

COMMENTS ON THE ART MARKET

VOLUME 102

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Stepping Down

As many of you know, for the past 12 years I have been the President of the Fine Art Dealers Association; a position I have thoroughly enjoyed. This month I informed the Board of Directors that I will be stepping down as of July 1st – a 50th birthday present to myself and my family. I have devoted a great deal of time to the association and will remain an active member of the Board. I hope this change will give me some free time ... but knowing me I will find something else to fill in the blanks.

Our Every Gyrrating Stock Market

Well I do not know about you, but as of the day I started writing this newsletter (May 20) I was seeing a lot of **BLACK** in my portfolios ... and best of all, my overall return for the year was over 5%; last month my portfolio showed a loss of 2.4% for the year. Okay, so by that Friday I was only up 3.9% but I was still up. And I know there are still last year's losses to address (and the balance of this year), but it is nice to see some positive signs. RIMM was holding in the mid \$70s and Citi was closing in on \$4 -- it is funny to think that some of us would be happy to see Citi hit \$4. I hope that for all of us, better times are on the stock market horizon. Now let's move on to why we are all here ... the art market.

The Art Market

Once again this past month's sales results have shown that fresh works, with a high degree of quality and reasonable estimates, are still selling for exceptional prices. What we have also witnessed are those less than stellar works (issues with condition, period, quality, etc.) are having problems finding buyers. The lesson to be learned: when the art market is in full swing again do yourself a favor and try to acquire those works that are among an artist's best. Be choosy. Do not give into the temptation to buy a work just because a certain artist painted it; and do your homework so you don't overpay for a work because the artist is one of the 'hot' ones --- many of those previous 'hot' artists spent their winter season in the Antarctic waiting for a serious summer thaw! And some of us are wondering in what future decade that might happen.

For the past 5 weeks we have been bombarded with reports in The New York Times, The Wall Street Journal, Bloomberg, etc. Some of these prognosticators think the art market has yet to hit bottom, others believe it has stabilized and still others are noting the market's strength. I have found that the worst articles are written by people who have little long term experience in the art world; usually basing their opinions on a sale's final numbers and taking little to no account that quality, condition and freshness play a vital role in how a work of art will fare at auction. Gone are the times when almost anything will sell – thank goodness! The auction rooms are having a difficult time getting the merchandise they need to create good sales; and those that do obtain fresh material, as you will shortly see, did exceptionally well and those that did not paid the price.

As for the Big Picture, I do believe that the art markets will survive this current economic Tsunami far better than most markets. That being said, some of the sub art markets are going to be harder hit than others. I have been saying for some time that the Contemporary market was due for a correction – well, that correction is upon us and for some it has been a rough ride. Results for the 19th century (reviewed last month) and Impressionist markets have also been a little weak, but then again so have the offerings;

however, the few good paintings that have come on the market made very impressive prices. Now on to the specifics:

The Impressionist & Modern Sales

Well the action began on May 5th and ended May 7th. Top honors for this series went to our old friend Pablo Picasso when his *Mousquetaire à la pipe* sold for \$14.65M (est. \$12-\$18M); in second was Mondrian's *Composition in Black and White with Double Lines* at \$9.26M – leaving its \$3-\$5M estimate in the dust; and coming in third was another Picasso, *Femme au chapeau*, at \$7.75M – a little under its \$8-\$12M estimate. Rounding out the top five were Giacometti's *Buste de Diego* at \$7.7M (est. \$4.5-\$6.5M) and Tamara de Lempicka's sexy *Portrait of Madame M.* at \$6.13M (est. \$6-\$8M) ... the latter being bought by the seller in 1989 for \$990,000; it was just one of many works by Lempicka that sold for strong prices.

Even more important than the top lots is what happened with some of the works whose sale's history we can track... and some were very recent: Pissarro's *La Vallée de la Seine* brought \$2.56M (it last sold in 2006 for \$1.77M); a somewhat weak Sisley of *Moret-sur-Long*, 1892, brought \$1.37M (this was a bit of a loss since last time, 2005, it brought \$1.79M); Munch's *Rowboats at Åsgårdstrand* last sold in 1983 for \$160,000, this time it brought \$1.98M; Leger's *Roses et Compas* brought \$2.32M, in 1993 it sold for \$376,500; Bonnard's *Nu devant la glace ou baigneuse* made \$902,500, in 1997 it made \$406,000 and a tiny Picasso (8.5 x 6 inches) titled *Germaine* sold for \$1.59M, the seller paid \$831,000 in 2001.

In addition, there were some very big casualties (unsold works); these included a Picasso and Giacometti, both of which carried extremely high estimates -- \$16-\$24M -- the highest in these sales; as well as works by Arp, Lipchitz, Schiele and Beckmann.

