

# Skate's Art Market Research

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## Skate's Art Investment Review

### Monthly Art Investment Ideas from Skate's Art Market Research

February 2011

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## **January Sales Review: Vernet is King with a New Price Record and Consistent Positive Returns**

### **Skate's Forecast for Cranach II and Rubens Buy-ins 100% on Target**

As we begin what will surely be a busy month in the art market, we take satisfaction in the fact that our [forecast for the Old Masters auctions](#) on January 26-27 held true. Neither Cranach II nor the two works by Rubens found buyers, thus confirming the very weak market for both artists that we had predicted.

The Old Master painters are traditionally considered the most conservative segment of investment quality art. In contrast to the Modernists and Contemporary artists, they rarely appear on the auction market and attract attention mostly from devoted collectors and museums. Consequently, very few representatives of this period make it into Skate's Top 5000, especially as repeat sales. In 2010, only fifty-nine artworks (dated before 1800) by forty-six Old Master artists made it into the ranking; eleven of these were contributed by Chinese artists.

The results of the January auctions prove that this market remains thin but strong, bringing twelve new entries to Skate's Top 5000 already in 2011. Though these works have not significantly affected the ranking in terms of its threshold price, many of them did sell for prices far beyond their pre-auction estimates.

We are particularly interested in the only repeat sale that took place this month: Claude Joseph Vernet's *A Mediterranean Harbor at sunset with fisherfolk at the water's edge, a lighthouse and a man of war at anchor in the bay*. Vernet's work appeared on the auction market for the third time and yielded a positive return of 7.18% after a holding period of eleven years.

This has been the second repeat auction sale for the artist since 1985. The last one in 2007 was on a work similar in terms of period of creation, size and even title – *A Mediterranean harbor scene at sunset, with fishermen unloading their catch before a round fortress, a man-of-war at anchor beyond* brought a 12% annualized return at that time.

Consistently positive investment returns on sea landscapes by Claude Joseph Vernet might be due to strong museum ownership of his works and his iconic landscape images of significant size. Unlike many painters, Vernet became a recognized and celebrated artist during his life, and most of his paintings were commissioned by wealthy upper-class people. Sotheby's catalogue note of January 27 mentions that during the period of 1753-1756, Vernet was honored to create his most important paintings commissioned by King Louis XV. That event brought the painter even more attention and raised his status during the latter part of his career.

Another commissioned painting of Vernet that was represented in January is a particular example of record size and, apparently, price. *A grand view of the sea shore enriched with buildings, shipping and figures* has become by far the artist's most expensive work, whose average price in Skate's Top 5000 is \$3 mln. Whether it was the painting's visual connection to the royal collection of Louis XV or the rich provenance described in catalogue note, the work generated such fierce bidding that the final purchase price was three times the estimate, reaching an incredible \$7 mln.

## Skate's Top 5000: New Entries in January

Artist Rank in Skate's Top 5000	Artist	Title	Year	Auction House	Auction Date	Estimate, USD	Purchase Price, USD
231	Titian (Tiziano Vecelli)	A Sacra Conversazione: The Madonna and Child with Saints Luke and Catherine of Alexandria		Sotheby's	27-Jan-11	15,000,000-20,000,000	16,882,500
884	Claude Joseph Vernet	A grand view of the sea shore enriched with buildings, shipping and figures	1776	Sotheby's	27-Jan-11	1,500,000-2,000,000	7,026,500
1045	Joachim Wtewael	Adam and Eve		Sotheby's	27-Jan-11	800,000-1,200,000	6,242,500
1317	Gerrit Dou	An elderly woman, seated by a window at her spinning wheel, eating porridge		Sotheby's	27-Jan-11	2,000,000-3,000,000	5,346,500
1633	Pieter Brueghel II	Return from the Kermesse		Sotheby's	27-Jan-11	2,000,000-3,000,000	4,562,500
1975	Luca Carlevaris	View of the Molo, Venice, looking west		Christie's	26-Jan-11	3,500,000-4,500,000	4,002,500
2864	Willem Willemsz van der Vliet	A scholar in his study with figures with masks, an allegory (?)	1627	Sotheby's	27-Jan-11	1,200,000-1,800,000	2,994,500
3166	Giovanni Pietro Rizzoli	The Virgin and Child by a window: Madonna of the cherries		Sotheby's	27-Jan-11	700,000-900,000	2,770,500
3706	Claude Joseph Vernet	A Mediterranean Harbor at sunset with fisherfolk at the water's edge, a lighthouse and a man of war at anchor in the bay	1761	Sotheby's	27-Jan-11	1,000,000-1,500,000	2,434,500
4091	Luis Meléndez	Still life with tomatoes, a bowl of aubergines and onions		Sotheby's	27-Jan-11	1,500,000-2,000,000	2,210,500
4362	Perino del Vaga	The Holy Family with the Infant Saint John the Baptist		Sotheby's	27-Jan-11	300,000-400,000	2,098,500
4973	Jan Brueghel the Elder	A panoramic landscape with a covered wagon and travelers on a highway	1612	Sotheby's	27-Jan-11	1,000,000-1,500,000	1,874,500

Source: Skate's Art Market Research

## February Repeat Sales Review: 24 Potential Deals, Positive Returns Expected Miro Sees Most Aggressive Pricing, Picasso Leads on Volume, Skate's Recommends Watching Chagall

After reviewing the February auction catalogues in search of potential new entrants to Skate's Top 5000, we have identified twenty-four potential repeat sales, i.e., works of art returning to the auction market and thus

allowing calculation of the effective rate of return (ERR) on investment based on historical auction prices and the estimate ranges that have been set for the upcoming sales this month. Of the twenty-four expected repeat

sales, five works already have prior repeat sale records and are returning to the auction market for at least the third time this month, thus creating interesting statistical evidence of their ERR dynamics (see right section of the table on potential repeat sales (ERR Data) below).

