

COMMENTS ON THE ART MARKET

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

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 sold for \$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 \$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

Please visit our web site for this sub-market update.

Howard L. Rehs
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Gallery Updates: Works by the following artists have made their way through the gallery: Arcieri, Cortes, Jacque, Laboureur, Blanchard, Swatland, and Harris.

Web Site Updates: Look for work new works by the following artists: Knight, Cortes, Blanchard, Swatland, and Harris.

Next Month: Continuing art market updates.