

# COMMENTS ON THE ART MARKET

## VOLUME 167

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### The Dallas Show

Here is another reminder that the gallery will be exhibiting at the upcoming Dallas International Art, Antique and Jewelry Show. The Opening Night Preview Party will take place on November 6 and the show will open to the general public on Friday, November 7 and run through Monday, November 10.

If you would like to attend the Opening Night Gala, please let us know ... tickets are limited.

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### Stocks

I know ... what the.....???? Now that was one crazy month. I have to be honest, I tried to update my portfolio every couple of days, but the program just would not work ... for a 7 day period I was constantly 1 week behind on the final numbers ... guess the program just cannot keep up with the volatility. Now I did head over to the drug store to buy more Dramamine; however, the pharmacist informed me that their entire supply was shipped to Wall Street ... great, they are causing this sickness while making sure they are properly medicated.

All of this activity got me wondering if October was a month we should erase from the calendar, so I checked online and discovered that according to a few web sites, historically, September has been the worst month in terms of performance ... go figure!

Anyway, let's get on with the pain; which was not as bad as I thought: JP Morgan (\$59.39 – down 1.41%), Emerson (\$63.42 – up 1.34%), Exxon (\$94.45 – up 0.43%), GE (\$25.67 – up 0.2% ), AT&T (\$34.51 – down 2.07%), VOD (\$32.97 – up 0.24%), Verizon (\$49.90 – down 0.18%), Wal-Mart (\$76.45 – down 0.03%), Coke (\$41.40 – down 2.95%) and DuPont (\$67.66 – down 5.71%). As for JD.COM? ... I sold it ... and it was down 7.51%. The craziest part of all this ... we started the month at 17,040, hit a low of 15,855 on the 15th and on the 30th we were at 17,195.

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### Tales from the Dark Side

By: Alyssa

Hector Beltran Leyva, 49 – this alleged drug lord from Mexico with a bounty of \$5 million in the US and \$2.2 million in Mexico, passed himself off as an art dealer and real estate businessman in order to launder drug money. Responsible for trafficking drugs to the US, Mexico, South America and Europe, including cocaine, marijuana, heroin and methamphetamine.

Gary Snell – an American who bought \$6 million worth of Rodin plasters has been accused of making and selling illegal bronze copies through a company, Gruppo Mondiale, by the French state. If Snell is found guilty the company will be fined €150,000. According to reports, expert, Gilles Perrault, has estimated that 1,700 works had been produced and sold for an average of €40,000 Euros each -- wow, that is €68M Euros.

Jason White, 43 – this convicted felon from North Dakota infiltrated the L.A. art world and soon spiraled out of control; resulting in a sentence of five years in prison after admitting to cyberstalking the art publisher, Robert Bane, and artists he previously work with. White set up websites in the dealer's and artist's names with derogatory information and then demanded money in order to take down the site. White went as far as threatening his former employer's family. This one makes for an interesting read:

Imelda Marcos, 85- widow of the late Philippine Dictator, Ferdinand Marcos, was forced to return 8 paintings by world-renowned artists after the court ruled they were purchased illegally using public funds. Over the 20 years of dictatorship, the Marcos family embezzled over \$11 billion in cash, jewelry, art and other assets. Artist's whose works are to be returned include, Pierre Bonnard, Michelangelo, Bernard Buffet, Paul Gaugin, Francesco de Goya, Joan Miro, Pablo Picasso and Camille Pissarro.

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### **Really!?**

By: Amy

Anyone still have an old computer at home? Maybe it's worth something. Recently one of the few remaining examples of Apple's first pre-assembled computers, an Apple-1, sold well above its \$300K - \$500K estimate...an amazing \$905,000! Really?? This computer, which revolutionized home computing, was most likely one of the first 50 Apple-1's that were built by Steve Wozniak in Steve Job's garage (or his sister's bedroom) in 1976.

The computer was "in superb overall condition" and did not appear to have any modifications to the motherboard. In addition, the computer included a John Anderson original keyboard, a power supply, two tape decks and a Sanyo monitor. After fierce bidding, the buyer was the Henry Ford Organization, which plans to display the computer in its museum in Dearborn, Michigan. Previously, the record for a similar computer was \$671,400 that was auctioned in Germany in 2013.

