

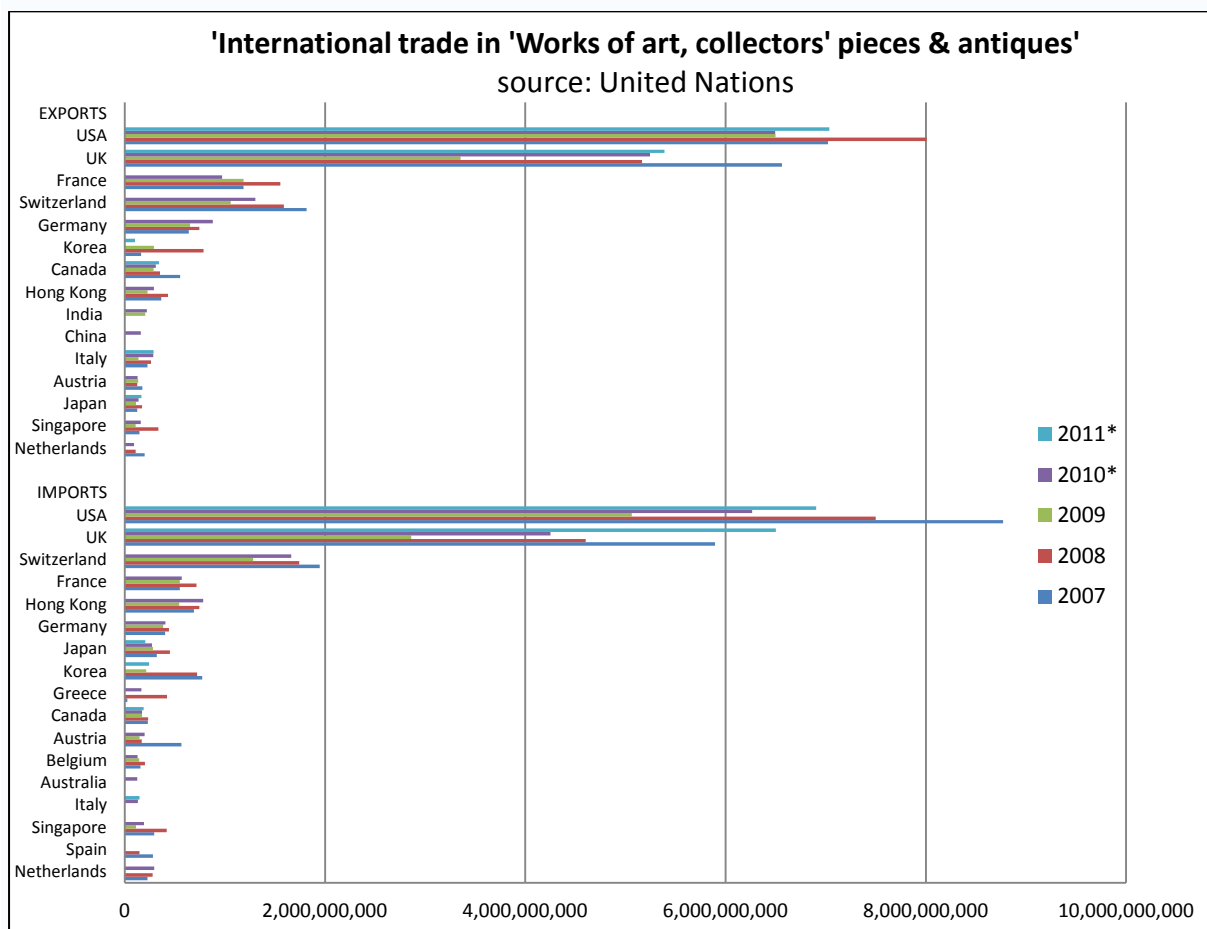
## Locus Capital Art Advisory (LCAA) - Art Market Commentary

**'It is in works of art that nations have deposited the profoundest intuitions and ideas of their heart'** GWF Hegel, *Aesthetik*, 1838

The art market is at one of its major historical turning points. Through the ages the art trade has followed money with a time lag and added socio-cultural complexity. Its historical development can be traced since the 16<sup>th</sup> century from one major trading economy to the next. The last great transfers of art were from Europe to the USA after the mid 19<sup>th</sup> century and the USA and Europe to Japan from the 1960s to the late 1980s.

Today, as with other international trade, the market for art is becoming wider than any time in its history. Nearly two thirds of the \$38bn international trade is still conducted via the USA and the UK, as well as Switzerland, France and Germany. But trade is now joined by countries from the newly developed and developing world mainly in Asia. Among the world's major art importers are Hong Kong, Japan, South Korea and Singapore. Preliminary research indicates that an income exceeding \$16,000 per head is conducive to a population buying art. That was a level reached by all those Asian countries including Taiwan before the early years of the 21<sup>st</sup> century.

But the partly answered question remains: what are they buying and what might they buy in future? For this, trade figures reveal some broadly useful and interesting information. Although China may be some way from reaching the required art buying income per head its domestic art market is the second largest in the world. For now it remains a net exporter of art to the USA, Japan and Russia. But there may be more long term significance in China's art imports coming mainly from the USA, France, Sweden, and the UK.



What eludes us are the art types, artists and artworks they are buying. For this international art prices offer some further answers and reflect some of the trade trends. Analysing national cultural trends also helps. For the rest we rely on anecdotal evidence based on ever more transmissions via social media, in future better understood using cognitive science.

By some measures auction market prices reached a plateau in the first half of 2012 after significant recovery growth. The international trade and art prices reached a zenith in 2007 and 2008. But in 2009 prices of art sold at auction in New York fell by 23% according to the Mei & Moses repeat sales auction data. They rebounded the following years by 17% and 10%. By the same measure, during the last art market recession in 1990-95 prices fell by 65%.

For individual art market sectors the trends have been for Chinese, American, Latin American and British art. In 2010 the highest price growth was in Post War and Contemporary art (30%) and Impressionist and Modern art (11%). In 2011 the trade was led by Chinese traditional art (20%), Latin American art (16%), Impressionist & Modern art (14%), and American art (13%). To mid 2012, Chinese art has been the only faller (-3.9%), weighing down the overall art index, while American, British and Latin American art have risen by 27.5%, 12.8% and 2%.

Underpinning these developments is the cultural-economic connection between exhibition visits and art prices. In the last decade more people have been visiting museums than any time in history, increasingly in the developing world. In 2011 the best attended exhibition based on daily attendance was in Rio de Janeiro for the Dutch graphic artist MC Escher (1898-1972) ahead of exhibitions in Tokyo and Taipei, according to The Art Newspaper. The most popular art genres worldwide were impressionist and modern, Asian art and photography. Among non western countries, Japanese exhibitions remain the most culturally occidental. In Tokyo, among the best attended were for the Spanish artist Goya (1746-1828), the Dutch Rembrandt (1606-69) and Ancient Greek art.

Looking to international exhibitions in 2012, the most trendsetting may prove to be 'Rome: Life and the Emperors', 'Tomb treasures of Han China', Titian, Raphael, Frederick the Great, PreRaphaelites, Bauhaus, 'Photography and the cult of celebrity', Ed Ruscha, Damien Hirst, Jeff Koons, Nam June Paik, and India Design Now.

The globalisation of the art market may still be in its infancy but the trends are increasingly discernible for collectors seeking novelty, diversity and financial opportunity. As the opportunities to buy new art becomes more confusing, the potential to buy relatively low priced established art remains a better possibility.

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