CULTUREWATCH

THE STATE OF THE ARTS AROUND THE WORLD

EDITED BY STEPHEN WALLIS

Visitors to Art Basel Miami Beach walk through an installation of Barbara Kruger's work at the Mary Boone Gallery booth.

The Art Market

WRITING ON THE WALL

When financial markets and the economy went topsy-turvy, everyone could see art was next. The question now is, How bad will it get? **BY STEPHEN WALLIS**

It wasn't a promising start. Two days before the opening of Art Basel Miami Beach in early December, the economy was officially declared to be in recession. The Dow, on cue, plunged 700 points. Not that any of this was entirely a surprise. Expectations at the country's top contemporary art fair—an event that has ballooned into a huge festival with nearly 20 fairs, endless exhibitions, and nonstop parties—were already subdued.

The parade of bad news, from the real estate debacle to the credit crunch to Wall Street's implosion (the latest poke in the eye, Bernard Madoff's $50 billion Ponzi scheme, came just days later), had thrown a big wet blanket on the global art boom and left galleries, auction houses, collectors, and artists bracing. Hefty declines at the major fall auctions, where large numbers of works went for well below their estimates or failed to sell at all, added to the anxiety.

In the end, the results in Miami were mixed. While far from a disaster for most, overall sales were down, with many collectors focusing on less-expensive works and galleries having to offer substantial discounts and payment plans. "There is a lot of hesitation," says Rachel Lehmann, co-owner of the Lehmann Maupin gallery in New York. "Lots of hand-holding is needed, not just with collectors but with artists, staff, curators. Before Miami we had serious talks with all of our artists. We said, 'Would you rather go for deeper discounts and sell? Or if you don't want to, that's fine, and we won't push to sell your work in the same way.' Work by artists who agreed to discounts sold well in Miami. Those who didn't, barely sold."

Undeniably, it's a different world out there, especially in the previously frenzied market for contemporary art. Galleries are laying off staff and cutting back on expenses. Sure, during Art Basel heavyweight dealers like Larry Gagosian and Jay Jopling could be seen drinking $18 cocktails at the Setai, but these days flying coach is more likely to be viewed as a badge of honor than an embarrassment. Dealers are having to work harder, be more patient, and be less controlling in placing works. Laura Solomon, a New York art advisor, recounts how last year, when she approached a prominent gallery about buying a young artist's work for a client, "they practically asked for his firstborn, requesting information on his collection and a commitment in writing that he'd donate the piece to a museum," she says. "Recently that same gallery overnighted images and followed up with me every day for a week about a possible sale. They bent over backward."

New York magazine art critic Jerry Saltz, who delivered a talk at Art Basel with the Cassandra-ish title "This Is the End: The Rising Tide of Money Goes Out of the Art World and All Boats Are Sinking," is among those who argue that the brave new world is actually a blessing for artists, because "marketability will no longer equal likability." It's an interesting point, but how will artists fare in a downturn Saltz himself predicted will be harsher than the one in the early nineties? Many galleries are sure to close—maybe 50 or more in New York alone. Who knows? Everyone agrees tough times are here.

That includes the auction houses, which spent the past several years offering sellers ever more generous terms, including lavish guarantees (a privately negotiated sum given to the seller regardless of the result) and splashy catalogues. For the November sales in New York, Christie's bundled the Hillman and Lawrence collections of late-19th- and 20th-century art into companion hardcover catalogues branded "The Modern Age." Together they made $47 million, less than half the $104 million low estimate. Especially

Sector Watch

TROUBLED WATERS

1. CONTEMPORARY CHINESE ART

There are all kinds of concerning issues in this recently fast-rising market—rampant speculative buying, artists churning out vast quantities of work in factorylike studios. At the fall contemporary Asian auctions in Hong Kong, results for Chinese works were spotty, with major paintings by high-flying artists such as Zeng Fanzhi, Yue Minjun, and Fang Lijun failing to find buyers. One of the top lots at Christie's—which saw its total for these sales free-fall from $73 million in May to just under $19 million in November—was **Tang Zhigang's *Chinese Fairytale*** (top). Meanwhile, reports from New York's Asian Contemporary Art Fair in November and Miami's new Art Asia in December weren't especially encouraging.

