US & European Art Market Report 2013
Art market research is developing into a tool of significant importance for bringing transparency and certainty to a market that remains largely unregulated. Progressive analysis optimises the limited sources of information available to combine these with a wealth of knowledge from scholars and practitioners operating in today’s art market. As a result, each new piece of research contributes significantly to aiding a better understanding of this complex market.

In this US and European art market report we analyse various trends within the mainstream market, including current levels of confidence across different segments, recent auction performance, primary and institutional market trends, and further developments in the art and finance sector, namely insurance, storage and risk management. While researching these areas we found that it would be relevant to dedicate our focus section to current issues regarding the role of scholarship as a source of knowledge and transparency in a market that values art not only as a collectible but also as an asset class.

I would like to thank Paul Spindler, partner at Kingston Smith, for his open disposition, curiosity and support in the analysis of the art market. I would also like to highlight the efforts of his team at Kingston Smith in presenting this report to the reader. Furthermore, I would like to convey my appreciation (and admiration) to David Anfam, Philip Hoffman, Penny Bendall, Stephanie Dieckvoss and Frank Cohen, who contributed substantially to our research with their inside knowledge of the art world.

Last but not least, I would like to thank Anders Petterson of ArtTactic for collaborating with Portafolia on this project.

Francesca Bellini Joseph
Director, Portafolia
Positive short-term outlook
According to ArtTactic’s recent Art Market Confidence Survey, 69% of respondents believe that the US and European contemporary art market will continue to see positive developments in the next six months.

Market confidence
Confidence in the auction market levels out as primary art market confidence increases by 37%. Recent findings suggest that there is broader confidence in the contemporary art market beyond the artists dominating the auction market. This was reflected in the reports and mood of recent events, including last month’s Art Basel and Venice Biennale.

Auction market
Results generated during the first half of 2013 suggest that the post-war and contemporary art market is holding up well, with sales in London and New York up 5.4% from the first half of 2012. Contemporary art sales increased by 34% from US$2.1 billion in 2011 to US$2.7 billion in 2012.

Improved prospects for the middle market
Market confidence in the lower and middle-price segments is on the increase, which signals that market participants are starting to see value in the lower and middle-price segments.

High-end art dominates the auction market
Post-war and contemporary art by US and European artists has reached new heights on the back of a surge in demand for blue-chip artists such as Andy Warhol, Mark Rothko, Roy Lichtenstein, Jean-Michel Basquiat and Gerhard Richter. Works valued above US$1 million accounted for 88% of evening sales for contemporary art in 2012. The top 20 artists at the contemporary evening sales of Sotheby’s, Christie’s and Philips accounted for 77% of total sales in 2012.

Art as an investment
The resilience of the high end art market (prices above US$1 million) to the global economic crisis has attracted the attention of HNWIs looking for investment diversification and cultural trophies.

International galleries set up in London and Paris
Blue-chip contemporary galleries, such as Werner Gallery, David Zwirner, PACE and Gagosian have expanded into London and Paris; we expect both cities to increase in importance as cultural and commercial hubs for Russian, Middle Eastern, Latin American and Asian art buyers.

Increasing art fair competition
Art fairs have become important platforms for galleries in their battle against an increasingly powerful auction market. However, with new contemporary art fairs popping up in many of the major cities across Europe and the US, competition for galleries and visitors is intensifying. The London-based Frieze Art Fair launched a new fair in New York in March 2012 and Art13 launched in London in March of this year.

Europe remains the hub for talent spotting
With three of the most important public events in the art calendar – documenta in Kassel (Germany) and the Venice and Istanbul Biennales – Europe remains an important destination for spotting international talent and new artistic trends. The Venice Biennale has become a catalyst and an important platform for new art markets in the Middle East, Asia, Africa and Latin America.

---

1 Based on Sotheby’s and Christie’s sales.
Outlook for the art market in 2013: We will continue, I believe, to see strong growth in the art market for 2013 due to a massive shortage of supply in comparison with an increased demand for high-quality work. Art Basel showed the variety of incredible art works available to collectors, with pictures that could have been bought three years ago for $1 million now selling for $2 million. Not every aspect of the market is as buoyant, however. Emerging artists who are present in important museum collections are looking solid, while more obscure names or very contemporary works remain comparatively unstable.

Philip Hoffman
CEO The Fine Art Fund

Trends in the institutional market: The most conspicuous change has been the drift of scholars from museums to the commercial sector. This development has included noted curators such as Lisa Dennison (from the Solomon R. Guggenheim Museum to Sotheby’s); Tim Marlow (Tate to White Cube); John Elderfield (MoMA, New York to Gagosian); and Paul Schimmel (MoCA, Los Angeles to Hauser & Wirth). This trend is likely to continue, especially as academic studies continue – at least in the eyes of many – to become increasingly specialist and self-regarding.

