

Art & Finance report 2021

Key findings

Artwork: Solitário, 2018 - Joana Vasconcelos © Luís Vasconcelos/Courtesy Unidade Infinita Projectos



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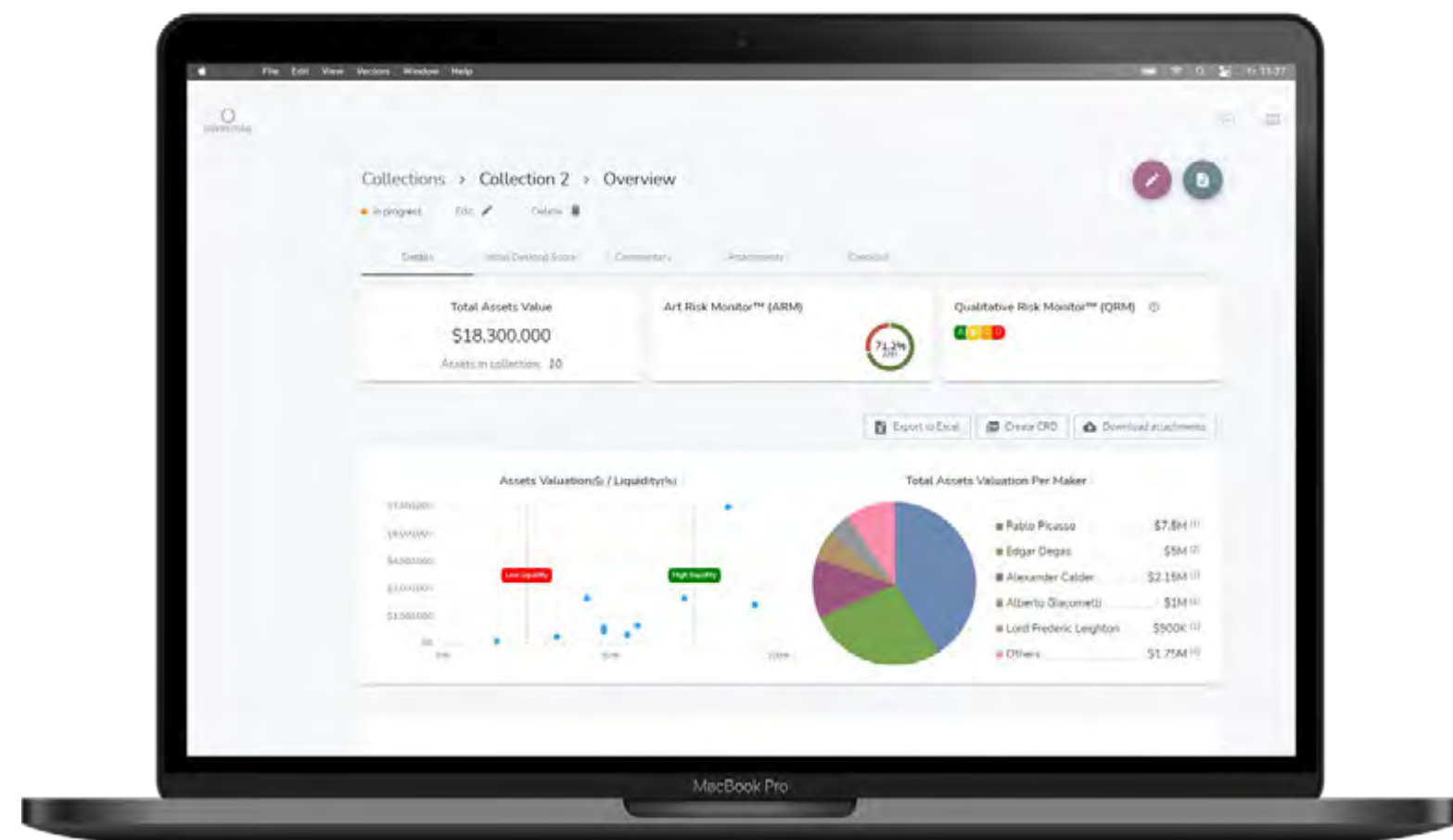
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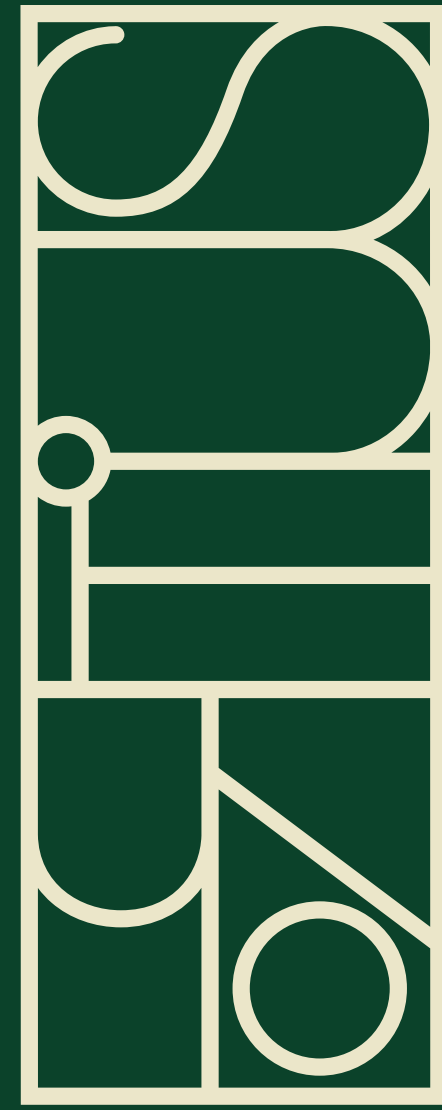
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Our dedicated team supports you at each step of the compliance process, through a user friendly and highly secured web solution.

www.deloitte.com/lu/aml-art-finance

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*KYC: Know Your Customer

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Nathalie Tessier

Partner - Global Deloitte Private Leader and Global Audit & Assurance Growth Leader

Nathalie Tessier FCPA, FCA, is the leader for Deloitte Private's Global practice with offices in more than 80 countries. She is a member of the Global Clients & Industries Leadership team. Deloitte Private's professionals focus on the needs of privately held companies, private equity firms, family enterprises, and high net worth individuals.



Family Enterprise Services
Deloitte Global

Foreword

Art and collectible assets, such as fine art, classic cars, fine wine, collectible jewelry and watches, musical instruments and luxury handbags are the passion of the families that Deloitte Private serves worldwide. The wealth of ultra-high net worth individuals (UHNWIs) associated with art and collectibles was estimated at US\$1,448 billion* in 2020, representing a sizeable portion of your or your clients' wealth. Governance, multigenerational planning, education, philanthropy, social impact, estate planning, legal agreements, asset diversification and family offices help preserve and expand the wealth and impact of your or your clients' collections.

This unique bi-annual publication aims to provide you with key insights on art and wealth management trends. You will discover that after 10 years of our analysis, art and finance is a growing and innovative industry that deserves our full attention, whatever your motivation and involvement with art and collectibles. You will understand how finance, art businesses and culture interconnect and can enable a better society. You will notice that technology, sustainability and regulation play an active role in the development of the art and finance industry. And, you will realize that the dynamic is global, spans all generations and is expanding.

Deloitte Private focuses on the specialized needs of the ultra-affluent, including families with multigenerational wealth, entrepreneurs, and closely held business owners. We understand that purpose is at the center of everything you do— fueled by core values, a strong vision, trust and legacy.

I wish you an enjoyable read of the seventh edition of the Deloitte Private Art & Finance report.

Nathalie

*Methodology: the new methodology uses Wealth-X and its reported regional UHNWI wealth (USD), which totaled US\$35.45 trillion. Based on estimates from Knight Frank's Wealth Report 2020, the regional allocations to luxury investments (art, wine, cars, and jewelry) have been applied to the regional wealth figures, giving a total estimated value of art and collectibles wealth of US\$1,448 billion in 2020.



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AS COMMUNICATED IN A MEDIA STATEMENT PUBLISHED ON MARCH 7, 2022, WE DRAW YOUR ATTENTION TO THE FACT THAT DELOITTE ANNOUNCED IT WAS REVIEWING ITS BUSINESS IN RUSSIA. WE WILL SEPARATE OUR PRACTICE IN RUSSIA AND BELARUS FROM THE GLOBAL NETWORK OF MEMBER FIRMS. DELOITTE WILL NO LONGER OPERATE IN RUSSIA AND BELARUS.

Art & Finance Report 2021 - Key Findings - Introduction



Adriano Picinati di Torcello
Director – Global Art & Finance
Coordinator, Deloitte Luxembourg



Anders Petterson
Managing Director, ArtTactic, London

We are delighted to present the seventh edition of the Deloitte Private Art & Finance Report

The 2021 edition of the Art & Finance report arrives at an uncertain and tumultuous time in our recent history. The world continues to feel the brunt of the COVID-19 pandemic as well as the effects of climate change, social injustice and gender inequality, to name just a few global challenges.

The question is, what role can art and culture play in tackling many of these challenges? On 30 July 2021, the G20 Ministers of Culture agreed for the first time in history on a G20 Declaration on Culture, which firmly positions culture as a major engine for sustainable socio-economic recovery in the wake of the COVID-19 pandemic.

In its modest way, the Deloitte Art & Finance initiative aims to be part of this change and transformation. Uniquely positioned at the intersection between art business, culture and finance, its goal is to elevate the dialogue between these stakeholders; encourage new models around finance and sustainable investment in art and culture; and amplify the role and importance of culture in improving our lives and society.

Since the Deloitte Art & Finance initiative was established in 2008, we have enjoyed an insightful journey with many significant moments and encounters. In 2011, we presented the first Art & Finance report during the fourth Deloitte Art & Finance conference in Miami, Florida. After publishing seven editions of the report in collaboration with ArtTactic, our understanding of the art and finance ecosystem and its developments have greatly evolved.

We want to thank all the experts and their invaluable contributions over the years, and all the survey participants and art market stakeholders (wealth managers, collectors and art professionals) that continued to share their views and opinions on the art and finance industry. What started 10 years ago as an initial investigation into the role art could play within wealth management has gained significant momentum over the years.

We have now reached a stage where most wealth managers accept and understand the importance of art and collectibles as a strategic component of their holistic wealth management service offering. The emotional and financial value associated with art helps wealth managers create a deeper and more human relationship with their clients, allowing them to address personal, emotional and financial concerns around art and collectible wealth. In this report, we take a unique 10-year retrospective look at our findings. It is clear that, despite challenges concerning lack of regulation and transparency, the art and finance industry continues to innovate and evolve—and is here to stay.

We hope this report will help you better understand the rich and complex nature of the art and finance ecosystem, the key drivers of change, and what role you can play in shaping its future.

Adriano and Anders



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We are honored to feature the outstanding works of renowned visual artist **Joana Vasconcelos** in this edition of the Art & Finance report. It is an immense pleasure and privilege to collaborate with her and her wonderful team.

Born in 1971, Joana Vasconcelos is a contemporary visual artist renowned for her monumental sculptures, whose 25 years of practice stretches to drawing and film. She updates the arts and crafts concept to the 21st century and incorporates everyday objects with irony and humor, bridging the domestic environment and public space while questioning the status of women, consumerism society and collective identity.

She received international acclaim at the first Venice Biennale ever curated by women with *The Bride* in 2005, followed by *Trafaria Praia* in 2013, the first floating pavilion in the Venice Biennale representing Portugal. In 2012, she became the youngest artist and only woman to ever exhibit at the Palace of Versailles, which featured a record-breaking 1.6 million visitors to become the most visited exhibition in France in 50 years. In 2018, Vasconcelos became the first Portuguese artist to exhibit at Guggenheim Bilbao with a major retrospective, one of the most visited in the museum's history and reaching fourth place in *The Art Newspaper's* annual exhibitions' Top 10. Her biggest show so far in the United Kingdom is currently ongoing at Yorkshire Sculpture Park until January 2022.

www.joanavasconcelos.com

Pavillon de Vin, 2011

Luis Vasconcelos/Courtesy Unidade Infinita Projectos | Chateau de Versailles



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The big picture

Growth of an innovative art and finance industry

The transformation of the wealth management sector, the global art market and the cultural and creative sectors (CCS) is rapidly creating new needs and opportunities at the intersection of art and finance.

- As high-net-worth individuals seek holistic wealth management offerings;
- As art and collectible assets require the same attention as other assets;
- As a new generation introduces new values;
- As the need grows for new sustainable and innovative financial mechanisms for the culture and creative sectors;
- As purpose-led investment and innovation is increasingly demanded in the cultural sector;
- As trust, transparency and regulations rise up the agenda;
- As technology matures and offers new ways to do business;
- As culture is recognized as a major engine for sustainable socio-economic growth; and
- As all of this is part of a global phenomenon...

...there are solid elements to support the growth of an innovative art and finance industry in the years to come.

The big picture: a unique set of macro trends to a new art world

Growth of an innovative art and finance industry

Art trends

Globalization, democratization and cultural diplomacy

Trust, transparency, regulation, professionalism

Art and technology, digitalization, virtualization and tokenization

New economic reality for public cultural institutions, soft power of culture, economic driver, world cultural heritage

creative sectors, cultural citizenship, culture and smart cities

Finance trends

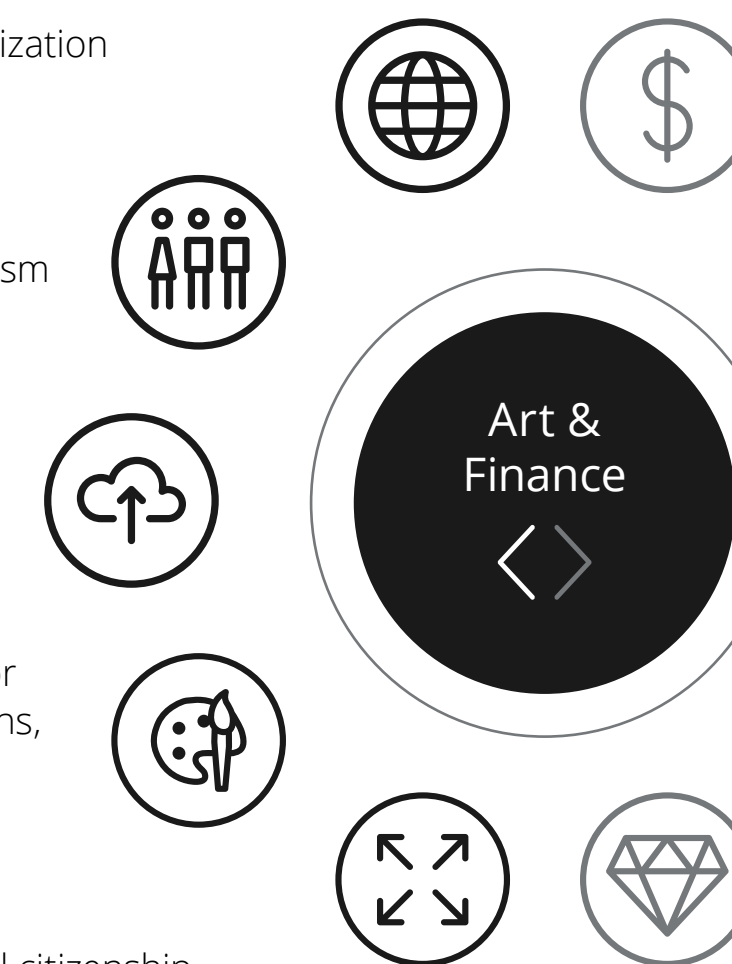
Expanding class of ultra-high-net-worth (UHNWI) buyers, new generation and holistic offering

Financialization: art as a capital asset

Risk management, collection management and asset protection

Tax and estate assistance, philanthropy and sustainability

Art-secured lending, social impact investment and fractional ownership models



Source: Deloitte & ArtTactic Art & Finance Report 7th Edition



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The art and finance industry is uniquely positioned at the interscetion of three interconnected sectors

Finance

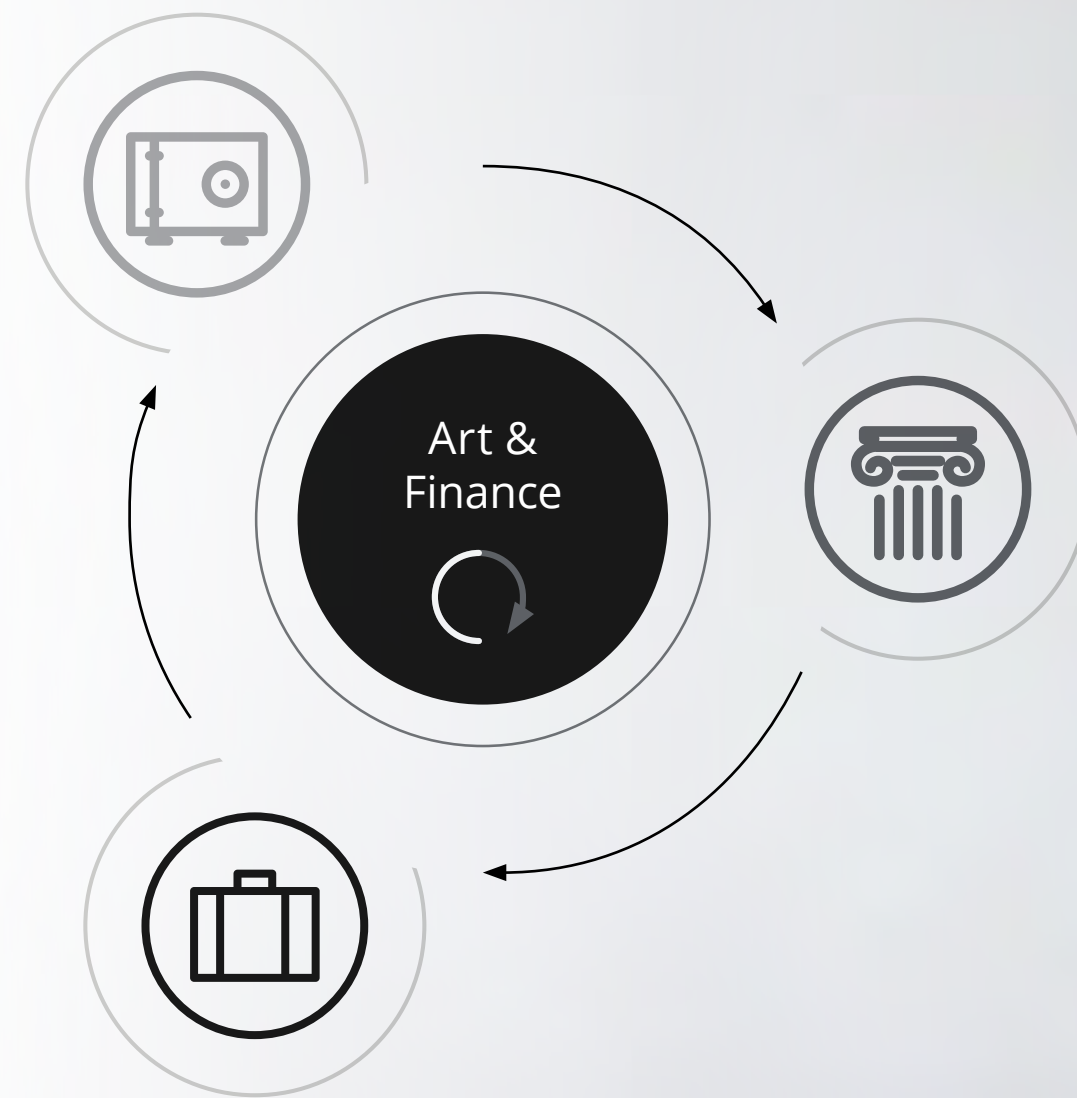
- Private bankers
- Wealth managers
- Family offices
- Private investors/collectors
- Art/collectible fund promoters
- Art insurance companies
- Art trading companies
- Etc.

Visual art sector

- Artists
- Companies selling art
- Digital art companies
- Art logistics companies
- Art fairs
- Art and media companies
- ArtTech companies
- Creative industries
- Etc.

Culture

- Large public museums
- Private museums
- Corporate collectors
- Private collectors
- Public authorities (country, region, city, etc.)
- Etc.



Source: Deloitte & ArtTactic Art & Finance Report 7th Edition





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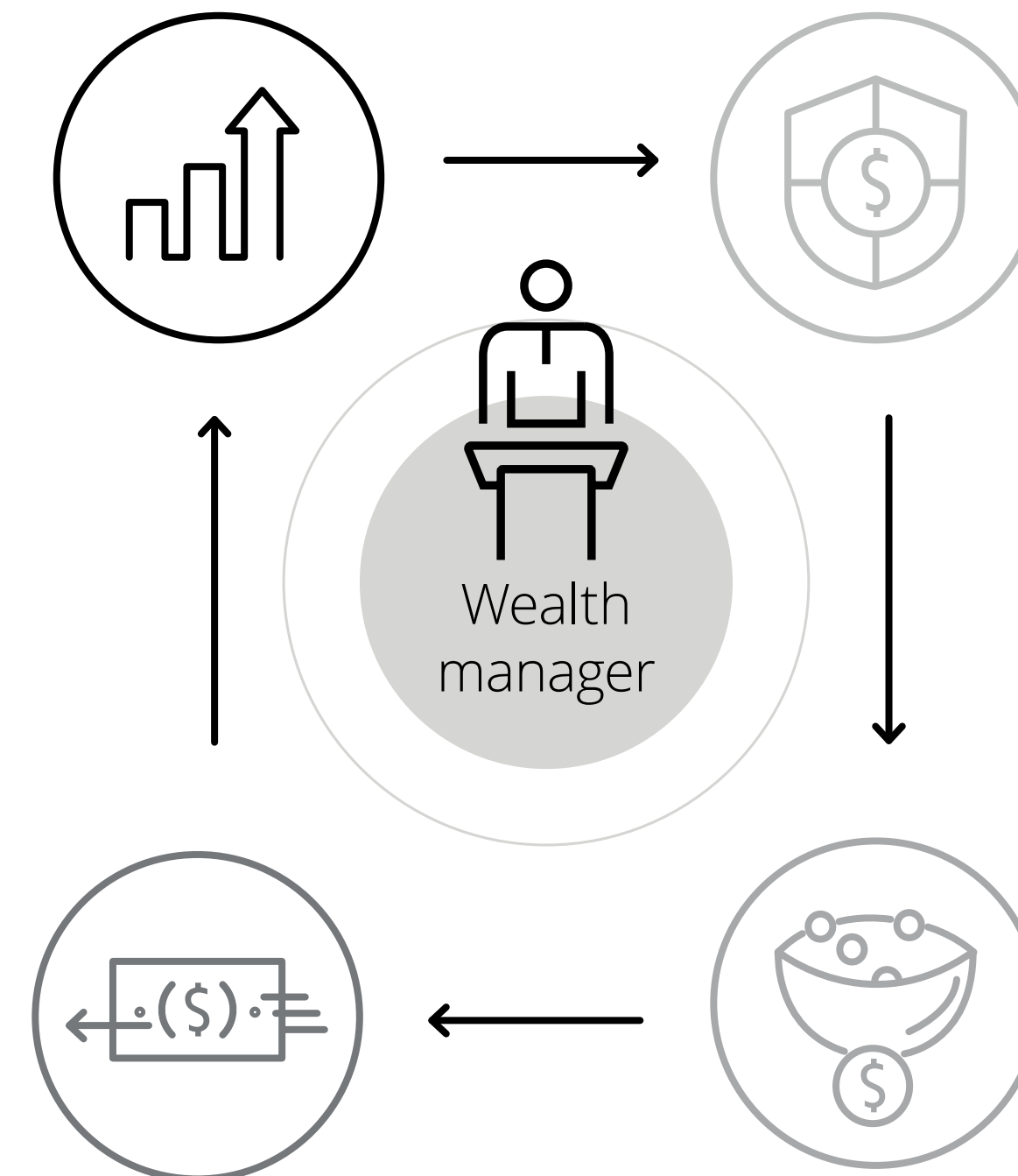
Illustration of art and wealth management services

Accumulating wealth growing assets

- Museums endowments
- Art investment
- Art funds
- Stock of art business
- Private Equity in start-ups
- Financing of art business
- Social impact investments
- Fractional investments/STOs

Transferring wealth - Creating legacy

- Philanthropy advice
- Art related & estate planning
- Securization



Protecting wealth managing risks

- Art advisory
- Valuation
- Assets consolidation
- Reporting
- Art insurance
- Reporting
- Art insurance
- Passive portfolio management
- Art collection management
- Tokenisation
- Family governance

Converting wealth to income - Creating an income stream

- Art-secured lending

Not included

- Client entertainment
- Internal education
- Art sponsoring
- Corporate collection



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Priorities

Regarding wealth managers

Art is an essential part of a wealth management offering—a strategic and collaborative approach to art and collectible wealth is required

The global wealth management industry has been evolving over the last decade—moving from an investment-focused client strategy to a holistic service offering, which addresses a broader set of client needs and assets, including art and collectibles. Over the last 10 years, we have been monitoring the evolution of clients' needs and demands for art-related wealth management services, as well as wealth managers' gradual adoption of these services. The question is no longer whether art and collectibles can play a role, but rather—how?

