

# COMMENTS ON THE ART MARKET

## VOLUME 166

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### Tony South – The First Edition

Our main goal at Rehs Contemporary is to give young artists a strong platform to exhibit their works; remember, at one point, Bouguereau, Boudin, Knight, etc. were all “contemporary” artists. Recently we broadened our scope by welcoming the photography of Barry Ortesky. These works were a hit at our recent shows and the price point opens his market to many more buyers. Since then, we have been working on a limited edition for one of our most entertaining artists, Tony South.

This month we are pleased to reveal the first limited edition piece based on his original painting, *Security*. This archival pigment print on Dibond, printed by Laumont (one of the premier image houses here in New York City), measures 29 x 53 inches (same size as the original) and will be signed and numbered, by the artist, on the reverse. The full edition size is 30 numbered pieces with 4 artist proofs – price for the first 10 will be \$2,300.00 (plus packing and shipping) - mounting brackets are attached to the back.

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### The Stock Market By: Howard

Well, I guess the month of September we basically treaded water. There were some pretty good swings along the way; however we started off at 17,098 and ended up at 17,042 ... so what is 56 points between friends? Turns out it can mean a lot!

Not once, during the month, did I check my portfolio – just too busy with other things – but I did update it on the evening of the 30th and now I am beginning to see more RED than I would like (and I have run out of Visine). Anyway, here are the month's close for some of my favorites: JP Morgan (\$60.24 – up 0.96%), Emerson (\$62.58 – down 2.69%), Exxon (\$94.05 – down 4.51%), GE (\$25.62 – down 0.89%), AT&T (\$35.24 – up 1.15%), VOD (\$32.89 – down 0.30%), Verizon (\$49.99 – up 0.44%), Wal-Mart (\$76.47 – up 0.95%), Coke (\$42.66 – up 2.45%) and DuPont (\$71.76 – 9.01%). I know, what about JD.COM? ... sadly, it was down (\$25.82 - 16.9%).

Now I know what you are thinking ... hey, there were more ups than downs ... and that is true. However, many of the ups were just up by pennies while the downs were down by dollars ... and let's not forget that I have more stocks than those listed here.

We are now heading into the final quarter of the year ... people, let's get going!!

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### Tales from the Dark Side By: Alyssa

James Meyer- this former assistant, of over 25 years, to the American contemporary artist Jasper Johns, pleaded guilty to interstate transportation of stolen property. According to the reports, between 2006 and 2011, Meyer, 52, stole 22 unfinished artworks from the artist's studio and sold them as authentic/finished pieces to an unidentified Manhattan art gallery. Claiming they were gifts from his former employer, Meyer forged inventory numbers and photographs of Johns' ledger book of registered works. The 22 works sold for about \$6.5, leaving Meyer with roughly \$4 million that he has agreed to hand over to the courts in his

plea deal. Meyer is scheduled to be sentenced on December 10th and is facing up to 4 years in prison and fines between \$7,500 and \$75,000.

Christopher J. Carter & Christopher L. Willey - these two 22 year olds were taken into custody after tipsters identified them as the burglars of Wilson's Auction in Lincoln, DE. Both racked up some hefty charges. Carter, burglary in the third degree, theft of a firearm (a fully loaded .357 revolver was stolen from Wilson's safe and yet to be found), possession of a firearm by a person prohibited, theft over \$1,500, conspiracy in the second degree, possession of a controlled substance (he had EIGHT small bags of heroin on him when arrested), tampering with physical evidence (he began emptying his pockets while being chased by the police), possession of drug paraphernalia, and resisting arrest. Willey has been charged with burglary in the third degree, theft of a firearm, possession of a fire arm by a person prohibited, theft over \$1,500, and conspiracy in the second degree.