Dr David Anfam
Art historian

Biggest challenges in the market for 2013: A large proportion of contemporary art is experimental. New materials are being used either on their own or together with others. The conservation of these items has to be taken on a case-by-case basis, as virtually all of these items are prototypes. There are enormous issues emerging with plastics, taxidermy, painted MDF and other materials where their composition will change and therefore the concept of the original piece will not necessarily remain as apparent. What will this do to the value?

Penny Bendall
Conservation Specialist

Primary market trends: Heightened competition between fairs and galleries leads everyone to strive for uniqueness. Dedicated solo artist sections help to enhance the visitor experience. Furthermore, galleries are now treating their stands in the same way that they would treat an exhibition in their galleries, ensuring curatorial rigour. While ten years ago galleries tried to stun the visitor at fairs with difficult installations, this has shifted mainly to ‘home-scaled works’.

Stephanie Dieckvoss
Director Art14

Changes in the collector base: Since I started collecting contemporary art about 20 years ago the main difference is the sheer number and international nature of art buyers. The market has gone from a relatively small group of US and European art collectors to become a large and truly global collector base. In this new marketplace, I believe London will play an increasingly important role due to its strategic geographical location as a hub for European, Russian, Middle-Eastern and Asian collectors, and an attractive destination for foreign wealth.

Frank Cohen
Art Collector & Co-founder
of the Dairy Art Centre in London
Confidence in the auction market levels out as primary art market confidence increases by 37%.

The overall ArtTactic US and European Contemporary Art Market Confidence Indicator came in at 70.3, up from 59.4, an increase of 18% since January 2013. This reading is the highest since June 2011 and signals a reversal of the negative trend that started in the autumn of 2011. A Confidence Indicator of above 50 implies that there is more positive short-term sentiment among experts than negative.

While the auction market has, until recently, been the prime driver behind positive confidence in the overall market, the results from the recent ArtTactic survey suggest that confidence in the auction market is leveling out, and that confidence in the gallery market has been boosted. As prices at auction have appreciated rapidly in the last three years, the market is starting to see an increase in value in the primary market. The recent findings suggest that there is broader confidence in the contemporary art market, beyond the artists who are dominating the auction market. This was reflected in the reports and mood of recent events, such as Art Basel and the Venice Biennale, in June 2013.

Although confidence in the auction market saw a small decrease from January 2013, the results generated in the first half of 2013 suggest that the post-war and contemporary art market is holding up well, with sales in London and New York for the first half of 2013 up 5.4% from the first half of 2012.

The top end of the market continues to account for the lion’s share of the market, with the recent round of contemporary evening sales in London showing that 28% of the lots sold for over $1 million, accounting for 81% of the total evening sales value.
Collectors are seeing opportunities in the middle market
Recent ArtTactic Confidence Survey results show that confidence in the lower and middle-price segments is on the increase, which signals that experts are starting to see value in the lower and middle-market price segments. With confidence in the higher end (prices above $1 million) of the market falling by 15.6%, this suggests that experts see less scope for value appreciation in this segment of the contemporary art market and, furthermore, that they are starting to shift their attention to lower price brackets such as the $50,000 to $100,000 range.

More than two thirds of experts believe the market will go up in the next six months
The proportion of respondents that believe the market will move up further in the second half of 2013 has increased to 69% (up from 36% in January 2012). 31% believe that the contemporary art market will remain flat (down from 47% in June 2012). None of the experts believe the market will fall within the next six months.
Post-war and contemporary art evening sales in New York in May 2013 raised a total of $759,680,000 (excluding buyer’s premium) against a pre-sale estimate of $685,800,000 to $906,800,000, which accounts for the second highest total since November 2012 ($764 million). The sales total was 19.9% higher than May 2012 and 14% above the peak of the market in May 2008.

The current market is largely fuelled by the top end of the art market, with lots valued at $1 million and above accounting for 96.6% of total sales value (based on 72 lots out of 149 sold lots) and art works selling above $5 million accounting for 72% of total sales value (based on 33 lots). Over the three evening sales, 9 lots sold above $20 million (excluding buyer’s premium), compared with 14 works in November 2012.

The top five selling artists of the three evening sales were Jean-Michel Basquiat ($101.8 million), Roy Lichtenstein ($79.3 million), Andy Warhol ($77.55 million), Jackson Pollock ($70.5 million) and Gerhard Richter ($55.4 million); these sales accounted for a total of $384,550,000, representing 50.6% of the overall evening sale value.

