

The Art Market 2021

An Art Basel & UBS Report

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Founder of Arts Economics

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Acknowledgments

The Art Market 2021 presents the results of research on the global art and antiques market in 2020. The report presents some of the key high-level trends in the global art trade, analyzing the performance of different regions, sectors, and value segments of the market, and assessing the impact of the COVID-19 pandemic on sales.

The information presented in this study is based on data gathered and analyzed directly by Arts Economics (artseconomics.com) from dealers, auction houses, collectors, art fairs, art and financial databases, industry experts, and others involved in the art trade. (The Appendix offers an outline of some of the main data sources used in the report.)

Chapter 1 provides an overview of the global market in 2020, reporting on the value, volume, and regional distribution of sales of art and antiques. It gives a brief overview of sales in the largest art markets over a 10-year period. The chapter also includes commentary on the effects of the change in the US administration on the market and the impact of the *5th Anti-Money Laundering Directive* on auction houses and dealers in Europe.

Chapter 2 focuses on dealers and galleries, analyzing sales and other key indicators, assessing how the COVID-19 pandemic has impacted on different value segments and sectors of the market. This chapter looks at costs, margins, and debt in the sector as well as artist representation. It also addresses the changing priorities and outlook for dealers in 2021.

Chapter 3 looks at the auction sector, analyzing key trends in sales by region and value segment, and how they have been impacted by the pandemic in 2020. It presents a comprehensive analysis of some of the principal fine art auction sectors, describing their performance in terms of sales, regional market share, and price distribution.

Chapter 4 provides an overview of art fairs, reporting on the dramatic changes to the art fair calendar in 2020 and the impact this has on art fairs, galleries, and collectors. It assesses the outlook for 2021 given continuing uncertainties, presenting the results of surveys on high net worth (HNW) collectors, art fairs, and dealers.

Chapter 5 looks at the online art market, and the rapid evolution in sales in 2021. The chapter shows how the dealer sector shifted sales and strategies online in 2020, with commentary on the development of online viewing rooms (OVRs). It also shows the growth of online auctions, and the evolution of e-commerce in the top- and second-tier auction houses. It also provides insights into how HNW collectors have interacted with the market online and through social media, and their preferences in 2020 and for the future.

Chapter 6 provides a brief overview of world wealth, showing some of the preliminary changes in the size and distribution of HNW wealth that have emerged in 2020. This chapter presents the results of a comprehensive survey of HNW collectors, conducted in conjunction with UBS Investor Watch and covering the largest sample size and widest geographical area to date, including responses from 2,569 collectors in the US, the UK, France, Germany, Italy, Mainland China, Hong Kong, Taiwan, Singapore, and Mexico.

Chapter 7 discusses the potential employment and economic effects of the pandemic on the art market, looking at its impact on employment as well as the range of ancillary and support industries connected to the art trade. It concludes the report by reviewing some of the key issues arising from the crisis in 2020 that may continue to affect the market in 2021.

A critical part of this research every year is the global survey of art and antique dealers. I would like to say a very special thanks once again to Erika Bochereau of CINOA (Confédération Internationale des Négociants en Oeuvres d'Art) for her continued support of this research, along with the presidents of the dealer associations around the world who promoted the survey among their members in 2020. Thanks also to Art Basel for helping to distribute the survey. The completion of this report would not have been possible without the help of all of the individual dealers who took the time to support this research by completing the survey. I am extremely grateful to them all for their continued help and support. Special thanks also to all those dealers who shared their valuable insights on the art market through interviews and discussions during the year.

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The primary fine art auction data supplier for this report was Artory, and my sincerest thanks to Nanne Dekking along with Lindsay Moroney, Anna Bews, and Chad Scira for their hard work and dedication in putting together this very complex set of data. The auction data on China is supplied by AMMA (Art Market Monitor of Artron), and I am very grateful for their continued support of this research on the Chinese auction market. Many thanks also to Richard Zhang for his help researching the Chinese art market.

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Finally, thanks to Noah Horowitz and David Meier for their time and efforts in helping to coordinate the research.

Dr. Clare McAndrew
Arts Economics

Director's Foreword

The changes wrought on the global economy by the COVID-19 pandemic are sure to capture the imagination for years to come. Yet, it isn't too early to begin the heavy task of unpacking this complex terrain.

We are honored to do so once again with Dr. Clare McAndrew, Founder of Arts Economics, as we publish this fifth edition of *The Art Market* in partnership with UBS. The merits of analytically-driven business intelligence in the art market have arguably never taken center stage as they do now, with this latest research providing a clear lens onto the newly configured landscape shaped by the shutdowns and disruptions of the past year and underscoring art's fundamental value through it all.

The telltale finding of this year's report is the tremendous ascent of online sales, which doubled in value from 2019 to 2020, accounting for one quarter of total sales. This precipitous rise was the dual product of both tireless digital innovation and sheer necessity. While the permanence of these changes remains to be seen, there is no disputing the roiling impact that the pandemic has had upon the trade. Virtually all market segments experienced declines last year, creating the biggest recession in the global art market since the financial crisis of 2009. The event-driven rhythm of fairs, gallery openings, and auctions were thrown off kilter, limiting sales opportunities and slowing the pace of consignments amid the uncertainty. But wealth gains at the highest end of the spectrum – mapped in these

pages via Dr. McAndrew's extensive surveys of high net worth individuals, conducted in collaboration with UBS Investor Watch – bolstered the market, especially as confidence grew and global economies normalized in the second half of the year. Aggregate declines of 22% by value were therefore not as steep as might have been anticipated, as collectors continued to assiduously acquire art; as dealers pivoted by reigning in costs and reimagining their strategies, often via innovative collaborations and partnerships; as auction houses experimented with novel digital sales offerings, while amplifying their private sales channels; and as online businesses vastly expanded their scope and services.

On behalf of Art Basel, I would like to thank Clare once again for her extraordinary efforts in putting together this industry-leading study, as well as our counterparts at UBS who have been exemplary partners and whose vital contributions continue to grow year by year. Lastly, an earnest thanks to the gallerists, art market professionals, and our global team whose contributions make all of this possible.

Noah Horowitz

Director Americas,
Art Basel

Foreword by UBS

In 2020, the COVID-19 pandemic overshadowed our economies and societies. While the global economy defied the most pessimistic predictions due largely to record monetary and fiscal interventions, many industries and activities suffered enormous pressure or shut down entirely. In the art market, overall sales dropped by 22% as in-person fairs, auctions, and exhibitions were cancelled by national lockdowns and global travel ground to a halt.

Out of crisis, however, springs innovation. Many businesses have demonstrated resilience and adaptability. New strategies and businesses developed rapidly while technological shifts already underway reached warp speed. New and incumbent digital platforms welded global markets together, accelerating long-anticipated transitions to a virtual economy. In the artworld, that resulted in the online market doubling in value within the year.

Many transformations will stick once COVID-19 is brought under control. There's no returning to the past. And there will be plenty of new opportunities. UBS Chief Investment Office believes that 2021 will be a year of renewal. It is a time to look afresh at industries and explore innovative new business models for the future.

In times of crisis, we reflect on what we hold dear. Art brings us together and reminds us of our humanity. Our survey of over 2,500 high net worth collectors globally revealed unflinching dedication to support the arts – to collect with purpose and a long-term plan. At UBS, we continue to acquire works for the

UBS Art Collection, reinforcing our unbroken commitment as a supporter and collector of contemporary art for over 60 years.

It is also encouraging to see the development of a new generation of art collectors, bolstering the market with increased confidence online. The shift to digital has brought welcome improvements in price transparency, and access to information and artists. Lowering barriers to entry for the market enables development of a broader base of new collectors at different price levels.

Once this crisis is over, we foresee a more dynamic market, where the discovery of great artworks can unfold again at the exhibitions and gatherings we all treasure, while a new and richer virtual world enhances the experience and our opportunities to learn.

UBS is proud to be Lead Partner of Art Basel for nearly three decades. Since 2017, in addition, we have been delighted to co-present art market trends and information, a role ideally suited to our leading position worldwide in financial research and analysis. We hope this publication serves as a useful guide and leads to deeper insight into the potential of the art market today.

Christl Novakovic

CEO UBS Europe SE and
Head Wealth Management Europe
Chair of The UBS Art Board
UBS, Lead Partner of Art Basel

Key Findings

Global

1. Global sales of art and antiques reached an estimated \$50.1 billion in 2020, down 22% on 2019 and 27% since 2018.
2. Online sales of art and antiques reached a record high of \$12.4 billion, doubling in value on the previous year, and accounting for a record share of 25% of the market's value.
3. Although all three of the major art hubs, the US, the UK, and Greater China, experienced a decline in sales, they continued to account for a majority of global sales by value in 2020, at 82%. The US retained its leading position with a share of 42%, with Greater China and the UK on par at 20%.
4. Sales in the US art market fell by 24% in 2020 to \$21.3 billion, but remained 76% above their level in the last recession in 2009.
5. Greater China's sales decreased by 12% in 2020 to \$10.0 billion, the third year of falling sales values, although a less severe decline than its other major peers.
6. Sales in the UK declined by 22% to \$9.9 billion in 2020, their lowest level in a decade, but still 10% above the previous recession in 2009.

Dealers

1. The fallout from the COVID-19 crisis had a negative effect on aggregate dealer sales, with values declining by 20% to an estimated \$29.3 billion in 2020, after a marginal increase of 2% in 2019.
2. The ability to reduce major operating costs allowed some dealers to maintain profitability in 2020: 28% were more profitable than in 2019 and 18% maintained a stable level of net profit.
3. Dealers' top priorities shifted markedly over 2020 to focus on existing clients, online sales, and finding ways to cut costs. Client relationships, online sales, and art fairs were their top priorities looking ahead to 2021.
4. The majority of dealers (58%) expected an improvement in sales in 2021, while 27% predicted they would be stagnant and 15% expected them to decline further.
5. The size of dealers' client bases shrank over 2020, with an average of 55 individual clients, down from 64 in 2019.

Auctions

1. Public auction sales of fine and decorative art and antiques (excluding auction house private sales) were \$17.6 billion in 2020, a decline of 30% from 2019.
2. Private sales were conservatively estimated to have reached over \$3.2 billion in 2020 (up 36% on 2019). Total sales conducted by auction companies, including both public and private, were estimated to have reached \$20.8 billion.
3. The three largest auction market hubs of Greater China, the US, and the UK retained a combined share of 81% of public auction sales by value. Greater China overtook the US to become the largest market, with a share of 36%. The US accounted for 29% and the UK 16%.
4. In 2020, the largest sector in the fine art public auction market was Post-War and Contemporary art (55%), which along with Modern art accounted for just over 81% of the value of sales. Sales in the Impressionist and Post-Impressionist sector, the dominant category 30 years ago, showed the largest decline in value year-on-year, with sales down over 50%.

Art Fairs

1. Of 365 global art fairs planned for 2020, 61% were cancelled, 37% held live events, and the remaining 2% of fairs held a hybrid, alternative event.
2. A survey of 138 art fairs revealed that the majority (62%) offered an online viewing room (OVR) or digital version of their fair in 2020.
3. The share of art fair sales from live events declined dramatically in 2020, accounting for just 13% of dealers' total sales, with an additional share of 9% made through art fair online viewing rooms.
4. Despite the high number of events being cancelled, 41% of high net worth (HNW) collectors surveyed reported that they made a purchase at an art fair in 2020, while 45% reported making one through an art fair's online viewing room.
5. Just under half (48%) of the HNW collectors surveyed said they would be willing to go to an art fair in the first six months of 2021, although 64% would be ready to attend local events. The majority of collectors (68%) reported that they would be happy to attend any fair by the end of Q3 2021, and over 80% into Q4.

Online

1. Despite the contraction of sales overall, aggregate online sales reached a record high of \$12.4 billion, doubling in value from 2019.
2. The share accounted for by online sales also expanded from 9% of total sales by value in 2019 to 25% in 2020, the first time the share of e-commerce in the art market has exceeded that of general retail.
3. The share of online sales in the dealer sector, including art fair OVRs, expanded threefold in 2020 to 39% from 13% in 2019. Dealers at all levels showed significant increases in the online component of their sales, with the largest advance by those in the \$10 million-plus turnover segment (to 47%).
4. In the fine art auction sector, 22% of the lots sold in 2020 were in online-only sales, double the share in 2019. Works priced over \$1 million made up only 6% of total online-only values, versus 58% for offline sales.
5. 90% of HNW collectors visited an art fair or gallery OVR in 2020, and 72% felt it was important or essential to have a price posted when browsing works of art for sale online.

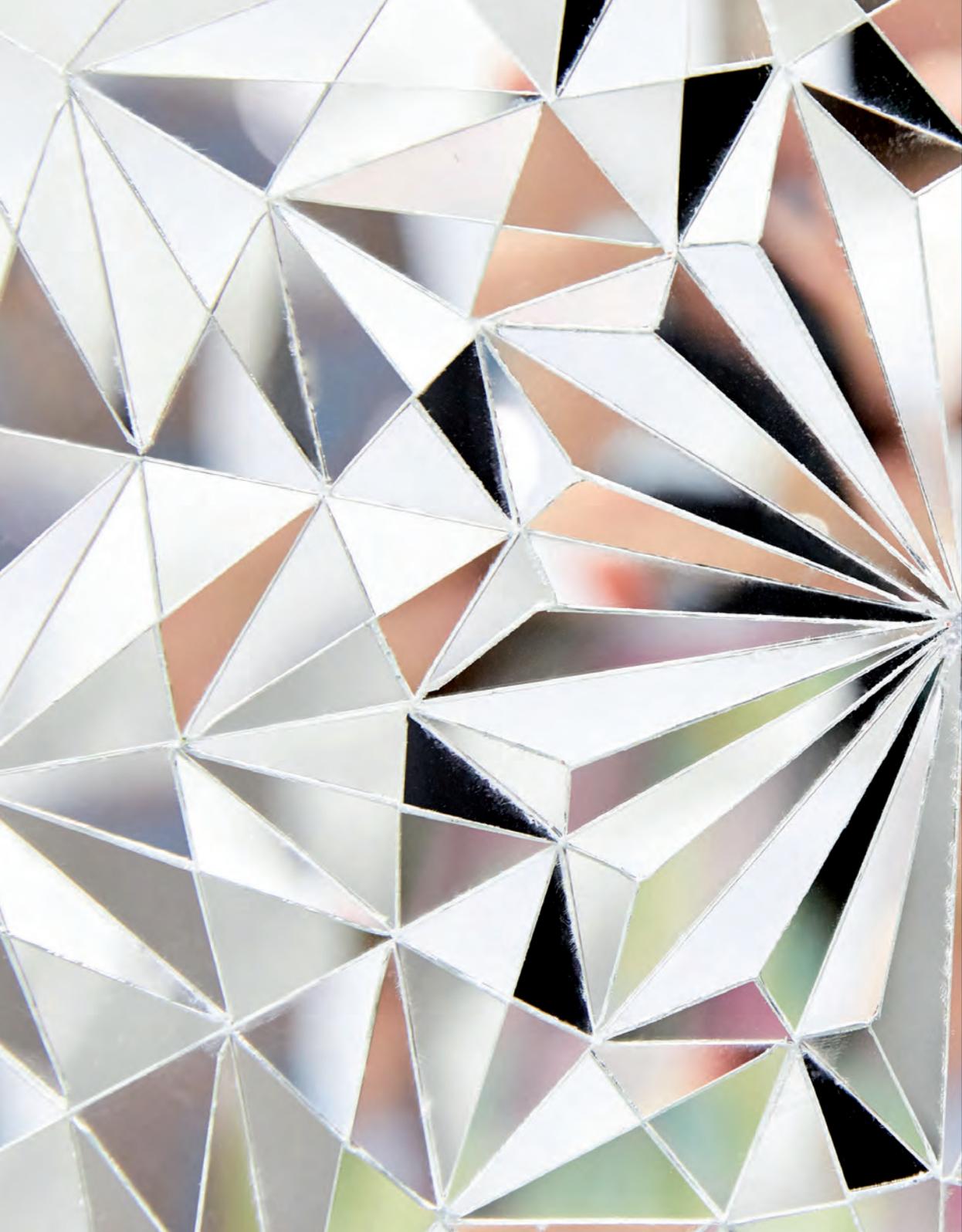
Collectors

1. Surveys of 2,569 HNW collectors conducted by Arts Economics and UBS Investor Watch in 10 markets indicated active engagement in the art market despite the COVID-19 pandemic. 66% of those surveyed reported that the pandemic had increased their interest in collecting, including 32% who reported it had significantly done so.
2. Millennial HNW collectors were the highest spenders in 2020, with 30% having spent over \$1 million versus 17% of Boomers.
3. Despite the restrictions in place, HNW collectors still purchased through a range of channels, with 81% having bought art from a gallery in 2020, and 54% at auction.
4. Dealers were the most preferred channel for purchasing art, with the majority of HNW collectors (57%) preferring to buy from their gallery or physical premises, while 29% liked to purchase from them online and 14% by phone or email.
5. 46% of HNW collectors focused only on galleries they had bought from before, with a further one third doing this alongside being open to working with new galleries. 41% were only buying works of artists whose work they had bought before.

Economic Impact

1. It is estimated that there were approximately 305,250 businesses operating in the global art and antiques market in 2020, directly employing about 2.9 million people.
2. More than 2.6 million people were employed worldwide in the gallery and dealer sector in 2020, down 5% year-on-year in about 291,000 businesses.
3. There were an estimated 14,250 businesses operating in the auction market, including both online and offline companies. Employment in the sector fell by around 2% year-on-year, with significant declines in some of the top-tier auction houses.
4. The global art trade spent an estimated \$16.6 billion on a range of ancillary and external support services directly linked to their businesses, a decline of 16% year-on-year.
5. Spending on art fairs went from being the largest area of ancillary expenditure in previous years (at 24% in 2019), to just 10% of the total in 2020. As they continued their digital transformations, dealers and auction houses diverted more resources to IT, with spending up by 80% year-on-year to \$3.5 billion, the highest element of ancillary spending.





The Global
Art Market
in 2020

Key Findings

The Global Art Market in 2020

1. Global sales of art and antiques reached an estimated \$50.1 billion in 2020, down 22% on 2019 and 27% since 2018.
2. Although many businesses maintained a significant number of transactions online, on aggregate, the volume of sales was estimated to have decreased by 23% to 31.4 million, its lowest level since 2009.
3. Online sales of art and antiques reached a record high of \$12.4 billion, doubling in value on the previous year, and accounting for a record share of 25% of the market's value.
4. Although all three of the major art hubs, the US, the UK, and Greater China, experienced a decline in sales, these key markets continued to account for a majority of the value of global sales in 2020, at 82%.
5. Despite its biggest fall in sales since 2009, the US market retained its leading position, with a share of 42% of global sales values, with Greater China and the UK on par at 20%.

6. Sales in the US art market fell by 24% in 2020 to \$21.3 billion, but remained 76% above their level in the last recession in 2009.
7. Sales in Greater China decreased by 12% in 2020 to \$10.0 billion, the third year of falling sales, although a less severe decline than its other major peers.
8. Sales in the UK declined by 22% to \$9.9 billion in 2020, their lowest level in a decade, but still 10% above the previous recession in 2009.

1.1 | Overview of Global Sales

The COVID-19 pandemic created the biggest recession in the art market since the 2009 global financial crisis. Unlike that period, however, virtually all of the mid-sized and larger art markets, including China, experienced a drop in sales values in 2020. Global sales of art and antiques reached an estimated \$50.1 billion, down 22% on 2019. This was the art market's second year of declining sales, bringing values down by 27% since 2018.

The COVID-19 pandemic created a period of crisis and uncertainty for markets globally, as businesses were forced to close their premises for extended periods, and live events, that have become pivotal in generating sales in recent years, were cancelled around the world. The art trade was particularly vulnerable in this crisis, being based on discretionary or non-essential purchasing, and heavily reliant on events and travel. While dealers and auction houses found ways to maintain exhibitions and trading online, the pandemic had a profound effect on sales, employment, and business practices. Although values declined and the full impact on business survival is not yet fully measurable, 2020 was also a period of restructuring and innovation, bringing with it what many believe will be some lasting changes to the market. The pandemic imposed an exogenous shock to the market's system of operating, escalating trends

Global sales of art and antiques reached an estimated \$50.1 billion, down 22% on 2019

that were already underway, most notably the rollout of digital strategies and sales, which had lagged behind other industries up to now. Online sales of art and antiques reached a record high of \$12.4 billion, doubling in value on the previous year, and accounting for a record share of 25% of the market's total value.

Heading into 2020, the art trade was already under pressure as geopolitical tensions and economic uncertainty in some of the key art markets had negatively affected sales in 2019, with a drop in value of 5% to \$64.4 billion. While dealers' and private sales maintained pace, those in the public auction sector declined as supply shrank at the high end of the market. This uncertainty was significantly amplified in 2020, with the multiple lockdowns stalling sales and shutting down events, while continuing political issues and economic volatility created a poor context for sales. Unlike past recessions, however, the declines in value were spread throughout all levels of the market.

Reflecting back over the previous decade, the last major recession saw sales fall in value by 36% in 2009 to a low of \$39.5 billion, when the global financial crisis affected nearly all parts of the market (and representing a total decline of 40% from a peak in 2007). 2010 saw a strong recovery, as the booming Chinese market and a rapid rebound in the US pushed sales up to a high of just under \$65 billion by 2011. China's boom ended in 2012 creating a slowdown in global values that year, however, strong sales elsewhere in the two years that followed, particularly in the US, saw values reach a peak of \$68.2 billion by 2014.

In the five years that followed, diverging performance in different regions and sectors of the market resulted in more muted annual sales growth. While some key regions saw differing results, supply at the high end of the market drove many of the bigger trends. There was also a notable divergence in performance between the auction and dealer sectors. From 2018, the dealer sector (covering both the primary and secondary markets) outperformed public auctions in terms of sales growth, as the less certain economic and political context created a perception among vendors of greater risk and less potential for better-than-anticipated results at public auctions, steering some to either hold back or sell privately. This continued in 2020, although both segments of the market declined, with the only significantly

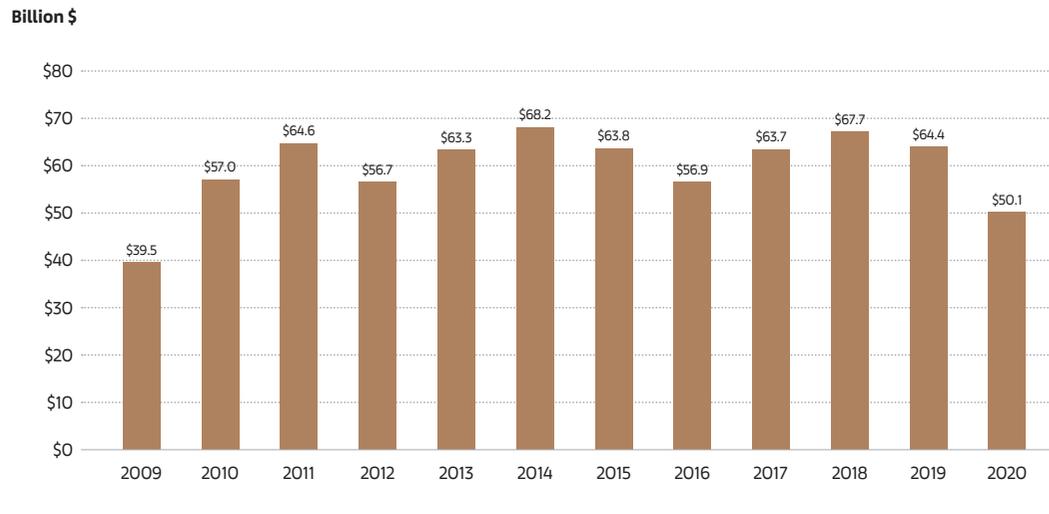
Table 1.1 | The Global Art Market: Value and Volume of Transactions

Year	Value (\$m)	Volume (m)
2009	\$39,511	31.0
2010	\$57,025	35.1
2011	\$64,550	36.8
2012	\$56,698	35.5
2013	\$63,287	36.5
2014	\$68,237	38.8
2015	\$63,751	38.1
2016	\$56,948	36.1
2017	\$63,683	39.0
2018	\$67,653	39.8
2019	\$64,350	40.5
2020	\$50,065	31.4
Growth 2019–2020	-22%	-23%
Growth 2011–2019	-22%	-15%
Growth 2009–2019	24%	1%

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positive trajectory on aggregate being auction house private sales.

Public auction sales (excluding auction house private sales) contracted by 30% in 2020, while sales in the dealer sector fell by an estimated 20%. Private sales by auctions houses, on the other hand, rose by 36% year-on-year from 2019. Combining all sales of auction houses (both private and public),

Figure 1.1 | Sales in the Global Art Market 2009–2020


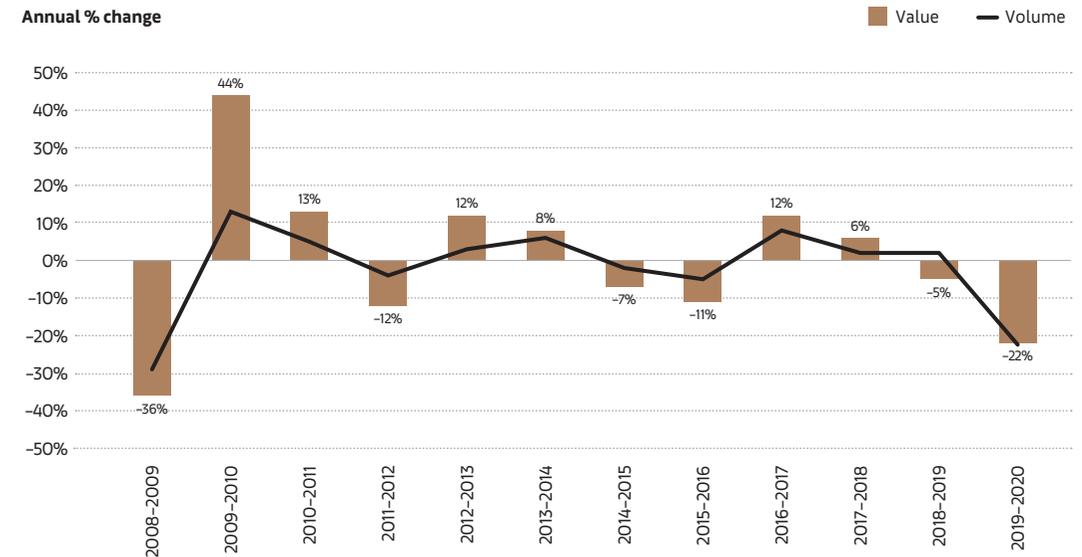
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the auction sector accounted for 42% of the value of sales in 2020 and dealers and galleries (including all online and offline retail sales of art and antiques in the primary and secondary markets) for 58%.

The division between public and private sales varies widely between different regions and sectors. The boundary between these segments has also become less defined, with significant overlap between auction and dealer businesses as the network of sellers and transactions expands, both online and offline.

A detailed analysis of the dealer and gallery sector is given in Chapter 2, and Chapter 3 examines the auction sector, focusing on sales at public auctions.

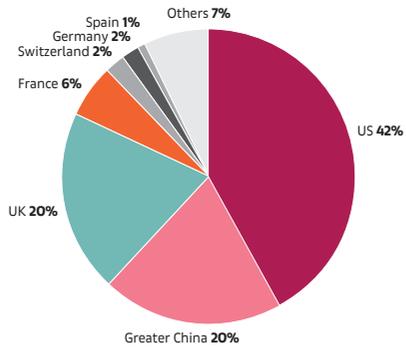
Although many businesses maintained a significant number of transactions online, on aggregate, the volume of sales was estimated to have decreased by 23%, with some of the biggest declines reported for dealers and fine art auctions. This brought the estimated volume of sales to 31.4 million, its lowest level since 2009.

Figure 1.2 | Growth in Sales in the Global Art and Antiques Market


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The volume of sales was estimated to have decreased by 23%, to 31.4 million, its lowest level since 2009

Figure 1.3 | Global Art Market Share by Value in 2020



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The US market retained its leading position in the global ranks with a share of 42% of sales by value

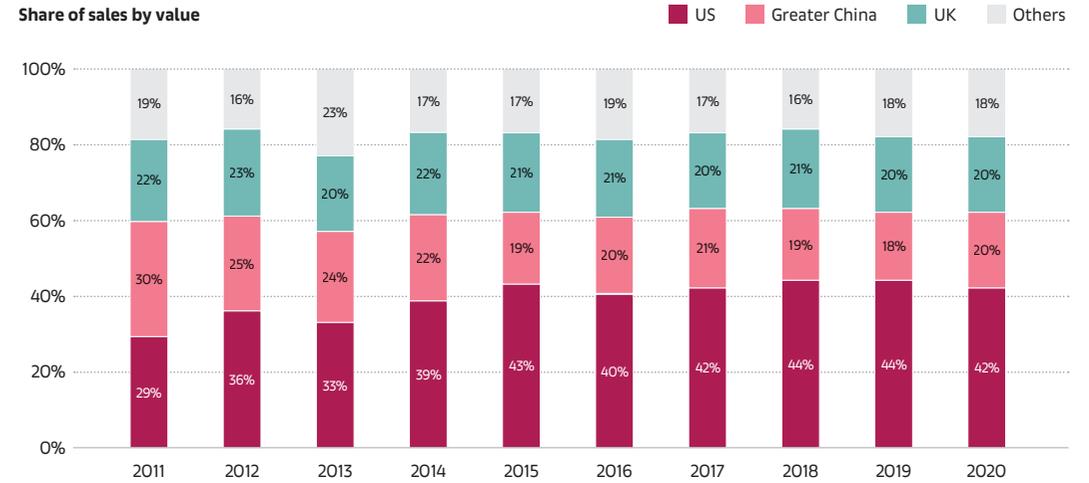
1.2 | Global Market Share

Although all three of the major art hubs, the US, the UK, and Greater China, experienced a decline in sales, these key markets continued to account for a majority of the value of global sales in 2020 at 82% (stable on 2019).¹

Despite its biggest drop in sales since the global financial crisis in 2009, the US market retained its leading position in the global ranks with a share of 42% of sales by value. The Chinese art market was the first major market to experience lockdowns in the first quarter of the year. However, it regained some momentum in the second half of 2020, and strong sales at the high end of the auction market helped to move Greater China statistically on a par with the UK, with a market share of 20%, up 2% on 2019. The UK retained a 20% share of global sales despite a very challenging year as businesses in the art trade dealt with the pandemic alongside the difficult exit of the UK from the EU. After a strong year in 2019, French sales also fell significantly, with its global share dropping back to 6%. Sales in the EU (excluding the UK) were at 12%, a stable share year-on-year.

¹ Unless otherwise specified, for the purposes of analyzing sales in this report, Greater China includes Mainland China, Hong Kong, and Taiwan.

Figure 1.4 | Global Art Market Share of the US, UK, and Greater China 2011-2020



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1.3 | Regional Performance

The US has been the leader in global art market sales for most of the recent past, but it had a challenging year in 2020 faced with one of the most severe outbreaks of COVID-19 worldwide and a volatile and divisive change in its political administration. Although there are hopes that the new Biden-led government may bring about more stability, many

in the art trade in the US noted that collectors were often focused on other matters outside of art and their collections in 2020. It had also been particularly hard to source supply in the secondary market for some dealers and auction houses, with the year perceived as a poor time to sell and with less overall opportunities for sales, despite demand still being strong in some areas.

Sales fell by 24% to \$21.3 billion, their sharpest decrease in value since 2009. The US market has been a key driver of global art sales and one of the strongest performing markets of the past decade. Resilient sales in the US in 2010 helped drive the art market's recovery from the global financial crisis, with continuing growth in values to 2015. Political uncertainties and a drop in high-end sales caused the market to contract by 16% in 2016, however, this was followed by a rebound to a historic peak of just under \$30 billion in 2018. In 2019, a significant contraction in the auction sector brought the aggregate market's value down 7% to just under \$28 billion, still its second highest level ever despite the fall in sales. Although this second year of decline in 2020 has brought sales to the levels just above those of 2013, the market remained well in excess of the recession of 2009 (\$12.1 billion). The US art market has grown by 76% since 2009, which remains significantly above other regions including Greater China (38%), the UK (10%), and the EU as a whole (-7%). US sales have grown 13% in the decade from 2011.

Apart from domestic sales, the US has been a key center for the cross-border trade in art, which has been critical to maintaining its leading position in the global market. The rise of protectionism in the US under the Trump administration was a cause of concern, as trade wars with China and other regions

had direct effects on some sectors, including tariffs introduced on both Chinese and some European works of art in 2019. Although the categories of art remain relatively narrow and exclusions are still being sought by the art trade, these regulatory changes continued to be a cause of concern in 2020, particularly as trade waned significantly during the year. Imports of art into the US in 2019 had already stagnated year-on-year, but in 2020 they fell by 55% (to just over \$5.2 billion and their lowest level since 2009).²

While some decline in the US market was virtually inevitable in 2020, experts within the art trade noted that it was not as bad as expected due in part to an increase in sales at the end of the year before changes in capitals gains tax were introduced. Although the new administration's policies in relation to the arts and taxation are yet to be determined, there is some optimism that 2021 may see more stability, which may encourage greater activity by both vendors and buyers in the art market. However, it is also deemed unlikely that generous tax breaks may be directed to the very wealthy, which could dampen activity at the high end. Exhibit 1 looks at some of these key tax issues in the US market in 2020.



² Trade data for the US is from the USITC DataWeb.

Exhibit 1: A Note on the US Art Market, Taxes, and the New Political Administration

Diana Wierbicki, Withers, Partner and Global Head of Art Law, and Sarah Verano, Withers, Art Law Associate

The US Elections and Possible Federal Tax Reforms

The November 2020 US presidential election has resulted in a change of leadership. President Joe Biden and Vice President Kamala Harris both have relatively strong records of supporting the arts, and their election was greeted with enthusiasm by many in the artworld. Despite Biden's support for tax increases on the wealthy (likely to affect major art collectors), the change to the Biden/Harris leadership is also anticipated to be a stabilizing influence on both the US and international art markets. What tax reforms they decide to introduce, and when, remains to be seen, and the art market is watching and waiting.

At the end of 2020, leading into the November US presidential election, the possibility of a change in government encouraged a flurry of activity in the art market. While each of the US presidential candidates proposed changes to the tax code, the frontrunner, Joe Biden, proposed a reform to the capital gains rules that would be certain to impact art collectors. Under the existing rules, when a collector sells artwork owned for at least a year, any capital gains are taxed at a preferential federal collectibles rate of 28%, plus a potential additional 3.8% net investment income tax. Biden proposed eliminating this preferential rate for taxpayers with incomes over \$1 million, meaning that such gains would be taxed as ordinary income. Biden also proposed raising the current ordinary federal income tax from its current rate of 37% to just under 40%. Recognizing that if Biden were to be elected, such tax reforms could be effective as of January 1, 2021, some collectors rushed to complete sales of artworks with large gains before December 31, 2020, to ensure they could capture the 2020 collectibles rate.

In addition to capital gains tax reform, Biden proposed the elimination of the basis 'step-up', the mechanism which generally attributes a date-of-death fair market value basis to any assets (including artwork) held by a decedent at death.³ A common criticism of the 'step-up' rule is that it is known to encourage a 'lock-in effect', discouraging taxpayers from realizing capital gains during their lifetimes because the value of those gains can be passed on, tax free, at death. This has been an invaluable estate-planning tool, minimizing the capital gains taxes due on inherited assets and has encouraged tax-sensitive collectors to favor a buy-and-hold (until death) strategy. Although it is unlikely that this proposal directly influenced many sales at the end of 2020, the elimination of this rule would certainly, in the long term, result in greater liquidity in the art market.

The election of Biden and the party split in the Senate (with Vice President Kamala Harris able to cast a tie-breaking vote) will officially tip the balance of power in favor of the Democratic Party. As a result, tax reform in 2021 or 2022 is an increasing possibility.⁴

US Sales Tax Developments

In 2018, the *South Dakota v. Wayfair* US Supreme Court decision gave states a green light to enact economic nexus statutes requiring out-of-state sellers to collect sales tax on sales over a certain value or volume threshold.⁵ Because art sales often have such high values, dealers and auction houses often surpass the thresholds in a single sale and need to collect these out-of-state taxes on a regular basis, which many have noted has significantly increased their administrative burdens. Dealers' obligations to collect sales tax when shipping out-of-state continue to

solidify, and the burden of sales tax compliance is only expected to increase as more states continue to adopt these regulations. As the COVID-19 pandemic has increased pressure on already-strained state budgets, tax experts are expecting a number of hold-out states, including Missouri and Florida, to finally enact Wayfair rules to increase sales tax revenues.⁶ For several reasons, Florida in particular has a high volume of art transactions. Already a staple art fair location, in 2020, several galleries opened new Florida locations. Additionally, Florida has been a longtime tax-friendly location, attracting new residents including art collectors. If Florida was to enact a Wayfair rule, it would be of particular significance to the art market.

The other method states are anticipated to employ in order to increase their revenues is a step up in sales tax enforcement, which we have already seen them implement for auction transactions.⁷ Art dealers, therefore, may need to employ more resources to ensure compliance with sales tax withholding obligations, particularly when relying on one of the most common reasons for not collecting sales tax – lack of 'nexus' or local tax presence.

US Tariffs on Photos, Prints, and Lithographs

In 2019, the US imposed tariffs on various EU products, including a 25% tariff on printed books, brochures, leaflets, printed matter in single sheets, lithographs on paper or paperboard created in the last 20 years, and pictures, designs, and photographs printed in the last 20 years being imported into the US from the UK and Germany. These tariffs are set to remain in effect for the foreseeable future.

US Tariffs on Chinese Artworks

Effective September 1, 2019, the US implemented customs tariffs of 15% on the import of Chinese artworks, defined to include all works of art, collector's pieces, and antiques. The rate was reduced to 7.5% on January 22, 2020. Whether an artwork is considered to be Chinese depends on whether it was originally created in China, not on the country from which it is being imported.

Following the implementation of the tariffs, both Christie's and Sotheby's auction houses applied for their imports of Chinese artworks to be excluded from the tariffs, arguing that charging the tariffs would be counterproductive and would result in a significant loss to their US businesses. Christie's stated that the tariffs '... will severely impact the US art market as a whole, drying up any ability to purchase Chinese artworks outside of the United States... Punishing the US art market in this manner flies in the face of an important American value of support for the artworld.'⁸

In July of 2020, the US granted the exclusions sought by Christie's and Sotheby's for imports of Chinese artworks, however, the exclusions expired on September 1, 2020. On December 29, 2020, the US Trade Representative announced the extension of certain exclusions through March 31, 2021. Notably, an extension was not provided for works of art.

³ <https://taxfoundation.org/joe-biden-tax-plan-2020/>.

⁴ Following the election, early Biden appointments continue to make tax reform look likely, including the appointment of Senator Elizabeth Warren, a long proponent of wealth taxes, to the Senate Finance Committee, and the Treasury Department's hiring of several international tax specialists.

⁵ *South Dakota v. Wayfair, Inc.*, 138 U.S. 2080 (2018).

⁶ Bologna, M. and Baltz, T. (2021), "Flock of New State Taxes on E-Commerce Predicted for 2021", *Bloomberg Daily Tax Report*, available at <https://news.bloombergtax.com/daily-tax-report/flock-of-new-state-taxes-on-e-commerce-predicted-for-2021>.

⁷ See <https://www.manhattanda.org/d-a-vance-to-deliver-10-million-to-new-york-state-following-investigation-into-christies-auction-house/>; <https://ag.ny.gov/press-release/2020/attorney-general-james-sues-sothebys-defrauding-new-york-taxpayers-out-millions>.

⁸ Niquette, M. (2019), "Christie's Seeks Relief from Trump's 'Punishing' Tariffs on Art", available at <https://www.bloomberg.com/news/articles/2019-10-31/christie-s-seeks-relief-from-trump-s-punishing-tariffs-on-art>.

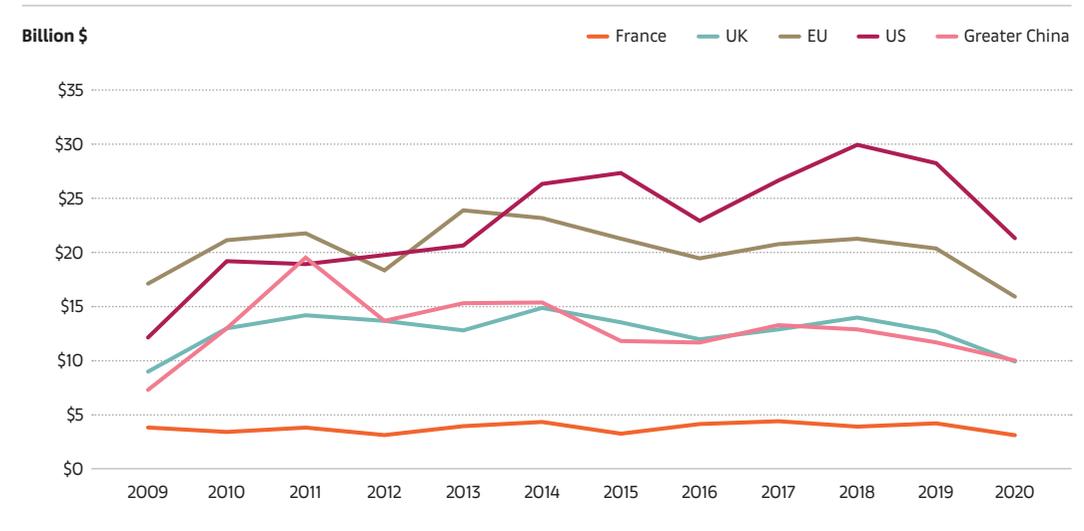
Despite a difficult start to the year, some strong auction sales in the last quarter helped boost Greater China to a position of parity with the UK art market, and second in the global ranks. The Chinese market led the UK in the years between 2010 and 2014, but then after several years of parity, the UK had pulled ahead in 2018 and 2019, as slowing economic growth, trade wars with the US, changes in VAT policies in Mainland China and political unrest in Hong Kong all fed into more cautious buying and weaker supply at the high end of the dominant auction market. In 2020, sales in Greater China declined by 12% to \$10 billion, the third year of declining values, although a considerably more moderate contraction than its other major peers.

Sales in Greater China were 49% lower than their level a decade earlier when, at the height of its boom in 2011, values totaled \$19.5 billion. However, this was followed by a sharp contraction of 30% in 2012 and a period of stagnant growth to 2016. After a short rebound in 2017, economic issues, trade wars, and other issues led to cautious buying and selling, with declining sales for the next two years. China was the first market to feel the effects of the pandemic at the start of 2020, with the cancellation of major fairs such as Art Basel Hong Kong as early as March. Despite dealing with multiple waves of the pandemic, the Chinese market was slightly ahead in terms of a return to more normal functioning, with successful fairs held within

Mainland China in the second half of the year. Values were also boosted significantly by some very high-value individual sales in the auction sector in the second half of the year, with Greater China leading the global public auction market by a considerable margin.

Some experts within the trade believe this recovery was partially assisted by the resolution of VAT issues that had arisen and stymied the Chinese market in 2018 and 2019. Under VAT reforms in late 2018, auction houses could only issue formal VAT invoices (*Fa Paio*) for the commission income they received from buyers (not the full sales price, with hammer price and premium, which was required to be issued directly by the sellers). As most vendors were private individuals, this was fraught with difficulties, not just in obtaining the necessary permission and documents from the tax department to do so, but also in the process of issuance as information about buyers and sellers would need to be exchanged, which went against the current accepted practices of the auction industry in Mainland China. As a result, in 2018 and 2019, without access to full invoices, some corporate and institutional buyers, who could claim the purchase price of works of art as expenses with a full invoice, reduced their activity in the auction market. From May 2020, changes in regulations allowed auction houses selling art to issue full invoices, which may have stimulated some sales in the second half of the year.

Figure 1.5 | Sales in the Major Art Markets 2009–2020



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Sales in Greater China declined by 12% to \$10 billion, the third year of declining values

The UK retained a 20% share of the art market, stable year-on-year, although losing its 2% margin with Greater China. 2020 was a very challenging year for many businesses that were forced to deal with both the impact of the pandemic alongside the economic uncertainty generated by the threat of a no-deal Brexit. Sales in the UK fell 22% to \$9.9 billion, their lowest level in a decade, but still 10% above the previous recession in 2009 when they had dropped to just under \$9 billion.

The final *Trade and Cooperation Agreement* for the UK's exit from the EU was signed in December 2020, and from January 2021, imports into the UK from EU states have been subject to VAT and other charges, which has created concerns for businesses in the art market that trade with and from Europe. Imports of art and antiques were recorded by the HM Revenue and Customs (HMRC) as \$2.1 billion in 2020, down one third on 2019. Of these, 87% by value were imports from outside the EU, meaning much of the higher value trade with major partners such as the US and China remains unaffected.⁹

While it is likely that London will retain its attractiveness as a global hub and location for top-tier sales, with the expertise, infrastructure, and relatively trade-friendly regulatory stance required, some of the lower value, domestic EU art trade may shift outside of the UK to other EU states, with Paris likely

to gain as the next largest market and base for many larger businesses in Europe. However, while there were hopes by members of the French art trade that high-value trade potentially lost to London might also be diverted to Paris, this remains to be seen, with these transactions also possibly bypassing Europe altogether to the benefit of the US or China. After a positive year in 2019 when most other markets were receding, sales in France fell 33% to an estimated \$3.1 billion. Sales in most of the other mid-sized markets in Europe experienced similar double-digit declines, as sales in the EU as a whole dropped 22% to \$15.9 billion (or just \$5.9 billion measured without the UK market as will be the case from 2021).

A significant issue for the art market in Europe in 2020 was the introduction of various requirements and regulations under the *5th EU Anti-Money Laundering Directive*, which is implemented by national legislation. In the UK, the *UK Money Laundering and Terrorist Finance Amendments Regulations* became effective in January 2020. These regulations have meant that the art market has become part of the regulated sector across Europe for anti-money laundering (AML) purposes, and as such, all art market participants involved in transactions worth €10,000 or more are required to carry out satisfactory 'know your client' and 'customer due diligence' checks before completing transactions. While some

businesses noted that they were already collecting much of the required information, during 2020, the formal information-gathering requirements have created administrative burdens and costs for dealers in Europe, and are also being phased into the US in 2021 for antiquities dealers. (Exhibit 2 discusses some of the main issues regarding these regulations in more detail.)

Sales in the art market have often been relatively durable, despite issues in the wider economic and political environments, and have also reacted in very different ways to recessions that have occurred in the past. The unpredictable global landscape of 2020 presented the art trade with some of its biggest challenges to date, and has brought some fundamental changes, particularly the acceleration of the market's digital transformation. Although businesses found ways to maintain trading online, the pandemic had a profound impact on sales and some of the effects on employment and business structures are still unfolding.

While the art market is built around cross-border trade, the importance of local markets was emphasized in 2020, with sales at a more local and regional level rising for some businesses in the absence of major global events. International trade (imports and exports) of art also diminished significantly in some of the major markets.

However, while it is likely that travel may take some time to revive to pre-pandemic levels, international trade and cross-cultural communication and exhibition remain at the core of the global art market. Because works of art, especially at the upper levels of the market, are often not traded directly between artists and collectors, the comparative advantages of different markets are not based on which regions can produce the best art, but on which markets allow an efficient and cost-effective interaction between buyers and sellers. Such sales could, in principle, take place anywhere, which is why the political and regulatory environment plays an even more important role for comparative advantage in the art market than it does for trade in other goods. Those markets that maintain a healthy flow of cross-border sales are therefore still likely to see the most positive future growth scenarios.

⁹ Data is from the HMRC and covers imports of all items included in HN Code 97 works of art, collectors' pieces, and antiques. Because some transactions are accounted for via the VAT margin scheme in the EU, official statistics can underestimate intra-EU trade. Research carried out by Arts Economics on behalf of the British Art Market Federation indicated that for some of the major auction houses, consignments from EU member states accounted for up to 25% of their UK sales on average. The main dealer associations in the UK reported that on average between 10% and 22% of dealers' purchases for subsequent sale were made in the EU. These figures indicate that even accounting for under-recording, the majority of the value (75% or more) of trade into the UK is from outside the EU.

Exhibit 2: The Anti-Money Laundering Difference: Knowing the Ultimate Customer

Rena Neville, Founder and Director, Corinth Consulting Ltd.

In 2019 and 2020, one of the biggest changes to the regulatory structure of the global art market was the implementation of the EU's 5th *Anti-Money Laundering Directive* (5AMLD), particularly in the UK, as the first of the major international art markets to be formally regulated. The full impact of the Directive is still unfolding, in part because the UK postponed the registration deadline for the art market to June 2021 (from the initial January deadline). Some have confused delayed registration with delayed application of the new law, however, 5AMLD has, in fact, been in effect since January 2020. Given the delay and the confusion over 5AMLD, it would be premature to assess its full impact, but certain challenges are already apparent.

Both the domestic UK art market and its international peers are struggling most with the 'Know Your Customer' aspects of the 'Customer Due Diligence' (CDD) requirements under 5AMLD. As applied in the UK, art market participants are obliged to lift the veil of anonymity and uncover the identities of the ultimate beneficial owner involved in transactions. The 'Know Your Customer' rules are most challenging for many galleries and dealers as they strike at the core of the selling relationship.

Although still burdensome, other aspects of the new law are relatively less difficult to endure. These include routine compliance obligations such as: conducting a risk assessment; implementing policies, procedures, and a training program that addresses the identified risks; appointing a Money Laundering Reporting Officer who is adequately supported; and monitoring the program and keeping relevant records.

These obligations are not directly intrusive to the dealer – client relationship, however, they have added burdens in both direct costs and time. In a year when sales in the market were down by more than 20%, some of these costs, such as the £5,000 to set up the anti-money laundering function, have been particularly burdensome, particularly on some smaller businesses. Additional hidden costs include staff training, program administration, and management time, as well as a need potentially for upgraded data systems to better track and retrieve relevant information for government audits.

However, in contrast to these relatively minor issues, the most intrusive and costly in terms of possibly lost, legitimate business are the 'Know Your Customer' duties. 'Knowing', in the anti-money laundering sense, may be divided into three parts, all of which need to be completed before any payment is accepted by a dealer: does the transaction 'make sense' given the deal structure, who the buyer is and their wealth; the need to obtain proof of the ultimate buyer's identity; and finally, to verify that identity.

To determine whether a transaction 'makes sense', the UK applies a risk-based approach to uncover anything problematic, unusual, or suspicious. Aspects of a risk-based approach might include whether the person is on any sanctions or terrorist lists, are they a politically exposed person (involved with, or a close relative of, a government official), is their source of wealth readily known or easily ascertained, is the amount of their potential purchase consistent with their means, do the locations of their work, residence, and bank make sense and are they located in a high-risk jurisdiction for money laundering, as defined by the EU. General, internet adverse media checks

as well as paid search services help uncover publicly available facts that may indicate these risks.

Moving to the next steps and assuming a simple sale to a private individual, the dealer must also obtain proof of the individual's identity that they need to then verify. The proof is often an official, government-issued document that is in date and contains a photograph and the date of birth (with the standard being a valid passport or driver's license). The next CDD step is verification in two parts – ideally seeing the document and the person together to confirm the likeness, and verifying the residential address in the form of a bill dated within the last three months, such as a utility, tax, or phone statement.

Some dealers fear that certain serious collectors or particularly well-known individuals and celebrities may be reluctant to show a passport or driver's license, to say nothing of producing a recent utility bill. Even if they do not mind in principle, securing this information risks diminishing a client's impulse to purchase. In contrast to the art market, when the same high net worth client buys a £10,000 outfit, they need only produce a credit card and are free to leave the shop with their purchase.

CDD becomes yet more challenging when a buyer has an art advisor and the ultimate client/purchaser is a company of which the buyer is the sole shareholder, known in AML circles as the ultimate beneficial owner or UBO. In this scenario, the art advisor must provide to the seller dealer proof of CDD on themselves and their authority to act as an agent, as well as disclosing the identity of their ultimate client, in this case the sole shareholder of the corporation.

In guidance for the UK art market approved by Her Majesty's Treasury, the dealer may rely on the agent's CDD, if the agent themselves is regulated. However, in reality, the ultimate client's identity still needs to be disclosed, even if not immediately, within the supporting identification and verification documents. The agent must confirm to the dealer the CDD steps they have taken to satisfy themselves about their client, and a generic statement will not do.

This disclosure of the ultimate client is problematic for each party – the dealer, the agent, and the client. It is problematic for the dealer as it remains liable for criminal fines and imprisonment if there is a problem with the ultimate client's CDD. For competitive reasons, the agent has no interest in disclosing the name of their client, and the client may be working with an agent precisely to remain anonymous. This scenario is exponentially more difficult if the agent and the client are in the US or in other regions that are not yet covered by a local anti-money laundering regime. In this case, the UK dealer may not rely on the US agent's due diligence but should secure the CDD information for themselves, which presents one of the most problematic scenarios and one not uncommon particularly at the higher end of the sector.

This uneven playing field for the many US/UK transactions that occur appears to be a relatively short-term discrepancy, as the US is aggressively enhancing its own efforts to expand money laundering regulations to include the entire US fine art market. The US government is not only actively urging that its domestic art market adopt a risk-based approach to AML compliance, but the Federal Government has already decided to regulate the antiquities market and is conducting a study in 2021 to decide whether

to extend AML regulation under the US Bank Secrecy Act to the broader art market.

The most recent event that drew the attention of the US Government to the art market was an investigation launched by the US Senate with findings published in 2020, in part triggered by ineffective sanctions imposed after Russia's annexation of the Crimea in 2014. In response to the February 2014 Russian annexation of the Crimea, the US imposed sanctions and added certain Russians to their Specially Designated Nationals And Blocked Persons List (SDNs). In March 2014, the brothers Arcady and Boris Rotenberg were placed on the SDN List but still managed to conduct a successful buying spree between March and November 2014. They reportedly purchased art works worth \$18 million at auction houses and through private sales in New York via shell companies that the US contends were funded or owned by the ultimate beneficial owners, the Rotenbergs.¹⁰

The US Senate report of July 2020 disclosed that the Rotenbergs' bidding and buying agent was a US citizen in Moscow, who paid for the purchases with funds received from shell companies that were purportedly traced to the Rotenbergs. Sotheby's and Christie's were aware of the sanctions against the Rotenbergs but did not dig deeply enough to uncover the ultimate beneficial owners, that is, the ones who actually paid for the purchases. Arguably, had the US art market been regulated under a similar risk-based approach as the UK, knowledge of the ultimate buyers would have been discovered, the transactions not concluded, and the sanctions would have been effective.

Leading on from the investigation, in October 2020, the US Department issued an advisory note that 'strongly recommends' that the US art trade adopts a risk-based approach to AML compliance. This is a worst-case scenario for the US art trade because AML compliance is simply recommended, not legally required. Whereas the UK trade at least has the excuse when they ask clients for their passports and utility bills that, 'it is not me, it's the law, I trust you', US dealers do not have the luxury of 'hiding behind' the law in this way.

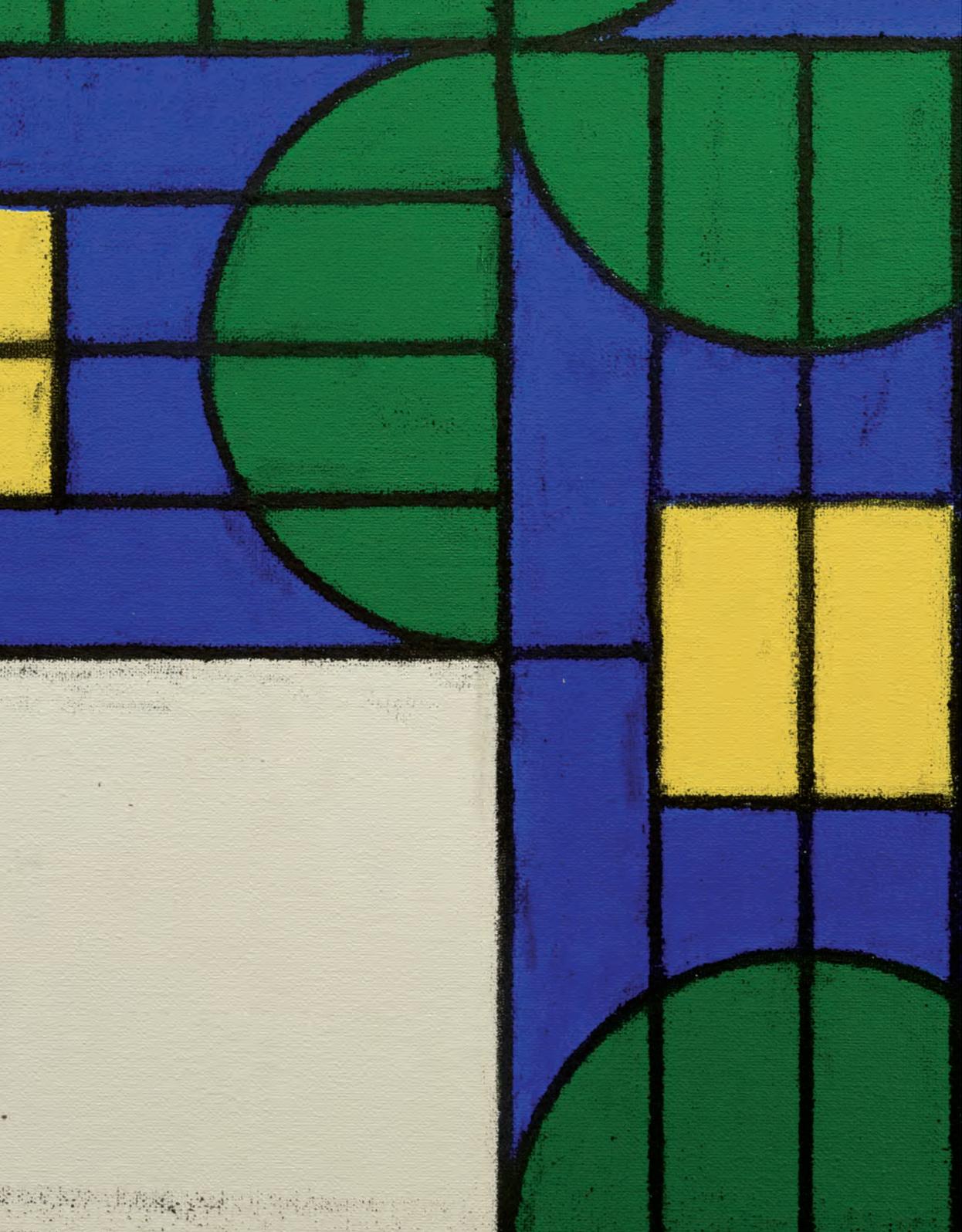
On January 1, 2021, as part of the *National Defense Authorization Act*, the US Congress extended to the antiquities market the client disclosure requirements under the *US Bank Secrecy Act*. Perhaps more importantly for the contemporary and fine art markets, in the same legislation, the US Congress directed a report to be conducted to ascertain whether the *US Bank Secrecy Act* should be extended to the broader US art market. It would seem more likely than not that the disclosure requirements will soon also be required in the US, potentially as early as 2022.

With the threat of further regulation in the US, there is little doubt that 2021 will be yet another challenging year. However, if the changes ultimately result in consistency across the UK and US art markets, it would at least become a more level playing field between these two markets, leaving China then as the next frontier.

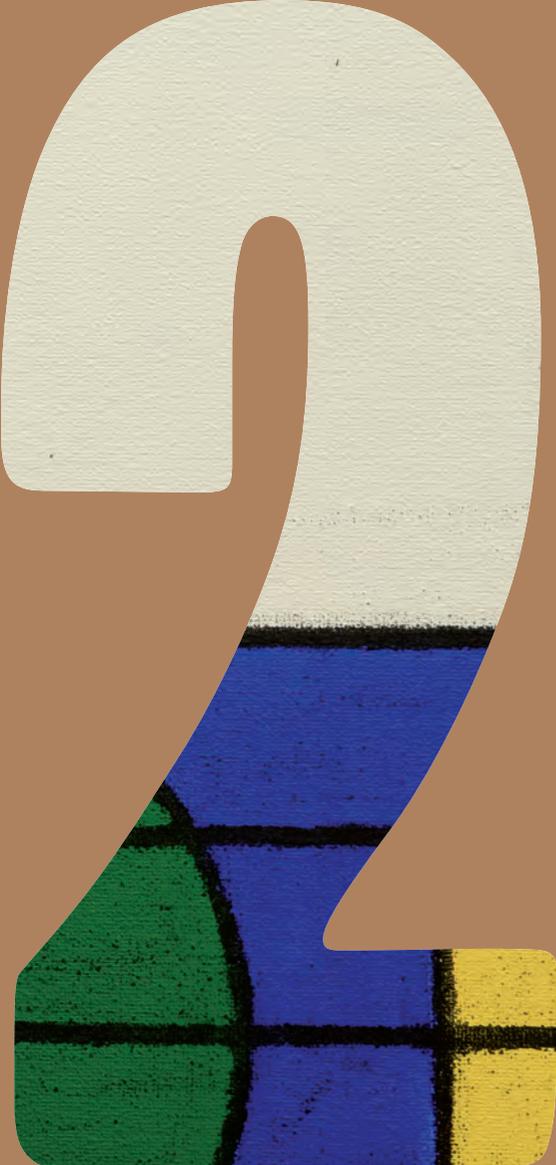
5th EU Anti-Money Laundering Directive: Key Components

Who is an 'art market participant'?	Art market participants include auctioneers, dealers, and art advisors transacting in a single or series of linked <i>transactions</i> of a 'work of art' valued at €10,000 or more, as well as operators of freeports that store 'works of art' for a person or series of persons valued at €10,000 or more.
What constitutes a 'work of art'?	'Work of Art' is not defined in the 5AMLD, so it is to be applied as defined by each of the EU member states. For example, the UK has applied its pre-existing definition of art as set out in the Value Added Tax Act of 1994, Section 21(6). It is critical to check local definitions.
When did 5AMLD become applicable?	Under the 5AMLD, each member state was to implement the Directive by January 10, 2020. Of the current EU member states, one member state has failed to communicate any transposition measure and eight have communicated only partial transposition measures.
Is 5AMLD limited to 'new' clients or does it also apply to existing clients?	5AMLD applies to all new clients as of January 10, 2020, as well as previously existing clients. 'Customer Due Diligence' must be done for all transactions post January 10, 2020 before a transaction is completed. For previously existing clients, CDD must be done at certain prescribed times, such as when applying a risk-based approach to an existing client or if a client's circumstances change.
Were there any prior laws affecting the art market and anti-money laundering?	Yes, in different ways in different countries. For example, in the UK, the <i>Proceeds of Crime Act 2002</i> and the anti-bribery and anti-corruption laws have generally applied to any suspicions of money laundering or dealings in stolen goods. The 5AMLD builds on these more general obligations to make art market participants specifically regulated entities.

¹⁰ See Dawkins, D. (2020) *Putin's Billionaire Judo Buddy Accused Of Buying Art To Launder Money Despite US Sanctions*, available at www.forbes.com/sites/daviddawkins/2020/07/30/putins-billionaire-judo-buddy-accused-of-buying-art-to-launder-money-despite-us-sanctions.



Dealer Sales



Key Findings

Dealer Sales

1. The fallout from the COVID-19 crisis had a negative effect on dealer sales, with aggregate values declining by 20% to an estimated \$29.3 billion in 2020, after a marginal increase of 2% in 2019.
2. A survey of the dealer sector at the end of 2020 revealed an average year-on-year decline in sales of 23%. The most significant average annual declines were reported by dealers with turnover greater than \$10 million, at 31%.
3. The ability to reduce major operating costs allowed some dealers to maintain profitability in 2020: 28% were more profitable than in 2019 and 18% maintained a stable level of net profit.
4. Almost half (48%) of dealers surveyed accessed loans for their businesses over 2020, with 68% availing of government lending or other repayable credit.

5. The size of dealers' client bases shrank over 2020, with an average of 55 individual clients, down from 64 in 2019.

6. Dealers' top priorities shifted markedly over 2020 to focus on existing clients, online sales, and finding ways to cut costs. Client relationships, online sales, and art fairs were their top priorities looking ahead to 2021.

7. The majority of dealers (58%) expected an improvement in sales in 2021, while 27% predicted they would be stagnant and 15% expected them to decline further.

2.1 | Dealers Surveyed in 2020

While the dealer sector has been one of the most resilient parts of the market in recent years, the COVID-19 pandemic and the unpredictable environment it created presented businesses with significant challenges in 2020. Although many businesses continued making sales throughout the year, including those at the high end of the market, the fallout from this crisis had a negative effect on aggregate sales, with values declining by 20% to \$29.3 billion in 2020, after a marginal increase of just over 2% in 2019.

The effects of the crisis were also not evenly distributed within the sector, with dealers in different regions and value segments faring very differently, including a minority who experienced an increase in sales. Some businesses closed, and the extent to which others will survive over the coming years is still to be determined. However, a notable development in 2020 was that some dealers managed to maintain and even enhance profitability with costs also decreasing – one of the more striking outcomes during the year. Prior to 2020, this sector tended to be a top-heavy, winner-take-all market, with businesses at the higher value end tending to show stronger growth in sales in most years than small and mid-sized businesses. One of the biggest concerns in 2020 was that the pandemic and resulting economic crisis could intensify this polarized framework, accelerating the decline of smaller businesses and

strengthening the position of the biggest dealers that might have more financial leeway and whose buyers might also enjoy a greater degree of insulation from the cultural and economic traumas of COVID-19. Although the longer-term effects of the pandemic are still unfolding, the sales results for the year indicated that some of the largest galleries were among those experiencing the most significant declines in sales. However, businesses at all levels were forced to review their strategies in the face of changed consumer behaviors and new economic realities, and the pandemic has brought structural change to the sector that may extend well beyond 2021.

The results presented in this chapter focus on the core dealer sector, consisting of businesses trading in fine art, decorative art, antiques, and antiquities. The details of gallery and dealer sales are private, and there is limited current and publicly available data on turnover and other aspects of their businesses. To research the sector, surveys are a critical tool. Arts Economics conducted a series of two surveys of the sector in 2020.¹¹ The first survey in July focused only on contemporary and Modern art galleries (with 795 responses), and then a more comprehensive survey of all sectors was carried out at the end of the year. This survey, conducted in December 2020, forms the basis of much of this chapter, with 920 responses used in the analysis that follows.¹²

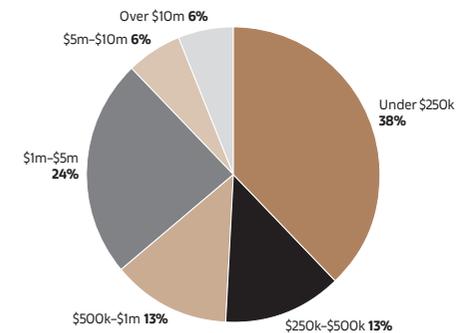
The dealers surveyed were geographically diverse, covering over 55 different national markets. The highest share came from Europe (54%), and within Europe, one third of the sample was from the UK and France. Dealers from North America accounted for 20% of the survey's respondents, with 18% from the US, while 15% were from Asia, including 9% from Greater China.

Most of the dealers surveyed (95%) reported that they currently operated from a physical premises or gallery, and of those, 94% reported physical locations in just one location or market. A small share of respondents (6%) maintained physical premises in two or more different national locations, with 2% operating out of three or more.

The survey covered all sectors of the art and antiques market, although respondents were predominantly fine art dealers (90%), with 10% operating in decorative art and antiques. Almost 70% of the sample dealt in contemporary art, either alone or with another sector such as Modern art.

The global dealer sector is made up of an estimated 291,000 businesses covering both the primary and secondary markets, the vast majority of which are small and micro-sized businesses, both in terms of headcount and sales turnover. As the survey sample was drawn from dealers that are members of dealer and gallery associations or who participate

Figure 2.1 | Annual Sales Turnover of Survey Respondents in 2020



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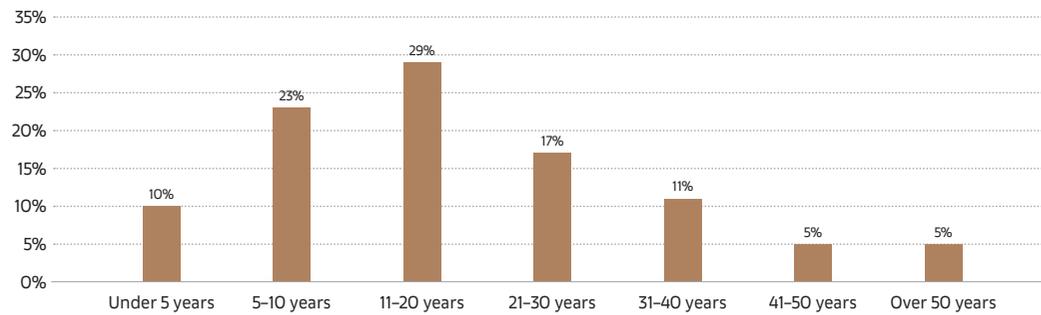
in art fairs, the respondents were, for the most part, more established businesses, and the survey omits very many small businesses and sole traders. Respondents still varied in the size of their annual sales turnover: 64% had annual sales of less than \$1 million (including 38% with less than \$250,000), and just 6% reported sales in excess of \$10 million (compared to 9% in the global dealer survey conducted in 2019). The breakdown of sales in 2020 is provided in Figure 2.1.

¹¹ These surveys were conducted in collaboration with Taylor Whitten-Brown, Department of Sociology, Duke University.

¹² The surveys were supplemented with interviews with dealers in different sectors and regions to provide deeper insights into some key trends. More information on the dealer survey and sources used in the report is given in the Appendix.

Figure 2.2 | Number of Years in Business

Share of respondents



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As the sample was drawn from associations and art fairs, most responding dealers were also relatively well established in terms of their tenure of operation.¹³ The majority had been in business for longer than 10 years, with an average of 21 years and median of 16 years. (This average was down slightly from the average number of years in business for the dealers surveyed in 2019 at 23 years and 25 years reported in 2018). Only 10% of the respondents in 2020 had been in operation for less than five years.

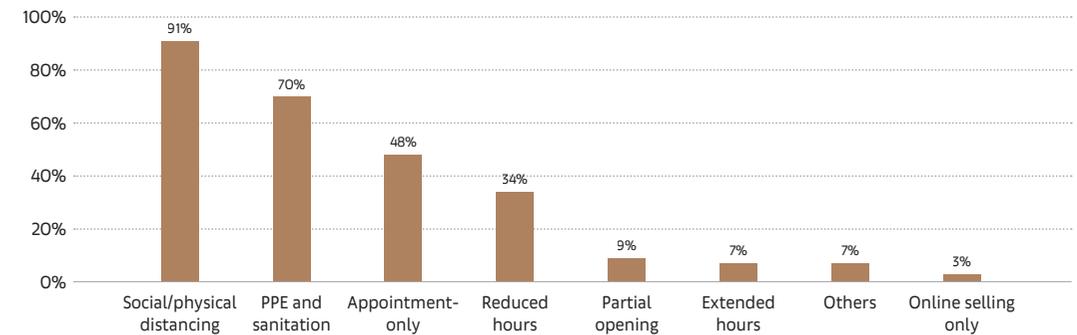
To put this in context with other industries, 67% of dealers had been in business for more than 10 years (from 63% in 2019) versus a share of 42% for US retail businesses, 38% for businesses in the arts and entertainment industries, and 37% for the US private sector generally in 2020. The share of businesses surviving after 20 years in US retail was just 27% (20% in the arts, 21% in the private sector) versus 38% of the dealers surveyed.¹⁴ This indicates greater longevity in the dealer sector compared to some other industries.

¹³ The survey was distributed by various national dealer associations, including CINOVA, the ADAA, SLAD, CPGA, FEAGA and others, as well as to Art Basel exhibitors. These associations and art fairs require vetting and entry criteria and it is therefore more likely that the dealers surveyed had been open and established for at least one or more years.

¹⁴ Industry data is from the US Bureau of Labor Statistics extracted in January 2021. The 10-year data applies to the share of businesses still open in March 2020 that were opened in March 2011, and 20-year is the share of businesses still open in March 2020 that were opened in March 2001.

Figure 2.3 | Gallery Operating Restrictions and Measures in December 2020

Share of respondents



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When the survey was conducted in December 2020, 5% of the dealers responding did not currently operate a physical gallery or premises. Of those that did, 87% were open for business, with 16% of those reporting that they were open and running normally or in the same manner as they had in previous years. The majority of the sample (67%), however, were open but operating under restrictions, new conditions, or safety measures implemented for visitors and staff.

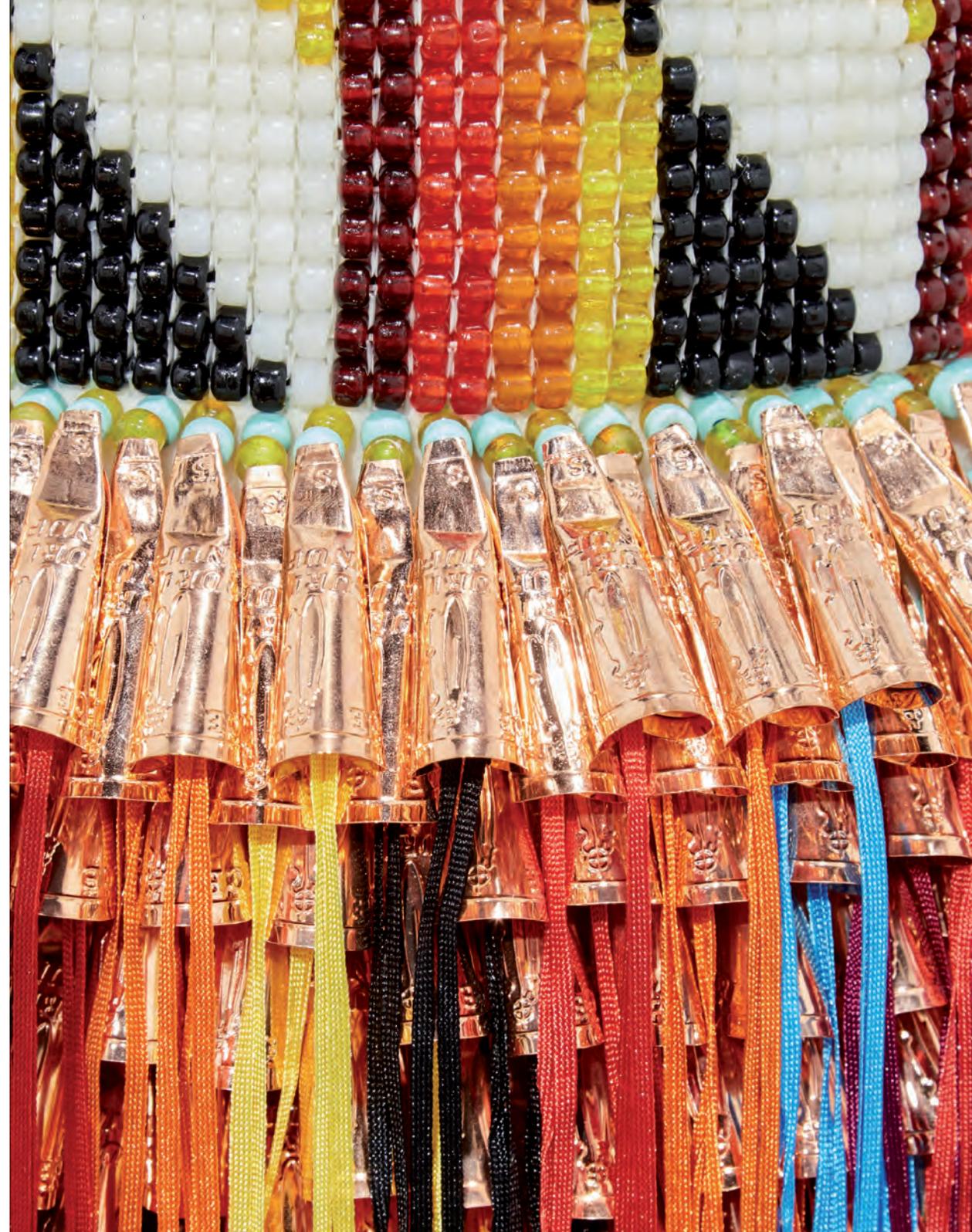
The most common measures implemented in response to COVID-19 related to social and physical distancing (91% of open galleries), which included limiting visitor capacity, changing the gallery layout, and alterations to staff scheduling, including remote work and shift work. Personal protective equipment (PPE) for staff and visitors and personal and other sanitation measures were also used by a majority (70%) of respondents.

Just over one third of dealers reported reducing their opening hours, although 7% extended them to allow greater social distancing and make up for the reduced flow of visitors during any period. Other measures of precaution included temperature checks for staff and visitors, the cancellation of all openings and events, and the use of contact tracing protocols and apps for visitors.

Of the 13% of dealers who reported that their galleries or premises were closed at the time of the survey, 66% were based in Europe and 15% from North America. The majority (67%) of those galleries that were closed had done so due to government regulations or guidelines, while 15% had chosen to remain temporarily closed due to safety or COVID-19 related concerns. Of the remainder, 13% were closed

for reasons unrelated to the pandemic, including temporary closures for renovations, seasonal breaks, and exhibition-related factors, as well as permanent closures due to changing locations for the gallery. Five percent of those that had closed (or 1% of the aggregate sample) reported that they had closed permanently, citing difficulties meeting overheads and the financial implications of the cancellation of art fairs on their businesses as some of the primary reasons for closing. This share of closures is likely to be conservative relative to the sector in 2020, as businesses that had closed were less likely to receive and respond to the survey. The issues of business closures and the effect of the pandemic on employment in the dealer sector is discussed in Chapter 7.

1% of the dealers surveyed had closed permanently, citing difficulties meeting overheads and the financial implications of the cancellation of art fairs as some of the primary reasons for closing



2.2 | Dealer Sales

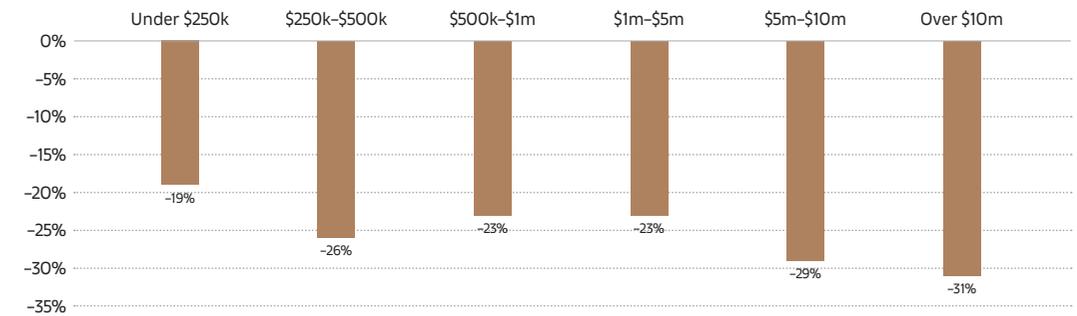
After a relatively stable year in 2019, sales in the dealer sector came under significant pressure in 2020. The sector was uniquely vulnerable to the impact of the COVID-19 crisis as it is primarily based on discretionary spending and strongly dependent on travel and in-person contact. While many businesses managed to maintain sales throughout the year, the value of these sales declined significantly. By mid-year, 83% of the contemporary and Modern galleries surveyed in July had reported a decline in the value of their sales, with an average loss of 36% in value. By the end of 2020, across all sectors, the dealers surveyed reported an average year-on-year decline of 23%.

