

Artprice's overview of the Global Art Market in H1 2015 – USA recovers top position from China

Born from an alliance between **Artprice**, the world leader in Art Market information, founded and directed by **thierry Ehrmann**, and its powerful Chinese institutional partner **Artron** and **AMMA**, the Global Art Market Report (first semester of 2015), at last provides a perfect reading of the Art Market from both a Western and an Eastern perspective.

1. **United States recovers top position from China**
2. **West posts +9% growth**
3. **London: world's second largest marketplace**
4. **Global auction turnover: US\$7.6 billion (-5%)**
5. **Major auction houses become highly selective and prices of Market's favourites rocket**

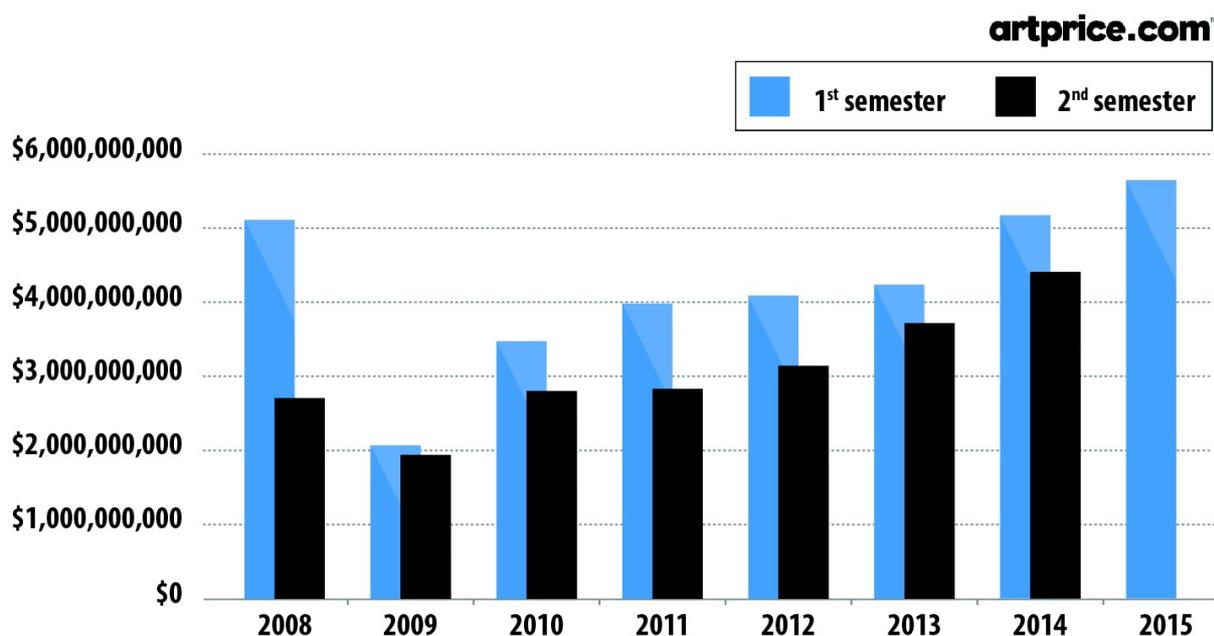
Global turnover

For the first six months of 2015, global turnover from Fine Art auction sales amounted to US\$7.6 billion compared with US\$8 billion in the first half (H1) of 2014.

Strong growth in the West

In the Western world, the volume of lots sold decreased -6% versus H1 2014, while Fine Art auction turnover rose +9% reflecting a substantial increase in the quality of the works auctioned. At the same time, the average price of Fine Art lots sold in H1 2015 rose to \$34,000 compared with \$29,000 a year earlier, indicating an enhanced level of economic maturity in the Art Market. Clearly, the financialization of the Art Market and the industrialization of the Museum sector is raising the quality of works offered, and, *de facto*, their prices.

Fine Art auction turnover in the West (per semester, 2008 – 2015)



The United States recovers first place from China

The US Art Market posted a +20% increase in turnover on an almost stable transaction volume (+2%). At a global level, the United States generated nearly 30% of the world's Fine Art turnover on just 12% of the total number of lots sold.

