

COMMENTS ON THE ART MARKET

VOLUME 140

Rehs Galleries, Inc. & Rehs Contemporary Galleries, Inc.
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Baltimore Show

From August 23-26 the gallery will be exhibiting at the 32nd annual Baltimore Summer Antiques Show. On display will be works by many of our favorite 19th century artists, including: Daniel Ridgway Knight, Louis Aston Knight, Alexandre Cabanel, Eugene Boudin, Jean B.C. Corot, Diaz de la Pena, Leon Perrault, Antonio Jacobsen, Edouard Cortès, Antoine Blanchard, etc. In addition, we will be presenting a fabulous selection of contemporary works by: James Hollingsworth, Timothy Jahn, Ben Bauer, Greg Harris, Warner Friedman, Holly Banks, Sally Swatland, Katie Swatland and hopefully one from a new artist -Tony South.

Show location and details are as follows: Baltimore Convention Center, Downtown at the Inner Harbor, One West Pratt Street, Baltimore, MD 21201. Hours: Thursday: 12:00 – 8:00; Friday & Saturday: 11:00 – 7:00 and Sunday 11:00 – 6:00. We look forward to seeing some of you there.

The Big Gamble

I am not going to say much about this ... I am going to keep you in suspense for now. All I will tell you is that it will be coming to our gallery in March of 2013; and it has nothing to do with the stock market!!

A Visit from CNBC

In early July we received a phone call from CNBC asking if we would allow them to film the opening and closing segments for a upcoming show, hosted by Carl Quintanilla, on art theft (for his Crime Inc. series). We said sure! It sounded like an interesting experience and it is pretty quiet during the summer months.

Producer, Bob Waldman, stopped by a few days later to scope out the space ... and after a nice conversation he took a few photographs of the gallery and headed back to his office to confer with the cameraman. The following week we received another call confirming that they would be coming on Thursday morning and we had to re-hang the gallery so that only works in the public domain would be on display (removes any copyright issues).

By 10am that Thursday their crew was here unloading all the equipment --- and there was a good deal of it. The set-up and run-throughs took about 3 hours – and it was amazing to watch these professionals at work ... every shot was rehearsed (with a stand-in) numerous times to make sure there were no lighting or background issues. By 1:00 the host, Carl Quintanilla (you know him from Squawk on the Street), arrived and was ready to run through his lines.

Since Carl is slightly taller than the stand-in a few adjustments needed to be made and then it was time to start filming. To be honest, I lost count as to the number of takes that were needed to get a 'clean' run --- the slightest bit of background noise (elevator passing by the floor, noise from the floor above or below, etc.) would register on their equipment and he would have to run through it again. I was amazed how patient they all were ... guess they are used to it. In addition, I was shocked to see how much time is spent for just a minute of airtime ... and I truly mean 1 minute (about 36 seconds for the intro and 25 seconds for the closing).

We took a few photographs of the crew in action. Overall, the experience was amazing and one I would highly recommend to anyone who is afforded the opportunity.

The show will be called: *Crime Inc: Art For The Taking* and is scheduled to run on August 16th.

On a side note ... Carl did glance at my last newsletter and said that I was probably ok with GE and Pfizer – as for my RIMM he just smiled and told me I am there with lots of other people! And I thought I was the only sucker left!!

The Stock Market

This month my gambles seem to be treading water ... the DOW is still in the 12,500 – 12,900 trading range and on the day I wrote this, it was at 12,900. I am still debating on the – stash the cash in the mattress idea; but I am afraid that it will be a bit too lumpy for me ☺.

As for my favorite rolls of the dice well, there is some BIG news. I changed brokers and I am selling off a number of my holdings – RIMM (good-bye old friend), Citi, BofA, China Mobile, CISCO, Sysco, Sprint, Tyco, etc. And I am buying: Dupont, Exxon, Wal-Mart, Coke, Emerson, Microsoft and more JPM. I am still holding on to CTL, AT&T, MCD, GE, Intel, Pfizer, Lowes, Comcast, VOD, VZ and Altria. Guess it was time for a change. I will let you how the new mix is doing.

Tales from the Dark Side

Knoedler – the hits just keep on coming for the once venerable art gallery. In a number of recent articles more light is being shed on their dealings. Back in May it was reported that shortly after Richard Diebenkorn died (1993) his family visited the gallery to see two gouache drawings the gallery had recently acquired. The family states that during the visit they informed the gallery that they suspected the works were fake; of course the gallery claims the family embraced them as legitimate. Guess we will see what happens.

In July John D. Howard (a Wall Street executive) filed suit against Knoedler claiming that the de Kooning he purchased for \$4M (and which they bought for \$750K days before) is one of the fakes supplied to the gallery from Glafira Rosales ... who is right? I guess we will have to follow this case to find out.

