



*Mt Fort Advisers -
"Something interesting to read"*

**- The Art Market 2022 -
An Art Basel & UBS Report**

November 2022

"Art washes away from the soul the dust of everyday life." said Pablo Picasso.

In a complicated world marred with problems from a war in Ukraine, inflationary concerns, dreadful public financial markets, and growing environmental issues, to cite only a few, we thought appropriate to digress from this dull environment and discuss about art. Even if the attached report is an economic analysis of the art market in 2021, as opposed to an artistic study, we found interesting to present you the main facts and developments in the art market in 2021. For those who did not read it yet, the attached report called "The Art Market 2022" has been produced by Art Basel and UBS, and prepared by Dr. Claire McAndrew, founder of Arts Economics. This report is essentially derived from the result of the annual global survey of art and antique dealers, as well as from an art collector survey. It is a comprehensive paper with almost 280 pages. For a quicker read we have prepared a summary below with its key findings illustrated with a few charts.

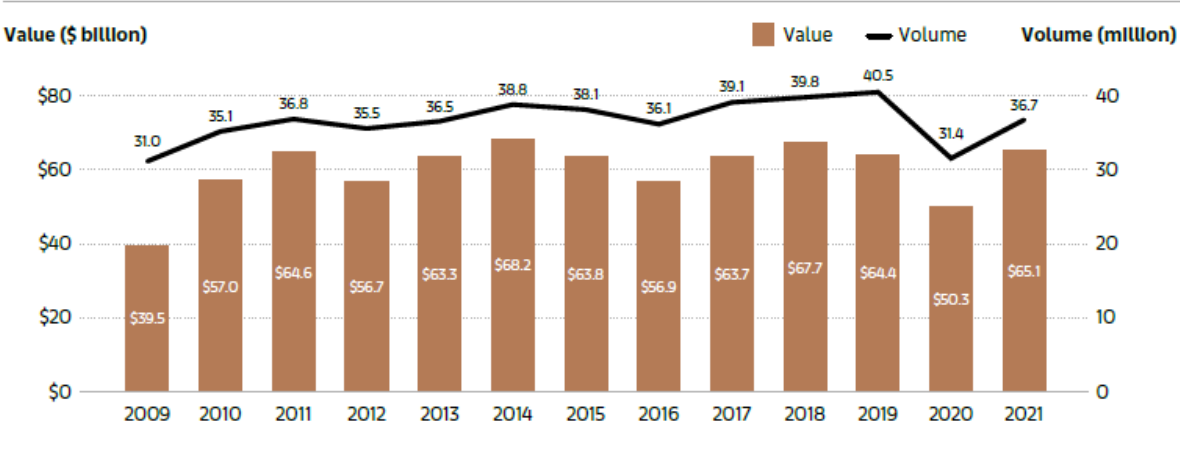
Should you have difficulties in reading this email clearly, you can access our summary and the full report on our website by clicking here.

We wish you an enriching and enthusiastic reading in the art world.

Your devoted Mt Fort Advisers Team

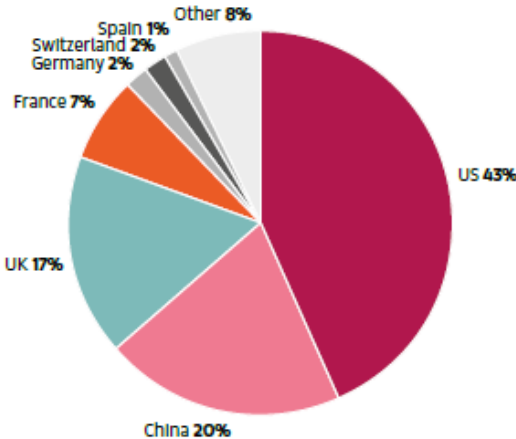
The art market recovered strongly from the pandemic in 2021 surpassing pre-pandemic levels with aggregate sales reaching \$65.1bn (+29% compared to 2020), but still much lower than the record year in 2014 with sales amounting to \$68.2bn. Volumes reaching 36.7 mio transactions were lower than its record year in 2019 (40.5 mio). The dealer sector (290'000 businesses), which represented the majority of total global sales (53%), grew more modestly (+18%) than public auction sales (+47%). The US remained by far the largest single market for art with a 43% market share, ahead of Greater China (20%) and the UK (17%), although it grew more slowly in 2021 (+33%) than China (+35%) and the best performing market in terms of growth in 2021, France (+50%).