More than ever, New York is the number one marketplace for the ultra-high-end of the Market. In H1 2015, Manhattan generated 46 results above the \$10 million dollar threshold... more than half the total number recorded worldwide (84).

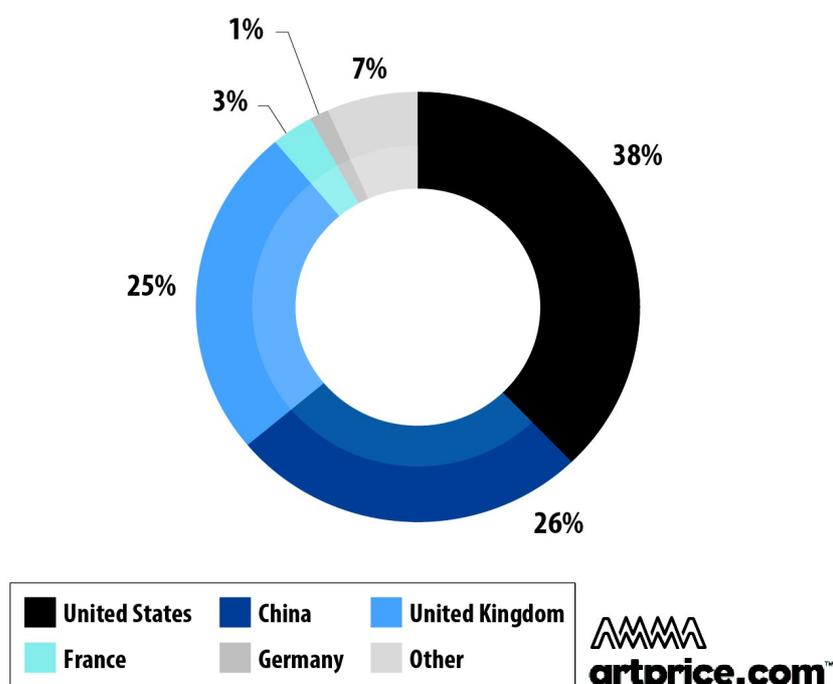
Contraction of the Chinese Art Market

Having progressed +214% between 2009 and 2014, China's public art market posted a sharp fall in the first half of 2015. The number of lots sold decreased -39%.

Chinese Fine Art auction turnover contracted a little less at -30% versus H1 2014. The growth of the Chinese auction market has therefore stalled, but the government's anti-corruption drive is more than likely one of the causes.

Our figures and observations regarding the Chinese Art Market are highly accurate and reflect the long-standing collaboration with our institutional partner, the Chinese group Artron, via AMMA (Art Market Monitor by Artron).

Geographical breakdown of global Fine Art auction turnover
(H1 2015)



The United Kingdom on China's heels

The UK posted a +6% increase in Fine Art auction turnover in H1 2015. This was after +35% recorded in 2014 and it confirms London's growing strength on the global Art Market. For the first six months of 2015 alone, the UK posted auction turnover of US\$ 1.913 billion, dwarfing the total generated by continental Europe.

The UK retains its third place in the global turnover ranking but is poised to capture second place from China: the gap between the two is just US\$100 million.

Top 10 cities ranked by Fine Art auction turnover (H1 2015)

	City	Auction total
1	New York	\$2,801,407,325
2	London	\$1,900,370,527
3	Beijing	\$600,327,198
4	Hong Kong	\$448,963,054
5	Paris	\$200,051,215
6	Shanghai	\$82,301,373
7	Canton	\$43,511,880
8	Milan	\$42,453,690
9	Vienne	\$41,144,861
10	Munich	\$35,970,203

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More and more buyers... and sellers

In terms of participants, the global Art Market is continually growing. The world's leading auction operator, Christie's, has posted a +24% increase in new clients in the past year, of whom +16% thanks to its Internet sales.