With UHNWI's worldwide wealth associated with art and collectibles estimated to be around US\$1,448 billion in 2020 (an estimated 5% of their financial assets), there is significant scope to develop new client relationships and additional fees through wealth management services aimed at protecting, enhancing and leveraging art and collectible wealth. Wealth managers can achieve this through strategic partnerships and closer relationships with art professionals, including the growing number of art technology companies.

Like other assets, art-related wealth requires stewardship, which goes beyond tax and legal considerations. There is a higher expectation among collectors that wealth managers should offer a broader set of professional services, such as art advisory, research, valuation, collection management, estate planning, insurance, and arranging storage and security. The rationale for incorporating art in a wealth management offering is gaining traction—the last few years have seen healthy growth in the art-secured lending market, the emergence of new art investment models, and an increasing interest in social impact investment in the cultural and creative sectors.

Wealth managers repeatedly identify a lack of internal expertise as a major hurdle in developing a broader and more diverse service offering around art and collectibles. The solution is for wealth managers to work closely with art professionals and art market experts, striking the right balance between in-house services versus those outsourced to third-party experts. Sourcing expertise through reputable art professional networks and associations is vital, and with the advent of new online marketplaces matching art professionals with particular skills and expertise required by clients, we believe the

wealth management sector's shortage of art-related skills and knowledge can be addressed.

Regarding the younger generation

The younger generation is a key driver for change—a new tech-focused art and wealth management strategy is needed for younger collectors

Our survey findings this year highlight distinct differences between younger collectors (aged under 35 years) and the older generation, both regarding their motivations behind art collecting and their demand for services related to art-related wealth. Younger collectors rank social impact and purpose-led investment in art as their highest motivation (alongside emotional value) at 86%, compared with 32% of older collectors. They also place a stronger emphasis on the financial aspect of art ownership.

However, the main difference between these generations of collectors lies in how these services are accessed, executed and delivered—and the importance of technology in achieving this. Overall, younger collectors believe technological development will greatly affect the art wealth management industry over the next two to three years. Most (85%)

of the younger collectors surveyed stated blockchain technology could transform the way business is currently being conducted (compared with 52% of older collectors), while 85% of younger collectors believe that big data, analytics and artificial intelligence will have an impact on the art and wealth management industry going forward, significantly higher than 57% of older collectors.

Younger collectors are particularly tuned in to recent developments in art investment products and services, with 64% expressing a strong interest in NFTs (compared with 18% of older collectors) and 43% saying fractional investment linked to artworks would be of interest, significantly higher than 17% of older collectors.

To stay relevant and adapt to these new generational needs, wealth managers must align their future art-related service offering to meet these changing demands and behavioral changes, and understand the role of technology in this process.



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Regarding technology

Technology is and will remain a key driver of innovation and change in the art and wealth management sector over the coming years

The art technology industry is maturing.

Technology is already addressing many frictions in the art market, including issues around transparency, valuation, authenticity and provenance tracking. The advent of big data and artificial intelligence will likely catalyze the innovation of analytical tools, which can assist art valuation, risk monitoring and provide deeper insights and research into various aspects of art and collectible assets. These developments could also benefit existing art collection management systems and help integrate and consolidate art-related wealth data into existing wealth reporting tools. Wealth managers that partner and collaborate with collection management providers, data and research companies and new technology firms can seize the opportunity to develop a new range of tech and data-driven art-related services, which are particularly sought after by younger demographics.

Technology has also enabled new art investment and ownership models to emerge, which could attract new audiences and potential clients to the art market and

the wealth management industry. The recent developments around tokenization, particularly security tokens, and the growing DeFi market could support incorporating non-bankable assets in wealth management. This could nurture new models around art-secured lending as well as philanthropy and patronage in the art market and the wealth management industry.

Technology could become the glue that binds the art market and the wealth management industry together. It could address and reduce many of today's frictions between different stakeholder groups (wealth managers, collectors and art professionals) and spark further development and growth in art wealth management services. However, technology is driving change at an exponential speed, so there is no time to waste—wealth managers must fully embrace these developments now, or risk losing a future generation of clients.

Regarding sustainability and impact investment

Impact investment in art and culture opens up new financial service models for the wealth management industry

The severe impact of the COVID-19 pandemic reset the priorities of the wealthy, sparking an

increased search for meaning and purpose alongside a desire to contribute more to the world around them. For cultural institutions, the pandemic emphasized the need to shift their dependency on altruistic giving and support models towards a more purpose-led and impact-oriented giving and investment strategy. The need for this strategy shift will increase as they become more dependent on younger demographics for support.

The intersection between philanthropy and investment sees the emergence of a new space for social impact investment in art and culture. This relatively new area is likely to gain traction over the coming years, as investors shift their focus towards sustainable finance when deciding where and how to invest their wealth. Although art and culture have stayed on the fringes of what most sustainable finance investors would consider viable causes to support, the tide is now turning. Governments around the world are increasingly realizing the economic and social value of culture and creative sectors in our society.

The importance of cultural infrastructure and investment in smart city development and design strategies are being increasingly recognized, allowing new financial services related to cultural investment and finance to emerge. There are obvious opportunities

for wealth managers that embrace these developments. By harnessing their existing expertise and services around sustainable investment, wealth managers are ideally positioned to drive new developments in social impact investment services around art and culture, merging collectors' growing interest in social impact investment and philanthropy.

Regarding regulation

More regulation is needed: art professionals and wealth managers should take a more proactive approach to improve trust in the art market

The thorny topic of regulation has always split the art market into two camps—those who believe the market is best left to self-regulation versus those who think government intervention is required. Over the last five years, we have seen collectors shift towards a more “interventionist” approach. Almost half of the collectors surveyed this year (up from 28% in 2016) showed a strong preference for more government regulation to restore trust in the art market. To grow the art market beyond its current boundaries, it is critical to attract new audiences—and trust and transparency play an essential part in this process.



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There is still plenty of work to be done, as the art market has been sluggish to evolve and adopt new business models over the last few decades. After 10 years of our Art & Finance Reports, it is worrying that most stakeholders (wealth managers, collectors and art professionals) still believe the art market needs to modernize its business practices. Although there are some signs of improvement, with the pandemic catalyzing change and innovation, issues around transparency, trust in art market data, market manipulation, and authenticity, provenance and ownership risks are still among wealth managers' biggest concerns.

However, there seems to be light at the end of the tunnel. New regulations around ownership transparency and anti-money laundering (AML) are already affecting the art market and will force existing business practices to evolve. New technologies and data-driven art business models should also help to reduce information asymmetries and increase transparency.

Art professionals and wealth managers also play a role in this process. Wealth managers must continue to engage with art market stakeholders to help prioritize the issues that matter most to them, develop new tools, and modernize business practices that can help restore trust in the art market. This will enable more wealth managers to address their clients' art-related wealth, and help create new opportunities for closer collaborations between art professionals and wealth managers going forward.

A Noiva, 2001-2005

Luís Vasconcelos/Courtesy Unidade Infinita Projectos



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Wealth and the Global Art Market

KEY FINDING 01

The rise in wealth in 2020 could find its way to the art market this year.

Based on a recent report from Credit Suisse, 2020 marks the year when, for the first time, more than 1% of all global adults are in nominal terms US dollar millionaires¹. They now number 56.1 million, up 5.2 million from a year earlier², or 1.1% of all adults. The combined financial and non-financial wealth of HNWI adults, of which household debt is subtracted to reflect net household worth³, has grown nearly four-fold from US\$41.5 trillion in 2000 to US\$191.6 trillion in 2020, and their share of global wealth has risen from 35% to 46% over the same period.

¹ Credit Suisse Research Institute, Global wealth report 2021, pg 16

² Credit Suisse Research Institute, Global wealth report 2021, pg 20

³ Wealth is typically held in financial and non-financial assets, of which household debt is subtracted to reflect net household worth



Golden Valkyrie, 2012

Luis Vasconcelos/Courtesy Unidade Infinita Projectos | Château de Versailles



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Wealth and the Global Art Market

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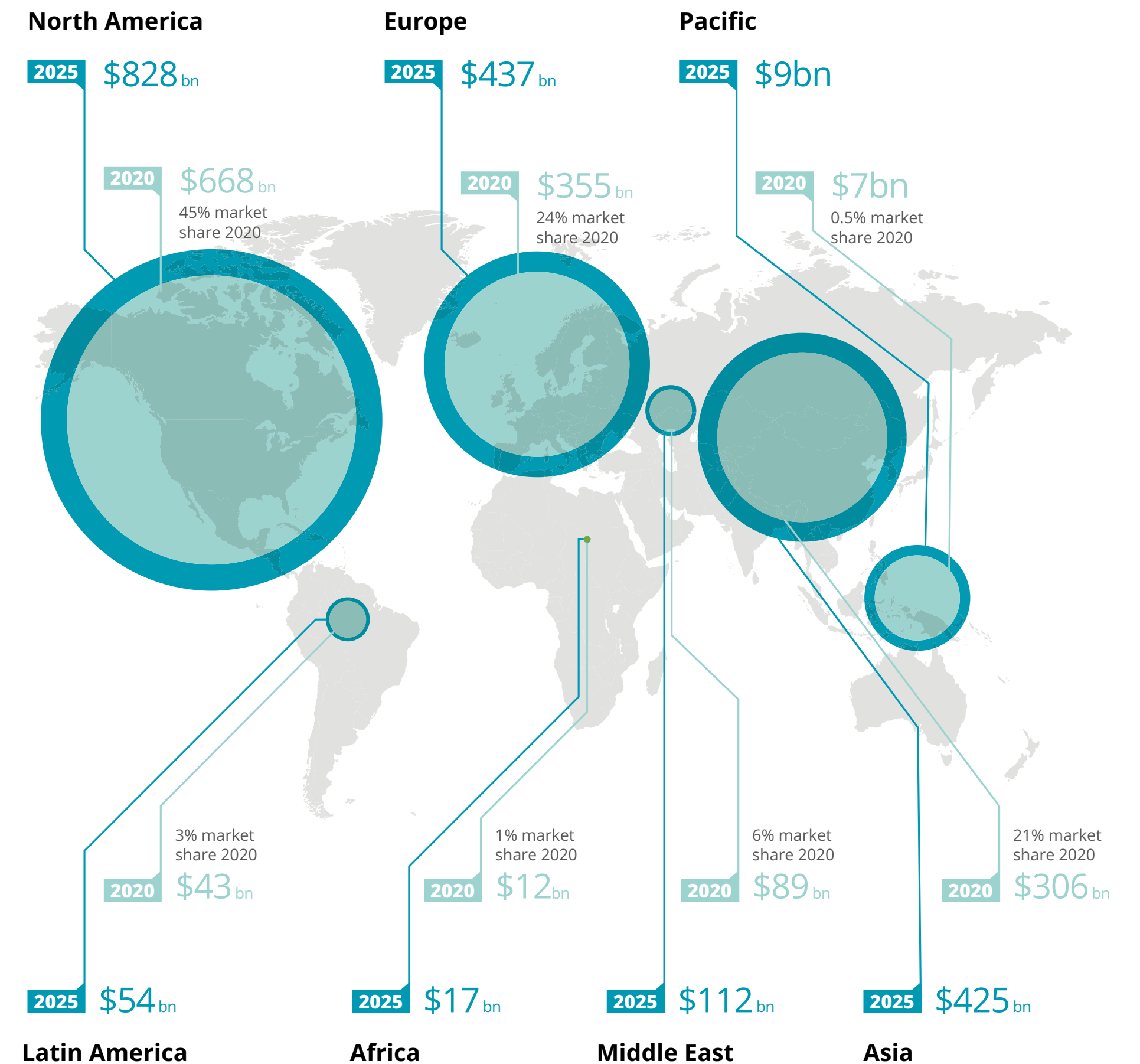
KEY FINDING 02

Ultra-high net worth individuals' (UHNWIs) wealth associated with art and collectibles was an estimated **US\$1,481 billion in 2020**.

Global UHNWI art & collectible wealth 2020 estimates

In this year's report, we estimate that UHNWIs' wealth associated with art and collectibles was an estimated US\$1,481 billion in 2020. We project that, in 2025, this figure could grow to an estimated US\$1,882 billion.

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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Wealth and the Global Art Market

KEY FINDING 03

Changing landscape as the market shifts east with a 22.2% market share in the global auction market in the first half of 2021 up from 15.8% in 2020 and ahead of London's 19.7% market share.



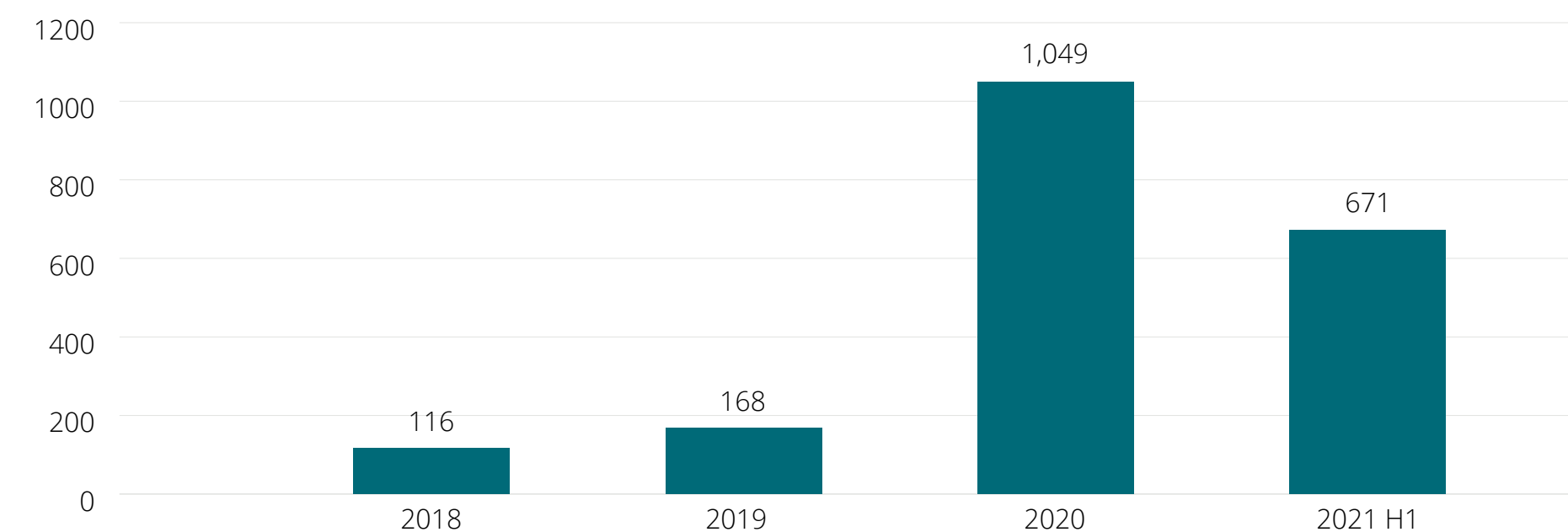
Royal Valkyrie, 2012
David Parry/ Royal Academy of Arts

KEY FINDING 04

Sotheby's, Christie's and Phillips' **online-only auction sales broke through US\$1 billion for the first time**, ending up at US\$1.05 billion in 2020, up from US\$168.2 million in 2019.

Online-only Auctions: Total Sales (US\$) at Sotheby's, Christie's and Phillips

Source: ArtTactic



■ Online-only auction sales



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Wealth and the Global Art Market

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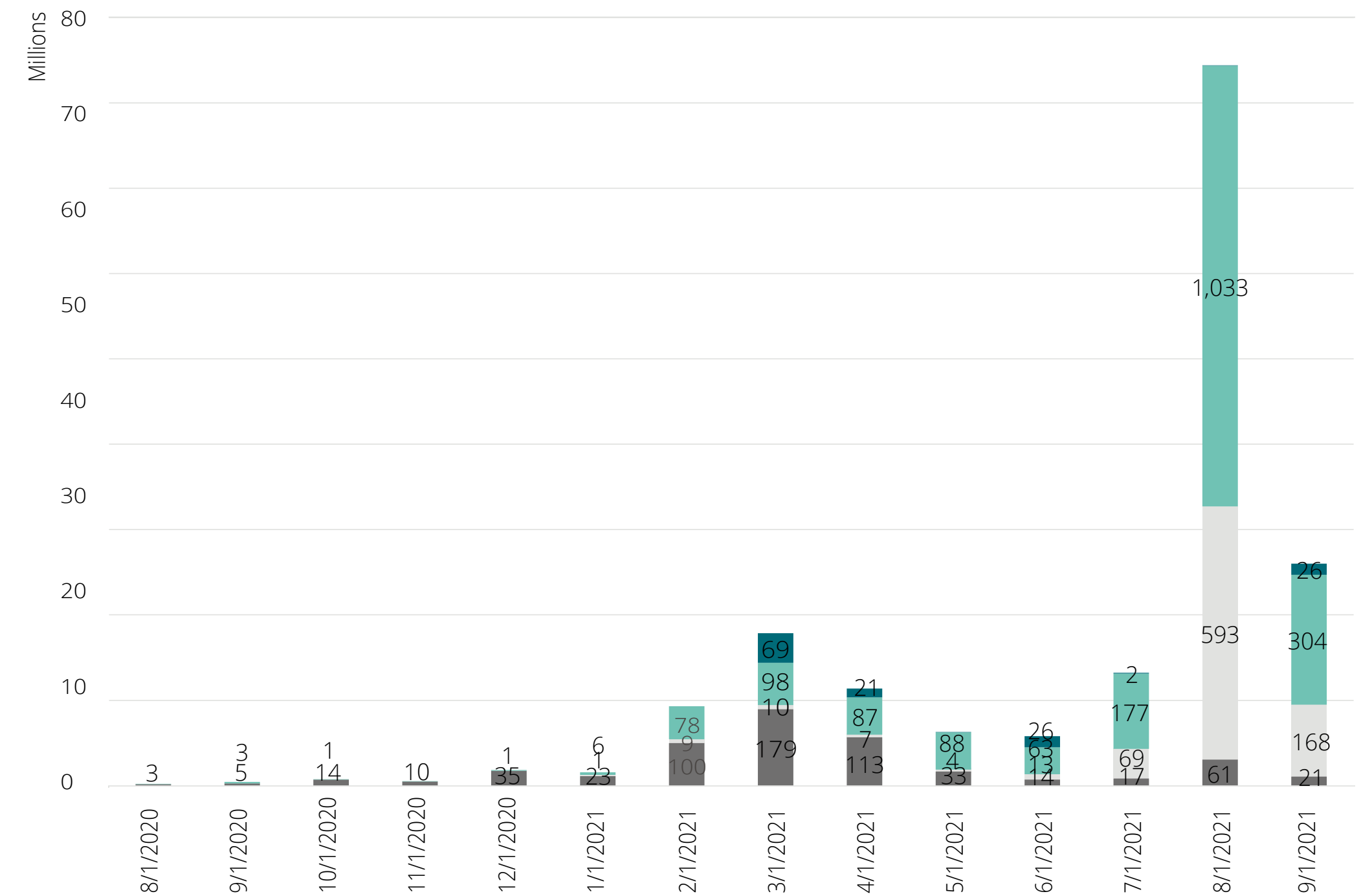
KEY FINDING 05

Non-fungible tokens (NFTs) become an alternative art market channel.

