

COMMENTS ON THE ART MARKET

VOLUME 7

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The Art Market vs. The Stock Market

I was sitting at the breakfast table the other morning watching the stock market report. Once again a company had warned that it was not going to meet the 'expected' numbers and the ripple effect was amazing. Any company that had some relationship to this firm and its industry was down... another day of the ups and downs of the stock market.

I really don't know why I watch this program every morning... it is not as though I am going to have any control over what is happening. Only those 'experts', the ones that told us just a few short years ago to buy everything tech oriented, seem to have an effect... and boy what an effect they have. Now I am not trying to knock your stock broker (or for that matter my own), but they do need a reality check now and then, and I guess we are all getting one right now!

While watching this particular show I began to think about the market... not the stock market, but the 'art market'. Now I use that term loosely because as I have always believed, there is more than just one art market.

When you read about the 'art market' in newspapers and magazines they are typically referring to sub markets, and even more interesting, in my mind, is that what they are really referring to are specific auction sales that are taking place on a specific date – usually the Impressionist and Contemporary sales. Could you imagine if they gauged the validity and health of the stock market by looking at a few trades that took place on a specific day – once every 6 months?

Remember, the 'art market', like the stock market, trades works every day. And what if the offerings in those particular auctions were not of the best quality, what if many of the works were in poor condition... nobody ever writes about that in their columns. All they tell you are results for specific works and the overall results... and that is supposed to determine the 'markets' health... HA! An auction room offers for sale only those works people bring to them, if they are offered only mediocre works, then their sales are filled with mediocre works.

If the offerings in that particular sale were not of the right quality, then why should they have done well... and why does that determine the state of the art market in general? As someone who has been involved in the art market all their life, I can tell you that to those in the trade, the auction market is looked at as a small piece of a large pie.

Let's go back a few years... back to the mid / late 1980s when the 'art market' (in general) was in a very healthy state. Did you know that just about everything was selling... regardless of condition and quality... we found it to be an amazing time... you could watch the same painting change hands a number of times, and each time it sold for more money... my father always referred to it as playing 'Hot Potato'... you never wanted to be the last one holding it.

Then came 1990 and things began to fall apart... the main sales of Impressionist and Contemporary paintings began to falter. Works that just a few short years ago were selling for hundreds of thousands and millions of dollars were no longer saleable. The Contemporary and Impressionist markets tanked... and it was doom and gloom in the eyes of those critics who viewed those two particular markets as the gauge for the rest of the 'art market'.

As you all know, our gallery deals in 19th century Academic, Barbizon and Realist paintings. And while many of these artists painted during the same time as the impressionists, these two markets have a life of their own. While the Impressionist and Contemporary markets plummeted, the 19th century market

leveled out. Yes, things were tough and it was hard to sell works of art, but the prices did not drop for the good quality works. Few good paintings appeared on the market and those that did held their own... as long as they were good examples in good condition.

Furthermore, you need to keep in mind that most people buy 19th century works for the image and not just for the artist. This, in my opinion, is one of the main reasons why the 19th century market is so stable; people do not get caught up in the need to own a work by a particular artist... what they are buying is the image. Of course the artist needs to be of some importance, and the work needs to be in good condition and good quality, but these are secondary needs. The first thing is what is on the canvas... and that is truly the way it should be... in every market.

Now let's jump to the mid 1990s... many of the galleries that opened during the 1980s boom and were in it just for the money, closed - these so-called 'dealers' were the main players of 'Hot Potato'. Those galleries who handled good quality works and had been in the business for decades made it... and are still here. By 1996 the 'art market' (in general) was on the move again... however, it was a more stable and controlled move. Many people had learned their lesson... not to buy everything in sight... regardless of the works image, quality and/or condition.

Today, 2001 - the stock market is in a tizzy and on any given day the market can move 200 points or more... enough of a swing to give even the most seasoned 'roller coaster' rider a nauseous feeling. But where is the 'art market'?

In our opinion (and I am going to restrict myself to the 19th century market), it is in one of its healthiest cycles. Every week we hear about another important 19th century painting that has made a new auction record (and it is important to note that we are only talking about auction records because there are many more important works that come on the market through the various galleries).