A unique plate block of four "Inverted Jenny" 1918 24-cent airmail postage stamps sold for a record price of more than \$4.8 M. Only one sheet of the Inverted Jenny stamps were produced.

The owner, Donald Sundman, president of Mystic Stamp Company, obtained the stamps in 2005 in a trade deal with Wall Street bond trader William Gross (Gross had purchased the stamp block in 2005 for \$2.97 M.) Sundman had no intentions of selling the plate block and was planning on displaying it at an international show of collectors and dealers in New York, when he received a call from a representative of someone from overseas who made him an offer he could not refuse! The purchaser has requested that the exact price not be made public.

And no Really report would be complete without an item from a Chinese sale. A Ming dynasty (1368 – 1644) Chinese Wucai box sold for more than 50 times its low estimate (\$3,000) resulting in a new auction record for this type of porcelain when, after some enthusiastic bidding, it sold for \$152,500!

The Wucai box was beautifully decorated with flowers, plants and dragon motifs. Most importantly it has the Wanli six character mark on the base indicating that it is most likely from a royal household of the Ming Dynasty in China.

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### **The Art Market**

#### **Pre-season Scoreboard**

By: Lance

#### **Wine**

You may remember that as last month came to a close, we were still waiting on the last major wine sale. Well, Sotheby's wine sale in Hong Kong on October 4<sup>th</sup> was a wild one with a sale total of HK\$45.7 million (\$5.9M)! Additionally, the top lot, or I should say superlot, set a new world auction record for the most expensive wine lot when it sold for HK\$12.5 million (\$1.6M). Now, it needs to be noted that this lot consisted of 114 bottles, which still works out to a bit over \$14K per bottle or \$1,700 for one of the 912

glasses (if poured properly). The sale also featured a 66-magnum selection from the collection of James H. Clark (Netscape founder). Altogether, the 66 bottles totaled HK\$8.2 million (\$1.05M) with 100% of the collection finding a buyer. The next portion of Clark's collection will be offered in New York on November 15<sup>th</sup>, consisting of the "greatest collection of Italian and Rhone wines ever offered". Cheers!

#### American

With most of the major art sales taking place in November, Sotheby's and Christie's began to whet our appetite for the buying season with some smaller sales scattered through the month of October. First up was Sotheby's American Paintings, Drawings & Sculpture Sale which had a reasonable showing. The top lot of the day was an oil by Leon Gaspard titled *Spring in Siberia*. The work more than doubled the presale estimate range of \$100-150K, as the piece sold for \$317K. In second was a Landscape by Cropsey, which nearly doubled the estimate (\$80-120K), selling for \$215K. Rounding out the top three lots was *Stockton Church* by Daniel Garber; the work surpassed its presale estimate (\$80-120K) as it brought \$143,000. The sale as a whole offered 121 pieces, of which 92 sold... good for 76% of the works on the block and a total of \$3.009 million (est. \$2.02-3.003M).

#### Dutch

A few days later, Christie's held a small sale in Amsterdam, featuring The Hofland Collection; 74 works of Dutch Impressionism of The Hague and Amsterdam Schools. Leading the way was *Farmstead on the Gein* by Mondriaan finding a buyer at €769K (\$964K) while only being estimated to bring between €350-550K. Following in suit was a George Hendrik Breitner and a Jan Toorop both bringing €313K (\$393K). Comparatively speaking, the Breitner outperformed the Toorop as they were estimated to bring €250-350K and €300-500K, respectively. As a whole, the sale results were just ok... while only 7 works failed to sell and it had a 91% sell through rate, the total was just €3.9 million (\$4.99M – Est. €3.43-5.21) – eclipsing the lower end with the inclusion of the buyer's premium.

