

\$25 Billion and Counting

Auction sales are what one dealer calls the “visible part of the iceberg.” But how big is the rest of it? According to dealers, auction house experts, and other advisers, the private art market is exponentially larger—fueled by increasing demand from Russia, Asia, the Middle East, and other emerging markets

BY EILEEN KINSELLA

Two years ago Ronald Lauder—cosmetics heir, honorary chairman of the Museum of Modern Art, and one of the world’s leading art collectors—privately bought Gustav Klimt’s *Portrait of Adele Bloch-Bauer I* (1907) for a reported \$135 million. Later that year entertainment mogul David Geffen scored \$143.5 million from the sale of two works from his collection: Willem de Kooning’s 1955 *Police Gazette* went to hedge fund manager Steve Cohen for \$63.5 million, and Jasper Johns’s *False Start* (1959) was sold to another major collector and hedge fund operator, Kenneth Griffin, for \$80 million. (The public-auction

RIGHT David Geffen sold Willem de Kooning’s *Police Gazette*, 1955, to Steve Cohen for \$63.5 million.

Eileen Kinsella is editor of the ARTnewsletter.



WILLEM DE KOONING. REVOCABLE TRUST/ARTISTS RIGHTS SOCIETY (ARSA), NEW YORK



Geffen parted with Jasper Johns's *False Start*, 1959, to hedge fund operator Kenneth Griffin for \$80 million. The artist's public auction record is \$17.4 million.

record for Johns is \$17.4 million.) In 2004 Griffin had paid about \$75 million for two Cézannes he purchased from casino owner Steve Wynn. In 2005 Wynn sold two paintings—van Gogh's *Peasant Woman Against a Background of Wheat* (1890) and Gauguin's *Bathers* (1902)—to Cohen for about \$120 million.

In a highly publicized deal in late 2006, Wynn sold Picasso's *Le Rêve* (1932) to Cohen for \$139 million. The deal was scuttled shortly afterward because Wynn accidentally bumped the canvas with his elbow and tore a small hole in it.

Christie's and Sotheby's, which dominate the global auction business, reported more than \$12 billion in combined sales last year. Christie's said that about four-fifths, or slightly more than \$5 billion, of its \$6.3 billion total came from fine-art sales. Sotheby's said fine art accounted for 69 percent, or \$3.7 billion, of the \$5.4 billion auction sale total.

So how much business is done behind the scenes? How big is the private art market? How many billionaires and millionaires across the globe have the wealth—and the desire—to own a \$100 million-plus Klimt or an \$80 million Johns? How many tens or hundreds of millions of dollars in sales are made at powerhouse galleries each year, not to mention the thousands of other galleries in New York, London, Paris, Berlin, Beijing, and other major art centers? How much business is done at the art fairs proliferating from Basel to Dubai to Maasticht to New York?

According to a recent report prepared for the European Fine Art Foundation (TEFAF) by Dublin-based economist Clare McAndrew, art dealer sales in 2006 reached a record \$28.6 billion, accounting for slightly more than half of the estimated \$54.9 billion global total. In 2006 about 1 million transactions involving dealers took place globally, according to McAndrew's report. A December report in *Barron's* projected that in 2007 the private art market was worth approximately \$30 billion.

An *ARTnews* survey of dealers, collectors, and art advisers yielded a consensus that current annual private art sales around the world fall between \$25 billion and \$30 billion.

"It's impossible to know how big the private art market is," says Arne Glimcher, chairman of PaceWildenstein in New York, one of the world's largest galleries, with a staff of about 180. "I would estimate that it's two to three times the auction market."

As *ARTnews* went to press, no one was sure how sales this year would shape up, given the state of the economy. Most dealers, collectors, auctioneers, and other observers have been keeping a cautious eye on the art market, looking for any indications that the situation could dampen the demand for art.

Last month, the heirs of dealer Ileana Sonnabend sold about \$600 million worth of art in what was considered the largest private sale ever. The story was first reported by Carol Vogel in the *New York Times*. The buyers were said to be Larry Gagosian and gallery partners Franck Giraud, Lionel Pissarro, and Philippe Ségalot.

