General synopsis. Contemporary Art's market performance

Stimulated by a sensational record of $110.5 million in May 2017, the Contemporary art Market has just ended a third consecutive semester of growth. The principal drivers of this growth are ever-stronger demand for works by the stars of Contemporary art and a proliferation of supply in a particularly favorable economic context.

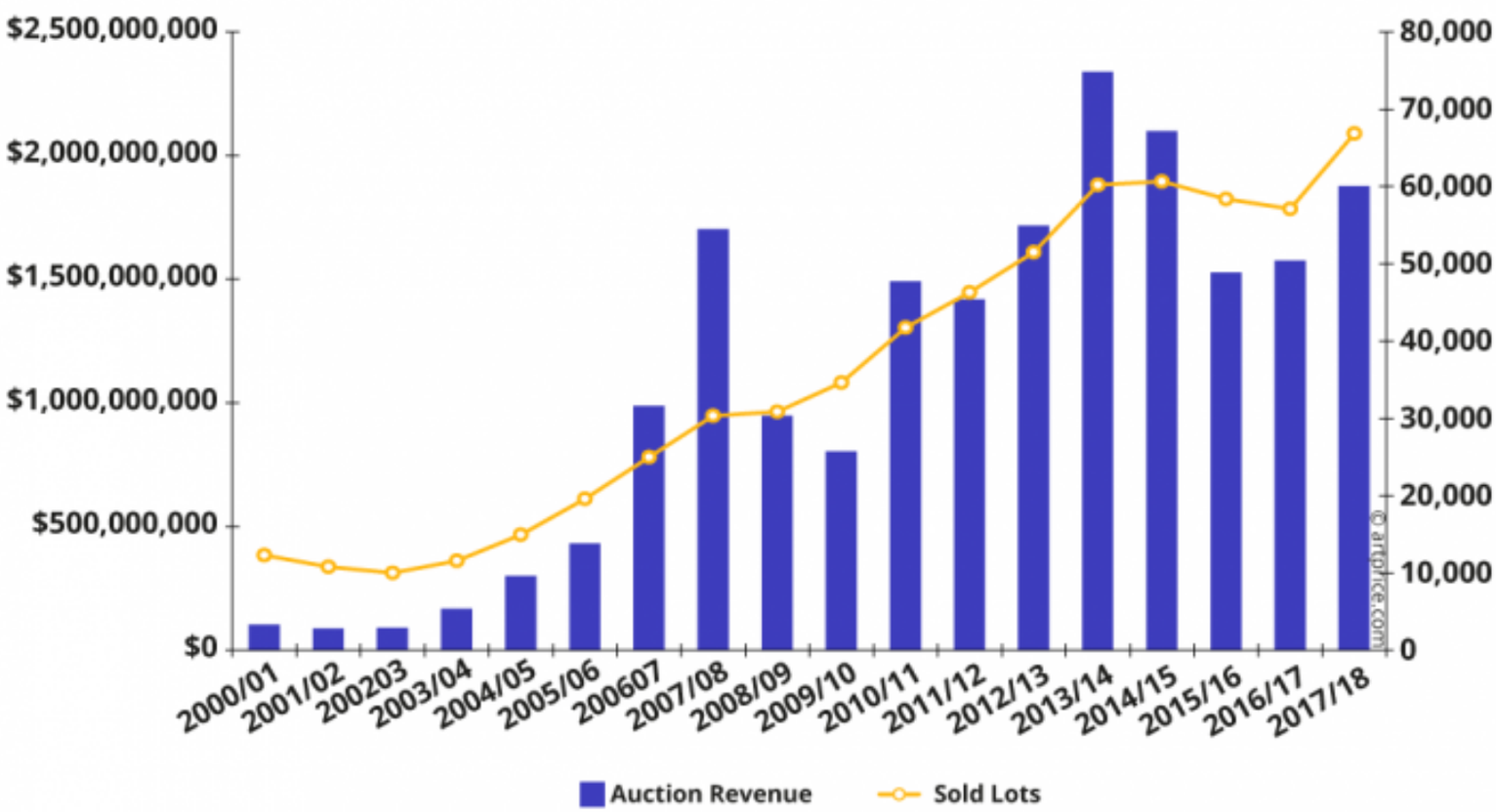
All indicators are positive

For the first time since the 2008 financial crisis, the Contemporary art Market's four main health indicators are all positive for the last 12 months (end-June 2017 to end-June 2018):