NFT art and collectibles sales (US\$) between August 2020 and September 2021

Source: ArtTactic

- NFT Art Platforms (Superrare, AsyncArt, Makersplace, Rarible, Foundation, KnownOrigin, NiftyGateway)
- Generative Art Projects (ArtBlocks, BlockArt, CryptoKitties)
- Crypto Collectible Projects (CryptoPunks, BAYC, PUNKS Comic)
- NFTs sold by Christie's, Sotheby's and Phillips





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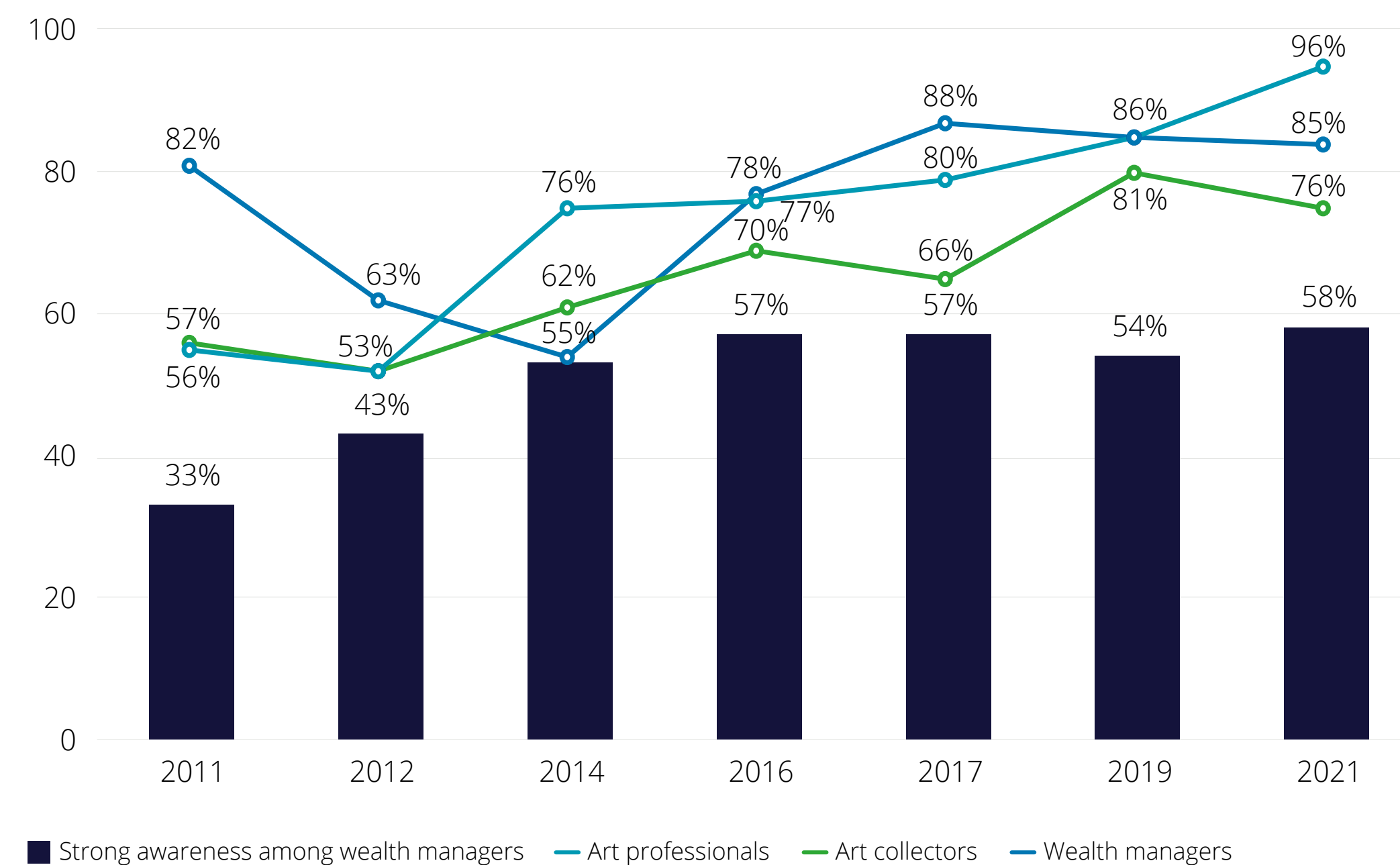
KEY FINDING 06

A 10-year perspective

The results of our 10-year survey analysis of different art and finance stakeholders (wealth managers, collectors and art professionals) show encouraging and upward trends regarding art's role and importance in wealth management with a **convergence point at around 80%**.

Do you think that art and collectibles should be part of a wealth management offering?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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Turning point in 2016

Six years ago, we saw a significant shift in wealth managers' perception of the role and value of art and collectibles in a wealth management strategy and service offering.

Whilst only 53% of wealth managers in 2014 believed art should be included as part of a wealth management service.



Silver Spider, 2015
Luís Vasconcelos/Courtesy Unidade Infinita Projectos

KEY FINDING 08

In 2021, 85% of wealth managers said the same. **Now, the question is not so much if art should be integrated into a wealth management offering, but rather how to do it and deal with the challenges.**



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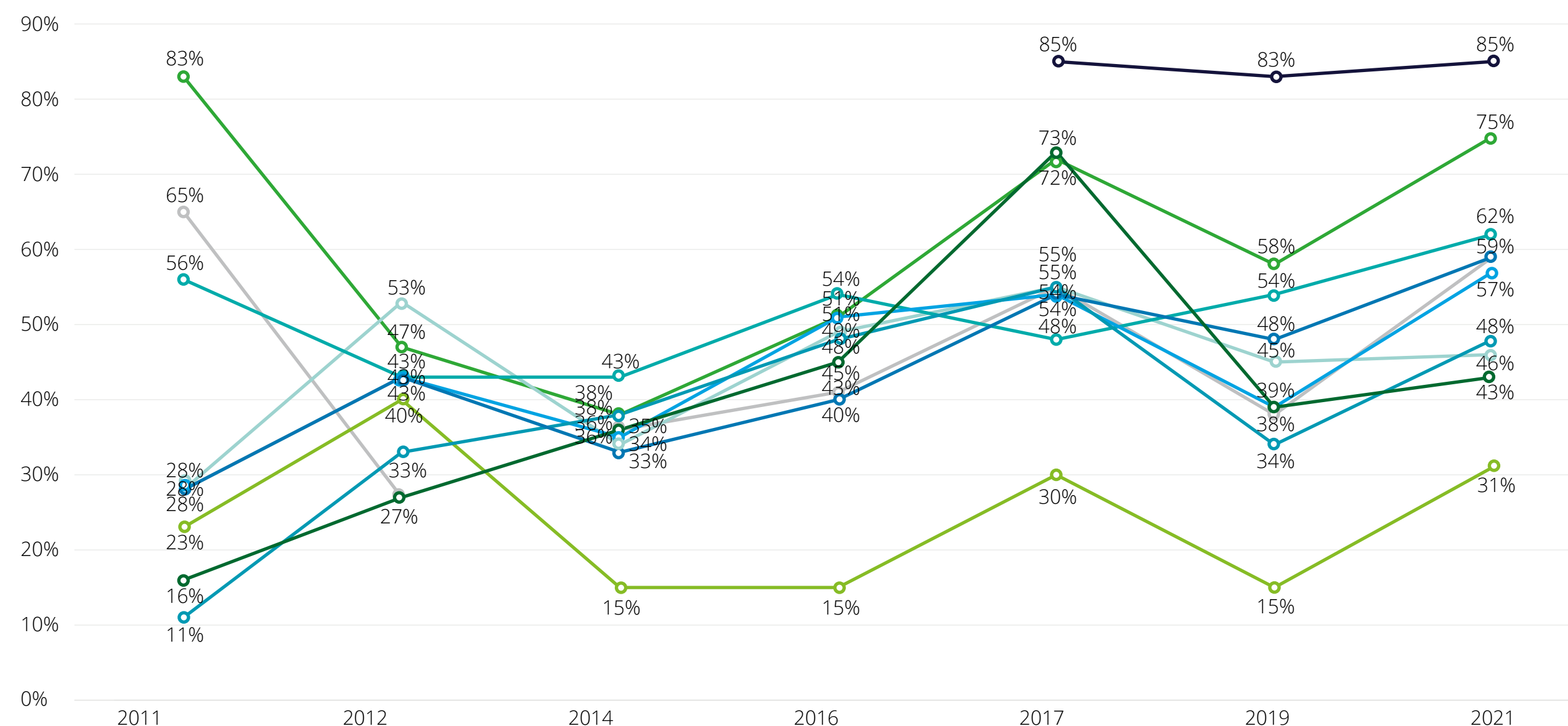
Contributions

KEY FINDING 09

Art as a capital asset

Over the last 10 years, beyond being an emotional asset, the financial consideration of art collecting has become more and more important and art is increasingly positioned as a capital asset.

10-year perspective (wealth managers): what do you consider to be the strongest arguments for including art and collectibles in wealth management?



- The need to develop a holistic advisory relationship with our clients (to look at all the assets of our clients)
- The value of art is increasing, triggering a need for wealth management services to protect, enhance or monetize this value
- Art is a store of value
- Art offers protection against inflation
- Increasing competition in the wealth management sector drives the need for new ideas, products and solutions
- Art is accounting for a larger share of clients' overall asset value/wealth
- Clients are increasingly demanding their wealth managers to help with art-related issues (i.e., risk management services, reporting, valuation, market information, etc.)
- Art and collectibles offer portfolio and asset diversification
- Client demand: investors are looking for new investment opportunities due to the economic situation
- Client entertainment (private views, art fairs and museum exhibitions)



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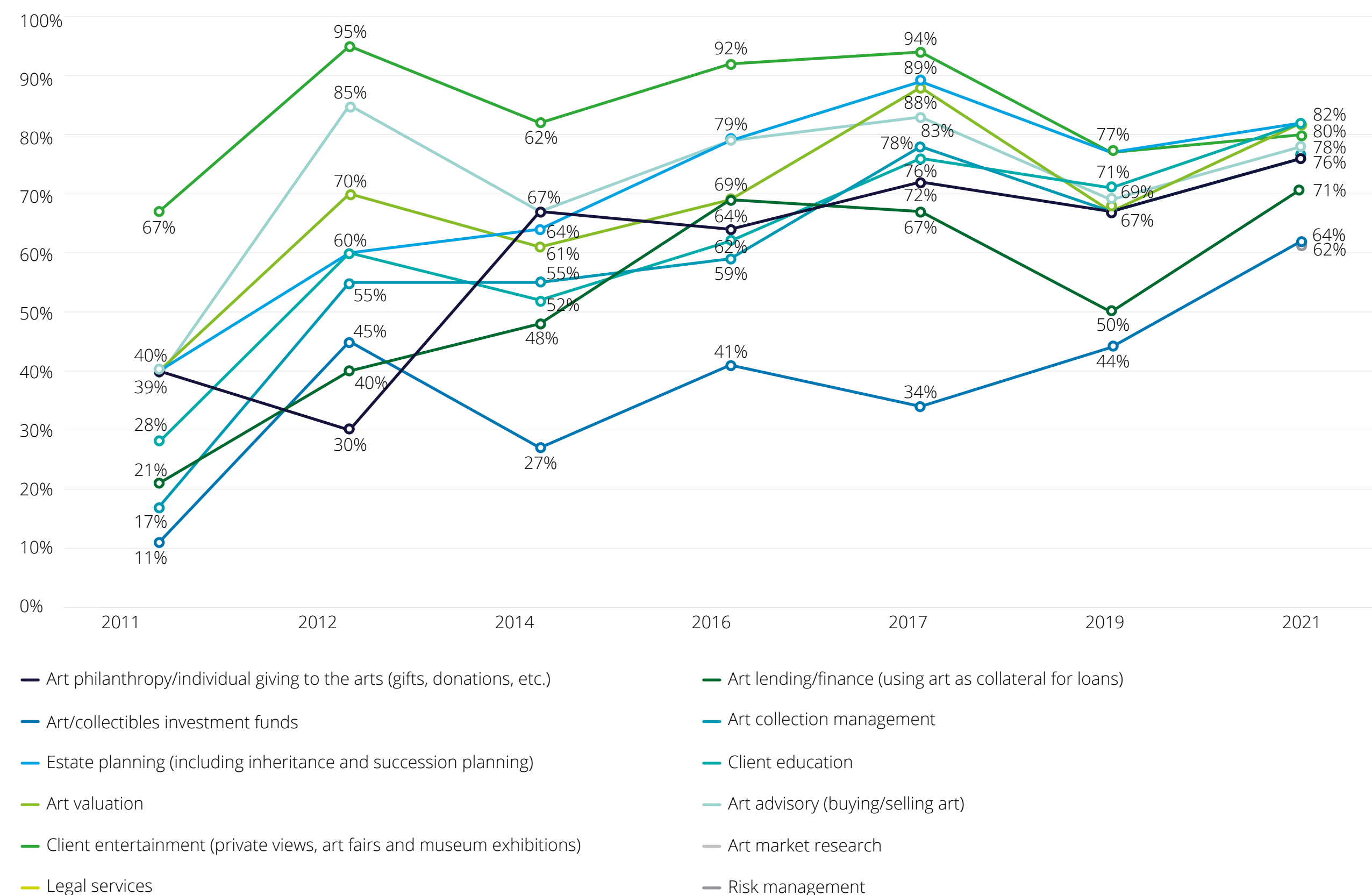
KEY FINDING 10

Broader spectrum of services

The spectrum of art-related wealth management services has gradually broadened over the last decade with a convergence point of around 80% for all services except investment.

10-year perspective (wealth managers): Which of the following services do you offer?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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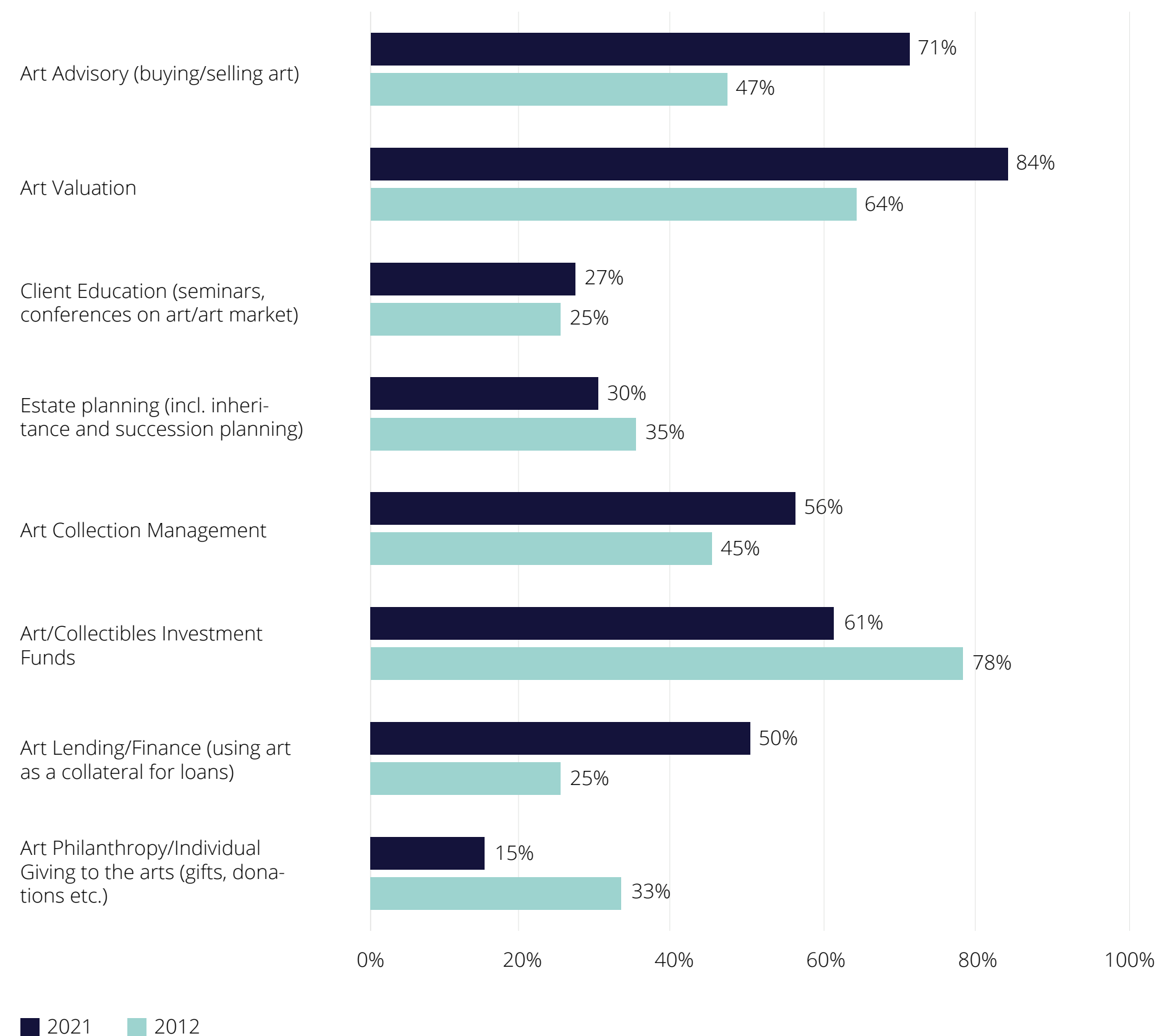
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KEY FINDING 11

Strategic partnerships and closer relationships with art professionals

What art services are delivered by a third party? Based on % wealth managers with an existing art wealth service offering (2012 vs 2021)

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021



Dropping, 2013
© Unidade Infinita Projectos



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Sacré Cœur, 2015
© Unidade Infinita Projectos

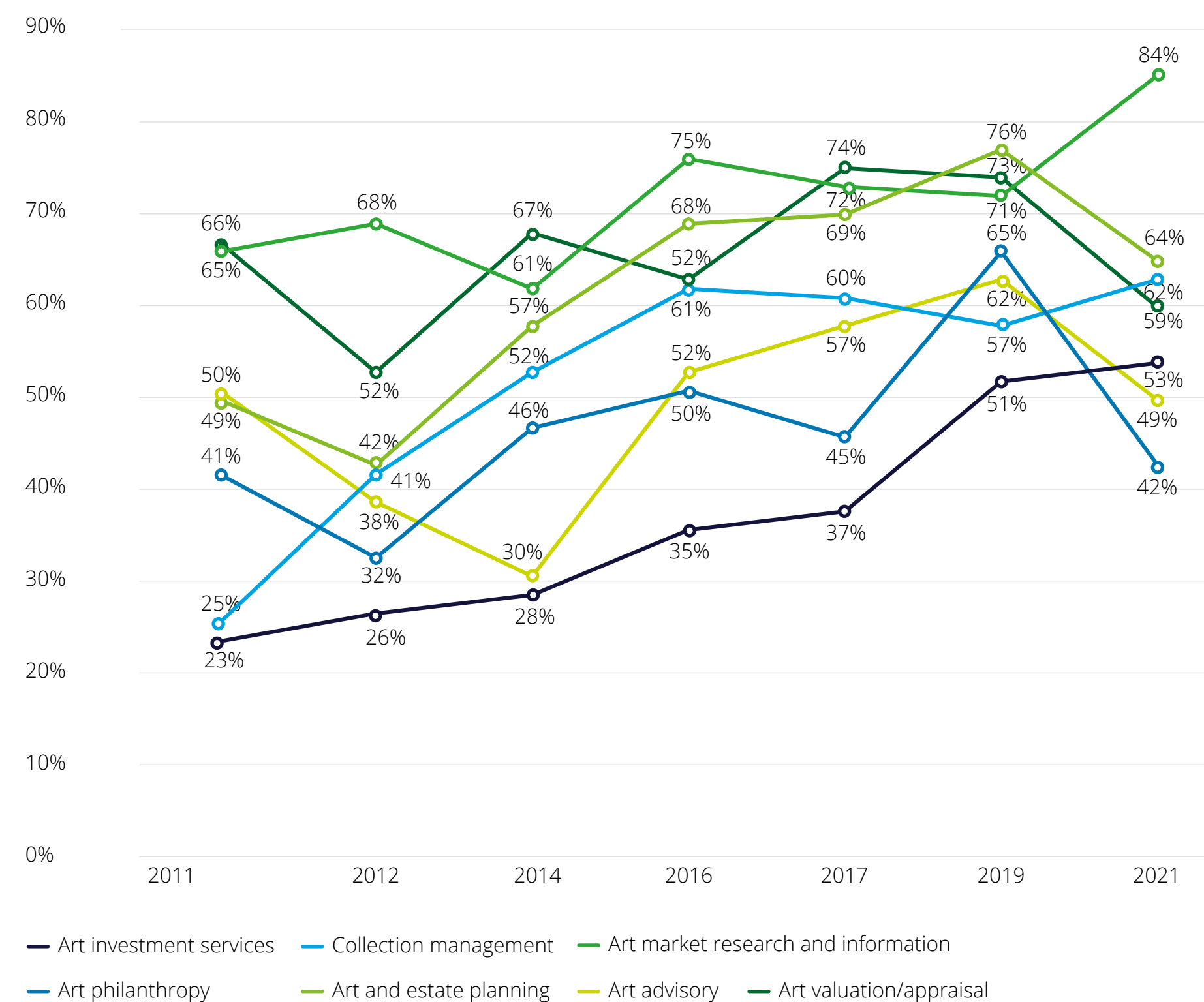
KEY FINDING 12

Adapting to changing collector needs

The biggest interest is in collection management, estate planning and art investment services, as well as a growing need for art market research and information.