Although Christie's and Sotheby's account for the lion's share of auctions around the world, regional houses also add to global volume, by at least a few more billion. Bonhams, for instance, reported \$600 million in sales last year, while Phillips de Pury & Company said sales reached \$308 million, of which

contemporary art accounted for \$262.3 million. A spokesperson for Bonhams says the auction house doesn't isolate fine-art sales. French auction houses reported about \$1.4 billion in sales last year.

"The universe of collectors has grown enormously. Incredible wealth has been accumulated, and that is still the supporting factor" of the art market boom, says Glimcher. Mary Hoeveler, a former Christie's specialist who is now head of the Art Advisory Service of Citigroup's private bank, says, "Every week I meet a new collector who has a lot of money, usually in their 30s to 50s."

How many billionaire collectors are active in the art market today? "It's not a gigantic number, but they're repeat buyers," Glimcher says. "Hardly anyone spends \$50 million on an artwork and stops buying."

Phillips de Pury chairman Simon de Pury, who has worked as a private dealer and continues to handle private as well as auction sales, says that "it's very difficult to extrapolate overall sales, but I would expect the private market to be at least four if not five times as large" as auction sales.

"I can see the line of thinking—let's see, if you have 3,000 galleries doing \$10 million each—how \$30 billion may be possible," says Paul Gray, director of Richard Gray Gallery in Chicago. "There are several dozen galleries doing over \$100 million each. I know because I'm one of them."

"I don't have a clue what the size of the private art market is," says Eli Broad, one of the most active contemporary-art collectors, who is on the *ARTnews* list of the top ten collectors in the world. "I know it's large."

In 2005 Broad spent \$36.5 million at auction on three works—a David Smith sculpture, a Cy Twombly painting, and a Chuck Close portrait—just a fraction of the number of pieces he acquired that year. In 2006 and last year, 637 works were purchased for the Broad Art Foundation, including four by Damien Hirst and three by Jeff Koons, as well as an Andy Warhol "Camouflage" painting from 1986 and six drawings by Ed Ruscha.

Broad says he has no preference between buying at auction and buying privately. But in the last two years, only four acquisitions for the Broad Foundation were purchased at auction, according to foundation spokesperson Karen Denne. (One of them was for the Eli and Edythe L. Broad Collection.) "Our



TOP PaceWildenstein's Arne Glimcher says the "universe of collectors has grown enormously."
ABOVE Paul Gray of Richard Gray Gallery estimates that "there are several dozen galleries doing over \$100 million each."

private purchases are usually from galleries and almost always primary market," Denne says.

Nicholas Maclean and Christopher Eykyn, former directors of Christie's Impressionist and modern art department, left the auction house in late 2005 to launch a private dealership in New York. "What surprised me on the other side of the fence," Maclean told *ARTnews*, "was the number of private dealers—often just one person—who are turning over \$20 to \$30 million a year" in sales. And that's before public art galleries are taken into account.

Maclean was also amazed by the scale of private-market activity from "buyers who did not seem to be particularly active at auction." Based on that, he says, \$30 billion might "actually probably be conservative."

Although U.S. and European buyers still dominate the art market almost across the board—Impressionist and modern art, contemporary art, Old Masters, drawings, photographs, prints—the art boom has been partly fueled by new wealth in China, India, Russia, and the Middle East. In most emerging markets, newly wealthy collectors gravitate first to the art that reflects their own culture—a key reason why work by artists in those regions has soared so high in recent years.

According to last year's *World Wealth Report* by Capgemini and Merrill Lynch & Co., the number of high-net-worth individuals around the world increased 8.3 percent, to 9.5 million, between 2005 and 2006. Emerging markets such as Latin America, Eastern Europe, and Asia-Pacific benefited in particular, the report says. Meanwhile, experts also note the continuing solid performance and depth of collecting in countries with

long-standing markets, like France, Italy, Switzerland, and Germany. In addition, there is the intense, often unpredictable, demand that experts are seeing from one region to another: Chinese collectors snapping up Korean art; Italian collectors buying Indian art; major U.S. and European collectors, such as Charles Saatchi, buying Chinese as well as Indian art.