Despite the record result for Christie’s, the auction market is starting to show signs of strain due to intense competition between the top houses. The failure of Sotheby’s to meet its pre-sale expectations is symptomatic of a market now entirely reliant on mega sales and record prices. Unless the auction houses can pull in top consignments at the ultra-high-end of the market, and also consistently sell at these prices, market sentiment could change.
Auction market trends

The United States (continued)

Art import and export trends

Art consumption in the US is growing with overall art imports totalling $7.8 billion in 2012, an 11% increase from 2011. However, this figure is 12% below the peak of the market in 2007. Art exports from the US in 2012 came in at $7.5 billion, a modest 5% more than 2011. Art exports over the last four years have remained, on average, 18% below the peak in 2008. New York remains the world’s strongest art market hub, sharing with London 64% of the world’s imports of art and 62% of exports.

Other market trends

Insurance changes on the east coast: Tough times in the New York primary market continue as a result of last year’s Hurricane Sandy. The art losses have been estimated at $500 million. Chelsea’s dealers, including David Zwirner, Leo Koenig and Zach Feuer, reported damage and loss for thousands of works. Further consequences have been seen this year as the Federal Emergency Management Agency (Fema) released an updated New York flood map in April 2013 in which Chelsea is ranked within the highest levels of flood hazard. With around 200 galleries in the area expecting sharp rises in insurance premiums or no access to coverage at all, we are likely to see transformations in the geographic composition of the local art market within the next 12 months.

Booming art market on the west coast: California has managed to raise an international profile due to an excess of liquidity generated by the technology sector and the film industry fuelling the art world. The latter remains a strong driver for the local economy and tourism. The art market has benefited from this situation, especially within the segments of photography and design. Paris Photo has set up a second fair in Los Angeles, which attracted 13,500 visitors during its inaugural edition. California secured two places in the top 10 list of most visited exhibitions in the category of photography and design according to the latest exhibition and museum attendance survey of The Art Newspaper. The photography shows Herb Ritts: LA Style and Portraits of Renown, both at the Getty Center, attracted 2,800 daily visitors and 365,000 visitors annually. The Jean Paul Gaultier show From Sidewalk to Catwalk at De Young Museum secured the third position in the top 10 with almost 2,200 daily visitors and 279,000 visitors annually. There is further optimism in the local art market following the Getty Foundation’s release of highlights from the Pacific Standard Time (PST) Economic Impact Analysis this past April. The ten-year-long PST research project, which consisted of a series of exhibitions and surveys of post-war art in California held by 60 cultural institutions and over 70 galleries in the state, saw an estimated visitor spending of $111.5 million in 2012, 74% more than the estimated participant spending.

New contemporary art museum in Miami: Miami hosts one of the top international art fairs and yet there is scepticism about this city as more than a seasonal market. Art Basel Miami Beach is now entering its 12th year and has become a leading international art fair, seeing 50,000 visitors in 2012. Yet the local art market has not seen enough cultural infrastructure developments over this decade. Without any major institutional players the city lacks the model of value endorsement that we see in other western and established art markets. This gap could potentially be alleviated with the Pérez Art Museum Miami (PAMM), a $220 million project due to open in 2013. However, there is doubt among the Latino community over the curatorial and acquisition programme of the museum. The museum targets an annual attendance of 220,000 visitors. Miami remains mainly a selling platform located at a crossroads for Americans and Latin Americans.

Auction market trends

The United States


7 US & European Art Market Report 2013
Roy Lichtenstein born 1923, New York, US

The current boom in the Roy Lichtenstein market (born 1923, New York, US) comes on the back of a touring retrospective that started in May 2012 at The Art Institute of Chicago, followed by the National Gallery of Art in Washington D.C. and Tate Modern in London, ending at the Centre Georges Pompidou in Paris in November 2013.

Recent auctions in New York have signaled just how strong the appetite for Roy Lichtenstein’s work is at the moment. Sales of work by Roy Lichtenstein brought in $94 million at auction in 2012, up 59% from 2011 and up 1.7% from 2010. A new record was set at Christie’s when the iconic work Woman with Flowered Hat (1963) sold for $50 million, exceeding the previous record of $40 million for Sleeping Girl (1964) set in May 2012 at Sotheby’s New York.