Collectors: Which of the art wealth management services are most relevant to you?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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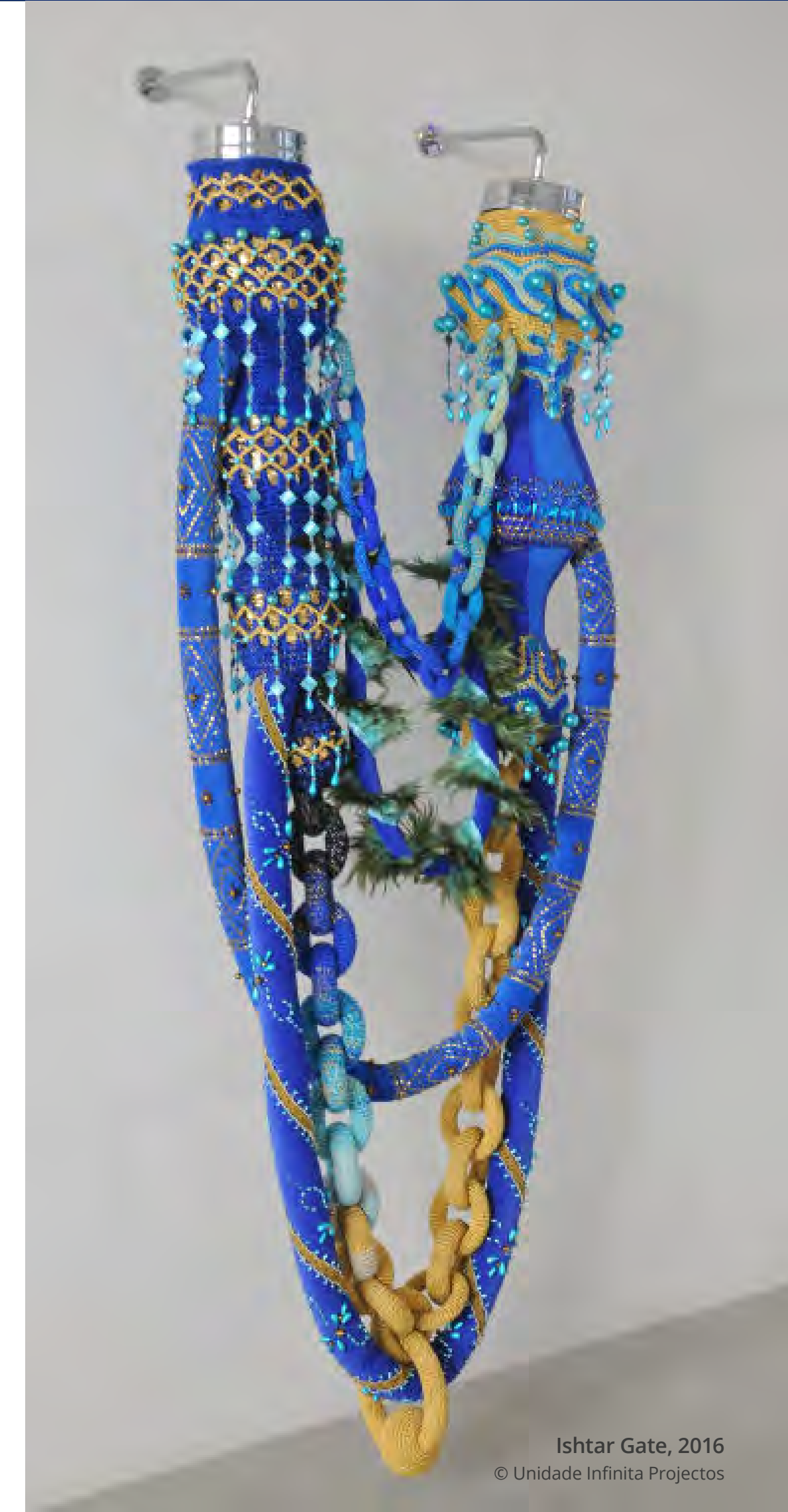
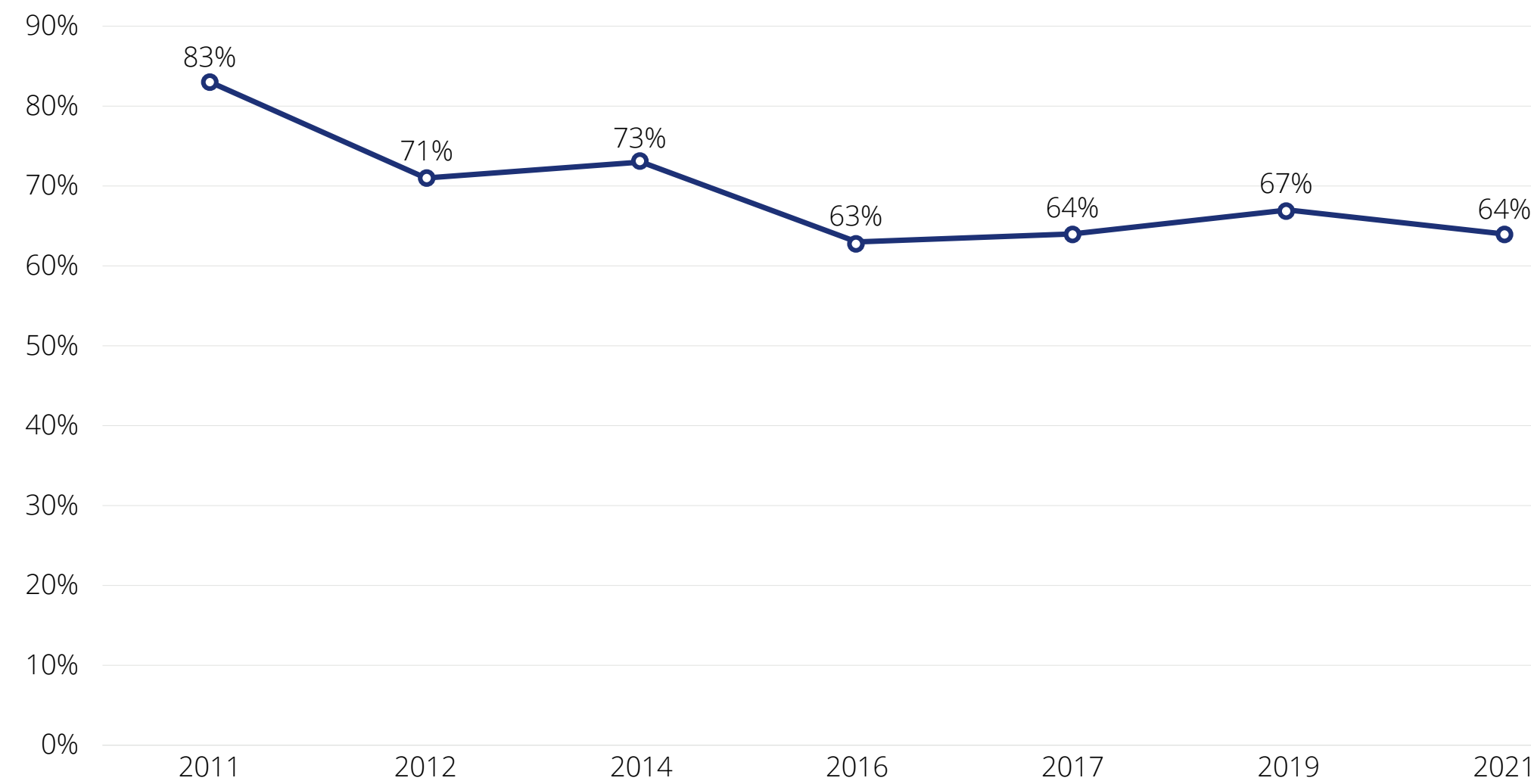
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KEY FINDING 13

Of the wealth managers surveyed, 64% have integrated art into their wealth management service offering

Percentage of wealth managers with art integrated into their wealth management services offering

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021



Ishtar Gate, 2016
© Unidade Infinita Projectos



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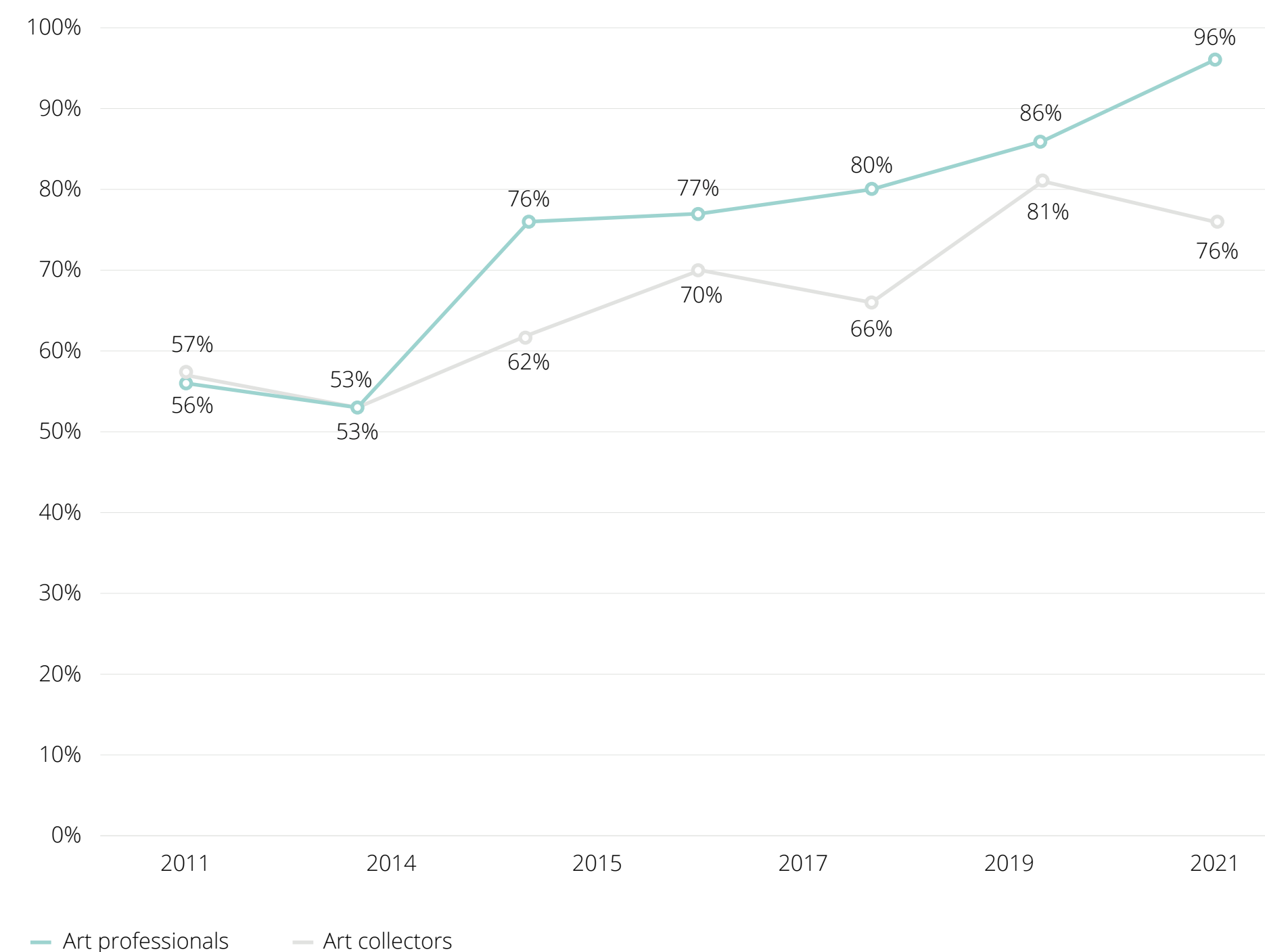
A vast majority of collectors and art professionals think that art and collectible should be part of a wealth management offering

76% of collectors said they would like wealth managers to incorporate art and collectibles into their service offering, down from 81% in 2019.

96% of art professionals said they believe art should be part of a wealth management offering, up from 86% in 2019.

10-Year Perspective: Do you think that art and collectible should be part of a wealth management offering?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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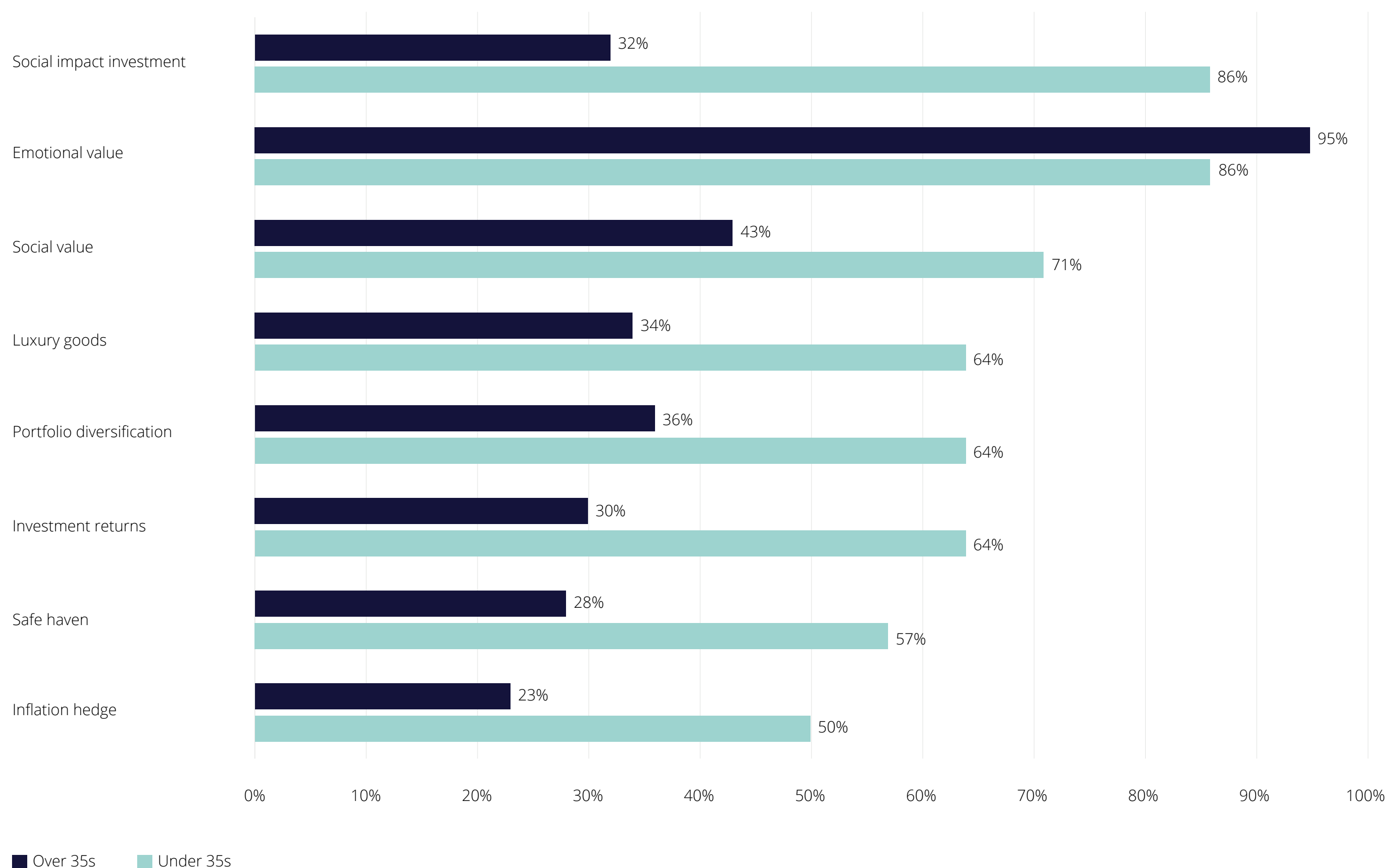
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KEY FINDING 15

Younger collectors are driven by a stronger emphasis on the financial aspect of art ownership, but social impact and purpose-led investment ranks on par with the emotional value of buying art.

NextGen: What are the most important motivations when buying art?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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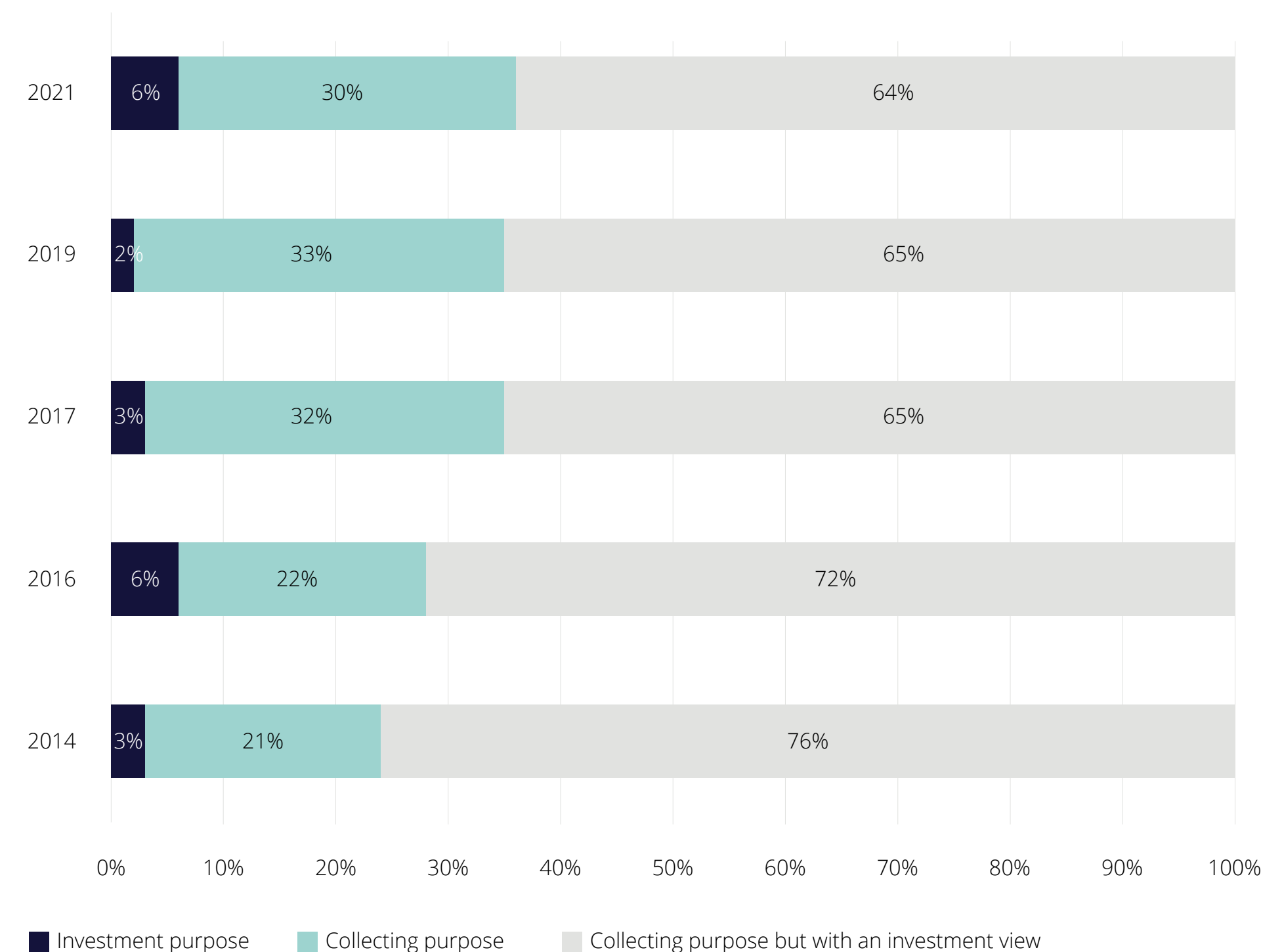
Emotional value associated with art ownership remains key for collectors

Since we launched the survey in 2011, collectors' strongest motivation has consistently been the passion and emotional value associated with art ownership.

It is an important aspect for developing deeper and more sticky client relationships in an increasingly competitive wealth management industry.

Emotion vs Investment: Why do you buy art? (art collectors)

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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Art & Wealth Protection, Estate Planning and Philanthropy

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KEY FINDING 17

Strong demand for research and information

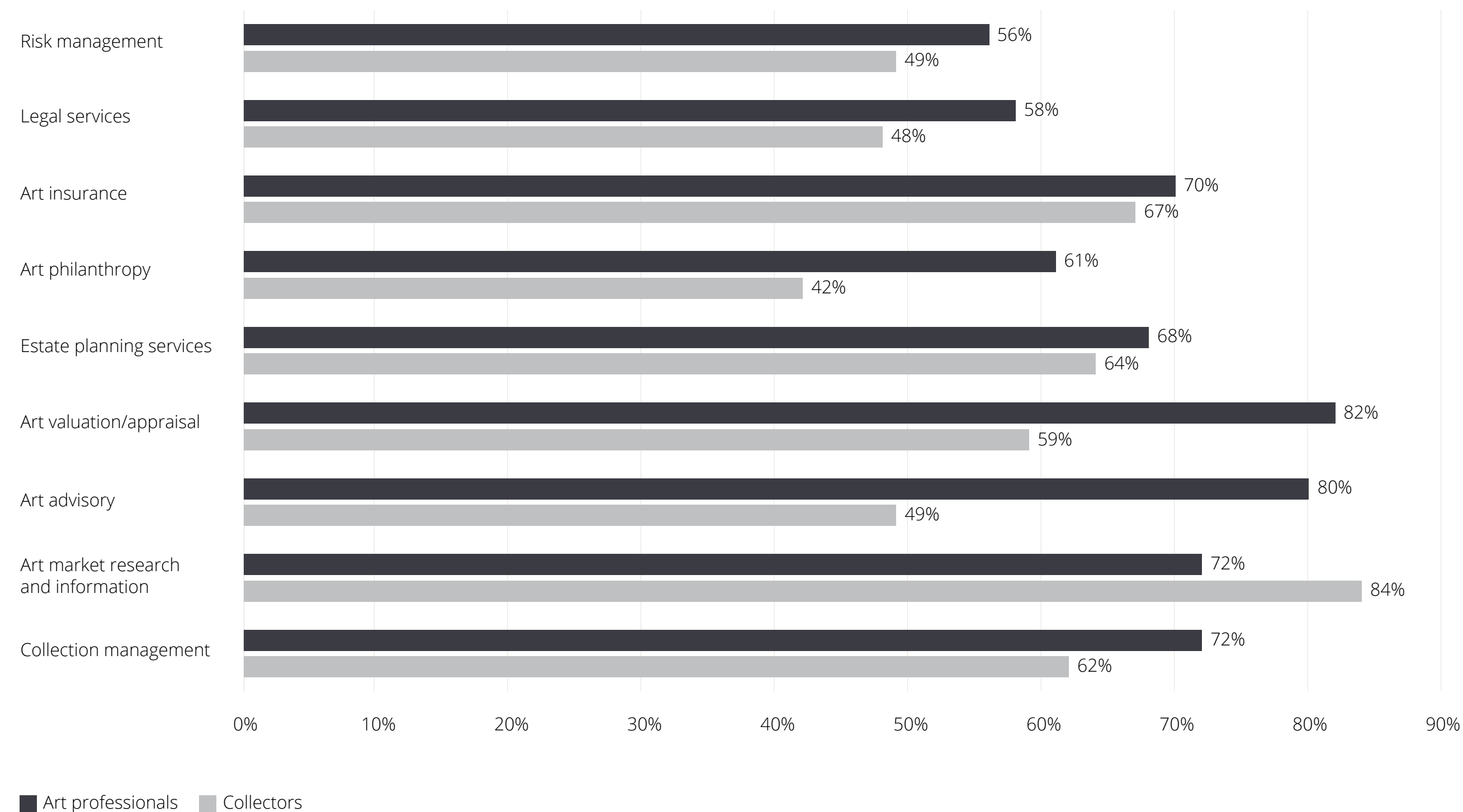
This year, 84% of collectors identified art market research and information as the **most relevant art wealth management service**, up from 71% in 2019.

Pop Galo, 2016
Luís Vasconcelos/Courtesy Unidade
Infinita Projectos



Art & Wealth Protection: Which of the art wealth management services most relevant?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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Art & Wealth Protection, Estate Planning and Philanthropy



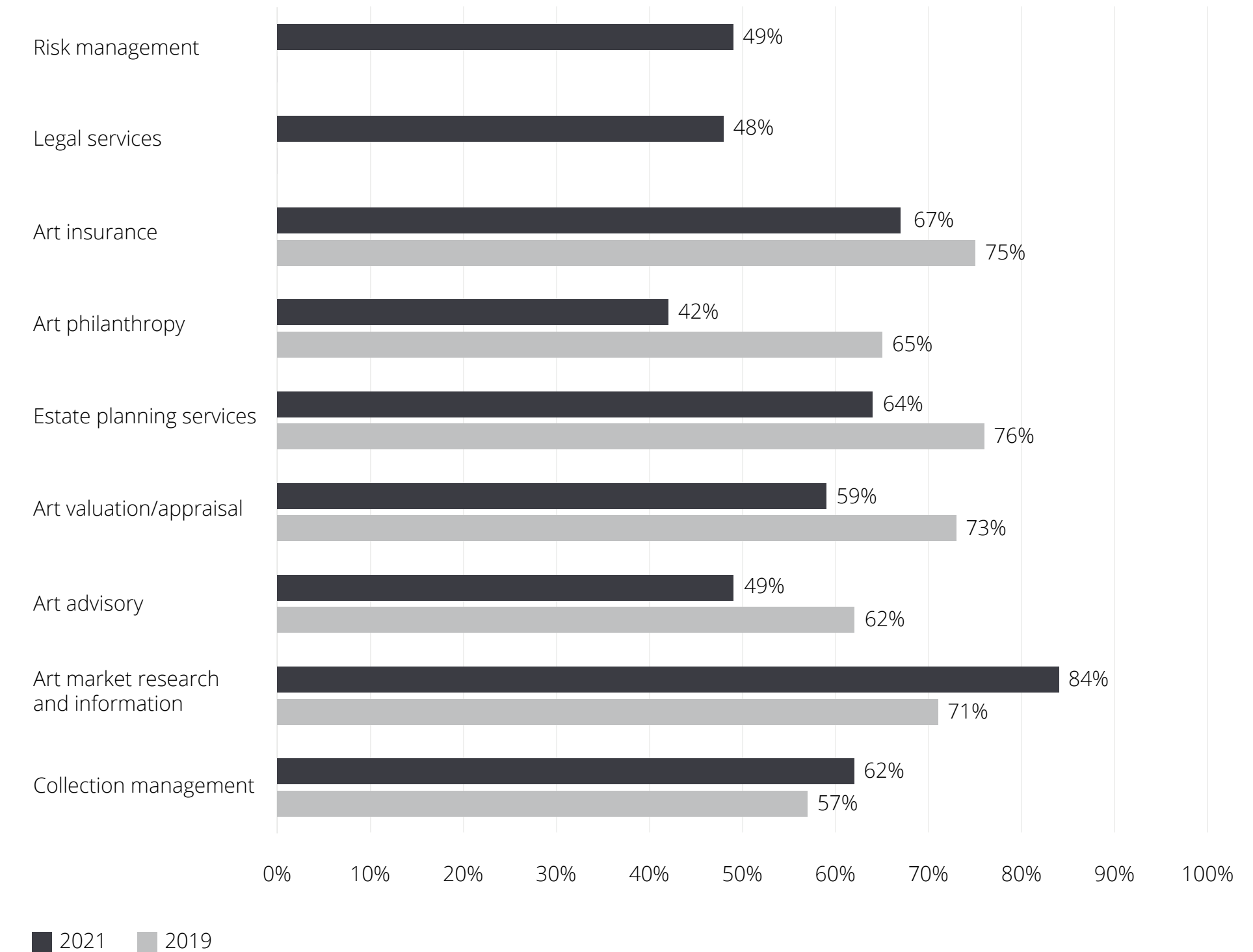
KEY FINDING 18

Collection management and wealth reporting

A significant majority (62%) of collectors cited collection management services as the **second most relevant service** that wealth managers could offer.

