

COMMENTS ON THE ART MARKET

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Stocks

What a difference a month can make. Only a few short weeks ago I was totally impressed by the gains my portfolios had made (over 7% – and I gave a big Holy Moly!) ... now all I can say is Holy You –Know-What! (I lost 4.5% from last month). What is going on here, other than the fact that the DOW is in the 12,500 range? Now I see why so many people are looking at other ‘investment’ opportunities – and wait until you see how the art market did during the month.

As for my favorite (I use that word very lightly this month) stocks here they are: VOD - \$27.13; Altria is still doing well - \$32.13; INCTYE is also holding on - \$22.38; Pfizer - \$22.18; JPM - \$33.63 (\$10 drop in the month); Lowes - \$27.49 (down); MCD - \$90.90 (down \$6.3) and GE - \$19.35 (about the same). In addition Sprint, Pioneer Drilling; BofA; Citi and RIM are all lower. Oh well, more years of work ahead.

The Art Market

The month of May was truly a memorable one for the art market. Once again, many of the catalogs weighed in with big numbers (The Impressionist & Modern alone were 12.5 lbs --- no need to head for the gym) and while the offerings, in certain sales, were selective, the prices were anything but ... for the right pieces.

While reading through my sale reviews (and I have tried – ha ha – to keep them short since there were so many) it is really important to ponder the following: many of the more important pieces reached levels never seen before and most of those works were hotly contested --- meaning more than one person was after them. So, for each record shattering price there was at least one under-bidder who was willing to spend almost the same amount for the work in question --- makes one wonder just how much money there is sitting on the sidelines waiting for the right work of art to appear since some of those under-bidders went home with a great deal of money in their pockets. And in an attempt to put the prices paid for the creativity of all these artists into perspective, on May 20th a world record price was set in the sports memorabilia market ... a “lucky bidder” ended up paying \$4.42M for the earliest known Babe Ruth game-worn jersey ... sorry, but that is just sick and a price I will never understand --- even if someone tried to explain it to me ... oh, please don't! Look, it is a piece of fabric that the guy wore – he did not make it. The only thing it may contain is some of his sweat – hum, DNA --- in the right hands, that could be worth something!!

The Impressionist & Modern

The month started off with the Impressionist & Modern sales and unless you were asleep, you could not have missed the record set after a 12 minute bidding battle at Sotheby's for Edvard Munch's *The Scream* -- \$119.9M (est. at least \$80M). It is interesting to note that this pastel, now the most expensive work sold at public auction, was one of 4 versions the artist created of this subject and the price actually beat out the entire evening sale at Christie's (like I have said before, what a difference a painting can make). Now on with the show...

Up first was Christie's sale and I have to say that the number of offerings were among the least I remember seeing in an evening sale (only 31) --- I liked that --- lean! The highlight of this sale was a small watercolor by Cezanne titled *Joueur de cartes* that made \$19.1M (est. \$15-\$20M) and tying that number was the cover piece – Matisse's *Les Pivoines* (est. \$8-\$12M). In second came Picasso's *Le Repos* at \$9.9M (est. \$5-\$7M) and in a close third was Monet's *Les Demoiselles de Giverny* at \$9.6M (est. \$9-\$12M) – to be honest, I was not a fan of the Monet – just did nothing for me.

At the end of the evening the results were rather nice: of the 31 works offered 28 sold (90% -- nice number) and the total take was \$117M – not huge, but very respectable given the fact that there were only 31 works offered. Oh, in case you are wondering, that works out to \$4.18M per lot sold.

As usual, they followed with their Day Sale --- typical mixture of good, okay and ... well, you know. Taking top slot here was Ernst Barlach's *Weinende Frau* at \$939K (est. \$200-\$300K); while second and third were nabbed by Chagall's *Les Anemones* at \$831K and *Danse vers le Bonheur* at \$783K (both est. \$400-\$600K). By the end of the day, 247 of the 299 lots offered sold (83%) and the total take was \$33.65M.

As for the combined total – 330 works offered, 275 sold (83.3%) and a total take of \$140.7M. 2011's corresponding sale brought in \$189.5M from 263 sold works (they offered 316) and a sell through rate of 83.2%. And 2010's sale saw 348 offered with 289 selling for a sell-through rate of 83% and a total take of \$360M (but remember that this sale included a Picasso that brought over \$106M and a Giacometti that made over \$53M – another example of: what a difference a painting or two can make).

The Sotheby's evening sale took place on May 2nd and Munch's *The Scream* was the number one seller - \$119.9M. Coming in at a distant second was Picasso's *Femme assise dans un fauteuil* at a mere \$29.2M (est. \$20-\$30M) and in third was Dali's *Printemps Nécrophilique* at a paltry \$16.3M (est. \$8-\$12M – purchased by the seller in 1998 for \$1.36M). In fact, of the top ten works offered, 9 met or beat their estimates.

