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Defying all forecasts... China upped 18%, dominated the global Art Market in the first half of 2016

- China returns to the leader position as the world's largest art marketplace with a +18% increase
- Hong Kong posted H1 growth of 10%
- Market liquidity has been guaranteed by transactions volumes up 3.2%
- The Western auction market posted a stable unsold rate of 28%
- Low supply of masterpieces reduces Western auctioneers' turnover.
- Fewer records, but stronger activity
- The market price index is down vs. January 2015, but gained 10% in the 2nd quarter of 2016

Global figures

Worldwide, more than 252,000 Fine Art lots were sold in the first six months of 2016, generating a total turnover of \$6.53 billion (including fees). Artprice, world leader in Art Market information since 1987, has systematically analysed over 3500 auction sales to produce a detailed half-year report covering public auctions of Fine Art (painting, sculpture, drawing, photography, printmaking and installations).

Transactions rose 3.2% while sales turnover dropped -25%, almost entirely due to a reduced offer of major masterpieces (works priced over \$10 million) in all artistic periods.

According to thierry Ehrmann, Artprice's founder and CEO, with its overall economy on melt-down watch for a number of semesters, China had been expected to lose its 'soft power' battle with the United States on the global art market this year. Its return to the global leader position with a turnover up by more than \$570 million is therefore a major surprise. Another surprise on the global art market has been the generally low unsold rate and the dynamic pace of transaction growth, both clearly demonstrating the art market's capacity for adjustment and safe-haven attractiveness compared with financial markets and standard investment returns.

	Country	Turnover (USD)	Market Share
1	China	2,317,597,249	35.5%
2	US	1,748,857,652	26.8%
3	UK	1,399,415,176	21.4%
4	France	302,082,146	4.6%
5	Germany	102,684,709	1.6%
6	Italy	101,412,936	1.6%
7	Switzerland	71,874,875	1.1%
8	Austria	53,640,735	0.8%
9	Japan	45,663,657	0.7%
10	South Korea	43,100,281	0.7%
	Other	345,104,907	5.3

The Western Art Market

The short supply of masterpieces at the market's high-end (> \$10 million) has primarily impacted the results of the two capitals of the Western art market where the bulk of these sales are hammered. Compared with the same period a year earlier, London was down 30% and New York was down 49%. The weak performance of these two major cities naturally affected the overall figures for the global secondary art market as a whole, which lost a quarter of its value in the first six months of 2016.

The slowdown was already visible in the second half of 2015 with the first signs of a fall in sales revenue since the financial crisis in 2008.

Although the market was braced for some degree of contraction in the first half of 2016, it was not expecting a drop of this magnitude. An unfavourable comparison basis has significantly amplified the size of the contraction since the first half of 2015 posted absolutely historic highs, with a large volume of new auction records.

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Nevertheless, the heart of the Western art market appears to have retained its vitality. The market's overall unsold rate — a key marker of the art market's health for two centuries (above 35% indicates meltdown territory... below 25% indicates a speculative dynamic) — is still 2 points below the indicator's pivotal 30% level.

The number of lots sold has also seen a significant 10% increase.

Apart from China, several countries have posted auction turnover growth including Belgium (+12%), Turkey (+7%) and Sweden (+44%), proving that national markets are not necessarily affected by weakness in the two major Western capitals.

China's Art Market

(in collaboration with our Chinese institutional partner, the Artron Group, and AMMA [Art Market Monitor by Artron] headed by Wan Jie)

During the first half of 2016, China beat the United States to first place on the global art market.

The sharp contraction at the top of the US art market has allowed China back into the leader position on the global map of national markets, a development that no-one would have imagined last year.

Indeed, Mainland China's art market is still undergoing substantial readjustment: its secondary art market sold fewer lots (down 22%) and its overall unsold rate remains high (at 64%). But its total turnover on Fine Art only posted an +18% increase.

China's problem with unsettled bids has now been resolved by an extremely strict legal framework that has been in force for 2 years.

Hong Kong — an integral part of the People's Republic of China — is at the heart of the process of stabilisation of the Chinese market and is proving to be of paramount importance for the nation's art market.

Hong Kong is the only major marketplace in the world that has continued to post market growth (nearly +10%) and it is clearly keeping the Chinese art market alive.

Fewer records but greater market liquidity

The slowdown in the Western art market essentially concerns high-end prestige sales. These sales of Impressionist & Modern Art and Post-War & Contemporary Art represent the marketing spearhead of the major auction houses and, so far this year, they have presented far fewer exceptional pieces on both sides of the Atlantic.

In New York, Christie's — the world's leading auction operator — has posted a 56% drop in turnover on Fine Art. Its total for the first six months of 2016 was therefore less than half its turnover for the same year-earlier period.

However, the downturn in revenue has not stopped Sotheby's (the only major auctioneer whose capital is traded on the stock market and listed in New York) from enjoying a 20.5% increase in its share price since 1 January 2016, suggesting that the financial markets are confident in the art market.