Salander - still making news! This time First Republic Bank is being sued by two former employees (they were fired in 2009) who claim that Ed Dobranski (Sr. V.P.) told them not to investigate the suspicious activity of certain customers ... including Lawrence Salander. The former employees claim they were fired after bringing their concerns to executives at Merrill-Lynch (the bank's parent company). The trial will begin in August.

Rudy Kurniawan – this Indonesian wine collector (already facing up to 100 years in prison for selling fake wine) has now been charged with fraudulently obtaining a \$3M loan from Emigrant Savings Bank. Rudy pledged 25 works of art as collateral for the loan and then borrowed more money from a New York auction house and pledged 18 of the same 25 works. After Rudy defaulted on the \$3M loan, the bank sold several works to satisfy the loan; this, in turn, left the auction house a little light on the collateral for their loan!

Barry Landau – this historian, collector, author and thief was finally sentenced in June to 7 years in prison and \$46,000 in restitution for the thousands of documents he stole from various collections (both public and private) which were valued in the millions of dollars. It will be interesting to see who else gets caught up in Mr. Landau's web since many of those documents were then sold to unsuspecting dealers.

It is amazing how greed really wreaks havoc!

The Art Market

I do not know about you, but I am worn out by all the art action that has taken place over the past year ... and the summer is usually a nice time for a break --- but we are not that lucky. I still need to finish up my

report on the auction action in London. When I last left off, at the end of June, it was time for the Contemporary sales and I can tell you that the upper end did not disappoint!

Contemporary

Up first was the Sotheby's sale and taking top honors here was Basquiat's *Warrior* at £5.58M (\$8.7M – est. £5-£7M – this same work last sold in 2007 for £2.8M/\$5.7M; in 2005 it brought \$1.8M and in 1990 it brought \$275K). In second was Glenn Brown's *The Tragic Conversion of Salvador Dali* at £5.2M (\$8.1M – est. £2.2 – £2.8M) and in third was Bacon's tiny (14 x 12 inch) *Study for Self-Portrait* (1980) at £4.5M (\$7M – est. £5 – £7M – it was bought in 2001 for \$2.76M).

When the evening ended, of the 79 works offered, 69 found buyers (87.3%) for a total take of £69.3M (\$108M) ... the presale estimate was £57-£82M (\$89-\$128M) – so with the buyer's premium they were in the black. On a side note, the top ten lots brought in £35M – slightly more than half the sale's total – and the Price Per Lot Sold was a meager (HA HA) £1M (\$1.56M)

On the 27th they followed with their Day Sale and the top three works were by Gerhard Richter, Anish Kapoor and Robert Indiana --- all of which either met, or just beat, their estimates. Of the 249 pieces offered, 172 sold (69.1%) and the total take was £13.8M (\$21.5M).

When combined, we find that Sotheby's offered 328, sold 241 (73.5%) and brought in £83.1M (\$129.6M). A nice total, but there were better days ahead!

That evening Christie's presented their important sale and the results were even stronger. Taking the top slot was Yves Klein's *Le Rose de bleu* at £23.6M (\$36.8M - no published estimate; but it was a world record auction price). In second was another Bacon *Study for Self-Portrait* – this one from 1964 - that brought £21.5M (\$33.6M – no published estimate) and in case you are wondering why this one made so much more: not only was it earlier and more complex, but it measured 60 x 55 inches. Third place was snapped up by Basquiat's *Untitled* (1981) which made an auction record £12.9M (\$20.2M – no published estimate – I will also add that this work was last sold in 2007 for \$14.6M).

When this sale was over, of the 69 works offered 60 sold (87% - equal to the competition) and the total take was £132.8M (\$207M – presale estimate range was £103.5M-£140.2M ... so they were close to the upper end). The top 10 lots brought in £99.02M (\$154.5M – almost 75% of the sale's total) and their Price Per Lot Sold figure was a really strong £1.95M (\$3.45M).

The next day Christie's offered their general sale and the top three lots were by Warhol, Warhol and Stingel (who?). Of the 269 works offered 229 sold (85%) and the total take was £15.5M (\$24.1M – presale estimate was £12.1M-£17.2M) – slightly better than the competition.

When we combine their offerings we find that of the 338 works offered 289 sold (85.5%) and the total take was £148.3M (\$231.5M). I think we can all agree that this round went to Christie's.

Between the two main rooms, 666 (devilish number) works were offered, 520 sold (78%) and the total was £231.4M (\$361M). And in case you are wondering how these results compared to last year --- 652 works offered, 520 sold (79.75%) and a total take of £220.6M (\$352.8M) ... so they have remained fairly consistent and pretty strong.

I did mention last month that published reports figured one billion dollars worth of art was going to change hands over the two week period (well, some said that, while others stated that they would hit that number in July when all the London sales were over). For those who bet on the two week scenario, based on my calculations it seems that they fell short by about \$300M. But let's face it; selling close to \$700M (Phillips also had a Contemporary sale that brought in about \$42M) in art, over a two week period, is a pretty impressive feat given the general economic climate!

