

# Art Market Report

FROM HOLLIS TAGGART

Seismic Shifts



Wayne Thiebaud (b. 1920)  
*Eyebrow Pencil*, 1964  
 Pastel on paper  
 6 3/4 x 7 3/8 inches  
 Signed and dated lower right:  
 "Thiebaud 1964"

There is little doubt that we are all witnessing a transitional time and are traversing uncharted waters in the world. We seem to be collectively barreling ahead towards massive change in all facets of life. Our national presidential election is truly mystifying and unprecedented; weather patterns are insane; economic uncertainty and volatility have become commonplace; issues of immigration, healthcare, combatting ISIS, etc., are all front and center. In such a world of flux, the art market has remained surprisingly resilient and stable. However, some fundamental changes may be underway. The winds of change are beginning to be felt in the ever-influential auction houses, and this is worth our notice.

## Auction House Transitions

Sotheby's has evolved from humble beginnings in 1744, when Samuel Baker held the first auction in London of "several hundred scarce and valuable books," into a behemoth, complex international corporation with billions in annual sales. As the big auction houses have grown and expanded, their reach into the traditional purview of the art gallery has been relentless and aggressive. The simple auction model of selling goods to the highest bidder in a small sales-room has morphed into a complex and secretive world of sophisticated selling strategies.

As art values have increased dramatically over the past decade, art has become more and more commoditized and is now considered by many as a new “asset class”. The auction houses have created much of this monetization of art, transforming it from an aesthetic object to a financial investment. Here are a few of the new strategies developed by the auction houses: art financing and loans, auction guarantees, comprehensive online auction buying services, private treaty sales, gallery-like exhibitions, and, most recently, a brash entrée into art advisory services. Sotheby’s announcement in January of the acquisition of Art Agency Partners, a global art advisory firm, raised more than a few eyebrows. This bold and unexpected move by Sotheby’s is being carefully analyzed. The cost of the acquisition was a hefty \$50 million, with a potential cost of \$85 million (if certain conditions are met). The question is, why? Why are the auction houses making these aggressive moves?

#### **Follow the Money**

The answer is MONEY. Despite the many record-setting auction sales in recent years, and despite the implementation of the myriad strategies listed above, the bottom line profits are not increasing at a satisfactory rate. The auction houses are bigger and more complex than ever, but are they getting too top heavy—and is this expansion coming at the cost of profit margins? The answer is yes. As the auction houses have gone full throttle and aggressively sought greater market share, their costs have increased, eroding profit margins. To offset this trend, auction buying premiums have increased from 10% to the current 25%. This is a huge increase. Nevertheless, it has not been enough, and so all these other strategies have been invented to raise profit margins. Private sales particularly have become a focus because the commissions are confidential and presumably exceed conventional rates. In short, the auction houses are scrambling because competition has become so fierce, and profits are being eroded as concessions are being made to get consignments away from competing auctions. I wouldn’t be a buyer of Sotheby’s stock at the moment...

#### **Changing of the Guard**

As the auction houses are madly maneuvering, much change is occurring inside the companies: many high

level defections have been reported, executives and department heads are being poached by competitors, employee contracts are being bought out, and turnover is rampant. In brief, there is instability and flux among the auction houses. We may be witnessing the early stages of the waning of the auction system as we know it, borne of the overly complex and top-heavy expansions implemented over the past several years.