#### Contemporary

On the 16th, Christie's Postwar and Contemporary Evening sale took place in London and the results were somewhat surprising. The top lot was Peter Doig's *The Heart of Old San Juan*, which needed the buyer's premium to bump the realized price (£4.5M/\$7.2M) into the estimate range (£4-6M). Not far behind was Richter's *Waldtück*, selling for £4.45 million (\$7M) on a £3-5 million estimate. Rounding out the top three was *Love Dub for A*, by Basquiat, bringing £4.3 million (\$6.9M – Est. £4-6M). Now recently (for the most part), Contemporary Evening sales have been killing it. Nearly all the works sell and there are always pieces that blow by their estimates, yielding incredibly strong results. This week however, while most of the work sold (41/46 lots - 89%), the auction totaled just £40M (\$65M). Yes, that is right in the middle of the estimate range (£32.2-47.1M), but middle sounds a bit average to me; certainly nothing spectacular. Now, to make things even worse, let's take out the buyer's premium (The buyer's premium is 20% for lots up to £1.2M... 41 lots totaling £40.3 works out to an average of £982K/lot) So, the total at hammer is a figure that looks more like the low end of the estimate range (£32M). According to art-adviser Clayton Press, "There are several things at play: a general sense of caution given the recessionary concerns, inherent weakness in the euro, fair and auction fatigue and a market preference for superior-quality works." We will certainly get a clearer picture of the contemporary market as a whole in the coming weeks; several contemporary art auctions are scheduled in the world's largest markets over the next month.

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#### 19th Century

By: Howard

At month's end Christie's presented their selection of 19th century European paintings and as we have seen in recent years, the offerings are pretty slim and unless the works check most of the boxes, as you will soon see, they are not finding buyers.

Taking the top spot was a beautiful pastel and crayon by J.F. Millet titled *L'Horizon* which blew by its \$400-\$600K estimate to sell for \$1.96M (that one checked all the boxes). In second was a lovely piece by Anders Zorn, *The Cigarette Girl*, which made \$581K (est. \$200-\$300K) and in third was a Courbet

titled Paysage pres d'Ornans that made \$545K ... falling in its estimate range of \$400-\$600K. The balance of the top 10 was made up of works by Dawson and Corot.

Now, from those numbers all seems pretty good; however, there were some big failures; these included: Liseuse interrompant sa lecture by Corot which had a \$1.2-\$1.8M estimate --- a little cosmetic surgery might have helped; Poynter's Idle Fears passed on a \$700-\$900K estimate ... condition was likely the culprit here; Bouguereau's La grappe de raisin did not reach its \$80-\$120K estimate ... could have been the condition; his Tete de fillette did not reach its \$500-\$700K estimate --- in my opinion, the expectations for this one were way off the mark – it is only a 'head shot' measuring 18 x 15 inches. And then there were works by Frith and Chaplin whose \$100-\$150K estimate range was just too high.

This was a pretty small sale with 84 lots offered, 49 sold (58%) and a total take of \$6.86M (low end of the estimate range was \$7.8M ... so even with the buyer's premium added in, they fell far short). The top 10 paintings accounted for \$4.52M of the total ... so 12% of the lots offered accounted for 66% of the gross dollars. The top 3 lots accounted for 45% and the top lot accounted for 29% of the sale's gross. As I have always said, what a difference one painting can make.

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## Part II of the Interview

By: Howard

Here are the last few questions and answers from the interview I gave; trust some of you will find it informative.

4. What are the risks that a painting valued today at a large sum gets less worthy, financially speaking, over time? What are the conditions for this to happen?

Huge decreases in value happen more often in the contemporary market than in the traditional/historical market ... and this even happened when the now historical artists were still living. As you will see from the example below, even though prices can drop, if one waits long enough the odds are that works by good artists will regain interest and prices will rise ... the problem is that this might take decades to happen.

Julien Dupré (1851-1910) was one of the leading second generation French Realist artist and during his lifetime, major works commanded fairly strong prices. In 1883 the American collector John Wolfe commissioned Dupré to paint *In the Pasture* for which he paid \$2,500 – a pretty good sum in those days. By 1910 the Academic and Realist artists fell out of favor and works by most could be had for a fraction of what they originally sold for. In fact, *In the Pasture* (1883) came back on the market in 1919 and was sold by Knoedler for \$1,000 (today the painting hangs in the University of Kentucky Art Museum). By the late 1960s interest in the Academic works began to strengthen and in 1977 Dupré's *Harvesting Wheat* (a considerably smaller painting than *In the Pasture*) sold for \$4,950. By the 1990s interest was even stronger and important works were selling in excess of \$100,000 ... *Harvesting Wheat* reappeared on the market in 1996 and brought \$107,000. These days, a major painting similar to *In the Pasture* would sell in excess of \$500,000.