Old Masters

By the beginning of July it was time for the Old Master sales and there was a great deal of hype surrounding them. A number of works by important artists were hitting the blocks (Constable, Rembrandt, van de Velde, Brueghel, etc.) and all eyes were peeled on them.

First up was Christie's and the most talked about work was being offered by them – John Constable's *The Lock*. There was a great deal of controversy regarding its sale and the work carried a third party guarantee (in other words someone basically bought the work before the sale and then would benefit from any upside). Well, on that day the painting sold at the reserve and the Russian guarantor was now the owner at £22.44M (\$35.2M – est. £20-£25M) – so we cannot chalk that up as a true 'auction' sale, but it sold and made the highest price for the day. In second came Rembrandt's small *A Man in a Gorget and Cap* at £8.44M (\$13.2M – est. £8-£12M – bought on the reserve by an Asian) and in third was Lorenzetti's *Christ between Sts. Peter & Paul* at £5.1M (\$7.97M – est. £1-£1.5M).

When the evening's action ended, of the 64 works offered 54 sold for a total take of £85M (\$133.5M – presale est. was £61.8-£88.3M – so they were well within the range). The top 10 works brought in just over £59M (92.8M) or about 70% of the total sale.

The next day they offered the general merchandise and the top lot here was catalogued as Follower of da Vinci and carried a £50-£70K est. --- it sold for 937K (\$1.47M); it was also interesting to note that 9 of the top ten works beat their estimate. When the day was done, of the 121 works offered 71 sold (59% - not very strong) and the total take was £4.44M (\$6.96M – est. range was £3.7-£5.5M – so they made the numbers).

That evening Sotheby's presented their offerings and taking the number one slot was Van de Velde's *The Surrender of the Royal Prince...* which carried a £1.5-£2M est. and sold for £5.3M (\$8.32M) – not bad. In second was Brueghel's *The Battle between Carnival and Lent* that made £4.5M (\$7.09M – est. £4-£6M) and in third was Cranach's *The Feilitzsch Altarpiece* at £4.3M (\$6.74M – est. £4-£6M) – the last two only making their estimates with the buyer's premium.

When this sale ended, of the 43 works offered 29 sold (67.4% -- a bit better than the competition) and the total take was £32.2M (\$50.6M – presale est. £26.7-£40.4M).

The following day came the last of the painting sales and the top three works here were a piece attributed to Dirck Dircksz. Van Santvoort at £409K (\$639K – est. £80-£120K); another by Dirck Dircksz. Van Santvoort at £289K (\$452K – est. £60-£80K) and a William Larkin at £289K (\$452K – est. £40-£60K). I have to guess that the buyer of the attributed work believes it is the real thing!

In the end, this sale saw 218 works offered and 124 sold (56.6%) for a total take of £6.2M (\$9.6M). I also need to add that both salerooms offered a selection of works on paper: Sotheby's brought in £6.9M (\$10.8M) and Christie's added £4.16M (\$6.5M).

So, for the week Christie's brought in £93.6M (\$146.9M) and Sotheby's generated £45.3M (\$71.1M); and when combined that adds another £139M (\$218M) to the London totals (about \$918M) --- still a little shy of the \$1 Billion mark – but what is a few million among friends!?

Final Thoughts

More and more people are looking for alternative investments today and a great deal of money is still flowing into the art market. It is important to remember that buying art is a long run commitment and in certain markets there can, and will, be some wild swings; however, over the long run art has proven to be a fairly good place to park some of your cash – and where else does your money look so good?

My compliments to the salerooms on trimming down the Old Master sales: last year they offered 965, sold 552 (57.2%) and grossed £115.4M (\$185M) while this year there were 809 works offered, 523 sold (64.6%) and a gross of £139M (\$218M) – a nice indication that less is still more! However, further slimming of these sales is needed – it appears that the market is prepared to absorb about 500-550 Old Master works during July, so why not try to come close to those numbers? Sell-through rates of 90% plus would be far better. The tighter the sales, the stronger the market will be. We all know that buyers are being very choosy today and only want the best quality works in any price range ... so why not give them what they want?

Howard L. Rehs

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Gallery Updates: Another reminder -- will be in Baltimore during the month of August and after that we have another show at the 67th Street Armory in NYC during September.

Web Site Updates: First we have posted new biographies on James Neil Hollingsworth, Bart Walter, Allan Banks and Ben Bauer. We have also added a number of new works to the web site ... some of which are illustrated below:

TRADITIONAL



Johann Berthelsen – *Central Park South* – 16 x 12 inches

CONTEMPORARY



Holly Hope Banks – *A Possible Suitor*
13 x 22 inches



Gregory F. Harris – *Afternoon in the Rose Garden*
18 x 27 inches



James Neil Hollingsworth – *Big Grapes (No. 2)*
24 x 24 inches

Next Month: Hopefully no art sales coverage!