Figure 1.1 | Sales in the Global Art Market 2009–2021



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Figure 1.3 | Global Art Market Share by Value in 2021

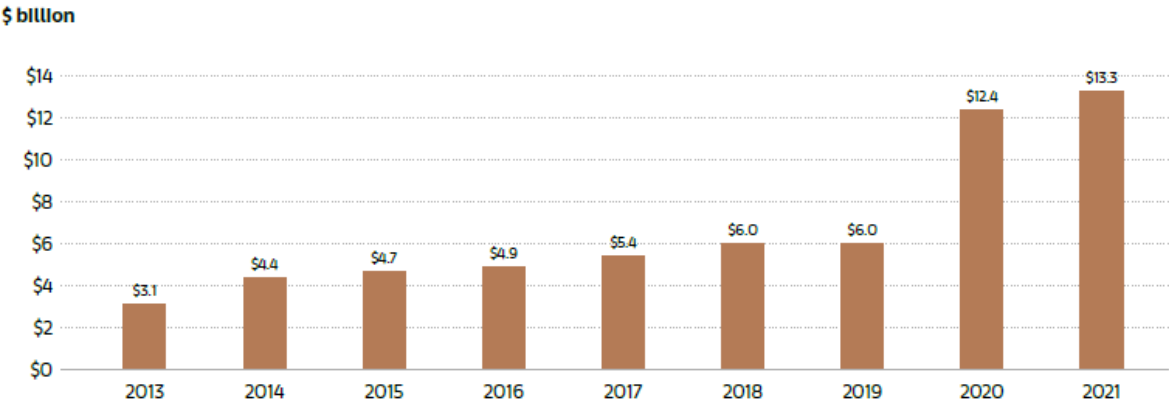


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Online sales kept growing and still represented about 20% of total sales (\$13.3bn). Although their weight to total sales dropped by 5% compared to 2020 (25%), their

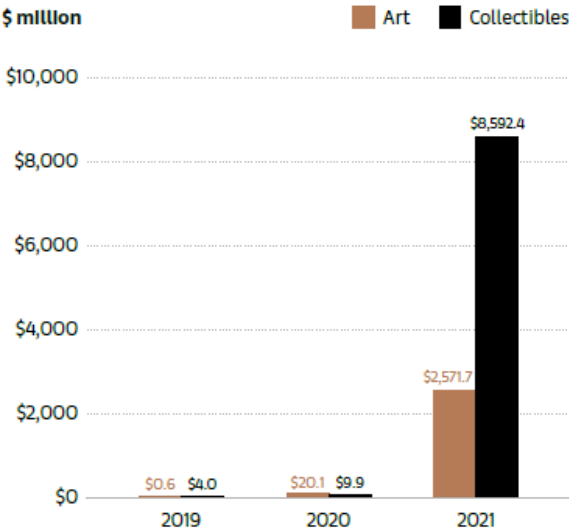
share still doubled from pre-pandemic level in 2019 (9%). Art-related NFT sales grew exponentially reaching a value of \$2.6bn in 2021 representing about 14% of total NFTs sales (49% are collectible NFTs). Only 6% of dealers said they had sold NFT in 2021, while 74% of HNW collectors said they had purchased art based NFTs in 2021. The pandemic has triggered a lasting impact on the development of online sales in the art market.