Christie's Chief Executive Officer, Patricia Barbizet, is acutely aware of this trend: "a generation of 'digital natives' has emerged and online sales have become an integral part of Christie's activity" (Martine Robert, *Les Echos*, Tuesday 21 July 2015). Likewise, Sotheby's half-year report confirms a double-digit increase in new clients thanks to the new channels offered by the Internet.

USA

Leadership

Aided by a strong dollar, the United States has recovered its position as the global leader with a turnover total of \$2.887 billion, nearly a billion more than China (US\$1.998 billion), rekindling the fierce competition between the two major global powers.

Since 2010, US Fine Art auction turnover has risen by +108% while the number of lots sold has grown by just +10%. Above all, this reflects the development of New York's ultra-high-end Art Market where prices are rising faster than the number of transactions, suggesting an increasingly mature Art Market.

The price inflation was particularly strong in the first half of 2015: the all-time auction record for an artwork (set in 2013 when Francis Bacon's triptych *Three Studies of Lucian Freud* [1969] fetched US\$142.4 million) was beaten twice in the same evening!

A extraordinary sale... for four reasons

On 11 May 2015, Christie's held a sale entitled *Looking Forward to the Past* that generated no less than US\$625.87 million.

That total is substantially higher than France's total Fine Art auction turnover in the first six months

of 2015 (US\$243 million).

The sale was remarkable for four reasons:

- First, it paved the way for a new type of sale by mixing artistic periods. *Looking Forward to the Past* was, in effect, Christie's first ever mixed-period prestige sale. The 35 lots offered (a particularly low number) were all works created since the end of the 19th century and included masterpieces by Monet, Magritte, Rothko, Warhol, Basquiat, Prince and Doig (amongst others). The London-based firm effectively managed to unite the best of Impressionist, Modern, Post-War and Contemporary art all in one sale.
- Second, with US\$625.87 million from just 34 lots sold (only one was bought in), *Looking Forward to the Past* posted the highest-ever average hammer price at US\$18.4 million, making it the most prestigious evening sale ever held.
- Third, the sale broke two world auction records: Alberto Giacometti's sculpture *L'homme au doigt* (1947) sold for 141.3 m\$ (including fees), becoming the most expensive sculpture in the world (at public sales) and just a few minutes earlier, Pablo Picasso's *Les femmes d'Alger (Version 'O')* (1955) was acquired for US\$179.4 million (including fees) becoming the most expensive artwork ever sold at auction.
- Fourth, *Looking Forward to the Past* marks a break in a long tradition whereby Sotheby's and Christie's always organised their sales back-to-back. In recent years, the two firms effectively collaborated with regard to planning so that their sales would occur on consecutive dates. With *Looking Forward to the Past*, Christie's left a gap of nearly a week after the Impressionist & Modern Art sale organised by Sotheby's. Moreover, Christie's decided to include recent works in its sales such as an Elizabeth Peyton's painting *Gavin on the Phone* (1998).

Christie's Chief Executive Officer, Patricia Barbizet, explained: "In 2001, when the two firms were found guilty of unlawful collaboration by a New York court, they were like twins. Today, that is no longer the case, and each company is seeking to differentiate from the other." (Martine Robert, *Les Echos*, Tuesday 21 July 2015).

Several other major results recorded at the *Looking Forward to the Past* sale:

- Peter Doig: *Swamped* (1990) fetched \$26 million including fees. On 7 February 2002, the same work was acquired at Sotheby's in London for just \$55,500 including fees.
- Jean Dubuffet: *Paris Polka* (1961), \$24.8 million including fees.
- Chaim Soutine: *Le Bœuf* (c.1923), \$28.1 million including fees.

LONDON

Sotheby's beats Christie's on its home ground...

Sotheby's out-hammered its rival Christie's in London in both February and June, and in both the Impressionist & Modern Art field and the Post-War & Contemporary Art field:

– Impressionist & Modern Art:

On 24 June 2015, Sotheby's hammered a total of US\$282 million, its second best sales total in its long history of London sales.

The previous night (23 June), Christie's totalled just US\$112.9 million, less than half of Sotheby's total.

– Post-War & Contemporary Art:

On 1 July 2015, Sotheby's totalled US\$209.6 million (including fees) versus a total of US\$150 million at Christie's equivalent sale the previous night (30 June).

