

COMMENTS ON THE ART MARKET

VOLUME 96

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Our Newsletters

Volume 96 marks the end of our 8th year. As many of you know, we also provide three online versions of our newsletter – email, web and PDF. This month we will offer two expanded versions of this newsletter online; to see them, please visit our Newsletter Archive at www.rehs.com – both the web and PDF versions are there.

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The Art & Stock Markets Continued

Looks like nothing has changed in the wild and crazy stock market – another month of 500 – 1000 point daily swings and, as I have said before, we are just going to have to adjust to this rollercoaster action for the time being; might be time to invest in Pfizer – the makers of Dramamine. I, like many of you, can always take comfort in knowing that being down 38-42% for the year is better than being down 45-50%! I will add that on October 27 I made a small purchase – 300 shares of RIMM (Research in Motion – the Blackberry people) at \$44; on November 4th it hit \$55; on the 14th, \$40; the 21st, \$44.8 ...

Now on to the fun stuff: The Art Market.

The 19th Century

When we last left off, the 19th century sales in New York were about to take place – and overall, they were not a pretty site. Those of you who spoke with me before the sales knew my general opinion – more sales filled with many works that not only had condition / quality issues, but also carried ridiculous estimates; not to mention the many unattractive examples with similar hefty estimates. These sales were great examples of what I classify as The Good, The Bad, and The UGLY! While there were some very nice paintings, the overall results were as expected; and to be honest, I was surprised that they sold as much as they did. (M = million)

Taking the top slot that week, at \$1.65M, was Leopold C. Muller's *An Almee's Admirers* (est. \$800-\$1.2M); coming in second was Bouguereau's late period, 1900, *Le Petite Maraudeuse* at \$1.59M (est. \$900-\$1.2M); and coming in third was Jean L. Gérôme's *Le Barde Noir* at \$1.17M (est. \$700-\$1M). Fourth and

fifth spots were filled by Pasini's *Mercato in Oriente* at \$1.14M (\$5-\$700,000) and Edme Dehodencq's *Musiciens juifs dans les rues de Tétuan* at \$1.08M (\$4-\$600,000). Of the top 20, about half were Orientalist (Middle Eastern) works. Can you see the pattern here? While the sections devoted to these works did not fare as well as previous sales, Middle Eastern oil is still where the money is.

While I do not have the space to list all the bad and ugly works in these sales, it is interesting to note that so many artists were represented by over-estimated, or condition issued, works, including: Tissot, Courbet, de Schryver, Corot, Munier, and Bouguereau (we saw two of the Bouguereaus earlier this year and gave a price range of \$5-\$700,000 – they were being offered here in the \$1.2-\$2.5M range). And while some sold, a majority did not – including the Bouguereaus.

I trust you will agree that the final results help illustrate the lack of quality in these sales. Of the 467 works offered only 215 found buyers, leaving 252 works unsold (54% did not sell) for a total take of \$24.48M (an average of \$113,883 per lot sold). Now here is the interesting comparison; last October's similar sales saw 555 lots offered with an unsold rate of 37% (209 works) for a grand total of \$39M (an average of \$112,717 per lot sold). So this year's 'per lot average' was actually higher.

I have been saying this for a long time, quality works will find buyers even in hard times; and while last year's comparable sales sold more lots, among those were many poor quality pieces. This year, even though some of the mediocre works sold, the real action was focused on the better items – resulting in a very strong price per lot total. Times are tough and if the salerooms continue, as they are doing, to flood the market with numerous works by each artist and give estimates regardless of condition, quality, etc. we will see even bigger unsold rates down the road. Smaller sales, featuring only the better works, will benefit all of us in both the short and long run.

The Impressionists and Modern

I must begin this report by saying that after receiving all the catalogs (29.7 lbs worth – yes I weighed them) I knew these sales were in for big trouble – the amount of product being brought to the market was downright stupid. To begin with, there were three evening sales – THREE!? And some of these sales not only included Impressionist and Modern works, but furniture, Contemporary and American paintings – come on!

For the past few years the salerooms' public relations arms worked overtime getting the word out about their

amazing results. Press Releases were 5 or 6 pages long and included all sort of statistics, adjectives, and charts, to show the ever increasing demand for art. Well, this time around, there was barely a whisper and the actual press releases were just 2 pages long – highlighting the few exceptional results. And how many of you actually read about these sales in your local newspaper? I bet very few. The New York Times, whose headlines included - The Fall Auction Season Opens With Little Enthusiasm and Gris Set Record in Slow Auction Night, chalked up the lack of interest to sales that were “overstuffed with mediocre examples by first-rate artists like Monet and Matisse.” So, do you know what really burns my butt? These sales were comprised of the similar mix of works we have seen for years – just now, the buyers are being very cautious and those poor quality examples with huge estimates are not finding buyers. Why doesn't the press report, during the boom times, that many of the mediocre works were selling at ridiculous prices? I always wonder how much impact the advertising dollars, of the major auction rooms, have on the 'unbiased' reporting? On top of this, even some of the nicer pieces that were bought only a few years ago carried estimates at 4, 5 or 6 times what the owner paid! It is nice to see that a dose of reality is beginning to set in – at least for the salerooms.

