

COMMENTS ON THE ART MARKET

VOLUME 96

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Our Newsletters

Volume 96 marks the end of our 8th year. As many of you know we also provide one printed, as well as the three online (email, web and PDF), versions of our newsletter. While our online versions have always been exact copies of the printed newsletter, we are now finding that during certain months we need more space. This month we have decided to provide a more extensive report in the online versions.

Some of our readers are receiving both the printed and online versions -- which we are happy to continue sending. However, if you would prefer to only receive the email version please let us know. Also keep in mind that we will **never** share your information with anyone - we do respect your privacy.

Your comments on this expanded version would be greatly appreciated.

The Art & Stock Markets Continued

Looks like nothing has changed in the wild and crazy stock market – another month of 500 – 1000 point daily swings and, as I have said before, we are just going to have to adjust to this rollercoaster action for the time being; might be time to invest in Pfizer – the makers of Dramamine. I, like many of you, can always take comfort in knowing that being down 38-42% for the year is better than being down 45-50%! I will add that on October 27 I made a small purchase – 300 shares of RIMM (Research in Motion – the Blackberry people) at \$44; on November 4th it hit \$55; on the 14th, \$40; the 21st, \$44.8 ...

Now on to the fun stuff: The Art Market.

The 19th Century

When we last left off, the 19th century sales in New York were about to take place – and overall, they were not a pretty site. Those of you who spoke with me before the sales knew my general opinion – more sales filled with many works that not only had condition / quality issues, but also carried ridiculous estimates; not to mention the many unattractive examples with similar hefty estimates. These sales were great examples of what I classify as The Good, The Bad, and The UGLY! While there were some very nice paintings, the overall results were as expected; and to be honest, I was surprised that they sold as much as they did. (M = million)

Taking the top slot that week, at \$1.65M, was Leopold C. Muller's *An Almee's Admirers* (est. \$800-\$1.2M); coming in second was Bouguereau's late period, 1900, *Le Petite Maraudeuse* at \$1.59M (est. \$900-\$1.2M); and coming in third was Jean L. Gérôme's *Le Barde Noir* at \$1.17M (est. \$700-\$1M). Fourth and fifth spots were filled by Pasini's *Mercato in Oriente* at \$1.14M (\$5-\$700,000) and Edme Dehodencq's *Musiciens juifs dans les rues de Tetuam* at \$1.08M (\$4-\$600,000). Of the top 20, about half were Orientalist (Middle Eastern) works. Can you see the pattern here? While the sections devoted to these works did not fare as well as previous sales, Middle Eastern oil is still where the money is.

Below I have listed a small selection of The Good, The Bad, and The Ugly works. It is interesting to note that so many artist were represented by over-estimated, or condition issued, works, including: Tissot, Courbet, de Schryver, Corot, Munier, and Bouguereau (we were offered two of the Bouguereaus earlier this year and gave a price range of \$5-\$700,000 – they were being offered here in the \$1.2-\$2.5M range). While some sold, a majority did not (including the two Bouguereaus).

In my opinion, here were a few of (biographies on many of these artists can be found on our web site):

The Good:

V. Gilbert's *The Lower Market, Paris* – (est. \$250-\$350,000) - \$542,500
J. Corot's *Ville d'Avray ...* (est. \$300-\$400,000) - \$434,500
J.W. Godward's *Atalanta* (est. \$200-\$300,000) - \$362,500
W. Bouguereau's *Une petite fille* (1886) – (est. \$300-\$350,000) - \$332,500
B.J. Bloomers' *The Happy Family* (est. \$80-\$120,000) - \$216,000
A. von Wierusz-Kowalski's *A Windy Day* (est. \$30-\$40,000) - \$86,500
L. Lhermitte's *Le Cabaret...* (est. \$20-\$30,000) - \$53,125
C. van den Eycken's *What Time Is It?* (est. \$15-\$20,000) - \$27,500

The Bad (condition issues):

