limited impact thus far, with regulations generally applied to only specific categories of works, increasingly protectionist policies could impact the future of the market. The globalization of the art market has been the key to its expansion over the last 20 years, reducing its downside risk through the support of a more diversified base of buyers and sellers, as well as spreading the economic and cultural gains from the market to a wider selection of economies. If tariffs and regulations impede cross-border sales, it could have a negative effect on future growth.

If tariffs and regulations impede cross-border sales, it could have a negative effect on future growth



Appendix – Sources Used in *The Art Market 2020*

Due to the complex nature of the art market, information for *The Art Market 2020* comes from a wide range of sources. All of the data is gathered and analyzed directly by **Arts Economics** from dealers, auction houses, art fairs, art and antique collectors, art price databases, financial and economic databases, industry experts, and others involved in the art trade and its ancillary services.

For the purposes of this research, the art and antiques market includes sales of fine and decorative art and antiques. Fine art includes paintings, sculptures and works on paper (including watercolors, prints, drawings, and photographs), tapestries, as well as film, video, and other new media. Decorative art and antiques covers objects such as furniture and decorations (in glass, wood, stone, ceramic, metal, or other material), couture (costumes and jewelry), ephemera, textiles, and other antiques.

I. Auction Data

The auction sector provides one of the main large-scale, international, and publicly available information sources on individual transactions in the art market. Even though the results of many auction sales are in the public domain, aggregating data within this part of the market is not without issues, particularly on a global scale, with some auction houses publishing limited, selective, or no results at all. There is no single comprehensive source or database that covers the entire global auction market for fine and decorative art and antiques. Auction data for 2019 used in this report therefore comes from five main sources:

a. Artory

Global auction data is supplied by Artory (artory.com). Artory's database covers 4,000 auction houses with over 30 million records, with consistent auction results gathered annually for 250 businesses in 40 countries and 500,000 artists. The database comprises results from major sales in first- and second-tier auction houses around the world, and it does not restrict inclusion by final price or estimate value, hence offering coverage of the full range of prices and sales. In 2018, Artory launched The Artory Registry, the industry's first public, object-oriented database for the art and collectibles market. In 2019, Artory continued to grow the number of auction houses in the database and stopped tracking houses

that no longer publish their data publicly. Leveraging blockchain, the Registry also tracks provenance and title, and it distinguishes trusted from non-trusted data. By working directly with auction houses, galleries, living artists, museums, and manufacturers to create records, the Registry reduces the risk of permanently recording poor quality information on the blockchain while making data accessible to all for free.

b. 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 market data service platform for Chinese works of art and the research institution of Artron Art Group, focusing on data search, artwork valuation, indexing, data reporting and other relevant services of the Chinese market. It has the most comprehensive and reliable available database on the Chinese art market, with over 6.5 million results from more than 31,000 sales from over 1,000 auction houses since the first art auction in China in 1993. There are roughly 600,000 additions to the database annually.

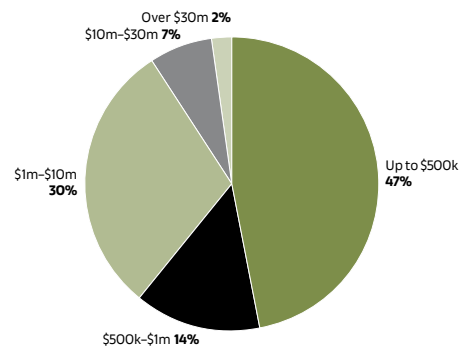
As noted in Chapter 3, the Chinese auction sector uses different categories and sectors than other auctions. The main categories of art used by AMMA are:

a. Chinese painting and calligraphy: This sector is traditional Chinese art, which is mainly comprised of Chinese ink paintings on different media such as Xuan paper, silk, or fans. It can be divided into: 'Chinese calligraphy', where the subject matter is calligraphy based on poems and 'words with great wishes'; and 'Chinese painting'.

b. Oil painting and contemporary art: This encompasses works created by Chinese artists who adopted Western techniques and media (such as oil painting, photography, sculpture, installation, pencil sketch, gouache, or watercolor) after oil painting was first introduced to China in 1579.

c. Ceramics and other wares: Ceramics are decorative artworks made from cornish stone, kaolin, quartz stone, and mullite. The other wares are mainly works made from or based on bamboo, wood, walnut, teeth, and horns. They also include works made with writing brushes, ink sticks, ink slabs, paper, Chinese lacquer, and embroidery, as well as Buddha figures, gilding, and other small decorative works such as hangings and bracelets.