When the evening was over, of the 76 works offered 61 found new homes (80.3% -- leaving 15 unsold) for a total take of \$330.5M WOW!! That works out to \$5.4M per lot sold. In addition, the sale's total was the highest ever for this auction room – beating their previous record of \$286M back in 1990! Double WOW!!

We know that the owners of the 15 lots which did not sell were probably not very happy, but what about the owners of the sold lots ... here are a few buy and sell numbers: Leger's *La femme au Miroir* was bought in 1989 for about \$1.1M and this time it made \$4.1M; Soutine's *La Chasseur de chez Maxim's* was purchased for \$6.73M in 2004 and sold for \$9.38M; Gauguin's *Cabane sous les arbres* fetched \$4.63M in 2002 and \$8.5M now; Chagall's *La Musique* made \$2.4M and the seller bought it in 2011 for \$2.95M (a little loss) and Miro's *L'Oiseau Deploie son beau Plumage* made \$843K – it was bought by the seller for \$783K in 2009 (after deducting the commissions, this was a loss). So while a majority of the sellers were very happy, others were not ... but so it goes.

May 3rd saw their DAY sale which was a typical mixture of works. The top position here was taken by a Picasso at \$2.7M (est. \$800-\$1.2M); followed by a Henri Martin at \$1.7M (est. \$600-\$800K) and a Moholy-Nagy at \$1.3M (est. \$300-\$400K). It was also interesting to note that the balance of the top 10 either beat, or crushed, their estimates. When the day was done, of the 252 works offered 183 sold (72.6% -- 69 were unsold) and the total take was \$42.7M ... not too bad.

For their two day sale, Sotheby's racked up \$373.3M by offering 328 works, selling 244 (74.4%) and returning 84 to the sellers. Their corresponding 2011 sale offered 337 works, sold 239 (70.9% - 98 unsold) and grossed \$209.4M; while their 2010 sale saw 304 works offered, 238 sold (78.2%) and a total take of \$233.2M. So 2012 was a vast improvement in gross dollars, but the sell-through rate was right in the middle.

Now for the week's total and comparisons:

2012 - 658 works offered, 519 sold (78.9%) for a total take of \$514M.
2011 - 653 works offered, 502 sold (76.9%) for a total take of \$399M
2010 - 651 works offered. 527 sold (80.9%) for a total take of \$593M.
2009 - 425 works offered, 85% sell-through rate, total take of \$208M
2008 - 687 works offered, 75% sell-through rate, total take of \$598M

While we are almost back to the record levels of 2008 and the evening sales seem to be a lot slimmer and trimmer (although the catalogs still weighed a ton); what we now need is more slicing and dicing in the day sales in order to bring up the sell-through rates.

19th Century

Yes, Sotheby's is still squashing our beloved 19th century sale at the end of the Impressionist sales week ... not something I am very happy about, but what can I do --- keep complaining! We really need our OWN week!

Anyway here is my take on this sale. Grabbing the top slot was a small, but beautiful, Bouguereau from 1875 titled *Girl with a Pomegranate* which carried what appeared to be a rather optimistic estimate of \$500-\$700K, but when the bidding was done those numbers were left in the dust --- the painting made \$2.3M WOW!, Coming in second was what they believed was going to be the 'star' lot of their sale, Tissot's *The Morning Ride*, at \$1.87M (falling short of its \$2-\$3M est.). Now I must add that while the quality of the painting was pretty good, the subject was not the best – at least when one thinks of Tissot – and judging from the result, the general market felt the same way. In third was Boldini's *Portrait of Mrs. Howard-Johnson* at \$1.76M (est. \$1.5-\$2M) ... a nice standard Boldini portrait, but it lacked the sex appeal of those that make the Big Bucks – like it or not, sexy sells! Rounding out the top five were a very impressive work by Godward titled *A Fair Reflection* which garnered \$1.45M (an auction record - est. \$400-\$600K) and a nice Corot *Les etangs de Ville d'Avray* at \$1.1M (est. \$700-\$1M).

It was nice to see that they have continued to keep the number of offerings in check, but the real question is: was it their choice, or the markets? In other words, are they not being offered the works they need to create larger sales? My feeling is the latter is probably more of the case and I base that conclusion on the fact that while the sale was small, it really should have been smaller ... some of the works offered should not have been in this main sale --- whether that had to do with the quality, condition or estimate range.