And here are some additional fun facts. First, the catalogs for these two sales weighed in at a mere 7.17 lbs (about the same as my laptop); last May's sales weighed in at a ridiculous 16.56 lbs (heavier than most bowling balls) – I am sure many trees were happy about this. Second, the two evening sales contained 86 lots, last year there were 110, and the total number of paintings offered in this series was 425 compared to 687 last year. Third, the sell through rate for the 2009 evening sales was about 80% while last year it was only 77%; and the total sell through rate for both evening and day sales hit 85%, compared to 75% in 2008.

While there were some big unsold lots, a majority of the works did find buyers and in the end, the two rooms managed to move almost \$208M worth of art in 3 days ... a far cry from last year's \$598M, but then again they were working with far less material and works that were generally far less important. Let's face it, if you own a really good painting do you really want to sell it at auction now? I doubt it.

The Contemporary

The following week saw the Contemporary and Post War works on offer and I viewed both sales to get a lay of the land. Now I am very open minded about art and can appreciate all periods, but even I had trouble understanding why some of the works offered are so valuable ... and in some instances why they had any value at all! I think I can finally say that I have seen enough single colored canvases to last me a lifetime and I am tired of the shock value some of these artists need to call on to get attention. What happened to good old technique and quality? Well, enough of my uneducated complaining ... let's get on with the results.

The evening sales took place on May 12th and 13th and top honors went to David Hockney's *Beverly Hills Housewife* which brought \$7.92M (est. \$6-\$10M); in second place was Diebenkorn's *Ocean Park No. 117* at \$6.57M (est. \$4-\$6M) and in a close third was Lichtenstein's *Frolic* at \$6.02M (est. \$4-\$6M). All three of these works had something in common – they were part of the Betty Freeman collection and had not been on the market for decades – in other words, “fresh merchandise”. Rounding out the top five were Basquiat's *Mater* at \$5.85M (est. \$5-\$7M) and Jeff Koons' *Baroque Egg with Bow* at \$5.45M (est. \$6-\$8M). Now The New York Times did note that ... *Less than a year ago, a more successful work from Mr. Koons's "Celebration" series "Balloon Flower (Magenta)" sold...for a record \$25.7M*; but what is more important to note, and they did point this out, is that the seller of the *Egg* bought it in 2004 for about \$3M ... so can you really feel bad for the seller? He made about 50% on his money in 5 years!

We know that many of the ‘art speculators’ are no longer in the picture and that the Contemporary market has seen a long overdue correction, but people are still spending millions of dollars in that field. If this is the area you collect, then please make sure that as you move forward you buy works by those artists who have

some historical relevance and please do not get caught up in the – “I need that because everyone else has one” mentality.

Here are a few additional examples to show just how well one can do in this market if they buy right: Robert Gober's *Rat Bait* sold for \$104,500, the seller paid \$69,750 for it in 2001; Charles Ray's *Untitled* made \$302,500, in 1999 it made \$189,500; Warhol's *Kellogg's Cornflakes* made \$482,500, it was bought in 1999 for \$57,500; Rothko's *Black, Red-Brown on Violet* made \$1.65M, in 1988 its cost was \$231,000; Joan Mitchell's *Untitled* hit \$1.2M, it was purchased in 2005 for \$828,000; and David Smith's *Large Circle* sold for \$2.6M, it cost the seller \$220,000 in 1988.

In all 713 works were offered for sale. Of those, 573 found buyers and 140 did not – about an 80.5% sell through rate – for a total take of \$201M. Now to be fair, one saleroom had a far better showing than the other: Sotheby's only contributed \$75.5M (76.5% sell through rate) to the overall number while Christie's brought in \$125.4M (84.5% sell through rate). Now you might ask why? Well, Christie's had fresher merchandise ... and as I stated earlier, that makes all the difference.

And now for the all important comparisons to last year: In May of 2008 a Francis Bacon sold for \$86.3M (more than the entire 2009 Sotheby's sale); in addition the top 5 lots that year made \$230.8M (more than all of the May 2009 sales combined). This year's evening sales included 102 lots with an 86.5% sell through rate; last year there were 140 lots and a 91% sell through rate. The 2009 evening sales total was a mere \$140.8M while last year it was \$710M ... while that is a correction you need to remember that there were far better and more important works last year. In my opinion it is the day results that show the real correction since the general material is usually similar. This year 611 works were offered with a 75% sell through rate and a total take of \$60M; last year there were 752 offered with an 88% sell through rate and a total take of \$192M.

In the end, May 2009 saw \$400M worth of Impressionist and Contemporary art sold – not a bad number when you think about it. However, when compared to the \$1.6billion sold in May of 2008 one has to agree that the bullet train we were riding has turned into the Disneyland Railroad --- moving at a very slow, but steady, pace. Now may be the time to buy a ticket and jump aboard – toot toot!