Roy Lichtenstein Auction Sales – Paintings ($’000,000)

©ArtTactic, 2013.
Auction market trends

Europe

The post-war and contemporary evening art auctions in London in June 2013 generated a total of £136,600,000, comfortably within the pre-sale estimate of £115,720,000 to £162,490,000. The result was 4.7% lower than February 2013 and 31% down from June 2012, which could be a sign of the challenges that the auction houses are facing in attracting top quality consignments and also how sensitive the outcome of the auction is to the success of individual high-value lots.

The top 10 prices for the auctions amounted to £63,250,000 or 46% of all the sales. In total, there were 33 works that sold for above £1 million (excluding buyer’s premium), making £101,120,000 or 74% of the total value. Evening auctions taking place over the past week have reinforced the ongoing strength of the post-war and contemporary art sales, with sales in the £1 million-plus range still doing well.

Art import and export trends
The UK is Europe’s hotspot with a multilateral trade worth $15.6 billion in 2012 – the highest level of multilateral trade ever for this market. The consumption of art increased as overall imports into the UK came in at $7.8 billion in 2012, 12% above the figures for 2011. Global art exports from the UK totalled $7.5 billion, which accounted for a significant 28% increase on the previous year. Art exports for the rest of Europe totalled $7.8 billion in 2012, the highest in five years. This significant outflow of art might partly be due to the concentration of the art market in New York and London. However, art imports were a substantive 40% below exports in the same year, which might indicate that the European art market has been impacted upon significantly by the late 2000s financial crisis.
Auction market trends

Europe

Other market trends

Government support for the arts: In spite of the negative effects that the Eurozone crisis has had on national cultural spending, The Art Newspaper recently revealed that funding for national pavilions at the 55th Venice Biennale remained steady and in some cases increased when compared with 2011. While Greece maintained a budget of €350,000, Germany saw an increase of an undisclosed percentage to €500,000. The Italian pavilion, however, saw its budget decrease by two thirds to €600,000. The Encyclopedic Palace, curated by Massimiliano Gioni, opened in June 2013. This edition of the international exhibition saw the first Vatican pavilion ever, which held an exhibition titled Creation, Uncreation, Re-creation. The UAE is enhancing its cultural developments through a programme that includes the construction of a Guggenheim and a Louvre, with a 20-year lease contract for a national pavilion at the Venice Biennale. Tino Sehgal became the last artist to participate in the final version of the Unilever Series, receiving the Golden Lion award. Angola also received the award for Best National Participation.

Art fair trends: The art fair calendar has become more dynamic this year as competition among top art fairs strengthens with the inception of two new top art fairs. Art13 (Art14 next year), the founders of which, Tim Etchells and Sandy Angus, are well known for having established Art HK and selling 60% of it to Art Basel, has provided the opportunity for more contemporary art galleries to gain exposure to a similar target audience to that of Frieze. Yet the two art fairs are not necessarily direct competitors, with their operations focusing on different price segments of the market. Frieze has set up two new events in London and New York, with one of the strengths of the inaugural edition of Frieze Masters in London being its modest size of 90 galleries, compared with Frieze London with 175 exhibitors. The second edition of the fair will see a 25% increase in the number of exhibitors.

In 2013 Frieze London decreased the number of exhibitors to 14% when compared with 2012, but it maintained its Euro-American approach with no more than 13% of participation involving galleries from emerging markets. This reduction might also have been triggered by the inception of the New York version, which has created competition for the Armory Show. This fair, which took place two months earlier, shifted its strategy to a smaller event with a focus on quality rather than quantity. The 44th edition of Art Basel finished with a record attendance of 70,000 visitors, participation from over 300 galleries and strong market sentiment.

Art and finance: The Luxembourg Freeport is due to open in the third quarter of 2014. The freeport will operate as a free zone specifically dedicated to the storage and management of high-value-added goods in top-security buildings. Located at the centre of Europe within Luxembourg airport, it will become a leading hub for storage and the intercontinental transport of collectibles, art, fine wines, classic cars and precious assets. The freeport is likely to strengthen Luxembourg’s position as an art and finance hub and is an important development for the European art storage infrastructure, which is under significant strain due to lack of capacity and a high concentration of risk.
Gerhard Richter, born 1932, Dresden Germany

Gerhard Richter (born 1932, Dresden, Germany) became the top-selling, Western, living artist at auction in 2012. His most sought after painting series, Abstraktes Bild, reached total sales of $156.4 million (excluding buyer’s premium) last year. Richter started to work on the Abstraktes Bild series in the 1960s, but in particular it is his large abstracts from the late 1980s to mid-1990s that are sought after by collectors. In October 2012, one of Richter’s Abstraktes Bild works from 1994 set an auction record for a painting by a living artist when it sold for £21 million ($34 million) through Sotheby’s in London.

