

A Survey of Global Collecting in 2022

An Art Basel & UBS Report

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Founder of Arts Economics

Art|Basel |  **UBS**

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Acknowledgments

A Survey of Global Collecting in 2022 presents the results of research on the activities and buying behaviors of high net worth (HNW) collectors in 2022. The information presented in this study is primarily based on survey data gathered and analyzed directly by Arts Economics (artseconomics.com) in collaboration with UBS.

I am very grateful for the continued support from Tamsin Selby of UBS with the HNW collector surveys, which have now collected data and insights on this crucial part of the art market for seven years.

I would also like to extend my thanks to the three expert authors who shared their invaluable perspectives and knowledge in the report: Professor Olav Velthuis for his essay on globalization, and Katalin Andreides and Till Vere-Hodge for their article on the regulatory framework of the trade in art.

Data on NFTs was supplied by NonFungible.com and I am very grateful to Gauthier Zuppinger for his continued support, unparalleled data, and insights. My special thanks also to Pauline Loeb-Obrenan from artfairmag.com for giving us access to her comprehensive database on art fairs.

I also want to extend my gratitude to Sophie Perceval and Olivier Berger from Wondeur AI, who shared their fascinating data and insights on gallery exhibitions and their role in the careers of artists.

Finally, my sincerest gratitude to Jeni Fulton and Nyima Tsamdha from Art Basel for their help in editing the report and coordinating production.

Dr. Clare McAndrew
Arts Economics



Director's Foreword

A year ago, with the COVID-19 pandemic slowing and borders opening, the art market seemed to be heading towards the 'new normal'. Then came the Omicron variant, and Russia's brutal invasion of Ukraine, triggering rising fuel prices and inflation. Today, the art market operates in an even more volatile environment than a year ago. Nevertheless, high net worth (HNW) collector confidence remains strong, with those surveyed increasing their spending year-on-year.

This much is clear: the art trade remains robust. The export and import of art between countries is headed toward record levels if business continues at the pace seen in the first half of the year. At the same time, it continues to consolidate – 74% of all art works imported to the US arrive from only five countries, 43% of HNW collectors were only buying artists with whose work they were familiar with in 2022, and nearly half of them were sticking only to galleries they had worked with in the past.

Collectors reported being more concerned about their environmental impact – a major topic spotlighted during the pandemic – and the surveys revealed that they would be willing to spend more money to collect more sustainably. Yet the majority plan extensive travel as part of the art-world activities. As the report underlines, viewing art in person remains central to the process for collecting. And art fairs have not disappeared. In fact, this autumn marked the arrival of two major new events: Frieze Seoul and Paris+ par Artbasel.

On a related note, with travel significantly simpler, the growth in online art trade during the pandemic has stabilized, and a relatively small annual increase was recorded in 2021. Digital sales still have a huge role to play, with many collectors purchasing online from their trusted galleries. One interesting data point is that HNW collectors now deal with an average of 16 galleries, versus 13 prior to the pandemic – perhaps because so many used the social-distancing period to do extensive research online, and now buy in-person from the galleries they discovered virtually. So, the future is hybrid.

Art Basel and UBS, our partners in commissioning Clare's continuing attempts to illuminate the art market, hope that you find this mid-year survey filled with food for thought in these nebulous times.

Marc Spiegler

Global Director,
Art Basel

Foreword by UBS

We will remember 2022 as the year when we spoke about the climate crisis rather than climate change, as we faced its undeniable, severe consequences. We should take action now and the art world has a direct role to play.

To inspire this discussion, *A Survey of Global Collecting in 2022* analyzes the art world's travel and trade patterns. It also examines high net worth (HNW) collector activity and attitudes to the climate crisis.

It offers no easy solutions, but we can all play a part. Simply asking a gallery about its plans to minimize emissions, for example, may inspire a change in practice.

While artists are increasingly drawing our attention to our vulnerable relationship with the planet, collectors and dealers can make a significant contribution. By altering the way in which we buy and sell art, we will make a difference.

The COVID-19 pandemic, in the meantime, showed us how swiftly new models for buying and selling art can prosper. This migration online can open pathways to new artists from more diverse backgrounds, bringing new perspectives from harder-to-reach locations. Such broadening of participation in the market for both artists and collectors is essential if the art world wishes to become more representative, impactful, and sustainable.

We hope the thoughtful analysis in this survey will help inform your decisions and fuel debate into the art market's potential to become a more inclusive, low-carbon industry.

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



Key Findings

International Trade Outlook

1. Despite lingering uncertainties over the full impact of the COVID-19 pandemic in 2022, and within a context of ongoing political and economic concerns, the international cross-border trade in art has recovered strongly. Global imports of art and antiques increased 41% in 2021 and exports were up 38%, with double-digit increases continuing in the first half of 2022 compared to the same period in 2021. If growth continues at the same pace in the second half of 2022, cross-border trade could reach record levels in the major markets for art.

HNW Collector Spending

1. Most of the high net worth (HNW) collectors surveyed (78%) were optimistic about the global art market's performance over the next six months, up 4% from similar polling at the end of 2021 and a slightly larger share than were optimistic about the stock market. 55% planned to buy art over the next 12 months, and 39% hoped to sell works from their collections. The pandemic also appears to have encouraged philanthropic giving among some collectors, with 45% intending to donate works to a museum over the next 12 months, up from 29% in 2020.

2. HNW collector spending in 2022 showed strong confidence in the market and significant purchasing intent. Across all markets, the median expenditure of HNW collectors in the first half of 2022 (at \$180,000) was higher than the entire year in 2021 (\$164,000) and the average in pre-pandemic 2019 (\$100,000). Plans for the remainder of the year indicated intentions to spend even more, which could push the total median expenditure for 2022 to more than double the level of 2021.

3. Buying at higher prices also increased. The share of HNW collectors buying works priced at over \$1 million nearly doubled (from 12% in 2021 to 23% in the first half of 2022, on par with levels reported in similar surveys in 2019).

Key Findings

4. Contrary to the bearish external market for NFTs in the first half of 2022, HNW collectors showed sustained interest in this sector, with digital art accounting for 17% of their total expenditure, including 10% linked to an NFT. Spending on art-based NFTs rose from \$35,000 in 2019 to \$44,000 in 2021, and in the first six months of 2022 had already reached \$46,000, with 12% of the collectors surveyed having spent more than \$1 million in this segment.

Buying Channels for HNW Collectors

1. Art fairs have bounced back, with 74% of the HNW collectors surveyed having purchased at an art fair in the first half of 2022 (versus 54% in 2021), including both in-person and OVR purchases. 65% reported that they had bought a work through an in-person event (up from 37% in 2021).

2. In the first half of 2022, 93% of HNW collectors bought art through a gallery or dealer, either directly, online, or via a fair. Dealers accounted for 30% of their overall expenditure in 2022, including 13% at galleries, 10% via online dealer platforms, and 7% by phone or email. A further 15% of spending was through dealers at art fairs (or a total of 45% from dealers or galleries through all channels). Auctions accounted for a further 17% of the total, down from 20% in the surveys of 2021.

3. Online spending remained strong despite the resumption of in-person events and fairs. When buying from a dealer, 42% of collectors preferred buying in person at a gallery, down from 57% in 2020, with 37% favoring online (up 8% from surveys in 2020). However, when asked about buying from art fairs, the majority still preferred live events (66%) over art fair OVRs (34%).

4. There was little evidence of the much-speculated shift from global to local artists and art scenes having occurred. While 54% of HNW collectors bought from businesses based in their home market in 2019, this declined slightly to a more balanced 50% in 2022.

Key Findings

Events and Sustainability

1. There were subtle changes to HNW collectors' behaviors with regard to events, with the numbers attended staying persistently lower than 2019 and a slight shift towards more local events. Collectors attended 41 art-related events in 2019, including six gallery exhibitions and five art fairs. This fell to 37 in 2022 (including those already attended and planned for the rest of the year).

2. The environmental impact of collecting is a growing concern, and the surveys showed evidence of increasing awareness of the importance of sustainable options when it comes to purchasing works and the management of collections (from 62% considering these options in 2019 to 77% in 2022).

3. HNW collectors are willing to pay a premium for sustainability, with a majority (57%) willing to pay up to 25% more for options that reduce the environmental impact of their purchases, up from 45% in 2019. Nearly all collectors would pay an extra 5% for sustainable options in 2022, however, there was considerably more push-back as the premium reached around one third of the purchase price, with just 27% of collectors reporting that they would still consider this a viable margin to pay.

4. Despite increased awareness and concerns over sustainability, a majority of collectors were willing to travel more: 77% said they planned to travel to more fairs, exhibitions, or events overseas next year; 11% felt their travel plans would stay the same; and just 12% expected to travel less. For those who were planning to travel less, the most important reason for doing so was the remaining risks concerning COVID-19 (83%), while 63% thought it was important or very important to travel less to reduce their carbon footprint.



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Introduction

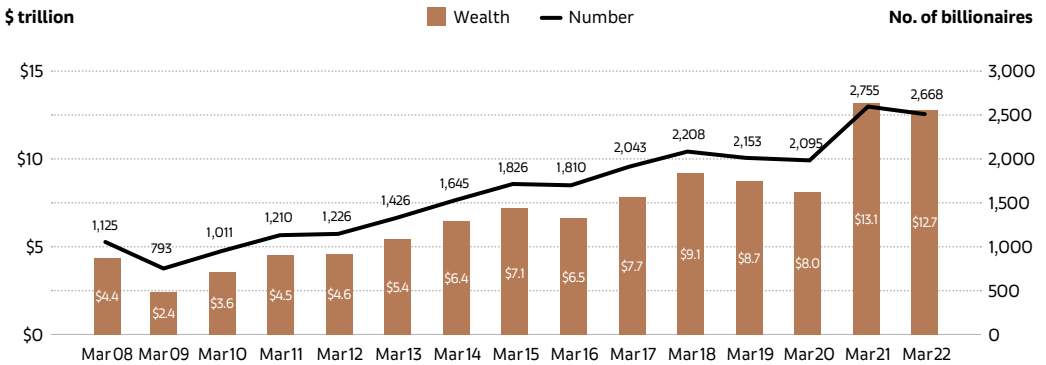


Introduction

The art market, along with many other luxury industries, endured a turbulent few years with a contraction in sales in 2020 due to the unprecedented conditions posed during the COVID-19 pandemic. But this was followed by a better-than-expected rebound in 2021, with aggregate sales expanding by almost 30%, recovering lost values and surpassing pre-pandemic 2019 levels to reach \$65.1 billion. While sales were strong at many levels during the year, some of the biggest increases in value were at the high end of the market, with spending by high net worth (HNW) collectors helping to drive the market's recovery.

Despite new COVID-19 variants and periodic regional lockdowns, both collectors and the art trade started 2022 with an optimistic outlook as sales and events resumed a more regular pace in most regions. However, the first half of the year proved to be more challenging than anticipated, with a backdrop of political and economic instability, the continuing effects of the pandemic in some regions, the intensifying war in Ukraine, racing inflation rates, supply issues, as well as weakened consumer spending and a cost-of-living crisis.

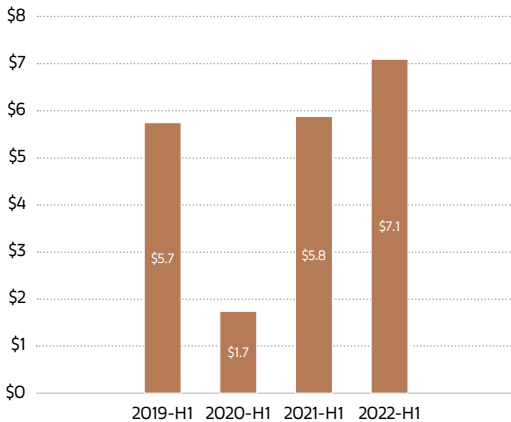
Both collectors and the art trade started 2022 with an optimistic outlook as sales and events resumed a more regular pace, however, the first half of the year proved to be more challenging than anticipated

Figure 1.1 | Global Billionaire Wealth and Population (March Totals 2008–2022)

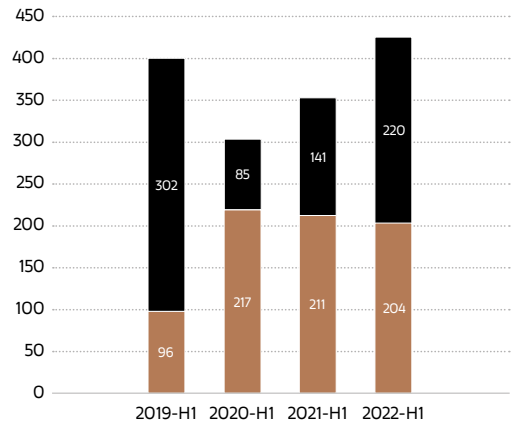
© Arts Economics (2022) with data from *Forbes*

Even at the very top of the wealth spectrum, where many HNWI individuals have been insulated from some of these economic stresses, wealth has stalled its bull run. *Forbes'* annual compilation of the world's wealthiest billionaires showed a large increase in billionaire wealth throughout the pandemic, with certain industries such as tech, e-commerce, and health all flourishing. However, figures published in March 2022 showed a contraction in both the number of billionaires (down by 3% on 2021) and their collective wealth (also decreasing 3%), with major losses in Russia following the invasion of Ukraine (34 fewer billionaires) and China (losing 87, with government regulation and greater scrutiny of tech companies as a main contributing factor). But even with these losses, billionaire wealth has more than doubled in ten years, and at the very top of the billionaire list, wealth still grew in 2022, with the top ten billionaires increasing their combined wealth by 13% from March 2021 to March 2022.

At the very top of the wealth spectrum, where many HNWI individuals have been insulated from economic stresses, wealth has stalled its bull run

Figure 1.2 | Sales Figures for Christie's, Sotheby's, and Phillips H1 2019–2022**a. Aggregate Sales January–June (\$ Billion)****b. Number of Sales January–June**

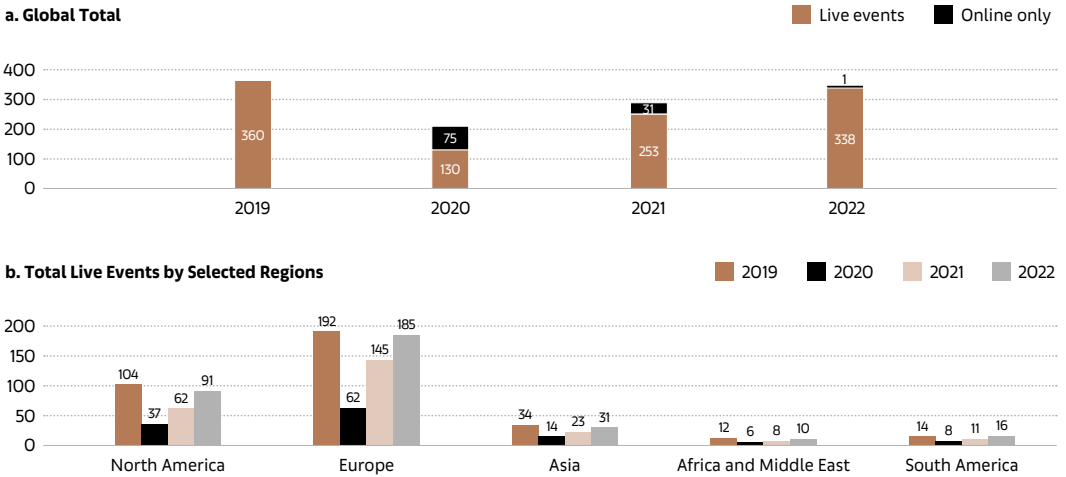
Legend: Online (Orange), Live (Black)



© Arts Economics (2022) with data from Sotheby's, Christie's and Phillips

Despite difficult external conditions in many regions, projections in luxury industries remain buoyant, and the initial findings from 2022 continue to show strong demand in the art market. The results from the major international auction houses sales, which are often used as a barometer of the higher, global end of the market, showed positive results for the first half of the year, with aggregate sales at Christie's, Sotheby's, and Phillips worldwide up by 21% on the same period in 2021, and by almost one quarter from 2019. The calendar of sales has also expanded. The number of sales grew 20% in the first half of 2022 versus the same period in 2021, and is also higher than the first half of 2019 (by 7%). There has also been substantial change in the breakdown between live and online sales. While online auctions dominated during the COVID-19 pandemic in 2020, accounting for more than 70% of the sales that took place in the first half of that year, by 2022 this had decreased to a more balanced 48%. However, this is still double the share of pre-pandemic digital sales in that same period in 2019.

While the results for the dealer sector are only discernible through annual surveys at year end, anecdotally some dealers have reported strong sales at art fairs, and the calendar for exhibitions and fairs has returned to a fuller program. The changes during the pandemic, notably the shift

Figure 1.3 | Number of Art Fairs 2019–2022

© Arts Economics (2022) with data from artfairmag.com

to greater digital sales and communications, made many businesses and collectors reassess their actions, particularly the often-frenetic schedule of events and exhibitions. However, it was evident in 2022 that there was a strong desire to engage in person again.

According to data supplied for this report from artfairmag.com, there were 339 fairs held or due to be held in 2022, with nearly all being live, in-person events. This was up almost 20% year-on-year overall, with the schedule of live events increasing by over one third. While this clearly shows a much fuller calendar than the last two years, there is a net loss of 6% in the total number of art fairs from 2019 to 2022, or 21 fairs.

While the majority of regions showed a slight decline in the number of fairs in 2022 versus 2019, South America was an exception with a net gain, with more shows in Paraguay, Argentina, and Brazil. North America showed the greatest losses, with 12 fewer fairs in the US in 2022 than in 2019. There were seven fewer fairs in Europe than in 2019; however, the trend differed between countries, with the UK and Switzerland showing a net decline of three each, while France gained four.

In 2022, although many of the pandemic's restrictions have been lifted, all luxury industries continue to face substantial changes in terms of their production, activities and delivery of goods and services, as well as the expectations of consumers, who are increasingly incorporating sustainability criteria into their purchasing decisions.¹ The last few years have seen an increased focus by art collectors and businesses in the art market on the sustainability of the movement of art around the world, while the pandemic also sparked a greater reassessment of the impact of the event-driven market, from the perspective of direct costs of travel and the negative externalities these actions generated for the environment. The art trade is more sustainable by nature than many other industries, focusing on the exchange of durable works, with the bulk of the trade in secondary markets. However, it has a significant negative impact on the environment from the associated movement of people and goods, and the question has arisen if this impact is too large given its relatively small size, and more importantly, what can be done to limit and reduce its effect.

This report presents the results of a survey of HNW collectors around the world to see if and how their buying and other activities have changed in 2022. It assesses their views on the sustainability of the market and how their engagement in events and travel plans may have altered after the pandemic. This survey, the ninth in a series conducted in collaboration with UBS over the last seven years, covers 11 markets with responses from over 2,700 collectors, the largest survey of its kind to date. Before presenting the findings from the survey, it also briefly examines the movement of art across borders, using data on international trade to assess how the pandemic has affected transacting in art across the world.

¹ Boston Consulting Group (2022) has estimated the growth in global luxury industries at 6% per annum from 2022 to 2026 and reported that 60% of consumers incorporated sustainability as a key element in their decision making when purchasing luxury goods. See Hazan, J., Willersdorf, S., Bianchi, F. and Fassenot, B. (BCG) (2022) *Luxury Outlook 2022*, at www.bcg.com.

The International Trade in Art

2



2.1 | Introduction

In the art market, as in many other financial and consumer industries, the increasingly global nature of trade has intensified over the last 40 years, dramatically changing the composition and geographical diversity of buyers, sellers, and offerings. The number of countries importing and exporting art has expanded significantly, increasing aggregate sales and helping the market avoid protracted recessions due to greater geographical diversification. Greater wealth in more diverse regions has helped to boost imports of art, while factors including cross-cultural communication and the rise of digital channels for sales have encouraged a broader export market.

While the market remains anchored around the mature centers in the US and Europe, the growth of trade in Asia, particularly the increasing share apportioned to Mainland China and Hong Kong, is one of the clearest examples of the global proliferation of sales. Art fairs, dealers, and auction sales have become more global in their outlook, with many mid- to large-sized businesses having multinational premises and even small businesses working with an increasingly geographically diverse group of buyers and artists. Despite this, and even prior to the COVID-19 pandemic, the process of globalization was challenged by several factors, from the increased intensity of trade barriers to the entrenched interests of local sales networks. The pandemic brought about a series of supply-chain issues and led to temporary reduction in cross-border trade. It also reignited the debate on globalization and the importance of differentiation, cultural identities, and the balancing of power between dominant global and local markets, and how the art market might develop a more sustainable long-term infrastructure while still accommodating international exchange and cross-cultural communication. (See Exhibit 1 for a discussion on the issues surrounding globalization, including those concerning power imbalances in the global system).

The number of countries importing and exporting art has expanded significantly, increasing sales and helping the market avoid protracted recessions due to greater geographical diversification

In general, flows of bilateral trade between countries depend on three key factors:

1. The demand for imported goods, which is determined by the income and wealth of the importing country.
2. The available supply of exports, determined by the stock of tradable goods within a source market (which itself is a function of their past and present wealth).
3. Distance factors, which include not only physical distance and associated transaction costs, but also information costs and cultural proximity (with the idea that people are better informed and have closer ties with people nearby). Distance can also be created by policy and regulatory measures that form potential barriers to trade.

Import demand and export supply are both affected by the wealth of bilateral trading partners; in general, the higher the wealth of each partner, the greater the trade between them. This is particularly the case for the trade in art: the richer national populations become, the more they spend on luxury goods, including works of art, and the more they tend to import and export art.

The growth and global distribution of wealth and the increasing movement of art across borders are clearly correlated. However, the art market is very different from some other consumer goods as the value of trading is concentrated in a small number of key hubs, primarily New York, London, and Hong Kong. The bulk of exports and imports are recorded in these centers, despite the fact that the eventual buyers of imported works may often exist elsewhere. Works bought in New York, for example, are often just as likely to be bought by buyers outside the US as they are by US collectors. Art differs from other consumer goods because its unique nature means that it is often best viewed and purchased in the context of other art works, whether at an exhibition or in an auction. The ability of these art hubs to assemble a critical mass of art works at one time attracts collectors and ultimately drives sales.

Therefore, rather than import demand being fueled solely by national wealth, imports into an art hub are driven by the existence of the market itself and its ability to facilitate trade and bring together enough desirable art for sale to attract local and international art buyers.

A large proportion of the local and international buyers (by value) at global hubs are HNWI individuals, and their increasing number and advancing wealth per capita in many regions has boosted spending on luxury goods, raising both domestic consumption and international trade and exchange. The increased wealth and global spending patterns of these HNWI individuals has helped to create new art markets, while also boosting spending in the market's traditional hubs.

Hub-based trading is not unique to the art trade. Entrepôt trade is the import and export of goods without further processing (and/or payment) via the countries it passes through, and the position of entrepôt centers such as Hong Kong and Singapore as trade intermediaries between Asia and the rest of the world were well established decades ago. These markets have provided a critical means for establishing and sorting quality within industries, and earned revenues through specializing in information and matching buyers and sellers.²

The process of quality sorting is especially important for unique and differentiated goods such as art, where it is difficult to simply observe or verify quality *ex ante*; and information on the seller (and creator) is important (versus for homogenous goods where the identity of buyers and sellers is either well known or not important). Differentiated goods like art and antiques are therefore often not suited to impersonal exchanges on standardized markets, creating a demand for intermediaries to resolve information problems. This has also led to the infrastructure of skills and expertise in key cities such as New York and London developing around their respective art markets to support the high volume of trade through these cities.

The final factor of distance reflects not only transport and transaction costs, but also cultural proximity and information costs: neighbors can be better informed about each other and have stronger ties. Cultural proximity can be an important factor in the trade in art, and increased exposure to a nation's art and culture has led to increased demand for art by other nations.

The increased wealth of HNWI individuals has created new art markets, while also boosting spending in the market's traditional hubs

² Traders in Hong Kong played a key role in resolving information problems in the exchanges between China and the West in the late 1990s, with their knowledge of Chinese producers and demand conditions in destination markets enabling them to provide independent evaluations of product quality and to identify producers that met the quality standards of the particular buyer markets. For a discussion of the development and role of these mainstream entrepôts in the late 1990s see Fenestra, R. and Hanson, G. (2004) 'Intermediaries in Entrepôt Trade: Hong Kong: Re-exports of Chinese Goods.' *Journal of Economics & Management Strategy*, Volume 13, Number 1, Spring 2004.

For individual collectors, the benefits from consuming art depend positively on the amount they consume plus their ability to appreciate art, which itself is a function of past consumption. The closer national cultures are, and the greater their past exchanges of art and other cultural interactions, the greater the trade tends to be between them. Although tastes vary, to date, the high information costs involved in buying art have encouraged trade between countries that, for example, share the same language, or are closer together so that art can be viewed more easily. Physical distances have become less important, and technology has substantially reduced information costs and cultural barriers. The increased use of digital communications has considerably widened the geographical scope of both art buyers and sellers, reducing cultural distances and encouraging diversity in tastes and preferences.

Finally, fiscal and other policy barriers and transactions costs also create distance between countries and can inhibit trade. Despite many international agreements to encourage free cross-border trade in other goods, art and antiques are often given a special place in national legislation. Works of art are traded more between former and future consumers and less between the artist and collector, and so the comparative advantage of trading locations is founded more on those places that allow an efficient and cost-effective intermediation between buyers and sellers rather than on where can produce the best art. In principle, this could take place anywhere. Therefore, the regulatory environment plays an even more important role for comparative advantage than it does for trade in other goods. The relatively unencumbered international exchange of certain categories of art, including contemporary art, has encouraged a booming import and export trade. However, for older art and antiques, the highest volumes of trade remain in those countries with the least restrictive policy barriers. (See Exhibit 2 for a discussion of trade and regulatory issues in the art market.)



2.2 | Imports

The size of the international art trade is significant. The aggregate value of global imports of art and antiques peaked in 2019 at \$30.5 billion.³ Between 1985 and this peak, the value of imports rose 600% in nominal terms, with an average annual growth rate of 8%. Difficulties in access and trading and the cancellation of art fairs, exhibitions, and auction sales during the pandemic resulted in a sharp drop of 38% in the value of global imports of art and antiques in 2020. In 2021, values bounced back to \$26.6 billion, an year-on-year rise of 41%.

Art trade statistics are reported with a considerable lag in some regions, but based on the aggregated value of countries reporting in the first six months of 2022 versus the same period in 2021, global imports were up 19% in 2022, with increases in major markets such as the US, the UK, and Hong Kong.⁴ These preliminary findings suggest that 2022 will see continued growth and global imports of art are likely to reach an historical peak in nominal dollar values.

Imports are highly correlated with sales in the art market, with the latter being significantly larger. Figure 2.1 shows the peaks and troughs in the value of imports, which coincide with the major highs and lows in global art sales, including the market boom and recession in the early 1990s, the global financial crisis, and the COVID-19 crisis and recovery of 2020 and 2021. Although they have not grown at identical rates or even in the same direction in some years, in the period from 1990 to the present, there is very high correlation between aggregate global imports and global sales. From the period from 1990 to 2021, the correlation between imports and sales of art and antiques was a high 0.95.

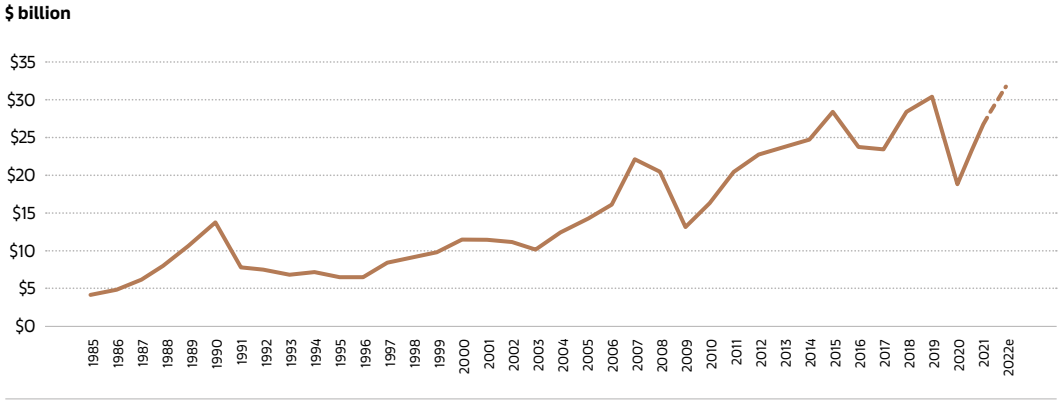
Difficulties in trading during the pandemic resulted in a sharp drop of 38% in global imports of art and antiques, but values bounced back to \$26.6 billion in 2021, a year-on-year rise of 41%

³ Data on imports and exports is from the UN Comtrade international trade database. More information on data sources is given in the Appendix.

⁴ This may underestimate the actual growth in imports as some countries had not yet reported all six of the months in the first half of 2022.

Based only on the sample of 30 countries reporting an identical number of month's import values for each period, aggregated import values increased 33%.

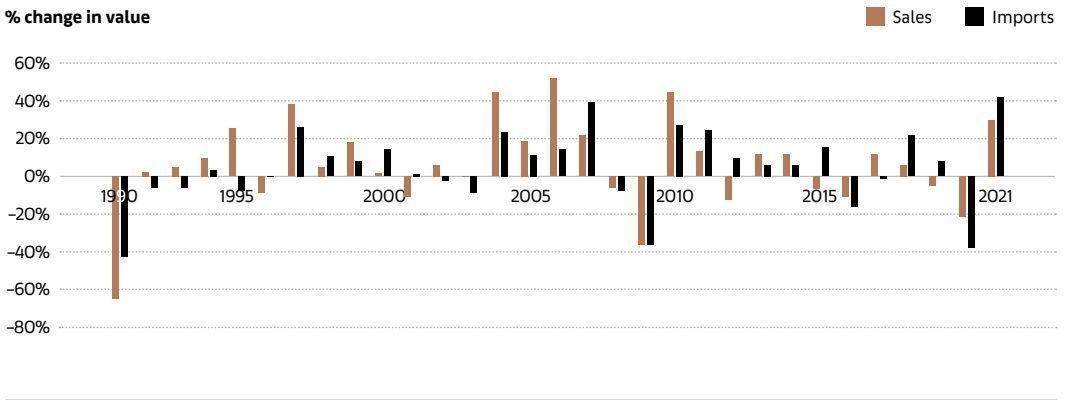
Figure 2.1 | Aggregate Global Imports of Art and Antiques 1985–2022*



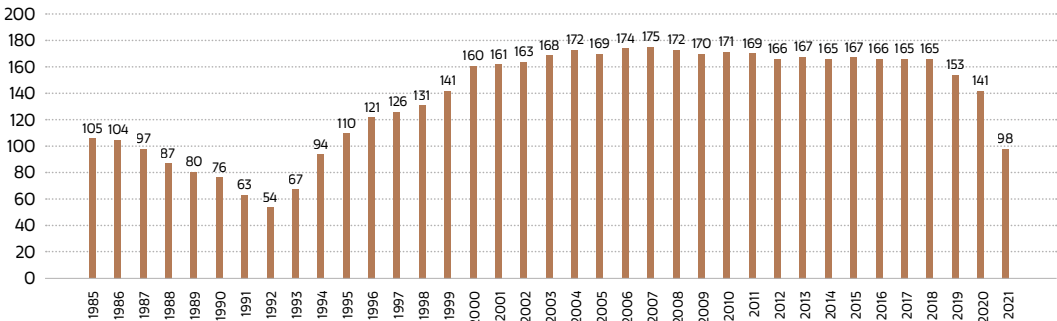
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* 2022 estimates are based on growth in the first half of 2022 for those countries reporting any trade from January to end of June in both 2021 and 2022.

Figure 2.2 | Annual Change in the Value of Global Sales and Global Imports of Art and Antiques



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Figure 2.3 | Number of Markets Reporting Imports of Art and Antiques 1985–2021**No. of countries**

© Arts Economics (2022) with data from UN Comtrade

The number of countries reporting imports of art has also expanded. In 1985, 105 countries or regions reported inward flows of art and antiques to their home markets, and this reached 171 by 2010.⁵ Figure 2.3 shows that the number of countries reporting imports was relatively stable between 2000 (at 160) to 2018 (165) with a peak of 175 in 2007. However, the numbers began to decline in 2019, coinciding with some more protectionist policies in relation to art trading in some regions that year.⁶ The COVID-19 pandemic was undoubtedly behind the more significant fall-off in numbers over the next two years, and by 2021, despite the fact that imports rebounded in value, the number of countries reporting trade had decreased to 98, around the level of the mid-1980s.

Despite an apparent de-globalization over the last two years in terms of the dispersion of trade, this fall in reporting countries has had little impact on aggregate values. The drop in the number of countries importing art in 2019 actually coincided with the peak in import values. Although there was a sharp contraction in values in 2020 due to supply channel disruptions caused by the pandemic and other factors, by 2021, imports were higher than levels seen in 2017 despite having over 40% fewer reporting countries. In 2017, 165 countries reported imports of art and antiques, however, the 70 of those markets that had no trade in 2021 accounted for just less than 6% of total import values.

⁵ This reflects more countries trading art plus an increase of countries reporting trade flows in all industries. The total number of regions reporting total trade across all commodities from 1980 to 2010 grew by just over one third, versus a rise in those reporting imports of art of close to 50%.

⁶ Notably, the US extended tariffs on certain European works of art as well as Chinese works of art. See Wierbecki, D, (2020) 'A Note on US Tariffs on Work of Art', in Arts Economics (2020) *The Art Market 2020. An Art Basel and UBS Report*, available at www.artbasel.com/about/initiatives/the-art-market.

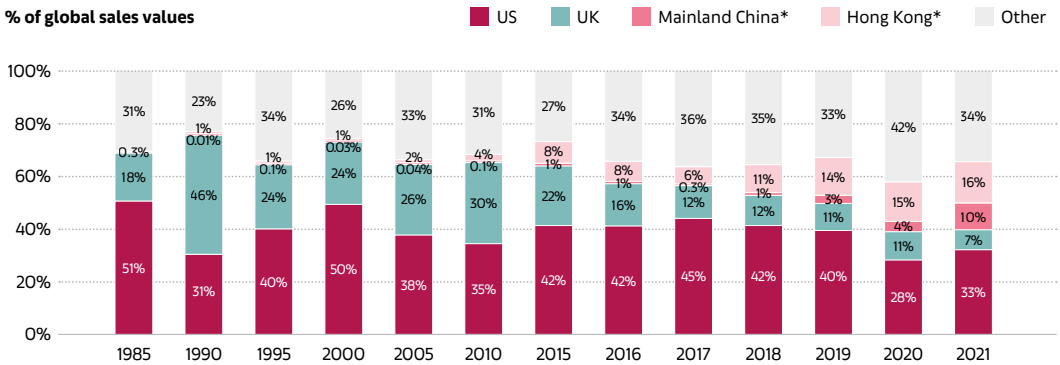
The main reason that the decline in the number of importing countries has had less impact on value is due to the dominance of value in trade hubs in the art market, as described above. Despite changing trends in the numbers of countries importing, typically two thirds or more of global imports by value are into the three main art hubs of the US, the UK, and China (in this case including Mainland China, Hong Kong, and Macao). This has been a consistent feature over time, ranging from close to 80% in 1990 to a temporary low of less than 60% in 2020, when the postponement of major art-related events and auctions, and the difficulties in accessing galleries and supply, may have affected larger markets more acutely. During this period, galleries also reported selling more locally to grounded collectors.

The main change in the structure of art imports over time, paralleling the wider trends in sales in the international art market, has been the rise in share accounted for by China. Prior to 2017, the region including Mainland China, Hong Kong, and Macao accounted for less than 10% of global imports. This share expanded rapidly after 2017, overtaking the UK in 2019.

Chinese trade statistics present a number of issues that are important to acknowledge in comparative analyses of market shares. The bulk of the value of imports into China are accounted for by art coming into Hong Kong. Up to 2020, imports directly into Mainland China never exceeded 20% of the total Chinese imports of art. In 1990 they accounted for just 1%, however, this increased to 19% in 2020 and to a high of 33% in 2021. The reporting of global and regional trade flows generally includes goods imported and exported between Mainland China and Hong Kong in the total for each market.⁷

Despite changing trends in the numbers of countries importing, typically two thirds or more of global imports by value are into the three main art hubs of the US, the UK, and China

⁷ Apart from these separate sets of data posing issues in aggregation, there is also a significant amount of asymmetry in many years in the trade flows reported between the two regions. While there is often a certain amount of asymmetry found with all mirror statistics, the wide gap in reporting in some years suggests that a significant volume of trade is not reported within Mainland China, for example, works of art are imported into Hong Kong but not reported as imports into China as their final destination.

Figure 2.4 | Share of Value of Global Imports of Art and Antiques by Region, Selected Years

© Arts Economics (2022) with data from UN Comtrade

* Hong Kong imports exclude any imports of art and antiques reported from Mainland China or Macao in each year. Mainland China imports exclude these imports from Hong Kong and Macao. Macao's imports (with trade from Mainland China and Hong Kong removed) are aggregated with Mainland China. All sets of excluded imports are removed from world totals in the Figure to estimate global market shares.