Peter Chang & Cheng Gang Cao - both purchased 33 lots totaling \$1.6M in Leslie Hindman Auctioneers' June sale. After paying \$162,500 to the auction house they refused further payments and Hindman filed a lawsuit. According to the printed conditions of the sale agreed by the bidders, they must pay no later than the seventh business day after the sale. If not, there are some additional fees: a 1.5% late fee for every 30 days the full payment is not made (in this case that adds up to almost \$21K each 30 days) and \$5 storage fee per day per lot that it is not picked up. Hindman was able to sell one of the lots to a third party for \$94K decreasing Chang and Cao's debt to \$1.4 million. In the lawsuit, Hindman is seeking payment for the cost of the lots, legal fees and cost, storage costs, interest costs and disbursement. Should be interesting to see how this plays out.

Cornelius Gurlitt – this art hoarder passed away in May, and many thought his stash was all accounted for; but that was not the case. It was recently revealed that Gurlitt left a suitcase behind during a recent hospital stay. When it was opened, guess what? Yes, they found another painting inside ... an original Monet! Amazing, to say the least.

What is pretty funny is that there have been a number of recent studies claiming art can help the healing process ... guess Gurlitt wanted some powerful medicine! Officials have now added this work to their checklist of possible looted works and will attempt to determine who the rightful owner is.

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Really?!

By: Amy

An unexpected result was achieved when a painting attributed to John Brewster, Jr. was recently sold. Brewster was a prolific artist who produced many delightful portraits of wealthy New England families, especially their children. What is so impressive and unbelievable, is that he was very successful in spite of being unable to hear, speak, read or write!! (At 51 years old he learned sign language...the oldest in his class.) I guess painting really was his way of communicating.

This portrait, thought to be of Marcia Ingraham, was unsigned and undated, but is believed to have been done around 1823 from research found in a diary from the family. It had been in the Cummings-Ingraham family since its completion and was part of an Americana auction that included the family's incredible collection.

The work was fresh to the market, never cleaned, in perfect condition and was estimated to make \$100,000. It hammered down at \$350,000 (\$413,000 with commission), to a telephone bidder who wishes to remain anonymous.

Samuel Betts of London, actively working from 1645-73, was an early English clockmaker who was known for making watches and bracket clocks. Recently one of his clocks made auction history when it sold for an incredible price of \$109,250 based on its estimate of \$800/1200. Really!!

The estimate was low because upon inspection there appeared to be alterations to the clockwork. After the catalog was published, it came to the auction house's attention that a full report on the clock had been done in 1991 by W. David Todd of the Smithsonian Institute. In the report there was documented provenance back to 1911 when it was bought in England by Kenneth Henry Leach and then passed down through the family -- the clock was consigned by his descendants. Furthermore, the report states that the

alterations were “made by the hand of its maker, and the conversion of the escapement was undertaken only to improve its timekeeping ability.” Hence when the bidding started, a battle ensued among 7 bidders, and was eventually won by someone in Australia via the internet.

Many heads were spinning in disbelief with this sale which once again proves that the Chinese will pay enormous prices, as they fight over pieces representing their Chinese cultural heritage!

The item in question was a beautiful 3-foot tall, 18th Century Qianlong era vase decorated with a Ming-dynasty style blue and white pattern and detailed enamel painting. The handles are in the shape of dragons and most importantly, it bears the seal mark of the Qianlong Emperor (who reigned from 1736 – 1795) a period considered to be the high point of porcelain production in China. The vase consists of 12 panels each depicting a floral pattern or a scene, one of which had a white elephant. Symbolism at its best! When the vase was made, the white elephant represented royalty, strength and wisdom. Today, in western culture, the white elephant may easily represent, as in this case, a possession entailing a great expense out of proportion to its usefulness...yep, I think this is why there is a white elephant on the vase, as you will see by the result.

The vase trampled its low estimate of \$150,000 by 16,500%! Really!! It was purchased by an anonymous Chinese collector for \$24.7M and in the process, set a U.S. auction record for a Qing dynasty vase and is now one of the top pieces of Chinese artwork sold at auction in the world.

