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GLOBAL ART MARKET UPDATE

June 2013/ Volume 1

This Global Art Market Update is the first edition of a regular bi-annual report published by The Art Fund Association in the hopes of fostering greater understanding as to the current state of the art market around the world. This report is available for public use, re-print or citation without further permission, provided the use included credit to The Art Fund Association and the various sources cited herein. The Art Fund Association expressly acknowledges Artprice, Deloitte, TEFAF market reports, Christie's, Sotheby's, Phillips, and artinfo.com which served as source material for certain information presented herein. Questions relating to this Global Art Market Update may be made to publications@artfundassociation.com.

The Art Market Today

The global art market seems more dynamic than ever, with strong prices and volumes supported by a growing international demand.

The market is supported by an increase in the number of art fairs worldwide with strong attendance, both from major experienced collectors and the general public, and growing volume of sales achieved. The most recent round of auctions in New York, London, and Asia resulted in record highs for modern and contemporary works. Major exhibitions at museums and galleries of such popular artists as Monet, Picasso, Hopper, Warhol, and Basquiat have broken visitor records.

The Spring auction season (May 2013) in NYC achieved record sales, with more than USD 1.5 billion worth of artworks sold in a two-week period. These prices included numerous artists' records and historically low bought-in rates. Christie's even achieved the highest sales total in auction history on May 15, 2013.

This Global Art Market Update seeks to provide an overview of the current state of the global art market, outlining some of the key figures, main characteristics and recent trends, and providing a brief overview of the most recent Post-War and Contemporary Art evening sales in NYC.

The Global Art Market in 2012

KEY FIGURES



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According to ArtPrice, global art auctions generated USD 12.3 billion in 2012 (this number only includes fine art auction sales, not decorative arts, i.e., antiques and furniture), an increase of 6.1% over 2011, which was already a record year. Auction revenues topped USD 10 billion for the first time ever in 2011.

Looking at decorative art and the private market in addition to fine art and the auction market, total sales for 2012 were, according to TEFAF Art Market Report, EUR 43 billion, a decrease of 7% compared to 2011. This reduction was mostly driven by a heavy slow-down in the Chinese market, with sales falling 24% to EUR 10.6 billion. An increase of 5% in the US art market to EUR 14.2 billion made up for some of this loss in Asia.

2012 was a record year for the art market at public auction. The year was capped by a record sale for Sotheby's at its November contemporary evening auction in New York. In the same month, Christie's New York succeeded in having its best Post-War and Contemporary Art auction ever. 2012 also saw the record price paid for a Western work of art at USD 120 million, for **Edvard Munch's *The Scream***, achieved in May 2012 at Sotheby's New York.

There are several structural factors that can account for such stunning results for the art market in 2012, despite a continually challenging global economic environment, including a strong slow-down from the Chinese economy.

THE DISTRIBUTION OF THE GLOBAL ART MARKET...

From the Western to the Emerging economies

China replaced France as the third largest art market in 2007, and for the last three years, it has become the strongest marketplace in the world for fine art auction sales. While China achieved just over 41% in value of all worldwide sales in 2012, again leading all nations, its sales actually decreased from 2011. Furthermore, China's fine art auction registered their worst unsold rate in 5 years, soaring to 50%. In contrast, sales in the Western art market increased by 5.5% with a historically low unsold rate.

The distribution of the global art market has fundamentally changed over the past 10 years. The fast emergence of

Artprice's Top 10 Ranking:
The art market heavyweights in 2012

	Artist	Turnover (USD m)
1	Andy Warhol	380
2	Pablo Picasso	334
3	Gerhard Richter	299
4	Qi Baishi	262
5	Zhang Daqian	242
6	Mark Rothko	187
7	Li Kezhan	180
8	Francis Bacon	172
9	Jean-Michel Basquiat	162
10	Joan Miro	155



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the Chinese market marked the end of the dominance of New York and London. But, other emerging markets, such as Russia, Brazil, and Southeast Asia, have also challenged the hegemony of New York and London, and have provided new buyers for the Western auctions. Unfortunately, there are no statistics showing the total amount spent by buyers from specific countries, which would probably confirm how global the art buying public has become and the impact of collectors from emerging economies on the art market. In fact, emerging economies have outperformed mature economies during the past few years, and have been able to weather the recession better. In 2012, GDP growth averaged 5.3% in emerging economies, vs. 2.2% in the US, and -0.2% in the EU).