Half of these expected repeat sales are represented by three artists – six for Pablo Picasso, three for Kees van Dongen and two for Marc Chagall. Based on their pre-auction estimate ranges, negative returns are expected only on three of these twenty-four works. Picasso's *Le Peintre Et Son Modele Dans Un Paysage* is entirely priced in negative territory, *Déjà* by van Dongen has most of the pricing range in red and Monet's *La berge du Petit-Gennevilliers* has only the lower part of the estimate range predicting returns for the current owner.

Still, very few artworks are expected to do significantly better than the benchmark weighted average historical annualized return for repeat sales in Skate's Top 5000, which currently stands at 4.24%. The two biggest outliers are Joan Miro with *Tête bleue et oiseau flèche* and Marc Chagall with *Le cheval vert*, which are expected to yield 23% and 15.5% annualized returns, respectively – assuming of course that they sell at the mid-point of their pre-auction estimate ranges.

Although priced for positive returns, finding buyers may prove difficult. We are particularly concerned with the strength for the Chagall market these days; of the sixty-six works by Chagall that are currently in Skate's Top 5000,

fifteen are repeat sales. Their weighted average return is -1.83% per annum, which suggests that collectors generally lose money on Chagall purchases that are made at Skate's Top 5000 prices. Furthermore, according to Skate's 2010 annual art market report, Chagall was the second most affected artist (after Degas) in terms of both the number and the value of his works dropping out of our database in 2010. The growth of the threshold price to \$1.87 mln during the year meant that Chagall's multiple price records within \$1.5-1.9 mln range could no longer be included in Skate's Top 5000. Chagall's *Le cheval vert* is priced more or less in the same range but implies an unusual 15.5% annualized return for the artist after a holding period of 8.3 years. This looks like aggressive pricing, and we would not be surprised if the work failed to sell.

Although priced at a higher range, Chagall's other repeat sale, *Les Maries et le bouquet de fleurs rouges*, is a better quality work with stronger investment appeal. We have even included it as one of Skate's Top Five picks for this month, which will allow it to serve as a test case of whether Chagall can actually produce positive returns for his collectors who originally bought near the \$1 mln price level. However, given Chagall's historically weak repeat sales performance, we would recommend that potential buyers bid closer to the lower end of the estimate range (or even a bit below estimate near the \$2 mln level). We do not expect fierce bidding for this artwork.

## Potential Repeat Sales in February (Sales Data)

Artist Rank in Skate's Top 5000	Artist	Title	Auction House	Auction Date	Estimate Low, USD	Estimate High, USD
1	Pablo Picasso	Nu Couché	Sotheby's	08-Feb-11	3,997,442	5,595,524
20	Marc Chagall	Les Mariés et le bouquet de fleurs rouges	Sotheby's	08-Feb-11	2,078,670	2,878,158
26	Edouard Manet	Jeune Fille en déshabillé	Sotheby's	08-Feb-11	1,598,977	2,399,232
254	Giorgio Morandi	Natura Morta	Sotheby's	08-Feb-11	1,279,591	1,919,386
1	Pablo Picasso	Tête d'homme	Sotheby's	08-Feb-11	1,439,539	1,919,386
48	Paul Signac	Barfleur	Sotheby's	08-Feb-11	1,439,539	1,919,386
39	Rene Magritte	Le Maître d'école	Sotheby's	08-Feb-11	1,279,591	1,919,386
23	Camille Pissarro	Soleil couchant au Vélhermeil, auvers sur - oise	Sotheby's	08-Feb-11	1,279,591	1,598,977
1	Pablo Picasso	Compotier et Verres	Sotheby's	08-Feb-11	959,693	1,279,591
1	Pablo Picasso	Le Peintre Et Son Modèle Dans Un Paysage	Sotheby's	08-Feb-11	959,693	1,279,591
43	Kees Van Dongen	La robe rose (eve francis)	Sotheby's	08-Feb-11	959,693	1,279,591
81	Salvador Dali	Portrait de Paul Eluard	Sotheby's	10-Feb-11	5,593,735	7,991,050
10	Alberto Giacometti	Annette or Portrait D'Annette Au Pull-Over Rouge	Sotheby's	10-Feb-11	3,195,909	4,795,396
30	Lucian Freud	Seated Figure	Sotheby's	10-Feb-11	1,598,465	2,397,698
2	Claude Monet	La berge du Petit-Gennevilliers	Christie's	09-Feb-11	4,725,000	7,875,000
2	Claude Monet	Argenteuil, Fin D'après-Midi	Sotheby's	8-Feb-11	5,595,524	7,195,395
43	Kees van Dongen	L'actrice Lili Damita	Christie's	09-Feb-11	2,362,500	3,150,000
1	Pablo Picasso	Jeune fille accoudée	Christie's	09-Feb-11	1,260,000	1,890,000
20	Marc Chagall	Le cheval vert	Christie's	09-Feb-11	1,260,000	1,890,000
43	Kees van Dongen	Déjà	Christie's	09-Feb-11	1,260,000	1,890,000
14	Fernand Léger	Une femme devant le paysage	Christie's	09-Feb-11	3,465,000	4,410,000
1	Pablo Picasso	Nature morte au compotier	Christie's	09-Feb-11	945,000	1,260,000
18	Joan Miro	Tête bleue et oiseau flèche	Christie's	09-Feb-11	2,520,000	3,780,000
123	David Hockney	Hotel l'Arbois, Sainte-Maxime	Sotheby's	15-Feb-11	1,586,294	2,379,441

