

State of the Art Market

A Look Back at 2016 and What to Expect in 2017

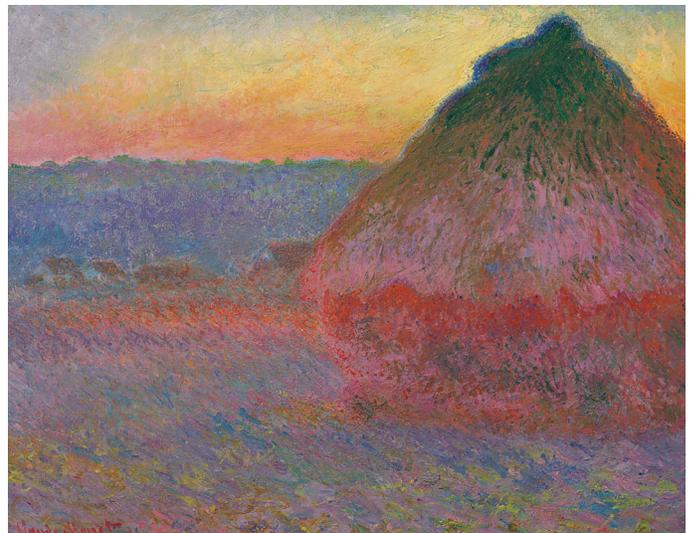
\$81.4 million for Claude Monet's 1891 *Grainstack*, \$66.3 million for Willem de Kooning's 1977 *Untitled XXV*, \$57.2 million for Jean-Michel Basquiat's 1982 *Untitled* – these are just a few of the record-breaking prices achieved at auction in 2016 despite the total prices for Sotheby's, Christie's and Phillip's major Impressionist, Modern and Contemporary art auctions falling to nearly half of their 2015 figures.

How do we reconcile such seemingly disparate accounts? As we reflect on the year past, we see an art market characterized by both highs and lows, outperforming amidst a contraction. We take a close look at the dominant trends that drove the market in 2016, and help plan for what lies ahead.

Shrunken Supply

Given the air of political and economic uncertainty that marked much of 2016, from the UK Brexit vote in February to an economic slowdown in China and the US elections in November, it comes as no surprise that owners of important works of art were more hesitant about selling. Rather than risk putting works up for sale, particularly at public auction, many sellers preferred to take a wait-and-see approach. A pullback on the auction houses' use of guarantees (minimum sale price guaranteed to a seller either financed by the auction house or a third party who may receive a fee in exchange), further resulted in fewer trophy-quality works surfacing at auction.

As a result, Sotheby's, Christie's and Phillip's experienced drastically reduced sale volumes for art in 2016 as compared with the two years prior; the three houses sold approximately \$3.4 billion of art during their major series of Impressionist, Modern and Contemporary art auctions held in London and New York in February, May, June and November of 2016, as compared with \$6.7 billion for the equivalent auctions held one year prior, nearly a 50% contraction in sales volume. After several years of exponential growth, a slowdown was both expected and welcomed to some in a cyclical, supply-limited art market.



Christie's images Ltd. 2017

Claude Monet (1840-1926), *Grainstack*, 1891
Oil on canvas, 28.6 x 36.3 inches (72.7 x 92.1 cm)



© 2017 The Willem de Kooning Foundation/Artists Rights Society (ARS), New York Christie's images Ltd. 2017

Willem de Kooning (1904-1997), *Untitled XXV*, 1977
Oil on canvas, 77 x 88 inches (195.7 x 223.5 cm)

This contraction was nowhere more evident than at the very top end of the market, which not incidentally had the highest rate of growth in 2015, when top end sales over \$1 million accounted for 57% of auction sales.¹ Unlike the numerous accounts in 2015 of sales of artworks surpassing \$100 million on the public and private market, \$179 million for Pablo Picasso's *Les Femmes d'Alger*, Bloomberg's reported \$500 million for Willem de Kooning's *Interchange* and Jackson Pollock's *Number 17A*, and \$300 million for Paul Gauguin's *When will you marry me?* to name a few, no reported sales reached the \$100 million level in 2016, and relatively few surpassed \$50 million.