F. Andreotti's *Welcomed Attention* – (est. \$80-\$120,000) - \$80,500
W. Bouguereau's *La Tentation* (est. \$150-\$200,000) - \$170,500
B. Constant's *Victory* (est. \$60-\$80,000) – Bought In
**G. Courbet's *The Corn Sifters* (est. \$600-\$800,000) – Bought In
E. Munier's *The Prayer* (est. \$180-\$220,000) – Bought In
L. Perrault's *Affection Maternelle* – (est. \$100-\$150,000) – Bought In
L. de Schryver's *The Flower Seller* (est. \$150-\$200,000) – Bought In

The Ugly (composition/quality issues or just ugly estimates)

*W. Bouguereau's *La Perle* (1894) – (est. \$1.2–1.8m) – Bought in
*W. Bouguereau's *Une dryade* (1904) – (est. \$1.5-\$2.5m) – Bought In
J. Corot's *Souvenir d'une villa italienne* – (est. \$100-\$150,000) – Bought In
J.W. Godward's *Leisure Hours* (est. \$200-\$300,000) – Bought In
E. Hublin's *A Friend in Need* (est. \$60-\$80,000) - \$110,500
H. Merle's *The Neapolitan Girl* (est. \$80-\$120,000) - \$79,300
L. Perrault's *Pensive Girl* (est. \$80-\$120,000) - \$98,500
J. Tissot's *The Japanese Scroll* – (est. \$1.5-\$2.5m) – Bought In

* - the two works offered to us

** - both Bad and Ugly!

I trust you will agree that the final results help illustrate the lack of quality in these sales. Of the 467 works offered only 215 found buyers, leaving 252 works unsold (54% did not sell) for a total take of \$24.48M (an average of \$113,883 per lot sold). Now here is the interesting comparison; last October's similar sales saw 555 lots offered with an unsold rate of 37% (209 works) for a grand total of \$39M (an average of \$112,717 per lot sold). So this year's 'per lot average' was actually higher.

I have been saying this for a long time, quality works will find buyers even in hard times; and while last year's comparable sales sold more lots, among those were many poor quality pieces. This year, even though some of the mediocre works sold, the real action was focused on the better items – resulting in a very strong price per lot total. Times are tough and if the salerooms continue, as they are doing, to flood the market with numerous works by each artist and give estimates regardless of condition, quality, etc. we will see even bigger unsold rates down the road. Smaller sales, featuring only the better works, will benefit all of us in both the short and long run.

The Impressionists and Modern

I must begin this report by saying that after receiving all the catalogs (29.7 lbs worth – yes I weighed them) I knew these sales were in for big trouble – the amount of product being brought to the market was downright stupid. To begin with, there were three evening sales – THREE!? And some of these sales not only included Impressionist and Modern works, but furniture, Contemporary and American paintings – come on!

For the past few years the salerooms' public relations arms worked overtime getting the word out about their amazing results. Press Releases were 5 or 6 pages long and included all sort of statistics, adjectives, and charts, to show the ever increasing demand for art. Well, this time around, there was barely a whisper and the actual press releases were just 2 pages long – highlighting the few exceptional results. And how many of you actually read about these sales in your local newspaper? I bet very few. The New York Times, whose headlines included - The Fall Auction Season Opens With Little Enthusiasm and Gris Set Record in Slow Auction Night, chalked up the lack of interest to sales that were “overstuffed with mediocre examples by first-rate artists like Monet and Matisse.” So, do you know what really burns my butt? These sales were comprised of the similar mix of works we have seen for years – just now, the buyers are being very cautious and those poor quality examples with huge estimates are not finding buyers. Why doesn't the press report, during the boom times, that many of the mediocre works were selling at ridiculous prices? I always wonder how much impact the advertising dollars, of the major auction rooms, have on the 'unbiased' reporting? On top of this, even some of the nicer pieces that were bought only a few years ago carried estimates at 4, 5 or 6 times what the owner paid! It is nice to see that a dose of reality is beginning to set in – at least for the salerooms.