An excellent result for Sotheby's indeed; but it would have been much better had it managed to sell

a major work by Francis Bacon, two key works by Andy Warhol, and a Peter Doig large canvas. These four works would have added around US\$100 million more to the evening's final total...

Other excellent London results:

- Gustav Klimt: *Le portrait de Gertrud Loew* (1902): \$38.1 million, including fees.
- Kasimir Malevich: *Suprematism, 18th construction* (1915): \$33 million, including fees.
- Edgar Degas: *La Petite danseuse de quatorze ans*: nearly \$24.96 million, including fees (new record for Degas in three dimensions – the same piece fetched \$19 million in 2009).
- Édouard Manet: *Le Bar aux Folies-Bergère* (1881): in 1994 the painting fetched \$6.1 million (excluding fees). In 2015 it sold for \$26.7 million (including fees).
- Andy Warhol: *One Dollar Bill (Silver Certificate)* (1962): \$32.8 million, including fees.

CHINA

A growth slowdown in China

The total auction turnover from Fine Art shrank -30% in China (including Hong-Kong and Taiwan), versus H1 2015, thereby relieving China of its global turnover leadership.

The slowdown was due to a combination of factors, foremost of which was the drastic anti-corruption drive being conducted by President Xi Jinping that has momentarily paralysed the country's luxury goods and Art Market sectors. In the absence of strict legal definitions, practically all wealthy citizens of the People's Republic of China are temporarily refraining from making any extravagant acquisitions. The result has been a sharp reduction in bids above the million-dollar line in Chinese auction rooms: 170 in H1 2015 versus 286 in H1 2014.

At the same time, the contraction of the Chinese Art Market has a number of similarities to the recent evolution of Chinese stock markets; economic reality inevitably has an impact on the country's Art Market.

Repositioning

The slowdown does not however reflect disaffection for Chinese art, but rather a repositioning of the market after being focused for years (particularly the 2006 – 2008 period) on hyper-speculative Contemporary artists. Nowadays, buyers are turning their attention to less risky signatures.

In purely financial terms, sound investment logic has replaced the appetite for rapid capital gains. The Chinese market is seeing growing demand for ink-based art (Old, Modern, Contemporary) and for creations by the Franco-Chinese artists: after the price explosion for works by Zao Wou-ki and Chu Teh-Chun, we are now seeing strong price inflation for works by San Yu, Lin Fengmian and, to a lesser extent, T'ang Haywen (in China).

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FRANCE

Lagging behind...

France appears unable to recover the health it had before the financial crisis of 2009. Its total turnover in H1 2015 amounted to just US\$243 million. That's -16% from its previous first-half total, and half its H1 2009 total!

In short, France's first-half auction turnover from Fine Art sales is marginal compared to the totals posted by the major powers: just 8% of America's total and 12.7% of the UK's total.

The French market lifted by Chinese artists

In recent months, the best results generated by the French auction market have mainly focused on works with Franco-Chinese influences (Chinese artists who lived and worked in France): Zao Wou-Ki and San Yu accounted for four of the five best hammer prices during H1 2015. Pablo Picasso accounted for the other.

Transformation of the Market

The Anglo-American auction houses have definitively captured France's Art Market! Sotheby's and Christie's now account for 2/3 of the country's Fine Art auction turnover. Of the 20 results above the million-dollar line recorded in Paris during the first semester, 18 were hammered by either Christie's or Sotheby's. The French auction house, Aguttes, hammered the other two.

At the ultra-high-end of the Art Market, France is now completely dwarfed by the United States, the United Kingdom and China. France's best result in H1 2015 was just \$4.2 million – for "*1.5.60*" (1960) by the Franco-Chinese artist Zao Wou-ki – versus \$179.4 million in New York – for Pablo Picasso's *Les femmes d'Alger (Version 'O')* (1955) – and \$47.6 million in London – for William Turner's *Rome, From Mount Aventine*.