Figure 2.4 removes all imports reported into Hong Kong from Mainland China and Macao and all imports from Hong Kong or Macao to Mainland China, and removes all of these intra-regional imports from the global total. Even with these adjustments to account for intra-trade within regions in China, the rising market share of Hong Kong over the UK is still evident, with imports exceeding those to the UK from 2019 (at 14% over 11%) and representing the second-largest share next to the US at 16% in 2021.

Figure 2.4 clearly demonstrates that in 2021, the three major art hubs continued to dominate the value of global imports of art, and, after a temporary contraction in 2020, their combined share was as still as high as it was in the mid-1990s.



2.3 | Exports

In line with imports, exports of art and antiques have also grown substantially over time, and show a similar pattern of growth paralleling sales in the art market. In the period from 1990 to 2021, exports and sales showed a very high and positive correlation of 0.93, with the major peaks and troughs coinciding with art market booms and recessions.

Exports reached their highest-ever level globally in 2019 at \$37.4 billion, exceeding imports. Their expansion in nominal terms since 1985 was also higher than imports at over 1,200% (or an average annual growth rate of 10%). In almost every year from 2003 to 2021, export values exceeded imports globally, reversing the trend from the 1980s to 2002.

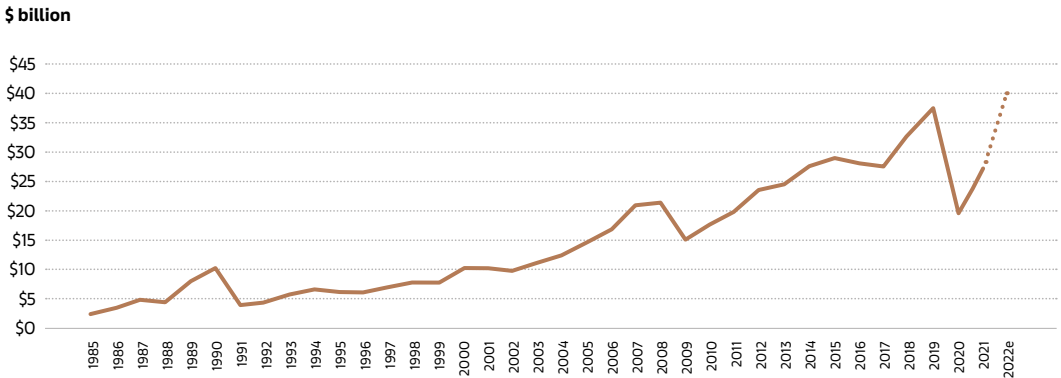
Exports also declined significantly during the pandemic, falling 47% in 2020 to \$19.7 billion, their lowest level in a decade. However, they recovered strongly in 2021 to \$27.2 billion, an advance of 38%. The ups and downs over 2020 and 2021 were much more pronounced for the art trade than some other industries. Aggregated total exports of all goods worldwide saw a more muted decline of 7%, followed by an equally proportioned recovery in 2021 (rising 7%).

Again, based on any countries reporting in the first six months of 2021 and the first six months of 2022, exports of art and antiques increased in value by 47%, including an increase of 95% in Hong Kong, 59% in the US, and a more moderate 16% in the UK.⁸ If exports continue to grow at these rates for the second half of the year and show positive growth in the remaining reporting countries, the preliminary findings suggest that 2022 could reach a historical peak in world exports of art and antiques in nominal dollar values.

Exports declined significantly during the pandemic, falling 47% in 2020 to \$19.7 billion, their lowest level in a decade, but recovered strongly in 2021 to \$27.2 billion

⁸ As noted previously for imports, this understates the change in values, and based only on the sample of 28 countries reporting identical months in each period, values advanced 50%.

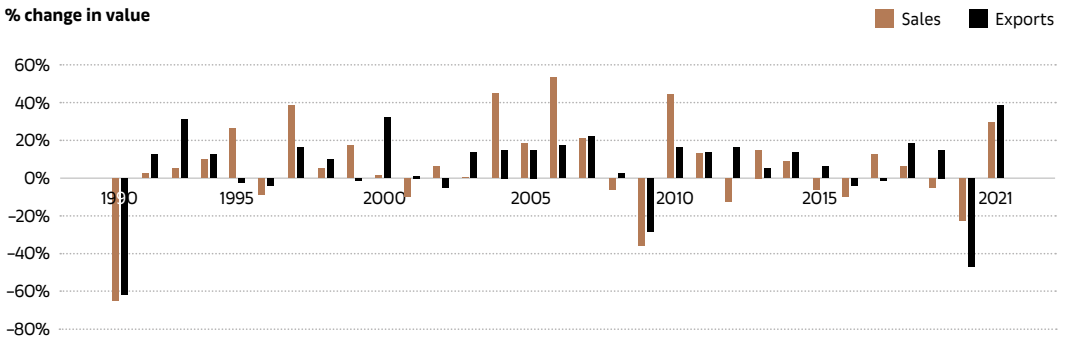
Figure 2.5 | Aggregate Global Exports of Art and Antiques 1985–2022*



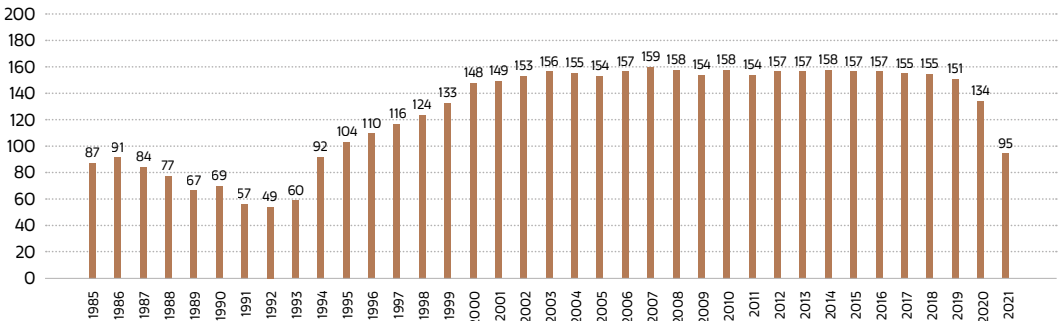
© Arts Economics (2022) with data from UN Comtrade

* 2022 estimates are based on growth in the first half of 2022 for those countries reporting any trade from January to the end of June in both 2021 and 2022.

Figure 2.6 | Annual Change in the Value of Global Sales and Global Exports of Art and Antiques

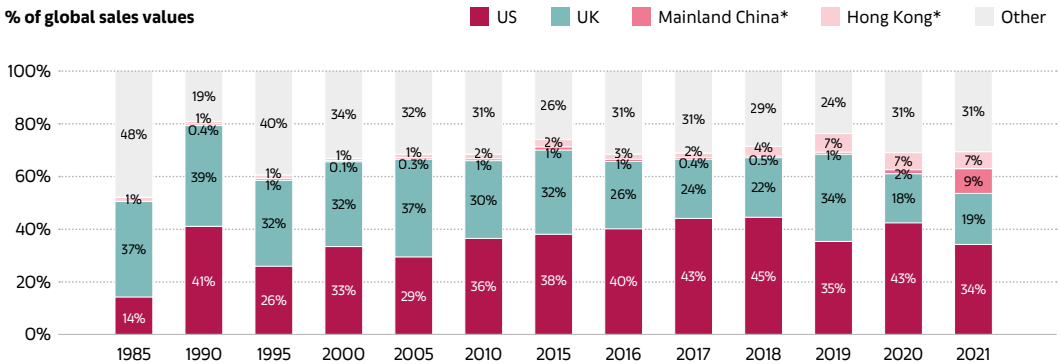


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Figure 2.7 | Number of Markets Reporting Exports of Art and Antiques 1985–2021**No. of countries**

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Like imports, the number of countries exporting art has also increased over time, although the numbers exporting have been consistently lower than those receiving imports of art. In 1985, 87 regions reported exports of art and antiques, but this fell to 49 during the market recession in the early 1990s. There was steady growth in the number of exporting countries to 159 in 2007, and this was relatively stable until the pandemic in 2020, and they had fallen a low of 95 by 2021. As was the case with imports, however, the countries that had stopped exporting art in 2021 made little difference to the aggregate recovery of exports, with these 59 countries only adding less than 2% to total export values in pre-pandemic 2019.

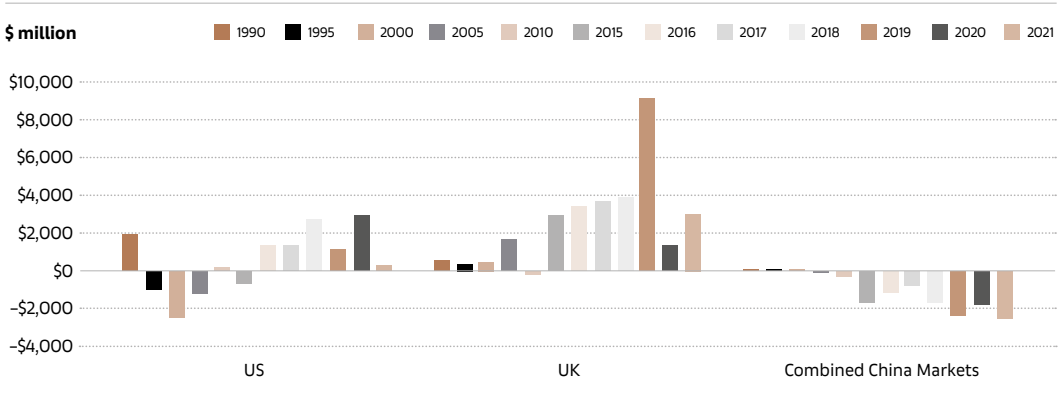
Figure 2.8 | Share of Value of Exports of Art and Antiques by Region, Selected Years

© Arts Economics (2022) with data from UN Comtrade

* Hong Kong exports exclude any exports of art and antiques reported to Mainland China or Macao in each year. Mainland China exports exclude these exports to Hong Kong and Macao. Macao's exports (with trade from Mainland China and Hong Kong removed) are aggregated with Mainland China. All sets of excluded exports are removed from world totals in the Figure to estimate global market shares.

Like imports, exports of art are dominated in value terms by the three regional hubs, which lessened the impact of the reduction in the number of countries once these were included. The share of the three largest regional hubs has ranged from just over half of global exports by value in 1985 to over 80% in 1990, and they accounted for 69% in 2021. It is notable, however, that while the shares of Mainland China and Hong Kong have risen, they have had less impact than for imports, with these regions remaining primarily buying markets.

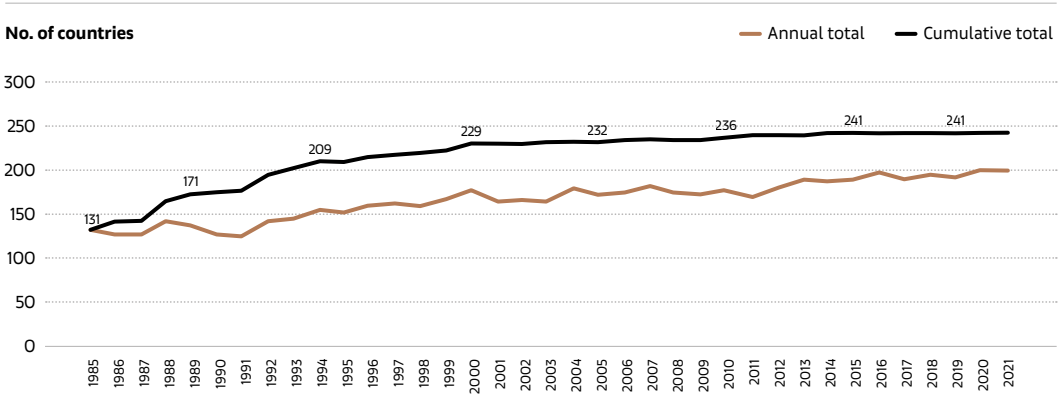
The share of the three largest regional hubs has ranged from just over half of global exports by value in 1985 to over 80% in 1990, and they accounted for 69% in 2021

Figure 2.9 | Share of Value of Net Exports of Art and Antiques by Region, Selected Years

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Although it has varied to some extent over time, the aggregated Chinese markets (Mainland China, Hong Kong, and Macao) have consistently been net importers of art in recent years (or ran a trade deficit, where imports exceeded exports). This indicates that there has been strong demand over and above what was available for sale locally, and the dominance of China as an important global buyer of art. This was also the case for around 65% of the countries reporting trade in 2021, with the other largest “deficits” in Switzerland, the UAE, Japan, Australia, Canada, and some of the mid-sized European markets such as Belgium and Austria. On the other hand, the UK and the US have been net exporters since 2016, or have had a trade surplus where exports exceeded imports (that is, domestic demand was less than domestic supply and sales), underlining their importance as hubs for international sales rather than simply local markets. While a trade deficit in a hub can imply that demand from local buyers exceeded international buyers, a surplus of exports is an indicator of strong international demand on top of local sales. In 2021, other large surplus markets included France, Germany, and Italy, as well as Brazil and Argentina. Although the number of net importers has not varied greatly since 2019, they have expanded in share since 2000 when they were just 54% of all trading countries (and included the largest market, the US, that year).



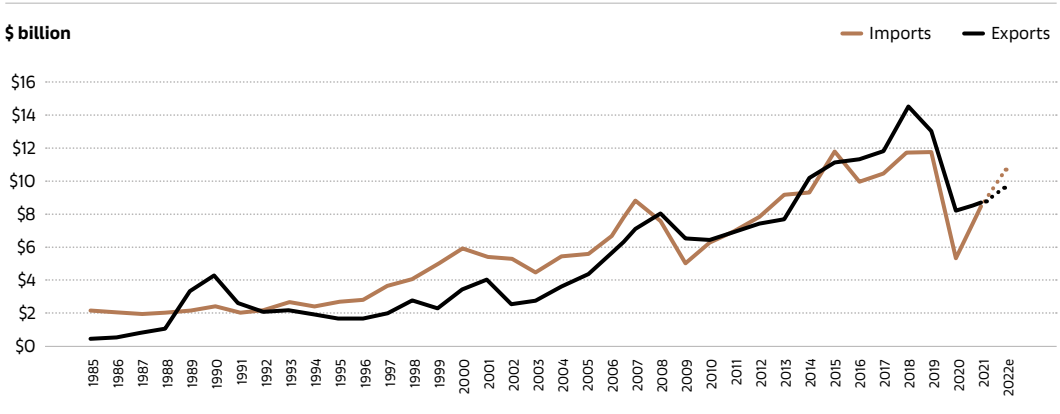
Figure 2.10 | Number of Markets Exporting Art and Antiques to the US

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2.4 | US Bilateral Trade

An examination of the bilateral trade flows into and from the art market's largest hub, the US, shows the increasing geographical spread of art sales over time. The US market has maintained a leading position in the art market for several decades, however, it has undergone significant transition from the mid-1980s when it imported art and antiques from around 131 trading partners (around 44% of the countries reported by the UN) to a peak of 200 (68% of countries) in 2020, despite the COVID-19 pandemic and a 55% decrease in import values.

The US market has undergone a significant transition from the mid-1980s when it imported art and antiques from 131 trading partners to a peak of 200 in 2020

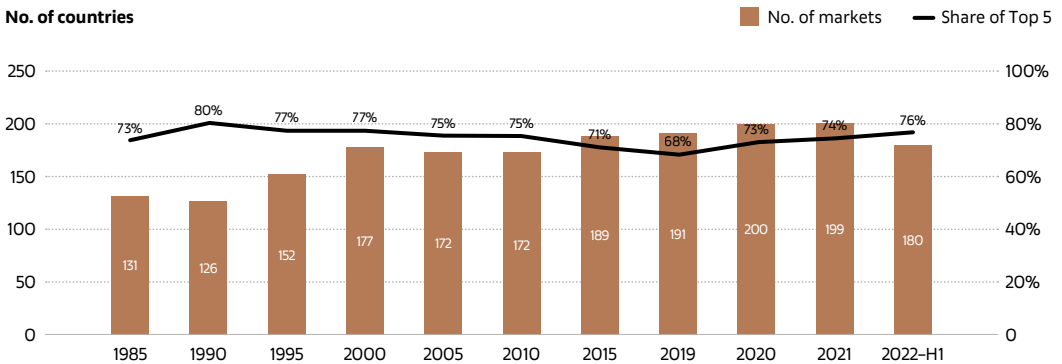
Figure 2.11 | US Imports and Exports of Art and Antiques 1985–2022

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The cumulative total of countries exporting to the US, which sums all the countries that have ever exported there, shows that the numbers have doubled since the mid-1980s, plateauing at 241 in 2015 when they reached a level of saturation.⁹ This peak in 2015 was also an historical high for the value of imports to the US (see Figure 2.11) and has coincided to some degree with a flattening pace of growth in their value from that point. While forecasts for 2022 based on the first six months of the year indicate a strong increase in import values, these are unlikely to exceed 2015 levels.

The cumulative total of countries exporting
to the US shows that the numbers
have doubled since the mid-1980s, plateauing
at 241 in 2015

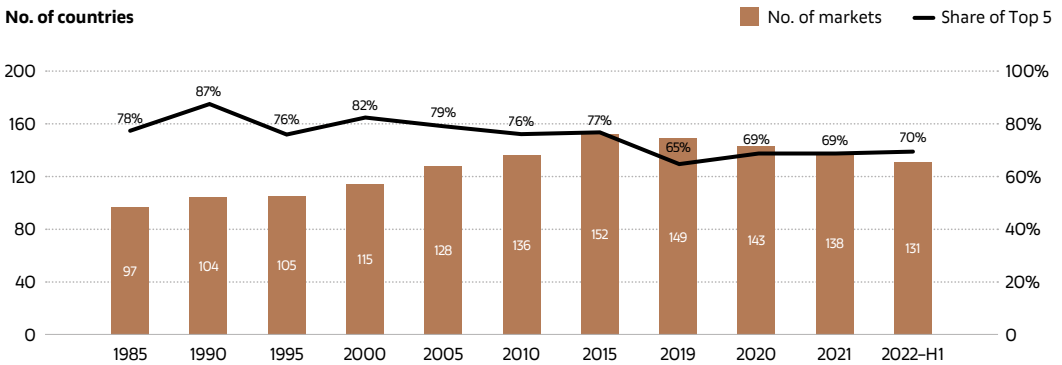
⁹ These figures update similar analysis that was carried out by Mandel (2020) focusing exclusively on paintings, finding similarly that the US had made a transition from being a 'relatively provincial market in the 1980s and early-90s to more global today'. Mandel's analysis showed that in 1989, the US imported paintings from 87 countries, or roughly 40% of the countries in the world, and the cumulative number of source countries (i.e., those with any exports historically) increased dramatically over the subsequent decade and reached 200 in the mid-2000s, with the margin of expansion in trade partners closely matching the trends in import values. See Mandel, B. (2020) 'What Trade Integration Tells Us About the Broad Market', in Arts Economics (2020) *The Art Market 2020: An Art Basel and UBS Report*, available at www.artbasel.com/about/initiatives/the-art-market.

Figure 2.12 | Number of Markets Exporting Art to the US and Share of Top 5 by Value

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Also, despite the expansion in the number of countries exporting to the US, most of the value of imports has been from the top five source countries, predominantly the UK and France, with Italy and Switzerland also often in the top three. In 2021, 74% of the value of imported art works to the US came from the top five source countries out of 199 in total, with the UK and France accounting for nearly half (49%). 87% of imports of art and antiques by value came from just ten countries. This shows that although there is diversity in number, there is still a concentration of value around key markets, and most trading is done with other wealthy mid- or large-sized art markets, mainly in Europe.

In 2021, 74% of the value of imported art works
to the US came from the top five
source countries, with the UK and France
accounting for nearly half

Figure 2.13 | Number of Markets Importing Art from the US and Share of Top 5 by Value

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The number of markets to which the US sends art for sale (or export destination markets) has also expanded and similarly peaked around 2015, although at a lower level than the number of importers. It is also notable that from this point, exports of art have exceeded imports, with the former peaking in 2018 at almost \$15 billion (and the US exporting to 151 countries that year). From this point, both the number of markets and the value of outward trade declined and made a more moderate recovery than imports in 2021 and 2022.

The analysis of import and export statistics shows that art of all kinds continues to flow to and from the wealthiest economies, and despite large increases in the number of countries trading art over time, value is dominated in key established international hubs. The bulk of art imports and exports continue to flow through three centers, which account for around two thirds of the value of trade worldwide, despite the fact that the eventual buyers may reside elsewhere. Although there have been some minor fluctuations year-on-year, this dominance has not changed significantly since the 1980s.¹⁰ The success of these art market hubs is not just derived from a healthy local demand and sufficient national wealth to support sales, but also from having the power to import and assemble art for sale that attracts international interest, as well as a favorable legal and fiscal environment and the necessary skills and services to support the trade.

¹⁰ In 1985, the combined share of the US and UK for world exports of art and antiques was 69% for imports and 62% for exports.

It also shows that although the pandemic had a significantly negative effect on the cross-border trade in art in 2020, this was temporary, and values have recovered strongly. Although global imports and exports in 2021 were still below their level in pre-pandemic 2019, if growth continues at the same pace in the second half of 2022, the year could see the cross-border trade in art and antiques reach record levels. Again, given the dominance of values in the major markets, these aggregate findings are unlikely to reflect the experience of all countries, and as seen for both imports and exports of art, rising values are coinciding with trade becoming concentrated on a smaller number of markets.

If growth continues at the same pace in the second half of 2022, the year could see cross-border trade reach record levels for both imports and exports

The following articles offer some external perspectives on trade and globalization. Exhibit 1 discusses some of the issues around power imbalances in the global art system resulting from the process of globalization from an economic and sociological perspective. Exhibit 2 presents a legal overview of some of the key trade policies and regulatory issues in the art market.

Exhibit 1: Globalization and Power Imbalances within the Global Art System

*Olav Velthuis**

Since the 1980s, markets for contemporary art, and the contemporary art system more generally, have been characterized by a wave of transformation of impressive scale and scope. Concentrated in art capitals such as New York, Paris, and London, these markets were mainly confined to North America and Europe. In many other regions across the globe, art markets were locally organized, relatively insignificant in quantitative terms, and operated in an informal manner. Art traded in these regions was likely to be decorative or religious, some hard to distinguish from crafts, or served, particularly in former communist countries, as political propaganda.

Over the last 30 years, this situation has changed dramatically. Markets for contemporary art have emerged in regions where they previously barely existed. Art dealers and auction houses based in Europe and the US report a steady influx of buyers from Asia and Latin America in particular. China has made a meteoric rise in the new millennium as the world's second-largest art market. Growth rates in countries like India, Mexico, Turkey, and Brazil may have been less spectacular but they have nevertheless carved out a well-recognized, stable position within the global art system. Africa, until recently the only continent to largely remain off the radar of the global art market, is in the process of being absorbed as well.

Understandably, this has given rise to a celebratory discourse about globalization. It has indeed been an enrichment to encounter art from so many different historical traditions and geographical contexts in so many locations; after all, auction houses, art dealers, and art fairs have been eager, for ideological and commercial reasons, to include artists and galleries from Asia, Africa, and Latin America. This has enabled cross-cultural communication and understanding, potentially uniting people and fostering social, cultural, and political ties. Moreover, it is rewarding for artists that people from diverse backgrounds have taken an interest in their work, and it has allowed many to sustain and build their careers. For art lovers, it has been refreshing to encounter new narratives in the museum; narratives that are geographically inclusive and ethnically diverse, and that deviate from the hegemonic European/American modernist variety. And, leaving aside the art, there is the warm sensation of walking around a fair or a biennial and feeling part of a global village, populated by a cosmopolitan class who share the same ethos.

* Olav Velthuis is Professor at the Department of Sociology of the University of Amsterdam, specializing in economic sociology, sociology of the arts, and cultural sociology.

But all is not well in the global art system. Most obviously, globalization has vastly increased the carbon footprint of the arts – although so far, no reliable estimates are available. Just think of the shipping of works of art around the globe for temporary exhibitions, the packed travel schedules of curators, artists, collectors, and dealers to openings of biennials, museum shows, or other global art world events – in the case of the super-rich in their own private jets – or think of the large-scale temporary structures that are erected to host dozens of art fairs globally, and dismantled no more than a week later. The global art system may be insignificant in comparison to the world economy, but given its small size, its carbon footprint is too big.

The sustainability of the global art system is being increasingly thematized by critical environmental and globalization scholars, as well as by art world groups such as the Gallery Climate Coalition. In doing so, they point out that the footprint is highly unevenly distributed across the art system, reflecting the uneven development of globalization within the arts more generally. The few existing academic studies on cross-border flows of contemporary works of art, their makers, and their intermediaries suggest that the system is composed of a relatively global top segment concentrated in London, New York, and a few other centers where the majority of the world's sales and exports of art and antiques continue to originate. That's the unsustainable segment. But next to it, there is a host of local art markets whose linkages with the global system are limited, instable, and temporary. These local markets are characterized by a strong home bias: their galleries, auctions, collectors, or museums are all more likely to exhibit, sell, or buy the work of artists in their own country.¹¹ Likewise, art fairs almost invariably have a much larger share of local galleries. Even in a globalized and digitalized world, physical proximity apparently poses strategic advantages in art markets, just as it does in other cultural industries.

But let's return to the top segment. Its key players continue to be European and American: Sotheby's, Christies, and Philips in the auction market; Art Basel and Frieze in the art fair sector; and David Zwirner, Gagosian, and Hauser & Wirth among others in the gallery market. If anything, globalization has strengthened their position and they face minimal competition from their counterparts in emerging regions. Likewise, most of the rankings of artists and collectors published

11 See Velthuis, O. (2013) 'Globalization of Markets for Contemporary Art: Why Local Ties Remain Dominant in Amsterdam and Berlin.' *European Societies*, Volume 15, Number 2; Renneboog, L. and Spaenjers, C. (2015) 'Investment Returns and Economic Fundamentals in International Art Markets.' *Cosmopolitan Canvases. The Globalization of Markets for Contemporary Art*. Oxford University Press: Oxford; Alain Quemin, A. (2006) 'Globalization and Mixing in the Visual Arts: An Empirical Survey of High Culture and Globalization.' *International Sociology*, Volume 21, Number 4; Steiner, L., Frey, B., and Resch, M. (2013) 'Home Is Where Your Art Is: The Home Bias of Art Collectors.' *Department of Economics-University of Zurich Working Paper Series*, Number 135. Likewise, the Art Basel reports consistently indicate that collectors predominantly buy from local galleries. Note, however, that the stronger the reputation of the artist, the weaker the home bias in their exhibitions. See Arts Economics (2020) *The Art Market 2020: An Art Basel & UBS Report*, available at www.artbasel.com/about/initiatives/the-art-market.

by the art press on an annual basis all continue to be dominated by Europe and the US.¹² So while the system may at first sight look like a world of persistent and equal cultural exchange – a ‘global ecumene,’ to borrow a term from the Swedish anthropologist Ulf Hannerz – it is in fact a highly unequal arena.

These inequalities are aggravated by another characteristic of the system: that cultural infrastructures in many emerging regions of the world are still underdeveloped. Compared to Europe and the US, the number of museums, art centers, and other public, non-profit exhibitions spaces is limited in these regions.¹³ As a result, for visibility, reputation, and recognition, artists born in these countries continue to rely on institutions in Europe and the US. When together with a team studying the globalization of artists, I asked artists in China, India, Russia, and Brazil what their ultimate dream would be for their own careers, it was remarkable how many of them answered almost without thinking: a solo show at the MoMA in New York, the Tate in London, or the Centre Pompidou in Paris, or participation in the Venice Biennial or documenta.¹⁴ It would be hard to think of any institution in the global south that comes even close in terms of their symbolic power. For gallerists from these countries, the response was likewise: they would think they had made it once they got accepted to Art Basel.

Power imbalances in the global art system express themselves in another way: when cultural infrastructures are being developed in emerging regions, this almost invariably happens according to a blueprint from, again, Europe and the US. Key parts of the blueprint: a symbolic divide between the primary market – the territory of the gallery – and the secondary market, where auction houses are also active; independent institutions and art criticism whose capacity to bestow reputations upon artists is not for sale; and when it comes to the gallery, a white cube space, the professional representation of a roster of 10 to 30 artists, regular participations in art fairs, and the cultivation of a group of loyal collectors. As long as such characteristics are not met, the market is considered ‘immature’ – a term that is remarkably not only used by outsiders but by those within emerging art markets as well. But the result of this blueprint being applied across the globe, walking into a gallery in Mexico City, Shanghai, Mumbai, or Istanbul feels like walking into a gallery in an art capital in Europe or North America. If globalization of art markets is seen as a teleological process, its telos

12 Think of for example, *ARTNews*' Top 200 collectors, *ArtReview*'s Power 100 list of most influential people in art, Artfacts' (and in the past *Kunstkompass*) ranking of artists, or Artprice's rankings of top auction prices.

13 Over the period 2017-2021, more than 84% of commercial galleries and 82% of non-profit arts institutions are located in Europe and the US. See Arts Economics (2020) *The Art Market 2020: An Art Basel & UBS Report* available at www.artbasel.com/about/initiatives/the-art-market.

14 On this research see Velthuis, O. and Curioni, S. (ed) (2015) *Cosmopolitan Canvases. The Globalization of Markets for Contemporary Art*, Oxford: Oxford University Press; Komarova, N. (2018) 'Markets Framed by Culture: The Role of Local Contexts in the Rise of Contemporary Art Commerce in Russia and India.' *PhD Dissertation, University of Amsterdam*; Kharchenkova, S. and Velthuis, O. (2018) 'How to Become a Judgment Device: Valuation Practices and the Role of Auctions in the Emerging Chinese Art Market.' *Socio-Economic Review*, Volume 16, Number 3.

is an art market that looks, feels, and works like the market in the old art capitals – as if this is the only way in which art can be traded.

The most fundamental power imbalance within the global art system is probably also the most difficult to identify, as it has been fully naturalized and taken for granted: it is the very notion and understanding of contemporary art itself, which has diffused from Europe and the US to the rest of the world with remarkable speed. What ‘contemporary art’ exactly is remains notoriously hard to define. But it surely is a privileged type of art made in the present, which is heavily institutionalized and which circulates in a specific organizational framework of contemporary art museums, biennials, art centers, art galleries, and the like, and which is explained by means of a critical discourse constructed around terms like innovation, originality, transgression, and critique. Elite groups in Asia, Africa, or Latin America, who until recently preferred other means to signal status, have now embraced contemporary art for those purposes – of course it does not hurt that they also expect handsome profits to be made from these passion investments. In doing so, they have implicitly endorsed a new taste hierarchy, with local arts and crafts, traditional, religious, or decorative art lower on the ladder and contemporary art on top. As the British cultural entrepreneur and China specialist Philip Dodd summarizes: ‘Typically, people from recently emerged economic regions start by buying their own art, often 19th century; they then move to local contemporary art, and then on to international contemporary’.¹⁵

But the question is if these power imbalances will continue to be seen as legitimate – as they mostly are at the moment – and if they are in the interest for the long-term sustainability of the system. We don’t need more homogenous art and art fairs; this may enrich a global cosmopolitan crowd of art collectors, but it comes at a loss of local cultural identity and differences. For new art scenes to flourish, it is important that local institutions get a stronger voice in the making of artistic reputations; eyes need to be turned away from New York, London, Paris, and Berlin. For a more diverse and resilient global art system, the narrow focus on a single set of institutional blueprints needs to be opened up. This will automatically lead to a more inclusive and less hierarchical understanding of art, which recognizes the values of traditional, crafts-oriented, or indigenous art. Ultimately, for a global art system to remain sustainable, power imbalances need to be addressed.

15 Cited in Ciotti, M. (2012) ‘Post-Colonial Renaissance: Indianness, Contemporary Art and the Market in the Age of Neoliberal Capital.’ *Third World Quarterly*, Volume 33, Number 4.



Exhibit 2: The Regulatory Framework of the International Art Trade

*Katalin Andreides and Till Vere-Hodge**

Looking at the international art trade and some recent regulatory trends underpinning it, a classic ‘chicken-or-egg’ question arises as to whether good regulation enables the art trade, or whether pre-existing trade encourages more thoughtfully and carefully crafted legislation. After all, what is the point of regulating trade flows without there being a marketplace to start with?

At the outset, it is important to note that while regulatory differences explain why some locations or jurisdictions have become truly global hubs in the art trade and others have not, regulation is only one factor, and to reduce such fortunes to an underlying regulatory framework would not adequately reflect this. Nonetheless, it is useful to examine a brief and high-level overview of some recent regulatory trends in key art market jurisdictions for buyers, sellers, and intermediaries, and put these into the context of wider macro-trends that shape markets and hubs as much, if not more, than the regulatory differences between them.

As the sales data shows, New York remains the world’s leading art marketplace. This is perhaps unsurprising, given its position as a key financial hub with a strategic location, a high concentration of financial service providers and insurance companies, being equipped with a first-class communications network and excellent infrastructure, a comparatively transparent regulatory regime, high standards of living, and substantial growth opportunities. Interestingly, in the Global Financial Centers Index, New York generally takes first place ahead of London and Hong Kong, a picture that is remarkably similar to the international art market data (an indicator that the egg comes before the chicken).

Traditionally, US states have boasted outstandingly liberal regulatory frameworks and have been some of the most business-friendly regimes internationally. The regulatory regimes are generally not designed to add further costs or considerations to art transactions. For example, unlike Europe, there are no *Artist Resale Rights* to be considered in the US when art works are re-sold. The notion of having to legislate to protect the ‘starving artist’ including by way of wide-reaching moral rights is a quintessentially civil law (French) concept. Equally, EU and UK consumer protection rights pertaining to online-only auctions or other potential ‘distance sales’ of art works or cultural property objects are not generally applicable in the US.

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These EU notions are not applicable in another light-touch regulatory regime that has developed into a global art market hub: Hong Kong. Having inherited its common law system from the UK, the city's generally business-friendly regulatory framework does not provide for EU-style *droits de suite*, moral rights, or taxation on cultural property entering its territory. In fact, it is essentially one major freeport, with art being able to be moved into and out of its territory freely.

In general terms, the light-touch regime in the US is further typified by few restrictions to limit the export of art works from the US, except, for example, for some very specific laws concerning antiquities and archaeological property discovered in the US or deaccessioning from collections that receive federal funding. The legislation for the protection of national patrimony equally tends to be much more *laissez-faire* than in Europe. All this, *prima facie*, is seen to give New York a competitive edge.

This general view of the US regulatory regime compares well against what is sometimes seen as a more cumbersome, rigid EU approach. Take, for example, *Regulation (EU) 2019/880*, also known as the *Regulation on the Introduction and the Import of Cultural Goods*. Directly applicable and binding in its 27 Member States, this EU Regulation aims to reduce trafficking in cultural goods, combating terrorism financing and protecting cultural heritage.

The EU requires importers to have licenses, importer statements, and/or customs declarations for cultural goods that are more than 250 years old, regardless of value, before these can be imported into the territory of EU Member States. The burden of proof is thereby shifted onto the prospective importer to provide the correct documentation. Cultural goods in this context are subject to a broadly drafted EU definition that lacks specificity and feels uncomfortably subjective, namely 'items of which countries consider that they have great artistic, historical, or archaeological value and which belong to the country's cultural heritage.'

The EU Regulation as a whole has been criticized for the levels of due diligence that are unattainable for some, the disproportionate licensing costs, the potentially lengthy delays before objects can be moved leading to difficulties even for temporary imports for exhibitions at trade fairs, the high costs, and the administrative burden on small and medium-sized businesses.

It should be noted that the UK is not bound by the requirements of this EU Regulation. However, UK (and US, for that matter) dealers are subject to these rules in certain circumstances, such as when selling into the EU, or when consigning objects to art fairs there.

Within the EU, the approach to regulatory issues continues to straddle a desire to protect cultural heritage with attempts to enhance the competitiveness of the marketplace for art works. In Italy, this can be seen by the 2017 reforms on the export of art works out of Italy, which aimed to simplify customs procedures and export controls. In 2021, France introduced legislation to raise the value threshold above which export certificates are required in a bid to boost its competitiveness.

Different jurisdictions deal with their respective cultural patrimony in very different ways. For example, the UK is generally considered to have a relatively market-friendly regime, whereas Italy is seen to be far more concerned with the protection of its impressive cultural heritage rather than enabling the international trade therein. Germany and France have historically been somewhere in between the UK and Italy.

That said, a number of famous German artists expressed their frustrations at the 2016 reform of the German export regime for cultural property objects, as it automatically included in the list of national cultural patrimony any art works in public collections (where certain contemporary German artists had been strongly represented). These listed objects are not generally capable of being permanently exported out of Germany. The German Ministry for Culture and Media provided FAQs on the purpose of the law, which it said was to adhere to ‘the moral obligations of a Nation of Culture concerning the appreciation of its own cultural heritage’. This is a fascinating explanatory note, as it implicitly acknowledges the perception that there might be ‘Nations of Culture’ bent on protecting their cultural patrimony versus ‘Nations of Trade’ whose priority is to be a marketplace over any other consideration.