Source: Skate's Art Market Research

## Potential Repeat Sales in February (ERR Data)

Artist Rank in Skate's Top 5000	Artist	Title	ERR Low	ERR High	Repeat Sale Purchase Date	Repeat Sale Initial Purchase Price	Previous ERR	Repeat Sale Purchase Date	Repeat Sale Initial Purchase Price
1	Pablo Picasso	Nu Couche	12.55%	14.05%	26-Mar-85	161,214			
20	Marc Chagall	Les Maries et le bouquet de fleurs rouges	4.57%	7.16%	14-May-97	950,000			
26	Edouard Manet	Jeune Fille en deshabille	3.28%	6.28%	30-Apr-96	827,500			
254	Giorgio Morandi	Natura Morta	1.92%	5.29%	09-Dec-97	819,577			
1	Pablo Picasso	Tete D'homme	3.66%	11.30%	07-Nov-06	1,024,000	10.45%	10-Dec-98	403,747
48	Paul Signac	Barfleur	1.59%	6.06%	02-Feb-04	1,068,454	1.67%	31-Mar-87	706,146
39	Rene Magritte	Le Maitre D'ecole	5.55%	7.55%	11-May-88	308,000			
23	Camille Pissarro	Soleil couchant au velhermeil, auvers sur - oise	0.04%	1.35%	11-Nov-92	1,045,000			
1	Pablo Picasso	Compotier et Verres	7.10%	9.65%	08-Dec-97	312,603			
1	Pablo Picasso	Le Peintre Et Son Modele Dans Un Paysage	-7.41%	-4.25%	06-Nov-01	1,573,500			
43	Kees Van Dongen	La robe rose (eve francis)	3.79%	9.67%	20-Jun-05	625,454			
81	Salvador Dali	Portrait de Paul Eluard	4.04%	5.82%	14-Nov-89	2,090,000			
10	Alberto Giacometti	Annette or Portrait D'Annette Au Pull-Over Rouge	1.08%	3.07%	14-Nov-89	2,178,000			
30	Lucian Freud	Seated Figure	4.00%	6.13%	05-Apr-90	587,896	20.94%	30-Jun-88	376,390
2	Claude Monet	La berge du Petit-Gennevilliers	-0.94%	1.51%	28-Nov-89	4,985,933	52.93%	24-Apr-85	632,500
2	Claude Monet	Argenteuil, Fin D'apres-Midi	1.60%	2.88%	14-Nov-90	3,520,000			
43	Kees van Dongen	L'actrice Lili Damita	3.02%	4.47%	27-Nov-89	1,065,958			
1	Pablo Picasso	Jeune fille accoudée	4.02%	12.22%	20-Jun-05	829,090	-8.71%	06-Feb-01	1, 064,706
20	Marc Chagall	Le cheval vert	12.38%	18.37%	06-Nov-02	394,500			
43	Kees van Dongen	Déjà	-6.20%	3.73%	09-Nov-06	1,360,000			
14	Fernand Léger	Une femme devant le paysage	7.29%	8.83%	03-Nov-93	882,500			
1	Pablo Picasso	Nature morte au compotier	3.13%	4.69%	18-May-90	400,000			
18	Joan Miro	Tête bleue et oiseau flèche	19.30%	26.59%	02-Feb-04	620,454			
123	David Hockney	Hotel l'Arbois, Sainte-Maxime	5.55%	13.59%	10-May-05	968,000			

Source: Skate's Art Market Research

## Top 5 Art Investment Ideas for February 2010

***Auctions price Claude Monet to achieve approximately 1% annualized historical return on 20-year investment cycle*** – Skate's recommends bidding within or slightly above the suggested estimate ranges on both upcoming Monet repeat sales, assuming of course that potential buyers accept the concept of value preservation for top-quality Monet works.

***Léger's repeat sale, while expected to generate massive capital gain for the seller, is still attractively priced and leaves a lot of value for a new owner*** – The implied ERR of 8.10% at the estimate range's mid-point is well below the weighted average of 11.44% for Léger's market, which continues to experience significant new capital inflows. Bidding up to \$4 mln is definitely a safe bet for investment-oriented buyers.

***Miro's Femme comes attractively priced*** – Of the two Miro paintings coming to the auction market this month, we favor *Femm*, which has been consigned to Sotheby's, due to significant upside given the suggested estimate range. While perhaps a less significant painting than *Tête bleue et oiseau fleche*, to be auctioned by Christie's during the same week with a target ERR of 19.3-26.6% annualized over a 7-year holding period, *Femme* definitely offers more value to potential bidders provided they stay within the estimate range.