Look, the nicer works (in my opinion) commanded very good prices: La Thangue's *Winter in Liguria* - \$843K (est. \$500-\$700K – sadly the seller paid \$851K for it in 2003 so they took a loss); a nice Kaufmann – *Portrait of a Rabbi* – at \$435K (est. \$250-\$350K); Knight's *Coffee in the Garden* \$315K (est. \$150-\$200K) and Courbet's *Le Moulin* at \$435K (est. \$160-\$200K). And then there were those which, in my opinion, should have never been included in this sale; these included paintings by Bouguereau, Perrault, Morgan, Munier, Kaemmerer, Barye and a few others.

When their session was done, of the 110 works offered 71 found buyers (64.6% - a rather low number and pointing out the market's desire for the really good works) for a total take of \$20.6M --- pretty good considering 35% of the works did not sell. Now let's compare this sale to last year when they had 100 works offered, sold 66 (66%) and grossed \$44.6M. Ok, so you are wondering: why was last year's sale so strong? Well, remember that they had a fairly pricy Tadema – it made \$29M – and this year there were no works in that league. Now, when you strip out that one work we find that the 2011 sale brought in about \$15.5M from 65 sold works and this year they brought in \$20.6M from 71 sold works ... in my book, this year's sale was just as strong as last year's. My only concern is that they are beginning to increase the size of their sales – little by little ... this is not a good thing! Please keep them lean ... for the time being.

The Contemporary

So the first week of May was pretty eventful with a number of record prices made and a great deal of money changing hands ... over \$538M. The question on everyone's mind was: how would the Contemporary sale fare? As you will see, there was nothing to worry about ... the amount of money spent was mindboggling!

First up was Christie's and the numbers achieved were nothing short of astounding. Taking the top slot was the week's biggest winner: Mark Rothko's *Orange, Red & Yellow* which crushed its \$35-\$45M est. when it sold for \$86.8M (an auction record for any post war/contemporary work of art). In second came Yves Klein's *FC1* at \$36.4M (est. \$30-\$40M) and in third was Pollock's *Number 28, 1951* at \$23M (est. \$20-\$30M – looked like one lonely bidder against the reserve). As for the rest of the top 10, 9 either met or crushed their est. range and 6 were auction records – smoking hot results!

Now this was really a slim and trim sale. Of the 59 works offered, 56 sold (95% -- nice number!) and the total take was \$388.5M ... an even better number and the highest total for any sale in this field.

The next morning they began with their day sale and the results here were pretty strong. The top two positions were taken by Calder when *The Yellow Loop* made \$2.3M (est. \$900-\$1.2M) and *Horizontal with Pendants* brought \$1.63M (est. \$500-\$800K). In third was Twombly's *Untitled* at \$1.48M (est. \$600-\$800K). When the day was done, of the 375 works offered, 319 found buyers (85%) and the total take was \$76.8M ... not too shabby.

That evening Sotheby's offered their group of Post War works and here too the results were very strong. In the number one position we found two works: Bacon's *Figure Writing Reflected in a Mirror* and Lichtenstein's *Sleeping Girl* – each bringing \$44.8M (\$30-\$40M est.). In second was Warhol's *Double Elvis* at \$37M (est. \$30-\$50M) and in third was Twombly's *Untitled (New York City)* at \$17.4M (est. \$15-

\$20M) – as you will note, all met or beat their estimates. In fact, all of the top 10 works were either within or above their estimates ... a clear sign of competitive bidding for the best works.

When the evening sale was over, of the 57 works offered 46 sold (80.7%) and the total take reached \$266.6M (presale range was \$216-\$304M).

They followed-up with their day sale on May 10th and the results were respectable. Top lots here were Calder's *The Orange Table* at \$2.5M (est. \$600-\$800K); Richter's *Abstraktes Bild* at \$2.1M (est. \$2-\$3M) and a Dubuffet at \$1.26M (est. \$50-\$70K --- someone missed on that estimate). At the end of the day 393 works were offered and 306 were sold (78.1%) for a total take of \$63.9M ... not as good as the competition, but what is a few million among friends?

And we should also include the Phillips sale in which a Basquiat captured the top position at \$16.3M (est. \$8-\$12M) and a de Kooning that came in at \$12.4M (est. \$10-\$15M – purchased in 2000 for \$1.4M – nice increase). Of the 44 works offered, 35 sold (79.5%) and the total take was \$86.9M – within the presale range of \$75.9 - \$110.7M.

Now for the sick numbers ... just taking the three evening sales, the total reached \$742M from 137 sold works; that works out to just over \$5.4M per lot sold --- talk about HOT! And when you add in the day sales, the total take eclipses \$882M!

Now let's compare 2012 to the past few years:

2012's combined total was \$882M

2011's combined total was \$705.1M (less than the combined total for this year's 3 evening sales).

2010's combined total was \$535.4M

2009's combined total was \$201M (Yuk)

2008's combined total was \$900M (the good-old-days and just before everything collapsed)

From the number it appears that we are pretty close to the good-old-days! Now keep in mind, that whatever goes up will, more than likely, come down --- the real question is: when? Sorry, but my crystal ball is all fogged up!!