New York photography dealer Howard Greenberg notes an increase in European and Asian buyers in recent years, although he believes that demand is partly a "function of the currency difference." Asked to estimate the overall photography market, Greenberg responds, "I wish I knew. Anytime I've ever made a guess, I'm told that I'm way underestimating. At this point, I have to believe that the international market is between \$200 million and \$250 million."

Last summer Phillips de Pury announced a partnership with Saatchi Gallery in London, which was scheduled to reopen in a 70,000-square-foot space in the city's Chelsea district this spring. At a recent art market panel at MoMA, Simon de Pury said that of the estimated 40 million hits a day the Saatchi Web site gets, an inordinate number come from countries such as Turkey, Indonesia, and Brazil.

Dealer Jan Krugier, who has galleries in Geneva and New York, thinks the annual private market is about \$25 billion, noting demand from collectors in Italy, Spain, Mexico, and Brazil for modern and contemporary art. "Russians are buying like crazy," he adds.

In Moscow, a number of collectors, including Igor Markin and Vladimir Semenikhin, have opened their own museums or are planning to do so. Construction magnate Semenikhin's Ekaterina Cultural Foundation, Russia's first privately owned exhibi-

tion space for contemporary art, is currently hosting a solo show of German photographer Andreas Gursky's work. In Kiev, Victor Pinchuk opened the Pinchuk Art Gallery two years ago to show his collection of Ukrainian and international art.

New York-based art adviser Sandy Heller says that although major biannual auctions dominate the headlines, the cycles of activity he observes are often independent of the auctions. "We're busy throughout the year," says Heller, who advises Cohen and several other major collectors who made their fortunes with hedge funds. The opportunity to buy a major work can arise at any time, Heller says, adding that a lot of important works come on the market before tax season, when collectors need cash to pay taxes.

In past years \$20 billion was "the number that was banded about," says Harry Blain, a founder of the Haunch of Venison gallery in London, Berlin, and Zurich, which was acquired by Christie's International early last year. If \$30 billion is the number, "then I've got to start working a lot harder," he says with a laugh. At the same time, he acknowledges that auction sales represent just the "visible part of the iceberg. There is clearly enormous activity going on" beyond those sales.



LEFT The Eli Broad Art Foundation acquired 636 works in 2006–7. Here, Cy Twombly's *Untitled*, 2007.



FAR LEFT Jan Krugier says that "Russians are buying like crazy."
LEFT Dominique Lévy of L&M Arts says that many buyers prefer to operate privately, "so that the whole world doesn't know what they're doing."

\$730 million, a 123 percent increase. Christie's reported private sales of \$542 million, up 111 percent from 2006.

"In our view, the art business and the number of people around the world who buy works of art will continue to grow exponentially," says Marc Porter, president of Christie's Americas. "You need to have both traditional auction and private sale transactions. A critical aspect of serving clients is a business that has all the services and products that a global art market requires."

Dominique Lévy, a partner at L&M Arts in New York and former head of private sales at Christie's, says this is a marked shift from the way private sales were viewed in the auction business as recently as seven years ago, when Christie's annual private art sales were about \$150 million, approximately a third of the current figure. "It was sort of like you were fighting against the waves" by pursuing private sales within the framework of an auction house, she says.

The art dealer community has signaled its disapproval of auction houses buying galleries. Since it was acquired by Christie's, Haunch of Venison has been banned from participating in most major art fairs, a gallery spokesperson told *ARTnews*.

The TEFAP report, titled "The International Art Market: A Survey of Europe in a Global Context," is based on surveys of 3,500 dealers and 3,000 auction houses, says McAndrew. It also includes an analysis of import and export data from the United Nations commodity trade statistics database, as well as European Union trade figures that track the international flow of art to and from individual countries. Among the report's key findings are that the global art market, which includes auctions as well as private sales, grew 95 percent between 2002 and 2006, from €26.7 billion to €43.3 billion (\$25.3 billion to \$54.9 billion). The United States has retained its leading share of the market over the last ten years. In 2006 the United States accounted for \$25 billion, or nearly 46 percent, of the sales of fine and decorative art.

Meanwhile, the report says, the United Kingdom remains the largest market in the European Union, and the second largest globally, with a "60 percent share of the European market, and 27 percent global share." France is the third-largest market globally, followed by Germany. One of the most significant developments in terms of market share has been the rise of China, now "the world's fourth largest global art market, with 5 percent of world sales by value."