Traditionally thought of as one of the most trade-friendly approaches, the UK, like all other jurisdictions, sets various age and value thresholds for when objects require an individual review of their significance for UK cultural life. For example, the open export of oil or tempera paintings from the UK is generally permissible, unless the object in question was created more than 50 years ago and is valued above £180,000, as long as the painting does not include a ‘representation of the likeness of any British historical personage’ (in which case the value threshold is much lower at £10,000). Generally, such an object also needs to have been in the UK for the past 50 years to qualify.

Where the proposed export of such a painting requires a review, UK Expert Advisers will apply the so-called Waverly Criteria:

1. Is the art work closely connected with UK history and public life?
2. Is it of outstanding aesthetic importance?
3. Is it of outstanding significance for the study of some particular branch of art, learning, or history?

Crucially, however, even where the answer to at least one of these criteria is yes, and even where there is a resulting export ban on the art work, such a ban will be for a limited period of time only, to allow for UK public institutions to match the sale price to keep the object in the UK. This process therefore allows for a method of keeping objects in the UK without substantially harming the interests of the seller. This method is fundamentally different from the process in Italy, France, or Germany.

The 2017 reform to the Italian regime represents a complicated compromise between the country's traditional position as a 'Nation of Culture' against a desire to be seen as a somewhat more liberal regime than hitherto. For the first time ever, Italy introduced a value threshold and increased the relevant age threshold from 50 to 70 years. This generally means that objects created less than 70 years ago and valued below €13,500 can now be exported freely. If the relevant thresholds are met, the export office will refuse an export permit if it considers the object to be of 'particular cultural relevance.'

As an exception, however, the previous 50-year threshold was kept for objects deemed 'exceptionally relevant cultural property', essential to the integrity of national heritage – thus introducing an additional (higher) standard of cultural relevance against which objects between 50 and 70 years old need to be checked. Neither category appears to benefit from clear definitions. It should be noted that this value threshold is extremely low compared to other jurisdictions, especially because they apply to all categories of 'cultural property'. France, for example, recently raised its value thresholds for paintings from €15,000 to €300,000 in a clear signal that it is keen to be seen more as a 'Nation of Trade'.

While Europe has been seen as a much more complex and costly place for art transactions than the US, there have been developments recently that appear somewhat to run counter to the general characterization of the US boasting an all-round trade-friendly regulatory regime.

These appear to have come chiefly from policy considerations. For example, in 2019, some protectionist policies affecting the art trade were introduced by the Trump administration, including a 7.5% tariff on certain works of art of Chinese origin. The administration also imposed a 25% tariff on UK and German prints and printed books, brochures, leaflets, lithographs, pictures, designs, and photographs printed in the last 20 years. While the current administration has removed some of the previous administration's tariffs, so far there have not been any indications that these specific art-related measures are to be removed.

But the West's relationship with Russia has impacted even more starkly on the US regulatory regime underpinning the art trade. On both sides of the Atlantic, authorities have embarked on what may be termed as 'economic statecraft' to hem in the strategic threat of international adversaries, in particular the Russian Federation. The US Office of Foreign Asset Control (OFAC), the UK Office of Financial Sanctions Implementation (OFSI), and the European Commission have all blacklisted certain Russian individuals and entities found to be responsible for actions that undermine or threaten the territorial integrity, sovereignty, and independence of Ukraine, as well as banned the trade in certain luxury goods, including art works, between their respective nationals or entities and Russia.

Almost inevitably, these restrictive measures have led to some of the art trade flows with Russia being processed in other jurisdictions that have not implemented similar restrictive measures against the Russian Federation. China has expressed opposition to sanctions against Russia, and, as at mid-2022, no jurisdiction in Africa or the Middle East has imposed sanctions on Russia. Some additional inflows and outflows of trade, including in luxury objects and art works, have developed with countries in these geopolitical areas, including, for example, between Russia and the Gulf States or Turkey, as a result to the restrictive measures taken by the political 'West', but not necessarily in the regions south of Russia.

Geostrategic considerations vis-à-vis Russia have equally changed the mood in relation to how the US deals with anti-money laundering (AML) in the art market. Only a few years ago, the US was still considered to be significantly lighter touch in relation to AML compliance rules when compared to the UK or EU. In 2020, however, the US Senate cited reports that two sanctioned Russian individuals, Arcady and Boris Rotenberg, had poured \$18 million into art works, at a time when US persons were banned from doing business with them following Russia's annexation of Crimea and the imposition of US restrictive measures.

In January 2021, legislation was passed to extend the scope of the *US Bank Secrecy Act 1970* to include dealers in antiquities in the US AML regime. Leaving aside the legislation's focus on this particular segment within the art trade, further extensions regarding which art market participants were required to bring their compliance measures up to the newly prescribed standard were expected to be announced by the US Department of the Treasury.

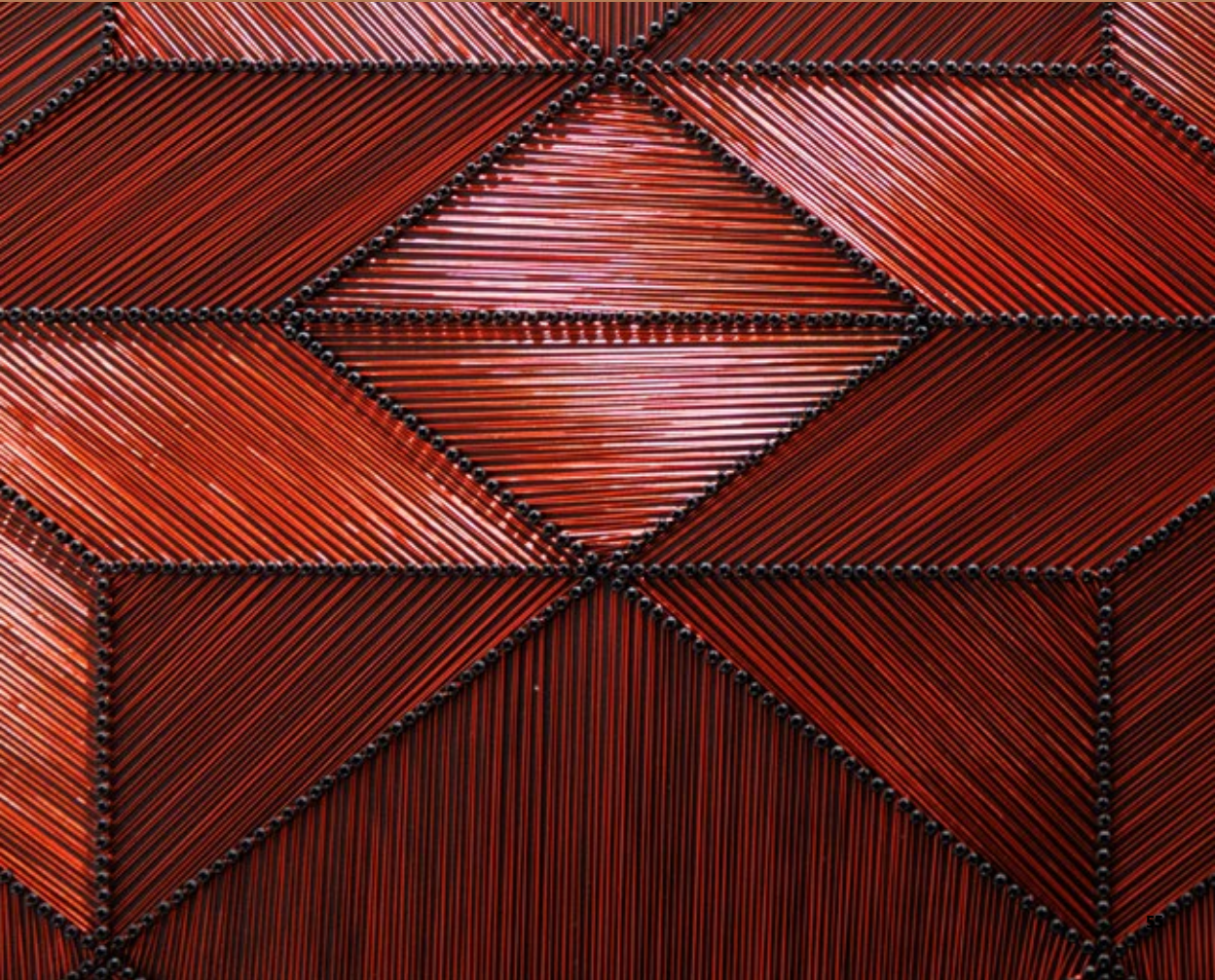
To the relief of many participants in the wider US art market (beyond antiquities dealers), in February 2022, the US Treasury Department did *not* call for additional restrictions or new legislation aimed at the art market at that stage. The authority considered there was little evidence of terrorism financing through high-value art transactions and it conceded that, typically, large galleries know the identities of their buyers and smaller galleries do not sell the sort of high-value art works that would be of particular interest to money launderers.

Around the same time, across the EU and the UK, the *Fifth Anti-Laundering Directive of 2018 (5AML)* reached its implementation deadline in 2020. *5AML* required the UK and the 27 EU Member States to legislate to extend KYC requirements hitherto aimed at financial services providers to all 'art market participants' where annual transactions exceeded the value of the equivalent of €10,000 per annum. Such art market participants are now also required to have compliance policies, retain documents, and register with a supervising authority. Previously, only dealers who were dealing with more than the equivalent of €10,000 in cash were caught by the rules.

While it is interesting to note some of the broad regulatory differences especially between the US, Hong Kong, the UK, and the EU, it remains the case that a regulatory framework alone is not enough to guarantee a flourishing art trade. Even if their regulatory framework was substantially less advantageous, London and Hong Kong could still draw on a long-established cultural infrastructure and cluster effects, catering for specialized ancillary services for collectors and the art trade, including specialist insurance services, banking and finance, logistics, and an impressive network of experts (art advisory, appraisal, conservation, restoration, dealers' associations among others). Together with the US, they also benefit from the global dominance of the English language and English law influence. Other geopolitical regions do not (yet) have these cluster effects to the same extent.

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Global Collecting in 2022



3.1 | Introduction

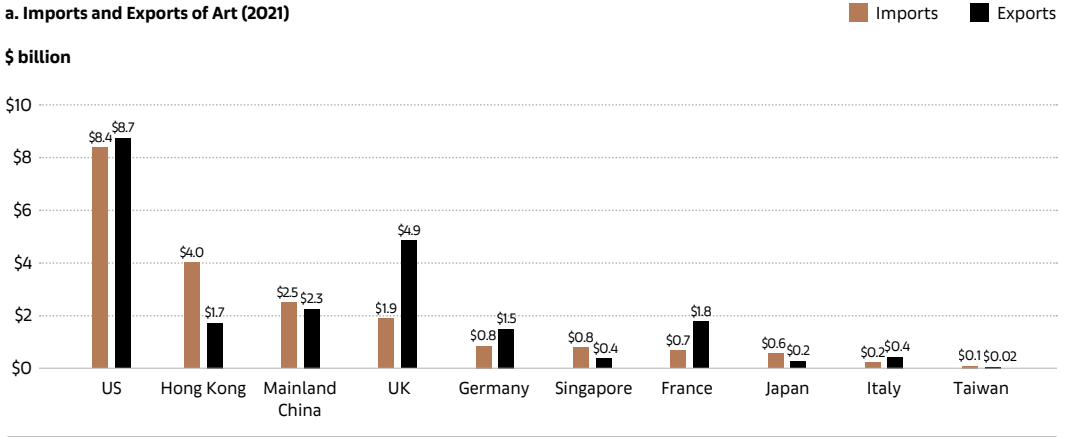
Despite the difficulties presented over the last two years in accessing exhibitions and sales, demand from art collectors has proven to be extremely resilient, with buying at the high end of the market growing throughout the pandemic. After a difficult year in 2020, sales recovered in 2021 and research of HNW collectors at the end of that year showed a positive outlook, with 72% of the collectors surveyed across ten regional markets optimistic about the global art market in 2022, the majority planning to purchase art, and over a third planning to sell from their collections.

Both anecdotally and in surveys, the enthusiasm to return to art fairs and other art world events was clearly evident, although with the calendar not fully reinstated in 2021, attendance was still below pre-pandemic levels. Alongside the health and safety risks related to travel and events brought about by the pandemic, there was increasing awareness among collectors of the impact of their cross-border trade and travel on the environment. Surveys in 2021 revealed that a majority (64%) had considered it essential or a high priority to look at reducing their own personal travel to events to address this in future. However, as major fairs and events began to resume in the first six months of 2022, there were few obvious signs of a pullback in travel and attendance despite increasing awareness about sustainability and many evident changes to the market.

To help better understand if HNW collectors' patterns of behavior have changed during and after the pandemic, Arts Economics and UBS conducted a global survey of HNW collectors across 11 markets. Arts Economics and UBS have monitored the behaviors and interactions of collectors in the market for the last seven covering a range of different global markets. This survey in 2022 is the largest to date, with qualified responses from more than 2,700 HNW collectors covering the US, the UK, France, Germany, Italy, Mainland China, Hong Kong, Taiwan, Singapore, Japan, and Brazil. Each of these markets has large HNW populations and important art markets, and all engage in significant international imports and exports of art (see Figure 3.1).

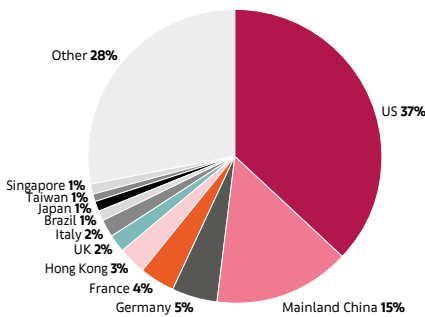
Figure 3.1 | Trade and Billionaire Wealth in Survey Markets

a. Imports and Exports of Art (2021)

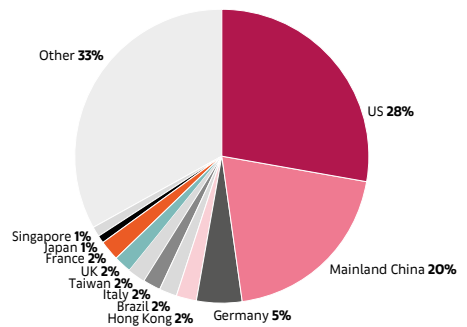


© Arts Economics (2022) with data from UN Comtrade

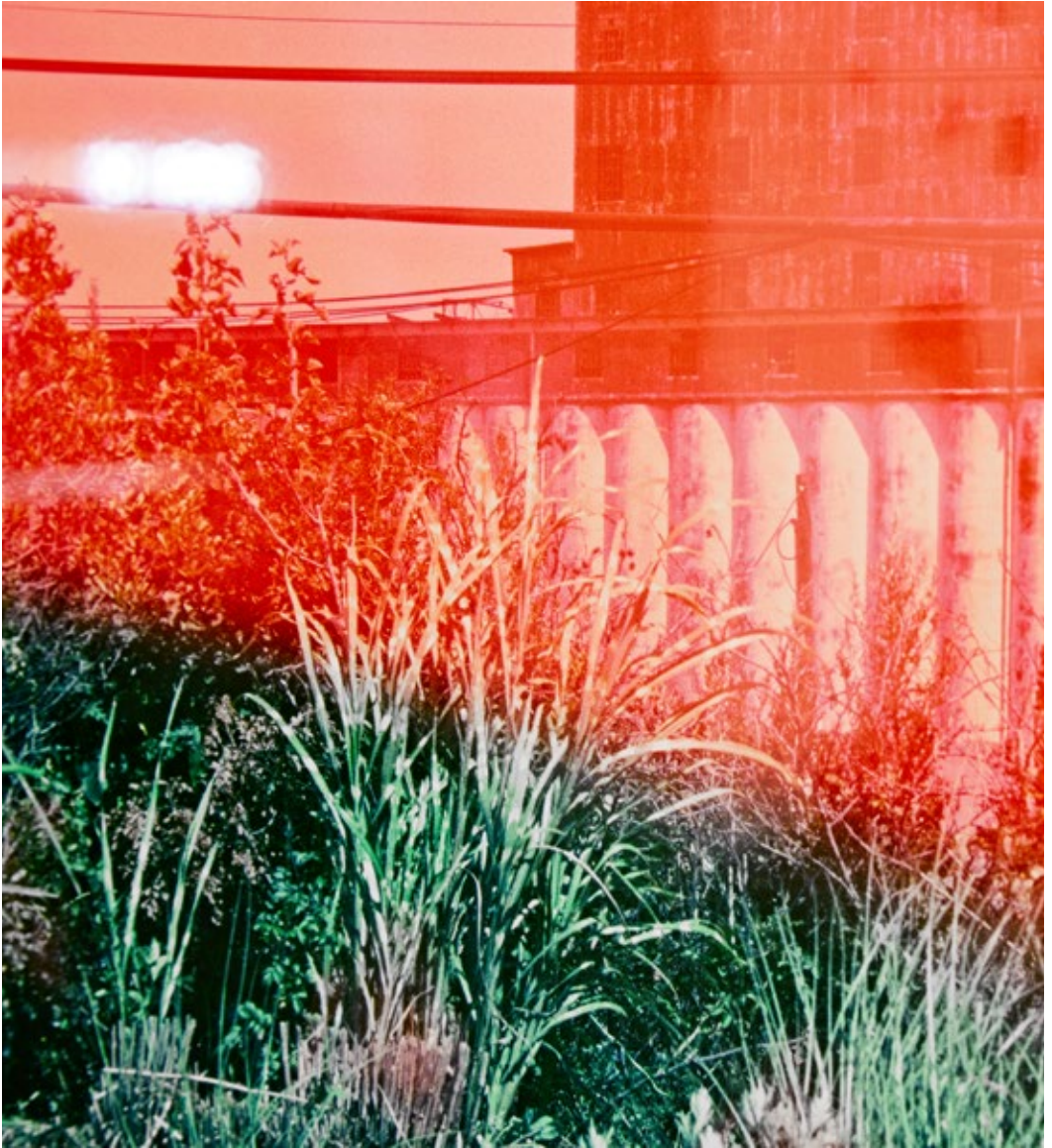
b. Share of Billionaire Wealth 2022



c. Share of Billionaire Population 2022



© Arts Economics (2022) with data from Forbes



3.2 | Description of the HNW Collector Sample

The HNW collector survey was distributed in August 2022. As in previous years, potential respondents were screened according to their wealth and activity in the art market from 2020 through to the end of the first half of 2022. Respondents were required to be HNW 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 enough in the market to be able to offer insights on potential changes in spending, sales channels, and other behaviors, they were required to have purchased fine or decorative art in 2020, 2021, and 2022, spending a minimum of \$10,000 on art and collectibles in each of the years 2020 and 2021, and a minimum of \$5,000 in the market in the first half of 2022. This screening ensured that the survey captured only actively collecting respondents. 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, with a total of 2,709 full qualified respondents used for the analysis that follows.

The questionnaire was distributed to collectors across a broad range of age groups, with the breakdown of qualified respondents dominated by millennials (54%) and Gen X collectors (32%), reflecting the most currently active collecting segments in the market.¹⁶ Boomer and Silent Generation collectors accounted for 7% of the sample. Although these collectors make up a very important segment of the market and have some of the largest collections of art and antiques, many were screened out during sampling due to a lack of activity in the periods detailed above. Gen Z collectors also accounted for just 7% of the total respondents. The results of the survey therefore reflect findings from a dominant segment of young to middle-aged collectors, although comparisons are given across generations where possible.¹⁷ The average age across all markets was 40 years, ranging from 34 in Taiwan to 46 in Mainland China.

The overall gender breakdown of the aggregate sample was 38% female and 62% male, with just 0.1% of the sample identifying as non-binary.

¹⁶ For the purposes of this survey, Gen Z is defined as those collectors who are under 25 in 2022, millennials are 25 to 41 years old, Gen X are 42 to 57 years old, Boomers are 58 to 75 years old, and Silent are 76 years old and over.

¹⁷ The survey was distributed to a wider population that was diversified by age and included 23% Boomers. Therefore, while the population contained a majority of millennial and Gen X collectors, the screening process did reduce the share of Boomers in the final sample. See the Appendix for a full breakdown of the population and sample.

All respondents had personal wealth in excess of \$1 million (excluding real estate and private business assets), with a majority (57%) in excess of \$10 million, including 17% in the ultra-high net worth (UHNW) category, defined here as wealth over \$50 million. The highest share of UHNW respondents was in France (43%), with high shares also in Mainland China (29%) and Italy (27%). It is notable that female collectors made up a significant portion of this UHNW segment, with their aggregated share (47%) almost on par with male collectors.

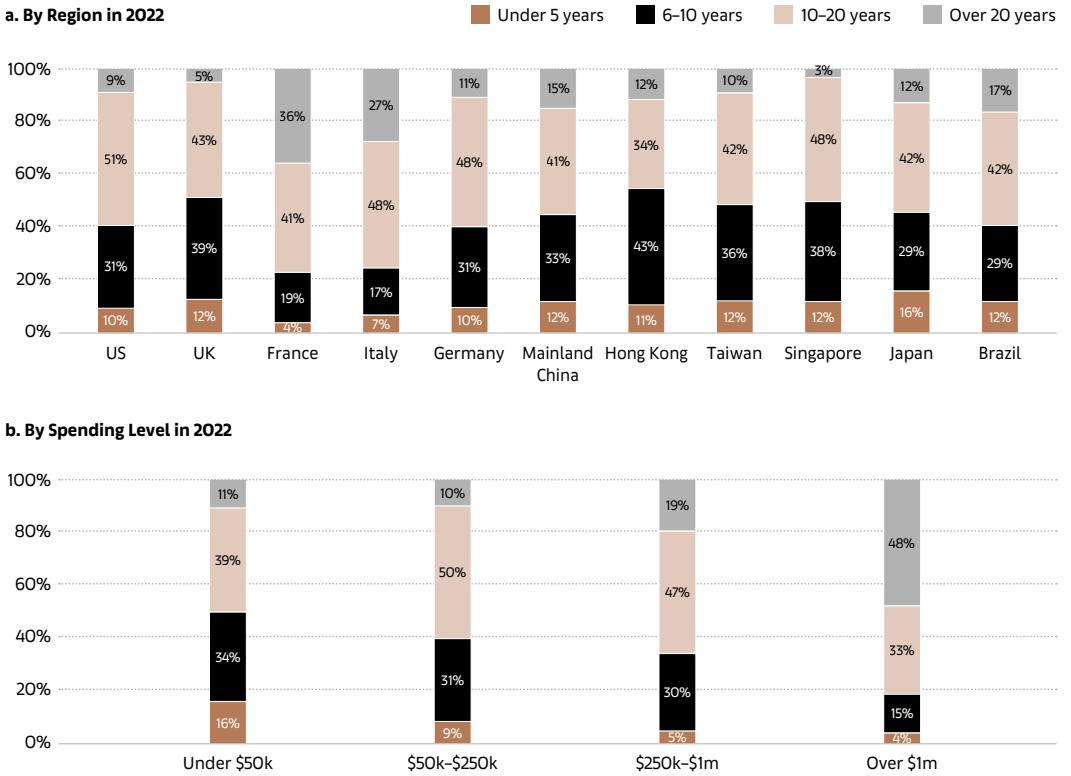
Most of the respondents in the sample had been collecting art for a relatively long period of time, with an average span of 13 years. Only 10% of the sample had been collecting for less than five years (with just 1% new to the market in the last two years), with the highest share in Japan (16%). The majority (58%) had been collecting for longer than 10 years, including 14% over 20 years, although this was higher in some of the older European markets such as France (36%) and Italy (27%).

As expected, the length of time collecting rose with age, although even younger respondents tended to be well established with just over half (51%) of millennial collectors reporting that they had been collecting art for at least 10 years. In the small sample of Gen Z collectors, around a third said they had been collecting for at least 10 years, indicating that many were interested in art at a young age, possibly as part of family collecting activities. Predictably, those collecting longer tended to have built up substantially larger collections, but they also spent more annually than newer collectors in the last few years.

An important potential benefit of the market becoming more digitally focused over the last three years was the ease and accessibility of sales to new collectors. The surge in demand for digital art and NFTs in 2021 was also seen as an important way of widening interest, attracting new collectors from different industries, with some crossing over to spend into traditional sectors. However, this related mostly to where wealth was being made during this period, with significant gains in technology sectors and cryptocurrencies.

Despite the importance of new buyers to the future of the art market, the bulk of spending at the higher end is still concentrated on established collectors. In 2021, more than half (53%) of those spending over \$1 million were established collectors of over 20 years, while only 3% of new (five years or less) collectors had spent at that level, with similar shares in 2022 (48% longer-term collectors versus 4% new collectors).

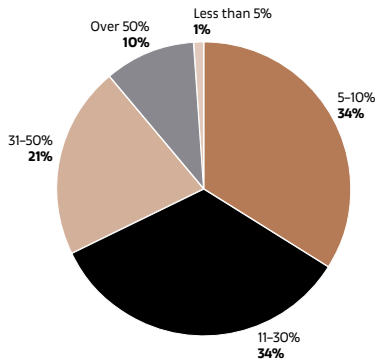
Figure 3.2 | Length of Time Collecting¹⁸



© Arts Economics (2022)

¹⁸ Percentages presented here throughout the report are rounded and reported to their nearest integer (apart from those less than 0.5%). In some cases, therefore, the integers in charts do not sum to 100% (but sum to 99% or 101%) due to rounding.

Figure 3.3 | HNW Collectors' Allocation to Art in their Overall Wealth Portfolio



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This sample of actively collecting HNW collectors tended to have a relatively high proportion of their overall wealth portfolios invested in art. A majority of 66% reported an allocation of over 10% (with wealth measured in this instance as including real estate and private business assets), while 32% allocated over 30% of their wealth portfolios to art (stable versus 2021), with the highest shares in France and Italy. This was likely to be most connected to the higher share of wealthier collectors in these two markets, who tend to allocate more to art than HNW collectors in lower-wealth tiers. In this sample, there was very little difference in allocation based on age or gender, but it rose

positively and in line with levels of wealth, with 62% of UHNW collectors averaging an allocation of higher than 30% (versus just 19% of those with wealth less than \$5 million). The share allocating 30% or more was as high as 84% for UHNW collectors in France and 70% in Italy.

A majority of 66% of HNW collectors reported an allocation of over 10% to art in their overall wealth portfolios



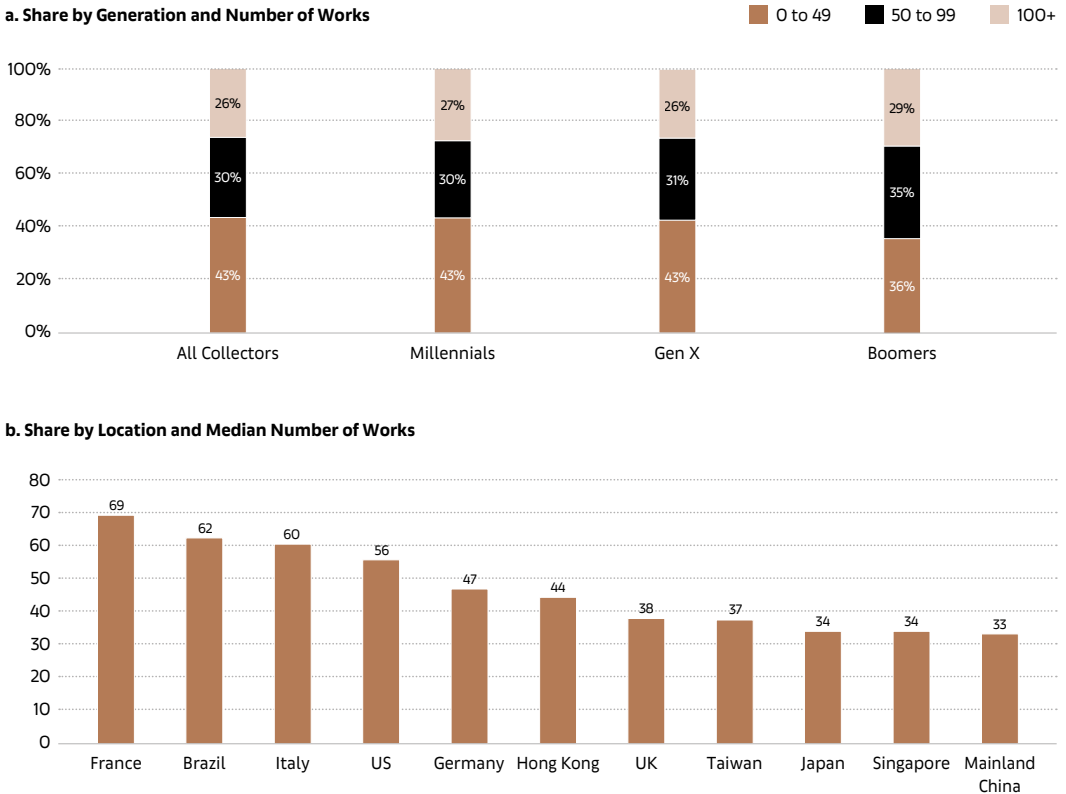
3.3 | The Content of Collections

The size of collections held by HNW individuals in the sample varied widely, with an average of 89 works. 43% of collectors owned less than 50 works, while 26% had larger collections of 100 works or more. These large collections skewed averages up, but the sample also had a relatively high median number of art works compared with previous surveys (45 versus 34 in similar surveys in 2021).

Boomers had the largest collections, with an above-average median of 55 works. The other segments were more on par with each other, converging on a median of about 45 works. Collection size also expanded with wealth, and those individuals with wealth above \$50 million averaged 73 works versus less than half that (33) for those with wealth between \$1 million and \$5 million.

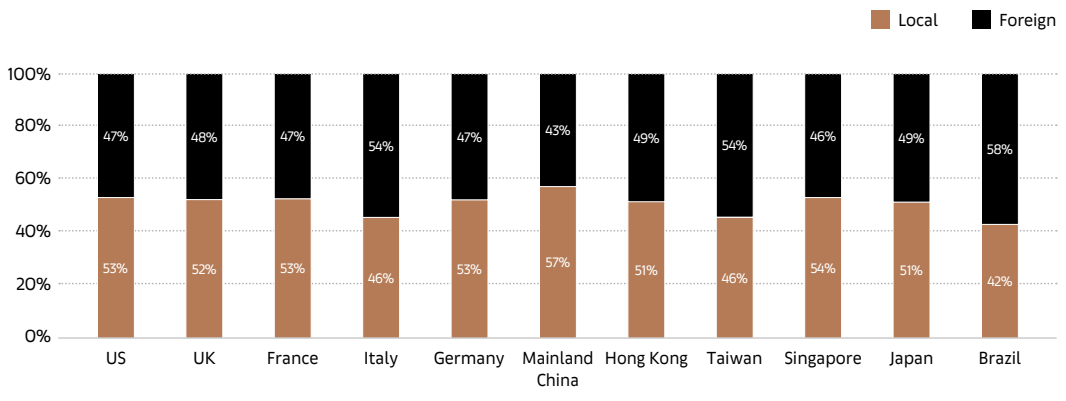
French HHNW individuals had the largest collections (with a median of 69 works) and, continuing the trend in previous surveys, collectors in some parts of Asia tended to have a smaller number of works, averaging 34 in Japan and Singapore and the lowest median in Mainland China at 33.

The size of collections held by HNW individuals in the sample varied widely, with a median of 45 works, and Boomers had the largest collections with an above-average 55

Figure 3.4 | Size of HNW Collectors' Collections

© Arts Economics (2022)

There has been much discussion over the last two years about whether and how the pandemic and other concerns such as sustainability may have encouraged more focus on local artists and markets. However, this has not yet led to significant changes in collecting habits when it comes to the nationalities and origins of the artists supported by HNW collectors. When similar surveys were conducted at the end of 2019, HNW collectors reported a slightly higher share of local artists in their collections (53%) than those from outside the region where they lived. Collectors from the largest and longest-established markets such as the US and the UK tended to have the highest shares

Figure 3.5 | Share of Works by Local versus Foreign Artists in HNW Collectors' Collections

© Arts Economics (2022)

of local artists (59% and 57%, respectively, in 2019), while those in Asia tended to have a higher share of foreign artists, with local artists accounting for a minority in collections in Hong Kong (42%) and in Singapore (47%), likely reflecting their much smaller art scenes.¹⁹

Rather than expanding, the 2022 survey revealed that the share of local artists held in collections was actually down slightly, with collectors having a balanced share of works by artists from the region in which they were based (51%) versus foreign artists from outside that region (49%).²⁰ However, there was variation between regions. Collectors in Mainland China had the highest share of local artists (57%), while other larger markets such as the US and UK were also above average, but even in these markets the share had considerably reduced versus 2019.

Conversely, some of the markets in Asia, including Hong Kong and Singapore, saw an increase in local focus over the last few years, with local artists becoming the majority in collections in both regions. The collections of respondents from Brazil, Italy, and Taiwan focused more on foreign artists in 2022, with Taiwan seeing a significant shift over time, from a 52% share of works by local artists in 2019 to 46% in 2022.

19 See Arts Economics (2020) *The Art Market 2020, An Art Basel and UBS Report*, at www.artbasel.com/about/initiatives/the-art-market.

20 These shares exclude the share of artists where collectors did not know the nationality of the artists, which averaged 19%.

The ease of collectors being able to access and view the work of local artists could be influential in some of these findings. Most markets, even some of the art hubs, have a dominant share of local artists both exhibiting at galleries, museums, and other institutions, as well as sold locally. This brings up the important question, for both artist and collector, of the role that local markets play in the careers of artists. While many artists have achieved significant commercial success through sales in local galleries, it is generally perceived that to achieve a higher level of critical acclaim (and therefore usually higher-priced sales), exhibiting internationally is a pre-requisite. Research in early 2020 before the COVID-19 pandemic using data supplied by Wondeur AI on where artists exhibited during their careers offered some interesting insights into this area, showing a strong home bias in nearly all markets. However, this bias differed greatly depending on the artist's career stage and, in some cases, the strength of the market to support the artist's growth.²¹

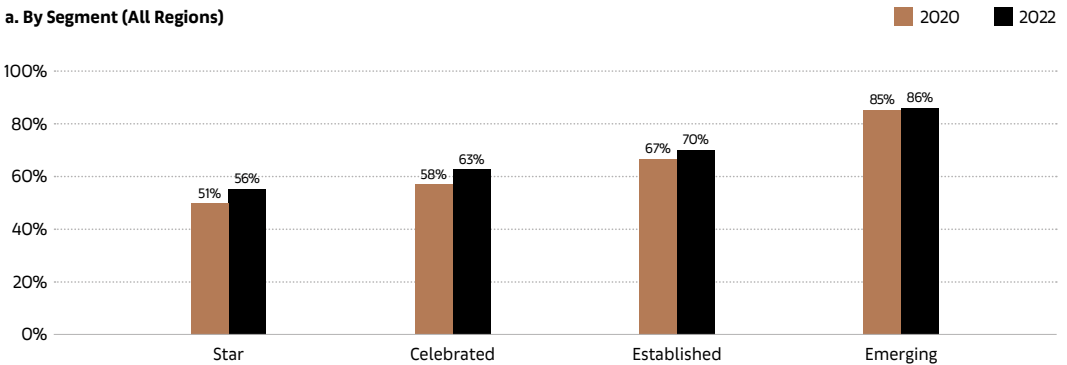
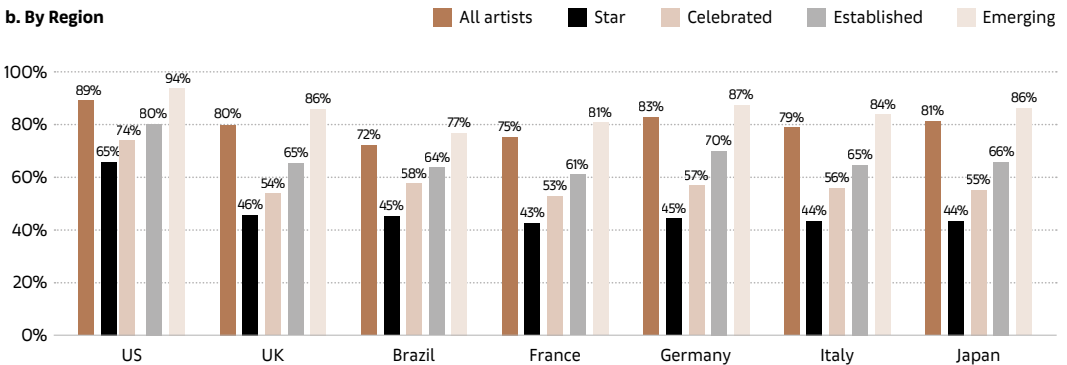
Considering a similar dataset in 2022 and using the categorizations assigned by Wondeur AI's database, artists were classified into four categories based on their level of fame or critical acclaim:

- Star artists (top-tier artists or top 1% of artists);
- Celebrated artists (the second 1%);
- Established artists (the next 14%); and
- Emerging and under-represented artists (the remaining 84%).