Collectors: Which of the art wealth management services most relevant to you?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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KEY FINDING 19

Estate planning and art collections

This year, only 43% of wealth managers said their clients' estate plans sufficiently addressed their art collection (a steep decline compared with 67% in 2019).

Long-term estate planning around art is in its infancy

Very few (12%) of the collectors surveyed said they had formalized their estate documents with their estate planning advisors.

Lack of dialogue with heirs

Of the collectors who plan to leave their collection to their family, only 31% had specifically discussed the artworks they will bequeath and provided the means to care for the art.



Gateway, 2019

Image by Allan Pollok-Morris_Courtesy Jupiter Artland



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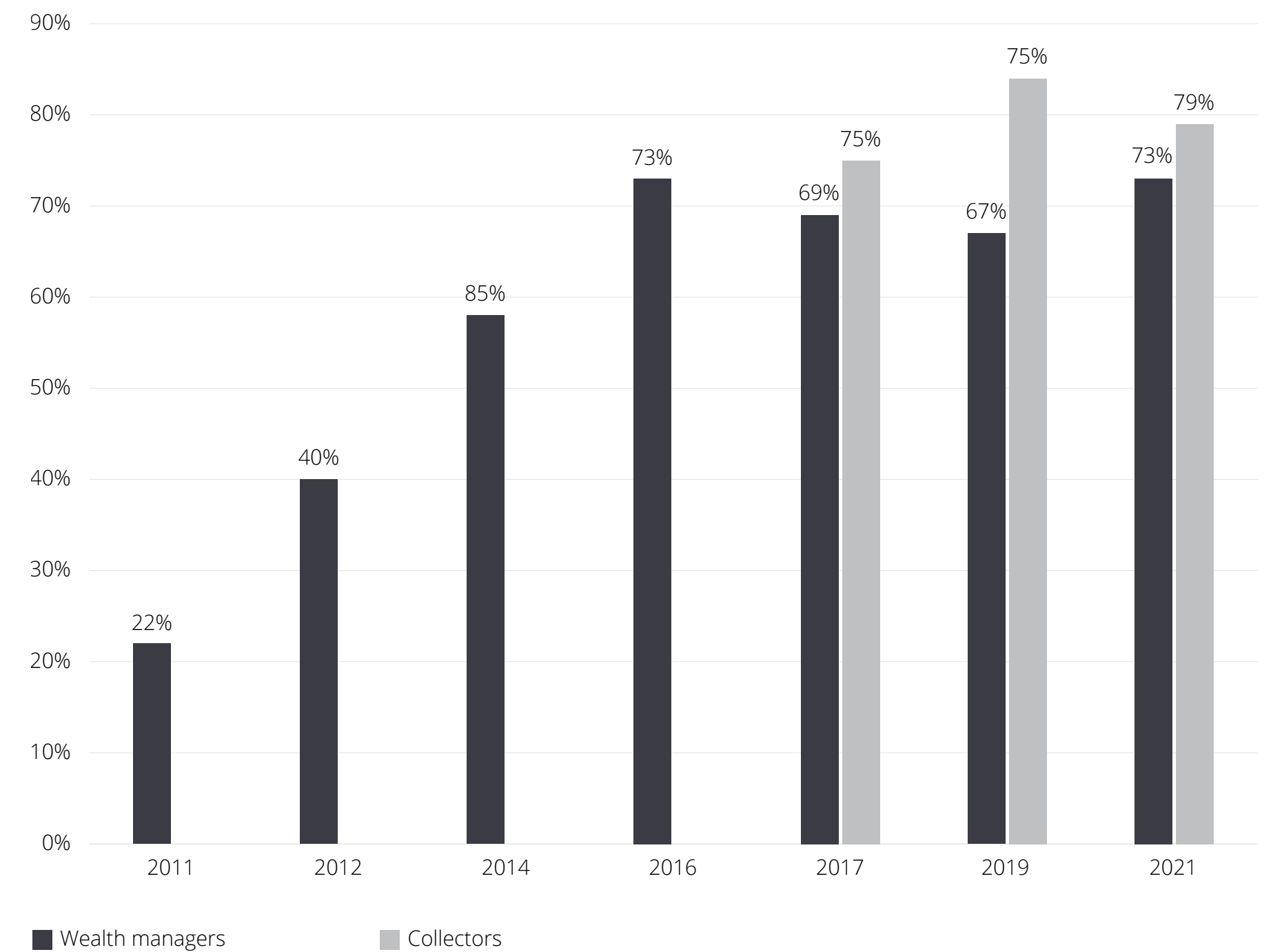
Cœur de Paris, 2018
Joséphine Brueder/Ville de Paris

KEY FINDING 20

The majority of collectors and wealth managers believe that art and other collectibles should be part of wealth reporting to provide a consolidated view of clients' wealth and have a better view of their overall exposure.

Wealth Managers & Collectors: Should art and other collectible assets be consolidated into overall client wealth reporting? (% of collectors saying yes, and % of wealth managers who said their clients expect them to)

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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Culture & Social Impact Investment and Sustainability

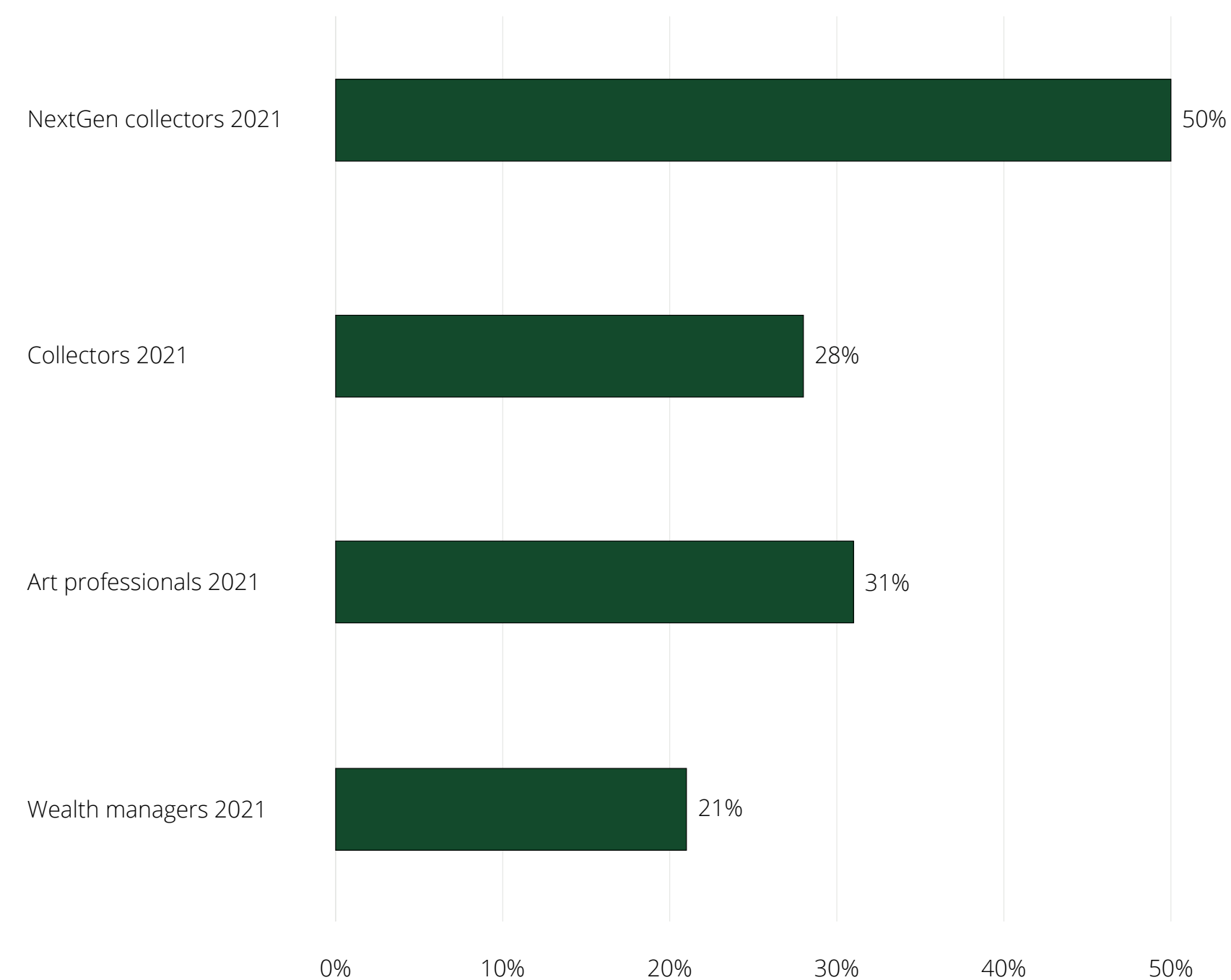
KEY FINDING 21

Sustainable impact investment in the arts could become an attractive investment model

In this year's survey, 28% of collectors and 31% of art professionals identified sustainable impact investment in the arts as the most attractive investment model. This was significantly higher among the younger demographic (under 35 years old), where 50% said socially responsible investment products in culture would be the most interesting to them.

Demand for social impact investment products in culture

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021



Crochet 'n' Roll, 2008
© Unidade Infinita Projectos



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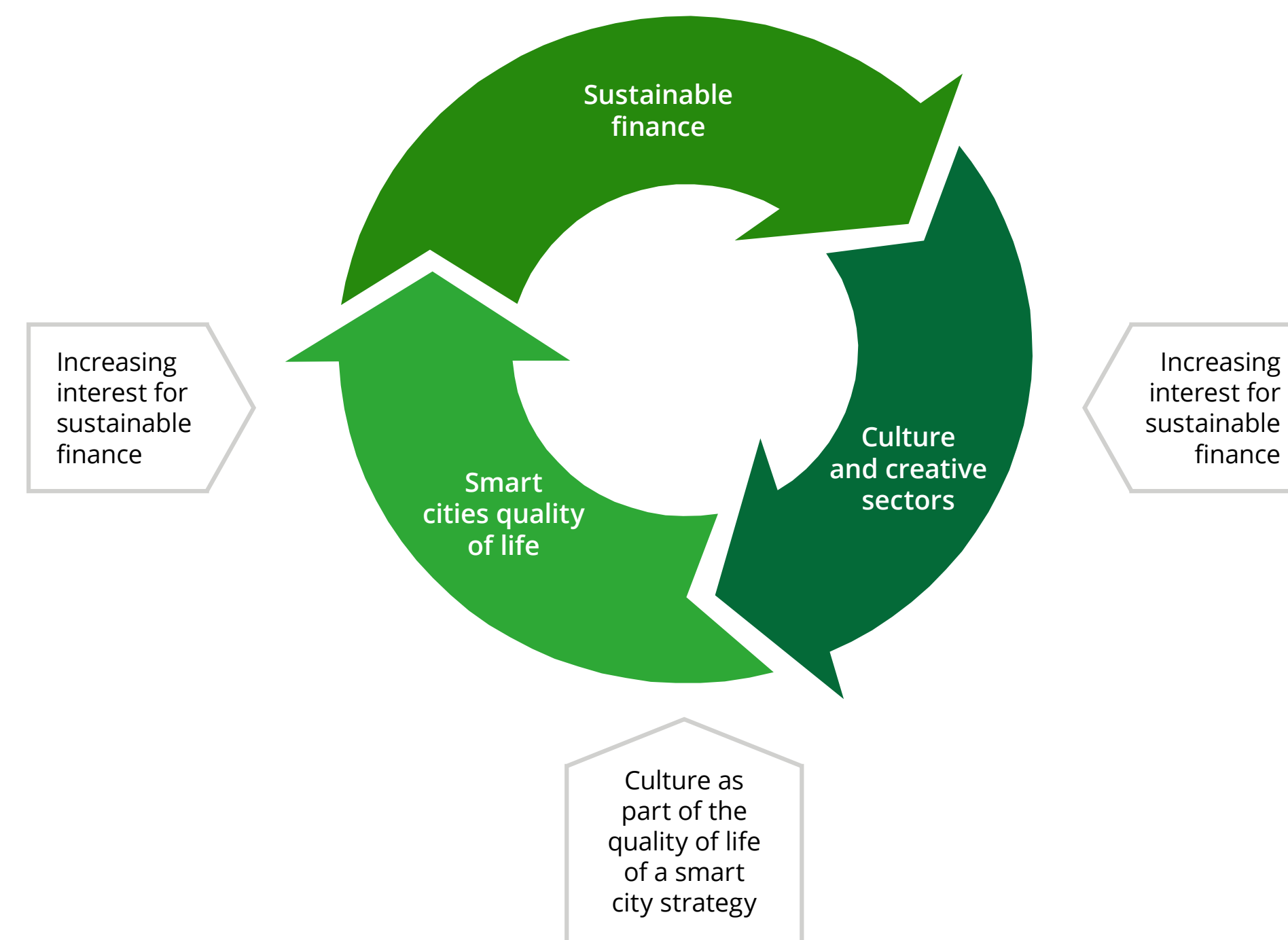
Culture & Social Impact Investment and Sustainability



KEY FINDING 22

Art and culture in a smart city strategy

Culture and impact investment could be influenced by the role culture can play in a smart city strategy. There is an increasing realization that urban smart cities must combine both technology and culture, because improving quality of life does not only require technology; it is also a question of connecting and inspiring people.





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Art-Secured Lending

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KEY FINDING 23

Art-secured lending market

We conservatively estimate that the overall market size of outstanding loans against art could reach between US\$24 billion and US\$28.2 billion in 2021, a 10.7% average growth rate, and further grow to an estimated US\$31.3 billion by 2022.

We also estimate that art-secured loans to private collectors are in the region of US\$21.6 to US\$25.2 billion⁴ in 2021, with the art trade (galleries and dealers) accounting for an estimated US\$2.4 to US\$2.8 billion.

⁴ For the breakdown by borrower type, we used the findings from the TEFAF Art Dealer Finance Report 2018, and assumed that the ratio of private versus art-trade-related lending has remained constant since 2018, with 90% of art-secured loans going to individuals and 10% to galleries and dealers.

Funding sources	Non-exhaustive list of example providers	Estimated total art loan portfolio against art in 2021	Estimated total art loan portfolio against art in 2022	
	<ul style="list-style-type: none"> Citi Private Bank Emigrant Bank Fine Art Finance Deutsche Bank Goldman Sachs J.P. Morgan Private Bank 	<ul style="list-style-type: none"> Morgan Stanley Bank of America Westend Bank Neuflyze OBC Northern Trust 	US\$20.7 to US\$23 billion	US\$22.6 to US\$25.1 billion
Asset-based lenders	<ul style="list-style-type: none"> Yieldstreet / Athena Art Finance Artemis AOI-Advisors TPC Art Finance Fine Art Group Griffin Art Partners Art Capital Group Athena Art Finance 	<ul style="list-style-type: none"> Fine Art Partners artLending.com Borro by Luxury Asset Capital Lombard Loan Real Assets GmbH Art Finance Partners Unbolted 	US\$1.4 to US\$2.4 billion	US\$1.7 to US\$2.9 billion
Auction house finance	<ul style="list-style-type: none"> Sotheby's Heritage Auction 	<ul style="list-style-type: none"> Phillips Artiana 	US\$1.9 to US\$2.7 billion	US\$2.3 to US\$3.3 billion
Overall size		US\$24 to US\$28.2 billion	US\$26.6 to US\$31.3 billion	
Estimated total loan size by borrower type				
Private collectors		US\$21.6 to US\$25.3 billion	US\$23.9 to US\$28.2 billion	
Galleries/dealers		US\$2.4 to US\$2.8 billion	US\$2.7 to US\$3.1 billion	



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KEY FINDING 24

The most significant change in the art wealth management space in the last 10 years is the way that collectors view their artwork has shifted in the last decade.

In addition to collecting for aesthetic, intellectual and social reasons, collectors have increasingly been motivated by financial aspects, viewing their art as part of their overall balance sheet and a practical source of capital.



Lafite, 2015
Luís Vasconcelos/Courtesy Unidade Infinita Projectos



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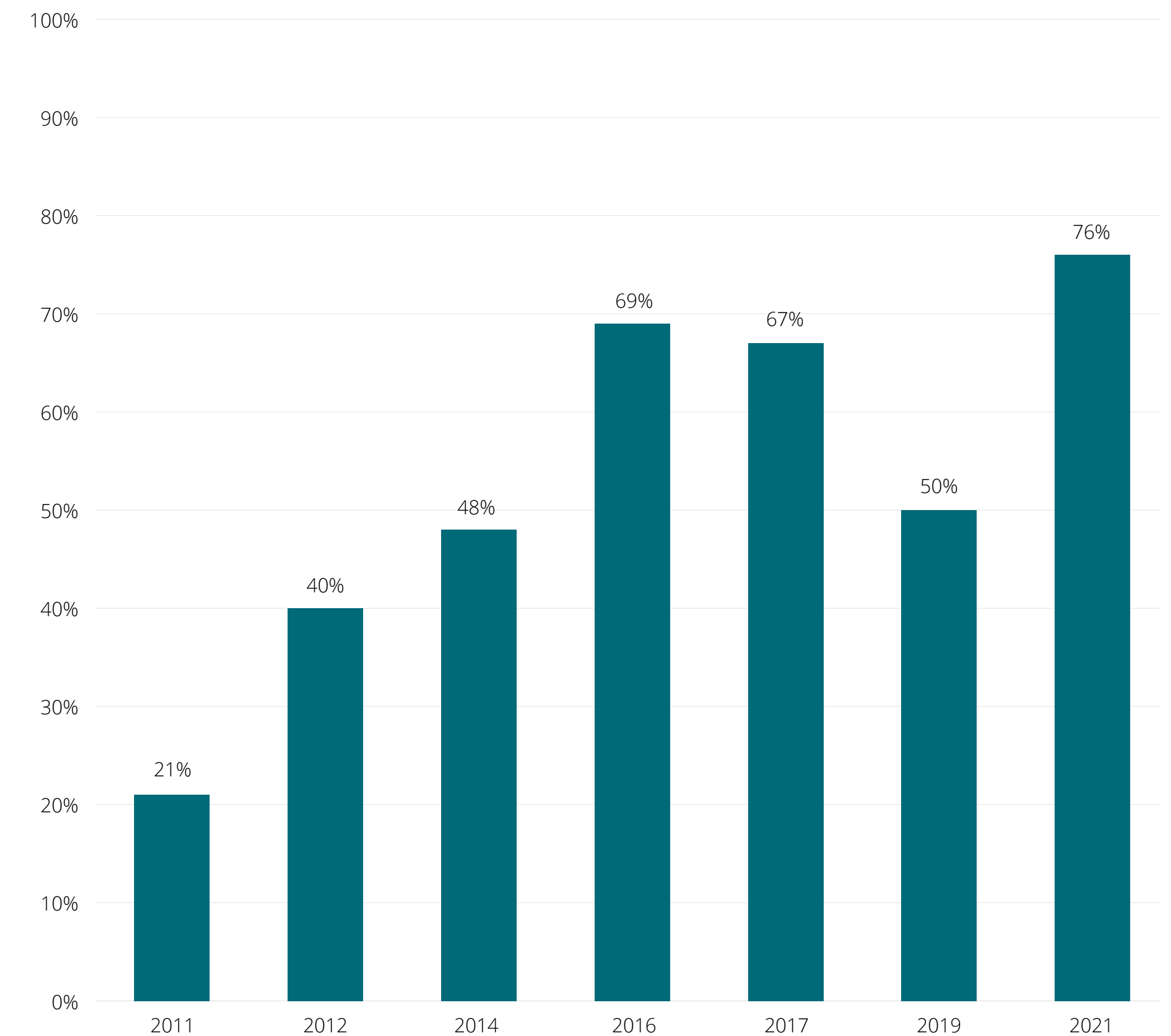
More wealth managers are offering art secured lending services

76% of wealth managers with existing art-related services said they offered art-secured lending services, up from 50% in 2019. It is the highest reading over the last 10 years.

All the art-secured lenders surveyed rated private collectors as their most important client demographic.

% of wealth managers offering art-secured lending services

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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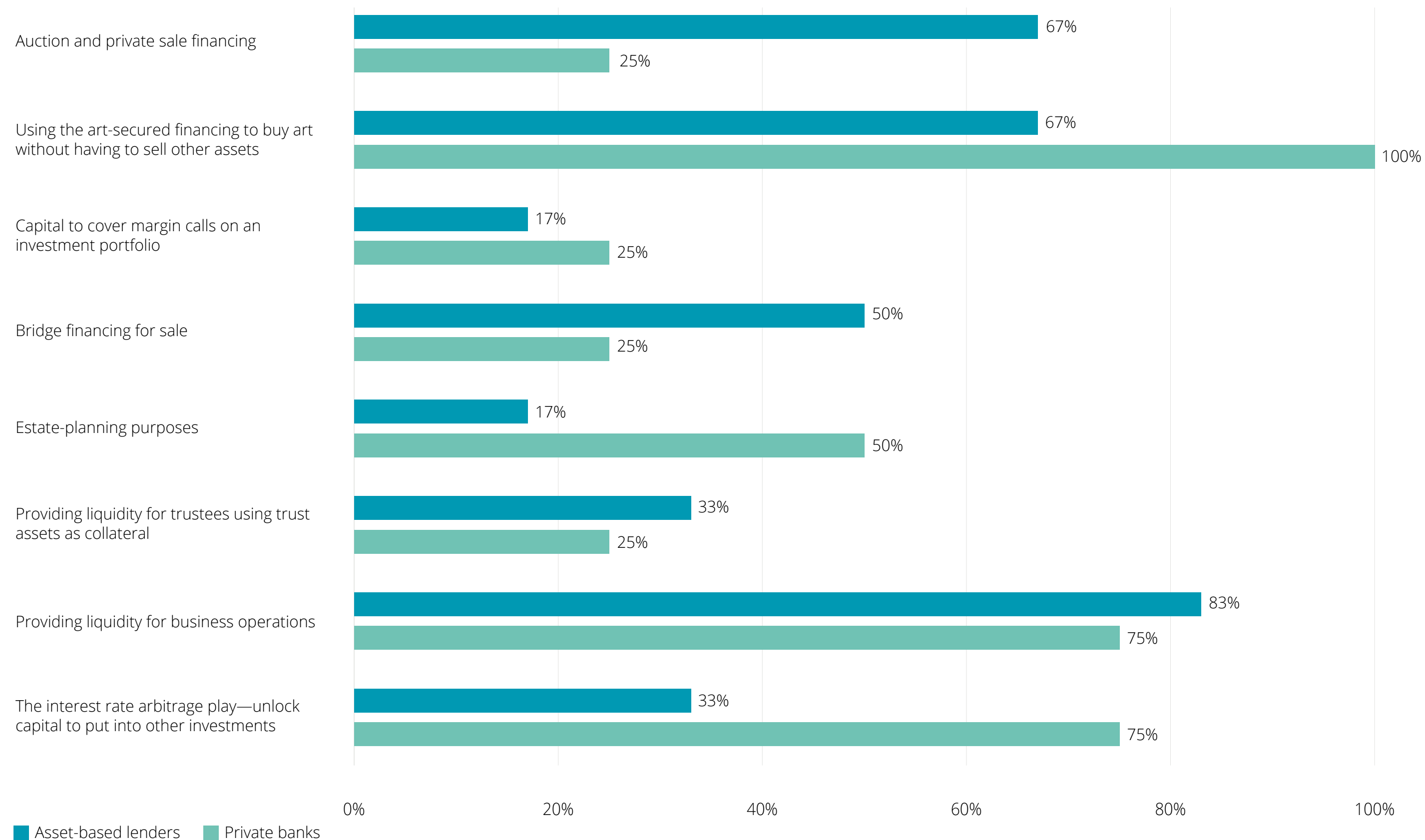
Transaction financing

Using art-secured financing to buy art without having to sell other assets **and unlocking capital for other investments are the main drivers in the art lending market** for most (80%) of the art-secured lending providers surveyed this year.

