

COMMENTS ON THE ART MARKET

VOLUME 204

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Happy Holidays

We wish all our friends, patrons, readers and their families a very happy Holiday Season.

Now, some of you many still be looking for that perfect gift for a loved one or friend. Yes, you can buy them clothing, toys or a gift card, but all of those are short lived and will fade from their memory very quickly. Why not think about giving the Gift of Art. A work of art is very personal and will become a lifelong memory ... something they can even pass on to the next generation. And who knows, maybe it will be the next *Salvator Mundi*! Today, Alyssa uploaded our Holiday Gift Guide with many beautiful and affordable works of art that are broken down into three categories: Stocking Stuffers, Wrapped with a Bow, and Splurge Worthy ... we invite you to have a look:

Holiday Gift Guide - <http://rehs.com/blog/2017/12/holiday/>

The Stock Market & Bitcoin

By: Howard

I know, we are all wondering "how high is up?" At some point we will find out, but for now there does not seem to be a ceiling; and if there is one, it is still out of sight. The Dow opened the month at 23,377 and closed at 24,272 ... another 900-point gain. The Euro closed at \$1.19 – up a bit; the Pound also moved up to \$1.3528; Crude was up -- \$57.34, Gold jumped –\$1,278 and as for Amy's Bitcoin investment ... well, her \$500 gamble is now worth \$1353.74 – at this rate, I will soon be a contender for the next da Vinci! Well, everything was up ... so now for a reality check, my personal stocks.

With another 900 point gain I was feeling really good ... JP Morgan (\$104.52 – up \$3.91), Exxon (\$83.29 – down \$0.06), AT&T (\$36.38 – up \$2.73), Verizon (\$50.89 – up \$3.02), Wal-Mart (\$97.23 – up \$9.92), Coke (\$45.77 – down \$0.21), DuPont (\$71.96 – down \$0.35), Merck (\$55.27 – down \$0.06), Disney (\$104.82 – up \$7.03), Intel (\$44.84 – down \$0.65), Apple (\$171.85 – up \$2.81), Microsoft (\$84.17 – up \$0.99) and we cannot forget United Technologies (\$121.45 – up \$1.69). You may have noticed that I did not quote GE ... after owning it for some 57 years, I sold it. Of the 13 stocks listed, 8 up and 5 down --- at least most of the ups were big and the downs were kind of small.

Tales from the Dark Side

By: Alyssa

Bernardo Paz, an important figure in Brazil's art scene, has been sentenced to 9 years in prison for money laundering. According to the New York Times, an overseas account holding \$98 million worth of donations towards his outdoor contemporary art museum, the largest in Brazil, was being used to fund his other

companies related to mining and steel between 2007 and 2008. His sister, Virgínia de Mello Paz, was also convicted in the scheme and sentenced to five years in prison.

If you follow our blog you may remember this case, if not, here is a brief background.

After attending a Ross Bleckner exhibition, Alec Baldwin fell in love with one of the show pieces – “Sea and Mirror”. The painting was featured on the invitation; something Baldwin would carry around with him for many years. Baldwin purchased another work by Bleckner, titled “Time,” but still wished to own “Sea and Mirror.” After a few emails back and forth, Baldwin and Bleckner’s dealer, Mary Boone, agreed on a price tag of \$190,000 for the piece.

When the work arrived, Baldwin claimed it looked off; the colors were different. When Baldwin questioned Boone about the piece, she stated that the work was recently cleaned as it had become very dirty hanging in a smoker’s home. At that point, Baldwin, still skeptical of the work, took Boone’s word.

Six years later, Baldwin mentioned the work and his doubts to a friend ... they suggested he dig a little deeper. Baldwin hired an expert from Sotheby’s who confirmed the work was not “Sea and Mirror.” Uh Oh!

Long story short, Baldwin set up a meeting with Bleckner, who admitted to creating a second work similar to the one Baldwin had wished to purchase, as he and Boone did not want to disappoint the Hollywood magnet. Unfortunately, due to the statute of limitation, he could not press criminal charges for Boone’s misconduct. However, he was able to file a civil suit, charging Boone with intentional defraud; they settled on a seven figure pay out. Now that is how you make money in the art world!