The poorest performing segments of the market for the last four years have been those dealers at the lower end, particularly businesses with annual turnover less than \$250,000. In 2020, all segments saw a drop in value, however, some businesses with lower turnover reported a less steep decline year-on-year than those at the higher end of the market. The most significant average annual declines were reported by dealers with turnover greater than \$5 million, with those over \$10 million showing the largest overall losses (31%).¹⁵

There were some notable differences between regions. In the first half of the year, Asian dealers reported a higher-than-average decline, being among the first businesses to experience the initial lockdowns brought about by the pandemic in Mainland China and surrounding regions. However, they fared better in the second half of the year, with the average overall decline reported by Asian respondents for the full year of 11% (and a drop of 8% in Greater China versus 55% in the first half of the year). US respondents also fared better than some other regions, with an average decline of 11%, while dealers in markets within Africa dropped 18%. Some of the sharpest reported annual declines in sales were from dealers in Europe. As a whole, respondents from the region reported an average decline of 28%, with those from the UK and France reporting a fall in sales of 24% and 32% respectively.

Figure 2.4 | Average Changes in Year-on-Year Turnover by Dealer Turnover Segment 2019–2020

Change in annual sales

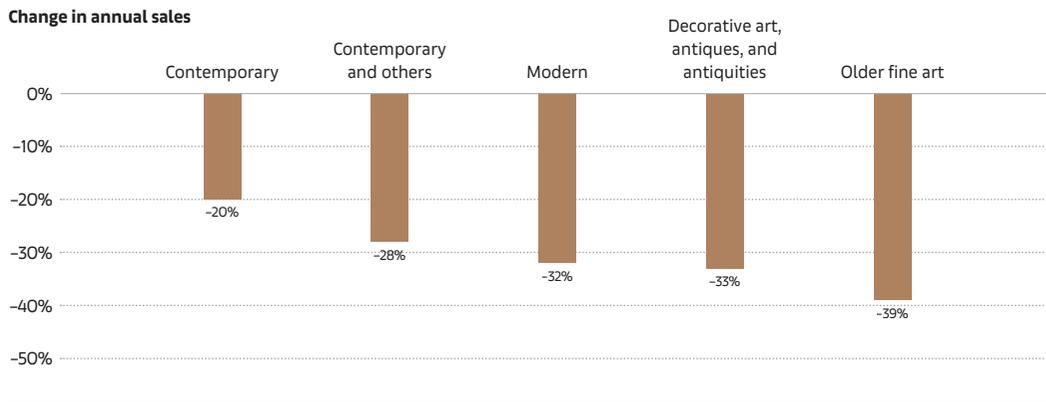


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The most significant average annual declines were reported by dealers with turnover greater than \$5 million

¹⁵ As many dealers had significant alterations in turnover during 2020, the segments used to classify the market in Figure 2.4 and throughout the chapter are based on the dealer's reported turnover in 2019.

Figure 2.5 | Average Changes in Year-on-Year Turnover by Dealer Sector 2019–2020



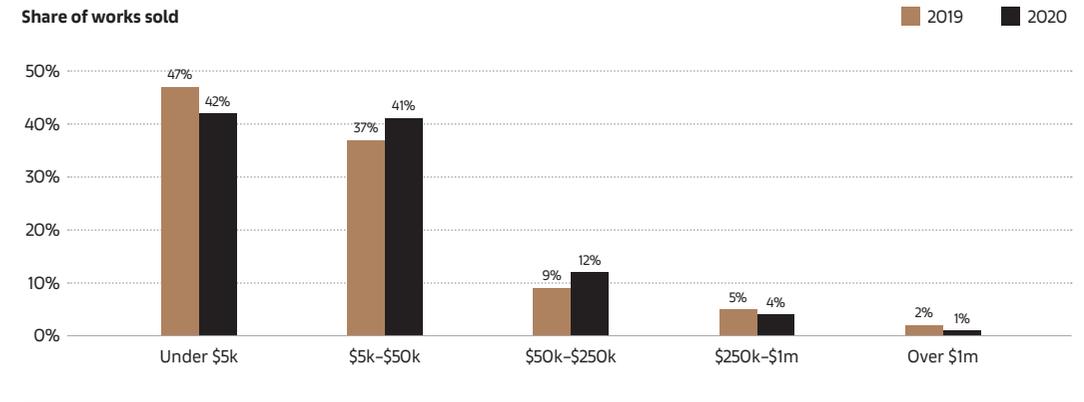
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Dealers working in the contemporary art market tended to fare better than others, with a decline of 20%, versus a 39% average drop in sales for businesses operating in older sectors of the market such as Old Masters and Impressionism. Dealers in decorative art, antiques, and antiquities markets also reported a higher-than-average decline of 33%. Dealers operating solely in the Modern art sector experienced an aggregate fall in sales values of just less than one third, slightly worse off than their peers who mixed contemporary and Modern art (with a 29% loss). However, performance within these sectors varied

significantly, including a minority of businesses in nearly all sectors that saw a boost in sales despite the crisis.

The volume of dealers' sales also fell in 2020, with an estimated drop in the median number of works sold from 55 in 2019 to 34 in 2020. It is notable, however, that overall, the share of the volume of sales in different price brackets was relatively unchanged on 2019, with most works selling for less than \$50,000 (82% in 2020) and only 1% for over \$1 million (versus 2% in 2019).

Figure 2.6 | Volume of Sales by Price Bracket in 2019 versus 2020

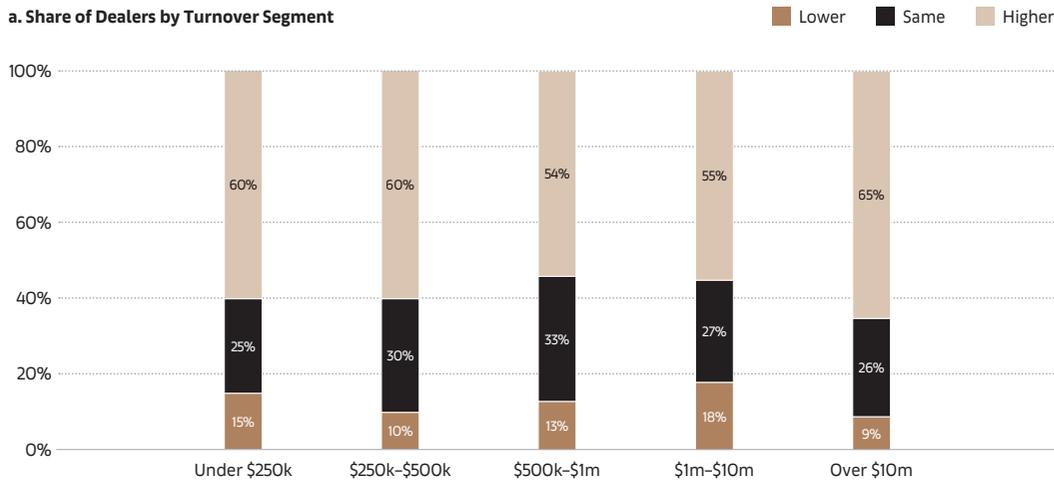


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The volume of sales fell in 2020, with an estimated drop in the median number of works sold from 55 in 2019 to 34 in 2020

Figure 2.7 | Dealers' Outlook on Future Sales in 2021

a. Share of Dealers by Turnover Segment

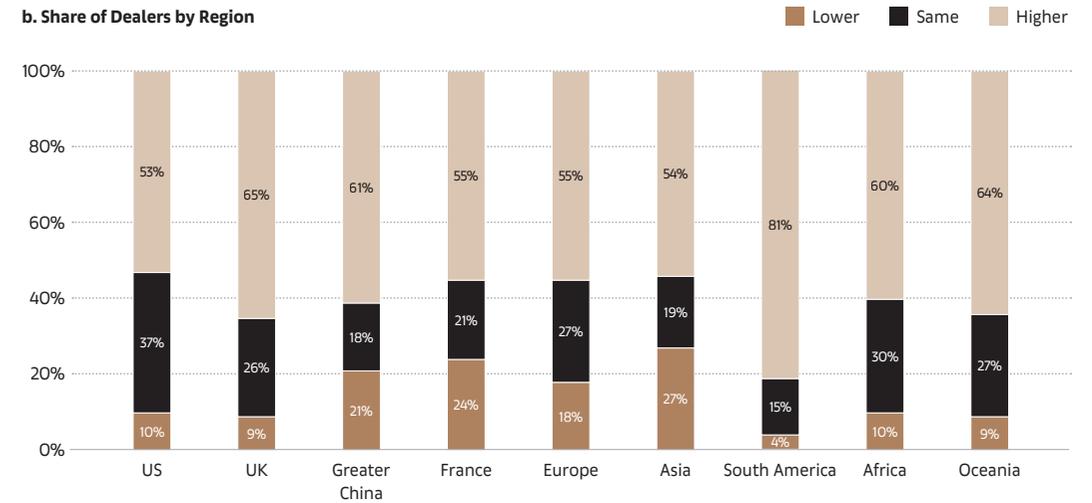


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When dealers were asked at the end of 2019 about the year ahead, most had been optimistic, with 75% predicting stable or better sales in 2020. None could have anticipated the crisis that was to come. The COVID-19 pandemic has been a significant economic challenge to dealers around the world, as it has to millions of small businesses in other industries. Dealers were particularly vulnerable in this crisis due to the nature of their operations, and some were

already at risk financially before the crisis began. When surveyed mid-year in 2020, contemporary and Modern art dealers had a generally pessimistic outlook: 79% of those surveyed thought overall 2020 sales would be lower than 2019 and, of those, 58% felt they would be significantly lower. This turned out to be an accurate prediction of the year, as the end-of-year survey indicated that 74% of dealers experienced a drop in sales (including nearly half of the sample seeing a decline of one third of their turnover or more).

b. Share of Dealers by Region



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Looking forward to the year to come in 2021, the majority of dealers surveyed expected an improvement in sales:

- 58% expected an improvement in sales in 2021, including 16% predicting a significant improvement;
- 27% expected sales to be about the same as in 2020; and
- 15% expected sales to decrease.

Although this shows a much more optimistic picture than the mid-year survey, it indicates that a significant 42% of dealers still expect sales to be stagnant or worse in the coming year. Given 2020 was a relative low point for many businesses, this reveals continuing pressures in some parts of the market.

A majority of dealers at all levels of turnover expected sales to improve, but the largest businesses, who had the most significant sales declines in 2020, were the most optimistic about 2021. (65% of dealers with turnover greater than \$10 million expected an increase in sales in 2021.) Those in the ranges from \$500,000 to \$1 million and \$1 million to \$10 million were slightly less optimistic. Anecdotally, these dealers also reported concerns over the viability of art fairs in their traditional form in 2021 and the effect this might continue to have on their businesses given their reliance on fairs to generate sales, particularly to new buyers.

Regionally, some of the lowest levels of optimism came from dealers in mid-sized European markets, including only 35% of German and 47% of Spanish dealers who were hopeful that sales might increase in 2021. However, UK dealers reported a higher-than-average majority, with 65% expressing optimism about the year ahead, buoying sentiment in Europe overall.

A similar pattern was reflected in Asia where dealers in the largest Chinese market were the most optimistic in the region. Measured without Greater China, just under half (46%) of Asian dealers expected an increase in sales in 2021.

A significant number of dealers in the largest art market (the US) also thought sales would not recover quickly in 2021, with 47% predicting stable or declining values. Again, anecdotally, while many believed they had managed to get through the year relatively well in consideration of the circumstances, they voiced concerns that sales might continue to decline due to the cancelling of events and exhibitions until at least the second half of the year or further ahead. Dealers' concerns about sales at art fairs in 2021 are discussed in more detail in Chapter 4.

65% of dealers
with turnover greater
than \$10 million
expected an increase in
sales in 2021



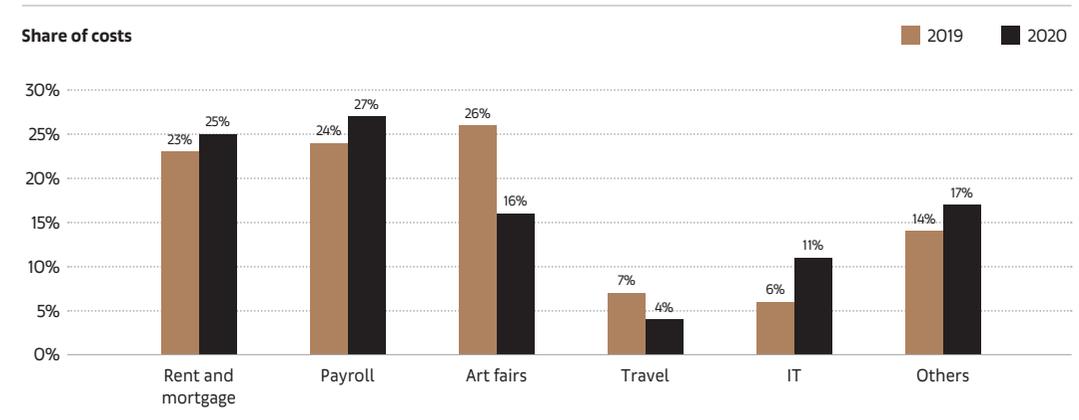
2.3 | Dealer Margins

As sales contracted in 2020, many dealers were keenly focused on controlling costs and how to maintain viability through reducing their outlays. Even in 2019, dealers relayed concerns over the pressure that escalating costs were having on their margins, particularly in relation to art fair participation, but also business overheads, including increasing rents in some key markets such as New York. These rising costs (combined with often variable sales) had put many businesses under financial strain. This was often compounded by poor access to any external financing.

Although the reduction of art fairs resulted in a substantial financial loss for many dealers, some noted that by reducing the costs associated with travel and exhibiting at fairs, they were able to maintain profitability despite the drop in sales. In 2019, art fair expenses were reported as having been the largest component of total operating costs for businesses, accounting for 26% on average – higher than both payroll and rent. These were reduced to just 16% in 2020 (and were reported as zero for nearly 30% of the sample). The costs of work-related travel also fell from 7% to 4%.

Payroll and rent were noted as a key concern for dealers, and accounted for around half of their operating costs. Some dealers were able to access government supports for payroll, rent, and other overheads, allowing them to stabilize these costs. However, most of this support was available only for a limited period and many schemes had been phased out by the end of 2020, leaving some dealers in precarious financial circumstances. Some businesses noted that while they and their peers had survived in 2020, there were concerns that more businesses may close in the coming years, as government support dwindles and economic conditions remain difficult.¹⁶

Figure 2.8 | Share of Total Costs for Dealers in 2019 versus 2020



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As sales contracted in 2020, many dealers were keenly focused on controlling costs and how to maintain viability through reducing their outlays

¹⁶ The survey of galleries in July 2020 revealed that the most common forms of COVID-19 support that galleries reported accessing were grants, subsidies, or other emergency funds provided by governments. Income support for employees or the self-employed were widely used as well as rent freezes, reductions, or deferrals. See Arts Economics (2020) *The Impact of COVID-19 on the Gallery Sector*, available at www.artbase1.com/about/initiatives/the-art-market.

Previous surveys have consistently shown that there is a lack of credit and lending in the dealer sector. Although this means that businesses are often not burdened with excessive debts (or have low financial risk), it also means that many are unable to access credit, business loans, or facilities such as overdrafts that would help them through difficult periods. In many markets, government loans were made available during 2020. However, in practice, some dealers were reluctant to take on extra debt at a time when revenues were low and uncertain. When asked if they had accessed any loans or external credit for their business during 2020, just over half of the respondents (52%) said they had not. (Most of these had not tried to access credit or loans, although a small share of 4% had tried but were not able to.) The majority of dealers that did secure external credit for their businesses took up loans from governments made available due to the pandemic. From those dealers that accessed lending (48% of respondents):

- 68% accessed government lending or other repayable credit;
- 18% accessed loans or credit from a bank or other private lending institution;
- 10% accessed loans or other repayable credit from personal or private sources;

- 1% received loans or financial assistance from non-governmental organizations such as an art association or non-profit foundation; and
- 3% received support from some other type of external funding or lender.

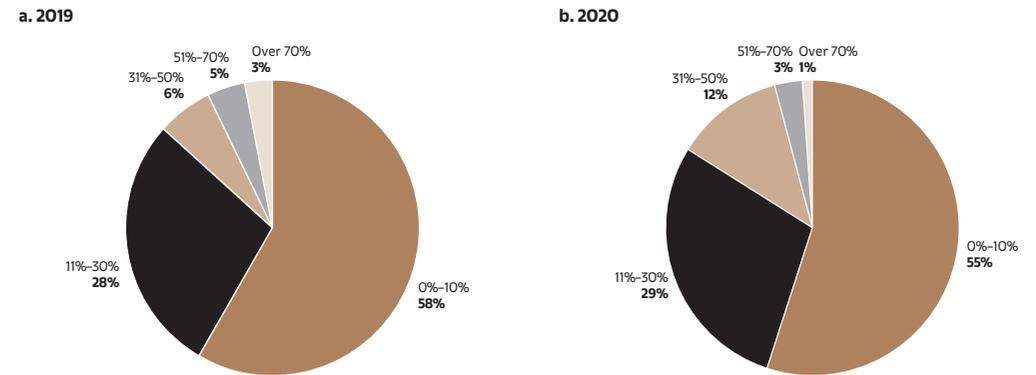
Dealers were asked how changes in their lending may have altered their company's debt ratio.¹⁷ The majority of dealers (55%) had maintained a debt ratio of less than 10% in 2020, down by just 3% on the share reported in 2019. The number of dealers with debt of between 31% and 50% did rise to 12% (versus half that share in 2019), although Figure 2.9b still indicates a sector with relatively low leverage in 2020.¹⁸ As a point of comparison, most second-tier auction houses surveyed in 2020 had a similarly low level of debt, with 77% reporting debt ratios less than 10% and 84% less than 30%, indicating that, apart from a minority of businesses, lending and debt was relatively low in the art market.¹⁹ In most years, low lending in the dealer sector is due in part to a lack of access to credit. However, in 2020, with most governments extending credit at relatively low interest rates, risk aversion and a lack of certainty about their future sales is likely to have been the biggest deterrent for businesses against taking on greater leverage.

¹⁷ Debt ratio in this context describes a company's debt and liabilities versus its assets (sales and stock). It can be interpreted as the proportion of the company's assets that are financed by debt and is therefore also an indicator of their financial risk.

¹⁸ The debt-to-equity ratio in general retail industries in the US in 2020 averaged 24% (or 32% adjusted for leases) and 39% for special lines of retail (or an adjusted 71%). These ratios are defined differently from those in the survey but are useful for benchmarking. These market debt-to-equity ratios are estimated using the aggregated value of debt divided by the sum of equity (or market capitalization), and the data was supplied in December 2020 courtesy of Aswath Damodaran, Stern School of Business at New York University.

¹⁹ The survey of second-tier auction houses is discussed in Chapter 3.

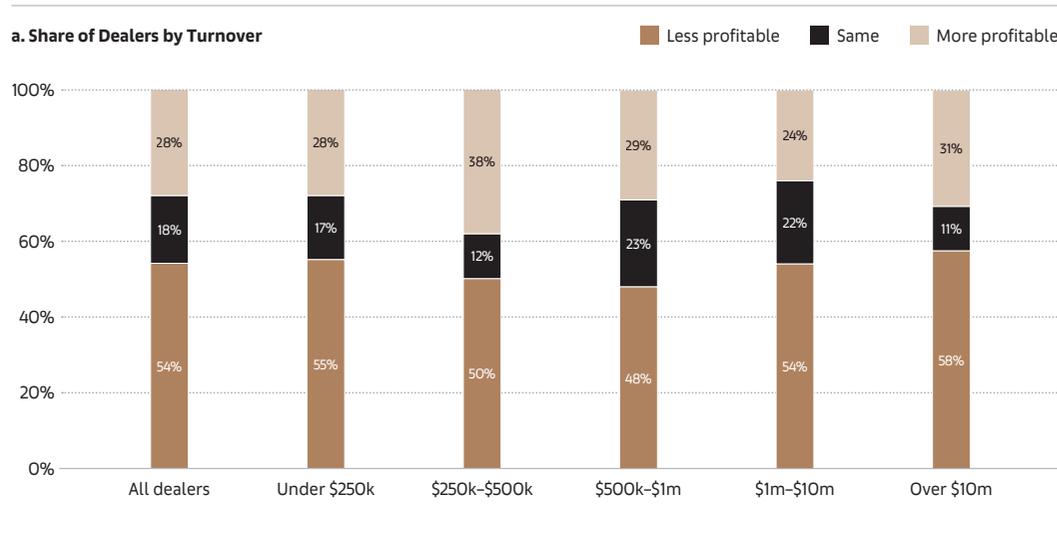
Figure 2.9 | Debt Ratios in the Dealer Sector



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48% of dealers secured external credit for their businesses in 2020, with 68% accessing government lending or other repayable credit

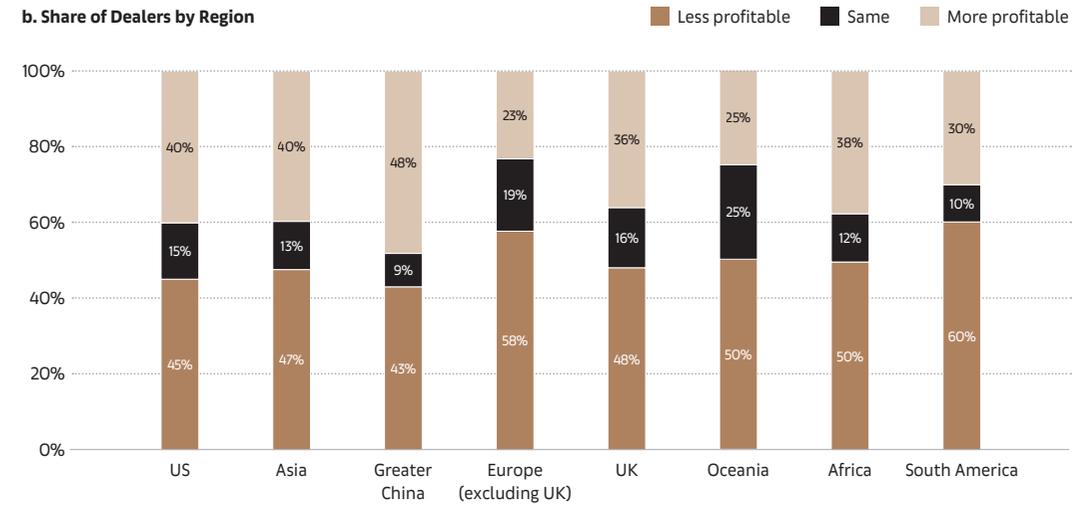
Figure 2.10 | Change in (Net) Profitability in 2019 versus 2020



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54% of dealers reported that they were less profitable in 2020 than in 2019, 18% maintained a stable level of net profit and 28% were more profitable

b. Share of Dealers by Region



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The ability to reduce major operating costs in 2020 (most notably art fairs and travel) allowed some dealers to maintain net revenue in the face of declining sales. While 54% of businesses reported that they were less profitable in 2020 than in 2019, 18% maintained a stable level of net profit and a significant share of 28% reported being more profitable (with 7% significantly more so).

There was mixed experiences between segments: dealers with turnover in excess of \$10 million (who saw the biggest annual decrease in sales) constituted the highest share of businesses with declining profits (58%). However, even in this segment, 31% of respondents reported that they were more profitable than in 2019. The largest share of dealers reporting greater profitability was in the segment of mid-sized

dealers with turnover between \$250,000 and \$500,000. Although still a minority (38%), this is a very positive finding for dealers in this segment, who both anecdotally and in previous surveys have proved to be under the most significant pressure in recent years.

'...The trend we have noticed is that small and mid-size galleries that are used to operating with lean and efficient structures flourished this year. Large and overstaffed galleries took the biggest hit. Emerging artists at lower price points sold well from our gallery and many of our peers...'

There were also regional differences. The share of dealers reporting less profits outweighed those with greater profits in all regions, but dealers in the largest markets of the US, UK, and Greater China fared best, with relatively smaller numbers showing deteriorating profit (and Greater China having the largest share of those improving net profits at 48%). The most losses, on the other hand, were in South America and the rest of Europe, where a majority of dealers saw profits fall, including over 30% seeing significant declines.

While some dealers managed to maintain profits in 2020, some feared that the strategies they had employed to do so were not sustainable and could affect their businesses in future, as a radical reduction in their staff or the cessation of external exhibitions and fairs threatened to reduce their access to new buyers.

'...By reducing our costs significantly in 2020, we managed to be more profitable. Of course, this was at the cost of losing more than half our staff...'

'...Our revenue was down significantly but the reduction in the huge expenses for fairs allowed more net profit. Our gallery has a deep client base that allowed this in 2020, but over time the lack of refreshing that base will begin to hurt...'



2.4 | Buyers

One of the key challenges consistently identified by dealers over recent years has been finding new buyers. This was even more challenging in 2020, with online channels being the primary means of communication for many businesses for significant parts of the year. Dealers reported anecdotally that while they were able to maintain some level of sales with their existing client bases (and regular clients often buying artists they already knew), it was more difficult to initiate new relationships without the personal contact and face-to-face conversations, viewings, and sharing of expertise that are so intrinsic to the sector.

The size of dealers' client bases shrank over 2020, with an average of 55 individual clients, down from 64 in 2019. Although the reasons for the decline were likely to have been varied for each business, it may have been due to the difficulty in reaching new buyers or strategies focused more on maintaining their established clients. The majority of dealers (72%) had 50 clients or less, while just 15% had over 100. The average number of buyers increased in proportion to the level of turnover: dealers with turnover greater than \$10 million dealt with an average of over 100 buyers, with some dealing from multinational premises reaching a wide pool of international collectors, while those in the segments of annual turnover less than \$250,000 averaged 19.

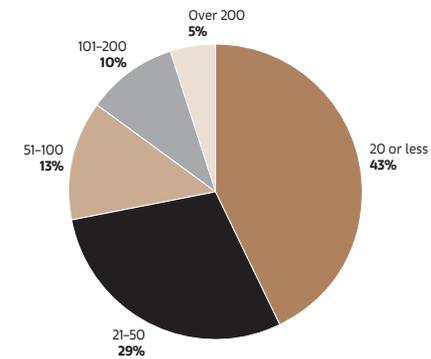
Finding new buyers, whether in different regions to their business or within different demographic segments in their existing geographical markets, has been a critical challenge reported by dealers in recent years. In the absence of art fairs, in-person exhibitions, and other events, some dealers found it difficult to reach new buyers online. Many reported that it was challenging to stand out or get attention given the large volume of competitive offerings that made it difficult to engage new audiences. However, some smaller dealers also noted that the increase in online-only outreach had 'levelled the playing field' to some degree, allowing dealers of all levels to reach potential collectors without some of the hierarchies often present in offline events.

When asked what share of their sales went to different buyer segments, respondents reported:

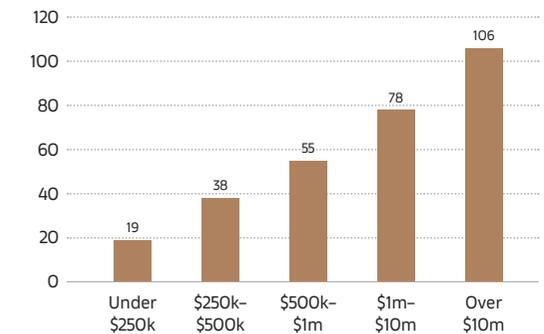
- 33% went to new buyers that were buying from them for the first time in 2020;
- 37% were buyers they had dealt with for one to five years; and
- 30% were buyers they had dealt with for more than five years.

Figure 2.11 | Number of Unique Buyers in 2020

a. Share of Respondents by Number of Buyers (All Dealers)



b. Average Number of Unique Buyers by Dealer Turnover

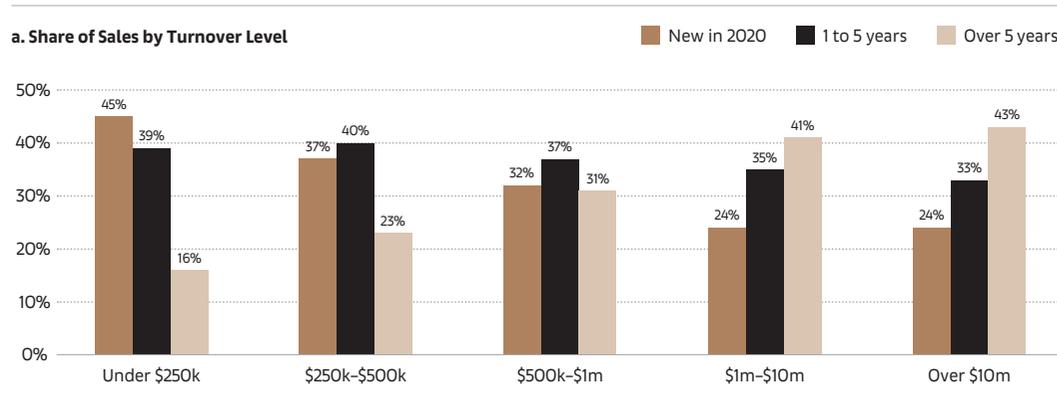


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These shares represent the unweighted averages across all dealers regardless of turnover. However, the share of new buyers differed significantly by buyer turnover level. As has been the case consistently in recent years, new buyers were more important for dealers with lower turnover levels than for those at the highest end. For dealers with turnover of less than \$250,000, new buyers accounted for 45% of their sales versus 24% for dealers with turnover of more than \$10 million. At the higher end of the

market, concerns over being able to find new buyers have been flagged for several years as existing collectors age out of actively collecting or have begun to taper their buying after periods of high activity. Their focus has not only been to diversify into new international bases of buyers but also to find new generations of collectors both locally and overseas. In the \$10 million-plus turnover segment, the share of sales to new buyers decreased slightly year-on-year (by 2%), as dealers interacted more with buyers

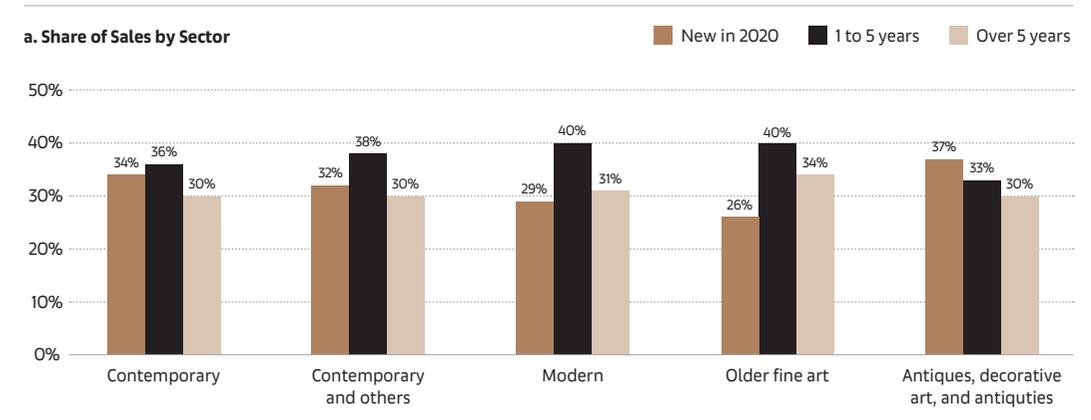
Figure 2.12 | Share of Dealer Sales to Buyer Groups by Purchase History in 2020



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they already knew. While this indicates that smaller dealers were effective at reaching new buyers, which is potentially beneficial for their future sales as they seek to expand their businesses, the importance of converting new buyers into repeat purchasers and ultimately keeping longer-term collectors is still the critical objective of businesses. The fact that smaller dealers continually make a higher share of sales to new buyers is therefore not always an indicator of success in this segment, but may be due to the necessity to do so if repeat purchasing is low.

The share of buyers was not influenced a great deal by the longevity of the business. The share of sales to new buyers for those in business less than five years was 34% versus 32% for those operating for more than 20 years. There were some differences according to sector, with new buyers accounting for the largest share of sales for contemporary dealers at 34% (down 4% year-on-year). The lowest share of sales to new buyers was for dealers operating only in older fine art sectors such as the Old Masters, where their share dropped 11% year-on-year to 26%. The antiques,

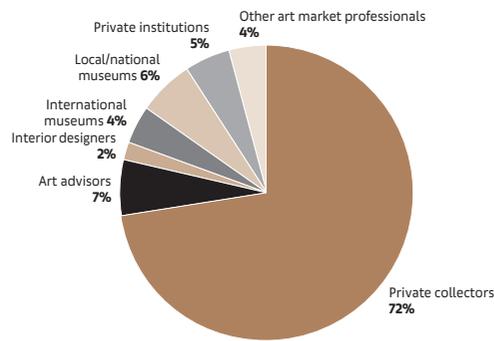


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decorative art, and antiques segment reported a 6% increase in sales to new buyers to 37%, its second year of increasing share, and potentially a positive development in this sector. This is also backed up by findings in the high net worth (HNW) collector research in Chapter 6, which shows some evidence of cross-collecting in different sectors by younger collectors, including decorative art and antiques, which may have traditionally been more associated with an older demographic.

For dealers with turnover of less than \$250,000, new buyers accounted for 45% of sales versus 24% for those with turnover of more than \$10 million

Figure 2.13 | Share of Dealer Sales by Buyer Type in 2020



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Despite the ongoing disruptions to sales in 2020, dealers still tended to sell to the same types of clients. Sales to private collectors dominated in 2020 as they have in previous years, with their share increasing for a second consecutive year (by 2%) to 72%. A further 9% of sales were made to interior designers and art advisors (both of whom predominantly worked for private clients), which means that in reality, close to 81% of the value of sales made by dealers were to or on behalf of private individuals.²⁰

Sales to other members of the art trade were slightly lower year-on-year (down 2%), and these were most important to dealers in older sectors focused on the secondary market, with a share of 14% for those working in Modern art, 9% in other older fine art sectors, and 8% in antiques and decorative arts (versus just 2% for contemporary dealers).

Sales to corporations and private institutions were a stable share of 5%, as was the total share of sales to museums, at 10%, but with an increase in sales to local over international museums. While the share of museum sales was highest for Modern art dealers in 2019 at 14%, this fell to just 6% in 2020 and contemporary dealers had the highest share of museum sales (10%, stable on 2019).

A significant issue for the sector in 2020 in relation to buyers and the information dealers are required to collect from them was the introduction of various requirements and regulations under the 5th EU *Anti-Money Laundering Directive*. While some dealers noted that they were already collecting much of the required information, during 2020, many expressed concerns about the added burden of time and money required to meet the formal information-gathering requirements. (Exhibit 2 in Chapter 1 discusses some of the main issues regarding these regulations in more detail.)

²⁰ As noted in previous years, this may understate the significance of advisors, as some collectors work with advisors prior to a sale, researching the market and sourcing works from galleries before making a final purchase from a dealer.

2.5 | Artist Representation

Excluding dealers of antiques and decorative arts, the fine art dealers surveyed in 2020 included:

- Dealers working in the primary market, dealing in the work of living artists brought to the first time market (57% of fine art dealers surveyed);
- Dealers operating only in the secondary or resale market (5%); and
- Dealers working in both the primary and secondary markets (38%).

Primary market dealers work with a wide range of artists at different stages of their careers, including those only starting out, and therefore, primary market prices can be lower and more volatile, leading to a wide range in turnover in this segment. In 2020, the average turnover for primary market galleries was just under \$1.4 million versus over twice that level for those working in the secondary market (\$3.1 million), and highest of all for those working across both markets (\$4.4 million).

While the business models of the dealers working in these segments of the market differ, they all faced challenges in 2020. Some dealers operating in the secondary market noted that sourcing works was considerably more difficult than selling during the year, particularly in light of strong competition with auction houses to entice vendors to make sales in

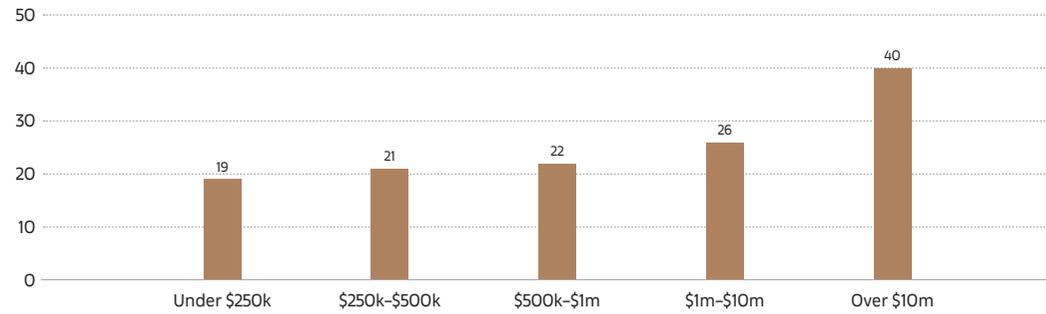
what was perceived to be a poor and uncertain market. Dealers of fine art operating solely in the secondary market reported one of the largest declines in sales of all sectors (a 39% drop year-on-year). Dealers working solely in the primary market tended to fare slightly better (with an average decline of 19%), while those operating in both the primary and secondary market reported a 26% fall in sales on average.

Even within the primary market, however, different segments struggled more than others. Those at the higher end noted anecdotally that not being able to 'get eyes in front of new works' was a major struggle of 2020, and that casual or spontaneous discovery and purchasing was very low without art fairs and other live exhibitions and events. Primary market dealers operating at the higher end (with turnover greater than \$10 million) had a significantly larger decline in sales of 29% than those at the lower value end (with a 15% decline for those with turnover less than \$250,000), where online sales may have been more common.

Another issue for some dealers in the primary market was the challenge of financially supporting their emerging artists in 2020, particularly trying to promote the work of some artists in the early stages of their careers. This can mean significant outlays for galleries that proved difficult in 2020 in the face of low or

Figure 2.14 | Number of Artists Represented by Dealers in 2020

a. Number of Artists Represented by Primary Market Dealers

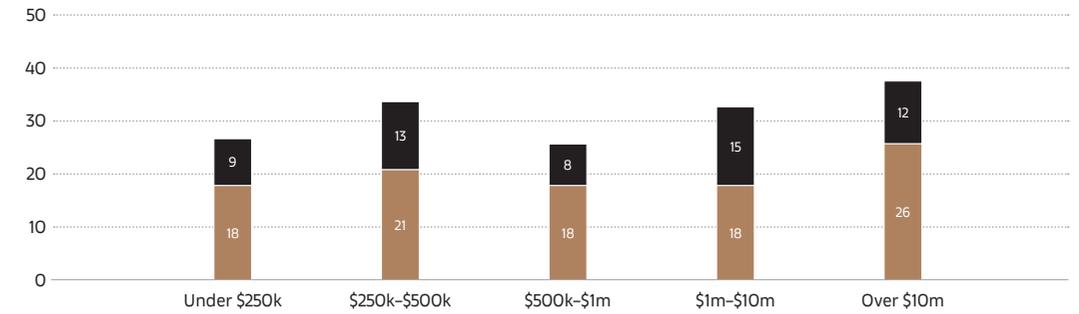


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uncertain sales, particularly when some collectors were more focused on artists they were already familiar with or had bought before. Dealers also voiced concerns about the effects of the crisis on emerging artists as they saw a narrowing of the collecting focus in some parts of the market, alongside closures and downsizing of some smaller galleries. The closure of galleries during the year has meant that artists have had to find new representation, and while this is relatively easier for established artists, others have struggled with the loss of gallery sales.

Although not capturing the entry and exit of artists from gallery rosters, the average number of artists represented by primary market galleries was relatively stable, increasing slightly from 18 in 2019 to 20 in 2020. Although the number of artists a gallery represents is not necessarily proportional to sales or profitability, there was a tendency for dealers with more artists to have larger sales. For those dealing only in the primary market with less than \$250,000 in annual sales, the average number of artists represented was 19 versus 40 for those with turnover over \$10 million.

b. Number of Artists Represented by Primary and Secondary Market Dealers



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For those businesses operating in both the primary and secondary markets, the number of artists represented was higher at 31 (down from 34 in 2019), with an average of 61% primary market artists and 39% in the secondary market. In this market, sales were slightly less correlated to the number of artists, although those dealers at the highest end represented the most artists on average, at 38.

Dealers working exclusively in the secondary market dealt in or sold the work of 20 artists, down 38% on 2019 (from 32 artists), potentially indicating that this

market has become somewhat thinner and less varied, focusing on a narrower range of artists. Also, anecdotally, dealers in this segment noted that sourcing supply was very challenging in 2020 and the competition for vendors was high, with general reluctance to sell in many parts of the market. For these dealers, as in other years, the positive link between turnover and number of artists did not exist in the same way. Dealers with turnover less than \$250,000 represented more artists than dealers in any other segment up to \$10 million.

2.6 | Artist Representation by Career Stage

There was considerable interest in 2020 in how the COVID-19 crisis and its economic fallout and resultant changes in business practices might affect the divide in performance between small and mid-sized dealers versus those at the higher end. Over the last few years, surveys of the sector have indicated that the growth in sales has tended to be driven by dealers at the higher end, while smaller and mid-sized dealers have experienced mixed results. Following from this, it was often seen that not only were larger dealers more financially viable to start with than their smaller peers, but also that their tendency to represent more established artists might help them to maintain sales while smaller dealers with more emerging artists might struggle more, particularly without platforms such as fairs through which to promote new work.

The breadth of the programs pursued by dealers at different levels has been tracked for the last few years. Dealers in the primary market were asked to estimate how the artists they represented were broken down into the categories of ‘emerging’, ‘mid-career’, and ‘established’ artists, as well as the estates of deceased artists.²¹ Excluding estates and focusing only on living artists, dealers operating exclusively in the primary market represented:

- 35% emerging artists (up 4% on 2019);
- 40% mid-career artists (down 4% year-on-year); and
- 25% established artists (stable).

Dealers operating in both the primary and secondary markets had a lower representation of emerging artists in their primary market programs, and a higher share of established artists:²²

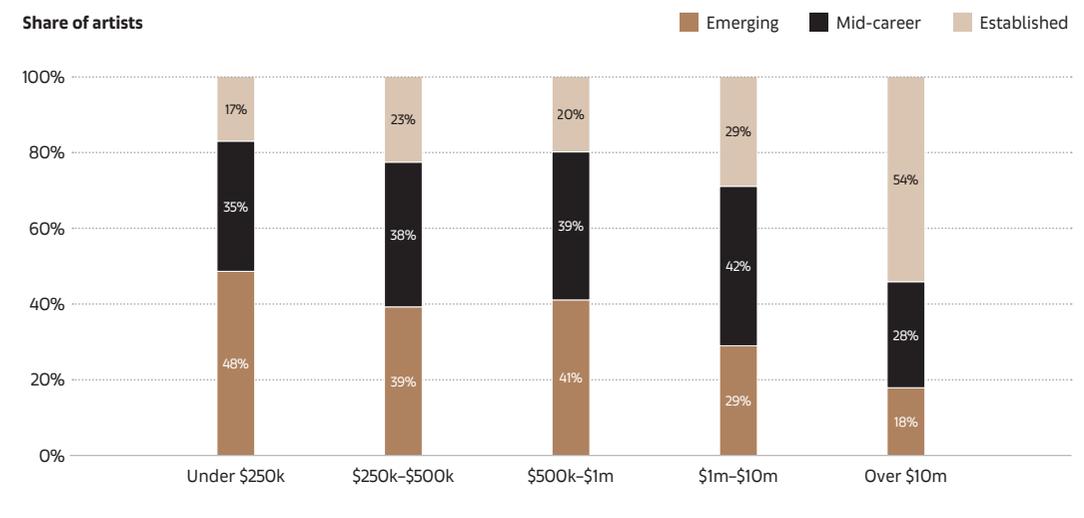
- 22% emerging artists (down 3% on 2019);
- 39% mid-career artists (also down 4%); and
- 39% established artists (up 8%).

Combining all dealers working in the primary market, only 10% solely represented emerging artists, while 14% of the sample had no emerging artists. Although 31% did not represent any established artists, there was only a very small share of dealers exclusively focused on this top end (3% represented established artists only). As noted in previous reports, top-tier galleries are often presented as only dealing exclusively with established artists, while smaller galleries support emerging ones and therefore, often bear the costs of supporting and developing new artists early in their careers. A further issue that has arisen in this debate over the last decade is the problem of smaller galleries losing artists to top-tier galleries once they become established, without contracts or other means to maintain their representation. However, analyzing representation by the

²¹ On average, dealers working in the primary market represented one artist's estate, but this was not evenly distributed. A small number of dealers looked after numerous estates, and 70% of the sample did not represent any estates in 2020.

²² Dealers in this sector had represented more deceased artists' estates, accounting for 14% of the artists on their primary market program on average, although again unevenly distributed. Just under half (48%) of the dealers responding from this segment did not represent any estates.

Figure 2.15 | Share of Artists Represented by Primary Market Dealers in 2020



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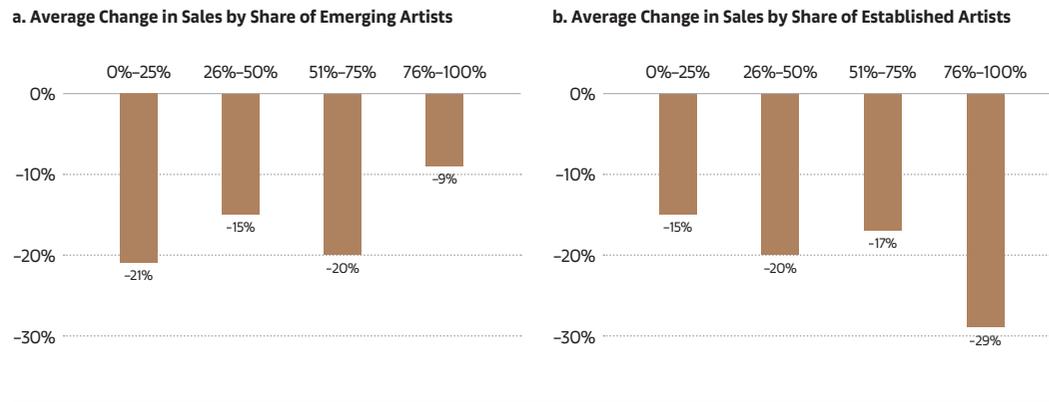
level of annual turnover shows that galleries at all levels appear to have a fairly diversified range of artists included in their programs, and overall, the most common model in the sector continues to be working with a mix of artists at varying stages, although the definitions of artists' stages were also likely to differ significantly between dealers.²³

Larger dealers operating in the primary market do tend to have narrower programs, though, that are based on a majority of established artists (54%) and a relatively smaller portion of emerging artists (18%) versus smaller dealers. These bigger dealers also showed a higher representation of established artists than in 2019 (and less emerging artists).²⁴

²³ It is important to note the level of establishment (which is self-ascribed in this survey by the respondent) does not necessarily indicate the level of commercial success or price tier of the artist, and the established artists represented by the top-tier dealers in the survey are likely to be very different from those indicated as established by smaller dealers. Similarly, emerging artists are likely to be defined in a different manner by a very large and commercially successful dealer versus a much smaller one. However, the results still show that most dealers maintain a program that mixes artists at different stages of their careers.

²⁴ This was particularly notable for dealers working solely in the primary market with turnover greater than \$10 million, which showed a representation of 67% established artists in 2020 versus 35% in 2019. Their share of emerging artists dropped from 13% to 8%.

Figure 2.16 | Change in Sales 2019 to 2020 by Share of Artists (Primary Market Dealers)



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Larger dealers showed a higher representation of established artists in 2020, which could indicate greater risk aversion in the uncertainty that prevailed during the year

While this may be due to a number of factors, it could indicate greater risk aversion in the uncertainty that prevailed during 2020 and an increased focus on artists they believed might have more secure returns. Dealers in all other segments, on the other hand, all showed an opposite shift, increasing their share of emerging artists, possibly in an effort to create new sales opportunities at more moderate price points.

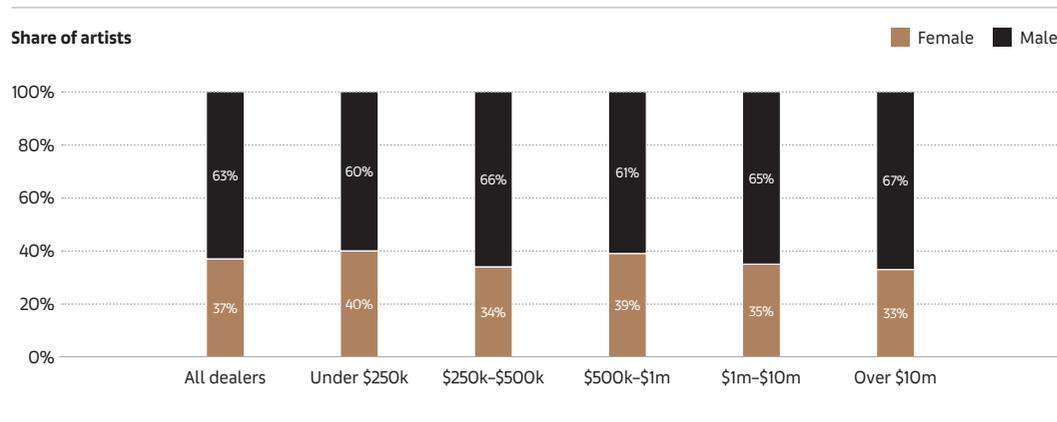
Dealers and collectors noted concerns that the COVID-19 pandemic could intensify the industry's polarized nature if it accelerated the decline of smaller and mid-sized galleries as risk-averse buyers focused more on established artists. To assess if the content of gallery programs had an effect on their performance, the change in sales from 2019 to 2020 was assessed according to a dealer's mix of artists. Figure 2.16 sets out the results according to the share of emerging and established artists for those dealers operating in the primary market only. While there are many factors that affected sales, this analysis shows that having a very high share of emerging artists was associated with better performance, and some of the lowest losses for the year were for dealers with 75% or more that saw the lowest decline of 9%. Galleries where more than half of the artists represented were emerging artists saw a decline in sales of 13%, whereas those with less than half declined by 19%.²⁵

Then again, having a very high share of established artists was associated with poorer performance in 2020. Galleries with more than half of their artists classed as established artists had an aggregate decline of 21% whereas those with half or less did slightly better (17%). Galleries that only represented established artists had the worst performance of all (40% decline).²⁶ Although there are many reasons for the differences in performance, these results indicate that having a roster of established artists certainly did not guarantee better performance in 2020. These results correspond with anecdotal accounts from dealers who noted that although some collectors were mainly sticking to artists they were familiar with for larger purchases, those buying at the high end were much more selective and only willing to spend large amounts for very specific works, rather than there being ample demand for any works by popular artists. Sales of emerging artists at lower price points, on the other hand, performed relatively well for some galleries.

²⁵ These findings were also paralleled when combined with dealers working across both primary and secondary markets: those dealers with over 50% emerging artists in their primary market programs saw an aggregate decline in sales of 14% versus a decline of 21% for those with less.

²⁶ These results were again consistent when considering the larger sample combining primary market dealers with those also working in the secondary market, with the best performance for those dealers with no established artists (16% loss) and the worst for all established artists (28% loss).

Figure 2.17 | Share of Female versus Male Artists by Dealer Turnover



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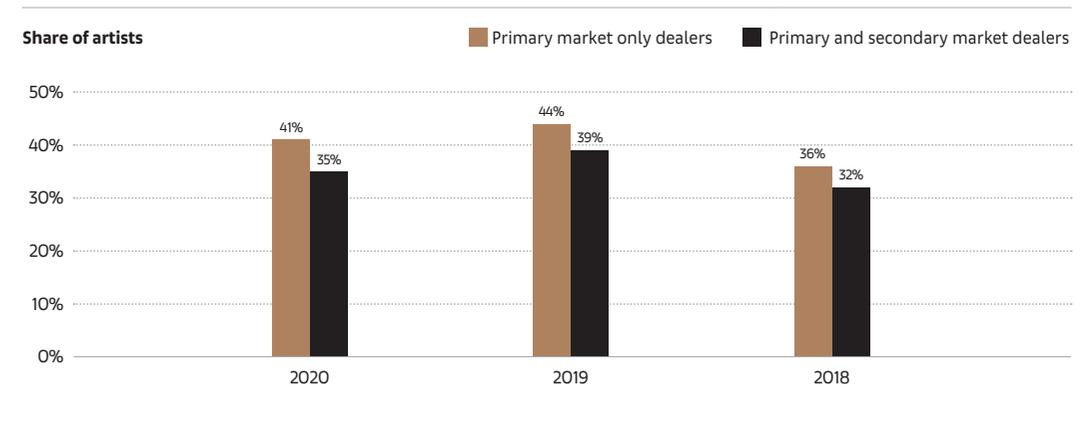
2.7 | Artists' Gender and Representation

Gender disparities in the art market continued to be a focus of this research in 2020, and changes towards increasing equity in sales and representation have been slow to materialize, with the statistics of recent years confirming a lack of gender parity in the dealer sector and elsewhere in the art market. Across all respondents in all sectors, the representation of female artists by dealers was stable at 37%. Larger dealers tended to represent fewer female artists than their smaller peers, and this is connected to the

tendency for there to be less female artists at the top end of the market, a finding that is also paralleled in the auction sector and in exhibitions.

However, this share includes dealers operating in the secondary market, including older sectors where there is a much lower supply of female artists due, in part, to historical factors that prevented women from participating in artistic professions for the most part until into the 1900s. For dealers operating in the secondary market, whether exclusively or in combination with the primary market, their share

Figure 2.18 | Share of Female Primary Market Artists Represented by Dealers 2018-2020



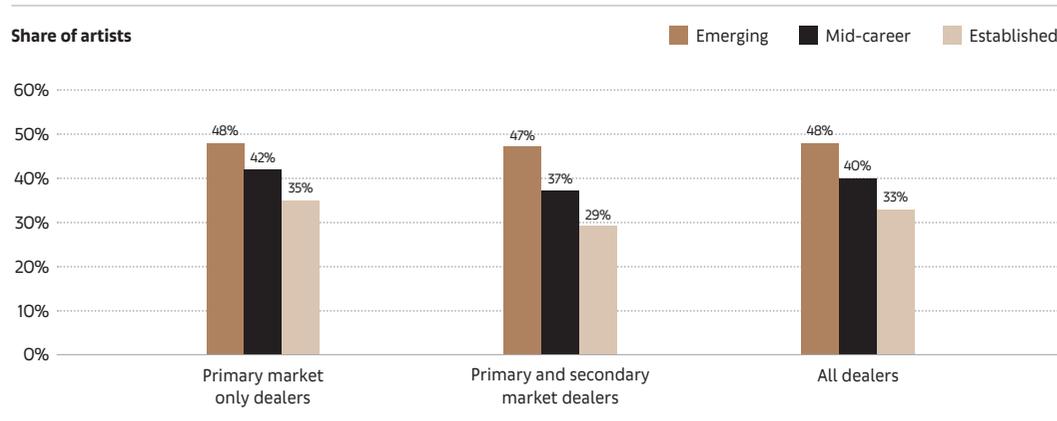
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of female secondary market artists in 2020 was just 24%, stable on 2019.

Gender disparities still persist, however, even when excluding deceased artists and resales and considering only those dealers working exclusively in the primary market. Despite the fact that this and other research has shown that the majority of graduates from the world's top art schools are female, the share of female artists represented by dealers is still a minority. The share of female artists represented by primary

market dealers rose by 8% from 2018 to 2019 (to 44%), but decreased to 41% in 2020. For those dealers working in both markets, the share of female primary market artists was lower, similarly reversing some of the progress to greater parity made in 2019 and dropping 4% in share to 35%. Combining all dealers working in the primary market, whether exclusively or otherwise, the share of female artists represented in 2020 was 39%, down from 41% in 2019.

Figure 2.19 | Share of Female Artists Represented by Dealers in 2020

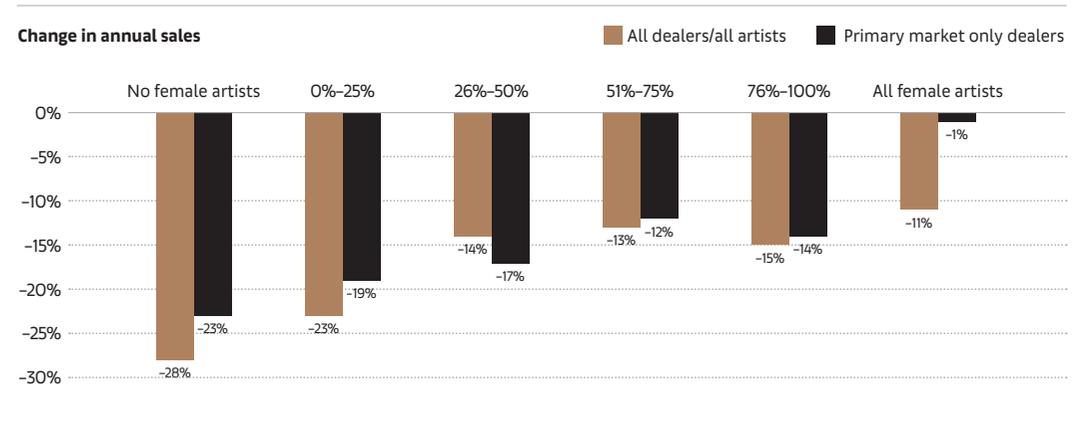


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The survey data for the past few years has revealed that dealers also tended to have a higher share of emerging female artists, and that share declines as the level of artist establishment increases. This was again evident in the dealer sector in 2020 as the share of female artists dropped from just under half (48%) when considering emerging artists only to one third of established artists. The smaller share of female established artists is again one of the key factors driving down representation by larger dealers.

For galleries in the primary market, the higher the share of female artists, the lower the decline in sales

Figure 2.20 | Change in Sales 2019–2020 by Share of Female Artists Represented



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An assessment was also made of whether having a smaller or greater share of female artists affected sales performance in 2020. Considering all dealers, regardless of their sector, those with the lowest share of female artists tended to have the largest declines in sales year-on-year. Considering only those galleries operating in the primary market, performance was positively related with the representation of female artists: the higher the share, the lower the decline in sales. Although there are many inter-related factors

in these trends and it is not necessarily possible to infer any causal relationship, they do indicate that having women in gallery programs was one of potentially a few factors that helped galleries do better during 2020.

2.8 | Outlook for the Dealer Sector

2020 was a very challenging year for galleries and dealers at all levels worldwide. As sales declined and outreach to buyers and supply was restricted, many dealers were focused on ways to ensure the survival of their businesses in the short term. However, the fallout from the pandemic and the changes in business operations it has brought about has also allowed, and necessitated, some businesses time to reflect on their strategies, with resulting shifts in their current and future priorities.

How some dealers managed during this crisis was critically dependent on where they were located – not just regarding the severity of the crisis and how long shutdowns extended, but also in terms of what level of support was made available to them. When dealers were asked how they believed they fared in terms

of the support they received relative to other dealers in their country or region, the majority (58%) felt they had received an average level of support, with only 10% perceiving that it had been below average. It is notable that Figure 2.21 excludes a significant share of dealers (28%) who reported that they could not assess how they fared, indicating a considerable lack of awareness in the sector of where businesses stood in relation to their local peers with regard to COVID-19 support. Smaller dealers were more uncertain on this question of local support (with over one third of respondents unable to assess the question in the segments of turnover up to \$500,000), potentially indicating that they had less access to information about peer or larger dealers, or about the environment of available supports and how accessible they were.

58% of dealers felt they had received an average level of support during the COVID-19 crisis in 2020 compared to their national peers, with only 10% perceiving that it had been below average

Figure 2.21 | Perceptions of Level of Support Received by Dealers versus their National Peers

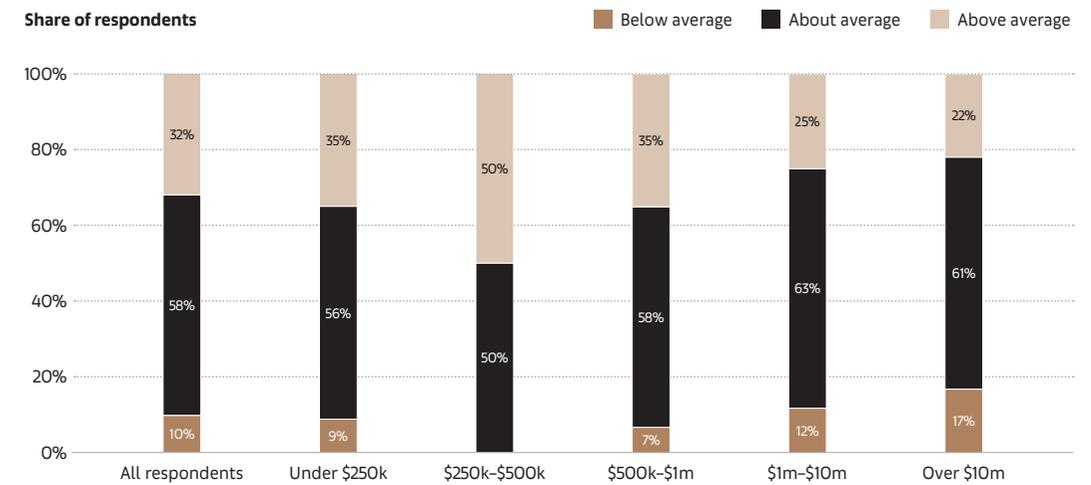
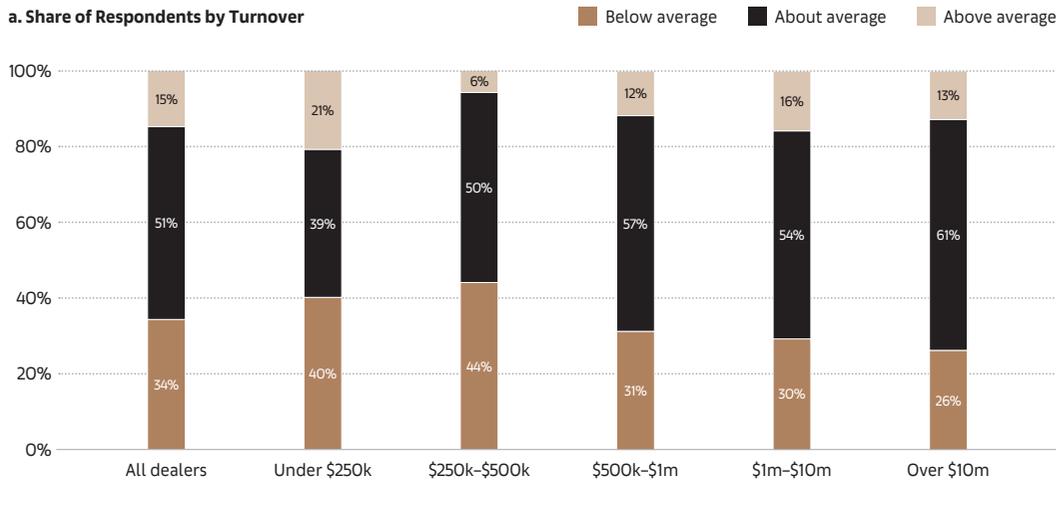


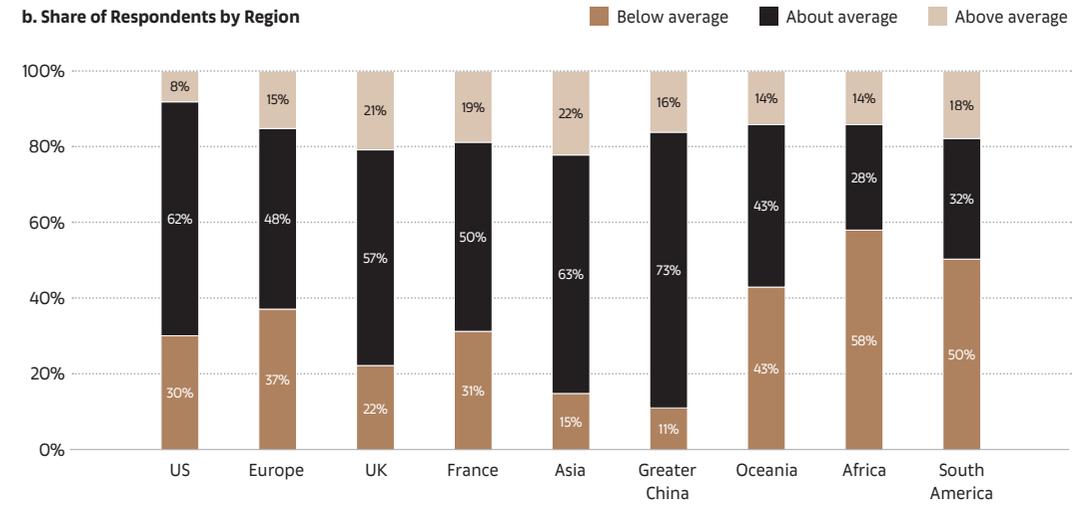
Figure 2.22 | Perceptions of Level of Support Received by Dealers versus Same Size Global Peers



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While most dealers felt that access to support locally had been fair, there was more inequity perceived in the global context. When asked how much support they felt they had received compared to global peers of similar size in the same sector, about half of the dealers responding felt it was average but 34% thought it was lower than average. When comparing their situation globally, more small dealers felt they fared worse than their global peers, with 44% of those with turnover between \$250,000 and \$500,000 reporting

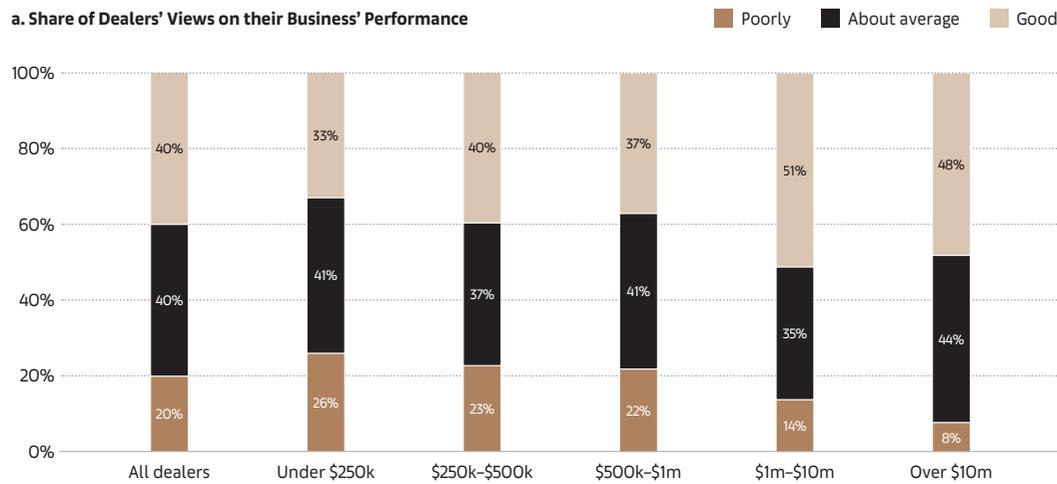
below-average support versus only 26% for those with turnover in excess of \$10 million. There were also differences between regions, with the majority of dealers in larger markets such as the UK, the US, and Greater China reporting receiving an average level of support relative to international peers, and a relatively low share feeling worse off. However, a majority of businesses in Africa and South America felt they had received less (a finding also possibly associated with a larger share of smaller dealers in these regions).



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Small dealers felt they fared worse than their global peers, with 44% of those with turnover between \$250,000 and \$500,000 reporting below-average support

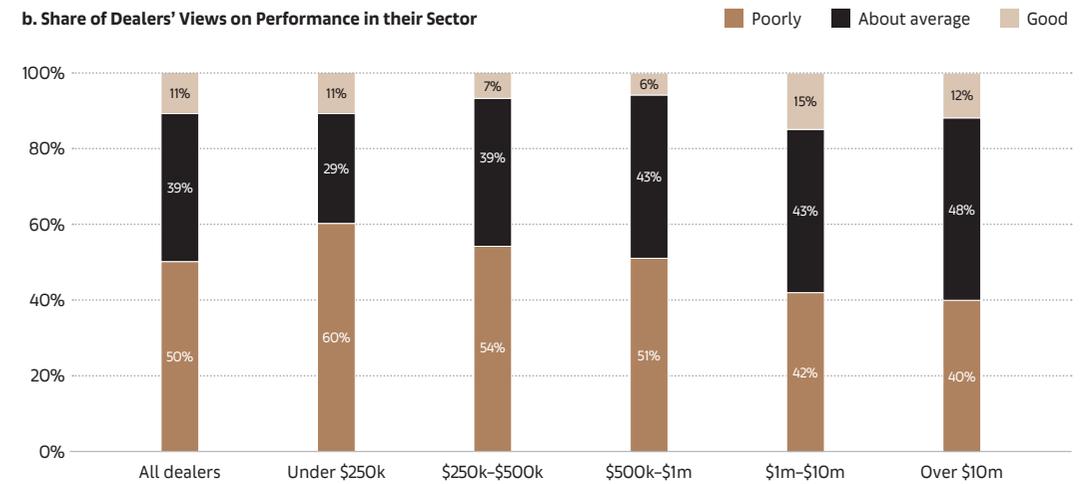
Figure 2.23 | Dealers' Perceptions of Performance in 2020



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Considering the COVID-19 pandemic and other challenges that they may have faced in 2020, dealers were asked how they considered their gallery was faring overall. Despite the difficulties they encountered, most dealers thought they were doing well or about average, with a minority of 20% reporting faring poorly. It is notable that despite sales performing best on aggregate in the segment of turnover below \$250,000, dealers in this segment were less likely to

consider themselves doing well (33%) and a higher share felt they were doing poorly than other segments (26%). Dealers with turnover above \$1 million were more likely to report doing well, including 48% in the segment above \$10 million. While the answers given were influenced by varying individual expectations of the year, overall, it does imply that despite the fall in sales and all of the challenges presented in 2020, quite a few dealers believe that they pulled through well.

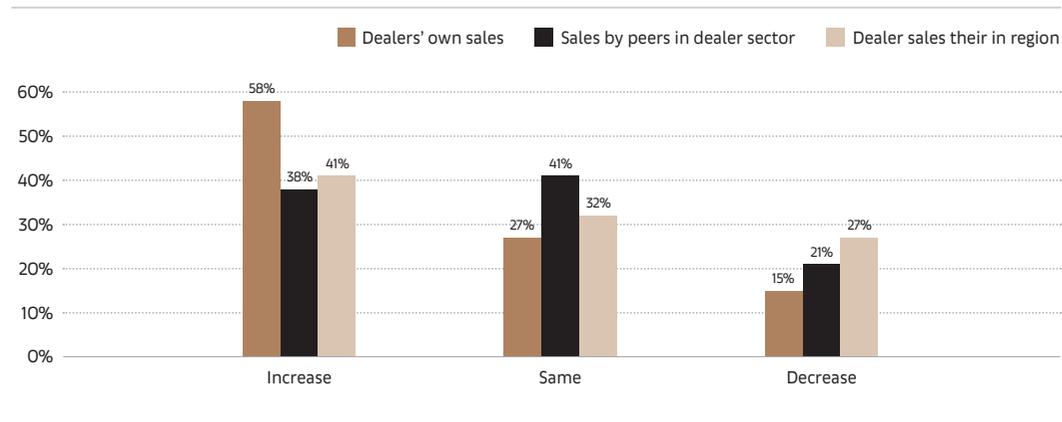


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It is notable also that many dealers tended to feel that they had fared better than their peers. Figure 2.23b shows a much higher share of dealers reporting poor performance when asked how their peers had fared during the year. Around half of the dealers surveyed thought peers in their sector had fared poorly and only 11% thought they had done well, a significant departure from the reporting on their own performance. The smallest dealers were the most

pessimistic about their peers. This was corroborated in interviews in the sector, with some dealers noting what a difficult year it had been for the art market generally, but reporting that in the face of the challenges, they had done better than they expected or better than they predicted some of their colleagues had.

Figure 2.24 | Dealers' Outlook for Sales in 2021



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Dealers were more optimistic about the future and their prospects for sales in 2021. Just over half (58%) of respondents felt that their sales would increase in 2021 and only 15% thought they would decline further, a significantly more optimistic outlook than the results of the mid-year survey of contemporary and Modern dealers in July. Just as they were more positive about their own performance during the year, dealers also tended to be more optimistic about their own business' prospects versus other peer galleries of the same size and in the same sector, or peer galleries of any size in their same location or region. This is also a consistent finding across surveys:

in July, 45% of the sample expected an improvement for their own business next year, but only a third expected improvement in the business of peer galleries; in this end-of-year survey, while over half thought they would improve, just 38% predicted an increase in sales for peer businesses and 41% for dealers in their region. This was a strong and consistent feature regardless of the size of the gallery or its location. This may be due to a greater sense of awareness and control over personal outcomes, but also provides an indication of self-efficacy and optimism that may benefit businesses in the long run.

The fallout from the pandemic and the changes in business operations it has brought about has also allowed some dealers time to reflect on and change the priorities of their businesses. Dealers reported that their top three priorities in 2019 were their art fair exhibitions, maintaining relationships with their existing clients, and widening the geographical reach of their client base. However, these changed markedly over 2020, with the key priority for the majority of businesses shifting from trying to reach new, more geographically diverse buyers to ensuring that they maintained relationships with existing clients who are seen to be critical to their survival. As businesses were closed and travel restricted, the focus also turned away from art fairs and towards trying to boost online sales and exhibitions, as well as finding ways to cut costs to maintain profitability.

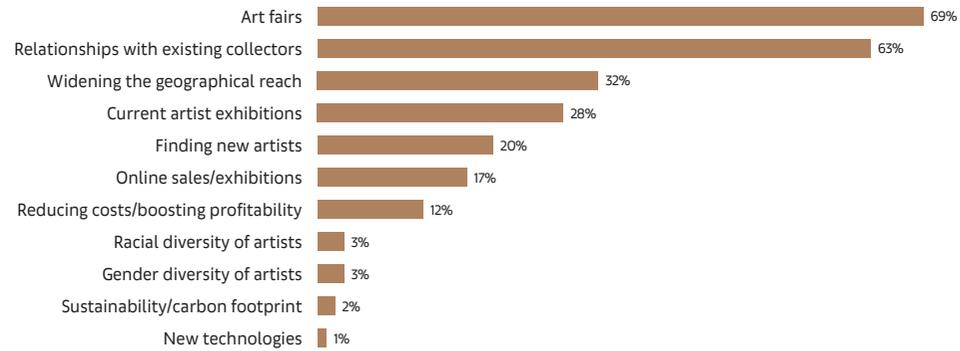
Looking ahead one to two years, while widening their client base shifts up in priority for some, the main focus remains preserving relationships with current clients. While many dealers noted anecdotally their keenness to return to connecting with clients and artists offline post-crisis, most believed that their online strategies would continue to evolve, with some citing 2020 as a more permanent turning point for them in this area. It is notable also that although online strategies are a top priority, the focus is on using these to generate sales, while incorporating new technologies such as augmented reality (AR), virtual reality (VR), and other tools does not rate as

highly for most dealers. This was born out in the survey as the rapidly evolving area of online sales was maintained as a top priority for the future, the second highest for dealers in the coming years, and consistent across most regions and gallery sizes. Art fairs also came back into focus for dealers, rated as their third highest priority overall for the next two years. (Art fairs and dealers' views on their outlook are discussed further in Chapter 4.)

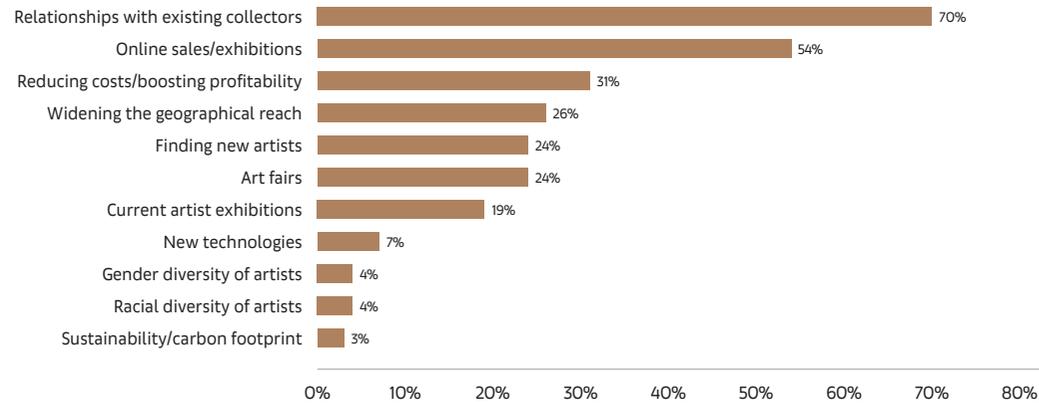
While many dealers noted their keenness to return to connecting with clients and artists offline post-crisis, most believed that their online strategies would continue to evolve

Figure 2.25 | Top Business Priorities for Dealers in 2019 and 2020

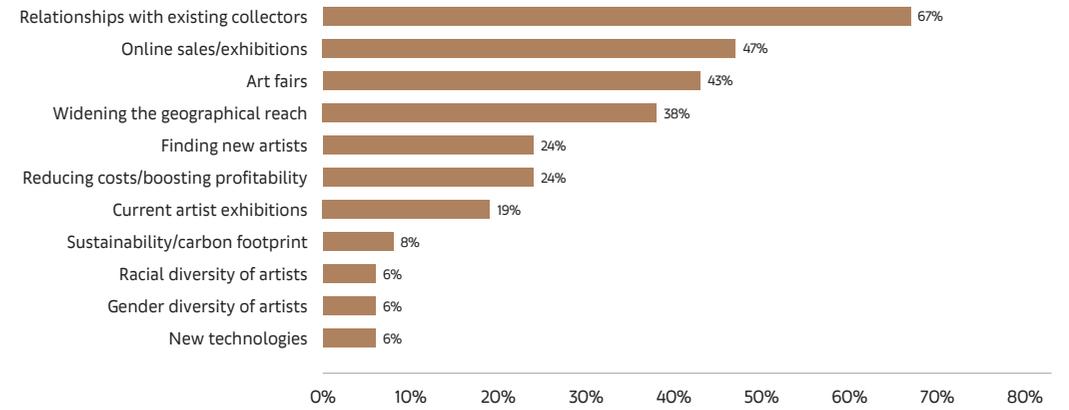
a. Share of Dealers' Priorities in 2019



b. Share of Dealers' Priorities in 2020



c. Share of Dealers' Priorities for Next 1-2 Years





Key Findings

Auction Sales

1. Public auction sales of fine and decorative art and antiques (excluding auction house private sales) were \$17.6 billion in 2020, a decline of 30% from 2019.
2. Private sales were conservatively estimated to have reached over \$3.2 billion in 2020 (up 36% on 2019). Total sales conducted by auction companies, including both public and private, were estimated to have reached \$20.8 billion.
3. The three largest auction market hubs of Greater China, the US, and the UK retained a combined share of 81% of public auction sales by value. Greater China overtook the US to become the largest market, with a share of 36%. The US accounted for 29% and the UK 16%.
4. Sales over \$1 million made up the majority (58%) of the value of offline fine art public auction sales, whereas they accounted for just 6% of total online-only values. The majority of value (67%) in the online-only market was accounted for by sales between \$5,000 and \$250,000.

5. In 2020, the largest sector in the fine art public auction market was Post-War and Contemporary art (55%), which along with Modern art accounted for just over 81% of the value of sales at fine art auctions.

6. Sales of Post-War and Contemporary art totaled \$4.7 billion, a decline of 23% year-on-year. 27% of the works by value sold in the Post-War and Contemporary sector were created in the last 20 years.

7. After losing almost a third of their value in 2019, sales of Modern art fell another 23% in 2020 to reach \$2.2 billion.

8. The Impressionist and Post-Impressionist sector, the dominant category 30 years ago, showed the largest decline in value year-on-year, with sales down over 50%. Old Masters saw a more moderate decline of 10% year-on-year.