***Can collectors actually make money on Chagall art priced over \$1 mln?*** – Ranked by Skate's as the 20<sup>th</sup> most valuable global artist, Chagall has a poor record of repeat sales. In fact, his artworks change hands frequently (15 repeat sales out of 66 listed in Skate's Top 5000), although they generate miserable returns, with the weighted average ERR on those 15 sales standing at a mere 1.83% per annum. *Les Maries et le bouquet de fleurs rouges*, which comes to auction in February, is priced at a 5.22% annualized ERR following a 14-year holding period. That might a tough sale; we recommend testing the reserve price and bidding under the price range (i.e., below \$2 mln).


Claude Monet		Fernand Léger	Joan Miro	Marc Chagall
<i>Argenteuil, Fin D'apres-Midi</i>	<i>La berge du Petit-Gennevilliers</i>	<i>Une femme devant le paysage</i>	<i>Femme</i>	<i>Les Maries et le bouquet de fleurs rouges</i>
				

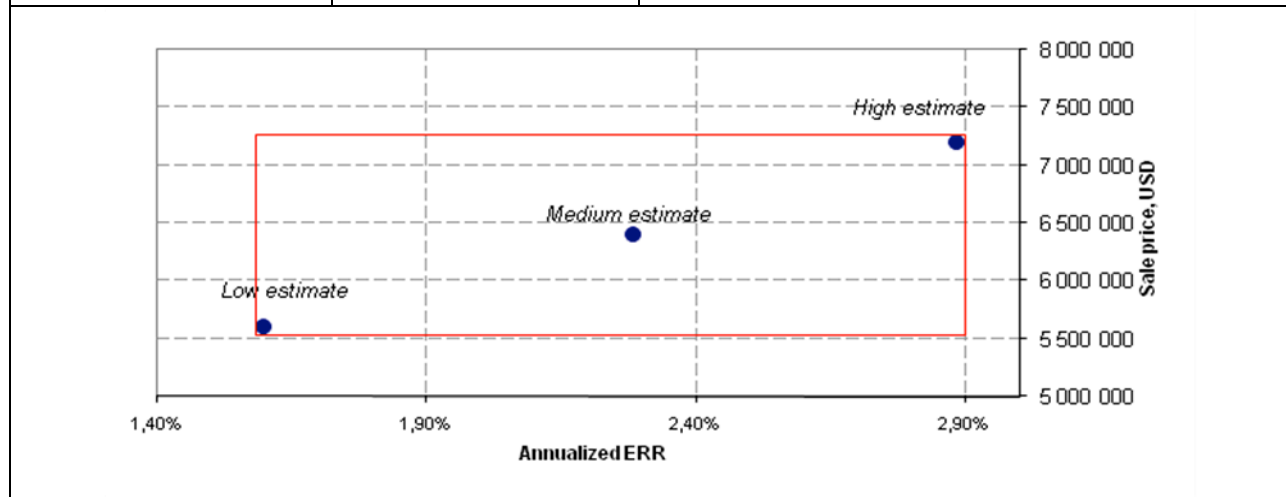
Artist	Title	Medium	Size, cm	Estimate, USD	Sale Details	Repeat Sale	Initial Purchase Price, USD	Artist's Rank in Skate's Top 5000	Liquidity Category
Claude Monet	Argenteuil, Fin D'apres-Midi	Oil on canvas	60x81	5,595,524-7,195,395	Sotheby's, Feb 8, 2011	Yes	3,520,000	2	Blue chip
Claude Monet	La berge du Petit-Gennevilliers	Oil on canvas	61.4x80.5	4,725,000 – 7,875,000	Christie's, Feb 9, 2011	Yes	4,985,933	2	Blue chip
Fernand Léger	Une femme devant le paysage	Oil on canvas	61x50.2	3,465,000 - 4,410,000	Christie's, Feb 9, 2011	Yes	882,500	14	Blue chip
Joan Miro	Femme	Oil on canvas	92x73	1,439,539-1,919,386	Sotheby's, Feb 8, 2011	No	-	18	Blue chip
Marc Chagall	Les Maries et le bouquet de fleurs rouges	Oil on canvas	73x60	2,078,670-2,878,158	Sotheby's, Feb 8, 2011	Yes	1,047,500	20	Blue chip