Ezra Chowaiki, 49, of Chowaiki & Co., a Manhattan based art gallery, has been accused of stealing \$10 million worth of art from clients. In the report, Chowaiki who started the gallery in 2004 with “no formal education or expertise in art,” began selling works by Picasso and Matisse to high profile clients. Chowaiki, allegedly treated the consigned artwork as his “personal ATM,” using them as collateral for cash advances. When he couldn’t repay the loans, he had to forfeit them to lenders. The fraud was brought to light when the gallery director, Liza Lan, notified the majority shareholder of the gallery, David Dangoor, of what she believed was going on. Dangoor then began an investigation. Since then, four lawsuits have been filed against him, including one from Sotheby’s.

Really!

By: Amy

From the articles that I read, there were a few rare items that I thought had very strong results; however, all was not what it appeared to be. After delving a little deeper, I realized that some items sold way below their estimates, although as you will see, the results were still impressive! Keep in mind that really high estimates can be the only way an auctioneer can entice a person to part with something they love. After that, it all comes down to the level of interest and reserve.

Bob Dylan’s 1963 Martin D-28 acoustic guitar was the star of a recent auction. The guitar was used by Dylan in 1971 when he played at Madison Square Garden during the Concert for Bangladesh that George Harrison had organized. In addition, he used it during his Rolling Thunder Revue tour in 1975/76. Dylan sold the guitar in 1977 to Larry Cragg, Dylan’s guitar repairman, for \$500. Since then Cragg has kept the guitar in a humidity controlled environment and states that the guitar has not been played since Dylan last used it in 1977 when he decided to exclusively use Gibson guitars. The guitar was estimated to make \$600K or more, but sadly it did not. The bidding started at \$300k and really struck a chord with an anonymous online bidder who paid \$396.5K

(including the buyer's premium). The auction record for a Dylan guitar was set in 2013 - a Sunburst Fender Stratocaster that Dylan played at the 1965 Newport Folk Festival really made music when it sold for \$965K!

A rare pair of *Nike Air Jordan I* sneakers that Michael Jordan wore in 1985 after an injury were estimated to make \$20k plus. There are not many game worn *Jordan I* sneakers known to exist; furthermore, these are even more unique since they included an extra ankle support to protect Jordan's left foot from further injury as it healed. They shot to \$55K and an unnamed buyer is now the proud owner of the customized pair of kicks!

At a recent sale, the Brooklyn Dodger's jersey that Jackie Robinson wore during his rookie year in 1947 really hit it out of the park. The jersey was accompanied by a letter from his wife, Rachel, stating it was the only one brought home by Robinson at the end of the '47 season. Historically, the jersey is very significant as Robinson was the first black player in the major leagues and was named Rookie of the Year that season. The jersey was estimated to make \$3M+, but I don't think anyone was really disappointed (except the consigner and the auction house) when it set a new auction record for a jersey from the post WWII era when it sold for \$2.05M. A jersey once belonging to Babe Ruth from 1920, his first season with the Yankees, still holds the record -- it sold in 2012 for \$4.14M!

And the biggest celebrity this month was the Robbie the Robot suit from the 1956 movie *Forbidden Planet*. Robbie was built at M-G-M and became one of the most iconic sci-fi figures at the time, standing at 7 feet tall and costing over \$100,000 to build – a really unbelievable amount at that time for a movie prop. Robbie went on to have a successful career as it appeared on television programs like *The Twilight Zone* and the *Addams Family*, and even made a cameo appearance in movie *Gremlins* many years later. The auction room was packed as a four-way bidding battle heated up. While the estimate was not made public, Robby along with his jeep was expected to make in the low to mid 7 figures and it did not disappoint when it rolled off into the sunset at \$5.375M -- breaking the record for any movie memorabilia sold at auction.

The Art Market

It was one heck of a month for the art world ... a huge number of works came to the market, some did well, and others did not. In addition, many of us watched Christie's evening Contemporary sale to see what would happen to da Vinci's *Salvator Mundi* after all the press it received. It was quite a spectacle.