- The global auction turnover rose +19%, reaching $1.9 billion
- The volume of transactions grew +17% with 66,850 Contemporary lots sold
- The global unsold rate remained stable at 39%
- The price index of Contemporary art increased by +18.5%

The almost identical increase in the Market's three main indicators – all three very close to +18% – suggests a rapid, but perfectly balanced, growth of Contemporary art auction sales. Thus, in the past year we have witnessed an almost uniform progression of the market in terms of prices, lots sold and auction turnover.

Contemporary Art Auction Market



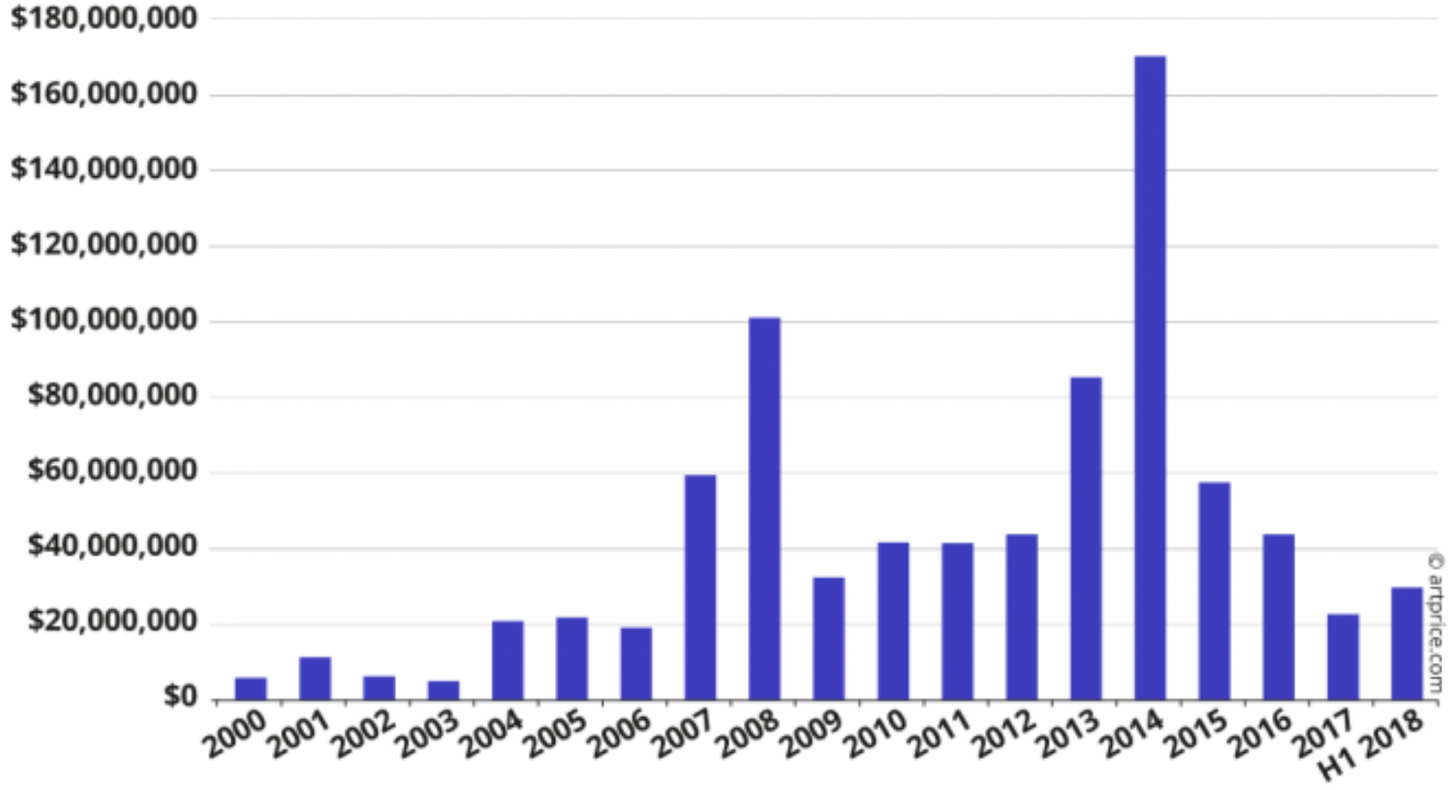
Much more stable growth

The 66,850 transactions recorded over the 12-month period around the world reflect an unprecedented level of activity on the global Contemporary art Market. The number of auction transactions has increased 5.5x since 2000/2001 while the segment's total auction turnover has risen +1,744% from $103 million to $1.9 billion. The average price of a successfully auctioned Contemporary artwork has risen from $8,400 at the turn of the 21st century to $28,000 today, after peaking at $38,800 in 2013/2014.