Figure 1.6 | Online Sales of Art and Antiques 2013–2021



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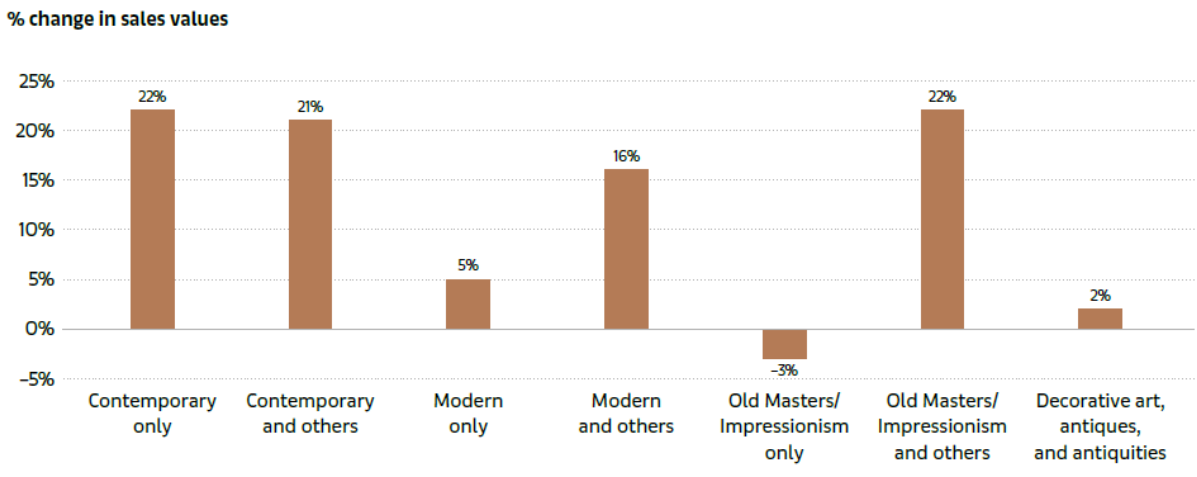
Figure 1.9 | Sales of Art and Collectibles NFTs 2019–2021



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Dealers active only in the contemporary market enjoyed the strongest growth (+22%), while those only active in Old Master/impressionism suffered the most (-3%) together with the dealers only active in Modern art (+5%). But dealers mixing those sectors with Contemporary, Modern, or other older sectors were more on par with their peers.

Figure 2.5 | Average Change in Turnover by Dealer Sector 2020–2021

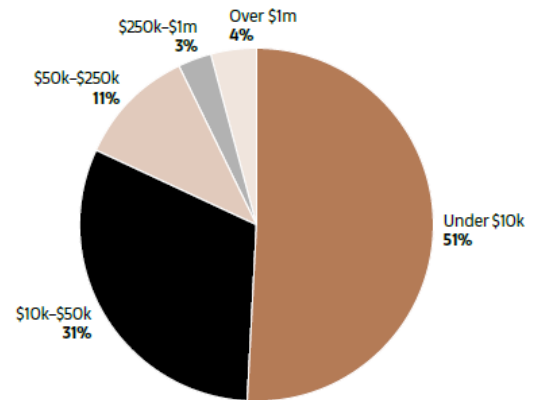
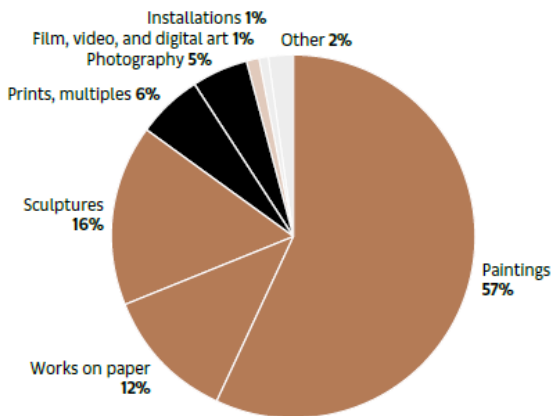


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Paintings represented 57% of Fine Art dealers sales in value, far ahead of sculptures (16%) and Works on paper (13%). Interestingly 82% of the volumes of sales by dealers were sold for less than \$50k, and 51% of them sold for less than \$10k.