Of course, the contraction in art market turnover appears all the more dramatic after the exceptionally strong results at the beginnings of both 2014 and 2015 with the secondary market majors posting their highest-ever sales totals and stunning new auction records.

Last year, Artprice's interim report clearly identified the "highly selective nature of the lots offered for sale and the rocketing prices of works by the market's stars" during the first half of 2015.

This dual phenomenon was symbolized by Christie's introducing a new sales format (mixed period sales) of which Looking Forward to the Past on 11 May 2015 was a stunning example.

That evening sale demolished the all-time auction record for an artwork not once, but twice, with masterpieces by Giacometti and Picasso fetching respectively \$141.3 million and \$179.4 million. The sale also posted the highest-ever average hammer-price at \$18.4 million.

The shortage of masterpieces has been felt throughout the first half of 2016. Whereas Christie's hammered 31 results above \$10 million last year, it only recorded 12 in the first half 2016, with a top price of just \$57.3 million in New York.

The lack of spectacular results seems to suggest the market has fallen asleep in 2016.

However, this is clearly not the case since there has been more activity in H1 2016 than there was in H1 2015 with the Western art market posting a 9.7% increase in transactions and a 9.9% increase in its price index in the second quarter of the year.

Indeed, the reluctance to part with major masterpieces is in sharp contrast with the enhanced liquidity of the works present on the art market.

This intensification in the volume of transactions — with a stable unsold rate — confirms beyond any doubt the enhanced liquidity of the Western art market.

Driven by investment logic, speculation, inspired collectors and an insatiable demand for major artworks from the world's museum industry, the turnover total for the global secondary art market is in good health thanks to China and +18%. The art market has managed to post a better interim turnover total despite a deterioration in the global economic context.

Apart from access to reliable art market information, the driving forces in today's art market are the rapid proliferation of online art sales (with 95% of the Art Market's players connected), the emergence of art as a reliable and interesting asset class, the massive growth of the art-consuming population (from roughly half a million in 1945 to around 70 million in 2016), the accession to the market of a much younger generation and an expansion of the market to Asia, the Pacific Rim, India, South Africa, the Middle East and South America.

E-business is up 96% on the Art Market (Christie's, 25 July 2016, in Les Echos).

It is also being driven by a museum growth phenomenon (700 new museums per year) with the global museum industry becoming a significant economic reality in the 21st century and more museums opening between 2000 and 2014 than during the entire 19th and 20th centuries. Indeed, demand for museum-quality artworks is clearly one of the primary value drivers at the high end of the global art market. Both mature and liquid, the art market now offers yields of 10% to 15% per year for works valued at over \$100,000.

In 2016, the China recovered its leading position on the global art auction market after losing it to United States for five years. China still has by far the strongest market for Old Master art in the world. In the global competition for cultural influence, art represents a key factor in what is nowadays referred to as Soft Power, and in a number of countries, this power is actively pursued (e.g. the United States, China and, on another scale, Qatar).

So this is the macro and micro-economic basis of today's Art Market: a market that has emerged for the last 16 years as a safe haven against economic and financial instability, with substantial and recurring returns.

Against a backdrop of negative interest rates, the Art Market looks remarkably healthy with its Contemporary segment alone posting a 1,200% progression of annual turnover over the past 16 years and a +43% linear progression of the average value of an artwork. These returns are not limited to star signatures; in fact our data shows that works valued at above \$20,000 already generate significant annual yields of 9%.

The Art Market is an efficient, historical and global market whose ability to withstand economic and geopolitical crises is well established.