Five years ago the Contemporary art Market was in overheat mode. Collectors were paying unprecedented amounts for works by a whole new generation of artists, including **Oscar MURILLO**, **Lucien SMITH**, **Christian ROSA**, **Tauba**

AUERBACH and **Parker ITO**. However, since then, all these artists have struggled to maintain the price levels they reached so quickly. Many of Contemporary art's established stars also enjoyed spectacular auction records in 2013/2014 (especially in New York and Hong Kong) that are substantially higher than the prices they have generated since then: Jeff Koons ($58.4 million), Zheng Fanzhi ($23.3 million), Zhang Xiaogang ($12 million), **Wade GUYTON** ($6 million), **Rosemarie TROCKEL** ($5 million), etc.

Annual Auction Turnover for Jeff Koons



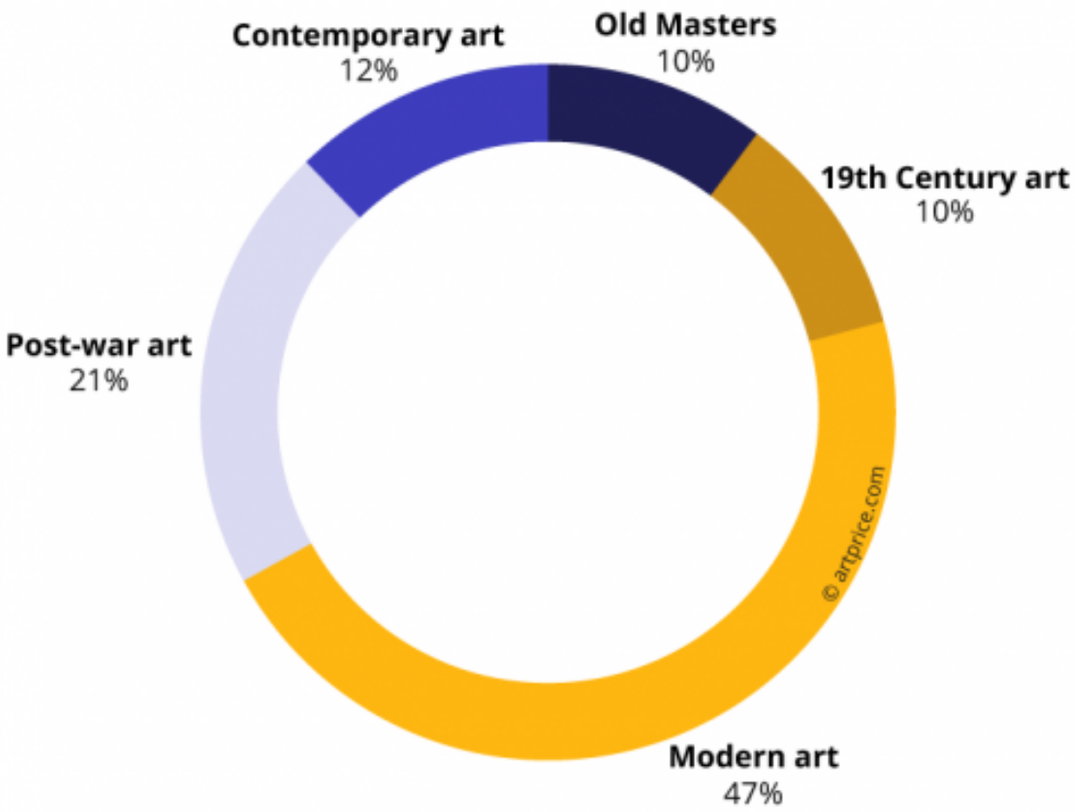
The subsequent restructuring of the Contemporary art Market lasted roughly three years and has given the market a much stronger foundation. Prices are definitely rising again, but so too is supply, providing a more relevant choice of works. At 39%, the perfectly stable unsold rate guarantees a balanced market. The fact that Jeff Koons posted his best result since 2014 (and the 3rd best of year) is a clear sign that the Market has returned to growth and that collectors' confidence is at an optimum level.