a. All Fine Art Dealers

Figure 2.9 | Share of the Volume of Sales by Price Bracket in 2021



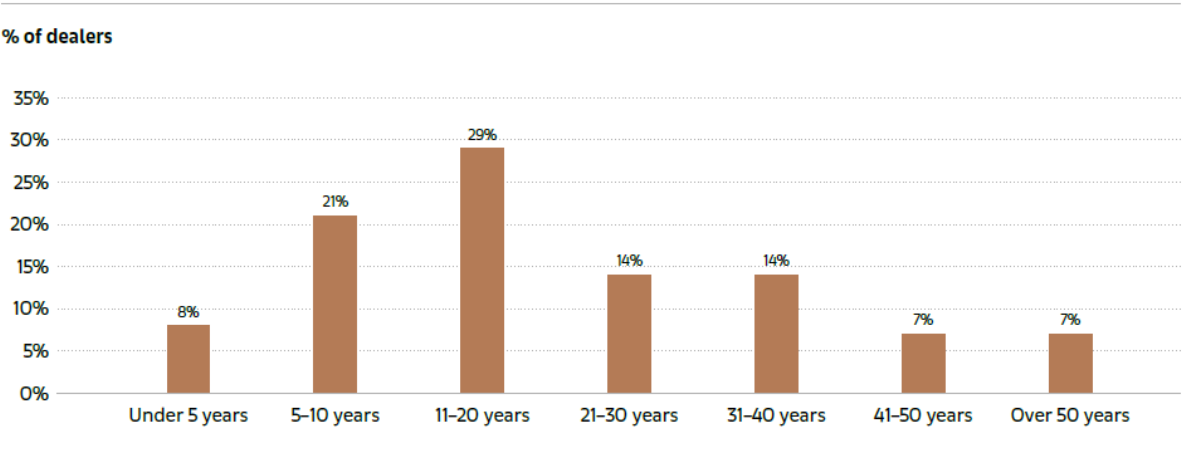
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The art market remained predominantly a local market with 53% of dealers’ sales generated by local private collectors against 24% by international private collectors.

Over 2,300 HNW collectors across ten markets were surveyed for the Art market 2022 report. The median expenditure on art and antiques increased sharply from \$72k in 2019 to \$274k in 2021. Over a third of HNW collectors had spent over \$1 mio, more than double the level in 2019, led by Chinese collectors (representing a 44% market share of sales over \$1mio in China). Most HWN collectors (76%) are still acquiring art through dealers, although the shift to digital sales is becoming evident with 44% of sales transacted through dealers’ web sites or OVRs (online virtual rooms). Generally, viewing and buying art and antiques still very much remains a sociable activity. Although the art market is going through a gradual transition with the emergence of a younger generation of investors and new online sale channels, the respectability and seniority of dealers remains key. Seventy percent of dealers have been in business for over 10 years and 40% of them have been in business for over 20 years.

Figure 2.2 | Dealers’ Number of Years in Business in 2021



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The growing interest in digital art was evident, especially with the younger collectors. Eighty-eight percent of HNW collectors said to be interested in acquiring art-related NFTs in 2022.

At auctions, Old Masters sales stopped their erosion started in 2017 with volumes almost half of those reached in 2011 at its peak, while contemporary sales have remained close to their average volumes over the past ten years. The scarcity of high-quality Old Masters masterpieces coming onto the market explains partly this erosion, in addition to changes in collectors’ tastes.