Figure 3.6 shows the share of the artist's exhibitions from each region in their home market versus the artist's total number of shows. Rather than being based on birth or nationality, the 'home' market was defined as where the artist had their most shows. The data shows a clear home bias, with 82% of artists exhibiting in their anchor markets across the seven countries analyzed. This share was highest in the US at 89%, a market that provides ample opportunities for local exhibitions. However, it also accounted for the majority in all of the markets given (with the lowest share of 72% in Brazil).

Figure 3.6a shows that there was a small rise in the share of local exhibitions overall in each segment in the last two years, with some of the biggest increments for Star and Celebrated artists, where the home share increased by 5% in each, while the Emerging segment was the highest but most stable. Figure 3.6b indicates that the share of home exhibitions falls as an artist's level of acclaim rises. Artists in each region exhibit considerably more internationally as their careers develop and their level of critical acclaim increases, including those in major markets such as the US.

²¹ Wondeur AI is a platform that analyzes the careers of artists using exhibition and other data from a range of over 50,000 global sources and covering an estimated 95% of the artists that have exhibited since 1900. The data in this section updates similar research published in Arts Economics (2020) *The Art Market 2020*, An Art Basel and UBS Report available at www.artbaseL.com/about/initiatives/the-art-market.

Figure 3.6 | Share of Artist's Exhibitions in their Home Market 2022**a. By Segment (All Regions)****b. By Region**

© Arts Economics (2022), with data from Wondeur AI

The average share of home exhibitions for Emerging artists across the seven countries analyzed was 86% (up 1% from 2020), ranging from 77% in Brazil to a high of 94% in the US. Those Emerging artists that did exhibit outside of their main market also tended to do so in just one other. In the Established artists' group, the share of home exhibitions rose to 70% (up 3% from 2020), lowest in France at 61% and highest again in the US at 80% (up 3% from 2020).

The higher tier of Celebrated artists showed a lower share again, with home exhibitions averaging 63%, up from 58% in 2020, and again much higher in the US (74%) than in other large markets such as the UK (54%) and France (53%), both of which increased over the last two years.

The top tier of Star artists had the lowest share of home-based exhibitions, averaging 56% over the seven regions (stable on 2020), from a high of 65% in the US down to 43% in France, with these artists exhibiting in the largest and most diverse range of external markets on average.

The analysis indicates only relatively small changes from early pre-pandemic 2020, despite the growth of digital sales and the perception of a more 'stay-at-home' collector base. Despite the appeal of local markets from the point of view of sustainability, artists appear to need to exhibit outside their home markets in order to achieve higher levels of fame and greater critical acclaim. A consistent finding is that this differs depending on the strength of the home market, most notably in the case of the US. The need for US artists to diversify internationally is much less than those artists from smaller markets, with a majority of exhibitions for US-based Star artists being home-based (and that share has increased over time). While this would give collectors greater access to a range of local artists at different levels (and HNW collectors from the US did show a small but positive bias toward local artists), its effect on their collection choices is less conclusive. The analysis also shows that in other markets, artists and galleries need to often shift their focus to key hubs like New York, where their careers can have greater support locally, meaning that there is also likely to be a better choice of artists of all nationalities and backgrounds for collectors.

The analysis also does point again to the operation of a two-tier market, where the works of more established and top-tier artists are exhibited (and traded) much more globally, while emerging artists, for the most part, are active in local art scenes.

Looking further at the content of collections of those surveyed, as in previous research, HNW collectors tended to hold a balanced selection of living and deceased artists' works, with an average of 53% of works by living artists (stable on 2021) and 47% by deceased artists.²² This was fairly consistent across age and wealth levels, as well as most regions, with the greatest share of living artists' works found in collections in Singapore (58%) and Italy (56%), and above average shares in Mainland China and Hong Kong. Newer collectors across all regions also tended to start off buying works by living artists, showing a higher share of 64% for those new to the market in the last two years versus 51% for collectors of 20 years or more.

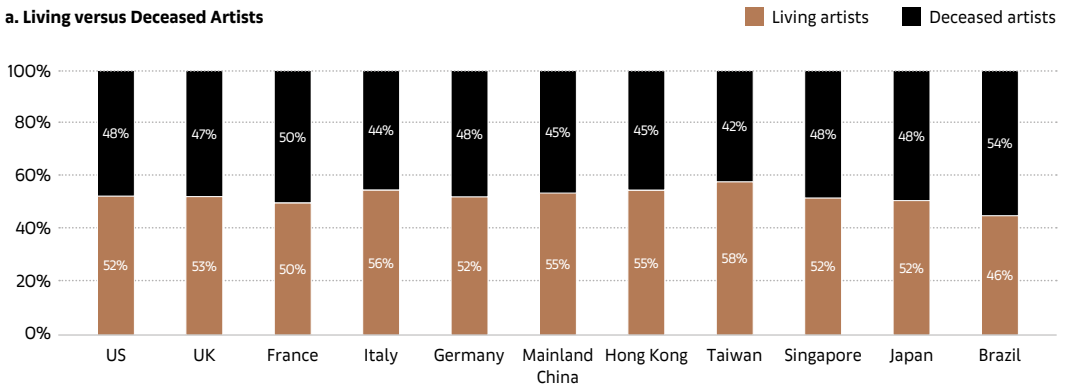
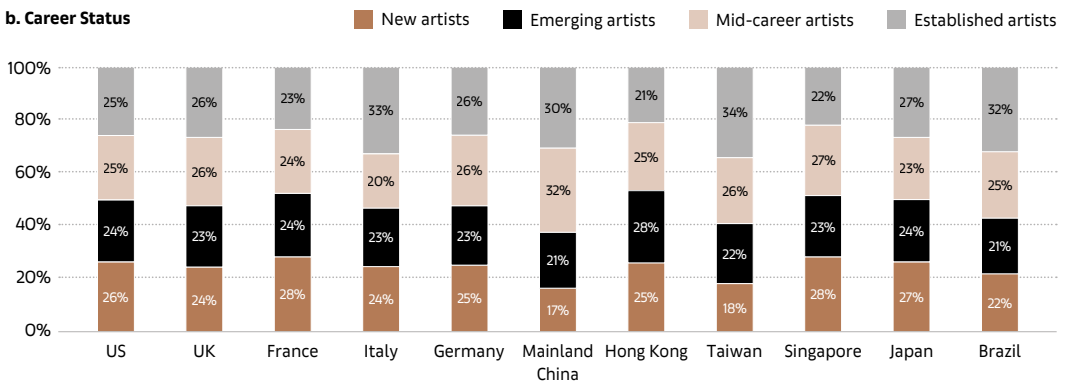
²² This share excludes works where collectors did not know or were unsure of the status of the artist, which averaged 19% of the total across all markets.

Collectors were also asked about the status of the artists they collected and their career stage. The findings again reinforced previous surveys, showing that most HNW collectors hold a diversified range of artists' works in their collections. Despite the fact that the wealthiest collectors are often seen as focusing primarily on top-tier artists, although these did make up a slightly higher share, collections were also balanced across all wealth levels. Overall, across all markets, works contained in collections could be classified as:²³

- 24% of works by *new artists* – artists who are new to the commercial market and not yet represented by a gallery;
- 23% by *emerging artists* – artists who are developing in their careers and have been showing in galleries or museums for less than 10 years;
- 26% by *mid-career artists* – artists who have been showing for more than 10 years in galleries or museums, with an established name or reputation but not yet considered top-tier; and
- 27% by *established or top-tier artists* – artists who have a strong and well-established secondary market in the auction and/or gallery sector, and are producing works that are selling regularly for prices in excess of \$100,000.

This diversity of artists within collections was common across all regions with minor differences, including a higher share of established artists collected by HNWIs in Taiwan and Italy. Collectors in Mainland China also had a relatively large share of their collections dedicated to top-tier artists, however, their largest collecting segment was mid-career artists (32%), which are the focus of many galleries in major cities such as Beijing and Shanghai. Even in the largest art markets of the US and UK, where there may be more local access to galleries and other businesses dedicated to top-tier artists, allocations to this top segment were not significantly higher. HNW collectors in the US also had the second-largest share devoted to new and emerging artists (accounting for half the works in their collections). It is notable also that the most popular destination for viewing art by new and emerging artists for collectors in all regions was New York, with Los Angeles and Miami in third and fourth place behind London. Although this was potentially influenced by the larger sample of US collectors biased by their ease of access, New York was also the top choice by collectors in most individual markets. (Collectors' regional preferences for viewing and buying art are discussed in greater detail in Chapter 5.)

23 This excludes a small share of works (9%) where collectors were unsure of the career status of the artist.

Figure 3.7 | Share of Works in HNW Collectors' Collections by Artist's Status**a. Living versus Deceased Artists****b. Career Status**

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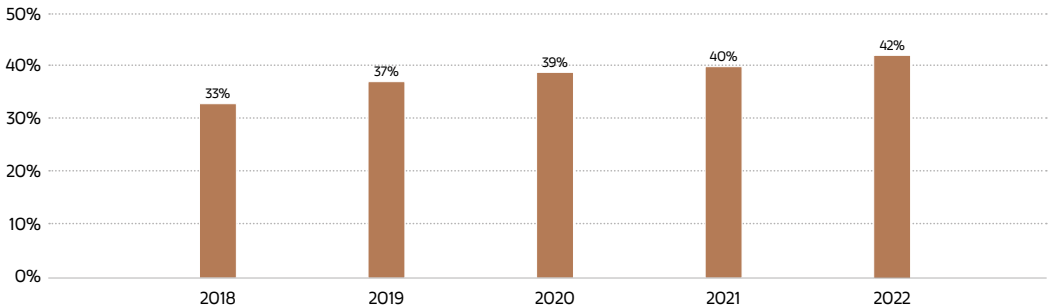
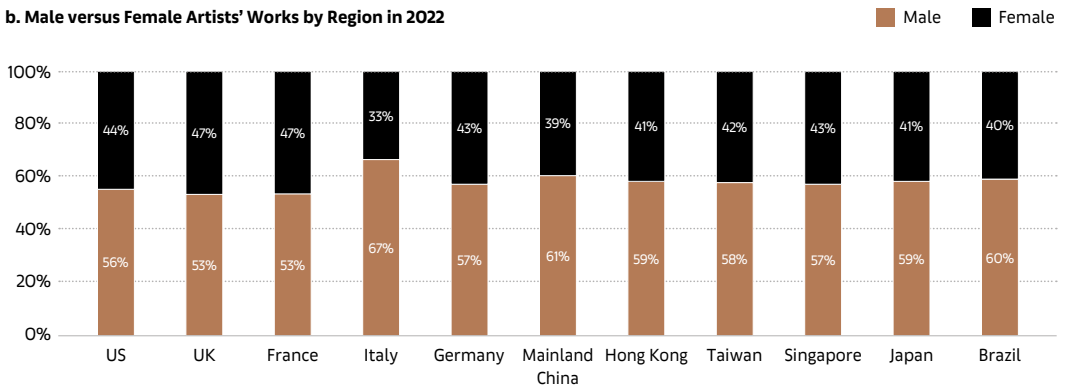
Although it might be expected that wealthier collectors held more works by higher-tier artists, this was not the case. In fact, the UHNW collectors in the sample showed a diversified range of artists including a slightly larger share of works in their collections by new or emerging artists (49%, versus 46% for those with wealth less than \$5 million). Collectors new to the market in the last two years also had a higher than average share of new and emerging artists (at 56%, with 35% being the work of new artists).

The selection of artists included in collections was not as balanced when it came to gender. Overall and without exception by region, age, wealth level, gender of the collector, or other criteria, works held in collections by male artists dominated female artists, averaging 58% versus 42%.²⁴ While collectors may not be biased in their choice of artists (and anecdotally relay that gender plays a minor role in purchasing decisions) the availability of female artists' works in galleries and auctions influences the composition of collections. While still unbalanced, the results showed promising signs of progress toward greater equity, with the share of female artists held in collections having increased over time. Although each survey has covered a slightly different mix of regions, the progression over the last five years from a share of just 33% in 2018 indicates that there are more works by female artists available to collectors and / or more being purchased.

Female artists' works were a minority in collections in all regions, with the highest representation in some of the longer established, larger markets such as the UK (47%), France (47%), and the US (44%). Consistent with previous research, the lowest representation was in Italy (33%) as well as Mainland China (39%, although this was up 3% in share from 2021). The greatest increases in representation included the UK (up 6% year-on-year and by 15% since 2018) and Hong Kong (up 5% year-on-year and 20% since 2018). Taiwan and France also showed year-on-year increases.

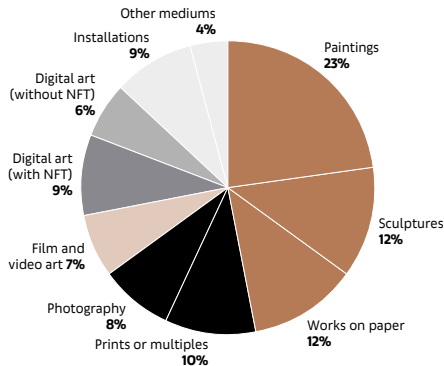
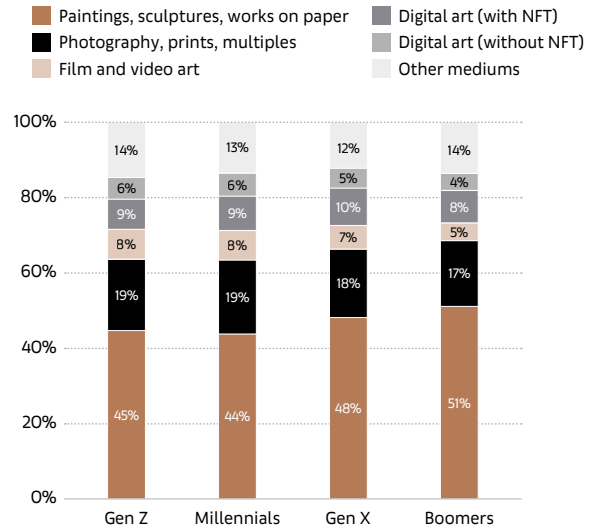
Overall and without exception by region, age, wealth level, or gender of the collector, works held in collections by male artists dominated female artists, averaging 58% versus 42%

²⁴ The share of works of male versus female artists cited here compares only those works where gender could be assigned to either. On aggregate in the sample, 25% of the works held could not have a gender assigned. These included 11% where it was unknown and 14% where it was identified as non-binary or could not be classified into male or female, including works created by artist duos, groups, or collectives.

Figure 3.8 | Share of Works by Male versus Female Artists in HNW Collectors' Collections**a. Share of Female Artists' Works (2018–2022)****b. Male versus Female Artists' Works by Region in 2022**

© Arts Economics (2022)

HNW collectors also collected art in a range of different mediums. Just under half (49%) of the objects held in collections in 2022 were unique works in traditional fine art mediums (paintings, sculptures, and works on paper), with paintings being the largest area of collecting in every individual market and across all generations, wealth levels, and length of experience collecting. Prints, editions, and photography made up a further 18%.

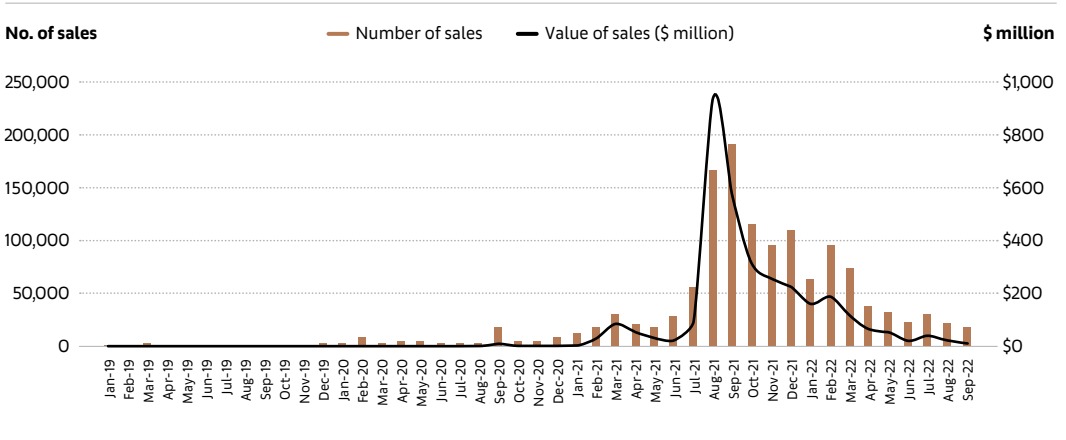
Figure 3.9 | Share of Works Held in HNW Collectors' Collections by Medium**a. All HNW Collectors****b. HNW Collectors by Generation**

© Arts Economics (2022)

The increasing interest in digital art over the last few years was also evident, with 15% of collections dedicated to digital art, 9% of which was digital art works linked with an NFT (and 6% other digital art that was not linked to or associated with an NFT).²⁵ The surge in interest in NFTs was one of the biggest trends in the market in 2021, even though most of their impact on sales was predominantly outside of the art market's traditional galleries and auction houses on NFT platforms. According to data supplied by NonFungible.com, art- and collectible-related NFTs sold on the main external NFT platforms grew from \$4.6 million in 2019 to \$11.1 billion in 2021. The value of sales for art-related NFTs also expanded rapidly, increasing over a hundredfold year-on-year to reach \$2.6 billion.²⁶ In addition, trading in art-related NFTs attracted a very large amount of short-term speculation, with an average resale period of only around one month. The market cooled substantially in 2022 as the

²⁵ Digital art works linked to an NFT refer here to what is commonly known as 'crypto-art'.

²⁶ See Arts Economics (2022) *The Art Market 2022. An Art Basel and UBS Report*, available at www.artbasel.com/about/initiatives/the-art-market. NonFungible.com includes all qualified trades occurring on the Ethereum, Flow, and Ronin blockchains. Their sales correspond to the 'qualified' volume of NFT transactions, that is, any transaction or activity that can be associated with legitimate market activity or an existing project.

Figure 3.10 | Sales of Art-Related NFTs on NFT Platforms 2019–2022

© Arts Economics (2022) with data from Nonfungible.com

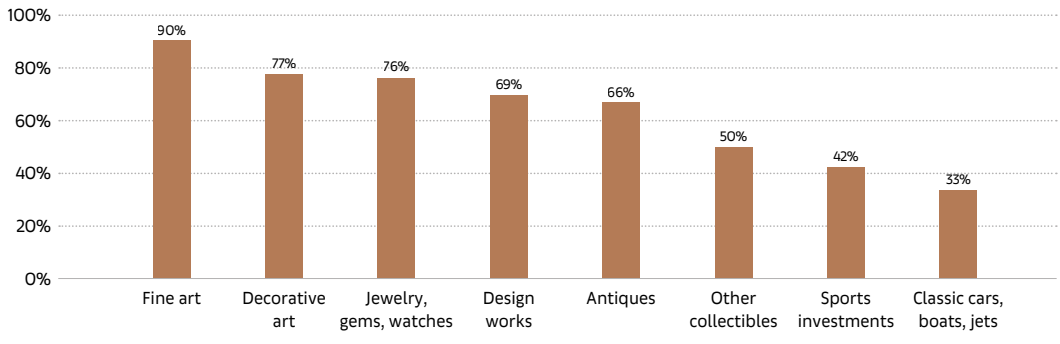
price of Ethereum dropped around 75% from the end of 2021 to June 2022, and the volume of trades also slowed as the market became more saturated.²⁷ This helped to subdue the media frenzy around NFTs and art, as well as reducing some of the most speculative traders. Despite the drop in values, the market in the first half of 2022 still reached \$610 million, down from \$2.4 billion in the second half of 2021, but significantly larger than the first six months of 2020 (\$240 million) or the entire year in 2020 (\$22 million) or 2019 (just over \$605,490).

However, the slowdown has not reduced interest in art-related NFTs among HNW collectors and the share allocated to digital art as a whole advanced 5% year-on-year from the surveys in 2021. The highest share of digital art was reported in collections in Taiwan (21%) and Brazil (18%); these markets also had the highest share of digital art associated with NFTs (14% and 12% respectively).

²⁷ After peaking in November 2021, the price of Ethereum in US dollars had lost more than 75% by mid-July, according to data extracted from CoinDesk, see www.coindesk.com/price/Ethereum.



Figure 3.11 | Share of HNW Collectors Who Purchased Art, Collectibles, and Luxury Assets in 2020–2022

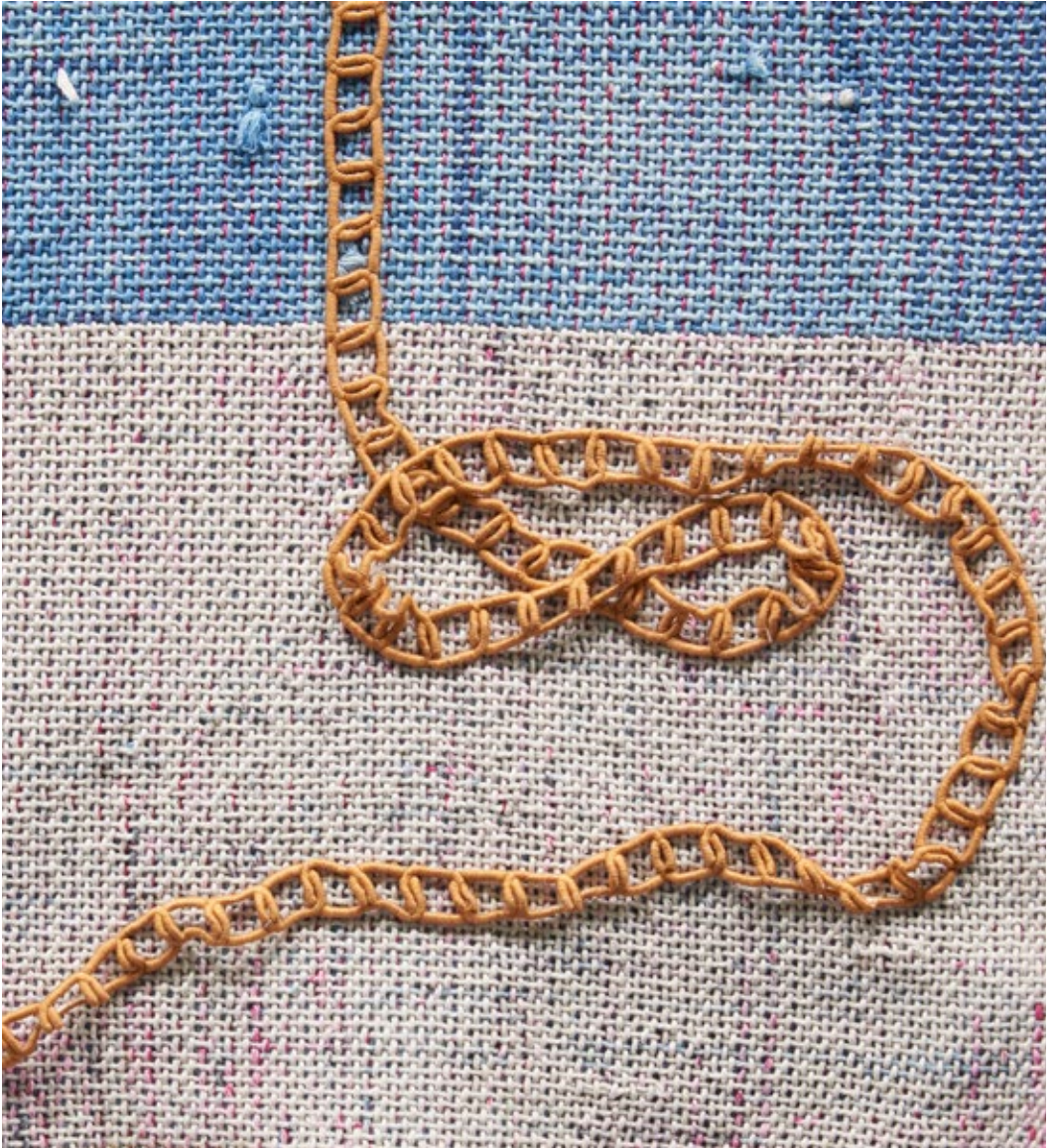


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3.4 | Spending by HNW Collectors

While the pandemic brought about a sharp reduction in sales and cross-border trade in the international art market, these were temporary contractions and the recovery in values was clearly evident by 2021. One of the factors driving the rapid recovery in sales was strong spending by HNW collectors during the last few years, with growing wealth in many areas helping to encourage a strong bounce back in demand, alongside the art trade's adaption to the new and challenging context.

Due to the screening criteria for the survey, all respondents had bought either fine art (90%), decorative art (77%), or antiques (66%) in the previous two-year period. There was evidence of significant cross-collecting with other luxury and collectibles markets, with 76% of the sample having also purchased jewelry, gems, and watches. The majority (69%) had also bought 20th or 21st century design works. Fine art was the most popular category across all generations and in most regions apart from Brazil and Italy, where more jewelry, gems, and watches had been purchased. It is also notable that the ranking between different types of assets was unchanged year-on-year, however, both fine art and decorative art have gained a higher share over jewelry, gems, and watches since 2019 when the latter was the most frequently purchased of all categories.



3.5 | HNW Collector Expenditure 2019–2022

The surveys in 2021 showed that despite the difficulties created by the COVID-19 pandemic in focusing on collecting and accessing sales of art, most HNW collectors were actively engaged in the art market, and in fact many even more so than in pre-pandemic years. This survey showed a similar increase in activity from 2019 through 2021, as well as sustained, even stronger spending in 2022.

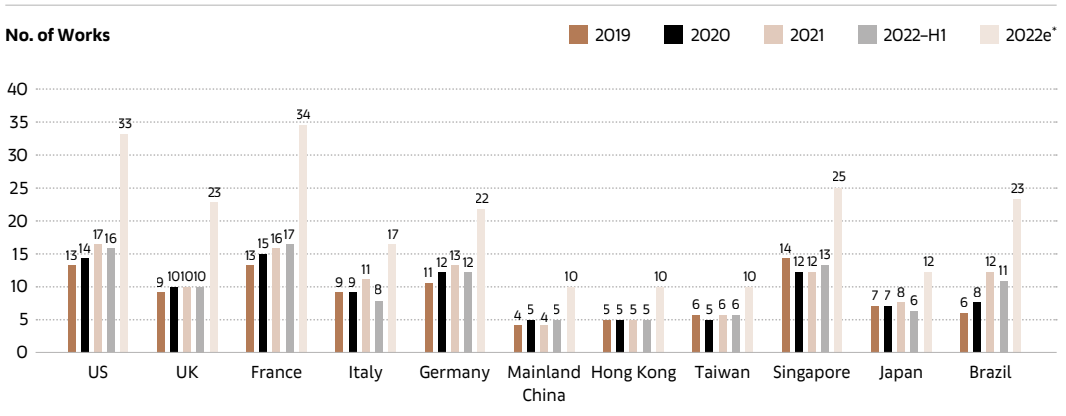
On average, collectors purchased more works (including fine and decorative art and antiques) in 2021 than they did in 2020 (with an increase in the median number purchased from nine to 10), and they expected to purchase twice as many works as this in 2022. Across all markets, collectors reported that they had already purchased 10 works from January through June 2022, and expected to purchase a further 10 in the second half of the year. When forecasting expenditure, there can be a tendency for optimistic projections, however, if these expectations do pan out, this would double the volume of purchases on 2021. Even considering only the first half of the year, buying in 2022 was already on par with 2021 in most cases, indicating a much stronger year in terms of the number of works purchased.

Projections for 2022 were buoyant across all regions, with the greatest advances in the major art markets of the UK, Mainland China, Hong Kong, as well as Singapore, where collectors expected to buy more than twice as many works as in 2021. The highest median number of works purchased so far in 2022 was in France (17) and the US (16), while the lowest was in Mainland China and Hong Kong, both with a median of five.

Gen Z collectors in the sample bought the largest number of works in both 2021 and the first half of 2022 (12 works in the six-month period). Looking at purchasing and estimates for the entire year in 2022, Gen Z collectors also reported a higher average (22 works), ahead of millennials (21), Gen X (20), and Boomers (18). The volume of works purchased across all generations more than doubled from 2019 through to 2022, indicating that the pandemic has done nothing to dampen the volume of art being purchased by HNW collectors.

The value of spending of HNW collectors also increased substantially, both in 2021 and again in 2022. The median expenditure on fine art, decorative art, and antiques by HNW collectors in this sample rose from \$100,000 in 2019 to \$136,000 in 2020, and again by 20% in 2021 to \$164,000.²⁸ In the first half of 2022 this steady growth continued with an equally large advance to \$180,000, and plans for the remainder of the year indicated intentions to spend even more, with an estimated

²⁸ The average spending per collector in 2021 was \$2.7 million across these three categories. The average showed a less dramatic but similarly positive increase of 25% from \$1.2 million in 2019 to \$1.5 million in 2020, and a further increase of 74% in 2021.

Figure 3.12 | HNW Collectors' Median Volume of Purchases by Region 2019–2022

© Arts Economics (2022)

* 2022e includes actual purchases reported from January to the end of June 2022, plus planned purchases estimated for the rest of 2022 (July to December).

rise to \$192,000, which would push total expenditure for the year to more than double 2021's figures (at \$372,000). It is important to note that respondents' purchasing hopes and forecasted expenditure plans for the remainder of 2022 may not materialize as expected. However, Figure 3.13 shows that spending levels in the first half of 2022 were already higher than the entire year in 2021, and the two preceding years, including in 2019 before the pandemic. In addition, whether they turn out to be accurate or not, the optimistic forecasts for spending in the latter half of 2022 indicate strong confidence in the market and significant purchasing intent by the HNW collectors in this sample.

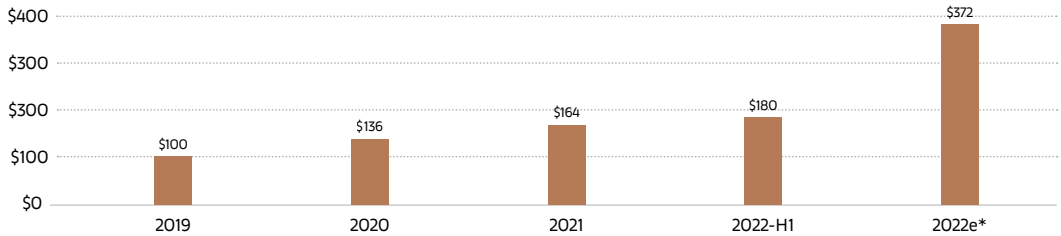
Spending increased in all markets, with the highest spending levels in the first half of 2022 in France, Mainland China, and Hong Kong. France had by far the highest median spending in all years, including close to \$2 million in the first half of 2022, which was very likely influenced by the larger number of UHNW collectors in the French sample (with wealth having the expected strong and very positive effect on expenditure across all markets).

Steady spending was also apparent across all generations. While younger millennial and Gen Z collectors reported the highest median spending prior to the pandemic, Boomers have seen some of the biggest increases over the last few years and reported the second highest average value in 2021 and 2022 next to Gen Z collectors. All generations spent more, and based on averages, expenditure in the first half of 2022 more than doubled the median level of the entire year in 2019.

Figure 3.13 | HNW Collectors' Median Expenditure on Art and Antiques 2019–2022*

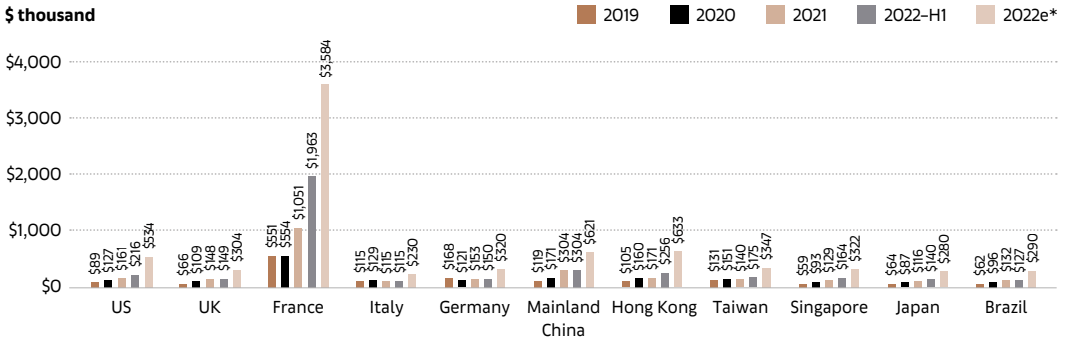
a. All Collectors

\$ thousand



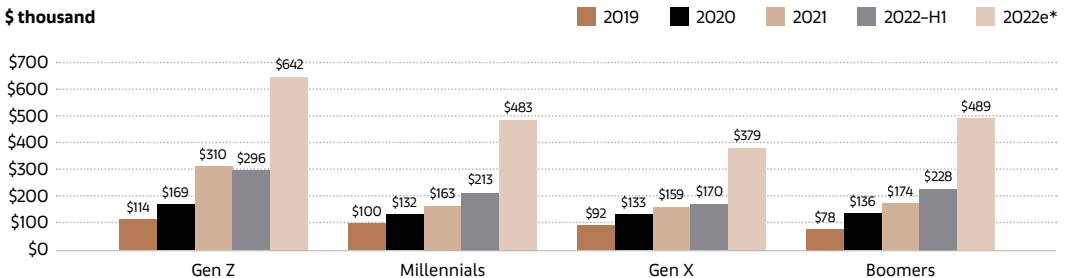
b. By Region

\$ thousand



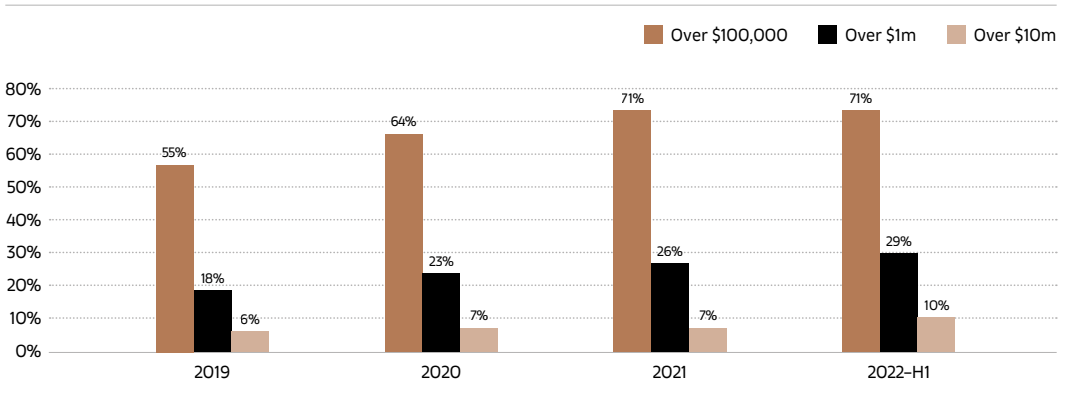
c. By Generation

\$ thousand



© Arts Economics (2022)

* 2022e* represents reported spending for the first half of 2022 plus collectors' forecasts of their expected spending for the remainder of 2022.

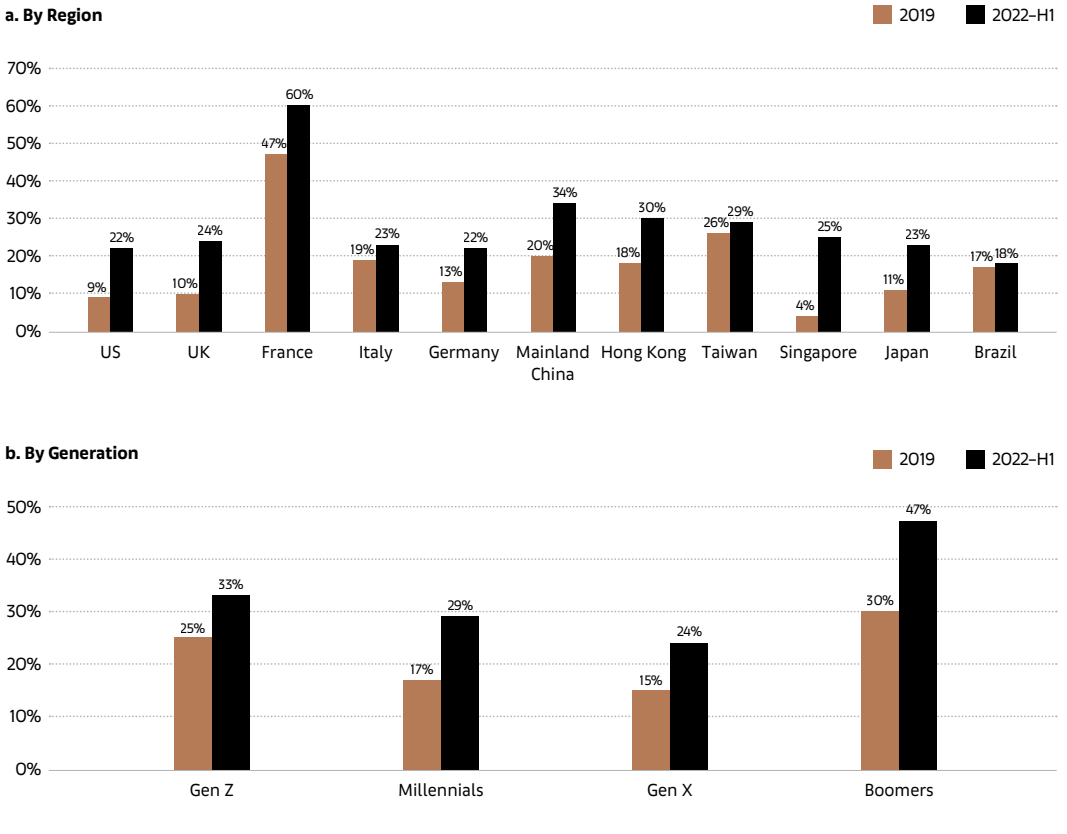
Figure 3.14 | Share of HNW Collectors by Spending Level 2019–2022

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The screening criteria for the survey meant that all respondents had spent over \$10,000 on art and antiques in 2020 and 2021, and more than \$5,000 already in 2022. However, in practice, many had spent significantly larger amounts, driving the averages higher each year.