Source: Skate's Art Market Research

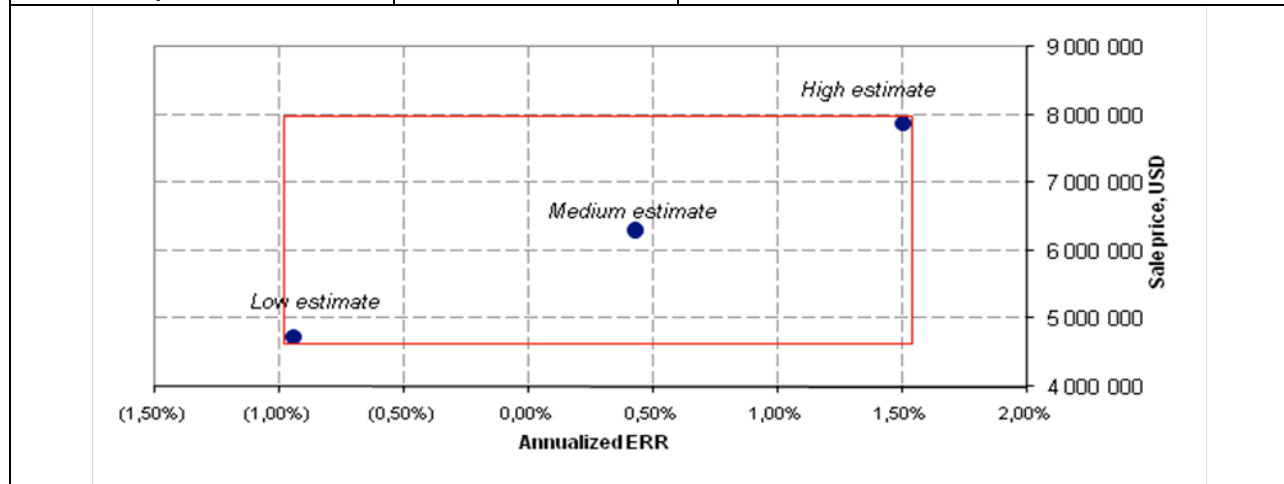


**Claude Monet**  
***Argenteuil, Fin D'apres-Midi (Sotheby's)***  
***La berge du Petit-Gennevilliers (Christie's)***

<b>Artist</b>	<b>Claude Monet</b>	
<b>Artist Rank in Skate's List</b>	2	
<b>Title</b>	Argenteuil, Fin D'apres-Midi	
<b>Artwork Rank in Skate's Top 5000</b>	# 2340 as of January 31, 2011	
<b>Year of Creation</b>	1872	
<b>Medium</b>	Oil on canvas	
<b>Size, cm</b>	60 x 81	
<b>Auction House</b>	Sotheby's	
<b>Auction Date</b>	8-Feb-2011	
<b>Estimate, USD</b>	5,595,524-7,195,395	
<b>Number of Repeat Sale (before this auction)</b>	None	
<b>Initial Purchase Price, USD</b>	3,520,000	
<b>Previous Purchase Date</b>	14-Nov-90	
<b>ERR (on expected repeat sale at mid-point), %</b>	1.60% per annum	
<b>Holding Period on Expected Repeat Sale, Years</b>	20	



<b>Artist</b>	<b>Claude Monet</b>
<b>Artist's Rank in Skate's List</b>	2
<b>Title</b>	La berge du Petit-Gennevilliers
<b>Artwork Rank in Skate's Top 5000</b>	# 1440 as of January 31, 2011
<b>Year of Creation</b>	1875
<b>Medium</b>	Oil on canvas
<b>Size, cm</b>	61.4 x 80.5
<b>Auction House</b>	Christie's
<b>Auction Date</b>	09-Feb-2011
<b>Estimate, USD</b>	4,725,000 - \$7,875,000
<b>Number of Repeat Sale (before this auction)</b>	2
<b>Initial Purchase Price, USD</b>	4,985,933
<b>Previous Purchase Date</b>	28-Nov- 1989
<b>ERR (on expected repeat sale at mid-point), %</b>	0.44% per annum
<b>Holding Period on Expected Repeat Sale, Years</b>	21
<b>Historical ERR on Previous Repeat Sale, %</b>	52.93% per annum
<b>Date of Purchase Date for Previous Repeat Sale</b>	24-Apr-1985
<b>Initial Purchase Price of Previous Repeat Sale</b>	632,500



Both of these paintings were executed during the "Argenteuil period," which is not the most valuable period for the artist in terms of auction prices. It has provided only twenty-eight works to Skate's Top 5000 with a total value of \$178,199,681 (only 10.4% out of Monet's total capitalization in the rating).

However, we should note that the image of the boats, depicted on both paintings, serves as a strong valuation driver. Monet's paintings with this subject have traditionally commanded higher valuation at auctions. Whereas a subject rarely has such strong effect on the price, for Monet this is a very important factor. Another example can be seen with the artist's series of

water lilies and haystacks, which make up a major part of Monet's capitalization in Skate's Top 5000. The Sotheby's catalogue note stresses the importance of the "Argenteuil boats" series: Argenteuil "was not just some secluded little town outside Paris, but a center for pleasure boating in France. Boating means Argenteuil and Argenteuil means boating. The importance of this fact cannot be overemphasized, considering how much of Monet's work is devoted to sailboats on the Seine."

Confirmation of this idea can be found in the average price in the peer group for Argenteuil; *Fin D'apres-Midi* and *La berge du Petit-Gennevilliers* (composed of the medium-sized canvases from this series) is much higher than the average for the Argenteuil period as a whole: \$7,119,757 versus \$3,997,692 (the average price of Monet's premium art in Skate's Top 5000 is \$7,807,590). The benchmark for this period was set in 2008, when *Le Pont du chemin de fer à Argenteuil* sold for \$41.5 mln with a significant (for Monet) return of 6%.


There could be different explanations for this phenomenon, however. Indeed, Monet was not the only artist who dedicated paintings to the beauty of the Seine River and boating in Argenteuil. Gustave Caillebotte and Alfred Sisley also created masterpieces with this subject matter, but Monet was the only one to master it.