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Wine, Wine, Wine  
By: Lance

We're at that point in the year again and it's a sad time for many ... beaches close, fallen leaves get in the way of your putts, our gallery is back to a 5 day a week schedule and girls start wearing jackets (please, no need to write to me... I know all of you in FL and CA don't have it as rough as I do) ... but all hope is not lost. For the art market is just beginning to heat up and the auction rooms are ready to pull out the big guns. I am sure you are all as excited as I am to see what's in store over the next few months.

Now before we get too carried away dwelling on another summer gone by, let's talk about something we all find refreshing ... wine. The month of September saw a number of high volume wine sales in some of the biggest markets around the world.

The first was held at Christie's in Hong Kong, where almost 700 lots of some of the world's finest wine was on the block. This one-day auction was comprised of a selection from the collection of Hubert Guerrand-Hermes in addition to some other choice wines from around the world. As a member of the 5th generation of the Hermes family, Hubert was given access to some of the most sought after bottles with exemplary provenance. The collection and sale featured lots purchased on release directly from the Bordeaux Chateaux and Domaines, as well as an expansive selection of outstanding vintages from Chateau Cheval Blanc and Petit Cheval. Leading the sale was 12 bottles of Domaine de la Romanee-Conti, Romanee-Conti 1988, selling for HK\$1.34 M (\$175K – Est. HK\$1.1-1.6M). A similar lot led Christie's Hong Kong Wine sale in March but the lot was a vintage 1990 (only 6 bottles) with a selling price of HK\$980K. For the sake of comparison... The 1990 bottles sold for \$21K each back in March however the 1988 bottles sold for just \$14.5K each... Ha “just,” makes it almost sound like a bargain. In second was another 6 bottles of Domaine de la Romanee-Conti, Romanee Conti 1999 at HK\$796K (\$103K – Est. HK\$650-900K). Rounding out the top three was 12 bottles of Petrus 1982 bringing HK\$490K (\$63.5K – Est. HK\$420-550K). Overall, the results were astounding (which has become standard for wine sales in Hong Kong) with just 10 of the 687 lots failing to find a buyer, good for 99% sold and a total take of HK\$19.89M (\$2.58M). This sale truly demonstrates the highly competitive market for fine wines in the Far East.

Just a few days later, Christie's London held a Fine and Rare wine sale and the results were not exactly comparable. Christies made it nice and easy... the top lot of this sale was (what I can only assume) identical to the top lot from the Hong Kong sale. This time, 12 bottles of Romanee-Conti 1988 sold for just £94K (\$152K – Est. £90-120K), about \$25K less or \$12.6K per bottle... I should probably add that the buyer was from Asia. Following in suit, a lot of 6 bottles of Romanee-Conti 1997 brought £44K (\$72K – Est. £40-55K). Finally, another lot of Romanee-Conti 1999 (3 bottles) found a buyer at £28K (\$45K – Est. £24-34K), and while not identical, when we compare this with the #2 lot from the Hong Kong sale (6

bottles of vintage 1999 - \$103K), we see how the numbers begin to taper off (HK RC1999 \$17.2K/bottle vs. Lon RC1999 \$9.4K/bottle). In the end, only 74% of the lots sold for a total of £1.08M (\$1.7M), not a very strong showing for a high profile wine sale.

Now let's move on to the other big player, Sotheby's. In an interesting turn, Sotheby's announced their second "Sotheby's Wine" retail store and the first in Asia. It only makes sense, why wouldn't they capitalize on one of the hottest commodities in that part of the world right now... I'm sure they were just getting sick of only making the buyer's premium... Oh, and the seller's premium... and all the other reasonable fees they charge. Available options range from investment-grade wines, such as Romanee-Conti 2002 (HK\$159K), to everyday bottles. Additionally, Sotheby's has arranged for all of the wine to be stored in Hong Kong so orders are available for next day delivery... although, I am sure there is a fee for that too.