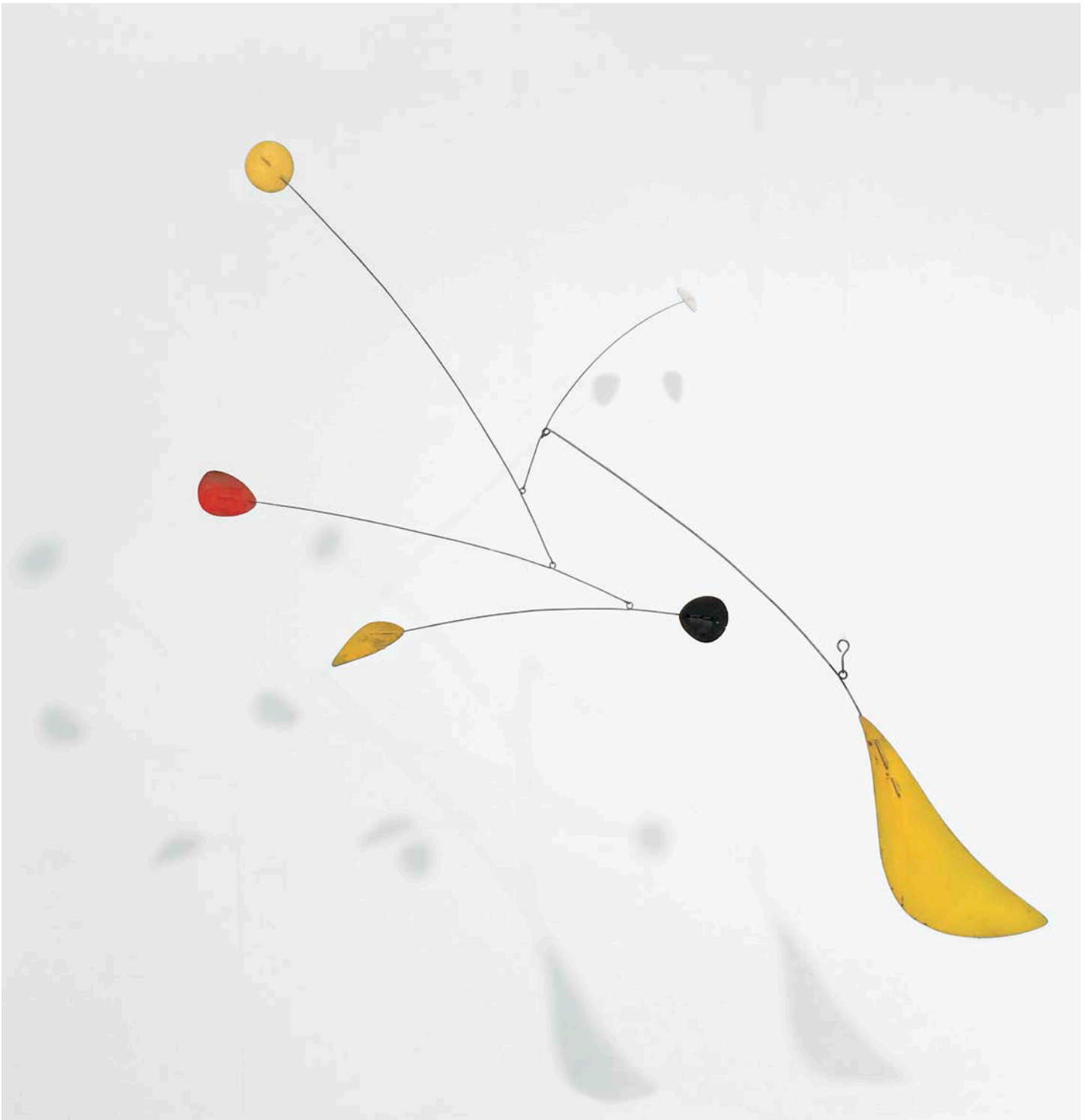
#### **Filling the Vacuum**

Traditional gallery models and brick-and-mortar spaces have taken a hit as the auctions have encroached upon the services that were previously under the domain of art galleries. However, we have heard numerous reports in recent months of “gallery triumphs” in securing significant consignments of individual works or entire collections, which so often automatically went to auctions for sale. We are seeing a shift back to the galleries as collectors are beginning to sense some upheaval at the auctions. Art galleries may offer a more controlled and stable option for selling artworks.