3.1 | Auction Sales in 2020

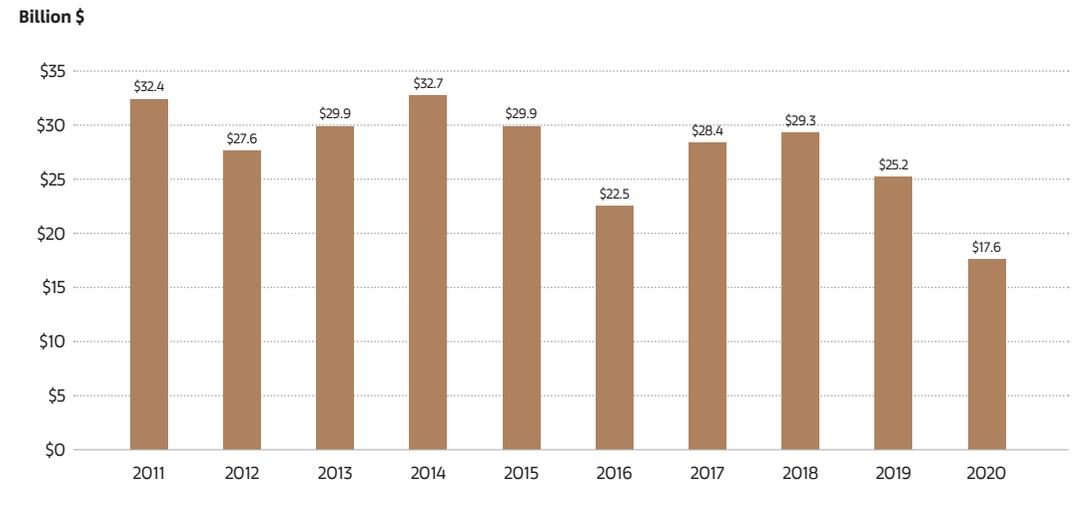
Sales at public auction of fine and decorative art and antiques (excluding auction house private sales) reached \$17.6 billion in 2020, a decline of 30% from \$25.2 billion in 2019. After two years of positive growth from 2016 to 2018, this was the second year of declining aggregate values, bringing the market to its lowest level in a decade. The disruption of the global pandemic alongside political and regulatory issues in the key markets of the US, China, and the UK all had a negative impact on supply in 2020. Some vendors were reluctant to sell during 2020, with the perception of it not being an optimal time to bring works to market despite demand and willing buyers in some areas. Much of the decline was also due to reduced opportunities to sell as lockdown rules and other restrictions radically altered the frequency and format of auctions.

Sales at public auction of fine and decorative art and antiques reached \$17.6 billion, a decline of 30% from 2019

Vendors did switch, to some extent, to selling privately through auction houses, which led to a substantial increase in the share of private sales, particularly in the two largest auction houses. Private sales are generally perceived as a lower risk channel in declining markets, as prices and failures to sell are not in the public domain. But, again, much of the increase in private sales was also due to the diversion of these sales from public auction as live sales were postponed or reduced. Private sales were conservatively estimated to have reached over \$3.2 billion in 2020 (up 36% on 2019), with \$2.8 billion reported by the largest auction houses of Sotheby's and Christie's. Total sales conducted by auction companies, including both public and private sales, were therefore estimated to have reached \$20.8 billion in 2020.

The COVID-19 pandemic forced many auction businesses to suspend live auctions for much of the year, and online-only auctions and other new formats took a more central role for many businesses. The move to digital channels was already well underway before 2020, with the auction sector generally seen as having made significantly more progress on this front in recent years versus dealers. With restricted capacity, some of the major auction houses experimented with new formats, with live-streamed auctions a key to recreating some of the excitement of live evening marquee sales. Although there was still a significant

Figure 3.1 | Global Public Auction Sales 2011–2020



© Arts Economics (2021) with data from Artory, AMMA, and other sources. Excludes private sales by auction houses.

concentration of sales in the last quarter of the year, the typical auction calendar, where sales by the major houses are focused on one city, in one segment of the market, over a key auction week, was also interrupted by COVID-19 restrictions.

The ceiling for online auctions was raised over the year, including several works selling for over \$1 million,

however, the highest prices were still achieved in more traditional or hybrid formats that combined online sales with live-streamed events.

Despite the crisis, many works still sold for multi-million dollar prices in different sectors, including the \$84.6 million paid for Francis Bacon's *Triptych Inspired by the Oresteia of Aeschylus* (1981) at Sotheby's

in New York, and \$76.6 million for Wu Bin's *Ten Views of Lingbi Rock* (1610) at Poly Auction. While the decline in the auction market was due in part to a lower volume of these high-priced lots coming up for sale, the contraction in sales was felt throughout the auction sector, with a reduction in volumes and values across all of the different value segments and in most regions. Many in the sector noted that although masterpieces sold well, bidding was often very thin, with far fewer buyers competing for works.

Looking back to the market's previous recession, auction sales declined significantly in the fallout from the global financial crisis, with the sector losing 44% of its value from 2007 to 2009 and reaching a low of \$18.3 billion. However, sales recovered rapidly in 2010, aided by a booming auction market in China and recovery in the US, and after some variation in sales year-to-year, reached a peak of \$32.7 billion by 2014.

After some volatility, sales cooled again in 2019, with falling values in all of the major markets as the volume of top-priced lots fell. In 2020, the decline continued, with the volumes and values diminishing in all major auction markets. As live sales were restricted due to the COVID-19 pandemic, many auction houses pivoted to more online-only sales, which, besides a few notable exceptions, were still predominantly focused on lots priced at below \$1 million. Whereas in previous recessions such as 2009, the decline in value at the very highest end of

The three largest auction hubs of Greater China, the US, and the UK maintained their dominant position, with 81% of global sales by value

the market was much more marked than other segments, the recession of the market in 2020 was somewhat atypical: sales in the ultra-high end segment above \$10 million diminished, but this fall was not more marked than that of other price segments. Instead, sales fell fairly consistently across the board as the number of live auctions diminished and businesses were forced to close for periods of the year. The segment of works selling for just under the top tier or what some experts classified as 'b works' experienced the largest decline of the year, (with the segment of works selling at prices between \$5 million and \$10 falling in value by 34%).

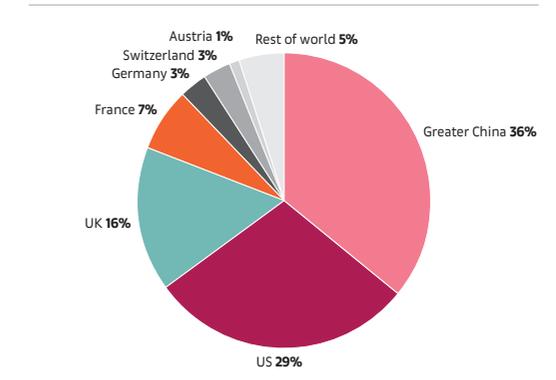
The three largest auction market hubs of Greater China, the US, and the UK maintained their dominant position in 2020, with a combined share of 81% of global sales by value, down 3% year-on-year.

However, there was a significant change in distribution of public auction sales between these markets, with Greater China overtaking the US to become the largest global market with a share of 36% of sales by value, up 7% year-on-year. Sales in Greater China fell by 11% to \$6.3 billion, however, this decline was significantly less than the other leading markets.

The US lost its number one ranking, falling 6% in share year-on-year to 29%. Sales in the US were estimated to have fallen 44% to just over \$5 billion, its second year of declining sales, and bringing values to less than half their peak in 2018 (at \$11.8 billion). Sales in the UK also declined by one third in value to \$2.8 billion, remaining in third position globally, with a global share of 16% by value (down 2% year-on-year). After being one of the best performing markets in 2019, auction sales in France also fell by 35%.

Fewer lots also sold at auction in 2020. Focusing only on fine art auctions, the number of lots sold declined 24% year-on-year, the second year of decreasing volumes.²⁷ The US had the largest share of global fine art auction sales by volume (23%), with Greater China the second largest (15%), while the UK accounted for 12%. Although these three largest markets accounted for about half of the transactions that occurred, volumes were much less concentrated than sales values.

Figure 3.2 | Public Auction Market Global Share by Value in 2020



© Arts Economics (2021) with data from Artory, AMMA, and other sources. Excludes private sales by auction houses.

Greater China's lead in the auction market in 2020 marked an interesting departure for auction sales in this region. While the markets of Greater China have consistently accounted for a large or majority share in the market for middle- and lower priced works at auction, the US has consistently led in most years at the very highest end. However, in 2020, sales by value were larger at this high end in China, with several multimillion dollar lots sold in Hong Kong and Beijing throughout the year.

²⁷ Changes in the volume of aggregate auction sales are often less conclusive indicators of market performance than trends in values, with many auction houses selling large volumes of decorative art and collectibles that can vary widely over time as well as between different sale types and regions over time. To compare the lots sold across countries on a consistent basis, fine art auctions offer a clearer benchmark.

While the Chinese market has traditionally been based on a considerably higher share of value in the decorative arts sectors, most of these top lots were fine art, which led to an increase in its share of sales from 59% to 68%. While sales in the sector of ceramics and other wares declined in value by 31%, the contemporary and oil painting sector was one of the few that went against the declining trend, with a moderate increase year-on-year of 5% (to \$1.4 billion).²⁸ Sales in the sector included very highly priced lots by contemporary artists, such as Cui Ruzhuo and Zao Wou-Ki, who both achieved prices in excess of \$20 million for individual lots at auctions in Beijing, while works by both Chinese and Western contemporary artists gained high prices in sales in Hong Kong. The highest prices overall of the year were in the Chinese painting and calligraphy sector, which accounted for 46% of sales, and included the previously mentioned Wu Bin lot for \$76.6 million, the highest priced lot sold in China in 2020, and the second-highest-ever price for a lot sold at a Mainland China auction.

Despite some very strong individual sales in Hong Kong, aggregate values there declined by 21%, while those in Mainland Chinese auctions were stagnant. Mainland China continued to dominate values with a share of 71% of sales by value (up 9% year-on-year), 28% in Hong Kong, and just 1% in Taiwan. Apart from some strong sales in Beijing for the leading houses

of Poly Auction and China Guardian, the introduction of the newly launched auction house, Yongle Auctions, also helped to boost sales in Mainland China, accounting for four of the top 10 lots old during the year from just one sale in December. Despite its short history of sales, the company became the third largest auction house in Mainland China with sales of a reported \$477 million, surpassing Huyai International, the fourth largest auction house (with sales in Beijing and Hong Kong of a combined \$378 million).²⁹

Greater China overtook
the US to become
the largest global market,
with a share of 36%
of public auction sales
by value

²⁸ The classification of works sold at auction in Mainland China differs considerably from those used in Western auctions. An explanation of these sectors is given in the Appendix. Unlike its position in Western markets, contemporary art is one of the smallest sectors of Chinese auction sales. However, this low growth while other sectors declined meant its share by value shifted up by 4% year-on-year to 22% of total values.

²⁹ Sales data supplied by AMMA in January 2021. Yongle Auctions was a second-tier auction house in Mainland China and had ceased most active operations in 2013. The company was purchased by Beijing Zixinyongle Culture Ltd. Company in 2019, whose largest shareholder is the previous general manager of Poly Auction, Zhao Xu, who relaunched the company at the end of 2020.

Despite its relatively better performance than some other regional markets in 2020, the auction sector in China is still subject to a number of issues. Although there were much fewer lots sold at auction in 2020, there was still very high buy-in rates, with 49% of the works offered not selling. Although this was down by 6% year-on-year, buy-ins remained persistently high, particularly in older sectors of the market and in Mainland China (which had a higher rate of 49% versus 46% in Hong Kong).

Equally persistent is the issue of late payment and non-payment at auction, although figures published in 2020 saw signs of improvement. The Chinese Auctioneers Association (CAA) published figures based on a sample of auction houses for lots paid up to mid-May 2020. In their sample of lots over 10 million RMB (around \$1.5 million), the share of unpaid lots fell slightly for the third consecutive year to 31% (from 35% in 2019). The remaining lots were either fully paid (56%, up 6% year-on-year) or partially paid (13%). The reasons for unpaid lots are varied, but indicate the flexible payment conditions extended by some auction houses to buyers in China. Clearing rates are also different by sector, with the highest rates in the oil painting and contemporary art sectors (71%) and lowest for decorative sectors such as antiques (46%). Although issues of late and non-payment at auction are not unique to China, their persistence here is notable. Apart from the problems it causes the

actual auction businesses, it also means that the sales figures quoted for Greater China include a significant and variable portion of works where payments are still outstanding. Experts in the sector have also pointed out that it has implications for the ranking of auction houses in China, citing the example that in terms of corporation taxes paid and commissions received in recent years (that are based on fully paid sales only), China Guardian has exceeded Poly Auction in the reports of the CAA, despite their total sales reported as a lower amount.

Top-Tier Auction Houses

Nearly all of the major auction houses saw declining sales in 2020. Values in the auction market are highly concentrated in the top tier, with the top five auction houses accounting for more than half of the value of global public auction sales.

In top-tier houses such as Christie's, Sotheby's, and Phillips, the share of fine art sales has increased by value over time and accounted for over 75% of total sales in 2020.³⁰ However, in the major auction houses in Greater China, decorative art and antiques accounted for a larger share, although as noted above, fine art sales have advanced for the last two years (to 59% in 2020). The structure of sales at Heritage Auctions is also substantially different, with fine art only having a minority share.

³⁰ In the second tier, the share of fine art averaged 55% in 2020 and 30% or less in the lower-tier houses.

Total sales through all public and private channels at Sotheby's in 2020 reached just over \$5 billion, down from a reported \$5.8 billion in 2019. Public auction sales totaled \$3.5 billion, down 25% on 2019, and its second year of declining sales. Over 70% of all sales were held online (up from 30% in 2019), with a total value of \$584 million in online-only sales, their highest ever total online and an increase of over 650% from 2019. Private sales also rose to their highest total in recent years, \$1.5 billion, up over 50% on 2019 and representing around 30% of the company's total revenue. Again, this was almost double the share of private sales in 2019 (17%) and surpassed the peak in private sales in 2013 (at \$1.2 billion and 19% of sales).

Sotheby's reported particularly strong sales in Asia, with auction sales there representing \$932 million and Asian buyers accounting for 30% of their global sales. Their buyer base expanded and there was a shift to young collectors, with 40% of their bidders

Nearly all of the major
auction houses
saw declining sales
in 2020

and buyers in Asia during the year new to Sotheby's and 30% aged under 40. Buyers from Asia were purchasing at relatively high prices, with nine of the top 20 lots by price sold at the auction house during the year going to Asian buyers, and the company's average auction lot value in Asia at the highest level for five years. Online sales in Asia also advanced by 440%, with 63 online auctions held in the region. Sotheby's also experimented with new formats in Asia including their In Confidence: Selected Masterpieces sales in Hong Kong, a hybrid auction format with a silent auction based on absentee bids, but with no published prices or bids.

Sotheby's sold a number of record works, including the year's highest priced Francis Bacon lot cited above and Ren Renfa's late 13th century/early 14th century scroll *Five Drunken Princes Returning on Horseback*, for \$39.6 million in Hong Kong.

Christie's reported total global sales through all channels of \$4.4 billion for 2020, down 25% year-on-year from \$5.8 billion in 2019, also the second year of decline. Aggregate public auction sales fell 38% from \$4.9 billion to \$3.1 billion in 2020, however, within those, online-only sales rose by over 260% to \$311 million, with over 200 sales and the highest ever total for the company. Online sales drove an influx of new buyers, with 36% of buyers through all channels being new to the company in 2020, with many

coming through online channels. Christie's sales were globally diversified, with 34% of global sales by value to buyers in Asia, 33% to those in the US, and the remaining 33% to Europe, the Middle East, and Africa.

Despite the drop in public auction sales, private sales increased for a third consecutive year to \$1.3 billion, up 57% compared to 2019, and accounting for 30% of the company's gross revenues, double the share of 2019.

Christie's also experimented with new formats, including an international relay sale, ONE, which offered a mix of works between sectors, including Impressionist and Modern, Post-War and Contemporary art and design. The sale was held in a relayed sequence from Hong Kong, Paris, London, and New York, and achieved some of their highest prices for the year, including Roy Lichtenstein's *Nude with Joyous Painting* (1994) for \$46.2 million, Barnett Newman's *Onement V* (1952) and Brice Marden's *Complements* (2004-2007), both selling for \$31 million. Christie's also sold a T-rex skeleton (nicknamed Stan) for \$32 million, as an addition to its 20th Century live-streamed evening sales in October and achieving the highest ever price for a fossil at auction.

Poly Auction was the third largest auction company, with reported public auction sales of \$911 million,

down 17% from \$1.1 billion in 2019, a second consecutive year of declining sales.³¹ The majority (88%) of their sales by value were in Beijing, with sales in Hong Kong accounting for just 5% and Xiamen 7%. China Guardian was the fourth largest auction house based on reported sales totals of \$692 million, down 27% on 2019. Like Poly Auction, China Guardian saw a rise in share of their Beijing sales to 93% of total sales (from 89% in 2019), with the remaining 7% in Hong Kong. Chinese auction houses are generally not permitted under the laws of Mainland China to conduct private sales or 'non-auction sales', although some companies have set up separate legal entities to conduct business outside the auction sector. The extent to which private sales occur at either of these major houses is therefore not included in their annual reporting.

Heritage Auctions was the fifth largest auction house with sales of \$873.1 million, going against the prevailing trend with an increase in sales of 6% year-on-year. Unlike the other major top-tier houses such as Phillips, Christie's, and Sotheby's, where fine art dominates, Heritage's sales are focused largely on the antiques and collectibles categories. Heritage Auctions also conducts a majority of their sales online, with online-only sales accounting for 58% of their turnover by value. Private sales accounted for 27%, totaling \$235 million (from \$257 million in 2019).

³¹ Sales data is from AMMA, the Art Market Monitor of Artron. Data is reported to Arts Economics in January each year and pertains to all data available and reported to AMMA by December 31 of the previous year.

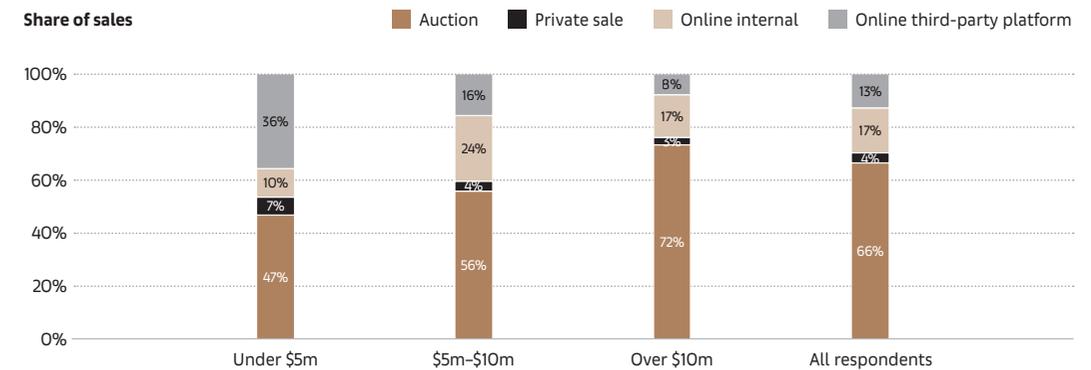
Phillips achieved sales of \$760 million through all channels in 2020, down 16% on 2019 (and only 17% lower than the company's historical peak of \$916 million in 2018). Although the aggregate value of public auction sales declined 11% to \$653 million (from \$736 million in 2019), the company held a number of successful individual sales, notably their 20th Century & Contemporary Art Evening and Day Sales in New York, which reached a combined total of \$162.4 million, the highest ever sales total in this category and with a number of multi-million dollar prices, including David Hockney's *Nichols Canyon* (1980) for \$41.1 million and Clyfford Still's *PH-407* (1964) for \$18.4 million. They also continued their expansion of sales in Asia, with total sales in Hong Kong reaching \$152 million, a 24% increase on 2019 and their highest total in Asia since they entered the market there five years ago. Unlike Christie's and Sotheby's, private sales fell by 38% to \$106 million (after two years of double-digit increases to \$172 million in 2019). This brought the share of private sales down to 14% of the company's total revenues, from 19% in 2019.

An important issue that arose again in 2020, particularly in relation to sales in the top-tier auction houses, was the incidence of lots being withdrawn from sales immediately prior to an auction. While this is not a new practice in the sector, with lots being

withdrawn in the past due to a variety of reasons including legal disputes, regulatory matters, or specific issues related to the sale, in more recent years, lots appear to be being withdrawn because of the perception by auction experts that there may be weak or no bidding in the sale. Auction experts have become increasingly sophisticated in forecasting demand, aided in part by the fact that there are far greater requirements in terms of registering for bidding than was the case 20 or 30 years ago. This means that experts will often have a clear idea prior to the sale of who will be bidding on the day, particularly for key lots in major sales.

The withdrawal of a lot prior to the auction has an advantage for vendors as it removes any stigma of a lot going unsold or being bought-in. But it presents new problems for the analysis of published auction sales results. This trend creates difficulties in some assessments of the strength of certain markets, as it can make them appear more buoyant than they actually are. Many auction houses publish the sell-through rates of their sales by both value and volume, which includes works that were sold and unsold at the sale but excluding any withdrawn lots. There is often no clear way to differentiate in post-sale results which lots were withdrawn versus which were bought-in.³² If withdrawn lots were included in these results, the sales rates would no

Figure 3.3 | Share of Total Sales by Sales Channel (Second-Tier Auction Houses)



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doubt be much lower. In many sales, very high value lots may be withdrawn immediately prior to auction, so the published sell-through percentages of the auction appear higher than if the entire original sales catalogue had been included.

Second-Tier Auction Houses

Although values in the auction sector are concentrated in some of the top-tier auction houses, there are more than 500 medium to large second-tier businesses that also generate significant sales, dominating in their

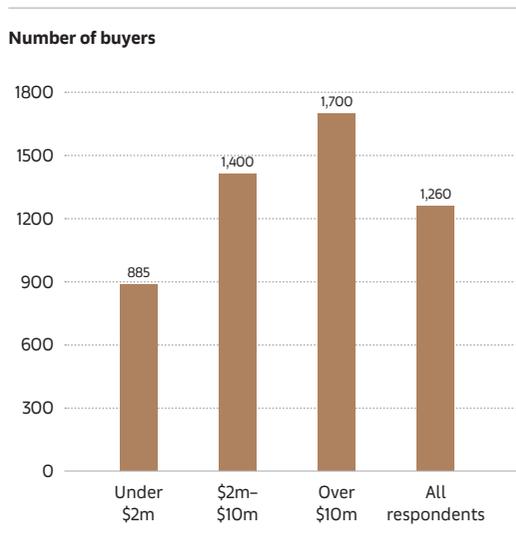
own domestic markets but also engaging with international buyers and sellers.³³

A survey of second-tier auction houses in 2020 by Arts Economics revealed mixed performance. Although most businesses experienced stagnant or declining sales, just over one third (35%) of respondents reported an increase in sales year-on-year. Anecdotally, many businesses in this sector noted the main negative effects of the pandemic were on supply, as cautious vendors preferred to wait it

³² Buy-ins can make up a significant share of the sales at auction. In 2020, they ranged from 33% of the lots offered in Post-War and Contemporary art to 40% in Old Masters auctions. While fine art auction markets in the US and UK averaged only around 20%, they are also considerably higher in China (51%) and France (48%).

³³ The sector also includes third-tier auction houses, which are smaller businesses in domestic markets that tend to specialize in their own national art and related areas, while there are also many auction houses that regularly sell art alongside other property, such as real estate, cars, and collectibles.

Figure 3.4 | Number of Buyers in 2020 by Second-Tier Auction House Turnover Level



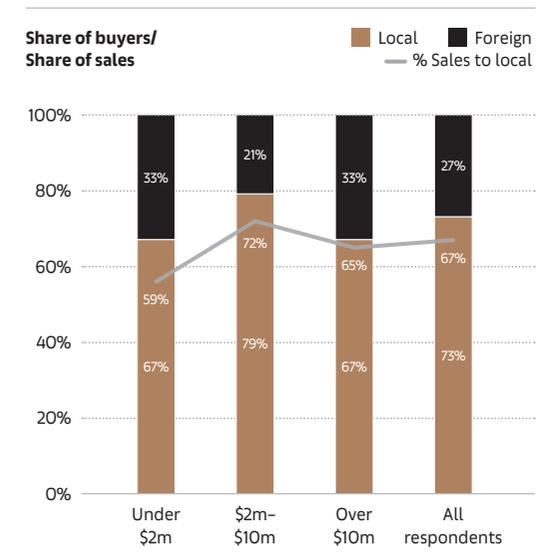
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out until the market and outlook generally became more positive, along with the lack of opportunities to conduct sales as lockdowns restricted live sales and their related activities. The survey indicated that average business closures were just six weeks, and one third of businesses did not close at all, being able to maintain trading through online auctions. Despite most being able to sell online, experts in the sector noted anecdotally that the logistics connected to sales that involved physical and face-to-face interaction, such as presale viewings, or physical tasks and transport, such as conservation, reframing, research, and restoration, were very challenging during the year. Some also noted that demand was thinner than usual in some sales, with a lower volume of bidders.

The second-tier houses reported that their live or public auction sales accounted for 66% of their total sales in 2020 (based on a turnover-weighted average of respondents), down 9% year-on-year,

Public auction sales accounted for 66% of total sales for second-tier auction houses, down 9% year-on-year

Figure 3.5 | Local versus Foreign Buyers: Number and Share of Sales in 2020

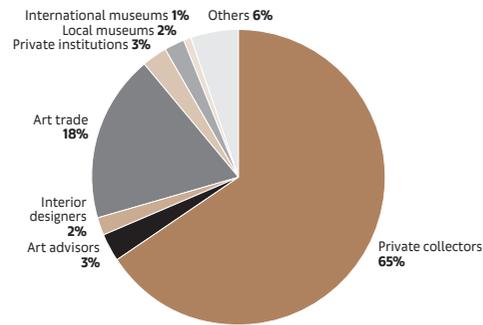


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while online sales increased to 30% of sales by value (from 19% in 2019). Private selling remained relatively low for this segment at just 4% on average (down slightly from 6% in 2019). It was notable that although private selling has been more associated with larger businesses, in 2020, respondents with lower turnovers reported a higher share (7% for those with turnover less than \$5 million versus 3% for those with sales over \$10 million). Online sales were also much higher for smaller auction houses, accounting for 46% of the value of their sales in 2020 for those with sales less than \$5 million versus 25% for those with turnover greater than \$10 million. (This was also evident in a larger sample of auction data provided by Invaluable.com discussed in Chapter 5, which looks more closely at online sales by auction houses.)

Second-tier auction houses dealt with an average of 1,260 buyers in 2020, with the number of buyers rising positively with the level of sales turnover. However, unlike some of the top-tier houses who deal with a vast international client base over multinational salesrooms, auction houses in this sector tend to deal predominantly with local buyers (73% of their total buyers, up from 71% in 2019). They also made a majority of their sales by value in 2020 to local buyers within the country where their business was based (67%, stable on 2019).

Figure 3.6 | Share of Sales by Buyer Type for Second-Tier Auction Houses in 2020



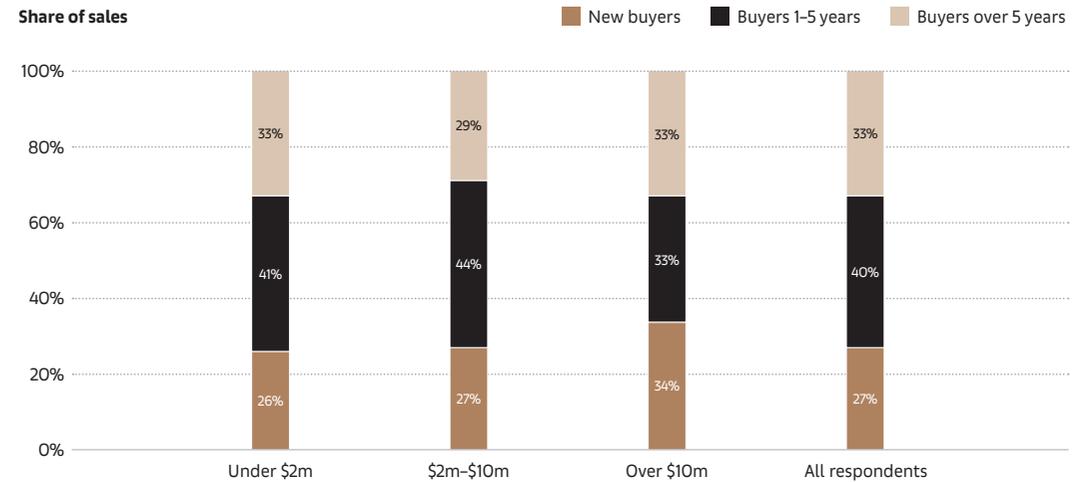
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As in the dealer sector, the majority of sales at second-tier auction houses were to private collectors in 2020 (65%, or 70% including art advisors and interior designers). The share of sales made to other businesses and agents in the art trade expanded to 18% (from 12% in 2019, and versus just 4% for dealers in 2020). The share of sales made to museums dropped slightly from 5% in 2019 to 3% (and versus 10% for dealers).

Second-tier auction houses reported that 27% of the sales they made were to new buyers in 2020, an increase of 5% on 2019, as the share to long-term buyers dropped to 33%. The remaining 40% were to buyers they had been dealing with for one to five years. There were few significant differences based on the size of auction houses, although those with turnover greater than \$10 million reached slightly more new buyers than smaller houses.

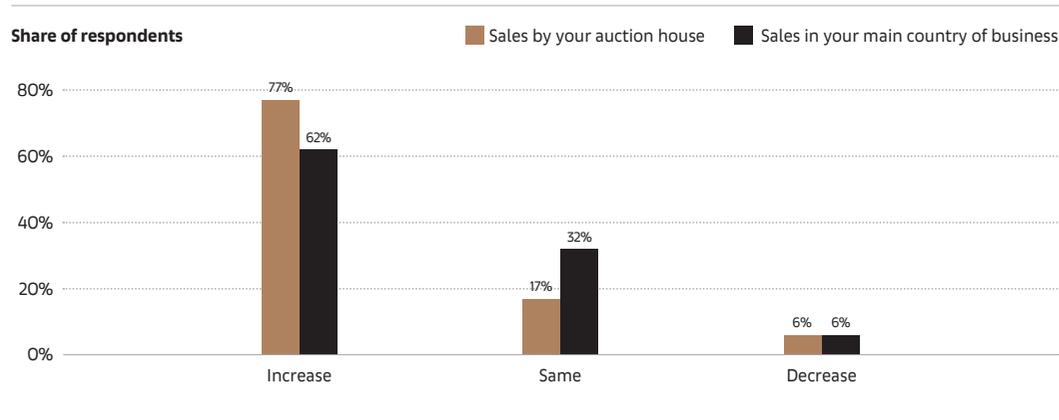
Respondents to the survey were relatively well established, averaging 40 years in business, with only 16% operating for less than 10 years. Not surprisingly, newer businesses had a greater share of sales to new buyers, with those operating less than 10 years making more than one third of their sales to new buyers versus just 25% for those operating for more than 20 years.

Figure 3.7 | Share of Sales to Buyer Groups by Purchase History in 2020



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Second-tier auction houses reported that 27% of the sales they made were to new buyers in 2020, an increase of 5% on 2019

Figure 3.8 | Second-Tier Auction Houses' Outlook for Sales in 2021

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Looking ahead, most auction houses were optimistic about sales in 2021, both for their company and for their national markets. 77% thought that their sales would improve, and only 6% predicted a decline. Anecdotally, many experts in the sector noted that much of the transformation to digital sales in this part of the market was well underway, and although this ramped up significantly in 2020, most were convinced that this was not a temporary change, and that new formats for selling that combined live and

online sales along with more online-only sales were very likely to continue in future. Some felt that the necessity to buy online in 2020 had encouraged some new buyers to engage with the channel for the first time or more than they had before, and that this might encourage more sales in 2021, particularly as economies adapted and the market generally improved, which they hoped would encourage some more reluctant vendors.

Unlike dealers who saw a significant change in the cost structures of their businesses with the cancellation of art fairs and travel, auction houses in this segment reported little change in the dispersion of operating costs from 2019 to 2020. Payroll was one of the largest elements, averaging 47% of operating costs in 2020, relatively stable on the previous year. Indications from this sample were that employment was relatively stable, with a majority of businesses maintaining employment levels, however, many had availed of income supports during the year to do so. (Chapter 7 discusses employment in the sector in more detail.) Some businesses noted that the pandemic had spurred them to introduce changes that were already in the pipeline for several years, affecting their cost structures. A common example was a reduction of printed catalogues, with some businesses moving to online-only catalogues or only producing occasional or bespoke catalogues for special, big ticket sales. Some businesses in Europe also reported that the new anti-money laundering regulations had introduced additional burdens in both time and money to ensure the correct protocols and training were in place. Many also noted that their moves to greater online sales had in some cases required significant investments in technology in recent years, although many considered this as a necessary additional cost and one that was part of their longer-term plans before 2020 and the COVID-19 pandemic.

Overall, considering the changes in costs and sales over the year, most businesses reported that they managed to maintain stable or even increasing profits in 2020, with only 20% of businesses in this sample seeing a decline in net profit from 2019. Some businesses noted anecdotally that they had already heavily invested in technology in recent years and that this was generating cost savings for their businesses now. Although many hoped to retain live sales, there was a consensus that the shift to online in the sector was permanent and expanding, and that where live sales existed, they might be more focused on dealers and advisors, with less social elements. While face-to-face interaction and viewing were still important for some sales, experts noted that in future this could be more about *'moving works to people rather than people to works'*.

Looking ahead,
most auction houses were
optimistic about sales
in 2021, with 77% expecting
them to improve

3.2 | Price Segmentation in Fine Art Auctions

While the downturn in the auction sector in 2019 was mainly driven by a reduction in the number of very high-end lots being sold, 2020 saw declines in both the value and volume of works sold across all price segments of the fine art auction market.³⁴ Because of this widespread drop in sales, the distribution of value between segments was relatively stable year-on-year, with works priced above \$1 million still dominating values, and those sold at prices less than \$50,000 accounting for most of the volume of sales.

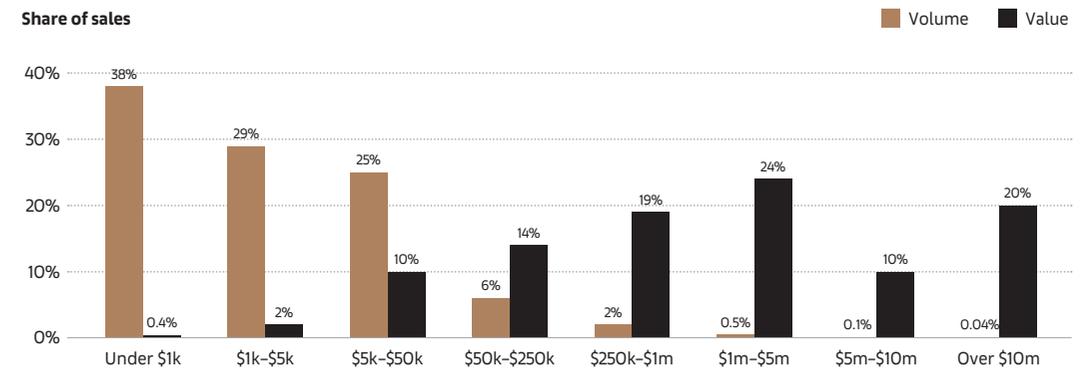
Figure 3.9 sets out the distribution of fine art auction sales in 2020 by price segment. Works sold for less than \$50,000 accounted for 92% of the total number of works sold and 12% of the market's value (stable on 2019). The majority of works sold (67%) were for

prices below \$5,000, although these made up just 2% of sales values. At the higher end of the market, works selling for more than \$1 million accounted for 54% of the total value of sales in just 1% of lots sold, virtually unchanged on 2019 (and down from 59% in 2018). Sales at the \$1 million-plus level declined by 27% in 2020, with a fall in the number of lots of 28%. The value of sales at prices less than \$1 million also declined by a similar 25%, with slightly higher 34% contraction in volumes.

The largest segment by value in 2020 was works selling for between \$1 million and \$5 million, while top-end works for prices in excess of \$10 million accounted for 20% (stable on 2019). Sales in the \$10 million-plus segment fell in value by 25% year-on-year.

2020 saw declines in both the value and volume of works sold across all price segments of the fine art auction market

Figure 3.9 | Share of Lots Sold and Total Value at Global Fine Art Auctions in 2020 by Price Bracket

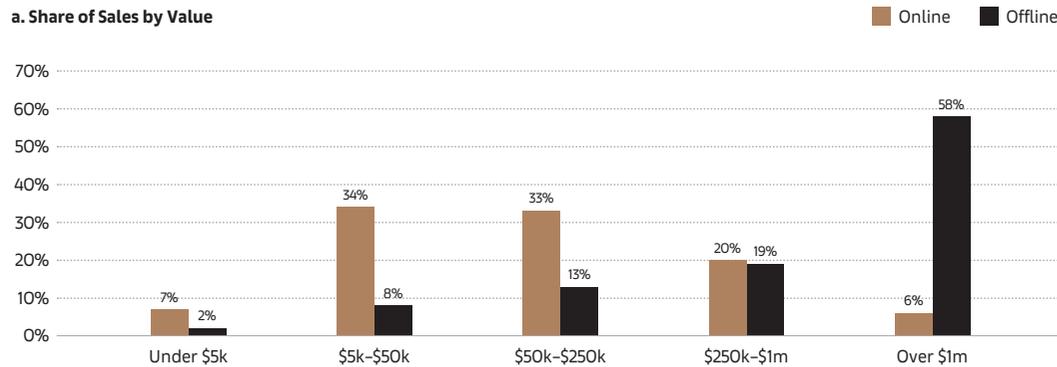


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Works selling for more than \$1 million accounted for 54% of the total value of sales in just 1% of lots sold

³⁴ For the purposes of this analysis, fine art includes paintings, sculptures, and works on paper (including watercolors, prints, drawings, and photographs), while decorative art includes furniture and decorations (in glass, wood, stone, ceramic, metal, or other material), couture, jewelry, ephemera, textiles, and other antiques.

Figure 3.10 | Share of Global Fine Art Auction Sales by Price Bracket (Online versus Offline)



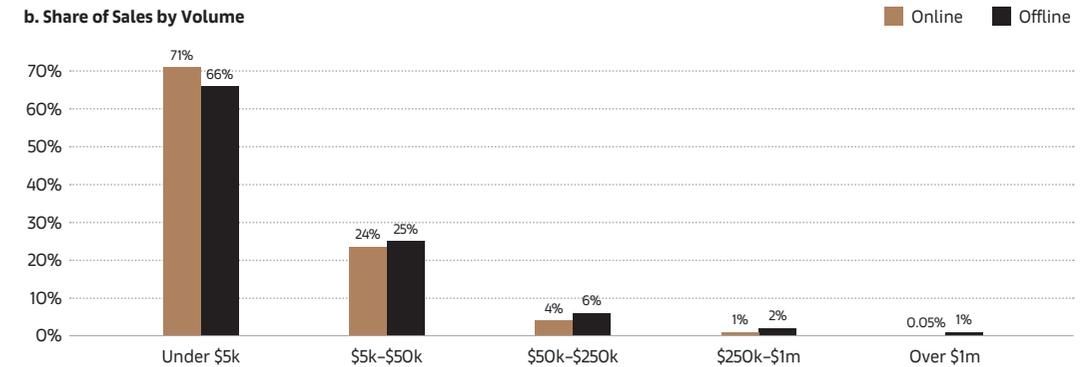
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As live sales were restricted over the year, many auction houses focused more on online-only sales, including some introducing the format for the first time in 2020. While the volume of works sold at different prices was relatively similar online to offline, the value of online-only sales was focused predominantly on sales at prices below \$1 million. Sales over \$1 million made up the majority (58%) of the total value of sales made offline, whereas they accounted for just 6% of total online-only values. The majority of value in the online-only auction market

was sales of works priced between \$5,000 and \$250,000, which made up 67% (versus 21% of offline sales).

To analyze the performance of the different value segments of the market, the following broad definitions are used to divide the market:

1. The low end: prices up to \$50,000;
2. The middle market: price segments ranging from \$50,000 to \$250,000 and from \$250,000 to \$1 million; and



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3. The high end: prices in excess of \$1 million, the 'ultra-high end', with prices in excess of \$10 million.

In recent years, the value of the auction market has been highly influenced by the performance of its high-end sales, with the very thin volume of lots selling at the ultra-high end driving some of the biggest trends and volatility in sales. Growth rates in different segments also tended to rise with price levels. Values fell across the board in 2020, and losses at the high end were matched with those of lower priced

sales. Nonetheless, considering the change in values over the 10 years from 2011 to 2020, and despite losing just over a quarter of its value year-on-year, the ultra-high end has still had the best performance, and is the only segment that did not decline in nominal value over the decade.

Considering developments in these segments since the last major recession in the market, the high end of the market has also outperformed other segments in the period from 2009. The aggregate value of sales

Table 3.1 | Annual Growth and Share of Sales of Auction Sales by Price Segment**a. By Value of Sales**

	Low End	Middle Market		High End		
	Under \$50k	\$50k–\$250k	\$250k–\$1m	\$1m–\$5m	\$5m–\$10m	Over \$10m
Share in 2011	15%	18%	23%	25%	9%	10%
Share in 2020	12%	15%	19%	24%	10%	20%
Change 2011–2020	–55%	–55%	–53%	–48%	–38%	7%
Change 2009–2020	–23%	–2%	27%	83%	115%	187%
CAGR ³⁵ 2011–2020	–8%	–8%	–7%	–6%	–5%	1%
CAGR 2009–2020	–2%	0%	2%	5%	7%	9%
Change in Value 2019/2020	–25%	–25%	–26%	–27%	–34%	–25%

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in the price segments over \$250,000 have all increased in aggregate value, with growth being positively related to increasing price levels. The aggregate value of works priced at over \$1 million has increased 119% since 2009, versus just 1% for sales below \$1 million. The ultra-high segment increased by 187% since 2009, significantly higher than any other segment despite considerable moderation over the last two years.

The data by price segment shows that 2020 was unlike the recession of 2009 in terms of the distribution of value. The segment of \$10 million-plus works went from accounting for 16% of total sales values in 2007 to 10% at the height of the global financial crisis in 2009, whereas in 2020, it maintained a stable share year-on-year. The share of market accounted for by works priced over \$1 million has also expanded over time. In 2005, the value accounted for by sales over \$1 million was 33%, and this expanded to 44% in 2011, and again to 54% in 2020. Ultra-high-end lots

b. By Volume of Sales

	Low End	Middle Market		High End		
	Under \$50k	\$50k–\$250k	\$250k–\$1m	\$1m–\$5m	\$5m–\$10m	Over \$10m
Share in 2011	89%	8%	2%	1%	0.1%	0.02%
Share in 2020	92%	5%	2%	1%	0.1%	0.04%
Change 2011–2020	–32%	–55%	–52%	–51%	–38%	10%
Change 2009–2020	7%	–6%	27%	71%	111%	153%
CAGR 2011–2020	–4%	–8%	–7%	–7%	–5%	1%
CAGR 2009–2020	1%	–1%	2%	5%	6%	8%
Change in Value 2019/2020	–35%	–24%	–25%	–26%	–34%	–23%

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(priced over \$10 million) accounted for 20%, double their share a decade earlier. Some of this was due to increased prices generally over time, but it has also been driven by the outsized growth of this segment relative to others. These changes have been at the expense of the middle market, which dropped from 41% to 34% in the same 10-year period.

It is notable when considering the share of the volume of sales on the other hand, very little has changed over the decade. The high end of the market (works priced over \$1 million) accounted for a tiny 1% of the

number of lots auctioned worldwide in 2011 and this was still the case in 2020. The low end (works sold for less than \$50,000) is where most of the day-to-day transactions of the auction business take place, and this changed only marginally from 89% of lots sold in 2011 to 92% in 2020. This low end had the biggest contraction in volume over 2020 (down 35%) but again, as set out in Table 3.1b, all segments experienced double-digit declines in volume.

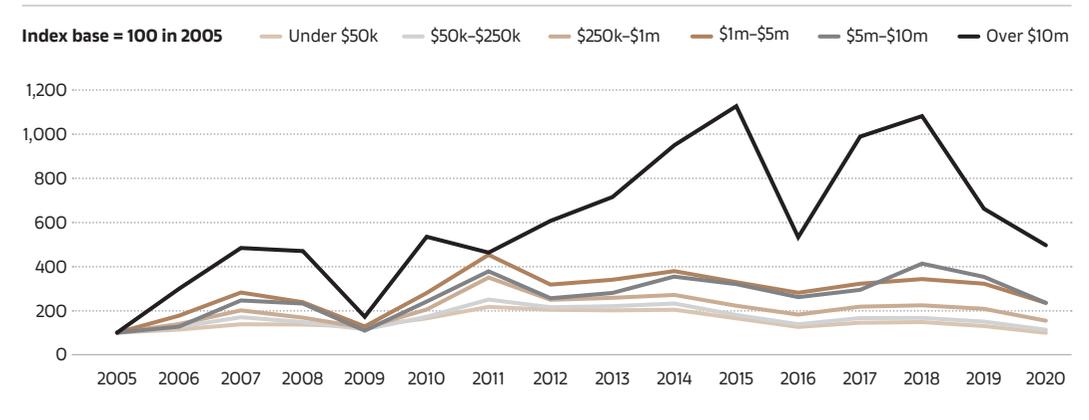
35 CAGR refers to the compound annual growth rate.

Figure 3.11 shows the performance of the different segments from a wider historical perspective, using an index tracking the growth in sales values in the different price segments, with 2005 as the base year. This shows how the ultra-high end of the market (works sold for over \$10 million) has pulled away from the other segments, particularly in peaks of the market in 2014 and 2018, driving the boom in sales in both of these years as a relatively small number of very high-value works boosted growth substantially. It also shows that this segment has also grown at a much higher rate over time: in the extended period shown from 2005 to 2020, starting with a base of 100 in 2005, the index for the \$10 million-plus segment reached 496, more than double the level of any other price segment, and significantly more than the lower end (works priced up to \$50,000) that declined to 98.

It is also clear, however, that this high-end segment has been subject to more volatility. Just as it was key in driving the peaks in the market, it was also pivotal in previous declines (such as in 2009, 2016, and 2019), which were much more pronounced in terms of the change in sales for this segment versus others. For example, in 2009, although all segments fell in value, the low end (works priced less than \$50,000) fell by 8% versus a drop in value at the ultra-high end of 63%. Similarly, in 2016, the fall in value at the ultra-high end (of 53%) was just over twice the decline of the low end. The recession of the market in 2020 is somewhat atypical therefore as, although the ultra-high end declined, sales fell fairly consistently for all price segments as the number of live auctions diminished and businesses were forced to close for periods of the year. The segment of works selling for prices between \$5 million and \$10 million experienced the largest decline in 2020 (down 34%).

The segment of works selling for prices between \$5 million and \$10 million experienced the largest decline in 2020 of 34%

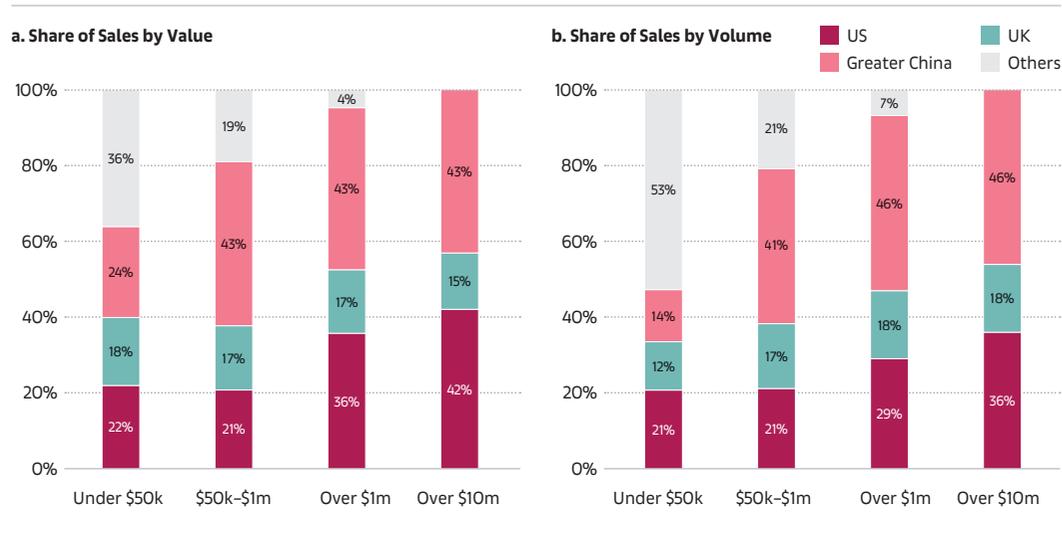
Figure 3.11 | Growth of Sales by Value in Auction Price Segments 2005–2020



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The \$10 million-plus segment has grown at a much higher rate over time but has also been subject to more volatility

Figure 3.12 | Market Share of the Fine Art Auction Market by Price Segment in 2020



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At the highest end of works sold for over \$10 million, Greater China edged one percentage point ahead of the US, with a share of 43%

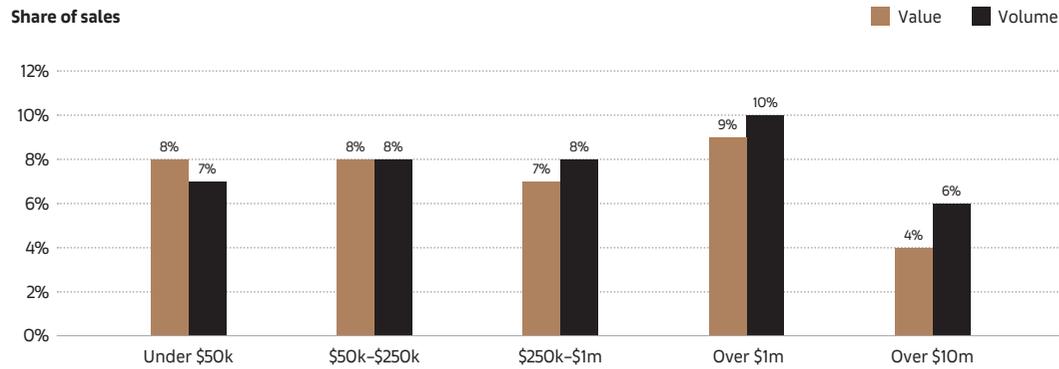
As noted earlier, the three largest auction markets of Greater China, the US, and the UK account for the majority share of the value of sales. These three largest markets are also where most of the highest price works are sold and act as hubs in their regions, assembling a critical mass of works together for sale at auctions to attract both regional and international buyers. Because they dominate the high end of the market, their market share varies by price level, with their combined share increasing as prices rise.

In the market for works priced below \$50,000, the US, Greater China, and the UK accounted for 64% of sales by value in 2020 and 47% of the lots sold. In the middle market (works priced between \$50,000 and \$1 million), their share increased to 81% (and 79% by volume). However, moving up to the market over \$1 million, this reached 96% by value, with the fourth largest market France accounting for a further 3%. While Greater China has maintained the largest share in the price segments of the market less than \$1 million for the past three years, the US usually dominated in the fine art auction market above \$1 million, accounting for 48% of sales in 2019. In 2020, it fell into second place (36% of total sales over \$1 million) to Greater China (43%). At the highest end of works sold for over \$10 million, virtually all of the value of sales came from these three markets. Here again, the US consistently held the largest share in previous years (at 62% in 2019), but in 2020, Greater China edged one percentage point ahead of the US, with a share of 43% of this top segment.

As there is a relatively small number of transactions at the highest end, this part of the market is focused on a very small number of artists. Just less than 1% of the artists active in the auction market in 2020 were responsible for works that sold for over \$1 million (or around 350 artists worldwide), and this small share has been a consistent finding in this research over the last 10 years.

Another consistent trend is that most of these artists are men. Of all of the artists whose works sold for prices for over \$1 million, just 8% were women (from 7% in 2019). Female artists' works generated just 9% of the total values of sales at prices over \$1 million. The dominance of male artists at auction, both in terms of the number of artists and sales values, is not confined to the top end of the market and was apparent at all levels of the auction market in 2020. Where the gender of the artist was known, the data showed that works by female artists accounted for 7% of the total lots sold and 8% of the value of sales in the auction market (up just 2% in share by value on 2019). At the highest level of works priced over \$10 million, only 6% of the lots sold were works by women, and these accounted for an even smaller share of sales at 4%, again, virtually unchanged from 2019. These minority shares by value for the sale of female artists' work were consistent throughout all of the major regional auction markets, ranging from a low of 3% in Greater China to one of the highest shares of 13% in the US.

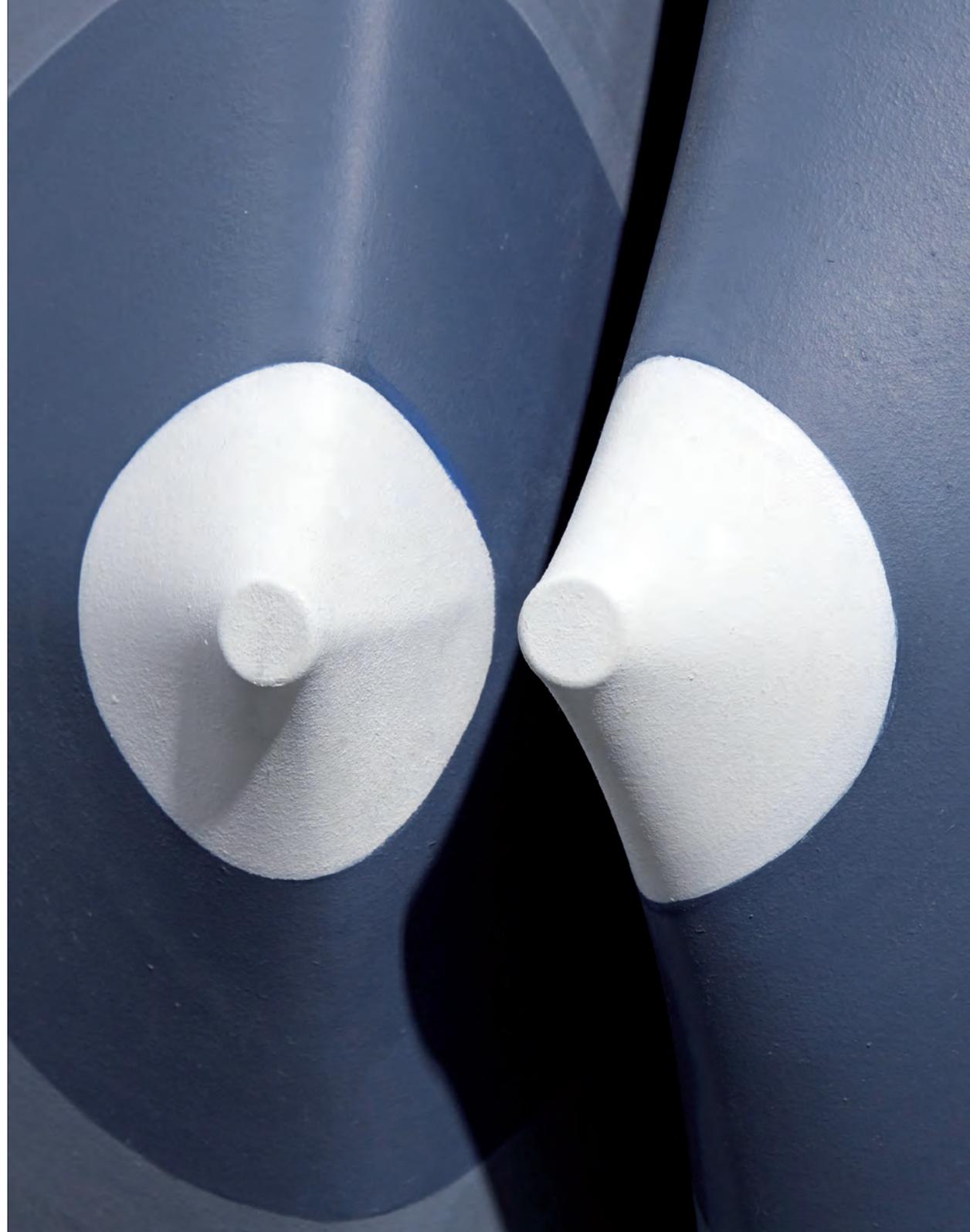
Figure 3.13 | Share of the Fine Art Auction Sales by Female Artists by Price Level in 2020



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The secondary market at auction is biased toward the work of male artists in part, as it is based on sales of historical works, where the supply of male artists' works is much greater. As would be expected, therefore, there was a higher-than-average share by value for female artists' works in the Post-War and Contemporary sector, although still a significant minority, at 13% (versus 5% or less for artists in older sectors). This relatively higher share is due in part to more artists in this sector that are female (15% of the artists in total), but also because some of the

top-selling female Post-War and Contemporary artists had strong auction markets in 2020. There were around 24 artists who had aggregate auction sales in excess of \$50 million in 2020, and two of these artists were women: Joan Mitchell with an auction market of around \$71 million and Yayoi Kusama (\$62 million). Another 11 female artists had markets in excess of \$10 million, and nearly all of these were Post-War and Contemporary artists.



3.3 | Fine Art Sectors

The fine art auction market dominated decorative art and antiques in terms of the value of sales in 2020, as it has in most recent years, and has driven growth in over the last decade, being where most of the highest priced transactions occur at auction. Although there has been considerable variation in sales in recent years between sectors, in 2020, all those within the fine art auction market declined in value.

Post-War and Contemporary and Modern art have led the fine art market for the last 20 years, accounting for the largest aggregate share and many of the works sold for prices over \$1 million. In 2020, the highest priced lot sold at auction came from the Post-War and Contemporary sector, the previously mentioned work by Francis Bacon's *Triptych Inspired by the Oresteia of Aeschylus* (1981), which sold for \$84.6 million at Sotheby's digitally-streamed live auction that combined Post-War and Contemporary and Impressionist art in June in London.

To assess the performance of sales by sector, definitions of the sectors are required to be based on specific criteria such as an artist's date of birth, the date of creation of their works, and also the importance of artists to a particular movement. Within the art trade, there are many different definitions of the various sectors but, for the purposes of this analysis, we have used the following:³⁶

- a. Post-War and Contemporary, defined as artists born after 1910;
- b. Living artists, defined as artists alive in 2019, which are analyzed as a subset of the Post-War and Contemporary sector;
- c. Modern, defined as artists born between 1875 and 1910;
- d. Impressionist and Post-Impressionist, which are defined as artists born between 1821 and 1874;
- e. Old Masters, defined as artists born between 1250 and 1821; and
- f. European Old Masters, defined as Old Master artists of European origin, which are analyzed separately as a subset of the Old Masters sector.

³⁶ Most artists' categorization is based on date of birth, but there are a small number of artists who are included in different sectors because of their relevance to a particular movement, for example, Francis Bacon (born 1909) and Mark Rothko (born 1903) are both included in the Post-War and Contemporary sector despite the cut-off date of 1910.

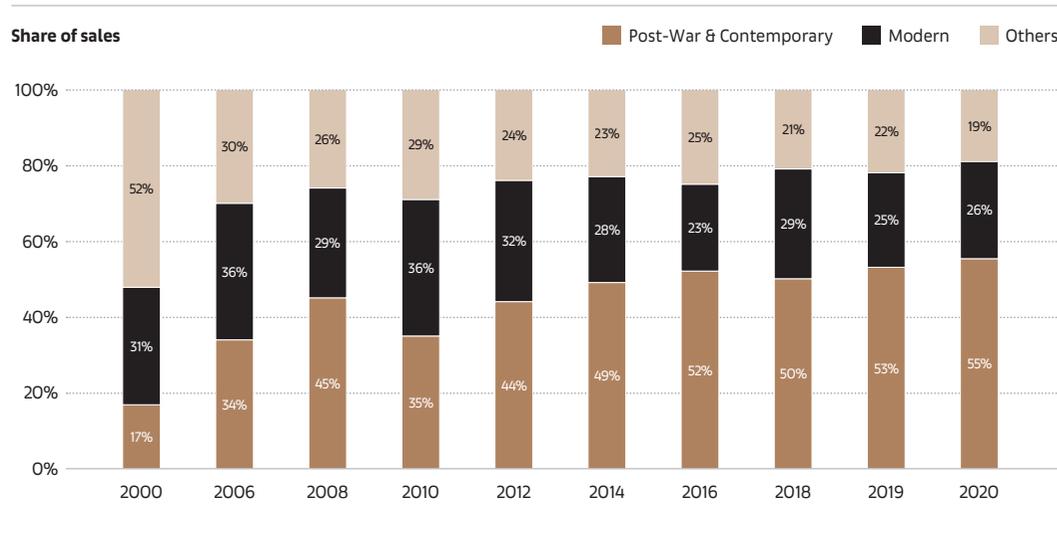
To ensure the most consistent analysis of sales over time, one central art price database is used from Artory, with data for Chinese sales supplemented from Artron. The Artory database covers sales from 4,000 auction houses, with consistent auction results gathered for around 250 businesses in more than 40 countries. The database comprises results from major sales in first- and second-tier auction houses around the world, and does not restrict inclusion by final price or estimate value, hence offering coverage of the full range of prices that occur at auction. The data by sector in the following analysis is based on a sample of 250 auction houses, and only includes data where full artist attributions can be assigned to the sale. This allows for consistent estimates over time of the key trends, but the values and volumes do not represent the entire amount of sales at auction in these sectors. It is estimated that these top auction houses represent at least 70% of the value of the market in most sectors.

In 2020, the largest sector in the fine art auction market was once again Post-War and Contemporary art, which along with Modern art accounted for 81% of the value of sales at fine art auctions and the number of lots sold. Both of these sectors have expanded rapidly over the last 20 years, from accounting for less than half (48%) of the market by value in 2000. Their combined

share has been greater than 70% in most of the last 20 years, with Post-War and Contemporary leading (with the exceptions of 2009 and 2010). Post-War and Contemporary sales reached their highest ever share in 2020 at 55% (from just 17% in 2000), while the peak for Modern art was in 2006 at 36%.

In 2020, the largest sector in the fine art auction market was Post-War and Contemporary art, which along with Modern art accounted for 81% of the value of sales at fine art auctions

Figure 3.14 | Market Share by Value of the Fine Art Auction Market: Selected Years 2000–2020³⁷

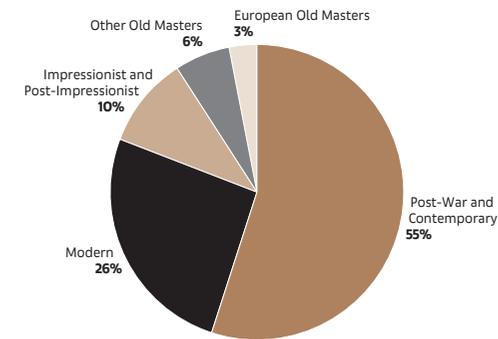


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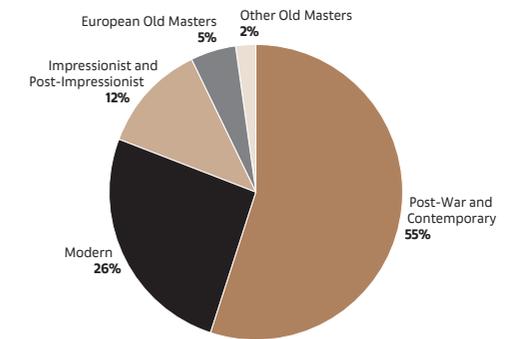
³⁷ The shares here and throughout the chapter refer to the proportionate share of these sectors out of the four main sectors of the art market: Post-War and Contemporary, Modern, Impressionist and Post-Impressionist, and Old Masters, including European Old Masters. It excludes transactions that cannot be classified within these distinct sectors, or that predate Old Masters (which amounted to around 5% of the value of sales in the Artory database in 2020).

Figure 3.15 | Market Share by Sector of the Fine Art Auction Market in 2020

a. Market Share by Value of Sales



b. Market Share by Volume of Sales



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Given the growth in online-only sales in 2020, it is interesting to assess if this structure of sales is similar online. For online-only auctions in 2020, the share by value of Post-War and Contemporary art was on par with offline sales (56%), but with a higher share of the number of lots sold (62%). Modern art had the

second largest share online at 23% by value and 22% by volume. Impressionist and Post-Impressionist works accounted for 14% by value (and 10% by volume), with Old Masters being the smallest segment online (7% by value and 6% of the total lots sold).

3.4 | Post-War and Contemporary Art

Post-War and Contemporary art was the largest sector of the fine art auction market in 2020, as it has been for the last six years, with a share of 55% of the value of global fine art auction sales (up 2% in share year-on-year) and 55% by volume (up 4%). Sales in the sector totaled \$4.7 billion, a decline of 23% year-on-year, marking two years of decreasing values from 2018. The number of lots sold fell by 13% year-on-year.

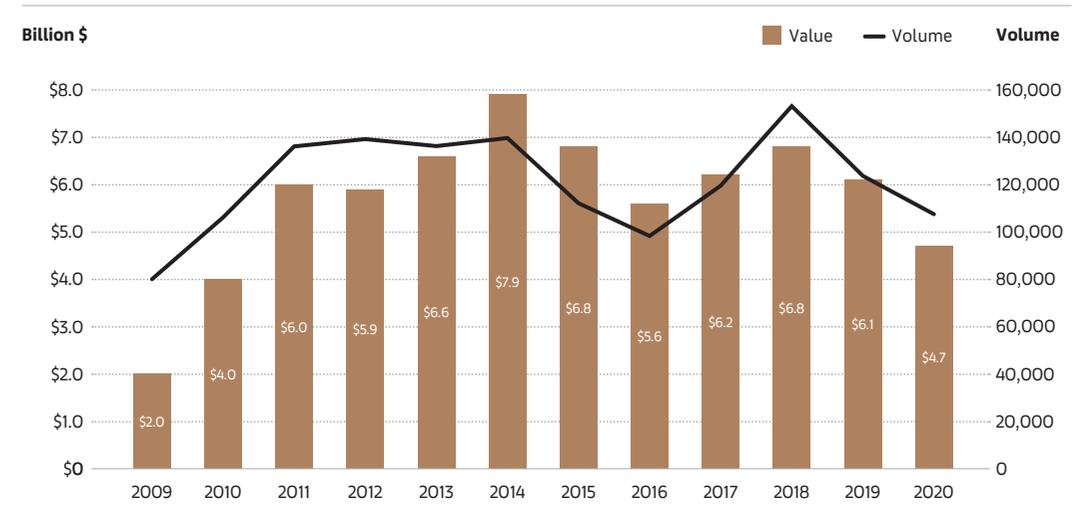
Sales of Post-War and Contemporary art have been among the most dynamic in the auction market, showing the strongest growth in many years, but also subject to much volatility due to the outsized influence of very highly priced works in the sector. Sales grew rapidly until 2007, but dropped 58% between 2007 and 2009, in the fallout from the global financial crisis as the supply of high quality works declined. This was one of the largest declines of any of the fine art sectors, but was followed by a rapid recovery up to a peak of \$7.9 billion in 2014. From this peak, the performance of the sector has been mixed, and a reduced volume of very highly priced works in 2019 saw a drop in values of 10%. This second, consecutive annual decline in 2020 has brought the market back to levels just above 2010, meaning an overall fall in values over a decade of 23%. However, sales in the sector were still more than double the level of the previous recession in 2009 when the market fell to just \$2.0 billion.

The top three markets (the US, Greater China, and the UK) accounted for 87% of the value of sales in 2020 and just less than half of the lots sold (at 47%). The US has been the leading market for sales of Post-War and Contemporary art in most recent years, and was again in 2020, although its margin was reduced as China gained ground. The US accounted for 36% of the value of sales, down 6% on 2019 (with a stable 24% of volumes).

After two years of growth to 2018, sales in the US have declined for two years, falling by 35% in 2020 to \$1.7 billion. This brought the market to its lowest level since 2010 and meant that the value has declined over the decade (by 10% from 2011 to 2020). However, total values are still more than double their low in the market's previous recession in 2009 (\$721 million). Despite the decline, several of the highest priced lots of the year were sold in New York, including two from the top five highest priced lots, Roy Lichtenstein's *Nude with Joyous Painting* (1994), which was sold under guarantee at Christie's ONE Sale in July for \$46.2 million, and David Hockney's *Nichols Canyon* (1980) for \$41.1 million at Phillips in December, also under guarantee.

Greater China's market share expanded by 7% year-on-year to reach 35%, and remaining in second position by value. Its share of the volume of lots declined year-on-year to 11%. Post-War and

Figure 3.16 | The Post-War and Contemporary Art Sector: 2009–2020



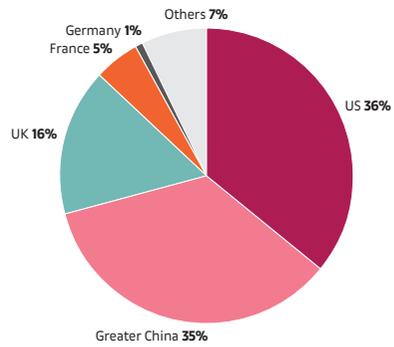
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Contemporary art sales peaked in Greater China in 2011 at \$2.2 billion at the height of their booming market, but have had mixed performance since then, including a decline of 14% in 2019 to \$1.7 billion. 2020 saw a further decline, but at only 6% by value, it was one of the most moderate of all of the major art markets. At \$1.6 billion in 2020, the market is down 28% from its peak in 2011, but has shown huge growth

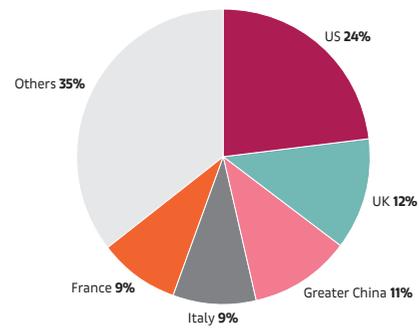
over the longer term (300% since 2009). Chinese artist Zao Wou-Ki remained the highest selling artist in the sector for the second year, with sales of \$192 million in 2020, most of which were in China. These included *O4.01.79* (1979) reported as sold at Yongle's inaugural sale in December for \$26.7 million, along with two works by Cui Ruzhen for in excess of \$25 million.

Figure 3.17 | Market Share of the Post-War and Contemporary Sector in 2020

a. Market Share by Value



b. Market Share by Volume

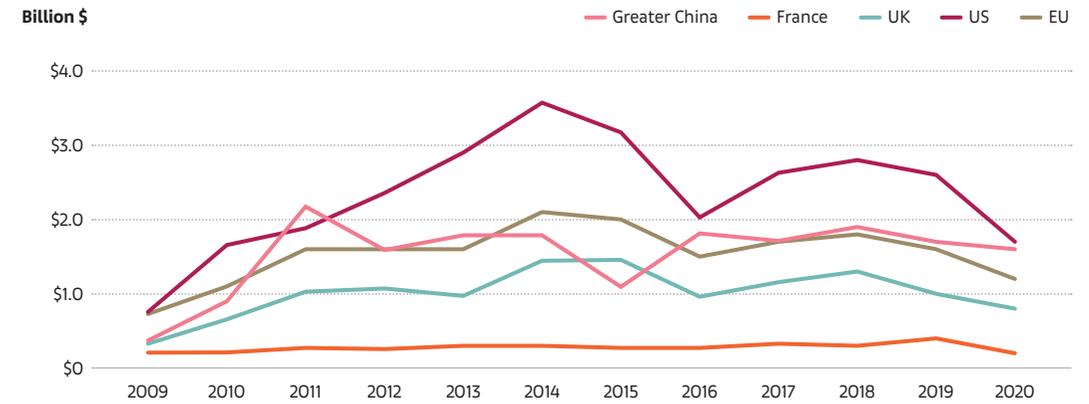


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The UK's share of Post-War and Contemporary sales was stable at 16% by value, with a small increase in the share in the volume of lots sold to 12%. 2020 was the second year of declining sales in the UK, with values falling 24% year-on-year from 2019 to reach \$779 million, substantially below its peak of \$1.4 billion in 2015, and down 23% over a decade. The UK market is still more than double the value of the 2009 recession, with growth of 140% since that point, versus just 7% for the EU measured without the UK.

After running contrary to the declining trend in 2019, sales of Post-War and Contemporary art in France fell by 41% in 2020 to \$224 million. This brought sales to the level of 2010, and a fall of 16% over the decade to 2020. France's global share also contracted slightly to 5% by value, with a stable share of lots sold. The EU, still including the UK, accounted for a stable share of 25% (with sales of \$1.2 billion), however, measured without the UK market as will be the case from 2021, EU sales accounted for just 9% (and fell 32% year-on-year).

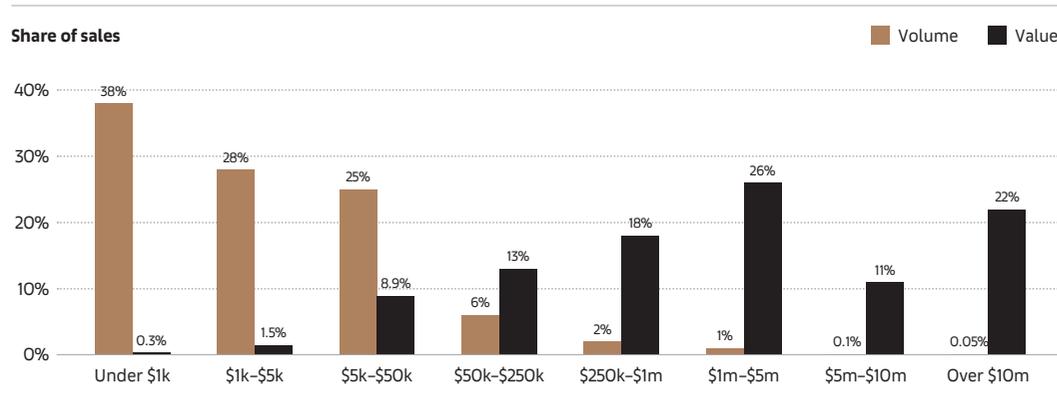
Figure 3.18 | Sales in the Post-War and Contemporary Sector 2009–2020: Key Markets



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Sales in the Post-War and Contemporary sector totaled \$4.7 billion, a decline of 23% year-on-year

Figure 3.19 | Sales by Price Bracket in the Post-War and Contemporary Sector in 2020



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The share of sales accounted for by the top 20 Post-War and Contemporary artists rose considerably in 2020 to 48%, as values became more concentrated around a small group of very established artists

Despite having some of the highest priced lots every year, most of the sales in the Post-War and Contemporary auction market are at much lower price levels. In 2020, 91% of works sold were priced below \$50,000 and 66% were for less than \$5,000 (stable on 2019).

Works priced at over \$1 million accounted for the majority (59%) of value in 2020 in just 1% of lots sold. Sales in this \$1 million-plus segment fell 24% by value year-on-year, versus a slightly more moderate fall in value of 17% for those works priced less than \$50,000. The proportion of works sold at the very highest end of the market over \$10 million was also stable at 22%, and sales in this top segment fell 21% year-on-year, with 20% less lots sold than in 2019.

The highest selling artist at auction in this sector in 2020 for the third year running was Zao Wou-Ki. Alongside Wu Guanzhong, David Hockney, Jean-Michel Basquiat, and Cui Ruzhuo, the top five artists accounted for 19% of total sales values, an increase of 5% in share versus 2019. The sector has generally maintained a relatively low concentration of sales compared to others, with the top 20 artists accounting for 38% of total sales values in 2019 (and 36% in 2018). However, this rose considerably in 2020 to 48%, as values in the market became more concentrated around a small group of very established artists. The wider top 50 artists in the sector accounted for 72% of the value of sales.

Sotheby's and Christie's accounted for the majority (66%) of Post-War and Contemporary sales in 2020, with Sotheby's slightly ahead, accounting for just over one third of the market. Along with Phillips, these three top auction houses accounted for 73% of the value of sales of Post-War and Contemporary art at auction. The top five auction houses by value of sales (Christie's, Sotheby's, Phillips, China Guardian, and Poly Auction) accounted for 77% of the value of sales (and 34% of the number of lots sold).

The Sub-Sector of Living Artists

The Post-War and Contemporary sector comprises sales of the work of both deceased artists and living artists. Apart from a few rare exceptions, the sales of works by living artists are secondary market sales or resales of their works, implying that artists have some level of establishment in their markets, although they may still be at various stages of their careers. The value of sales of living artists' works has typically comprised a minority of the Post-War and Contemporary sector, however, a number of top-tier living artists have boosted this share in recent years, with some responsible for the highest priced works sold at auction.

In 2020, living artists' works accounted for 49% of the value of sales in the Post-War and Contemporary sector, up 5% in share year-on-year. Like the wider Post-War and Contemporary market, sales in this sub-sector declined by 23% to \$2.3 billion, with an equal fall in sales of works by deceased artists. Sales fell in nearly all markets, with the US having one of the largest declines (down 45%), and leaving it in second place behind Greater China, which had a more moderate drop of 13%. Greater China accounted for 39% of the value of all sales, next to the US (28%).

The UK was the third largest auction market in this sub-sector with a 21% global share by value in 2020, and living artists' works accounted for the majority of sales in its Post-War and Contemporary market, at 63% by value, the highest of any of the larger markets. These sales included British artist David Hockney's *The Splash* (1966), which sold for \$29.9 million at Sotheby's in London (with a presale irrevocable bid in place).

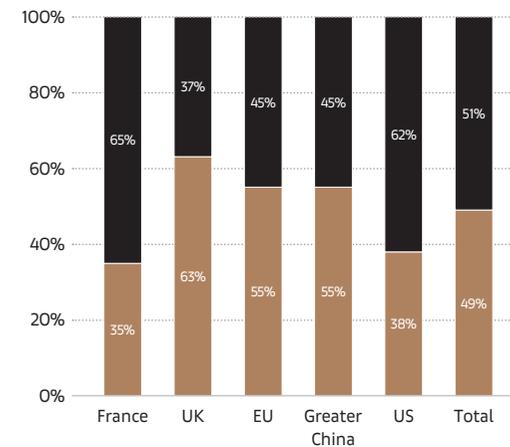
The highest priced lots of the year were sold in New York, with Hockney's *Nichol's Canyon* (1980) selling for \$41.1 million at Phillips and Brice Marden's *Complements* (2004-2007) at Christie's ONE Sale for \$30.9 million, both under third-party guarantees. Sales of living artists' works accounted for a minority of the Post-War and Contemporary sector in the US (38% by value).

China also had a number of very highly priced lots, notably including works by Western artists, such as Gerhard Richter's *Abstraktes Bild (649-2)* (1987) for \$27.5 million at Sotheby's Hong Kong, showing the expanding interest in the region for non-Chinese artists. Chinese artists' sales included three lots from Cui Ruzhou: *Mountain Landscape in a Green Misty Fall* (2017) for \$29.0 million, *Bird Singing in a Fragrant Springtime* (2020) for \$27.1 million (both at Yongle Auctions in Beijing), and *Lotus in Drizzle* (2020) at Poly Auction in Beijing for \$25.8 million. Greater China's Post-War and Contemporary sector skewed towards living artists, with sales accounting for a 55% share by value.

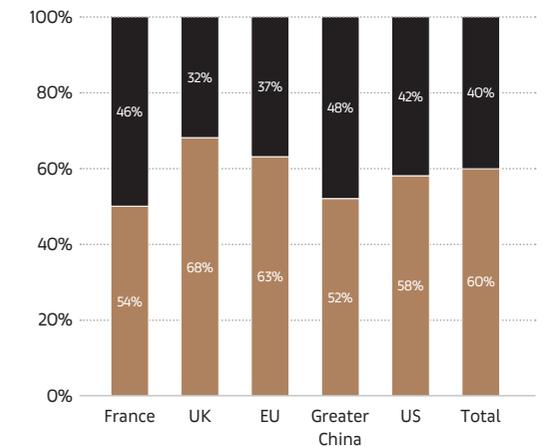
David Hockney was the highest selling artist in this sub-sector in 2020, accounting for 7% of sales. This sector is slightly more concentrated than Post-War and Contemporary art, with Hockney and the rest of the top five artists (Cui Ruzhou, Gerhard Richter, Yoshitomo Nara, and Yayoi Kusama) accounting for 27% of total sales values. Over half (55%) of the market's value was concentrated on the 20 top artists. This was the second year of increasing concentration of values around the top 20, from 44% in 2019 and 37% in 2018. Despite the difficult year for sales in the auction sector, there were at least 48 lots by living artists sold for over \$5 million (from 65 in 2019).