48% of collectors are saying their main motivation for using their art collection to secure loans is to finance the acquisition of more art.

What are the most important "demand drivers" for art-secured lending services over the last 2 years?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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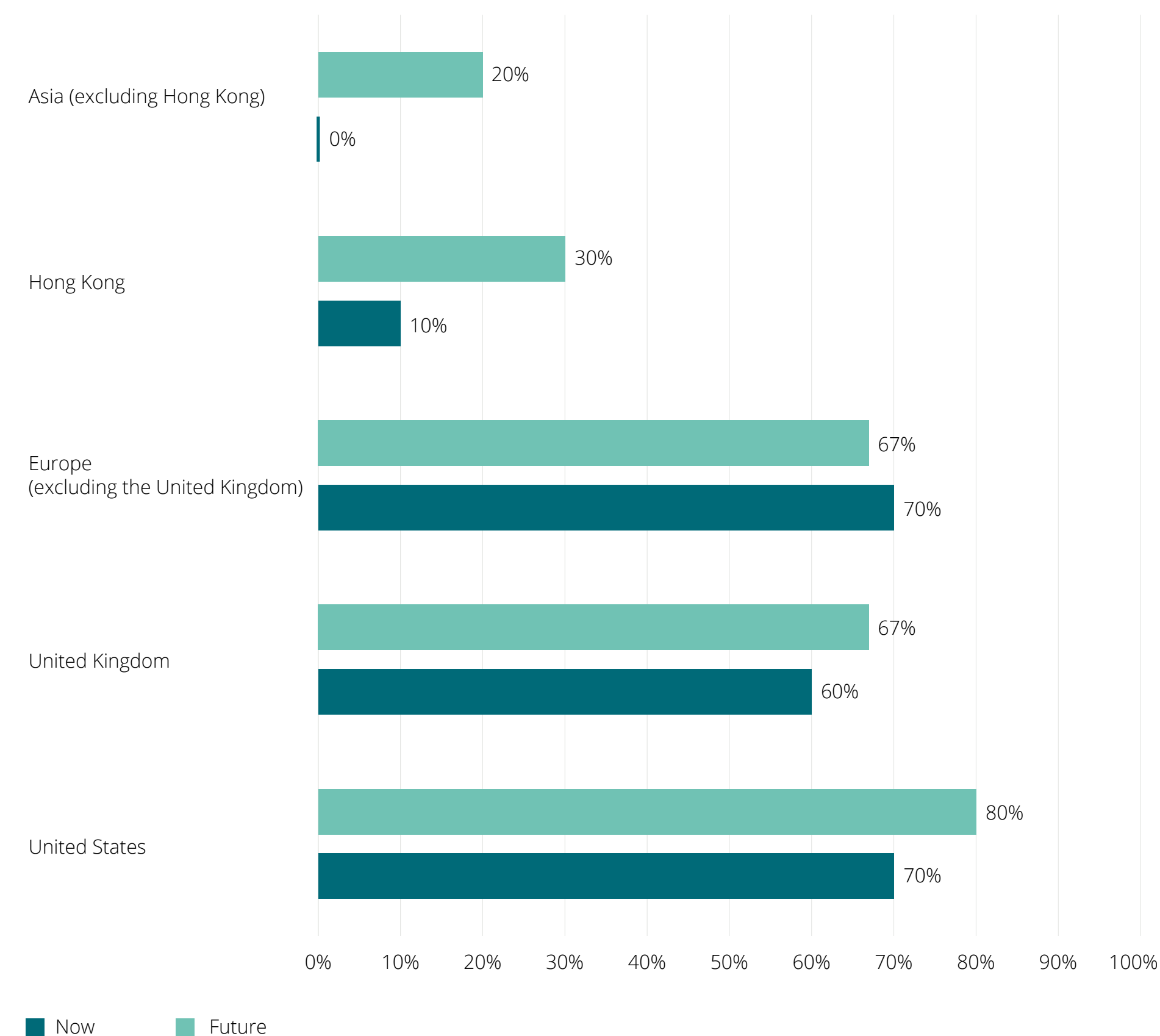
Contributions

KEY FINDING 27

Both European and US-based lenders see the growth potential in the Asian market, with 30% saying Hong Kong will become a strategic center for art-secured lending services, followed by 20% who singled out wider Asia as a market with future growth potential.

Which of the following regions are most important for your business at the moment?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021



Petit Gâteau, 2011
DMF, Lisboa/© Unidade Infinita Projectos





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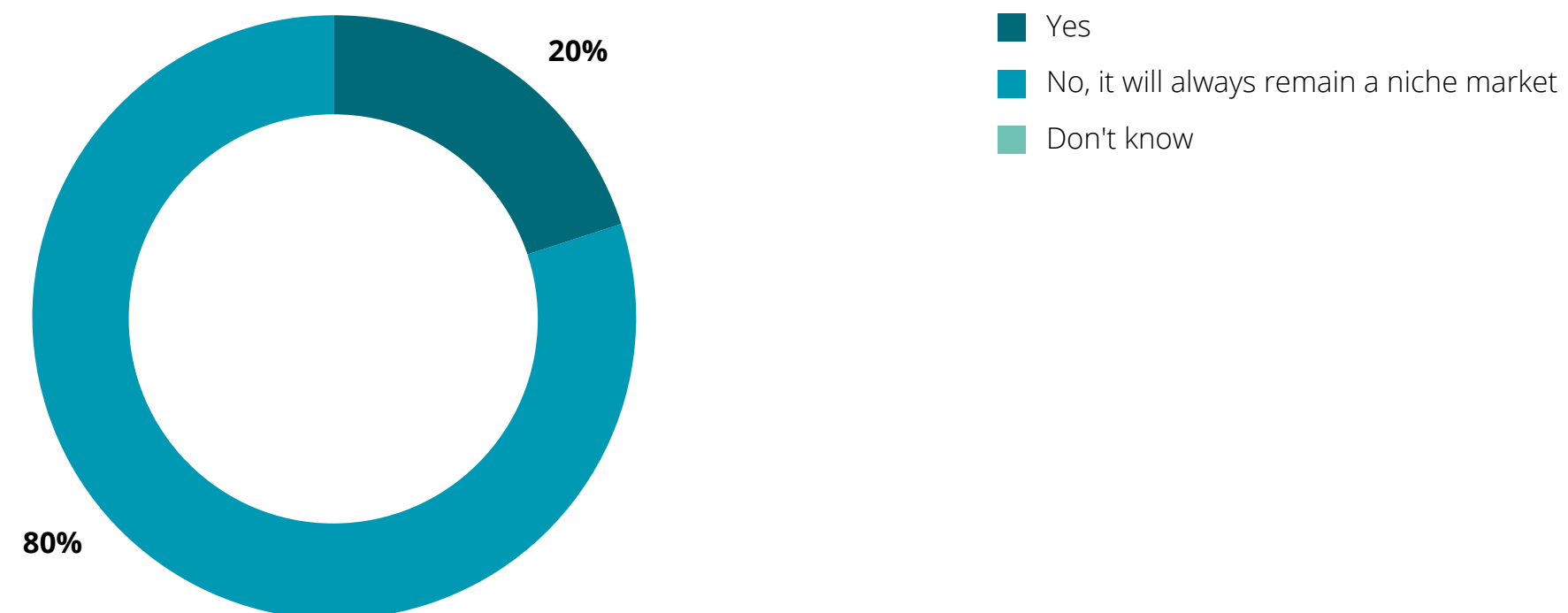
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KEY FINDING 28

80% of art-secured lenders said they do not believe art-secured financing will ever become a mainstream product and that it will remain a niche market.

In the long-term, do you see art secured lending becoming a standard financing tool, the way we would look at mortgages for real-estate?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021



A Todo o Vapor (Amarelo) #1/3, 2014
Luís Vasconcelos/Courtesy Unidade Infinita Projectos



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Tutti Frutti (PA), 2011
© Unidade Infinita Projectos

KEY FINDING 29

Of the wealth managers surveyed, 74% said they expected the demand for art-secured lending services to increase in the future, with 72% of collectors and 74% of art professionals saying the same.



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KEY FINDING 30

Artnet's indices display **strong short-term returns** for art and more moderate returns in the long run.





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KEY FINDING 31

Art as a store of value

Art is regarded as a value-preserving asset class. The strong positive correlation between art and gold can indicate investors' perception towards art more as a value-preserving asset class than as an investment vehicle.

Artnet Indices	Volatility	Correlation with S&P 500	Correlation with MSCI World	Correlation with Case-Shiller	Correlation with Gold Fixing Price
Fine Art	20%	0.64	0.73	0.58	0.89
European Old Masters	12%	0.23	0.34	0.51	0.54
Global Impressionist Art	14%	0.23	0.36	0.43	0.65
Global Modern Art	15%	0.34	0.47	0.53	0.72
Global Post-War Art	18%	0.70	0.79	0.78	0.83
Global Contemporary Art	16%	0.72	0.80	0.72	0.87
Fine Chinese Paintings & Calligraphy	17%	0.56	0.64	0.52	0.89
Chinese 20th Century & Contemporary Art	0.17	0.62	0.71	0.57	0.91

*Correlations are calculated from 2000 to H1 2021.

©2021 Artnet Worldwide Corporation



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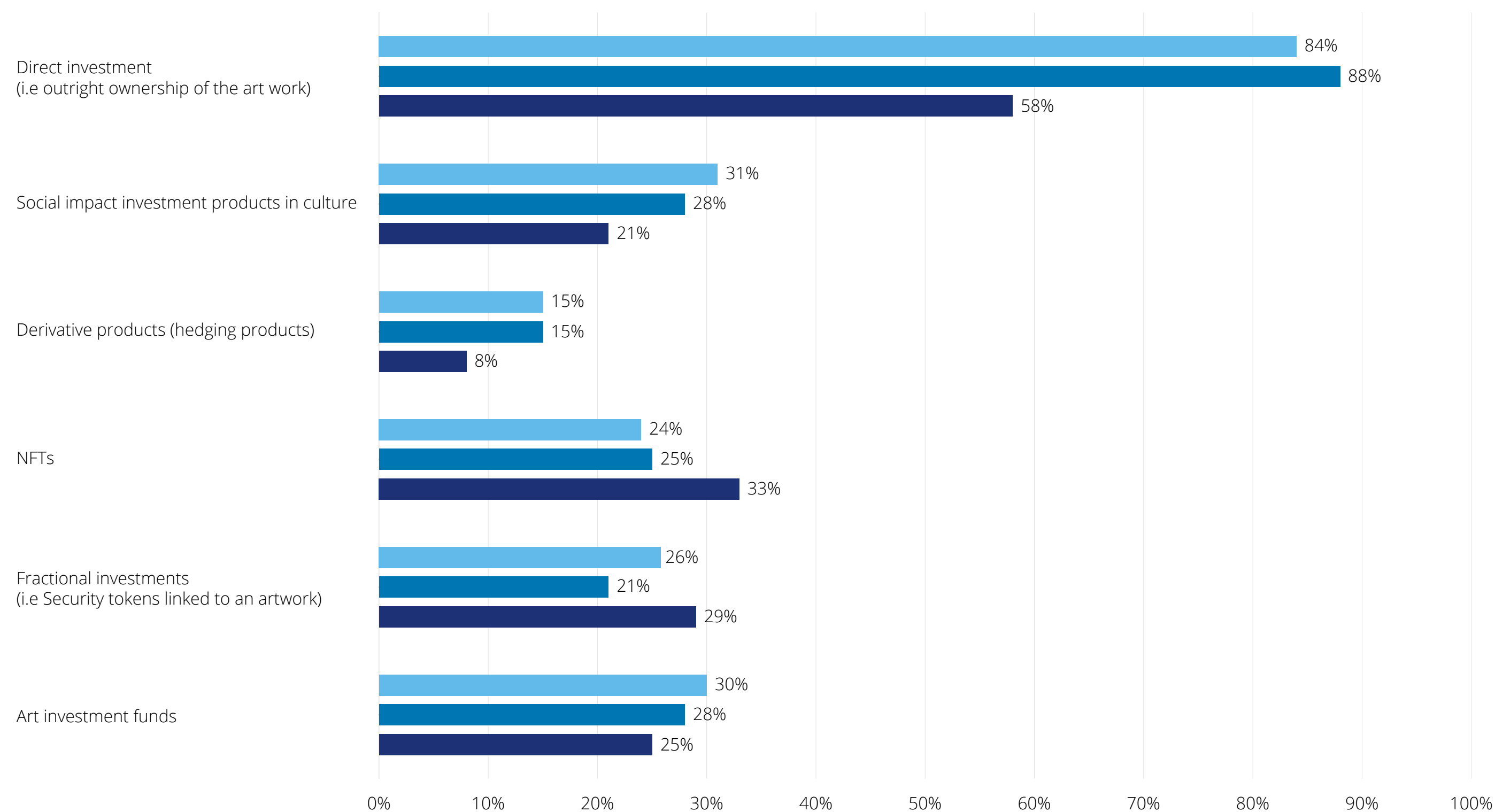
Transaction financing

88% of collectors and 84% of art professionals believe that direct investment in art (i.e., the outright ownership of artwork) will be the most common form of art investment going forward, and 58% of wealth managers said the same.

Wealth Managers 2021 ■
 Collectors 2021 ■
 Art Professionals 2021 ■

In terms of investing in art, which of the following art investment products would be of most interest to you?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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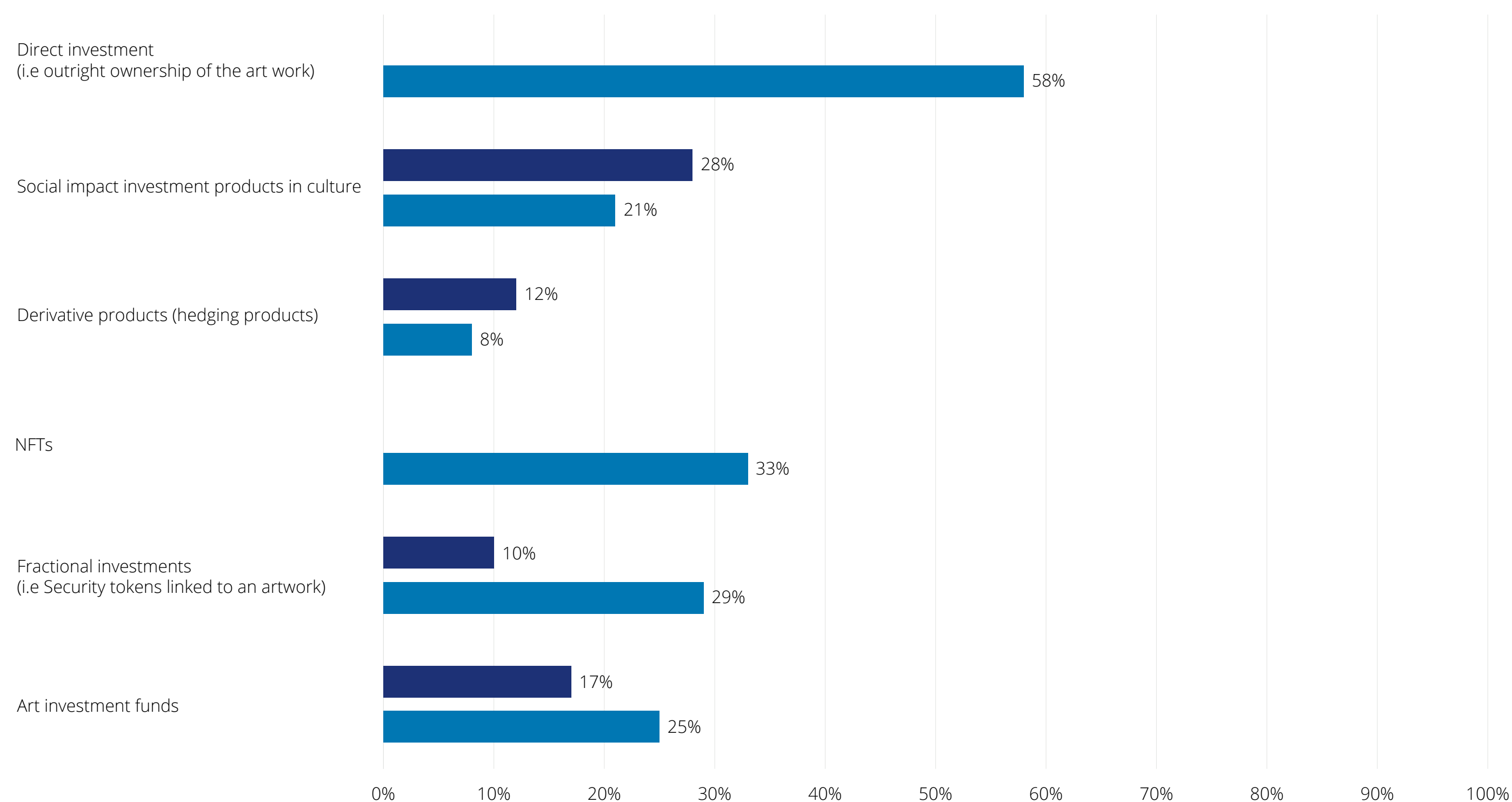
New interest in alternative forms of art ownership

in this year's survey, 33% of wealth managers said their clients had expressed an increased interest in non-fungible tokens (NFTs), fractional ownership (29%) (up from 10% in 2019), art investment funds (25%) (up from 17% in 2019), and social impact investment in culture (21%) (down from 28% in 2019).

Wealth Managers 2019 ■
Wealth Managers 2021 ■

In terms of investing in art, which of the following art investment products would be of most interest to you?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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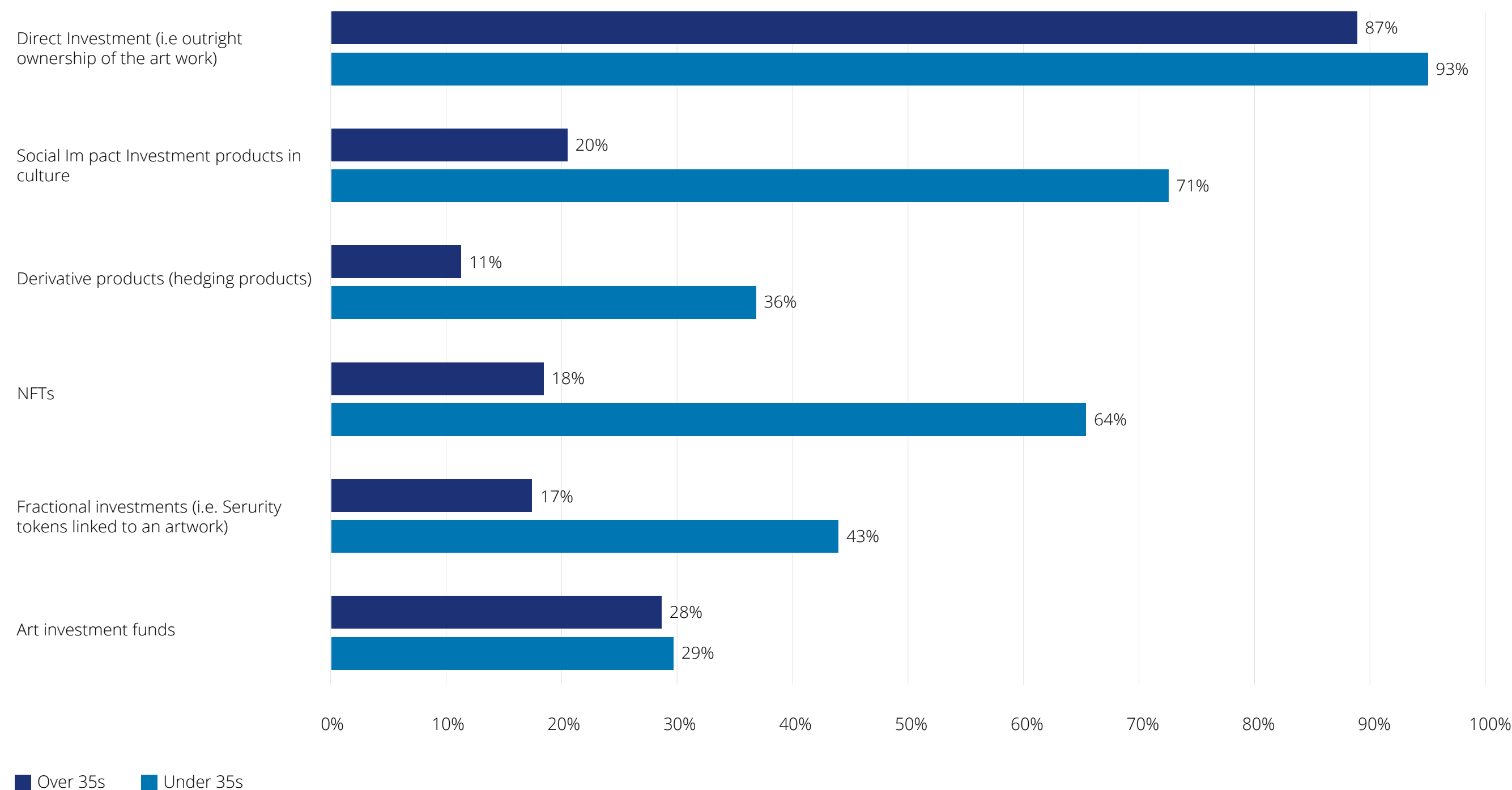
Younger collectors more tuned into recent developments in art investment products and services

64% of younger collectors⁴ expressed a strong interest in NFTs (compared with 18% of older collectors) while 43% said fractional investment linked to artworks interested them, which is significantly higher than 17% of older collectors.