My feelings on the da Vinci have not changed. This blurring of the lines (mixing periods of art in what are normally curated sales) still troubles me. Taking the best works from the Old Master or 19th century periods to help bolster the results of Impressionist or Contemporary sales is just wrong and not fair for those other markets. Today, people are all about the final numbers and want to see improvement in each category. When the best of a category is removed, the final results suffer ... and you will soon see how the 19th century was affected. At the rate they are going, it won't be long before we see luxury yachts, private jets, gold bars and expensive homes in those evening sales – if they say it is art, it must be art!

And now onto the art market....

Impressionist & Modern

By: Lance

Tis the season... to sell some pricey paintings. Every year, Sotheby's and Christie's offer up the top of the top in their November evening sales. Between the Impressionist & Modern and Post-War & Contemporary sales, we are talking billions... and somehow, we are also including Old Masters and automobiles now... at least one of each in particular.

The Impressionist & Modern series started off with a strong showing at Christie's... taking the top spot of the evening was van Gogh's *Laboureur dans un champ* finding a buyer at more than \$81M, including the premium

(est. in excess of \$50M). Léger's *Contraste de forms* fell to second, though many anticipated it to be the big winner on the night... expected to sell between \$65-85M, the buyer snatched up this oil on burlap for just north of \$70M. Rounding out the top three was Picasso's *Femme accroupie (Jacqueline)*, which brought just \$36.8M (est. \$20-30M). There were a handful of surprises that far exceeded their estimates... works by Picabia, Vuillard, Picasso and Nolde were amongst the bunch that outperformed... On the other hand, there were a few that failed to sell; the most significant being works by Kees van Dongen (est. \$7-10M) and Monet (est. \$5-7M estimate). The sale brought in \$479.3M, which only eclipsed the presale estimate range of \$360.3-476.8M because of the buyer's premium. Just 8 of the 68 works failed to sell, yielding a sell through rate of 88%... Bidding in the room could be described as sluggish but nevertheless, it was a solid showing with strong prices - especially when we compare the figures to last year's series. Last November, Christie's brought in \$246.3M with the sale of 39 works (Keep in mind we were in the midst of an interesting election cycle, so buyers and sellers were a bit skittish at the time).

Sotheby's had less flare and a far weaker result... the following night a similar number of works, 64, were up on the block though the sales total was about half that of Christie's. The top spot in the sale went to Chagall's *Les Amoureux*, snatched up by a private collector in Russia for \$28.4M... that level was a bit of a surprise as the work was only estimated to bring \$12-18M, and good enough to set a new record for the artist at auction. The work was held for nearly 90 years by the same family - talk about fresh to the market! Not far behind were works by Monet and Picasso, both estimated at \$18-25M... the Monet, *Les Glaçons, Bennecourt*, went to a private collector in Asia for \$23.3M while the Picasso, *Buste de femme au chapeau*, went to a private collector in Europe for \$21.6M. The top 10 lots accounted for 60% of the entire sale's total... further, 40% of the works sold below the low estimate - not good. At the end of the evening, Sotheby's had brought in \$269M on the sale of 59 works (92%)... I guess it depends what we are comparing it to... if we look at the 2016 Sotheby's sale, things are looking up - it was a 71% increase over last year, which saw a meager \$157.7M total.

Post War & Contemporary

By: Lance

Moving over to the Contemporary & Post-War arena, we saw a similar disparity in the performance between the two houses... predominantly due to the minor detail of one Leonardo - still need someone to explain how this makes sense in the Contemporary sale... I'll wait...

Ok, let's just get it out of the way and move on to the actual Post-War and Contemporary lots... da Vinci's *Salvator Mundi*, the long-lost painting of Jesus Christ which was commissioned more than 500 years ago by King Louis XII of France, set a new record for a work at auction - including premium, the work sold for \$450.3M (the best guess at an estimate was in excess of \$100M)! That's more than most evening sales as a whole! In fact, it accounted for a whopping 57% of this evening's total. That said, the painting was a wreck! It is estimated that 60-70% of the piece had been restored, meaning more than half was not done by da Vinci's hand himself, and there was supposedly a slew of other condition issues... nevertheless, the rarity of the work fostered serious interest. And not only by prospective buyers... when I went to view the rest of the sale, they had set up a special viewing for just the da Vinci... the line was over 3 hours long on a weekday morning! Don't you people have jobs!?!

