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**CARGO LOSS PREVENTION
COMMITTEE PRESENTATION**

"FINE ARTS INSURANCE : A FAST CHANGING MARKET"

Presentation by

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« FINE ARTS INSURANCE : A FAST CHANGING MARKET

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THE ART MARKET

Introduction

The importance of the art market in terms of money.

Impression and reality. Lack of accurate information on its actual size and economic weight. Available figures : main auction houses, the visible part of the iceberg (Slide with the top five in the world in 1996 - Drouot - Total French auctioneers).

The rest, all the transactions made through the other actors of the market (dealers, agents, banks, department stores, private and underground transactions...) are just guesses and estimates.

Recent estimate : Chandernagor report (Slide : the art market worldwide : 140 to 400 billion francs).

Method of calculation. Comparison with Wall Street and Paris Bourse (Slides : the art market worldwide : 1 to 3 days at Wall Street. The auction market in France : 1 day at Paris Bourse).

The relatively small size of the art market makes extremely volatile, all the more so that it is totally heterogeneous.

1. An heterogeneous market

Multiple actors

Auctioneers : The domination of Anglo-Saxon auction houses. More and more aggressive. Intrusion in the galleries territory. Sotheby's buying New-York gallery. Christie's sponsoring Basel Fair.

Dealers : Galleries, private dealers, agents. Increasing competition with auction houses. Multiplication of fairs. Example : Asian Art Fair in New-York. Tribal Art in New-york. Photography in November in Paris...).

Reason why dealer may be preferred to auctioneers. Example : last year's major known transaction was 50MS Cézanne still-life sold privately - Slide).

Buyers and sellers : Private, museums, institutions, corporate collecting and investing (Van Gogh's Sunflowers bought for 37 M\$ by Yasuda Fire and Marine Insurance at Christie's in March 1987. Portrait of Alfonso d'Avalos by Titien bought by AXA for 64 MF), funds (British Rail). Role of banks (Citibank, Paribas, BUO, Monod, Banque de la Cité...).

Multiple fields

The so-called art market includes many different markets which do not all qualify as art in the general sense (Slide - Christie's graph). More than 30 % of Drouot turnover does not come from art.

Main categories :

- **Works of art** : paintings (Slide : 21 MS Cézanne picture sold at Christie's last May + De Kooning 15,6 MS highest price in 1996), sculptures, furniture, ceramics.

- **Antiquities** : Greek, Roman, Islamic...
- **Jewelry** : 17 % of Christie's worldwide turnover in 1996.
- **Books and manuscripts** : In June, Sotheby's sold 34 illuminated manuscripts for record 18,2 M\$ including one for 4,1 M\$ (Slide).
- **Wine** : (Andrew Lloyd Weber's cellar sold for 6 M\$ last May at Sotheby's in New-York.
- **Collectibles** : Medals, cars, Rock n' Roll, film and television memorabilia. Rapid growth of this last category that keeps adding new specialities (Barbie dolls, Swatch watches, animation art from Walt Disney's studios...).

Jackie Kennedy memorabilia : estimate 5 M\$, total 43 M\$, the largest single owner sale in 1996. (Slides : JFK's rocking chair 442 500 \$ + golf bag 387 500 \$).

Clark Gable's 1934 Academy award for best actor 607 500 \$, sold to Steven Spielberg.

2. VOLATILE MARKET

The art market is constantly moving :

- **Geographically** : Over a certain value, depending on the category, objects available on the market are attracted by the most favourable places in the world (Slide : Christie's graph). Impressionists go to New-York, jewelry to Geneva, tribal art to Paris... Over the years, depending on changing situations, the centers themselves move from one country to another. Paris, London, New-York (examples).

- **Pricewise** :

Factors responsible for price changes

— Money supply

— Interest and currency rates

- Stockmarket performances
 - Export and import policies
 - Taxes
 - Political situation
 - Fashion
- (examples)

Price fixing

- Quality
 - Provenance
 - Rarity
 - Virginity
 - Condition
 - Geographic origin
- (examples)

3. An ever expanding market

Despite ups and downs, the art market, in the long run is constantly growing (*Slide : Paribas graph on the evolution since 1970*).

- **Recent trends**

Sotheby's and Christie's : 153 lots sold over 1 MS/117 = + 30 %.

Paris : 63 lots sold over IMF 62/43 = + 30 %. (*Slide*).

Last six months at auction :

- Christie's : + 23 %
- Sotheby's : + 9 %
- Drouot : + 12,5 %

- **Main increases in price by departments :**

- Impressionist and modern (Christie's : + 78 %)
- Old master paintings (Sotheby's : + 75 %)
- 19th Century painting (Christie's : + 36 %)
- Wine (Christie's : + 26 %)
- Asian art (Christie's : + 48 %)
- Chinese works of art (Sotheby's : + 135 %)

- **Developing fields and new markets**

When a field becomes too expensive or too narrow, buyers look for alternatives. From Move from Picasso and Matisse to German expressionists, from modern to contemporary, from paintings to drawings... **Strong prices for drawings, old masters and modern, for lack of major paintings :** *(Raphael drawing sold for 8,6 MS. Record for a drawing and for the artist ; Van Gogh's water-colour « Harvest in Provence » sold for 14,7 MS. Highest price at auction in Europe since 1990 (Slide).* Had it been an oil, it could have made 5 to 10 times this price.

New generations of collectors look for new fields : photography.

Posters *(Slide: 453 500 \$ for the Mummy, Universal's 1934 classic horror film. Five times the estimate).*

Countries buy back their heritage pushing the prices up : Latin American paintings, Chinese furniture and porcelain *(Slide : 1,1 MS for 17th century standing screen ; Imperial bowl Qing Dynasty sold for 2,8 MS),* American Indian art, Aboriginal art, *Korean art (Slide : 8,4 MS for a wine jar, 20 times the low estimate).*

The art market to-morrow

Bigger, more international, better balanced between America and the rest of the world. Stronger in Europe and in Asia.

ILLUSTRATIONS

1. Main auction houses : worldwide turnover for 1996

| | |
|----------------------|-----------------------|
| Christie's : | 1016 million £ |
| Sotheby's : | 1016 |
| Phillips : | 113 |
| Bohams : | 47 |
| Tajan : | 40 |
| | |
| Drouot : | 300 (111 auctioneers) |
| French auctioneers : | 780 (460 auctioneers) |

2. The art market worldwide

140 to 400 billion francs = 1 to 3 days at Wall Street.

The auction market in France.

7,8 billion francs = 1 day at the Paris Bourse.

3. Top price in 1996

50 M\$ Cézanne

4. Christie's breakdown by department

5. 15,6 M\$ de Kooning + 23 M\$ Cézanne

6. German manuscript 4,1 M\$.

7. Kennedy sale - JFK's rocking chair 442 500 \$ + golf bag 387 500 \$

8. Christie's graph - Analysis of the market by country of sale

9. Paribas graph - Auction growth over 25 years.

10. Expensive drawings

Raphael study sold 8,6 M\$. Record for a drawing and for the artist Van Gogh water-colour « Harvest in Provence » sold for 14,7 M\$. Highest price in Europe since 1990.

11. New markets

Posters 453 500 \$ for the Mummy. 1934 Universal's horror film.

Korean art. 8,4 M\$ for a 17th century wine jar.

Chinese furniture 1,1 M\$ for a 17th century standing screen