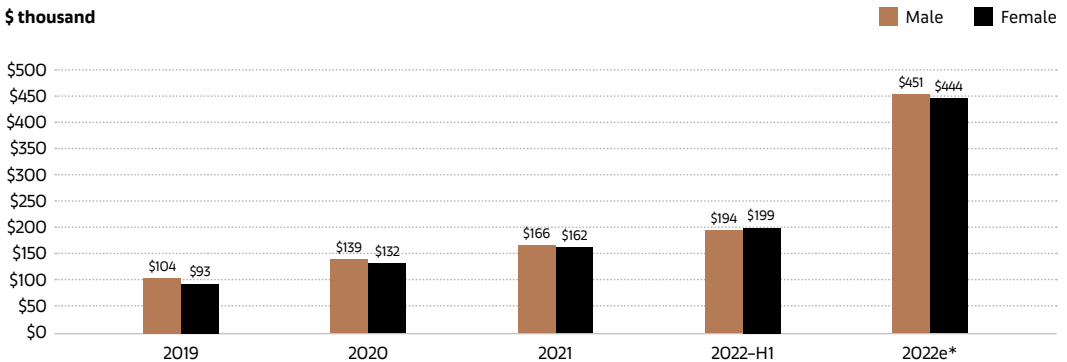
In 2019, just over half (55%) of respondents had spent over \$100,000 on art and antiques, and this share rose to 64% in 2020 and again in 2021 to 71%. A similar share of 71% had also spent at this level in the first six months of 2022, indicating again the strong demand this year. The pandemic also had little apparent negative effects at the higher end of the market, with spending at the level of over \$1 million per year expanding over the last three years, from 18% in 2019 to 26% in 2021. In the first half of 2022, despite only reporting on six months of spending, this share reached its highest in the period at 29%, including 10% who had spent more than \$10 million. When they were asked about their plans for the second half of 2022, just over one third of respondents (34%) planned to spend over \$1 million, with a higher share of 14% estimating that they would spend over \$10 million.

Despite some variation in levels between regions, increasing numbers of HNW collectors spending at the higher end was a consistent trend across all regions. France had by far the highest share, but the US, the UK, Mainland China, and Singapore saw some of the biggest increases over time.

Figure 3.15 | Share of HNW Collectors Spending Over \$1 Million 2019 versus 2022

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The rise was also consistent across generations, with Boomers having the highest share of spending over \$1 million and the largest advance in this segment over time, reaching a high of 47% in the first half of 2022. Plans were even more buoyant for the second half of the year, ranging from a low of 30% of Gen X collectors up to 51% of Boomers planning to spend over \$1 million on art. Regardless of whether these plans materialize for the remainder of 2022, the findings in Figure 3.15 indicate that there is already a larger share of spending by HNW collectors at the top end of the market than in previous years.

Figure 3.16 | Median Expenditure on Art and Antiques by Male versus Female HNW Collectors

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Consistent with the findings in previous surveys, the most obvious drivers of higher spending are personal wealth and the length of time collecting. Just under half (48%) of those collecting for more than 20 years had spent over \$1 million in the first half of 2022, versus one quarter or less for those newer to the market in the last ten years. Over half (56%) of UHNW collectors (with personal wealth over \$50 million) had spent over \$1 million already in 2022 (from 47% in the entire year of 2019) compared to just 10% of those collectors with less than \$5 million in personal wealth.

Female collectors saw a greater advance in spending in both 2020 and 2021 than male collectors, although this remained at a slightly lower median level in 2021 (at \$162,000 versus \$166,000). However, this was reversed in the first half of 2022, with women slightly outspending men with a higher median expenditure of \$199,000, more than double the level of the entire year in 2019. 29% of the female collectors surveyed had already spent over \$1 million in the first half of 2022, and over one third (35%) planned to spend at that level in the second half of the year, with both shares larger than those in the sample of male collectors.

Overall, these findings indicate that, while the pandemic may have affected the spending patterns of those in other wealth categories, for this group of HNW collectors, it has done little to discourage purchasing, and in fact spending has risen substantially on average since pre-pandemic 2019.

In addition to buying more, HNW collectors were also buying at higher prices. When respondents were asked about the price range they most often purchased works of art at, the number of collectors transacting most frequently at prices above \$100,000 had grown from 48% in 2021 to 59% in the first half of 2022. The share of those most regularly buying works priced at over \$1 million also nearly doubled (from 12% in 2021 to 23% in the first half of 2022, on par with levels reported in similar surveys in 2019).

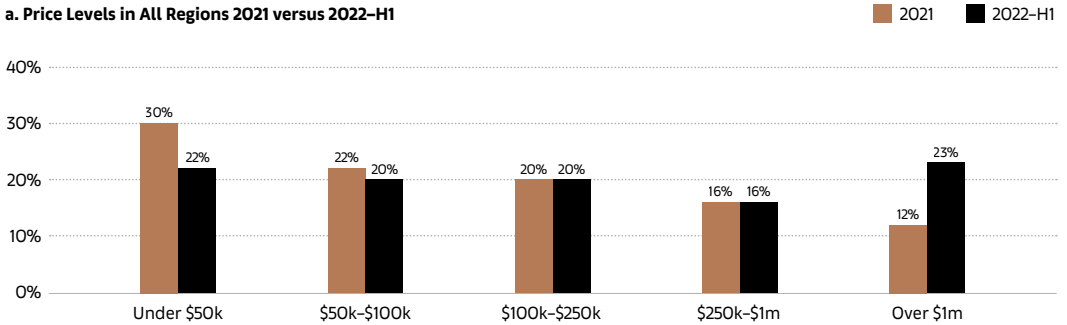
The price points at which collectors regularly bought art rose in direct proportion to both their wealth and the length of time they had been collecting. Around half (46%) of those with wealth in excess of \$50 million most regularly bought works for over \$1 million in 2022, versus only 7% in the \$1 million to \$5 million wealth range. There were also regional differences, with a higher-than-average share of \$1 million-plus spenders in this sample in France, Mainland China, Hong Kong, and Taiwan. All regions saw a significant increase in the share of HNW collectors spending at higher prices from 2021 to 2022, with some of the largest increases in the Chinese markets of Mainland China and Hong Kong.

In the first half of 2022, Boomers generally purchased art at the highest prices, with 39% reporting typically buying art at prices of over \$1 million, while millennials had the second highest share (24%, doubling in level from 2021 to 2022). Gen Z collectors were the most likely to spend at lower prices, with 26% spending in a range lower than \$50,000, including 10% less than \$10,000.

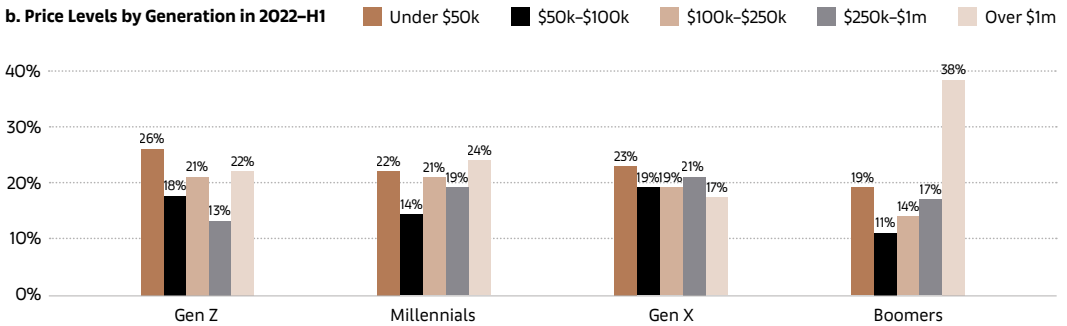
In addition to buying more, HNW collectors were also buying at higher prices, with the share regularly purchasing works priced at over \$1 million nearly doubling from 12% in 2021 to 23% in 2022

Figure 3.17 | HNWK Collectors' Most Common Price Range for Purchasing Art

a. Price Levels in All Regions 2021 versus 2022–H1



b. Price Levels by Generation in 2022–H1



c. Share Spending at Prices Over \$1 Million 2021 versus 2022–H1

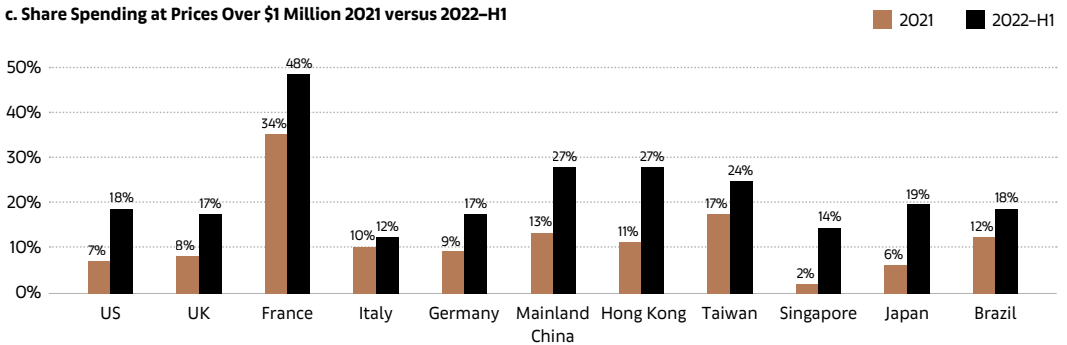
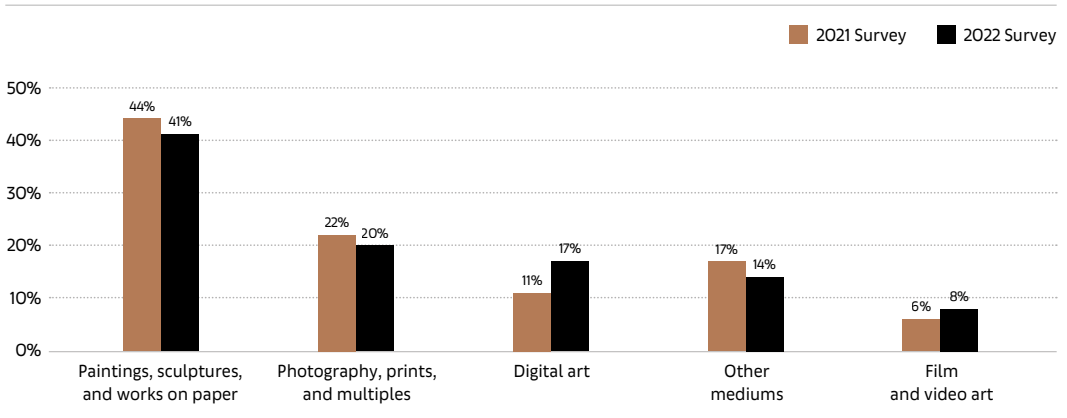




Figure 3.18 | Share of HNW Collectors' Expenditure by Medium in 2021 and 2022

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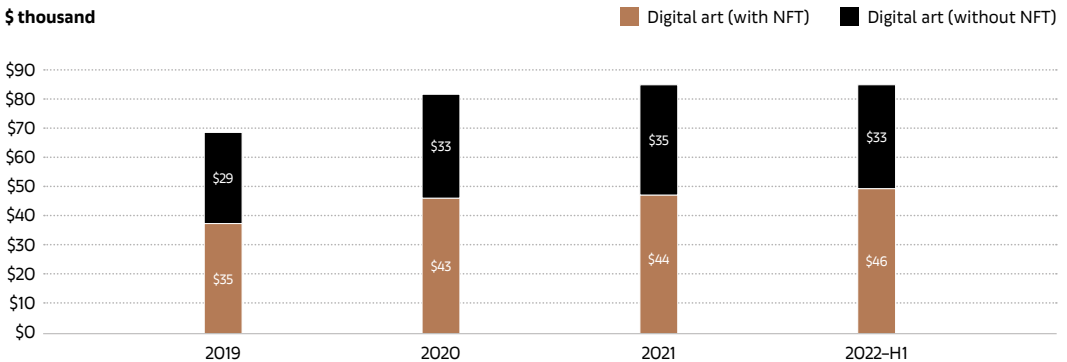
3.6 | HNW Collector Expenditure by Medium

The increasing interest in digital art and NFTs has been a key collecting trend over the last three years. Although not related directly to the pandemic, the concentration of time spent online in the absence of events, the increase in e-commerce, developments in new platforms for sales and wider trends in wealth and finance have all been cited as encouraging greater interest in this medium.

Despite the increased focus on digital art, the traditional mediums of paintings, sculptures, and works on paper still accounted for a considerably higher share of spending in the first half of 2022. Based on the median spending in each category, these works accounted for 41% of total expenditure by HNW collectors, while the share of digital art was 17%. Spending on digital art was made up of both digital art associated with NFTs (10%) and other digital art (7%). Although this sample reported relatively stable spending by medium year-on-year, compared to the previous HNW collector polling at the end of 2021, the share of spending on digital art increased by 5% in 2022.

Despite the cooling of sales of art-related NFTs in 2022, there was still evidence of strong spending by HNW collectors in this area in 2022. Focusing only on those collectors who had purchased digital art in 2022 (72% of respondents across all markets), 12% had spent more than \$1 million on digital art associated with an NFT in the first half of the year (and 10% for other digital art without an NFT), and 38% had spent over \$100,000.²⁹

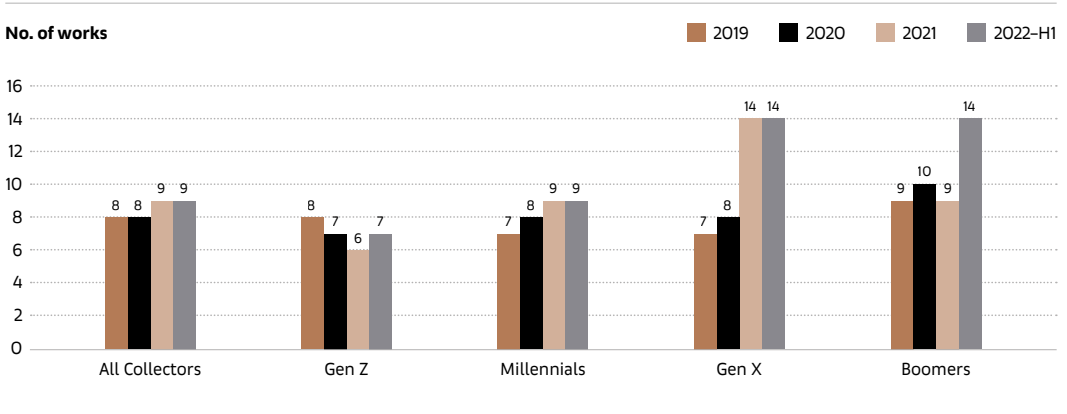
29 HNW collectors were asked to report their spending on digital art, outlining both spending on 'crypto-art', that is, on digital art that was purchased with an associated NFT, as well as spending on digital art without an NFT associated with it.

Figure 3.19 | HNW Collectors' Median Expenditure on Digital Art*

©Arts Economics (2022) * Median based only on those having purchased digital art in 2022

Based on the median expenditure of this segment actively buying in 2022, spending on digital art with an NFT rose from \$35,000 in 2019 to \$44,000 in 2021, and in the first six months of 2022 had already exceeded this level, reaching \$46,000. HNW collectors' reported spending plans for the rest of the year showed even higher averages despite the slowdown on NFT platforms outside the art market. Combining their spending in the first half of 2022 and their plans for the rest of the year, collectors forecast that they could spend up to \$96,000 each on average on digital art with an NFT, with spending on other digital art (without an NFT) also forecast to reach a high of \$76,000, which would double the level in 2021.

It is notable that in this sample, 26% of Boomers had spent over \$1 million in 2022 so far on digital art with an NFT (versus around 10% for millennial and Gen X collectors and 17% for Gen Z). This higher level of spending was also reflected in the median expenditure for the period, with Boomers spending \$157,150 on digital art with an NFT, more than double the median of Gen Z collectors at \$55,200 and three times the level of millennial and Gen X (\$40,250 and \$45,065 respectively). Although it is not possible to draw generalized conclusions from the small sample of Boomer collectors that were active in the segment in 2022 (only around 100 respondents), it does indicate that those that were buying digital art were spending large amounts.

Figure 3.20 | Median Number of Digital Art Works with an NFT Bought by HNW Collectors*

©Arts Economics (2022) * Figures reported only by those having purchased digital art in 2022

Figure 3.20 shows the median number of digital art works with an NFT purchased over the last few years, again only including those that had purchased at least one digital work in 2022. This shows that despite the declining wider context for NFT sales, HNW collectors still bought as many art-related NFTs in the first half of the year (nine) as they had in the whole of 2021, when NFT platforms peaked in terms of values and volumes. It also shows that Gen X and Boomer collectors were slightly more active than their younger peers during 2021 and 2022, with the median number of digital art works purchased with an associated NFT by Gen X collectors more than double the number of Gen Z in both years.

Despite the declining wider context for NFT sales, HNW collectors still bought as many art-related NFTs in the first half of 2022 as they had in the whole of 2021

One of the reasons why the fall in activity on NFT platforms may have had less of a noticeable impact in this sample is that most of the HNW collectors surveyed tended to buy NFTs related to digital art from galleries and dealers. In 2021 and 2022 in this sample and over all regions:

- 88% of collectors had purchased digital art with an NFT through a gallery or dealer;
- 77% had purchased through an auction house;
- 25% had purchased through an NFT platform or another online platform; and
- 1% had used other channels.

These figures were fairly consistent between regions, with the highest use of NFT platforms in Brazil (54%) and Hong Kong (37%). They were least frequently used in Singapore (9%) and Japan (13%). Gen Z and millennial collectors also tended to use them more than older collectors, although still a minority in each case (28% and 26% respectively versus just 16% of Boomers). Across all generations, the most common channel to buy NFT-related digital art was through a dealer or at an auction.

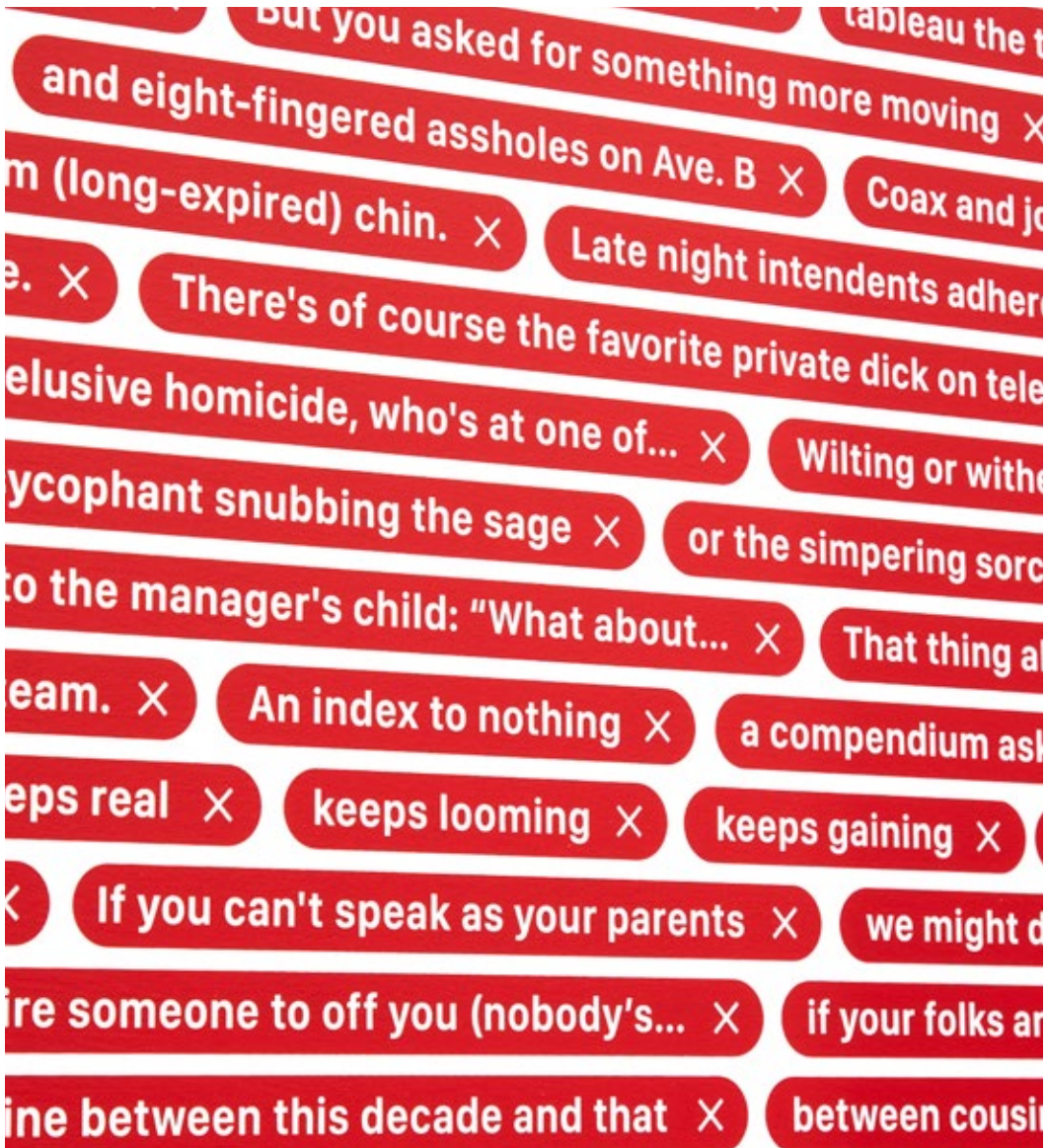
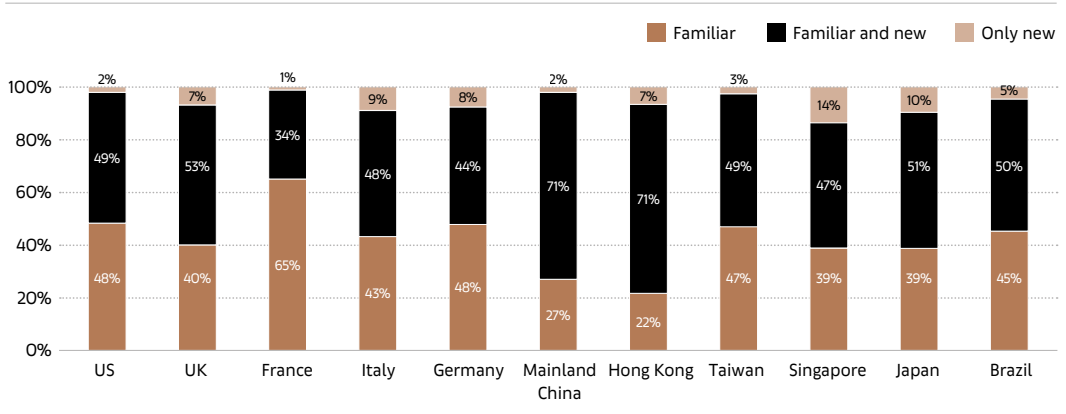


Figure 3.21 | HNW Collectors' Purchase Focus Regarding Artists in 2022

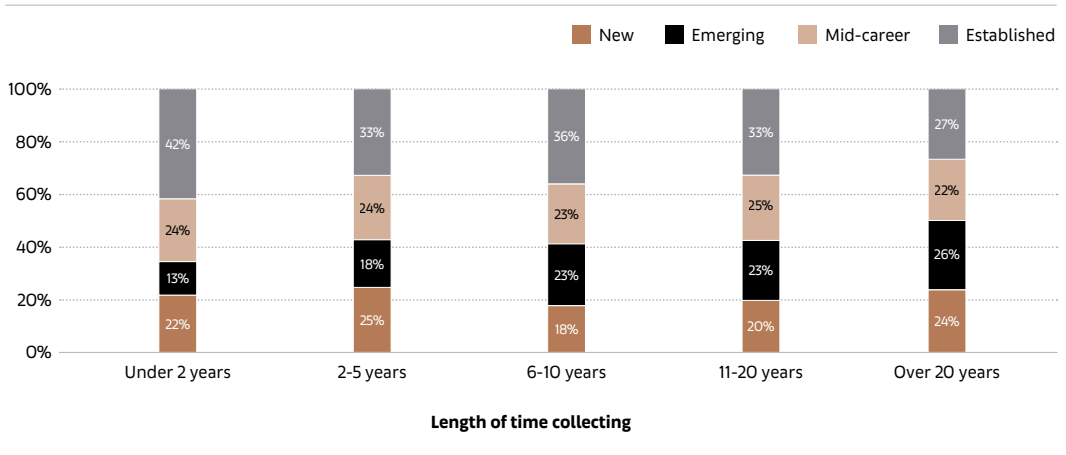
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3.7 | HNW Collector Expenditure by Artist Focus

During times of uncertainty, a common method used to reduce perceived risks is for collectors to stick to what they know best, only buying works by artists that are familiar to them from galleries and businesses they have established relationships with. Sticking to familiar patterns of behavior may have been due to risk-aversion during the pandemic, but it was also a proactive means for some collectors to support the artists and galleries they knew and worked with through a difficult phase. (HNW collectors' interactions with galleries are discussed in Chapter 4.)

In the first half of 2022, little had changed, and many collectors were still only buying the work of artists familiar to them or who they had bought before (43%, down just 1% on 2021). Just over half (52%) had bought both artists they knew and while also discovering new ones, and a small minority of just 6% only focused on purchasing new artists they had discovered in 2022, on par with the findings of 2020 and 2021.

There were some regional differences, with the greatest share of collectors only buying works of artists they knew in France (65%) and in the US and Germany (both at 48%). As in 2021, these shares were considerably lower in Hong Kong (22%), and Mainland China (27%), with most collectors in these markets buying both familiar and new artists.

Figure 3.22 | HNW Collectors' Expenditure on Artists in 2022 by Length of Time Collecting

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There were few significant differences between generations, however, Boomers were slightly more risk averse in 2022. Having had the highest share (9%) only purchasing new artists in 2020 and 2021, this fell to 4% in 2022, lower than their millennial and Gen X peers (6%, stable on 2021).

Further analysis of HNW collector spending in 2022 reflected a diversified focus with regard to the artists they collected. Using the previously defined segments, 45% of the expenditure by HNW collectors in 2022 was on works by new (21%) and emerging artists (24%), a further 24% on mid-career artists, and 31% on established, top-tier artists. There was a higher share of spending on top-tier artists in Hong Kong (39%) and Mainland China (36%), however, in all markets, collectors tended to buy across all levels.

While this also held across generations, there were differences based on the level of experience with collecting. The newest collectors in the sample, who had been buying art for less than two years, had a considerably higher share of spending on established artists in 2022 (42%, versus 27% for collectors of more than 20 years), indicating the potential importance of these new collectors for the high end, plus a tendency for those with less experience in the market to try to reduce risks by purchasing better-known artists.

As art is a large and relatively infrequent purchase, new collectors who are unfamiliar with the market may attempt to lessen the risks, time spent, and search and information costs associated with more traditional forms of connoisseurship and gallery going by only buying well-recognized works or those by famous artists. In doing so, they minimize their own risk through reliance on the established preferences of previously successful buyers. Collectively, these risk-reducing techniques tend to reinforce the often-cited ‘superstar phenomenon’ in the art market, where the works of the most famous artists are in the highest demand and achieve the highest prices while emerging artists struggle to gain attention and face ever higher hurdles in gaining entry.³⁰ Evidence of this risk-reducing behavior also means that new buyers entering the market do not always broaden tastes or do more to help new and emerging artists *ceteris paribus*.

Risk-reducing techniques tend to reinforce the often-cited ‘superstar phenomenon’ in the art market, where the works of the most famous artists are in the highest demand and achieve the highest prices while emerging artists struggle to gain attention

³⁰ This has been a widely discussed issue in the art market in recent years. However, important seminal papers on superstars in the arts and sports date back to the early 1980s, including Sherwin Rosen (1981) ‘The Economics of Superstars.’ *American Economic Review*, Volume 71, Number 5, and Moshe Adler (1985) ‘Stardom and Talent.’ *The American Economic Review*, Volume 75, Number 1.



3.8 | Buying Channels Used by HNW Collectors

Besides the effects of the COVID-19 pandemic on the level of expenditure in the market, a widely discussed issue is the increasing variety of ways that collectors access sales and the channels they use for transactions. The rapid escalation in online purchasing has been one of the most important developments in the art market over the last few years. While online art sales were already growing prior to the onset of the pandemic, despite the substantial contraction of sales overall in 2020, online sales reached their highest-ever recorded level (\$12.4 billion), doubling in value from 2019. As collectors could not access gallery premises, and events and travel were restricted, the art trade's pivot to online communications and sales became critical for the maintenance and survival of many businesses. During the pandemic, traditional galleries and auction companies significantly engaged in digital sales and marketing strategies, while art fairs' online viewing rooms (OVRs) and a range of third-party platforms further expanded the options for collectors, who began to use e-commerce in a more mainstream way. Some of the growth in e-commerce was a direct knee-jerk reaction to this unique context, however, growth continued in 2021 (at a more moderate rate of 7% to \$13.3 billion). Indications are that this has continued in 2022 as most businesses in the art market, having invested more in their digital sales platforms and online presence, maintained strong online sales alongside a fuller return to live sales, fairs, and exhibitions.

To assess whether HNW collectors had made significant changes in the methods they chose to purchase art and antiques, they were asked a series of questions about their engagement with different sales channels in 2022. The most commonly used channel for purchasing art in 2022, as has been the case in most previous surveys, was through a gallery or dealer. In 2022, 93% of HNW collectors had purchased from a gallery or dealer either directly, online, or through a fair. Excluding art fairs, 88% had purchased from a dealer or gallery, up from 76% in 2021.

In 2022, 93% of HNW collectors had purchased from a gallery or dealer either directly, online, or through a fair

The most common method of accessing dealer sales has traditionally been through their physical gallery premises, but this shifted temporarily in 2021 to using a dealer's website or OVRs, a sign of the increasing comfort level and ease of many collectors with buying online. However, in 2022, there was evidence of a return in preferences to buying in person, and purchasing from a dealer's premises or gallery was again the most commonly used (although the use of all three channels expanded significantly from 2021). In the first half of 2022:

- 73% of respondents had purchased from a dealer at their gallery or premises;
- 69% had purchased from a gallery directly through their website or OVR; and
- 60% had made a purchase using either an email or phone call to the dealer only.

Many collectors accessed dealers in multiple ways, including buying from them at art fairs, and only a minority used solely one: 13% only bought exclusively from dealers via their gallery premises, 9% only bought from their websites or online platforms, and just 5% only purchased using phone or email.

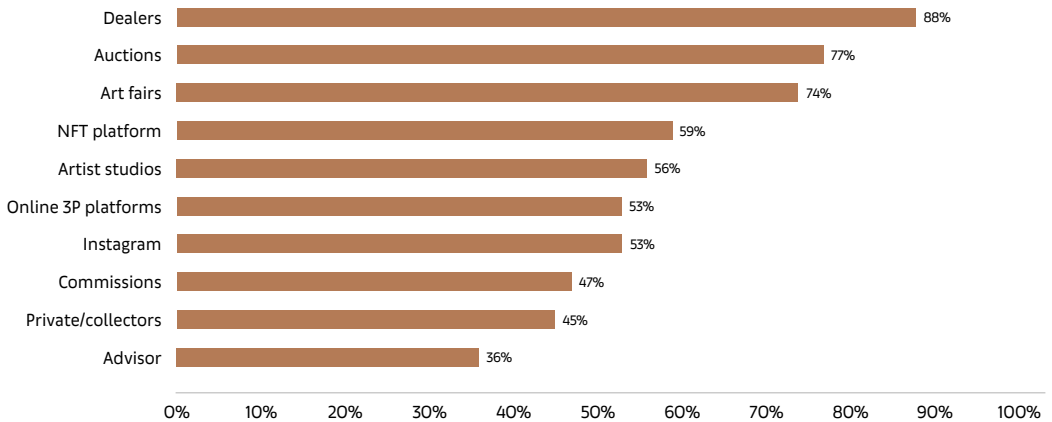
The share of HNW collectors having made a purchase through an art fair also expanded significantly. 74% of the sample had purchased at an art fair in 2022 (versus 54% in the surveys of 2021),³¹ including both those who had bought at live events and / or buying through an OVR. As a fuller schedule of live fairs returned, 65% of collectors reported having bought a work through an in-person event (from 37% in 2021), and 59% through an art fair OVR.³²

As a fuller schedule of live art fairs returned,
65% of HNW collectors reported
having bought a work through an in-person
event (from 37% in 2021)

31 In the 2021 surveys, HNW collectors were asked only to indicate which channels they had used in 2021, whereas the questions in this 2022 survey regarding use are based on reported spending in each channel. Although these two questions elicit the same information, the difference in the format of questioning may have influenced responses, if for example, collectors did not count channels in which they only spent small amounts in 2021.

32 Half of the sample had done both (purchased both at a live event and via an art fair OVR).

Figure 3.23 | Sales Channels HNW Collectors Used for Purchasing in 2022–H1



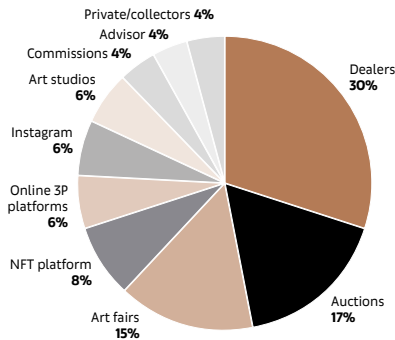
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Figure 3.23 also shows the popularity of auctions, being the second most widely used channel for HNW collectors in 2022. External online platforms were also used by a majority of collectors, including NFT platforms (59%), with just over half (53%) of the sample having purchased art via other online third-party platforms and via Instagram – purchasing art directly through a link on Instagram to an artist, gallery, or other seller.

While Figure 3.23 indicates if channels were used at all during 2022, Figure 3.24 shows how much was spent through different channels. HNW collectors spent the most through dealers, accounting for 30% of their total spending in 2022, including 13% at galleries, 10% via online dealer platforms and 7% by phone or email. A further 15% was through dealers at art fairs (or a total of 45% through all dealer-related channels).

The second largest channel for expenditure was auctions (17%, down from 20% in the surveys of 2021), with a higher than average share in Mainland China (21%). Gen Z collectors showed a slightly

Figure 3.24 | Share of HNW Collector Expenditure by Sales Channel in 2022–H1

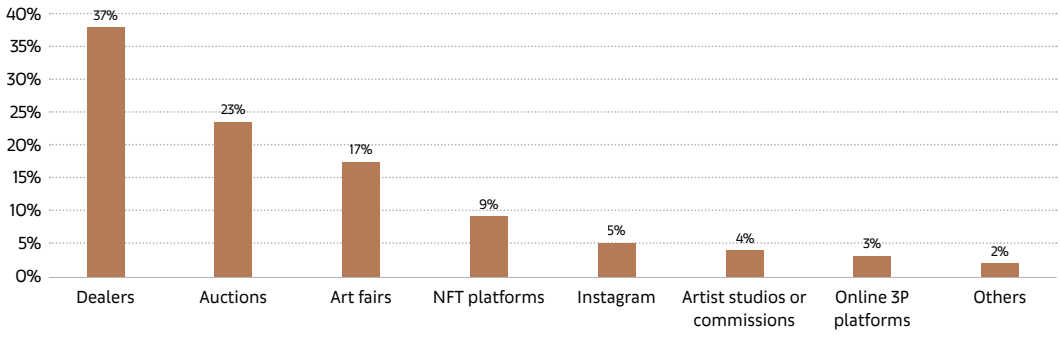


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larger share of spending via auctions than their older peers (at 19% versus 16% for Boomers), and new collectors of less than two years had a considerably higher share (28%), indicating the importance and popularity of auctions for new and younger collectors entering the market. There was also a significant level of transactions occurring outside galleries, auctions, and fairs, with some collectors buying on external online platforms or choosing to interact directly with artists. In 2022, on average across all regions, 10% of the value of HNW collectors' spending was made purchasing directly from artists, either buying from their studios (6%) or commissioning work (4%). These shares were relatively stable across regions and generations, although expenditure on commissioning works tended to be lower for new collectors, and the share also rose proportionally with wealth.

