

COMMENTS ON THE ART MARKET

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Holiday Wishes

We, at Rehs Galleries, wish all of our friends a very Happy and Healthy Holiday Season. We hope that 2010 is a much better year for all and have a safe and enjoyable New Year's Eve celebration.

My Observations on the Stock Market

I must be honest and say that for most of December I have paid very little attention to the daily gyrations of the market. Demand for the works we are offering has been very strong with paintings by Dawson, Zuber-Buhler, Clays, Dieterle, Cortes (5), Laloue, Blanchard and Lovett finding nice new homes. However, that does not mean I did not check out the closing numbers to see how my personal portfolio has been doing ... and I am pleased to report that everything is still holding strong (at least for now).

The Dow seems to be enjoying the 10,000+ range, gold is close to \$1100 and oil is in the mid \$70s. RIMM, one of my favorites, posted some good news on the 18th which resulted in a 10% increase in its stock price, but it gave back some over the next few days and is now trading around \$68 ... we are still not back into the mid \$80 range, but we are getting there. Pfizer, Oracle and McDonalds have been hovering near their 52 week highs – YES! Citi, another one of my holdings, just can't seem to get anything going ... except losing ground ... it has been under \$4 for most of the month – yuk! And AOL, which I received in the spinoff from Time Warner, has gone nowhere --- the real question is: will it ever?

Now there are still a few trading days before the end of 2009 (a year most of us will wish never returns), but my overall return is hovering near 23% ... and while I am still a long way from the highs of a few years ago, it is still a nice feeling to see positive numbers.

The Art Market Continues to Breathe

I am pleased to report that more of the same took place during the month of December. Auction sales were seen across the globe and the number of works being offered were down from last year ... which, of course, led to lower overall grosses (less paintings offered = less money brought in). In addition the trend continued: the better works (high quality, right period and good condition) making very strong prices and the 'stuff' finding few takers ... and since the salerooms always have a decent amount of 'stuff',

their performances were mixed in terms of sell-through rates.

The following title really sums up the current state of the auction market – *What a Difference a Couple of Paintings Make* (a little twist on the bolero *What a Difference a Day Makes*, made popular by Dinah Washington). So let's get on to the specifics.

The Americans (What a Difference One Painting Can Make)

December's action started off in New York with the important American painting sales and as with many of the sales we have seen in the past, there were some impressive results and some impressive failures.

Taking top honors in this series was Andrew Wyeth's *Above the Narrows* (est. \$3-5M) that brought \$6.9M. Coming in second was Childe Hassam's *The White Cory, Gloucester* (est. \$2.5-\$3.5M) at \$3.66M; and coming in third were Mary Cassatt's *Study for Young Mother Sewing* (est. \$800-\$1.2M) and Thomas H. Benton's *Little Brown Jug* (est. \$600-\$800,000) at \$2.43M. All four of these paintings were very fresh-to-the-market and, in turn, highly sought after.

There were also some nice mid-range works offered which performed fairly well; among them were Thomas H. Benton's *Menemsha Harbor* (est. \$250-\$350,000) made \$626,500; Edward Redfield's *Horse and Sleigh Days* (est. \$200-\$300,000) made \$494,500; Guy Wiggins' *Lincoln's Birthday, New York* from 1935 (est. \$150-\$250K) brought \$218,500; and a pretty, little, J.E. Buttersworth of the *USS Ohio Under Tow* (est. \$60-\$80,000) made \$134,500.

And then there were those robustly estimated / unattractive / or condition issued paintings that failed to find buyers ... among these were works by Milton Avery, Edmund Tarbell, Edward Potthast, George Bellows, M.J. Heade, J.S. Sargent, and N.C. Wyeth.

When the action was over, the results were rather interesting (from a statistical point of view). Sotheby's offered 101 lots, of which 76 sold for a sell-through rate of 75% and a total take of \$25M. Christie's offered 138 lots, of which 90 sold for a sell-through rate of 65% and a total take of \$32.4M. Combined the two sales brought in \$57.4M with 239 lots offered and 166 sold, for a sell-through rate of 69% (the corresponding sales from 2008 saw a total take of \$46.1M with 370 lots offered and 218 selling for a 59% sell-through rate). Smaller / stronger sales are the way to go.

Now what was really interesting is that the difference between the two sales came down to one lot – the

Andrew Wyeth. Had Sotheby's sold the \$7M work the final totals would have been reversed. After the sale, one web site was quoting the Average Price Per Lot (APPL) with Christie's coming in at \$359,451 and Sotheby's coming in at \$330,082. But for fun let's remove the ONE expensive work from the mix and see what happens ... when the Wyeth's result is removed from the Christie's sale, their total drops to \$25.4M (almost the same at Sotheby's) ...however, their APPL goes from \$359,451 to \$282,713 ... way below the Sotheby's APPL. So while Christie's had the higher gross, Sotheby's actually had a better and stronger sale; at least from my reading of the numbers.