Figure 3.20 | Share of Sales by Living versus Deceased Post-War and Contemporary Artists in 2020

a. Share of Sales by Value



b. Share of Sales by Volume



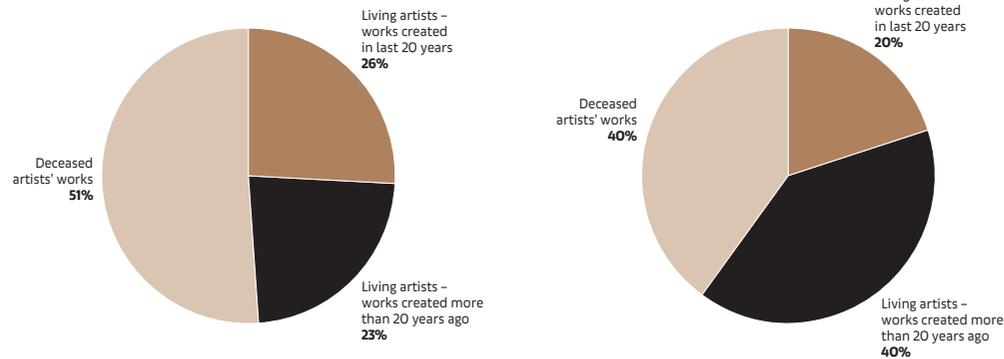
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In 2020, living artists' works accounted for 49% of the value of sales in the Post-War and Contemporary sector, up 5% in share year-on-year

Figure 3.21 | Share of Sales within the Post-War and Contemporary Sector: Living and Deceased Artists

a. Share of Sales by Value

b. Share of Sales by Volume



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In 2020, works that were created in the last 20 years accounted for 26% of the value of sales in the Post-War and Contemporary sector

Within the segment of living artists' works, there has also been a rising share of relatively newly created works being sold at auction. In 2020, works that were created in the last 20 years accounted for 26% of the value of sales in the Post-War and Contemporary sector, up 3% year-on-year and from just 14% in 2017. These works accounted for 55% of the value of all works sold by living artists (up 4% in share year-on-year), and totaled \$1.2 billion at auction, falling 22% from \$1.6 billion in 2019.

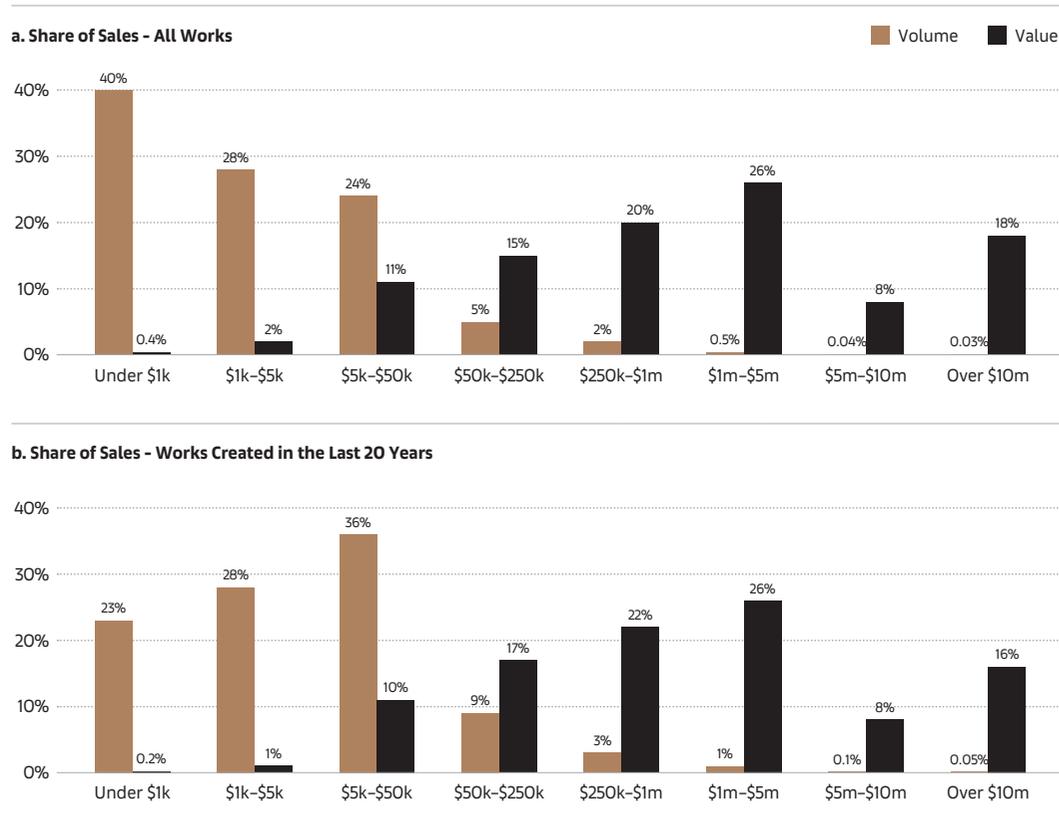
Top-selling artists in this segment of newly created works included Chinese contemporary ink painter Cui Ruzhuo, with an auction market of over \$118 million, Banksy with sales of \$53 million, and Yoshitomo Nara (\$43 million) as well as George Condo, Zao Wou-Ki, Brice Marden, Yayoi Kusama, and several others. The growing share of this segment indicates an increasingly fast turnaround for some of these artists from the primary market to the secondary sector, indicating both a short resale period for collectors and more investment-driven speculation in the market, as well as the increasing movement of auction businesses into a more traditionally dealer-driven area of the market. This market is much more dominant in China, where several of the top lots sold in the Post-War and Contemporary sector were created in the last decade, including examples from the last three years, such as the multimillion dollar top lot cited above by Cui Ruzhou created in 2020. Greater China accounted for

half the value of these new lots sold in 2020, with a high share due to both collectors turning works back to the auction market very quickly, and in some cases, according to experts in the market in Mainland China, artists and other agents selling primary market works directly on the auction market, which is very rare elsewhere.

Although some works by top living artists sell for very high prices, as in the wider Post-War and Contemporary sector, most sales take place at much lower prices, with 92% of works sold being at prices of less than \$50,000 and the majority (68%) sold for prices less than \$5,000. The sale of works priced over \$1 million, on the other hand, accounted for just over half of the market's value (52%) in less than 1% of the lots sold.

The largest segment by value, consistently for the last three years, was sales at prices between \$1 million and \$5 million. This segment accounted for 26% of total values in 2020, down 3% year-on-year (and it was also the largest price segment of works created within the last 20 years). For these newer works, less lots sold for under \$5,000 than living artists works generally, and the highest volume segment was the range from \$5,000 to \$50,000 (36% of all lots in this category), implying a slightly higher price point for many of these newly created and quickly resold works.

Figure 3.22 | Sales of Living Artists' Works by Price Bracket in 2020



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3.5 | Modern Art

Sales of Modern art were the second largest by value in the fine art auction market in 2020, with a share of 26% by value and volume. Although these were relatively stable year-on-year, the sector's share has diminished significantly over the last 20 years, as sales of Post-War and Contemporary art have expanded. While Modern art sales were almost twice the size of Post-War and Contemporary in 2000, they have been lower in value since 2011, with the margin between them increasing again in 2020 to 29%.

Sales in the sector fell sharply in the fallout from the global financial crisis, with the market losing one third of its value in the two years from 2007 to 2009. From this low point of \$2.2 billion, sales grew strongly with robust recovery in US sales and a newly booming Chinese market. Within two years, the market had reached a peak of \$5.4 billion in 2011, still its highest recorded level of sales to date.

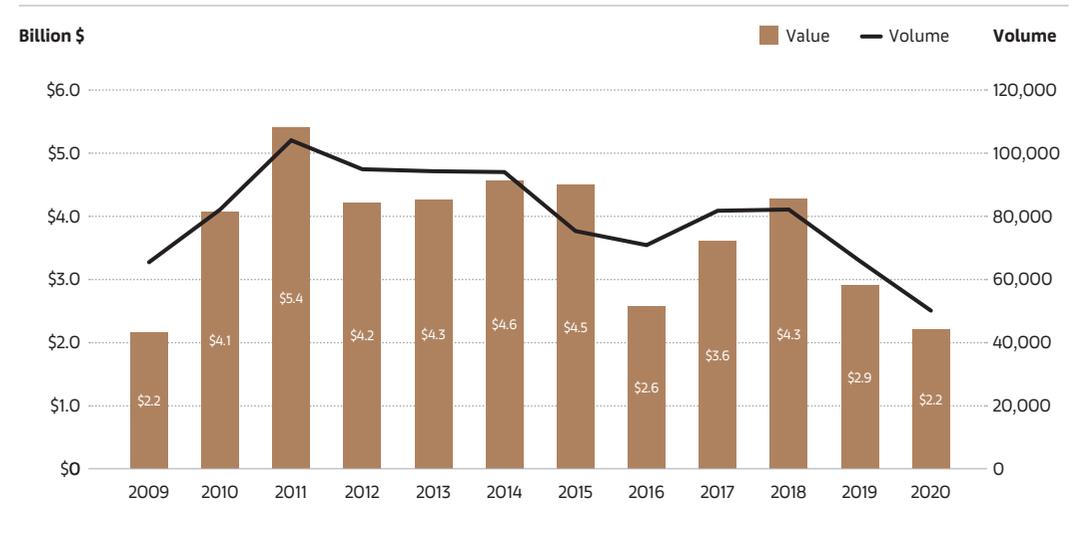
However, the last decade has been volatile, with a series of peaks and troughs. The last two years have seen substantial, double-digit declines in value, with the market down by one third in 2019, and another 23% in 2020 to reach \$2.2 billion. The volume of lots also declined for a second year (by 24% year-on-year from 2019). These two years of falling sales mean values have declined 59% over the decade from 2011 to 2020, and the market is just 3% above the recession

of 2009 (with 24% less lots sold in 2020 than in the previous recession).

Greater China remained the largest auction market for Modern art in 2020, having taken over from the US in 2019. Although the US had the largest number of lots sold (24% of the total), a significant number of very highly priced works sold in China during the year drove its share up to 45%, an advance of 4% year-on-year. Despite the growth in share, sales in Greater China fell by 15% year-on-year, a second year of decline, bringing the market to just over \$1.0 billion. Values in 2020 were less than half of the market's size at its peak 10 years previous, when it was also the largest market worldwide in this sector, with \$2.7 billion in sales and a global share of 50%. However, the market is still substantially larger than it was in any year prior to 2010, and has grown by over 500% since 2005.

Sales in the US had the sharpest decline of any of the major markets, falling 43% to reach \$514 million, their lowest point in over 15 years, and with a subsequent fall in global share by value to 23% (down 8% year-on-year). This was the second year of substantial sales decreases, with values having already fallen 49% in 2019. Sales in the US peaked in 2015 at a high of just over \$2 billion, but this period of decline brought values in 2020 to 46% less than a decade previous, and 5% less than the recession in 2009 (\$541 million).

Figure 3.23 | The Modern Art Sector: 2009–2020

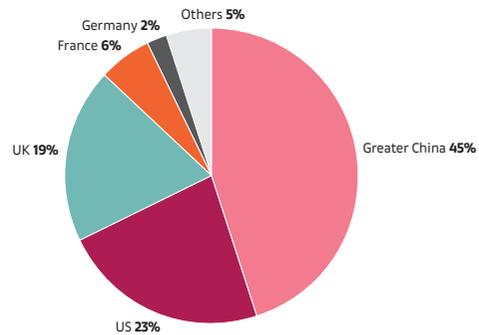


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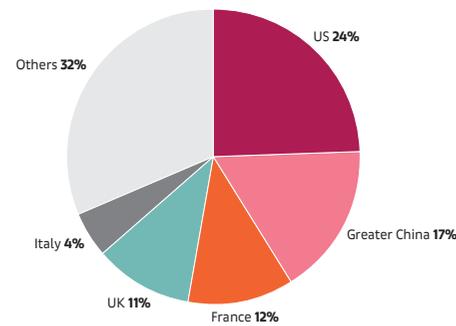
While Modern art sales were almost twice the size of Post-War and Contemporary in 2000, they have been lower in value since 2011, with the margin between them increasing again in 2020 to 29%

Figure 3.24 | Market Share of the Modern Sector in 2020

a. Market Share by Value



b. Market Share by Volume



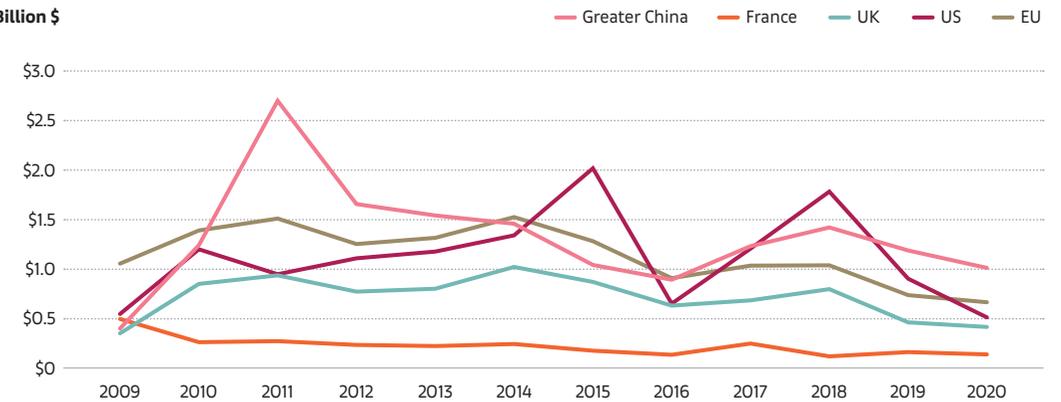
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This significant fall in sale in the US also considerably narrowed its margin with the UK, which remained in third position but gained 3% in global share to 19%. Sales in the UK also fell over 2020, but by a more moderate 9% to \$421 million. After two years of falling sales (with a 42% decline in 2019), aggregate values in the sector were at their lowest level in a decade, although still 20% above 2009, when sales dropped to \$351 million.

After a stronger year than other markets in 2019, sales in France also fell by 10% to \$136 million, and the EU as a whole, including the UK, declined 9% to \$662 million. The falling share of the US market meant that the EU's market share of the Modern art sector advanced to 30% (up 5% year-on-year), but still less than its peak in share at 52% in 2008. Without the UK, the EU accounted for 11% of global sales.

Figure 3.25 | Sales in the Modern Sector 2009–2020: Key Markets

Billion \$



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Sales of Modern art in the US had the sharpest decline of any of the major markets, falling 43% to their lowest point in over 15 years

Despite the strength of sales by many Chinese artists in the Modern art sector in 2020, Pablo Picasso remained the top-selling artist as he has been for the last three years, with sales of \$235 million, down by around one third on 2019. Picasso had two in the top five highest priced lots in 2020, *Femme dans un Fauteuil* (1941) selling for \$29.6 million and *Les Femmes d'Alger (version 'F')* (1955) for \$29.2 million, both under guarantees at Christie's New York.

The second-highest-ranking artist in terms of aggregate sales was Zhang Daqian (also in second place in 2018 and 2019), while San-Yu ranked third and had the highest priced lot of the year in this sector, *Quatre Nus* (1950s), which sold for \$33.1 million at Sotheby's Hong Kong and also the second-highest-ever price for the artist, with a record price of \$39.1 million achieved the previous year when *Five Nudes* (1959) sold for \$39.1 million at Christie's Hong Kong.

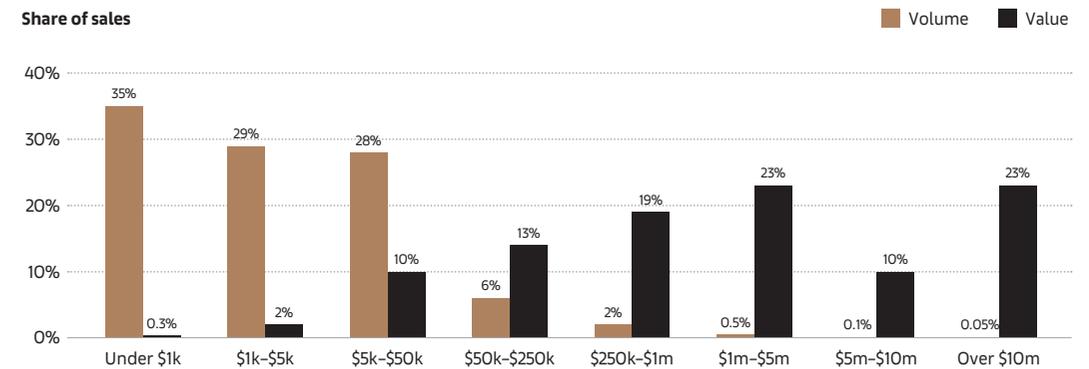
Along with Fu Baoshi and René Magritte, these top five artists accounted for 41% of the market by value, while the top 20 artists accounted for 70%, significantly more concentrated than in 2019 (at 59%), and showing a much greater concentration of values around top artists than in Post-War and Contemporary art.

This increased concentration of value at the high end was also visible when segmenting sales by price level. Works sold for over \$1 million increased their share of value marginally (up 2% year-on-year to 56% in 2020), but with a larger increase at the very highest end, with works for over \$10 million advancing 5% in share year-on-year to 23%. Sales of works priced less than \$1 million fell 26% on aggregate year-on-year, but in this highest segment of \$10 million-plus, the decline was only 5%.

Despite these high prices, most works (92%) sold for prices below \$50,000 and these accounted for 12% of Modern art auction sales. The majority (64%) of lots sold were at prices less than \$5,000, although these accounted for a very small share of just 2% of total sales values, stable on 2019.

Strong sales in Hong Kong ensured that Christie's and Sotheby's still accounted for a majority share of the market in 2020, with a combined 55% of the total sales by value, and along with China Guardian, Poly Auction, and Huyai International, the top five auction houses made up a 77% share (up 9% year-on-year).

Figure 3.26 | Sales in the Modern Sector by Price Bracket in 2020



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The top 20 artists in the Modern art sector accounted for 70% of sales by value, significantly more concentrated than in 2019

3.6 | Impressionism and Post-Impressionism

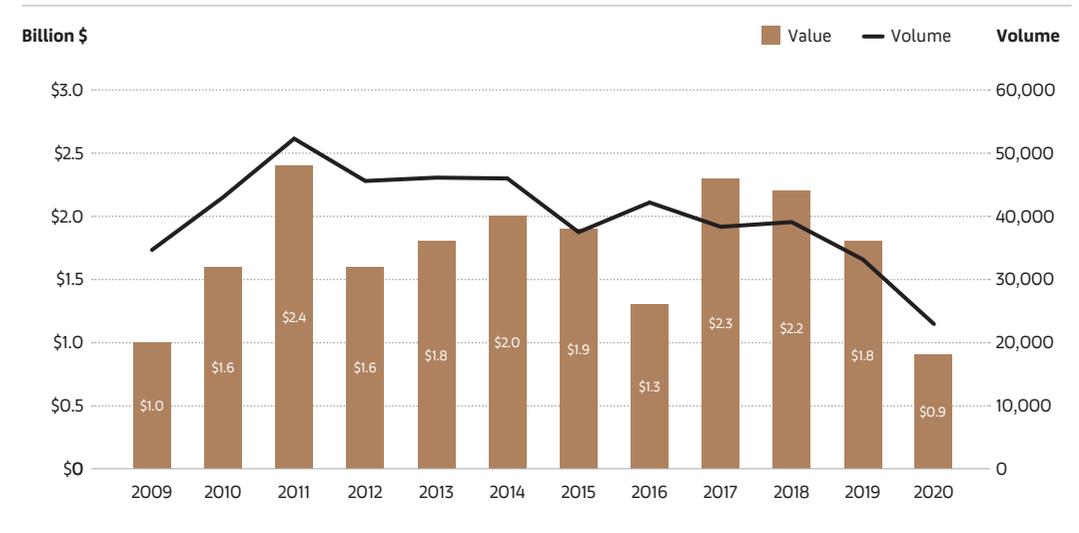
From being the largest sector in the market over 30 years ago, Impressionist and Post-Impressionist art has been overshadowed in recent years by Modern and Post-War and Contemporary sales in terms of aggregate values, and accounted for 10% of fine art auction sales values in 2020 (down 5% in share year-on-year), with 12% of the volume of global fine art lots.

This is a highly supply-driven market and it experienced one of the largest contractions in sales of all sectors in 2020, as the number of high-end lots fell dramatically. At the low point of the previous recession, sales declined to \$1 billion in 2009, as supply at the high end contracted during the global financial crisis. The market recovered quickly, reaching its peak of \$2.4 billion in 2011, buoyed by a booming Chinese market. As the Chinese market cooled, values declined significantly, and the market had relatively stagnant sales to 2016. A sharp rise in sales over 2017 brought sales to near-peak levels of \$2.3 billion, but this was not sustained and sales fell for the next three years, including their most substantial annual decline in 15 years of 51% in 2020 to \$870 million. This was one of the largest declines of all fine art sectors, bringing the market to its lowest level in 15 years, with values 11% below the recession of 2009 and one third less lots sold.

Although the largest number of works were sold in the US (24%), Greater China took over as the largest market by value of sales, with a share of 33%. Sales in Greater China have declined for three years in a row, but it still edged ahead of the US with a slightly smaller decline year-on-year of 16% to \$292 million. Sales were down over 70% from a decade earlier but still significantly above 2009, at the start of China's market boom (\$184 million). The top highest-selling artists in this sector in 2020 were Chinese artists including Qi Baishi, with over \$140 million in sales, Huang Binhong, and Wu Changshou. These three artists accounted for just under one third (32%) of the value of sales.

The US market's share dropped significantly from 45% in 2019 to just 29% in 2020. It was the market's second year of declining sales, which fell 68% year-on-year to \$255 million in 2020, with over 2,000 less lots sold. The market reached its lowest level in 15 years and fell below its previous recessionary low of \$420 million in 2009. Despite this significant aggregate decline, there were still several very high value lots sold in New York over the year, including the highest priced lot in the sector, Paul Cezanne's *Nature Morte avec Pot au Lait, Melon et Sucrier* (1900-1906), which sold under guarantee at Christie's for \$28.6 million, and Vincent Van Gogh's *Fleurs dans un Verre* (1890) for \$16 million at Sotheby's (also under guarantee), the third-highest-priced lot in the sector in 2020.

Figure 3.27 | Impressionist and Post-Impressionist Auction Sales 2009–2020

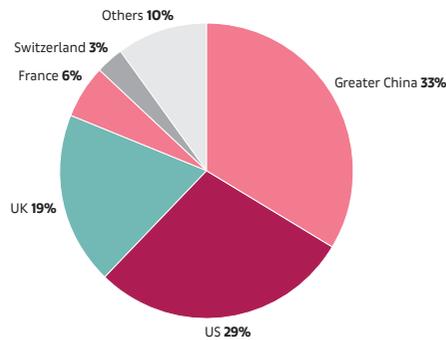


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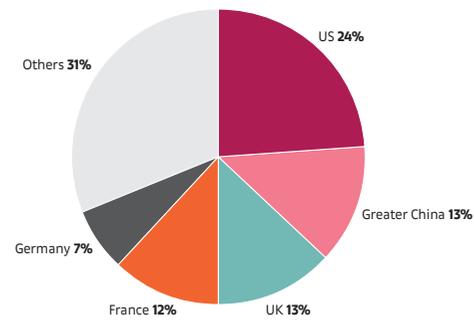
Impressionist and Post-Impressionist art sales experienced their most substantial annual decline in 15 years of 51% in 2020

Figure 3.28 | Market Share of the Impressionist and Post-Impressionist Sector in 2020

a. Market Share by Value



b. Market Share by Volume



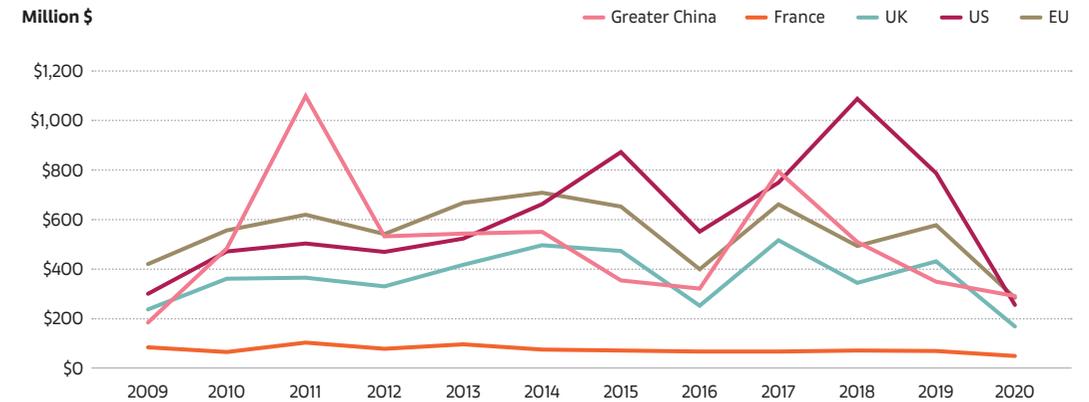
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The UK was one of the only markets to see growth in sales in 2019, with an increase of 21%, but its performance aligned again with the other top-tier markets, and values fell substantially by 61% to \$168 million in 2020. Like the US, this also brought the UK market to its lowest level in over 15 years and sales values were down 29% from the previous market low in 2009, when the market fell to \$237 million. The UK's global share fell 6% year-on-year to 19%, but it remained the third-largest market. There were still some very highly priced works sold in

London in this sector, including two of the top five highest prices: Camille Pissarro's *Gelée Blanche, Jeune Paysanne Faisant du Feu* (1888) sold for \$17.3 million and Paul Signac's *La Corne D'Or. Matin* (1907) for \$9.9 million, both above their high estimates and without guarantees in 'pre-pandemic' sales in February at Sotheby's.

Sales in France fell by 30% to \$49 million, also the lowest level in over 15 years. The decline in these two major European markets ensured a significant drop

Figure 3.29 | Sales in the Impressionist and Post-Impressionist Sector 2009–2020: Key Markets



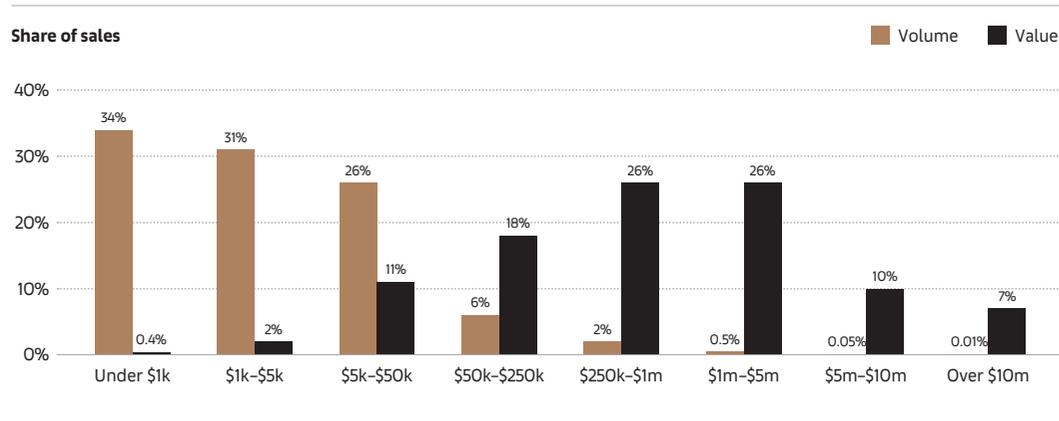
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in EU sales (by 51%) to \$284 million, down 32% on its previous low point in the recession of 2009. As sales in all regions declined, the EU maintained a fairly stable global share of 33% in 2020 (or 13% without the UK).

Unlike other sectors that had relatively few changes in the distribution of prices year-on-year, sales in the Impressionist and Post-Impressionist segment saw a large drop in the share of values accounted for by the highest end, indicating significant pressure on supply, with vendors possibly hesitant to risk sales in this

sector given the market turmoil of 2020. High value lots sold for over \$1 million went from accounting for the majority of sales in the sector in 2019 (at 60%) to just 43% by value in 2020. In 2019, the largest segment by a significant margin was sales priced over \$10 million (accounting for 30% of values), however, this fell dramatically in share to just 7% in 2020, as much fewer top lots were sold and sales in this top price segment fell 88% in value (versus a drop of 28% for works priced at less than \$1 million).

Figure 3.30 | Sales by Price Bracket in the Impressionist and Post-Impressionist Sector in 2020



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Mid-tier works accounted for the largest share of sales, with those between \$250,000 and \$5 million making up just over half (52%) of the value of sales, but still, as in previous years, most lots (91%) were sold at prices less than \$50,000.

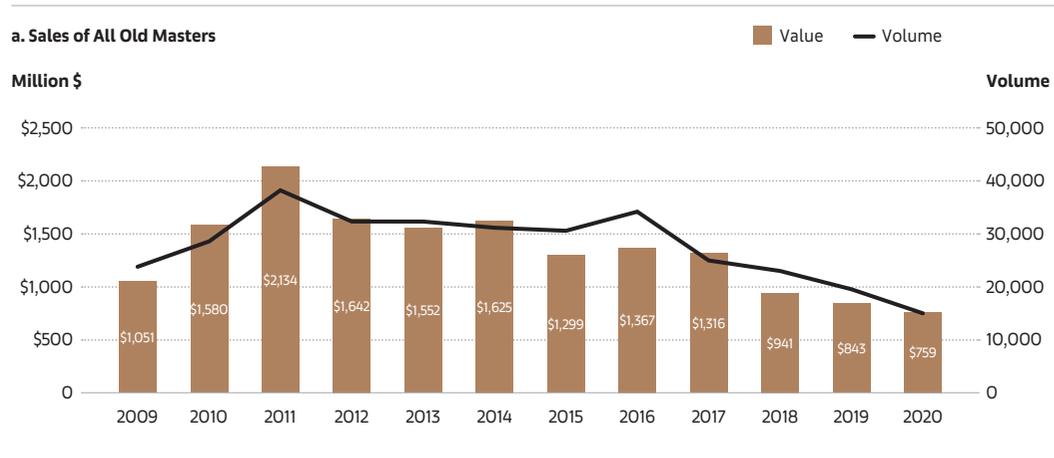
The top five selling artists in this sector in 2020 (Qi Baishi, Huang Binhong, Wu Changshou, Paul Cezanne, and Vincent Van Gogh) accounted for 40% of sales by value. The concentration of this sector is greater than in Post-War and Contemporary, but declined slightly in 2020, with the top 20 artists

accounting for 68% of sales versus 70% in 2019. It has escalated more significantly over time though, from just 17% in 2017.

Sotheby's and Christie's were again the leading auction houses in the sector in 2020 and accounted for half the value of works sold. However, this share was down 18% on 2019 as some of the major auction houses in Mainland China gained ground. Along with China Guardian, Poly Auction, and Bonhams, the top five auction houses accounted for 71% of the value of sales in the sector (down 5% year-on-year).



Figure 3.31 | Old Masters Painting Sales 2009–2020



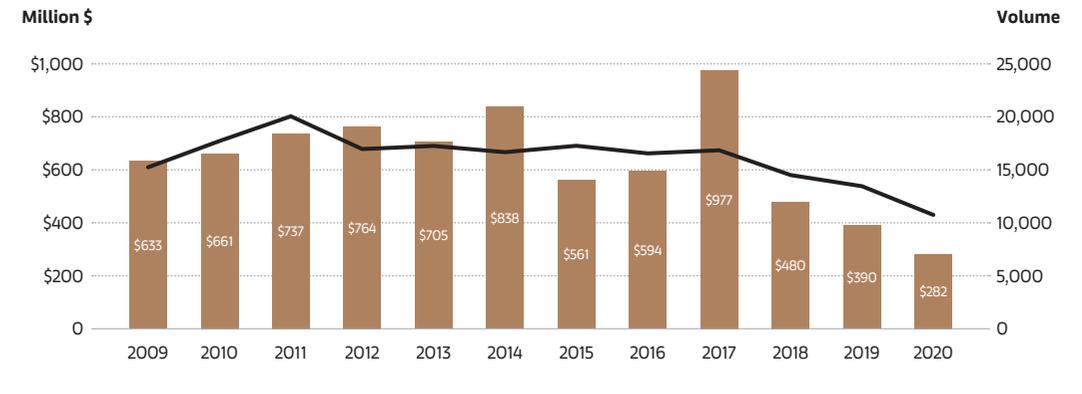
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3.7 | Old Masters and European Old Masters

Old Masters accounted for 9% of the fine art auction market by value in 2020, up 2% year-on-year but remaining the smallest of the fine art sectors. It also had the lowest volume of sales, with a stable year-on-year share of 7% of global volumes. This sector covers works sold by artists of all nationalities born between 1250 and 1820, although the term ‘Old Masters’ is most commonly associated with the works of European artists. The wider Old Masters

market has been influenced by Chinese Old Masters sales in recent years and in 2020, eight out of 10 of the top-selling artists in the sector were Chinese artists. These top-selling artists along with other sales by non-European artists meant that the share of European Old Masters dropped significantly in value, from just under half (46%) of market by value in 2019 to 37% in 2020 (despite still accounting for over 70% of the number of lots sold).

b. Sales of European Old Masters



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Old Masters accounted for 9% of fine art auction sales by value in 2020, up 2% year-on-year but remaining the smallest of the fine art sectors

Sales of all Old Masters works fell more moderately than some of the other fine art sectors, with a decline of 10% year-on-year to \$759 million, while the number of lots sold fell by 23%. The sector peaked in 2011 at \$2.1 billion at the height of the boom in China, but apart from a few outlier sales, has seen fairly stagnant and declining sales since then, and in 2020 reached its lowest level in over 15 years after four consecutive years of declining values and volumes.

Values in the European Old Masters sector also reached their lowest level in more than 15 years in 2020, declining 28% in value from 2019 to \$282 million, while the number of lots sold also dropped 20%. This is the third year of declining sales in this sector, from a peak in 2017 of \$977 million, due to the presence of just one outlier sale, the Leonardo da

European Old Master sales have fallen by over 60% in a decade, primarily due to the very thin supply of high-quality works in circulation

Vinci lot *Salvator Mundi* (c.1500) for \$450 million, without which sales would have actually fallen. This market has fallen in value by over 60% in a decade, primarily due to the very thin supply of high-quality works in circulation, which limits growth despite strong demand. This demand is evident when rare, high-quality works come on to the market, such as the Leonardo Da Vinci sale at Christie's New York in 2017, which can temporarily boost the market. Another more recent example was the sale, in early 2021, of Sandro Botticelli's *Young Man Holding a Roundel* (1480) for \$92.2 million at Sotheby's in New York in January 2021, the second-most-expensive Old Master work ever sold. However, the scarcity of these masterpieces in commercial circulation means that this market remains often at a lower level than other more contemporary sectors.

Greater China was the largest market for sales in the wider Old Masters sector in 2020, with a share of 58%, up 10% on 2019 and accounting for 19% of lots sold. After a strong increase in sales of over 40% in 2018, sales were stagnant in 2019, but ran contrary to trends in other sectors and regions by advancing 10% in 2020 to reach \$441 million, boosted by a small number of very highly priced lots. Sales were still less than half the level of the peak in 2011 when they had reached \$1.1 billion, but have grown to almost 10 times their size since 2005 (\$46 million).

Table 3.2 | Global Market Share: Old Masters Paintings in 2020

Old Masters			European Old Masters		
Market	Share of Value	Share of Volume	Market	Share of Value	Share of Volume
Greater China	58%	19%	US	37%	17%
US	16%	17%	UK	36%	23%
UK	15%	18%	Germany	8%	16%
Germany	3%	12%	France	7%	13%
France	3%	10%	Austria	6%	9%
Others	5%	24%	Others	6%	22%

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As noted above, sales of Chinese artists' works have been an important part of this sector for the last decade, and in 2020, the highest selling artist was Ming Dynasty artist Wu Bin, with sales of \$77 million, and the majority of value from the sale of one lot, the highest price lot of the year *Ten Views of a Lingbi Rock* (1610) selling for a record of \$76.6 million at Poly Auction in Beijing. Ren Renfa's late 1200s/early 1300s work *Five Drunken Princes Returning on Horseback* also sold for \$39.6 million, the second-highest price in the sector at Sotheby's in Hong Kong.

Sales also fell in the US Old Masters auction market by 29% to \$124 million, the lowest level in 15 years. Sales reached a peak in 2017 of \$646 million, an

increase of 162% year-on-year driven solely by the one extremely highly priced Leonardo da Vinci lot (without which sales would have declined by 21%). The US maintained a stable share of global transactions at 17% but its share of value fell by 5% to 16%, making it the second-largest market by value.

The UK fell back to third place in the wider Old Masters sector, with its share by value declining to 15%. Sales fell for a third consecutive year by 26% to \$114 million, their lowest level in 15 years, and less than half the value of sales in 2005. After going against the declining trend in 2019 with a substantial increase of 30% year-on-year, sales in France fell to half their size in 2020 (\$21 million), their lowest level in 15 years and

just 20% of their peak values in 2011. The poor performance of these two major markets meant that EU sales as a whole fell for the fourth consecutive year (by 28% to \$181 million) and its global share dropped to 24% (or 9% without the UK) versus 71% in 2005.

In the European Old Masters sector, sales in all of the major art markets fell year-on-year. The US was the largest market by a small margin from the UK, with 37% of sales by value. Sales in the US fell 29% to \$105 million, with a similar decline of 30% in the UK to \$102 million. The UK accounted for more than half the value of sales in 2014, but has lost share to the US for the last two years, and sales in the UK market have declined by 70% over 10 years (versus a drop of 38% for the US). Both of these largest markets are at their lowest levels in 15 years. The EU accounted for a larger share of this sub-sector of the Old Masters market, with 60% of the value of sales, which was relatively stable year-on-year, but has fallen over time from 80% in 2005. Considered without the UK, the EU accounted for 24% of European Old Masters sales by value.

Many of the higher priced works sold in the wider sector in 2020 were by Chinese Masters, including four of the five top-selling artists (Wu Bin, Ren Renfa, Dong Qichang, Rembrandt Harmenszoon van Rijn, and Qian Weicheng). These artists accounted for 31% of sales

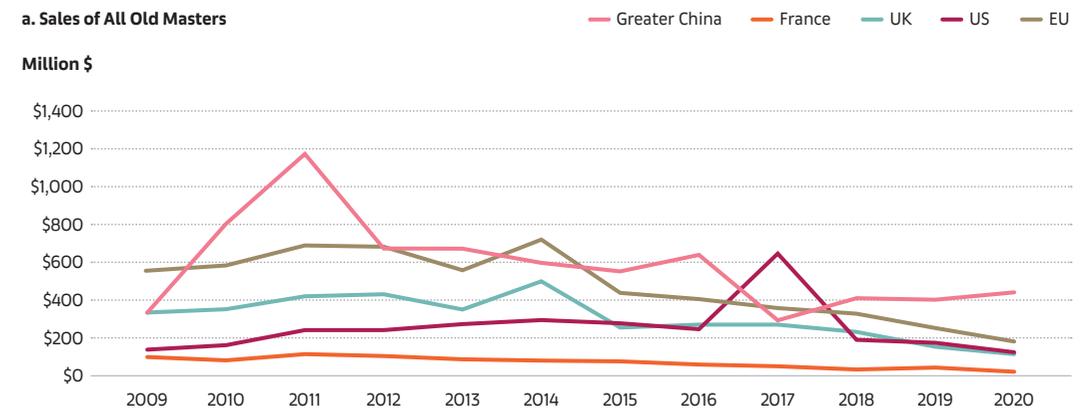
by value and the top 20 accounted for 55%. Again, like some of the other sectors, there was an increase in concentration year-on-year, with the value accounted for by the top 20 increasing in share by 19% on 2019.

This was also the case in the European Old Masters sector, where the top five artists (Rembrandt Harmenszoon van Rijn, Andrea Mantegna, Canaletto, Bernardo Bellotto, and Peter Paul Rubens) accounted for 29%, with 54% of values attributable to sales of the top 20 artists (up 16% from 2019). The top-selling European artist Rembrandt Harmenszoon van Rijn had total sales of \$21.6 million, with most of the value coming from one lot, *Self-Portrait of the Artist, Half-Length, wearing a Ruff and a Black Hat* (1632), the highest priced European Old Masters lot of the year, selling for \$18.8 million under guarantee at Sotheby's in London. Sotheby's sold four of the five top lots of the year, with the second highest in New York, Andrea Mantegna's 15th century drawing entitled *The Triumph of Alexandria* for \$11.6 million.

These high value lots boosted the share of sales in the high end of the market in 2020. In the wider Old Masters sector, works selling for over \$1 million accounted for 54% of the value of sales (in less than 1% of lots sold), up 6% year-on-year. Most of this increase came from the substantial boost to the over \$10 million segment, which accounted for 24% of the value of the market in 2020, the largest segment

Figure 3.32 | Sales in the Old Masters Sector 2009–2020: Key Markets

a. Sales of All Old Masters



b. Sales of European Old Masters

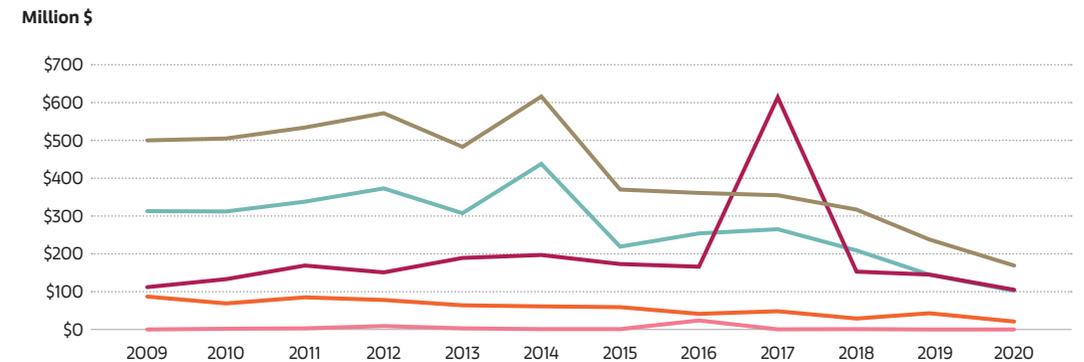
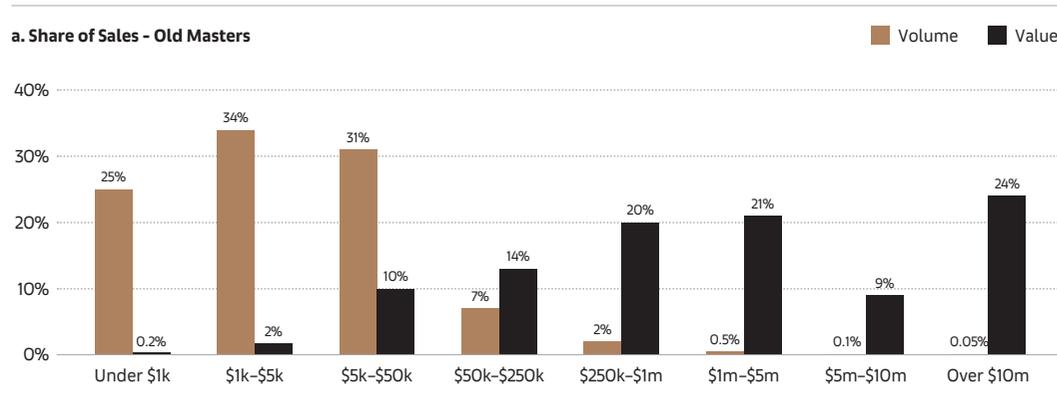


Figure 3.33 | Sales in the Old Masters Sector by Price Bracket in 2019



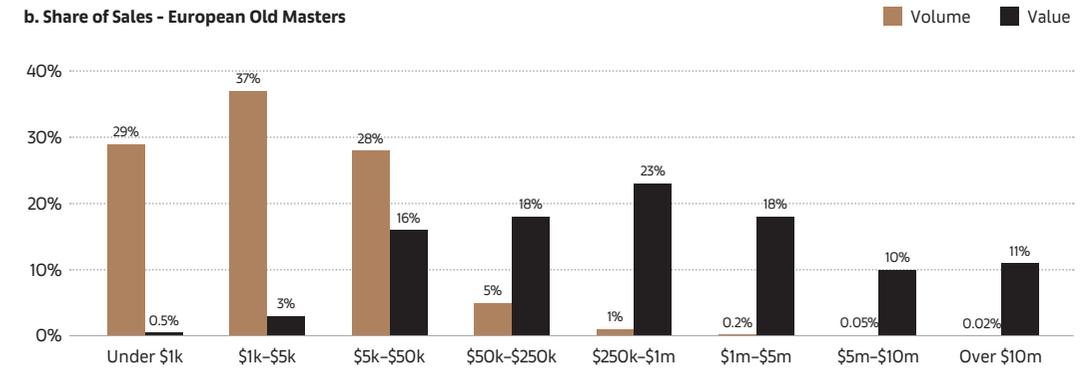
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by value, and up from 10% in 2019. While all other price segments in the sector declined in value, sales in the \$10 million-plus segment doubled year-on-year, despite only a marginal increase in the number of lots sold.

This was not the case in the European Old Masters sector. Although there was a slight increase in share in the \$10 million-plus segment (from 8% of value in 2019 to 11% in 2020), the share of \$1 million-plus works actually declined year-on-year (by 4%) to 39%,

and all segments above and below \$1 million experienced declining sales. The largest segment by value in this sub-sector was those works sold for prices between \$250,000 and \$1 million (23%), although most lots (94%) were sold at prices less than \$50,000.

Sotheby's was the largest auction house by value of sales in the wider Old Masters segment, with a share of 25% of sales. The top five auction houses (Sotheby's, Christie's, Poly Auction, China Guardian, and Yongle



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Auctions) accounted for close to 80% of sales values (up from 71% for the top five in 2019). Sotheby's also led in the European Old Masters sector, and the combined share of Christie's and Sotheby's was at 74% by value. With the other three top-selling auction houses (Lempertz, Dorotheum, and Bonhams), the top five auction houses accounted for 87% of the value of sales and 45% of volume, both relatively stable on 2019.

While all other price segments declined in value, Old Master sales in the \$10 million-plus segment doubled year-on-year

3.8 | Conclusions

2020 was a challenging year for all sectors of the auction market, with the value and volume of sales falling across the board. Unlike other recessions where there was a notable decrease in the share of top-selling lots, in 2020, there were indications of greater concentration around top artists in some sectors, although those that lost share at the top end saw some of the greatest declines in value.

With margins under increasing pressure and the costs of premises and staffing so high, traditional auctioneering and dealing in the middle to lower ends of the market had already become less feasible, moving lower value sales online. This trend escalated in 2020, and most in the sector feel that the future for auctions, apart from those at the high end, will continue to consolidate online.

Online channels were especially successful in reaching new buyers in the auction sector, a trend that spanned both top-tier and second-tier houses in 2020. While this is crucial for maintaining and growing sales, some auction houses have noted that this development is not without challenges: the influx of new bidders who are not used to how auctions operate, the contractual aspects of bidding, and their fee structures can also mean a rise in procedural and legal misunderstandings leading to reduced repeat buying or even defaulting buyers.

The temporary closure of businesses and cancellation of many live auctions meant a significant reduction in the opportunities for sales in 2020 in the public auction sector. This was combined with the fact that some buyers were less engaged with the art market in the face of more immediate business, personal, or health concerns as vendors were cautious, perceiving it as a poor time to sell. As has been the case in the past, the shift from public to private sales reflected risk aversion and uncertainty, with vendors enticed out of the public arena and into the security of private sales, which increased substantially in many of the major auction houses. While this was clearly beneficial to auction businesses, it raises concerns as more sales shift out of public view and the important price transparency that is critical for art valuation becomes more opaque.

At the high end of the market, the auction sector has the advantage of providing transparency as well as the potential for unexpected upside for vendors. While this is a great attraction in buoyant markets, that transparency poses significant risks in market downturns as prices and failures to sell are in the public domain.

Another attraction of the auction sector has been the ability to entice vendors through providing financial assistance. As noted throughout the chapter, many of the most expensive lots sold at auction in 2020,

particularly in the Post-War and Contemporary and Modern sectors, were sold under third-party guarantees. However, these and other practices deployed to secure vendors have, in some cases, significantly eroded margins, forcing some businesses to cut back in other areas and focus on cost-cutting measures. This may be another reason why it is likely that some larger houses could shift more lower end sales online in the future and the focus to live sales and marketing on high-end works.

While the larger houses such as Christie's, Sotheby's, and Phillips openly publish all of their online sales, some other auction houses still persist in the opaque and regressive practice of obscuring online sales results. This has a significant, negative side-effect for the market of obscuring prices in lower priced segments at auction, with this sector still the only publicly available barometer of individual transaction prices that are critical for the valuation of individual works.

Online channels were especially successful in reaching new buyers in the auction sector, a trend that spanned both top-tier and second-tier houses in 2020



Art Fairs



Key Findings

Art Fairs

1. Of 365 global art fairs planned for 2020, 61% were cancelled, 37% held live events, and the remaining 2% of fairs held a hybrid, alternative event.
2. A survey of 138 art fairs revealed that the majority (62%) offered an online viewing room (OVR) or digital version of their fair in 2020.
3. The share of art fair sales from live events declined dramatically in 2020, accounting for just 13% of dealers' total sales, with an additional share of 9% made through art fair OVRs.
4. Art fair costs were reported as the single largest component of total costs for galleries in 2019, accounting for 26% of total operating costs. The significant reduction of live events in 2020 brought this outlay down to just 16%, while the costs of travel were also reduced (from 7% to 4%).

5. Despite the high number of events being cancelled, 41% of high net worth (HNW) collectors surveyed reported that they made a purchase at an art fair in 2020, while 45% reported making one through an art fair's online viewing room.

6. Just under half (48%) of the HNW collectors surveyed said they would be willing to go to a local or international art fair in the first six months of 2021, although 64% would be ready to attend local events. The majority of collectors (68%) reported that they would be happy to attend any fair by the end of Q3 2021, and over 80% into Q4.

4.1 | Art Fairs in 2020

With the majority of major art fairs and other key events cancelled in 2020, the future of art fairs became one of the most debated topics in the art market. Art fairs have become increasingly important to the market over the last 20 years, with an expansion in both the number of events as well as their share of dealers' annual sales. In the gallery sector, fairs have been a central part of the livelihoods of many businesses, providing sales as well as a key point of outreach to new and existing collectors from diverse geographical locations. Along with major auction sales and exhibitions, art fairs have also come to determine the structure and geographical layout of the annual calendar for collectors, as well as acting as the entry point for buyers, providing introductions to artists, galleries, and the art market in general in one central location.

Along with their benefits, art fairs also came with high direct and opportunity costs for dealers. The mass international transit of objects and people to and from events has also been one of the biggest areas of environmental impact generated by the art market. The art fair infrastructure was already under significant pressure in 2019, with cancellations and postponements of some events unrelated to COVID-19, as well as debates over the density of the calendar, the costs of exhibiting and the pressure this puts on smaller and mid-size businesses, the suitability of the art fair context for exhibitions, and

The majority of major art fairs dating from mid-March were cancelled, with a dramatic reduction in sales that were not compensated for by digital alternatives

other concerns. Heading into 2020, these issues had led some dealers to reduce the number of fairs they attended and to consolidate their efforts around the events that provided the best returns or the most international outreach.

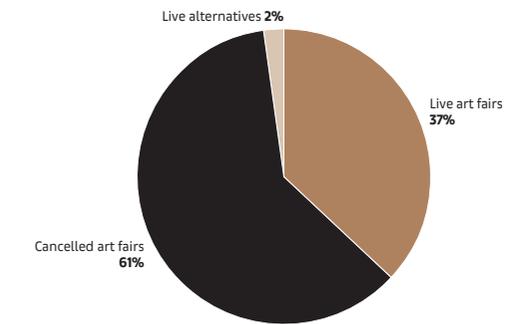
However, the spread of the pandemic over the course of 2020 was an unprecedented shock for the market. The majority of major art fairs dating from mid-March were cancelled during the year, with a dramatic reduction in sales from this channel that were not compensated for by the digital alternatives. While this meant significant losses for many galleries, the involuntary pause in the often frenetic calendar of events also gave these businesses (and collectors) the chance to reflect on the role of art fairs and review how their strategies in this area might evolve in future.

4.2 | Art Fair Calendar and Cancellations in 2020

To assess the changes to the art fair calendar in 2020, a database of 365 art fairs around the world was analyzed, which included most of the major fairs of fine art, decorative art, and antiques, the majority of which had an international element in their programs. This revealed that 61% of global art fairs planned for 2020 were cancelled, and 37% held live events. Of those events that went ahead during the year, one quarter were held on rescheduled dates and the remainder went forward as planned (with many in the first quarter of the year before COVID-19 lockdowns). The remaining 2% of fairs held a hybrid, alternative event such as a smaller, modified live event, an appointment-only fair in another venue, or some other decentralized event held across different locations within a city or region.

While nearly all the cancelled fairs were called off due to COVID-19, there were some forced to close due to other exceptional issues, such as a major explosion in Beirut, which forced the closure of Beirut Art Fair's 2020 September edition, and political protests that led to the cancellation of ART X Lagos November fair in solidarity with the #EndSARS protests against police brutality in Nigeria. However, the majority of events cancelled in 2020 were due to COVID-19-related regulations banning large-scale events, logistical challenges, travel bans that made it necessary and unavoidable for fair organizers to suspend these events, or preventative measures by the fair organizers to protect public health and safety.

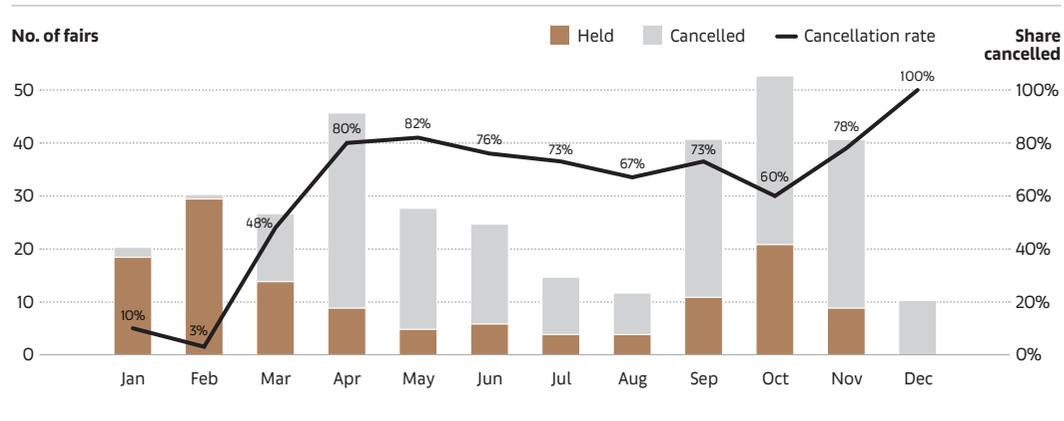
Figure 4.1 | Share of Global Art Fairs (Live Events) Cancelled in 2020 (365 Fairs)



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61% of global art fairs planned for 2020 were cancelled

Figure 4.2 | Fairs Held and Cancelled and Monthly Cancellation Rates in 2020 (365 Fairs)



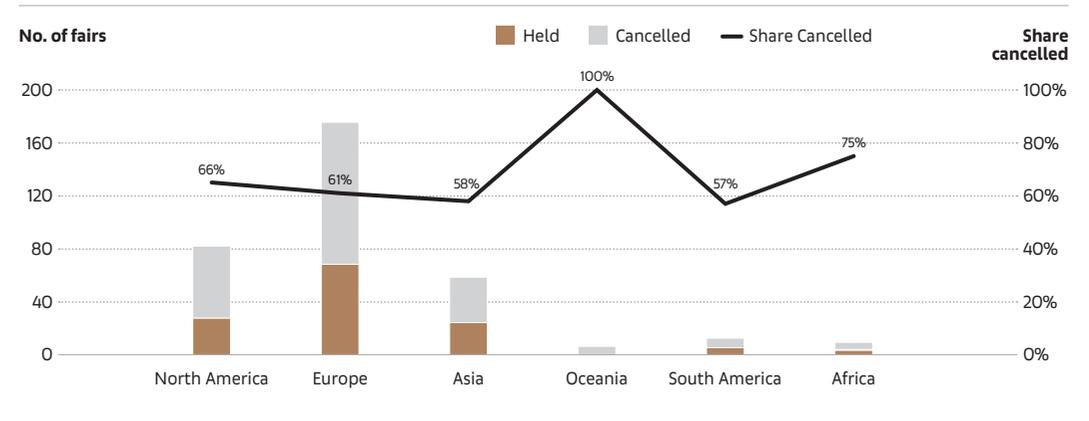
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The cancellation of major fairs related to the pandemic began in March 2020, starting with the cancellation of Art Basel Hong Kong, the largest fair in Asia. While some events were still taking place in March in Europe, notably TEFAF’s Maastricht edition that was subsequently forced to close four days early due to the COVID-19 outbreak, April saw the highest level of absolute cancellations (37 events). While there were less cancellations (and less events scheduled) over the summer months, 30 or more events were also cancelled each month in September, October, and November as second and third waves of COVID-19

hit many regions in Europe and North America. Although only 10 fairs in this sample were scheduled in December, the final month of 2020 had the highest cancellation rate, with all fairs cancelled from their original formats (and six proceeding as online or hybrid events).

There were few regions spared from event cancellations, with more than half of the fairs across all continents cancelled during the year. In Europe, where there were close to 180 events planned for the year, 61% were cancelled, while 66% of the

Figure 4.3 | Fairs Held and Cancelled and Cancellation Rates by Region in 2020 (365 Fairs)

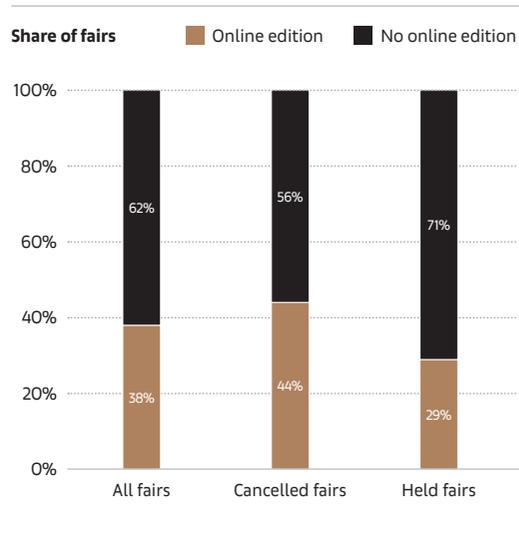


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82 major events in the US did not take place. The lowest cancellation rates were in South America, with eight of the 14 fairs recorded going ahead, while at the other extreme all major fairs were cancelled in Australia and New Zealand. Within Asia, China fared somewhat better than the other major art markets, despite being one of the first to begin cancellations. Several successful fairs were held in the last quarter of the year, including Shanghai’s Westbund and ArtO21 fairs in November, where anecdotal reports from dealers indicated relatively strong sales and high prices despite the logistical complexities

of staging these events. It seems likely that Asia will also lead the timeline of live events in 2021, and many dealers felt that they might be the only fairs that go ahead until the second half of the year. Even within Asia, major events have been postponed at the outset of 2021, with Art Basel Hong Kong rescheduled to May and Taipei Dangdai postponed to July. At the time of publication, many foreign travel restrictions are still in place, meaning that many of these events may be limited to regionally-based collectors and exhibitors.

Figure 4.4 | Share of Art Fairs Holding Online Editions in 2020 (365 Fairs)

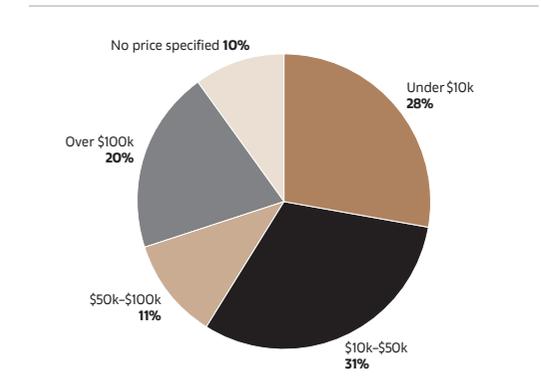


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Across all fairs,
38% offered OVRs or some form
of virtual fair in 2020

Although the majority of live events were cancelled during the year, many art fairs held online alternatives. Prior to 2020, some of the major art fairs had already launched online viewing rooms (OVRs) to coincide with their physical, live editions. Across all of the 365 fairs, 38% offered OVRs or some form of virtual fair in 2020. The rate was higher (at 44%) for those whose events were cancelled, while 56% of the fairs that cancelled their live events in 2020 chose not to hold an online alternative. It is notable that of those fairs that managed to hold live events, 29% also had OVRs to coincide with the fairs. Some fairs also advanced other online initiatives that were not tied to their live events. Art Basel launched two stand-alone digital events: OVR:2020 (held in September and focusing on works created in 2020) and OVR:20c (in October, featuring works created in the 20th century). Each edition had 100 galleries and ran for four days, with exhibitors charged a flat fee for participation.

Figure 4.5 | Share of Enquiries at Online-Only Artsy-Hosted Fairs (69 Fairs)



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While some fairs created their own digital initiatives, others partnered with external platforms to realize online events. Artsy partnered with 69 fairs and events in 2020, including running online-only events for fairs such as Art Cologne, Photo London, the International Fine Print Dealers Association annual print fair, and Masterpiece London. Artsy reported that these 69 events generated over three million page views, over 300,000 unique visitors, and 24,000 purchase enquiries on artworks posted, all their highest ever levels for their art fair online partnerships.³⁸ Figure 4.5 shows the breakdown by price level of the enquiries made across all 69 fairs. 90% of these were on works that had a price or price range specified, underlining the importance of price transparency for galleries participating in fairs on Artsy. Of those with prices, just under half (46%) of the enquiries were for works posted with prices less than \$25,000, although demand was relatively well distributed, with 20% related to works in excess of \$100,000.

90% of enquiries at art fairs on Artsy
were on works that had a price specified, underlining
the importance of price transparency

³⁸ Information thanks to Artsy, 2021. Artsy began organizing online art fairs in 2012, having organized over 475 fairs since that date.

4.3 | Art Fair Survey 2020

To investigate the impact of the pandemic on fairs further, Arts Economics also directly surveyed a sample of large and mid-level fairs in late 2020 with a short series of questions on their status, generating responses from 138 fairs. From this sample, 37% of the events took place as scheduled, and 7% took place but at an alternative date. For those fairs that held events in 2020, exhibitor numbers were relatively stable, only dropping by 4% on average, with a majority (58%) of galleries taking part being local to the location or market where the fair took place. Just over 40% of those fairs held in 2020 had more than 70% local galleries. Visitor numbers were down significantly for many respondents, with a decline of 30% on average. While the majority of fairs saw declining visitor numbers, 28% increased, with nearly all of these taking place in the first quarter of the year prior to the initial pandemic lockdowns.

The significantly higher share of these fairs (62%) offered an OVR or digital version of their fair in 2020. Most fairs offered some alternative to their online event at or around the scheduled time of the event, with fairs such as Art Basel also offering additional OVRs outside of these periods. While some fairs did not offer OVRs at the time of their events in 2020, nearly all will offer online options or viewing rooms in 2021.

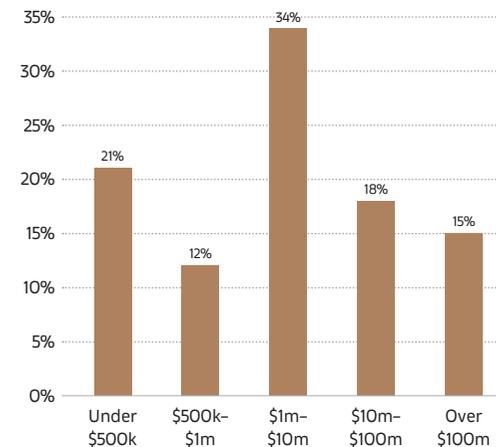
Most of the replacement OVRs were made available for free to exhibitors, although some fairs started charging exhibitors for their online-only events as 2020 progressed. Art Basel's art fair OVRs were free to exhibitors in the first half of the year, however, the two alternative online-only events were subject to a uniform exhibitor fee (of CHF 5,000 or around \$5,500), as was the Art Basel Miami Beach OVR in December (of CHF 3,000/\$3,300 or CHF 6,000/\$6,600 depending on the section). Similarly, the online-only event run by Frieze in September also charged exhibitors between \$1,915 and \$6,250 to exhibit, while their May online event was run without charges.

In 2020, visitors to fair OVRs averaged 100,000 per event, while the average number of exhibitors was 83 (ranging from 30 to 300 in the sample). These OVRs also had a significantly more international dimension than the live events, with just 47% 'local' exhibitors, that is exhibitors from the location or market where the fair was organized or their offline event usually held.

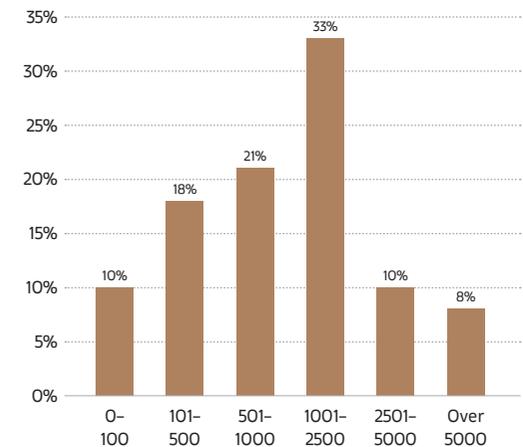
Although it is difficult to make meaningful comparisons given the vastly different nature of the programs of fairs in the sample, the aggregate value of works offered on these OVRs ranged from \$100,000 to over \$550 million per event. One third of the respondents reported that the total value of works offered on their OVRs were less than \$1 million, while 15% had

Figure 4.6 | Share of Works Offered on Art Fair OVRs in 2020 (138 Fairs)

a. Share of Total Value of Works for Sale



b. Share of Total Number of Works for Sale

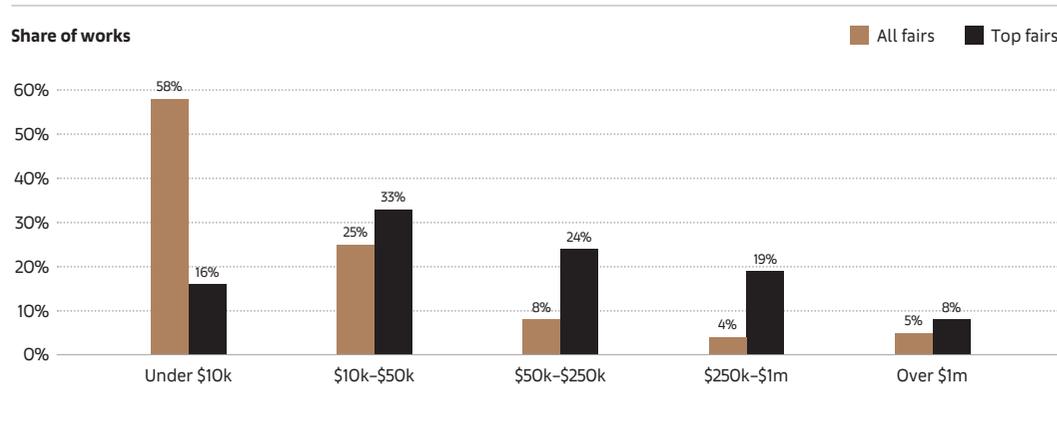


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works in excess of \$100 million for sale. The largest segment was in the range from \$1 million to \$10 million. The number of works on offer also varied considerably from less than 20 to 5,500. The average was just over 1,500 works for sale and a third of the sample had between 1,000 and 2,500 works.

Visitors to art fair OVRs in 2020 averaged 100,000 per event

Figure 4.7 | Share of Works Offered on Art Fair OVRs by Price Segment



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83% of works offered on OVRs were for prices less than \$50,000, and only 5% for over \$1 million

Most fairs (71%) required that galleries listed prices or price ranges on their OVRs. In the 29% that did not have that stipulation, 20% of works on offer were listed without prices. Figure 4.7 sets out the share of works offered on art fair OVRs by price range for all fairs in the sample and a smaller selection of top fairs.³⁹ Across all fairs, the majority (83%) of works offered on OVRs were for prices less than \$50,000, and only 5% for over \$1 million. Even for top fairs, only 8% of works were offered at prices over \$1 million, and the majority (57%) were in the range from \$10,000 to \$250,000.

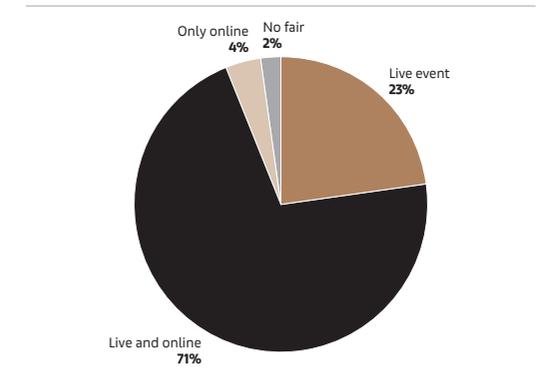
³⁹ Price ranges for top fairs are based only on those supplied or analysed directly from Art Basel, Frieze, and TEFAF.

Works with prices generated 92% of all enquiries, demonstrating the importance of visible pricing in connecting with collectors

Fairs reported that 70% of the queries from visitors to the OVR were for works priced at \$50,000 or less, and 14% for those priced over \$100,000. Works with prices generated 92% of all enquiries, demonstrating the importance of visible pricing in connecting with collectors.

Looking forward to 2021, although the future art fair calendar is still subject to a number of uncertainties, most fairs (94%) hope to hold a live event in 2021, and the majority of those will run both live and online versions of their fairs. A small number of fairs have planned to solely run online-only events, and 2% reported that they would have no fair at all in 2021. None reported specifically that they were permanently closing, but it is likely that the number of fairs may diminish in future, or that some will adjust their size and composition, as galleries revisit their strategies and focus in the coming years.

Figure 4.8 | Art Fairs' Future Plans for Live and Online Events in 2021



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Although the future art fair calendar is still subject to a number of uncertainties, most fairs hope to hold a live event in 2021

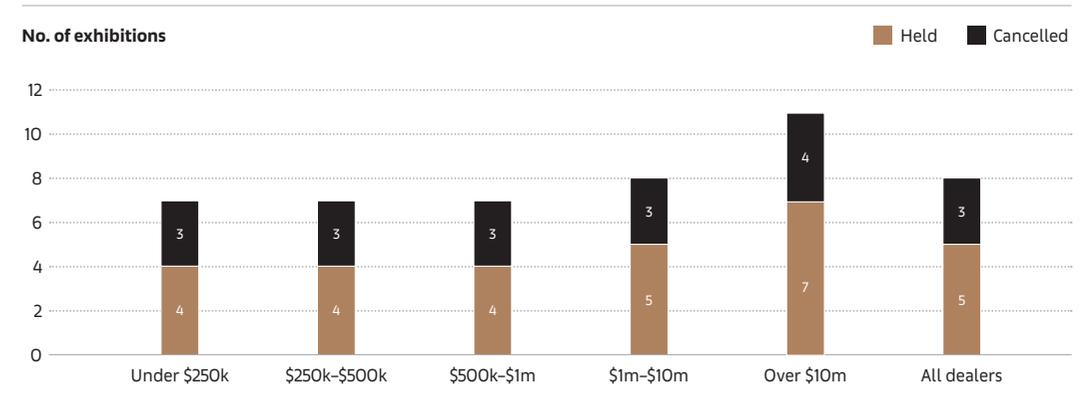
4.4 | Impact on Gallery Exhibitions in 2020

The cancellation of art fair participation by galleries was part of a general retreat from live and in-person exhibitions and events, including those taking place in galleries and other institutions. Due to the various restrictions imposed in most countries in response to the COVID-19 pandemic, most dealers (93% of those surveyed by Arts Economics at the end of 2020) had to close their premises for a period of the year (with an average closure period of three months). This resulted in the cancellation or postponing of exhibitions, as well as the alteration of gallery operations once businesses reopened (as discussed in Chapter 2). Most of the collectors that would have attended exhibitions were also restricted from travelling and were subject to varying lockdown measures that prevented them attending in-person exhibitions. As these were lifted or reduced throughout the year, the circulation of foot traffic at galleries and cultural institutions was slow to revive in many places as restrictions on capacity were maintained alongside risk-averse and safety-conscious consumers who remained cautious and adapted their behaviors.

Dealers surveyed in 2020 reported that in the previous year (2019), they had held an average of seven exhibitions, ranging from six for smaller businesses with turnover less than \$250,000 to nine for those with sales in excess of \$10 million. At the start of 2020, dealers had a similar or more ambitious number of exhibitions planned (with an average of eight), but close to 40% of these were cancelled during the year due primarily to the COVID-19 pandemic. On average, dealers went from their eight planned exhibitions at the start of 2020 to a revised program of five.

The average number of exhibitions cancelled ranged from three, up to four on average for the largest galleries with turnover in excess of \$10 million. This average was also fairly consistent between regions, with a slightly higher average in South America (four exhibitions cancelled) and Oceania (five).

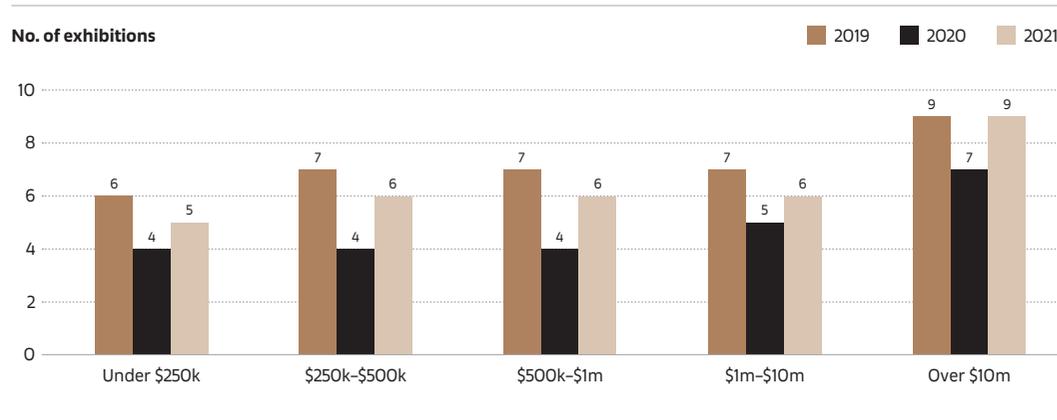
Figure 4.9 | Average Number of Gallery Exhibitions in 2020



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40% of dealers' planned exhibitions were cancelled in 2020 due primarily to the COVID-19 pandemic

Figure 4.10 | Average Number of Gallery Exhibitions in 2019, 2020, and Planned in 2021



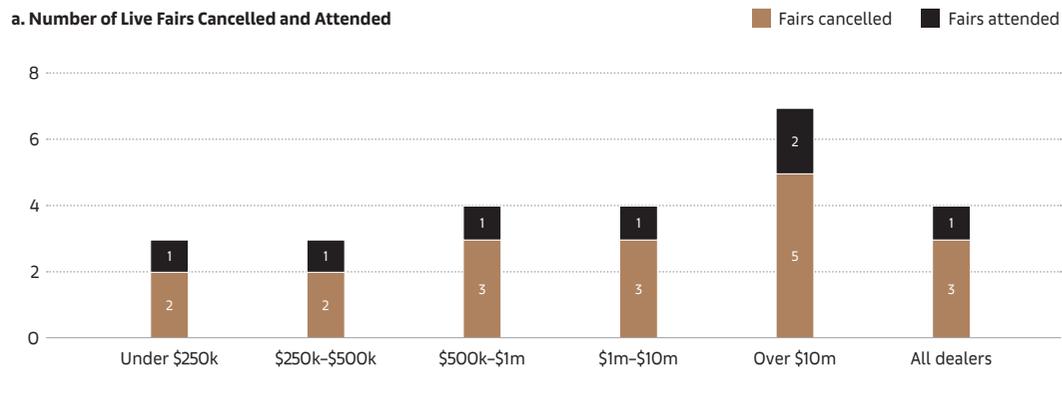
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Looking ahead to 2021, the impact of the pandemic on future exhibition programs appears to be relatively modest but sustained. Although many galleries had reopened by the end of 2020, most planned to hold slightly fewer exhibitions in 2021 than they had in 2019, with the average dropping from seven to six. While the rollout of vaccinations began in most regions in early 2021, exhibition programs for at least the first half of the year are likely to be subject to the prospect of further government-imposed lockdowns and other restrictions on capacity as future waves of the virus and its variants continue to be contained. It is likely also to be the case that the pandemic and

its ensuing financial crisis has necessitated a stronger focus of cost-cutting by galleries, with some galleries noting that they would be eliminating some exhibitions in an attempt to concentrate resources on key artists and shows that they believe will deliver the best results in 2021, or are the most crucial to their programs. Some also predicted that there will be continued vigilance towards restricting physical interaction and plan to alter the way exhibitions are held, limiting capacity, continuing to rely on viewing by appointment, restricting or cancelling opening nights, and using soft launches.

Some dealers plan to alter the way exhibitions are held, limiting capacity, continuing to rely on viewing by appointment, restricting or cancelling opening nights, and using soft launches

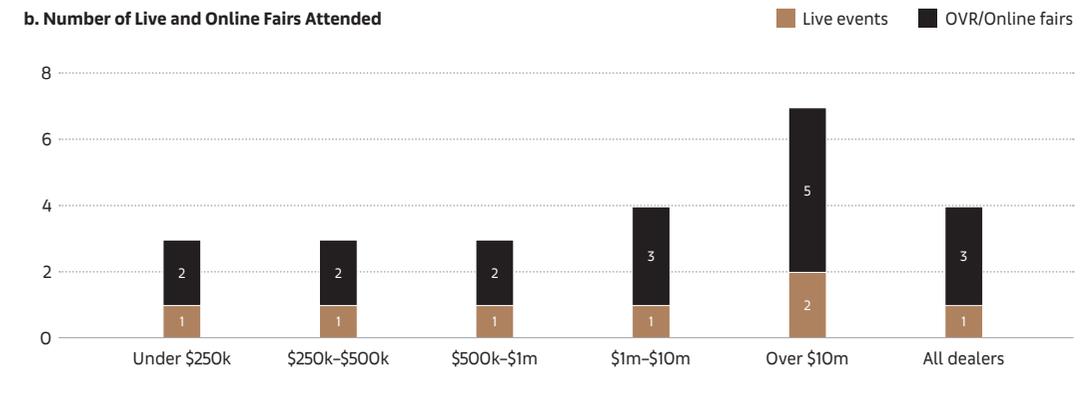
Figure 4.11 | Average Number of Art Fairs in 2020



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Given the widespread cancellation of events, the number of art fairs dealers exhibited at was also reduced in 2020. Dealers reported that they had exhibited at an average of four fairs in the previous year (2019), ranging from two for the smallest businesses with turnover less than \$250,000 to six for those with sales in excess of \$10 million. Most dealers had planned to exhibit at the same number of fairs in 2020, but the majority were cancelled (three out of the four planned events on average).

The largest number of cancellations were for dealers with a higher level of turnover, having started the year with more planned events. Dealers with turnover in excess of \$10 million reported that they had planned to exhibit at seven fairs in 2020, but five of these were cancelled. The cancellations meant that galleries of different turnover levels were much more on par for the year, with most exhibiting at only one or two live events regardless of their size. The cancellation rate was also fairly consistent between regions, and none reported a cancellation rate of less than 50%. Galleries in Asia, managed to exhibit at a higher number of live events during



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the year (averaging two live events versus one for most other regions). Although fairs throughout China were among the first cancelled at the beginning of 2020, there were several successful fairs in Shanghai, Shenzhen, and other cities in Mainland China in the second half of the year where dealers noted anecdotally that they had made strong sales, with *'buyers obviously craving the physical experience of the art fair'*.