Both of these Monet works are repeat sales with a substantial holding period of two decades. They were bought for different prices with a gap of more than \$1 mln between them. The possible reason is that transactions took place in different economic conditions: *La berge du Petit-Gennevilliers* was purchased in booming 1989, whereas *Argenteuil, Fin D'apres-Midi* was acquired in 1990, after the art market had cooled significantly. Now both works have roughly the same pre-auction estimates, and both will bring positive albeit paltry returns to their current owners. Even if they are purchased

at the high end of the estimates (see EER scenario graphs), these results are in keeping with the investment returns on Monet's works as a whole: the weighted average EER for repeat sales of Monet's Top 5000 works amounts to a mere 0.30%. The reason for this is not so much the fact that the market for Monet is losing its momentum; rather, a probable explanation is that Monet's market already achieved its peak during the first market boom. In other words, the prices that were paid for the artist at that time were so high that any positive return was impossible. On something of a side note, this is not their first case of repeat sale; in 1985, *La berge du Petit-Gennevilliers* yielded an outstanding return of 52.93%. This provides even more evidence of the difficulty the works will face in discovering even higher valuations.

On the upcoming sales the valuations for both works are reasonable, i.e., they correspond with the average price in the Impressionist & Modern segment. If purchased at the mid-point of the estimate, *Argenteuil, Fin D'apres-Midi* and *La berge du Petit-Gennevilliers* could bring returns near the average of Skate's Top 5000 as a whole (approximately 4%). It should be kept in mind that such returns, while unimpressive, do offset the low level of risk associated with investment in Monet.

Comparative Analysis of Peer Groups			
Argenteuil period (1871-1878)		Sailboats subject in Argenteuil period	
Average Price, USD	3,997,692	Average Price, USD	7,119,757
Minimum Price, USD	442,500	Minimum Price, USD	1,472,000
Maximum Price, USD	41,481,000	Maximum Price, USD	9,022,500
Total Number of Works Sold	58	Total Number of Works Sold	12

Skate's Top 5000 Peer Group for Boat Theme in Argenteuil Period					
					
<b>Title</b>	Les bords de la Seine à Argenteuil	La Seine à Argenteuil	Voilier sur le petit bras de la Seine, Argenteuil	Canotiers à Argenteuil	La Seine à Argenteuil
<b>Year of Creation</b>	1872	1875	1872	1874	1877
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas
<b>Size, cm</b>	55.4x73.6	59.8x79.8	51 x 63.	61.9x80	60x72.8
<b>Auction Date</b>	02-May-2005	13-May-1997	05-May-1990	17-Nov-1998	02-Nov-2004
<b>Premium Price, USD</b>	4,832,000	8,362,500	3,498,500	9,022,500	2,919,500

The Most Expensive Work of the Period (1871-1878)		
Artist	Claude Monet	
Title	Le Pont du chemin de fer à Argenteuil	
Year of Make	1873	
Medium	oil on canvas	
Size, cm	60x98.4	
Auction House	Christie's	
Auction Date	05.05.2008	
Premium Price, USD	41,481,000	
Annualized ERR, %	6	
Holding Period, Years	19	

Source: Skate's Art Market Research

## Fernand Léger

### *Une femme devant le paysage*

Whether mechanical or geometric in style, Fernand Léger paid specific attention to the exploration of women's true nature and body through different artistic methods. Léger's works with this subject have contributed \$122 mln to his market capitalization in Skate's Top 5000, i.e. 27% out of a total of \$451 mln. It should be noted that the average price for these paintings (15 works in the rating) is higher than the average price for all Top 5000 works by the artist: \$8,124,247 versus \$6,019,750. The female portrait has a greater chance of commanding high valuation than the artist's other subject: for comparison, his still life paintings have contributed only \$39,802,244 to Skate's Top 5000, whereas the average price for these works is much lower at \$3,061,711.

Yet another piece of evidence supporting the notion that Léger's Femme portrait could generate bidding fever is that such works have historically brought significant returns on repeat sales. The weighted average ERR for Top 5000 female portraits by the artist is an impressive 24.6%, the record ERR for this peer group is

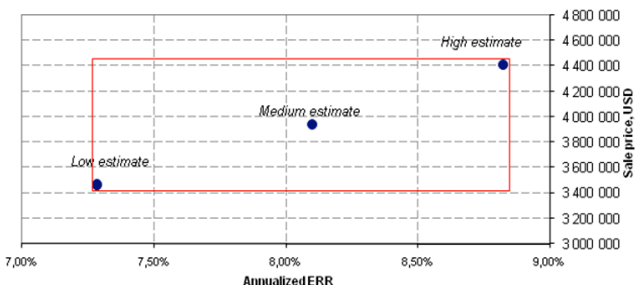
35%, whereas the average ERR for all of Léger's Top 5000 works is only 11.44%.

In total, there have been five repeat sales of Léger's female portraits in Skate's Top 5000. The sale of the work, chosen for our February report, will be the sixth. This will be the third time *Une femme devant le paysage* has appeared on the market. During the first transaction in 1993, the buyer paid \$882,500 for the painting, and then after an extremely short holding period of two years, attempted to resell it. Due to the unfavorable market conditions at the time, it seems likely that the reason behind the exit was an urgent need for liquidity rather than an intention to speculate on the artwork. But the art market had not yet recovered and, as a result, *Une femme devant le paysage* failed to find a buyer, despite the modest estimate of \$779,787-1,091,703. Now, seventeen years later, the work is back on the market and the high estimate exceeds the previous purchase price by more than three times. If sold at its mid-point, the portrait will yield a return of 8.10%.

