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The Art Market 2018: Global art market up 12% to $63.7 billion, after two years of decline, with mixed performances across sectors

Art Basel and UBS today published the second edition of the Art Basel and UBS Global Art Market Report. Written by renowned cultural economist Dr Clare McAndrew, Founder of Arts Economics, The Art Market 2018 presents the results of a comprehensive and macro-level analysis of the global art market in 2017. Last year, the global art market grew by 12%, reaching an estimated $63.7 billion, with the United States retaining its position as the largest market and China narrowly overtaking the United Kingdom in second place. In 2017, dealer sales increased 4% year-on-year to an estimated $33.7 billion, representing a 53% share of the market, while public auction sales increased 27% to $28.5 billion, a 47% share. Much of the uplift in sales in the auction and dealer sectors was at the top end of the market; away from the premium price segment, overall market performance was mixed. The full report is free to download on the Art Basel and UBS websites.

A continuation of Dr Clare McAndrew's extensive research into this field, the report begins with an analysis of global sales data, including the key benchmark statistics on global transaction values, volumes and geographic market shares. It then continues in successive chapters by analysing the dealer and auction segments, art fairs and exhibitions (comprising a new stand-alone chapter), online sales, global wealth and art buyers, and economic impact metrics.

Key findings of The Art Basel and UBS Global Art Market Report include:

- **Global Sales**: Following two years of declining sales, in 2017 the market turned a corner with increasing sales in both the dealer and auction sector. The art market achieved total sales of an estimated $63.7 billion in 2017, an increase of 12% on 2016. The volume of sales (number of transactions) grew more moderately than values, at 8% year-on-year. The value gains were driven by sales at the top end of the market, capped by record prices in the auction sector. Away from the premium price segment, overall market performance was mixed. In 2017, aggregate sales by dealers accounted for a larger share of the market, at 53% by value, with total auction sales accounting for 47%.

- **Leading Markets**: The top three markets – United States, China and United Kingdom – further cemented their position in the market in 2017, accounting for 83% of total sales by value, up 2% from 2016. The United States was again the largest market by value with an estimated market share of 42%. China overtook the United Kingdom in 2017 at 21% of total sales with the United Kingdom falling to 20%.

- **Asia's Growth**: Sales in China are by far the largest in Asia by value. When combined with other markets such as Japan, South Korea, India and Indonesia, Asian sales accounted for a 23% of global share in 2017. Although this is still significantly less than the United States, at 42%, and the EU, at 33%, strong

wealth dynamics in Asia and dynamic local markets suggest that its share could increase in the near future.

- **Dealer Figures**: Sales in the dealer sector increased 4% year-on-year to an estimated $33.7 billion, compared to an estimated $32.5 billion in 2016. Performance was mixed between sectors and segments but overall there were more gainers than losers in terms of annual sales. 59% of respondents to the annual dealer survey conducted by Arts Economics for this study reported positive year-on-year growth, 13% reported that sales were stable, and 28% indicated a decline in sales. Dealers with sales below $500,000 saw a decline on average of 4%, the second consecutive year of losses in this segment, while the most growth was in the segment above $50 million (up10%).

- **Gallery Openings and Closures**: The ratio of gallery openings to closures in 2007 was over 5:1 and has declined rapidly since then, dropping to 0.9:1 in 2017, that is, more closures than openings. The number of gallery closures has varied considerably throughout this period, peaking in 2009 in the middle of the large contraction in sales in the art market, and falling in recent years. Gallery openings however have declined steadily over the last decade, with the number of new galleries established in 2017 around 87% less than in 2007.

- **Auction Figures:** Sales at public auction of fine and decorative art and antiques reached $28.5 billion in 2017, up 27% year-on-year. From 2007 to 2017, besides the very lowest end of the market (works sold for less than $1,000), all segments up to $1 million have shown negative annual growth rates and declined in value. In contrast, the market over $1 million has grown, with the biggest increases at the very highest end, with the total value of works sold for over $10 million increasing by 148% over ten years, and by 125% year-on-year in 2017. Sales of Post War and Contemporary art reached a total of $6.2 billion in 2017, increasing 12% year-on-year. The Modern art sector increased 39% to reach $3.6 billion. Values in the Impressionist and Post-Impressionist sector rose 71% to $2.3 billion, while sales in the wider Old Master market reached under $1.3 billion. Sales in the European Old Masters sector rose 64% year-on-year to reach $977 million, exceeding their previous peak of ten years ago in 2007 (at $906 million). However, this uplift was due to the sale of the Leonardo da Vinci painting 'Salvator Mundi' for $450 million at Christie's in the United States, without which sales would have actually fallen 11%.