71% of younger collectors surveyed said they were drawn to social investment products in art and culture, compared with 15% of older collectors.

In terms of investing in art, which of the following art investment products would be of most interest to you?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021



⁴ The sample is based on 16 individuals out of 114 collectors surveyed in total. Although the sample size is small, these findings still highlight significant differences between the younger generation of collectors (under 35 years old) and the older generation of collectors (over 35 years old).



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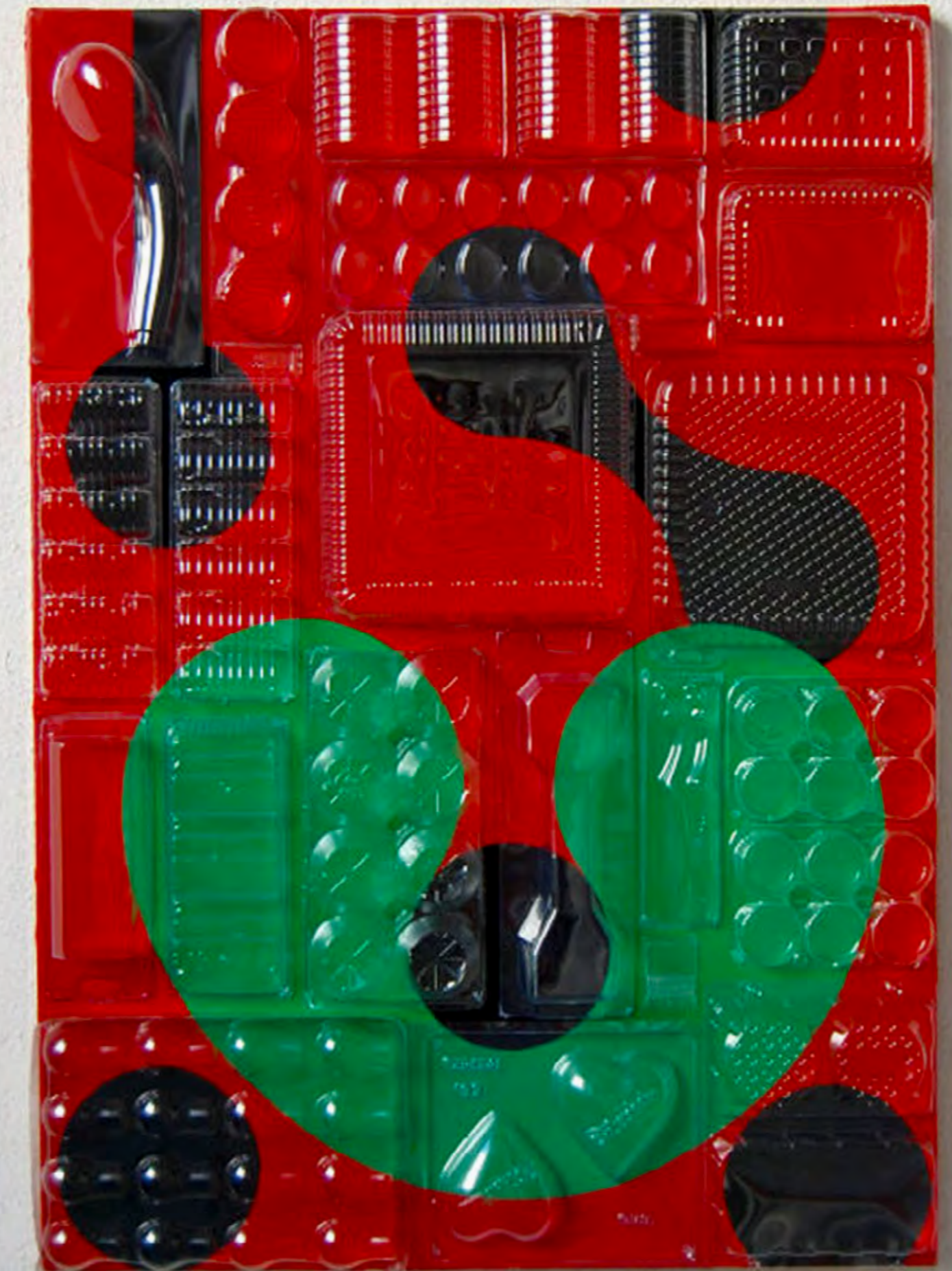
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KEY FINDING 35

Security tokens and non-bankable art assets (nBAs)

A new financial infrastructure is developing around nBAs, which also includes art and collectibles. This could open up new opportunities for the wealth management sector to generate additional fee revenue, based on the estimated US\$1,481 billion of art and collectible wealth held by ultra-high net worth individuals (UHNWIs) in 2020.



Supermercado, 1997
© Unidade Infinita Projectos



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KEY FINDING 36

The maturing art technology industry is a key enabler for the art and finance industry

In the art and tech ecosystem over the last 10 years, the number of specialized players addressing the various friction points faced by the art and finance industry continues to grow and gain maturity. The digital transformation sweeping the art market is likely to drive more efficiency and growth.



Jardim do Éden, 2007
Jonathan Shaw/Cortesia The New Art Gallery, Walsall



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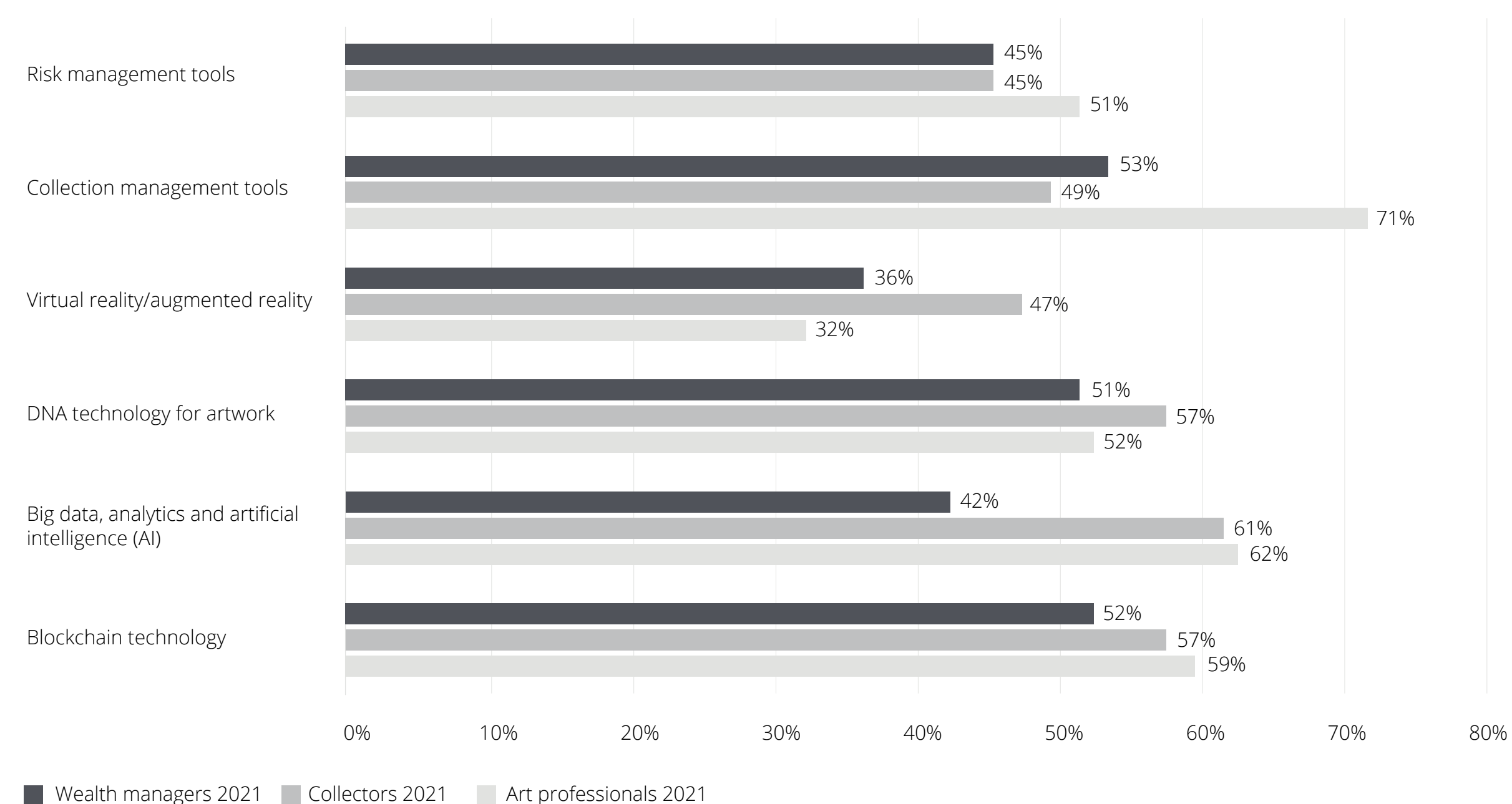
KEY FINDING 37

Blockchain technology is going mainstream

52% of wealth managers (up from 18% in 2019) believe blockchain technology could have an important impact on their ability to further develop art-related services as part of their wealth management offering.

53% of wealth managers said new and improved art collection management tools will help them develop an art-related wealth management service offering.

Which of the following technologies do you think could have the most impact on the development of art and wealth management services?





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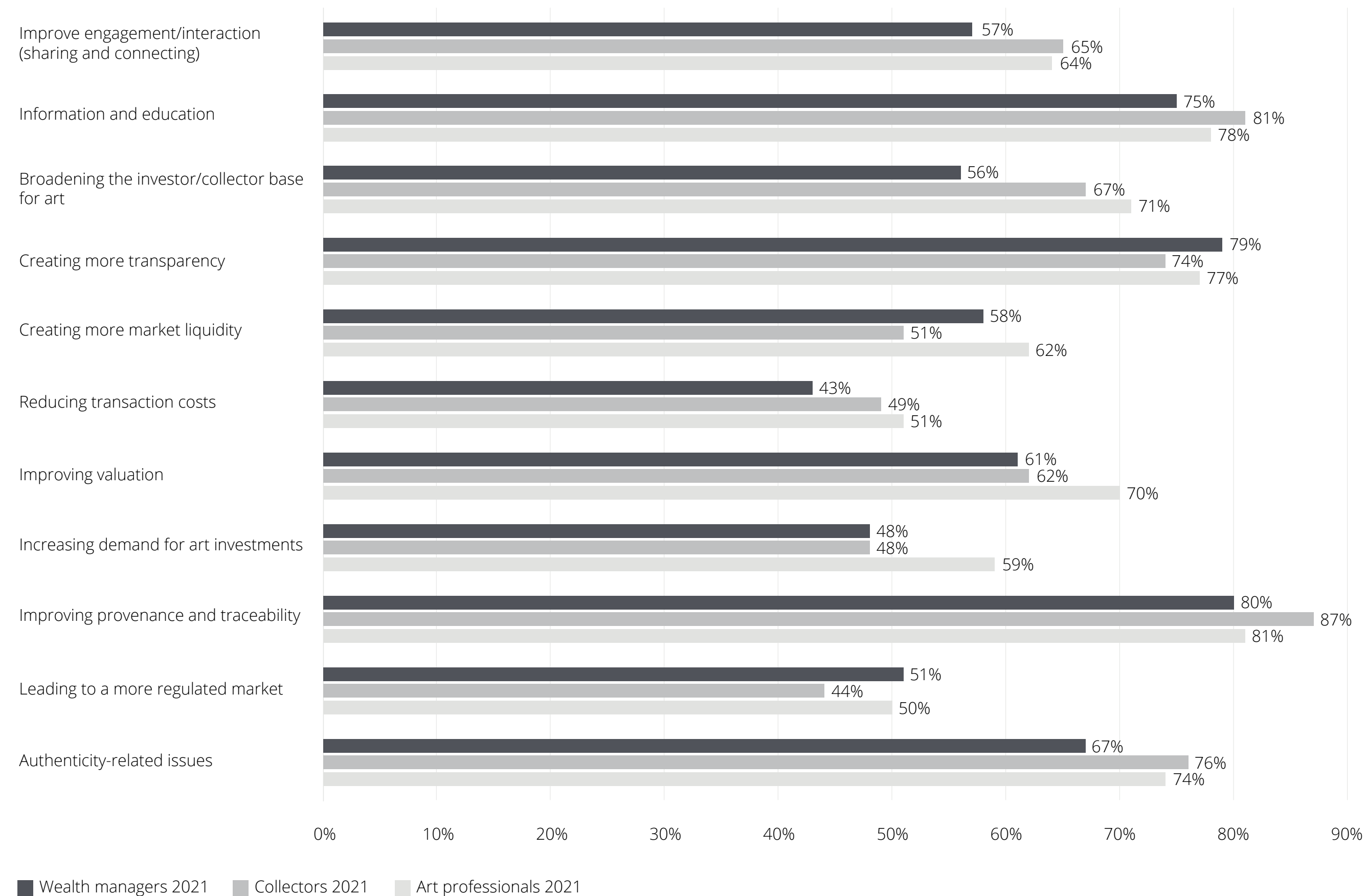
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Key areas where online art businesses and new technology can make an impact



KEY FINDING 38

Wealth managers strongly believe that technology will improve the provenance tracking and traceability of art (80%), mitigate authenticity risks (67%), enhance valuation processes (61%) and boost the overall transparency of the art market (79%).



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KEY FINDING 39

Most younger collectors believe technology will be a major game-changer in the art and wealth management industry

Overall, younger collectors think technological development will have a large impact on the art wealth management industry over the next two to three years.



O mundo a seus pés, 2001
DMF, Lisboa/© Unidade Infinita Projectos



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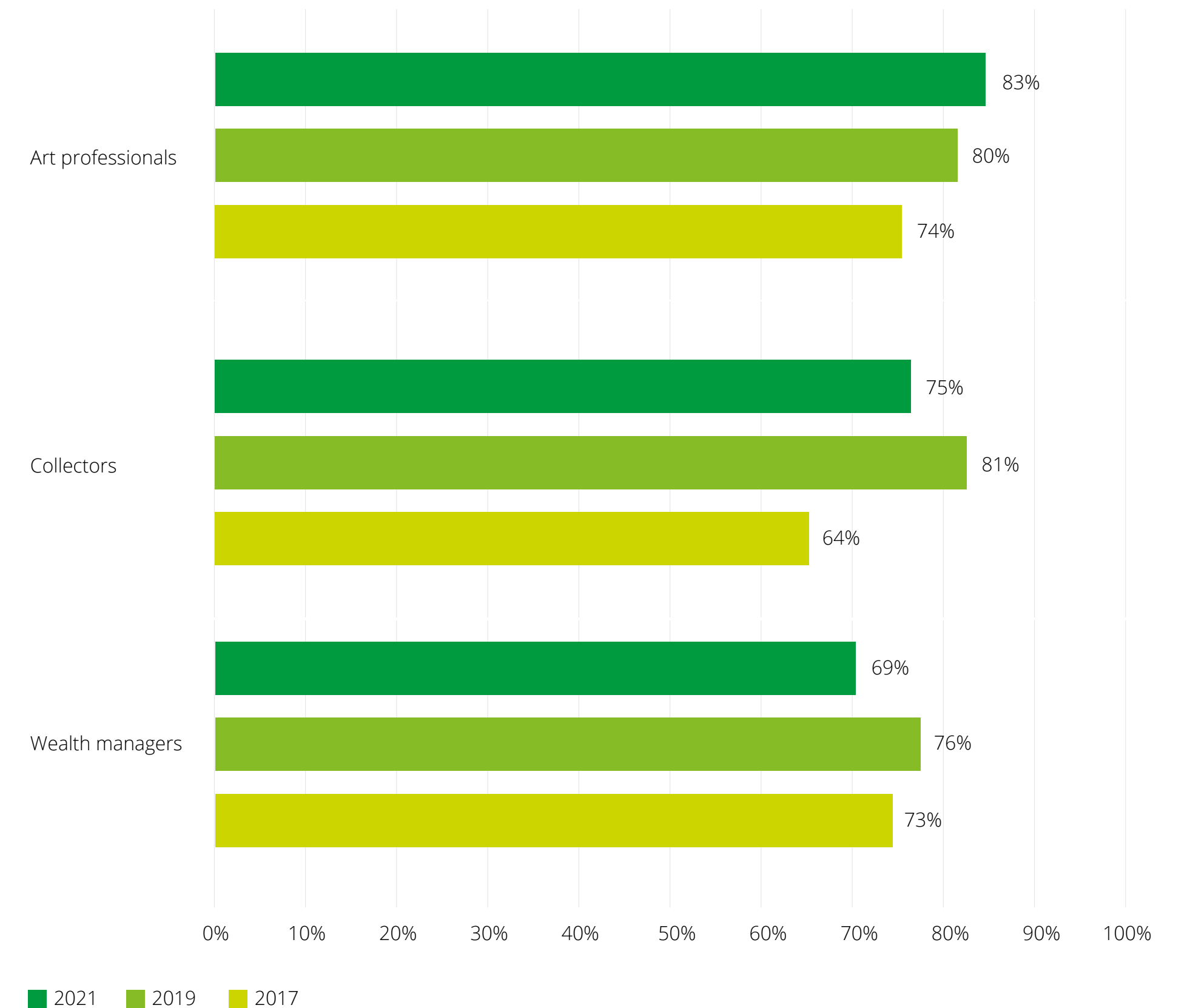
Risk Management & Regulation

KEY FINDING 40

The art market in need of rapid modernization

After 10 years of analysis, it is disconcerting that most stakeholders surveyed this year believe the art market's business processes still need modernizing, despite the acceleration of digital transformation, the growing role of technology and the increasing adoption of online markets.

Does the art market / art industry need to modernize its business practises? (% saying yes)





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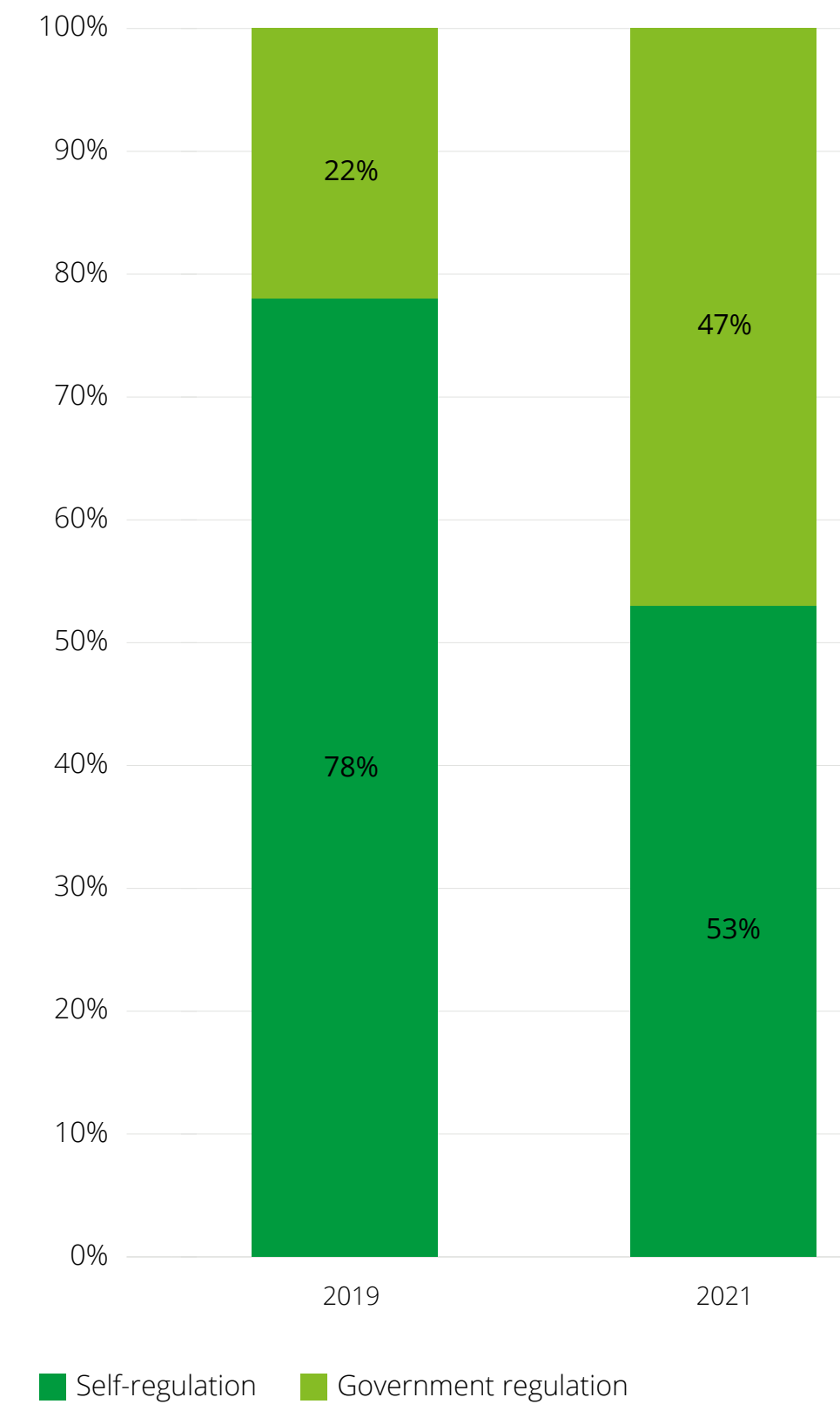
Contributions

KEY FINDING 41

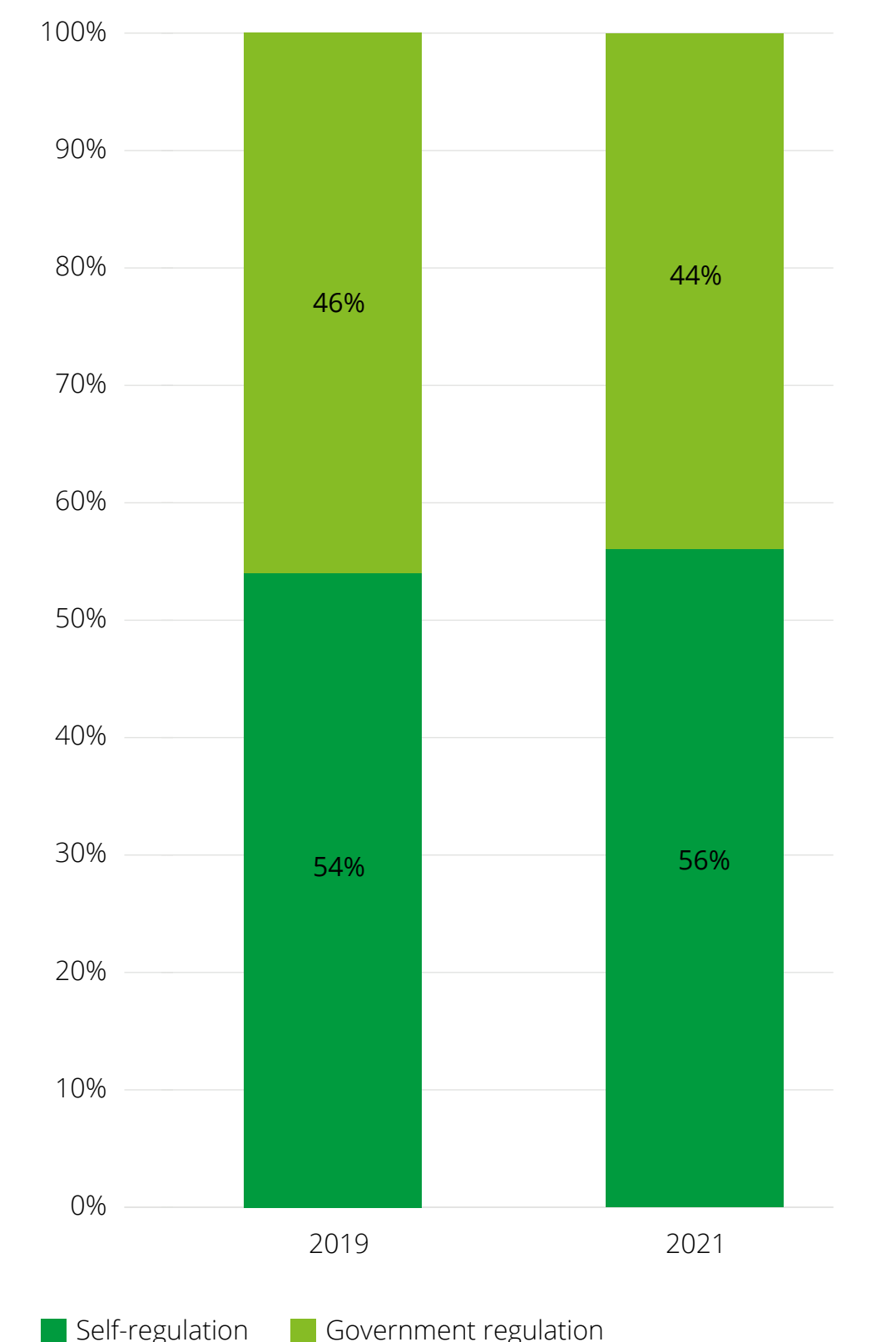
Significantly more collectors (47%) indicated their preference for government regulation this year, up from 22% in 2019, with 36% of art professionals saying the same (compared with 28% in 2019).