2. RUSSIAN ART

The meltdown of Moscow's stock market and plunging oil prices have taken a toll on the newly rich Russians who fueled the swift run-up in this field. At the late-November London sales, Christie's sold $21 million worth of Russian paintings, silver objects, and icons, compared with $81 million a year ago. Sotheby's did $38 million—including $337,000 for a **Fabergé heart-shaped frame** with a miniature of Empress Maria Fedorovna (above)—but that was down from $80 million. Less expensive auctions at Bonhams and MacDougall's fared even worse. Undeterred, dealer Peter London of West-Eleven gallery is launching the Russian Art Fair in London, slated for early June.

3. RICHARD PRINCE (ET AL)

Not to pick on Prince, whose work is much admired (and coveted), but prices paid for his "Nurse" paintings—$8.4 million for one last summer that sold for less than $100,000 six years ago—seem to typify the irrational exuberance that has characterized segments of the contemporary market. In November Sotheby's and Christie's each offered a "Nurse" painting, with equally disappointing outcomes. Christie's had estimated ***Lake Resort Nurse,*** from 2003 (left), at $5 million to $7 million, and Valentino's partner, Giancarlo Giammetti, snagged it for "just" $3.3 million. Of course, similar stories can be told about other artists—Damien Hirst, for one, whose market has been all but dead since his $200 million sale at Sotheby's in September.

SAFER HARBORS

1. OLD MASTERS

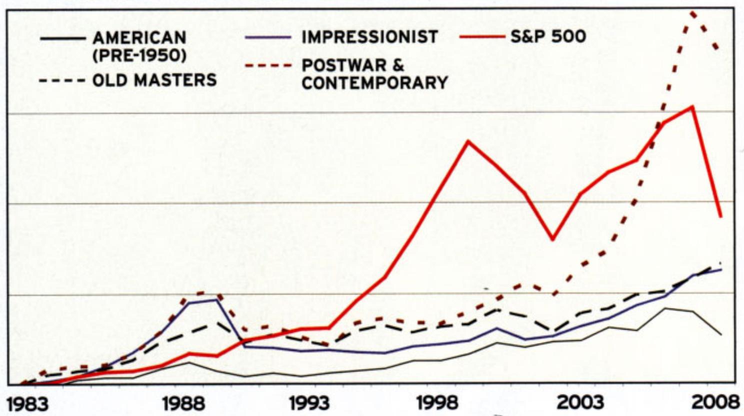
Stable, steady, driven by connoisseurship rather than investment interests: That's how the Old Masters market is often described. Without question, the field is not as reliant on the new wealth that pumped up contemporary prices, and results were reassuringly solid at the December auctions in London, where **Giambattista Tiepolo's *Portrait of a Lady as Flora*** (below) brought $4.2 million at Christie's. As this issue went to press, a big test loomed at the late-January Old Masters sales in New York: Sotheby's was offering a $12–$16 million J.M.W. Turner and a pair of Frans Hals portraits expected to fetch up to $21 million combined.

2. MODERN DECORATIVE ARTS

As prices for contemporary design spiked in recent years, early-20th-century decorative arts, generally speaking, enjoyed a more modest rise. And areas like Arts & Crafts, Tiffany, and Art Deco—the traditional core of the design-collecting field—have performed relatively well in spite of the economic downturn. The $3.6 million sale of the Lindemann collection at Christie's in December—heavy on French pieces from the twenties through forties by Eugène Printz, Pierre Chareau, and Paul Dupré-Lafon—saw robust buying. And both houses' sessions dedicated to Tiffany were around 90 percent sold.