Sales on external online and social media platforms accounted for 20% of the total, with the NFT platforms (8%) attracting more value than other third-party platforms and Instagram (6% each). All three had significantly lower use and spending levels than buying from a gallery online. It is worth noting that while online sales on Instagram and art fair OVRs were relatively low, these platforms are often used as a first step in sourcing works and discovering new artists, with eventual sales made through galleries, at auction or directly from the artist. Similarly, HNW collectors also use advisors for many aspects of transacting, including sourcing, legal and regulatory advice, and appraisal and valuation, but still conduct the sales themselves through other channels, meaning reported shares may significantly understate the use of advisors by HNW collectors. As in previous surveys, buying through an advisor was the least common channel and had a low share of spending in 2022 (4%).

A relatively small share of spending (4%) was made purchasing directly from other private parties, and as indicated above, less than half of the collectors had used this channel.

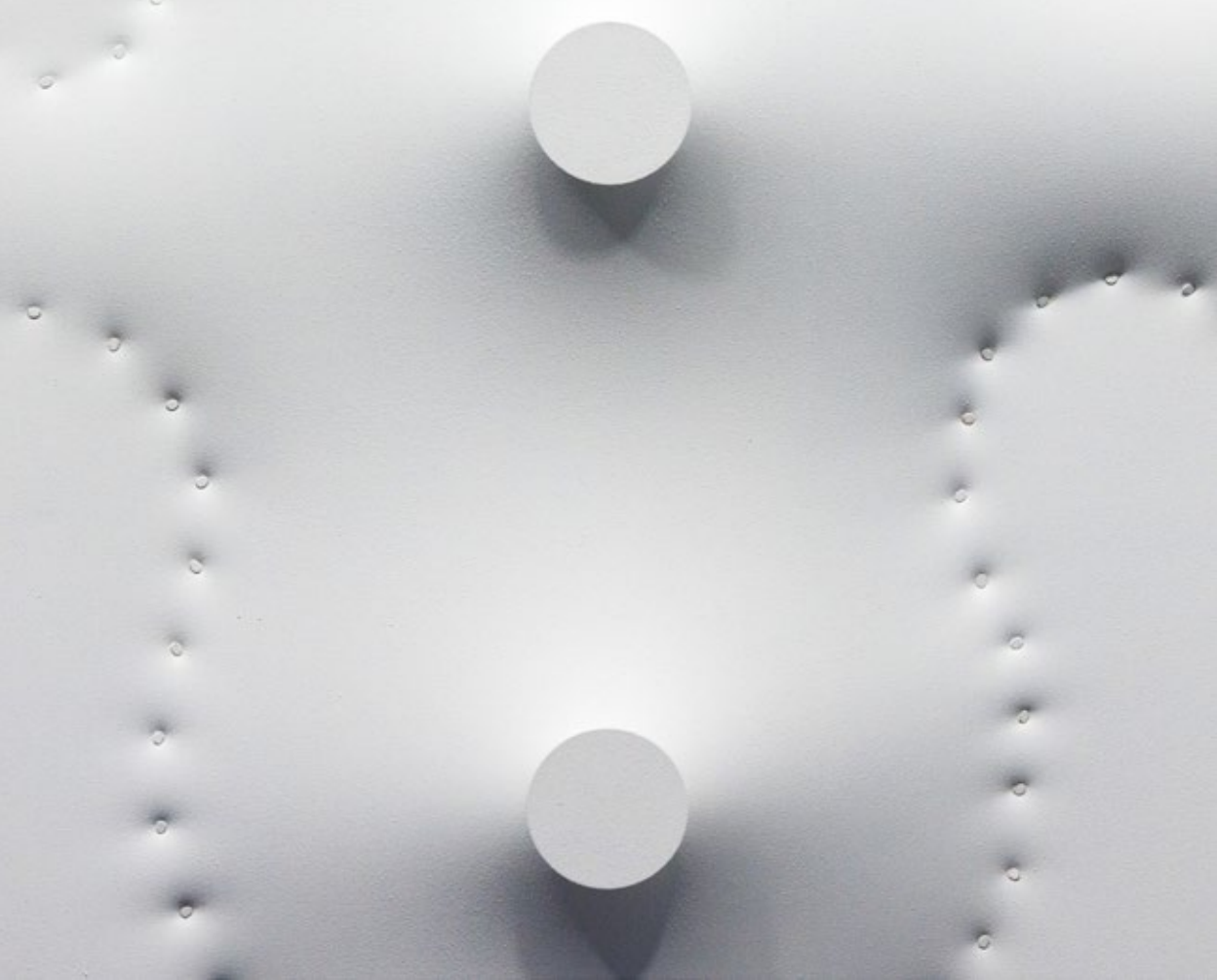
Figure 3.25 | HNW Collectors' First Preferences for Purchasing Art in 2022

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Aside from being the most widely used and accounting for the greatest share of spending, dealers and galleries were also the first preference for most HNW collectors when it came to buying art, as has been the case in previous years. In 2022, 37% of respondents preferred to buy from a dealer (down slightly from 2021 at 40%), while for 17%, their first choice would be buying from a dealer at an art fair (up 2% year-on-year).

Dealers were the most preferred way to purchase in nearly all regions, with the exception of Brazil and Germany where auctions led (consistent with surveys in 2021), and in Mainland China, where dealers were on par with auctions. They were also the most common choice across all generations. The second most popular channel overall was auctions (23%), while external online platforms (including NFT platforms, Instagram, and other online 3P platforms) were the first choice of 17% of the sample, up from 13% in 2021.

HNW Collectors & Dealers in 2022



4.1 | HNW Collectors and Dealers

One of the most consistent results of the surveys of HNW collectors over time has been a preference for buying art and antiques through a dealer. As discussed in Chapter 3, these results were stable in 2022 by region and across generations.

When they were asked why they would prefer to purchase from a dealer than use other channels, the top five reasons reported were (in descending order):

- Their ability to verify or authenticate works of art (with 36% opting for this in their top three reasons);
- The quality of the works and artists they offer (35%);
- Their ability to shape and advise on the career direction of artists (33%);
- Their trustworthiness and reliability (32%); and
- To get a more accurate valuation of works prior to buying them (29%).

Although privacy and discretion are often proposed as a key reason to buy through a gallery or dealer, this was one of the least cited motivations in 2022 (with only 3% of collectors having this in their top three).

One of the most consistent results of the surveys of HNW collectors over time has been a preference for buying art and antiques through a dealer

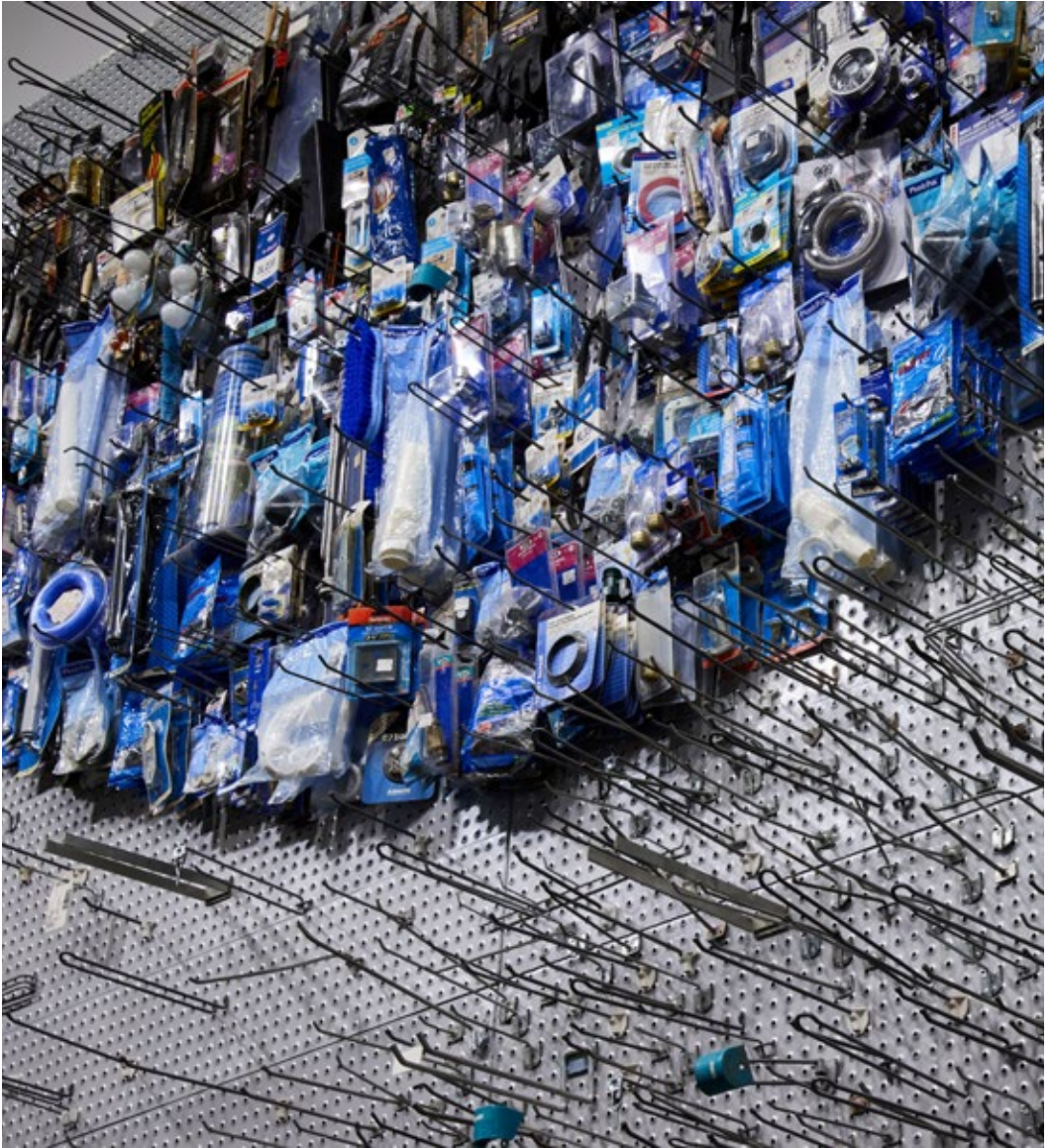
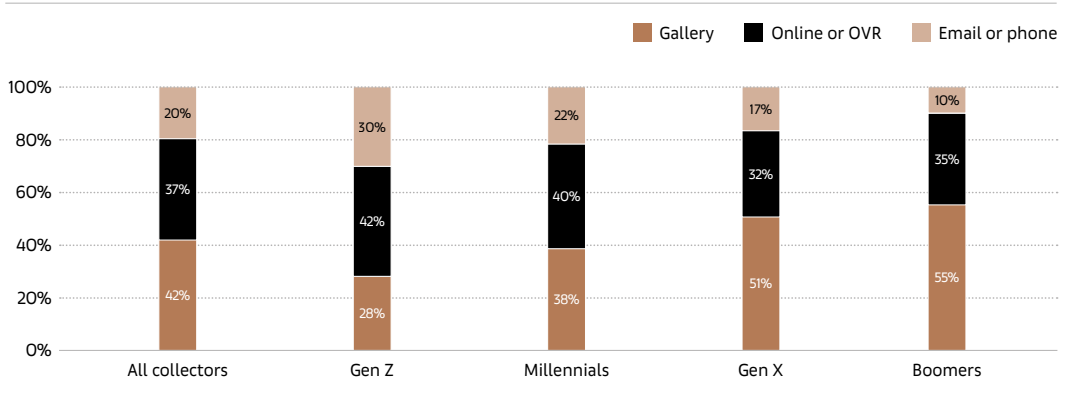


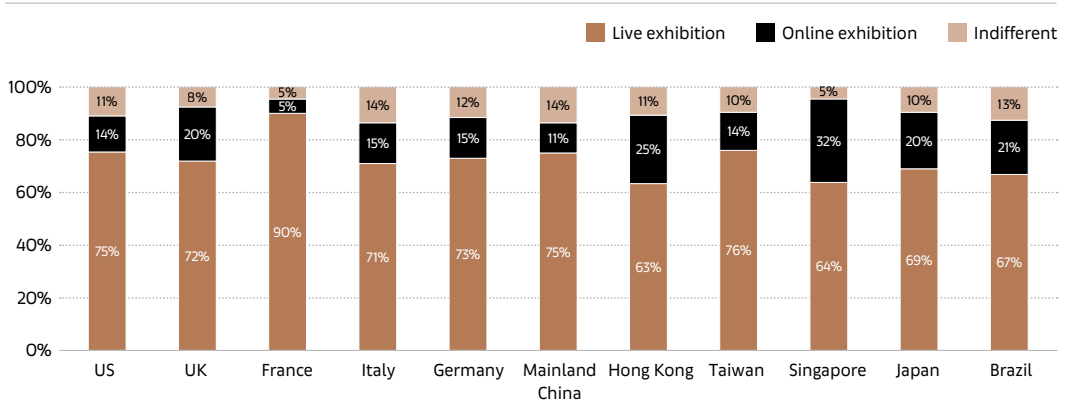
Figure 4.1 | HNW Collector Preferences for Purchasing Art from a Dealer in 2022

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4.2 | Buying Art in Person versus Online

Of those collectors who preferred to buy art and antiques from dealers, 42% would favor buying from them in person at their gallery or premises (down from 44% in 2021 and 57% in 2020), with 37% preferring online (up 2% from surveys in 2021 and by 8% from 2020), revealing an increase in the acceptance of buying sight unseen. There were some regional variations, including a higher share of collectors in France and Singapore favoring dealers' online sales (both 50%), with the lowest preferences for online in Mainland China (29%). There were also distinct differences between generations, with a tendency for younger collectors to prefer online channels, phone, or email than older peers.

When asked about buying from art fairs, the majority of HNW collectors still preferred live events (66%) versus art fair OVRs (34%)

Figure 4.2 | HNW Collector Preferences for Viewing Art for Sale in 2022

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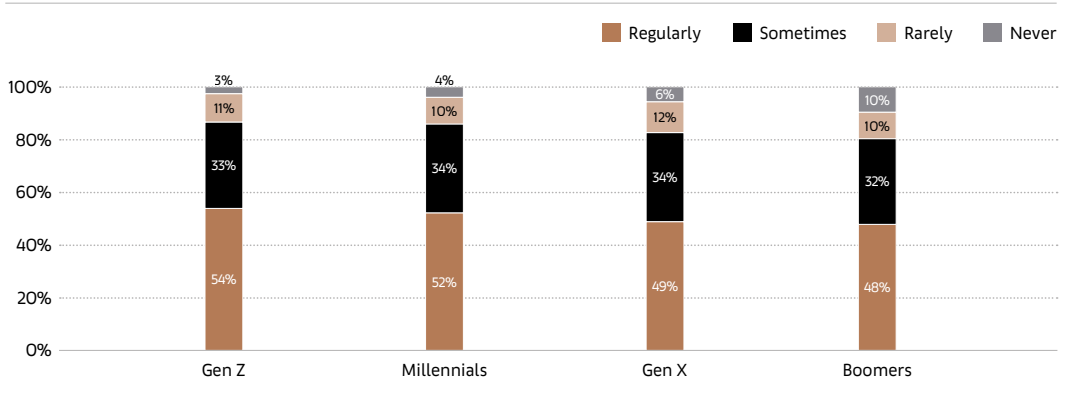
However, when asked about buying from art fairs, the majority of HNW collectors still preferred live events (66% in 2022, up 6% in share from 2021) versus art fair OVRs (34%). Although restrictions during the COVID-19 pandemic and other concerns regarding travel and sustainability might have encouraged greater use of online sales and exhibitions, it appears that, if given a choice between offline and online experiences, most collectors still prefer to view art at a gallery or a fair.

In this sample across all markets:

- 73% preferred live or in-person viewing at a gallery or fair, up 4% on the surveys of 2021 and 7% on 2020;
- 17% preferred OVRs or exhibitions (down by 2% on 2021); and
- 10% were indifferent to one over the other.

There were some variations by region, with stronger preferences for online in Singapore (32%) and Hong Kong (25%), consistent with the findings in 2021. However, it was still a minority in all regions, including as low as 5% in France (also lowest in 2021).

There were only small differences between generations, with collectors of all ages opting for live exhibitions ahead of online if given the choice. As with previous surveys, more new collectors prefer buying online from a dealer (25% of those who had been collecting for less than two years versus only 9% for collectors of more than 20 years). This may be due to the fact that some new collectors find access to online exhibitions and sales an easier and less intimidating first step into the market.

Figure 4.3 | Share of HNW Collectors Buying Art Online Without Viewing in Person

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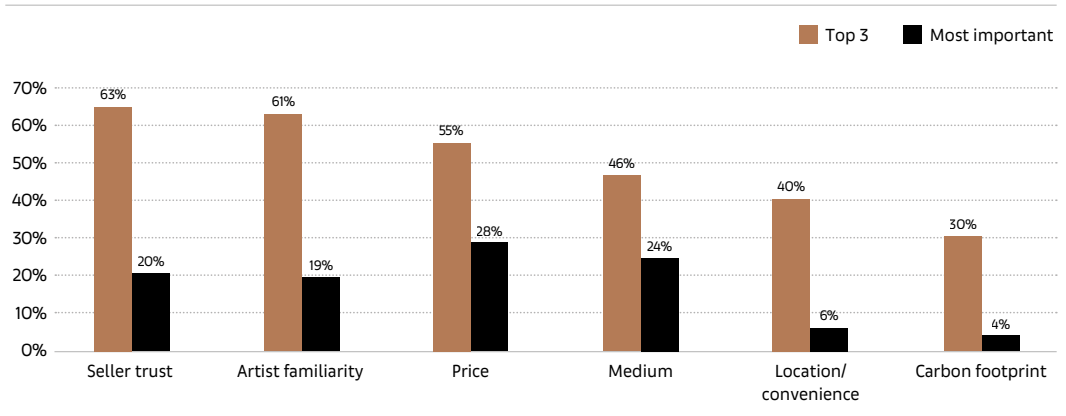
The stalling of events and exhibitions during the pandemic and the strength of the art trade's response in developing digital channels for art transactions have led to greater debate about the importance of viewing art in person prior to a purchase. 95% of the HNW collectors surveyed had purchased works of art without viewing them in person first, with just over half (51%) regularly doing so, 34% buying sight unseen sometimes, 10% rarely, and the remaining 5% had never purchased a work without seeing it in person first. It was notable that the highest shares of regular online-only purchasers were in two of the largest art markets, the US (61%) and the UK (57%), whereas some of the lowest were in Brazil and Taiwan, where around one quarter of respondents had rarely or never purchased art without viewing it in person. The tendency to purchase regularly online in this way also declined with the age of the collector, with 10% of Boomers never having bought online sight unseen versus only 3% of Gen Z collectors.

Whether they did so regularly or not, nearly all collectors (93%) thought it was important (42%) or very important (51%) to see a work in person before purchasing it, and only 1% felt it was not important (with the remaining 6% indifferent). This very small minority deeming it unimportant was consistent across regions, generations, wealth levels, and level of experience, with the one exception being new collectors, where 21% of those collecting less than two years felt it was not important.

Despite increasing online activity and significant advances in viewing and e-commerce functionality, seeing works in person prior to purchasing remains important to collectors

These results indicate that despite increasing online activity over the last few years and significant advances in viewing and e-commerce functionality, seeing works in person prior to purchasing remains important to collectors. The existence of both these trends simultaneously indicates that there may be certain contexts where collectors find it easier to buy online, or types of work that are less important to view first. When HNW collectors were asked what factor would most drive them to view a work in person before they bought it, the price remained key: the more valuable the work, the more they needed to see it. The medium of the work was also a critical factor, as was familiarity with the artist's work and trust and familiarity with the gallery or seller, with 63% citing this in their top three reasons for needing to see a work in person prior to buying it. Dealers also reported that they found it relatively easy to sell to their established collectors online over the last few years, however, starting long-term relationships and building trust with new buyers without offline exhibitions and meetings in person was significantly more difficult.

Mounting concerns over sustainability have added to the debate about travelling to see works that are not in a local or convenient location. However, HNW collectors reported that the convenience or ease of traveling to the art work's location was less important, with only 6% rating this as their primary reason. Further, only 4% of collectors were most concerned about their carbon footprint or the impact on the environment from viewing art in person. This option was chosen by a relatively small minority across all generations (from a low of 10% of Gen X collectors to 13% of millennials).

Figure 4.4 | HNW Collectors' Top Motivations for Viewing Works of Art in Person

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When HNW collectors were asked what factor would most drive them to view a work in person before they bought it, the price remained key: the more valuable the work, the more they needed to see it

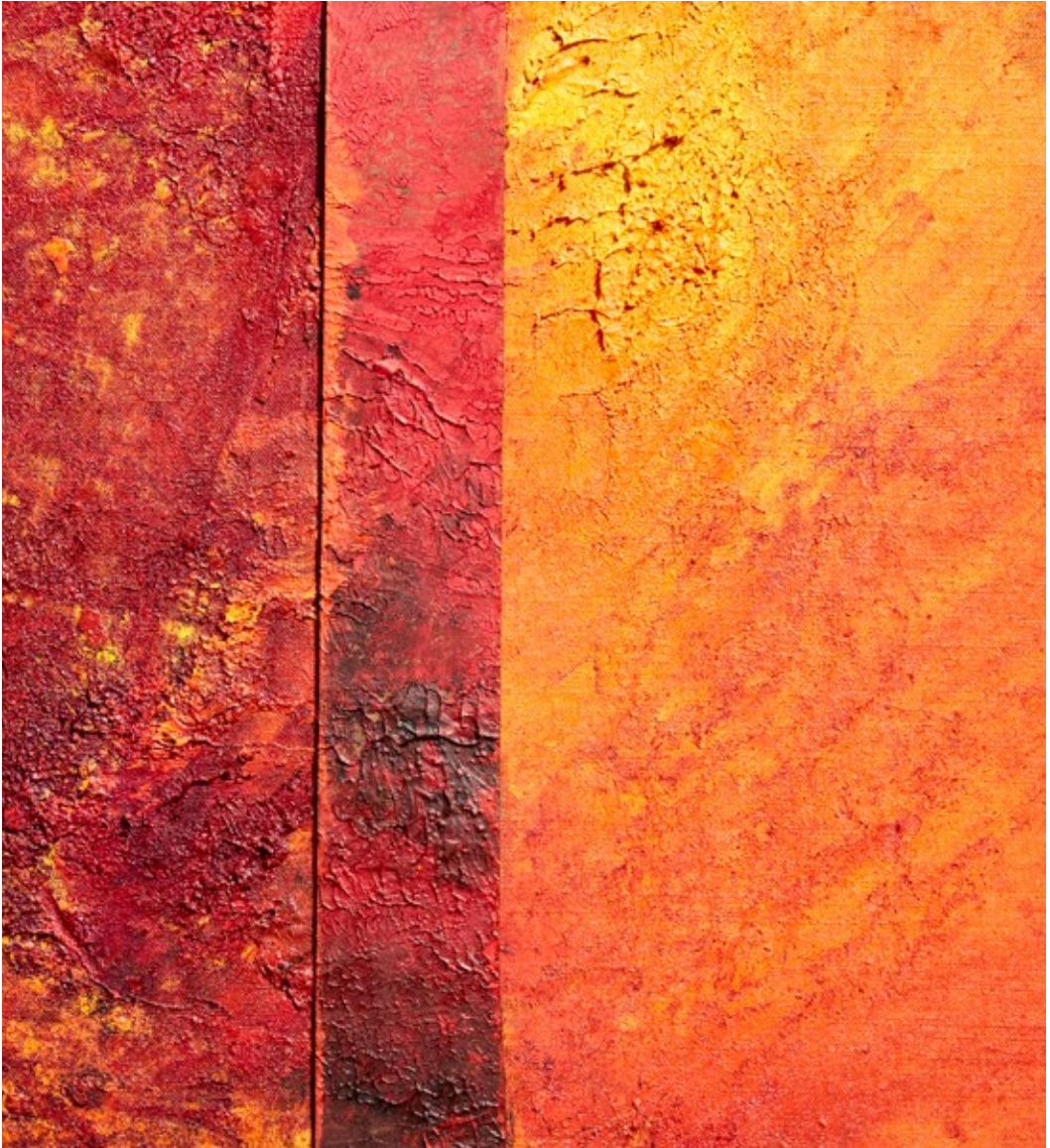
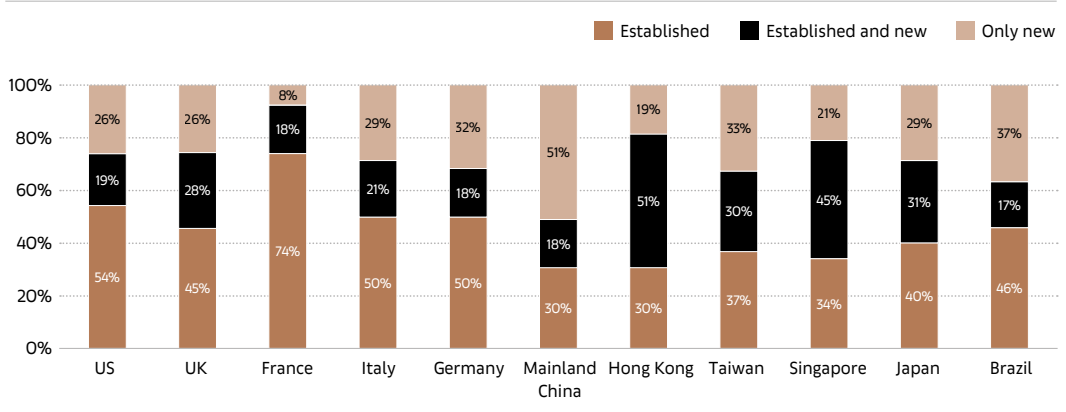


Figure 4.5 | HNW Collectors' Focus Regarding Galleries in 2022

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4.3 | Local versus Global Galleries

Galleries have remained one of the key channels for purchasing art over the last few years and an interesting feature of HNW collectors' reactions to the risks and uncertainty of the pandemic was an apparent reversion to the safety of sticking with the businesses and individual dealers they already knew and had relationships with. At the end of 2020, surveys of HNW collectors showed that 46% were focusing only on galleries they had established relationships with, and this increased to 48% during the uncertainty in 2021. In 2022, the share reverted to 46% but was still the largest segment, with an additional 29% buying from both galleries they had bought from before and those they were purchasing from for the first time this year. The share of HNW collectors working only with new galleries was slightly higher at 26% in 2022 (stable on 2021) versus 20% in 2020.

Sticking to known galleries was most common in France and the US, and the share of HNW collectors doing so in both markets rose by over 10% from 2021. In France, this figure increased by over one third since 2020. This may indicate a degree of continuing risk aversion and collectors still being less open to discovering new galleries even as the pandemic subsides (with the majority also sticking only to artists they knew). However, in the US, the share has gone from a minority of 42% to just over half the sample in 2022, while at the same time collectors were more balanced between looking at new and familiar artists. Therefore, this could equally indicate success by galleries in maintaining a steady collector base. Some collectors have commented that their commitment

to their established dealers intensified over the pandemic, as the dealers themselves had become much more proactive in maintaining relationships. This included making it easier to access works of art online or through galleries and fairs, and improving personal communications, which helped to solidify relationships as well as leading to specific sales.

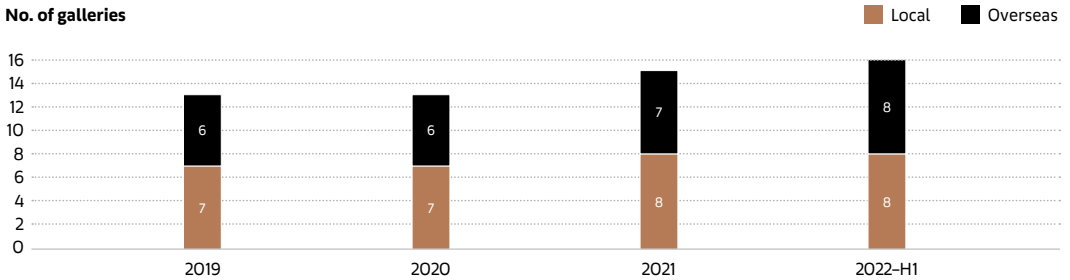
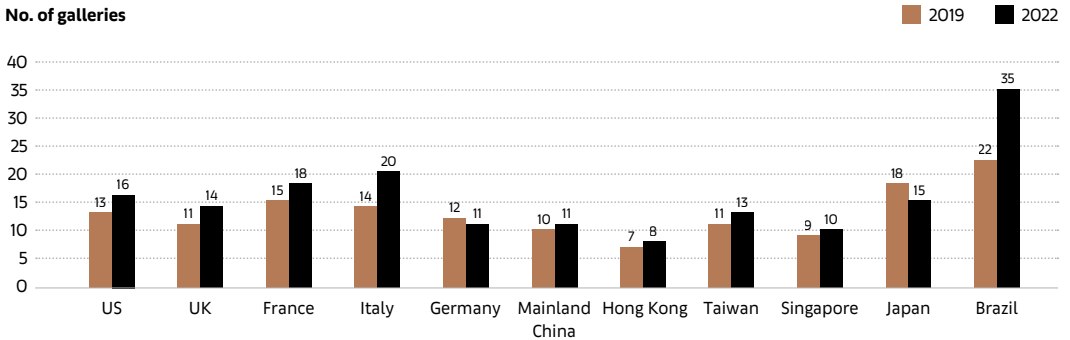
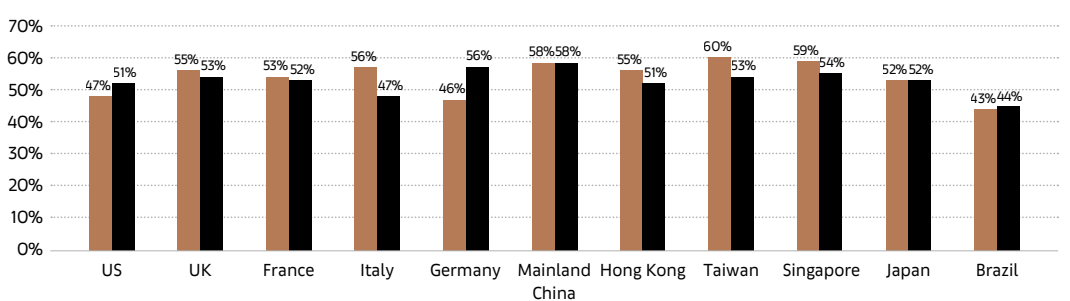
The opposite trends were apparent in some markets in Asia, with HNW collectors being much more open to working with new galleries in 2022 in Mainland China, Hong Kong, Taiwan, and Singapore. Just over half of the collectors in Mainland China reported that they were only working with new galleries this year, by far the highest share overall.

Overall, there was also an increase in the average number of galleries that collectors dealt with versus pre-pandemic 2019. Of those collectors who worked with galleries in the period from 2019 through 2022, the average number they purchased from increased from 13 in 2019 to 16 in the first half of 2022.

With the exception of Germany and Japan, HNW collectors from most regions dealt with a stable or increasing number of galleries versus pre-pandemic 2019. Collectors in Brazil dealt with the most galleries in 2022, averaging 35, and showed a steady increase each year from 22 in 2019. Collectors from Hong Kong and Singapore worked with the lowest number (eight and ten, respectively, in 2022), both relatively stable over the last three years.

HNW collectors continued to work with a mix of local and overseas galleries in 2022. There has been much interest over the last three years in assessing if there has been a shift in focus in the art market from global to local, with the idea that the pandemic, concerns over sustainability, and increasingly protectionist regulations in some regions prior to 2020 might encourage greater concentration on local artists and galleries. However, any clear evidence of this shift is yet to materialize. Overall, collectors bought from a relatively balanced selection of local and overseas galleries in 2019, including 54% based in their home market. This was relatively stable throughout the pandemic, and by 2022, the overall local share had declined slightly to a more balanced 50:50 local versus overseas businesses. The share of local galleries only rose more than one percentage point in two markets: the US and Germany, which are also regions where restrictions on international cross-border trade have heightened in recent years (see Exhibit 2). In all of the other markets, the share was either stable or fell slightly.

Although these figures do not measure the difference in sales made with local versus overseas galleries, they do indicate that there has not been any significant geographical narrowing of focus. HNW collectors have tended to work with more galleries, including more local businesses (plus one on average) and an even greater increase in those overseas (plus two).

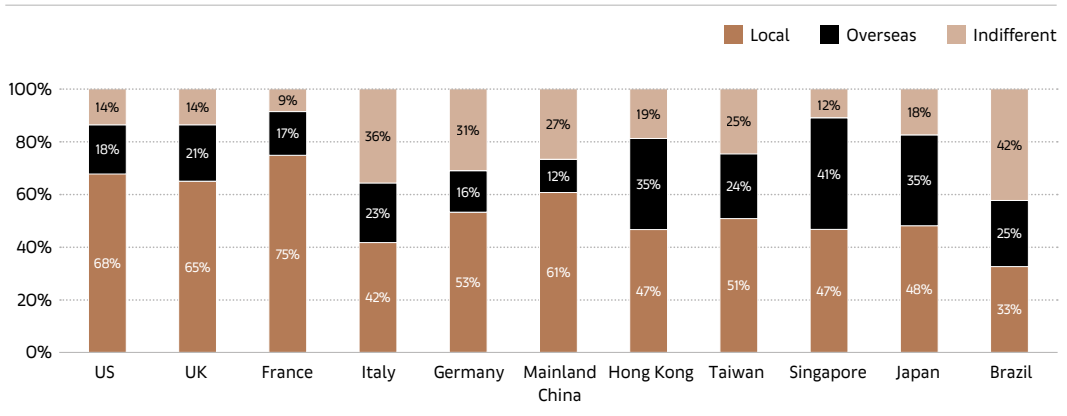
Figure 4.6 | Number of Galleries HNW Collectors Purchased From 2019–2022**a. Total Number of Galleries****b. Total Number of Galleries by Region****c. Share of Local Galleries by Region**

However, while there was no obvious large-scale shift towards local galleries, the majority of HNW collectors (56%) would still prefer to buy from a local business in 2022 if given the choice. For the remainder, 23% would prefer an overseas gallery and 21% were indifferent.

HNW collectors in France were the most likely to prefer local galleries (75%), while preferences to buy locally were lowest in Brazil (33%, although this was mainly due to a larger than average share of 42% of Brazilian collectors being indifferent to where the gallery was located). The highest preferences for overseas galleries were in Singapore, Hong Kong, and Japan, where over one third of HNW collectors preferred buying from galleries outside their region if given the choice.

It was notable that there was a higher preference for local galleries among wealthier collectors in the sample (62% of the UHNW collectors with wealth over \$50 million would prefer to buy from galleries in their region versus around half of those with wealth under \$5 million). Newer collectors also showed stronger local preferences (64% for those new to collecting in the last two years), indicating that home markets can be important bases for introducing and incubating future collectors. However, these two segments had different priorities for buying locally. For new collectors, supporting local businesses was rated the most important, followed by the convenience of buying locally and the fact that they did not have to travel far to see and buy the art works. However, for the UHNW collectors, the most important factor was that local galleries sold mainly local and national artists that they wanted to support, followed by the relationship they had with a local gallery, which was easier to build and maintain due to their proximity.