Figure 3.37 | Old Masters Auction Sales 2009–2021

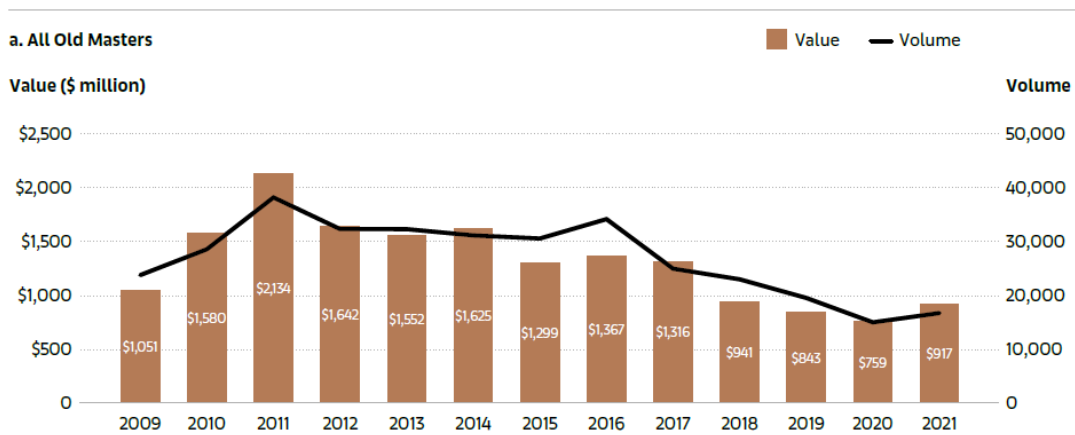
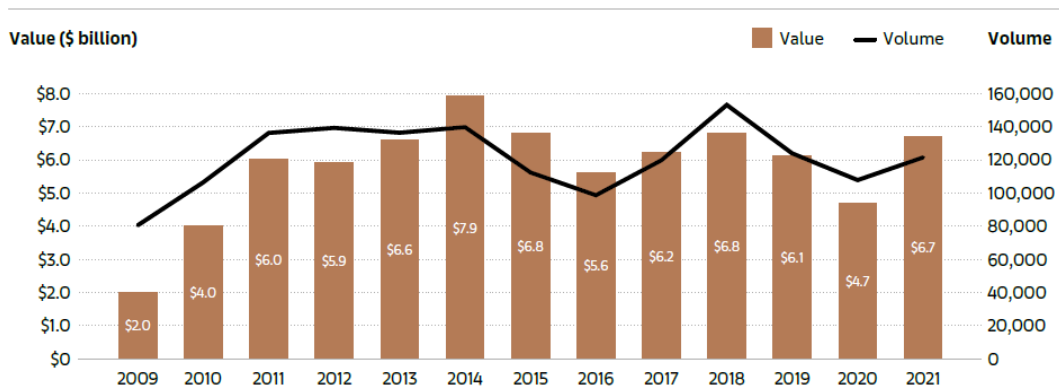
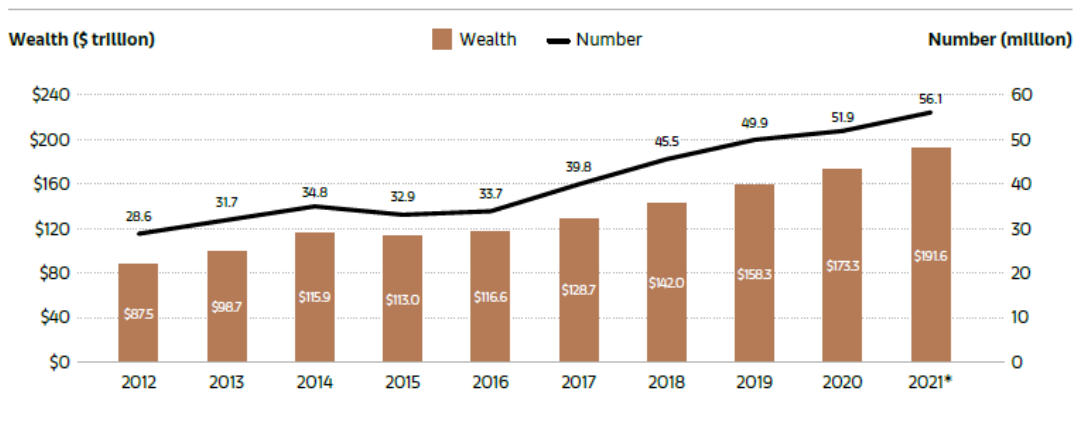


Figure 3.21 | Post-War and Contemporary Art Auction Sales: 2009–2021



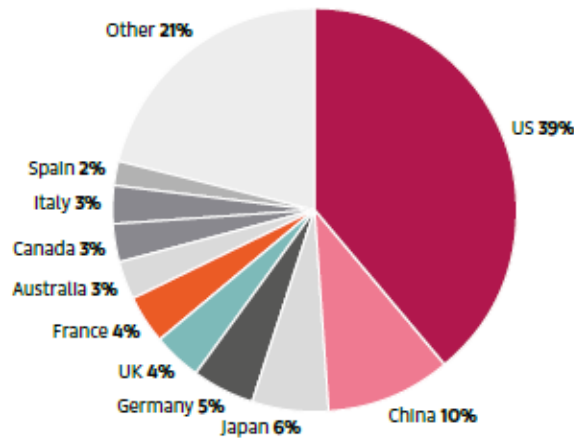
The art market benefited from an increasing number of millionaires since 2016. It grew up by 8% in numbers (to 56.1 mio) and 11% in wealth (to \$191.6tr) between January 2020 and January 2021 according to Credit Suisse data. The US maintained the highest millionaire population representing 39% of the world total, far ahead of the 10% share of Chinese millionaires.