TRACKING ART'S RISE...AND FALL

MEI MOSES COLLECTING CATEGORY INDEXES AND S&P 500 TOTAL RETURN (1983-2008)



Produced by Jianping Mei and Michael Moses, cofounders of Beautiful Asset Advisors (artasanasset.com), this chart illustrates the relative annual returns over the last 25 years of four collecting categories and of the S&P 500. According to the duo's findings—which are based on repeat auction sales—American art made before 1950 saw the biggest drop, plunging 26 percent last year, while postwar and contemporary art slipped 11 percent, after spiking 39.5 percent in 2007. Old Masters actually rose 11 percent, and Impressionist art edged up 4 percent. The Mei Moses index for the entire art market fell 4.5 percent last year, after averaging annual growth of close to 20 percent for the previous five years. Still, that's far better than the S&P's 38 percent slide in 2008. Collectors, take heart.

painful for Christie's was that the Lawrence works were guaranteed, a practice the company has now essentially stopped, as has Sotheby's, which announced losses of $52 million on guaranteed property in its fall sales.

The old saw "quality always sells" still (mostly) holds true, though not at any price. Failures in the autumn auctions included major works by Richter, Rothko, and Lichtenstein. Francis Bacon, whose skyrocketing prices reached $86 million last May, also fell back to earth: A 1964 self-portrait, estimated at around $40 million by Christie's, found no takers. At Sotheby's an early Philip Guston abstraction from the fifties went for just half its $18 million guarantee.

Based on the recent backsliding in contemporary art prices, some have suggested we've returned to 2005–06 price levels, which are, taking a long-term view, still quite high. And while many of the young hedge funders and new buyers from emerging markets who helped fuel the worldwide art boom have retreated in the face of recession, experienced collectors are hunting for opportunities. "The way I look at the fall auctions in New York is that $300 million was spent on postwar and contemporary art in three days," says art advisor Allan Schwartzman, whose clients include Dallas collector Howard Rachofsky. "That's a huge amount of money at a moment when the world is in a financial crisis whose depth and length is totally unclear. I was surrounded by real collectors who were bidding—and bidding comfortably. It's a very different situation from 1990, when the art market crashed and there was a loss of confidence at every price level."

While it's to be expected that postwar and contemporary art, which saw the sharpest gains, would fall farthest in a downturn, there were relative bright spots in other categories at the end of 2008: the notably solid Old Masters sales; Sotheby's antiquities sale, which more than doubled its $4 million low estimate; the Constantiner collection of fashion and celebrity photos at Christie's, which made $7.7 million and was 90 percent sold.

"It was a quite interesting autumn in fields other than postwar and contemporary," says Marc Porter, president of Christie's Americas. "It would be conventional wisdom to say that the whole market has dropped dramatically, but, in fact, other collector markets are chugging along pretty steadily."

Nonetheless, both houses are cutting costs, laying off staff, and pressing consignors to accept lower estimates and reserves. Of course, the next six months will be critical in assessing how wide and deep the market retrenchment goes. A number of important tests loomed as this issue went to press: the January Old Masters sales in New York, London's February sales of Impressionist, modern, and contemporary art, and the Yves Saint Laurent collection in Paris, which is expected to bring upwards of $400 million. In March and April there are benchmark New York sales of photographs and of Russian and Asian art—two closely watched categories. Already, a former centerpiece of New York's Asia Week, the International Asian Art Fair, has been canceled, citing concerns about the economy.

The slump has hit museums hard, too, not only in their endowment investments but also in charitable donations and government funding. In one of the highest profile cases, the Los Angeles Museum of Contemporary Art agreed to a much-debated financial bailout by collector Eli Broad after its endowment dwindled to just $6 million from more than $40 million several years ago. Broad, for his part, could be seen at the November auctions snapping up works by Donald Judd, Ed Ruscha, Jeff Koons, and others. "It was a half-price sale," he told *The New York Times* after Sotheby's contemporary art evening session.

"This is normal—cycles never go only up," says Rachel Lehmann. "There are fantastic opportunities in times like this. Personally I think we've seen the bottom of it, but nobody knows how long it's going to last." ■

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