The remainder of the sale was still fairly strong... leading the way was, fittingly, Andy Warhol's *Sixty Last Suppers*... maybe that's how they made sense of the da Vinci? The monstrous canvas, measuring in at 116 x 393 inches, found a buyer just north of \$60M... the work was estimated to bring in excess of \$53M. Behind that was another behemoth - Twombly's *Untitled*, which was given its own room at Christie's, towered over viewers standing more than 10 ½ feet tall and 16 feet wide. The work, which was only painted in 2005, sold for \$46.4M (est. in excess of \$40M). Rounding out the top 3 was Rothko's *Saffron*, selling for \$32.3M on a \$25-35M estimate. Other bright spots included works by Franz Kline - \$20M on an estimate in the region of \$20M, Hans Hoffman - which pushed \$9M on a \$4-6M estimate, and another Twombly - topping \$27M, though it was only expected to sell in the region of \$22M. A number of other lots made great prices but were given lofty estimates, so they appeared underwhelming... amongst the bunch was Rothko's *Untitled* and Peter Doig's *Almost Grown* - both carried a \$10-15M estimate and both needed the buyer's premium to bump them into that range. The big

failure however went to a large Basquiat that was fresh to the market... I'll be honest, I didn't find it to be such an attractive work in person yet, it still carried a \$25-35M estimate... the work was painted in 1982, which happens to be one of his more coveted years, saw limited interest and failed to meet the reserve. The evening saw 49 of the 58 works sell (84%) with an astounding total of \$785.9M (est. in the region of \$410M) ... that said, if we remove the da Vinci, we're left with a more "accurate" \$335.6M on an expected \$300+M sale – that should be a fairer comparison to Sotheby's.

The following evening, Sotheby's offered up their Post-War & Contemporary and again, they seemed to be void of a star lot... their best bet was Francis Bacon's *Three Studies of George Dyer*, which was expected to bring between \$35-45M and just made it with the buyer's premium as it sold for \$38.6M. Behind that was Warhol's *Mao*, which found a buyer at \$32.4M (est. \$30-40M) followed by an impressively performing Lichtenstein - *Female Head* at \$24.5M (est. \$10-15M). The sale, as a whole, actually achieved some solid results... nearly all of the works sold – just 3 of the 72 offerings failed to find a buyer (96% sold) with a total of \$310M (est. \$250.4-343.4M). Those numbers are comparable to Christie's and seem to demonstrate a reasonable strength to the Contemporary market in general. There may not have been a blockbuster lot, like this past Spring's \$100M Basquiat, but with works consistently selling within or above their estimate, Sotheby's was able to considerably improve their results over last year's \$276.6M showing... oh, and Sotheby's got in on the "let's throw other stuff into our Contemporary sale" fun... rounding out the top 10 lots, Michael Schumacher's 2001 Ferrari F2001 Formula 1 Racing Car which won the Monaco Grand Prix... it sold for \$7.5M on a \$4-5.5M estimate... why is this appropriate for a Contemporary Art auction??? Anyone?

19th Century European

By: Howard

From the catalog, I thought this sale might be a good one; however, after viewing the Sotheby's 19th century European painting sale I had some doubts and then came news that two of the best paintings -- Bouguereau's *The Newborn Lamb* (est. \$1.5-\$2M) and Weeks' *Indian Prince, Palace of Agra* (est. \$200-\$300K) ... both from the Berkshire Museum – were withdrawn. On the day of the sale, we learned that 3 other works were being pulled: a beautiful Godward (est. \$300-\$500K), another Bouguereau (est. \$400-\$600K) and a Raffaelli (est. \$30-50K). The loss of these 5 lots cut over \$2.4M worth of potential. Not a good start.