Contemporary Art's new place in the Art Market

Contemporary art represents 14% of the total number of Fine Art auction transactions around the world, generating 12% of the world's Fine Art auction turnover. Its share is now larger than both the Old Masters and the 19th Century art segments, both in terms of turnover and transactions. However, Contemporary art is still a long way behind Post-war art and Modern art, which together account for 68% of the overall value of the Art

Market.

Auction turnover distribution per Creation period (2017/2018)



The Contemporary art Market also enjoys an increasingly diversified offer with 20,335 artists born after 1945 having registered at least one auction result over the last 12 months. This is almost five times more than in 2000/2001 (4,100 Contemporary artists) and 18% more than in 2013/2014.

The majority of artists (53%) have only one transaction in the 2017/2018 period, like the Indonesian **Saputra HANDIWIRMAN**, represented by the ARNDT gallery, who sold only one painting this year at auction, although it reached the excellent price of $318,600. On the other hand, several Contemporary artists post a particularly high number of auction results for the last 12 months:

- 92 paintings by **Robert COMBAS**
- 187 sculptures by **KAWS**
- 158 drawings by **Peter HOWSON**
- 106 photographs by **Robert**

MAPPLETHORPE

- 626 prints by **Shepard FAIREY**

The markets of the most auctioned artists usually include a large number of affordable works. Every year a number of small paintings by Robert Combas are offered for under $5,000 and polaroids by **Nobuyoshi ARAKI** are still sold for less than $1,000.

Overall, the price structure of the Contemporary art segment is increasingly resembling that of the rest of the Art Market. Ninety percent of Contemporary artworks sold below $22,400 (including buyer's fees) and works sold above the $100,000 threshold represent just 3% of transactions.

Contemporary Art Market Structure (2017-2018)

Percentage of lots	auctioned less than
100%	$45,315,000
99%	$382,006
98%	$163,445
97%	$100,726
96%	$71,084
95%	$53,233
90%	$22,400
80%	$8,053
70%	$3,922
60%	$2,151
50%	$1,242
40%	$762
30%	$477
20%	$289
10%	$149

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Concentration of the high-end market

London, New York, Beijing and Hong Kong alone account for 82% of total worldwide sales of Contemporary art, from just 17% of the segment's total lots sold. This concentration is slightly higher than for the rest of the Fine Art Market (78% of total sales turnover is generated in these four cities from 14% of the lots sold). The Contemporary art Market is therefore relatively confined to these major capitals, at least in terms of value. New York only turned over 3,300 Contemporary artworks, representing

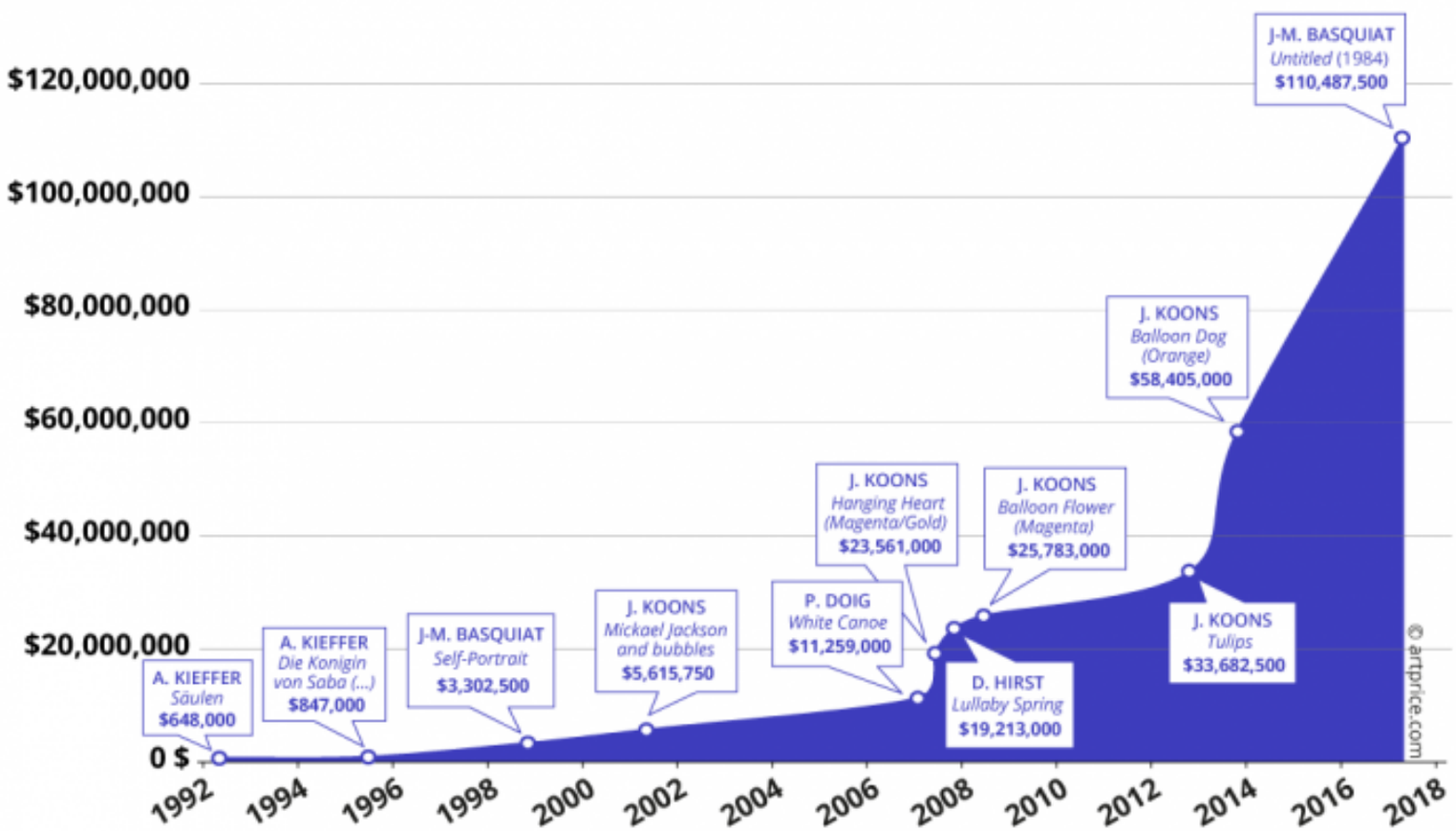
28% of the total number sold in the USA, but accounting for 95% of US turnover on the Contemporary art segment. By comparison, nearly 10% of US Contemporary lots change hands in Dallas, but the city generates less than 1% of the segment's US turnover.

Paris (5,000 lots sold) and London (4,200) both realise more transactions than New York, but the Big Apple is clearly still the main capital of the high-end market. No less than 40% of the Top 100 results on the global Contemporary art Market were hammered in New York, including the top three. London, however, is not far behind with 34 works fetching above the $2.5 million threshold in the last 12 months. The British capital remains the primary marketplace for artworks by leading European artists (including Peter Doig, Rudolf Stingel and Antony Gormley) but it also competes with New York for the most fashionable signatures of American Contemporary art with a significant proportion of works by Jean-Michel Basquiat, Mark Bradford and even George Condo being exchanged through London's auction houses.

The fact that lots of major galleries are present in both New York and London (Sadie Coles, Simon Lee, Pace, Marian Goodman, etc.) undoubtedly consolidates the relationship between the two major Anglo-Saxon powers and allows the rapid promotion of in-vogue artists across the Atlantic. It also generates a very significant industrial synergy simply by doubling the size of their markets, which, in turn, allows much faster price evolutions for the artists supported by these galleries.

The exponential growth in the all-time record price for a Contemporary artwork (driven essentially by five artists) cannot be understood without recognizing New York's (and to a lesser extent London's) domination of the International Contemporary art Market. In May 2017, the Japanese collector Yusaku Maezawa paid $110.5 million for Jean-Michel Basquiat's *Untitled* (1984), a canvas coveted by collectors around the world. And it was, of course, New York's capacity to attract buyers and have them compete with each other that resulted in that eye-watering auction record.