Alright, let's get back to the auctions... Sotheby's London held their sale on the 17th and 18th, mmhmm two whole days of wine – 1,107 lots! Sounds exhausting. Leading the way was 2 magnums of Chateau Petrus 1945 which nearly doubled its high estimate of £18-24K as it sold for £47K (\$76K). Taking second was 5 magnums of La Tache 1971, Domaine de la Romanee-Conti, almost tripling the high estimate of £12-15K, selling for £44.6K (\$72K). Nabbing the third spot was a single magnum of Chateau Petrus 1947, bringing £25K (\$42K) on an estimate of £9-15K. Overall, the sale did fairly well with just over 91% of the lots finding buyers and a total take of £1.67M (\$2.72M).

And for the last of the Wine sales, which took place on the 20th, we head to New York. According to the Head of New York Wine Auctions at Sotheby's, "Mature Burgundy prices continued their strength with particularly strong prices from a collection of late release wines from Remoissenet, Bouchard and Camille Giroud. These are all ready-to-drink and will make for some great tastings and dinners this fall." Unfortunately, I will not be invited to any of those dinners ☹. The top lot of the day was 12 bottles of Chateau Lafite 1982, fetching \$43K on an estimate of \$32.5-42.5K. Taking second was 6 magnums of the same wine, Chateau Lafite 1982, bringing \$37.5K (Est. \$35-45K). In third was 3 bottles of Romanee Conti 2011, Domaine de la Romanee-Conti, which sold to a private buyer in Asia for \$34K (Est. - \$27.5-37.5K). In the end, 92.5% of the lots found buyers and the sale, as a whole, even surpassed the high range of the estimate, \$1.4-1.9M, totaling \$1.96M.

I'll wrap this up with a short preview of what is to come next week. We are not exactly done with the wine sales... Sotheby's crack at Hong Kong takes place on October 4th and oh boy does it look like it is going to be a behemoth. 778 lots will be up for grabs, one of which is a "superlot" of 114 bottles of Romanee-Conti consecutive vintages (6 bottles per vintage from 1992-2010) carrying an estimate of \$1.5-2.5M all on its own, with the sale as a whole expected to bring between \$4.5 and 6.7M. I'll be sure to give you a short update in next month's newsletter with how things shape up.

Stay classy

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The Art Market  
By: Howard

I am pleased to report that the month of September was a quiet one in the art world (we needed a break) and since there were no major sales to report on, I thought some of you would enjoy the following.

Recently a series of questions were posed to me by a writer in Europe for an article on the art market. Since many of you will never see that article (it will be published in Romania), I thought you would enjoy my answers. There were 6 questions in all and I will post the first three in this edition of our newsletter (the last 3 will be featured in the November issue).

1. Can art objects (paintings, sculptures) still be a good investment in the present economical context?

In general, we have all seen that over the long run, art has been a very good place for people to 'park' some of their capital. However, I have always advised clients to buy works of art that they will enjoy looking at ... not strictly as an investment since nobody knows what the future holds.

My family has been involved in the art world since the late 1930s and I entered the family business in 1981. I still remember saying to my father (back in the very early 80s) how expensive certain paintings were ... for instance; we sold an important painting by the British Victorian artist Arthur John Elsley (1860-1952) for \$30,000 and my comment was: will an Elsley ever sell for more than \$30,000? Well, in 1999 one of his paintings sold at auction for \$1.64M and the painting we sold back in 1981 for \$30,000 traded hands a few years ago for \$400,000. This same level of price appreciation occurred with many artists over that same period of time.

I will add that today, art has taken on a new position for many people ... in their minds it is another way to diversify their portfolio. Banks pay very little interest today so there is no incentive to save and the stock market, in some people's minds, is more like rolling the dice at a casino -- you may hit the number, or you may crap out ... some people do love that kind of action!

If one buys right and is patient, then buying the right art today should pay big rewards in the future. For me, the old phrase "slow and steady wins the race" is really where it is at in the art world.