In today's contemporary market, we have seen some of the major artists go out of favor and prices for their works have dropped; this becomes very obvious when an artist who was regularly featured in the auction room's evening sales are now sold in the day sales (where the less expensive pieces are sold). It is hard to say what causes this --- over saturation, lack of support by the trade and/or collectors, etc.

Damien Hirst is a good case in point. Back in 2005 his *Beautiful, Shattered, Mellow, Exploding, Paint-filled Balloons Painting* sold for \$931,000, this same painting came back on the market in 2013 and brought \$648,000. In 2008 *Beautiful Maat Intense Fetishistic Painting (with extra inner beauty)* made \$866,000, in 2012 a slightly larger work from the series - *Beautiful Shiva Delirium Painting* – brought just \$579,000. Twenty years from now, these same painting could be selling for more or for less ... one never knows.

Keep in mind that there is nothing wrong with buying contemporary works of art and over time some of those works will increase in value. However, it is important to remember that there is no guarantee of

price appreciation (nobody can tell the future) and as I have always stated, you should buy art you want to live with and enjoy. Price appreciation is a nice, but not guaranteed, benefit.

If you are set on buying strictly for investment potential, then you need to concentrate on artists whose price levels can be tracked over a long period of time. In addition, you need to find someone who truly understands that area of the market and can guide you to those works which have the best potential of price appreciation ... but I must stress the 'potential' part.

#### 5. The global economic crisis and the art market.

When the economy was hit hard in 2008, many of the 'newer' players in the art world thought the good times were over and a number of them actually went out of business. However, those of us who had been through the tough times before and had more stable businesses knew that people with money would begin to look for hard assets --- and art is a hard asset.

Initially, prices in all categories took a big hit ... and the contemporary market took the biggest. However, it was only a few months before prices began to rise again and today I believe the market is stronger than it was before the 2008 crash.

I was also around for the October 1987 crash (black Monday) and I can tell you that the following month was, until that time, the best in our firm's history ... a number of the bigger Wall Street players decided that art was a good place to put some of their money --- not only was it an interesting lesson for me; but looking back it is amazing to see how right they were.

#### 6. What to buy with 1 million euros.

Here again, I must say that people need to buy what they like as there are no guarantees that any specific work will increase in value. In order to minimize the risk, buyers need to find real experts in the field of art they enjoy and rely on their advice. It is also important to never buy a 'signature' -- a real minor painting by a major artist people buy just to own that artist's work (their signature). You want to buy the best works available by any artist and if you cannot afford the best, then you need to look at other artists from the period whose best works you can afford. Remember, the best will always be the best ... and those works will be the easiest to sell, even in difficult times. In hard times, mediocre or poor quality works will be almost impossible to sell.

Buying art is not like buying stock (where every common share of a company is the same), or gold (where every ounce is the same). In the art market, each work is an individual entity and value is based on many factors -- quality, condition, size, period, etc. In addition, like other markets, there are people who play in the art world with one goal ... to get your money. I always liken the art market to going on safari --- before you head out, you better find the right guide ... otherwise you will be someone's next meal.

Your ultimate goal should be to create a collection of works you are proud to own, share with others, and hopefully pass on to the next generation. As my father once said to me -- the beauty of art is that you can appreciate it while it appreciates.

Enjoy the hunt ... that is where the fun and excitement are!

The Rehs Family  
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**Gallery Updates:** As mentioned earlier, we are heading to Texas for the Dallas International Art, Antique and Jewelry Show. If you are in the area, please stop by for a visit.

**Web Site Updates:** This month we have added more new works to our web site; included are pieces by: Vlamnick, Ziem, Chocrane-Moreau, Cortes, Blanchard, Bell, Wood, Jahn, Harris, Lovett, Bauer and Combes. Below is a small selection of the recent additions:

TRADITIONAL



Maurice de Vlaminck – *Bottes de Paille*



Felix Ziem – *On the Banks of the Bosphorus*



Paul-Charles Chocarne-Moreau  
*Chacun prend son plaisir ou il le trouve*



Edouard Leon Cortes – *Place St. Michel*



Antoine Blanchard – *Boulevard de la Madeleine*

CONTEMPORARY



Julie Bell – *Texas: April*



Guy Combes – *The Rainmaker*



Timothy Jahn – *Whiskey Letters*



Justin Wood – *Crabapples & Grapes*



Gregory F. Harris – *Summertime Along the Sea*

**Next Month:** The BIG sales are coming!