Figure 1 | Share of Dealer Survey Respondents by Turnover in 2019

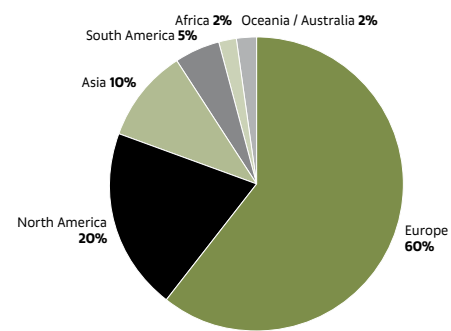


© Arts Economics (2020)

c. Invaluable

Invaluable (invaluable.com) was launched in 2009 and is the largest online global auction platform specializing in art, antiques, and collectibles, with a database of over 58 million price records from around 4,000 auction houses. Invaluable supplied anonymous annual data on offline versus online sales for a sample of over 410 auction houses that have been tracked by their platform since 2014, as well as information on aggregated sales by sector for more than 1,300 auction houses that held sales in 2019.

Figure 2 | Geographical Distribution of Dealer Survey Respondents in 2019



© Arts Economics (2020)

d. Auction Houses' Published Results

To supplement the coverage provided by these databases, Arts Economics has also developed its own internal international auction database, collecting data directly on an annual basis from the published auction results and press releases of auction houses.

e. Auction House Survey

Arts Economics distributes two surveys in the auction sector: a comprehensive top-tier survey of the top 10 auction houses worldwide plus a second-tier survey

of just over 550 national second-tier auction houses (with a response rate of 18%). The auction surveys provide additional sales data as well as a range of other more in-depth information on supply and inventories, employment, buyers, and other aspects of the auction market that are used in the report. The surveys are sent directly to the auction houses from Arts Economics' database.

For historical auction data, various sources were used in compiling previous reports, including Auction Club (2017), Collectrium (2016), Artnet (2011–2015), and Artprice (2008–2010).

II. Dealer Data

Data on dealer sales is more complex to gather due to the private nature of transactions in the sector. Most of the companies in the sector are small businesses with only a very small number of publicly listed companies, which means detailed information and financial results in public and private databases is limited.

Various official sources and company reports are used in compiling figures on the sector. These include Eurostat, the US Bureau of Labor Statistics, the Office for National Statistics in the UK, Companies House, Insee, Infogreffe, the National Bureau of Statistics of China, and many others. However, these sources are limited in scope and coverage and, in some cases, publish data with a significant lag and only for a

very small proportion of companies relevant to this report. Comparisons are also problematic between nations due to differences in the units used, the records required and how they are defined and recorded, and the classification of companies by sector and activity.

To overcome the lack of publicly available data, surveys of this sector are an important element of the research process. To compile data on the dealer sector, Arts Economics conducted an anonymous online survey of approximately 6,500 dealers from the US, Europe, Asia, Africa, and South America in 2019. Ideally, to analyze the market without bias, a random sample of all 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 the main art dealers' associations around the world, those exhibiting at art fairs, and some lists compiled with the help of experts in particular national markets.

The anonymous online survey was distributed directly by dealers' associations such as CINO, SLAD, SNA, CPGA, ADAA, and other key national associations. It was also distributed by Art Basel directly to over 500 individual galleries who participated in its shows in Basel, Miami Beach, and Hong Kong in 2019.

Response rates varied among countries and sectors, but the aggregate for the survey overall was around 17% (1,094 responses), stable on 2018, which is above the average for external online surveys of 10% to 15%.

While the survey revealed dealers with a wide range of levels of turnover, by the nature of the sampling process via vetted entry to associations and fairs, it is skewed towards the middle to higher end of the market and does not cover many of the very small businesses, consultants, and other agents in the market who do not belong to associations or exhibit at fairs. Even given the stratified nature of the sample, however, there was a substantial share of 47% represented in the lowest turnover bracket (less than \$500,000) given in Figure 1, versus 43% in 2018.

When using a broad definition of dealers and galleries, and deriving estimates from a range of official national government statistics and private directories, there were in the region of 296,580 dealers worldwide selling fine and decorative art, antiques and collectibles in 2019.

In terms of whether this sample is representative of the wider population, the 6,500 dealers surveyed account for a small share of the number of individual businesses. However, in most years, these dealers represent more than 80% of the value of sales in the sector. The survey allows us to estimate the value

and changes in this core 80% of the market, while the addition to sales from the remaining small businesses are very conservatively estimated based on official statistics and censuses that report sales by industry, business, or sector.

As some of the highest-selling dealers may not answer surveys, the survey results are also checked and adjusted where possible using the reported turnover of the highest-selling galleries and dealers as reported in Companies House, as well as other databases of company records.

In mainland China, the survey was conducted both through the online survey and via in-person interviews with more than 30 art galleries in Shanghai and Beijing with the assistance of the Shanghai Culture and Research Institute.

The survey was supplemented by a series of interviews with dealers in different sectors and countries conducted from June 2019 to January 2020 to gain in-depth insights on the art market, which were used to inform the analysis in the report and help interpret the findings.

III. Wondeur AI

Wondeur (wondeur.ai) is a research-based company comprised of art historians and AI researchers from MIT and the University of Toronto, analyzing the dynamics of value creation and biases in the art world. The technology uses AI to recognize patterns in the careers of artists born after 1900 and track the effect on value of 28,000 institutions globally. Wondeur AI tracks four levels of gender bias and their replicating effect throughout their network of museums, galleries, and art fairs.

For this report, Wondeur AI provided data on gender diversity in galleries, museums, and art fairs with a breakdown by artist acclaim level, defined as the cumulative recognition obtained by artists from their showing or being collected by various institutions at any given time in their career. Pattern recognition applied to artist trajectories helps estimate the impact of 28,000 institutions across the world in the last 100 years.

For the purposes of classifying artists by their level of acclaim, the following artist categories were used in the report, as assigned by Wondeur AI:

1. Star artists (the top-tier artists, or top 1% of artists)
2. Celebrated artists (the second 1%)
3. Established artists (the next 14%)
4. Emerging and underrepresented artists (the remaining 84%)

Data provided for this study covered the US, Germany, UK, Brazil, and Japan, comparing the period 1995–1999 to 2015–2019.

IV. Artsy

Data on galleries, artists, and transaction distances was supplied by Artsy.net in 2019. Artsy was launched in 2012 and is the largest and most used online fine art marketplace, with more than 1 million works of art produced by more than 100,000 artists listed by over 3,000 partner galleries, 25 auction houses, 80 fairs, and 800 museums.

For the analysis of galleries and artist representation, a selection of 65,000 artists (and the more than 3,000 galleries that list works by them on Artsy) was examined in the report. To investigate the prices paid online by collectors in more detail, a sample of data was supplied for this report by Artsy covering a range of around 5,000 fully anonymized sales where full pricing and buyer and seller location data were available.

V. ArtFacts

Data on gallery openings and closures and art fairs was sourced from ArtFacts (artfacts.net). ArtFacts' database contains over 37 million data points covering exhibitions from 192 countries, from the beginning of the 1860s to the present, and monitoring over 500,000 artists. ArtFacts provided data for a sample of 171 art fairs in 2019 that had at least 20 exhibitors, as well as data on the openings and closures of galleries. ArtFacts tracks the openings and closures of galleries from a dynamic international base of between 5,000 and 6,000 top galleries.

The galleries included in the analysis in Chapter 2 are only those that have participated in at least one major fair in the past 11 years, with new branches of headquartered locations also appearing if the primary operation has participated in a fair.⁷⁹

VI. Online Data Sources

Research on the online sector was informed in part by a survey of around 80 online businesses selling art and antiques in 2019. This was supplemented by a series of interviews with those working in the online art space, as well as collectors and other experts. Several companies also provided aggregate results to Arts Economics on an anonymous basis for the purposes of this research.

Data on website traffic was taken from SimilarWeb in the months between December 2019 and January 2020. This data is dynamic and changes over time. It should therefore be considered only as a relative view of the companies presented at a point in time. Other data was taken directly from social media sites, including Instagram and Twitter.

VII. UBS Investor Watch Survey

Arts Economics partnered with UBS to conduct a survey of over 1,300 HNWIs in seven different markets in 2019. The survey used panels provided by Dynata from the following markets:

- US
- UK
- France
- Germany
- Singapore
- Hong Kong
- Taiwan

The individuals in the sample all had household investable assets in excess of \$1 million, excluding real estate and business assets. Those collectors screened into the sample were asked to report their total household investable assets. 33% reported wealth of between \$1 million and \$5 million, 33% reported between \$5 million and \$20 million, 16% between \$20 million and \$50 million, and 17% over \$50 million.

To assess if they were active in the art and collectibles markets, respondents were also initially screened by asking if they had purchased a range of assets including art, antiques, and other collectible items in the last two years. To qualify for inclusion, each respondent had to have spent a minimum of \$10,000 on these works of art or objects in the last two years. The screening process continued until there was a minimum of 150 fully completed survey responses from qualified respondents in each country, and 400 from the US.

The sample was 37% female and 63% male respondents. 83% of the sample had a bachelor's degree or higher (including 45% with graduate degrees such as a master's or a PhD).