Highest Prices Recorded for Contemporary Artworks

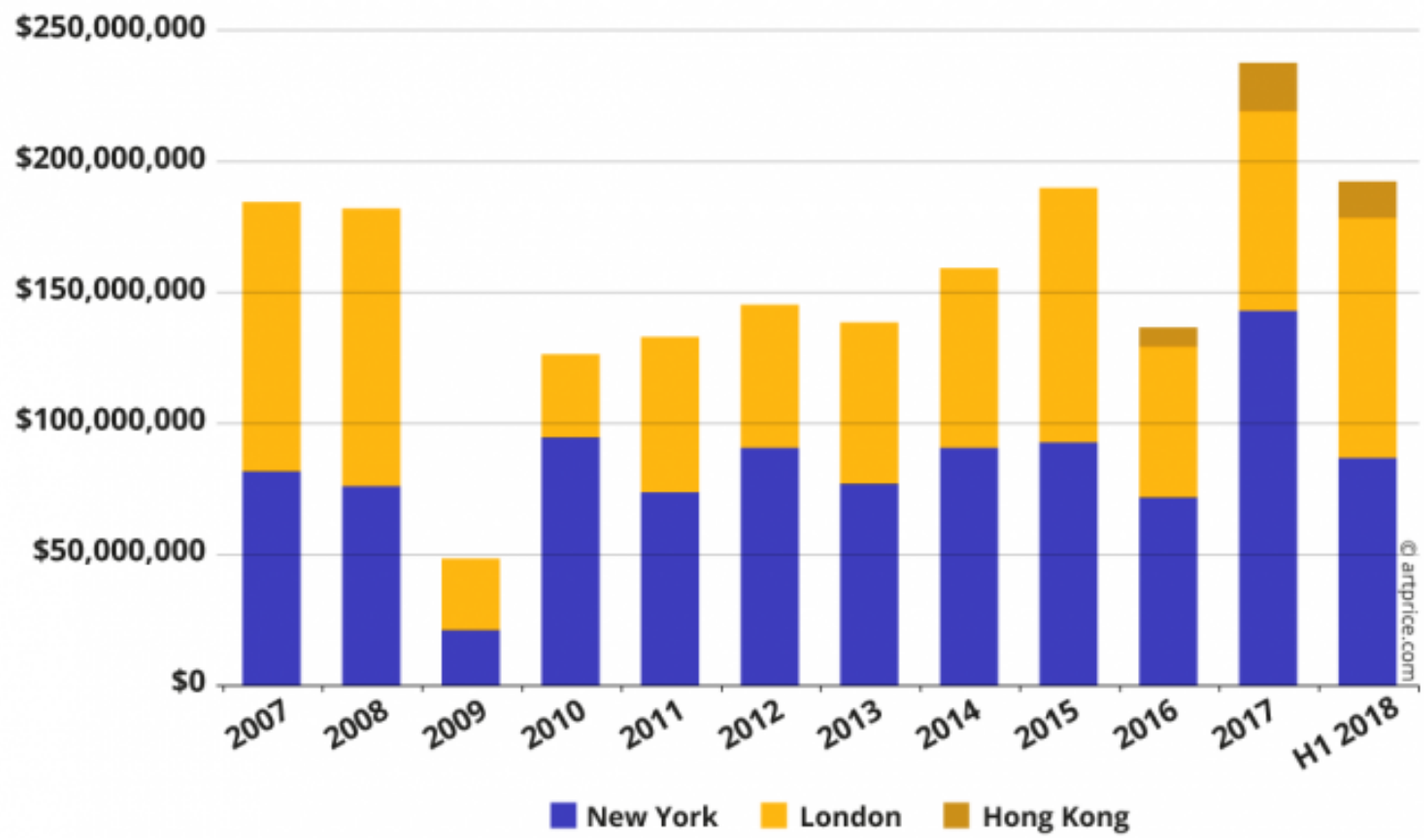


Several cities, including Paris, would obviously like to take part in the new global structure of the high-end Contemporary art Market alongside London and New York. But it seems that Hong Kong has the best chances, thanks to its geographical position and its much more advantageous legislative framework. France, too close to the United Kingdom, does not really give access to a new or distinct market or ‘other’ collectors. Hong Kong, on the other hand, is an extraordinary gateway to a huge continent. It is a bridge between Asia and the West, and it has connections not only to China but also to India and all of South-East Asia. New York, London and Hong Kong are therefore ideally placed to reach all of the world's major collectors, and, as many galleries have understood, to exploit the synergetic potential of the American, European and Asian markets.

