



The International Art Market 2007-2009

Trends in the Art Trade during Global Recession

THE EUROPEAN FINE ART FOUNDATION

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CHAPTER 1

Introduction and Key Findings

Introduction and Key Findings

The aim of this TEFAF study is to examine the global art and antiques trade, focusing particularly on the period from 2007 to 2009. This research follows a major study sponsored by TEFAF in 2007/08, *The International Art Market: A Survey of Europe in a Global Context*, which analysed the global art trade from a macroeconomic perspective from 2002 through 2006.

The outline of the report is as follows: Chapter 2 provides an overview of the global art market in terms of size and geographic market share. It examines dealer and auction sales in terms of value, volume and market share. Chapter 3

looks at cross border trade flows in the global art market through the analysis of import and export data. Chapter 4 focuses on some of the major art markets in detail, namely the UK, France, China, the US, and other major European markets. Chapter 5 discusses prices in the art market and reviews the performance of some of the main sectors in the fine art auction market including Contemporary, Modern, Impressionist and Old Masters. Chapter 6 examines some of the factors that influence art buyers and discusses art as an investment. Chapter 7 concludes the study with a review of the economic impact and employment contribution of the global art market.



Key Findings

- In 2008, total sales in the global market for fine and decorative art reached just over €42.2 billion, down over 12% from its peak in 2007 of €48.1 billion. In 2009, sales are estimated to have slipped further, dropping by about 26% to €31.3 billion as the effects of the global recession filtered down to some sectors of the art market.
- The fall in sales from 2007 to 2009 represents one of the biggest contractions in the art market since its previous recession in the early 1990s. However sales in 2009 are still well above any year of the arts market's history before 2006.
- Global sales of art and antiques are divided between auction houses and dealers, which shared approximately 45% and 55% of the market respectively. Global auction turnover in 2008 was approximately €19bn, down 21% from the previous year. Auction sales were particularly badly hit by the recession, falling 32% in 2009 to reach just under €13 billion. The dealer sector generated approximately €23.2 billion in sales in 2008, falling by 3% from a peak of €24 billion in 2007, but experienced a sharper fall of 21% in 2009 to €18.4 billion.
- Just under 50% of the value of all transactions in the global market took place in the EU in 2008, which achieved a total market turnover of €20.7 billion in 2008. The UK continues to dominate the EU art trade, with a majority share in 2008 of 69%.
- The US and UK continued to dominate the global art and antiques market in 2008, with a combined share of just over two thirds of the value of all transactions. The US has retained its leading share of the market over the last ten years, however its margin has declined, as its art market was one of the worst affected by the global recession. In Euro values, its global market share dropped 11% from 2006 to 2008 reaching a level of 35%, while the UK has made relative gains in share over the same period from 27% to 34%. In 2009, the market shares of the US and UK further declined to a combined 59% (with the UK at 29% and the US at 30%).

- China has continued to gain share in the global market. In 2007, it achieved the third largest sales worldwide, and in 2008 maintained that position with a share of 9% (ahead of France's 6%). The Chinese art market, including both Mainland China and Hong Kong, reached a total of €3.8 billion in 2008. The Chinese art market bucked the trend in the rest of the world and increased aggregate sales in 2009 by 12%, boosting its share of the global art market to 14%, and reaching a high of €4.2 billion.
- From 2007 to 2008, the number of transactions in the art market dropped by just over 12% to 44 million, and contracted further in 2009 with a drop in works of art sold of nearly 18% to 36 million.
- The EU was a net exporter of art in 2008, with exports of €5.5 billion exceeding imports of €4.9 billion. The US is the largest global trader of art and a net exporter in 2008 with €5.2 billion in exports and €4.9 in imports.
- Average prices in several sectors of the art market dropped during 2008 and 2009. Just as a small number of very high priced sales helped to inflate averages in 2006 and 2007, the reduced number of high value works sold over the next two years was reflected in a drop in average prices.
- Within the fine art market, different sectors of the market have different (and often independent) growth trajectories in terms of prices, volume of sales and sales values. Prices in most sectors however peaked in 2007, and have decreased in 2009.
- Despite multi-million dollar lots receiving most of the attention in the media, by far the majority of art trading takes place at the lower priced end of the market, regardless of the sector.
- The middle market (in terms of prices) appears to have been one of the worst hit by the global recession in 2008 and 2009, while the very high and very low ends of the market have fared better.

- The auction market for Contemporary art grew from €92 million in 2002 to €915 million in 2008, or just under a tenfold increase in value. Just as it had been a leader in the expansive phase of the art market, the Contemporary sector has also led its decline. It was hit worst by the fallout of the global financial crisis and dropped by nearly 60% to €378 million by the end of 2009 in terms of aggregate sales values (at auction), with a drop in both the number of lots sold and in prices.
- While the global economic recession has meant that outright global demand was weaker for luxury collectibles and consumables, there has also been a shift in luxury-purchasing habits, as many HNWI¹s looked to secure their wealth in assets with long-term tangible value. This has worked strongly in favour of the art market and the share of art in HNWI¹s "investments of passion" actually rose from 20% in 2006 to 25% in 2008, as investors looked for assets with more enduring value.
- There are currently over 400,000 listed businesses in the art market worldwide. These businesses support close to 2 million jobs and also a substantial amount of indirect employment and revenue through links to a range of other industries associated with the art trade.

For the complete version of the report, order a copy at www.tefaf.com (click on shop).

¹ High net worth individuals (HNWIs) refers to those individuals having investable assets of \$1 million or more, excluding their primary residence, collectibles, consumables and consumer durables.