Now, having said all that, the results, which were far from blistering, were still rather impressive given the current economic/financial climate. I will start with the top 5 sold works: Malevich's *Suprematist Composition* (est. in the region of \$60M – yes that is what they said; but they also had an irrevocable bid on the painting – so it was guaranteed to sell) brought \$60M; Edvard Munch's *Vampire* (est. in excess of \$30M) brought \$38.16M; Degas' *Danseuse au repos* (est. in excess of \$40M, and bought by the sellers in 1999 for \$27.9M) sold for \$37.04M (a record price for any work on paper at auction) – it was reported that the sellers were given a guarantee of over \$40M by the auction room. Juan Gris *Livre, pipe et verres* (est. \$12.5-\$18.5M) brought \$20.8M; and Picasso's *Deux personages* (est. \$18-\$25M) brought \$18M. Of course there were many other strong prices paid for works by Kandinsky, Giacometti, Caillebotte (one of the more impressive works in the sale), Cezanne, etc.

The three evening sales saw a total of 210 works offered; of those 132 found buyers (about a 63% sell through rate) and 78 were returned to their owners (some of which became auction room property) for a total take of \$417.6M – an average of about \$3.16M per lot sold. Not too shabby when you consider where your stock market portfolio has been going and the fact that most people are skittish about spending money.

The day sales, filled with a plethora of marginal works, saw another 731 items being offered; of those 374 sold (a 51% sell through rate) and 357 bought-in, for a total of \$54.8M. I will add that one of the single collector's sales, which had 53 lots, sold all 53 (a 100% sell through rate). When all totaled, the week brought in just over \$472M (they predicted about twice that amount). Now before you start crying for the owners of some of the works keep the following in mind – the auction rooms were being rather piggish with their expectations. In 1999, Giacometti's *Three Walking Men I* was sold for \$5.7M – this time around

it carried an estimate of \$14-\$18M and only, I want to stress only, sold for \$11.5M; compare that to some of those Blue Chip stocks you bought in 1999 and where they are today. Modigliani's *Seated Man*, which was bought in 1996 for \$3.2M, carried an \$18-\$25M estimate and did not sell. Another Giacometti, *Diego's Head*, estimated at \$6 - \$8M and bought just three years ago for \$1.1M, failed to find a buyer – the only saving grace for the owner is that the auction room gave a guarantee, reported to be in the \$6M range, so they did not care. And one final disaster, among the many, was Rothko's *No. 43 (Mauve)* – a rather dark unattractive work – which carried an estimate of \$20-\$30M and failed to sell. The owners paid \$1.5M for it in 1988 and there was chatter that the work had some condition issues. But don't cry for these sellers either because they also received a sizable guarantee. And to be honest, this work should have been sold in the Contemporary sales which took place the following week.

Here are some final numbers and food for thought:

This year: 941 works offered, 506 sold (54% sell through rate), \$417.6M total.

Last November: 750 works offered, 565 sold (75% sell through rate), \$804M total.

I also decided to look at the May results:

May 2008: 687 works offered, 516 sold (75% sell through rate), \$598M total.

May 2007: 768 works offered; 613 sold (80% sell through rate); \$620M total.

What these numbers say to me is that this particular market is able to absorb, depending on the economic climate, between 500 – 600 works of art – NOT 941! Like they say -- as you sow, so shall you reap; or, in this case, too much product leads to poor results.

Regardless of what you once believed, art has now proven itself to be a serious asset class. That week, people spent hundreds of millions of dollars to acquire the 'right' works for their art portfolios (even with the election and an out-of-control stock market). Many of the buyers were seasoned professionals and collectors who have made a great deal of money in the art market over the long haul and will continue to do so.

The Contemporary

As you can see, I have run out of space in our paper edition. Please visit the Newsletter Archive on our web site (www.rehs.com) to read the expanded coverage.

Howard L. Rehs

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Gallery Updates: Works by Antoine Blanchard, Fremont Ellis, George Armfield, and Holly Banks found new homes this month.

Web Site Updates: New works by Ridgway Knight, Zuber-Buhler, Armfield, Banks, Kuhn and Swatland have been added to the web site this month.

Next Month: More exciting Art Market updates.