

COMMENTS ON THE ART MARKET

VOLUME 95

Rehs Galleries, Inc. – 5 East 57th Street, New York, N.Y. 10022 – (212) 355-5710
www.rehs.com

First, our hearts go out to those of you who have been hit hard by the Lehman, AIG, etc. messes. Some of our close friends and clients work/worked for these firms and I know they are going through a very difficult time, both financially and mentally. Hang in there!

We were also pleased to hear from, and in some cases see, our friends and clients in the weather hit areas of Texas ... it appears that they are beginning to get back to their daily routines.

Gallery Renovation Update

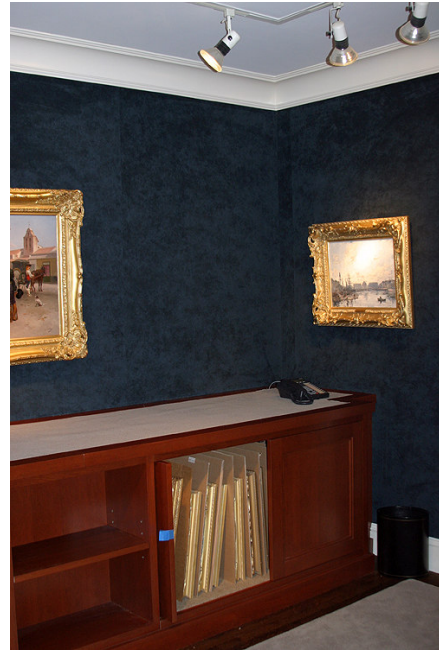
We are done! Well, we still need a few door knobs, but the place looks great. And if you are in the area, stop by for a visit. A few final images can be seen below:



Looking Through the Gallery



New Storage Closet



New Storage Cabinet



New Storage Bins

IRS Art Advisory Panel Follow-up

I last left off after just sending back my 10 lb. box and was getting ready for the upcoming meeting. Well the next morning, Friday, another 7 lb. box arrived with the balance of the material for review. Now they did tell me that another, smaller, package was on its way, but I assumed there were going to be a few additional works to research. I decided to spend all day Friday completing the necessary research and by that evening I was finished. Saturday morning I packed up all the material and sent it back to Washington.

Next up, the meeting! I arrived at the location a little early, assuming I might need some time to sort through all my material. After entering the building and surrendering my ID to building security – to be returned when I left that afternoon – I was greeted by one of the IRS' in-house appraisers who escorted me to the meeting room. This well lit, fairly comfortable, space had plenty of room for each panel member to sort through their material – and there were stacks of material at each desk. I will add that all of

the IRS staff and panelists were extremely friendly and helpful ... every member came over to introduce themselves and see if I needed any assistance.

About 5 minutes into my sorting process the department head came over and asked me to accompany her to another room. There I was introduced to the "fingerprint" person --- as it turned out I was the first member to undergo a new screening process which included fingerprinting (black ink and all). Now that I am in the "system" I will have to give up my dreams of being a cat-burglar in my twilight years! I was waiting for the retinal scan and mug-shots, but was assured they were not necessary.

Once printed, I made my way back to the meeting room and was officially introduced to the rest of the panel members; then the fun began. The pace was rather fast and the level of knowledge around the table was impressive. The process was simple: works were reviewed in alphabetical order and any member who had comments could chime in. Once an agreed value was established we moved on. While occasional differences of opinion did arise, it was amazing to see how similar the values were from the various panelists. Many of us had additional price/sales records to back up our opinions and all that information was collected by the IRS.

The meeting started at 9:30 am, we had a 45 minute break for lunch, and by 4:30 we were finished. The panelists all said their good-byes and most headed for the airport. I was back in New York by 8:30 pm. The experience is one I will never forget and I am already looking forward to the next meeting.

Stock & Art Market Comments

If this whole financial mess wasn't so sad, one would almost find the minute by minute gyrations of the stock market somewhat comical. Try listening to people who watch their portfolios all day long; it is as though you are listening to a sports fanatic watching their favorite football team. As the game starts the opposing team takes a commanding lead and they are completely depressed. Suddenly loud cheers erupt as their team fights its way back to take the lead (which only lasts a few moments). Then screams of agony as the opponents, once again, take the lead; and then cheers of joy as the tables are turned. This see-saw battle continues for hours until the last few minutes of the game. With their team in the lead, they are sitting pretty, but the opposition gets the ball with two minutes to go and scores 12 touchdowns -- leaving our fan dazed, confused, and not to mention --- ticked off!

It is time for us common folk to realize that we are at the mercy of the dice holders on Wall Street. Unless we cash in our chips and go home there is nothing we can do except pray that the current roller hits his numbers for a protracted period of time. And let's face it, at this point most of us do not want to cash out and are going to wait for a lucky roller to, once again, appear.

I am sure that, like me, your net worth plunged this past month? By October 9 my stock portfolio was down 35% for the year; by the 15th, down 39%; and by the 24nd, down 41.8% -- OUCH! And how many of you watched a stock or two completely disappear? I, for one, am happy to say that so far nothing I have went to zero, but a couple of stocks are now trading in the \$2 range and one at 64 cents (it was \$24 less than a year ago)!

