

By continuing to use this site you consent to the use of cookies on your device as described in our [cookie policy](#) unless you have disabled them. You can change your [cookie settings](#) at any time but parts of our site will not function correctly without them.

November 8, 2013 6:30 pm

The Art Market: Hopes pitched too high for comfort

By Georgina Adam

Choppy waters in the NYC salerooms, surrealism to the fore, doubts about art investment



©Giacometti Estate/Sotheby's
 Giacometti's bronze head of his brother Diego, 'Grande Tête Mince', made more than \$50m at Sotheby's

The major New York auctions of impressionist and modern art this week brought conflicting results, starting with two flaccid sessions at Christie's followed by a rousing total at Sotheby's, bringing cheer to the company currently under attack by activist shareholders.

Christie's had two evening sales, on Monday and Tuesday, the first entirely devoted to the estate of the Geneva-based dealer Jan Krugier. Hampered by unrealistically high estimates, this did poorly, raising just \$92.5m, far below the presale expectations of \$157.8m-\$224.5m. Of the 62 lots on offer, 17 failed to find buyers; among the casualties was a Picasso sculpture, "Tête" (1962-64) (est at \$25m-\$35m) and Kandinsky's 1911 painting "Herbstlandschaft", (est \$20m-\$25m).

Things were not much better the following night for Christie's, with a total take of \$144.2m, again dashing pre-sale hopes of \$188m-\$277m. While the top lot, Giacometti's oil-on-canvas portrait of his brother Diego, made \$32.6m – a new record for a Giacometti painting – it was way off expectations of up to \$50m. As it carried a guarantee, it was effectively presold and a single bidder carried it off.

Again, there were casualties, notably Modigliani's floppy portrait of "Monsieur Baranowski" (1918), which died without a single bid (est \$25m-\$35m), and the catalogue's cover lot, Picasso's large and late "Le peinture et son modèle dans un paysage" (1963). Carrying the same estimate, it was bought in at \$23m. "There is a need to balance sellers' expectations against the market," said Emmanuel Di Donna, a New York dealer. "You need to estimate reasonably and let the buyers decide. The Picasso would have had a chance if it was tagged at

\$15m-\$20m."

On Wednesday night there could have been a trace of schadenfreude at Sotheby's when it turned in sparkling results, raising \$290.2m in its evening sale, nudging up against its high pre-sale estimate of \$307.9m (which does not include buyers' fees). The firm is under fire from activist investor Daniel Loeb as being old-fashioned and lagging behind Christie's. Well, Sotheby's total this week was its second highest result in the category, after its May 2012 tally of \$330.5m, when Munch's "The Scream" sold for \$119.9m.

Another Giacometti, a 1955 bronze portrait bust of Diego, fulfilled expectations by making just over \$50m (est \$30m-\$50m) and going to Acquavella. It was also Picasso's night: his colourful "Tête de femme" (1935) made an overestimate \$39.9m and "Mousquetaire à la pipe" (1969), was scooped up by the trader David Nahmad for \$30.9m (est \$12m-\$18m).

...

Still in New York, two exhibitions are focusing on surrealism. Gallery Eykyn Maclean's non-selling *Surrealism and the rue Blomet* traces the importance of the studios at 43-45 rue Blomet in Paris, the gathering point of poets, writers and artists from the 1920s on. Among works on show are Joan Miró's gorgeous painting "The Circus Horse" (1927) from the Miró estate, and André Masson's "Card Trick" (1923), lent by MoMA New York.

Meanwhile, Blain Di Donna is holding a mainly selling show of about 85 Dada and Surrealist objects. It follows the gallery's exhibitions of Masson, Magritte, Arp and Delvaux, and includes Man Ray's green hand ("Puériculture II", 1920) and Jean Arp's "Tête; Objet à traire" (1925). Prices \$3,000-\$4m.

...

There is nothing new in seeing art as an asset class but a recent report by three professors of finance claims that returns have been significantly overestimated, and the risk underestimated. "Investors would be wise to be wary," they say.

The authors of the Social Science Research Network paper (available at ssrn.com/abstract=2280099) question the returns that until now have been reported as 10 per cent on average annually, over the past four decades, based on the RSR (repeat sales) index.

They say that the index does not take into account selection bias, and after studying the repeat sales of more than 20,500 works of art between 1972 and 2010, they conclude that the annual return on art was nearer 6.5 per cent.

Selection bias means that a work of art that goes up the most in value tends to be resold more frequently, just as in the real estate market rapidly appreciating properties are traded more often. So only the most desirable works of art resell, and using their good performance to assign a value to others, via the RSR index, is misleading, say the authors, whose conclusion is severe. "When we compared the investment returns and risk of all the styles of art to a portfolio of pure stocks, we found that art investments would not substantially improve the risk/return profile of a portfolio diversified among traditional asset classes, such as stocks and bonds."

Philip Hoffman, chief executive of the Fine Art Fund, rather naturally rejects the findings of the report, as least as far as funds are concerned. "The data is highly inaccurate," he says. "The sample is far too small. And as far as our fund is concerned, since we buy 95 per cent of our works privately, this data isn't relevant." His first fund is due to be wound up at the end of 2015, and he expects its return will be between 6 and 10 per cent, "which was always our aim". However, he admits the research gives "insight into what the market does, overall".

...

Restoration Hardware will be familiar to anyone who knows American shopping malls as a nationwide homeware emporium of antiqued silver lighting, faux-fur throws and scented candles. Its "chairman emeritus, creator and curator" Gary Friedman is now launching RH Contemporary, an art gallery in New York's Chelsea, which will be the first of a series to open in "select" US cities. RH bought the first edition of Random International's hugely popular "Rain Room", shown to packed crowds in London's Barbican last year and at MoMA in New York this year. RH Contemporary inaugurates its first exhibition today: five solo shows by emerging artists, priced between \$4,750 and \$28,650, all abstracts that would fit well into contemporary interiors.

Georgina Adam is art market editor-at-large of *The Art Newspaper*

Most Popular on Social Networks

M&S last-minute promotion underlines trade weakness

We still need to learn the real lessons of the crisis

Vladimir Putin vows to pardon Mikhail Khodorkovsky

Turkish imam Fethullah Gulen wields power from self-imposed exile

Facebook founder Mark Zuckerberg to sell shares

London 'draining life' from rest of UK, says Vince Cable

The hard graft of finding a graduate job in the City of London

Brazil investors welcome gentle taper

Ed Balls aims to identify spending cuts in Labour review

West had been ready to loan Ukraine €20bn

ONS admits gaffe on Scottish growth data

Indian parties unite in outrage against US

JPMorgan shoots the instant messengers

Muslim political feud erupts in Turkish corruption probe

Dilbert to lose his tie

The best books for business are not business books

Dilbert's creator on life beyond the cubicle

In economics consumption is for life, not just for Christmas

Eurozone agrees 'backstop' for failing banks

Times newspaper losses reach £500m



©Man Ray Trust, ARS, ADAGP

Man Ray's 'Puériculture II', on sale at Blain Di Donna, New York

<http://www.ft.com/cms/s/2/ab0ff19a-47a0-11e3-9398-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2013 FT and 'Financial Times' are trademarks of The Financial Times Ltd.

Printed from: