

COMMENTS ON THE ART MARKET

VOLUME 97

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We, here at Rehs Galleries, wish you and your family all the best for the Holiday Season. We hope that 2009 will be a MUCH BETTER year for all!

The Markets Continued

By December 12, the day I started this report, the stock market was down 196 points for the month (with a daily closing swing of 2473.07 points). By press time, December 19, it was down 246 for the month (with a 3243.76 closing point swing) and my personal portfolio was teetering at the 36% loss level for the year! So much for INVESTING in the stock market.

Through much of my writing I compare the stock market to a floating crap table, but it appears you have better odds of making money at craps; so a more accurate comparison would be slots or roulette. And if you are looking for advice on how to win, here is mine --- don't play! During my lifetime I tried my 'casino' luck about a dozen times and once, while playing the quarter slots, I won over \$21,000 – so miracles do happen!! You should also know that since my win, I have never been back. Today I like to 'play' the stocks: buying another 200 shares of RIMM for 6 ½ points less than I paid last month – you know, dollar averaging; and 300 shares of Citi. I sure hope that those bets are better than the black 8 on the roulette table. Who knows what the stock market will bring tomorrow; and since there is little any of us can do about it, let's turn our attention to the art market.

During these troubling financial times, a fair number of works showing up at auction are not finding buyers and it is my belief that the reason for this is less about their quality, and more about the quantity being offered. I will continue to stress this: there is just so much art any one market can absorb – a statement that was, once again, confirmed this month when thousands of works hit the auction block. First up were the Maritime & Sporting sales, which respectively were torpedoed and put out to pasture. (M = Millions; E = Estimate)

Marine & Sporting

Both main New York auction rooms had their sales (three in all) during the first week of December and the results were no surprise to me. First and second place went to Alfred Munnings whose *F.H. Prince and the Pau Foxhounds* made \$1.06M (E. \$1.2-\$1.8M) and *Off to the Start* brought \$362,500 (E. \$350-\$550,000); coming in third was Herring, Sr.'s *The Earl of Chesterfield's Industry ...* at \$338,500 (E. \$450-\$650,000). Rounding out the top five were Wilhelm Kuhnert's beautiful painting titled *Giraffes* at \$212,500 (E. \$250-\$350,000) and George Stubbs' *Ambrosio, a Bay Stallion* (a work that has seen better days, but that made little difference to the buyer) at \$206,500 (E. \$100-\$150,000) – a very strong price for a painting I initially walked right by and finally came back to look at – my comment was YUK!

Now for the numbers – between the three sales about 553 works were offered and 265 found new homes; a sell through rate of about 45% and a total take of \$6.8M – far, far below the total they were expecting. So far below that they never released the expected numbers. As always, many of the works had condition and quality issues; however, in my opinion, it was the large number of paintings offered by certain artists that caused the high buy-in (unsold) percentages – 28 works by Herring, Sr. were offered (including 9 important examples), 18 by Dawson, 14 by Jacobsen, and the list goes on.

And just to rub a little sea salt on this wound, one of the auction rooms had a corresponding Maritime sale in London the following week with another 79 works – only 30 of which found buyers; a 38% sell through rate that totaled £983,475 (about \$1.45M).

The Americans

During the same week that the Marine and Sporting sales were taking place, the American sales were in full swing ... sure, MORE art for sale!

These sales were actually filled with a mix of good and average works which resulted in acceptable returns given the current economic climate. Taking top honors was F. Silva's *Sunrise at Tappan Zee* at \$2.66M (E. \$1.5-2M); the second slot was filled by G. O'Keeffe's *Blue Wave Maine* at \$1.65M (E. \$1.5-\$2.5M); and in third was M. Hartley's *The Silence of High Noon* at \$1.54M (E. \$1.5-\$2.5M). There were also works by Grant Wood, Hassam, Avery, Remington, Farney, Marin, Wyeth, and Garber that did very well.