Reflecting this global market, auction houses are now reporting bidding activity from around 35 countries. Sotheby' s stated that there were 20% new bidders for its Post-War and Contemporary Art Evening sale, either new to Sotheby' s or to the category.

From Impressionist and Modern Art to Post-War and Contemporary Art

The Post-War and Contemporary Art segment has been the dominant auction segment in 2012, reaching its highest

recorded level, just under EUR 4.5 billion according to the TEFAF Global Art Market report. This trend is in part driven by the scarcity of good Impressionist and Modern artworks. But it also reflects the dramatic increase in prices notably for Abstract Expressionism, with each of its iconic artists, Mark Rothko, Jackson Pollock, Franz Kline, and Barnett Newman, breaking records at auctions. Sustained prices for Pop Art, especially by Warhol and Lichtenstein, and such contemporary artists as Jean-Michel Basquiat and Gerhard Richter, also resulted in the dominance of Post-War and Contemporary Art.

The top 10 selling artists of 2012 were dominated by contemporary artists.



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Warhol recovered his first place status with USD 380 million in sales, exceeding the USD 300 million mark for the third year in a row. Gerhard Richter became the most expensive living artist at auction, rising to third place. As a testament to how popular Contemporary Art has become with collectors, Richter generated nine winning bids over USD 10 million in 2012 compared to only six for Picasso.

Only 3 Chinese artists are among the Top 10 in 2012, as compared to 6 in 2011, some of them never sold outside of China.

Proof of a highly active market and increased prices at the highest level of the market, the “entrance ticket” for the TOP 10 is now over USD 150 million in annual revenues, almost quadruple that of 2005.

THE EMERGENCE OF A GLOBAL ART FUND INDUSTRY

According to the most recent Art & Finance report published by Deloitte in 2013, the global art fund market increased by 62% in 2012, reaching a conservative estimate of USD 1.6 billion in 2012. This growth was mostly driven by art investment funds and trusts in China. In 2012, Deloitte estimated that there were 83 active art funds and art

investment trusts, 58 of which were set in China. Despite the continuing development of Chinese funds, their growth slowed in 2012 compared to 2011, with new funds in 2012 being estimated at USD 367 million, versus USD 506 million in 2011.

Deloitte also noted that in Western countries existing funds increased their funds under management in 2012. The Fine Art Fund, for example, in the UK grew from USD 120 million to USD 200 million. The Art Fund Association is currently tracking and advising a number of new art funds being developed around the world embodying varying investment strategies, fund structures and domiciles and art market segments. These prospective art funds lend further support for the continued growth and expansion of the art fund industry.

The economic uncertainties that continue to plague all Western economies play a major role in driving investors toward art as a way to diversify their portfolios: diversification seems an important strategy to guarantee returns for wealth managers. Deloitte’s research confirms that there is increasing confidence among wealth managers to invest in art, art increasingly perceived by their clients not just as entertainment but as a strategic investment.



A GROWING ART MARKET AT DIFFERENT PRICE LEVELS

The current global art market is characterized by growth in all segments of the market. At the highest level, in what is considered blue-chip art, prices have increased dramatically for the past several years. At the lowest level, prices as well have gone up many-fold for well-known artists sold during the main auction seasons. Prices will rarely go lower than USD 100,000 at major day auctions from major auction houses that concentrate on the best known artists.