Several dealers told *ARTnews* that collectors in Switzerland, Italy, France, Spain, and Germany show a particularly strong



preference for private transactions. Despite all the buzz about hedge fund buyers creating record auction prices, "you still have a lot of old-fashioned buyers who much prefer to buy and sell privately, so that the whole world doesn't know what they're doing," says Lévy, of L&M Arts.

Michael Findlay, a director of Acquavella Galleries in New York and a former head of Impressionist and modern art at Christie's, says jokingly that at the annual Maastricht art fair in the Netherlands, he is constantly being asked, "Do you realize who that was?" about one or another major collector he is not

familiar with. Findlay tells them with a laugh, "No, that's why I'm here."

George Frei, gallery director at Thomas Ammann Fine Art in Zurich, describes Swiss collectors as "very important, very private, very rich. There are some truly amazing collections here, with surprising pockets of strength in Warhol, Bacon, and Twombly, for example."

Marc Blondeau of BFAS Blondeau Fine Art Services in Geneva, agrees, saying that Swiss buyers are "well informed, independent, and discreet, with a substantial number of new younger buyers, 35 to 50, and foreigners." He adds, "Switzerland is where you have the most van Goghs—at least 20 to 25—in private hands."

Italian art experts describe a similar scenario. The reasons, they explain, begin with what Florentine dealer Damiano Lapicciarella terms a "cultural tradition of secrecy," which dates from restrictive Fascist-era export laws whose vestiges survive to this day. *La riservatezza*, or "confidentiality," is the rule. But experts note that Italy's stringent artistic-heritage laws have inadvertently created a surge in contemporary-art buying, particularly by younger collectors.

"Contemporary art is incredibly popular," says Jonathan

Mennell, founder and director of Sotheby's in Rome and an owner of Trinity Fine Art in London, New York, and Milan. "These works can freely circulate, and this is incredibly important. Many people who bought Old Masters have switched to buying contemporary art."

Sandro Manzo, who owns Il Gabbiano gallery in Rome and also operates an office in New York, shows the work of a wide range of contemporary artists. Italian collectors are steady buyers, but "they don't buy expensive things; they tend to buy under \$100,000," he says, noting works on paper, for example.

Manzo adds that while most of his sales are to Italian collectors, his Rome gallery also sees demand from French and German buyers.

Larry Gagosian's new Rome gallery created something of a sensation when it was inaugurated on December 15 with a Twombly exhibition. The gallery operates in a former bank building that dates from the 1920s.

According to the TEFAF report, Germany achieved a 3 percent share of the global art market in 2006, with annual turnover of nearly €1.3 billion (\$1.6 billion). But "its global share has only managed to maintain its value as Asian economies emerge in the market and the US increases its share," the report says.

Berlin gallery owner Michael Schultz has observed a steadily growing client base of German collectors in the last decade. Schultz says that although estimates of overall market values are difficult to make, in 2006 Germany's was believed to be about €600 million (\$756 million), while last year it was upward of €800 million (more than \$1 billion).

The top five German auction houses—Lempertz, Villa Grisebach, Ketterer, Hampel, and Neumeister—reported preliminary sales for last year of €169.2 million (\$231 million).

In France in 2006, dealer sales hit an estimated €1.45 billion (\$1.8 billion). According to the TEFAF report, "France has become a major exporter of works of art," with exports hitting €1.2 billion (\$1.5 billion) in 2006. Most of the exported works were headed for destinations outside the European Union, with the United States accounting for 51 percent and Switzerland for 28 percent.

Paris gallery owner Daniel Templon says the French market is thriving, with an estimated 60 percent of his sales going to French buyers and demand running the gamut for contemporary works by French, German, and American artists.

According to Artprice.com, which released data in February, France "was deposed this year by China, thanks to the dynamism of a number of international auction houses." Contemporary Chinese art is the rock star of the art world at the moment—names that were obscure just two years ago now command six- and seven-figure sums. The craze has been generated by a combination of new wealth in China, Western interest, and intense attention from Sotheby's and Christie's, which recently have placed work by artists such as Fang Lijun, Yan Pei Ming, and Zhang Xiaogang alongside that of Koons, Mark Rothko, and Richard Prince in contemporary-art evening sales.