I think the following story sums up the total stupidity of the people screwing around with our financial wealth --- and right now "wealth" may be too strong a word. One morning I was watching CNBC and a commentator mentioned that the Fed was going to make an announcement. Stock futures, which were jumping around all morning, shot up 60 or 70 points. Then the Fed released some information on the bail-out package (when and how some of the funds would be released into the market). Since this was not the information the market wanted to hear about, the futures dropped into serious negative territory ... all in the span of about 3 minutes! Give me a break. Can we really call today's stock market an 'investment vehicle'? I am even more convinced that it is now the biggest floating crap/roulette table in the world ... 1000 point swings in a day? I really believe you have better odds of making money in Vegas. To handle "investments" like these you need heavy medication -- anyone for a Valium or maybe a few shots of vodka?

Now I am not going to tell you that art is a better investment --- that is something you need to decide for yourself. We have and always will stress that you buy art because you love it and want to own it; however, I do know that you will not wake up one morning and find out that your art completely disappeared, unless you had the misfortune of being robbed the night before (but then hopefully you were

insured and will recoup all your money). Not so with the stock market; as we have all recently seen, even major corporations can vanish in the blink of an eye. Try calling your insurance company and claiming that all your Lehman stock disappeared and you want to file a claim. I'd love to hear their reaction to that one!

Look, we all know that in really tough times, if people are not spending, you will have a difficult time selling most things; but these times truly illustrate why people should not put all their eggs in one basket (or market) --- and why not have a few good works of art in the mix? Even during the rough patches, they still look good! As Rich B., a client and reader, put it: *the nice thing about the art hanging on my wall is that I cannot see the decline in value like the computer screen shows for stocks! Ignorance is actually bliss!* As for the investment potential of art --- in the long run, good works will perform very well.

I was going to make a few comments about our current choices for the leader of the most powerful nation in the world, but why bother – it is just another sad illustration of our current times. Hundreds of millions of dollars wasted on character bashing – who needs that? The whole situation disgusts me.

One final fun stock market fact; if you add up just the Dow's closing price for the middle three weeks of October the total move was more than 5825 points (11 down days and 4 up days) --- what a ride!

Art Market Update

I know that you are all wondering what is happening in the art market. Well, the public sales started this month and I will begin my coverage with the October 17-20 weekend Contemporary sales in London -- I am still puzzled about the weekend time slot but guess they do things a little different over there! Anyway, with extremely high estimates the results were less than stellar. There was definitely an air of caution in the wind; would any sensible individual expect less?

Many of us in the art world have been expecting a correction in the Contemporary Market and I guess the current financial debacle will help facilitate that. Both main salerooms had their 'evening' sales and unlike the last few years, both had their fair share of casualties. One room offered 47 works, of which 26 sold (a sell through rate of 55%); the other room offered 62 works, of which 45 sold (a 73% sell through rate). And while the results were far from those of the past 5 years, it is interesting to note how much art did sell in these extremely difficult times.

Among the stars of the sales: our favorite canvas cutting artist Lucio Fontana's 1963 *Concetto Spaziale* brought £9 million (\$15.6 million); coming in second was Lucian Freud's portrait of *Francis Bacon* at £5.41 million (\$9.4 million); and in a comfortable third was Warhol's *Skulls* that made £4.35 million (\$7.5 million). In addition, the rooms had their 20th century Italian art sales and those did phenomenally well; with one room selling over 88% of the works offered – shocked me.

In the end that weekend saw over \$100 million worth of art change hands; albeit many at lower, and others at higher, prices than expected. And while they fell far short of their expected haul the important thing to remember is that people were buying while the stock market was out of control. Another interesting fact was that American buyers were extremely active – accounting for more than 40% of the purchases at certain sales.

What the salerooms need to start addressing is the number of works they place on the market at any one time. I have been saying this for years; the market can only absorb just so much. This upcoming season will see more art than we have seen before and I am sorry to say that the owners of those over-estimated or poor condition works are going to feel the sting of a very selective market. I am sure the auction rooms' spin doctors will start earning their pay; but the facts are the facts and it is really time for people to follow our golden rule – **buy the best and pass the rest!**

Howard L. Rehs
© Rehs Galleries, Inc., New York –November 2008

Gallery Updates: Works by Emile Munier, Eugene Boudin, George Armfield, Edouard Cortès, Christensen, Neuville, Godchaux and two by Antoine Blanchard were sold this month.

Web Site Updates: Look for works by Armfield, Cortès, Zuber-Buhler, Dupré, Harris, Banks, and Swatland; a few of which are illustrated below:



George Armfield
Terriers Rabbiting



George Armfield
Spaniels Flushing a Pheasant



Edouard L. Cortes
Rue Royale, Madeleine



Gregory Frank Harris
Sunset Along the River



Gregory Frank Harris
The Haymakers



Allan Banks
Girl Playing a Lute



Holly Banks
A Myriad of Blooms

Next Month: More exciting market updates.