In the end, of the 370 works offered 218 found buyers; a sell through rate of about 59% and a total take of \$46.1 million. If you are keeping track, so far we have seen 1002 works offered!

The Old Masters

What – more art!? You have to be kidding? Sorry, but I am not! Yes, London had its round of Old Master sales that same week and the results were hot; so hot in fact that one might use the word smokin'!

The evening sales started with a bang and taking top honors was Canaletto's *The Grand Canal* at £3.85M (about \$5.7M – E. £3-5M); second place was nabbed by van Mieris when his *A Young Woman in a Red Jacket Feeding a Parrot*, estimated at only £500-£700,000, brought a whopping £3.63M (about \$5.4M); and in third was an even more impressive result when da Carpi's *Portrait of Bindo Altoviti* (E. £200-£300,000) made £3.07M (about \$4.57M). Of the 97 works offered, 67 found buyers (a 70% sell through rate) for a total take of £28M (or \$41.6M).

The day sales saw another 350 works offered and 219 finding new homes (about a 63% sell through rate) for a total of £7.92M (\$11.7M). When all totaled the Old Masters offered 447 works; of those 286 sold (64% sell through rate) for a grand total of £35.92M (\$53.3M).

And for our running total, that makes 1449 works offered so far – just from the two main auction rooms and for only the sales that I have covered. There were also 53 Early British & Irish Paintings, 105 British Drawings and Watercolours, 178 Modern & Contemporary; and 333 Twentieth Century works of art offered – bringing our total to 2118 for the week!

Victorian & Edwardian

Well, there was no stopping them in December and the following week saw another onslaught of paintings, drawings and sculpture. The first to appear were the Victorian and Edwardian. Interestingly enough, both of these sales had very few lots -- one offered 72 and the other 84 ---and both had a tough time. Okay, so your next question is: if these sales had very few lots why didn't they do well? The answer is easy, 2 weeks prior (in November) one of these auction rooms had a 242 lot single owner estate sale of British art that spanned the same periods – and that one did extremely well (88% of those lots sold with a total take of £3.82M – about \$5.7M). So, another 156 works in the British & Edwardian periods was just too much!

Anyway, here are the results. Top honors went to Grimshaw when his *Glasgow, Saturday Night* brought £481,250 (about \$713,000); runner up was Dicksee's *Paola & Francesca* at £409,250 (about \$607,000); and in third was Waterhouse's *Flora* at £268,250 (about \$394,000). Other works by Grimshaw, Godward, and Frith also did rather well.

Of the 156 works offered, 82 found new homes (a 52.5% sell through rate) for a total take of £3.59M (about \$5.28M).

In addition to the results above, during this week there were additional sales: 95 lots of British Art on Paper; 262 lots of 20th Century British Art; 353 Contemporary works; and 233 Impressionist works. So, for the first two weeks there were 3217 works offered.

On top of that, the following week saw another 639 works offered in a variety of painting sales; bringing our total for just the two main salerooms to over 3850. Additionally, they had a number of 'general' sales that included paintings – so the real total was probably well over 4000! And if you were to add in all the works offered by the hundreds of other salerooms across the globe, the number would be mind numbing.

Art Market Results – Digging Deeper

With all the sales during the fall season I thought it would be interesting to dig a little deeper and take the top 20 lots from select sales and see how they did in comparison to their estimates. For this quick study I chose the 19th century, Impressionist / Modern, Contemporary, American, and Old Masters. When reviewing the statistics it is important to remember that these are only the top 20 **sold** lots (10 from each of the two main auctions) – so there may have been more expensive lots that did not sell and are not included in this study. The list below is ranked by the percentage of works that sold above their high estimate (and the final amounts used included the commissions charged by the auction room).

