

COMMENTS ON THE ART MARKET

VOLUME 123

Rehs Galleries, Inc. – 5 East 57th Street, New York, N.Y. 10022 – (212) 355-5710
www.rehs.com

Palm Beach & Upcoming Shows

I am pleased to report that we had two very successful shows in Palm Beach, during which works by Ridgway Knight, Dawson, Cortes, Harris and Dufy found new homes. In addition, it was amazing that only a handful of people felt the need to make a few of my favorite comments ... all in all, the visitors knew what they were looking at and enjoyed the art we had on display – I like Palm Beach!

Our next show will be right here in the Big Apple ... in the uptown Armory at the end of April. Stay tuned for more details.

The Stock Market

Well, this past month I was living in a Marriott Hotel in West Palm Beach and had very little time to watch my portfolios – spent most of our time at the shows. Upon our return, this week, I finally opened up my stock program and I will say it was not bad (given all the turmoil) ... I was up a little from last month and the magical 12,000 has been holding.

Among my favorites, most of which are up from my last report, are: GE – which is closing in on \$21; McD at \$74.44; CTL \$40.44; Citi - \$4.70; Oracle \$32.95; BofA; \$14.20; RIMM \$65.99 (come on Blackberry); Qwest \$6.66 (always liked that number), Intel \$21.86, Pfizer \$18.86, VZ \$35.97, AT&T \$28.13 and VOD - \$28.35.

Auction Results - Why Works Can Make Less the Second or Third Time Around Or, When a Loss is Really a Profit.

I covered this topic before, but people are always bringing it up so I thought I would go through it once again ... especially since it is a very important factor when trying to understand the market for a specific artist; or even the art market in general. Many people will consult auction result sites and discover that a particular work has appeared on the market a number of times (over a short period of time). In addition, they find that in certain cases a work brings substantially more, or substantially less, the second or third time around ... people are usually puzzled, or concerned, by the fact that a work has appeared many times, so quickly. The typical question asked is: why was the work resold so fast?

At times this happens when the first buyer got a great deal, buying in a less visible market, and decided to reoffer the work in a more visible market ... this, in turn, generally results in a sharp increase. Other times the work could be returning because of changes in a family's situation (death, debt, divorce, etc.); if the work was bought during a very strong period and is being sold

during a weak period then it may bring less the second time around. And then there are those times when a work returns because of a change in its condition. It is this last reason I will explore here.

The fundamental problem when consulting a web site, or book, which offers the results from public auctions, is that none of them give you the full picture. Sales take place on a specific day, while the individual works sell at a specific moment and many things can take place that will affect the results ... turmoil in the financial markets, war, weather, disrupted telephone lines, bad placement of the work during the viewing (it was hanging in the wrong location and not everyone saw it), etc. In addition to all of these, is the possibility that there may have been a change in the work's condition and this can cause a change in its value. What needs to be remembered is that none of the factors are revealed in the after-sale prices and they are all tremendously important when trying to determine the trend for an artist's work.

Getting back to condition -- while works of art usually stand up pretty well over time, there are instances when damage does occur. If this happens, and the work was properly insured, you may find that once the claim is settled, the work can come back on the market so that either the insured, or the insurer, can recoup as much money as possible.

The typical comment I hear from someone who sees that a work sold for a lower price the second time around is: "that work was a bad investment". Now maybe they are right ... the work may have been bought in a very heated auction battle and the buyer paid way too much, only to be 'buried in the picture' (paying so far above market value that it would take years, or decades, before there was any possibility of recouping their cost); however, the work may have sold for a much lower price because of a change in its condition and in the end, the owner actually made money. Now I am sure you are wondering: "how is that possible?"

For the rest of this article, please visit the Newsletter Section of our web site: www.rehs.com.

Tales from the Dark Side – New & Updates

Ralph Esmerian – in November this owner of celebrity jeweler Fred Leighton was arrested on fraud charges. Mr. Esmerian has been accused of double-dealing over \$210 million in loans and stealing company baubles. Ralph was also an avid American Folk art collector and from 1977 – 1999 was the president of the American Folk Art Museum. In 2000 it was announced that Esmerian had donated 400 works from his collection to the museum ... what was unknown at the time was that it was not an outright gift, but loans with the promise of a future donation. His world would soon begin to crumble and in 2008 one of the major

works from his collection (Hicks's *Peaceable Kingdom*) was taken from the museum, by Sotheby's, to be sold to satisfy his debts. Turns out he not only owed Sotheby's \$11.5M, but owed Christie's \$7.5M and Merrill Lynch Mortgage Capital a whopping \$185M. In addition it came to light that 200 of the 'donated items' were used as collateral for loans from Sotheby's. Oh what a tangled web we weave ... To read more on this, please click here – MAD's article.

Portugal – a recent raid in Portugal uncovered a huge hoard of fake works by Monet, Matisse, Modigliani, Botero, Chagall, Leonardo, etc. along with forged certificates of authenticity. Most of the works were in the style of the specific artist and not direct copies of a particular work ... the forgers attempted to create 'new', never before seen, works. Reports claim that if sold to unsuspecting buyers, the forgers could have made more than \$20M. It was also revealed that while the copies were good, most experts would have been able to tell there were issues with the works.