Now, having said all that, the results, which were far from blistering, were still rather impressive given the current economic/financial climate. I will start with the top 5 sold works: Malevich's *Suprematist Composition* (est. in the region of \$60M – yes that is what they said; but they also had an irrevocable bid on the painting – so it was guaranteed to sell) brought \$60M; Edvard Munch's *Vampire* (est. in excess of \$30M) brought \$38.16M; Degas' *Danseuse au repos* (est. in excess of \$40M, and bought by the sellers in 1999 for \$27.9M) sold for \$37.04M (a record price for any work on paper at auction) – it was reported that the sellers were given a guarantee of over \$40M by the auction room. Juan Gris *Livre, pipe et verres* (est. \$12.5-\$18.5M) brought \$20.8M; and Picasso's *Deux personages* (est. \$18-\$25M) brought \$18M. Of course there were many other strong prices paid for works by Kandinsky, Giacometti, Caillebotte (one of the more impressive works in the sale), Cezanne, etc.

The three evening sales saw a total of 210 works offered; of those 132 found buyers (about a 63% sell through rate) and 78 were returned to their owners (some of which became auction room property) for a total take of \$417.6M – an average of about \$3.16M per lot sold. Not too shabby when you consider where your stock market portfolio has been going and the fact that most people are skittish about spending money.

The day sales, filled with a plethora of marginal works, saw another 731 items being offered; of those 374 sold (a 51% sell through rate) and 357 bought-in, for a total of \$54.8M. I will add that one of the single collector's sales, which had 53 lots, sold all 53 (a 100% sell through rate). When all totaled, the week brought in just over \$472M (they predicted about twice that amount). Now before you start crying for the owners of some of the works keep the following in mind – the auction rooms were being rather piggish with their expectations. In 1999, Giacometti's *Three Walking Men I* was sold for \$5.7M – this time around it carried an estimate of \$14-\$18M and only, I want to stress only, sold for \$11.5M; compare that to some of those Blue Chip stocks you bought in 1999 and where they are today. Modigliani's *Seated Man*, which was bought in 1996 for \$3.2M, carried an \$18-\$25M estimate and did not sell. Another Giacometti, *Diego's Head*, estimated at \$6 - \$8M and bought just three years ago for \$1.1M, failed to find a buyer – the only saving grace for the owner is that the auction room gave a guarantee, reported to be in the \$6M range, so they did not care. And one final disaster, among the many, was Rothko's *No. 43 (Mauve)* – a rather dark unattractive work – which carried an estimate of \$20-\$30M and failed to sell. The owners paid \$1.5M for it in 1988 and there was chatter that the work had some condition issues. But don't cry for these sellers either because they also received a sizable guarantee. And to be honest, this work should have been sold in the Contemporary sales which took place the following week.

Here are some final numbers and food for thought:

This year: 941 works offered, 506 sold (54% sell through rate), \$417.6M total.

Last November: 750 works offered, 565 sold (75% sell through rate), \$804M total.

I also decided to look at the May results:

May 2008: 687 works offered, 516 sold (75% sell through rate), \$598M total.

May 2007: 768 works offered; 613 sold (80% sell through rate); \$620M total.

What these numbers say to me is that this particular market is able to absorb, depending on the economic climate, between 500 – 600 works of art – NOT 941! Like they say -- as you sow, so shall you reap; or, in this case, too much product leads to poor results.

Regardless of what you once believed, art has now proven itself to be a serious asset class. That week, people spent hundreds of millions of dollars to acquire the 'right' works for their art portfolios (even with the election and an out-of-control stock market). Many of the buyers were seasoned professionals and collectors who have made a great deal of money in the art market over the long haul and will continue to do so.