After the removal of the Berkshire's Bouguereau (which had the highest presale estimate) ... and the fact that they decided to sell the Hammershoi (which made over \$6M) in the Impressionist Sale the week before ... it was up to Solomon J. Solomon to take the lead and his *Eve* managed to hammer down at \$800K (\$975K with commission, or w/c, – falling short of its \$1-\$1.5M estimate). This same painting sold back in 2009 for \$1.16M ... so it was not very fresh, and I am sure that its monumental size didn't help –122 inches high and its original frame added at least another 15 inches. Coming in second was Dame Laura Knight's *The Fairground, Penzance* which saw some competition and sold for \$560K (\$687K w/c - est. \$400-\$600K). In addition to being fresh to the market (last sold in 1983), it is now the 3rd highest price for a work by the artist at auction. Third place was taken by Jean-Francois Millet's *Calling Home the Cattle* at \$510K (\$627K w/c – est. \$250-\$350K). This unfinished painting (or study) descended in the same family and had not been seen in over 125 years -- now that is fresh. Even though it is not one of the more attractive works in the sale it generated a great deal of interest and sold well. Rounding out the top 5 were Firmin-Girard's *Le Dimanche au Bas-Meudon* at \$470K (\$579K w/c – est. \$250-\$350K) ... the second highest auction price for a work by the artist. The painting was offered in their November 2016 sale with a \$400-\$600K estimate and went unsold. This time it had a more conservative estimate and sold well ... it is all about perception! And bringing up the rear, was Alma-Tadema's *A Picture Gallery* (not one of his more colorful or sexy works) that sold for \$400K (\$495K w/c – est. \$400-\$600K). This one was last on the market in 1993 and sold for \$252K ... so a little profit.

While there were a few other highlights, in the end, as we saw with the Christie's sale, *The Song Remains the Same* (love that Led Zeppelin song) -- too much stuff/fluff and not enough wow/pow. We continue to see a lot of mediocre and regurgitated material appearing on the market at the Sotheby's and Christie's sales in NY. Condition and freshness are the key factors to success ... and that is just not happening.

You might remember that in my review of their November 2016 sale I had this comment about a painting by Corot ... *Even Corot is not immune to this* [improper cataloging, estimating, condition and freshness]. *Back in 1995 his Le torrent pierreux was offered with a \$150-200K estimate and failed. Later that same year it carried an \$80-120K estimate and somehow found an unlucky buyer at \$151K. We then fast forward to 2015 and it showed up with a \$200-300K estimate – no takers. Two additional attempts were made this year [2016]- in May with an est. of \$180-220K and again now sporting a \$100-150K estimate ... no takers.* Well there is an update. The painting appeared in this sale with a \$50-\$70K estimate and found a taker at \$80K (\$100K w/c). In fact, this sale had 4 rather boring Corot paintings, and all found buyers!

By the end of the short session (it started at 10:00 am and ended at 11:05 am), of the 65 works offered, 34 sold (50.8%) and the total take was \$4.79M (\$5.93M w/c – low end of the estimate range was \$7.49M). As you can see, they fell a bit short and the unsold rate was pretty high. The top ten works totaled \$3.8M or 79% of the sale's total. As for their accuracy rate: 12 sold below, 13 within and 9 above their estimate ranges ... adding in the 31 unsold, we come up with 20%.

You may be wondering why this sale had such a tough go? Well, there were a few hurdles they just could not clear. First is the session started with 9 paintings from The James Predergast Library. Condition wise, most had seen better days – many were glued down to boards. Why would a conservator remove and discard the original stretchers from so many works and then glue them to a board? If that alone wasn't bad enough, in the process they altered the look of the painting – and not in a good way. Of the 9 paintings, only 3 sold – a pretty Boldini, on its original support, at \$320K (\$399K w/c – est. \$400-\$600K); a rather dull Stevens, also on its original support, at \$55K (\$69K w/c – est. \$70-\$90K); and an Anton Mauve, one of the glued works, at \$32K (\$40K w/c – est. \$10-15K – that was a surprise). Then there were the 5 high priced works that were withdrawn. On top of that, at least 24 of the lots were on the auction block in the last 10 years ... some were sold just last year or had been offered multiple times without selling. And finally, one of the biggest blows was the Hammershoi that was sold for \$6.2M (est. \$2.5-\$3.5M) in the Impressionist sale – these have always been sold in the 19th century sales. Some have said that the Hammershoi would have never made that price in a 19th century sale; however, I am not a believer since his interior paintings with figures are consistently making record prices ... \$1.4M in 2012, \$2.67M in 2012, \$3.2M in 2015 and none were as impressive or beautiful as *Interior with Woman at Piano, Strandgade 30*. This was a record setting painting in any sale!!