We think 2016 will reveal a slowing of the auction juggernaut and a potential improvement in traditional gallery businesses. As oil prices fall, as the Chinese economy slows, and as political uncertainties continue to unfold, it would be natural to expect a more cautious and careful art market ahead. We observed in Art Basel Miami this past December a more subdued mood. Buying was strong, but the atmosphere was less frenzied and chaotic than in past years. Wild speculation seems to be subsiding, and a more sensible, rational approach among collectors appears to be emerging. We welcome this trend. The froth may be off the market, the buying-and-flipping trend may be slowing, and buyers are using a more steady and thoughtful approach. We feel that such a shift favors the art galleries. Auction success often feeds off of emotion, impetuous buying, and public competition. The gallery world offers a more careful environment and one perhaps better suited for our times as we all hold on in a volatile world of change. We remain highly optimistic for the art market in 2016, and we will see if, in fact, a quiet shift back to the galleries is underway. In any case, we continue to invest our own money in excellent quality post-war artists, from Abstract Expressionists to color field painters and Pop art practitioners.

**ALEXANDER CALDER (1898-1976)**

*Untitled*, circa 1942  
Sheet metal, wire, and paint  
25 (H) x 25 (W) x 13 (D) inches

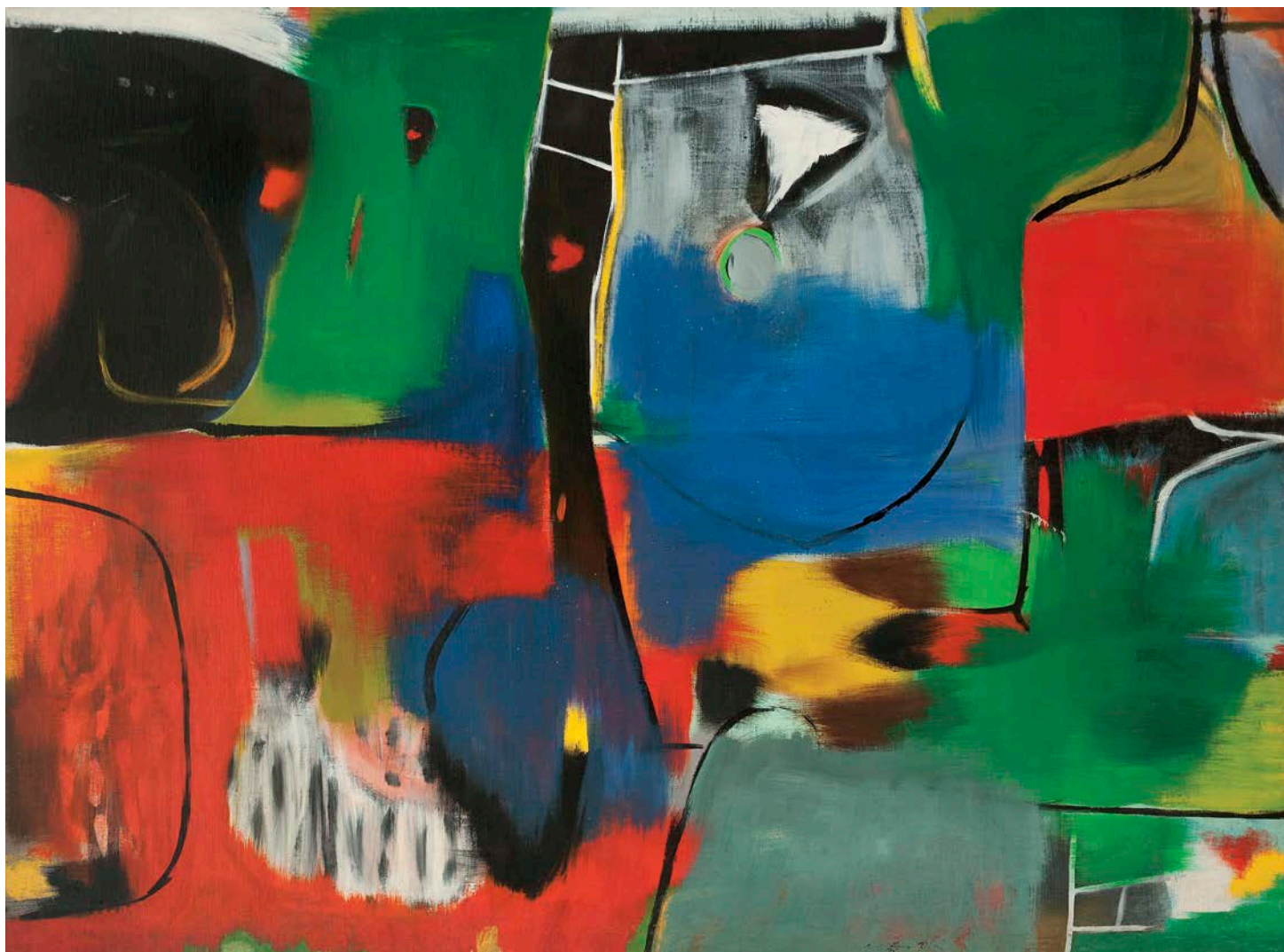


**CONRAD MARCA-RELLI (1913-2000)**

*Untitled, circa 1949-50*

Oil on canvas

60 x 80 inches



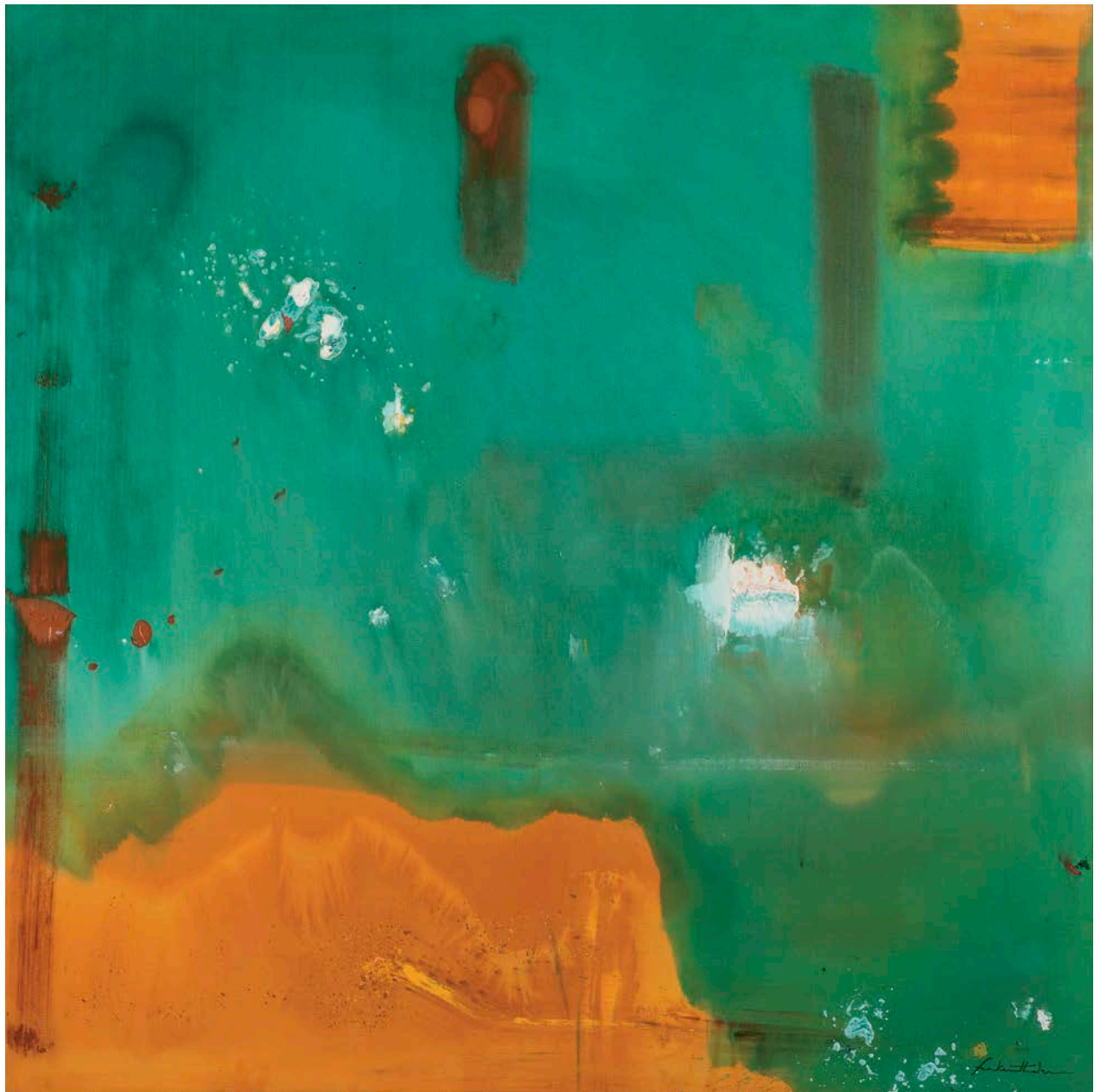
**HELEN FRANKENTHALER (1928-2011)**

*Upon The Green*, 1982

Oil on canvas

86 x 86 inches

Signed lower right: "Frankenthaler"