The Contemporary

Talk about flooding a market, the following week another 915 works were offered for sale – and that is only taking into account those offered by the two major salerooms in New York City. If we add in the third, which I usually do not report on, it brings the total to well over 1400! Now I am always honest with you about my ability to distinguish between the good, the bad, and the ugly in these sales. I never know if the blue, the red, or the green canvas is the 'signature' piece; or if it is the small beeswax sculpture with, or without, human hair that is the 'right' one to buy! Look, I do appreciate many of the great artists from this period: Lichtenstein, Warhol, Guston, Gorky, etc.; but some of it is really just 'stuff' in my humble opinion and some of that 'stuff' is still making STUPID, CRAZY, MONEY!

Anyway, let's get on with the show – and remember, I did predict that when the correction came it would hit the Contemporary arena the hardest. Both main rooms had their respective evening offerings and top honors went to Yves Klein whose *Archisponge (RE11)*, 1960, brought \$21.3M (est. on request – guess they were afraid to tell us). Coming in second was Gerhard Richter's *Abstraktes Bild (710)*, 1989, at \$14.86M (also est. on request); and coming in third was Basquiat's *Untitled (Boxer)*, 1982, which made \$13.5M (yes, est. on request). Rounding out the top five were Phillip Guston's *Beggar's Joys*, from 1954-55, that made \$10.16M (you guessed it – est. on request. Oh, this work was bought by the seller in 1996 for \$1.7M and was reported in The New York Times to have been guaranteed, by the saleroom, for \$18M – OUCH!); and Roy Lichtenstein's *Interior with Red Wall*, 1991, which made \$7.02M (this one had an estimate: \$8-\$10M).

Here again, you should not feel too bad for the sellers since many of the works were acquired only a short time ago and some had guarantees: Ed Ruscha's *Desire* was bought in 2002 for \$1.79M and now carried an estimate of \$4-\$6M – it ONLY sold for \$2.43M; Joan Mitchell's *Sunflower IV* was bought back in 1993 for \$123,000, this time around it carried an estimate of \$2-\$3M and sold for JUST \$1.98M; and Tom Wesselmann's *Still Life #58* was acquired in 2000 for \$149,000 -- just 8 years later it had a \$3-\$4M estimate and brought ONLY \$2.43M. Now for a little comparison, let's turn to stocks for a moment (these numbers will vary depending on which minute of the day you do the calculations -- mine were done on November 21). If, in November of 2000, you invested \$149,000 in GE stock you would have bought about 3000 shares; today those shares would be worth about \$42,000 (not including the dividends you received). The same amount invested in AT&T (2712 shares) would be worth about \$68,000 (not including dividends). If you thought the automobile stocks would have been a better bet and bought GM (3010 shares) your investment would be worth about \$9,200 right now (not including dividends); and if you went for a banking stock and bought C – Citi – (2991 shares) you would have about \$11,300. I will be fair and say that if you bought Google in August of 2004 at \$95 (1570 shares) you would have about \$411,000 today. So you have to admit, art seems to be holding up pretty well in these incredibly difficult financial times.

Another interesting and positive sign was the reappearance of some seasoned collectors; among them was Eli Broad, who had been saying for some time that the market was overpriced. It was reported that Mr. Broad spent over \$8M in just one sale – buying works by Koons, Rauschenberg, Judd, and Ruscha.

The two evening sales' totals were not horrible – 138 works offered, 94 sold (about a 68% sell through rate) and a total take of \$238.7M. However, when you compare them to last November's evening totals of \$640M you can see that a correction has taken place.