However, if USD 1 million artworks account for approximately half of all auction sales by value, then the densest segment of the market by volume consists of more reasonably priced artworks. It is estimated that 80% of the art at public auctions, roughly 355,000 items in 2012, consisted of works under USD 5,000.

The art market has grown consistently and gradually in the last ten years. Artprice estimates that over 315,000 artworks were sold at auction in 2012 (excluding China), which is 100,000 more than were sold in 2007. In just a decade, from 2002 to 2012, revenues of auctions rose by more than 180%, and the number of works sold by 58%.

New-York Spring Auctions– Focus on Post-War and Contemporary Art

The New-York Spring auction season proved to be one of the strongest in auction history with more than USD 1.5 billion worth of artworks sold at Sotheby’s, Christie’s, and Phillips combined, encompassing both Impressionist, Modern, Post-War and Contemporary Art in just two weeks.

	Impressionist & Modern Art	Post-War & Contemporary Art	TOTALS
Christie’ s	USD 190.3m	USD 637.9m	USD 828.2m
Sotheby’ s	USD 288.3m	USD 383.3m	USD 671.6m
Phillips	NR	USD 87.9m	USD 87.9m
TOTALS	USD 478.6 m	USD 1,109.2m	USD 1,587.7m



Post-War and Contemporary Art generated the most interest during this season, especially at the top end of the market. Sales totaled over USD 1.1 billion for this segment. The Impressionist and Modern Art auctions only realized USD 478m, less than half of previous segment.

Over 1,500 lots sold during this season in New York, encompassing Impressionist, Modern, and Post-War & Contemporary, with a very strong sell-through rate of 76%, including day sales. The sell-through rate was even lower for the Evening Sales. 202 lots sold for over USD 1 million, a significant increase over the 162 lots that sold for over USD 1 million last November in New York. 26 lots surpassed the USD 10 million threshold. 5 works sold for over USD 40 million.

In the Post-War and Contemporary Art segment, Christie's dominated the bidding mostly driven by high-end bidding, selling 7 of the 13 lots over USD 20 million, for a total value of USD 261.8 million and constituting 53% of the value of its evening sale. With a total of USD 444.8 million, this high-level segment (sales over USD 20 million) constituted no less than 52% in value of all evening sales.

These Spring sales resulted in numerous artists records. Iconic works by blue-chip artists sold very well because of the relative shortage of high quality artworks, especially those with a prestigious provenance. Apparently, there were not enough strong works to meet the growing global demand.

LOTS SOLD OVER USD 20 million	PRICE REALIZED	ESTIMATES	AUCTION HOUSE
Jackson Pollock, <i>Number 19</i> , 1948 <i>World auction record for the artist</i>	USD 58.3m	USD 25-35m	Christie's
Roy Lichtenstein, <i>Woman with flowered hat</i> , 1963 <i>World auction record for the artist</i>	USD 56.1m	Upon Request	Christie's
Jean-Michel Basquiat, <i>Dustheads</i> , 1982 <i>World auction record for the artist</i>	USD 48.8m	USD 25-35m	Christie's
Barnett Newman, <i>Onement VI</i> , 1953 <i>World auction record for the artist</i>	USD 43.8m	USD 30-40m	Sotheby's
Andy Warhol, <i>Four Marylins</i> , 1962	USD 38.2m	Upon request	Phillips



Gerhard Richter, <i>Domplatz Mailand</i> , 1968 World auction record for the artist	USD 37.1m	USD 30-40m	Sotheby' s
Mark Rothko, <i>Untitled (black on maroon)</i> , 1958	USD 27m	USD 15-20m	Christie' s
Philip Guston, <i>To Fellini</i> , 1958 World auction record for the artist	USD 25.9m	USD 8-12m	Christie' s
Roy Lichtenstein, <i>Nude with Yellow Flower</i> , 1994	USD 23.6m	USD 12-16m	Christie' s
Yves Klein, <i>Sculpture eponge bleue sans titre</i> , 1959 World auction record for the medium	USD 22m	Upon request	Sotheby' s
Gerhard Richter, <i>Abstraktes Bild</i> , 1986	USD 22m	USD 14-18m	Christie' s
Clyfford Still, <i>PH-21</i> , 1962	USD 20.9m	USD 16-20m	Sotheby' s
Jackson Pollock, <i>The Blue Unconscious</i> , 1946	USD 20.9m	USD 20-30m	Sotheby' s