Lean Yet Strong

The smaller volume of works that did surface at auction nonetheless gives us some significant insights into the state of the art market. Rare, museum-quality, and fresh-to-the-market works continued to outperform. Take, for instance, Monet's beautiful 1891 *Grainstack*, one of approximately six examples from the monumental series of 25 remaining in private hands – the painting, which went up for sale in November at Christie's, New York was estimated at \$45 million.² Instead, five bidders vied for the masterpiece during a 14-minute duel that transported the price to \$81.4 million, a new auction record for Monet. The painting last sold at auction in 1999 for \$11.8 million. A looming Brexit vote and volatility in the financial markets did not deter collectors from pursuing the most significant Cubist work to surface on the market in decades. *Femme Assise*, Picasso's 1909 portrait of his lover and model at the time, Fernande Olivier, made \$63.7 million at Sotheby's, London in February, setting an auction record for a Cubist work of art. The painting, reportedly sold by real estate developer Sheldon Solow, had been in the same collection for more than 40 years and last sold at auction in 1973 for £340,000.³ Ten years after becoming the most expensive postwar painting ever sold at auction (\$27.1 million in 2006), de Kooning's lush *Untitled XXV* of 1977 returned to Christie's to soar past a presale estimate of \$40 million to \$66.3 million, another artist auction record.⁴ One of about 20 large abstract canvases that de Kooning created on Long Island during a spur of activity that marked his return to painting, *Untitled XXV* is a seminal work from the series and one of few remaining in private hands.⁵ Interestingly, none of these three largely successful sales needed the aid of a guarantee.

When an artwork met all of a collector's criteria, demand was fierce and insatiable.



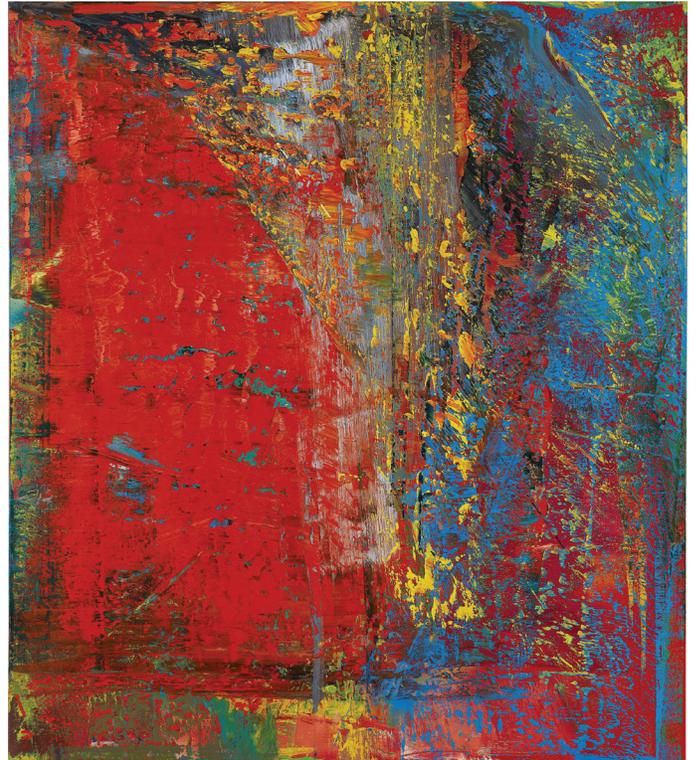
© 2017 Artists Rights Society (ARS), New York/Courtesy Sotheby's

Edvard Munch (1863-1944), *Girls on the Bridge*, 1902
Oil on canvas, 39.8 x 40.4 inches (101 x 102.5 cm)

On the other hand, we saw the froth dissipate in some areas of the market, and more selective and measured buying on the part of collectors. Picasso's 1935 *Tête de Femme* is a case in point – when the colorful portrait of Picasso's storied lover and muse came up for sale at Sotheby's in 2013, it made \$39.9 million. Just three years later in 2016, the portrait sold at Sotheby's for \$27.4 million, a 30% loss – while surely affected by the work's premature return to market, the new price also more accurately reflected the work's quality and scale as compared with similar examples.