Just last month Turner's 12 x 20 inch watercolor *Heidelberg with a Rainbow* sold in London for more than \$2.8 million; in May Emile Munier's painting *Le Sauvetage* made \$336,000; in November of 2000, Daniel Ridgway Knight's 29 x 24 inch painting *Coming from the Garden* sold for more than \$400,000 and in May of 2000 William A. Bouguereau's painting *La Charite* sold for more than \$3.5 million and Fred Morgan's painting entitled *May I?* sold for \$974,000.

However, it is not only these high prices that give evidence to the strong state of the 19th century market, but also the fact that works that are not of the best quality, or have serious condition problems, are **not** selling at auction. When we begin to see these lesser quality works sell, it will then be time to rethink our position.

As for now, and as we have always believed, art is a wonderful asset to own and is probably one of the few that, as my father once stated to me years ago, will appreciate while you appreciate it. I know... some advice from an art dealer to buy works of art... how self-serving is that! Well, I will leave you with the following bit of information - JP Morgan puts out a wealth management publication for their clients entitled Portfolio. In the May 2001 edition they were pushing 'their' art advisory services (Yes, I was amazed as well) in an article entitled "*Art Collecting: Not just for art's sake: assets that enrich your life*". It is an interesting article, with some good basic information, but taking advice from an investment banker on art? What next... medical advice from your art dealer? Hum...food for thought!!

Keep in mind that it is important to buy the right works of art, by the right artists, and don't settle for mediocrity. And I know I have stated this before, but I really believe it...find the right art dealer who will help guide you through the art world... it is a jungle out there and you need an experienced individual to steer you clear of its pitfalls.

At least there is the comforting feeling that when you wake up in the morning and turn on the TV you will not see two gentlemen seated at a desk discussing the reasons why your Turner, Knight or Morgan painting has just dropped 50 points on disappointing earnings, or failed to make the whisper number (love that term)!

Have fun and make your journey through the art world an enjoyable one.

Howard L. Rehs

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Gallery Updates: Response to the contemporary works by Sally Swatland has been overwhelming. Our first magazine ad illustrating her work was featured in the June issue of Art & Antiques – and all the works in that ad are now sold. We have had many calls from collectors and dealers seeking more information about Sally and her work. Please take a look at the Online Inventory page to see our current offerings and visit her Virtual Exhibition to see an updated bio and many of the sold works; the direct links are as follows:

[Sally Swatland – Available Works](#)

[Sally Swatland – Memories of Summer](#) (Exhibition of sold works)

Virtual Exhibitions: This month we have added a virtual exhibition featuring the Victorian garden paintings of Alfred de Breanski, Jr. Take a visual stroll through a selection of beautiful cottage and manor garden views from the turn of the 19th century. As always, please remember that all of the paintings featured in our virtual exhibitions are sold; the direct link is as follows:

[Alfred de Breanski, Jr. – A Summer Garden](#)

Art Market Updates: Art, money laundering and a sting operation... sounds like a nice plot for a movie... well it really happened. In the July issue of the Main Antique Digest the following article appeared:

ART DEALERS ARRESTED, CHARGED – Shirley D. Sack, 73, and Arnold K. Katzen, 62, of New York City and Alan M. Stewart, 65, of Stamford, Connecticut, were arrested on May 31 and charged in a federal complaint with “conspiring and attempting to launder \$4.1 million in illegal drug funds.”

The complaint alleges that Sack, of Shirley D. Sack, Ltd., 300 East 56th Street, and Katzen of American European Art Associates, 1100 Madison Ave, traveled to Boston where they attempted to sell two works of art to a federal agent who represented himself as a drug dealer for \$4.1 million in cash...If convicted, all three defendants face maximum sentences of 20 years imprisonment, to be followed by three years of supervised release, and a \$250,000 fine.

Just in case you were wondering, the two paintings they tried to sell were *Jeune Femme aux Yeux Bleus*, by Modigliani and *La Coiffure* by Degas.

Once again, greed rears its ugly head!