Key facts
Se me Movió el Piso © Lina Sinisterra (2014)
It is now 8 years since the first issue of the Deloitte and ArtTactic Art & Finance report was published, and based on the findings of the 6th edition, we continue to see new and interesting developments in the art and finance industry.

Technology, social impact investing and regulations as key trends to shape the art and finance market in 2019 and moving forward.
SECTION 1
Wealth and the global Art Market
SECTION 1
Wealth and the global Art Market

Estimated $1.74 trillion in art and collectible wealth in 2018.

Widening gap between wealth accumulation and art market growth in the last 10 years.

Top-end of the market 4.6% annual auction sales growth between 2008-2018.

Deteriorating confidence Outlook: 29% of experts believe that the market will go up in the next six months versus 51% who said the same in May 2019. 60% said the market likely to consolidate around current levels.

Trust and transparency remain key obstacles to future art market growth
SECTION 2
Art & Wealth Management
SECTION 2
Art & Wealth Management

Trend: reinventing the client experience

86 percent

of wealth managers said they thought there was a convincing argument for including art in their wealth management service offering.

Strong consensus among wealth managers, art collectors & art professionals

Highest reading since the launch of the survey in 2011.

Shift towards a more financially motivated art ownership model.

Holistic wealth management is a key driver behind the focus on art-related services

A large majority (83 percent) of wealth managers said that a desire to offer more holistic services to their clients was a vital motivating factor.

Changing perceptions around the financial aspect of art ownership

52 percent of collectors said that portfolio diversification was a strong/very strong motivation for buying art this year (up from 36 percent in 2017). This is the highest reading since 2011.
Demand & future supply for art wealth management services

**Demand**
- Most collectors (76 percent) said that estate planning would be the most relevant service for them (up from 69 percent in 2017).
- Collectors are increasingly willing to share their collections with the public.

**Supply**
72 percent of wealth managers surveyed this year (80 percent of private banks and 53 percent of family offices) said they were currently offering art-related services to their clients. This was up from 64 percent of wealth managers in 2017.

---

### Ranking

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Art Valuation Appraisal</td>
<td>73%</td>
</tr>
<tr>
<td>Art &amp; Estate Planning</td>
<td>76%</td>
</tr>
<tr>
<td>Art Market Research &amp; Information</td>
<td>71%</td>
</tr>
<tr>
<td>Art Philanthropy</td>
<td>65%</td>
</tr>
</tbody>
</table>

© 2020 Deloitte Tax & Consulting
Collectors increasingly see their art as an integral part of their total wealth.

**Future trend:** do you expect your clients to want to include art and other collectible assets in their wealth reports so as to have a consolidated overview of their wealth and a better understanding of their exposure?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019

"Nowadays it has become almost a kind of social responsibility to give the general public the chance to see artworks that had previously been kept behind closed doors."

**Christian Kaspar Schwarm**
Founder of Independent Collectors
Art & Estate Planning
Most relevant service for 76% of collectors

My clients have estate plans that sufficiently address their art collection
Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019

New transparency requirements
Urgent need to address art and estate planning issues

With the entry into force of new transparency requirements for entities, it is essential for entities to anticipate and adapt to upcoming changes.
SECTION 3

Art-Secured Lending
SECTION 3
Art-Secured Lending

Estimated $21-24bn loans outstanding against art in 2019

10%
Estimated 10% annual growth between 2016 and 2018

90%
Approximately 90% of the market in the US

90-92%
90-92% of loans are to individuals, the remaining share is to the art trade

Collectors would be interested in using their art collection as collateral for a loan (up from 57% in 2017).

Arts professionals surveyed said that art-secured lending was most relevant service.

Private banks in Europe surveyed said they would focus on this area in the coming 12 months.

Key Challenges

- Assessing Risks
- Lack of liquidity
- Valuation
- Lack of regulation
SECTION 4
Art & Investment
SECTION 4
Art & Investment

Return and correlation

Growth 2000 - 2018

• CAGR for Top 100 artists: 8% vs 3% for S&P 500
• CAGR of between 2% and 9% percent across various collecting categories

Correlation

• Across the board for all collecting categories, art as an asset class has a stronger positive correlation with the price of gold indicating art more as a value-preserving asset class than as an investment vehicle.

Art is thought of as an asset class that holds its value

Most auction consignors who held works of art for at least ten years benefitted from the “holding period effect” as their art grew in value.

“The Holding Period Effect”

A total of 88% of Contemporary works and 80% of Impressionist & Modern works held for over ten years had a resale price higher than their purchase price and less volatile Compound Annual Returns.
Art Investment Models

Generation Gap: In terms of investing in art, which of the following art investment products would be more of interest to you?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019

Broadening the offering for different kinds of art investments

This year’s survey shows a broad interest in different types of art investment models from social impact investment models to fractional ownership models, and derivative products, as well as traditional art investment funds.

Could private-public partnerships pave the way for new social impact investment models in the cultural sector?
SECTION 5
Art & Technology
SECTION 5
Art & Technology

Technology will drive change in the art market

Collectors and art professionals believe technology could have a profound impact on a number of aspects of the art market, including transparency and regulation.
SECTION 6
Risk Management & Regulation
SECTION 6
Risk Management & Regulation

Which of the following issues do you feel are the most threatening/damaging to the reputation of the art market?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019

Key threat to the reputation of the art market: **TRUST**
Increasing calls to modernize business practices in the art market

Wealth managers: which regulatory approach do you favor when it comes to establishing trust and credibility in the art market?
Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019

Anti-Money Laundering & the Art Market

• **By January 2020**, all EU member states are due to transpose Directive 2018/843 (also referred to as the fifth anti-money laundering directive, or AMLD5) into national law.

• The fifth directive extends its scope to "**persons trading or acting as intermediaries in the trade of works of art**, including when this is carried out by art galleries and auction houses, where the value of the transaction or series of linked transactions amounts to EUR 10,000 or more".

More wealth managers believe regulation will establish more trust in the art market.
PRIORITIES
PRIORITIES

1. Wealth managers need to rethink the client experience and take a new strategic approach to art and wealth management.

2. Collaboration between Art & Finance stakeholders is essential in order to develop common guidelines and standards to address deteriorating trust in the art market.

3. Supporting ArtTech: 
   new investment models required.

4. Social impact investment models for art and culture should be explored.

5. The new anti-money laundering regulation is an opportunity for the art industry to become a more transparent and trusted marketplace.
THANK YOU!
To download the full report, please click on the button here:

or copy the following link:

Contacts

**Vincent Gouverneur**
Partner | Art & Finance Leader
Tel: +352 45145 2451
vgouverneur@deloitte.lu

**Adriano Picinati di Torcello**
Director | Global Art & Finance Coordinator
Tel: +352 45145 2531
apicinatiditorcello@deloitte.lu
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 286,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2020 Deloitte General Services
Designed and produced by Marcom at Deloitte Luxembourg