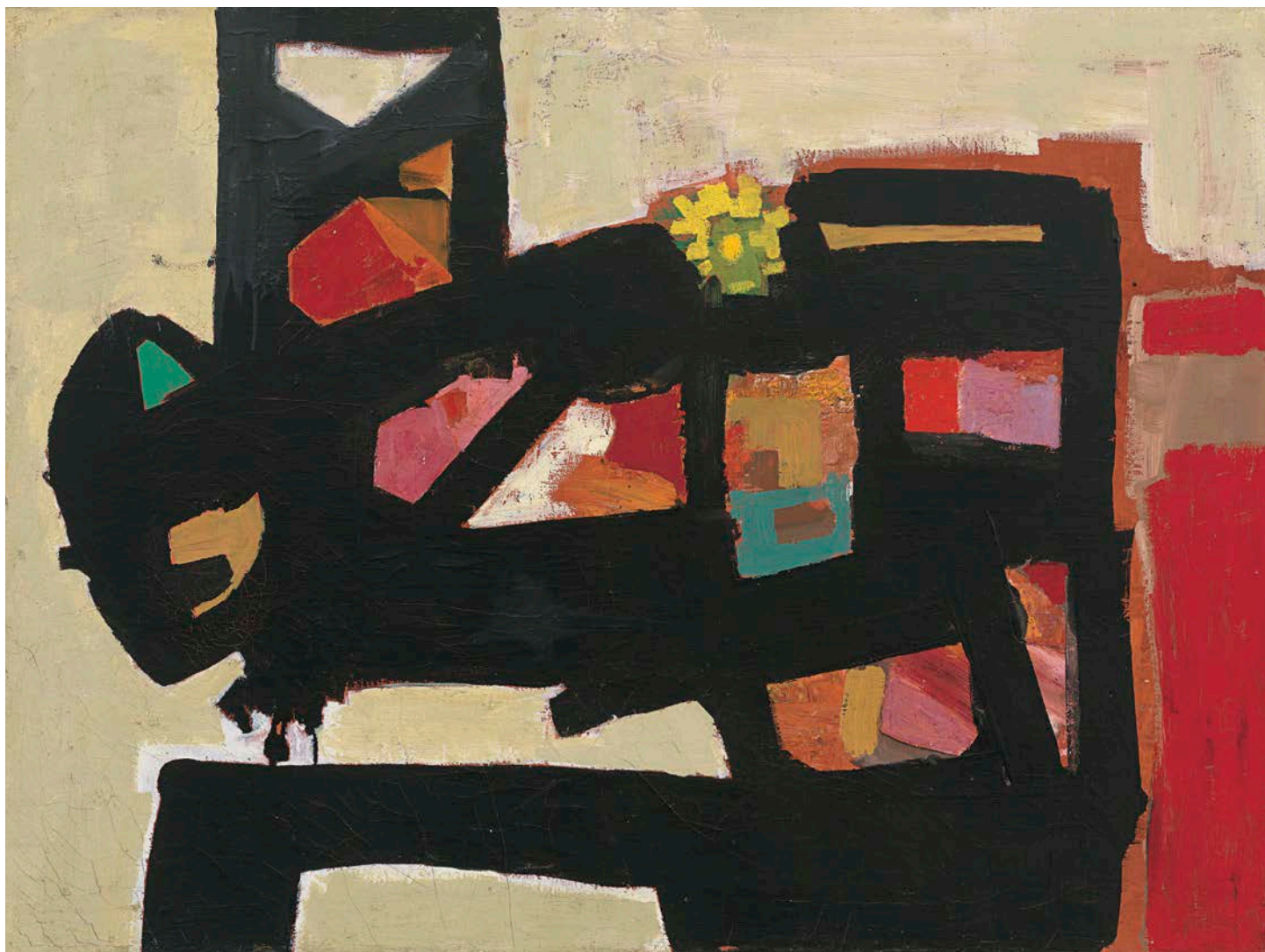


**FRANK STELLA (B. 1936)**

*Untitled, circa 1956-58*

Oil on canvas

30 x 40 inches



**ELAINE DE KOONING (1918-1989)**

*Pink Abstraction (Carmine Street Series), 1947*

Enamel on Masonite

22 x 19 ¾ inches

Inscribed on verso: "23 S"



**ALEXANDER CALDER (1898-1976)**

*Darning Needles and Rattler, 1966*

Gouache and ink on paper

30 ½ x 22 ¾ inches

Signed and dated lower right: "Calder / 66"





**HERBERT FERBER (1906-1991)**

*Caligraph with Wall (Small Version), 1957*

Brazed and varnished copper

27¾ (H) x 19½ (W) x 9 (D) inches

Incised with artist's signature and dated on base: "Ferber 57"



**JAMES BROOKS (1906-1992)**

*ISEN*, 1966

Acrylic on canvas

48 x 72 inches

Signed lower right: "J Brooks"

Titled, dated, inscribed, and signed verso: "ISEN' 1966 / 48 X 72 / James Brooks"