Immediately following the 19th century sale (ok, about 30 minutes later) they had The John F. Eulich Collection which consisted of 56 works. When I first saw that catalog, I knew this was not going to be pretty ... since most of the paintings were purchased at auction within the past 10 years for very strong prices and there were several works (13) that Eulich bought in the past 2 years. Now your first question would be: why was he doing this? Well, Mr. Eulich passed away in September and I assume the family wanted to clear out the estate before year's end.

Taking the number one spot here was Jean Beraud's *La Conversation* at \$320K (\$399K w/c – est. \$300-\$500K - he purchased the painting in May of 2016 for \$490K). In second was a fabulous Gustave Jacquet titled *La Bienvenue* that made \$300K (\$375K w/c – est. \$400-\$600K – he bought that in 2007 for \$361K). In third was del Campo's *Ca' d'Oro, Venice* that fetched \$230K (\$288K w/c – est. \$300-\$500K – that was purchased in 2010 for \$387K).

I often talk about the inefficiencies in the art market and how a bidding war can be very costly. This was beautifully illustrated with Ladislaus Bakalowicz's *A Flower Market at La Madeleine, Paris* which originally sold in a June 2010 Sotheby's Paris auction for \$64K (est. €20-30K -- at that point it was the most expensive work by the artist to sell at auction). The buyer then turned around and consigned the painting to a November 2010 auction (5 months later) at Sotheby's in New York with a \$100-\$150K estimate ... and guess what, a bidding war erupted and Mr. Eulich paid \$423K for it – holy crap ... talk about market inefficiencies! Now the painting was offered with a \$200-\$300K estimate and sold for \$150K (\$188K w/c).

I could go on and on about this sale, but I think the numbers speak volumes. Of the 56 lots offered, 36 sold (72%) and the total take was \$1.9M (\$2.37M w/c - low end of the estimate range was \$3.15M – so they were

well short). On the surface, a 72% sell-through rate isn't bad, but it is important to remember that for the most part these paintings had very low estimates and reserves. Of the 36 sold, 23 were below, 6 within and 7 above their estimate ranges and when we add in the unsold lots, this generates an accuracy rate of just 10.7%.

Until the salerooms start rethinking their marketing of 19th century works, we are going to be stuck in this rut. There is an easy fix, stop producing so many sales and start combining and properly curating them. Let the overpriced, poor quality, and badly restored works go elsewhere; this will generate stronger sales with higher totals and better sell-through rates. Everyone will benefit from that.

In case you are wondering, I was able to determine that Mr. Eulrich spent \$3.05M for 22 of the sold paintings. At this sale, those works totaled \$1.83M (hammer). So, it seems they had a \$1.22M loss (keep in mind that the auction room does get a seller's commission ... so that number is probably higher). I am sure their accountants will be able to use that loss for estate tax purposes!

The Rehs Family

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Gallery Updates: We are almost finished with our new website and hope to make it live by the end of December.

Web Site Updates: Many paintings made their way through the gallery this month. Among the artist were: Cortes, Blanchard, Aston Knight, Scheff, Gerhartz, Lopez, Dascanio, Lemen, Casey, Vallejo, Tirrell and Dunkel. And below is a small selection of the recent additions:

TRADITIONAL



Edouard Cortes
Place de la Bastille



John Bentham-Dinsdale
A Desperate Struggle...



Maurice de Vlaminck
Maisons au bord de la riviere

CONTEMPORARY



Stuart Dunkel
Sushi Heaven



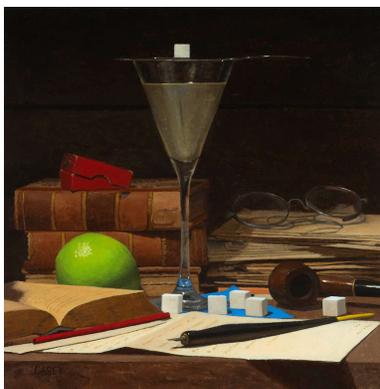
Ben Bauer
Hugo Farmstead at 1 am



Stuart Dunkel
Mr. Moustache



Tim Jahn
Letters



Todd Casey
Death in the Afternoon



Tim Jahn
Pawn



David Palumbo
Randi #18



Tony South
The Great Troglato



Mark Daly
Empire Flags in Snow

Next Month: More sales are coming!