

COMMENTS ON THE ART MARKET

VOLUME 119

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When Is a Penny Worth More Than a Penny?

When it is a 1943D struck in the wrong metal. So you might wonder, what could that error be worth? Well, a great deal. In 1943 the United States was involved in a two-front war and the US soon found itself with a shortage of copper. In response, the U.S. government decided to stamp the penny on steel planchets and coated those with zinc. All of the 1943 pennies were supposed to be minted this way; however over 1 billion coins were made and there were a few mistakes ... including this particular piece – the only known copper alloy penny to exist from the Denver Mint.

The existence of this 'error' was kept a secret until 1981, when its owners had it authenticated and properly graded. Then in 1996 it was offered for sale and brought \$82,500. Now we fast forward to 2010 when the coin, once again, traded hands ... this time for \$1.7M ... yes, that was \$1.7 million!!

Now that is what I call price appreciation ... like I have said in the past, money makes money!

The Stock Market

So, while we are on the topic of money, I may as well give you an update on the large quantities of money I am amassing in my portfolios! Alright, sometimes I am prone to a little exaggeration. However, this month was a very good one for the stock market ... at least up until the time I went to press with this newsletter (as we all know, things can change in an instant).

I must add that I am wondering if someone at The Wall Street Journal is reading my reports. Back in Volume 117 I complained about the 'shock' headlines they were using – “Stock Rally Hits a Wall; Dow Falls 38”; like I said, a 38 point decline is not hitting a wall! So, this month the Dow took a 165.07 point decline on the 19th and the article headline the next day read ... Dow Declines 165.07 (no – hit a wall, fell off a cliff, etc.). A nice, calm, headline ... thanks!

As for my portfolio, I am still in the black ... up almost 10%; and as for my favorites stocks Citi was at \$4.17 (in the black); RIMM \$55.82 (coming back!); Oracle \$28.70; BofA \$11.54 (in the red); Pfizer \$17.28; GE \$16.11; MCD \$77.48 and CTL \$40.88. Let's all hope this continues.

CHINA – Coming on Strong (Incredible Price Appreciation)

This past month Sotheby's held a series of sales in Hong Kong and the results were, once again, BLAZING (and so was their press department)! As is typical, these sales covered a large selection of items – wine, art, jewelry, ceramics, etc. – and the quantity of work (over 2,800 items) makes it very difficult for me to cover each sale in detail, so I will just give you a select group.

The series began on October 2nd and 3rd with sales of wine and as we saw in 2009 and early 2010 the results were perfect – every lot sold (see Volume 113 for a review of the earlier sales). The October 2nd sale brought in HK\$49.7M (\$6.4M) with the top 3 lots being 12 bottles of Romanée Conti 2005 Domaine de la Romanée-Conti which was expected to bring HK\$800-\$1.2M and fetched HK\$1.8M (\$232,692); 12 bottles of Romanée Conti 2002 Domaine de la Romanée-Conti that made HK\$1.09M (\$139,615) on a HK\$380-\$540K estimate and an additional 6 bottles of Romanée Conti 2005 Domaine de la Romanée-Conti bringing in HK\$847,000 (\$108,590) on a est. of HK\$400-\$600K.

The October 3rd sale, a continuation of “The Classic Cellar from A Great American Collector” (part VI), made an additional HK\$57.3M (\$7.3M) ... so far, for the six sales, five were complete sellouts. The top offering here was a Chateau Pétrus 1989 (3 d.mag – 3 liters) at HK\$726,000 (\$93,000).

In the end, the two sales totaled HK\$107M (\$13.8M) with 100% of the 1366 lots selling. Pretty impressive and it seems as though Hong Kong may overtake New York as the largest wine-auction market. From these results one would surmise that the Chinese have an insatiable appetite for a good bottle of wine – I wonder how the Chinese Cheese market is doing!!!

October 4th & 5th brought a series of Contemporary Asian and Chinese Art sales and here again the results were impressive.

The 4th saw four individual sales with the first being Modern and Contemporary Southeast Asian Paintings. Here the top lot (an auction record) was S. Sudjojono's *A New Dawn* at \$HK10.74M (\$1.38M) on a HK\$1.6-\$2.5M est. There were 150 works offered and 121 found buyers for a sell-through rate of 80.7% and a total take of HK\$77.9M (\$9.98M).