## 2. Can the investment in art be as efficient as in gold, for instance?

It is difficult to compare art to a commodity like gold. Not only can gold be sold very quickly, but it can change its form without losing value --- for example, all you need to do is melt it down and create a piece of jewelry or a work of art (in fact, by doing that you can increase its value). On the flip side, one would not want to 'melt down' a painting --- doing so, will destroy its value. And while technically you can melt down a bronze sculpture, I doubt anyone would want to take their Degas bronze and sell it for scrap. Also, in general, art takes longer to sell ... it has to be marketed properly to achieve the best price.

In addition, every minute of the day you can go online and determine exactly what your hoard of gold is worth; that is not something you can do with your works of art ... and for many people, the latter is a good thing.

## 3. What does raise the value of a painting?

This is an interesting question. In the traditional areas -- Old Masters, 19th century, Modernist, etc. (those works done by artists who are no longer living) -- it is the 'market' that increases or decreases the value of an artist's work; as paintings are bought and sold, the greater the scarcity and demand, the higher the prices. Once the current demand has been satisfied, prices typically level off. If there is broad interest in an artist's work, then there is always a certain level of 'demand' and prices continue to remain strong. If there is a very small market for an artist's work, once that demand has been satisfied then prices can drop back to what one might consider 'normal' levels.

Here are a couple of examples:

a. Edouard Cortes (1882-1969). This artist painted street scenes of Paris during much of the 20th century and there is an extremely broad market for his works. Because of his subject matter, people from across the globe have interest and over the years (even in more economically challenging times) his works have either increased in value or remained pretty stable -- so we do not see huge swings in his values. Thirty years ago a typical 13 x 18 inch painting of Paris would have sold for \$2-\$3,000, today the same works are selling in the \$45-\$55,000 range and there has been fairly slow and steady climb over that period of time.

b. Sir Lawrence Alma-Tadema (1836-1912). This British Victorian artist specialized in Neo-Classical imagery and his works have a more narrow market. Back in 2010 one of his major paintings - *The Finding of Moses* - appeared at auction with a \$3 - \$5M estimate (many in the trade thought that was a strong estimate -- in fact, until that time, the record auction price for Alma-Tadema was set in 1995 -- \$2.75M for *The Finding of Moses* -- yes, the same painting). During the sale, 3 serious bidders vied for the work and the final price was \$35.9M ... a truly amazing result. After the sale I commented that it will be interesting to see what happens when the next important Alma-Tadema hits the market since now there were probably only 2 serious people who would go after it to those levels. About 6 months later another appeared - *The Meeting of Antony and Cleopatra* (estimate: \$3-\$5M) - during the sale there was serious competitive bidding by 2 potential buyers and the final price was \$29.2M (the last time this

painting was on the market -- back in 1993 -- it sold for \$1.3M). Keep in mind that since the auction rooms do not disclose who the bidders or buyers were, it is not possible for us to know if, in fact, these were the same people.

Now, potentially two of the original three bidders had their Alma-Tadema. The next question I posed was: will another important painting by the artist hit those levels. A few months later we had our chance to find out when his *Education of the Children of Clovis* was offered. This work carried a \$1-\$1.5M estimate and finally sold for just \$914,500 -- a far cry from the other works (this same painting sold for \$200,000 back in 1994).

It is important to remember that each painting is its own entity and needs to be judged on its condition, subject matter, size, period, etc. As it stands now, it appears that the two high prices were anomalies in the artist's market. We will know for sure, when another major painting -- similar to *The Finding of Moses* -- appears. What these results clearly show is that once the small pool of players are satisfied, prices usually return to a normal level; additionally, not all paintings by an artist will increase at the same rate over a similar period of time:

*The Finding of Moses* -- 1995: \$2.75M -- 2010: \$35.9M - 13 times in 19 years

*The Meeting of Antony and Cleopatra* - 1993: \$1.3M -- 2011: \$29.2M - 22 times in 21 years