The number of fairs presented in Figure 4.11a pertains only to in-person or live events during 2020. As noted above, as these events were cancelled, many fairs offered online alternatives or OVRs. Although these

were not entirely new in 2020, they rapidly escalated in number during the COVID-19 pandemic, with fairs offering platforms tied to the schedule of cancelled events or independently. Dealers reported that they exhibited at three art fair OVRs on average (independent of those that were run concurrently with a live, uncanceled event), with larger galleries with turnover greater than \$10 million averaging five.

While OVRs made up for the loss of cancelled events, dealers' views were mixed regarding their success. Most felt that although they were of some benefit during the exceptional circumstances of 2020, OVRs could not rival live events in terms of sales, outreach to clients, or their effectiveness at bringing new artists or other offerings to the market.

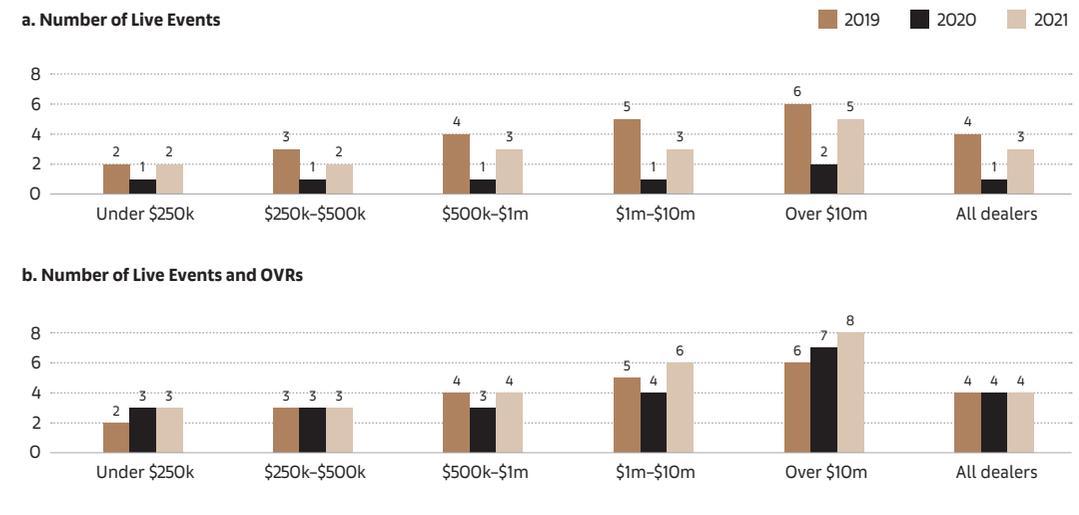
'...Online art fairs have been very disappointing for many dealers with small exceptions. Virtual fairgoers have major fatigue already, and we find that, moreover, even some serious collectors and artworld professionals are simply too distracted to visit the virtual fairs with the same level of focus and determination to make purchases as in non-COVID times. We have found that those who visit fairs online do not visit many of the booths, they just stick to the few they know and are comfortable with. That has not been a great way to meet new people...'

The main drawbacks noted by galleries were the more obvious issues related to the lack of physical exhibition of works and the social aspect of live events, while some also noted that OVRs did not create any 'urge to purchase' or impulse buying as might be the case with live events. The lack of 'casual introductions' and interactivity with other galleries also made them a less effective forum to share new clients between businesses. Some dealers also commented that OVRs were more suited to professional clients such as art advisors than selling directly to private clients. (OVRs are discussed in more detail in Chapter 5.)

It is notable that there is evidence of a potential knock-on effect of the pandemic for art fair participation in 2021. As was the case with gallery exhibitions, dealers reported that they plan to reduce the number of fairs they will exhibit at in 2021, with the average dropping to three fairs (from four in 2019). The biggest decline was for galleries with turnover between \$1 million and \$10 million (from five to three), while galleries with sales less than \$250,000 were the only ones planning to keep their attendance more stable, but at only two fairs. Anecdotally, dealers noted that they had already been scrutinizing the effectiveness of fairs prior to 2020, and that this had now come under more intensive review, resulting in changes to their strategies in future. Some dealers at the highest end noted that some of the key galleries that were relied on to be mainstays at certain fairs would now be looking very critically at how many fairs they really need to do and which ones, particularly as the shadow over the willingness to travel lingered. The possibility of lower-cost online alternatives to fairs was also appealing for some galleries. However, many dealers felt that the platforms currently offered needed to improve in terms of layout, ease, and enjoyment of use before they would appeal to more collectors and therefore become more attractive to exhibit at.

Some dealers saw a positive element to a potential reduction in the number of fairs and their capacity, with larger international events possibly becoming more exclusive with less crowds, dinners, and

Figure 4.12 | Average Number of Art Fairs Attended/Planned in 2019, 2020, and 2021



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adjacent sponsored events, while also increasing the sophistication of the online offering for non-attendees. Many dealers also felt that some smaller, local art fairs within strong markets would also flourish, which would provide important opportunities for smaller and mid-sized galleries.

'...Local, more organic fairs could be an important avenue for smaller galleries to introduce new collectors to the art market and the gallery system. Although most new collectors attend large global events, some of the smaller, more hand-held ones might be more

appealing in reality and provide a better, more meaningful introduction to collecting ...'

Despite mixed feelings over the success of art fair OVRs to date, these digital initiatives appear to have had a lasting impact on future plans, with dealers planning to exhibit at at least one OVR in 2021 on average, and up to three for those dealers with turnover greater than \$10 million. When these are added to live events, galleries' plans for fair attendance on- and offline in 2021 is stable on the number of fairs in 2019.

The cancellation of fairs also meant that galleries' sales via art fairs were significantly reduced in 2020 compared to 2019. The dealers surveyed in 2020 reported on their sales via various sales channels in 2019 versus 2020, based on the following choices:⁴⁰

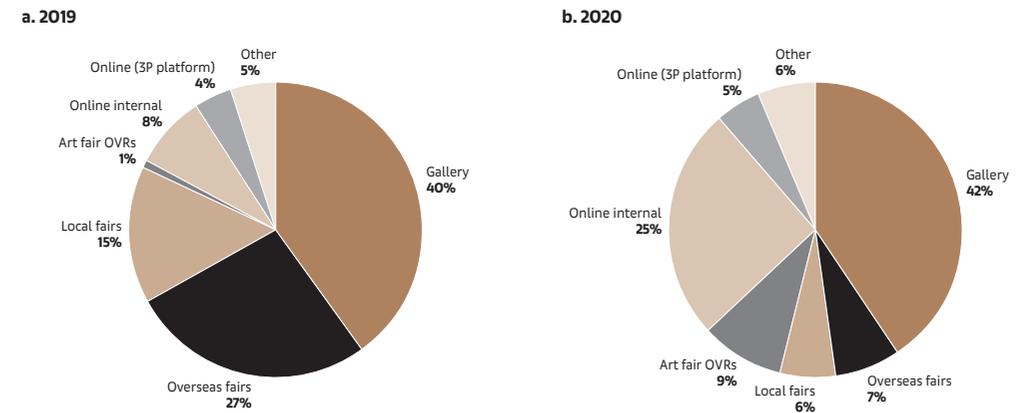
- Gallery sales, transactions that were from or facilitated by a visit to their gallery or premises;
- Overseas fairs, sales made at or directly connected to live events, art fairs outside of the reporting galleries' primary country of business;
- Local fairs, sales made at or directly connected to live events, art fairs within the reporting galleries' primary country of business;
- Art fair OVRs, sales carried out or originating from a fair's online viewing rooms or other online fair platform;

- Online internal, sales carried out entirely online via the dealers' website, social media channels, online viewing room, or email;
- Online, other third party, carried out entirely online facilitated by a third-party company or platform ('3P platform'); and
- Other (including sales carried out privately, through phone calls or any other channels).

In 2019, art fair sales accounted for 43% of sales made by dealers (42% from live events and 1% from art fair OVRs), which exceeded sales categorized as taking place in their gallery premises. The share of art fair sales from live events declined dramatically in 2020 to just 13% of dealers' total sales, with an additional 9% made through art fair OVRs (and an equally notable rise in online sales).

The cancellation of fairs meant that galleries' sales via art fairs were significantly reduced in 2020 compared to 2019

Figure 4.13 | Share of Dealer Sales by Value by Sales Channel (Turnover-Weighted)

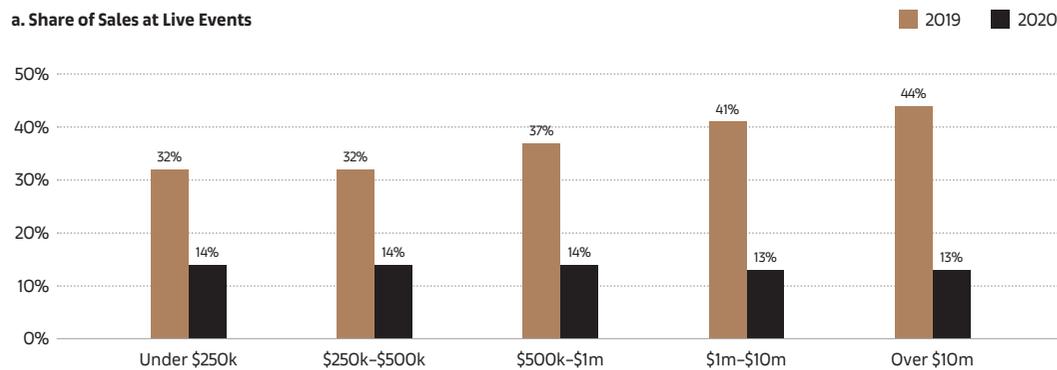


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The share of art fair sales declined dramatically in 2020, accounting for just 13% of total dealer sales, with an additional 9% made through art fair OVRs

⁴⁰ Based on feedback from dealers, respondents were offered different, more detailed (and more) choices of sales channels in the 2020 survey than those in previous years. Comparisons for 2019 are therefore based on information provided by dealers surveyed in 2020. The share of sales at fairs is measured as the average share of total sales, weighted by each gallery's sales turnover.

Figure 4.14 | Share of Art Fair Sales by Dealers in 2019 versus 2020



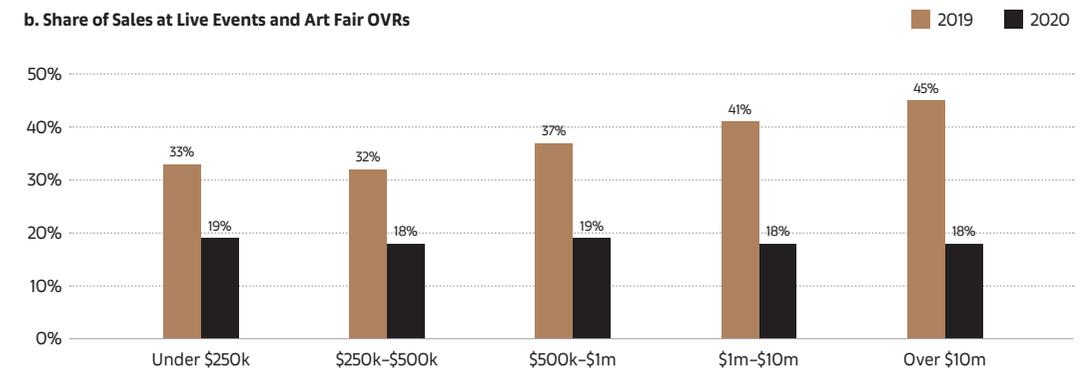
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Figure 4.14 shows the weighted-average share of sales undertaken at fairs by different levels of gallery turnover. This figure indicates that the biggest declines in share were at the highest end of the sector. Dealers with turnover in excess of \$10 million reported the largest decline in art fair sales, with their share falling by a significant margin of 31%.

Estimates for fair sales based on the reported data from previous surveys in recent years indicated that fair sales could have accounted for up to \$16.6 billion in 2019. Some of these sales were made in advance of the fair (15%), and others after the event but in connection to their participation (21%), with 64% (or \$10.6 billion) estimated as sales at art

fair events themselves. Given the turnover-weighted shares outlined above, the total art fair sales in 2020, including art fair OVRs, would not have surpassed a maximum of \$6 billion, a substantial reduction on previous years.

Although the reduction of sales at fairs resulted in a significant financial loss for many galleries, as discussed in Chapter 2, some businesses noted that by reducing the costs associated with travel and exhibiting at fairs, they were able to maintain more stable profits despite the drop in sales. Art fair costs were reported in the survey as the single largest component of total costs for galleries, accounting for 26% on average in 2019, which was a higher share



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than both payroll and rent. The significant reduction in attendance at live events in 2020 brought this outlay down to just 16%, and the costs of travel were also reduced (from 7% to 4%). Chapter 7 discusses spending on art fairs and travel by dealers in 2020 in more detail, showing a dramatic drop in spending of 66% on art fairs by the dealer sector as a whole (from \$4.6 billion in 2019 to an estimated \$1.6 billion in 2020), while work-related travel expenditure also declined by 50%. For some businesses, this helped to compensate for the reduction in sales as other costs remained relatively stable.

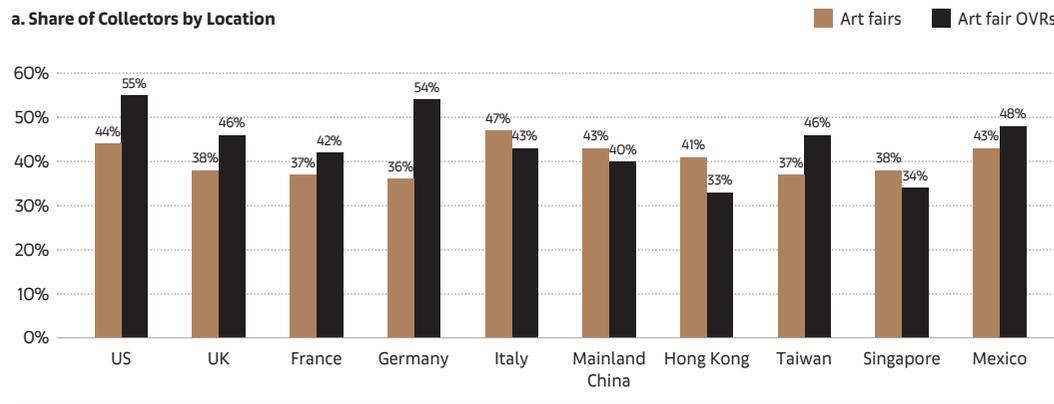
'...While our sales were lower in 2020, we were able to maintain profits by reducing costs. A very large part

of our costs were attributable to art fairs, and some were not that useful from an economic point of view, especially for smaller galleries. In addition, we have many ecological concerns regarding international trade fair participation. The whole field of art fairs needs to be rethought...

'...The profits we made from art fair sales in previous years were offset to a large degree by overhead costs. While we lost sales in 2020, the reduction in costs meant stable net revenues. Art fairs are a necessary exposure and experience for the gallery so we will do more – but selected wisely – and only as soon as we are allowed to safely travel internationally...'

Figure 4.15 | Share of HNW Collectors Purchasing from Art Fairs in 2020

a. Share of Collectors by Location



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4.5 | Art Fairs and HNW Collectors

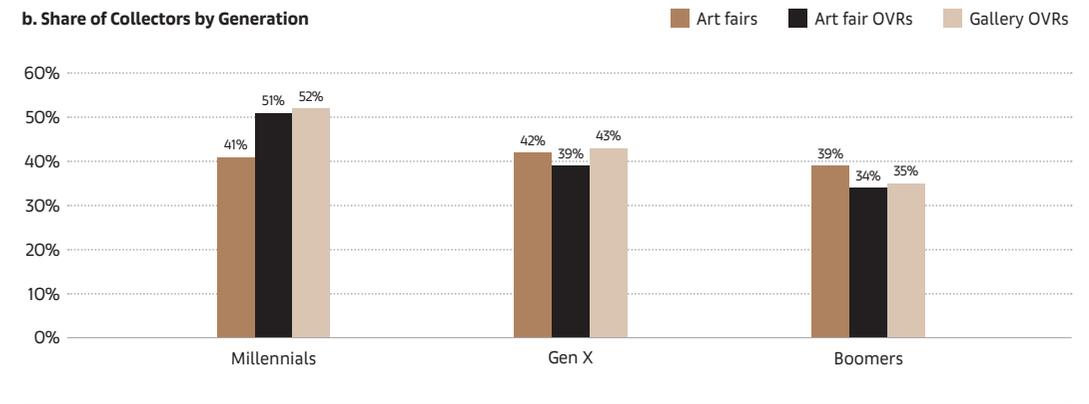
Research among collectors in the global art market has revealed the busy schedules of many high net worth collectors centered on exhibitions, art fairs, auctions, and other associated events around the world. The cancellation of many art fairs significantly impacted this schedule in 2020, and the COVID-19 pandemic reduced both their ability and willingness to attend exhibitions and sales of many kinds during the year.

A survey of 2,569 HNW active collectors by Arts Economics in association with UBS Investor Watch in 2020 across 10 regional art markets in the Americas, Europe, and Asia revealed insights into the changes

in their behavior in terms of art fair and exhibition attendance in 2020. It also offered insights into the willingness of collectors to reenter their old patterns of attendance and schedules in 2021 and beyond. (The results of the collector survey are outlined in detail in Chapter 6.)

HNW collectors reported that art fairs were their third most commonly used channel for purchasing in 2020 (next to galleries and auctions). Despite the high number of events being cancelled, 41% of HNW collectors over all of the regions surveyed reported making a purchase at an art fair in 2020, while 45% reported making one through an art fair OVR. The highest rate of use of art fair OVRs was by collectors

b. Share of Collectors by Generation



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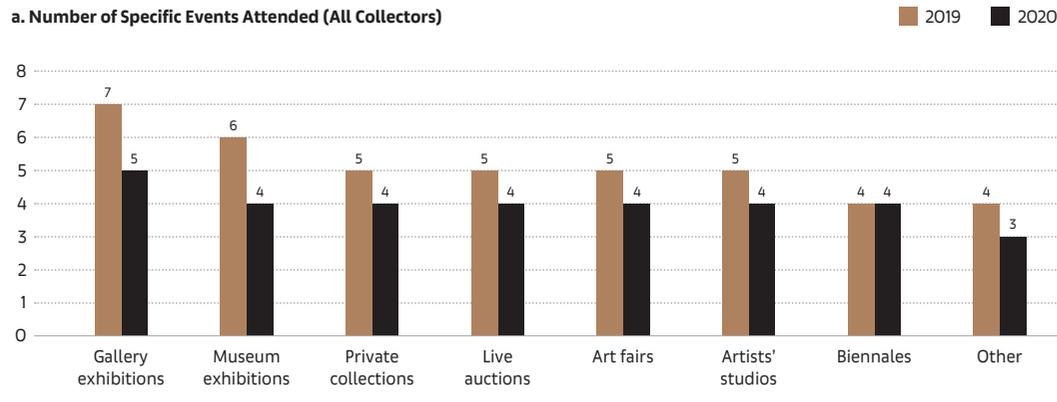
in the US and Germany, where over half the sample in each region had purchased from an OVR in 2020. The lowest take-up was in Singapore and Hong Kong, with around one third of respondents buying at an OVR.

While there was little difference in purchasing at live events between generations, millennial collectors were more likely to have used OVRs during the year. However, this trend was not unique to art fairs and also held for gallery OVRs, which were also used more by millennials than their older collecting counterparts. Purchasing at art fair OVRs was also positively related to wealth levels and length of time collecting, with 55% of those collecting more than 20 years having purchased from an art fair OVR

versus 35% of new collectors that had only been active in the market for less than two years.

Art fairs were ranked in third place behind galleries and auctions in terms of collectors' preferences for purchasing art in 2020. Despite a relatively high level of use, just 14% of HNW collectors across all regions chose art fairs as their most preferred channel for purchasing, and 66% of those opted for live events rather than OVRs. Mainland China and Taiwan had the largest share of collectors preferring art fairs (at 19% and 21% respectively), with the lowest share of preferences from HNW collectors in Italy (9%).

Figure 4.16 | Exhibitions and Events Attended by HNW Collectors in 2019 versus 2020

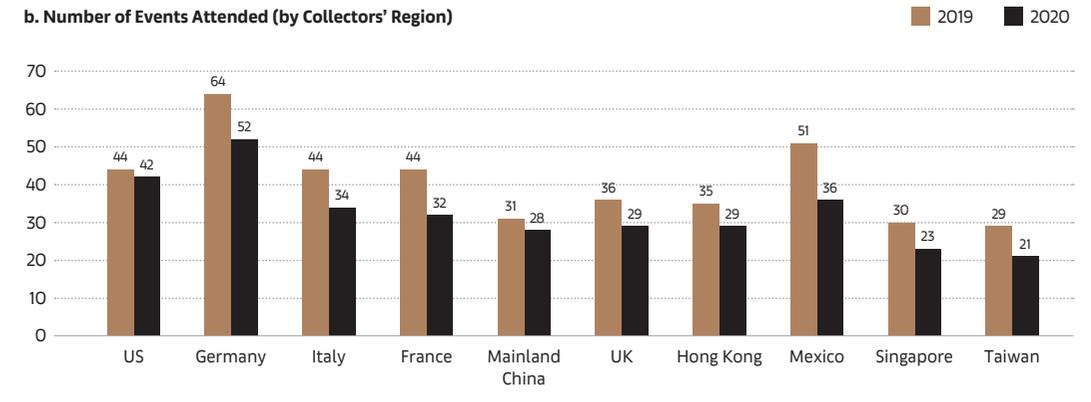


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The survey of HNW collectors revealed their high level of engagement within the event-driven art market. Collectors reported attending an average of 41 art-related events in 2019, including seven gallery exhibitions and five art fairs.⁴¹ The survey also showed a high level of engagement in the non-commercial art sector, with museum exhibitions averaging the highest number of events at 11, including six visits to public museums and five to private collections. There was a tendency across all events for collectors to have attended a larger

number of local events (57%) than those overseas. HNW collectors in Germany went to the most events overall, 64 in total, including 11 art fairs. There was also a high average of 44 in Italy, France, and the US, including six art fairs for European-based collectors and five for those in the US. Collectors from Asia had lower event attendance (with the lowest overall by collectors in Taiwan at 29 events), and averaging four fairs each across Asia. Although the youngest Gen Z collectors were by far the most active, averaging up to 80 events in 2019, in the three main generational

⁴¹ 22 respondents were removed when determining all event-based figures that reported attending over 600 events in either 2019 or 2020.



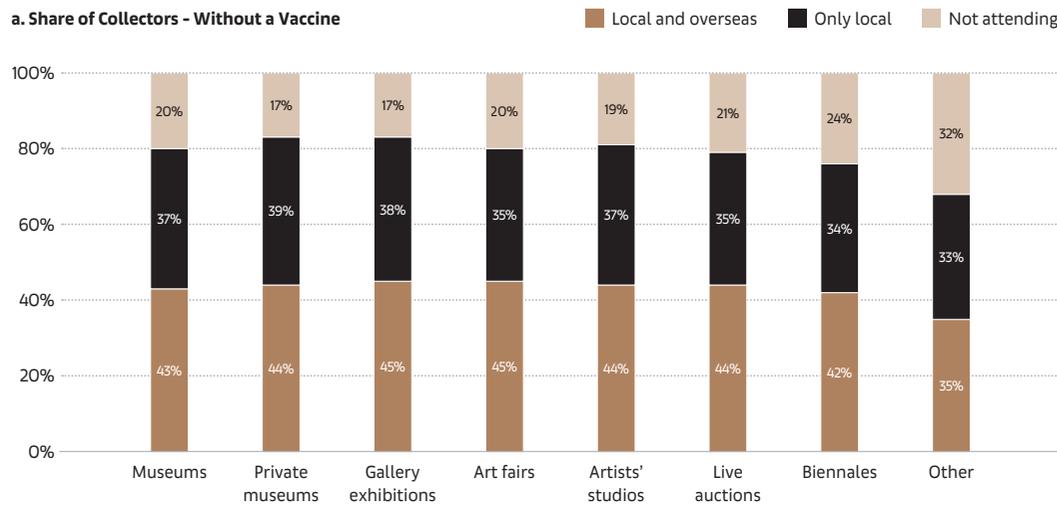
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segments in the survey, Boomers went to the most events in 2019 (45, including six art fairs) ahead of both millennials (44) and Gen X collectors (33).

The COVID-19 pandemic significantly affected attendance in 2020, reducing both willingness and opportunities for collectors to go to exhibitions, with a reduction to 33 events in total. All regions saw a fall in the number of events, but these ranged from a drop of just two events by US collectors to a much greater pullback of 15 by those in Mexico and 12 by collectors in France and Germany. Most regions

saw a drop in art fairs attended, although collectors attended just one less on average. Notably again, although Boomers went to six less events in 2020 (averaging 39), they were still ahead of both millennials (34) and Gen X collectors (25). Overall, the predicted shift to a greater focus on local events as an outcome of the COVID-19 pandemic was not yet strongly evident in this sample, with the share of local exhibitions decreasing slightly to 52%, although gallery exhibitions did increase their local share (to 60%).

Figure 4.17 | Planned Attendance at Local and International Events in 2021

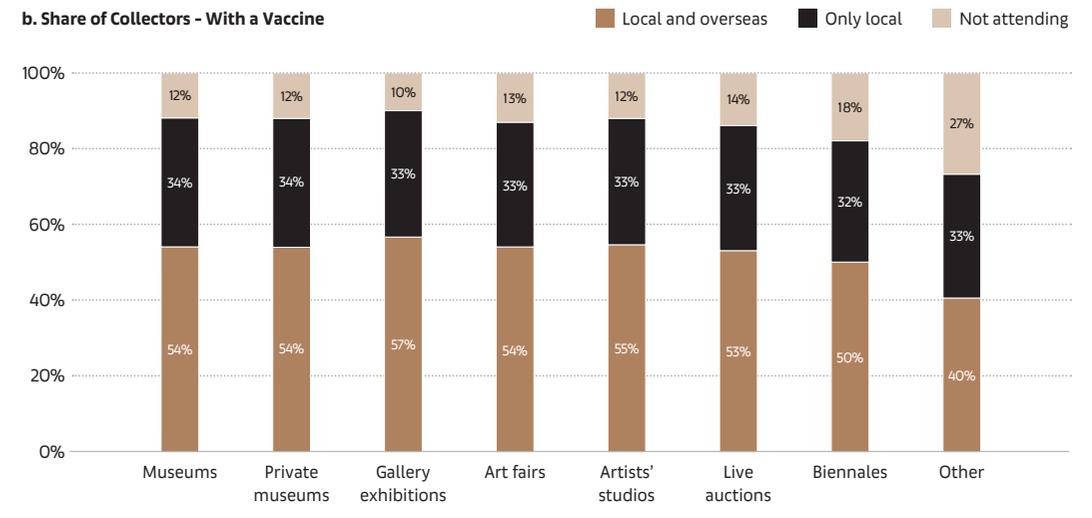


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While the negative effect on attendance during 2020 was expected, the extent of the shadow it may continue to cast over the event-driven market in 2021 is still uncertain. Despite ongoing limitations and restrictions on travel and large gatherings in 2021 in many regions, most HNW collectors indicated that they were still actively planning to go to exhibitions, art fairs, and events in the next 12 months, and some hoped to attend these events both locally and overseas. A crucial factor in the decision to attend

international events for many collectors and those in the art trade is the speed and efficacy of the rollout of COVID-19 vaccine programs.

Without a vaccine, the majority of collectors would not attend any overseas events in 2021. 55% of collectors would not be willing to attend gallery exhibitions or art fairs overseas, including 20% who would not even be willing to attend a local art fair, and 17% not willing to visit a local gallery exhibition. However, 45% would attend both local



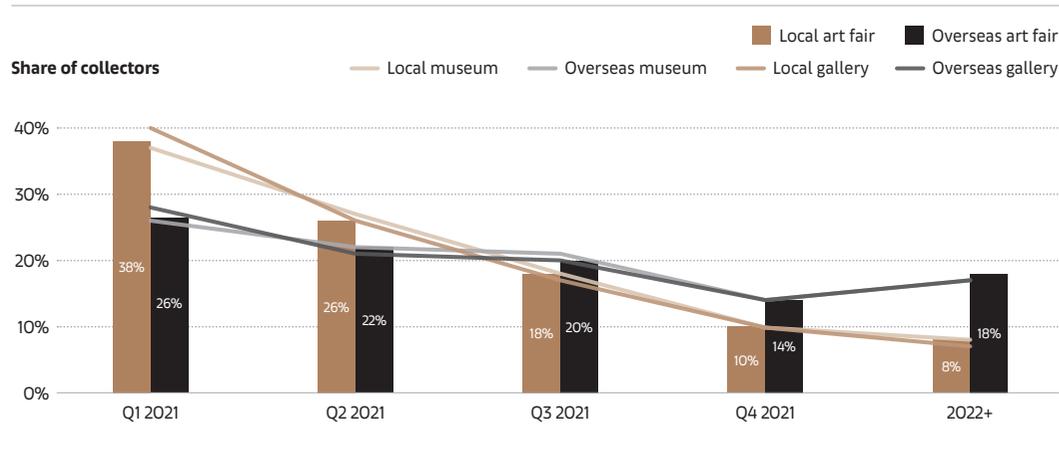
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and overseas art fairs and gallery exhibitions in 2021 even in the absence of a successful vaccine rollout. Although there were some marginal differences between different types of events, these were not significant, and collectors' willingness to attend was fairly uniform across all.

If collectors had the reassurance that there was a successful vaccine in place, their willingness to attend art-based events improved further. In this context, just over half (54%) of the sample would be willing to

go to an international art fair, a further third would attend a local fair, and only 13% would still not attend either. Again, the willingness to attend was relatively uniform between exhibition types, with the highest share willing to attend an international gallery exhibition (57%), and the lowest for the larger scaled biennales, where 18% of the sample still felt they would not attend even if it took place locally and a vaccine was in place.

Figure 4.18 | Earliest Date Collectors Plan to Attend Gallery Exhibitions and Fairs in Next 12 Months



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**68% of HNW collectors
would be happy to attend a fair by the end
of Q3 2021, and over 80% into Q4**

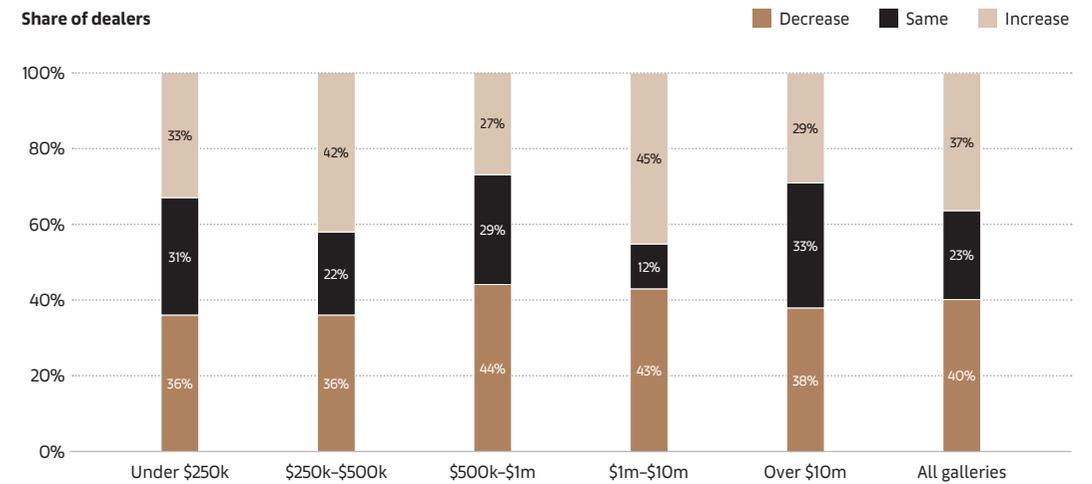
Although Boomers started out with a higher average attendance at fairs, they remained the most reluctant about 2021 in both scenarios: 25% of Boomers would not attend a local or overseas fair if there was no vaccine although this dropped to 16% if there was, compared with 17% and 10% of millennial collectors respectively. Millennial collectors were considerably more likely to travel than older collectors, with 60% willing to go to an art fair overseas in this more optimistic case versus 45% of Boomers. This was also the case for gallery exhibitions, with 14% of Boomers not willing to attend any exhibitions, locally or abroad, in 2021 versus only 8% of millennials.

To probe further into their specific plans and preferences regarding events, collectors were asked when might be the earliest they would attend an exhibition again. When asked in this way, HNW collectors still showed some reluctance about travelling in early 2021: just under half of the sample (48%) said they would be willing to go to an international art fair in the first six months of 2021, although a majority of 64% would be ready to attend local fairs. However, the majority of collectors (68%) reported that they would be happy to attend a fair by the end of Q3, and over 80% into Q4. There was still a reluctant 18% of the sample of HNW collectors that were only willing to put overseas events back on their agendas in 2022.

Again, millennial collectors showed a greater enthusiasm for travelling to events earlier than older collectors, including 31% willing to go to an overseas art fair in the first half of 2021 and 45% to a local art fair (versus 23% and 29% of Boomers respectively). When asked about some of their concerns about the art market going forward, 58% of collectors were very or extremely concerned about the restrictions and reductions in international travel they were being subjected to due to the COVID-19 pandemic, ranking as their second-highest concern (next to the closure of galleries). The highest levels of concern were in Germany, Mexico, and the US and in the segment of millennial collectors. Reduced access to museum exhibitions was equally ranked as the second-highest future concern, and again, more so for millennial collectors than their older peers. Just over half (56%) of the sample reported that their access to international art fairs was a key concern, again, highest for millennial collectors and for those in the US.



Figure 4.19 | Dealers' Views on Art Fair Sales for All Galleries in 2021



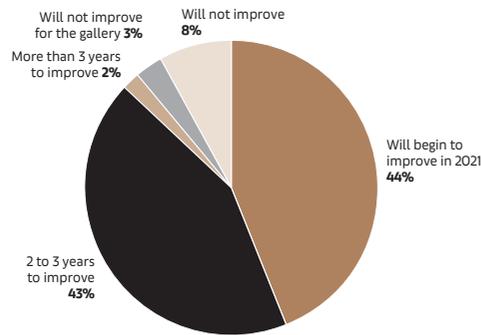
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4.6 | Conclusions

In 2019, when dealers were asked about how they thought art fair sales would fare over the next five years, only 16% expected a decrease and half were optimistic of sales rising. However, at the end of 2020, although many dealers hoped that they would return to some art fair exhibitions, their future outlook for sales was considerably more reserved. While 37% of the dealers surveyed thought fair sales in general for all galleries would increase, 23% thought they would remain stagnant and 40% felt they might decrease

further. Some of the lowest expectations were from dealers in Europe (such as in Germany where only 23% of dealers were expecting an increase), although dealers in the UK had a higher-than-average share at 46%. Dealers in Asia were the most optimistic about fairs, most notably in China, where just over half (54%) of the dealers surveyed expected an increase in 2021. Breaking down the sample by levels of turnover, those expecting an increase was highest for dealers with turnover from \$1 million to \$10 million, although even in this segment views were very mixed.

Figure 4.20 | Dealers' Views on the Future of their own Art Fair Sales



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To investigate dealers' views further on the future of art fairs, they were also asked, in consideration of the disruption to art fair sales in 2020, when they thought their own sales in this area might improve. Almost 15% of respondents said they could not answer the question, which is understandable given the uncertain context of events for the first half of 2021 and the rapidly changing progress of the pandemic and vaccination programs. Of those that were able to forecast sales, 44% thought that they might start to improve in 2021. A further 43% thought they would take two to three years to improve, while a small share of 2% felt it would take even longer

than three years. 11% of the dealers surveyed thought that sales at art fairs would not improve in future: 3% because their gallery was unlikely to return to art fairs in the coming years and the remaining 8% felt there would be permanent changes to the sector, such as a significant reduction in the number of art fairs.

While many dealers and collectors believe that art fairs will pick up again in the second half of 2021, there is a general feeling that fairs may become more local for a period, as a lack of confidence in travel lingers. It follows that for fairs that rely predominantly on international audiences, only those with a very strong foothold may be viable. Because of the remaining risk aversion, dealers will also have to calculate very closely which core fairs create profit in the long run, and this may see a continuing decline in attendance and ultimately the number of events in future.

While some art fair OVRs have been relatively successful in maintaining a presence for dealers and making sales, most dealers and collectors agreed that they did little to replace the atmosphere or client outreach of a live event, so once these are safely allowed to return, the ones that remain could be attended with renewed vigor. Regardless of location or age group, a majority of HNW collectors (75% overall) reported a preference of viewing art for sale in a physical exhibition or art fair over online exhibitions. Also, attendance at art fairs has

been noted more anecdotally as a critical part of their interaction with the market, with the social and intellectual aspects of exchanging ideas also critical in building relationships between dealers and collectors, and one that is difficult to commence or even maintain over the longer term online. The continuance of both online and offline versions of fairs, and new and better hybrid models that allow for distant involvement in events is likely to continue to grow. As noted by the fairs themselves surveyed in 2020, most were planning live events in 2021 but the bulk of those planned to combine live events with a digital platform of some kind.

While art fairs took a back seat in terms of top priorities for galleries in 2020, as reducing costs and online sales were key, in 2021, fairs were once again in the top three priorities overall for dealers (alongside online sales and maintaining relationships with collectors). The fair model is likely therefore to have some longevity, but is also likely to continue to evolve. This evolution may see the reduction and consolidation in the number of live events offered in future, a prediction by many in the art trade already before 2020, and including some who feel a reduction in number could be beneficial. Others noted that a reduction in the number of visitors at existing events could even be beneficial to galleries.

'...Some art fairs have become overcrowded, and to the extent that after 2020, attendance drops would actually be of benefit to those exhibiting. Without crowded openings, parties, and the hysteria around some events, we could have more personal interactions with smaller groups and individuals based on the exchange of knowledge and enriching conversations rather than 'being seen', which is likely to develop more serious collectors for the future...'

The general consensus from dealers was that OVRs were a useful but incomplete alternative to live events. However, rather than a simple pivot back to live art fairs when it is safe to do so, many noted they are considering other alternative models of collaboration in live exhibitions and sales that had already emerged over recent years in the sector. Permanent, shared exhibition spaces for galleries were already being developed prior to 2020 and have seen further development, including the proposed launch in 2021 by Frieze of a year-round gallery and events space in London for exhibitions, talks, and events. Other collaborations have included pop-up events in gallery and alternative-use spaces, expanded local gallery events and weekends, and multicity, simultaneous exhibitions either unconnected or connected to a fair (such as NADA's December supplement to their art fair OVR in 2020). These alternative models were all cited by dealers as offering an opportunity to offer visibility, in-person interaction, and the sharing of costs and networks of buyers outside the more traditional art fair model.



Key Findings

Online Sales

1. Despite the contraction of sales overall, aggregate online sales reached a record high of \$12.4 billion, doubling in value from 2019.
2. The share accounted for by online sales also expanded from 9% of total sales by value in 2019 to 25% in 2020, the first time the share of e-commerce in the art market has exceeded that of general retail.
3. The share of online sales in the dealer sector, including art fair OVRs, expanded threefold in 2020 to 39% from 13% in 2019. Dealers at all levels showed significant increases in the online component of their sales, with the largest advance by those in the \$10 million-plus turnover segment (to 47%).
4. Of those dealers reporting online sales in 2020, an average of 32% were to new online buyers, down from 57% in 2019. This was echoed anecdotally, with dealers noting that most online sales were to existing clients.
5. In the fine art auction sector, 22% of the lots sold in 2020 were in online-only sales, double the share in 2019. Works priced over \$1 million made up only 6% of total online-only values, versus 58% for offline sales.
6. The most commonly used channel for purchasing art online by HNW collectors surveyed in 2020 was online auctions, used by 49% to complete a purchase. Gallery OVRs were the second most popular overall (47%) and art fair OVRs ranked third (45%).
7. Despite a high level of use in 2020, online channels were not the first preference for viewing art for sale: 66% of HNW collectors preferred to attend a physical exhibition, 22% preferred online, and 12% had no preference of one over the other.
8. 90% of HNW collectors visited an art fair or gallery OVR in 2020, and 72% felt it was important or essential to have a price posted when browsing works of art for sale online.

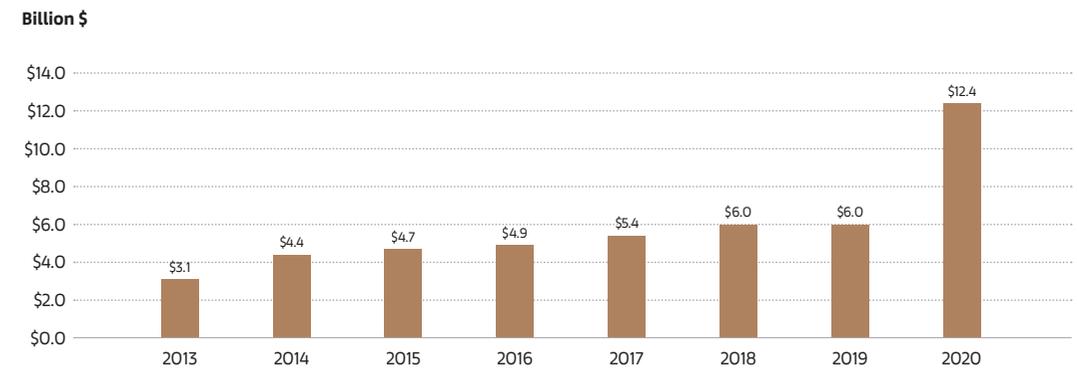
5.1 | The Online Art Market

The growth of online sales was the most significant development in the art market in 2020. Despite the contraction of sales overall, the component of online sales of art and antiques reached a record high of \$12.4 billion, doubling in value from 2019. The share accounted for by online sales also expanded from 9% of sales by value in 2019 to 25% in 2020. Online sales are defined here as including sales by galleries, dealers, and auction houses made online, either through their own websites, viewing rooms, other platforms or via email, as well as those made through third-party platforms and art fairs. It includes sales made by traditional offline dealers and auction houses online as well as those made by online-only companies in these markets selling on their own account.

The internet had already revolutionized communications, allowing continuous and global access to information and art. Online art sales were also steadily advancing prior to the COVID-19 pandemic, driven by an expanding global base of buyers, the expansion of technologies, and the increase in e-commerce in general, although with slower growth in its share of the market's value than initially expected. Between 2013 and 2019, sales in the online art market doubled, reaching just under \$6 billion. Despite this growth, the share

of total art sales (at 9%) still lagged behind global retail e-commerce generally (14%). Online sales were also doing relatively little to rival or disrupt the existing offline incumbents, particularly the highest priced sales at auction and in galleries and art fairs. However, as businesses, events, and travel were closed or restricted in 2020, the pivot to online communication, exhibitions, and sales became critical for many businesses' survival. Traditional galleries and auction companies significantly ramped up digital initiatives, and like other industries built on travel, events, and personal contact, began to engage in a more mainstream way with online technologies that offered a means to maintain liquidity. Besides the shift to e-commerce by auction houses and dealers, art fairs' online viewing rooms and a variety of third-party platforms also expanded the range of digital options for sales available within the art market.

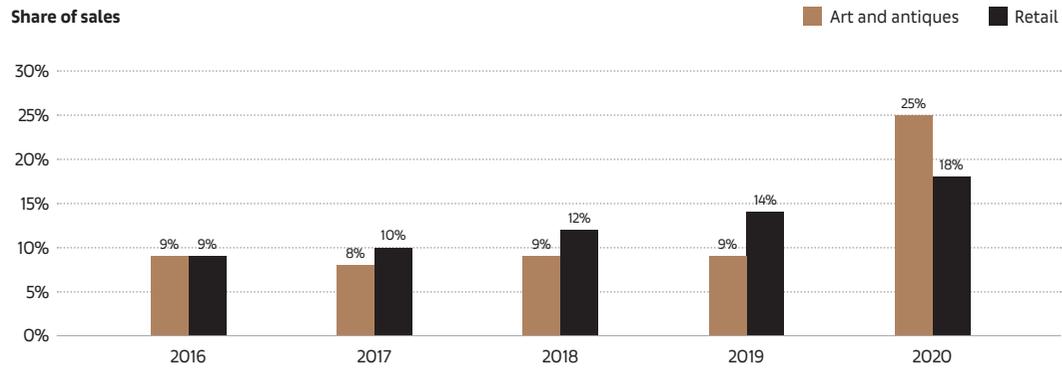
Figure 5.1 | The Online Art and Antiques Market 2013–2020



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Online sales of art and antiques reached a record high of \$12.4 billion, doubling in value from 2019

Figure 5.2 | Share of Online Sales in the Art Market versus General Retail 2016–2020



© Arts Economics (2021) with data from eMarketer.com

The growth in the share of online sales made a notable departure for the art market, being the first time it surpassed the share of e-commerce in aggregate global retail. E-commerce in the global retail sector accounted for 18% of total sales in 2020, up 4% in share year-on-year, and from a level of only 7% in 2015.⁴²

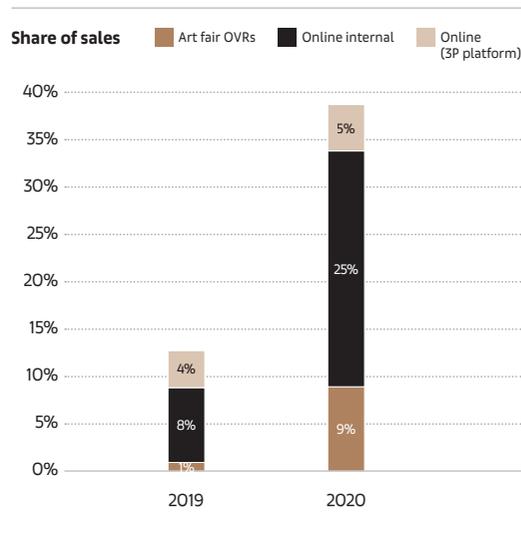
While general retail was estimated to have fallen by 3%, e-commerce grew by 28% to an estimated \$4.3 trillion. Although forecasts are for growth to slow somewhat in 2021 as brick-and-mortar retail rebounds, it is estimated that by 2024, retail e-commerce is expected to have reached \$6.4 trillion in annual sales.⁴³

⁴² Statistics on general retail are taken from E-Marketer (2021) *Global E-Marketer Update 2021*, available at www.emarketer.com. Estimates vary, however, with research from the OECD reporting regional averages of e-commerce in 2020 of 16% in the US, 25% in China, and 31% in the UK. See OECD (2020) *OECD Policy Responses to Coronavirus (COVID-19), E-commerce in the time of COVID-19*, available at www.oecd.org.

⁴³ Forecasts also from E-Marketer (2021) *ibid.*



Figure 5.3 | Average Share of Dealer Sales made Online (2019 versus 2020)



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5.2 | The Online Retail Market

The growth of online sales by dealers accelerated rapidly in 2020. According to the global survey of dealers conducted at the end of 2020, the share of online sales expanded to three times its size, from 12% in 2019 to 30% in 2020, or 39% including art fair OVRs.

Definitions of what constitutes an online sale vary, but in this survey, respondents were asked to attribute their share of turnover accounted for by the following categories of online sales:

- Internal online sales – sales carried out entirely online via a dealer’s website, social media channels, an OVR, or an email (but without a visit to the gallery to view the work);
- Online via a third party – sales carried out entirely online facilitated by a third-party company or platform (‘3P platform’), excluding an art fair; and
- Art fair OVRs – sales carried out or originating from a fair’s online viewing rooms or other online fair platform.

Online sales made by dealers’ own internal channels made up by far the largest share of sales at 25% (from 8% in 2019), with art fair OVRs accounting for 9% and other third-party channels 5%.⁴⁴

Dealers at all levels showed significant increases in the online component of their sales

The share of sales made online varied by the level of dealers’ turnover. Previous research has shown that in both the auction and dealer sectors, the share of online sales generally declines as the level of turnover increases. This was the case to some extent in 2019, with the share of online sales lowest for dealers with the highest turnovers (at 9% for those with turnover in excess of \$10 million). In 2020, however, this trend was reversed. Dealers at all levels showed significant increases in the online component of their sales, but it was those businesses with the largest turnovers that also showed by far the highest rise. In the absence of fairs and other events that previously generated a major portion of their sales, dealers in the \$10 million-plus segment more than tripled their share of online sales to 47% (if art fair OVRs are included), an increase of 38% year-on-year. Dealers with turnovers less than \$500,000 saw more moderate increases of around 10%.

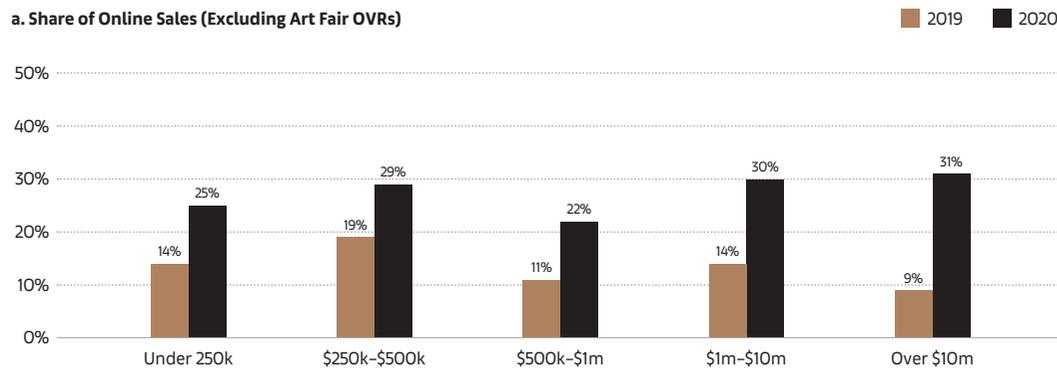
Overall, the majority of dealers (63%) reported an increase in their share of online sales, 16% reported that the share was stable on 2019, and 21% reported a decrease. For those decreasing their share of online sales, this was compensated for by increasing gallery sales or an increase in ‘other’ channels, which some noted included selling from home or through other forms of personal outreach.

Dealers in the \$10 million-plus segment more than tripled their share of online sales to 47%

Even in 2020, there were still some galleries that did not make any online sales, although this was a minority of respondents (24%) compared to 41% of the sample in 2019. Of those galleries who did not engage in online selling in 2019, 71% reported that they began making sales online in 2020, and for these businesses, their share of online sales went from nil to 41%, showing the significant transformations some businesses have undergone. Although it cannot be determined if this was their very first time selling online (some galleries may have possibly just not been engaging in e-commerce in 2019), it implies that almost 30% of dealers started or restarted selling online in 2020, which is a very significant change for the sector.

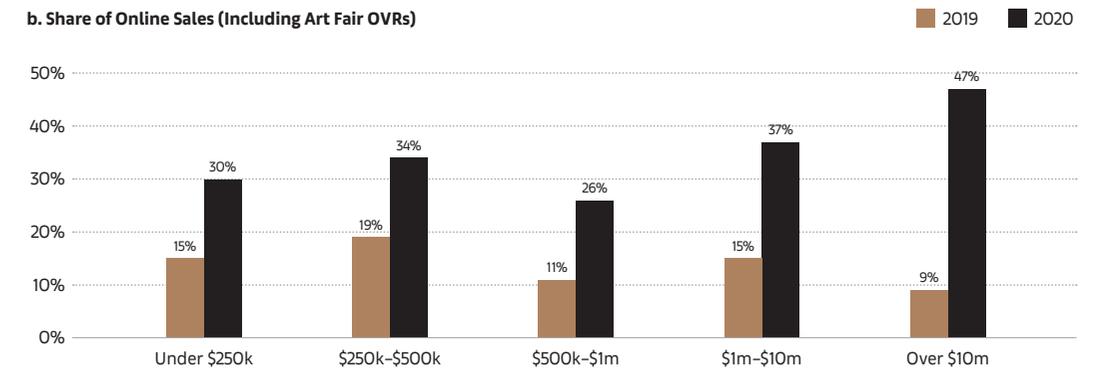
⁴⁴ Shares are turnover-weighted, that is, the aggregate share is weighted by a gallery’s sales turnover (rather than a simple average across all galleries) to more accurately reflect the share of sales in the sector as a whole. The definition of online sales was expanded in 2020 versus previous surveys, and some sales classified as gallery and fair sales in 2019 surveys may be classified as online in this 2019 calculation. A very conservative adjustment upwards was therefore made to the aggregate online sales estimates for 2019 in this report to account for a potentially larger share attributable to this channel by the core dealer group.

Figure 5.4 | Average Share of Dealer Sales by Value Made Online in 2019 versus 2020 by Level of Turnover⁴⁵



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32% of online sales made by dealers in 2020 were to new buyers, down from 57% in 2019



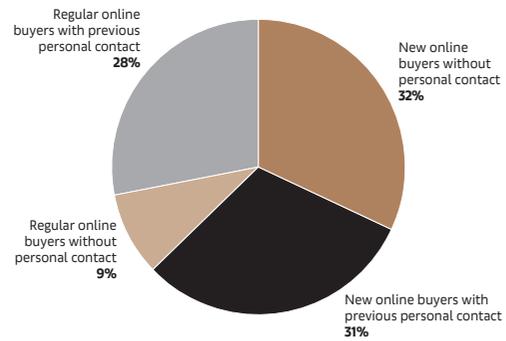
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Before 2020, online channels were an important means for dealers to connect with new buyers. With live events cancelled in 2020 and restrictions in place on visits to most galleries, online outreach became even more vital. In 2019, over half of online sales by dealers (57%) were to new buyers who had never been to their gallery or met the dealer in person. In 2020, however, online sales accommodated a range of buyers, not just those new to the gallery. Of those dealers reporting online sales, an average

of 32% were to new online buyers that the gallery or dealer had not been in contact with before. This was echoed anecdotally, with dealers noting that new buyers had accounted for a minority of their sales, and most online sales were to existing clients. New online buyers were significantly more important for smaller galleries, accounting for 43% of the online sales of those with turnover of less than \$250,000, versus 18% for those with annual sales greater than \$10 million, whose online outreach focused more

⁴⁵ The share of online sales is based on a weighted average of sales in 2019 and 2020. Galleries are segmented into turnover categories according to their 2019 turnover levels.

Figure 5.5 | Share of Online Sales by Dealers by Buyer Category in 2020



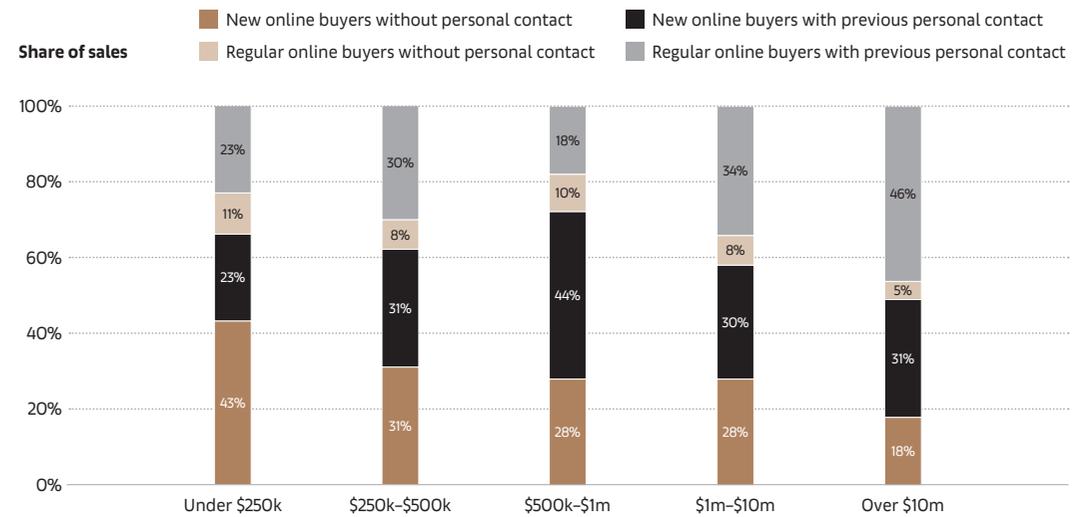
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on their established clients, with a significant share to those already familiar with buying online (46%). While reaching new buyers is one of the primary goals of dealers' online strategies, a key objective for any business is to convert new buyers into repeat clients. The fact that smaller galleries always make a higher share of sales to new buyers is therefore not always an indicator of success, but may also be due to the necessity to do so if repeat business is low.

Dealers reported that 31% of their online sales went to buyers who previously had contact with the gallery offline or in person, and included those who had bought from the gallery before but only bought online from them for the first time in 2020. This again aligned with comments from both dealers and collectors, who noted that some collectors were buying online for the first time as there were no other options. These established, but new-to-online, buyers were the least common for smaller galleries (23% for those galleries with turnover less than \$250,000), but accounted for double that share (44%) for galleries in the \$500,000 to \$1 million turnover range, for whom fair sales had previously been key.

Dealers also maintained some sales to buyers that regularly only buy online and do not have other contact with the gallery, although these made up the smallest share of sales for dealers at all levels, with an average of 9% overall (down from 11% in 2019).

Figure 5.6 | Share of Online Sales by Buyer Category and Level of Dealer Turnover in 2020



© Arts Economics (2021)

31% of online sales went to buyers who previously had contact with the gallery, but only bought online from them for the first time in 2020

Due to the limitations and restrictions on in-person contact and physical exhibitions, dealers used a range of online strategies in attempts to boost sales and maintain relationships with collectors. The 2020 mid-year survey of contemporary and Modern galleries showed that galleries were particularly active in enhancing online content for their personal websites or OVRs, including artist interviews, webinars, and other editorial content as well as continuing to increase their social media presence.

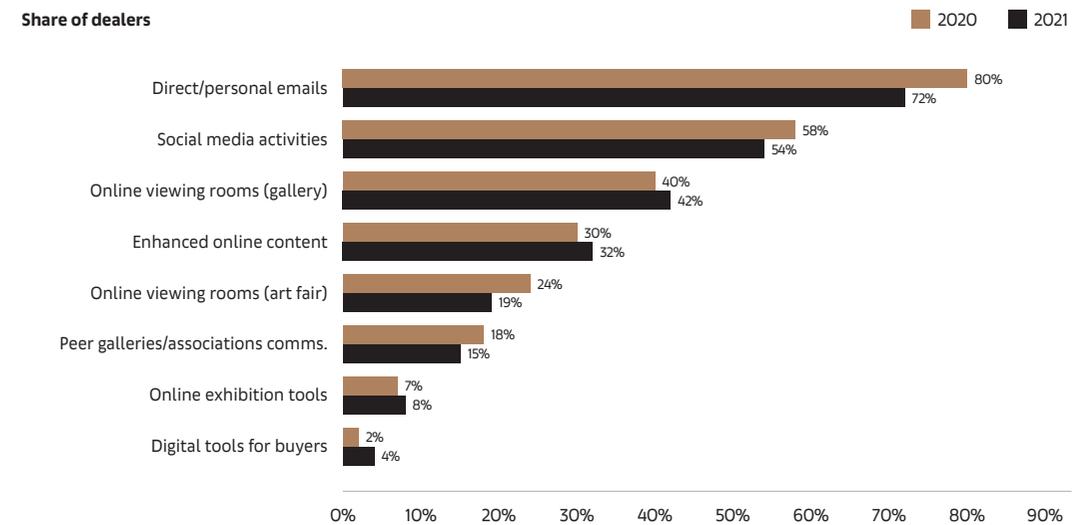
OVRs, which had already been gaining momentum for larger galleries and fairs in recent years, were also used more widely. As art fairs were cancelled, most major fairs offered galleries a virtual alternative through OVRs staged around the dates of the original shows. Although many galleries noted that these forums did not come close to replicating the sales or experience of physical events, most were glad to avail of the opportunity, leveraging these time-limited forums to help facilitate sales and generate client interactions. The survey of galleries in July indicated that 67% of those surveyed used art fair virtual exhibitions more than they had done in 2019, while just over half of the contemporary and Modern galleries also used OVRs on their own websites more than in 2019.

At the end of the year, dealers across all sectors were asked which online strategies had been the most helpful for their business in 2020, and which they thought would continue to work best in 2021. Only 2% of the sample reported that they had not used any of the strategies outlined in Figure 5.7. For the remainder, the most helpful strategies in both 2020 and 2021 were direct personal emails to existing clients, with social media activities ranking second. 40% of dealers surveyed found OVRs helpful and rated those run internally by their own businesses ahead of fair-run platforms.

These top three strategies were consistent for dealers across all turnover levels, with the exception of the largest businesses with sales above \$10 million, where enhanced online content production (such as artist interviews, webinars, gallery walk-throughs, and conferences) ranked in third place ahead of gallery OVRs.

Despite significant discussions on how new technologies could be used to enhance digital viewing and collector experiences online, online exhibition tools such as virtual reality (VR), augmented reality (AR), or 3D imaging tools were only rated as helpful by a relatively small share of dealers. Some dealers noted that they did not feel that these tools, in their current form, did enough to enhance the viewer experience to warrant investment in, but many were

Figure 5.7 | Most Helpful Online Strategies for Dealers in 2020 and 2021

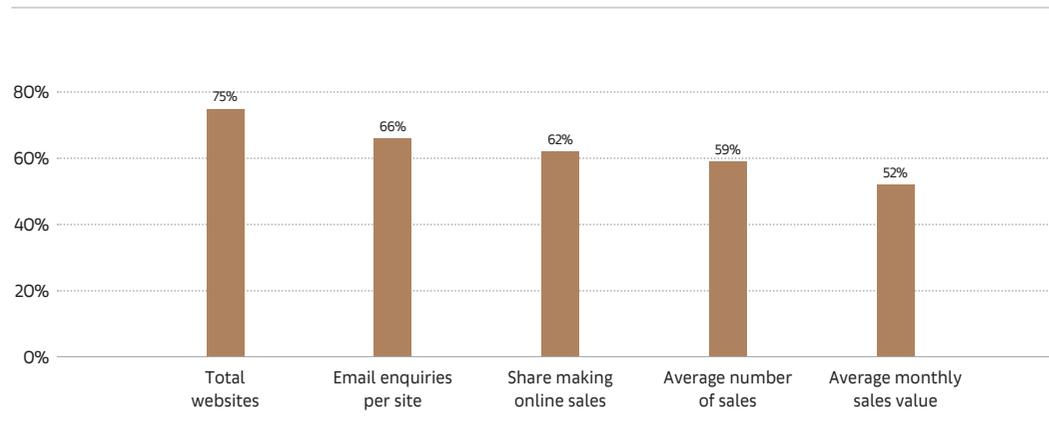


© Arts Economics (2021)

optimistic that technologies in these areas would continue to advance and could become more useful in future for enhancing exhibitions and possibly sales. Others noted that they simply had not yet tried them: the 2020 mid-year, sector-specific survey of contemporary and Modern dealers showed that 56%

of galleries had never used VR and 72% had never used AR or other similar technologies. Cost concerns may have been a factor regarding their use, with a higher rate of use reported by dealers with larger turnovers.

Figure 5.8 | Growth in Online Metrics from March to December 2020 (Artlogic)



© Arts Economics (2021) with data from Artlogic

To help galleries advance their visibility and e-commerce online, specialized companies such as Artlogic have assisted in developing art-based websites, viewing rooms, and other online tools. To assess the effects of the pandemic in driving activity and strategies online, it is also useful to examine the experience of these companies in 2020. Data supplied directly by Artlogic from just over 1,000 gallery websites is set out in Figure 5.8, showing the growth in different metrics in the period from the start of the pandemic in March to the end of the year.

This presents a clear picture of the development of the online activity. There was a significant increase in the number of galleries wanting to develop new websites, with their total number of website clients growing by 75% in the period. On websites developed by Artlogic, activity levels also increased, with the share of galleries making online sales growing 62%, and both the volume and value of those sales also expanding. Clients also engaged much more with galleries online, with the number of email enquiries per site increasing by 66%.

However, one of the most significant growth trajectories witnessed by Artlogic was the number of clients using online viewing rooms, with growth of over 3,000% in this nine-month period. In March, one in 40 of their website clients used OVRs, whereas by December 2020, this had increased to one in three. The development of OVRs in 2020 is discussed further in Exhibit 3.

There are some indications that online-only gallery businesses may also expand in future. As noted in Chapter 2, the global dealer survey indicated that 5% of respondents were operating without a physical premises in December 2020. This survey was much more likely to reach traditional galleries with an offline premises as it was distributed by gallery and dealer associations and art fairs, both with vetting criteria, including, in many cases, the requirement for exhibitors and members to have a physical gallery or exhibition space. Artsy's survey of gallery professionals in 2020 showed that up to 35% of their respondents were operating without a physical location, more than double the share in 2019. Just over half (54%) of these were operating mainly in the primary market, and most were micro-sized businesses either being sole traders (65%) or companies with just two to three people (a further 25%). While 38% were relatively new businesses opened within the last three years, the majority had

been in business for three years or more, including 19% in business for longer than 15 years.⁴⁶

Driven both by the increasing take-up of e-commerce on the demand side as well as cost pressures for galleries from rent and other overheads, it seems likely that there will be a continued expansion of online-only galleries, as well as more hybrid models combining online-only businesses with pop-up exhibitions in more temporary exhibition spaces.

Having been debated for several years, the possibility of relaxing the vetting criteria for galleries by allowing them to exhibit at art fairs without having a permanent exhibition space was also brought into focus in 2020. Notably, to help smaller galleries and provide allowances for those who have given up their premises during the year due to the COVID-19 crisis, Art Basel made a number of concessions for its OVR exhibitors over the course of the year, including temporarily abolishing the requirement to have a permanent space, provided the gallery continued to stage shows for its program, and also relaxing the minimum number of exhibitions a gallery must hold per year. Although these measures are not permanent, it seems likely that fairs will continue to review their vetting criteria to account for changing realities such as this in the sector.

⁴⁶ Artsy (2021) *Artsy Gallery Insights 2021 Report*, available at www.artsy.net.

Exhibit 3: The Rise of the OVR

Matthew Israel, Curator, Writer, Art Historian, Co-Founder, and Chief Curator at Artful

COVID-19 forced art market institutions to pivot in an unprecedented way towards digital strategies in 2020. Organizations spent significant time and money trying to identify the best strategies to pursue, and a number of tools were developed as a result. The most commonly used of these and a major area of development for the art market was the online viewing room, or OVR.

OVRs are relatively simple resources: publicly accessible web pages that feature a work of art or multiple artworks, usually requiring users to input their email address to enter. The art on these pages may or may not be on view in real life, and it is accompanied by information about them, and a way to make enquiries. In this way, OVRs are a web-based outgrowth of the PDFs galleries historically sent to their clients regarding exhibitions and available works via email.

OVRs are not new for the artworld – and they began being used by galleries as far back as 2007, when the software company Artlogic started marketing their ‘private views’ feature for their gallery partners as a more engaging and sophisticated way to present PDFs digitally to clients. However, such presentations were typically not displayed publicly on websites, and were used to present artworks to clients privately, shared on a one-to-one basis via email. In January 2017, David Zwirner Gallery became the first gallery to use the term ‘online viewing room’, when it launched its first publicly accessible viewing room with the aim of widening their audience by attracting new and young digitally-native collectors. Zwirner’s OVRs were simple and straightforward. They generally featured the work of one artist, listed with brief content, prices, and their availability status. The viewing room would also only be accessible for a limited period of time. The gallery also called the OVR their ‘seventh

space’, likening it to a new physical space, with plans to hold regular exhibitions in it as they would in a brick-and-mortar space.

Gagosian Gallery was the next major gallery to offer an OVR, in June 2018, but their model differed notably from Zwirner. Rather than creating a virtual version of their gallery, Gagosian took their inspiration from the event-based nature of auctions and art fairs, recognizing that some of their clients were not traveling to artworld events like they used to. As a result, Gagosian’s OVR featured long texts reminiscent of auction catalogue essays, photography of artworks installed in their Manhattan gallery, and the ability to instantly chat with someone at the gallery (as one might be able to converse with a gallery director at a fair) in various languages and across time zones. Their OVR was also offered for a limited time but in sync with major art events, such as art fairs. For example, Gagosian’s first OVR was timed for 10 days bracketing Art Basel in Basel (from June 11-20, 2018). Finally, one other differentiating factor was the presence of historical pricing context and detailed market analysis, which went further than what might be provided in an auction house catalogue.

While these and other examples of OVRs were in place before 2020, the rise of COVID-19 over the last year markedly changed the approach taken to these tools by galleries and fairs. Hundreds more galleries created viewing rooms as one of the most immediate ways to try to capture or retain their audiences who would visit their in-person exhibitions or buy from their gallery. According to Artlogic, while only one in 40 of their clients had activated their OVR features pre-pandemic, one in three clients were using the tool in 2020. Galleries also markedly improved the quality of their OVRs. Alongside Zwirner and Gagosian further improving their platforms, OVRs

across the industry testified to the fact that galleries were putting the investment into them that they usually spent on their live shows. OVRs began to incorporate rich video content, commissioned essays adding a storytelling aspect to the experience, and more sophisticated and elegant user experiences (UX).

The biggest changes in OVRs though, were the increased value of the inventory available and the time collectors and artists invested in them. Online platforms that galleries posted their works on such as Artsy, Artnet, or 1stdibs had previously been seen as best for lower quality inventory, with the general belief that somewhere around \$10,000 was the accepted price ceiling of online transactions, and a reticence to post higher priced works as well as publish prices in general, particularly in the interest of protecting artists’ markets. However, as the pandemic restricted offline sales and events, the quality and price points of the works offered online generally rose, both galleries and progressively their artists also started to take OVRs more seriously and invest more of their time creating better exhibitions and experiences, and finally, collectors paid more attention as gallery and art fair OVRs became the only public way they could access new works.

What made OVRs successful in 2020 were generally the same variables that made offline exhibitions successful: showing in-demand artists and artworks, instilling a sense of urgency, scheduling the show at a good time, having a strong preexisting mailing list, and finally, establishing a sales team dedicated to the OVR who would be able to immediately follow up with potential buyers. A well-curated experience was additionally important, which online amounted to a visually engaging and well-designed UX, as well as rich, meaningful, and interesting written,

photographic, and video content. Experiential marketing was also key, including, for example, VIP Zoom walk-throughs for top clients and curators.

The success of OVRs has also depended to some extent on a gallery’s resources – both in regard to finances and personnel. While there were some exceptions, with some smaller galleries able to organize highly creative OVRs that rose above the noise of the myriad of digital projects, many medium-sized and smaller galleries with limited financial resources in 2020 struggled to create them, with some opting instead to increase their commitment to aggregators (such as Artsy, Artnet, 1stDibs, and the Sotheby’s Gallery Network), or creating new collaborative platforms online such as 8-bridges or GALLERYPLATFORM.LA to pool their resources in attracting audiences for their exhibitions.

Besides galleries, OVRs also had a major impact in the art fair sector in 2020. Although art fairs had, for almost a decade, offered some portion of their shows online or through digital partners, the COVID-19 pandemic thrust what had historically been considered a supplement to the IRL experience into entirely new prominence. The pandemic also hastened an extensive rethink and investment by fairs into how their sites and online offerings functioned.

Art fair OVRs presented unique challenges versus those presented by galleries, the most significant being how to make the experience of browsing hundreds if not thousands of works offered by multiple galleries engaging to users (which was also often an issue for in-person fairs). Art fair OVRs also faced the issue of how to replicate the exciting social aspects and urgency of the fair experience in an online format.

Art Basel and Frieze (which had both been working on OVRs before the onset of the pandemic) were the most active in the space on their own platforms, and they responded to the challenges by focusing on a number of variables, such as improving load times and introducing a better user experience. For example, they promoted features such as the ability to better customize booths, the ability to quickly toggle between all of the works a gallery is showing and individual works, and filters that allowed for users to see works presented in more intelligent and curated ways (beyond what would ever be possible in an IRL experience). Additionally, they introduced functionality such as being able to return back to a certain spot in a long browsing list if you had left the page, to easily see another gallery's booth from another gallery's artwork page (rather than having to fully exit that gallery to go elsewhere), to have 'similar' rooms or artworks recommended to you, and to chat live with gallery representatives. Finally, Frieze offered the ability to see works of art in your own space through augmented reality. To engage further with their top clients and establish a level of VIP experience for them, Art Basel also organized VIP zoom walk-throughs that were often in collaboration with major collectors. Notably, the lack of physical fairs also encouraged fairs to develop more events that had no relation to physical events, such as Art Basel's OVR:2020 and OVR:20c.

After the forced closure of its Maastricht fair in March and the cancellation in July of its fall New York fair, TEFAF also entered the space, by holding its inaugural online fair, entitled TEFAF Online in November. TEFAF Online was applauded for its unique approach, which it called a 'masterpiece format', allowing galleries to present only one work, vetted by TEFAF's experts, as would be the case for inclusion at their live events.

Some of the smaller international fairs with more limited resources partnered with aggregators or other organizations to host their events online. Artsy, which has organized 475 digital fairs since 2012, hosted 69 fairs and events in 2020, including 20 online-only fairs. Artlogic also expanded into this space, creating online viewing rooms for the Art Dealers Association of America (ADAA) fair, and the New Art Dealers Alliance (NADA) fair, and in 2021, they are reportedly working with FIAC along with various other fairs. Finally, Christie's hosted the 1-54 art fair OVR in October while a scaled-down version of the physical fair was able to occur.

While there was mixed feedback on the success of art fair OVRs during 2020, many galleries felt they were not able to generate the same level of sales or engagement as an in-person event. In an attempt to create more interest in their programs, some galleries also set up additional OVRs on their own websites to parallel their fair participation (similar to what Gagosian had initially done with its viewing rooms), offering another touchpoint for their collectors during the fair or a UX or content outside their fair exhibitions. In many ways, this paralleled what galleries had long done with their own physical shows or events (dinners, parties, talks) during in-person fairs. Galleries also hosted virtual collector walk-throughs of their fair booths, where directors would speak about the works that they brought to the fair, and field questions, while some set up the fair booths in their gallery spaces and had directors give the walk-throughs from there. The galleries running these adjunct OVRs felt that they were particularly important additional tools, as they directed enquiries directly to their galleries rather than via the fairs.

Some felt that this could allow them to bypass virtual

involvement in fairs in future and concentrate more on their own platforms, paralleling some of the trends occurring in the auction sector with third-party aggregators.

Looking ahead, the major question is what will happen next with these initiatives, especially when the artworld starts to revert to being IRL. The general consensus seems to be that there will be continued investment in the online space, particularly while some collectors remain hesitant to resume the same pace of their previous, hectic, globe-trotting schedules. The relatively low expense of executing an OVR and encouraging sales in 2020 (even if far from what normal sales offer) has also kept galleries focused online.

There is also significant interest in better harnessing the data generated by OVRs as well as streamlining the sales process with digital tools. Some of the priorities here appear to be better tools to vet buyer quality, as well as those to allow sales enquiries to be funneled to the correct recipient – and more broadly, to be part of a system where enquiries will be attended to, nurtured, and followed through on (and not just be taken offline or to email), akin to a more corporate sales environment. Galleries are also interested in identifying better metrics for what makes an OVR a success outside of the usual site, artist, and artwork traffic numbers. For example, how certain price points, mediums, styles, edition sizes, types of email campaigns, or online advertising can elicit a higher rate of enquiry and help generate more sales. Digital marketing and the details around OVR exhibitions are also key, with galleries assessing the amount and type of promotional material they use as well as the number of events themselves, with some considering doing less but featuring higher quality content.

There is also interest, especially among sellers of high-priced works, in how to better integrate relationship-building features into the virtual experience. In other words, how can galleries and art fairs recreate online one of the most important art-selling tools that has been proven for centuries – how a great salesperson introduces a work of art to a prospective client, with all of the relevant art-historical and market information and connoisseurship, and make them fall in love with it, convincing them to spend a significant amount of money they may have never planned on. Collector walk-throughs offered by galleries and fairs are one move in this direction but it is as yet unclear how they can be improved upon.

Finally, there is the matter of pricing transparency. In the early months of the COVID-19 pandemic, with the massive push online and the fear of economic crisis, there was belief that there could be the perfect conditions for the revolution the online art market had long pushed for (and one of the most basic expectations of e-commerce) – that prices would now finally become transparent for works above \$10,000. The reality has been that there has been a marked increase in the works offered online for prices in excess of the \$10,000 mark, although it is not clear how long this will last or how effective this transparency has been, even though there is a clear consensus that it leads to further sales. For works at the high end of the market, publicly accessible online sites will still be used for browsing and enquiring about prices, but more traditional, non-scalable, or invite-only selling techniques (PDFs, private viewing rooms, and all of the available in-person techniques) are likely to continue to win out as the means for finalizing their sale.

5.3 | Online Auctions

The shift to online sales in the auction sector was already well underway before 2020 and many auction businesses were significantly ahead of some of their gallery counterparts in terms of the digital transformation of their operations and business practices. However, the increase in online sales and activity brought about by the restrictions imposed by the COVID-19 pandemic was still remarkable, with the total value of sales in online-only formats, and prices within those sales, both rising significantly.

Top-Tier Auction Houses

The dramatic increase in online selling was apparent across nearly all segments of the auction sector. Notably, the share of total sales accounted for by online-only auctions at top-tier auction houses grew substantially. At Sotheby's, Christie's, and Phillips, the share of value accounted for by online-only sales increased from less than 2% in 2019 to more than 12% in 2020.

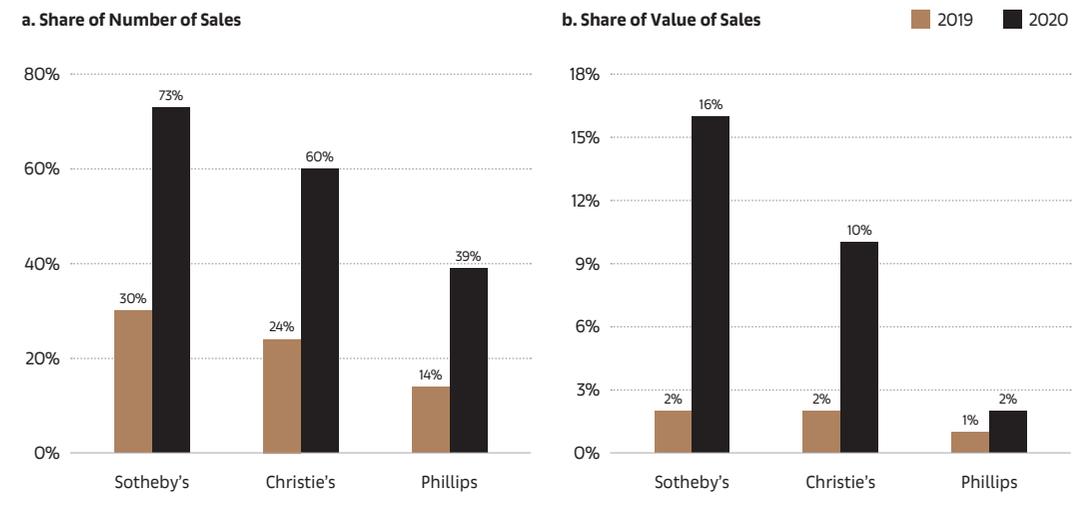
Sotheby's was one of the first online auction platforms in the market in 1999 in partnership with Amazon and then in 2003 with eBay. Although these early partnerships were short-lived, Sotheby's began to move back into the online sector in earnest around 2014, with a steady increase in online-only sales since that point. Sotheby's was also the most

active of the major auction houses in the online-only sector in 2020. Sales reached a total of \$584 million, an advance of over 650% on 2019 (\$77 million). These sales went from contributing less than 2% to the company's overall public auction sales in 2019 to 16% in 2020.

Sotheby's online-only sales (covering a range of art and collectibles) grew from 120 in 2019 to over 400 in 2020. They also achieved their highest aggregate value for an online sale at \$30.5 million for their Impressionist and Modern Art Day Sale in November. Besides fine art, sales of luxury collectibles and jewelry were also strong online, particularly with the introduction of a new BuyNow platform in the US, which was largely focused on these sectors. Sotheby's luxury auction sales reached almost \$640 million globally with 28% sold online.⁴⁷

Christie's have also been progressively expanding their online sales, and held just over 200 online-only sales during 2020, from 83 in 2019 and just 50 in 2013. Online-only sales values reached their highest ever total of \$311 million, up over 260% year-on-year (from \$86.1 million in 2019), and have expanded dramatically from their very small base of less than \$5 million in 2012. This growth drove a substantial change in share from 2% of total public auction sales in 2019 to 10% in 2020.

