

NAVIGATING THE ART WORLD

WINSTON
ART GROUP

MAY 2011 ART ASSET OVERVIEW

VOLUME 8 — SPRING SALES ROUNDUP

Dear Friends,

The Winston Art Group's monthly market update newsletter gives you a closer look at current market trends so you can best manage your assets and continue to grow your collections. Within the Contemporary & Modern market, this past spring's auction season demonstrated that the art market has more than recovered. The Post-War & Contemporary sales at Sotheby's, Christie's, and Phillips de Pury generated record auction prices for several living artists, while the Impressionist & Modern sales at Christie's and Sotheby's realized a combined total of \$350M. Provided in this issue is our analysis of the spring sales and current Winston is seeing and experiencing in the international art market.

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.

POSTWAR & CONTEMPORARY

Interestingly, this May, the day sales at all three major auction houses totaled \$134.6 million, "the highest figure since the financial crisis burst the art bubble," observes art reporter Marion Maneker. "Average prices reached \$162,000 in the day sales last week, the highest number ever (outside three bubble seasons in 2007 and 2008) and a 10% increase over November's round of sales" (Marion Maneker, *The Observer*, May 25, 2011, *In Today's Art Market the Early Bird Gets the Worm*). Furthermore, numerous artists' records were set in the day sales in all the auction houses, including Robert Indiana, Marc Quinn, George Condo, Tony Cragg and Fred Tomaselli.

Winston Art Group has identified two causes for this. Firstly, the success of the day sales can be attributed to the auction houses trend toward more realistic estimates. Elizabeth von Habsburg, Managing Director of the Winston Art Group, explained, "The phenomenal results from the day sales prove how attractive estimates combined with quality works can generate bidding fervor. Collectors, especially emerging ones, are more willing to jump in at a mid-level price range." The day sales are where bidders can find artists on the verge of launching into that astronomical price range of the evening sales, and where collectors and dealers alike are looking for the next big opportunity. Von Habsburg noted, "More and more people are turning to contemporary artists because their works are accessible, and that's appealing."

Post-War May Sale Summary



Winston Art Group also believes that the robustness of the day sales' \$50-500K price bracket can be attributed to a new breed of collector that has the benefit of independent, objective advice and that, with this increasing trend towards collector education, this sector of the market will continue to grow and will bring very good returns on investments.

David Sleeman, Director of the Winston Art Group, reiterates this "flight to quality." He says, "The correction in the marketplace was a welcome development and collectors are more knowledgeable and better advised."

However, all rules are thrown out the window where the Warhol market is concerned. Sales for works by iconic pop-artist Andy Warhol comprised around 25% of the total PostWar & Contemporary sales revenues. Christie's offered 25 Warhol works which realized a combined total of \$96,729,850. His market absolutely does not conform to the principles of supply and demand because its buyers are restless and the market is insatiable. New York Magazine Art critic Jerry Saltz identifies a "herd mentality" for his work where "the in-crowd is all-in." He says "paying inflated sums for his instantly recognizable work is proof that you've got good taste...or rather the right taste."

Impressionist/Modern May Sale Summary



IMPRESSIONIST & MODERN

The Impressionist/Modern market continues to be bolstered by strong collectors who echo the sentiment that quality works are secure investments, evidenced by the fact that, as more and more of these masterpieces are held in museums and private collections, the supply dwindles,

EMERGING MARKETS

Bubbles are not extinct, however, and the blatant overspending from 2007 still does exist, but it is sustained by a new class of buyers and concentrated in a different sector of the art market. Winston Art Group has been paying close attention to how demand in the international art market has been driven by increasing wealth in emerging markets, especially China. Chinese purchasing influence has been particularly notable in certain categories of collectibles, namely investment-worthy wine and Chinese works of art, in which Chinese buyers now generate 33% of global sales revenues as compared to 30% in the US and 19% in the UK. Winston Art Group has been experiencing the power of these buyers: in a recent sale of Chinese objects that WAG executed through iGavel.com, the total pre-sale estimate of \$80,000 resulted in sales totaling over \$1,000,000. Sotheby's and Christie's sold more than \$350M worth of wine last year and credit their strong figures to their new wine sales in Hong Kong, where wine consumption doubled to nearly 35 million bottles a year from 2005 to 2009 and where the international auction houses have seen tremendous growth.

As Credit-Suisse analysts say, the art market is back on a "growth path." In the broader scheme of the economy, the Art Index has more than doubled, out surpassing the increase in the indices for the equities and bonds markets. The question is therefore, with this correction in the market, will art continue to outperform equities, stocks, and bonds, or will the potential of the increasing wealth in emerging markets take hold and ensure that this high demand and willingness to pay big premiums for pieces of significance continues into the future?

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