Works by Gerhard Richter have increased dramatically in recent years, with $156 million worth of works being sold at auction in 2012. This was up 96% from 2011 and up 504% from 2010. The boom in the Richter market started in November 2010, when the first Abstraktes Bild broke through the $10 million price ceiling at a Sotheby’s auction in New York. This was followed by a sharp increase in sales and prices during 2011, alongside one of the most important retrospectives of Richter at Tate Modern in London.

Gerhard Richter Auction Sales – ‘Abstraktes Bild’ ($’000,000)

©ArtTactic, 2013.
The role of academia in the art market is instrumental, as scholars bring knowledge and transparency to the market. However, with a phenomenal increase in art prices over the past ten years the trend of considering art as an asset and the emerging sector of art as investment, the professional liabilities of scholars are increasing as issues of provenance, authenticity and conservation become more challenging. This focus provides a snapshot of the current trends regarding these issues.

**Provenance**
The Getty Provenance Index has reached 1.5 million records that trace the ownership of works of art from the sixteenth century onwards. Data has been retrieved from archival inventories, auction catalogues, dealer stock books and recorded payments to artists, among others. A four-year collaboration with the National Gallery, London, has further expanded this database, adding 67,000 records of British art auctions held between 1780 and 1800, accounting for almost 80% of British sales for the period. However, the index does not provide insights into the authenticity of the pieces recorded.

**Authenticity issues**
Authentication boards for artists such as Warhol, Basquiat and Pollock have been dissolved within the three past years as lawsuits have emerged against them and the legal costs associated with them have increased. Cases such as Knoedler Gallery in New York (2011), which continues into 2013 with a growing number of lawsuits being filed for allegedly selling fake art, have triggered a debate regarding the right of scholars to express their professional experience against their professional liability in the marketplace. The cases include pieces by Willem de Kooning, Jackson Pollock, Robert Motherwell and Mark Rothko.

**Conservation issues**
Contemporary art is largely experimental in terms of materials, the unpredictability of which presents a significant challenge in today’s art market. If buying as an investment, collectors need professional advice to help answer key questions prior to acquisition, such as the expected lifespan of the work, the nature of the materials used in the work and the artist’s intentions. Conservators of contemporary art are also becoming involved in legal issues regarding conservation for investment purposes.
What are the current opportunities for a scholar operating today in the US and European art market?

One of the biggest opportunities for scholars in the current art market is the curating of exhibitions at private galleries and writing for these galleries, as they are often less bound by bureaucratic restrictions than museums or public institutions. Advising on the artistic direction of private galleries also proves a good opportunity for scholars.

What are the challenges?

The scholar’s challenge is to remain focused on artistic merit and unmoved by transient market forces.

What are the current risks?

The risks include volatility in the support for independent scholarship and liability in matters of authentication.

Dr Anfam

Dr. David Anfam is Senior Consulting Curator at the Clyfford Still Museum, Denver, and is Commissioning Editor for Fine Art at Phaidon Press, London. Dr. Anfam wrote the landmark Mark Rothko: The Works on Canvas – A Catalogue Raisonné (Yale University Press, 1998), which received the prestigious 2000 Mitchell Prize for the History of Art.
About Kingston Smith

Kingston Smith LLP is a top 20 accountancy firm providing the full range of services to entrepreneurial businesses, not for profit organisations and individual clients. Most of our commercial client businesses are managed by the people who own them. Through our many years’ experience of working with owner-managed businesses, we understand how entrepreneurs think and the stages in which their businesses develop. As a result, in addition to audit and accounting work, we have built up a wide range of specialist services from six offices in London and the South East to support businesses as they grow and develop.

**Dedicated private client service for individuals** - Kingston Smith’s Private Client Service offers a multi-disciplinary approach to personal financial and tax planning, drawing on the knowledge of tax specialists, legal advisers, investment strategists, mortgage advisers and accountants. We take care of your financial planning, administration and much more.

More information about Kingston Smith LLP and our services can be found out at www.kingstonsmith.co.uk

**Contact details**

Paul Spindler, Partner
pspindler@ks.co.uk
T 020 7566 4000

Acknowledgements and credits

**Research Analysts**
Francesca Bellini Joseph
Portafolia
www.portafolia.co.uk
info@portafolia.co.uk

Anders Petterson
ArtTactic
www.arttactic.com
info@arttactic.com

**Contributors**
Dr. David Anfam, Art Historian
Philip Hoffman, CEO The Fine Art Fund
Penny Bendall, Conservation Specialist
Stephanie Dieckvoss, Director Art14
Frank Cohen, Collector