SOTHEBY'S POST-WAR AND CONTEMPORARY ART EVENING SALE

Sotheby' s totaled a strong USD 293.6 million for its evening sale of Post-War and Contemporary Art. 44 of the 53 lots that sold passed the million dollar mark. Of those, five exceeded USD 20 million. Sotheby' s released its recorded bidding from 35 countries, and no less than 20% of the registered bidders were new to either Sotheby' s or the category.

Only eleven of the 64 lots offered failed to find buyers, resulting in a strong buy-in rate of 13 percent by lot and 18 percent by value. The sale ranks as Sotheby' s fifth best-earning contemporary art evening sale and easily exceeded last

May' s USD 266.6 million result. Four artist records were set.

Barnett Newman' s magisterial, electric blue zip painting, *Onement VI* (1953) sold to an anonymous telephone bidder for USD 43.8 million (est. USD 30-40 million). It easily broke the record set last November 2012 at Christie' s New York when *Onement V*, from the same series, made USD 22.3 million.

The second top lot of the evening was **Gerhard Richter' s** enormous photo-based painting, *Domplatz, Mailand* (1968), which sold for a record USD 37.1 million (est. USD 30-50 million). This painting is the most expensive work by a living artist to ever sell at auction. The 108-by-114-inch Richter last sold at



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Sotheby' s London in December 1998 for GBP 2.2 million (USD 3.6 million).

Another record price was the USD 22 million (estimate on request) paid for **Yves Klein' s** sculpture *eponge bleue sans titre, SE 168* (1959), which is the highest price paid for a sculpture by the artist. The sculpture was formerly in the collection of great New York dealer Sidney Janis.

Among the other high prices achieved at this evening auction was **Jackson Pollock' s** early painting *Blue Unconscious* (1946) that sold for USD 20.9 million (est. USD 20-30 million). It last sold at auction in April 1965 for USD 45,000. **Jean-Michel Basquiat' s** Roman-themed *Untitled (Julius Caesar on Gold)* (1981), for USD 6.9 million (est. USD 7-8 million). The painting recently appeared in the Basquiat show at Gagosian in Chelsea.

Surprisingly, two of five works by **Jeff Koons** were bought in, including *New Hoover Celebrity IV, New Hoover Convertible, New Shelton 5 Gallon Wet/Dry, New Shelton 10 Gallon Wet/Dry Double Decker* (est. USD 10-15 million). However, Koons' s earlier work, *The New Jeff Koons* (1980), a fluorescent light box self-portrait, sold very well for USD 9.4 million (est. USD 2.5-3.5 million).

Francis Bacon' s *Study for Portrait of P.L.* (1962), a composition of his lover and muse Peter Lacey went unsold and even failed to attract any bidding (est. USD 30-40 million).



Barnett Newman' s *Onament VI*



Gerhard Richter' s *Domplatz Mailand*



CHRISTIE'S POST-WAR & CONTEMPORARY ART EVENING SALE

Auction history was made at Christie's Post-War and Contemporary evening sale on May 15, which totaled USD 495 million, the highest ever for any auction in any category. It exceeded the USD 491.4 million mark set at Christie's record Impressionist and Modern Art evening sale in November 2006.

Only four of the 70 lots offered failed to find buyers for an impressive sell-through rate by lot and value of 94%. The sale easily beat presale expectations of USD 289-401 million. 59 of the 66 lots sold exceeded one million dollars. Of those, 23 made over USD 5 million, and 9 topped USD 10 million. No less than 12 artist's world auction records were set during that sale.

