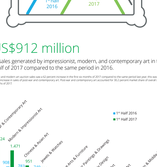
Art & Finance 2017

It is now six years since the first issue of the Deloitte and ArtTactic Art & Finance report was published, and based on the findings of the 5th edition, we continue to see new and interesting developments in the art and finance industry.

Section 1
The state of the global art market

+18 percent
Auction sales growth in the first six months of 2017

+US$912 million
more sales generated by impressionist, modern, and contemporary art in the first half of 2017 compared to the same period in 2016.



+21 percent
growth in Chinese and Asian auction sales in the first six months of 2017

+31 percent
growth in auction sales in London in the first half of 2017, followed by 29 percent growth in New York auction sales.

All auctions at Sotheby's, Christie's and Phillips - by total sales per location

Section 2
Art and wealth management survey

Estimated wealth allocation to art and collectibles *in 2016*
US$ 1.62 trillion of UHNWI

Estimated wealth allocation to art and collectibles *by 2026*
US$ 2.7 trillion of UHNWI

This is the second time in six years of monitoring the art and finance industry that we see an alignment of the wealth management industry with collectors and art professionals:
Confirmation that art and wealth management is part of a long-term industry trend.

Should art be part of a wealth management offering?

Particularly as the wealth management industry moves toward a more holistic asset management model:

85% of surveyed wealth managers consider the ability to demonstrate value-add from future business performance

85% of wealth managers believe that integrating art into a wealth management model is the strongest argument for including art and collectibles in a wealth management service range

64 percent of wealth managers, **67 percent** of private banks, and **55 percent** of family offices surveyed said they were actively offering services related to art and collectibles, including entertainment and client hospitality

Highest overall reading to date for anticipated investment in art wealth management services over the next 12 months. An average of **44 percent** of wealth managers reported that increasing focus and resources would be dedicated to art and wealth management services in the coming 12 months, up from **38 percent** in 2016. This is the highest reading since the launch of the survey in 2011, and is supported by a positive trajectory for all art related products and services

Estate planning is the primary service that private banks and family offices will focus on in the next 12 months.

72 percent of the wealth managers surveyed said they offer services related to art philanthropy. This was up from 64 percent in 2016 and suggests that art is now playing a bigger role in the spectrum of philanthropic activities

69 percent of wealth managers said they expected their clients to want to include art and other collectible assets in their wealth reports

55 percent of wealth managers said that finding the right talent remains one of the key challenges in building an art-related service offering; *Lack of management support*; *51 percent* of wealth managers said that lack of interest internally was a major challenge, up from **26 percent** in 2016. This could suggest that as interest in art and wealth management is gaining momentum, there is a lack of leadership support for these types of initiatives.

Section 3
Art-secured lending

The US has taken the lead in the international development of art-secured lending, taking the advantage of the favourable legal environment.

The art-secured lending market in the US reached an estimated **US$17.20 billion** in 2017 which represents a 13.3 percent growth from 2016

Two thirds of wealth managers surveyed said their institutions offer art-secured lending services

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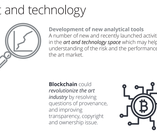
Top 3 challenges to the art-secured lending market: valuation, lack of liquidity, risk assessment

Section 4
Art as an investment

Global art fund industry struggles to gain momentum after 5 years of decline, but *art investment remains relevant*

Chinese art fund industry declines, the estimated AUM for the Chinese art investment funds has decreased from US$ 1.68 billion in 2012 to an estimated US$ 973 million in first half 2017

Only 11 percent of the wealth managers surveyed offer an art investment fund product. This number has remained flattering down from 18 percent in 2016



Top 5 challenges for wealth managers in terms of embedding art investment fund into a bank's offering: **Valuation (mark-to-market), due diligence, lack of track-record, regulation and lack of liquidity**

Section 5
Art and technology

Development of new analytical tools
A number of new and recently launched activities in the *art and technology space* which may help understanding of the risk and the performance in the art market.

Blockchain could *revolutionize the art industry* by resolving questions of provenance, and improving transparency, copyright and ownership issue.

Section 6
Risk managing and regulation

Over **77 percent** of art professionals and **76 percent** of collectors prefer a self-regulated approach to establish trust and credibility. A mixed approach seems recommended to support sound growth of the market.

Government Regulation vs Self-Regulation
The majority of the respondents are in favour of a self-regulated art market

Top 3 - Biggest threats to the reputation of the art market

The full report can be downloaded from the Deloitte Luxembourg website at:
www.deloitte-artandfinance.com