The inexorable decline of the French Art Market and of the country's auction operators is exemplified by the decline of its emblematic Parisian auction centre, the *Hôtel des Ventes Drouot* (Drouot). This age-old institution – that once reigned as France's unavoidable hub for art exchanges – is today struggling to retain its auctioneers after being rocked by a series of scandals with long judicial tails.

FOCUS ON DROUOT

Drouot's best results for Franco-Chinese artists

For historical reasons, France is home to a large body of works with Franco-Chinese influences, notably by artists like Zao Wou-ki, Chu Teh-Chun, San Yu and Lin Fengmian.

These artists enjoy strong demand both in China and in France and in 2015 they accounted for half of the top Fine Art results hammered at Drouot. In fact, nearly a third of all Drouot's results above US\$100,000 involved artists of Chinese origin.

San Yu

This Franco-Chinese artist, born in 1901 in the province of Szechuan, moved to Montparnasse in the 1920s where he lent strong support to Picasso and was a friend to Henri Matisse. San Yu represents one of the key bridges between Western and Chinese modernity.

Over the last decade his auction prices have rocketed by nearly +200% driven by strong demand in China where his best-ever auction result was hammered at US\$33.6 million (including fees) for a work entitled *Flower*. Shandong Chunqiu International, who offered the work on 28 October 2013, had attributed a presale estimate of 1/30th of the final hammer price. Drouot owes its best two Fine Art results in H1 2015 to San Yu (and its only results above the million-dollar threshold) with two oil paintings from the Henri-Pierre Roché collection. Mr Roché (1879-1959) collected works by San Yu by the same token as he collected works by Braque and Picasso.

Lin Fengmian

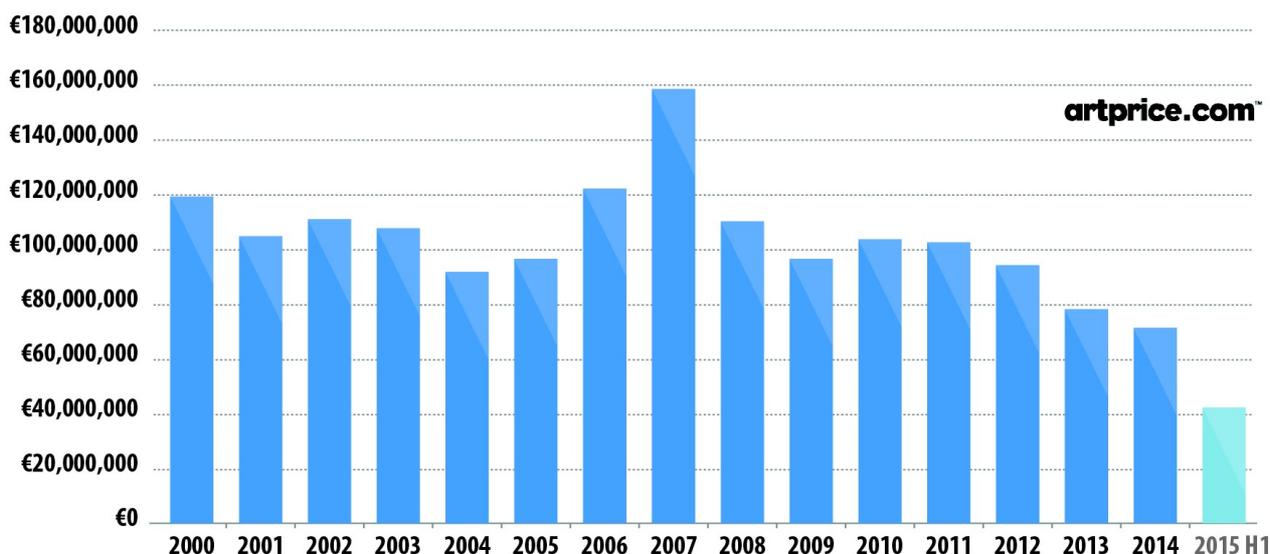
A Chinese artist who worked in Paris a generation before Zao Wou-ki and Chu Teh-Chun (who subsequently became his students), Lin Fengmian is one of the major forerunners of 20th century Chinese art. Introduced to Chinese painting and calligraphy by his father, Lin Fengmian was one of the first Chinese artists to use oil paints in Europe, a technique unknown in 1920s China. After an initial course in traditional artistic skills, he studied in France from 1918 to 1925. Back in China in

the late 1920s, Lin Fengmian personified a success model for his students, including Zao Wou-ki and Chu Teh-Chun, who subsequently decided to migrate to France after 1945. Lin Fengmian's auction track record contains more than 20 results above the million-dollar threshold.