- **Art Fairs**: Art fairs continue to be a central part of the global art market, with aggregate sales estimated to reach $15.5 billion in 2017, up 17% year-on-year. Art fairs accounted for estimated 46% of dealer sales in 2017, up 5% year-on-year – with on average five fairs attended in 2017.The costs for dealers to participate in fairs has risen to $4.6 billion in 2017, up 15% from $4 billion in 2016.

- **Online** Sales: The online art market reached an estimated new high of $5.4 billion in 2017. This represents 8% of the value of global sales – a 10% year-on-year increase, and up 72% over the last five years. Online sales have been a key method to access new buyers, with dealers reported that 45% of their online buyers were new to their businesses in 2017. Auction houses also view online sales as key way to generate new buyers, with 41% of those buying online at second tier auction houses were new buyers, while in top-tier houses they averaged over 40%.

- **Global Wealth and Art Buyers:** In collaboration with UBS and its Chief Investment Office, Clare McAndrew and her team were also able to gather fresh

insights on the collecting behavior of US-based high net worth individuals. In 2017, the number of millionaires worldwide reached an historical high of 36.1 million, increasing 7% annually as 2.3 million individuals were added. Millionaire wealth rose by 10% to just under $129 million. The survey of HNWIs in the United States in 2017 revealed that 35% were active in the art and collectibles markets. The survey indicated that the most common price range for buying works was for less than $5,000 (79% of respondents), and 93% reported that they most often bought at prices less than $50,000. Just less than 1% bought at prices in excess of $1 million. 73% of respondents felt that a passion for collecting art or collecting art as an expression of their personality was a key consideration when purchasing works, whereas a minority (32%) thought return on investment was. 86% of collectors surveyed said that they had never sold a work from their collection. While 73% of those surveyed had a professional financial advisor, relatively few used an art advisor (8%).

- **Economic Impact**: The art market directly employed an estimated 3 million people in 2017 – with approximately 310,685 businesses operating in the global art, antiques and collectibles market. It is estimated that last year, the global art trade spent $19.6 billion on a range of external support services directly linked to their businesses, an increase of 9% year-on-year.

Clare McAndrew, Founder, Arts Economics said: "After two years of uncertainty and decline, the market turned a corner in 2017 with growth in the auction and dealer sectors, as well as at art fairs and online. Despite some remaining political volatility, robust growth in high-end global wealth, accelerating financial market returns, stronger consumer confidence and increased supply led to a much more favorable environment for sales. However, these industry-wide gains were driven by sales at the top end of the market, and away from this premium segment, performance was not all positive, with many businesses coming under pressure. This divergence in performance is a continuing concern, particularly as the majority of employment and ancillary spending comes from the very many other businesses in the art trade below the top tier. To maximize its economic impact, the market to be functioning well at all levels."

Noah Horowitz, Director Americas, Art Basel said: "This report provides an unparalleled overview and analysis of the current state of the market. While the strong gains realized in 2017 as well as the field’s ever more global infrastructure are certainly reassuring, its top-heavy nature and rapidly changing dynamics, as captured in this report, have also never been clearer. Dr Clare McAndrew's findings are a must-read for any serious market participant or commentator, offering fresh insight on a wide range of the most pressing issues in today’s art business."

Paul Donovan, Chief Economist, Global Wealth Management, UBS: said: "The performance of today's growing and globalized art market is a fascinating reflection of wider economic trends and highly correlated with GDP and HNW populations. Collecting is a passion that we share with many of our clients. Alongside our own exclusive art services, this collaboration with Dr Clare McAndrew and Art Basel is a natural fit for our ongoing commitment to the research and analysis of markets and economic data for our clients."

Please click here to download the full Art Basel and UBS Global Art Market Report for free.