While there was no large-scale shift towards local galleries, the majority of HNW collectors (56%) would still prefer to buy from a local business in 2022, 23% prefer an overseas gallery, and 21% were indifferent

Figure 4.7 | Preferences of HNW Collectors for Local versus Overseas Galleries in 2022

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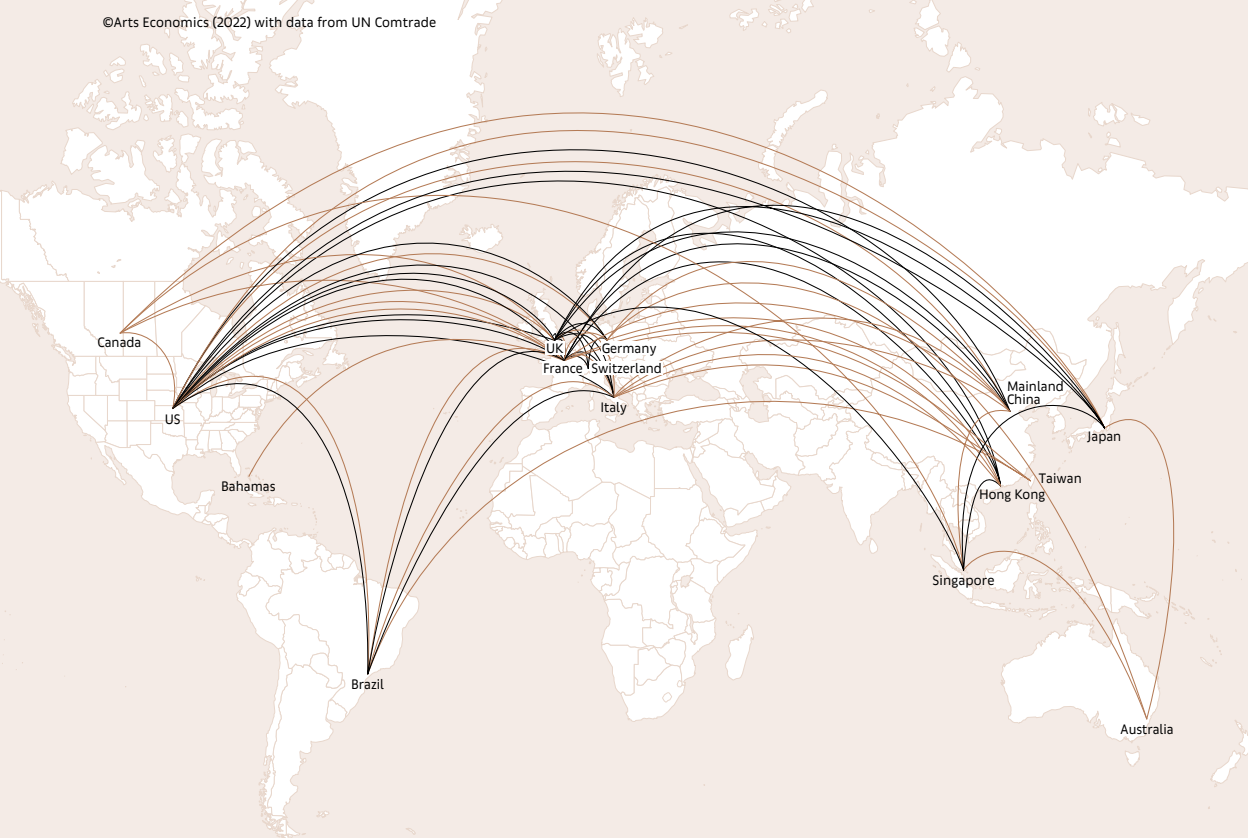
For collectors that preferred buying locally, the top motivations were the focus these galleries had on local artists and their desire to support local businesses (with 88% and 84% deeming these reasons important or very important). 80% also felt it was important or very important to buy locally so that they did not need to travel overseas to view or purchase art, therefore reducing their carbon footprint.

For the smaller share of HNW collectors who preferred overseas galleries for purchasing, the most common reason (63%) was that they felt that they had higher quality works than local galleries, while just over half cited the enjoyment they gleaned from travelling to exhibitions and fairs to view and buy works, or the relationships and trust they had built up with the overseas galleries. The least important motivators were the ease of buying from them online (24%) or the fact that they had better prices than local galleries (4%), indicating again that the experience of seeing and viewing art and establishing relationships with dealers in person remains key. When they were asked which location they would most like to buy from, answers varied widely, with popular regions including France, Canada, and the US. The range of choices was more diverse than the bilateral trade partners their base markets engaged most with for imports of art, which tended to be the other major art hubs, particularly the UK, the US, and France.

Table 1 | Gallery Location Choices and Import Markets 2022

	Top Choice of Gallery Locations to Buy From			Top Source Markets for Imports of Art		
	#1	#2	#3	#1	#2	#3
US	Mainland China	France	Canada	France	UK	Italy
UK	France	US	Canada	US	Switzerland	UK
France	Canada	US	Bahamas	US	UK	Switzerland
Italy	UK	Mainland China	France	UK	US	France
Germany	France	Australia	US	US	Switzerland	UK
Mainland China	France	Italy	Germany	US	France	UK
Hong Kong	France	Germany	Italy	US	UK	France
Taiwan	France	Italy	Brazil	France	Mainland China	US
Singapore	Mainland China	Australia	Canada	France	US	Germany
Japan	Australia	Canada	US	France	US	UK
Brazil	France	Italy	US	France	US	Italy

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— Top choice of gallery locations to buy from

— Top source markets for imports

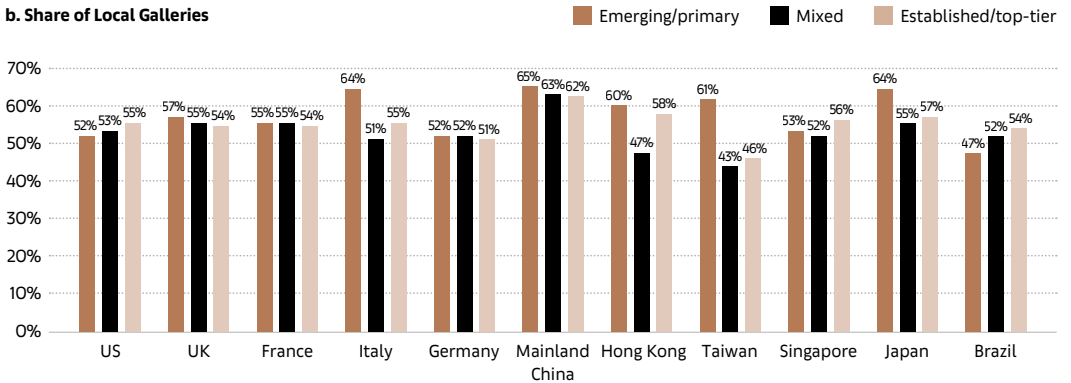
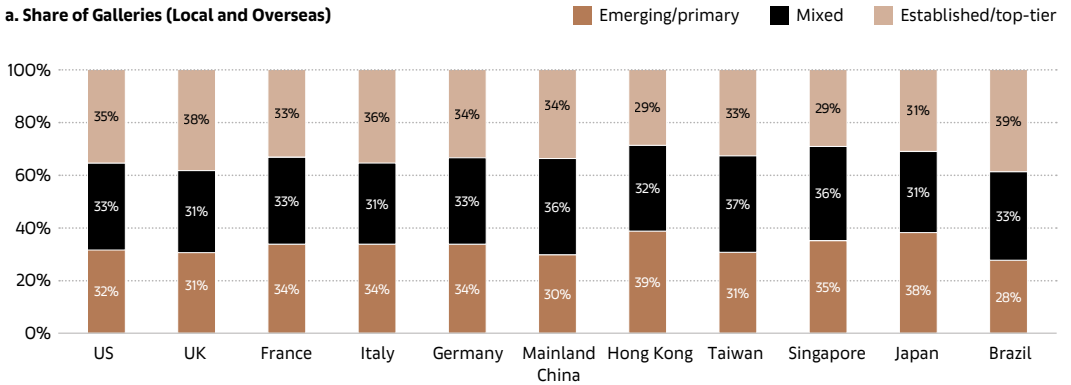
Whether local or overseas, HNW collectors also worked with a range of galleries at different levels, from smaller primary market businesses to higher-tier dealers representing established artists. Across all markets, including only HNW collectors who reported to be working with galleries in 2022:

- 32% of the galleries they purchased from in 2022 were in the primary market and mostly working with emerging artists (56% of these galleries were local businesses);
- 33% represented a mix of emerging artists alongside mid-career and top-tier artists (53% of which were local); and
- 35% represented only well-established or commercially successful artists (mid-career or top tier), again with just over half (54%) being local businesses.

These shares were stable year-on-year on 2021, and relatively consistent by age and wealth levels. There was also a diversified range of focus across different regions, with a slightly greater emphasis on buying from the primary market and emerging artist-focused galleries in regions such as Hong Kong and Japan, and a greater share of purchasing from top-tier galleries in Brazil and the UK. However, Figure 4.8 shows that HNW collectors throughout all regions tended to buy from a variety of galleries at different levels.

In most markets there was also a balanced share of local and overseas galleries in each segment. In some regions such as Mainland China, Italy, Japan, and Taiwan, collectors worked with more local galleries in the emerging artist segment, but this may also be connected to greater local access to these artists and galleries in some of these regions. Overall, there was little to indicate systematic or consistent differences: in most cases, HNW collectors were as likely to buy emerging artists overseas as they were to purchase well-established artists from galleries outside their region. Even where there may have been greater local access to certain types of artists and galleries in some regions, collectors still chose to buy from galleries in other markets.

Figure 4.8 | Share of Galleries that HNW Collectors Purchased From by Gallery Focus in 2022



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Table 2 | HNW Collectors' Top Choices of Cities to View and Buy Art

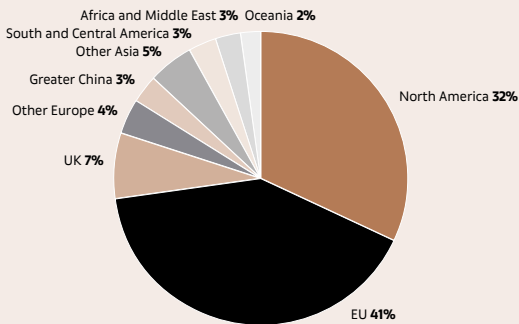
	Best Cities for Top-Tier Artists			Best Cities for New and Emerging Artists		
	#1	#2	#3	#1	#2	#3
All Regions	London	Paris	New York	New York	London	Los Angeles
US	New York	Los Angeles	London	New York	Los Angeles	London
UK	London	Paris	New York	London	New York	Los Angeles / Miami
France	Los Angeles	London	Paris	New York	Los Angeles / London	Hong Kong
Italy	London	Paris	New York	New York	London	Paris
Germany	London / New York	Paris	Berlin	New York	London	Los Angeles
Mainland China	Paris	Los Angeles	London	London	New York	Taipei
Hong Kong	Paris	Singapore	London	Los Angeles	Miami	New York
Taiwan	Paris	New York / Los Angeles	London	New York	Taipei	London
Singapore	London	Los Angeles / Hong Kong	Singapore	Hong Kong	London	New York
Japan	New York	London	Los Angeles	New York	London	Los Angeles / Miami
Brazil	Paris	London	Miami	New York	London	Los Angeles

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Table 2 shows the cities around the world that HNW collectors viewed as the best locations to discover new and emerging artists, and to view and buy the best top-tier artists' works. For buying top-tier artists, New York, London, and Paris were among the top choices regardless of where the collector was based, while for emerging artists, New York, London, and Los Angeles were among the most frequently cited. In addition, most HNW collectors opted for a city outside their home market.

Exhibit 3 looks at the distribution of galleries and their focus in different cities around the world, offering some insight into the access collectors from different regions have, which in turn has an influence on the preferences and choices they make on where to buy from. The data presented is part of research conducted in collaboration between UBS, Wondeur AI, and Arts Economics in 2021 and 2022.

Figure 1 | Global Distribution of Commercial Galleries by Region



©Arts Economics (2022) with data from Wondeur AI

and a diverse range of public and private arts institutions, which are in turn supported by a network of associated and independent expertise. These arts institutions are divided between for-profit institutions, including commercial galleries, art fairs, and auction houses, and non-profit institutions, such as museums, cultural centers (including non-profit galleries, artist-run centers, and university-based galleries), and biennales. All of these institutions play important and differing roles in supporting artists, creating markets, and maintaining a culture of collecting.

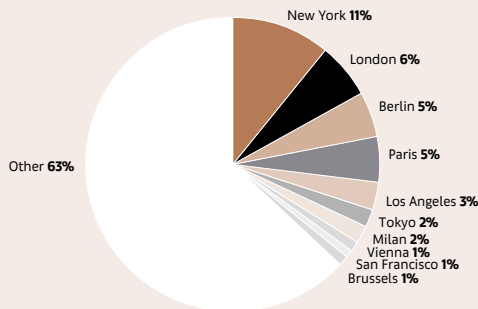
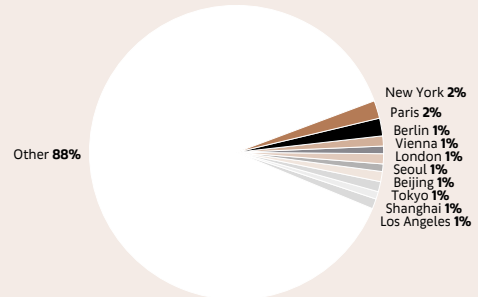
Analysis of a database of just over 16,000 visual arts institutions around the world that were active in exhibiting artists born after 1900 over the last five years from Wondeur AI showed that the breakdown between institutions globally was relatively evenly split, with 55% non-profit (museums and cultural centers) versus 45% for profit (galleries and fairs). In the key cities for the commercial art trade, for-profit institutions dominate, with shares of 70% in New York, 68% in Paris, 66% in London, and 63% in Hong Kong. In other regions where the commercial market is less established or newer, non-profits are more dominant, accounting for just over half of the institutions in Shanghai and Beijing at 55% and 52%, respectively.

Exhibit 3: The Focus of Gallery Programs by City*

While sales data helps to reveal the commercial success of galleries and other for-profit businesses in different regions, data on the quantity, performance, and content of their exhibition programs – as well as those of non-profit institutions – reveals insights on how the behavior of art institutions in different areas impact artists, collectors, and the cultural infrastructure.

A key driver supporting the art trade in any region is the level of development of its cultural infrastructure, including commercial galleries

* Arts Economics, in collaboration with Wondeur AI and UBS.

Figure II | Global Distribution of Institutions by City**a. Commercial Galleries****b. Museums**

©Arts Economics (2022) with data from Wondeur AI

Galleries are at the core of this infrastructure and make up around 42% of the institutions overall, with the highest share in the largest commercial regions such as the North America and the UK where they account for around half of the total, and lowest in South and Central America (35%) and Africa and the Middle East (36%). Within these regions, certain cities are key hubs for galleries and shows. The top five cities in terms of both the number of galleries and the number of shows carried out by galleries in the five-year period between 2017 and 2021 were New York, London, Berlin, Paris, and Los Angeles. These five cities accounted for 30% of galleries and 27% of all exhibitions in the period. These concentrations have also been stable over time, with a marginal increase in the concentration of exhibitions in these hubs over 20 years.³³ In contrast, the museum sector is more diversified in terms of where institutions are located, and the top five cities accounted for only 8% of the number of total museums in this global dataset.

³³ In the period from 2007-2011, the concentration of shows in these top five cities was 22%. New York saw the biggest increase in concentration from this period to the more recent five-year period, rising from 8% to 11%.



The Focus of Gallery Programs

While the concentration of the number of institutions in certain cities and regions is a relatively established fact, a less explored area is the differences that exist in the focus pursued in their programs, with some concentrating more on the most celebrated and well-known artists while others concentrate more on developing the careers of new or under-represented artists.

To assess these patterns and their effects, the focus of galleries based on the artists they represent and exhibit is broken down into three categories:

- Star artists which in this case combines celebrated and star artists who make up the top 4% of all artists born after 1900 in the Wondeur AI database of over 250,000 artists;
- Established artists represent the next 12% of artists; and
- Emerging artists are emerging or under-represented artists who make up the remaining 84% of those in the database. It is important to note that in this context, rather than implying that they are either young or early in their career, emerging or underrepresented artists are those who have had a limited number of exhibitions or had many shows in low-profile galleries.

In this analysis, an institution's focus is determined by the highest share of artists they have exhibited in the period from 2017 through 2021 within these categories. For context, considering all commercial galleries globally, the focus of exhibition programs is well distributed over these different tiers of artists, with 31% of galleries focused primarily on Emerging artists, 40% on Established, and 29% on Star. In contrast, the museum sector has much more of a focus on artists whose careers are already at a very developed stage, with institutions focusing on Star artists having a considerably higher share of 53%, while only 14% focus on Emerging artists. Galleries are roughly on par with non-profit centers, such as cultural and artist-run centers and university galleries, which shows the critical part they play in the exhibition programs of artists all the way through their careers. In addition, while the gallery sector is highly top-heavy in terms of sales, focusing on the development and support of artists' careers reveals a very distributed system, with a range of different galleries focused on artists at different career stages. The largest share of galleries focuses on the middle tier of Established artists, even though this segment is often described by dealers as harder to promote, lacking the appeal of the up-and-coming or celebrity

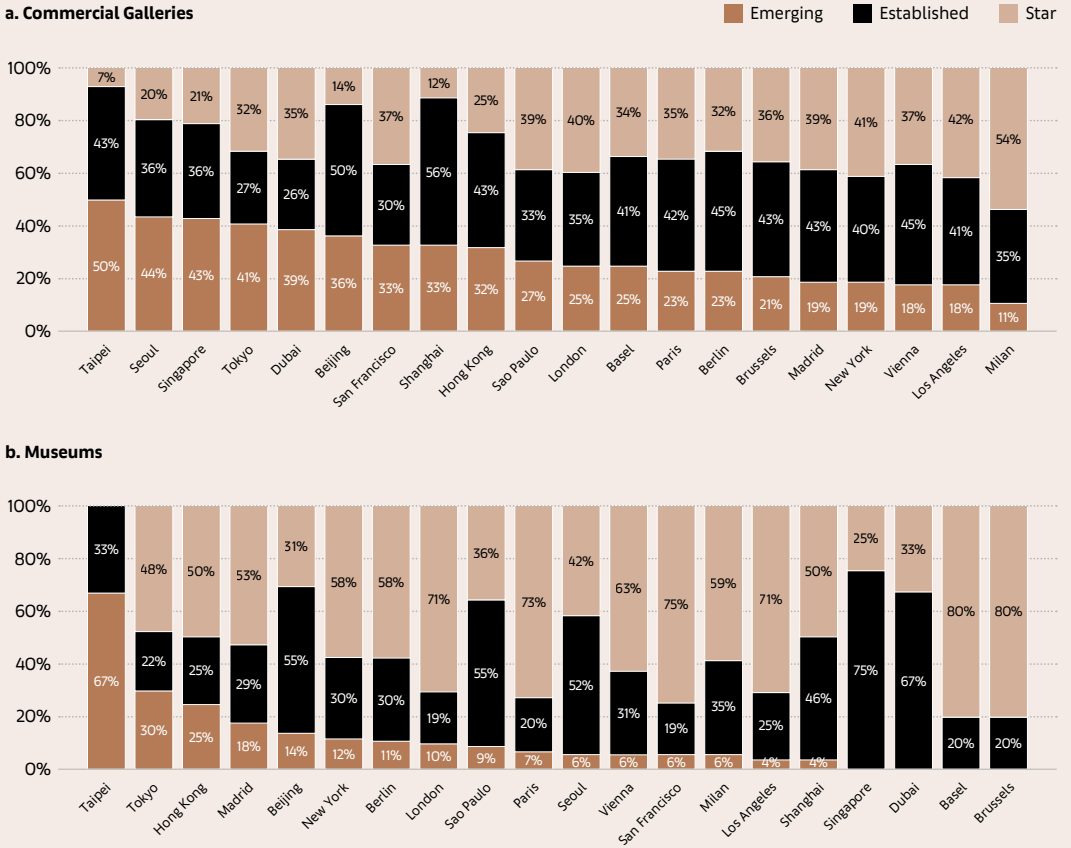
artists. This underlines again the crucial role galleries play in supporting these mid-career artists as they transition from Emerging to Star categories.

There is, however, considerable variation by city, and the key centers for the commercial art trade such as New York, London, and Los Angeles have a relatively higher share of galleries focused on Star artists at 40% or more. But even in these key commercial art hubs, galleries focusing on Star artists are still a minority (as is the case with 13 out of the 14 cities shown in Figure III, with Milan being the exception). The lowest concentration on Star artists was seen in some of the cities in Asia, with Taipei, Shanghai, and Beijing all having a share of less than 20% of galleries with this focus. Even in Asia's key market hub of Hong Kong, just one quarter of the galleries in the city focus on Star artists, with the largest share (43%) focusing on the mid-tier Established artists. The greatest concentration on Emerging artists was in Taipei, where half the galleries were focused on this segment and only 7% on Star artists, while the neighboring markets of Shanghai and Beijing showed the largest representation of Established artists, at 56% and 50% of galleries, respectively.

Overall, therefore, although some cities are more balanced than others and have different concentrations by segment, most of the gallery ecosystems represent a relatively diverse mix of businesses focusing on a range of artists at different stages of their careers. The older, established commercial hubs of New York, London, and Paris have more galleries focusing on the top-end and the newer markets in Asia focus more on new and emerging artists, while some centers, notably San Francisco, support a very balanced network of galleries in its art market infrastructure.

This is in stark contrast to the museum sector. Apart from Taipei, which represents an anomaly in this sample, nearly all museum networks focus on Established or Star artists, with only a very small share building their programs around Emerging artists. The majority of museums in all of the European and US cities focus on the highest category of Star artists, while museums in Asia tend towards a higher representation of Established artists. Galleries were somewhat more on par with other non-profit cultural centers, however, even in this case, in the major centers such as New York, London, and Hong Kong, there was a higher share of galleries focusing on Emerging artists than these non-profit institutions. This shows again that galleries play a crucial role in launching the careers of artists, showing them in the earliest stages of their careers and in most cases, before non-profit institutions feature.

Figure III | Artist Focus of Art Institutions 2017–2021



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Events, Travel & Outlook

5



5.1 | Events and Attendance

The COVID-19 pandemic significantly disrupted the calendar of events in the art market in 2020, with major exhibitions postponed and cancelled. These effects continued in 2021, with some events still not proceeding, others going ahead in altered formats, and a reduced willingness by some collectors to travel and attend the events that did take place. However, in 2022, despite continuing lockdowns in China and other regions, the eagerness of collectors, dealers, artists, and others to reconnect in person was highly evident, with strong attendance at fairs and other major events.

The survey revealed the hectic level of activity of collectors before the pandemic, with HNW collectors attending an average of 41 art-related events in 2019, including six gallery exhibitions and five art fairs. This fell to 36 in this sample in 2020, and after a slight and temporary increase to 38 in 2021, reverted to 37 again in 2022 (including those attended already in the first half of the year and events collectors planned to attend in the second half).

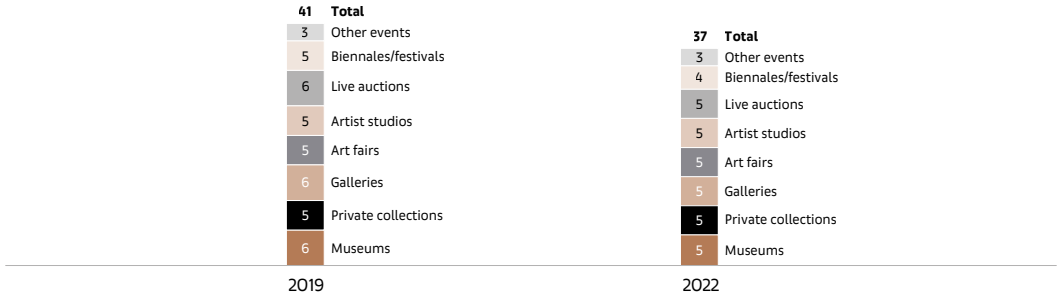
These figures indicate that the pandemic and other considerations has had a small but sustained impact on the activity of collectors. HNW collectors are attending four fewer events in 2022 than they did in pre-pandemic times, with a small reduction on average in attendance at public museum exhibitions, gallery exhibitions, biennales, and live auctions. The number of art fairs, private museum shows, and other art-based events and experiences were stable on the averages reported in 2019.

The majority of events that HNW collectors attended in each year from 2019 through 2022 were local events; Figure 5.1b. shows that there has been a slight shift over the last three years to attending a greater share of local events. The one exception was art fairs, where the share of local events actually declined from 58% to 55% over the period.

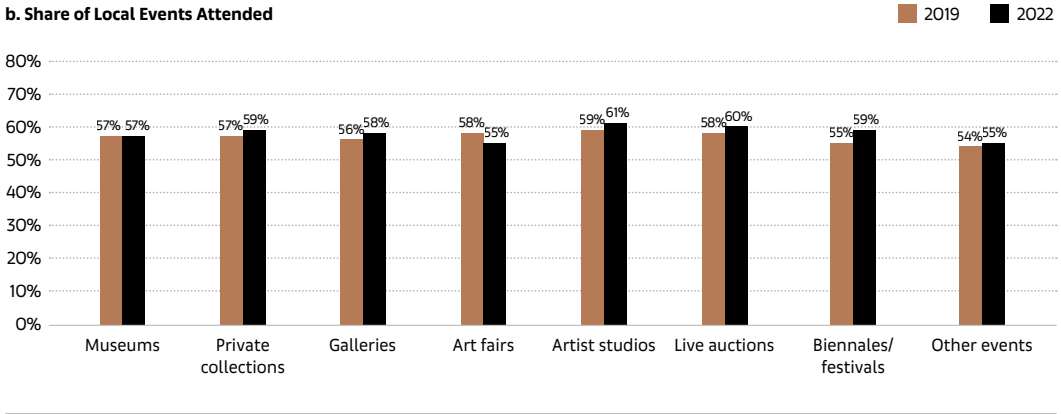
The eagerness of collectors, dealers, artists,
and others to reconnect in person was
highly evident in 2022, with strong attendance
at fairs and other major events

Figure 5.1 | Exhibitions and Events Attended by HNW Collectors 2019 versus 2022

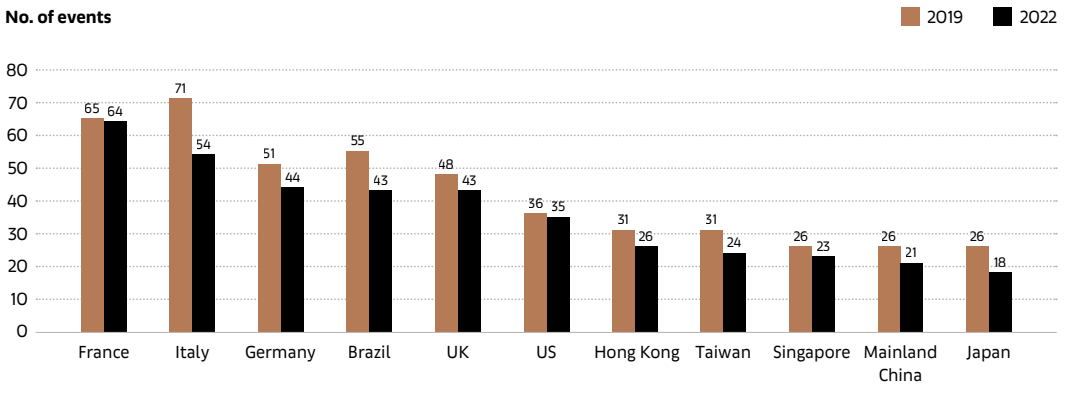
a. Number of Events Attended



b. Share of Local Events Attended



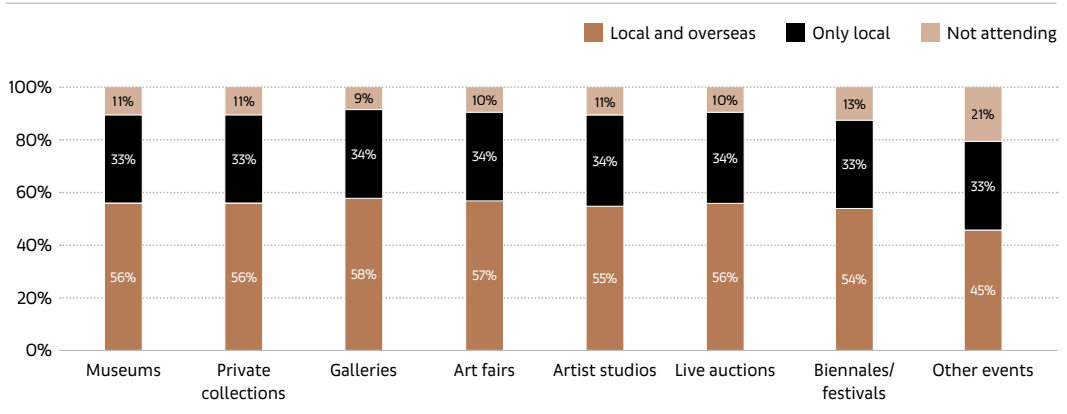
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Figure 5.2 | Exhibitions and Events Attended by HNW Collectors by Region 2019 versus 2022

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French collectors showed the highest rate of attendance at events in 2022 and the lowest decline versus 2019. Some of the largest reductions were by HNW collectors in Italy and Brazil, and there was also significant reductions from a smaller base in Japan and Taiwan, with collectors from both regions attending over 20% less events in 2022 than 2019. In most markets, the share of local events increased, with some of the largest shifts including Japan (from 55% to 60%), Italy (from 50% to 54%), and Mainland China (from 67% and 71%, maintaining the highest share of local event attendance over all markets in both 2019 and 2022).

The findings above indicate small and very subtle changes to HNW collectors' behaviors with regard to events, with the numbers staying persistently lower than 2019 and with a slight shift towards more local events. Looking ahead to 2023, most HNW collectors (89%) were planning to attend art-related exhibitions and events (ranging from a low of 87% for biennales and other large-scale visual arts festivals to 91% planning to go to gallery exhibitions). A crucial factor in encouraging attendance at fairs and other exhibitions has been the roll-out of successful COVID-19 vaccine programs. The share of collectors unwilling to attend events was less than half the number reported in 2020 when asked if they would attend without a full vaccine program in place, but only fractionally less than those willing to go at that time with a successful vaccine program in place.

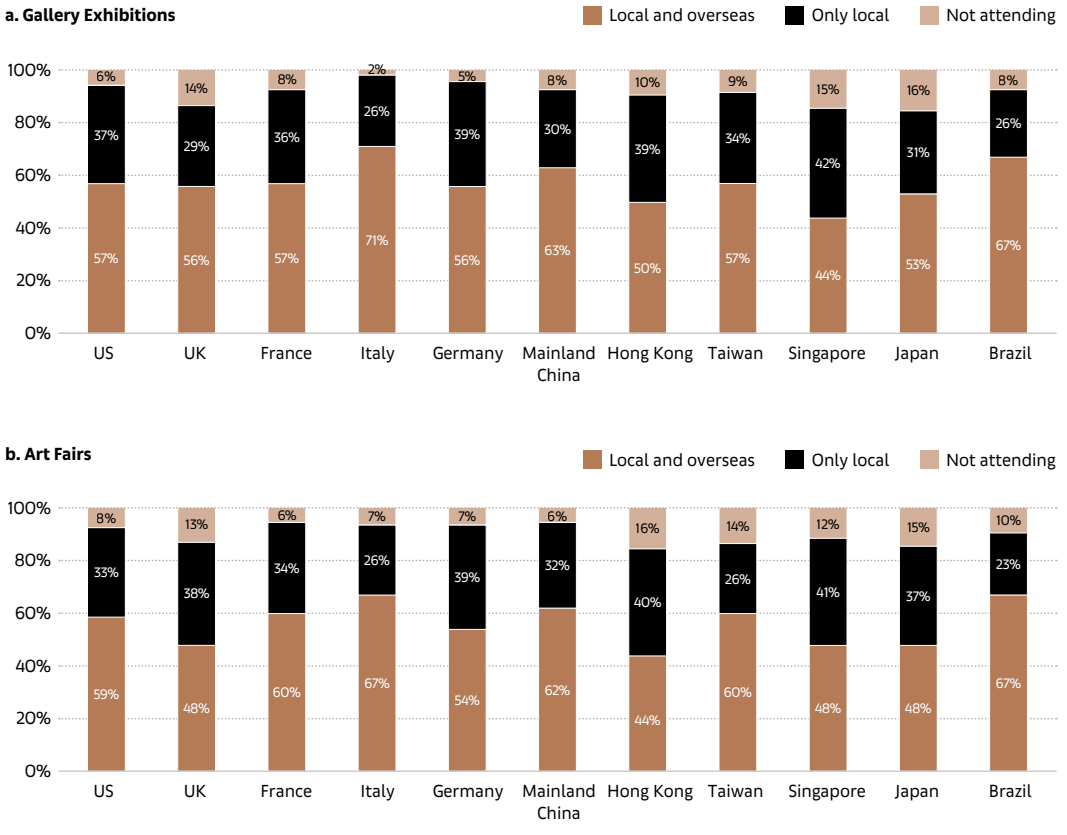
Figure 5.3 | HNW Collectors' Planned Attendance at Exhibitions and Events in 2023

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Nonetheless, there was still a significant share of around one third of collectors who would still only attend events in their own local market or region next year, and this was consistent across all events. HNW collectors were most comfortable with travelling to attend gallery exhibitions and art fairs, with 58% and 57% respectively reporting that they would be happy to attend these locally or overseas. The figures for attendance across all events show that the share of unwilling collectors or non-attendees has more than halved since 2021.

Focusing on galleries and art fairs, the majority of HNW collectors across all regions planned to attend gallery exhibitions, with the biggest reluctance from those based in Japan (16%) and Singapore (15%). Collectors from Singapore also had the highest share only willing to go to local events, but for the other regions, a majority were happy to attend gallery shows overseas too, including up to 71% in Italy and 63% in Mainland China.

Most HNW collectors were also planning to attend art fairs in 2023, however, there were some differences between regions. In Hong Kong, 16% of collectors were not planning on attending any fairs, while a further 40% would only go to local events. Singapore again showed a higher-than-average share of those only willing to attend locally, as did Germany and the UK. The availability of local fairs is not necessarily a key driver of this decision either, as collectors

Figure 5.4 | HNW Collectors' Planned Attendance at Gallery Exhibitions and Art Fairs in 2023

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in the US reported a high level of willingness to travel abroad (59%) despite there being by far the most local art fairs in the US in 2022 than in any other market. However, in every market, including the US, there was a significant share of around one third or more of HNW collectors who were still reluctant to attend overseas fairs and exhibitions in 2023.

Interestingly, when they were asked if they were happy to do more or less international travel for art-related experiences and events in the next 12 months, a majority of HNW collectors were willing to travel more: 77% planned to travel to more fairs, exhibitions, or events overseas than they did in the previous year, 11% felt their travel plans would stay the same as in 2022, and just 12% expected to travel less.

For those who were planning to travel less, the most important reason for doing so was the remaining risks concerning COVID-19 (with 83% defining this as important or very important). The rising costs and hassle of overseas travel were also important (72%). In addition, 65% of collectors were travelling less due to a greater focus on local artists, while a similar share (63%) thought it was important or very important to travel less to reduce their carbon footprint.

77% of HNW collectors planned to travel to more fairs, exhibitions, or events overseas in 2023, 11% felt their travel plans would stay the same as in 2022, and just 12% expected to travel less



5.2 | HNW Collectors' Outlook in 2022

One of the biggest lessons from the COVID-19 pandemic for all industries has been the importance of promoting resilience and encouraging cooperation and communication across international borders. In addition, much has been learned from this shared experience about the frailty of relying on a 'business as usual' approach and to expect the unexpected. Although the intense phase of the pandemic was over in 2022, the first half of the year was still considerably more complex than anyone in the art market might have anticipated. (Some of the most important social and economic factors faced at the end of 2022 are discussed in Exhibit 4.)

But despite lingering uncertainties over the full impact of the pandemic and a context where inflation, recession, and world peace are ongoing concerns, most of the HNW collectors surveyed (78%) were optimistic about the global art market's performance over the next six months, up 4% from similar polling at the end of 2021, and a slightly larger share than was optimistic about the stock market (75%).

There was greater optimism in the short and medium term in every region with the notable exceptions of the UK and Hong Kong where the share declined, although still maintained a majority. French, US, and German collectors tended to be the most optimistic in all periods, with some of the lowest optimism in Taiwan and Mainland China, due in part to a large share of collectors who were uncertain how the global market might fare.

Only a small minority of collectors were pessimistic about the art market, but 16% were unsure of how the art market would fare over the next six months, with a continuing lack of certainty regarding the full impact of the political and economic context as well as issues still related to the pandemic and future waves.

Optimism about the art market was also generally stable over the longer term, with some decline in Japan and Singapore, again mainly due to increased uncertainty in forecasting. While Gen X and millennial collectors were roughly on par in their outlook, Boomer collectors were somewhat less confident across all periods. The outlook HNW collectors had for the art market also tended to be slightly more optimistic in most cases than their views on the global stock market over these periods.