Drouot's decline...

Drouot's results are today substantially lower than in 2007. Its total auction turnover is less than half what it was ten years ago. In 2014, its total Fine Art turnover was just €70 million (US\$92 million) compared with €157 million (US\$219 million) in 2007.

Fine Art auction turnover at Hôtel des Ventes Drouot (2000 – 2015)



– **Auctioneers jump ship...**

Tajan decided to leave in 1990... Artcurial quit in 2002. Drouot suffered heavy losses in 2014: Piasa quit in July 2014, then Cornette de Saint-Cyr two months later. The latter two operators represented around €17.5 million (US\$22.9 million) in Fine Art turnover in 2014.

– **Lot quality falls...**

Drouot's lot quality has suffered, particularly since the departure of Piasa and Cornette de Saint-Cyr. Outside Drouot, France's top three auction operators, Christie's France, Sotheby's France and Artcurial, generate three times more than the 70-odd auctioneers (SVVs) operating through Drouot.

→ Total 2014 Fine Art turnover at Sotheby's + Christie's + Artcurial = €228 million (US\$300 million)

→ Total 2014 Fine Art turnover at Drouot = €70 million (US\$92 million)

Top 10 auction houses operating in France, by Fine Art turnover (2014)

Auction house	Auction Turnover (\$)	Auction Turnover (€)	Sold lots	Unsold
Sotheby's	129,902,154	98,484,45	1,091	27%
Christie's	104,469,307	79,959,270	1,626	24%
Artcurial	64,958,612	48,922,735	4,265	31%
Cornette de Saint Cyr	13,477,031	10,294,485	2,266	40%
Millon & Associés	13,060,085	10,025,023	2,955	53%
Versailles Enchères	10,890,774	8,208,913	494	40%
Tajan	10,509,092	7,984,365	1,768	49%
Piasa	9,403,656	7,233,880	1,446	46%
Ader	8,725,115	6,650,289	4,277	37%
Claude Aguttes	8,185,390	6,212,544	1,131	51%

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– High unsold rate...

Drouot's unsold rate for its Fine Art sales is now 48.9%: almost half of all art lots offered there remain unsold. At Sotheby's France the rate is just 27% and at Christie's France it is only 24%, a comparison that reflects the low quality of the works sold through Drouot.

– Collapse of market share in France and the world

In 1950, Ader, the leading French auction house, generated turnover equivalent to Sotheby's and Christie's and alone accounted for nearly half the world's total auction turnover from Fine Art. Today France's home-based secondary market is not even a shadow of its former self. The total turnover generated by the 70-odd auctioneers operating through Drouot is just €70 million (US\$92 million) while Christie's and Sotheby's combined global turnover is €6.2 billion (US\$8.1 billion).

– Archaism

The French auction operators have long since stopped functioning like commercial companies. As a result, they are today light years behind the powerful marketing strategies developed by the Anglo-American auction houses, Christie's, Sotheby's and Phillips, all three of which are experiencing strong growth, primarily via the Internet.

Drouot is clearly suffering from a lack of strategic vision. Its Internet sales and its sale guarantees are still inadequately developed.

In addition, numerous obstacles (import tax, capital gains tax, etc.) imposed by the French government penalise auction houses throughout the country, creating an economic climate that is unfavourable to a recovery of Drouot.

– Scandal at Drouot (2009)

In late 2009, Drouot was rocked by a highly damaging scandal involving the disappearance of large numbers of objects and artworks. Over the years, a vast network of theft, involving the auctioneers themselves, had literally "institutionalised" theft into the auction centre's modus operandi. A "perfectly established and organised system", as per certain legal sources, was discovered and it took five years of investigation to bring the different players involved to justice.

