

Artprice.com

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

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

Global figures

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

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

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

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

The Western Art Market

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

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

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

Nevertheless, the heart of the Western art market appears to have retained its vitality.

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

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

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

China's Art Market

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

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

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

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

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

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

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

Fewer records but greater market liquidity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TOP 50 artists - H1 2016

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

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

About Artprice:

Artprice est cotée sur Euronext Paris, SRD long only et Euroclear : 7478 - Bloomberg : PRC - Reuters : ARTF.

Artprice is listed on the Eurolist by Euronext Paris, SRD long only and Euroclear: 7478 - Bloomberg: PRC - Reuters: ARTF.

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

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

Artprice's Global Art Market Annual Report for 2015:

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

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

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

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

Discover the Alchemy and the universe of Artprice <http://web.artprice.com/video>, which headquarters are the famous Museum of Contemporary Art, the Abode of Chaos <http://goo.gl/zJssd> <https://vimeo.com/124643720>

News Artmarket:

<http://twitter.com/artpricedotcom> <https://www.facebook.com/artpricedotcom>

<https://www.facebook.com/artpricedotcom>

<https://plus.google.com/+Artpricedotcom/posts>

<http://artmarketinsight.wordpress.com/>

The Contemporary Arts Museum The Abode of Chaos on Facebook:

<https://www.facebook.com/la.demeure.du.chaos.theabodeofchaos999>

Contact : Josette Mey : e-mail : ir@artprice.com