Table 3 | 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	Italy	Germany	Mainland China	Hong Kong	Taiwan	Singapore	Japan	Brazil
Optimistic	78%	88%	78%	93%	72%	87%	74%	70%	62%	75%	67%	84%
Neither/not sure	16%	9%	14%	5%	23%	10%	16%	25%	27%	20%	23%	13%
Pessimistic	6%	3%	8%	2%	5%	3%	10%	6%	10%	6%	10%	3%
Next 12 months												
Optimistic	80%	84%	72%	95%	77%	85%	78%	79%	71%	81%	64%	85%
Neither/not sure	15%	12%	17%	4%	15%	13%	18%	17%	21%	14%	29%	9%
Pessimistic	5%	4%	11%	1%	8%	3%	4%	4%	7%	6%	7%	7%
In 10 years												
Optimistic	80%	88%	76%	94%	79%	85%	85%	75%	74%	66%	57%	85%
Neither/not sure	15%	10%	15%	5%	14%	13%	12%	22%	19%	25%	34%	10%
Pessimistic	5%	2%	9%	1%	7%	2%	2%	3%	7%	9%	9%	5%

b. Outlook for the Global Stock Market

Next 6 months	Total	US	UK	France	Italy	Germany	Mainland China	Hong Kong	Taiwan	Singapore	Japan	Brazil
Optimistic	75%	82%	74%	91%	63%	85%	69%	73%	63%	69%	61%	86%
Neither/not sure	15%	9%	13%	6%	22%	13%	17%	17%	25%	21%	26%	10%
Pessimistic	10%	9%	13%	3%	14%	2%	15%	11%	12%	11%	12%	4%
Next 12 months												
Optimistic	77%	84%	71%	92%	69%	83%	73%	73%	61%	78%	62%	85%
Neither/not sure	17%	12%	19%	6%	22%	15%	16%	25%	29%	16%	27%	9%
Pessimistic	6%	4%	10%	2%	9%	3%	10%	2%	10%	7%	11%	5%
In 10 years												
Optimistic	79%	84%	74%	94%	79%	85%	82%	76%	72%	70%	59%	85%
Neither/not sure	16%	13%	21%	5%	13%	13%	15%	19%	24%	21%	29%	9%
Pessimistic	5%	4%	5%	1%	7%	2%	3%	5%	4%	10%	12%	6%

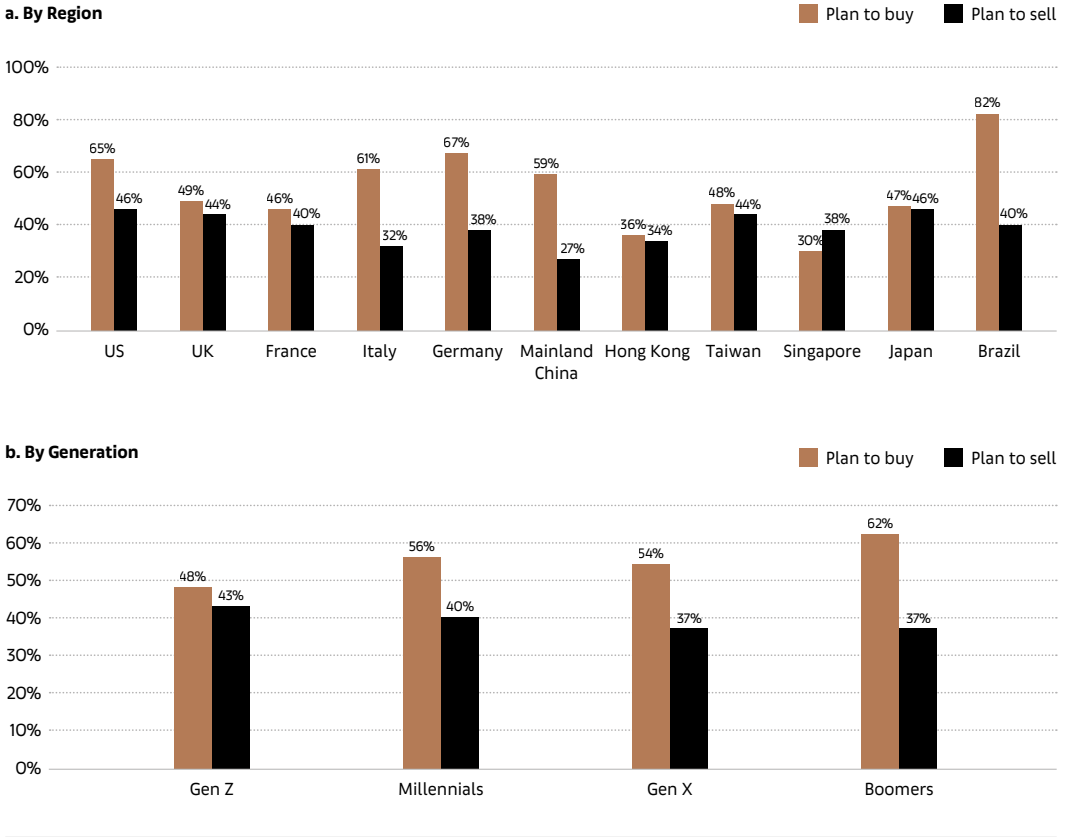
The forecasts for expenditure in the second half of 2022 discussed in Chapter 3 revealed that HNW collectors plan to be highly active and engaged with the market. When asked about their plans over the next 12 months, the majority (55%) were planning to buy art, up 2% on those planning to do so in 2021. Some of the most active buying plans were reported by Brazilian collectors, along with a higher majority in the US and Germany, whereas only 30% of respondents in Singapore and 36% in Hong Kong were planning art purchases. The share of Boomers planning to buy art (62%) was the highest, compared to just under half (48%) of Gen Z collectors in the sample.

Across all markets, 39% of HNW collectors planned to sell works from their collections over the next 12 months, stable on 2021 and up by 4% on the numbers reported at the end of 2020. The greatest shares of collectors planning to sell were in the US and Japan (46% each) and least in Mainland China (27%, also the lowest in 2021). There was a slightly larger share of Gen Z and millennial collectors planning to sell than their older counterparts in all markets, however, there were also significant shares of these who were holding off on selling due to their belief that prices would improve in future (40% and 36%, respectively, versus 30% of Gen X collectors and 36% of Boomers).

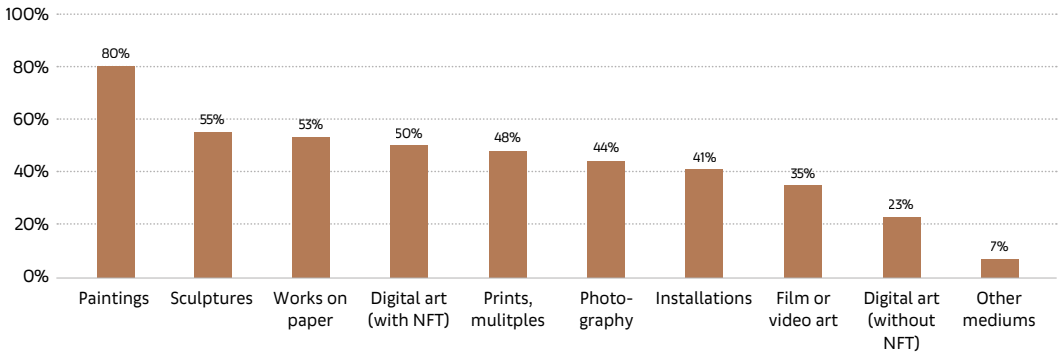
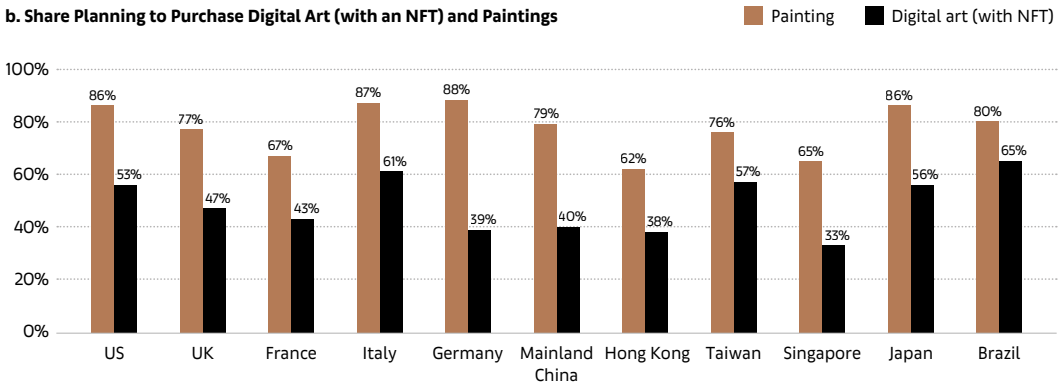
Only 7% of the sample had no plans to either buy or sell works of art over the next 12 months, and this was as low as 4% in markets such as the US, showing again that the pandemic and other concerns this year have done little to deter collectors from engaging with the market. The pandemic also appears to also have encouraged philanthropic giving among some collectors, with a rise in the share intending to donate works to a museum over the next 12 months, from 29% in the surveys of 2020 to 43% in 2021 and again to 45% in 2022. The highest shares of collectors planning to donate works were in some of the larger art markets including France (61%), the US (56%), and the UK (49%).

When asked about their plans over the next 12 months, the majority (55%) of HNW collectors were planning to buy art

Figure 5.5 | HNW Collectors' Intentions for Purchases and Sales of Art in the Next 12 Months



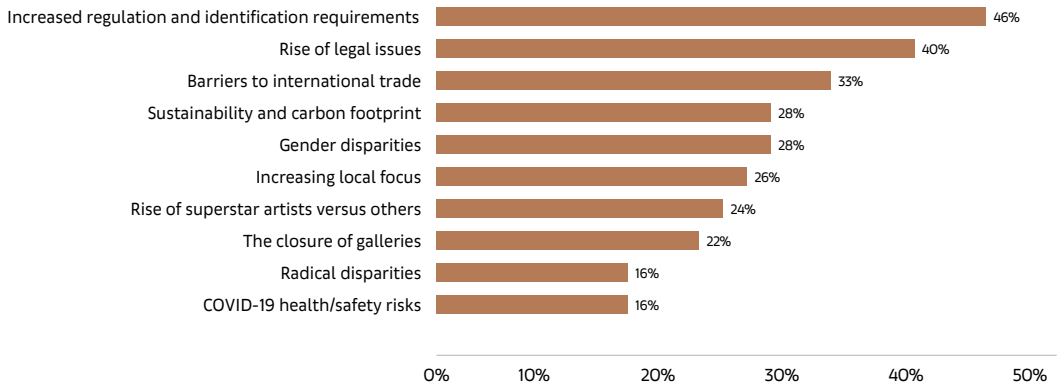
©Arts Economics (2022)

Figure 5.6 | HNW Collectors' Intentions for Purchases of Art by Medium in the Next 12 Months**a. Share Planning to Purchase by Medium****b. Share Planning to Purchase Digital Art (with an NFT) and Paintings**

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In terms of what they were planning to buy, a majority of HNW collectors were interested in buying paintings, sculptures, and works on paper, while half of those surveyed planned to buy digital art with an NFT (but less than half of that share interested in other digital art not related to an NFT). The greatest interest in digital art with NFTs was in Brazil, with 65% of collectors planning to purchase works in this segment, along with Italy (61%) and Taiwan (57%). Despite the increased interest in NFTs over time, this segment of digital art still has a long way to go to rival the popularity of paintings, which were still the most popular choice for planned purchases overall (80% of collectors), as well as in each individual market and all across generations.

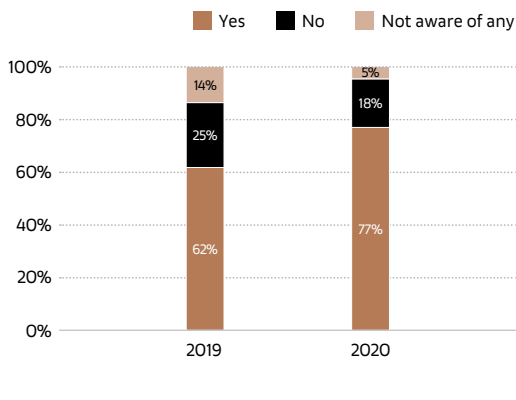
Figure 5.7 | Top 10 Concerns Regarding the Art Market for HNW Collectors in 2022



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From a list of potential issues concerning the current state of the art market, the sustainability and the carbon footprint of the art market and its related activities was among the most concerning for HNW collectors in 2022, ranking fourth behind legal and regulatory issues in the art market. Regulatory complexities regarding transacting both at home and across borders was the top concern, with increased regulation and identification requirements when transacting, such as ‘Know Your Customer’ (KYC) regulations, the most frequently chosen. Next was the rise of legal issues in the art trade, such as restitution cases, fakes, and forgeries, as well as the existing and rising barriers to the free movement and exchange of art and antiques internationally. Issues related to gender disparities and the position of female artists in the art market were also in the top five.

Figure 5.8 | Share of HNW Collectors Who Considered Sustainable Options for Purchasing Art



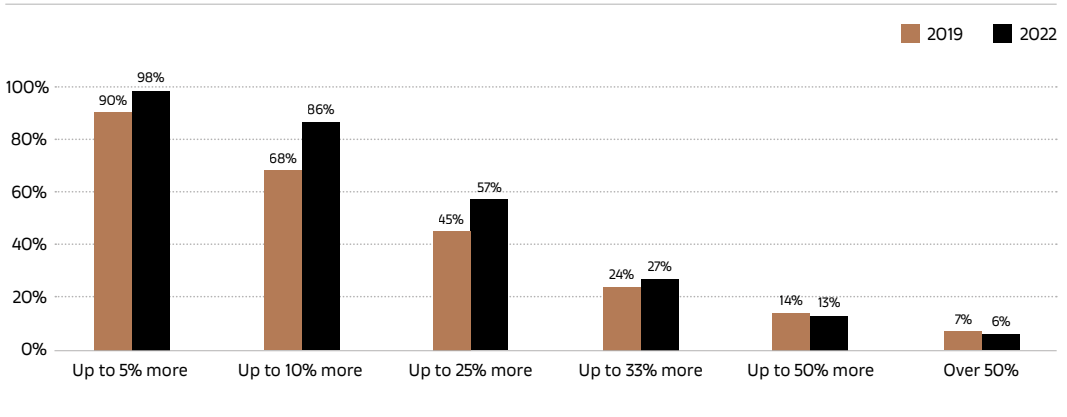
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Although the surveys showed that it may not be the ultimate deciding factor in whether or not to view works of art in person (see Section 4.2), the environmental impact of collecting is a growing concern, and there is evidence of increasing awareness of the importance of sustainable options when it comes to purchasing works and managing collections. In 2019, when HNW collectors were surveyed, 62% of collectors had thought about sustainable options when it came to their collections and purchasing, while 14% were unaware of any. By 2022, 77% of collectors were considering these (with a consistently high majority across all ages and regions), and a much smaller share (5%) were unaware.

A majority of HNW collectors considered it essential or a high priority over the next two years to engage in a range of sustainable practices including:

- Only using digital catalogues, market reports and other presale information rather than printed versions (76%);
- Purchasing sustainably produced works of art (76% versus 60% in 2019);
- Using reusable or recyclable shipping and handling products (74% versus 60% in 2019);
- Reducing or consolidating the transit and shipping of works of art (74%, versus 60% in 2019);
- Offsetting their carbon footprint from art-related travel (73%, versus 58% in 2019);
- Focusing on collecting and commissioning activities in a more localized community (73% versus 60% in 2019); and
- Using alternative delivery methods, such as sea or land versus air (71% versus 58% in 2019).

Figure 5.9 | Share of HNW Collectors Willing to Pay a Premium for Sustainable Options for Purchasing Art



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To further investigate the commitment of HNW collectors to sustainability, respondents were also asked if they would be willing to use a sustainable option for the purchase and receipt of a work of art even if it was more expensive. Of those who were aware of any options, only 2% said they would not consider them at all (versus 10% in 2019). Nearly all HNW collectors would pay an extra 5% in 2022, and there was a considerable increase in the share of collectors willing to pay up to 25%. However, there was considerably more push-back on sustainable options when the premium reached around one third of the price (with just 27% of collectors reporting that they would still consider this a viable margin). Only 19% would pay over one third, with a small share of just 6% willing to pay 50% or more extra.

Finally, 74% of the sample also said they were considering reducing their own personal travel to exhibitions, fairs, and other events to make purchases (ranging from as low as 55% in Taiwan to 92% in France). Some of these considerations have filtered into the activities of HNW collectors in 2022, although the shifts are small and only relate to certain events. And, when asked about their immediate travel plans, the responses noted earlier show a disconnect in commitment to make meaningful changes in this area yet in 2022 and 2023. While the pandemic offered an example of how the market might function differently, the desire for HNW collectors to see artworks in person, particularly higher-priced works, versus the sustainability of doing so, is still swinging very much in favor of the former.

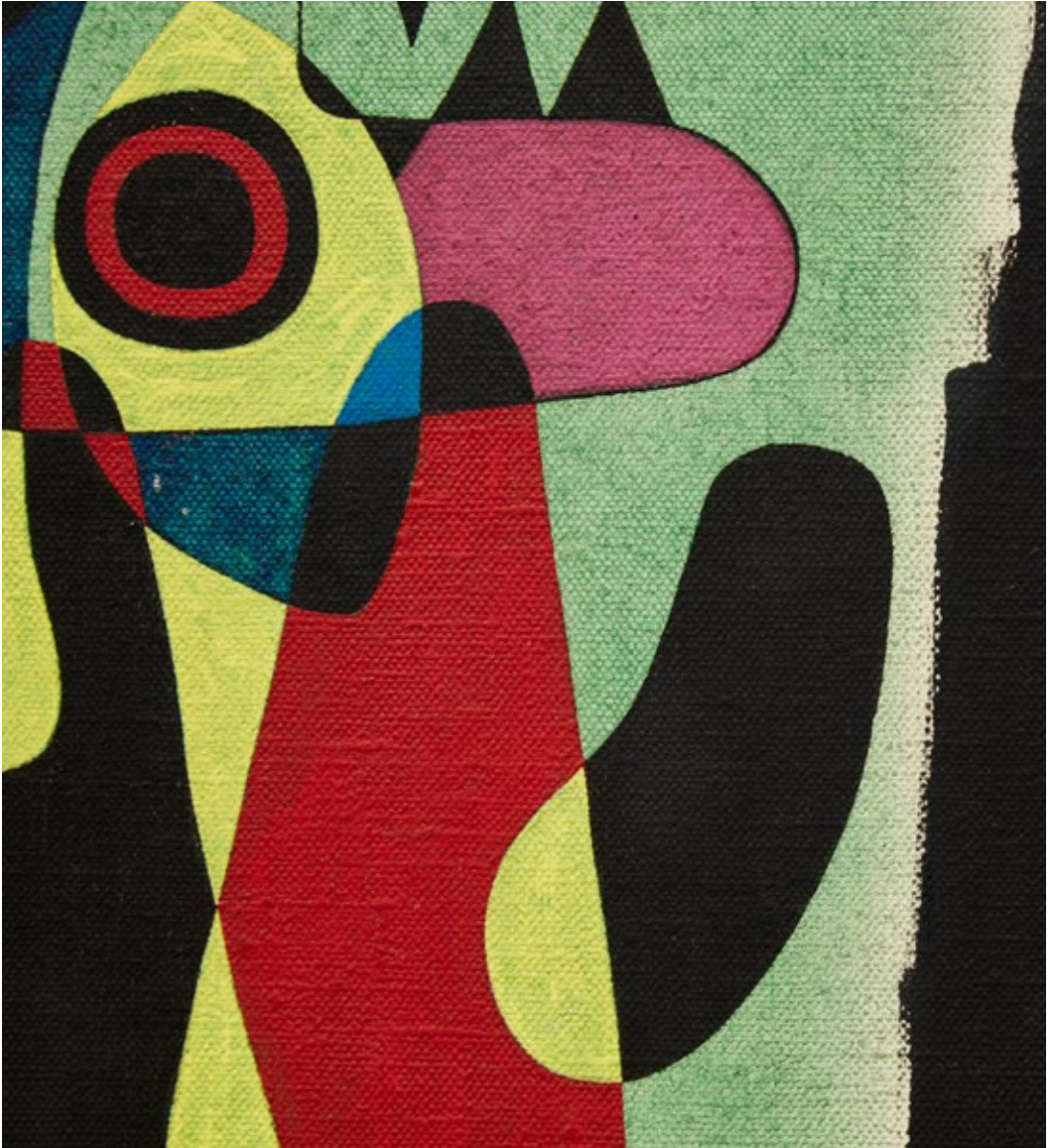


Exhibit 4: The Economic Outlook in 2022

Prepared by UBS

The global economy is preparing to close 2022 in an unusual position. The effects of the war in Ukraine are increasing, stoking inflation and uncertainty, while the COVID-19 pandemic has also dramatically altered long-held patterns of human behavior. Legacies include changed attitudes to employment, increased levels of savings, and changing consumption patterns, with consumers now vacillating between buying goods and satisfying their pent-up demand for travel and experiences.

During the northern hemisphere summer, the desire to travel was exceptionally strong, despite leisure travel becoming more expensive in 2022. There are parallels elsewhere in the economy. The art sector, which alongside art works offers a suite of services related to travel, experiences, learning, and socializing, is likely to have benefited in 2022. Whether this is a one-off reaction to the extraordinary events of the pandemic, or whether there is a fundamental reset of values and lifestyle underway, remains to be seen.

The peculiar patterns of economic activity have affected the pace of global trade. The strength of demand for goods in the immediate post-pandemic era reversed the decline of globalization and took trade to a new record share of world economic activity. This is not likely to last, however. Demand for goods has started to normalize, and trade in goods, as opposed to services, is likely to decline because goods are more likely to be traded than services. That said, art may be more resilient than other goods. As detailed in Chapter 2, while imports and exports of art showed a drop in 2020, both have recovered strongly in 2021 and show promising signs of continued growth in 2022.

There are also structural and political changes that could affect trade in the future, namely, localization and deglobalization. Localization occurs when technology makes it more efficient to produce close to the consumer. Deglobalization, by contrast, concerns politics more than technology and occurs when political forces push firms to produce domestically. In a world of localization, cultural goods and services such as art are likely to flourish in a global marketplace – as music, film, and television have demonstrated in recent years. But in a world of politicized deglobalization, the culture economy may get tangled up in the affairs of state.

The pandemic has also increased interest in our relationship with the environment. While the initial surge of consumerism was not helpful for the environment, the pandemic has led to new structural efficiencies. Flexible working has reduced commuting to work, and reconsidering the role of the office can reduce energy consumption.

The war in Ukraine has pushed commodity prices dramatically higher and raised significant questions about energy and food security. Even with governments considering how to alleviate higher energy costs, supply constraints make it clear that people and industry must do more with less.

At the time of writing, most major economies had the extraordinarily peculiar combination of exceptionally low unemployment, negative real wages, and stable consumer spending. This mix may not be sustainable in the long term, and there is considerable uncertainty about whether we face a slowdown or a slump. Either is possible in this higher-risk environment.

Higher inflation has damaged consumer spending power in some areas, but the legacy of the pandemic (for developed economies) is that many consumers have reduced their debt or increased their savings. This allows those consumers to maintain spending even as real income drops. Economies may experience a gradual slowdown if inflation eases before savings or the willingness to borrow is exhausted. But if real incomes do not stabilize in time, economies could head into a slump.

This means that the global economic outlook rests heavily on the inflation outlook. Inflation today can be broken into three categories. The first is the transitory inflation of 2021. Last year's surge in demand for durable goods (such as electronics and appliances) could not, and did not last. The second is commodity prices. War and climate change have lifted food and energy commodity prices. Central banks can do little about this and instead seek to reduce inflation in the parts of the economy that they can control. The final category of inflation comes from expanded profit margins. Some companies, including some that do not normally have strong pricing power, have used external shocks as an excuse to increase prices and profit margins. Taming this inflation is typically the main aim of central banks, and interest rate increases are likely to continue for some time. The art world is not immune to inflationary pressure. Energy costs apply to galleries just as much any other retail or cultural space.

For now, the global economy seems more inclined to follow the slowdown rather than the slump scenario. Many people can find work, and that can provide enough security to save less and continue spending in the near term. Inflationary pressures are waning. But the slowdown scenario – although milder than a slump – is not without problems. Lower-income households are hurt more by commodity-related inflation than wealthier households, which have, for their part, suffered asset price declines.

The lingering effects of the pandemic and the intensifying effects of the war in Ukraine mean that talking of 2022 as part of an economic ‘cycle’ is still problematic. Economies fell off the cycle in 2020 and have yet to properly remount. Uncertainties persist. In the meantime, slower growth coupled with dramatic structural changes will play a role in any economic scenario.

Appendix



Appendix: Sources Used in A Survey of Global Collecting in 2022

I. International Trade Data

The international trade data covering imports and exports of art is extracted from the UN Comtrade database. This database aggregates detailed global annual and monthly trade statistics by product and trading partner and is compiled by the United Nations Statistics Division covering approximately 200 countries and representing more than 99% of the world's merchandise trade. Although this is one of the best sources of international trade data available, there are several issues that arise with the reporting of imports and exports.

One important example relates to the categorization of goods being traded. International classification codes have been developed to promote consistency in the reporting of trading information. The WCO Harmonized System (HS) is used in this report using the classification *Chapter 97: Works of art, collectors' pieces, and antiques*.

This segment covers works of art and various sub-categories of art, antiques, and collectibles, namely:

- 9701 – Paintings, drawings, and pastels, executed entirely by hand; collages, mosaics and similar decorative plaques;
- 9702 – Original engravings, prints, and lithographs;
- 9703 – Original sculpture and statuary;
- 9706 – Antiques of an age exceeding 100 years; and
- 9705 and 9704 – Collections and collectors' pieces of archaeological, ethnographic, historical, zoological, botanical, mineralogical, anatomical, paleontological, or numismatic interest (9075), and postage or revenue stamps, stamp-postmarks, first-day covers, and postal stationery (9074).

Paintings make up the majority of value (around 70% of both imports and exports in 2021), and the first three segments account for around 90% in most years.

Although the practices of the database are consistent, the data they receive from various reporting countries has been compiled independently and is therefore open to some degree of interpretation in the definition of what is included within these different categories. In many industries, classification is relatively straightforward, whereas for works of art, it can be sometimes less clear which is the most appropriate categorization (particularly to those who are not familiar with the art market).

There are also a number of issues related to the asymmetry of reported trade, which is often found using mirror statistics. International trade databases record flows of all goods that add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its national boundaries. Goods simply being transported through a country 'in transit' or on a temporary basis are generally not recorded in these statistics. However, adjustment methods for import VAT and other duties and charges, reporting, exchange rate differences, time gaps, and a range of other small inconsistencies can often mean that the goods imported by country A from country B do not always exactly coincide with exports from B to A. One of the most common reasons is different valuations of imports and exports, with imports commonly reported on Cost, Insurance, and Freight (CIF) basis, while exports are reported on a Free on Board (FOB) basis, which will make reported import values higher than export values. In the art market, the use of the VAT on the Margin Scheme by dealers and auction houses for secondhand goods can also understate some intra-EU trade flows. The level of asymmetry is also more common in certain regions' bilateral trade flows than others, with the example of issues related to Mainland China and Hong Kong given in Chapter 2.

In this report, using the UN Comtrade database, exports of a country include both exports of domestic goods and exports of foreign goods (or 're-exports'), with the same applied to imports and re-imports. All of the re-exported goods were imported by the country in the first place. However, at the time of import it is not necessarily clear if a good will stay in the country or will be re-exported and there is no way to link re-exports of goods to the imports of these goods.

Some of the problems with art trade data specifically are also caused primarily by the dominance of London and New York as centers for the art trade or entrepôts. Entrepôts are trading centers where items can be imported to and exported from, often without paying any duties and without any further processing. Because many works of art are transported into and out of the US and Europe via these cities and it is not always clear at the time of recording the transport the exact status of the shipment (temporary or otherwise), trade may be over- (or under-) reported via these transit centers at the time it takes place.

II. Art Fair Data

Data on the art fair calendar and changes between 2019 and 2022 was supplied by artfairmag (artfairmag.com). Artfairmag is a database tracking over 400 regional and international fairs around the world, including information on timing, location, date, and type of art sold. Artfairmag was founded by Pauline Loeb-Obrenan in 2019, who, prior to starting the database, worked at Galerie Kugel in Paris for eight years. Artfairmag also provides insights from interviews with art fair directors and gallerists about their events and exhibitions.

III. Auction Houses' Published Results

Arts Economics collects data directly from the published auction results and press releases of auction houses. This study contains the published total sales results for 2021 and 2022 from Christie's, Sotheby's, and Phillips. These figures are converted to US dollars using exchange rates relevant to the month of each sale.

IV. NFT Data

Information on sales of NFTs on NFT platforms and marketplaces was supplied for this report from NonFungible.com. This organisation was initially launched in 2018 to track real-time transactions of Decentraland, but has evolved into the largest NFT database worldwide.

In order to provide the most accurate and legitimate data, sales reported by NonFungible.com correspond to the 'qualified' volume of NFT transactions, that is, any transaction or activity that can be associated with legitimate market activity or an existing project. The total value of qualified trading made up around one third of market activity in 2021, with the rest being unqualified activity or 'noise' in the industry. Sales on the Ethereum blockchain are estimated to cover over 90% of the value of all sales of NFTs currently taking place. NonFungible.com currently only supports transactions that occur on the Ethereum (in the main standard of NFT, the ERC-721), Ronin, and Flow blockchains.

V. Contributions from External Authors

Olav Velthuis

Olav Velthuis is Full Professor and Department Chair of Sociology at the University of Amsterdam, specializing in the sociology of arts and culture and economic sociology. He is currently leading a research project on the global rise of private art museums, and prior to this, focused on the

emergence and development of art markets in the BRIC countries (Brazil, Russia, India, and China). He has a PhD in sociology from the Erasmus University and MAs in Art History and Economics from the University of Amsterdam. Before moving to the University of Amsterdam, Velthuis worked for several years as a Staff Reporter on Globalization for the Dutch daily newspaper *De Volkskrant*. He also worked as Assistant Professor at the University of Konstanz and as a post-doc researcher at Columbia University.

Velthuis has written widely in the art and financial press, including *The New York Times*, *Artforum*, *The Art Newspaper*, and the *Financial Times*. He is the author of several books on the art market, including *Talking Prices: Symbolic Meanings of Prices on the Market for Contemporary Art* (Princeton University Press, 2005). He co-edited the book *Contemporary Art and Its Commercial Markets: A Report on Current Conditions and Future Scenarios* (Sternberg Press, 2012) and *Cosmopolitan Canvases: The Globalization of Markets for Contemporary Art* (Oxford University Press, 2015). He is currently working on a monograph on the global diffusion of markets for contemporary art.

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Till Vere-Hodge is a Partner specialising in art and cultural heritage law at Payne Hicks Beach LLP. Vere-Hodge advises international private collectors, art dealers and auction houses, galleries, and museums, as well as art investors and advisors on any legal issues pertaining to art, cultural property, and other collectibles. He has built up a particular expertise in handling restitution claims to looted artworks. He regularly lectures at various Art Law forums and comments in the media on matters pertaining to Art and Cultural Property Law.

Prior to his career in the law, Vere-Hodge worked for a Member of Parliament at Westminster and as a Public Diplomacy Officer at the German Embassy. He is a member of PAIAM (Professional Advisors to the International Art Market), ICRA (International Catalogue Raisonné Association), TIAMSA (the International Art Market Studies Association), and serves as an Officer on the Art, Cultural Institutions, and Heritage Committee of the International Bar Association. He is a Fellow of the Royal Asiatic Society of Great Britain and Ireland.

Katalin Andreides

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Katalin Andreides is a Rome-based EU art lawyer who advises HNW clients, art dealers, galleries, financial institutions, artists, and artists' studios and estates in a number of regions including Italy, France, Monaco, and Hungary. Her practice includes the full spectrum of transactional, advisory, and dispute resolution services pertaining to art. Andreides' focus has been the contemporary art market in Europe, but she has also advised her clients on legal issues surrounding antiquities, old masters, and modern works of art. She has particular experience in navigating the European export license regime and cross-border inheritance management involving art and other collectible chattels.

Andreides is a CAfA-appointed (Court of Arbitration for Art) Arbitrator. She is a member of the Institute of Art and Law in London, TIAMSA (the International Art Market Studies Association), and the British Institute of International and Comparative Law. She serves as an Officer on the Art, Cultural Institutions, and Heritage Committee of the International Bar Association.

VI. Arts Economics and UBS Survey

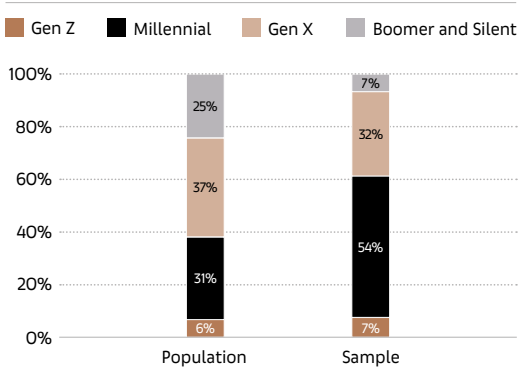
Arts Economics partnered with UBS to conduct a survey of HNW adults in 11 different markets in 2022. The survey used panels of HNW individuals from the following markets:

- US
- UK
- France
- Germany
- Italy
- Singapore
- Hong Kong
- Mainland China
- Taiwan
- Japan
- Brazil

The survey was distributed in August 2022 and received full, qualified responses from 2,709 collectors from these regions.³⁴ As in previous years, potential respondents were screened according to their wealth and activity in the art market from 2020 through to the end of the first half of 2022. Respondents were required to be HNW 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 enough in the market to be able to offer insights on potential changes in spending, sales channels,

³⁴ Respondents were sourced from panels of HNWs provided by Dynata.

Figure A1 | Age Segments of the HNW Collector Population and Sample



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and other behaviors, they were required to have purchased fine or decorative art in 2020, 2021, and 2022, spending a minimum of \$10,000 on art and collectibles in each of the years 2020 and 2021, and a minimum of \$5,000 in the market in 2022. This screening ensured that the survey captured only actively collecting respondents, although it also potentially excluded collectors who may have extensive collections but have not been active in the market in recent years.

This screening process continued until there was a minimum of 400 qualified responses for the US, 300 from Mainland China, and 200 from each of the other markets, with a total of 2,709 fully-qualified respondents.

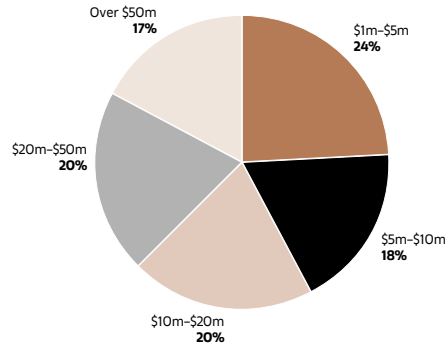
The questionnaire was distributed to collectors across a broad range of age groups, however, after screening, the breakdown of qualified respondents was dominated by millennials (54%) and Gen X collectors (32%), reflecting the most currently active collecting segments in the market. Boomer and Silent Generation collectors accounted for 7% of the sample (versus 25% of the initial population surveyed). Although these collectors make up a very important part of the art market and have some of the largest collections of art and antiques, many were screened out during sampling due to a lack of activity in the periods detailed above. Gen Z collectors also accounted for just 7% of the total respondents.

The overall gender breakdown of the aggregate sample was 38% female, 62% male, with just 0.1% of the sample identifying as non-binary.

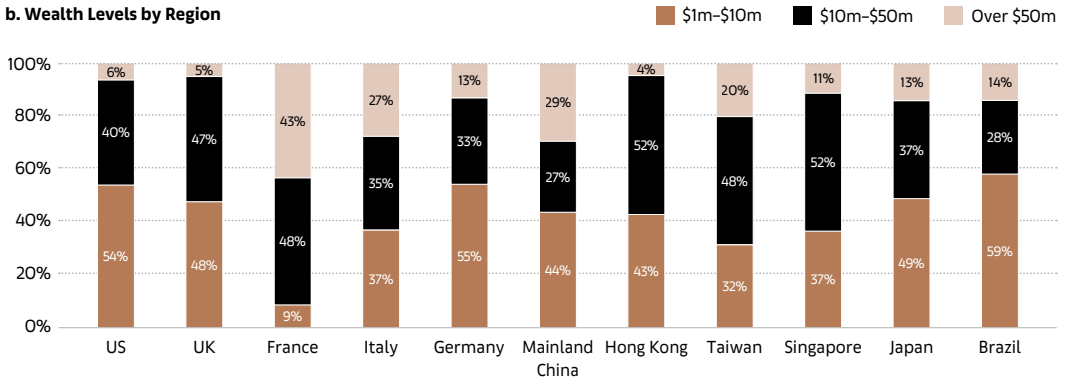
All respondents had personal wealth in excess of \$1 million (excluding real estate and private business assets), with a majority (57%) in excess of \$10 million, including 17% in the ultra-high net worth (UHNW) category, defined here as wealth over \$50 million. The highest share of UHNW respondents was the highest in France (43%), with high shares also in Mainland China (29%) and Italy (27%).

Figure A2 | Wealth Level of HNW Collectors Surveyed

a. All Markets



b. Wealth Levels by Region



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For this Arts Economics and UBS collaboration, 2,709 HNW collectors were surveyed (with at least \$1 million in investable assets). They were required to have purchased fine or decorative art in 2020, 2021, and 2022, spending more than \$10,000 on art and collectibles in each of the years 2020 and 2021, and at least \$5,000 in the first six months of 2022. The sample was split across 11 markets in this report: the US, the UK, France, Germany, Italy, Mainland China, Hong Kong, Taiwan, Singapore, Japan and Brazil.

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**List of artists featured in
A Survey of
Global Collecting
in 2022
in order of appearance**

Matthew Palladino, **7**
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Theaster Gates, **38**
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