Figure 4.4 | Number and Wealth of Dollar Millionaires 2012–2021



© Arts Economics (2022) with data from Credit Suisse

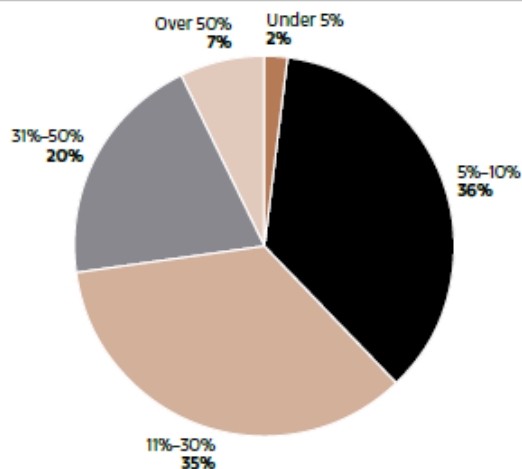
Figure 4.5 | Global Share of the Population of Dollar Millionaires in 2021



© Arts Economics (2022) with data from Credit Suisse

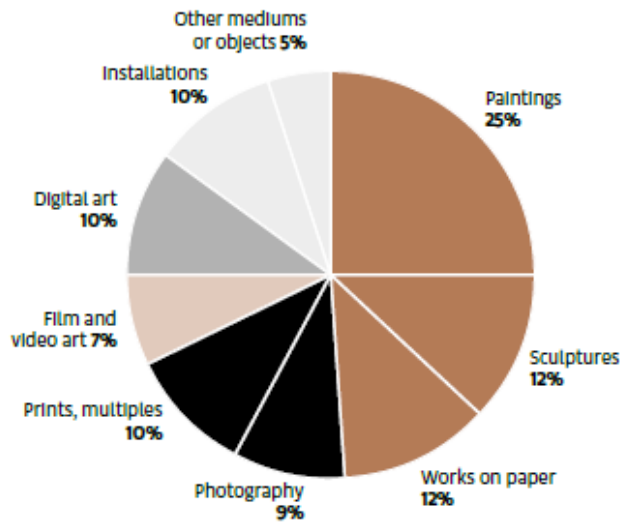
Based on the HNWI collector survey conducted over a sample of 2,339 individuals, their proportion of wealth invested in art was high with 64% reporting an allocation of over 10% and even 27% of them reporting an allocation in art over 30%. Of course, the sample of the survey was composed of active art collectors having bought at least a minimum of \$10k in each of the years 2020 and 2021. Gen Z collectors had the highest average share of wealth invested into art with over a third having an allocation of more than 30%. The median size of collections held by HNWIs amounted to thirty-four works across all markets with Boomers owning the largest number of works (40 on average). Collections are quite diversified in terms of mediums with paintings representing the highest share (25%) before sculptures (12%), works on paper (12%).

Figure 4.10 | HNWI Collectors' Allocation to Art in Overall Portfolio of Wealth in 2021



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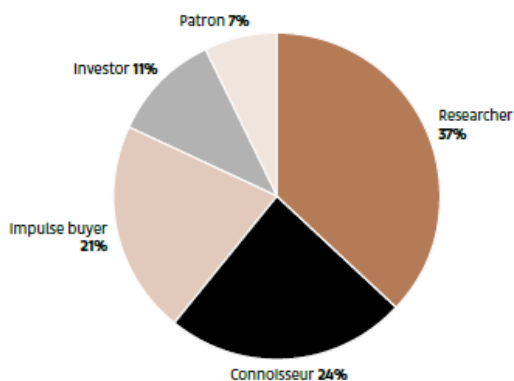
a. All HNW Collectors