Figure 5.9 | Increase in Share of Online-Only Sales: Sotheby's, Christie's, and Phillips



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Online sales also brought an influx of new buyers. Across all channels, 36% of buyers at Christie's in 2020 were new to the company, and in online sales 40% were new buyers. Of those new online buyers, close to one third (32%) were millennial collectors.

Christie's also reported strong online luxury sales, with a 41% increase in lots sold in online auctions, and

an increase in the value of over 200% year-on-year. In this segment, there was also a significant number of transactions at very high levels, including 15 lots sold for over \$1 million, showing a greater willingness to spend at higher amounts in some categories such as jewelry.

⁴⁷ Luxury sales included jewelry, books, manuscripts, 20th century design, handbags and accessories, wines and spirits, and other unique collectible items.

Phillips also increased their online-only sales, tripling in number from 10 to 30, and with values rising more than 150% from \$4.1 million to \$10.7 million. While online-only sales are still a relatively small share of their auction business, online bidding expanded significantly in 2020, with the value of lots sold online (including online bidding in live auctions and online-only sales) increasing by 56% (to \$117 million) and accounting for nearly 20% of sales by value.

Including fine art, decorative art, and a range of collectibles, Heritage Auctions was again one of the largest auction houses in the online auction sector, with sales of over \$504 million in 2020, up 4% from \$483 million in 2019. Online-only sales have consistently accounted for the majority share of the sales at Heritage, and they accounted for 58% of total sales in 2020, stable on 2019. Some of Heritage's strongest online sales were in the collectibles sectors, including historical collectibles and comics, and the company's fine art sales made up less than 10% of their business.

In China, the top-tier auction houses also conducted online sales, with over 60 online-only sales in each of Poly Auction and China Guardian. However, even in 2020, these sales remained a relatively small portion of their businesses at just 3% and 4% respectively (a combined \$50 million). The new

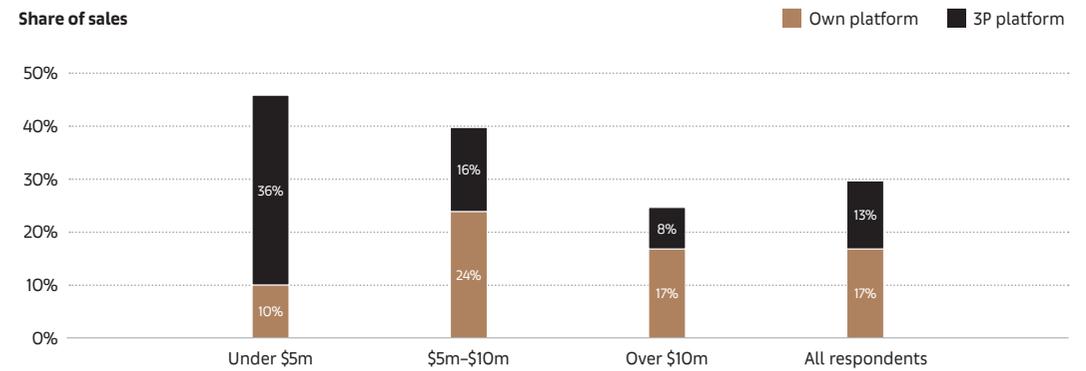
entrant Yongle Auctions is also closely aligned with online auction platform Yidian China.⁴⁸ Yidian enables both galleries and auction houses to create online auctions, and cooperated with Yongle in 2020, with a series of sales totaling a reported \$20 million.

Second-Tier Auction Houses

Online sales were already an important channel for businesses in the second tier, with online access allowing much wider geographical reach alongside substantially reduced operating costs in some cases. In 2019, the share of total sales values made online had already reached 19% in this segment, and in 2020, based on a turnover-weighted average of sales, this increased to a high of 30%. This was split between sales via auction houses' own internal platforms (17%) and sales made via third-party platforms (13%). Online sales made up a substantially higher component of those businesses with lower turnovers, accounting for a reported 46% of the sales of those businesses with turnovers less than \$5 million in 2020, with the majority through third-party platforms (36%). The share of online sales, and the dominance of external, third-party platforms, diminished with increasing turnover, and those exceeding \$10 million in sales reported an average share of 25% online (with 17% via their own internal platform).

⁴⁸ Both companies are owned by the former general manager of Poly Auction (Zhao Xu).

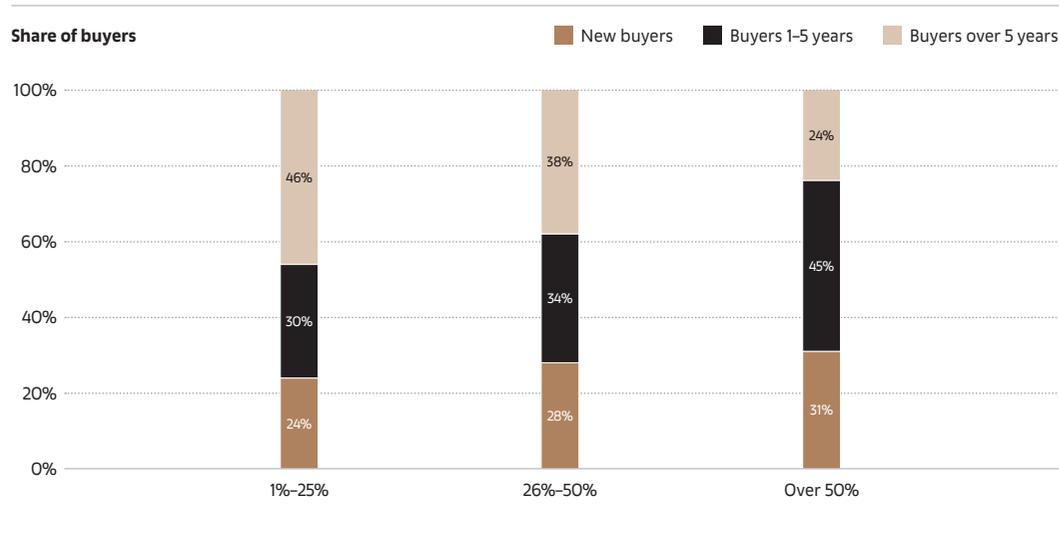
Figure 5.10 | Share of Online Sales by Second-Tier Auction House Annual Turnover in 2020



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The share of online sales made by second-tier auction houses rose to 30% in 2020, from 19% in 2019

Figure 5.11 | Share of Online Sales to Buyer Categories by Share of Auction House Online Sales



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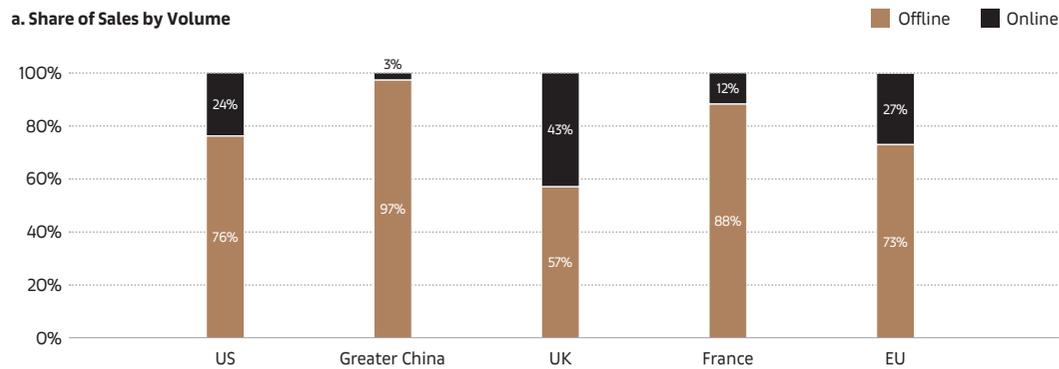
Online purchasing was not concentrated only on geographically distant buyers, but was also used by local buyers out of preference and for convenience

Although online sales channels have been cited as means for auction houses to reach new buyers, in 2020, the majority of the activity involved more established buyers, with many second-tier auction houses indicating anecdotally that a lot of their online sales were to already established, local buyers who had bought in both online and offline sales in the past. Nearly all auction houses responding to the survey made sales to new buyers in 2020, but these sales were a minority share of 28% of turnover. On average, 40% of sales went to buyers that they had been dealing with for between one and five years, and 32% were more established buyers.

Figure 5.11 sets out auction house sales to various buyer segments based on their total share of online sales in 2020. Those companies that were more heavily invested in online sales did make a slightly larger share of sales to new buyers (31% for those that made more than 50% of their sales online), while those businesses with a moderate share of up to 25% sales online tended to have a much higher proportion of long-term buyers. While gaining new and younger buyers was noted anecdotally as a key focus for many businesses in this segment, the development of repeat buyers, and retention of first-time buyers over the longer term was also seen as critical and the focus of their current marketing efforts.

There is often a perception that online sales are used only to reach globally diverse buyers. However, in practice, the expansion of e-commerce in the auction sector has been equally about the wider acceptance of buying online generally, with local buyers looking for the same ease and convenience in transacting online in the art market that they have in other aspects of their lives. Local buyers (those within the country of the auction house's reporting location) dominated sales of second-tier houses (at 64%), and it was notable that this share was relatively stable regardless of how much the business sold online. For auction houses with less than 25% of their turnover online, 67% of sales were to local buyers, while for those with more than that, the share of local buyers only dropped to 64%, indicating that online purchasing was not concentrated only on geographically distant buyers, but was also used by local buyers out of preference and for convenience. Some auction houses noted anecdotally that even pre-2020, attendance at many live sales had thinned and that some of their established local clients would only attend presale viewings, but often preferred to bid online in a live sale or in online-only sales.

Figure 5.12 | Share of Online-Only Lots Sold (Fine Art Auctions) in 2020

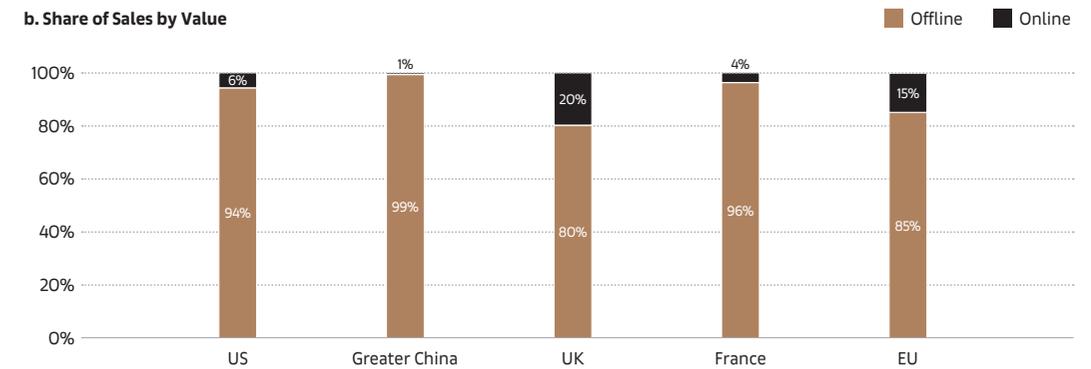


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Fine Art Auctions Online

Although many decorative art and collectibles sectors sold particularly well online in 2020 and dominated the online auction market in terms of value, the move to online auctions also had a notable impact on fine art sales, raising the value and volume of sales made in online-only auctions. Combining data from both second- and top-tier brick-and-mortar auction houses and using the database of fine art only sales from Artory, 22% of the lots sold at fine art auctions in 2020 were marked as online-only sales, double those in 2019.

The share of online sales varied considerably by region. Of the larger art markets, the UK showed the highest share of fine art lots sold online at auction, with 43% of the volume of lots and 20% by value (from just 3% in 2019). Although China has some very large online marketplaces that include sales of fine art, their traditional auction sector had a relatively low share of online-only sales, with the lowest share of all the major markets at 3% of lots sold and 1% by value. Online-only fine art lots made up 6% of the value of the US fine art auction market by value,



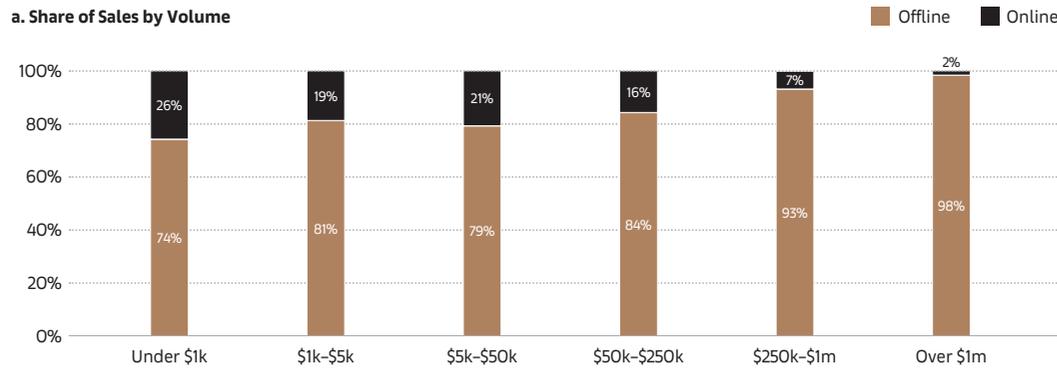
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up from only 1% in 2019, and these lots accounted for 24% of the volume of lots sold.

Online sales varied between different sectors of the fine art auction market but all saw a significant increase in 2020, starting at very low bases of 1% or less of the value of lots sold in 2019. The highest proportion of lots sold online was in the Post-War and Contemporary sector, where 25% of the lots sold in 2020 were online-only, accounting for 6% of the total value of sales in this sector. The highest share of

value accounted for by online-only lots was for European Old Masters. Although works in older sectors can be more difficult to sell sight unseen due to a greater need for physical inspection of condition than contemporary works, in 2020, 20% of the European Old Masters lots sold were in online-only sales, accounting for 11% of the value of sales.

Figure 5.13 | Share of Online-Only Lots Sold (Fine Art Auctions) in 2020 by Price Segment

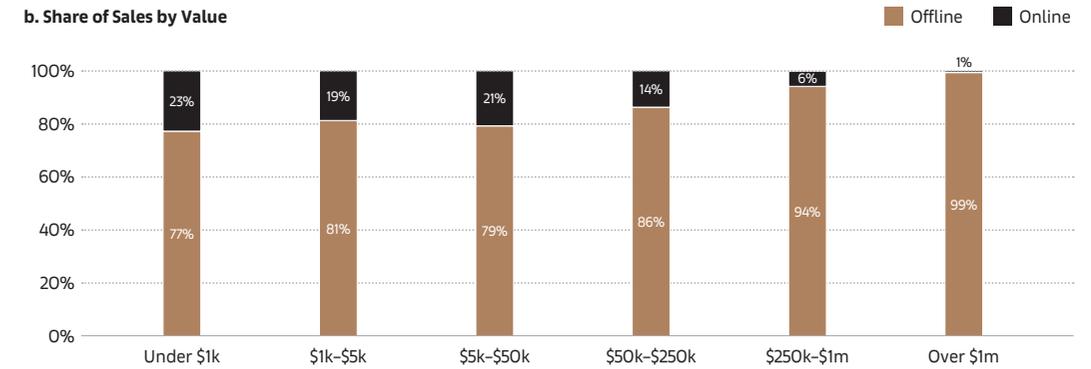


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Sales priced over \$1 million made up only 6% of total online-only values versus 58% for offline sales

As noted in Chapter 3, the volume of works sold at different prices at auction was relatively similar online to offline, however, the value of online-only sales were focused predominantly on sales at prices below \$1 million. Sales priced over \$1 million made up only 6% of total online-only values in a tiny 0.1% of the volume of lots, versus a majority of value (58%) for offline sales (in 1% of the lots sold offline).

While 2020 encouraged a greater volume of transacting online, it is still the case that most sales are at price levels below \$50,000. Considering the

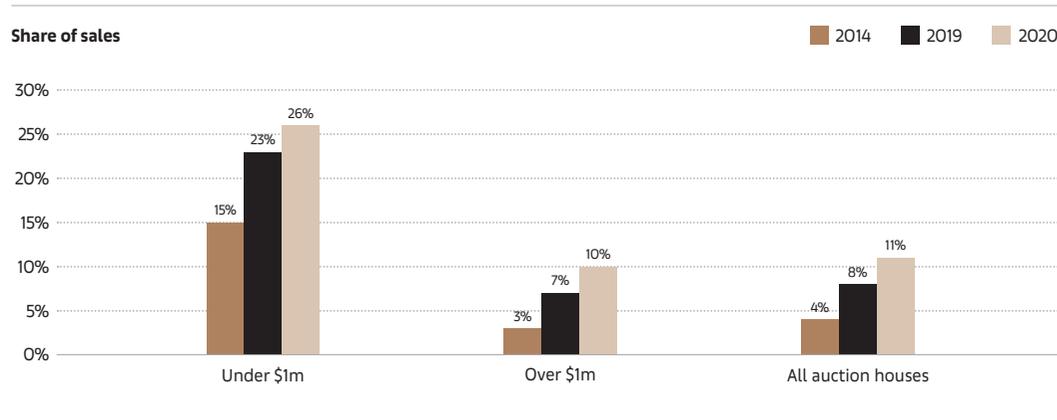


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breakdown between offline and online sales by price level, online-only sales accounted for 21% of the value and 22% of the lots sold for less than \$50,000. At prices over \$50,000 their share falls to 3% and 13% respectively (although still significantly larger than in 2019 at 1% of the value of lots sold and 2% of the volume). This is even more marked at the higher end above \$1 million, where online sales made up just 2% of all lots sold online at this price level in 2020 (versus 98% offline) and accounted for 1% of the value of this price segment.

The biggest advance in share year-on-year in 2020 was works sold in the segments between \$50,000 and \$250,000, which only accounted for 2% of the volume and value of transactions in 2019. The value sold online in this segment grew to over six times its size year-on-year.

Figure 5.14 | Share of Online Sales (via Invaluable) by Auction House Turnover Level in 2014, 2019, and 2020



© Arts Economics (2021) with data supplied by Invaluable

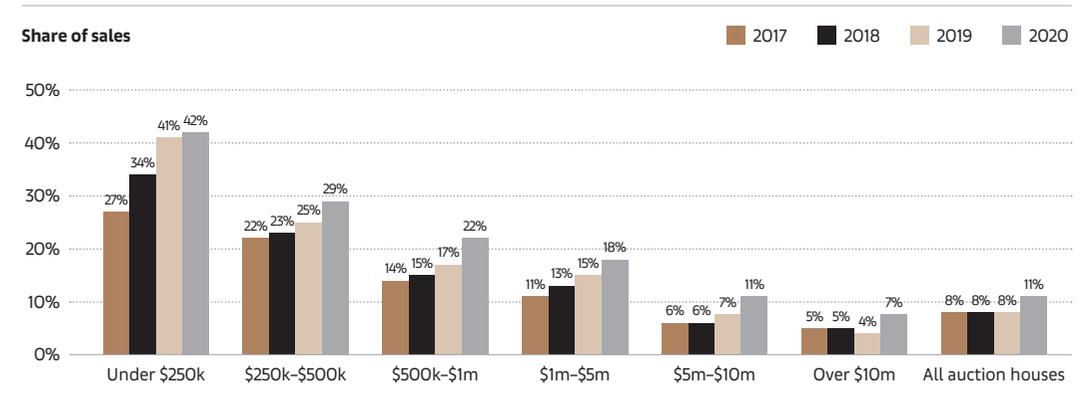
Auction Aggregators

The estimates of total online auction sales in 2020 do not include the revenues of third-party auction platforms or aggregators that conduct or facilitate sales on their platforms for auction houses or offer other intermediation services for offline businesses in the art and antiques market online. The rising costs of running and operating physical premises and the other operating costs of live sales combined with the drive to find new buyers and advances in viewing and bidding technologies have

pushed more auction houses to increase the online component of their sales. For many houses, particularly those with lower turnovers, they have chosen to do so via independent online platforms, or in combination with their internal online platforms.

Invaluable is the largest independent global platform for online auctions of fine art, decorative art, and collectibles, working with around 5,000 auction houses in more than 50 countries. An analysis of data supplied for this report on a sample of about 500

Figure 5.15 | Share of Online Sales (via Invaluable) by Auction House Turnover Level 2017–2020

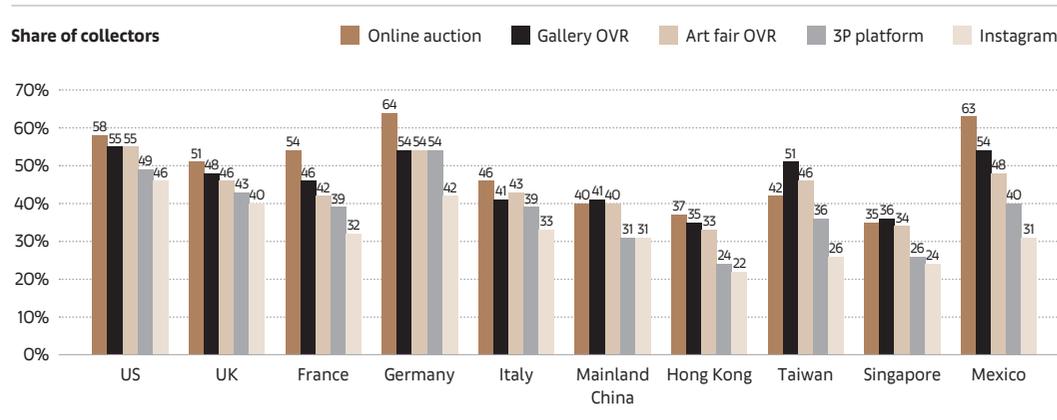


© Arts Economics (2021) with data supplied by Invaluable

international auction house members of Invaluable confirms the expansion of online sales, and the success of this platform in terms of the share of sales of its members. The data shows that the share of online sales conducted online (via Invaluable) out of all sales was up 3% on 2019 to 11%, and has almost tripled over the last six years.

Smaller auction houses accounted for the fastest growing share of these online sales in recent years. Auction houses with annual turnover of less

than \$250,000 conducted 42% of their sales online via Invaluable in 2020, four times the average of all other segments. Notably, while these smaller houses saw some of the largest increases in share in 2018 and 2019 and continued to grow in 2020, advances were significant for high-end auction houses in 2020, with those with turnover greater than \$1 million increasing their share online by 7% and an increase of 3% in the \$10 million-plus segment.

Figure 5.16 | Share of Collectors Purchasing Online by Region


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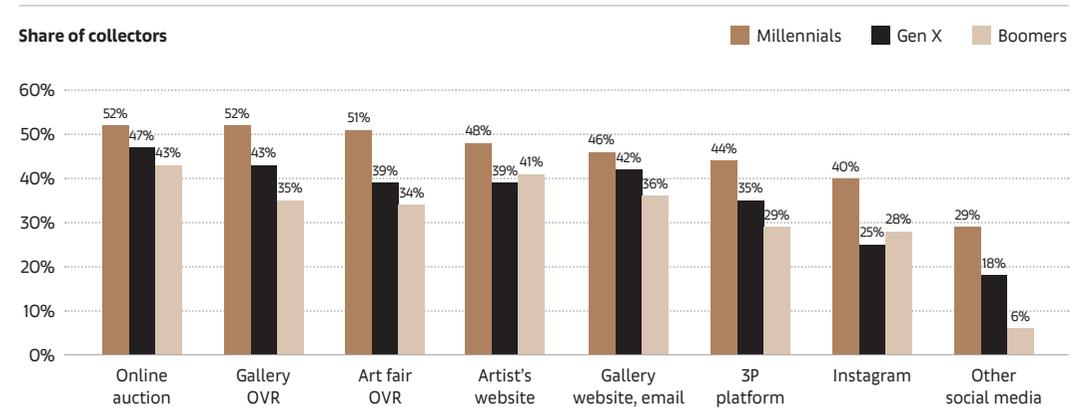
5.4 | HNW Collectors and Buying Online

Despite the distractions in other areas of their lives and challenges posed in interacting with the market during 2020, collectors were still highly active in the art market, with online channels often the primary or only way collectors could access and communicate with galleries, auction houses, fairs, and artists. A survey of 2,569 HNW collectors carried out by Arts Economics in conjunction with UBS Investor Watch at the end of 2020 showed significant activity by collectors across a range of online platforms, which

spanned from browsing and information gathering to completing purchases.⁴⁹

The most commonly used channel for purchasing art online in 2020 was through online auctions, used by 49% of the sample to complete a purchase. This was the highest in all regions, apart from some of the Asian markets (Mainland China, Taiwan, and Singapore) where gallery OVRs were more popular. Collectors in Asia also tended to have lower use of all online platforms versus their global counterparts.

⁴⁹ The full results of this survey are presented in Chapter 6.

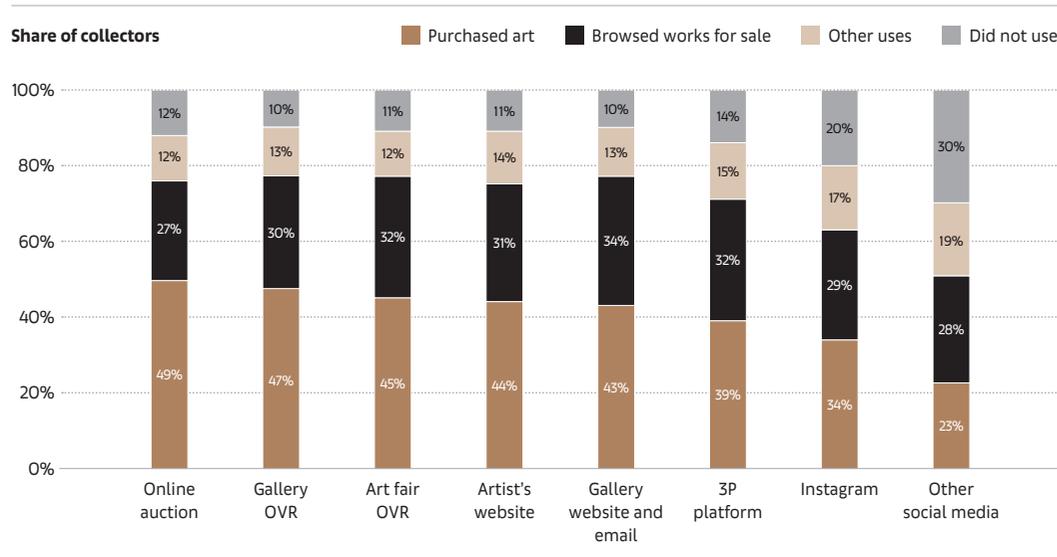
Figure 5.17 | Share of Collectors Purchasing Online by Generation


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Gallery OVRs were the second most popular overall (47% of the sample used them to purchase art), and 43% of HNW collectors purchased art via gallery websites, images, or emails. A majority of collectors in the US, Germany, and Mexico had used a gallery OVR to purchase a work of art in 2020. Art fair OVRs were the third ranked overall, with 45% of collectors having made a purchase, with a higher-than-average majority in both the US and Germany. Fair OVRs rated ahead of third-party platforms, used by 39% of the sample to buy art.

Instagram was by far the most widely used social media channel, with just over one third (34%) of collectors having purchased art using Instagram in 2020, that is, had bought an artwork found on Instagram and purchased directly or through a link on Instagram to an artist, gallery, or other seller. The widest use of Instagram was in the US, Germany, and the UK (46%, 42%, and 40% respectively). On Instagram particularly, but also across other online platforms, there was a generational component to the prevalence of use for purchasing. Millennials were more likely to have used all of the online platforms listed in Figure 5.17, but while collectors were

Figure 5.18 | Use of Online Platforms During 2020



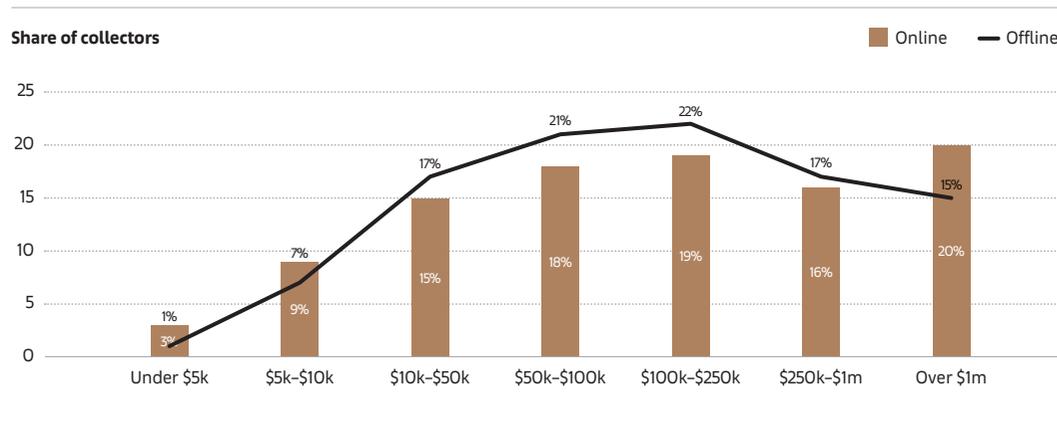
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somewhat more aligned regarding the use of online auctions, millennials had significantly wider use of OVRs (both for fairs and galleries) and social media channels. Although usage increased in 2020, it tended to do so for all age groups, and therefore the high use of online channels by millennials is not necessarily connected to the COVID-19 pandemic and is consistent with previous research on HNW collectors. This once again reinforces the findings that younger generations of collectors are more active online.

Even if some collectors did not purchase art through online platforms in 2020, they all reported a very high percentage of use for browsing works of art for sale, reading content, and other purposes. Around 90% of all HNW collectors surveyed had visited a gallery or art fair OVR during the year, with less than half using them to finalize a purchase. The lowest level of use, although still a high majority, was Instagram and other social media platforms, with between 20% and 30% of collectors not having used these in 2020.

Around 90% of all HNW collectors surveyed had visited a gallery or art fair OVR during the year, with less than half using them to finalize a purchase

Figure 5.19 | Price Range Most Often Used to Purchase Art (Online versus Offline) in 2020



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The survey revealed that younger collectors were more willing to purchase at higher prices online in 2020. Of those collectors who bought works online, 25% of millennials regularly purchased at prices in excess of \$1 million versus 13% Gen X collectors and 15% Boomers. The survey revealed that HNW collectors spending by price was not significantly different online versus offline, and in fact, across all generations in 2020 given the restrictions in place on accessing offline transacting, those spending regularly at over \$1 million online was slightly larger (20%) than the share spending at that level offline (15%).

Collectors were also asked about the highest price they had ever paid online. Although 62% had not exceeded \$500,000 online and sight unseen, the majority of collectors (57%) had paid more than \$100,000 for an individual work. One third of the HNW collectors surveyed had spent over \$1 million online on a work of art.

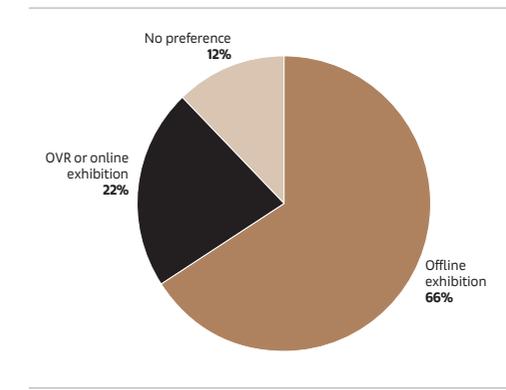
There were some indications from the survey that the price ceiling for works of art selling online was rising over time. The share of those having not exceeded a price of \$50,000 online was 65% in 2019 and 72% in 2018 versus just 33% in 2020 in this sample. Some regions showed much higher levels

of top prices online, notably those in Asia and particularly Taiwan, which had by far the highest price ceiling (with individual collectors reporting having paid over \$50 million online during their years collecting), and Mexico (over \$20 million). However, the higher spending criteria for inclusion in the survey in 2020 may have influenced these shares relative to other years.

Despite a relatively high level of use by HNW collectors in 2020, online channels were not necessarily their first preference for buying art. Auction houses and dealers were rated the most preferred channels for purchasing. However, despite the continuing advance of e-commerce in the gallery sector, most collectors still preferred to buy offline from a gallery. Of the 36% of collectors that chose galleries and dealers as their most preferred way to buy, 57% preferred to purchase something in the actual physical gallery or premises, 29% from a gallery website or OVR, and 14% by email or phone. Similarly, 14% of collectors chose art fairs as their first choice, but 64% would opt for a real fair over an OVR. Only a very small 5% of collectors picked third-party platforms as their preferred way to buy, while just 4% liked Instagram the best.

There were some regional differences. Instagram preferences were as high as 10% in the UK versus only 1% in France, Italy, and Singapore. However, preferences for online versus offline were relatively consistent both between generations and across regions, with most preferring the latter to engage with the market.

Figure 5.20 | HNW Collectors' Preferences for Viewing Art for Sale in 2020



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When collectors were asked their preferences for viewing art for sale, most chose offline:

- 66% of the sample reported that they preferred to attend a physical exhibition at a gallery or art fair;
- 22% preferred using an OVR or online exhibition; and
- 12% had no preference of one over the other.

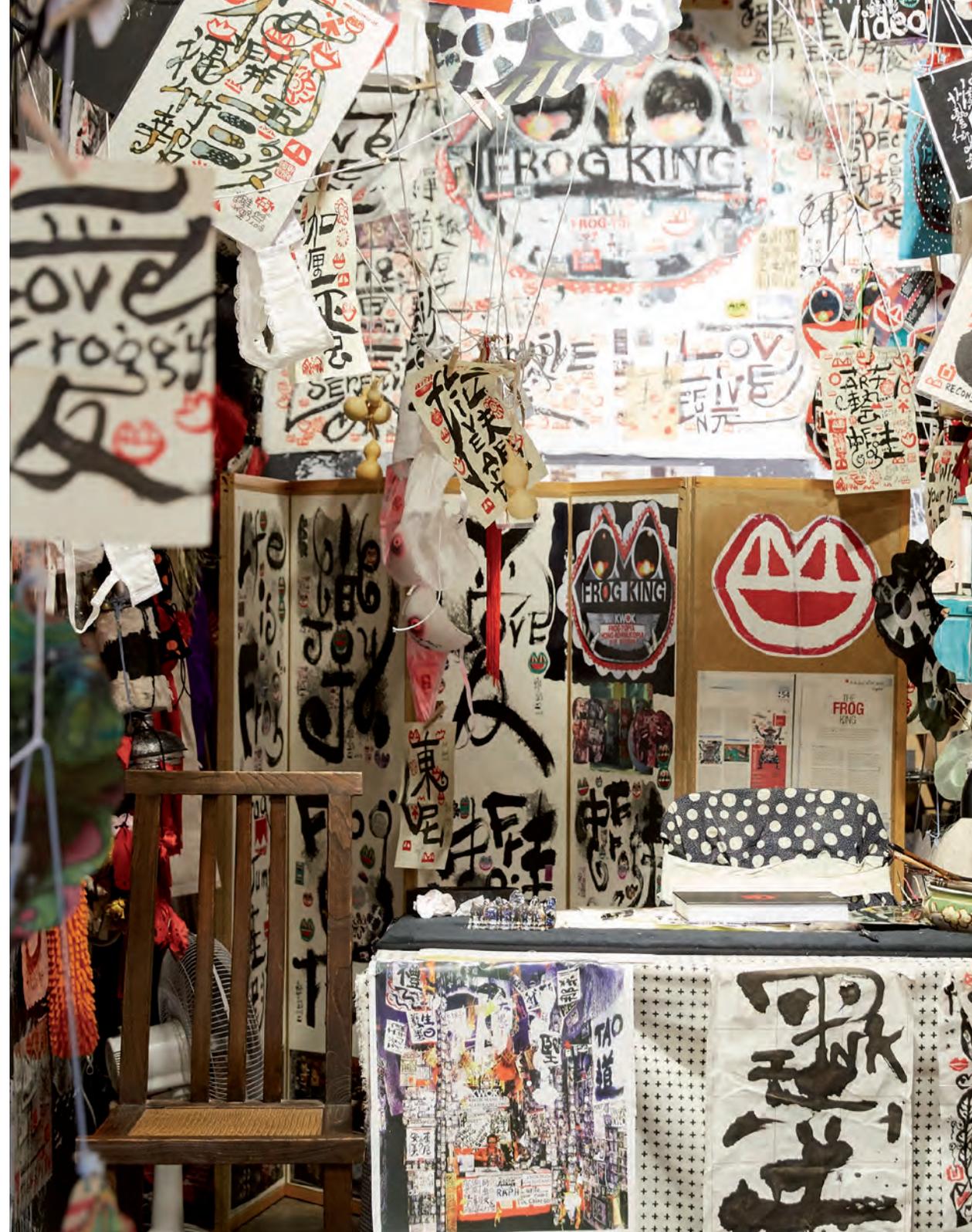
Including only those that had a preference either way, 75% preferred to view art for sale offline. Again, this varied across regions, for example, there were stronger preferences for offline in Germany (84%) and Mainland China (83%) versus Taiwan and Singapore (both 66%), but the majority was consistent across all regions.

While this and previous surveys have shown a considerably higher level of activity by younger collectors online, this was not their preferred way to transact either: 76% of millennial collectors preferred offline, which was even slightly ahead of Gen X (75%) and Boomers (71%) in this survey. Apart from being able to view and better assess the works' scale, condition, color, and other physical features, most collectors also placed a high or very high value on the experience and sense of discovery and excitement of viewing works in person, alongside being able to discuss these discoveries and having other forms of social contact with artists, galleries, and other collectors at live events.

While purchasing online may not be a first preference for many, one important benefit of the development of e-commerce and of online viewing rooms has been the increase in price transparency for collectors. Although gallery policies still vary regarding posting prices online, the shift towards greater price transparency in 2020 through online viewing rooms has been seen by many collectors as very positive. Over all of the collectors surveyed, most (72%) felt it was important or essential to have a price posted when they were browsing through works of art for sale online, while a further 25% thought it was helpful

but were happy to contact the gallery for a price. Only 3% said it was not important (and 1% would prefer not to have the price posted). Some collectors noted anecdotally that they felt price transparency was one of the most positive and progressive outcomes from the crisis, which they hoped would be maintained in future both on- and offline.

The issues surrounding price transparency both on- and offline have been widely debated before the COVID-19 pandemic, although this did reignite the debate due to the massive increase in online activity. One common point raised is that more transparent prices can help to encourage new collectors to engage with the market. While this is invariably true, this survey indicated that it was in fact established collectors that had some of the strongest preferences for more transparent pricing: over 70% of those collecting for more than 20 years felt it was important or essential to have a price posted when looking at art to buy online, versus just 57% for those collecting for less than two years. It was also ranked significantly higher by those who spent the most in the last two years as well as millennial collectors, with 77% deeming online pricing essential or important versus 69% Gen X and 58% Boomers.



5.5 | Website Traffic and Social Media

As more sales continue to move online, one of the most critical issues for auction houses and dealers is attracting traffic to their websites.

The dealer survey showed a strong reliance on already established clients for online sales, with 68% of online sales going to buyers that were already familiar with the gallery (including 30% that were buying online for the first time). Maintaining and nurturing relationships with existing collectors was recognized as the top priority for galleries in 2020. However, looking to the future, although this remains key, the need to expand their reach to new buyers in new regions and demographic segments was also identified as one of their most important goals in the coming year, with many considering that much

One of the most critical issues for auction houses and dealers is attracting traffic to their websites

of this will be done through online outreach and digital marketing as the art market shifts very slowly back to live alternatives.

In the auction sector, for both top-tier and second-tier auction houses, online channels have been critical for finding new buyers and driving new traffic, while encouraging repeat visits and longer retention were seen as a key focus for many in 2021.

In 2020, internet penetration reached 60% of the world's population or around 4.7 billion users while the number of active users of social media grew to 4.1 billion, with an increase of almost two million users per day in the second half of the year.⁵⁰ Although those visiting art-related content may be a small segment of these totals, the figures show the vast level of online engagement and the embedded nature of transacting and communicating online in everyday life. A key focus for the art trade therefore has been how to attract the attention of potential buyers and driving traffic to their websites.

Table 5.1 shows the global ranking of a selection of different kinds of companies of different sizes involved in the art and antiques market in 2020, based on website traffic and social media followings.⁵¹ These rankings change daily and represent only a snapshot of a sample of companies at a point in time to illustrate some of the differences in the sector.

In terms of traffic numbers, as indicated by the company's global ranking, large global marketplaces such as Amazon, eBay, and Etsy ranked highest, however, these positions are based on visitors across all products, including art and antiques. The highest global rankings for websites that specifically sell art and antiques were third-party platforms of different kinds, notably liveauctioneers.com, averaging monthly visits of 5.6 million at the end of 2020, 1stdibs.com averaging 5.1 million, and Invaluable.com (4.3 million). These third-party platforms have been pivotal in the dealer and auction sectors over the past decade, allowing businesses to access large online audiences without having to build the technologies required in-house. However, as technology becomes more accessible and less expensive, some businesses are increasingly using these less or in conjunction with their own platforms. In the auction sector, some experts noted that bidders have been becoming increasingly sensitive to differentials in charges, and this had made it more difficult for their businesses to pass on the premium required by the platforms on top of their own buyer's premium, particularly when it appeared that they could access the same service on their own websites with a lower charge. This still has to be weighed up against the abilities of the platforms to bring new bidders and promote auction businesses to a much wider audience globally than they would be able to do on their own.

In the gallery sector, including online-only galleries and traditional galleries, the highest ranking sites from this selection, and two of the consistently highest ranking for several years were saatchiart.com and art.com (which includes posters and non-original prints), both with around 2.1 million visitors per month at the end of 2020, in comparison with 100,000 to 200,000 for the traditional offline galleries such as Hauser and Wirth and Gagosian. However, visitor numbers are only a partial measure of performance. For example, looking at two top-tier galleries, while there were 10 times as many visitors to Gagosian.com as Ropac.net, those visiting Ropac spent three times as long and visited more pages in 2020 with a significantly lower bounce rate (46% versus 66% from Gagosian.com).⁵² Visitor traffic therefore gives just one indication of level of interest or breadth of online popularity of a particular site, but it does not indicate their success in making sales, with a key challenge remaining in how to convert more traffic into a larger number of active buyers.

However, in the traditional auction house sector, as was the case for the last two years, Heritage Auctions had one of the highest global ranks with 2.6 million monthly visitors. They were followed by Sotheby's and Christie's with 2.3 million and 2.2 million respectively. Heritage also showed a higher level of engagement, with visitors spending longer

⁵⁰ Statistics from Datareportal, 2020.

⁵¹ Traffic statistics are from SimilarWeb, extracted in December 2020. The social media statistics are taken directly from the source on social media and not from these databases. Statistics quoted for visitors per month refer to December 2020. It is important to note that some platforms cited operate in multiple markets, with dedicated platforms in each, but the tables refer only to one of their sites (and the combination of traffic figures from all sites would give them a higher ranking than is indicated).

⁵² A website's bounce rate is the average percentage of users who view only one page before leaving the website.

and visiting slightly more pages, however, the auction platforms like Invaluable and the-saleroom.com all retained visitors for longer as they looked through a greater range of inventory from multiple houses. As third-party platforms have expanded, they have also become an initial point of call for many buyers in their search for art and antiques online, attracting more visitors online than the individual auction houses they represent. As concerns have grown in the sector about the loss of brand identity for businesses, some of the major platforms, most notably Invaluable, have offered alternative solutions to auction houses, by offering them the online sales software and technologies to host sales on their own websites, powered by Invaluable, but maintaining their front end.

There are also online marketplaces listed in Table 5.2 that straddle several different sectors of the market, including auctions, retail, content production, data, and other offerings. Two of the most popular art-specific platforms of this kind are Artsy and Artnet, which both generate some of the highest monthly traffic of all sites in the art market, with 3.5 million to over 4 million monthly visitors. These have not only expanded their visitors, but also the range of offerings. For example, in 2020, Artsy covered a range of markets, including a marketplace for 3,200 gallery partners, as well as partnering with traditional auction houses and

expanding online-only auctions (which increased over 250% year-on-year from 2019). Artsy also hosted 69 online-only art fairs and offered data and editorial content.⁵³ Artnet provides online auctions, a gallery marketplace, and an art-price database alongside its editorial offering (and also significant uplift in their online auctions in 2020, with fee-based revenues increasing 25% from January to November).⁵⁴ Their multifaceted offerings and established online retail and auction marketplaces have seen visitors to both of these major platforms increase substantially in 2020.

Art fairs were also successful at directing traffic to their sites, with the major fairs such as Art Basel and Frieze having between 200,000 and 300,000 visitors per month

⁵³ Information supplied by Artsy in 2020.

⁵⁴ Artnet press releases, 2020, at www.artnet.com/investor-relations/corporate-news/Artnet_PressRelease-No-2-December_2020_ENG%20v1.pdf

Just over one third of HNW collectors had used Instagram to purchase art in 2020

art-specific Instagram accounts, Art Basel had the highest number of followers (2.1 million), followed by Artsy, Sotheby's, and Gagosian (at 1.3 million each). Although it still has by far the most users globally, Facebook is less relevant for most businesses in the art market, but most maintain a presence of some kind on the platform, with companies such as Artprice.com and Artsy leading in terms of likes.⁵⁵ Artsy and Artnet also lead on Twitter due to the editorial nature of their platforms.

Art fairs were also successful at directing traffic to their sites, with the major fairs such as Art Basel and Frieze having between 200,000 and 300,000 visitors per month. Although they had a lower volume of visitors, fairs such as TEFAF and some of the fairs in Asia, including KIAF and Art021, had significantly longer engagement with visitors than some major fairs, while ArtRio had the longest in the sample.

Social media continued to be one of the key channels used by the art market to reach new audiences with content and generate sales. The survey of HNW collectors showed that just over one third had used Instagram to purchase art in 2020, while similar surveys in previous years showed high levels of regular use. Dealers also commented that social media, and particularly Instagram, was the key way of making the new online content that they had generated accessible, with many noting that they would be continuing to increase their investment of time and resources in building their presence on key platforms. Galleries in China also noted that they had increased their use of social media to connect with buyers in 2020, with the dominant platform being WeChat. Galleries also explored WeChat MiniPrograms that enable more dynamic navigation to both content and e-commerce, while also allowing purchases without leaving the platform. Of the

⁵⁵ Facebook's active users were estimated as 2.7 billion in late 2020 versus 1.2 billion for Instagram and WeChat, and 300 million for Twitter. Datareportal (2020) *Digital 2020: October Global Statshot Report*, available at datareportal.com/reports/digital-2020-october-global-statshot.

Table 5.1 | Website Metrics: Selected Companies in 2020⁵⁶

	Global Rank 2020	Visit Duration (mins)	Twitter Followers	Instagram Followers	Facebook Likes
a. Online-Only and Online-Offline Galleries					
saatchiart.com	19,923	04:09	222,800	784,000	438,373
art.com	21,052	02:35	29,400	45,300	443,028
singulart.com	35,738	03:49	349	67,200	112,069
bluethumb.com.au	85,308	06:36	1,637	54,100	57,129
kazoart.com	180,578	01:57	1,989	14,700	112,960
hauserwirth.com	230,012	01:30	78,700	561,000	44,694
gagosian.com	231,729	01:05	386,700	1,300,000	175,579
davidzwirner.com	250,305	01:44	82,600	628,000	37,238
lumas.com	258,837	02:05	8,293	57,100	186,249
theartling.com	328,937	01:08	1,239	43,600	47,734
riseart.com	355,633	01:27	66,300	39,900	47,965
pacegallery.com	426,540	01:32	133,300	979,000	37,893
ideelart.com	451,844	00:28	1,803	58,700	7,413
whitecube.com	530,952	01:15	121,200	766,000	60,705
victoria-miro.com	583,116	00:47	23,400	328,000	27,409
kunzt.gallery	737,151	08:34	377	11,700	7,272
zatista.com	789,309	02:29	1,319	1,591	5,938
artstar.com	870,566	00:58	no	25,500	3,132
degreart.com	1,257,505	01:15	7,452	15,200	9,858
ropac.net	1,360,900	03:44	10,100	213,000	44,492

	Global Rank 2020	Visit Duration (mins)	Twitter Followers	Instagram Followers	Facebook Likes
ii. Third-Party Retail Marketplaces/Platforms					
amazon.com	11	07:11	3,500,000	1,695	29,635,167
ebay.com	28	06:41	735,800	1,000,000	11,040,798
etsy.com	60	06:18	2,400,000	2,600,000	3,938,544
1stdibs.com	10,605	03:42	19,900	622,000	121,306
rubylane.com	25,132	04:45	10,500	18,600	251,604
artfinder.com	44,079	06:28	97,700	66,000	266,013
artspier.com	75,137	03:12	9,625	77,600	374,327
ocula.com	162,605	00:38	5,237	131,000	55,470
artquid.com	175,747	02:58	2,526	2,056	30,014
artspace.com	185,641	00:58	208,500	393,000	102,060
goantiques.com	396,931	00:28	171	22,700	7,662
artweb.com	511,688	01:59	29,800	n/a	25,209
artrepublic.com	604,640	00:53	6,849	59,800	17,171
kooness.com	912,944	00:59	289	44,800	12,730
artplode.com	1,365,622	01:48	40,700	2,211	2,511
fineartmultiple.com	1,389,822	01:04	223	3,152	4,533
newbloodart.com	1,945,595	03:41	1,718	5,548	2,629
masterart.com	2,534,564	01:00	1,173	n/a	7,324
artlead.net	2,778,518	01:01	265	5,295	3,928

⁵⁶ Note that many companies offer a range of services, including combining auction and retail sales, making them difficult to classify. Companies were classified based on their most relevant link to art sales or where their primary focus was in 2020. Measurements were taken in December 2020.

Table 5.1 | Website Metrics: Selected Companies in 2020 (continued)

	Global Rank 2020	Visit Duration (mins)	Twitter Followers	Instagram Followers	Facebook Likes
b. Auctions					
i. Bricks-and-Clicks					
ha.com	17,201	03:57	55,100	15,900	85,216
sothebys.com	20,942	02:33	121,600	1,300,000	663,750
christies.com	23,163	02:46	126,300	892,000	314,279
bukowskis.com	32,525	03:11	1,082	61,300	20,228
bonhams.com	33,328	02:24	45,300	85,600	50,619
lauritz.com	33,686	04:48	n/a	29,600	35,611
dorotheum.com	44,442	04:19	1,917	21,700	25,742
phillips.com	62,685	01:58	42,900	245,000	64,021
Artcurial.com	155,228	02:35	11,000	74,700	21,742
saffronart.com	651,427	05:52	2,559	21,400	30,521
ii. Online-Only					
catawiki.com	11,091	04:05	4,102	30,700	882,638
artnet.com	15,728	01:36	1,900,000	1,100,000	376,876
artprice.com	42,341	04:11	29,900	3,497	4,969,486
expertissim.com	366,896	01:10	2,002	1,182	4,643
astaguru.com	1,323,395	04:19	5,161	88,200	295,042
hihey.com	3,053,875	00:40	20	319	159
artscoops.com	3,597,391	03:58	n/a	14,300	3,817
aucart.com	4,057,980	02:31	n/a	26,000	1,323
thirdman.auction	9,535,822	00:15	72	139	204

	Global Rank 2020	Visit Duration (mins)	Twitter Followers	Instagram Followers	Facebook Likes
iii. Third-Party Platforms					
liveauctioneers.com	8,376	05:08	3,008	8,917	19,356
invaluable.com	11,640	03:24	5,587	7,283	61,742
auctionzip.com	11,898	05:47	4,636	155	40,239
the-saleroom.com	12,343	07:28	6,968	3,467	7,825
artsy.net	15,764	02:19	1,700,000	1,300,000	892,866
auctionet.com	26,860	05:16	85	11,000	28,332
drouotonline.com	43,284	10:45	11,900	52,200	102,152
bidspotter.com	56,466	07:42	1,170	432	5,116
auction.fr	60,491	03:03	788	1,918	5,436
lot-tissimo.com	60,576	07:20	40	n/a	912
bidsquare.com	137,776	03:04	876	3,114	5,391
epailive.com	175,631	02:01	950	1,158	208
igavelauctions.com	266,218	02:40	888	2,475	1,748
barnebys.co.uk ⁵⁷	281,276	00:44	4,790	20,100	36,638
plazzart.com	359,351	02:33	369	617	5,018
lofty.com	720,020	00:16	1,347	504	15,914
interencheres-live.com	1,921,256	04:08	3,489	11,700	57,170

⁵⁷ Barnebys.com is part of Barneby's Group which has platforms across eight markets, each with dedicated websites including Barnebys.se, Barnebys.co.uk and six others, plus ValueMyStuff, Collectors Weekly and SAS/Blue Dog. The combination of traffic figures from all sites would give them a considerably higher ranking if considered together.

Table 5.1 | Website Metrics: Selected Companies in 2020 (continued)

	Global Rank 2020	Visit Duration (mins)	Twitter Followers	Instagram Followers	Facebook Likes
c. Art Fairs					
artbasel.com	149,200	02:03	743,200	2,100,000	463,823
frieze.com	152,816	01:35	277,000	577,000	140,951
Arco	180,883	02:22	40,800	88,900	50,811
affordableartfair.com	225,328	02:51	16,600	84,800	43,984
tefaf.com	320,439	05:24	14,100	85,400	60,409
parisphoto.com	1,590,953	01:26	40,800	189,000	132,276
thearmoryshow.com	1,631,759	01:48	74,800	186,000	38,999
kiaf.org	2,214,447	06:00	n/a	17,600	4,123
art021.org	2,288,472	05:23	n/a	10,700	1,599
fiac.com	2,755,240	01:31	32,800	166,000	114,133
1-54.com	3,221,171	00:17	7,405	97,100	21,590
artrio.com	3,998,303	07:13	2,383	51,800	109,335
zsonamaco.com	4,229,111	01:56	53,800	138,000	83,122
brafa.art	4,352,428	01:23	4,255	20,700	22,899
contemporaryistanbul.com	4,506,993	03:22	26,000	119,000	27,666
artcologne.com	5,045,936	02:30	1,310	23,600	13,172
expoichicago.com	5,520,083	00:51	5,690	18,800	13,723
masterpiecefair.com	5,670,997	01:47	10,700	42,800	12,757
artbrussels.com	11,916,861	04:53	13,500	52,800	29,069
artbeijing.net	26,054,469	03:05	138	269	n/a

© Arts Economics (2021) with data from SimilarWeb, Facebook, Twitter, and Instagram. Data measured in December 2020.



5.6 | Conclusions

The art market has seen more development and engagement online in 2020 than ever before. The ability to communicate and continue trading online during the COVID-19 pandemic has been crucial for business survival and most agree that many of the digital changes that occurred in 2020 will be maintained in future.

However, relatively few businesses in the art market seemed ready to shift to a solely online format anytime soon. Many collectors transacted online in 2020 as there were no other options, but, for most, it is still not their preferred method of engagement under normal circumstances.

In the auction sector, most companies welcomed the efficiency and cost savings of the online format, with margins already under increasing pressure and the costs of staffing and premises becoming prohibitively high for traditional auctioneering, particularly at the lower end of the market. However, they additionally noted that as more sales shifted online, there were also significant challenges, particularly given the slower nature of online sales, generating the same excitement as a live auction.

'...Our big challenge is that online-only sales and timed sales are slower and can't replicate, in the same way for the buyer, the excitement of attending a sale in person, although bidding in online-only sales can in itself be very compelling for the buyer in other ways. Selling live online tends to be a slower process as well, as more bidders tend to be competing for each lot, and without the trigger of a live audience in front of them, auctioneers conducting such sales on the rostrum have to take extra care to ensure that they do not bring down the hammer prematurely and, as they should, reopen the bidding where necessary if competing bids come in at the same time...'

Many commented that they will continue to test and improve the formats and lengths of online sales in future, based on bidding activity and other metrics they have been able to gather to help optimize the online dynamics. Most businesses are therefore likely to proceed with a combined offline-online model in future that mixes online-only sales with live auctions and related exhibition events. When asked about the future of online sales, the verdict was almost unanimous: 94% of auction houses surveyed expected online sales to increase over the next five years, including 40% predicting a significant rise. 60% of companies with turnover greater than \$10 million anticipated more online sales in future. No respondents projected a decline.

Similarly, in the dealer sector, the majority of businesses predicted the increase in online sales in the sector would be sustained. Only 7% of dealers surveyed thought that online sales would decline, with 67% expecting them to increase even further. Mid-sized galleries were the most bullish about their prospects. A majority of dealers at all levels predicted a rise in sales. This view is not necessarily driven by the pandemic as it has been the case for the last three years that most dealers thought online sales would increase. But the pandemic did move digital strategies more into the forefront of many dealers' businesses and plans.⁵⁸

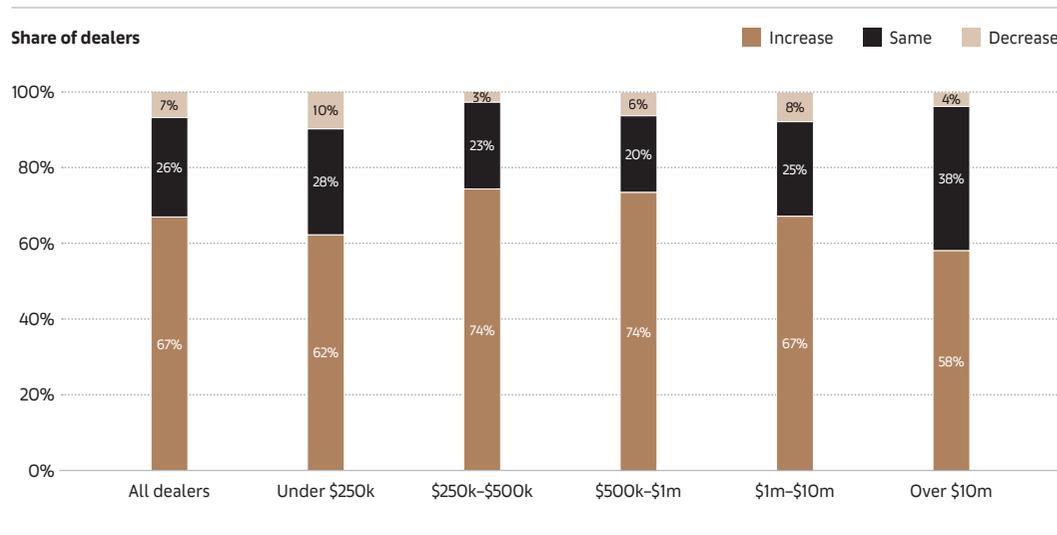
When asked about the future of online sales, the verdict was almost unanimous: 94% of auction houses surveyed expected online sales to increase over the next five years

While art fairs had been the dominant priority for the majority of dealers in 2019, online sales became a much greater focus in 2020. Even looking forward to 2021 when more live events may return, online sales were still the second highest priority and remained ahead of art fairs.

Dealers made significant inroads in developing their online presence, with some investing in augmented reality, virtual reality, and other tools as well as remarketing their websites as OVRs. While the commercial results from some of these strategies were mixed, dealers and collectors noted anecdotally that the quality of the content offered online in 2020 had improved significantly as businesses sought to differentiate themselves among the vast range of offerings. Nonetheless, some collectors noted that the ones that stood out the most were often the dealers who had opted for different and more individual approaches, including elements of low-tech and offline outreach. While new technologies were useful for some galleries, they did not automatically provide marginal gains – especially to the extent that their adoption had become saturated in the market or the amount of online content overwhelmed the capacity of collectors viewing it. While online strategies undoubtedly helped in the absence of other options, they were not a guarantee of success, and a focus on unique

⁵⁸ When asked their views on the future of online sales in previous surveys, 62% of dealers thought they would increase in 2017, 72% in 2018, and 67% in 2019.

Figure 5.21 | Dealers' Views on Growth of Online Sales (for All Dealers) in 2021



© Arts Economics (2021)

content, specific strengths, and traditional know-how were also key.

Many dealers noted that they were keen to return to live exhibitions and events, but most reported that they would not revert to the 'way things were' and that the future would be one where online and offline strategies were much more connected.

Dealers felt that the use of online strategies and e-commerce needed to be considered alongside and complementary to their offline initiatives, and that strategies and programs in future would have to contain elements of both.

'...There is an incomplete urge to consider online sales as a separate vehicle and many of my colleagues put effort there as if it is a separate business distinct from other marketing and communication channels. It is clear that using new technologies and delivering a better user experience are helping many firms to increase education and engagement. I do not believe it is, for those of us selling more valuable works of art, a stand-alone tool, but rather one important one among many channels through which we enhance the experience of our clients. Too much of the online experience is contemplated as a 'buy it now' feature and should be 'engage now'...'

While most saw online strategies as a complement to efforts elsewhere, some were increasing their investment online more dramatically, shifting to an online-only model with exhibitions in satellite locations and pop-up spaces, as strategic and cost concerns already apparent before 2020 had forced some businesses to evolve. This will undoubtedly continue to promote the inclusion of galleries without a physical premises in art fairs and gallery associations as these galleries move further into the mainstream.

Price transparency has been an important and much debated aspect of the development of OVRs and one welcomed by collectors. It was also shown in this and other research to be successful for many dealers.

A survey by Artsy of gallery professionals in 2020 (including both partners and non-partners of the marketplace) indicated that galleries posting prices were six times more likely to make sales on online platforms during the year. A majority (66%) of those surveyed posted prices, and of those, only 5% reported not making a sale in 2020.⁵⁹ The demand for greater price transparency was also highlighted by HNW collectors in 2020, and the majority felt it was important or essential to have a price posted when they were browsing through works of art for sale online.

To what degree the market stays online when the COVID-19 pandemic subsides has been debated often during 2020. All indications from galleries and auction houses suggest that, for the most part, e-commerce is likely to account for an increasing portion of their turnover in 2021 and beyond. While collectors have stepped over the line into online buying during 2020, and some have shown high levels of activity, it still may not be their preferred choice for viewing or purchasing art in the future. Therefore, how to ensure that the increase in digital sales and communications exists well alongside the excitement and social contact that comes from visiting exhibitions and attending live events is a question that businesses are all still facing.

⁵⁹ Artsy (2021) *Artsy Gallery Insights 2021 Report*, available at www.artsy.net.



Global
Wealth and
Collector
Perspectives



Key Findings

Global Wealth and Collector Perspectives

1. In 2009, in the fallout from the global financial crisis, the number of billionaires worldwide fell by 30% and their wealth plummeted 45%. In 2020, the number of billionaires rose 7% and their wealth grew 32% over the year.
2. Surveys of 2,569 HNW collectors conducted by Arts Economics and UBS Investor Watch in 10 markets indicated active engagement in the art market despite the COVID-19 pandemic. 66% of those surveyed reported that the pandemic had increased their interest in collecting, including 32% who reported it had significantly done so.
3. Millennial HNW collectors were the highest spenders in 2020, with 30% having spent over \$1 million versus 17% of Boomers.
4. Despite the restrictions in place, HNW collectors still purchased through a range of channels, with 81% having bought art from a gallery in 2020, and 54% at auction.
5. Dealers were the most preferred channel for purchasing art, with the majority of HNW collectors (57%) preferring to buy from their gallery or physical premises, while 29% liked to purchase from them online and 14% by phone or email.

6. 36% of HNW collectors would prefer to purchase art from overseas galleries in 2021, with 43% opting for local businesses, and 21% being indifferent.
7. 46% of HNW collectors focused only on galleries they had bought from before in 2020, with a further one third doing this alongside being open to working with new galleries. 41% were also only buying works of artists familiar to them or whose work they had bought before.
8. HNW collectors will be active in the market in 2021, with the majority (57%) planning to purchase more works for their collections, and just over one third (35%) planning to sell works.

6.1 | Global Wealth in 2020

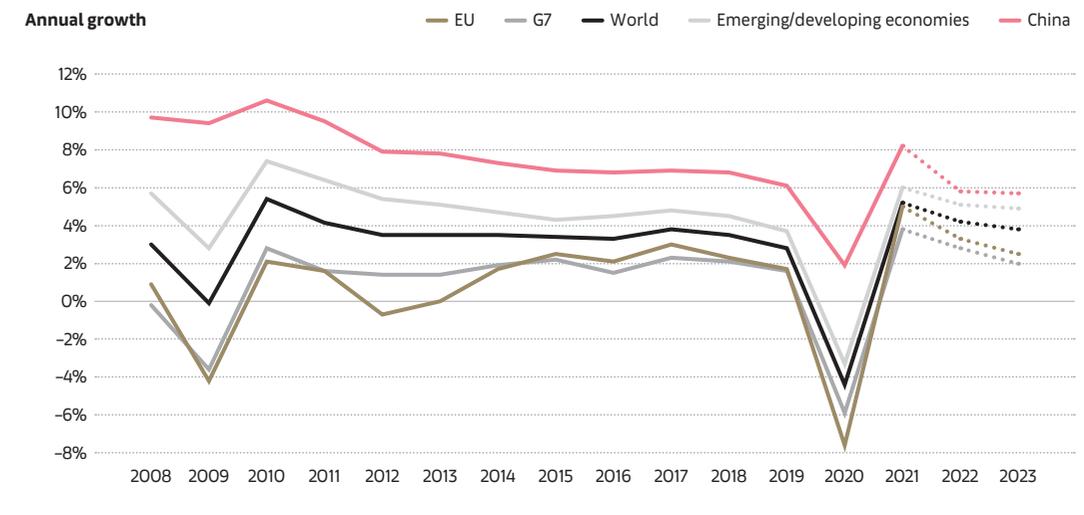
The COVID-19 pandemic triggered one of the biggest global recessions in decades, with growth in world GDP falling by 3.5% over 2020.⁶⁰ To contain the pandemic, most countries imposed stringent lockdown measures in the first half of the year and economic activity contracted dramatically on a global scale, with employment losses, substantial declines in spending, and deterioration in local economic conditions. All of these factors had a significant effect on art sales during the first six months of the year, with losses of between 30% to 40% in the auction and gallery sectors.

After this initial crisis, by mid-year, many economies had tentatively reopened and some of the losses in global wealth were reversed as signs of economic recovery emerged. However, the recovery hit a number of setbacks in the final quarter of the year, as reopening efforts were slowed to combat second and third waves of the virus, leaving many areas of the world and industries within them heading into 2021 with continuing challenges and risks.

The crisis and its economic fallout created a highly challenging backdrop for businesses in the art market. As seen in Chapter 1, although nearly all markets experienced a fall in sales, performance varied by region. China had one of the most difficult first

quarters, being one of the first major art markets to shut down its businesses and cancel events. However, by the end of 2020, economic activity had largely normalized and, despite a fall in growth, it was one of the few major economies not to enter into a recession, with growth in GDP for Mainland China of just over 2% and expectations of a return to over 8% in 2021. The US economy, on the other hand, was confronted with one of the worst recessions in over 50 years, with a contraction of 3.4% in GDP growth (compared to a fall of 2.5% just over a decade previously in the global financial crisis). Although some stability has been restored in the economy after the elections in November, the recovery is expected to be somewhat more subdued, with growth of 5% expected in 2021 but tapering to 2% or less in subsequent years. The UK's economy fared worse, with concerns over Brexit compounding the challenges of the pandemic. Economic growth fell by 10% in the UK, while the EU also saw a drop of 8%. With Brexit finalized in December, there are hopes for a stronger year in 2021, with growth forecasts of 5% for 2021, the same forecasted level as the remaining EU nations on aggregate. Combining all regions, the projections are for growth of 5.5% in the world economy in 2021, although this may moderate more in the medium term as economies begin to pay back the cost of recovery.

Figure 6.1 | Growth and Estimates in Regional and World GDP 2008–2023



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China had one of the most difficult first quarters, however, by the end of 2020, it was one of the few major economies not to enter into a recession

⁶⁰ This estimate was revised up from a decline of 4% in January 2021. All GDP estimates are taken from the *IMF Global Economic Outlook Database*, October 2020 and revisions from the *IMF World Economic Outlook Update*, January 2020.

Government recovery and stimulus packages around the world have been critical in the maintenance of wealth and recovery of economic growth. The pandemic prompted unprecedented fiscal responses worldwide, both to support healthcare systems and to provide aid to companies and individuals. The International Monetary Fund (IMF) estimated that by September 2020, fiscal support measures aggregated to just under \$12 trillion globally, or close to 12% of global GDP (including additional spending, temporary tax cuts, and liquidity support). In the final quarter of 2020, policy makers also delivered further measures to support growth, including the approval of a \$900 billion stimulus package in the US, as well as further expansion of monetary support from the European Central Bank. The finalization of the EU-UK Brexit trade talks also removed a key economic risk, which has improved forecasts for the coming year. These factors, combined with the wide-scale rollout of vaccine

Government recovery and stimulus packages have been critical in the maintenance of wealth

programs around the world in the first half of 2021, mean global economic output and corporate earnings are forecast to return to their pre-pandemic highs by the end of 2021.⁶¹

However, these vital policies, combined with the sharp decline in output and government revenues, have inevitably resulted in the buildup of government debt. To fund social support packages, governments ran an aggregate deficit of over 11% of global GDP in 2020, and the world's top five central banks printed a combined total of \$5 trillion.⁶² Governments are expected to continue to 'bridge the gap' until a vaccine enables a return to normal economic functioning, with central banks keeping interest rates low to support growth. Although debts are being enabled through central banks and low external borrowing costs, these very high levels of government debt puts constraints on many countries' future finances. They may need some form of financing in future that requires a combination of measures, possibly including higher taxation, somewhat higher inflation, and the potential of muting growth in developed economies in the longer term.

Although deeper and more pervasive than the global financial crisis less than a decade before, growth in global wealth over recent years ensured that the world was generally in a better position to absorb some of the losses from COVID-19 during 2020.

61 See UBS (2021) *UBS House View: The Year Ahead 2021*, UBS Chief Investment Office, available at ubs.com/yearahead

62 UBS, *ibid.*

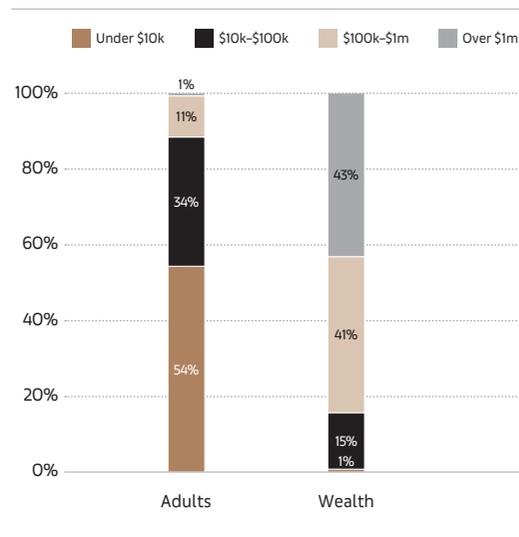
One important factor that helped preserve some buoyancy in personal wealth, particularly at the high end, was the resilience of equity markets. Although they suffered a severe downturn in the first quarter of the year, with the S&P 500 dropping by 34% in one month from late February to March, markets rebounded rapidly, and by the end of December, the S&P 500 was 67% above its March low and up just over 16% for the year, as more certainty in major economies such as the post-election US, the rollout of effective vaccines, and greater optimism pushed markets up to unexpected and record high levels.⁶³ In December, the markets ended 2020 on a high note, with a 4.6% rise in global equities boosted by positive market sentiment as the commencement of vaccination programs offset some of the concerns over rising COVID-19 infections, stricter restrictions in many parts of the world, and the emergence of a new faster-spreading strain of the virus.⁶⁴ The best performance came from emerging markets as well as a rally from the UK market after a notably weak year. Although this growth moderated slightly at the beginning of 2021, the strong performance of financial markets over 2020 led to wealth preservation and growth for many high net worth individuals, who are key collectors in the art market.

63 S&P 500 data from nyse.com.

64 See UBS (2021) *2020 in Review: Six Key Observations*, Chief Investment Office GWM Research.

The strong performance of financial markets over 2020 led to wealth preservation and growth for many high net worth individuals, who are key collectors in the art market

Figure 6.2 | The Distribution of World Wealth in 2020



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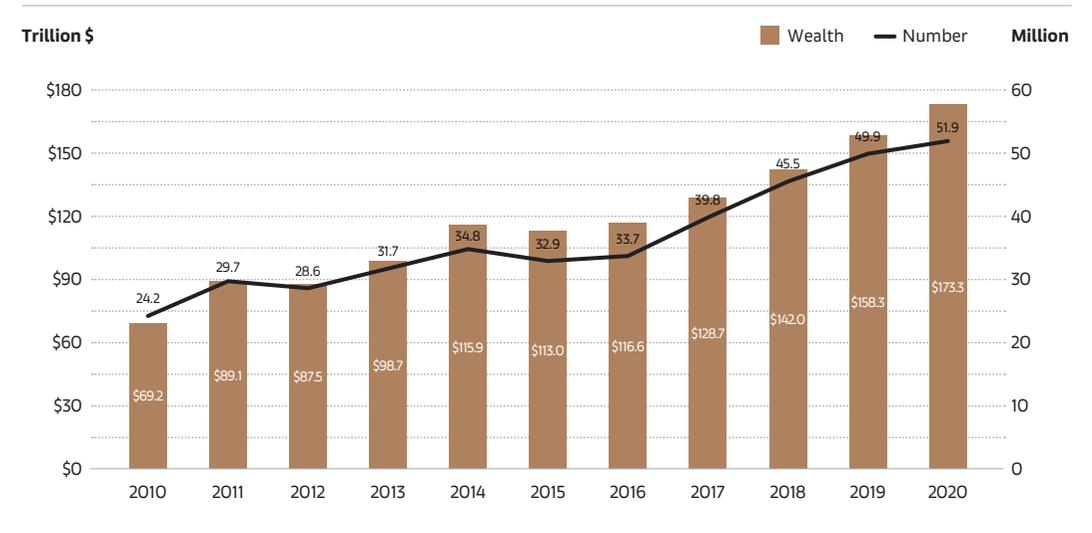
6.2 | Wealth Distribution and Millionaires

While economic recovery has begun, a key feature of the crisis of 2020 was that it escalated some trends that were already in evidence in recent years, noticeably the increasing focus on local markets and the shift to digital. Another trend that has accelerated

in the crisis is wealth and income inequality, and the post-crisis world is predicted to be more unequal in terms of wealth distribution. The pandemic had varying effects between different segments of society, with a higher burden on the most economically vulnerable people, including younger workers and women, those working in smaller companies and in less secure contractual arrangements and with lower wages, who were more likely to lose their jobs than those with higher wages and more secure conditions. Also, the fact that highly skilled and knowledge-based work can be performed efficiently at home and that financial markets have performed well, meant that high wealth and income individuals had a relatively much better period. The global distribution of wealth measured mid-year in 2020 had not shown significant changes in structure, however, some of the effects may only be seen over several years. In 2020, millionaires accounted for just 1% of the adult population worldwide but owned 43% of the world's wealth. The greatest adjustments year-on-year were gains in the \$100,000 to \$1 million wealth tier, which saw an increase in both its share of the global adult population and their share of wealth of 2%.

The number of millionaires measured at the start of 2020 was 51.9 million with wealth of \$173.3 trillion, up 10% year-on-year from 2019. However, it is estimated that the number of millionaires fell by

Figure 6.3 | Number and Wealth of Dollar Millionaires 2010–2020



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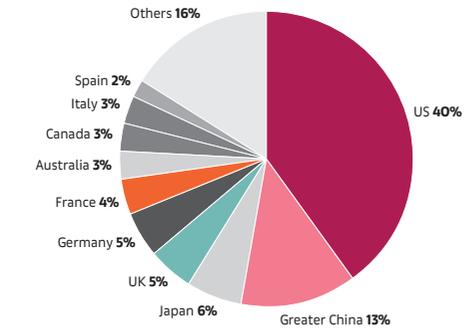
56,000 from January to June, bringing the total to 51.9 million in mid-2020 (although still an increase of 4% in number on mid-2019).⁶⁵

The US maintained the highest millionaire population (40% of the world total), and the global distribution remained basically unchanged from 2019, with Greater China up fractionally and in second place with 13%.

The most new millionaires created in 2019 were in the US, while in the first half of 2020, Greater China was the largest gainer. The main countries losing millionaires over the first six months of 2020 were the UK, Brazil, Italy, Australia, and Canada (with some of these losses due to currency devaluations).

⁶⁵ Estimates of millionaires are from Credit Suisse (2020) *Global Wealth Report*, and previous editions of Credit Suisse Wealth Databooks. Millionaires refer to those with net wealth in excess of \$1 million, defined as financial and non-financial assets (including property and other physical assets) less debt.

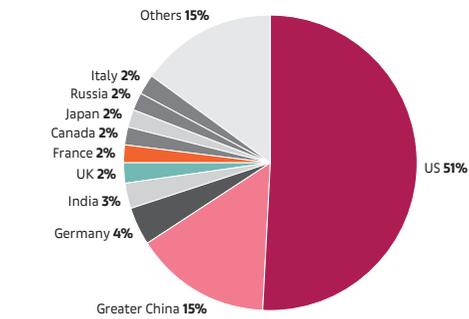
Figure 6.4 | Global Share of the Population of Dollar Millionaires in 2020



© Arts Economics (2021) with data from Credit Suisse

Moving up the wealth spectrum, the global population of ultra-high net worth (UHNW) adults reached approximately 175,570 in 2020 (defined here as those with net worth exceeding \$50 million), including around one third with wealth over \$100 million. Despite a small net loss in the first six months of 2020 (120 fewer UHNW adults), measured from mid-2019, the population in this segment increased 10%. The US and Greater China still dominated, accounting for a combined 66% share of the world's UHNW population. Both saw an increase in share year-on-year, with the US increasing 3% and Greater China up 2%.

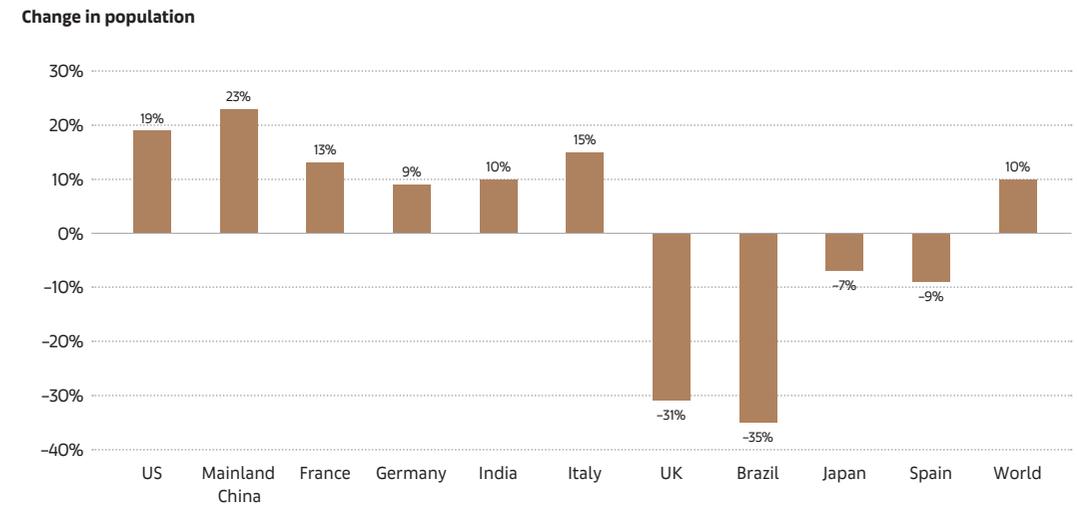
Figure 6.5 | Global Share of the UHNW Population with Wealth Over \$50m in 2020



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The US accounted for 84% of the net expansion in global individuals (UHNWIs) from mid-2019 to June 2020, with Greater China accounting for another 25% of the rise. However, relative to its own figures year-on-year, Greater China saw the greatest increase, with Mainland China adding 23% to its UHNW population while the US added 19%. The biggest losers over the period were again the UK and Brazil, with others including Spain, Japan, Switzerland, and Korea.