Next came 20th Century Chinese Art and the top slot was shared by three works – Zao Wou-ki's *18-10-60*; Sanyu's *Pink Nude on Floral Sheet* and Liao JiChun's *Ancient Castle in Spain*. All three works carried similar estimates HK\$12-\$18M and each sold for HK\$14.1M (\$1.8M). Of the 120 works offered, 84 found buyers for a sell-through rate of 70% and a total take of HK\$137.3M (\$17.6M).

This was followed by Contemporary Asian Art from a European collection. This was a smaller sale ... only 38 works and the top seller was Ding Yi's *Appearances of Crosses – 6 (in six parts)* which was estimated at HK\$1.5M-\$2.5M and sold for HK\$8.4M (\$1.08M). When the sale was done, 29 works found new homes for a sell-through rate of 76.3% and a total take of HK\$49.9M (\$6.4M).

The final session – Contemporary Asian Art: Various Owners – was the largest with 177 lots offered. Top position here went to Zhang Xiaogang's *Chapter of a New Century – Birth of the People's Republic of China II* which carried a HK\$21-\$23M estimate and sold for HK\$52.2M (\$6.7M). In the end, this sale found buyers for 138 works for a sell-through rate of 76.3% and a total take of HK\$205.9M (\$26.4m).

When totaled, these four sales offered 485 works of which 372 sold and 113 were unsold (a sell-through rate of 76.7%) for a total of HK\$471M (\$60.4M).

On the 5th the Fine Chinese Paintings sale took place and the results here were even better. The top 10 lots all sold above their high estimates; with the top three blowing them away: Fu Boashi's *Court Ladies* (est. HK\$5-\$7M) made HK\$33.1M (\$4.24M), Zhang Daqian's *Sceneries of Jiangnan* (est. HK\$5-\$7M) brought HK\$28.7M (\$3.7M) and Fu Baoshi's *Seven Sages* (est. HK\$5-\$7M) made HK\$20.8M (\$2.7M). Of the 270 works offered, 267 found buyers for a sell-through rate of 98.9% and a total take of HK\$407.3M (\$52.2M).

As the week continued, the Chinese were as active as ever and records were smashed ... here are just a few of them: a calligraphic scroll signed by Zhang Zhao (from 1745) came on the market in 1985 and brought \$11,000 – this time it brought \$11.63M. A massive Imperial White Jade “Xintian Zhuren” Seal Qing Dynasty, Qianlong Period brought an auction record of HK\$121.6M (\$15.6M). Now you might think this item was an important, long lost, piece, but it was last sold in London in 1997 for about \$42,600 ... not bad, but wait! Back in 1971 Dai Run Zhai, a dealer, purchased a Yellow-Ground Famille-Rose

Double-Gourd Vase for \$4,200 and kept it. Fast forward to 2010 when the piece was offered with an estimate of HK\$30-\$50M and finally sold for HK\$253M (\$32.4M) to Alice Cheng – making it the most expensive Chinese work of art or porcelain sold at auction ... nice price appreciation!

When the 7 days of sales ended, there results testified to the strength of the Chinese market. Over 2800 works were sold for a total take of more than HK\$3B (\$400M) – the expected return was just over HK\$1.6B (\$215M) – I think you will agree that these results were Sizzling!

The General Art Market – Still Warming Up

It appears that the art market is still in the warm up position ... the big sales will start in November. However, there were many interesting smaller sales that continued to show the need for more editing on the part of some auctioneers; here are just a few to whet your appetite.

All three of these sales took place just after my previous newsletter went to press. First up was Bonhams' 19th Century Paintings, Drawing and Watercolours in London; a sale divided into two sections: 19th Century Paintings and Victorian Paintings.

The 19th Century Paintings section offered 71 works and there were just as many hits as misses. This section produced two of the highest prices for the sale: Sorolla's portrait of Raquel Meller which was estimated at £150-£200K and sold at £180K (\$284K) and F.M. Kruseman's *Winter landscape with skaters near a castle* ... a rather large and fine example (although it was unsigned) that made £156K (\$246K) – one of the top prices achieved by the artist at auction. Of the 71 works offered here, 30 failed to find buyers leaving this section with a sell-through rate of just 57.7%.