The 19th Century European (New York)

Percent sold above estimate – 60%
Percent sold within estimate – 25%
Percent sold under estimate – 15%

Old Master (London)

Percent sold above estimate – 55%
Percent sold within estimate – 40%
Percent sold under estimate – 5%

American (New York)

Percent sold above estimate – 40%
Percent sold within estimate – 60%
Percent sold under estimate – 0%

Contemporary (New York)

Percent sold above estimate – 20%
Percent sold within estimate – 30%
Percent sold under estimate – 50%

Impressionist / Modern (New York)

Percent sold above estimate – 10%
Percent sold within estimate – 65%
Percent sold under estimate – 25%

What these numbers show is that the more traditional works seem to hold up better in troubled economic times; while the contemporary are among the most volatile. Buyers of the more traditional

schools usually, but not always, consider what is on the canvas first, rather than looking at who 'signed' it. In addition, these works, and their artists, have a fairly long track record of price appreciation and stability. We have always stressed that in any market you need to buy the best works by the artists you are collecting. If you are just collecting signatures, then you should contact a dealer who sells autographs -- I am sure a nice letter written by Renoir will be far less expensive than one of those crappy fruit studies he did by the truckload. And who knows, you may even get a juicy bit of Impressionist gossip.

Remember, you do not 'have-to-have' a work by a specific artist in your collection to make it wonderful and interesting. You may 'want' certain artists represented, but then you need to be careful and buy right. Another point we continually stress is that if you cannot afford a great quality work by a specific artist, then look to other artists from the movement/period whose quality works you can afford. In a hot market you may be able to throw caution to the wind since there will always be another 'sucker' to take your minor/poor quality work if you need to sell. However, in a tough market, those works are far less likely to find a buyer. And to be honest, junk/stuff will always be just that – even in great times.

Final Thoughts

There is an easy fix to these high buy-in rates – stop flooding the market. Years ago the typical 19th Century European Painting sale included all the 19th century works (Marine, Sporting, Russian, etc.); today, we have individual sales for almost every category. And where there is a themed sale, there is a need to fill it – and fill they do, with whatever they can get! In addition, specialized departments were created causing competition within their own business (one department trying to get a work before the other does). The auction rooms need to roll back the clock and merge some of these departments – enabling them to produce stronger, more controlled, sales that will help put some order back in the market.

Most major sales should contain 150-250 lots and a good deal of selectivity needs go into their make-up. We all know that not every painting is an important work, but those paintings that fall into the minor classification or have condition / quality issues should be sold in separate sales. Years ago the auction rooms had both Important Sales (for the better works) and Fine Sales (for the not-so-important works) – and those can take place at different times of the year to help spread out the number of works offered at any one time.

It is also time for the auction rooms to stop wearing so many hats --- auctioneers, dealers, brokers, bankers, advisers, etc. They do have an important role in the art world – to sell works in a public forum. They are not art dealers, in the true sense of the term, and they are definitely not bankers – so they should stop trying to be a jack-of-all-trades and do what you do best. And as for the financial guarantees they give to certain sellers, these are great for the seller; but don't you think that once an auction room has a vested interest in a work there is going to be a conflict of interest? Which works will they highlight in the exhibition? Which works will they push their buyers to acquire? I think the answers are pretty obvious.

The auction rooms are now feeling the pinch and their first round of layoffs are starting. When the world's economy stabilizes and even more people begin to look at art as a viable alternative investment, I hope that the auction rooms will be more responsible.

Howard L. Rehs
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Gallery Updates: The gallery will be exhibiting at the Los Angeles art Show, January 21 – 25, 2009, LA Convention Center. If you are planning to attend, please stop by and see us.

Web Site Updates: I decided to re-write some of my older newsletters --- updated versions (including PDF files) of Volumes 1 – 16 are now on the site. We have also added works by Hoeniger, Bolotowsky, Swatland, and Banks to the site; a few are illustrated below:



Paul Hoeniger
Moulin de la Galette, 1894



Ilya Bolotowsky
Blue Construction, 1939



Sally Swatland
August Morning



Holly Banks
Cherries, 3 Plums and Carnations

Next Month: More exciting Art Market Updates.