The Americans

Following closely on the heels of those sales were the American paintings and the overall results showed a pretty strong market.

First up was Christie's and taking the top slot was Mary Cassatt's *Sara Holding a Cat* which blew by its \$800-\$1.2M est. to sell for \$2.56M (it last sold in 2000 for \$831K); second place was nabbed by Rockwell when his *Dreams of Long Ago* squeaked by its \$2-\$3M est. – selling for \$2.32M; and in third was Frieseke's *Foxgloves* at \$2.2M (est. \$1-\$1.5M). I should report that there were a couple of big misses as well ... two of their highest estimated lots did not sell – one by Fitz H. Lane and the other by Oscar Bluemner (\$2-\$3M); however, as for the overall results, those made little difference.

Of the 100 lots offered 77 sold (77% -- a reasonable number) and the total take was \$27.2M (according to my calculations the low end of the presale estimate was around \$22M); so many of the lots that sold did well – a good sign.

The following day Sotheby's offered a far leaner and meaner sale and it really goes to show what a selective sale can do in today's market (and what a difference a painting or two can make). Taking the top position was Hopper's *Bridle Path* which left its \$5-\$7M estimate in the dust when it brought \$10.38M; in second was George Bellows' *Tennis at Newport* which just passed its high estimate of \$7M – selling for \$7.02M and in third was Remington's *A Halt in the Wilderness* that brought in \$2.77M (est. \$800-\$1.2M).

What was interesting here is that all of the BIG lots sold and in the end, of the 59 lots offered, 52 sold (88.1% -- a very good number) and the total take was \$34.78M --- even better!

So overall, the Americans had a pretty good week ... in general the sales were fairly lean and mean (one more that the other) and the combined total was among the strongest – about \$62M – considering the number of works sold (129). And here are some comparisons to years past (PPLS = Price Per Lot Sold):

May 2012 – 159 offered, 129 sold, 81.1%, total \$62M, PPLS \$480K

May 2011 – 259 offered, 172 sold, 66.4%, total \$49.3M, PPLS \$287K

May 2010 – 292 offered, 176 sold, 60.3%, total \$67M, PPLS \$381K

May 2009 – 248 offered, 154 sold, 62%, total \$32.1M, PPLS 208K

May 2008 – 354 offered, 287 sold, 81%, total \$160M, PPLS \$556K

May 2007 – 379 offered, 319 sold, 84%, total \$111M, PPLS \$348K

Looks like the American market is finally getting the traction it needs.

Final Thoughts

It is important to remember that these were only a few of the sales that took place during the month of May --- many more works, both in the public forums and through dealers, changed hands. What impressed me most were the higher levels of activity in the lower and middle levels of the market; as I have mentioned before, an area that was missing from late 2008 through late 2011. Now I am not saying that we are back to early 2008 levels where almost anything that was put on the market was selling, but in general it appears that when the offerings are selective, there are buyers at all price levels. This is a really good sign.

The big questions on everyone's mind are: how high can the market go? And once it reaches its apex, how long can it be sustained? I wish I had the answers --- that crystal ball of mine is still a little cloudy. What I do believe is that if the public offerings are kept in check, in other words: the market is not flooded with works; we could see a nice sustained run.

Regardless of what happens, recent market history shows us that even if the worst comes to pass (another financial meltdown) the best works of art should continue to find buyers. With bank interest rates at just about 0% and the stock market being little more than a craps table (just look at the recent Facebook IPO), where else are people going to park some of their assets in an attempt to spread their risk ... or better yet, try to increase their net worth?

And one final number ... the total amount of art sold in just the sales I covered (a 3 week period) was north of \$1.47 Billion!

Howard L. Rehs

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Gallery Updates: Our next show will be in Baltimore during the month of August and we just signed up for another show in September – this one is in NYC!

Web Site Updates: A number of works made their way through the gallery this month; included were paintings by: Croegaert, Aston Knight, Edouard Cortès, Berthelsen, Ben Bauer, Holly Banks, Guy Combes, Timothy Jahn and Bart Walter. We have also added a few new works to the web site ... some of which are illustrated below:

TRADITIONAL



Antoine Blanchard - Rue Royale, Madeleine (13 x 18 inches)

CONTEMPORARY



Katie Swatland – *Red Apples* (12 x 16 inches)



Katie Swatland – *Fall Apples* (12 x 16 inches)



Gregory F. Harris – *Giverny Farm* (14 x 16 inches)



Timothy Jahn – *La Petite Mort* (20 x 16 inches)



Mark Lovett – *Thoughts of Love* (30 x 24 inches)

Next Month: Guess we will see what comes along.