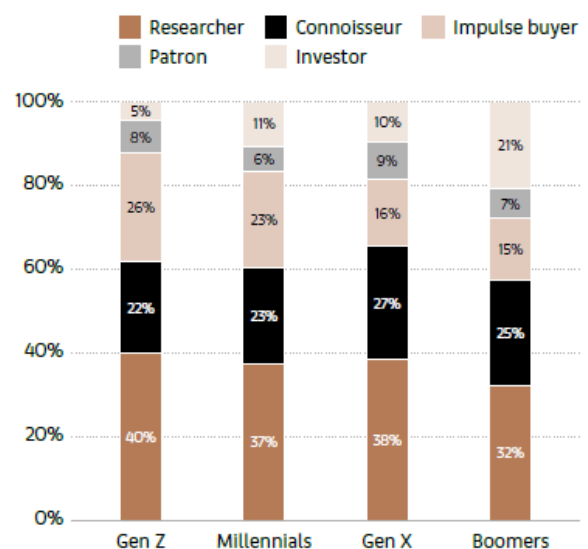
Collectors indicated various motivations and behaviours for acquiring art. 37% of the sample identified themselves as a ‘researcher’ engaging in significant amounts of research on artists before acquiring their work, while 21% ‘bought on impulse’, making quick purchasing decisions, based mostly on the specific artworks they came across or were shown. Only 11% described themselves as ‘investors’ actively looking for works of art that would appreciate in value and generate financial returns.

Figure 4.35 | HNW Collector Profiles in 2021

a. Share of All HNW Collectors

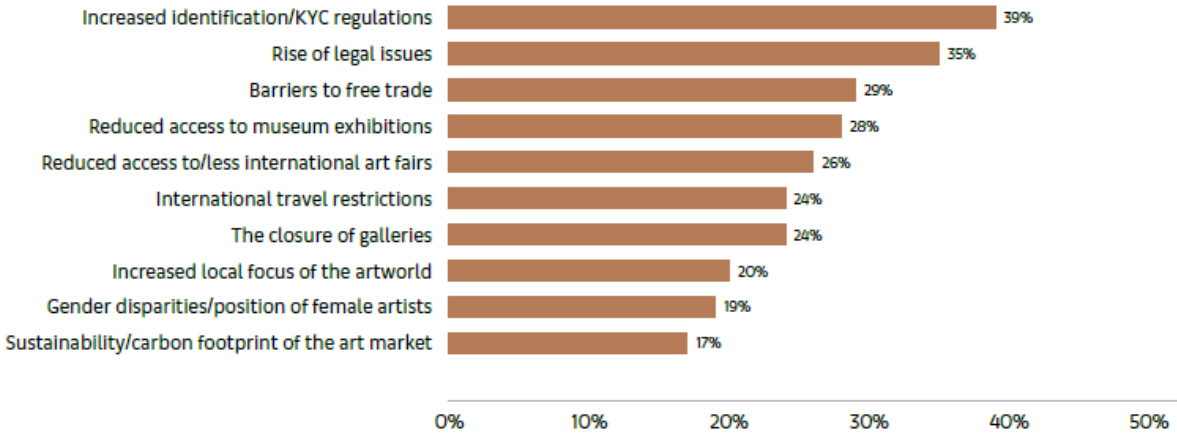


b. Share of HNW Collectors by Generation



Collectors were increasingly concerned about regulatory and legal issues in 2021, which occupied their top three concerns out of ten, with the increased identification & KYC requirements in first position:

Figure 4.38 | Top 10 Concerns of HNW Collectors Regarding the Art Market in 2021



© Arts Economics (2022)

Looking at the prospects of the art market, most dealers (62%) and second-tier auction houses (81%) were optimistic about 2022 predicting an increase in sales. The majority of HNW collectors (53%) were planning to buy art (-4% compared to last year) and were optimistic about the art market over the next six months (74%) and over the next ten years (74%). The pandemic encouraged philanthropic giving with a rise in the share intending to donate works to museum in 2022 from 29% in 2021 to 43% in this survey. Digital art interest kept growing with 56% of collectors planning to buy digital art in 2022. Eighty-eight percent of collectors said they were interested in acquiring NFT-based artworks in the future (only 4% said not to be interested).

The art market in 2021 confirmed its intensified polarized nature dominated by businesses selling branded artists at higher values for the upper-end segment of collectors. Increasing inequalities could have mixed implications for the art market, and the concentration on fewer artists and businesses leaves it open to risks in its infrastructure and limits its growth. Digital sales and communications channels have transformed the market over the past two years. Although online sales did not reach the same level as the previous year, they remained much higher than pre-pandemic levels. Digitalization of the art market is not putting in question the traditional gallery model for now though with even some larger galleries expanding their physical premises in 2021, such as Gagosian, Pace, and Hauser & Wirth. As we said earlier, art will remain a sociable activity.

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