*Education of the Children of Clovis* - 1994: \$200K -- 2011: \$915K -- 4.5 times in 20 years

The contemporary market is a little different. To begin with, many of the contemporary artists are represented by art galleries (considered the primary market) and those galleries control prices. As works are sold and demand rises, they just increase the prices; in certain instances they can actually hold back works to increase demand. Once an artist has reached a certain level/stature, their works will begin to appear on the secondary market (either at auction or in galleries who were not the artist's primary dealer) and that is when buyers have a chance to discover if they made the right choice. Today, the news is filled with reports of contemporary works selling at auction for millions of dollars. In addition, we often read how a young artist, whose works just a couple of years earlier could have been bought for under \$10,000, are now appearing at auction for \$100,000, \$200,000 and more.

People are always curious to know how and why? Well, so am I. My personal feeling is that some of it has to do with market manipulation. When contemporary auctions take place we often hear who the buyers were ... and occasionally they were the dealer who represents the artist. Now, there is nothing wrong with a dealer buying a work being sold at auction (as long as it is not a work they put up for sale); but it does make one wonder what the work/works would have actually sold for if that dealer was not protecting the price.

On top of that, there are collectors who, early on, buy heavily into a specific artist - owning dozens, if not hundreds, of pieces. These collectors have a vested interest in seeing the artist's works increase in value and some will step up and make sure that works do not sell for 'nothing' in the public forum. Again, there is nothing wrong with this as long as they are not bidding on their own work; and on the positive side, as in the stock market, at least there are people willing to create a floor for the artist.

Next month I will post my answers to these questions: What are the risks that a painting valued today at a large sum gets less worthy, financially speaking, over time and what are the conditions for this to happen? Does the global economic crisis impact the art market? And, What would you buy with 1 million euros?

The Rehs Family

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**Gallery Updates:** We are back to a 5 day a week schedule ... yes, all good things must come to end -- until next summer that is!

**Web Site Updates:** This month we have added more than new works to our web site; included are pieces by: Boudin, Cortes, Flint, Stobart, Casey, Baez, Drake, Salaz, Dunkel, South, Steel, Wood and Palumbo. There is no way we could illustrate them all, so a small sample is featured below:



## TRADITIONAL



Eugene Boudin – *Le port de Trouville*



Sir William Russell Flint – *The Book of Sonnets*

## CONTEMPORARY



Ken Salaz – *Sunset of Palisades, NY 2*



Ken Salaz – *Looking South Over Manhattan*



John Stobart – *A View from a Schiavoni Balcony*



Todd Casey – *Electric Martini*



Todd Casey – *Hot Toddy*



Tony South – *Ace*



Stuart Dunkel – *Corn Caper*



Brandon Drake – *Confinement*

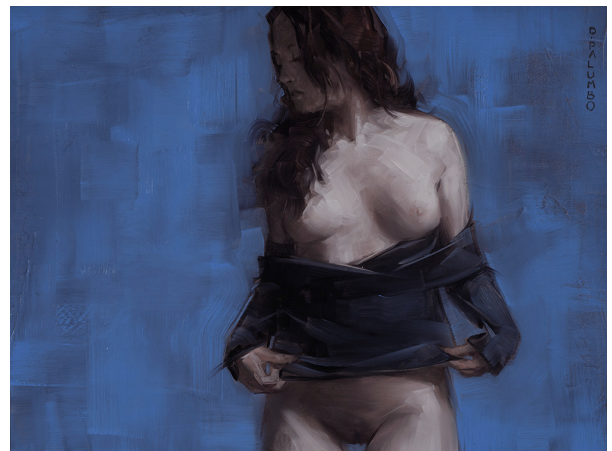




Justin Wood – *Golden Berries*



David Palumbo – *As She Turned*



David Palumbo – *Stephie on Blue*

**Next Month:** More on the Art Market ... and a little taste from the Wine Market.