While the day sales fared about the same there were some highlights, including Diebenkorn's *Landscape with Figure* at \$2.54M (estimate \$3-\$4M); and de Kooning's *Two Figures in Devon* at \$1.65M (est. \$1.8-

\$2.5M). Of course, when possible, one should also look at what people paid for these works to see how they really did -- and here are a few examples: Gerhard Richter's *Abstraktes Bild (630-1)* was purchased in May of 2007 for \$1.77M and sold this time for \$1.98M; Rauschenberg's *Traffic Flower Glut* was bought in May of 2004 for \$136,800 and sold this time for \$362,500; Ed Ruscha's *Honk* was acquired in 2000 for \$248,000 and sold this time for \$746,500 (est. \$1-\$1.5M); Claes Oldenburg's *Fried Egg in Pan* was purchased in 2001 for \$26,000 and sold this time for \$52,500 (est. \$40-\$60,000); and finally, Frank Stella's *Untitled* was bought in November 1993 for \$41,000 and this time failed to sell with a \$300-\$400,000 estimate -- maybe they were just a little too optimistic? In all, 777 works were offered, 448 sold (58% sell through rate) and 329 works returned to their owners -- total take - \$74.27M.

When we add the evening and day sales together, the total for that week was about \$313M ... a long way from the November 2007 total of \$890M. And if you add up the results from both the Impressionist and Contemporary sales it amounts to about \$730M worth of art sold in those two weeks, a far cry from the \$1.7 Billion sold last year -- but still a heck of a lot of money!

Final Thoughts

Now for my thoughts -- I am finally happy to see a big slowdown in the prices paid for many of these 'not-so-impressive' and 'less-than-pretty' contemporary works being offered; but some are still selling for big money. I am also pleased to see that the Impressionist and Modern sales have, once again, taken the spotlight in terms of value -- bringing in \$417M as compared to \$313M for the Contemporary sales. Look, the Impressionist and Modern, as well as the Traditional 19th century, periods offer collectors the ability to purchase works of art that have proven themselves, over the last 50 -- 150 years, to be both good long term investments and attractive works to display in your home. It is also important to note that in general, the really good quality works were those that found buyers. And one final fun thought -- do you realize that for the price of the of the Edvard Munch painting (\$38.16M) you could have bought all 215 works from the 19th century sales (\$24.48M) and had \$13.68M left to buy a nice house to hang all the art in -- and in today's market, what a house that would be!!

Howard L. Rehs

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Gallery Updates: Works by Antoine Blanchard, Fremont Ellis, George Armfield, and Holly Banks found new homes this month.

Web Site Updates: New works by Ridgway Knight, Zuber-Buhler, Armfield, Banks, Kuhn and Swatland have been added to the web site this month. A few are featured below:



Fritz Zuber-Buhler
A Reclining Beauty
26 x 32 inches



Daniel Ridgway Knight
Study – Woman Sewing
10 x 14 inches



Daniel Ridgway Knight
Study – Woman in Field
10 x 14 inches



George Armfield
Before the Hunt
10 x 12 inches



John Kuhn
Strawberries
24 x 28 inches



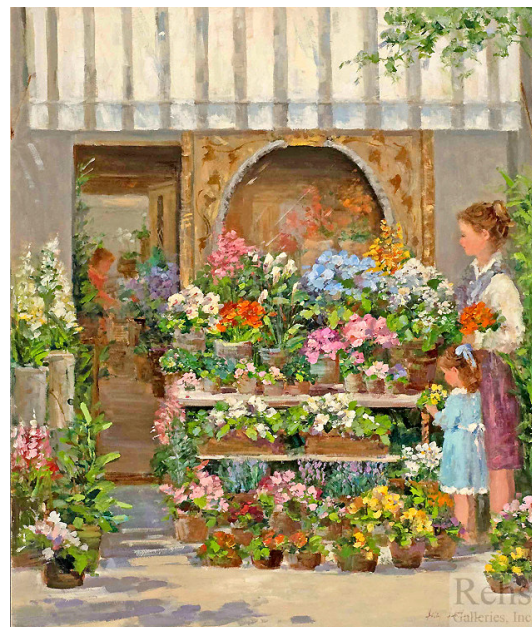
John Kuhn
Lemons
20 x 24 inches



Sally Swatland
Summer Market
30 x 40 inches



Holly Banks
Pansies
10 x 8 inches



Sally Swatland
Parisian Flower Shop
24 x 20 inches

Next Month: More exciting Art Market updates.