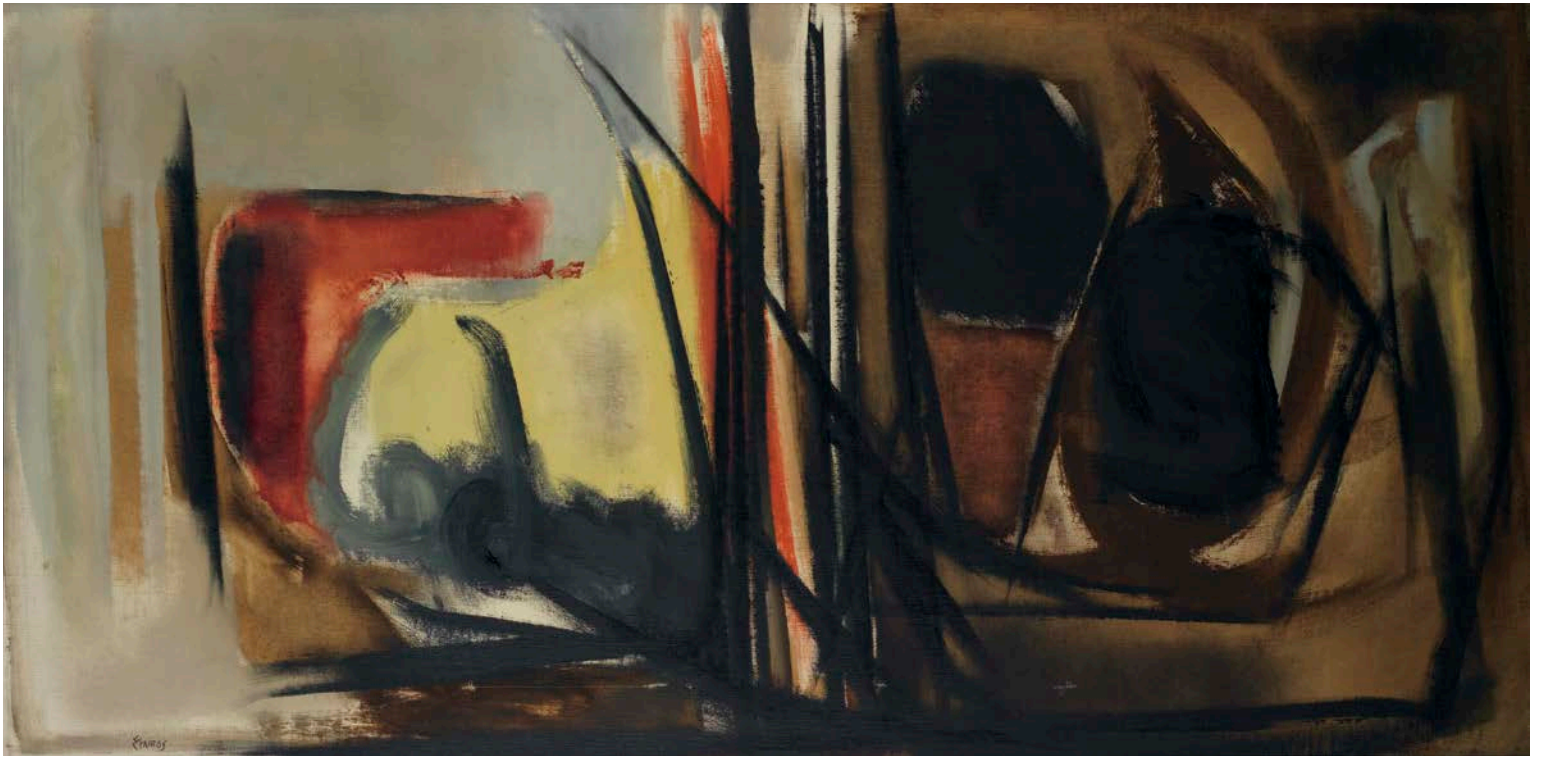
**THEODOROS STAMOS (1922-1997)**

*Eternal View*, 1954

Oil on canvas

28 1/8 x 58 3/4 inches

Signed lower left: "Stamos"



**BRADLEY WALKER TOMLIN (1899-1953)**

*Untitled, 1937*

Gouache on cardboard

8 x 6 ¾ inches

6 x 4 ½ inches (sight size)

Initialed lower right: "T"



**GIORGIO CAVALLON (1904-1989)**

*Untitled, 1978*

Oil on canvas

50 x 60 inches

Signed and dated lower right: "GIORGIO CAVALLON .78"

Signed and dated verso: "GIORGIO CAVALLON .78"