The Americans

Once the 'serious' action died down it was time to turn our attention to the 19th century American painting sales in NYC (these took place the week after the Contemporary sales). Here again the offerings were very slim and so were the catalogs; as a matter of fact, both salerooms only had enough works to put on a morning session ... and I cannot remember the last time there was only a morning session.

As with any of the recent sales, there are always some interesting works and leading the pack this week was Childe Hassam's *Paris, Winter Day* at \$2.32M (est. \$1.5-\$2M). It should be noted that last year this same painting sold at Sotheby's for \$3.96M. The reason it was back on the market is that the original buyer, Halsey Minor, refused to pay for it claiming that the auction room never disclosed the fact that they had a financial interest in this and an Edward Hicks painting he bought for \$9.7M. There are pending lawsuits on this issue and once they are resolved we will bring you an update.

Now back to the action ... coming in a close second was Milton Avery's *Sketching by the Sea* (1944) which sold for \$2.21M on a \$600-\$800,000 estimate -- one of the keys to its success was that it had been off the market since the 1940s; again fresh merchandise. Third place was captured by Albert Bierstadt's *Oregon Trail* at \$1.76M (est. \$2-\$3M) while fourth and fifth places were taken by Grandma Moses's *Country Fair* at \$1.08M (est. \$700-\$900,000) and Thomas Cole's *View of Kaaterskill Clove* at \$1.02M (est. \$800-\$1.2M).

In the end the two salerooms offered up 248 works, of which 154 found new homes (a 62% sell through rate), for a total take of \$32.1M. Now \$32M isn't a number to sneeze at, but we need to compare that to last year's numbers to get a better read on this market. In May of 2008 the two salerooms offered up 354 works (about 30% more art); of those 287 found buyers – or a sell through rate of about 81% -- for a total take of \$159.6M (5 times as much). In addition, the top lot last year was Thomas Moran's *Green River of Wyoming* which sold for \$17.74M (more than all the lots in either 2009 sale - Sotheby's total was \$15.3M and Christie's was \$16.8M) and the top 3 works from the 2008 series brought in \$34.7M -- more than all the sold lots from this year combined.

What do all the numbers tell us? First, there are a lot less people participating in the auction forum right now. Second, there is far less material being sold at auction. Third, not only are the really good works bringing strong prices, but some (and I stress some) of the mid-range material is selling as well. Fourth, we may have finally seen a slight correction in the American market. And finally, it is important to remember that the auction forum is only one small piece of the art market pie. I have talked to a number of American painting dealers and they tell me that over the past few months business has been improving – they are not only selling works, but they are being offered very good paintings by private collectors; those that have no interest in trying their luck at auction.

I always say that auction sales are only as good as the material they get and you cannot gauge the market's health solely on their results. This year the 'good stuff' just did not appear on the auction block (some of it went directly to dealers) and the results were not very good. We also cannot forget the current economic climate; with less people active at the sales, the competitive atmosphere of the auction forum loses a lot of its impact and prices come back to a more normal level. This is the time when people who are actually interested in the art for its aesthetic value, and not motivated by financial gain, are able to buy those works which they will cherish for years to come.

I will tell you that there have been many times, while attending an auction, that I am shocked at the prices realized for certain works knowing that we have better examples by the same artist in our gallery. When a feeding frenzy starts, the competitive atmosphere of the auction room can, at times, deliver amazing results. But what is important to remember is that just because a few crazy, rich, people decide to throw caution to the wind and bid on something like there is "no tomorrow" does not mean that the work they bought was really worth the price they paid. When the market finally cools down, as it has been, the real values start to emerge ... and some of those buyers are not happy campers.

Howard L. Rehs
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Gallery hours for June are Monday - Thursday 10am - 5:30pm and all other times by appointment.

Gallery Updates: We continue our daily updates to our [Facebook](#) and [Twitter](#) pages - we invite you to follow us.

Web Site Updates: Works by Arcieri, Cortes, Jacque, Laboureur, Blanchard, Swatland and Harris were sold this month. And look for the new works by Knight, Sherrin, Blanchard, Cortes, Sally Swatland and Katie Swatland that have been, or will be, added to our site. A few of the recently added works are shown below:

Antoine Blanchard

Rue Royale, La Madeleine sous la Neige
13 x 18 inches



John Sherrin

Still Life with Bird's Nest
8 x 10 inches



Katie Swatland
Sketching on the Pont des Arts
24 x 18 inches



Sally Swatland
Luxembourg Gardens
26 x 32 inches



Next Month: Art market updates and I hope to continue my Dirty Rotten Scoundrels piece.