The Old Masters and Some 19th Century (What a Difference Two Paintings Can Make)

The following week saw the action move across the pond (Atlantic) to the Mother Country (Great Britain). This was going to be it ... the sale in which Christie's proved that their merger of the Old Master and 19th century painting departments was the way to go ... however, the only thing they proved is that they cannot source any important 19th century paintings for their sales. From where I stand (luckily on the other side of the ocean) the 19th century works offered in their evening sale were a bit embarrassing.

Now unless you were asleep at the art world wheel, you could not have missed the top lots for this round of sales. Coming in first was a small drawing by Raphael titled *Head of a Muse*. This work, executed c.1510 was a mere 12 x 8 ¾ inches and carried a £12-£16M estimate; when the bidding war was over the work sold for a £29.19M (\$47.9M) – a world record for any work on paper and the most expensive work sold at auction all year -- the buyer is said to be US money manager Leon Black. And for our price per square inch (psi) fans, that one works out to \$456,190 psi. Taking second was Rembrandt's *Portrait of a Man with Arms Akimbo* that carried an £18-£25M estimate and sold for £20.2M. The Financial Times reported that American collector Alfred Bader intended on going after the lot to the tune of £25M, but since he could not get the payment terms he wanted (6 months), he passed ... so the lot sold to a lone bidder (Steve Wynn) at the low end of the estimate (probably right on the reserve). And in third position was Domenichino's *St. John the Evangelist* at £9.2M (est. £7-£10M). Rounding out the top five was a wonderful *Self-portrait* by Anthony van Dyck that sold for £8.33M to Mr. Bader on a £2-£3M estimate (guess he got the terms he wanted here); and in a distant fifth came Pieter Brueghel's *The Flemish Proverbs* at £1.72M (est. £1-£1.5M).

Now I am sure that you are saying: Wow, those were some fantastic prices – and you would be correct, but there were also many soft spots ... the most notable of which was the Peter P. Rubens's *Portrait of a Young Woman Holding a Chain* offered at Sotheby's. According to Souren Melikian's report, many dealers were not convinced of the work's authorship and this, along with the £4-£6M estimate, caused it to remain unsold. Now I could go on with all the works that did not pass muster, but when I get to the final numbers you will see the big picture,

However, before I get to that I want to cover the 'important' 19th century paintings that were offered in

the Christie's evening sale. To begin with there were a total of 43 lots offered and of those only 4 were true 19th century works – a Daubigny, Rousseau, Courbet, and Sorbi; and to be honest, none of them were "Evening material" ... in addition, the Sorbi looked completely out of place. Of the four, two sold for a total take was £206,000 --- did these really belong in a sale with works selling for millions of Pounds/Dollars? I do not think so.

By the time the evening and day sales were over a fair bit of money changed hands. The two evening sales saw 93 lots offered with 57 finding buyers (a sell-through rate of just 61.3%) and a total take of £83.48M (\$136.9M). In this round, Christie's trounced the competition ... of the £83.4M, Christie's accounted for 82%, or £68.4M – what a difference just two paintings can make (the Raphael and Rembrandt accounted for over 72% of their total). The top two lots Sotheby's accounted for 63% (£9.49M) of their gross (£15.1M); without these two lots their sale would have been a dismal failure.

We cannot forget that both rooms had corresponding day sales and these added an additional £7.3M (\$11.8M) with 314 offerings, of which 197 sold (a sell-through rate of 62.7%). When added together, the total for the Old Master/19th century week was £90.7M (\$148.7M) with 407 works offered and 254 finding buyers, for a sell-through rate of 62.4%. For fun, I thought I would throw in last year's numbers for a comparison: in 2008 there were 447 works offered, 286 sold (a sell-through rate of 64%) and a total take of £35.9 (\$53.3M). So the sold percentages were close, but the totals were almost 3 times last year's --- goes to show what a few good paintings will do.

As I am sure you can guess the Sotheby's PR team really got the wheels moving ... trying to put a positive spin on their sale. The press releases had a number of bold headlines which included "... *Sir Anthony van Dyck ... Established a New Auction Record for the Artist by a Considerable Margin*" and "*Sotheby's Worldwide Team Continues To Dominate in Old Master Paintings at Auction for a Ninth Successive Year*". Come on guys, let's face facts; your main competitor got the goods and blew your doors off – there is no way your spin department is going to change that. In this round, Christie's was the unanimous winner.

In the end, the story always seems to be the same. As few good works either make or break a sale and overall, the market is only looking for good quality works ... a majority of the 'stuff' is just not finding buyers.

Howard L. Rehs
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Gallery Updates: We will be exhibiting at the Los Angeles Art Show from January 20 – 24, 2010.

Web Site Updates: Look for new works by the following artists Edouard Cortès, Louis Aston Knight, Antoine Blanchard, Sally Swatland, Mark Lovett, and Katie Swatland.

Next Month: Continuing art market updates.