This explains, for example, why the Anglo-Saxon auction house Phillips has decided to develop its activity in Hong Kong rather than in Paris or Beijing. The world's #3 seller of Contemporary art generated 7% of its turnover in Hong Kong in the first half of 2018. In the three sales it has held there this year, Phillips has mixed the best of Asian and Western Contemporary art hammering remarkable results for **ZHANG Xiaogang**, George Condo, **FANG Lijun**, Yoshitomo Nara, Takashi Murakami, Kaws, Christine Ay

Tjoe and Jean-Michel Basquiat.

Contemporary Art Revenue Trends at Phillips auction



The three main Anglo-American auction houses continue to dominate the Contemporary art Market worldwide: Sotheby's (28% of global turnover), Christie's (26%) and Phillips (15%). The latter however generated the best result of the year when Jean-Michel Basquiat's *Flexible* (1984) fetched $45 million on 17 May 2018 in New York, a result that proves beyond any doubt that Phillips has become an unavoidable player at the high-end of the Contemporary art Market.

Once again, the world's top 10 auction houses for Contemporary art include six Chinese auction houses, and, once again, the leading Chinese auction operator in this segment of the market was China Guardian. It managed to beat its rival Poly Auction (present in Beijing and Hong Kong) thanks notably to a spectacular sale on 19 June 2018 that generated more than $40 million from just 29 lots sold. The session was marked by three paintings by Chen Yifei that brought in nearly $7 million as well as two new auction records: $6.7 million for Zhou Chunya's *Chinese tone (山石图)* (1992) and $3.8 million for Ai Xuan's *Aspirant (有志者)* (1980).

Ranking of Auction Houses by Contemporary Art Turnover (2017/2018)

	Auction House	Turnover	Sold lots	Hig re
1	Sotheby's	$533,709,547	2,443	$30,7
2	Christie's	$480,510,215	3,001	$22,8

3	Phillips	$290,408,446	1,895	$45,3
4	China Guardian	$108,017,151	669	$22,6
5	Poly International Auction Co.,Ltd	$74,744,711	690	$4,43
6	Beijing Council	$33,943,228	212	$3,30
7	RomBon Auction	$16,632,601	462	$718
8	Council Shanghai	$16,482,640	115	$8,82
9	Hangzhou Jiashi	$16,134,691	31	$5,75

10	Beijing Hanhai Art	$13,208,466	637	$1,18
11	Seoul Auction	$11,044,370	157	$3,33
12	Artcurial	$10,418,102	791	$552
13	Ravenel International	$8,346,666	140	$1,50
14	Bonhams	$7,933,315	637	$550
15	Beijing Huachen	$7,921,581	130	$2,08
16	Mainichi Auction	$7,191,513	1,301	$721
17	Zhong Cheng Auctions	$6,953,902	135	$1,24

18	Xiling Yinshe Auction	$6,473,963	193	$847
19	Grisebach	$5,978,695	246	$1,00
20	Joe Jubilee Beijing	$5,425,734	44	$633
21	SBI Art	$5,269,302	567	$577
22	Dorotheum	$5,067,786	337	$508
23	Ketterer Kunst	$4,952,890	137	$780
24	K-Auction	$4,859,824	130	$796
25	Heritage Auctions	$4,408,149	1,015	$200