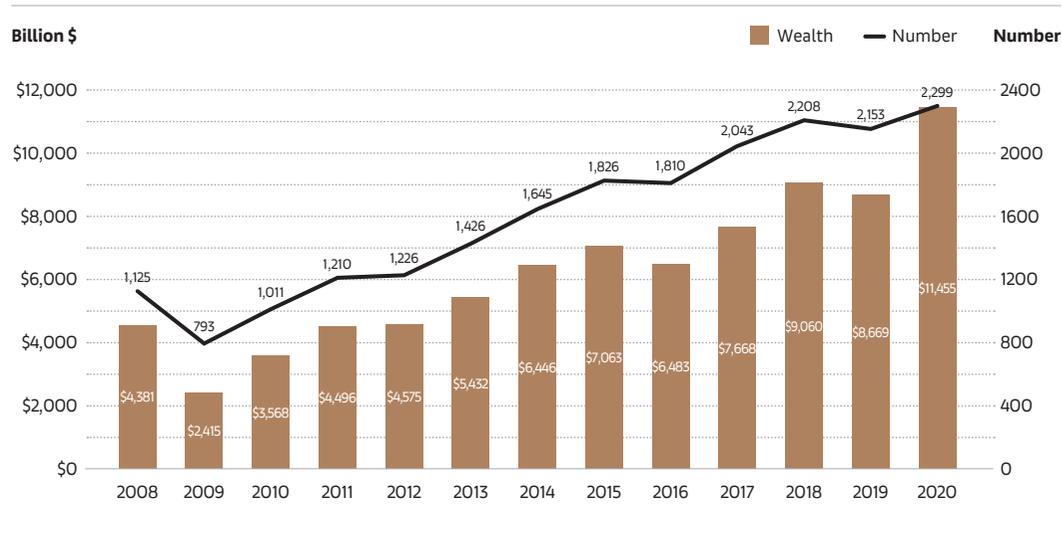
Figure 6.6 | Change in UHNW Population with Wealth Over \$50m in H1 2019 to end of H1 2020



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The US and Greater China accounted for a combined 66% share of the world's UHNW population

Figure 6.7 | Number and Wealth of Billionaires 2008–2020

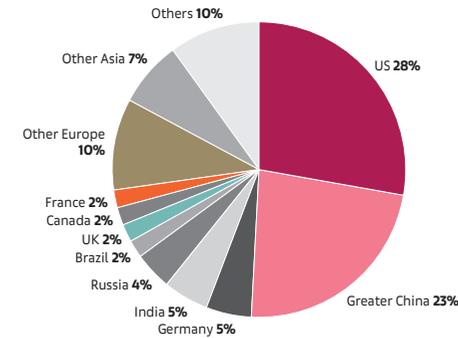


© Arts Economics (2021) with data from *Forbes*

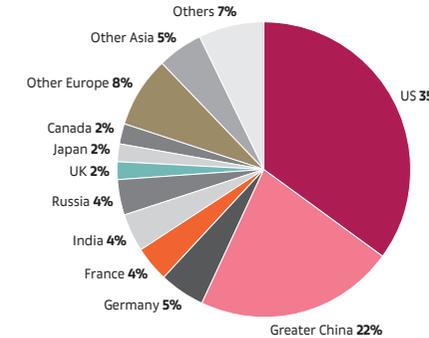
In 2009, the number of billionaires worldwide fell by 30% and their wealth plummeted 45% in the fallout from the global financial crisis. In 2020, the number of billionaires rose 7% and their wealth grew 32% over the year

Figure 6.8 | Global Share of Billionaires in 2020

a. By Population



b. By Wealth



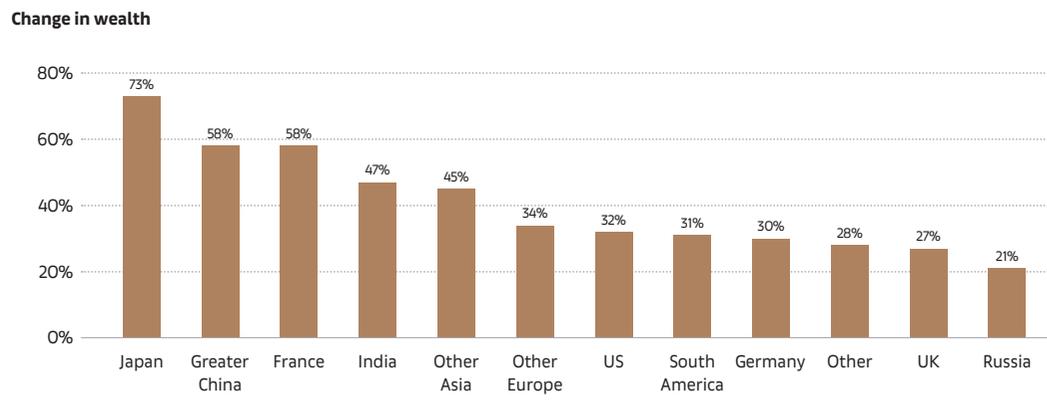
© Arts Economics (2021) with data from *Forbes*

6.3 | Billionaires

Moving higher again, 2020 also saw some interesting changes for the world’s billionaires, many of whom have an important impact on sales in the art market, highlighting the vast differences between 2020 and other recessions for the ultra-wealthy. Using *Forbes* billionaires lists (which have aggregated data on the world’s billionaires since 1987), in December 2020, there was an estimated 2,299 billionaires with combined wealth of \$11.5 trillion. Figure 6.7 shows the stark contrast in the billionaire segment between

the two recent recessions: in 2009, the number of billionaires worldwide fell by 30% and their wealth plummeted 45% in the fallout from the global financial crisis; in 2020, the number of billionaires rose 7% and their wealth grew 32% over the year. Although not all billionaires collect art, the preservation and enhancement of wealth in this segment globally is very likely to have been one factor that stopped the art market from having a worse recession than it may have done.

Figure 6.9 | Change in Billionaire Wealth March to December 2020 by Region



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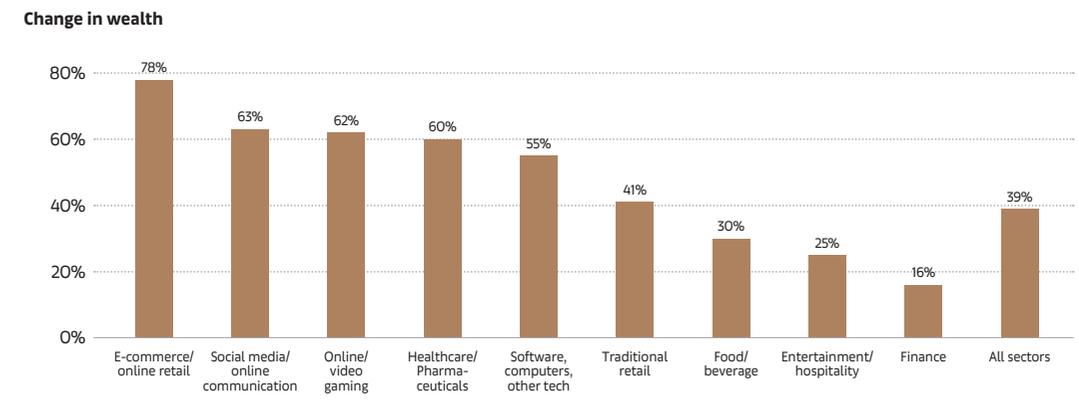
The US continued to have the highest share of billionaires in the world with a stable share of 28%, followed by Greater China at 23% (up 3% year-on-year). Germany, India, and Russia were again in the top five with a combined share of 14% of the billionaire population. Although global shares did not change significantly, by far the biggest gainer was Greater China, which saw its billionaire population rise by 63% (with 200 new billionaires), followed by India at 11%, while the US saw a more moderate increase of 7% (43 billionaires).

The US also had the largest share of billionaire wealth at 35%, a decline in share of just 1% year-on-year, while Greater China advanced 6% in share to 22%.

The wealth of Chinese billionaires increased over 150% over 2020 (to \$2.5 trillion) while the US grew 28% to just under \$4 trillion. Although its share was stable (at 4% of global billionaire wealth), France also saw significant gains, with the aggregate wealth of its billionaires increasing 49%, while both Germany and India saw advances of around 20%.

Apart from affecting various regions differently, the pandemic had diverse effects on different industries, which in turn impacted on the distribution and levels of billionaire wealth. What has clearly emerged from the year is that some individuals holding assets in key growth sectors such as technology and online retail did extremely well through the crisis. *Forbes* publishes its annual list of billionaires in mid-March

Figure 6.10 | Change in Billionaire Wealth March to December 2020 by Sector



© Arts Economics (2021) with data from *Forbes*

each year, and comparing this published list to the information gathered in real-time in December showed the variable effects of the pandemic on billionaire wealth. During the period from mid-March to mid-December 2020:

- The top three wealthiest billionaires increased their wealth by 113% (and 98% for the year from December 2019 to December 2020);
- The top 10 billionaires increased their wealth by 65% (and 50% for the year);
- The top 100 billionaires increased their wealth by 61%;
- The top 500 billionaires increased their wealth by 50%; and
- All billionaires (that were on both the March and December lists) increased their wealth by 39%.

With a few exceptions, Asian billionaires fared better than others over this period in 2020, but the aggregate wealth of billionaires in all countries was either stable or increasing.

Looking further at the differences in these periods by economic sector reveals the extraordinary gains made by billionaires in certain industries, with those with wealth centered on online industries, including both e-commerce and online communications, and health and pharmaceuticals doing considerably better than average. Research on the billionaire sector by UBS also indicated that tech-based billionaires have prospered most in the last decade, particularly pulling ahead in 2019 and 2020, supported by a surge

in tech shares from 2018. According to their estimates, the number of tech billionaires grew from 68 in 2009 to 234 in 2020. The number of healthcare billionaires also grew from 48 to 167, with their wealth boosted by drug discoveries and innovations in diagnostics and medical technology, as well as directly over 2020 through COVID-19 treatments and equipment. Tech and healthcare billionaires' total wealth both multiplied by four times over the period, accounting for a combined \$1.8 trillion in 2020.⁶⁶

Women still make up the minority of billionaires worldwide, accounting for just 11% by both population and wealth in 2020, stable on 2019. Although the number of female billionaires has more than doubled in 10 years (to over 250 in 2020), it has done so in line with the overall number of billionaires, leaving their share virtually unchanged.

As in other years, billionaires were mainly older, with just 12% of the population under 50 (and accounting for 13% of total billionaire wealth) and 3% under 40 (with 3% of the total wealth). In markets such as the US, although young billionaires make up a small share of the overall population, there are expectations of significant wealth transfers in the coming years, with millennials set to inherit a significant wave of wealth from very wealthy Boomer parents, who often

had fewer children than preceding generations, and hence could be in a position to make large individual bequests of both wealth and art. Forecasts vary widely, with estimates that millennials could inherit anything between \$20 trillion and \$70 trillion from billionaire and UHNW parents by 2030 in wealth and assets, including art in what has been termed the 'great wealth transfer'. While some of these estimates rest on some fairly tenuous assumptions regarding what Boomers will do with their money, it is certain that there will be significant transfers, and the generation of millennial collectors may in turn be even wealthier than their parents, despite being significantly less so now. This trend is also set to increase the share of inherited wealth in the HNW segment and, in turn, potentially increase inequality as more wealth shifts between the wealthiest in society. The generation of Boomer collectors have been very active buyers of art with large collections. As these are transferred, it remains highly likely that a lot of this art will come on to the market due to changing tastes or simply the difficulty of dividing estates. This could potentially, therefore, have a double effect on both supply on the market and demand, should millennial collectors choose to use the proceeds in part to purchase more art.

6.4 | Art Collectors Survey

The behavioral patterns and preferences of HNW collectors are crucial in shaping some of the key trends in the art market. In 2020, the COVID-19 pandemic caused significant disruption to collectors' normal patterns of interaction with artists and businesses in the art market, as well as interrupting their often frenetic schedule of events. Collectors were forced to access exhibitions and sales online for much of the year, and many galleries and auction experts cited the difficulties of keeping some collectors focused on buying art as concerns over health, safety, social, political, and financial issues occupied their minds. However, unlike some previous recessions, there was also a notably heightened awareness and strong drive by some collectors to support the arts, and help ensure the survival of businesses, artists, and museums during the crisis. Without travel and other opportunities for luxury outlays, some collectors also had more time and budgets to browse and buy art.

To better understand collectors' participation and interaction in the art market in 2020, Arts Economics and UBS Investor Watch distributed a survey to HNW collectors across 10 different markets at the end of the year. Arts Economics has worked with UBS Investor Watch for the past four years in surveying distinct, regional samples of HNW collectors. In 2016 and 2017, the research focused on the largest market of the US, but this was expanded annually in both 2018 (to include the UK, Germany, Japan, Singapore, and Hong Kong) and in 2019 (adding France and Taiwan). In 2020, the survey expanded again, covering the largest sample size and widest geographical area to date, including the major art markets and a regionally diverse selection of others. The markets included in the survey in 2020 were: the US, the UK, France, Germany, Italy, Mainland China, Hong Kong, Taiwan, Singapore, and Mexico. Each of these markets is home to significant HNW populations, and some of their key wealth and economic features are summarized here.

⁶⁶ UBS (2020) *Riding the Storm: Billionaires Insights 2020*. UBS/PWC, available at www.ubs.com/global/en/wealth-management/uhnw/billionaires-report/billionaires-insights-2020.html.

Figure 6.11 | Survey Market Summaries

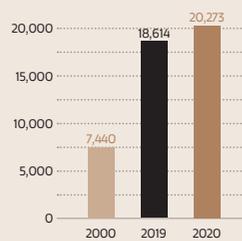
I. US

- Share of global millionaires: 40%
- Share of global UHNWIs (wealth over \$50m): 51%
- Share of global billionaires: 28%

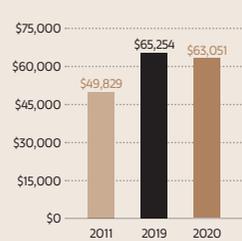
% Growth GDP



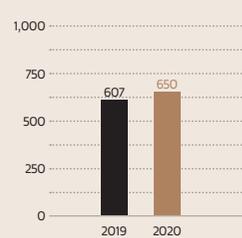
No. Millionaires



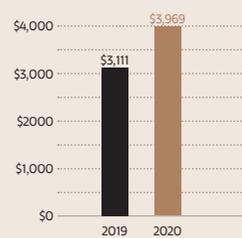
GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)



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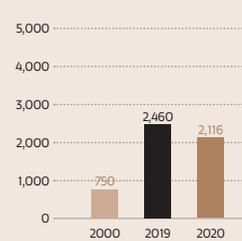
II. UK

- Share of global millionaires: 5%
- Share of global UHNWIs (wealth over \$50m): 2%
- Share of global billionaires: 2%

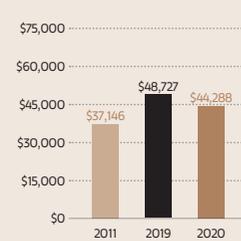
% Growth GDP



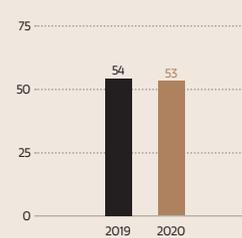
No. Millionaires



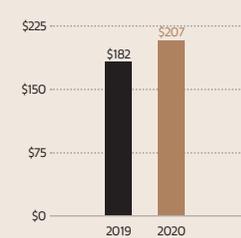
GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)



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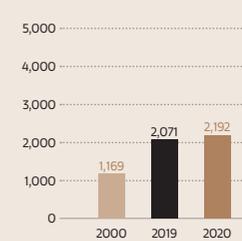
III. France

- Share of global millionaires: 4%
- Share of global UHNWIs (wealth over \$50m): 2%
- Share of global billionaires: 2%

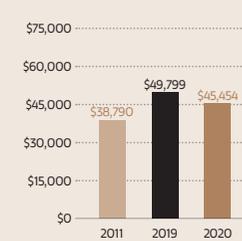
% Growth GDP



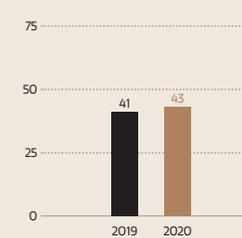
No. Millionaires



GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)



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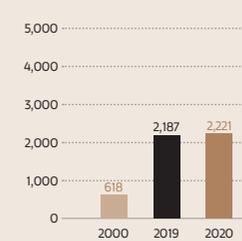
VI. Germany

- Share of global millionaires: 5%
- Share of global UHNWIs (wealth over \$50m): 4%
- Share of global billionaires: 5%

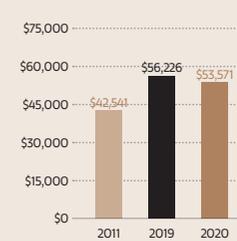
% Growth GDP



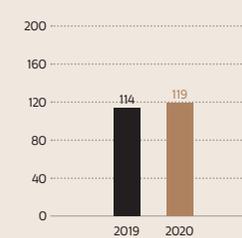
No. Millionaires



GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)



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Figure 6.11 | Survey Market Summaries (continued)

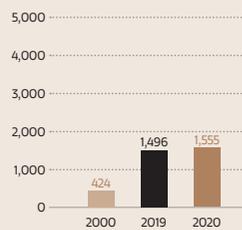
V. Italy

- Share of global millionaires: 3%
- Share of global UHNWIs (wealth over \$50m): 2%
- Share of global billionaires: 2%

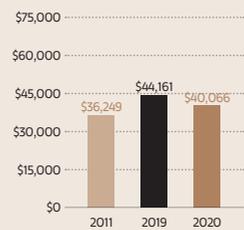
% Growth GDP



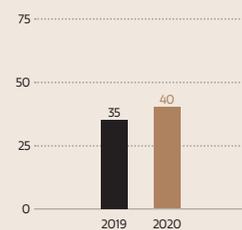
No. Millionaires



GDP pc (\$ppp)



No. Billionaires



Billionaire wealth (\$bn)

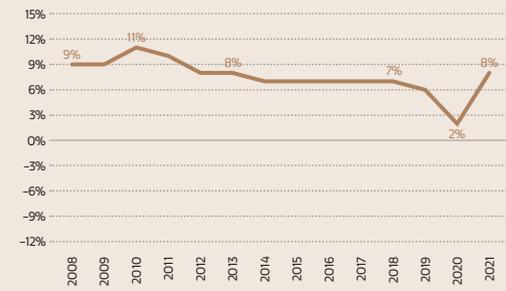


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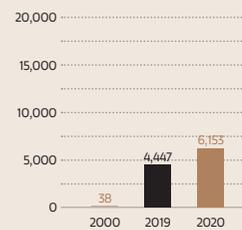
VI. Mainland China

- Share of global millionaires: 11%
- Share of global UHNWIs (wealth over \$50m): 12%
- Share of global billionaires: 18%

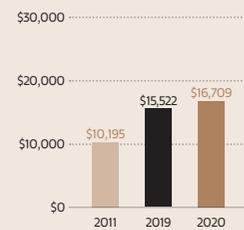
% Growth GDP



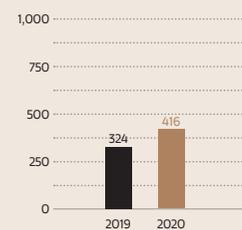
No. Millionaires



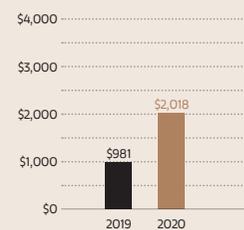
GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)



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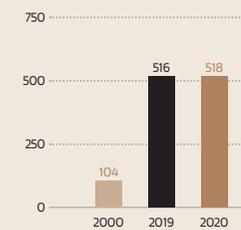
VII. Hong Kong

- Share of global millionaires: 1%
- Share of global UHNWIs (wealth over \$50m): 2%
- Share of global billionaires: 3%

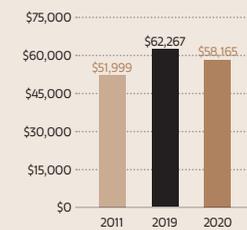
% Growth GDP



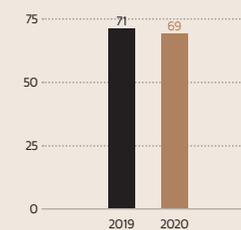
No. Millionaires



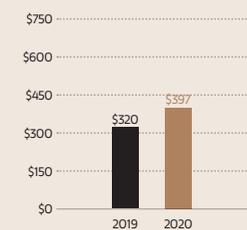
GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)



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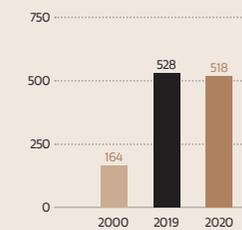
VIII. Taiwan

- Share of global millionaires: 1%
- Share of global UHNWIs (wealth over \$50m): 1%
- Share of global billionaires: 2%

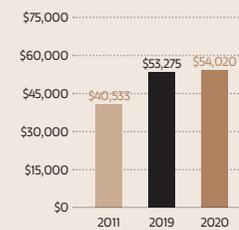
% Growth GDP



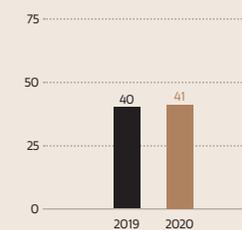
No. Millionaires



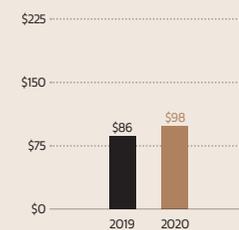
GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)



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Figure 6.11 | Survey Market Summaries (continued)

IX. Singapore

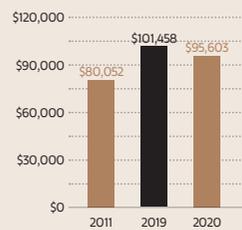
- Share of global millionaires: 0.4%
- Share of global UHNWIs (wealth over \$50m): 0.6%
- Share of global billionaires: 1%



No. Millionaires



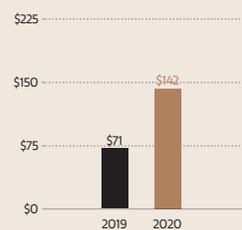
GDP pc (\$ppp)



No. Billionaires



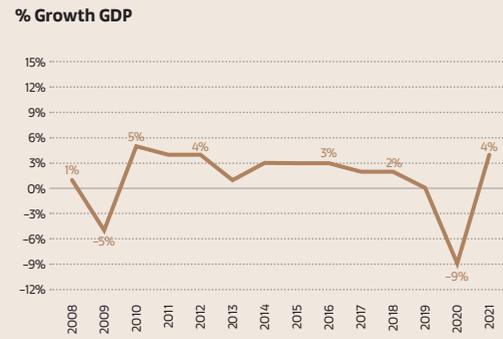
Billionaire Wealth (\$bn)



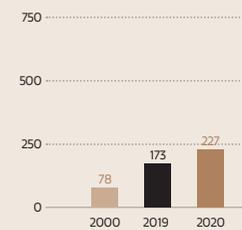
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X. Mexico

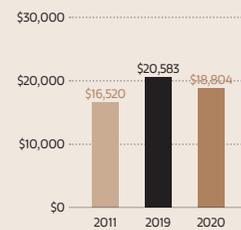
- Share of global millionaires: 0.4%
- Share of global UHNWIs (wealth over \$50m): 0.4%
- Share of global billionaires: 1%



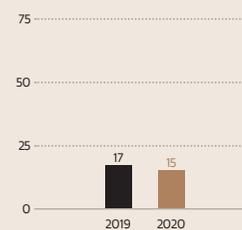
No. Millionaires



GDP pc (\$ppp)



No. Billionaires



Billionaire Wealth (\$bn)

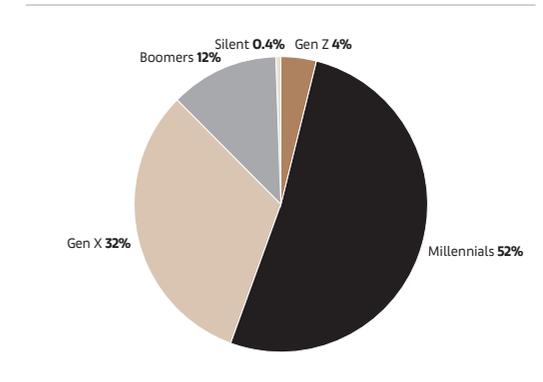


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6.5 | Description of the Collector Sample

The collector survey covered 10 regional markets, and included responses from 2,569 collectors, the largest survey of its kind to date. For inclusion in the survey, respondents were screened according to their level of wealth, as well as their activity and spending in the art market over two years. To be included, respondents were required to be HNWI individuals, defined here as having a current net worth, excluding real estate and private business assets, in excess of \$1 million. To ensure they were active in the art market, they were required to have purchased fine or decorative art over the previous two years. To increase the likelihood that they would have been active enough in the market to have relevant insights into the effects of the pandemic, they were also excluded from the survey if they had not spent more than \$10,000 on art and collectibles in each of the years 2019 and 2020.⁶⁷ This screening process continued until there was a minimum of 400 suitably qualified responses for the US, 300 from Mainland China, and 200 from each of the other markets surveyed. A quota on gender was also applied to ensure a more balanced representation of male and female collectors, with the overall gender breakdown of the aggregate sample being 46% female, 52% male, and 2% identifying as non-binary.

Figure 6.12 | Age Profile of HNWI Collectors Surveyed (All Markets)



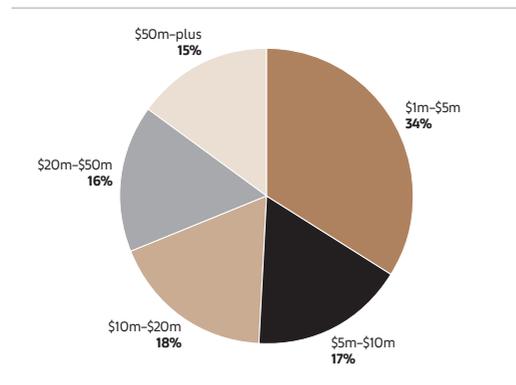
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As in previous years, although the questionnaire was distributed across a broad range of age groups, the age breakdown of qualified respondents was dominated by millennials (52%) and Gen X collectors (32%), which reflects some of the most currently active collecting segments in the market.⁶⁸ The average age across all markets was 39 years, and this was also fairly consistent throughout the different regions, ranging from 37 years of age in Mexico to 44 in Italy.

⁶⁷ The \$10,000 expenditure minimum was introduced as a screening criterion in 2019 but covered a period of two years. In 2020, the criteria were more stringent, with respondents required to have spent \$10,000 in both 2019 and 2020. This ensured respondents were regular and active collectors, that had engaged with the market in 2020. However, along with the changing regional composition, the new criteria introduced some issues in direct comparability over time, as well as changing the demographic profile of the sample.

⁶⁸ For the purposes of this survey, Gen Z are defined as those collectors who are under 23 in 2020, millennials are 23 to 38 years old, Gen X are 39 to 54 years, Boomers are 55 to 73 years, and Silent are 74 years and over. The share of millennials in the entire population sampled from (i.e. including those screened out) was only 32% of the total, with 25% Gen X, 30% Boomers, 4% Silent generation, and 9% Gen Z.

Figure 6.13 | Wealth Level of HNW Collectors Surveyed (All Markets)

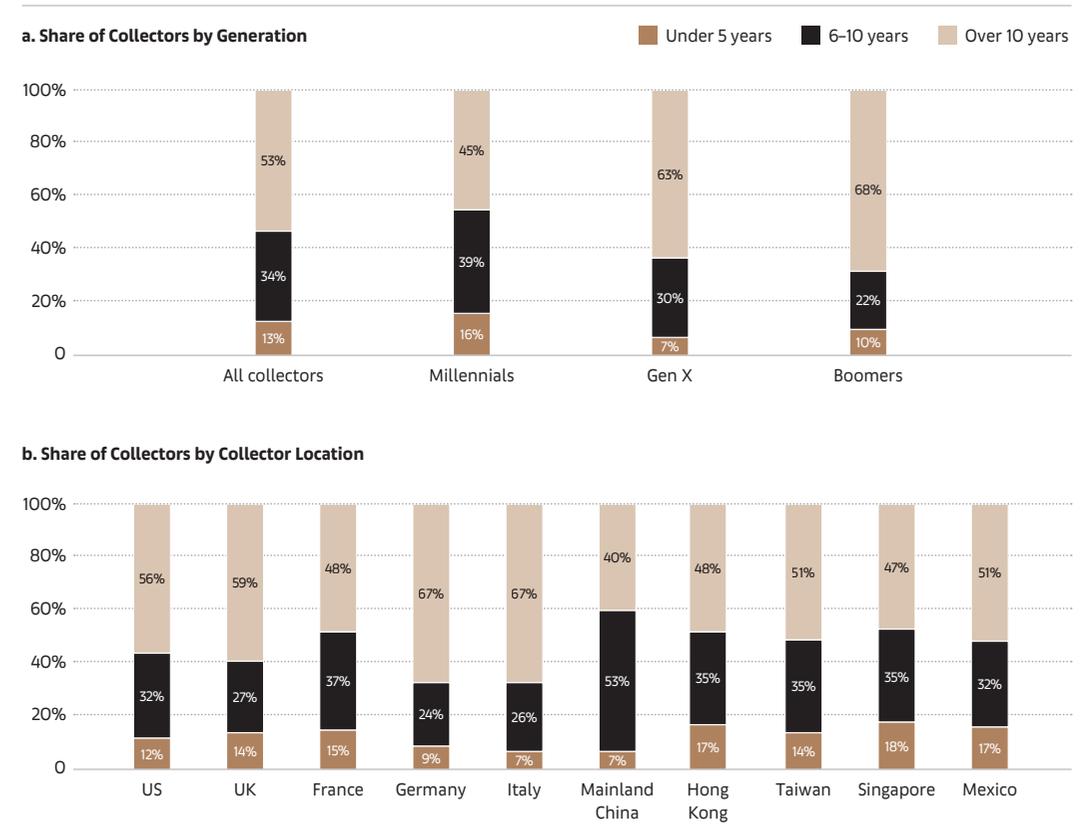


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All respondents had personal wealth in excess of \$1 million (excluding real estate and private business assets), with just over one third in the \$1 million to \$5 million range. Almost half (49%) had wealth in excess of \$10 million, including 15% in the ultra-high net worth (UHNW) category of over \$50 million. The highest share of UHNW adults was in Germany (31%) and Mainland China (21%), and millennials had a slightly higher share in this category (at 18%) versus other generations.

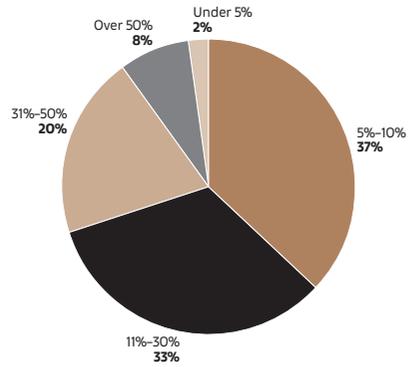
Despite being a relatively young sample, most respondents had been collecting art for several years. Over half of the sample had been collecting for longer than 10 years, including 10% over 20 years. Only 13% had been actively collecting for less than five years, and just 1% were new to the market in the last two years. Even for younger millennial collectors, a high proportion of 45% reported having collected art for at least 10 years. While this may relate to family-collecting activities or collecting at a relatively minor level, it does imply that a significant share of collectors show an interest in the market from an early age. Collectors tended to be more established in Europe and the US than in the Asian markets. Those collecting longer tended to have larger collections and spent more annually, particularly at the higher end.

Figure 6.14 | Length of Time Collecting (All Markets)



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Figure 6.15 | Collectors' Allocation to Art in Overall Portfolio of Wealth



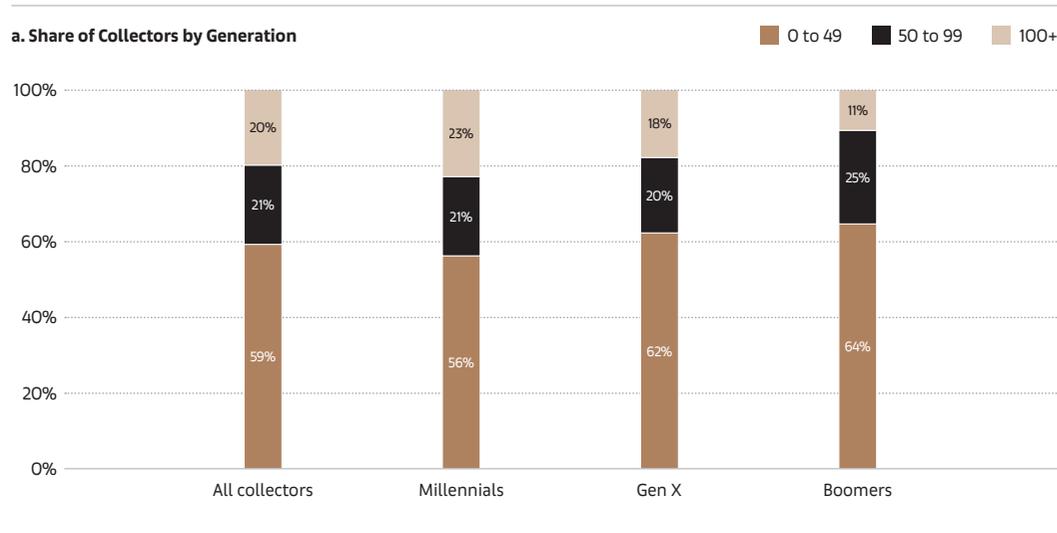
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Some collectors had a relatively high proportion of their overall portfolios of wealth invested in art, with 61% reporting an allocation of over 10% (with wealth measured in this instance including real estate and private business assets). A minority of collectors (28%) also reported that over 30% of their wealth portfolio was accounted for by their art collections, and younger collectors tended to have a higher share allocated. 30% of millennial collectors had more than 30% of their wealth held in art, which was double the level of some of their older counterparts such as Boomers. This may be related to lifecycle factors and the buildup of other assets over time, but it shows the significant position of art in the wealth portfolios of some young collectors.

Some collectors had a relatively high proportion of their overall portfolios of wealth invested in art, with 61% reporting an allocation of over 10%



Figure 6.16 | Size of HNW Collectors' Collections (Number of Works)



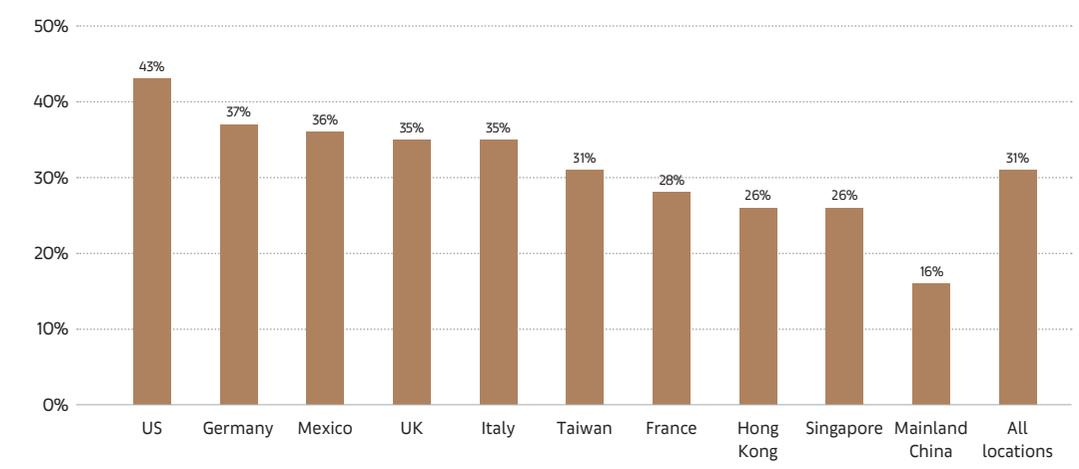
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6.6 | HNW Collections of Art

The majority (59%) of collectors owned less than 50 works, with a median of 31. These relatively smaller collections dominated across all age groups, although millennial collectors slightly surpassed their older peers with a median of 33 works versus 29 for both Gen X collectors and Boomers. The wealthiest collectors of all ages also had the largest

collections, with those with wealth above \$50 million having collections three times the size of those with wealth between \$1 million and \$5 million (59 works versus 19). The number of works was also related to how long respondents had collected art: collectors of over 20 years had amassed 86 works in their collections, while the median number for those new to the market in the last two years was just seven.

b. Share of Collectors by Location



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Despite having low collection sizes on average, there were a minority of new collectors that deviated from this significantly, including 16% who already held 100 or more works in their collections (and nearly one quarter in this segment held at least 50). While some of these works may have been inherited or gifted, this indicates there is a small, but potentially highly active, segment of new HNW collectors.

Collectors in Asia tended to have slightly smaller collections, with a median of 16 works of art for collectors in Mainland China, and a majority (77%) with collections under 50 works. The largest collections were in the US, where the median size was 43 works and 31% of US respondents had over 100 works.

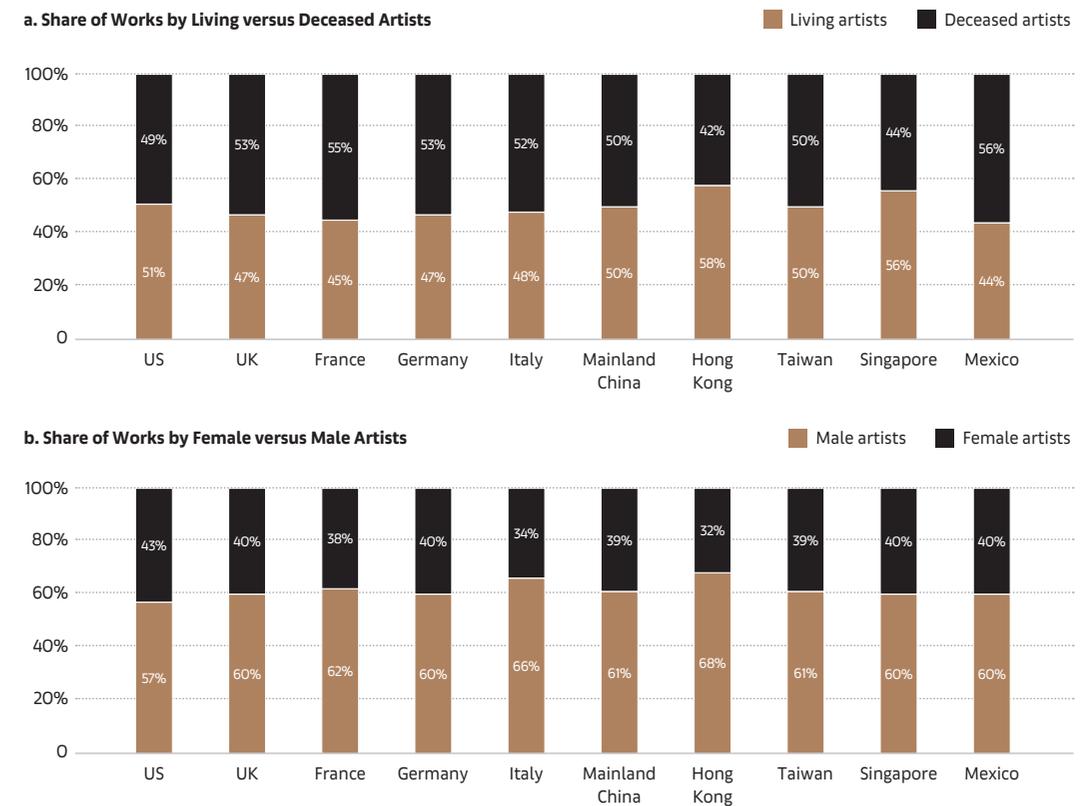
An analysis of the content of their collections revealed that HNW collectors tended to hold a balanced selection of living and deceased artists' works in their collections, with an average 50% share of each. The share of works by living artists was slightly lower than previous surveys, with a majority of 53% in 2019 and 57% in 2018. The inclusion of a higher spending criteria possibly influenced the aggregate share as higher price points are generally more often found in the secondary market (where deceased artists' works dominate). Despite this, there was in fact a greater share of living artists' works in the collections of the wealthiest and highest spending collectors: UHNW collectors with wealth over \$50 million owned a higher share of living artists (54%) and those who had spent \$1 million or more over the last two years were higher again at 57%.

The highest share of works by living artists were held by collectors in Asian markets such as Singapore and Hong Kong, with the lowest in Mexico and France. Newer collectors tended to have a greater share of living artists' works, with those new to the market in the last two years having a share of 56% versus 48% for collectors of 20 years or more. However, otherwise, there were few significant differences by characteristics such as gender or age, indicating overall, collectors tend to hold a diversified selection of artists' works in their collections.

Collections were, however, less balanced when it came to gender, and across the board tended to be dominated by the work of male artists, at 61% on average.⁶⁹ This does not imply that collectors are biased in their selection of works, and anecdotally, most collectors have reported that they tend not to be influenced by either the race or gender of the artists they consider for purchase. However, they only see and purchase artists they have heard of and are made aware of, and the extent that female artists' works are less available or represented less in the auction and gallery sectors will clearly influence the composition of private collections.

Although still a minority across all of the regions surveyed, there are indications that the share of female artists' works in collections is rising over time, increasing to 39% in 2020 from 37% in the surveys of collectors in 2019, and 33% in 2018. The share of works by female artists was also slightly greater for female collectors than male collectors overall (42% versus 36%). There were some regional differences, although none reported gender parity. The share of works by female artists in the collections of female HNW collectors ranged from a low of 29% works in the US to 40% in the UK, while for male collectors this ranged from 29% to 36%.

Figure 6.17 | Collection Content: Share of Works Purchased by Artists' Characteristics

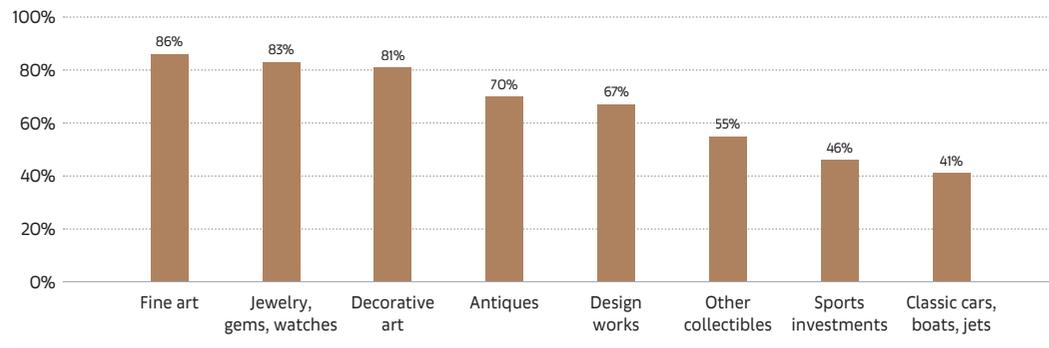


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⁶⁹ The share of works of male versus female artists cited here compares only those works where male or female could be assigned to the artist.

Figure 6.18 | Share of HNW Collectors Having Purchased Art and Luxury Assets in 2019 and 2020

a. Share of Collectors



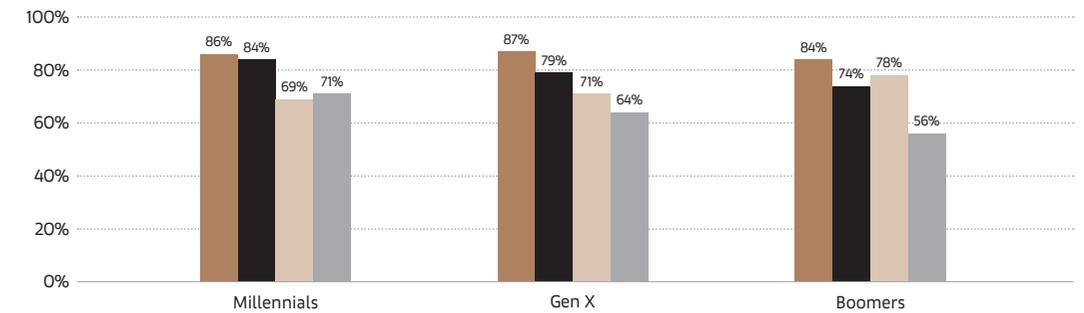
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6.7 | HNW Collectors' Expenditure on Art in 2020

From eight different categories of art and collectibles, fine art was the most popular purchase of 2019 and 2020 for HNW collectors, with 86% of the sample having bought a painting, print, sculpture, or other fine art work. Jewelry, gems, and watches were the second most popular, followed by decorative art. Fine art was also the most popular across all of the national markets, with the exception of Mainland China, where decorative art ranked higher (with fine

art in second place). Figure 6.18 shows evidence of cross-collecting by HNW collectors, with the majority having purchased across several different categories, including antiques and design works (such as 20th and 21st century furniture) as well as other collectibles such as coins, wine, or memorabilia. Collectors of all ages showed high levels of activity across the main categories of art and antiques, with millennials particularly strong in collecting decorative art and design works.

b. Share of Collectors by Generation



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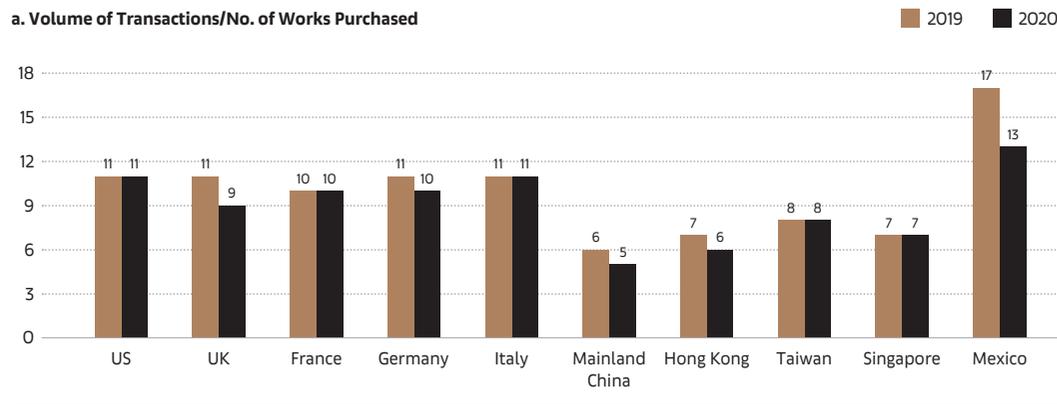
Although the COVID-19 pandemic distracted many collectors from focusing on their collections in 2020, the survey indicated that most HNW collectors continued to actively engage in the art market. Overall, the average number of purchases by collectors fell only marginally from 10 in 2019 to nine in 2020, with a stable median year-on-year of five works purchased.⁷⁰ The volume of purchases was relatively stable in all regions, with either the same number of transactions or a small reduction of between one and four works in 2020. Millennials and Boomers

bought the same number of works each year (with averages of 10 for millennials in both years and a stable seven for Boomers), while the volume of purchasing by Gen X collectors declined slightly from 10 works in 2019 to eight in 2020.

HNW collectors were undoubtedly important in ensuring the market had a relatively smaller contraction than may otherwise have been the case, as average expenditures in this sample were also relatively consistent year-on-year, with a slight

⁷⁰ Around 20 outlier responses were deleted in calculating the averages in each year reporting purchasing well in excess of 500 works. However, even with these responses included, the average was stable at 32 works in each year.

Figure 6.19 | HNW Collector Expenditure in 2019 versus 2020



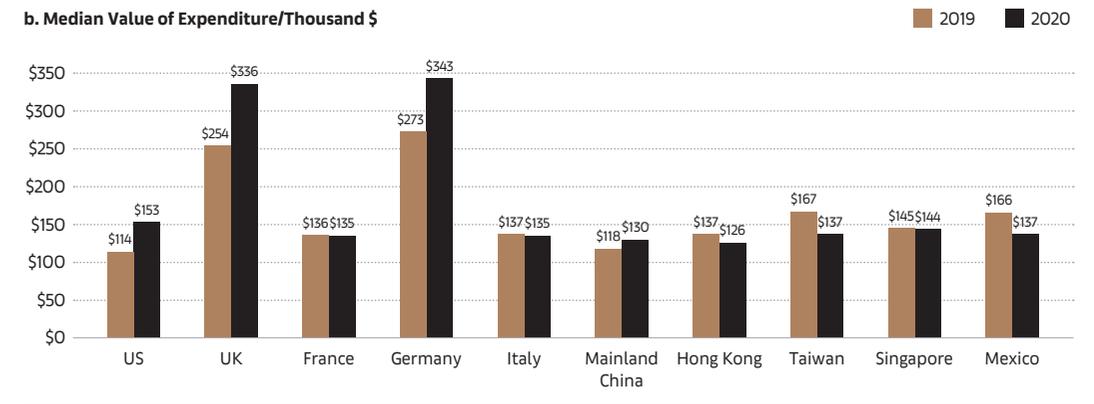
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increase in median expenditure of 5% from \$144,000 in 2019 to \$151,000 in 2020. This median was increased as there were slightly more (3%) collectors spending over \$10 million in 2020 (and less spending under \$100,000) than in 2019. This was regionally mixed, however, with an increase in expenditure by collectors in the US and the UK, and declines in some smaller markets such as Taiwan and Mexico.

The highest spenders in 2020 were millennial collectors, with a median of \$228,000, markedly

higher than their Gen X peers (\$122,000) and more than double that of Boomers (\$109,000).⁷¹ Some millennials also spent more in 2020, with the share of those spending in excess of \$1 million rising from 25% to 30% year-on-year, increasing the median expenditure by 37%. Based on their median expenditure in 2020, millennials were also the highest spenders in each individual location, with the notable exceptions of Mainland China and Hong Kong, where Boomers were higher by a considerable margin.

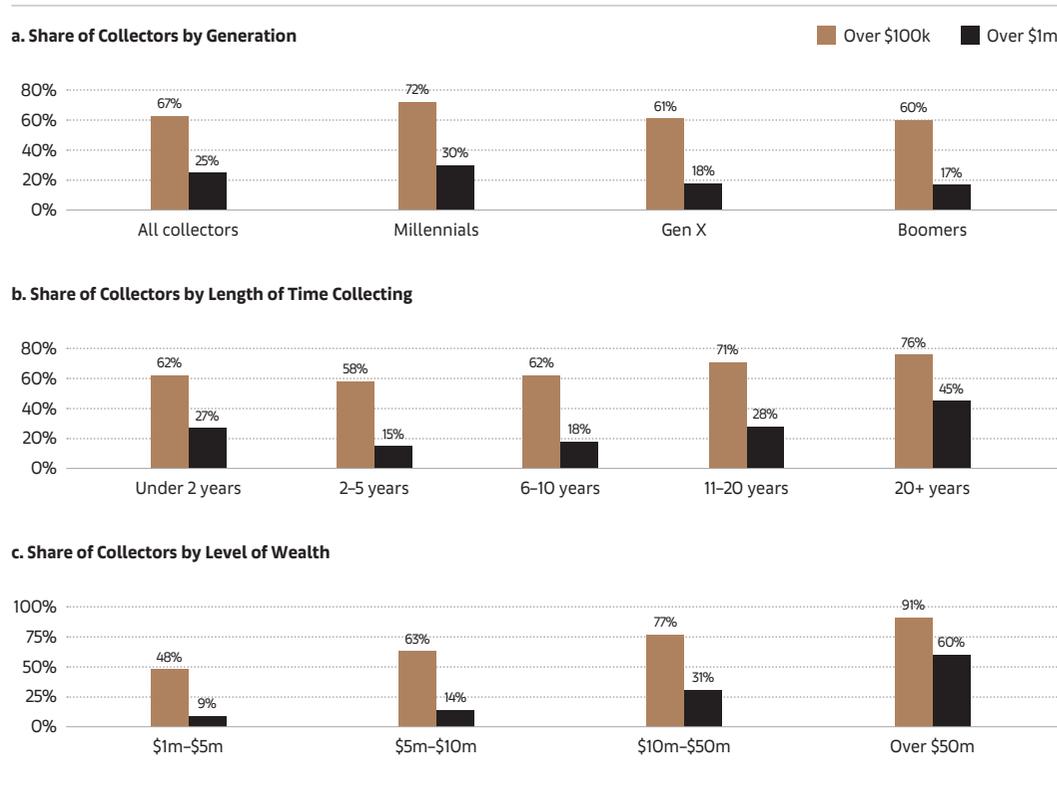
⁷¹ The median expenditure represents the middle of the range of expenditures from lowest to highest, and the average was considerably higher as it was influenced by high spenders, at \$1.9 million in 2020. Again, this was the highest for millennial collectors at \$2.4 million.



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The highest spenders in 2020 were millennial collectors, with a median of \$228,000, markedly higher than their Gen X peers and more than double that of Boomers

Figure 6.20 | Share of Collectors by Expenditure Level in 2020



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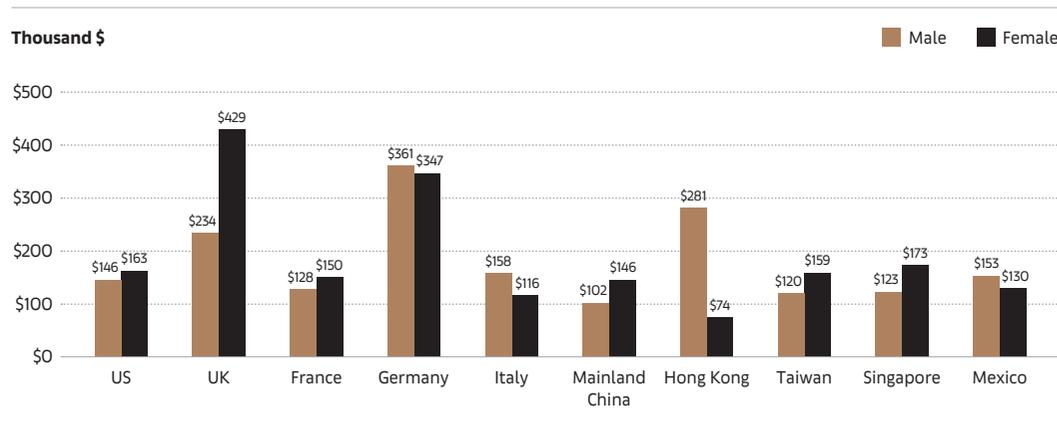
Due to the screening criteria for inclusion in the survey, all respondents had spent over \$10,000 on works of art and antiques in each of the last two years, and the survey revealed that a majority had spent over \$100,000 in both years (67% in 2020). Millennial collectors had the highest share of spending at this \$100,000-plus level (72% of millennials versus around 60% of Boomer and Gen X collectors).

Despite the pandemic, one quarter of the sample reported spending over \$1 million in 2020 (up 4% year-on-year), with the highest levels in the UK (38%) and Germany (32%), versus 24% in the US, 20% in France, and the lowest share in Singapore, at 17%. Once again, millennials were the higher spenders, with 30% having spent over \$1 million, versus only 17% of Boomers and 18% Gen X collectors. While age

was a factor, wealth and length of time collecting were also highly influential. Although there were a few new collectors spending large amounts, the share of \$1 million-plus spenders was by far the highest for the segment of collectors who had been in the market more than 20 years, at 45%. This segment of established collectors also had the highest median expenditure of \$455,000, more than double the level of any newer collectors. Unsurprisingly, the wealthiest collectors also spent the most, with the median level of spending for UHNW collectors at \$3 million (versus \$71,000 for those in the segment of wealth up to \$5 million). Millennials made up 60% of this highest wealth segment, which indicates that UHNW millennials were likely to be key spenders at the high end of the market.

Despite the pandemic, one quarter of HNW collectors reported spending over \$1 million on art in 2020

Figure 6.21 | Median Expenditure in 2020 by Male versus Female HNW Collectors



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It is notable also that while male collectors had a slightly higher median spend than women in 2019 (\$147,000 versus \$136,000), female collectors spent more in 2020. While the level of expenditure remained stable for men in 2020, female HNW collectors' spending rose 13%, leading their male counterparts at \$154,000. Expenditure by female collectors was higher in some of the largest markets, including the US, the UK, France, and Mainland China. However, in Italy, Germany, Mexico, and Hong Kong, male spending remained higher in 2020.

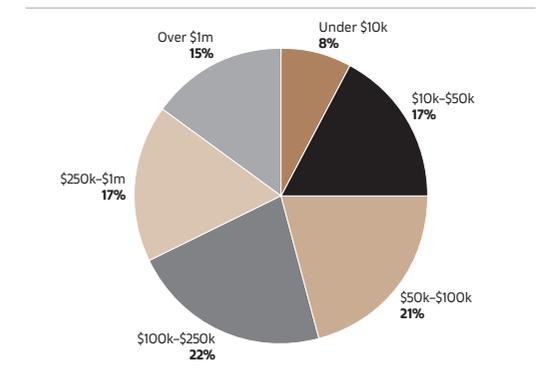
HNW collectors purchased works across a range of prices in 2020. 25% most frequently purchased works below \$50,000, while just over half (54%) transacted at prices greater than \$100,000. A minority of 15% transacted most frequently at prices in excess of \$1 million (with 2% over \$10 million), although this was a slightly higher share than in 2019 (at 10%), showing that, at least for this small group of collectors, the COVID-19 crisis did not deter them from making major purchases throughout the year.

Price ranges were proportional to wealth, with a much greater share of those spending at price points over \$1 million in higher wealth segments (including 42% of the UHNW collectors with wealth greater than \$50 million). There were also regional differences, with a higher-than-average share of \$1 million-plus spenders in the UK and Germany versus a lower proportion in the smaller art markets of Singapore and Mexico, where spending in the segment from \$50,000 to \$250,000 was considerably stronger.

Again, young collectors tended to be the most active at high price levels. Of those respondents most commonly spending over \$1 million, 63% were millennial collectors (also the majority in surveys in 2019), ahead of Gen X collectors at 23% and Boomers at 7%. The high share was driven both by their higher level of spending as a segment, and their dominance as a segment of respondents, however, the results were consistent across most markets.

Across all regions, 18% of the HNW millennial collectors surveyed regularly transacted at over \$1 million in 2020, and in some markets such as Germany and the UK, this rose to one third or more. The notable exception was Mainland China and Hong Kong, where the share of Boomers spending over \$1 million was greater than millennials.

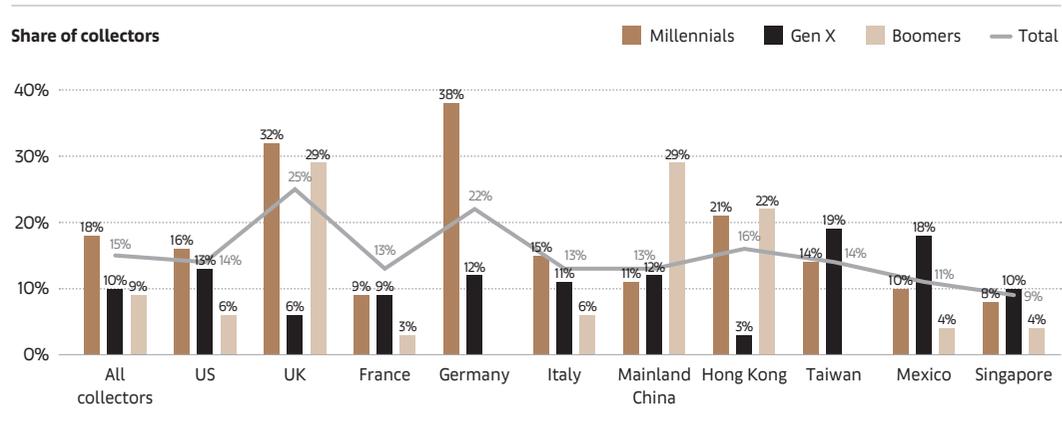
Figure 6.22 | Most Common Price Range for Purchasing Art in 2020 (Share of Collectors)



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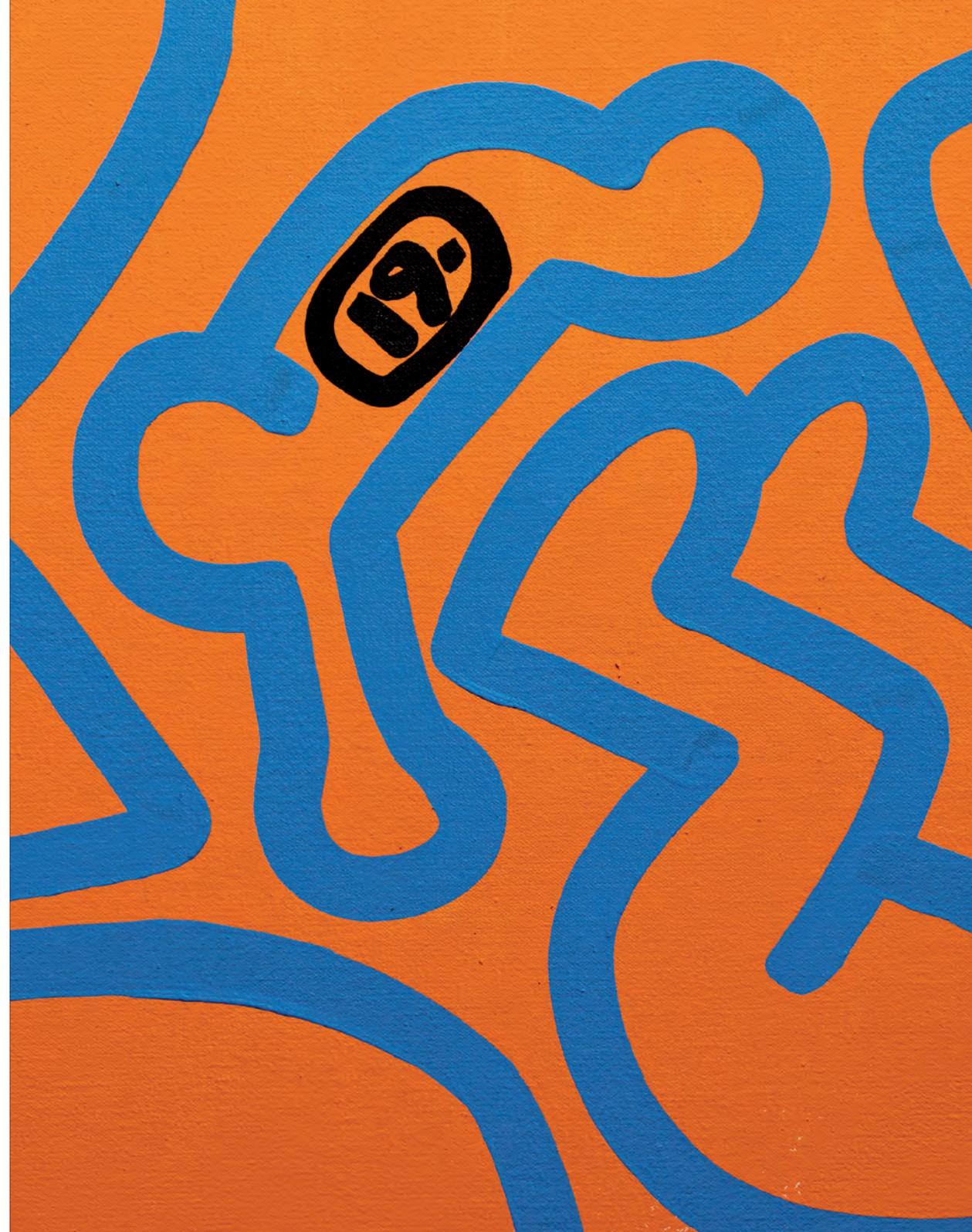
Overall, across all generations, there was little indication that the pandemic had changed the price level collectors generally transacted at, and there was evidence of a slightly higher share of collectors active at higher levels of prices, which could be connected to the boosts in the wealth of the UHNW population and billionaires over the year (and is not therefore more generalizable to all collectors).

Figure 6.23 | Share of Collectors Most Commonly Purchasing at \$1 Million and Above in 2020



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Across all regions, 18% of the millennial
HNW collectors surveyed regularly transacted
at over \$1 million in 2020



6.8 | Buying Channels for HNW Collectors in 2020

Despite the restrictions in place, the widespread temporary closures of galleries and live auctions, and the cancellation of artworld events, collectors still purchased through a range of channels, both on- and offline in 2020. The most commonly used channel for purchasing art in 2020 was through a gallery, which has consistently been the most widely used in the previous HNW collector surveys for the last three years. 81% of those surveyed had purchased via a gallery or dealer in some format in 2020, and the most common method of accessing gallery sales was through their physical premises (55%) or buying directly through a gallery website or online viewing room (47%), while a smaller share of 31% had made purchases by phone or through emailing the gallery.

While buying through a gallery's premises was the most common channel, when sales are broken out into their various component parts (as in Figure 6.24), the second most widely used channel, and ahead of buying through a gallery online, was via auction, with just over half (54%) of the sample having purchased art at auction in 2020. Auction channels were also more commonly used in certain regions than galleries, including ranking highest in France (used to make a purchase by 66% of collectors in 2020), Germany (64%), and Hong Kong (at 54%, just marginally ahead of gallery premises at 53%). Auctions were also more popular for Boomers, ranking ahead of purchasing via a gallery, and similarly, for both UHNW collectors

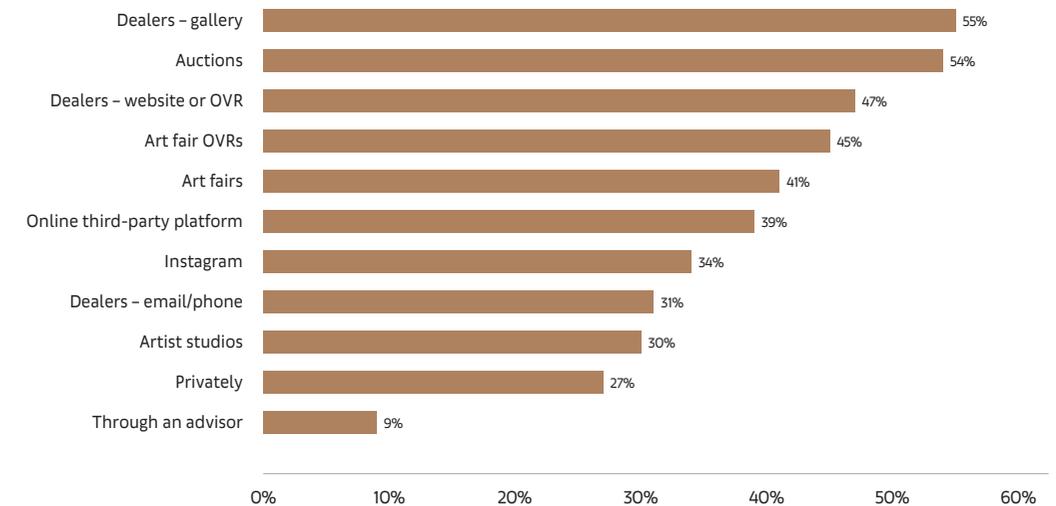
(with wealth over \$50 million) and those who had been collecting for longer than 20 years. Purchasing through a dealer's website or OVR was also a less popular method of transacting for Boomers versus their younger counterparts.

Purchasing from art fairs was also a commonly used channel in 2020. Despite a reduction in the number of art fairs held in 2020, 41% of the sample overall reported having purchased art at a fair, and 45% from fair OVRs. Online platforms and Instagram were less popular, with more collectors engaging directly with galleries and auctions online through their own websites or OVRs.⁷²

Just 30% of collectors had bought directly from an artist in 2020, although this was more popular in Mainland China (41%), where it is more common for more artists to sell works outside of the gallery structure. It was also more prevalent for the most established collectors (38% for those collecting for more than 20 years), who may have built up more contacts with artists over their years interacting within the art market. Their experience and networks may also have influenced their higher share of purchasing from private parties and other collectors (at 38% versus the overall average for the sample of 27%). Although a minority of collectors used these two channels, it does indicate that a significant level of transacting goes on outside the galleries, auctions, fairs, and online sellers covered in this report.

Figure 6.24 | Sales Channels used for Purchasing in 2020

Share of collectors

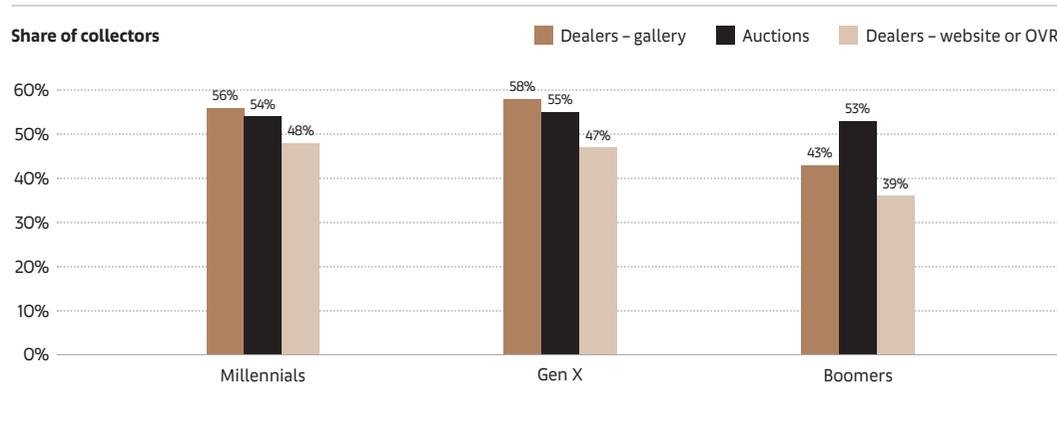


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The most commonly used channel for purchasing art in 2020 was through a gallery, which has consistently been the most widely used for the last three years

72 See Chapter 5 for further findings on HNW collectors' online engagement.

Figure 6.25 | Top Three Sales Channels used for Purchasing in 2020 by Generation

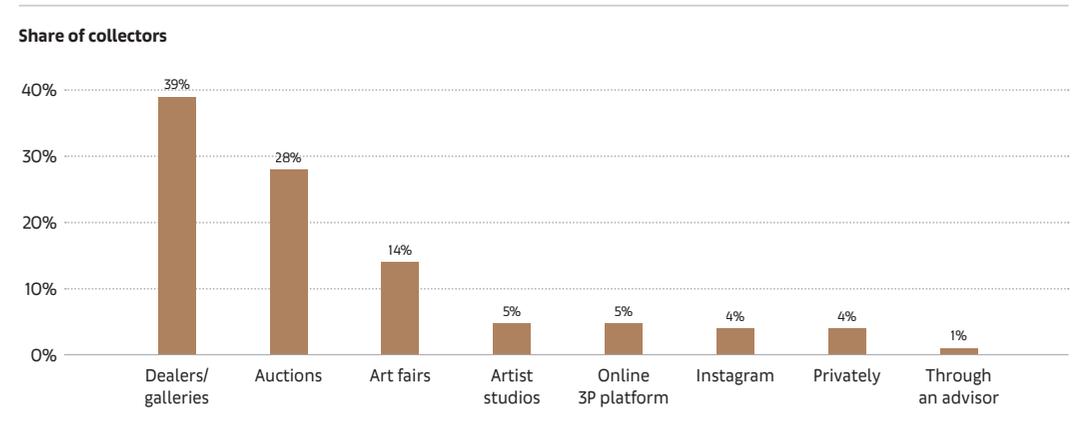


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Buying through an advisor was the least common channel used by only 9% of collectors in 2020. UHNW collectors used advisors more than other collectors (15%), as did more established collectors that had been building their collections for more than 20 years (17%). The use of advisors also rose positively in correlation with the level of spending by collectors, from just 5% of those collectors who had spent less than \$50,000 on art in the last two years up to 25% for those who had spent over \$10 million. While not the most commonly used for making a purchase, art advisors were reported as having been used regularly by between 30% and 50% of the HNW

collectors surveyed over the last two years. Although differences may be due to the sample selection, it may also be that collectors were able to transact more directly online with galleries, dealers, and auction experts, most of whom also increased the amount of content they published online. Collectors also commonly use advisors for many aspects of transacting, from the search for new works, legal and regulatory advice, and appraisal and valuation, but still conduct the actual purchase themselves, which means these figures may significantly understate the use of advisors by HNW collectors.

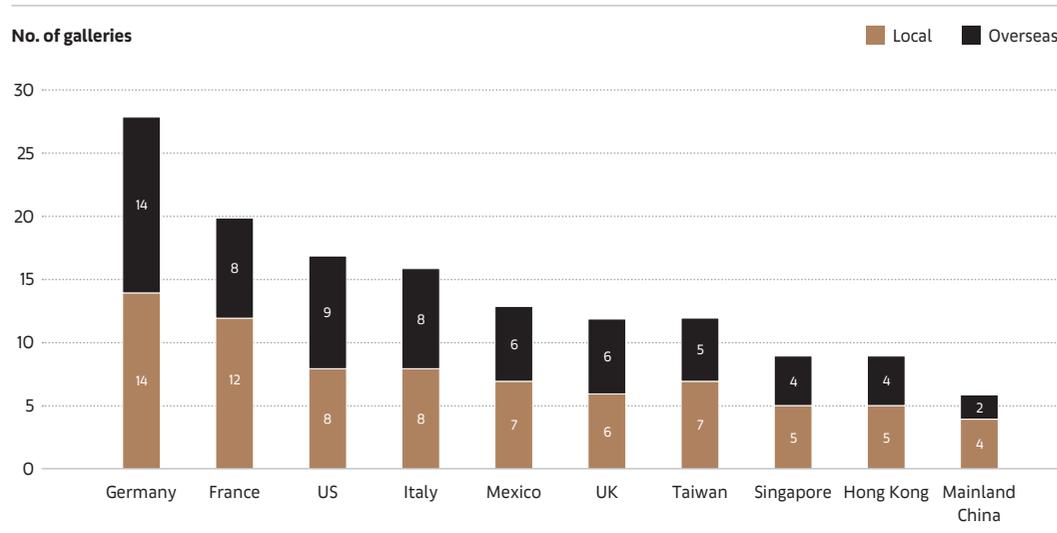
Figure 6.26 | HNW Collectors' Preferences for Purchasing Art



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As in previous surveys of HNW collectors, apart from being the most widely used, dealers and galleries were also the most preferred channel for purchasing art. 39% of respondents preferred to buy from a dealer, and a further 14% reported to prefer buying from dealers at art fairs. Of those respondents who preferred dealers, the majority (57%) opted for buying from their gallery or premises, with 29% preferring purchasing from them online and 14% by phone or email. Buying at the gallery was the first preference regardless of the age of the collector, and in every region individually.

The second most popular channel was auctions, with 28% of the sample overall choosing auctions as their preferred sales method. Auctions were also the most preferred method of transacting, ahead of galleries and dealers, in Germany and Mexico, as well as for UHNW collectors with wealth in excess of \$50 million and those who had spent at a very high level of over \$10 million in the last two years.

Figure 6.27 | Number of Galleries HNW Collectors Purchased from in 2020

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HNW collectors had purchased from an average of 13 galleries in 2020, down from 15 in 2019

Further investigation into the interaction of collectors within the gallery sector revealed that they had purchased from an average of 13 galleries in 2020, down from 15 in 2019. A small share (12%) of collectors that purchased from galleries in 2019 did not do so in 2020. Of those that did, the majority (68%) had dealt with between one and 10 galleries, while 11% had dealt with over 20. Collectors in Germany dealt with the most galleries of the sample in 2020, averaging 28. While most markets dealt with a relatively stable number of galleries from year to year or reduced by one or two, there was a notable increase for French collectors (from 13 to 20 galleries), with the bulk of the increase in their interactions with local galleries.

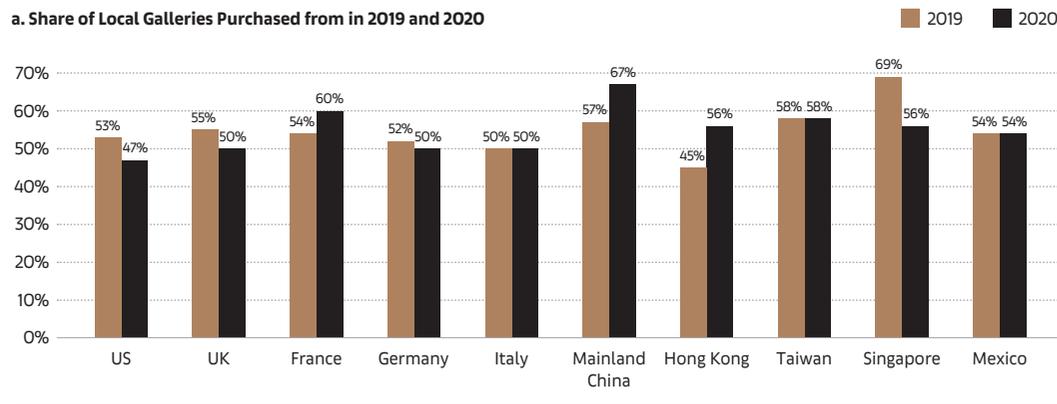
Collectors dealt with a relatively balanced share of local versus overseas galleries. A majority of collectors in France and Mainland China favored local galleries, while the lowest local share was in the US, although this was still almost half (47%). While there has been

much written about the trend to buy more locally over 2020, this was not very evident in the sample overall. The share of local galleries collectors dealt with decreased slightly from 53% in 2019 to 46% in 2020. The biggest increases in purchasing at local galleries was in Mainland China, France, and Hong Kong, whereas there was a shift to greater international outreach to galleries by US collectors and those in Singapore.

Although there was no significant differences by generation, the share of international galleries rose positively with collectors' level of wealth and their level of spending over the last two years. It was notable that longer established collectors tended to have built up more local ties, dealing more with local galleries (52%) versus new collectors in the market only in the last two years (38%), who may also be reaching out more online to galleries or through online 3P platforms.

HNW collectors dealt with a relatively balanced share of local versus overseas galleries

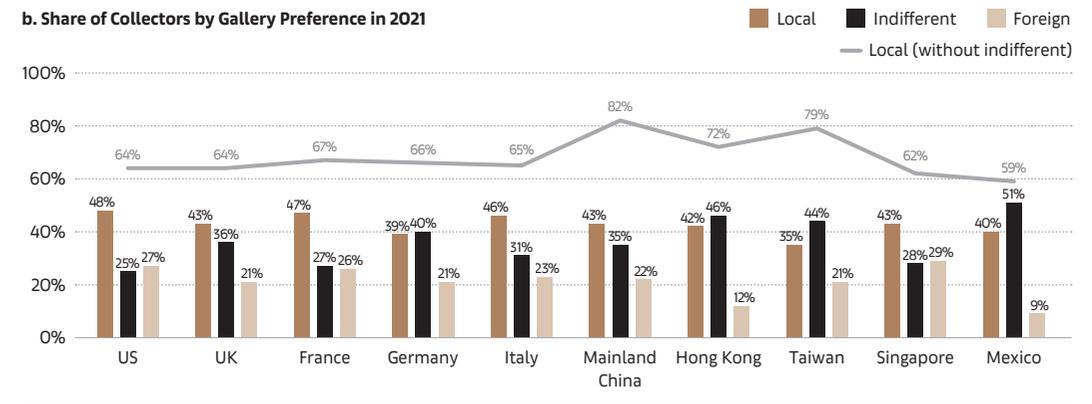
Figure 6.28 | Share of Local Galleries Versus Foreign Galleries that HNW Collectors Purchased From



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Although not strongly evident in 2020, the pandemic could yet encourage a focus on more local buying in future, particularly to the extent that restrictions remain in place, and collectors remain, in some cases, more cautious about overseas travel. When asked about where they would prefer to purchase art in 2021, 43% of collectors opted for local galleries within the location where they resided, 21% were indifferent or did not have a preference either way, and 36%

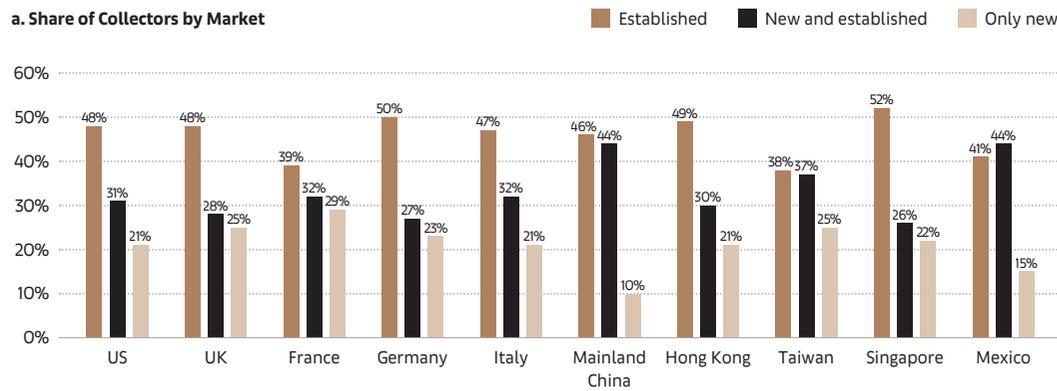
opted for overseas galleries. Considering only those that had a distinct preference either way (that is, removing those that were indifferent), this implies a majority of 68% would prefer to buy from a local gallery, a majority that held for all locations with some of the strongest local preferences in the markets in Greater China (where overall, 78% of collectors that had a preference would choose local galleries).