The question is whether it is reasonable to pay such price for *Une femme devant le paysage* now. The pre-auction valuation significantly exceeds the Fair Market Value, which is based on the average price in the peer group. At the high end of estimate range, Irrational Premium (IP) amounts to 76.3%. At the same time, we see that the peer group shows consistent growth in value. As the chart "Leger's Top 5000 Works" shows, the artist's performance of has improved dramatically over the last decade, although the buy-in rate has decreased only slightly, from 36% in the 1990s to 33% in the 2000s.

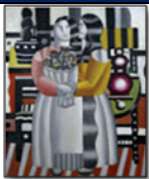



It should be noted that the market for Léger's works has already began to strengthen in the period from 2000-2005, i.e., before the peak years of the market boom. This suggests that the high prices were linked not to bullish speculation, but to the artist's gradual appreciation. After short decline in 2009, the market for Léger rebounded in 2010. His Top 5000 capitalization grew by \$32,995,840 last year. For this reason, we find it reasonable to pay a certain degree of Irrational Premium for *Une femme devant le paysage*, although returns-focused investors should avoid bidding over \$3.5 mln for this work.

<b>Artist</b>	<b>Fernand Léger</b>
<b>Artist's Rank in Skate's List</b>	14
<b>Title</b>	Une femme devant le paysage
<b>Year of Creation</b>	1921
<b>Medium</b>	Oil on canvas
<b>Size, cm</b>	61 x 50.2
<b>Auction House</b>	Christie's
<b>Auction Date</b>	09-Feb-11
<b>Estimate, USD</b>	3,465,000 - 4,410,000
<b>Number of Repeat Sale (before this auction)</b>	2
<b>Initial Purchase Price, USD</b>	882,500
<b>Previous Purchase Date</b>	03-Nov-93
<b>ERR (on expected repeat sale at midpoint), %</b>	8.10% per annum
<b>Holding Period on Expected Repeat Sale, Years</b>	18



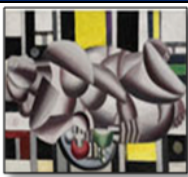




Peer Group Criteria for Femme Oil Paintings	
<b>Average Price, USD</b>	2,500,902
<b>Maximum Price, USD</b>	10,121,000
<b>Minimum Price, USD</b>	385,000
<b>Total Number of Works Sold</b>	27



Top Femme Portraits by Léger				
				
<b>Title</b>	Deux femmes au bouquet, premier état	Les deux femmes à l'enfant	Femme tenant un livre	Les trois femmes au bouquet
<b>Year of Creation</b>	1921	1919	1924	1922
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas
<b>Size, cm</b>	65.2x50	63x46	50x65	65.1x92.7
<b>Auction Date</b>	24-Jun-2008	03-May-2004	29-Jun-1999	12-May-1999
<b>Premium Price, USD</b>	5,368,162	2,471,500	2,947,708	4,402,500
<b>Initial Purchase Price, USD</b>	-	-	-	-
<b>ERR, %</b>	-	-	-	-
<b>Holding Period, Years</b>	-	-	-	-

Source: Skate's Art Market Research

Top Repeat Sales of Femme Portraits by Léger					
					
<b>Title</b>	Femme sur fond rouge, femme assise	Les femmes à la toilette	La femme couchée	Composition aux deux papillons (La femme aux papillons)	La femme au chat
<b>Year of Creation</b>	1927	1920	1920	1943	1955
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas
<b>Size, cm</b>	64.8x49.5	92.3x73.3	50.8x65.4	73.4x91.4	65x91.9
<b>Auction Date</b>	03-Nov-2010	05-May-2008	06-Nov-2007	06-Nov-2006	17-Jun-2007
<b>Premium Price, USD</b>	6,354,500	10,121,000	3,401,000	1,976,000	2,696,219
<b>Initial Purchase Price, USD</b>	937,500	3,419,500	1,440,000	960,000	699,703
<b>ERR, %</b>	11	19	35	26	32
<b>Holding Period, Years</b>	17	5	2	2	4

Source: Skate's Art Market Research

## Joan Miro

### *Femme*

The auctions this month will bring three paintings by Spanish surrealist Joan Miro, which are priced above \$1 mln. Our focus is on two investment-quality pieces – *Femme*, which will be sold by Sotheby's, and *Tête bleue et oiseau flèche* to be sold by Christie's. Each of these works expresses the artist's signature themes that recurred throughout his artistic career - women and birds. Of the total fifty-eight works by Miro in Skate's Top 5000, twenty-three feature these themes and contribute a total of \$109,248,237 to the artist's overall market capitalization.

The estimates for *Tête bleue et oiseau flèche* and *Femme* differ dramatically: the valuation of the first is roughly twice as much as the second. Both paintings have much in common: they are large-size canvases, and both were painted in the latter half of Miro's career, which was not the most valuable for the artist. The only difference between the paintings is the subject depicted (at least according to the titles): a bird on the *Tête bleue et oiseau flèche* and a woman on *Femme*. While it may be tempting to attribute the higher valuation to the bird

subject, we believe that the true reason behind the higher estimate for *Tête bleue et oiseau flèche* is that Christie's is more confident with the market for Miro. With its estimate, Christie's is casting a wide net, whereas the Sotheby's estimate is not only lower, but also much narrower.

*Femme* presents the solid investment case at the price levels of the auction's estimate. Although *Tête bleue et oiseau flèche* comes with very aggressive estimate, we still believe that it could be a reasonable investment provided that the bid does not exceed \$3,000,000 and the investor is willing to lock in for a long term investment horizon. As time passes and the supply of Miro's works narrows, his later works will become as valuable as his pre-war paintings. (N.B. The average price for the latter period is lower than that of the first one, although the buy-in rate for the first period is higher. This could be linked to exorbitant estimates on earlier works). Narrowing supply leaves room for further appreciation of *Tête bleue et oiseau flèche*.