Although Sotheby's star lot of their Impressionist and Modern art sales in November, Edvard Munch's 1902 *Girls on the Bridge*, realized a lofty price of \$54.5 million, it struggled to find a buyer. Savvy collectors in today's technology and information-rich environment knew that the work was priced high given its appearance at auction eight years prior for \$30.8 million. The painting ultimately sold to the guarantor, purportedly German software billionaire Hasso Plattner, whose \$2 million fee is reflected in the sale price.⁶ Still, the seller made a hefty return on his/her purchase price. The seller of Paul Cezanne's *Paysage avec route et clocher* of 1879-80 was not as fortunate. Despite its rarity and freshness to the market, the painting's over-aggressive presale estimate of \$10-15 million could not be reached.

In an increasingly sophisticated art marketplace, discriminating buyers looked for value, as much as quality.



© Gerhard Richter, Courtesy Marian Goodman Gallery/Sotheby's

Gerhard Richter (born 1923), *A. B. Still*, 1986
Oil on canvas, 88.5 x 78.7 inches (224.8 x 200 cm)

An Appreciation for Art History

Buyers looked to find value in artists with established track records both historically and marketwise. A trend we first saw in 2015, interest in historical names with growth potential further intensified – the markets for artists such as Gerhard Richter, Jean Dubuffet, Jean-Michel Basquiat, Agnes Martin, Joan Mitchell, Josef Albers, Barbara Hepworth, Helen Frankenthaler and Bridget Riley all saw a resurgence in 2016. No less than 25 major Richter paintings came up for sale at auction in 2016, with only three failing to find buyers and at least 20 going for over \$1 million each.

A living Contemporary German artist, Richter, has already made his way into the art history canon. He has been the subject of a number of exhibitions at museums worldwide, including retrospectives held at the Tate Modern in London and Museum of Modern Art in New York, and forms an integral part of many museum collections. Richter's *A.B. Still*, 1986, from the collection of Steven and Ann Ames, realized nearly \$34 million against an estimate of \$20-30 million at Sotheby's, New York in November.

Particularly encouraging, the market for under-appreciated female artists also gained traction.

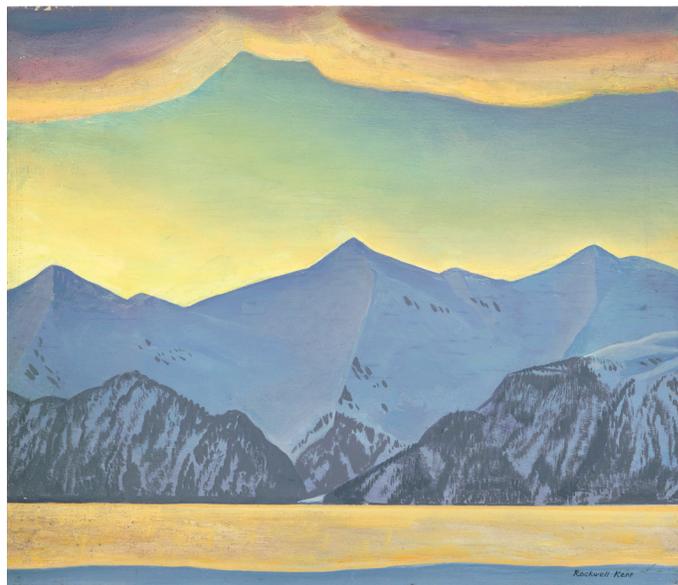
New auction records were set in 2016 for Martin and Riley, while Hepworth, Mitchell and Frankenthaler all achieved strong results. Hepworth's early hand-painted *Sculpture with Colour (Eos)* of 1946, evoking birth and the cosmos, soared past a presale estimate of \$1.2-1.8 million to realize \$5.4 million, the second highest price for the artist at auction.

The American art market, which has yet to reach pre-2009 levels, also gained momentum as collectors sought to acquire museum-quality, historic American names at a fraction of the price of their peers in the Impressionist, Modern and Contemporary art categories. Rockwell Kent's stunning *Alaska Impression (Resurrection Bay)*, painted during one of Kent's first Arctic expeditions to Alaska in circa 1918-19, was chased by multiple bidders past a presale estimate of \$50,000-\$70,000 to sell for \$199,500 at Christie's, New York. Several auction records were set for American artists including Kent, and the Impressionists John Leslie Breck, Frederick Carl Frieseke and Richard Edward Miller.



