

SPRING 2012 ART ASSET OVERVIEW

VOLUME 14 — MARKET UPDATE

The Winston Art Group's market update newsletter gives you a closer look at current market trends so that you can best manage your assets and continue to grow your collections. We invite you to read on as we break down the essentials of the market for you....

SPRING AUCTION SALES

The spring 2012 auctions of Contemporary art demonstrated these sectors' incredible resilience. In New York alone, the May Post-War & Contemporary sales at the major auction houses fetched approximately \$1.4B compared to last years' total sales of approximately \$1.8B. Record auction prices were generated for several living artists. Furthermore, the May 2012 Impressionist & Modern sales realized a combined total of just under \$520 million, compared to last year's \$350 million.

These new records demonstrate the wide appeal for major paintings and sculptures throughout the international collecting community. *The New York Times'* Carol Vogel surmised that both the Christie's and Sotheby's contemporary sales demonstrated how "...collectors from all over the world continue to be drawn to parking their cash in art they can enjoy, particularly when it is universally recognizable" ("\$44.8 Million, Going Twice at Sotheby's" May 9, 2012). Recent sales of Mark Rothko's "Orange, Red, Yellow", Roy Lichtenstein's "Sleeping Girl", and Yves Klein's "FC1 (Fire Color 1)" all achieved record prices for the artists at auction, with Edvard Munch's "The Scream" setting the record for highest price ever achieved at auction after taking in a colossal \$119 million.

The London art market consultancy firm, ArtTactic, released a report on New York's May contemporary art sales saying that the market is now only 5% below its peak in May 2008 and that the average auction price during these sales, \$4,559,676, is 24% higher than the same 2008 peak in the market.

GROWTH IN THE MIDDLE MARKET

Over the past several years, and even through the economic recession of 2008, the art market has been strongest at the top end and softer in the middle. However, the recent sales have shown that strength is coming back into the middle market, in the range of \$10,000-\$500,000 USD, those artists that might be considered "good investments." Opportunities for short term growth increase when clients buy what they love, and rely on independent advisors to ensure quality, condition, provenance, title, and fair price. Although investment potential should be analyzed in the long-term, there are always exceptions in the marketplace. Nobody could have predicted that 26 year old artist Jacob Kassay's prices could have risen from \$4,000 (retail) to \$290,000 (auction, including premium) in just two to three years' time! People liked his work, something clicked, and generally, if a critical mass of people have the taste for a certain artist, their value will rise.

ART FAIRS

The popularization of Art Fairs is a factor in the increased global visibility for certain artists and helps catapult their work to astronomical levels. The London fair *Frieze* came to New York in May 2012 for their inaugural US fair, bringing a tightly edited selection of the best art from around the world. Art fairs have exploded everywhere including the Middle East, Latin America, and Russia. This phenomenon, in addition to the proliferation of online venues for art sales, ensures that any work of art is available to a global audience.

ASIAN BUYERS

Art prices have increased at a much faster rate than the global GDP in the past few years because collectibles and luxury goods are part of the Ultra High Net Worth economy which is booming at a faster rate. The Art Index has more than doubled, surpassing the increase in the indices for equities and bond markets and begging the question of whether the art market's outperformance of equities, stocks, and bonds is sustainable. Demand in the international art market has been driven by increasing wealth in emerging markets, especially that of the Far East. Chinese purchasing influence has been particularly notable in certain categories of collectibles, namely investment-worthy wine, watches, and Chinese works of art. The major auction houses' Hong Kong branches are tapping into the new wealth and burgeoning market of new buyers. In 2011, the sales at Christie's Hong Kong totaled \$836 million, as compared to a cool \$98 million back in 2003, and Sotheby's sales exceeded \$1B USD. The new generation of avid Chinese collectors signifies that there is immense promise in Asia, both on the buying side and on the production side. Asian artists still command strong prices in Asia, Europe and America and Chinese contemporary artists have proven themselves to be more of just a passing fad. In fact, China's most famous living artist, Ai Wei Wei, broke his own high auction record of \$657,000 this past May when his "Sunflower Seeds" sold for \$782,500.

In addition to the hot contemporary art Chinese buyers are strongly bidding on and repatriating 18th, 19th, and 20th century porcelain, jade, and other Chinese objects. We recently sold a group of Chinese 19th and 20th century antique jades and porcelain on behalf of an estate estimated between \$80,000 and \$120,000 USD for over \$1M USD, due to strong Asian buying. The Chinese art and antiquities auction sector is the strongest growing market worldwide with dramatic rise of 177% in 2010 and a further 64% in 2011.

ART AS AN ASSET

Not only are art collectors following traditional motivations of buying as ways to demonstrate culture, taste, and prosperity, but we are also seeing that clients are using their art work to provide liquidity in a restricted capital market. More and more collectors are borrowing money against their art; some studies suggest that \$7B USD is currently being lent against art in US alone.

Art is a valuable investment, however, one that requires a curatorial attention. Collectors must be aware of maintenance issues, risk management in terms of insurance, tax considerations, and as with any other asset, legal ramifications in terms of title and export licenses. For all of these reasons it is important for collectors to get appraisals and proper advice from independent advisors.

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INDEPENDENT APPRAISALS

Expertise—35 senior fine and decorative art specialists.

Appraisals—Confidential certified appraisals for all purposes conforming to Internal Revenue Service and Uniform Standards of Professional Appraisal Practice (USPAP) standards.

CONFIDENTIAL ART ADVISORY

Brokerage—Independent wealth of expertise in the marketplace enables us to advise our clients and negotiate the acquisition or disposal of any work of art.

Financial Services—For select clients, we facilitate competitive structured loans using art, collectibles, and other assets as collateral.

Collection Management—Access to and advice on a broad range of curatorial and collection management services.



Julio Larraz, *Il Mar Tirreno a Cumae*, purchased by Winston Art Group on behalf of a private client



Rafael Barrios, *Centrifuga*, purchased by Winston Art Group on behalf of a private client



Paul Klee, *Instrumente*, purchased by Winston Art Group on behalf of a private client



Sold by Winston Art Group, through iGavel.com, on behalf of a New York estate



Courtesy of Winston Art Group