In terms of their age profile, the aggregate sample was broken down as follows:

- 4% aged under 23 years, or Gen Z
- 49% aged 23-38 years, or Millennials
- 33% aged 39-54 years, or Gen X
- 12% aged 55-73 years, or Boomers
- 2% aged 74+ years, or Silent generation

VIII. Secondary Sources

The report uses a large number of secondary sources and these are cited throughout the report. Some key sources used for data in the report on a regular basis include:

- UBS / PWC Billionaires Report 2019
- UBS Billionaire Insights Reports (various years)
- UBS Global Financial Markets Reports (2019/2020) and *Year Ahead 2020*
- The IMF World Economic Outlook (Database)
- UN Comtrade Database (Imports and Exports)
- Merrill Lynch and Capgemini World Wealth Reports (various years)
- Credit Suisse Global Wealth Databook (various years)
- Forbes Billionaire Lists and Database
- Eurostat Labour Force Surveys
- Bureau of Labor Statistics Database

⁷⁹ It is important to note that the data on openings is skewed by the criteria for inclusion: a gallery that opens in 2019, for example, is unlikely to exhibit at a fair in its first year of operation, which means that the numbers for openings were lower in recent years than they were in the previous years. This also creates changes in the figures year-to-year as galleries are only revealed in the public domain as they appear in fair programs. Updates to previous years' data are therefore necessary, as galleries are only revealed as opening or closing with a lag. Closures may also appear with a lag as some galleries close privately without publicizing their closures, and their departures only becomes apparent through their non-appearance at fairs and through exhibition records in subsequent years. This means that the figures change from year to year, as updates are required for the data in each subsequent year. Galleries are only included in the data where a clear year of commencement or closure is available, and therefore it does not include the large numbers of very small galleries and shops opening and closing in the wider art market year-on-year.

Publisher

This report is jointly published by Art Basel and UBS

Art Basel

MCH Swiss Exhibition (Basel) Ltd.
Messeplatz 10, 4005 Basel, Switzerland
T +41 58 200 20 20
www.artbasel.com, info@artbasel.com

UBS

UBS AG or an affiliate
Bahnhofstrasse 45, 8098 Zurich, Switzerland
T +41 44 234 11 11
www.ubs.com

Author

Dr. Clare McAndrew

Design

atelier MUY

Photography

Jingya Liu, Julien Deceroi, Michael Perini,
Steven Sierra for Art Basel

Print

Gremper AG

Binding

Grollmund AG

Rights

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, or otherwise without prior permission in writing from Art Basel and UBS. UBS accepts no liability for the actions of third parties in this respect.

Disclaimer

This document and the information contained herein are provided solely for information and marketing purposes. It is not to be regarded as investment research, a sales prospectus, an offer or solicitation of an offer to enter in any investment activity. It is not to be construed as legal, tax, accounting, regulatory or other specialist or technical advice or investment advice or a personal recommendation.

Information provided herein with respect to this report, including valuations and financial results, has been provided by Arts Economics and Dr. Clare McAndrew. Neither UBS AG, nor its affiliates have verified the accuracy of said information, or make any representations or warranties as to the accuracy or completeness of such information. Prior performance is not indicative of future results. UBS is under no obligation to update or keep current the information contained herein. Neither UBS nor any of its directors, officers, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this document or reliance upon any information contained herein.

For this UBS Investor Watch collaboration, more than 1,300 high net worth investors were surveyed (with at least \$1 million in investable assets) that had spent \$10,000 or more on art and/or antiques in the past two years. The global sample was split across 7 markets: the UK, the US, Singapore, Taiwan, Hong Kong, France and Germany. The surveys were conducted between October 2019 and December 2019.

UBS Evidence Lab is a separate department to UBS Global Research and UBS Evidence Lab does not provide research, investment recommendations or advice.

© 2020 Art Basel | UBS

List of artists featured in The Art Market 2020 in order of appearance

Ugo Rondinone **24**
Carsten Höller **26**
Joyce Kozloff **34**
Kiki Kogetnik **39**
Alicia Framis **41**
Roy Lichtenstein **52**
Olafur Eliasson **65**
Hans Op de Beeck **73**
José María Sicilia **85**
Leda Catunda **94**
Philippe Parreno **116**
Zhao Meng **121**
Jess Collins **122, 145**
Anselm Reyle **133**
Arin Dwihartanto Sunaryo **149**
Barkley L. Hendricks **160**
Laura Owens **167**
Didier William **173**
Cathy Wilkes **183**
Robert Janitz **184**
Matias Duville **191**
Lee Bul **196**
Zhang Yu **204**
Ibon Aranberri **212**
Wilhelm Sasnal **226**
Laure Prouvost **235**
Maria Bartusová **239**
Paul McCarthy **240**
Mathis Altmann **260**
Cindy Sherman **267**
Devan Shimoyama **278**
Arthur Jafa **287**
Lena Henke **288**
Mr. **295**
Pipilotti Rist **302**
Latifa Echakhch **312**
Urs Fischer **329**
Cao Guimarães **336**
Richard Misrach **350**
Antoine Catala **356**
Rinus Van de Velde **364**
Tadashi Kawamata **374**