The Victorian works seemed to do a bit better with 100 works offered and 74 sold for a sell-through rate of 74% and the top lot being Clausen's *The Flower Seller, Trafalgar Square* at £78K (\$123K). When combined, the entire sale saw 171 works offered with 115 sold for a combined sell-through rate of 67.2% and a total take of £1.78M (\$2.8M) – the expected range was £1.71M - £2.46M so they made the range, but only after the buyer's commission was added in.

That same day Sotheby's offered its Scottish Sale. Now it is important to remind you that in my last newsletter I mentioned the fact that Bonhams sale of Scottish works was a success and that they were the only major auction house to still hold sales of Scottish art in Scotland. Well, the Sotheby's sale took place in London and after the hammering they took, they may well be looking for space in Scotland to hold their future sales.

I am sure they were very discouraged by the time they got to lot 20 and only 6 of the works sold; something was amiss, but there was no turning back. Top lot for this auction was a Samuel J. Peploe Still Life that carried a £250K-£350K estimate and sold (with the commission) for £265,250 (\$420K) and other than a few other high spots, the sale was very disappointing. In the end, of the 153 works offered only 65 sold for a sell-through rate of 42.5% and a total take of £1.48M (\$2.34M) – the expected presale range was £2.44M-£3.57M. Here is my suggestion ... be a little more selective with the works offered, watch your estimates and move back to Scotland.

The final sale on the 29th took place in New York – Sotheby's lower to mid level American Paintings, Drawings & Sculpture. I am sure that by the time this sale got through the first 20 lots, and 12 had not sold, they figured they were on track to match the Scottish sale results. Lucky for them, things picked-up a bit ... but only a bit. The top two lots in this sale were sleepers. The first were a pair of small paintings by Thomas H. Hotchkiss which carried an estimate of \$8-\$12K and sold for \$158K; the other being Roger Medearis's *Breaking Ground at Bethel* at \$122,500 (\$12-\$18K est.).

In the end, this sale squeaked out a return of \$2.86M (presale range was \$2.75M-\$4.04M) with 143 of the 245 works selling for a sell-through rate of 58.4%.

What all these results show us is that everything about a work needs to be right in order for it to sell; so it is vital that the quality, condition and estimates are all in line. And, make sure the number of works offered is appropriate for the current economic climate.

Next Month

For a number of years I have been stressing that the salerooms need to cut the number of works offered, up the quality and watch their estimates. Well, it appears that Sotheby's 19th century department has taken some of my comments to heart. Next month their sale will offer only 82 lots (at times these sales offered over 250 works). In addition, they have focused in on just the higher end pieces. This sale is not only going to be a test of the market's overall strength, but how good their staff is at selling the works to their clients (a few of the works are carrying hefty estimates). I am, and I am sure they are, hoping for the best. The nice thing is that there are only 82 lots ... so it should make their sales job a bit easier --- but we shall see.

In addition, the major Impressionist, Modern and Contemporary sales take place ... more on all of these sales next month.

Howard L. Rehs

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Gallery Updates: The gallery has signed up for both shows in Palm Beach this February. We will be sending out tickets when we get closer to show time. And, of course, we will be exhibiting at the Los Angeles Art Show in January.

Web Site Updates: Works by the following artists have come and gone from our web site this month: Julien Dupré, Georges Laugée, Edouard Cortès, Eugene Ciceri, Richard Pousette-Dart, Hans Hofmann and Greg Harris. Works by the following artists have, or will be, added to our web site this month: Romare Bearden, Alfred A. Glendening, Thomas Luny, Edouard Cortès, Antoine Blanchard, Ugo Giannini, and Sally Swatland. A few of the new works are shown below:

TRADITIONAL



Edouard Leon Cortès
Café de la Paix, Opera



Alfred A. Glendening
Haymaking near Lewes, Sussex

MODERN



Romare Bearden
Pittsburgh Memories, Allegheny Morning Sky

CONTEMPORARY



Sally Swatland
Sailboats



Mark Lovett
The Mother's Gift

Next Month: Art market coverage – the BIG sales!