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Although not strongly evident in 2020, the pandemic could encourage a focus on more local buying in future, particularly to the extent that collectors remain more cautious about overseas travel

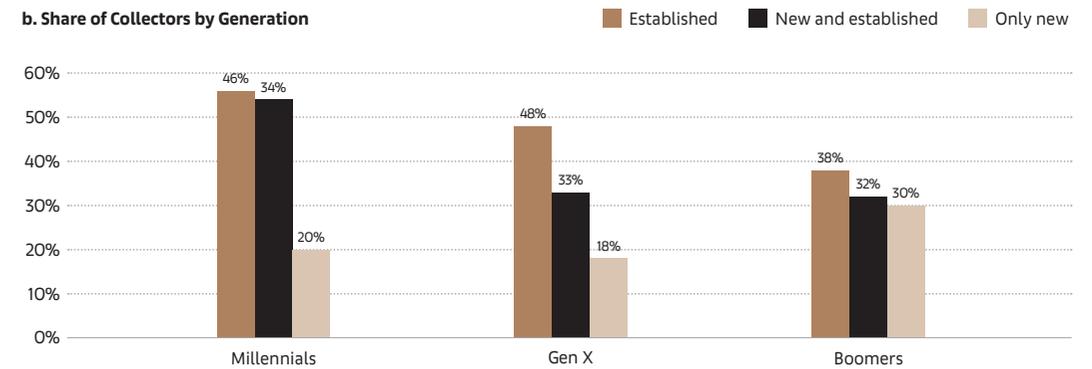
Figure 6.29 | Collectors' Focus Regarding Galleries during 2020



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In terms of their interactions with galleries in 2020, the survey confirmed anecdotal evidence gathered throughout the year that many collectors were principally purchasing from galleries they already knew. 46% of collectors across all markets reported that they focused only on galleries they had bought from before and had established relationships with in 2020, although one third said they were doing this alongside being open to working with new galleries. While some collectors may have been doing so to

reduce risk in uncertain times, others were also actively supporting their regular galleries through the difficult year, with a very high level of awareness and concern regarding the precarious position that some businesses were in. The closures of galleries was rated a top concern for collectors, with a majority (59%) very or extremely concerned about this in 2020, particularly in the US (72%) as well as Germany and Mexico (76% each).

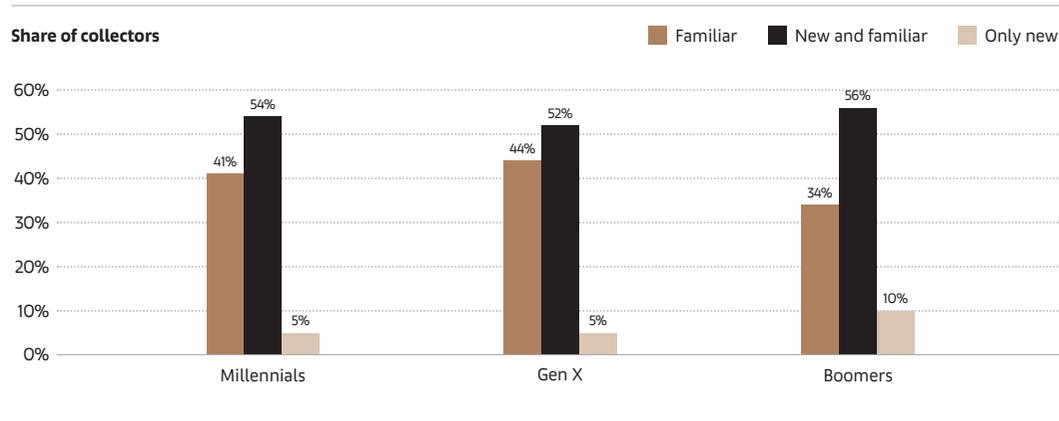


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Of those collectors working with galleries (98% of the sample), only 20% were actively looking for new galleries in 2020, and this was a minority in all markets, with the highest share in France (29%) and lowest in Mainland China (10%). It is notable also that there was a higher share of Boomer collectors looking for new galleries to work with than other generations, while millennial collectors were more likely to be sticking with the galleries they knew.

Of those collectors working with galleries, only 20% were actively looking for new galleries in 2020

Figure 6.30 | Collectors' Focus Regarding Artists during 2020



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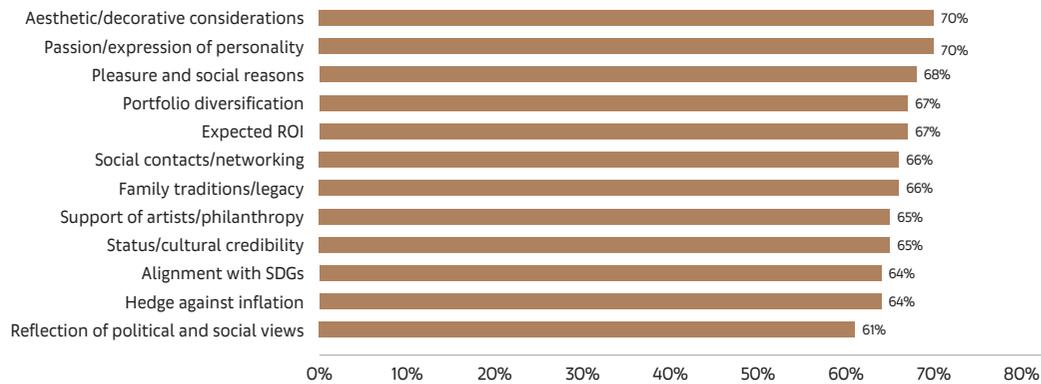
A significant share of collectors (41%) were also only buying the work of artists familiar to them or whose work they had bought before. Just over half of the sample (54%) were focusing on artists they knew but also remaining open to discovering new ones, and just 5% were actively looking to discover new artists in 2020, with relatively little regional variation (highest in Taiwan at 9% and lowest in the neighboring market of Mainland China at just 2%).

There were also few significant differences in collecting interests between generations, with Gen X collectors the most likely to be sticking to the artists they knew. Boomers were more likely to be looking for new artists to collect, with 10% of this cohort overall seeking new discoveries, twice the share of millennial and Gen X collectors.



Figure 6.31 | Motivations for Purchasing Art

a. Share of Collectors Rating Motivations Very or Extremely Important (All Collectors)



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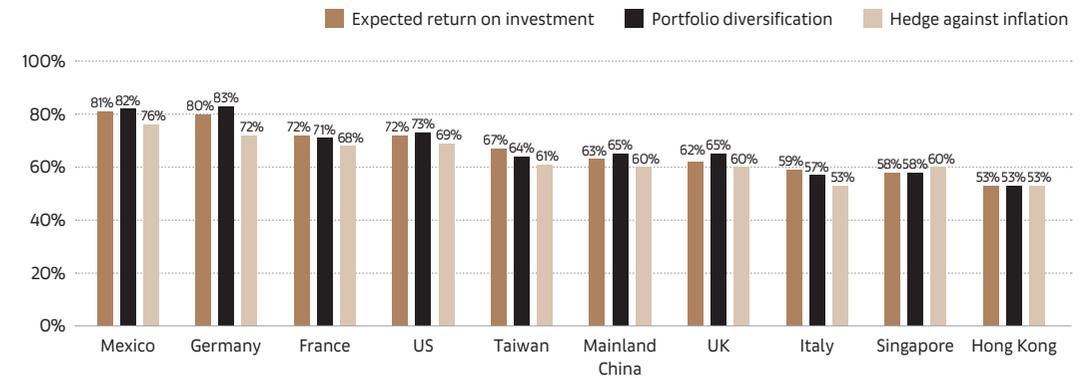
6.9 | Collector Motivations

Individual collectors have a range of motivations for collecting art, with most having multiple drivers that lead them to purchase particular works and interact in certain ways with the market. The survey revealed that most collectors (86% overall) do have an organized, strategic plan when it comes to purchasing individual works, and these were evenly split between those who based purchasing on the availability of certain artists (43%) or on financial

criteria (43%), such as their available budget, the perceived value, or the return on investment of particular works.⁷³ It was notable that financial criteria were less important for the UHNW collectors: 91% had a plan for purchasing, however, the majority (58%) based that on the availability of certain artists rather than financial criteria (at 33% versus around half of those in the lowest HNW wealth segment of \$1 million to \$5 million). While there was some subtle regional differences,

⁷³ Of the remaining 14% of collectors that did not buy according to a set plan, 10% bought whenever there was good value or prices around for works they liked, while only 4% disregarded price and bought whenever they liked.

b. Share of Collectors Rating Financial Motivations Very or Extremely Important by Location

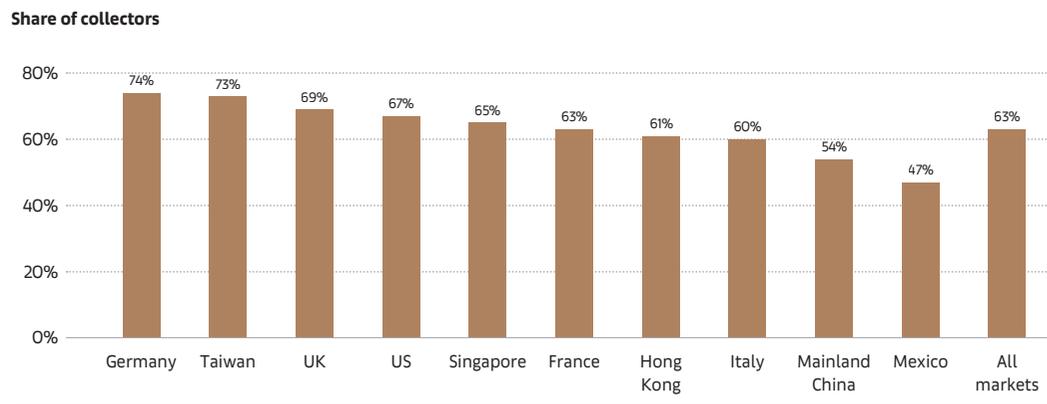


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a notable variation was that younger collectors were more likely to follow an organized plan versus older generations. Only 9% of millennial collectors did not have an organized, strategic plan when it came to buying works versus 17% of Gen X collectors, 29% of Boomers, and 78% of Silent generation collectors.

Collectors were asked to rank the importance of a number of factors in their decision to purchase works of art or objects for their collections. As in the

previous surveys for the last four years, the most highly ranked factors were aesthetic and decorative considerations, with 92% of all collectors considering them important, including 70% who felt they were very or extremely important. 91% of respondents claimed they were driven by art collecting as a passion or expression of their personalities, again with 70% rating this very or extremely important. These two considerations were ranked the two highest in most markets and also regardless of age or gender.

Figure 6.32 | Share of HNW Collectors Having Resold Works from Their Collections in 2020

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The exceptions were France, Mainland China, and Taiwan, where portfolio diversification or return on investment ranked next to aesthetic considerations (ahead of passion).

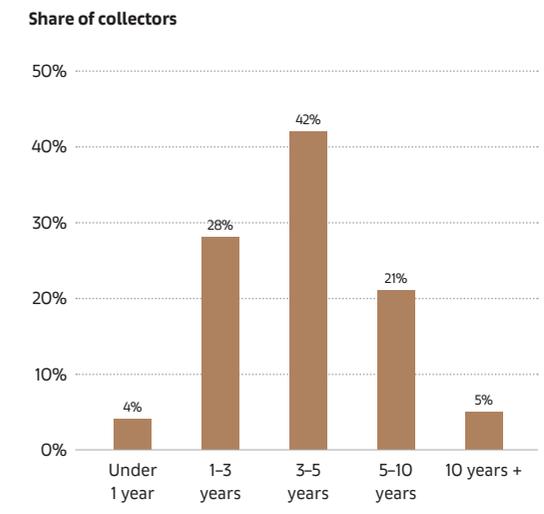
Financial motivations for collecting were also important for the majority of collectors and were generally rated higher in this sample than in previous surveys. This may be due to the sample selection (including a more active purchasing and expenditure criteria) or that these factors have simply come more into focus in 2020. As in 2019, Hong Kong had the

lowest importance ratings attached to financial motivations of all markets, which could signal the continued shift in the focus of collectors to more aesthetic, social, and cultural factors, while Germany was once again one of the most financially motivated locations in the sample.

Using art as a method to diversify their portfolio of wealth ranked the highest of the financial motivations in the majority of markets, while expected return on investment was the key financial driver in France, Taiwan, and Italy. Financial motivations also declined

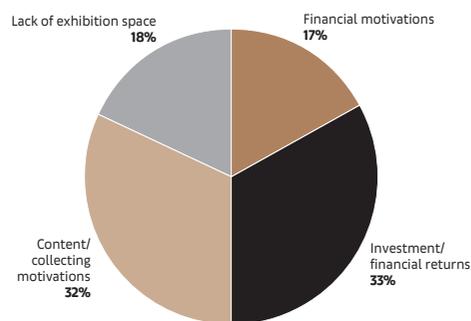
with age, with three-quarters or more of millennial collectors regarding them as important versus around half of Boomers, and a minority of the Silent generation collectors.

Previous surveys of HNW collectors showed that financial motivations such as return on investment can rate lower than others due to a reluctance by collectors to sell works from their collections in order to realize a financial return. Previous surveys of US collectors in 2017 showed that 86% of those surveyed had never sold a work from their collection, while in the 2018 surveys, the average share was 50%. While previous surveys also covered the HNW population, they included a significantly wider range of collectors, some at a very low level (as there was no expenditure requirements). Surveys of a wider geographical group of collectors in 2019, who had spent a minimum of \$10,000 on art over two years, saw this share rise again to 61% of the sample, and 71% for millennials. In the current sample in 2020 (with a higher spending criteria and yet wider geographical diversity), there was a slight increase to 63%, although there was considerable regional variation from less than half of the collectors in Mexico to as high as 74% in Germany. Once again, younger collectors were more likely to have resold works, with a share of 67% for millennial collectors versus 55% of Boomers. There was also a positive relationship between collection size (and how long individuals had been collecting) and their likelihood of reselling.

Figure 6.33 | Average Length of Resale Period

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While only very few collectors resold works within a year, around one third reported that the average period was up to three years, and 74% within five years. This was a consistent majority in all of the regions surveyed and also between different generations of collectors, revealing that of those collectors who resell works, most do so within a relatively short period of time.

Figure 6.34 | Collectors' Motivations for Resales

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This high level of resales for the majority of collectors, alongside a relatively short resale period indicates that, despite identifying themselves as collecting for aesthetic, social, and emotional reasons, many are in fact in and out of their investments in art on a very fluid basis, with some collectors appearing to behave more like traders, using the art market to invest and divest often over relatively short periods.

However, motivations for reselling vary and can relate to exogenous events and changes in personal circumstances as much as opportunistic financial or speculative motives. In this sample, around half of

the collectors making resales were driven by financial motives: 33% were driven to sell to realize some kind of investment or financial returns, such as taking advantage of favorable prices for artists whose work they owned, while 17% had other financial motives (such as needing cash or credit for reasons unrelated to collecting). For the remaining collectors, the reasons were either related to the content of their collections (such as deaccessioning works that no longer fit with their collecting goals), or due to a lack of exhibition space.

As millennials begin to dominate further in future, given their higher propensity to sell from their collections, the liquidity of the market may increase. As this segment continues to dominate at the high end and represents the most active segment of the market, what these collectors do with art and wealth they inherit from the Boomer generation, as well as how and what they choose to buy in their own right, will undoubtedly continue to shape the progress of the market in 2021 and beyond.

6.10 | Collectors' Outlook

Although 2020 presented many challenges interacting in the market and the pandemic was a major cause of concern and distraction, the crisis also served to increase some collectors' interest in collecting. 66% of the collectors surveyed felt the COVID-19 pandemic had increased their interest in collecting, including nearly one third (32%) who reported it had significantly done so. 26% said it had no effect, while only 8% were less interested. The increased interest in collecting was consistent across nearly all generations, with the highest share in the millennial segment (68% being more interested, including 38% significantly so). The only exception was collectors from the Silent generation, where this share fell to 22%, with most collectors in this small segment reporting that the pandemic had no effect on their collecting either way. The boost in interest was also correlated with wealth levels, and increased strongly and positively with how much collectors had spent during 2020. These findings are positive indicators for the art market, with a boost in interest in collecting particularly strong for younger, wealthier, high-spending collectors. While some of this increased interest in collecting centered on trying to support the arts, much was also driven by the increase in online purchasing, with many collectors spending more time at home, accessing galleries and auctions online, and having fewer alternative luxury

spending options in some cases in 2020, such as travel and other experiential purchases.

It is notable also that one segment that deviated from the rest was the newest collectors who had been in the market for less than 2 years. Here, just under half (49%) felt the pandemic had increased their interest, but 24% felt it had made them less interested at this time. This may signal the importance of physical events, exhibitions, and live interactions in stimulating the interest of new collectors such as these, which they missed during the year.

66% of the HNW collectors surveyed felt the COVID-19 pandemic had increased their interest in collecting

Table 6.1 | Outlook of HNW Art Collectors over the Short-, Medium-, and Long-term**a. Outlook for the Global Art Market**

Next 6 months	Total	US	UK	France	Germany	Italy	Mainland China	Hong Kong	Taiwan	Singapore	Mexico
Optimistic	60%	73%	64%	54%	70%	61%	47%	50%	57%	53%	66%
Neither/not sure	22%	14%	19%	27%	9%	30%	27%	23%	26%	24%	21%
Pessimistic	18%	13%	17%	19%	21%	9%	26%	27%	17%	23%	13%
Next 12 months											
Optimistic	68%	76%	69%	64%	71%	68%	65%	58%	60%	58%	79%
Neither/not sure	23%	15%	21%	24%	25%	26%	29%	31%	28%	28%	15%
Pessimistic	9%	9%	10%	12%	4%	6%	6%	11%	12%	14%	6%
In 10 years											
Optimistic	76%	80%	75%	75%	81%	75%	82%	67%	67%	66%	88%
Neither/not sure	18%	14%	20%	21%	15%	21%	15%	25%	19%	24%	8%
Pessimistic	6%	6%	5%	4%	4%	4%	3%	8%	14%	10%	4%

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Despite ongoing uncertainties regarding the pandemic and its effects, the majority of the HNW collectors surveyed were optimistic about the global art market's performance over the next six months, with some of the highest optimism in the largest market of the US. Optimism was lower in the Asian markets (and France), however, due to a larger share of collectors feeling unsure of the next six months, indicating the continuing lack of clarity over how the course of the pandemic might progress and the travel, lifestyle, and other adjustments that may still

need to be made. There was an uptick in confidence over the medium term, with greater optimism in all regions over a longer 12-month period. The outlook collectors had for the art market was also roughly on par with their views on the global stock market over these periods, which also showed higher levels of optimism as the time horizon extends.

b. Outlook for the Global Stock Market

Next 6 months	Total	US	UK	France	Germany	Italy	Mainland China	Hong Kong	Taiwan	Singapore	Mexico
Optimistic	60%	72%	60%	54%	67%	56%	56%	51%	54%	54%	64%
Neither/not sure	22%	15%	21%	26%	13%	34%	26%	22%	27%	21%	23%
Pessimistic	18%	13%	19%	20%	20%	10%	18%	27%	19%	25%	13%
Next 12 months											
Optimistic	66%	74%	63%	64%	70%	62%	62%	54%	65%	59%	81%
Neither/not sure	24%	16%	20%	25%	27%	30%	31%	32%	21%	25%	12%
Pessimistic	10%	10%	17%	11%	3%	8%	7%	14%	14%	16%	7%
In 10 years											
Optimistic	73%	79%	70%	73%	81%	72%	73%	63%	67%	63%	82%
Neither/not sure	20%	15%	22%	20%	15%	24%	23%	28%	22%	26%	14%
Pessimistic	7%	6%	8%	7%	4%	4%	4%	9%	11%	11%	4%

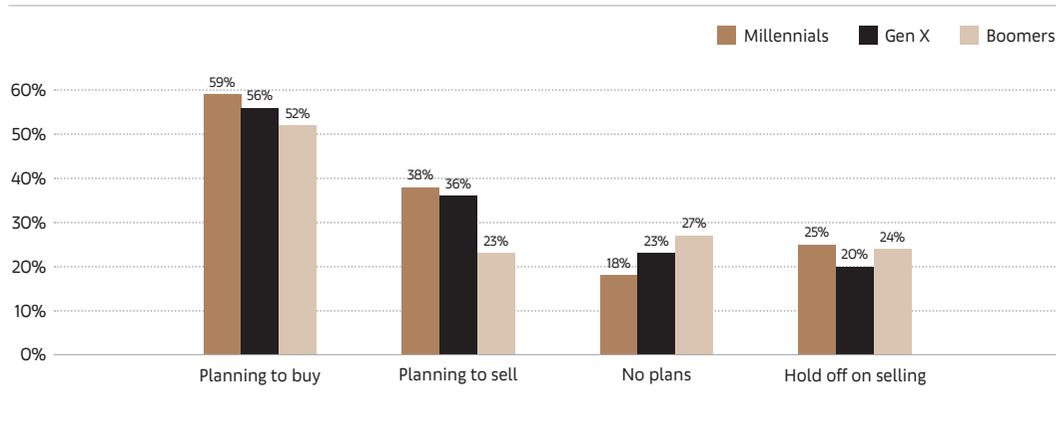
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Over the longer-term, 10-year horizon, confidence in the art market advanced in all regions, again mirroring more general increases in optimism for the future (with the global equities outlook following a similar trajectory). Collectors from Mainland China shifted from the least to close to most optimistic about the art market's progress over the decade.

Given their high levels of spending and activity in the art market, a positive finding from the survey is that young and wealthier collectors appear to be optimistic about the global art market, with 67% of

millennial collectors optimistic concerning its performance in the next six months versus 49% of Gen X collectors and 56% of Boomers. These views converge more over the longer term as general optimism rose in older demographic segments, however, younger collectors have a larger share of optimism in all periods. UHNW collectors are also more optimistic over the short and medium terms, although this is true for both their outlook on the art market and the global stock market in these periods.

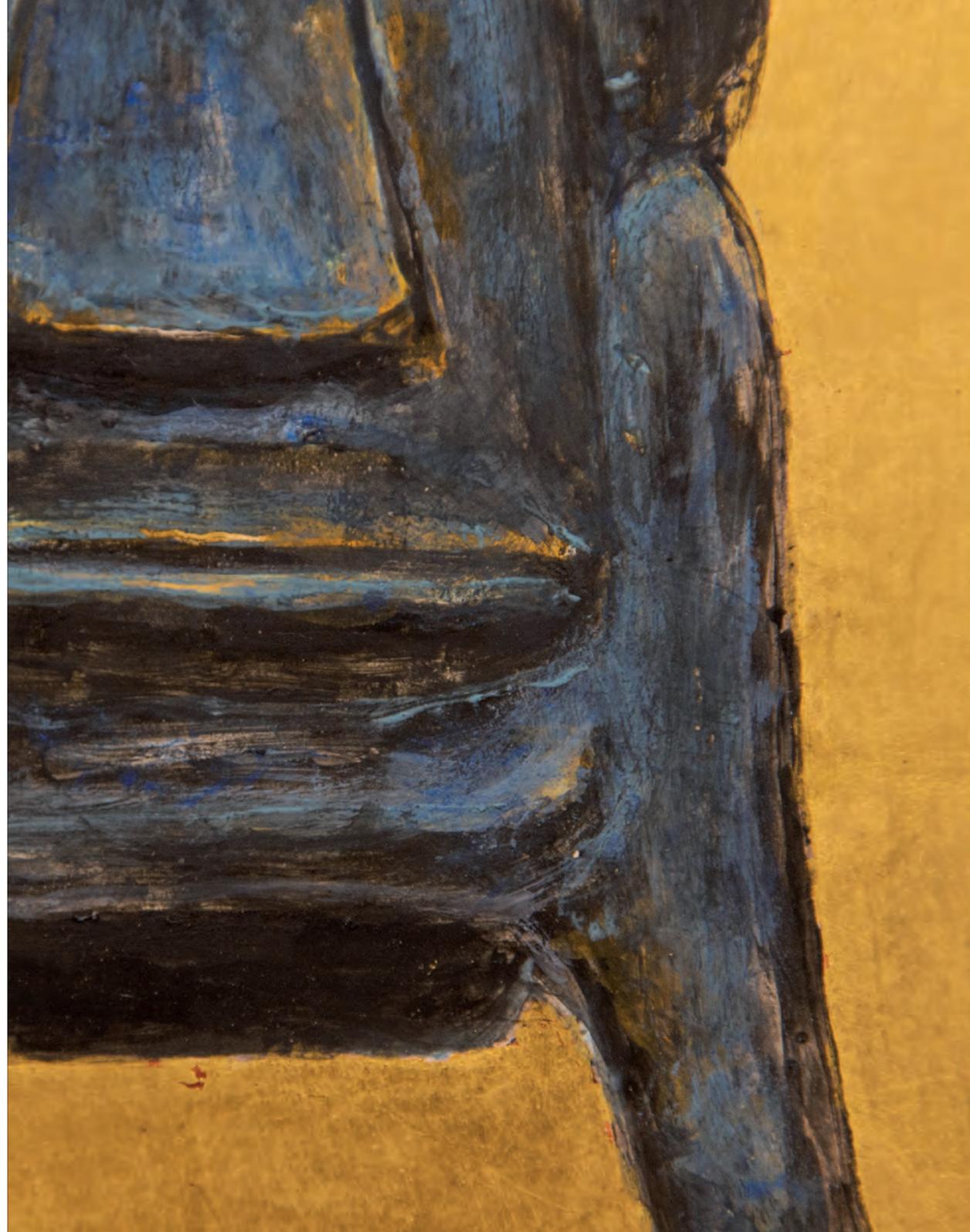
Figure 6.35 | Collectors' Intentions for Purchases and Sales of Art in 2021



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Looking ahead over the next 12 months, the majority of collectors (57%) were planning to purchase more works for their collections, and just over one third (35%) were planning to sell works. However, just less than one quarter of respondents reported that they would be holding off on selling due to financial implications, which were most commonly connected to the belief that prices for their artists' works were low and would hopefully improve in

future. These plans were unrelated to the wealth of collectors, and fairly consistent by region, but millennial collectors had a higher level of planned activity in 2021 than their older counterparts in all markets. The level of optimism of different segments of collectors can be crucial to their plans for collecting, and the extent to which this can translate into sales could be critical for the market's recovery in 2021.





Economic
Impact and
Conclusions



Key Findings

Economic Impact and Conclusions

1. It is estimated that there were approximately 305,250 businesses operating in the global art and antiques market in 2020, directly employing about 2.9 million people.
2. More than 2.6 million people were employed worldwide in the gallery and dealer sector in 2020, down 5% year-on-year in about 291,000 businesses.
3. There were an estimated 14,250 businesses operating in the auction market, including both online and offline companies. Employment in the sector fell by around 2% year-on-year, with significant declines in some of the top-tier auction houses.

4. The global art trade spent an estimated \$16.6 billion on a range of ancillary and external support services directly linked to their businesses, a decline of 16% year-on-year.
5. As they continued their digital transformations, dealers and auction houses diverted more resources to IT, with spending up by close to 80% year-on-year, making it the highest element of ancillary spending at \$3.5 billion.
6. As many events were cancelled during the year, spending on art fairs went from being the largest area of ancillary expenditure in previous years (at 24% in 2019), to just 10% of the total in 2020.

7.1 | Employment in the Art Market in 2020

While sales in the art market are likely to improve over the coming year, the biggest concern stemming from the crisis in 2020 has been its longer-term effects on employment and business survival. While some companies were able to continue their operations in 2020, and successfully engaged staff in remote work during the various extended periods of closures, many did so with the aid of government support and funding. Some even maintained or increased their profitability, but did so, in part, by losing some of their workforce.

It is estimated that in 2020, there were approximately 305,250 businesses operating in the global art and antiques market, the majority of which were small and micro-sized businesses, both in terms of turnover and employees.⁷⁴ The market is estimated to directly

employ about 2.9 million people, with aggregate employment losses estimated of 4% year-on-year, including full-time, part-time, and contracted workers. Calculations regarding employment and business structures carried out at the end of 2020 are, however, likely to understate significantly the true impact of the crisis, with business closures only occurring after a period of time, particularly as some businesses have been maintained through public support programs. As these are phased out, it is likely that more businesses may not be able to continue to operate, and a much more in-depth study of the impact on closures and employment will be required in 2021 and in subsequent years in order to accurately assess the structural changes to employment that have been brought about by the COVID-19 pandemic.

It is estimated that in 2020, there were approximately 305,250 businesses operating in the global art and antiques market, the majority of which were small and micro-sized businesses

7.2 | Dealer Sector Employment

It is estimated that there were more than 2.6 million people employed worldwide in the gallery and dealer sector in 2020, down 5% year-on-year in about 291,000 businesses.

As discussed in Chapter 2, when the survey of the sector was conducted in December 2020, 13% of the businesses responding were closed and 5% of those had closed permanently (or 1% of the entire sample). This share is likely to underestimate the number of closures, as the businesses participating in the survey were more likely to be active businesses. Other surveys in 2020 showed much higher rates of closure. *Artsy's Gallery Insights Report 2020* indicated that permanent physical premises closures in their sample ranged from 11% of their respondents in Latin America to 5% in Asia and Oceania, while galleries in North America and Europe reported 6% and 7% respectively. While new businesses and new premises for existing businesses were also opened in 2020, early evidence is that there may have been net closures of physical locations of up to 2% globally year-on-year.

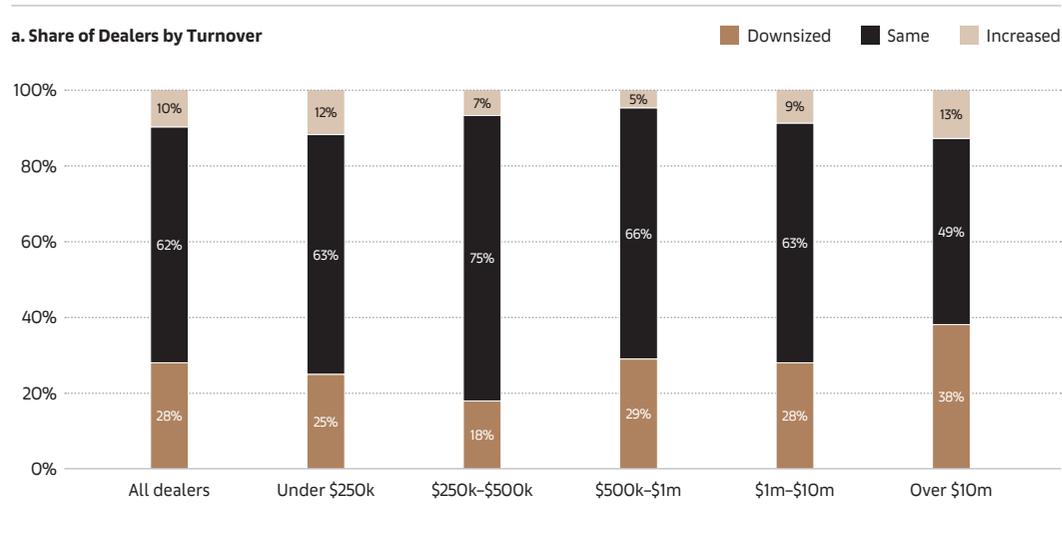
In 2020, the average number of full-time employees for dealer businesses was five (or seven in total, when including part-time workers and contractors, down from eight in 2019). Despite already having very tight

employment structures, some businesses were forced to furlough or permanently lay off staff in response to the crisis. Payroll was the largest element of costs for dealers in 2020, accounting for a reported 27% of total operating costs. This is likely to underestimate the contribution of total remuneration and pay to costs, as some directors and owners reported anecdotally that they did not include themselves on the payroll, and drew irregular pay, expenses, or profits from their businesses rather than a salary.

On average, 28% of the dealers surveyed reported that they had downsized their staff during the year, with layoffs reported of between one and 40 people (with a median of two). The majority of dealers (62%) kept their employment numbers stable, and a smaller share (10%) increased staff (with a median of two people added). Downsizing was associated with the companies that had sales losses during the year. Those businesses that downsized had an average loss in sales of 30%, those that maintained employment averaged a 22% year-on-year decline, and businesses hiring more employees showed an average rise in sales of 6%.

⁷⁴ A small business is defined differently in different regions, but in Europe, small businesses are those with turnover less than €10 million and staff headcount of less than 50 (by Europa), and defined in the US, for art dealers, as one with a turnover less than \$7.5 million (by the US Small Business Administration). Definitions vary by industry in China, but in the retail industry for example, a small enterprise is one with less than 50 employees and less than 5 million RMB turnover.

Figure 7.1 | Share of Dealers Downsizing Employment in 2020

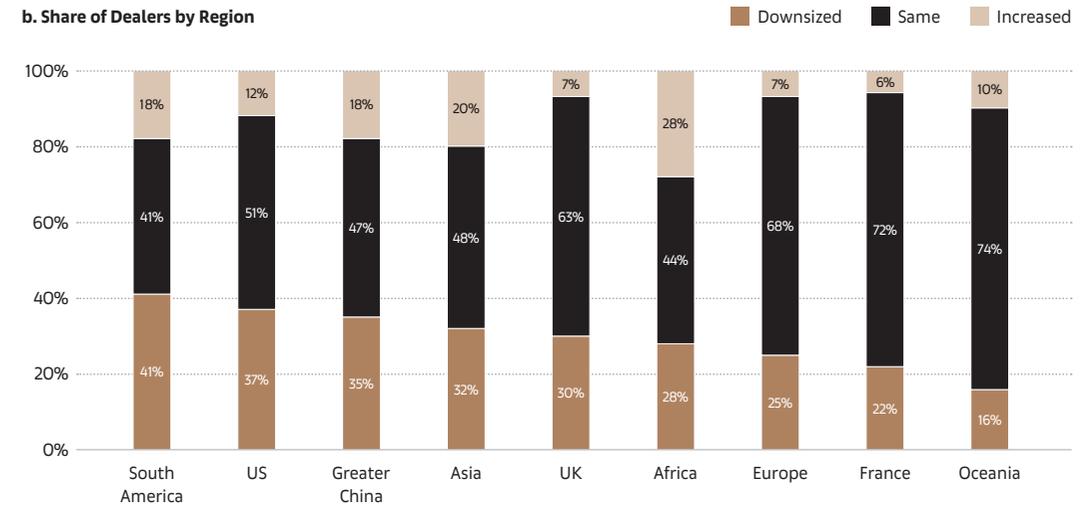


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While downsizing was cited as a means of reducing costs, cutting employment did not necessarily equate to more profits in 2020. Those businesses that reported increased profitability in 2020 actually had the lowest share of downsizing (24%) and the highest share of increasing employment (14%). Conversely, those seeing profits decline had the highest share of downsizing (30%). While the reasons for downsizing and falling profits are likely to be linked to the fact that these businesses were in a more financially

precarious position during the year, it indicates that downsizing did not always result in preserving profitability.

The largest galleries employed the most staff, with average headcounts in the dealer sector ranging from three for those smallest businesses turning over less than \$250,000 up to 20 for those with sales in excess of \$10 million. These largest dealers also had the highest share of downsizing, with 38% of those with

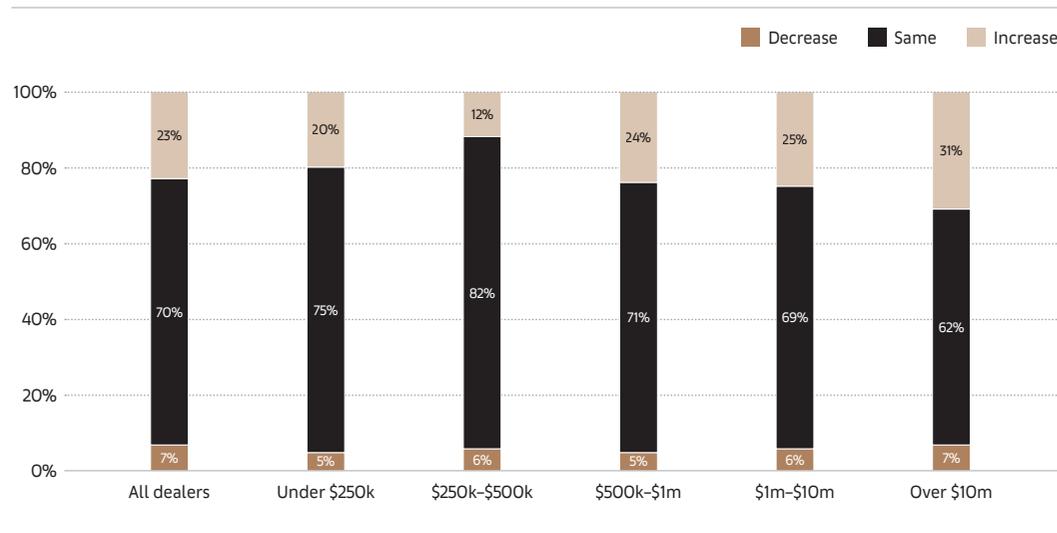


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turnover in excess of \$10 million reducing their employees in 2020. While these galleries may have had more staff to lose in some cases, the portion was also high for dealers with turnover between \$500,000 and \$1 million, which despite starting the year with an average of only six employees, 29% still reported downsizing.

Downsizing was more common in certain geographic regions, most notably dealers based in South America

(41%), the US (37%), and Greater China (35%). The average numbers employed were larger in these regions, with an average reported of 11 (including full-time, part-time, and contracted workers) in the US (down from 12 in 2019), and nine in South America. Although a significant number of African dealers reported downsizing (28%), this region also showed the highest share of increased employment, with 28% of respondents expanding their businesses.

Figure 7.2 | Projected Change in Dealer Employment in 2021

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Despite ongoing pressures on businesses from COVID-19, most dealers expected employment to stabilize in 2021

In addition to questions about changes in employment in 2020, respondents were asked about future projections for 2021. The results indicated that despite ongoing pressures on businesses from COVID-19, most dealers expected employment to stabilize in 2021, with only 7% expecting further declines.

Although this may imply optimism on the part of some dealers regarding their sales in 2021, it is also very likely to indicate that many businesses had already reduced their employment structures to their lowest feasible functional level of employees. Nearly one quarter of the sample (23%) projected that they would increase employment in 2021, and while most of these businesses were expecting sales to go up also, 22% said they would increase employment even if sales stayed the same (and 5% would increase staff despite predicting sales to decline).

The majority of businesses in most regions predicted employment to stabilize, with the largest shares expecting further downsizing in Oceania (12%) and Europe (9%), versus only around 5% in the three major markets of the US, the UK, and Greater China and 3% or less in Africa, the rest of Asia, and South America.

It is also notable that galleries with higher sales turnover (in excess of \$10 million) were the most likely to be hiring in 2021, despite being more likely to have downsized in 2020. Anecdotally, some businesses at this level reported that there had been what they described as a 'knee-jerk reaction to lose staff to save money' during 2020. Some had realized that this was to their detriment over the longer term as they tried to grow sales in 2021, and had to look at rehiring. Others noted that they required new types of employees as they had shifted more of their sales online and that the shedding of some staff and rehiring in 2021 was mainly about acquiring new sets of skills for their businesses as part of their longer-term digital transformation strategies.

Despite some changes in skills, employment in the dealer sector has been shown, in general, to be based around a majority of high-knowledge, gender-balanced jobs. While ratios in the wider labor force favor male participation globally, the gender balance in the dealer sector has tended to be more female dominated. This was again the case in 2020, with the surveys showing that women made up 61% of those working in the sector, stable on 2019.⁷⁵ The majority of employment was full-time (75%), with 25% in part-time or temporary positions, up 2% on 2019.

⁷⁵ The latest International Labour Organization (ILO) estimates available in 2020 show that women made up 39% of the global labor force (in 2019). Shares are higher in certain regions including with a share of 46% in the EU (Eurostat, 2020) and 47% in 2020 in the US (Bureau of Labor Statistics, 2020).

7.3 | Auction Sector Employment

There were estimated to be about 14,250 businesses operating in the auction market, including both online and offline companies. Employment in the sector was estimated to have declined by 2% year-on-year to approximately 279,700.

Employment in the top-tier auction houses showed the biggest declines in the sector, falling 13% year-on-year based on estimates for the top 10 auction houses, with significant losses in the largest top-tier businesses. Although some of these losses were the results of the crisis in 2020, there was already significant restructuring underway early in the year, as these businesses continued to move more sales online and consolidate various aspects of their businesses.

Employment in the auction sector was estimated to have declined by 2% year-on-year

In the top international auction houses (Christie's, Sotheby's, and Phillips), employment in the US dominated, accounting for 39% of those employed, up 2% year-on-year. The UK accounted for a stable 34% and there was an additional 13% in other parts of Europe. China and other parts of Asia accounted for a 12% share of total employment. In the top-tier houses in China, employment is more domestically focused and centered in Mainland China and Hong Kong, with less than 5% in Hong Kong and small international offices in the top two houses of China Guardian and Poly Auction. Employment at Heritage Auctions is also primarily based in the US.

According to the survey of second-tier auction houses, the average number employed was stable at 20, including an average of 14 full-time employees, three part-time, and three contract-based workers. The majority of respondents to the survey (63%) had kept employee numbers stable, with 23% reporting that they had downsized (with an average loss of three employees). 14% of businesses reported increasing their employee numbers (with an increase of four on average). Smaller businesses in this sector were more likely to have downsized, with a share of 26% for those businesses with turnover of less than \$10 million versus just 8% for those with higher turnover. Looking ahead, despite declining sales in 2020, 39% of businesses reported that they expected their employee numbers to increase in 2021.

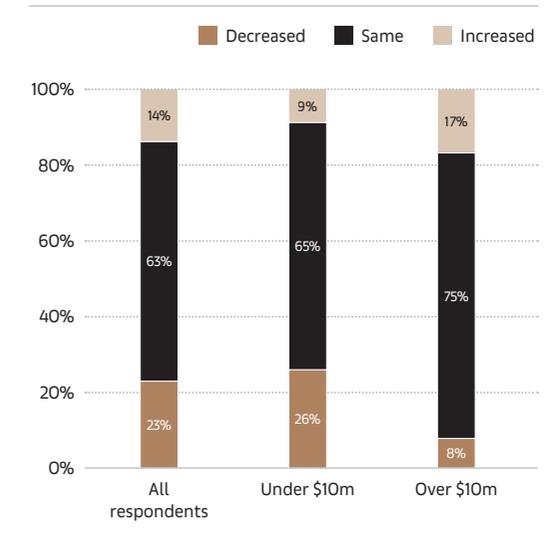
Despite declining sales in 2020, 39% of businesses reported that they expected employee numbers to increase in 2021

Anecdotally, some experts in the sector noted that this was again due to the transformation of their businesses and requirements for new skills and expertise in technology, data, and other aspects of digital marketing and strategies, as well as logistics and other services.

The gender breakdown of employment in the top-tier houses was 66% female, stable year-on-year. The share in the second-tier sector was more balanced, with 56% female employees (up from 45% in 2019 and 52% in 2018).

In the top-tier auction houses, the majority of employment was full-time, although the share of part-time employees fell by 6% year-on-year to 13%. However, employment in the second-tier experienced the opposite trend, with part-time employment increasing by 10% year-on-year to 30%.

Figure 7.3 | Share of Second-Tier Auction Houses Downsizing in 2020 by Auction House Turnover



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7.4 | Ancillary Economic Impact

Besides providing employment in the businesses directly working in the art trade, the art market also generates important economic benefits through its expenditure on a range of ancillary goods and services, many in highly specialized, niche industries that support the activities and transactions of auction houses, dealers, and collectors. Ancillary expenditure by the art trade fell significantly in 2020, with both auction houses and dealers attempting to reduce costs, while travel, events, and hospitality were all significantly curtailed. It is estimated that the global art trade spent up to \$16.6 billion on a range of ancillary and external support services directly linked to their businesses, a decline of 16% year-on-year.

Most areas of expenditure fell in 2020, with a few exceptions, most notably spending on IT (including internal IT development, websites, hardware, software, and third-party online costs). As they continued their digital transformations, dealers and auction houses diverted more resources to IT, with spending up by close to 80% year-on-year, making it the highest element of ancillary spending at \$3.5 billion (21% of total spending). While auction houses saw a strong increase of over 50%, dealers' spending almost doubled to nearly \$1.9 billion, the majority of which was on internal IT development.

The global art trade spent \$16.6 billion on a range of ancillary and external support services, a decline of 16% year-on-year

The second-largest area of spending was on advertising and marketing, with a 19% share. Although its share increased slightly, the dollar value of expenditure dropped by 8% year-on-year across all businesses to \$3.2 billion. As in previous years, auction houses accounted for the majority of this (62%) and it was their single largest area of external spending, accounting for 32% of spending across all auction houses.

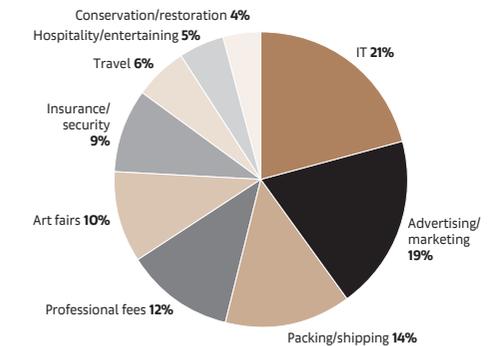
Packing and shipping accounted for 14% of total expenditure at just under \$2.3 billion, and was one of the few areas that rose in value year-on-year (by 3%), driven by increasing expenditure in the dealer sector. Another area of spending that increased for both auction houses and dealers was fees for professional services, which advanced 17% to \$2.1 billion as

businesses spent more on accountants, lawyers, and a variety of other consultants for their businesses.

One of the biggest declines, on the other hand, was spending on art fairs. As many events were cancelled during the year, this went from being the largest area of external expenditure at 24% in 2019, to just 10% of the total in 2020. While many dealers still attended a number of fairs and others devoted resources to their art fair OVR exhibitions, spending fell by 66%, to less than \$1.6 billion. This fall in expenditure is likely not only to have affected the art fair industry itself, but also associated businesses in the cities that host fairs, which benefit from the added employment, revenue, and fiscal contributions from these events.

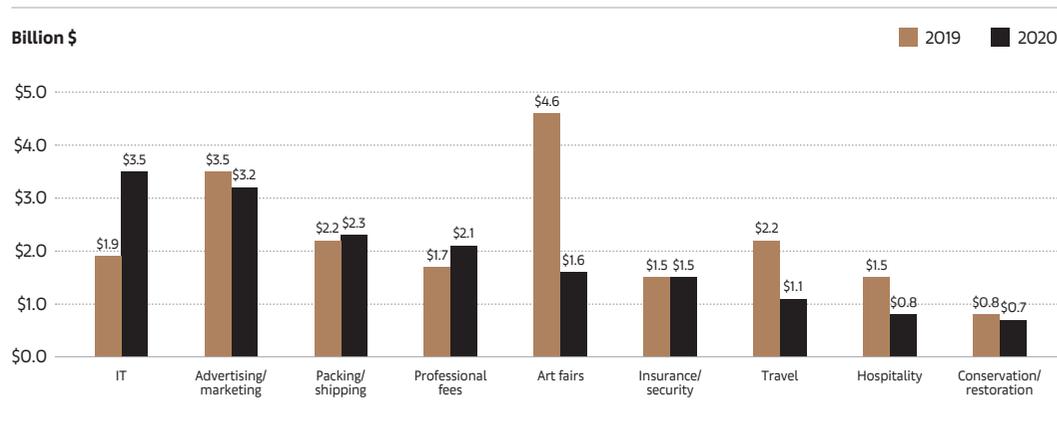
Work-related travel also fell as events were cancelled and restrictions were put in place on global movement in most regions. This expenditure fell from 11% in 2019 to just 6% in 2020, as spending dropped to \$1.1 billion, around half the level of the previous year. Spending on hospitality and entertaining, often associated with events and art fairs, was also virtually halved, falling 47% to just under \$783 million. Although some of this was due to less entertaining at international events, restrictions in domestic markets on gatherings and social distancing also meant reductions in spending on exhibition openings, talks, and local entertaining.

Figure 7.4 | Share of Expenditure by the Global Art Trade on Ancillary Services in 2020



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As they continued their digital transformations, dealers and auction houses diverted more resources to IT, with spending up by close to 80% year-on-year

Figure 7.5 | Ancillary Expenditure in 2019 versus 2020

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The contraction in expenditure by the art market had negative knock-on effects in some of the specialized industries that support it

In 2019, based on average sales per employee in a range of similar service industries, it was estimated that the revenue directly generated by the art trade in ancillary industries from their spending could have supported up to 368,860 jobs. Using the same methodology, the employment potential of 2020 would have fallen to about 308,900. Although these jobs may not have been lost, it is likely that the contraction in expenditure by the art market in 2020 had, and will continue to have, negative knock-on effects in some of the small and specialized industries that support it.

7.5 | Conclusions

The effects of the COVID-19 pandemic varied between regions in 2020, as well as between different segments of society. The highest burdens have been on the most economically vulnerable people, including younger workers, women, and those working in small companies and in less secure contractual arrangements who were more likely to lose their jobs.⁷⁶ It also placed an uneven burden by sector, with those most affected being industries who base their services around face-to-face interaction, events, and travel. The art market has been uniquely placed to struggle with the realities of this pandemic, being populated largely by small businesses that rely on discretionary or non-essential purchasing, and which are strongly dependent on travel and personal contact. While many businesses are optimistic about a somewhat better year ahead, the economic fallout is likely to extend well into 2021 and beyond, and will continue to place substantial challenges on those businesses already in a situation of financial risk.

In recent years, the art market has continually been shown to be top-heavy in nature, with businesses at the higher end of the market tending to show stronger growth in sales than small and mid-sized businesses. The economic issues brought about by the crisis in 2020 could intensify this polarization if it accelerates the decline of smaller businesses and strengthens

the position of those at the higher end of the market, where buyers may be more insulated from economic trauma. Prior work in the economics and sociology of organizations in crises has shown that the uncertainties they pose can often accentuate the divides in a market and lead to greater concentration at the top. In an attempt to reduce uncertainty and enhance business survival, organizations faced with crises often adopt a more social orientation, basing transacting on the social position of the partners they exchange with and increasing exclusivity in their exchanges.⁷⁷ The greater the uncertainty and risk, the more likely they are to engage in exchange relations with those they are familiar with and have transacted with in the past. Another outcome of high uncertainty is greater engagement with organizations

The pandemic placed an uneven burden by sector, with those most affected being industries who base their services around face-to-face interaction

⁷⁶ Brussevich, Dabla-Norris, and Khalid (2020) "Who will Bear the Brunt of Lockdown Policies? Evidence from Tele-workability Measures Across Countries." *IMF Working Paper*, WP/20/88.

⁷⁷ Podolny (1994) first proposed this theory that organizations faced with uncertainty engage more with familiar organizations and those of similar status in his research on the financial sector. See Podolny, J. (1994) "Market Uncertainty and the Social Character of Economic Exchange." *Administrative Science Quarterly*, Volume 39, Number 3.

and individuals of similar market status, which is used as a measure of quality. When quality cannot be directly observed, an increasing number of ties to higher-status actors (for example, galleries or artists) is used as a measure of perceived value and esteem, while a lack of such ties (or ties to lower-status actors) deflate these valuations. The greater the uncertainty, the more each actor relies on the status of others to infer their quality, and the more they realize their own status is contingent on the status of their affiliates. So as uncertainty increases, relationships and exchanges become more exclusive, and to the extent that businesses and individuals generally avoid exchanges with those of lower status, the only transactions that can be consummated are those among actors of roughly equivalent status, making the market both more homogenous and more exclusive.

The survey of HNW collectors reflected some of these interactions in 2020, with relatively few collectors (21%) actively looking for new galleries and most working with ones they already had relationships with. Dealers at the higher end of the market also had a significantly lower share of sales to new buyers, transacting more with their most established clients. Most collectors were also sticking to the artists they knew, and only 5% were actively searching out new artists. If this applies to a wider collector base, it will reinforce the status quo, maintaining

the position of well-known artists and galleries and making it harder for newer and younger ones to establish themselves or gain a competitive foothold.

However, crises can also bring significant restructuring and innovation within markets. The pandemic created an exogenous shock that has provided the impetus for change and restructuring, encouraging new collaborations and working practices, with the most fundamental shift being to an increasing share of online sales and exhibitions. Some felt that this movement online could also have a democratizing influence and reduce the hierarchical nature of the art market by leveling the playing field. While an increased focus on e-commerce by collectors has helped some smaller galleries, provided they are adept at online sales and promotion,

The biggest challenge remains in how to attract audiences in the first place and convey quality amid an increasing volume of online offerings

many of the most visited third-party platforms and online viewing rooms still favor larger galleries and auction houses and branded artists. The biggest challenge remains in how to attract audiences in the first place and how to convey quality amid an increasing volume of online offerings. How prominent a business is online and the quality of their products are two key attributes for making sales, however, mainstream online markets have shown that the more crowded they become, the greater the influence of prominence over quality, as quality and reputation signals become lost in increasingly noisy environments.⁷⁸ Collectors already remarked on the extent to which they had become overloaded by online content, making it difficult to discover new galleries and artists despite the expanding amount of information that has gone online in 2020.

Another reaction to organizational crises that is relevant to the shift to online sales in the art market, can be a push to conformity. When businesses are faced with a crisis and are all reacting to a similar set of circumstances, there can be a trend to copy or follow the lead of peers who appear to be successful, in order to try to reduce risk and maintain position. Despite attempts to differentiate themselves,

organizations all reacting in the same way to similar constraints become increasingly alike, and the market becomes increasingly homogenous.⁷⁹ When some organizations come under pressure, they may also consciously abandon efforts to distinguish themselves and instead seek safety by a kind of conformity or follow-the-leader pattern of behavior. This trend was noted in the mid-year survey on galleries and continued to be relevant throughout the art market generally for 2020. Despite having a very wide diversity of content, many offerings were delivered in similar ways by auction houses and dealers, using the same tools and presentations, often benchmarking competitive offerings from peers, making it more difficult, especially for new collectors, to distinguish between them at a superficial level and determine quality. As noted in the report, collectors have commented anecdotally that in some cases the businesses that stood out the most were in fact those who had opted for different and more individual approaches, including, but not limited to, low-tech and offline outreach.

While new technologies have therefore undoubtedly been useful for businesses operating in the market, the extent to which the large volume of competitive

78 Taeuscher, K. (2019) "Reputation and New Venture Performance in Online Markets: The Moderating Role of Market Crowding." *Journal of Business Venturing*, Volume 34, Issue 6.

79 In their seminal work on organizational behavior, DiMaggio and Powell (1983) describe the 'inexorable push to homogenization' and note that even non-critical times can elicit a paradox in the development of many modern industries: The forces energizing this process of isomorphism are at least trifold: coercive (from external cultural expectations or regulatory pressures to conform); mimetic (when faced with a lack of clear goals, uncertainty or crises, organizations begin to model themselves on others they perceive to be successful); or normative (with conformity driven by the development of professional standards and conditions of work). So, while markets are classically envisioned as fields of competitive diversity, in modern practice they are often likely to consolidate. DiMaggio, P. & Powell, D. (1983) "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review*, 48: 147-60.

offerings has overwhelmed consumers has reduced their marginal benefits. While having an OVR seemed to have been a requirement in 2020, they did not automatically confer a benefit or guarantee successful sales, and focusing on strengths in content, knowledge, and contacts remained more of a differentiator in most cases.⁸⁰

Despite these reservations, online sales have undoubtedly provided a lifeline for many businesses, offering them a way to maintain sales where offline contact was not possible. There seems to also be a general consensus that many of the changes introduced in 2020 were not transient, and e-commerce is likely to persist as a growing portion of the market's turnover. One appealing result of the move to more online transactions is price transparency, which will not only encourage new collectors but also help expand interests of existing collectors to new artists.

Given this transformation, most businesses and collectors are still struggling with how to balance a more online-based market with the shared experience, social contact, and excitement of discovery that comes from visiting exhibitions and sales offline. Collectors may buy online in some cases when they have to, but would not necessarily choose to do so entirely. Again, the survey of HNW collectors showed that while they have been active online in 2020, including purchasing at the high end of the market, this is

not their preferred choice for viewing or purchasing art, with 75% of those with an opinion either way preferring to look at art for sale at a physical or live exhibition. Nonetheless, the step into online purchasing that was thrust on collectors in 2020 has reduced some of the psychological barriers to entry for some, and where experiences were positive, will likely encourage them to do so again, which could be an important development for the market.

While online sales opens the market up to a much vaster global audience, some in the sector fear that the new offline market that emerges in 2021 will in fact get smaller. Dealers have voiced concerns over closures and downsizing or 'the shrinking gallery world', and the effects this might have on the infrastructure of the market and representation of emerging artists. The potential of events becoming smaller and more exclusive as distancing requirements endure has also caused concern that the core art market will become more closed and narrow at the top, operating on a two-tier system of high-end offline sales and events, and a much wider low-end, predominantly online marketplace.

There does appear to be a strong appetite from both collectors and the art trade to return to offline interactions and in-person events. The majority of collectors surveyed would be willing to attend a local exhibition or art fair in 2021, while 45% would

attend an overseas event. The surveys also indicated that when a successful vaccine rollout has been achieved, willingness to travel and attend events will expand. While it is likely that local events will see increased attendance in the first half of 2021, there is lingering reluctance to travel generally. This is reflected in the more general assessments of travel sentiment. UBS Evidence Lab data on US consumer confidence and travel showed that only around 10% of respondents to their surveys felt comfortable travelling at the end of the first quarter of 2020. This peaked in September (36%) but has declined subsequently with new strains of infection and intensified waves of the pandemic. In late January 2020, just over one quarter (26%) of respondents in the US were willing to travel, although 47% felt they would be willing to do so in six months or more.⁸¹

The market has been heavily event-driven over the last decade, with live auctions, art fairs, and exhibitions central to the exchange of information and sales. However, there were concerns about the density of the calendar and the sustainability of travel even before the pandemic, and it seems likely that collectors may consider more carefully the number of events they attend in future. Dealers were already auditing their art fair participation as well as the events that are traditionally associated with exhibitions, with some stressing their increased

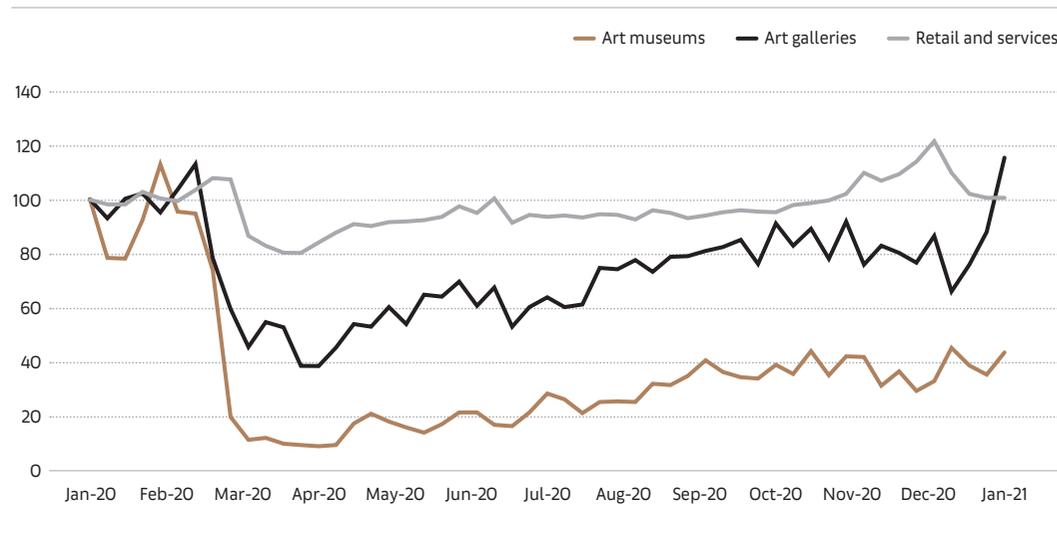
focus on smaller, more personal, content-based attendance at galleries versus crowded, large-scale openings. Some galleries noted that collectors were already spending more time in their galleries as larger events were cancelled, and, for some existing clients at least, this had been successful in allowing slower and more focused interactions and better sales. The auction calendar is also under review and is likely to continue to evolve in 2021, with a mix of online-only, hybrid, and live sales, as well as continued collaborations with galleries, fairs, and other actors in the market. How auction houses market key works and collections and how and where they are viewed before a sale is also changing in some cases, with a focus on accessibility and convenience for collectors and vendors.

While international travel may take some time to revive, foot traffic statistics from UBS Evidence Lab show some early indications of an eagerness to return to live exhibitions. Based on an index from before the pandemic began in the US in January 2020, foot traffic in galleries dropped dramatically at the end of the first quarter of the year, and remained persistently down for most of the rest of 2020. However, there has been a significant upturn in January and this is likely to continue as the rollout of vaccines begins to make progress, helping to rebuild sales at a local level.

80 Meyer and Rowan (1977) explain that as an innovation spreads, a threshold is often reached beyond which adoption provides legitimacy or normative sanctioning, but not an improvement in performance or competitive advantage. Meyer, J. and Rowan, B. (1977) "Institutionalized Organizations: Formal Structure as Myth and Ceremony." *American Journal of Sociology*, 83: 340-363.

81 UBS Evidence Lab (2021) *Evidence Lab Insights*, available at www.ubs.com/evidence-lab-latest-insights

Figure 7.6 | Foot Traffic Index (UBS Evidence Lab)



© Arts Economics (2021) with data from UBS Evidence Lab 2021

While international travel may take some time to revive, foot traffic statistics show some early indications of an eagerness to return to live exhibitions

Without many international events, sales at more local and regional levels were emphasized in 2020, however, international exchange and communication remain at the core of the global art market. As noted at the outset of the report, those markets that maintain a healthy flow of cross-border exchange are likely to see the most positive future growth scenarios. In the short-to-medium term, in the absence of the movement of people, the relatively unencumbered flow of art could become even more important for market growth.

One of the most serious impacts of the COVID-19 pandemic on the wider art economy will be its effects on employment. A significant number of businesses in both the dealer and auction market downsized in 2020, and this rate was highest for larger galleries and top-tier auction houses. While there have already been several gallery closures, there are concerns that more businesses may be under threat as supports end, eviction protections are removed, and businesses default on accrued rent payments. Dealers and auction experts noted anecdotally that some larger businesses, while remaining open and profitable, were shedding employees and closing premises as part of cost-cutting drives, while others were focusing on accessing cheaper and fewer premises, all potentially negatively affecting the market's economic contribution. While some businesses

maintained profits by reducing their staff and substantially reducing the costs of travel and exhibitions, these employment losses and the reduction of events have significantly affected the art market and the wider network of ancillary businesses it supports. The art market makes a substantial economic contribution in employment, revenues, and the nurturing of specialist knowledge and skills, not just in itself but also through a network of ancillary businesses that support the art trade. The value added by the sector comes both from the businesses that are directly engaged in the art trade and across a range of ancillary service industries that it supports. Most of these are highly specialized businesses in their own right that would find it hard to exist without the art market, and they, in turn, support a range of knowledge-intensive jobs. The reduction of employment and spending in the art market and the cancellation of large-scale events and exhibitions therefore has wider implications in the global economy that will continue to unfold in 2021.



Appendix – Sources Used in *The Art Market 2021*

The information and data compiled for *The Art Market 2021* comes from a wide range of sources. All of the data is gathered and analyzed directly by **Arts Economics** from dealers, auction houses, art fairs, art and antique collectors, art price databases, financial and economic databases, industry experts, and others involved in the art trade and its ancillary services.

For the purposes of this research, the art and antiques market includes sales of fine and decorative art and antiques. Fine art includes paintings, sculptures and works on paper (including watercolors, prints, drawings, and photographs), tapestries, as well as film, video, and other new media. Decorative art and antiques covers objects such as furniture and decorations (in glass, wood, stone, ceramic, metal, or other material), couture (costumes and jewelry), ephemera, textiles, and other antiques.

I. Auction Data

The auction sector provides one of the main large-scale, international, and publicly available information sources on individual transactions in the art market. Even though the results of many auction sales are in the public domain, aggregating data within this part of the market is not without issues, particularly on a global scale, with some auction houses publishing limited, selective, or no results at all. There is no single comprehensive source or database that covers the entire global auction market for fine and decorative art and antiques. Auction data for 2020 used in this report therefore comes from five main sources:

a. Artory

Global auction data is supplied by Artory (artory.com). Artory's database covers 4,000 auction houses with over 35 million records, with consistent auction results gathered annually for 250 businesses in 40 countries and 500,000 artists. The database comprises results from major sales in first- and second-tier auction houses around the world, and it does not restrict inclusion by final price or estimate value, hence, offering coverage of the full range of prices and sales. In 2018, Artory launched The Artory Registry, the industry's first public, object-oriented database for the art and collectibles market. In 2020, Artory continued to grow the number of auction houses in the database and stopped tracking houses

that no longer publish their data publicly. Leveraging blockchain, the Registry also tracks provenance and title, and it distinguishes trusted from non-trusted data. By working directly with auction houses, galleries, living artists, museums, and manufacturers to create records, the Registry reduces the risk of permanently recording poor quality information on the blockchain while making data accessible to all for free.

b. AMMA

Both fine and decorative auction data for the Chinese art market is supplied by AMMA (Art Market Monitor of Artron). Artron.net was founded in 2000 as an interactive online community devoted to Chinese works of art. AMMA is a market data service platform for Chinese works of art and the research institution of Artron Art Group, focusing on data search, artwork valuation, indexing, data reporting, and other relevant services of the Chinese market. It has the most comprehensive and reliable available database on the Chinese art market, with over 6.5 million results from more than 31,000 sales from over 1,000 auction houses since the first art auction in China in 1993. There are roughly 600,000 additions to the database annually.

As noted in Chapter 3, the Chinese auction sector uses different categories and sectors than other auctions. The main categories of art used by AMMA are:

a. Chinese painting and calligraphy: This sector is traditional Chinese art, which mainly comprises of Chinese ink paintings on different media such as Xuan paper, silk, or fans. It can be divided into: 'Chinese calligraphy', where subject matter is calligraphy based on poems and 'words with great wishes'; and 'Chinese painting'.

b. Oil painting and contemporary art: This encompasses works created by Chinese artists who adopted Western techniques and media (such as oil painting, photography, sculpture, installation, pencil sketch, gouache, or watercolor), after oil painting was first introduced to China in 1579.

c. Ceramics and other wares: Ceramics are decorative artworks made from cornish stone, kaolin, quartz stone, and mullite. The other wares are mainly works made from or based on bamboo, wood, walnut, teeth, and horns. They also include works made with writing brushes, ink sticks, ink slabs, paper, Chinese lacquer and embroidery, as well as Buddha figures, gilding, and other small decorative works such as hangings and bracelets.

c. Invaluable

Invaluable (invaluable.com) was launched in 2009 and is the largest online global auction platform specializing in art, antiques, and collectibles, with a database of over 66 million price records from more than 4,000 global auction houses. Invaluable supplied anonymous, aggregated annual data on offline versus online sales for more than 1,300 auction houses that held sales in 2020.

d. Auction Houses' Published Results

To supplement the coverage provided by these databases, Arts Economics has also developed its own internal, international auction database, collecting data directly on an annual basis from the published auction results and press releases of auction houses.

e. Auction House Survey

Arts Economics distributes two surveys in the auction sector: a comprehensive top-tier survey of the top 10 auction houses worldwide plus a second-tier survey of around 500 national second-tier auction houses (with a response rate of 20%). The auction surveys provide additional sales data as well as a range of other more in-depth information on employment, buyers, profit margins, debts, and other aspects of the auction market that are used in the report.

The surveys are sent directly to the auction houses from Arts Economics' database.

For historical auction data, various sources were used in compiling previous reports, including Auction Club (2017), Collectrium (2016), Artnet (2011–2015), and Artprice (2008–2010).

II. Dealer Data

Data on dealer sales is more complex to gather due to the private nature of transactions in the sector. Most of the companies in the sector are small businesses with only a very small number of publicly listed companies, which means detailed information and financial results in public and private databases is limited.

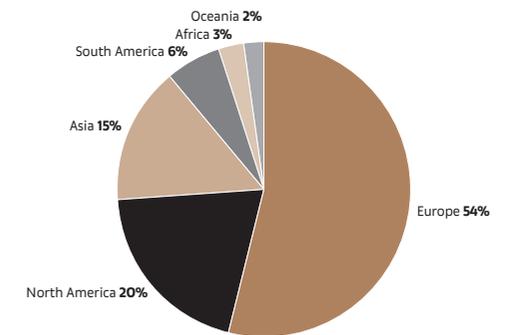
Various official sources and company reports are used in compiling figures on the sector. These include Eurostat, the US Bureau of Labor Statistics, the Office for National Statistics in the UK, Companies House, Insee, Infogreffe, the National Bureau of Statistics of China, and many others. However, these sources are limited in scope and coverage and, in some cases, publish data with a significant lag and only for a very small proportion of companies relevant to this report. Comparisons are also problematic between nations due to differences in the units used, the records required and how they are defined and recorded, and the classification of companies by sector and activity.

To overcome the lack of publicly available data, surveys of this sector are an important element of the research process. To compile data on the dealer sector, Arts

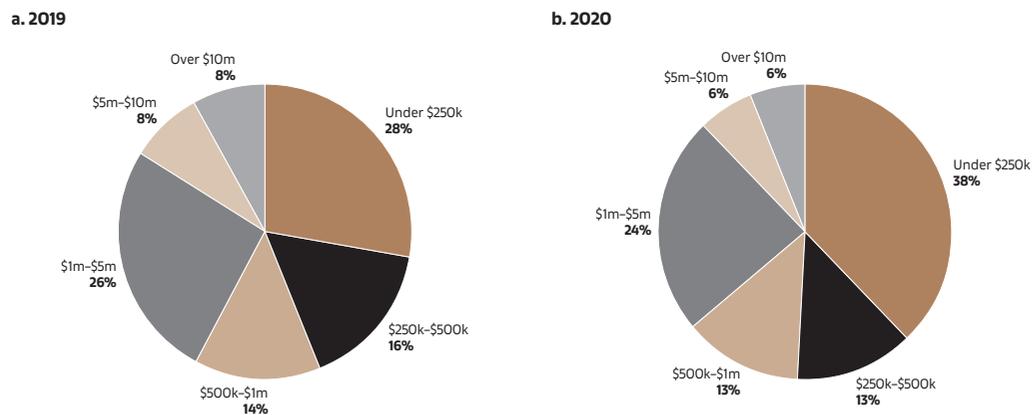
Economics conducted two dealer surveys in 2020. The first survey was conducted online in July and sent to over 3,000 galleries worldwide, covering only dealers in Modern and contemporary art. This survey received 920 responses, and 795 were used in the analysis (with 125 excluded as they were incomplete or not relevant to this particular study due to the sector they dealt in). The second survey was sent to a wider group of over 6,000 dealers from the US, Europe, Asia, Africa, and South America. The survey was distributed to the memberships of some of the main dealer associations around the world, including CINO, SLAD, SNA, CPGA, ADAA, FEAGA, and other national associations. It was also distributed by Art Basel directly to over 500 individual galleries who participated in their shows in Basel, Miami Beach, and Hong Kong in 2019 and their OVRs in 2020. This survey received 1,018 responses, and 98 were removed due to lack of data and other issues, with 920 used in the analysis.

The galleries covered in the end of year survey were geographically diverse, covering over 55 different markets. The highest regional share was galleries and dealers from Europe (54% of the sample and 59% of the sample in July), with 20% from North America. 90% of the dealers responding were fine art dealers and 10% were businesses working in antiques and decorative arts sectors.

Figure 1 | Geographical Distribution of Respondents in 2020



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Figure 2 | Share of Respondents by Reported Annual Turnover

© Arts Economics (2021)

Galleries also varied in the size of their annual sales turnover. According to the end of year survey in 2020, in 2019, 58% had annual sales of less than \$1 million (including 28% with less than \$250,000), and this rose to 64% in 2020. While 8% of the sample reported sales in excess of \$10 million in 2019, this dropped to 6% in 2020. A further breakdown of both years is provided in Figure 2.

The dealers covered in the survey are estimated to account for between 70% to 80% of the value of sales in the sector, depending on the country. The survey allows us to estimate the value and changes in this core majority share of the market, while the addition to sales from the remaining very numerous small

businesses are very conservatively estimated based on official statistics and censuses that report sales by industry, business, or sector. As some of the highest-selling dealers may not answer surveys, the survey results are also checked and adjusted using the reported turnover of the highest-selling galleries and dealers as reported in Companies House, as well as other databases of company records. The survey was supplemented by a series of interviews with dealers in different sectors and markets conducted from June 2020 to January 2021 to gain in-depth insights on the art market, which were used to inform the analysis in the report and help interpret the findings.

III. Contributions from External Authors

Diana Wierbicki

Diana Wierbicki is a Partner and the Global Head of the Withers Art law practice. She advises clients on art purchases, sales, loans, consignments, and charitable and tax planning. Her clients include the industry's top collectors, dealers, galleries, charitable organizations, artists, and museums. She has been quoted in various news outlets, including *The New York Times*, CNN, Bloomberg Business, BBC, and Barron's, and she has written articles in publications such as *Forbes*, *Trusts & Estates*, *Crain's*, and *Wealth Management*, and is the co-author of the *Fifth Edition of Art Law: The Guide for Collectors, Investors, Dealers & Artists*. As an active member of the art community, Diana serves as co-Chair of the Appraisers Association of America's Art Law Day, as Chair of the New York City Bar Association's Art Law Committee, and co-Chair of the American Bar Association's Art and Collectibles Committee. She is also a member of the Professional Advisory Council of the Metropolitan Museum of Art, the Planned Giving Advisory Council of the New York Historical Society, ArtTable, and an affiliate member of the Association of Professional Art Advisors.

Rena Neville

Rena Neville is the founding Director of Corinth Consulting Limited (www.corinthconsulting.com). Rena is a New York qualified lawyer with extensive art market experience. She began her law career on Wall Street at Sullivan & Cromwell and then enjoyed a 30-year career at Sotheby's in both London and New

York. She fulfilled various roles at Sotheby's including as its first Global Compliance Director, as well as European General Counsel and Global Head of Litigation. More recently, she was part of the global business and client development leadership team. She currently lives and works in London.

Matthew Israel

Matthew Israel is a curator, writer, and art historian and is co-founder and Chief Curator at Artful, a new company offering contemporary-art-focused travel. For the past twenty years, Matthew has worked with some of the most influential contemporary artists and art institutions, most recently Artsy, where he was Director of The Art Genome Project and Head Curator, between 2011 and 2019. He has written three books: *Kill for Peace: American Artists Against the Vietnam War* (2013), *The Big Picture: Contemporary Art in 10 Works by 10 Artists* (2017), and *A Year in the Art World: An Insider's View* (2020). He currently lives and works in New York. Matthew would like to thank the following people and organizations for their time speaking to and/or corresponding with him about the ideas discussed in his commentary on OVRs: Katharina Ruf and Noah Horowitz, Art Basel; Matt Rubinger, Christie's; Jessica Silverman, Jessica Silverman Gallery; Joe Elliot, Artlogic; Mike Steib, Artsy; Elena Soboleva, David Zwirner Gallery; Belinda Bowring, Frieze; Jeremy Hodkin, The Canvas; Jake Nyquist, Hook; Alexander Wolf, Gagosian; Alison McDonald, Gagosian; Kristen Joy Watts, Instagram; and Hidde van Seggelen, TEFAF.

IV. Artlogic

Data on gallery-based websites and OVRs was provided by Artlogic. Artlogic is a leading provider of online solutions for the artworld, working with over 2,000 galleries, artist studios, collections, and art fairs in 70 countries. Artlogic provides integrated database, sales, marketing, website, and OVR products that help art businesses run efficiently online. The company was founded in 1994 and operates from London, New York, and Berlin.

V. Artsy

Data on galleries and art fairs was supplied by Artsy.net. Artsy was launched in 2012 and is the largest and most used online fine art marketplace, with more than 1 million works of art produced by more than 100,000 artists listed by over 3,000 partner galleries, 25 auction houses, 80 fairs, and 800 museums.

VI. Online Data Sources

Data on website traffic was taken from SimilarWeb in the months between December 2020 and January 2021. This data is dynamic and changes over time. It should therefore be considered only as a relative view of the companies presented at a point in time. Other data was taken directly from social media sites, including Facebook, Instagram, and Twitter.

VII. UBS Investor Watch Survey

Arts Economics partnered with UBS Investor Watch to conduct a survey of HNW adults in 10 different markets in 2020, the largest survey of its kind.

The survey used panels provided by Dynata from the following markets:

- US
- UK
- France
- Germany
- Italy
- Singapore
- Hong Kong
- Mainland China
- Taiwan
- Mexico

The survey received full, qualified responses from 2,569 collectors from these regions. The individuals in the sample all had household investable assets in excess of \$1 million, excluding real estate and business assets. 34% of the total sample had wealth between \$1 million and \$5 million, 17% between \$5 million and \$10 million, and the remaining 48% over \$10 million (including 15% in the ultra-high net worth category of \$50 million-plus).

To assess if they were active in the art and collectibles markets, respondents were also initially screened by asking if they had purchased a range of assets including art, antiques, and other collectible items in the last two years. To qualify for inclusion, each respondent had to have spent a minimum of \$10,000 on these works of art or objects in both 2019 and 2020. This screening process continued until there were a minimum of 400 suitably qualified responses for the US, 300 from Mainland China, and 200 from each of the other markets surveyed. A quota on gender was also applied to ensure a more balanced representation of male and female collectors, with the overall gender breakdown of the aggregate sample being 46% female, 52% male, and 2% identifying as non-binary.

In terms of their age profile, the aggregate sample was broken down as follows:

- 4% aged under 23 years, or Gen Z;
- 52% aged 23-38 years, or Millennials;
- 32% aged 39-54 years, or Gen X;
- 12% aged 55-73 years, or Boomers; and
- 0.4% aged 74+ years, or Silent generation.

VIII. Secondary Sources

The report uses a large number of secondary sources and these are cited throughout the report. Some key sources used for data in the report on a regular basis include:

- UBS/PWC Billionaires Reports 2021 and other years;
- UBS Billionaires Insights Reports (various years);
- UBS Global Financial Markets Reports (2019/2020) and Year Ahead 2021;
- *Forbes* Billionaire Lists and Database;
- The IMF World Economic Outlook (Database);
- UN Comtrade Database (Imports and Exports);
- Credit Suisse Global Wealth Databooks and Reports (various years);
- Eurostat Labour Force Surveys;
- Bureau of Labor Statistics Database;
- USITC DataWeb; and
- HM Revenue & Customs UK Trade Database.

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For this UBS Investor Watch collaboration, 2,569 high net worth individuals were surveyed (with at least \$1 million in investable assets) that had spent \$10,000 or more on art and/or antiques in both 2019 and 2020. The global sample was split across 10 markets: the UK, the US, Mainland China, Singapore, Taiwan, Hong Kong, France, Italy and Germany and Mexico. The survey was conducted in December 2020.

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