© Bowness/Christie's Images Ltd., 2017

Barbara Hepworth (1903-1975), *Sculpture with Colour (Eos)*, 1946
Hopton wood stone with grey and blue paint, height 23 1/4 inches (59.1 cm)



© Estate of Rockwell Kent/Christie's Images Ltd., 2017

Rockwell Kent (1882-1971), *Alaska Impression (Resurrection Bay)*, painted circa 1918-19
Oil on panel, 11 7/8 x 13 7/8 inches (30.2 x 35.2 cm)

Migration to the Private Market

The auction numbers, the only sales publicly disclosed within a largely opaque art market, tell us only part of the story. The majority of all art transactions occur privately via galleries, dealers and art fairs. Approximately 53% of sales in the \$63.8 billion global art market occur via private transactions according to reports issued by Arts Economics.⁷ While such sales remain discrete and thus impossible to quantify, several signs indicate growth in the high-end private market and account for some of the volume displaced from auction. Notwithstanding a 9.4% lower attendance at the annual Art Basel Miami Beach art fair in December 2016 (Zika fears played a role), dealers reported "fewer dabblers but deliberative sales."⁸ Some of the major sales reported were a 1982 Basquiat painting at Nahmad Gallery with an asking price of \$15 million; a Lee Krasner painting for \$6 million at Paul Kasmin Gallery; and a Kenneth Noland 1964 painting at Acquavella Galleries for \$2 million.⁹

Gallery behemoths like Gagosian, David Zwirner, Pace and Hauser & Wirth continued their redevelopments and expansions. Art dealer Larry Gagosian, whose global gallery empire generates an estimated \$925 million in revenue, opened a sixteenth gallery in San Francisco, Hauser & Wirth opened a sprawling new outpost in Los Angeles, and David Zwirner is reportedly looking to open a gallery in Hong Kong.¹⁰ In yet another sign of the private market's potential growth, Brett Gorvy, Christie's longtime chairman and international head of Postwar & Contemporary Art, left the auction house after 23 years to partner with art dealer Dominique Lévy. The auction houses themselves have grown their private sale departments to cater to this phenomenon.

2017: What to Expect

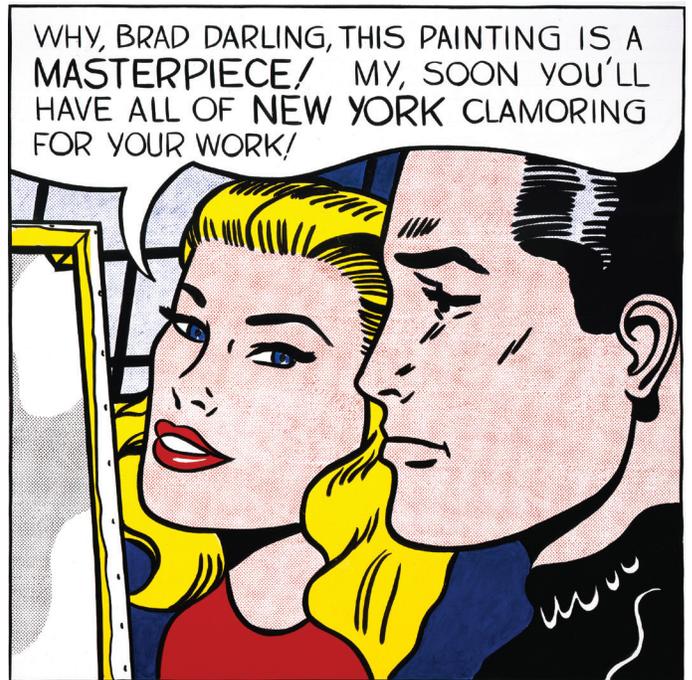
With continued political and socio-economic uncertainty at the outset of 2017, we expect it will remain challenging for dealers and auction houses to convince collectors to part with their prized artworks. On the other hand, evidence of strong sales from 2016, in spite of or perhaps even augmented by the climate of unpredictability, should encourage some sellers. Already in 2017 we have rumors of the first sales to reach over \$100 million since 2015 – Roy Lichtenstein's *Masterpiece* of 1962 and Gustav Klimt's 1912 *Portrait of Adele Bloch-Bauer II* were reportedly sold for \$150 million each by collectors Agnes Gund and Oprah Winfrey, respectively, in two of the largest private sale transactions – and may be a sign of more top-level sales to come.¹¹