NOTES TO EDITORS

About Arts Economics and Clare McAndrew
Arts Economics is a research and consulting firm focused exclusively on research and analysis of the fine and decorative art market for private and institutional clients. The company was founded by Clare McAndrew in 2005. Dr McAndrew is a cultural economist who specializes in the arts, antiques and collectibles markets. She completed her PhD in economics at Trinity College Dublin in 2001, where she also lectured and taught economics for four years. In 2002, Clare joined US firm Kusin & Company, a boutique investment banking firm specializing in art investment, as chief economist. After three years in the United States, Clare returned to Europe in 2005, and continued her work in the art market in a private research and consulting capacity for a global client base. She set up Arts Economics in 2005 to focus her efforts on art market research and analysis, and works with a network of private consultants and academic scholars in different regions around the world providing research and consulting services to the global art trade and financial sector.

About UBS and Contemporary Art
UBS has a long and substantial record of contemporary art patronage and holds one of the world's largest and most important corporate art collections. The firm actively enables clients and audiences to participate in the international conversation about art and the global art market through its global lead partnership with Art Basel and the firm's collaboration with the Solomon R. Guggenheim Museum on the Guggenheim UBS MAP Global Art Initiative. These activities are complemented by partnerships with fine art institutions including the Fondation Beyeler in Switzerland, Galleria d'Arte Moderna in Milan, the Nouveau Musée National de Monaco, the Louisiana Museum of Modern Art in Denmark, the Deichtorhallen in Hamburg, Museo del Palacio de Bellas Artes in Mexico City and the Art Gallery of New South Wales in Sydney, Australia. UBS provides its clients with insight into the art market and strategic guidance on managing art collections and legacy planning through the UBS Art Competence Center. The UBS Arts Forum convenes and connects exceptional people in the art world, providing thought leadership at the cutting edge of contemporary art. For more information about UBS's commitment to contemporary art, visit ubs.com/art.

About UBS's Chief Investment Office
UBS's Chief Investment Office (CIO) oversees the investment strategy for USD 2.1 trillion in client assets across UBS's wealth management businesses globally. CIO is headquartered in Zurich and has strategists and analysts located in major financial centers worldwide, including New York, London, Hong Kong, and Singapore. CIO's expertise spans a full range of investments, from equities, bonds, currencies and commodities to alternative and impact investment funds.

About Art Basel
Founded in 1970 by gallerists from Basel, Art Basel today stages the world's premier art shows for Modern and contemporary art, sited in Basel, Miami Beach and Hong Kong. Defined by its host city and region, each show is unique, which is reflected in its participating galleries, artworks presented, and the content of parallel programming produced in collaboration with local institutions for each edition.

Art Basel's engagement has expanded beyond art fairs through a number of new initiatives. In 2014, Art Basel launched its Crowdfunding Initiative which has catalyzed much-needed support for outstanding non-commercial art projects worldwide and helped garner pledges in excess of USD 2 million in support of around 70 art projects from around the globe – from Bogota to Ho Chi Minh City, San José and Kabul. For Art Basel

Cities, launched in 2016, Art Basel is working with selected partner cities to develop vibrant and content-driven programs specific to the individual city. Connecting them to the global art world through Art Basel's expertise and network, Art Basel Cities supports its partners to develop their unique cultural landscape. For further information, please visit artbasel.com.

Partners
UBS, Global Lead Partner of Art Basel, has supported the organization for more than 20 years. As Art Basel's global network expanded, UBS has increased its lead partnership to include all three shows, and new initiatives as the Global Lead Partner of Art Basel Cities. UBS has a long and substantial record of engagement in contemporary art: as a holder of one of the world's most distinguished corporate art collections, as an active partner in global contemporary art projects such as the Guggenheim UBS MAP Global Art Initiative, and as a source of information and insights through the UBS Arts Forum and the art news-focused app 'Planet Art' app. In March 2018, UBS and Art Basel will co-publish the second Art Basel and UBS Global Art Market Report by Clare McAndrew. Find more details at ubs.com/art.

Art Basel's Associate Partners, supporting all three shows, are MGM Resorts International – one of the world's leading entertainment companies with a long-standing commitment to presenting and supporting art in public spaces; Audemars Piguet, whose expanding activities in contemporary art include the Audemars Piguet Art Commission; and NetJets – the world leader in private aviation. Art Basel is also supported globally by BMW, who has co-developed with Art Basel the BMW Art Journey, Ruinart, the Official Champagne Partner and La Prairie, the premier luxury skincare.

Upcoming Art Basel shows
Hong Kong, March 29-31, 2018
Basel, June 14-17, 2018
Miami Beach, December 6-9, 2018

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