At the time the scandal broke, Drouot was an institution with 150 years of history that federated the operations of 73 auction operators (*sociétés de ventes volontaires*) that are also its shareholders. Its

annual turnover was €413 million (all categories of sales combined).

In 2010 the *Union des commissionnaires de l'Hôtel des ventes* (UCHV) was placed under formal investigation for “criminal conspiracy” and “aiding and abetting the receipt of stolen goods as part of an organised group”.

In 2015, the case is still running and the judicial machine has initiated criminal proceedings against 49 people, including six official auctioneers and a number of “*cols rouges*” (handlers) accused of “criminal conspiracy” and “group stealing”. However, all the legal and physical persons mentioned in this paragraph are presumed innocent until their guilt is legally and definitively established.

– **Drouot today**

Today, Drouot has 75 auction operators, including five new shareholders since 2015: Art Valorem, De Baecque et associés, Daguerre, Copage Auction and Leclere. Drouot hosts more than 1,300 sales per year.

Renovation work has been conducted on all three floors of the building and the basement. Various facilities have been installed to improve the reception of potential sellers and buyers (escalators, restaurant, etc.). But it is difficult to avoid the conclusion that these changes have come too late.

CONCLUSION

The global figures show a -5% contraction in Fine Art auction turnover worldwide and a -17% fall in the number of lots sold. A major part of this contraction is due to the temporary slowdown of the Chinese Art Market triggered by the government’s anti-corruption measures and recent economic fluctuations. In any case, it is fair to consider this past semester as one that saw a significant adjustment of the Chinese Art Market after the phenomenal growth of recent years.

The growth of Western Art Markets (+9%) has been primarily fuelled by the growth of the two major Anglo-American powers – the United States with +20% and the United Kingdom with +6%. However their expansion cannot be attributed to an increase in transactions since the number of lots sold remained stable. The increase in turnover is therefore entirely due to higher prices, suggesting higher quality works, which points to a greater level of economic maturity in the Art Market.

At ground level, on the back of intensive marketing strategies (including sale guarantees and Internet sales) and a healthier level of competition between Sotheby’s and Christie’s, the two leading auction houses have given themselves greater firepower to offer a remarkable number of rare artworks. Christie’s *Looking Forward to the Past* sale on 11 May 2015, which brought together 35 treasured masterpieces, was a perfect example of this phenomenon. The sale ended with the highest average hammer price per lot ever recorded at an auction.

The Art Market is now a mature and liquid market, offering yields of 10% to 15% per year for works valued at over \$100,000. Indeed, the price of art seems to be constantly changing scale. After stagnating under a ceiling of around \$10 million in the 1980s, it rocketed to a ceiling of around \$100 million in the 2000s, and, according to the “New York Times”, on 5 February 2015, it crossed the \$300 million threshold with the private sale of a Gauguin to a Qatari buyer. Artprice firmly believes that “before long we will cross the billion dollar threshold.”

The turnover growth in London – which is threatening to overtake the turnover generated by the entire Chinese Art Market – is highly indicative of the economic competition between the world’s major powers. In effect, art has become an important arena for international rivalries. The race is on, not just in the Art market, but also in what we may justifiably call “the museum industry”. With more than 700 new museums opening every year, the museum industry has become a global economic reality in the 21st century. Between 2000 and 2014 more museums were built than during

the previous 200 years. The appetite of this new industry for quality works is one of the key contributors to the spectacular growth of the Art Market. According to a lengthy study of all catalogued sales conducted by Artprice, 22% of the works sold above US\$50,000 are acquired by the museum industry (Museums, Foundations, Contemporary Art Centres, etc.).

This growth has been driven by access to reliable Art Market information, the dematerialization of art sales (both Internet-related phenomena, with 93% of the art market's players connected) the financialization of the market, a colossal increase in the art-consuming population (from roughly half a million in 1945 to around 70 million in 2015), and an expansion of the market to Asia, the Pacific Rim, India, South Africa, the Middle East and South America.

NB: Fine Art: painting, sculpture, drawing, photography, printing, installations

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