At the same time, given the industry changes and staff shakeups at the major auction houses, we expect continued growth in the market for private sales. With several high-profile new hires, such as former Christie's deputy chairman Robert Manley, Phillip's auction house is also poised to gain greater market share from its competitors Sotheby's and Christie's. For now, all eyes are on Sotheby's, Christie's and Phillip's Impressionist, Modern and Contemporary art auctions to take place in London from February 28 - March 10 which will offer the year's first major test of the art market.

If a look back at 2016 offers us a lesson, it is that collectors will always benefit from focusing on museum-quality works, and relying on sound research and advice.

Fotini Xydas
Art Advisor

Citi Private Bank | Art Advisory & Finance
153 East 53rd Street, 21st Floor | New York, NY 10022 | Tel: (212) 559-9649



© Estate of Roy Lichtenstein

[Roy Lichtenstein \(1923-1997\), *Masterpiece*, 1962](#)

¹ Eileen Kinsella, "What Does TEFAF 2016 Art Market Report Tell Us About the Global Art Trade?," *Artnet News*, March 9, 2016, <https://news.artnet.com/market/tefaf-2016-art-market-report-443615>.

² Katya Kazakina, "Monet Painting Sells for Record \$81.4 Million at Christie's," *Bloomberg*, November 16, 2016, (<https://www.bloomberg.com/news/articles/2016-11-17/monet-painting-sells-for-record-81-4-million-at-christie-s>).

³ Scott Reyburn, "Two Views of Cubism," *The New York Times*, June 24, 2016, <https://www.nytimes.com/2016/06/25/arts/design/two-views-of-cubism.html>.

⁴ Dan Duray, "De Kooning Painting Sells for Record \$66M at Christie's New York: Post-war and Contemporary Evening Auction Sees Several Big Sales But Still Falls Short of Last Year's Total," *The Art Newspaper*, November 16, 2016, <http://theartnewspaper.com/market/de-kooning-painting-sells-for-record-66m-at-christie-s-new-york/>.

⁵ Robin Pogrebin and Scott Reyburn, "A Richter, Owned by Clapton, Fetches \$22 Million at Christie's," *The New York Times*, November 16, 2016, https://www.nytimes.com/2016/11/16/arts/design/christies-richter-eric-clapton.html?_r=0.

⁶ Katya Kazakina, "Munch 'Girls' Painting Sells for \$54.5 Million at Sotheby's," *Bloomberg*, November 14, 2016, <https://www.bloomberg.com/news/articles/2016-11-15/munch-s-girls-painting-sells-for-54-5-million-at-sotheby-s-and-clemens-bomsdorf>; "Munch's \$54M Girls on the Bridge Will Be Highlight of Billionaire's New Museum in Potsdam," *The Art Newspaper*, January 16, 2017, <http://theartnewspaper.com/news/edvard-munch-s-54m-girls-on-the-bridge-to-be-highlight-of-billionaire-s-new-museum-in-potsdam/>.

⁷ Eileen Kinsella, "What Does TEFAF 2016 Art Market Report Tell Us About the Global Art Trade?," *Artnet News*, March 9, 2016, <https://news.artnet.com/market/tefaf-2016-art-market-report-443615>.

⁸ Robin Pogrebin, "At Art Basel Miami Beach, Fewer Dabblers but Deliberative Sales," *The New York Times*, December 1, 2016, <https://www.nytimes.com/2016/12/01/arts/design/at-art-basel-miami-beach-fewer-dabblers-but-deliberative-sales.html>.

