

COMMENTS ON THE ART MARKET

VOLUME 8

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

Gone Are The Good Old Days!

We had some interesting responses to our last newsletter and I appreciated them all. Since then, I have watched the morning stock market report only once...and what a refreshing feeling it is. No, I have not given up on taking a look at my portfolio each week... nor wondering if the downward trend of my stocks will end sometime soon, but at least I do not have to hear on Monday why a specific sector is in trouble and then on Tuesday hear that earnings from companies in that sector were better than expected – HA! Also I noticed that while my portfolio is still down for the year... it was up 0.25% this month... could this be the SUMMER RALLY!? Anyway, let's move on to something a bit more interesting.

A friend and client brought my attention to a recent article in The Wall Street Journal (July 3, 2001) titled: ***Secrets and Seurats – Value of Works of Art Is Hard To Tell as Auction Houses Negotiate Backroom Deals.***

The basic premise of this article is that with all the deals the auction rooms are doing today, with both the buyers and the sellers, it is very hard to determine the actual price of a particular work of art. According to the article, in many of today's high priced auction sales the auction rooms are offering global guaranteed reserves to prospective sellers and if you are a big enough buyer, they are offering terms for payment.

To many people involved in the 'art market', especially the auction buyers, such payment terms would give the larger buyer an unfair advantage. If the big buyer is able to negotiate a deal in which they can pay for their purchases over a period of time, in some cases interest free, they would have an advantage – and this can skew the price of works sold at auction. There are also reports of instances where the auction rooms will structure long term financing on purchases made at their sales – also giving an unfair advantage to a particular buyer.

As the article states, the “growing financial interest” the auction rooms have in the works they offer for sale (backroom deals) has been going on for many years... I guess now that the spotlight is on, more 'dirt' is beginning to surface.

Today the auction rooms want you to believe that they can be the all-encompassing 'dealer'. However, how, on the one hand, can they tell the buyer that they are the cheapest place to acquire their artwork (the place where they will get the best deal), while on the other hand tell the seller that they can achieve the highest price for the work/works they want to sell?

While pondering that question, here is another - is the person you are talking with at the auction room really an expert? I think that the following two stories will give you some additional food for thought. In the June 25th & 28th issues of the New York Law Journal there were articles on a current case against Christie's. To sum it up, it is alleged that Christie's expert for Old Master paintings attributed a work that was brought in for sale to the artist Sistro Badalocchio (a pupil of the more important artist Annibale Carracci) and gave a pre-sale estimate of \$10,000 to \$15,000. The work sold for \$12,000 at a subsequent auction. After the sale it was determined that the work was actually by the master himself (Annibale Carracci) and had a value of around \$300,000. This case is working its way through the court system.

Another case that was discussed in the June 25th article was one they reported in March. Again this relates to the Old Master department at Christie's - Sorry! I am not picking on them; these were just the most recent cases I saw. In this instance a vice-president from the Old Master department stated, based only on the photographs of a 17th century work, that it was from the “studio” of an artist by the name of

Nuvolone and was valued at \$10,000 to \$15,000. The work later turned out to be an authentic painting by Lodovico Carracci (an important Old Master artist). The owner took the painting and, instead of selling through the auction room, sold it to a dealer for \$40,000 (guess the owner figured that he was going to make a killing on this one by offering it to the dealer at 3 times the auction estimate)! The dealer that purchased the work gave it to Christie's to sell, where it made \$5.2 million. The courts found in favor of Christie's because the owner was unable to prove that a "special relationship of trust and confidence existed between the auction room and themselves" because the owner had not paid Christie's for the original appraisal. In this case, it was the dealer who made the 'killing'.

The interesting thing to note about this last case is that had the owner brought the painting to a knowledgeable dealer, one who specialized in Old Master paintings, and stated that they had no idea about the work's value or authenticity and asked for that dealer's help (instead of just relying on the auction room's 'expertise') – that dealer would have been obligated to give an accurate and honest opinion; letting the owner know of their suspicions about the authorship and its potential value. The dealer could have done all the necessary research... allowing the owner to make a 'killing'.

Also, did you know that some of the major auction rooms do not guarantee any work of art executed before 1870 and that all of the major ones only stand behind the works they sell for a period of 5 years! If a work of art turns out to be a fake after the 5-year period, you are out of luck. A reputable dealer will stand behind every work of art they sell for as long as you own it.

Today, in my opinion, it appears as if the auction rooms are nothing more than high priced retail machines... spending millions upon millions of dollars on high rent facilities, throwing lavish parties and wining and dining potential clients.

I liked it better when the auction rooms were literally just a clearing-house for works of art, when they would offer the works without all the fanfare and hype... letting the chips fall where they may.

Gone are the good old days!

Howard L. Rehs

© Rehs Galleries, Inc., New York –August 2001 & December 2008

Gallery Updates: The gallery will be participating in a number of exhibitions this fall. Among them are the Los Angeles Art Show in September; The Architectural Digest Home Design Show in November and The Art & Antique Dealer's League Show also in November. We will give you more information about these shows in forthcoming issues.

Virtual Exhibitions: This month we have added a couple of new Virtual Exhibitions. The first is a small exhibition featuring the works of the French Realist artist Georges Laugee – the brother-in-law of Julien Dupre. The direct link is as follows:

[Georges Laugee – In The Realist Tradition](#)

The second features a group of works by the French highlife genre artist Henry Victor Lesur. The direct link to this exhibition is:

[Henry Victor Lesur – Silk & Satin](#)

We have also added a number of new (sold) works to the Louis Aston Knight, Edouard Cortes and Antoine Blanchard Virtual Exhibitions.

As always, please remember that the paintings featured in our virtual exhibitions are not for sale.

Next Month: Rehs Galleries, a major Internet auction site and the FBI – what do they all have in common? Tune in next month for the answer... the story will amaze you! I will also return to my series on what one needs to know when looking to buy a work of art. Next month's topic: What if I cannot afford the best works of a particular artist?