The top lot of the sale, which was also on the cover of the catalogue, was **Jackson Pollock's *Number 19***, dated 1948, a small but iconic drip painting in oil and enamel on paper mounted on canvas. It sold to an anonymous telephone bidder for an USD 58.4 million (est. USD 25-35 million), an impressive result for a work on paper. The price set a new record for

Pollock at auction, surpassing the USD 40.4 million paid for Pollock's *Number 4* at Sotheby's last November. The bidding for the Pollock began at USD 18 million and quickly escalated at million-dollar increments to a point where three bidders were left when the bidding reached USD 40 million. Described in the catalogue as the property of an American foundation, this painting last sold at Christie's New York in May 1993 for USD 2.4 million.

Another artist's record was set when **Jean-Michel Basquiat's** painting *Dustheads* (1982), sold to an anonymous telephone bidder for a record USD 48.8 million (est. USD 25-35 million), topping the previous record of USD 26.4 million paid at Christie's New York last November for the artist's *Untitled* (1981). Annina Nosei, the dealer who represented Basquiat in the early 80's, is said to have originally sold the painting for under USD 5,000.

Basquiat set a second record at the auction when his drawing *Furious Man* sold for USD 5.7 million (est. USD 1-1.5 million), a record for a Basquiat work on paper. The drawing last sold at Sotheby's New York in May 2001 for USD 302,750.



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THE HIGHEST TOTAL IN AUCTION HISTORY

POST-WAR AND CONTEMPORARY ART EVENING SALE ACHIEVES \$495,021,500



JACKSON POLLOCK (1912-1956)
NUMBER 19, 1948

PRICE REALIZED: \$58,363,750
WORLD RECORD FOR THE ARTIST AT AUCTION



ROY LICHTENSTEIN (1923-1997)
WOMAN WITH FLOWERED HAT

PRICE REALIZED: \$56,123,750
WORLD RECORD FOR THE ARTIST AT AUCTION



JEAN-MICHEL BASQUIAT (1960-1988)
DUSTHEADS

PRICE REALIZED: \$48,843,750
WORLD RECORD FOR THE ARTIST AT AUCTION

Source: Christie's, 15 May 2013

Yet another record was set when **Roy Lichtenstein's** 1963 painting *Woman With Flowered Hat*, an appropriation of a 1930s Picasso, sold for USD 56.1 million. The previous record for a Lichtenstein had been set just a year ago at Sotheby's New York when *Sleeping Girl* (1964) sold for USD 44.8 million.

Two other record prices for an artist were set when **Philip Guston's** painting *To Fellini* (1958) sold for USD 25.9 million (est. USD 8-12 million), and **Piero Manzoni's** inventive white abstraction

called *Achrome* (1958) sold for USD 14.1 million (est. USD 6-9 million).

The abstract works were clearly favored by bidders, often exceeding their high pre-sale estimates. **Mark Rothko's** *Untitled (Black on Maroon)*, dated 1958, sold for USD 27 million (est. USD 15-20 million). **Willem de Kooning's** *Woman (Blue Eyes)*, dated 1953, sold for USD 19.2 million (est. USD 12-17 million). **Gerhard Richter's** colorful *Abstraktes bild, Dunkel (613-12)*, dated 1986, sold to a telephone bidder for USD 22 million (est. USD 14-18 million).



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The Art Fund Association wishes to thank the following contributors to this Global Art Market Update.



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About The Art Fund Association

The Art Fund Association (www.artfundassociation.com) is a trade association comprised of professionals of, investors in, and service providers to, art investment funds and art funds of funds. Founded in 2009 by prominent art market professionals, The Art Fund Association shapes the dialogue, business practices and growth of the art fund industry by providing a forum where leaders, investors and practitioners in the global art fund industry can come together for the advancement and promotion of art investment vehicles.