⁹ Eileen Kinsella and Henri Neuendorf, "Here's What Sold at Art Basel in Miami Beach 2016," *Artnet News*, December 2, 2016, <https://news.artnet.com/market/art-basel-in-miami-beach-sales-766433>; Judd Tully, "Thinner Crowds but Solid Sales as Art Basel Miami Beach Kicks Off," *Blouin Artinfo*, November 30, 2016, <http://www.blouinartinfo.com/news/story/1748055/thinner-crowds-but-solid-sales-as-art-basel-miami-beach-kicks>; and Javier Pes, "Sales Points: Art Basel in Miami Beach," *The Art Newspaper*, December 2, 2016, <http://theartnewspaper.com/reports/sales-points-art-basel-in-miami-beach/>.

¹⁰ Brian Boucher, "Grow or Go: Do Art Fairs Need to Expand to Survive?," *Artnet News*, February 25, 2016, <https://news.artnet.com/market/art-fairs-expand-to-succeed-433226>.

¹¹ Josh Baer, "The Baer Faxt," Issue #1224, January 11, 2017; Sarah Cascone, "Oprah Sells Famed Gustav Klimt Portrait for \$150 million," *Artnet News*, February 8, 2017, <https://news.artnet.com/market/oprah-sells-famed-gustav-klimt-portrait-150-million-851537>.

All dollar amounts are denominated in US Dollars unless otherwise specified.

All credit products are subject to credit approval.

Citi Private Bank Art Advisory & Finance is a comprehensive fine art consulting service that provides collection administration, estate consultation, philanthropic planning and art financing.

Alternative assets such as art are speculative, may not be suitable for all clients, and are intended for those who are willing to bear high economic risks. Citi Private Bank Art Advisory & Finance does not advise clients how to profit from the purchase of art or guarantee that a particular piece can be sold or otherwise used for a financial transaction for any amount including an amount equal to the purchase price.

The views expressed herein are those of Citi Private Bank Art Advisory & Finance and do not necessarily reflect the views of Citigroup Inc. or its affiliates. All opinions are subject to change without notice.

Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any artwork.

Citi Private Bank is a business of Citigroup Inc. ("Citigroup"), which provides its clients access to a broad array of products and services available through bank and non-bank affiliates of Citigroup. Not all products and services are provided by all affiliates or are available at all locations.

Citibank N.A., London Branch (registered branch number BR001018), Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The contact number for Citibank N.A., London Branch is +44 (0)20 7508 8000.

Citibank Europe plc is regulated by the Central Bank of Ireland. It is authorised by the Central Bank of Ireland and by the Prudential Regulation Authority. It is subject to supervision by the Central Bank of Ireland, and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request. Citibank Europe plc, UK Branch is registered as a branch in the register of companies for England and Wales with registered branch number BR017844. Its registered address is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. VAT No.: GB 429 6256 29. Citibank Europe plc is registered in Ireland with number 132781, with its registered office at 1 North Wall Quay, Dublin 1. Citibank Europe plc is regulated by the Central Bank of Ireland. Ultimately owned by Citigroup Inc., New York, USA.

In Jersey, this document is communicated by Citibank N.A., Jersey Branch which has its registered address at PO Box 104, 38 Esplanade, St Helier, Jersey JE4 80B. Citibank N.A., Jersey Branch is regulated by the Jersey Financial Services Commission. Citibank N.A. Jersey Branch is a participant in the Jersey Bank Depositors Compensation Scheme. The Scheme offers protection for eligible deposits of up to £50,000. The maximum total amount of compensation is capped at £100,000,000 in any 5 year period. Full details of the Scheme and banking groups covered are available on the States of Jersey website www.gov.je/dcs, or on request.

In Canada, Citi Private Bank is a division of Citibank Canada, a Schedule II Canadian chartered bank. Certain investment products are made available through Citibank Canada Investment Funds Limited ("CCIFL"), a wholly owned subsidiary of Citibank Canada.

In Hong Kong, this document is issued by Citi Private Bank ("CPB") operating through Citibank N.A., Hong Kong branch, which is regulated by the Hong Kong Monetary Authority. Any questions in connection with the contents in this document should be directed to registered or licensed representatives of the aforementioned entity.

In Singapore, art advisory services/products cannot be marketed by Singapore bankers or booked in Singapore.

© 2017 Citigroup Inc. All Rights Reserved. Citi, Citi and Arc Design and other marks used herein are service marks of Citigroup Inc. or its affiliates, used and registered throughout the world.

Citibank, N.A. Member FDIC

www.citiprivatebank.com