Brian Wallace, director of Red Gate Gallery in Beijing, which specializes in Chinese contemporary art, told *ARTnews*, "Our market is primarily foreign, including expatriates and visitors from the U.S. and Europe, but the domestic side of the business has grown to 20 percent," up from almost no local demand just four years ago.

Major U.S. galleries have taken notice. PaceWildenstein signed artists Zhang Xiaogang and Zhang Huan last summer. Gladstone Gallery in New York shows Huang Yong Ping. Several other New York galleries, such as 798 Avant Gallery—which takes its name from Beijing's burgeoning 798 art district—and Goedhuis Contemporary (which is also in London and Beijing), focus exclusively on contemporary Chinese art.

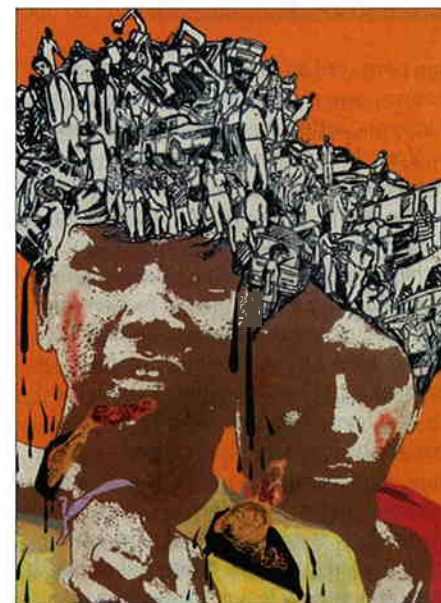
New York-based contemporary-art dealer Jack Tilton, who has been showing Chinese art for more than a decade and who



ABOVE Zhang Xiaogang's *A Big Family*, 1995, from the Saatchi Collection. Sotheby's and Christie's have recently placed works by Chinese artists in their contemporary-art evening sales.

BELOW Jitish Kallat, *Dawn Chorus 12*, 2007, from Bodhi Art, which has galleries in Mumbai, New Delhi, Singapore, and New York, and a Berlin branch scheduled to open this month.

BELOW The Art Dubai fair, now in its second year, draws an international crowd. Dealers say the Middle East is poised at the brink of an art market boom.



launched an artist residency program outside Beijing in 2006, told *ARTnews* that the top Chinese artists are each taking in between \$4 million and \$6 million annually.

Meg Maggio, owner and director of Pekin Fine Arts, a contemporary gallery in Beijing, says that “what’s really exciting is how the whole area has become more active intraregionally. There is a lot of keen interest from Chinese clients for Indian and Korean art as well as art from Singapore.”

The market for modern and contemporary Indian art has mirrored that of the Chinese market, with works jumping two- and threefold in price in recent years. Dealers specializing in modern and contemporary Indian art estimate the size of the market to be about \$400 million. Kristen Johnston, director of Bodhi Art, which has galleries in Mumbai, New York, New Delhi, and Sin-



FAR LEFT David Zwirner with Luc Tuymans's *Der Diagnostische Blick I*, 1992. **CENTER** Private dealer Daniella Luxembourg of London, Geneva, and New York. **LEFT** Moscow collector Igor Markin with Dmitry Krasnopevtsev's *Attached Vase*, 1972, from his large collection of Russian art.

gapore, and is opening a branch in Berlin this month, says the market is dominated by Indian and European collectors, particularly those in London, Italy, Brussels, and Paris. Johnston says that U.S. buyers “have been slow to come around.”

“The Indian art market just took off about five years ago and has really heated up even further in the last two,” says Sundaram Tagore, who has galleries in New York and Beverly Hills, as well as a Hong Kong branch slated to open this month. In addition to demand from the Indian diaspora and Indian collectors, Tagore says, part of the growth has been fueled by American corporations with expanding businesses in India and China.

The Middle East is also poised on the brink of an art market boom, with major auction houses and museums, including the Louvre and the Guggenheim, planning satellites in places such as Dubai and Abu Dhabi.