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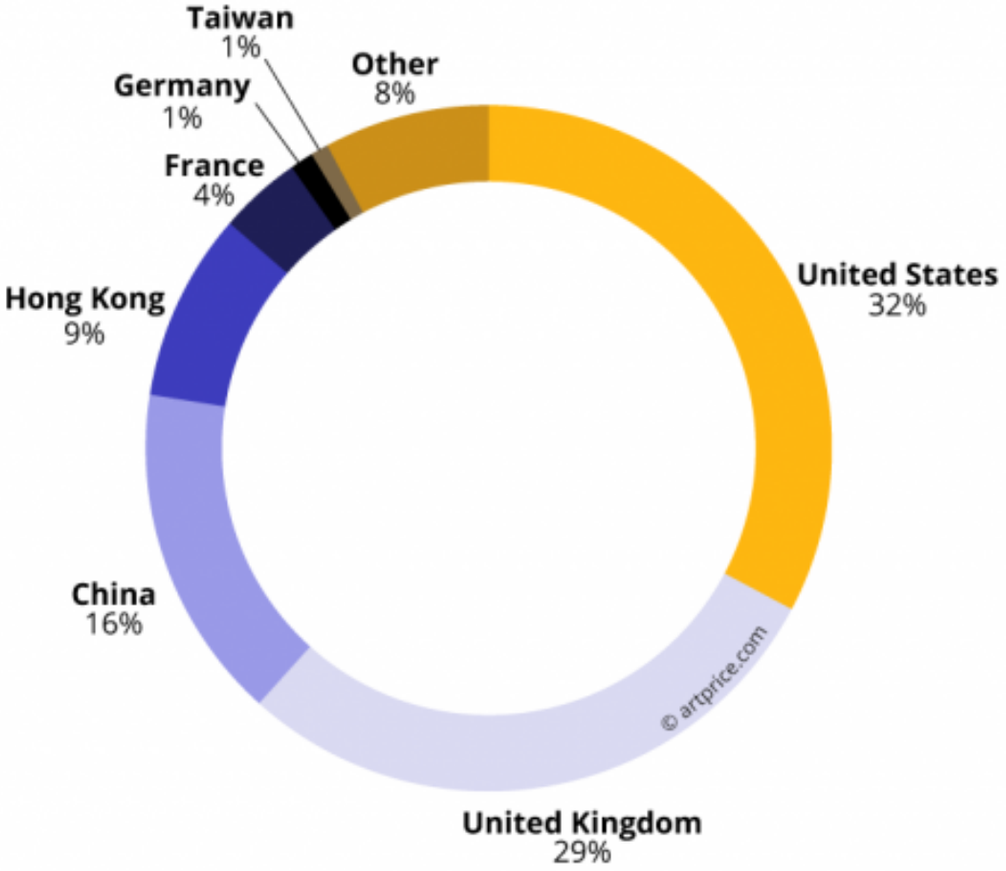
Domination of the USA, the UK and China

The US remains, unsurprisingly, the world's strongest Contemporary art marketplace, but New York's hegemony has somewhat weakened this year. The American art market focused more on Modern art (notably with the sale of the Rockefeller collection in May 2018) and was of course marked by the historic record generated by Leonardo da Vinci's *Salvator Mundi* in November 2017. As a result, the USA's turnover on Contemporary art shows a -16% contraction compared with the previous year. Having generated $705 million in 2016/2017 (44% of global turnover on

Contemporary art), the total for the 2017/2018 period amounted to just $612 million (32% of global turnover).

On the other hand, the United Kingdom ($545 million) and mainland China ($298 million) both posted excellent turnover totals, up 55% and 15% respectively. London has made an impressive return to the high-end market with 86 Contemporary results above the $1 million threshold versus 53 the previous year.

Geographical distribution of Turnover (2017/2018)



In the 12 months to end-June 2018, the share of the global Contemporary art Market generated by Greater China (i.e. including Hong Kong and Taiwan) stabilized at 26% with a turnover total of $480 million. **CHEN Yifei** was the best performing Chinese artist with a turnover of $47 million for the period, better than **ZHANG Xiaogang** ($22.5 million) and **ZENG Fanzhi** ($20.3 million), whose sales have somewhat slowed in recent years. Chen Yifei's 1993 painting *Warm spring in the jade pavilion (玉堂春暖)*, already sold three times at auction, clearly illustrates the sharp increase in the value of his works: $215,000 in 1993, $1.4 million in 2006 and then $22.6 million on 19 December 2017 at China Guardian in Beijing. This last result sets a major new auction record for this painter who died in 2005 aged only 59. Hyper-realist painting is currently very popular in China, with Chen Yifei (5th in Artprice's global ranking of Contemporary artists by auction revenue for the period in question) but also **WANG Yidong** (88th), **YANG Feiyun** (330th) and **XU Qingfeng** (403rd).

On a smaller scale, the French market