# UPCOMING EXHIBITIONS



*Butterfly*, 2015, Oil on canvas, 48 x 45 inches

## ***Bill Scott: Imagining Spring***

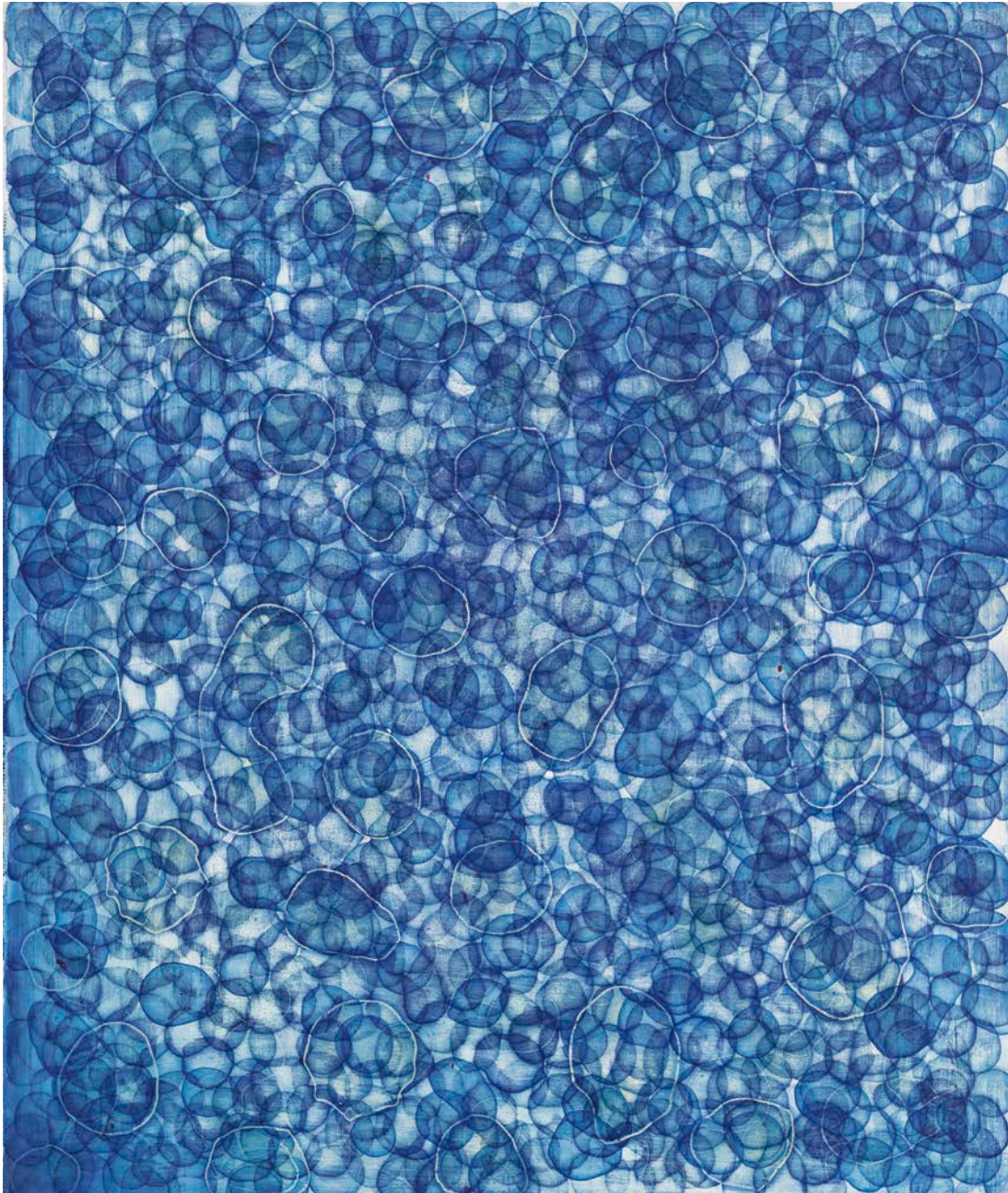
March 10–April 16, 2016



*Untitled*, 2014, Bronze with red patina, 17 $\frac{7}{8}$  (H) x 8 $\frac{1}{2}$  (W) x 3 $\frac{7}{8}$  (D) inches, Edition 2 of 8

## ***Pablo Atchugarry***

May 5–June 11, 2016



Mark Grotjahn (b. 1968), *Untitled*, 1996, acrylic on canvas, 13½ x 11 inches

# HOLLIS TAGGART GALLERIES

## UPCOMING FAIRS

### THE ARMORY SHOW

MARCH 3 – MARCH 6

PIER #92

12TH AVENUE AT W 55TH STREET

### ART COLOGNE

APRIL 14 – APRIL 17

KOELNMESSE, MESSEPLATZ 1

COLOGNE, GERMANY

### ART NEW YORK

MAY 3 – MAY 8

PIER #94

12TH AVENUE AT W 55TH STREET

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