TOP 50 artists - H1 2016

	Artist	Auction Turnover	Sold lots	Top Hammer Price
1	PICASSO Pablo (1881-1973)	\$196 338 239	1 718	\$63 220 336
2	ZHANG Daqian (1899-1983)	\$180 799 659	286	\$34 917 720
3	WU Guanzhong (1919-2010)	\$102 643 774	74	\$30 444 000
4	BASQUIAT Jean-Michel (1960-1988)	\$101 726 388	41	\$57 285 000
5	MODIGLIANI Amedeo (1884-1920)	\$83 392 696	19	\$56 265 500
6	MONET Claude (1840-1926)	\$81 955 266	20	\$27 045 000
7	FU Baoshi (1904-1965)	\$78 062 000	35	\$34 960 000
8	BACON Francis (1909-1992)	\$77 656 161	50	\$34 970 000
9	WARHOL Andy (1928-1987)	\$74 425 982	739	\$7 698 000
10	QI Baishi (1864-1957)	\$73 436 024	209	\$5 341 923
11	CALDER Alexander (1898-1976)	\$69 606 527	236	\$8 314 000
12	TWOMBLY Cy (1928-2011)	\$60 994 586	53	\$36 650 000
13	CUI Ruzhuo (1944-)	\$60 231 131	31	\$39 577 200
14	RODIN Auguste (1840-1917)	\$55 915 805	95	\$20 410 000
15	ZAO Wou-Ki (1921-2013)	\$55 209 965	186	\$9 103 584
16	MOORE Henry (1898-1986)	\$47 511 332	206	\$33 125 678
17	LI Keran (1907-1989)	\$47 199 726	84	\$12 785 585
18	HUANG Binhong (1865-1955)	\$44 105 196	105	\$8 627 185
19	DUBUFFET Jean (1901-1985)	\$42 957 841	108	\$4 898 000
20	PRINCE Richard (1949-)	\$42 676 577	38	\$9 685 000
21	CHAGALL Marc (1887-1985)	\$39 739 371	573	\$3 370 000
22	FREUD Lucian (1922-2011)	\$39 055 431	22	\$23 175 716
23	KOONS Jeff (1955-)	\$38 693 568	52	\$15 285 000
24	LÉGER Fernand (1881-1955)	\$37 675 050	91	\$7 484 812
25	STILL Clyfford (1904-1980)	\$37 290 000	2	\$28 165 000
26	KUSAMA Yayoi (1929-)	\$36 816 006	281	\$2 539 936
27	ROTHKO Mark (1903-1970)	\$35 834 000	2	\$32 645 000
28	WOOL Christopher (1955-)	\$35 699 880	18	\$13 914 000
29	WU Changshuo (1844-1927)	\$34 175 328	192	\$3 702 999
30	MATISSE Henri (1869-1954)	\$33 073 606	193	\$15 543 712
31	XU Beihong (1895-1953)	\$32 948 603	77	\$6 021 720
32	ZENG Gong (1019-1083)	\$31 691 700	1	\$31 691 700
33	RENOIR Pierre-Auguste (1841-1919)	\$31 613 468	127	\$5 563 026
34	GENTILESCIHI Orazio (1563-1639)	\$31 270 297	2	\$30 490 000
35	FONTANA Lucio (1899-1968)	\$28 733 443	124	\$2 686 780
36	JIANG Tingxi (1669-1732)	\$26 516 400	10	\$26 429 530
37	FRANCIS Sam (1923-1994)	\$26 187 667	171	\$11 842 000
38	DOIG Peter (1959-)	\$25 822 539	22	\$16 346 086
39	BURRI Alberto (1915-1995)	\$24 970 452	31	\$13 150 663

	<i>Artist</i>	<i>Auction Turnover</i>	<i>Sold lots</i>	<i>Top Hammer Price</i>
40	MITCHELL Joan (1926-1992)	\$24 737 749	26	\$9 797 000
41	O'KEEFFE Georgia (1887-1986)	\$24 231 000	6	\$12 933 000
42	KIM Whan-Ki (1913-1974)	\$23 731 720	28	\$4 958 900
43	WANG Duo (1592-1652)	\$23 110 676	19	\$6 213 565
44	MIRO Joan (1893-1983)	\$22 840 103	652	\$8 285 556
45	RICHTER Gerhard (1932-)	\$21 875 146	173	\$5 850 000
46	VLAMINCK de Maurice (1876-1958)	\$21 166 965	87	\$16 378 000
47	CHU Teh-Chun (1920-2014)	\$20 810 117	55	\$5 208 672
48	MAGRITTE René (1898-1967)	\$20 334 738	53	\$2 840 496
49	HEPWORTH Barbara (1903-1975)	\$19 543 069	37	\$5 429 000
50	SCHIELE Egon (1890-1918)	\$19 221 461	33	\$10 367 490

About Artprice:

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Artprice is the global leader in art price and art index databanks. It has over 30 million indices and auction results covering more than 625,000 artists. Artprice Images(R) gives unlimited access to the largest Art Market resource in the world: a library of 118 million images or prints of artworks from the year 1700 to the present day, along with comments by Artprice's art historians.

Artprice permanently enriches its databanks with information from 4,500 auctioneers and it publishes a constant flow of art market trends for the world's principal news agencies and approximately 7,200 international press publications. For its 4,500,000 members, Artprice gives access to the world's leading Standardised Marketplace for buying and selling art. Artprice is preparing its blockchain for the Art Market. It is BPI-labelled (scientific national French label).

Artprice's Global Art Market Annual Report for 2015:

http://imgpublic.artprice.com/pdf/rama2016_en.pdf

The text presented hereafter is a translation of Arte Creative's online presentation:

ARTE: A gigantic Christmas tree in the guise of a butt plug, a machine that defecates five-star meals, an icon immersed in urine and staged corpses – subversive, trash, provocative or insulting? Thierry Ehrmann, the man behind The Abode of Chaos, an artist and the founder of Artprice, is the mouthpiece for scandal and discloses the workings of the most striking controversies in contemporary art. And scandal sells. 9 episodes are online:

<http://www.arte.tv/guide/en/weekly-highlight>

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