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**Growing Art Market**

* Global market reached $53.7 billion, highest in history
* Distribution of sales by *value* is dominated by the US (39%), China (22%), and the UK (22%) – global art market follows global wealth

**Art Market Interests (2014)**

* Post-War and Contemporary Art – 48% of market (auction sales reached $6.2 billion)
* Modern Art – 28% of market (auction sales reached $3.5 billion)

**Top 10 Artists by Auction Revenue in 2014**

Andy Warhol ($570m), Pablo Picasso ($375M), Francis Bacon ($271M), Gerhard Richter ($254), Mark Rothko ($249M), Claude Monet ($223M), Qi Baishi ($206M), Alberto Griacometti ($205M), Zhang Daqian ($193M), Jeff Koons ($150M)

* Bear in mind that the art world is subjective – on average, Warhol is going to be less valuable than Monet due to sheer volume, but a unique Warhol could go for a higher price at auction

**Primary vs. Secondary Markets**

* Primary: Galleries
  + Private, unregulated, secretive – “wild, wild west”
  + Dealers’ profit = half the sale price - cost (rent, marketing, personnel, etc.)
  + Commission = 10% of sale (higher the sale price, lower the commission)
  + Small gallery owners are not major gift prospects
* Secondary: Auctions and dealers
  + Public, somewhat regulated, more transparent
  + Vocabulary:
    - Hammer Price – Price announced when the auctioneer’s hammer goes down
    - Premium – Buyer’s fee paid to the auction houses
    - Bought in – the artwork failed to find a buyer at an auction
    - Guarantee – The price the auction house will pay the consigner regardless if the artwork sold

**Key Takeaways and What It Means for Prospect Research**

* Art can be a high risk investment – highly subjective
  + Risky investment – auction houses are not responsible if you purchase a fraud
* On average, art makes up 9% of the assets of wealthy individuals
  + This is great indicator of wealth – they have the ability to spend on a very expensive passion OR they are conscious of the market and are making calculated investments
* Rule of Thumb: “No one will spend more than 1% of their net worth on a single piece”
  + *This was based on an NY Times article assumption and Wealth-X follow up; assuming 5% would provide a more conservative estimate of total assets*

**Example:**

Sold for: $179,365,000 Premium

Buyer’s Premium schedule for Christie’s NYC:

25.0% Up to $100,000

20.0% $100,001 to $2,000,000

12.0% $2,000,001 and above

$179,365,000 = Hammer Price + Buyer’s Premium

$160,000,000 + $19,365,000

Net worth = >$17.9 billion

<http://www.christies.com/features/guides/buying-guide/related-information/buyers-premium/>

**Resources**

* Check to see if your university has access to databases – can use these to help determine what a piece might be worth
* Larry’s List – paid database, but if someone shows up in the search drop down, that’s a good sign