John Martin, director of the Art Dubai fair—now in its second year—told *ARTnews* that there are “several distinct markets” developing in the Middle East. While the fair itself showcases art from 30 countries and draws a decidedly diverse international crowd, including a large contingent of Russian buyers, Martin says that the Dubai galleries cater to younger local buyers who focus mostly on contemporary art from the immediate region and “who don’t necessarily buy at auction.”

On a much smaller scale, experts say, collecting patterns in the Middle East reflect those currently seen in Asia, where buyers initially pursue art from their own countries and then gradually branch out. “Top collectors from the United Arab Emirates, Beirut, Jordan, and other Gulf states know most of the galleries in Dubai,” says Martin. They “tend to focus on Arab art or art from the Gulf region, Iran, Lebanon. You definitely get little groups under the overall umbrella of Middle Eastern art.”

the “social aspect, and they’re suddenly spending \$1 million.”

Art fairs have helped fuel the surge in private art sales. Many dealers say that participation in fairs, as well as subsequent follow-up business, is an important part of the increase in their annual turnover.

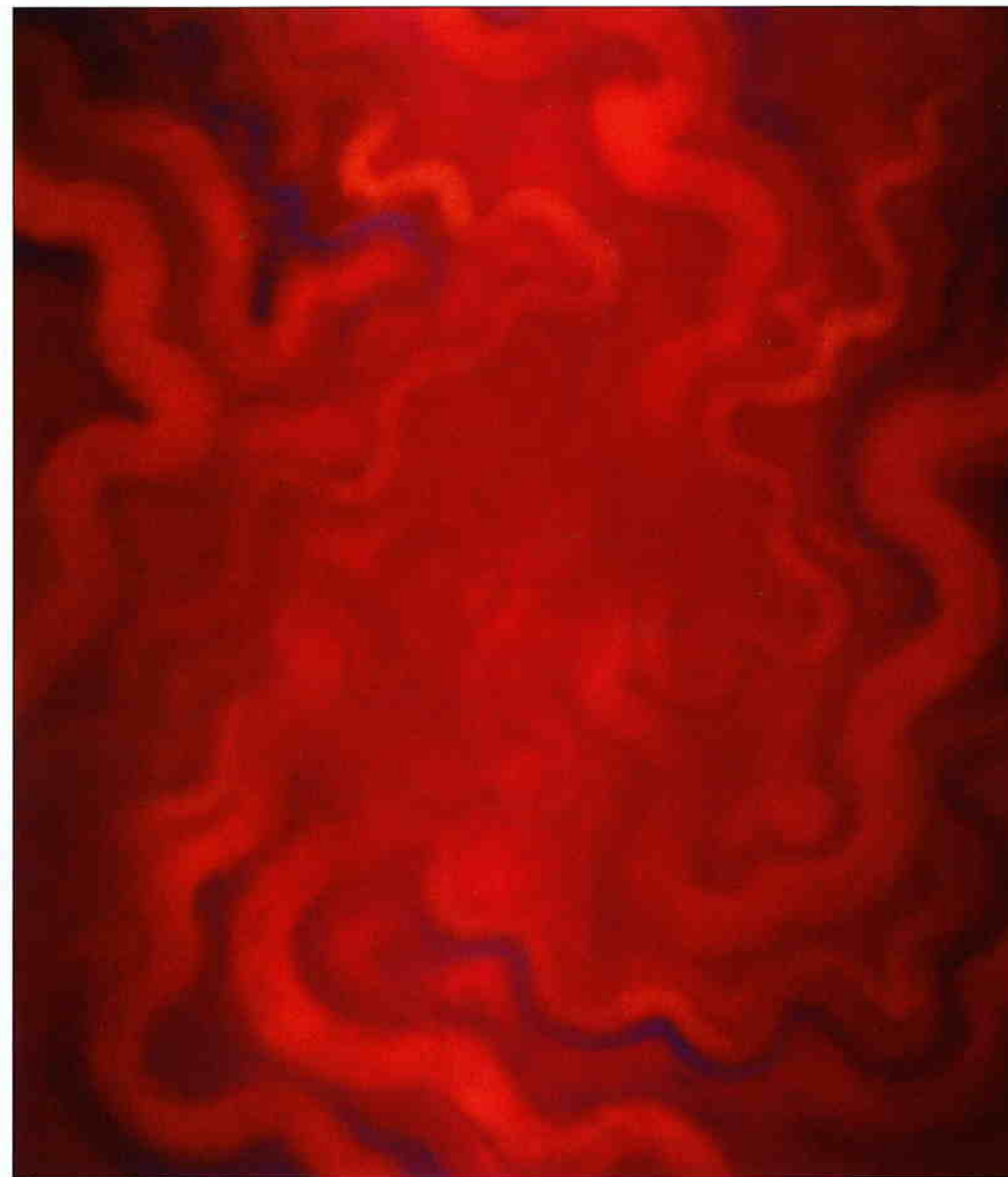
Other collectors feel comfortable only when spending money at auction, where the presence of a competing bidder confirms that a work is worth a certain amount. Findlay, of Acquavella Galleries, says he suggested to one collector who heavily favors auctions that he visit some galleries to identify work he liked. The collector disdained the idea, explaining that “no one else is bidding.”