And, 44% of wealth managers this year believe government regulation would help restore trust in the art market (only slightly below 46% in 2019).

Collectors: Which regulatory approach do you favour when it comes to establish trust and credibility in the art market?



Wealth managers: Which regulatory approach do you favour when it comes to establish trust and credibility in the art market?





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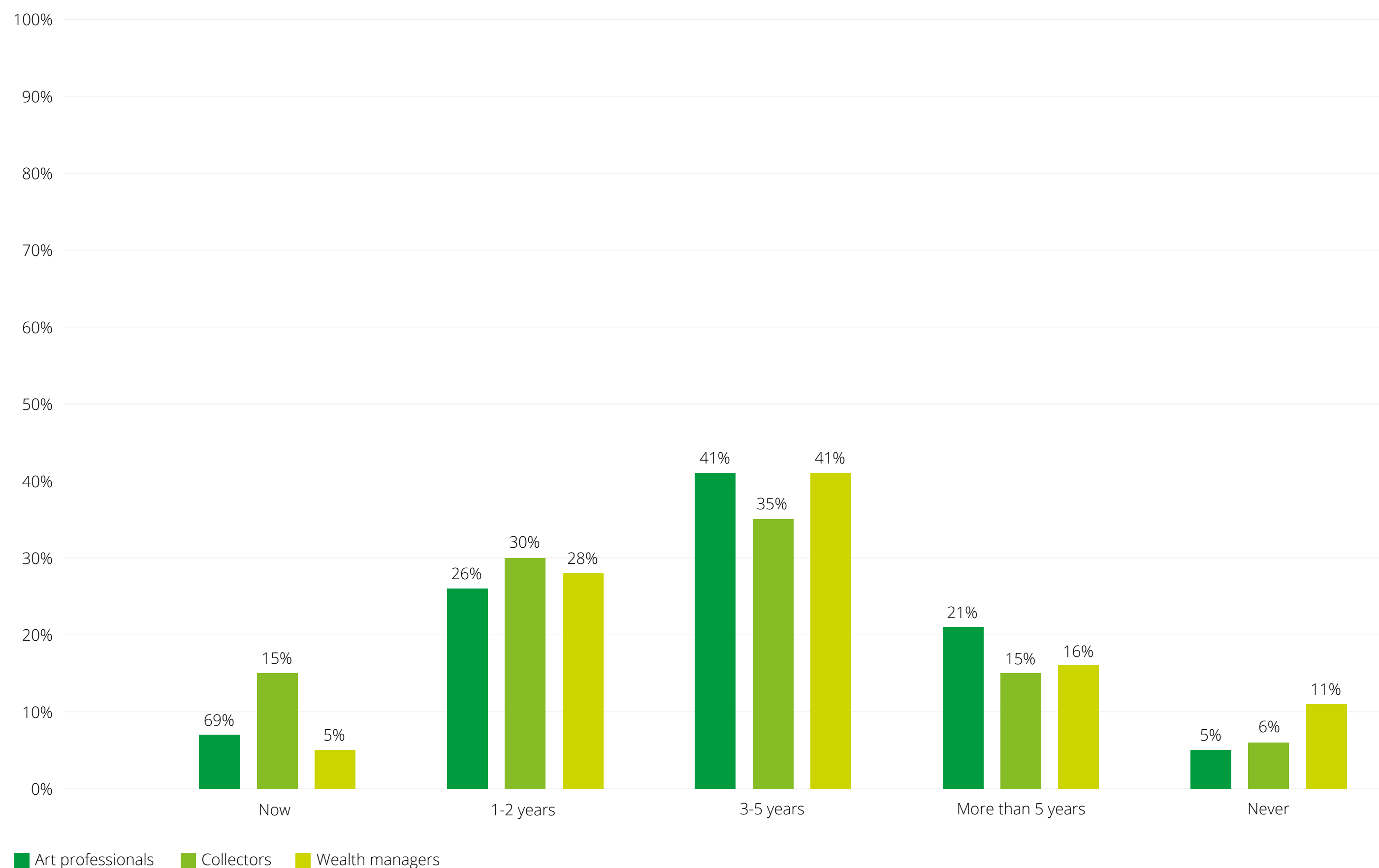
KEY FINDING 42

Most wealth managers and art market stakeholders see transparency and regulation increasing in the art market in the next five years

One ray of hope is that 67% of wealth managers expect the art market to become more transparent and regulated over the next five years, compared with 55% of collectors and 67% of art professionals who said the same.

In your view, when do you think we can see an acceleration in adoption of more transparency and regulation in the art market?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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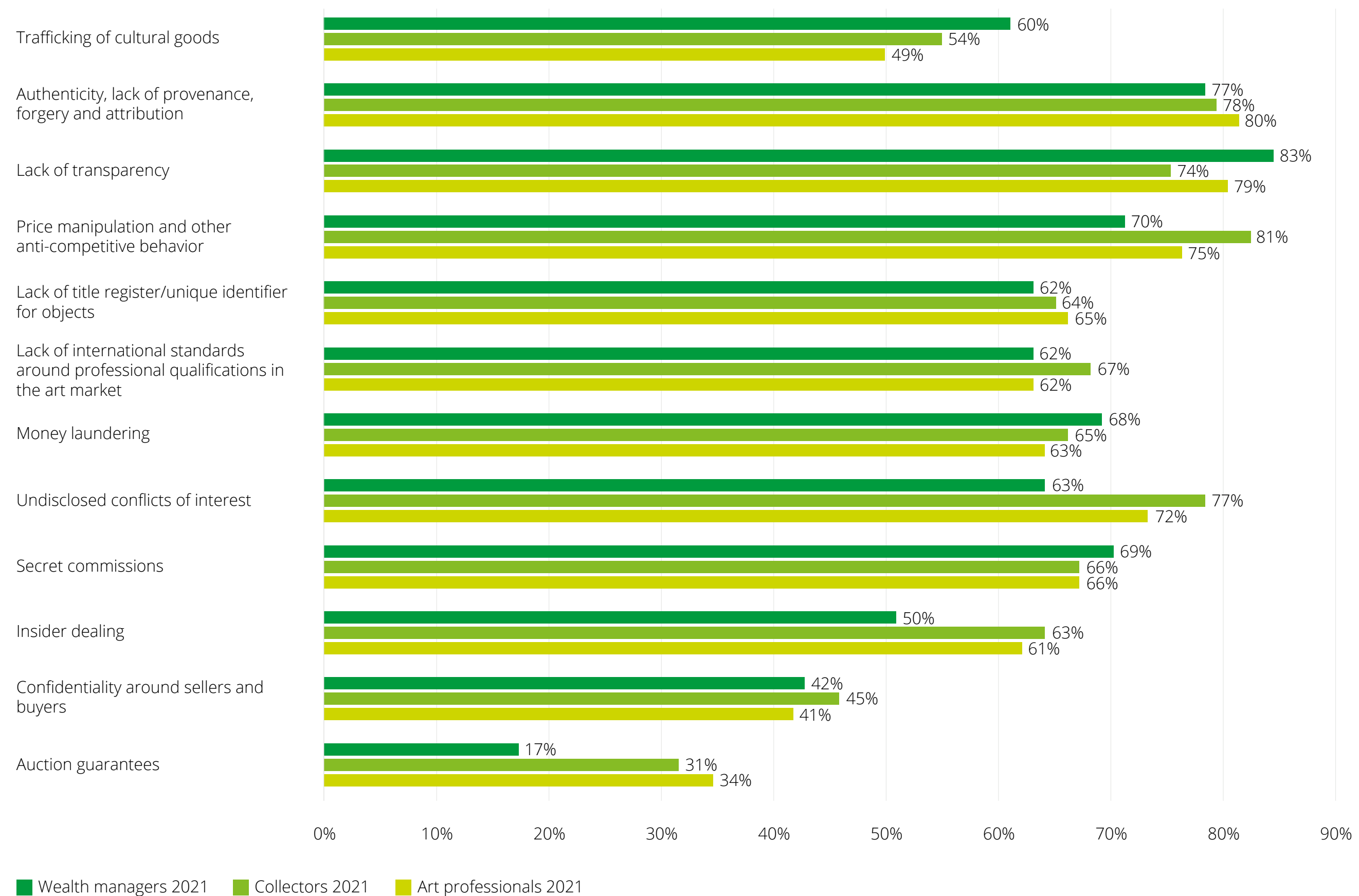
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Stakeholder Comparison: Which of the following issues do you feel are the most threatening/damaging to the reputation of the art market?



KEY FINDING 43

Transparency is the key to unlocking future growth in the art and finance industry and art market as a whole

83% of wealth managers said lack of transparency was a key factor that undermined trust in the art market (compared with 77% in 2019). Both art collectors (74%) and art professionals (79%) also identified this as a major challenge. Transparency concerns ranked even higher among younger collectors, with 86% saying this was one of the top challenges in today's art market.



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KEY FINDING 44

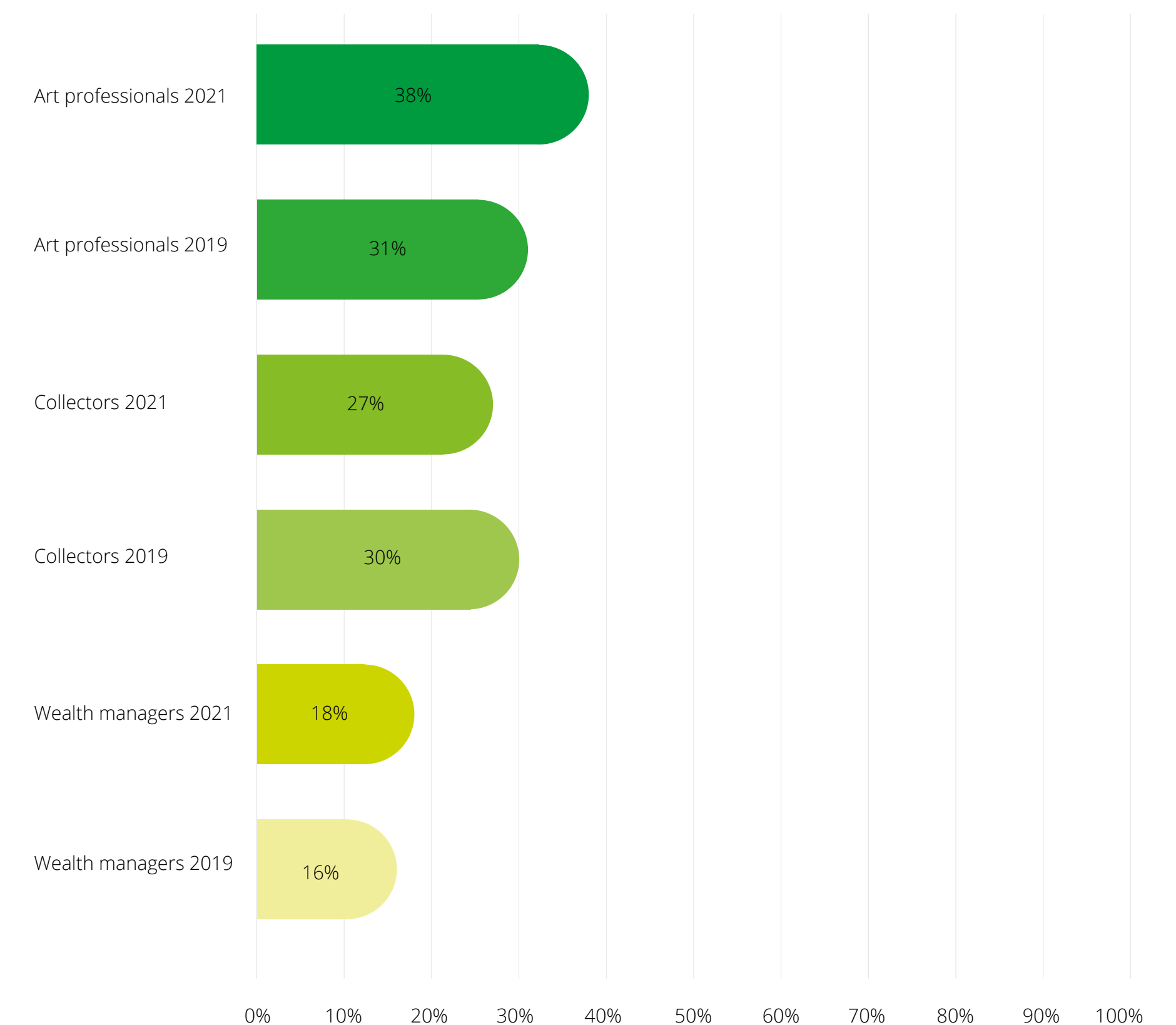
Building trust in art market data paramount for further development of the art and finance industry going forward.



Esposas, 2005
Peter Mallet/Courtesy Haunch of Vanison, London

What level of trust do you have in the art market data (qualitative & quantitative) currently available (% saying high and very high)?

Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2021





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External contributions

In this year's edition, we are delighted to feature 73 leading experts contributing 41 articles. These provide our readers with new insights on a wide range of initiatives and models that tackle the opportunities and challenges facing the art market and the wealth management industry over the next decade. We are delighted to have collaborated with eight Deloitte offices that contributed 15 out of the 41 articles: Deloitte Luxembourg, Deloitte US, Deloitte UK, Deloitte Germany, Deloitte Japan, Deloitte Italy, Deloitte Russia and Deloitte Monaco.

The broad range and geographical diversity of these contributions align with our vision and goal to be an independent and neutral voice of the market. It also reflects our ambition to be truly international, as is the global art market itself.

Section 1

Collectibles in the time of COVID-19—how assets have weathered the pandemic,

Nannette Hechler-Fayd'herbe, Chief Investment Officer International Wealth Management and Global Head of Economics & Research, Credit Suisse AG

Japan: Race for the next art hub of Asia—tax reforms in the art market,

Yoshiyuki Umemura, Partner; Yuko Nishimura, Manager; Charlotte Lin, Senior consultant, Deloitte Japan

The state of the art in Italy: results of the third survey on COVID-19's impacts,

Barbara Tagliaferri, Deloitte Italy Art & Finance coordinator; Roberta Ghilardi, Senior Sustainability Consultant; Mario Filice, Research & Editorial, Clients & Industries Deloitte Italy

THE 266-YEAR-OLD START-UP—an insider's view of the NFT boom,

Marcus Fox, Global Managing Director, 20th/21st C. Art, Christie's

The Brexit effect on the art market—legal aspects concerning the circulation of artworks between the EU and the UK,

Ida Palombella, Partner; Valentina Favero, Manager, Deloitte Italy

Who has fared best? Thriving in the post-Brexit art marketplace,

Simon Hornby, Senior Vice President, Crozier Europe

Growth opportunities at public auctions: key lessons for collectors trading at auctions,

Christine Bourron, CEO, Pi-Ex Ltd

Section 2

Broadening horizons and pursuing new revenues—art advisory is no longer limited to the ultra-high net worth,

Eugenie Dumont, Art Collections Manager, Banque Degroof Petercam

Section 3

Art within wealth—a retrospective and look ahead,

Suzanne Gyorgy, Managing Director and Head of Art Advisory and Finance; Dominic Picarda, CFA, Head of Content Strategy, Citi Private Bank

New humanism and art insurance—how digitization shifts the focus of art insurance towards customers and their quality of life,

Giovanni Liverani, CEO, Generali Deutschland AG Group Management Committee, Assicurazioni Generali SpA Global sponsor, ARTE Generali

The art and science of managing collectibles and luxury assets—key considerations for family offices,

Jutta Tornivaara, Director Audit & Assurance, Deloitte LLP

Philanthropy and the arts—what role can contemporary wealth management play?

Laurent Issaurat, Head of Art Banking Services, Societe Generale Private Banking

A token gesture—can philanthropy benefit from the growth of blockchain technology?,

Bernadine Bröcker Wieder, Co-Founder & CEO, Vastari

Philanthropy & art—not as simple as it first appears

Micaela Saviano, Partner, Deloitte USA, Jared Lowe, Tax Senior Manager, Deloitte USA



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Corporate art collection as a contribution to society—by way of opening,

Alina Mukhina, Senior Manager, Tax and Legal Department, Transfer pricing services for CIS; Daria Rusanova, Manager, Deloitte Private, Deloitte Consulting LLC, Deloitte Russia

Impact investment—How art and culture can benefit from the drive towards more sustainable investment,

Anna Raginskaya, Financial Advisor, Blue Rider Group at Morgan Stanley; Bloum Cardenas, Trustee, Niki Charitable Art Foundation

From wellbeing to long-lasting cultural legacy—therme art's social impact investment,

Mikolaj Sekutowicz, CEO, Co-Founder and Curator; Ilaria Peloso, Collections and Development Manager; Elena Fadeeva, Cultural Development and Partnerships Manager, Therme Art

So much talk, so little action... —business model innovation in the non-profit cultural sector,

Adrian Ellis, Director, AEA Consulting and Chair, Global Cultural Districts Network

Art and culture in Latin America—an opportunity for impact investing,

Carolina Biquard, Co-founder and CEO, Fundación Compromiso; Bárbara Russi, Director, Fundación Compromiso; Daniel Buchbinder, Founding Chair and CEO, Alterna; Ana Gabriela, Director of Strategic Alliances, Alterna

Social impact of culture: measuring for improving—new strategies for a more sustainable future,

Monica Palumbo, Sustainability Partner; Verdiana De' Leoni, Sustainability Senior Manager; Roberta Ghilardi, / Sustainability Senior Consultant, Deloitte Italy

The creative city dilemma—why creativity can kill cultural vitality and how to raise sustainable creative cities,

Pier Luigi Sacco, Professor of Cultural Economics, Rector Delegate for European Projects and International Networks, IULM University, Senior Researcher, OECD - CFE/ LEED; Valentina Montalto, / Policy Analyst, European Commission

The cultural power of cities in a global cultural market,

Wondeur.ai Team

Section 5

Art lending in 2021—the evolution of the art wealth management space,

Dana Prussen, Vice President and Art Services Specialist; Drew Watson, Senior Vice President and Art Services Specialist, Bank of America Private Bank

Post-pandemic art financing in the non-banking market,

Joe Charalambous, President; Naomi Baigell, Managing Director, TPC Art Finance

Navigating a volatile market,

Aymeric Thuault, Director, Link Management; Aude Lemogne, Director, Link Management; Xavier Ledru, Managing Director, REYL Wealth Management

Managing liquidity risk in the art market—risk monitoring tools and the development of the art-secured lending market

Chen Chowders, Head of Operations, Overstone

Section 6

A post-pandemic look at the performance of art as an asset class,

Michaela Ben Yehuda, Senior Analyst, Business Intelligence; Robert Cacharani, Manager, Business Intelligence, artnet

The art market of the future—digital ownership of art on the blockchain,

Andreas Gerber, Head of New Business, Sygmun Bank

Security tokens + art—the FIMART value proposition,

Niccolò Filippo Veneri Savoia, CEO, Look Lateral Group

Section 7

Tipping point—the continuation of a beautiful relationship between technology and art,

Paul Lee, Partner & Global Head of Research for the technology, media, and telecommunications (TMT), Deloitte UK



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The ArtTech phenomenon—technology’s impact on art insurance,

Jean Gazançon, CEO, Arte Generali

Art & blockchain—unlocking new opportunities thanks to decentralized models,

Jesus Pena Garcia, Senior Manager; Giulia Pescatore, Manager, Antonio Victoria, Analyst; Kristijan Sacer, Analyst, Deloitte Luxembourg

From monetization to sector resilience —blockchain as social infrastructure?

Josephine Ayako Yamada, Manager, Deloitte Japan; Taihei Shii, CEO, Startbahn Inc; Kensuke Ito, Senior Researcher, Startbahn Inc

Cultural revolution—art’s emerging digital ecosystem,

Chris Bentley, Head of Fine Art & Specie, UK & Lloyd’s, AXA XL

Section 8

Transparency in the art market—are exchanges of information improving the situation?

Pascal Noel, Director, Deloitte Monaco

Airing the laundry—direct and indirect anti-money laundering regulation of art markets

Patricia Pernes, US Counsel at Bonhams, and Michael Shepard, Deloitte’s Global Financial Crime leader and a Deloitte Risk & Financial Advisory principal in Deloitte Transactions and Business Analytics LLP

Combating financial crime within the art trade—bridging provenance research and AML Compliance,

Victoire Louise Steinwachs, Manager, Deloitte Wirtschaftsprüfungsgesellschaft GmbH

What if... —financial institutions could monetize their experience in anti-money laundering while easing and securing art professionals’ path towards compliance?

Maxime Heckel, Partner, Astrid Bandy, Senior Manager, Deloitte Luxembourg

Brave new media—collector risks in relation to the insurability and valuation of NFTs,

Megan Noh, Partner - Co-chair, Art Law, PRYOR CASHMAN LLP

Mitigating bankruptcy risk to artwork consignments in the United States,

Megan Noh, Partner - Co-chair, Art Law, PRYOR CASHMAN LLP

Collection management platforms—legal issues concerning the digitalization of art collections and the use of new technologies,

Ida Palombella, Partner; Federica Caretta, Director, Valentina Favero, Manager, Deloitte Italy



Magic Mint Tetris, 2015
Luís Vasconcelos
Courtesy Unidade Infinita Projectos

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