Mark A. Landis (aka Father Arthur Scott or Steven Gardiner) is now considered to be one of the most prolific forgers American museums have seen ...

For the rest of this article, please visit the Newsletter Section of our web site: www.rehs.com.

The Art Market – Moving Higher and Higher

Impressionist & Modern

In February the major auction action took place in London and when the dust had settled, many works of art changed hands and record prices were achieved. Now I know that some of you are wondering: how can art sell for so much when the general economy is still trying to recover? Well, art has always been a fairly safe place to park some of your wealth and today people are becoming much more vocal about it. You are hard pressed not to find stories every week about works of art making record prices ... and it is important to remember, that those are only the 'public' sales. A majority of the art sold is done through more private deals.

The battles started on the evening of the 8th with Sotheby's Impressionist and Modern art sale and taking the number one spot was our old friend Pablo Picasso whose *La Lecture* brought £25.24M (\$40.7M) on a £12-£18M estimate – this work sold in 1989 for \$5.7M (nice return). Coming in second was a bronze by Marini at £4.24M (\$6.75M) – est. £3.7 - £4.5M and taking the third position was Monet's *Argenteuil...* at £3.4M (\$5.5M) – est. £3.5- £4.5M and bought in 1990 for \$3.5M (not a big increase). Rounding out the top five were Feininger's *Raddamer Am Landungssteg* - £3.2M (\$5.1M) – est. £1-£1.2M and Magritte's *Le Maitre d'Ecole* at £2.5M (\$4.0M) – est. £800-£1.2M.

Of the 42 works offered, 32 sold and 10 were returned to their owners leaving a sell through rate of 76.2% and a total take of £68.8M (\$111M).

The next morning saw their corresponding day sale and the results here were respectable. Top three works were: Juan Gris's *La Mandoline Noire* at £926K (\$1.5M) – est. £350-£450K; Luce's *St. Tropez* at £881K (\$1.4M) – est. £500-£700K and Manet's *La gare du chemin...* at £792K (\$1.27M) – est. £380-£500K. In addition there were a few, rather uninteresting, works by Boudin (one of our favorites) – and they all did well – a standard landscape estimated at £35-£45K sold for £73K (\$118K) while a

small sketchy study of a boat (est. £40-£60K) brought £44.4K (\$71K) – in my opinion, these were strong prices for mediocre examples. When the afternoon session was over, of the 266 works offered, 212 sold and 54 were returned to their owners, leaving a 79.7% sell-through rate and a total take of £21.4M (\$34.5M).

In addition to their normal set of sale, Sotheby's held a single owner sale on the evening of the 10th – *Looking Closely: A Private Collection*. This collection spanned the 20th century and included 40 works, all of which were hotly contested. Coming in at the top slot was Francis Bacon's *Three Studies for Portrait of Lucien Freud* which crushed its £7-£9M estimate when it sold for £23M (\$37M) – the ...

For the rest of this article, please visit the Newsletter Section of our web site: www.rehs.com.

Contemporary

The following week both rooms presented their Contemporary sales and to be honest, I missed reviewing the catalogs (we spent most of the past month at two important shows in Palm Beach ... where the action was very good). However, there is nothing keeping me from reporting the overall results and a couple of highlights.

Top 5 from this series of sales were Warhol's *Self-portrait* £10.8M (\$17.3M) – est. £3-£5M; *Raysse's Last Year in Capri* at 4.1M (\$6.5M) – est. £1-£1.5M; Gerhard Richter's *Abstraktes Bild* at £7.2M (\$11.6M) – est. £5-£7M; Warhol's *Nine multicoloured Marylins* at £3.2M (\$5.1M) – est. £2-£3M and another Richter, also titled *Abstraktes Bild*, at £3.17M (\$5.1M) – est. £1-£1.5M...

For the rest of this article, please visit the Newsletter Section of our web site: www.rehs.com.

Summing it Up

When added together, the two weeks of sales offered 1437 pieces, of which 1156 sold (80.4%) and created a gross take of £425.3M (\$683.5M). What we are seeing here is strong demand for the top quality works by the 1st, 2nd and even 3rd tier artists. It is important to keep in mind that you need to buy quality works – regardless of your budget. You do not want to buy a work just for its signature.

It also appears that the salerooms are beginning to enlarge their sales ... and this is not a good thing (in my opinion). Last year the corresponding set of sales offered 1100 works and sold 935 (85%) and took in £375M (\$596M) which worked out to \$637K per-lot-sold. This year the price per-lot-sold dropped to \$591K.

And one final comment ... back in 2010 I noted that the star lot for the Impressionist sale was lot 8 (a Giacometti that sold for £65M) and at the 2009 sale, lot 8 was also number one (a Degas at £13.3M) ... can you guess what happened in 2011? Lucky number 8 hit again --- the Picasso at £25.24M!

Howard L. Rehs

© Rehs Galleries, Inc., New York –March 2011

Gallery Updates: No shows until April ... I think!

Web Site Updates: Works by the following artists have made their way through the gallery: Ridgway Knight, Moreau, Glendening, Cortès, Blanchard, Harris and Lovett. And look for the new works by Cortès, Blanchard, Banks, Harris and others that have, or will be posted, to the site.

Next Month: More art market coverage.