Despite what is often portrayed as intense rivalry between dealers and auction houses, experts on both sides concede that activity in one realm informs, influences, and complements that in the other. New York dealer David Zwirner says, “What the auctions do for us is really solidify prices. It’s much easier when there is some public record. At the same time, in a private transaction you can strategically target the right client.”

Knowledge of what happens privately often lifts prices for an artist at auction. According to experts, private market sales are often well ahead of the curve when it comes to record prices. The market for late works by de Kooning has taken off in the past three years, with a 1977 oil on canvas selling for \$27 million at Christie’s in late 2006. But “far more of those works had already changed hands privately,” says Lévy.

Daniella Luxembourg, a private dealer in Geneva, New York, and London, says that prices at auction do not necessarily reflect a market, particularly if no major works have been available. The public’s knowledge may be limited, she adds, if the auction track record reflects only lesser, mediocre works.

For many collectors, auction and private buying and selling are not necessarily mutually exclusive. Lévy says, “No two deals are the same.” Decisions about how to handle a transaction are based on a variety of factors, such as how quickly a seller needs cash or whether the work in question has broad collecting appeal or should be quietly offered to a small group of major collectors, says another dealer. Ron Warren, director of Mary Boone Gallery in New York, says that “collectors don’t want to be perceived as ‘sellers.’” Still, “a lot of people are wary of auctions and buy mainly at galleries,” says New York dealer Debra Force, who specializes in American art. She adds that there are plenty of buyers who are simply not comfortable with the notion of “going out on a limb” at auction but will go to an art fair for



Dealers, especially those who work in the contemporary-art market, are increasingly asking that collectors give them right of first refusal when they decide to resell. This can help keep an artist’s prices relatively stable and circumvent the risk that an auction price—whether too high or too low—will throw an individual market off-kilter.

Neal Meltzer, an art adviser and former head of Christie’s contemporary-art department, says that when demand for an artist’s work is so intense that there are gallery waiting lists, a “premature secondary market” can develop, particularly at auction, with prices skewed to the high end.

Although dealers typically can’t legally hold a collector to a reselling arrangement, if collectors continuously flout the unwritten rule about flipping works, “it eventually catches up with them, the art world being a small place,” says Roland Augustine, an owner of the Luhring Augustine gallery and president of the Art Dealers Association of America. If a collector does this

The market for contemporary Indian art has “really heated up,” says Sundaram Tagore, who has galleries in New York and Beverly Hills and a Hong Kong branch opening soon. Here, Natvar Bhavsar’s *Nandaa*, 2007.

often enough, experts say, he or she will in time find it difficult, if not impossible, to land an important work on the primary market.

Zwirner says that for many major collectors, the aura of secrecy adds to the thrill of collecting: “You can go back home and treasure it on your wall. It’s a secret.”

Dealer Paul Gray agrees: “It’s a thrill and an incredible pleasure to have someone visit you

in your home and discover a work they had no idea was there.” Like several other dealers, however, he points out that it’s not necessarily accidental when certain private deals don’t remain private. “I guess it depends on the players,” says Gray. Often those involved “are excited about the fact that they have done a huge deal, they want to talk about it, and they do . . . frequently before the ink is dry.”

Additional reporting by Judith Harris in Rome and Mary Krienke in Basel.