Artist	Joan Miro
Artist's Rank in Skate's List	18
Title	Tête bleue et oiseau flèche
Year of Creation	1965
Medium	Oil on canvas
Size, cm	100 x 81.2
Auction House	Christie's
Auction Date	09-Feb-2011
Estimate, USD	2,520,000 - 3,780,000
Initial Purchase Price, USD	620,454
Previous Purchase Date	02-Feb-04
ERR Range, %, Annualized	19.30 – 26.59%
Holding Period on Expected repeat Sale, Years	7





<b>Artist</b>	Joan Miro	
<b>Artist's Rank in Skate's List</b>	18	
<b>Title</b>	Femme	
<b>Year of Creation</b>	1978	
<b>Medium</b>	Oil on canvas	
<b>Size, cm</b>	92 x 73	
<b>Auction House</b>	Sotheby's	
<b>Auction Date</b>	08-Feb-2011	
<b>Estimate, USD</b>	1,439,539-1,919,386	
<b>Repeat Sale</b>	First time at auction	

Comparative Analysis for Peer Groups of Works with Birds and Women Subjects of Two Periods			
Early Period (before 1950)		Late Period (after 1950)	
Average Price	1,667,352	Average Price	1,224,147
Minimum	65,000	Minimum	24,654
Maximum	8,916,390	Maximum	7,674,942
Total Number of Sold Lots	40	Total Number of Sold Lots	59
Bought-in Lots	25	Bought-in Lots	14

Skate's Top 5000 Peer Group for Late Period of Works with Birds and Women Subjects						
						
<b>Title</b>	Femme, oiseaux, étoile I	Femme, oiseau	Femme et oiseaux dans la nuit	Femmes, oiseaux	Femme entendant chanter le coq aux éclats violets	Femmes et oiseaux dans la nuit
<b>Year of Creation</b>	1967	1972	1968	1974	1972	1968
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas
<b>Size, cm</b>	80.5x54.1	88.9x130	161.5x130	116.1x88.9	129.8x97.3	145x113
<b>Auction Date</b>	07-Feb-2006	03-Nov-2009	22-Jun-2010	02-Nov-2010	04-Feb-2009	02-Feb-2009
<b>Premium Price, USD</b>	1,030,604	4,786,500	7,675,104	3,442,500	1,287,806	2,861,187
<b>ERR%</b>	-	-	-	-	-	-

Source: Skate's Art Market Research

## Marc Chagall

### *Les Maries et le bouquet de fleurs rouges*

Our fifth investment pick for February is a still life by the Russian modernist Mark Chagall. In general, the market for Chagall's works is highly volatile: ERRs on repeat sales range from 21% to -28%. Chagall's premium works, which are included in Skate's Top 5000, also show completely different performance levels. For example, in 2007, *Les mariés au bouquet de fleurs* sold for \$1.8 mln with return of 17% after a holding period of six years. In 2009, *Le Joueur de Paris* sold even more successfully, for \$2.9 mln, providing the seller with an ERR of 21% after four years.

In contrast, *La joie au cirque*, auctioned only eight months after the previous purchase, brought a catastrophic return of -28%. In 2010, the same thing happened with *Roses et mimosas*: after a one-year holding period and a high initial purchase price of \$3.6 mln, the repeat sale result was a negative return of -19%.


Based on this statistics, we can conclude that there are two keys to success when dealing with Chagall's works – a modest purchase price and a substantial holding period. *Les Maries et le bouquet de fleurs rouges*, picked for our Top 5 this month, represents one such case. The holding period of fourteen years and the modest price on the initial purchase could allow the current owner to realize a positive albeit unimpressive ERR of 5.22% if the work is sold at the mid-point of the pre-auction estimate.

*Les Maries et le bouquet de fleurs rouges* represents the image of flowers, a frequent subject for Chagall, although by no means an

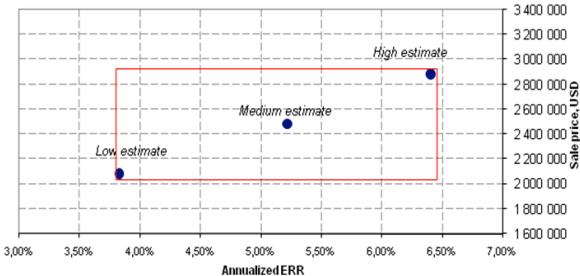
iconic image like *Village* or *Cirque*. Skate's Top 5000 includes thirteen works devoted to this theme with total value of \$42.6 mln (15% of Chagall's total capitalization in the rating).

Although Chagall began to explore this subject starting around 1920, the work being auctioned this month was created during the latter period of Chagall's career, which is less valuable in terms of auction prices. The average price for the paintings of this period is less than that for the artist's works as a whole (\$3 mln as opposed to \$4.2 mln). The latter period has contributed thirty-nine works to Skate's Top 5000, bringing \$120 mln (43%) to the artist's total market capitalization of \$280,741,478.









The peer group constructed for this period, suggests that the current estimate for *Les Maries et le bouquet de fleurs rouges* - \$2,078,670-2,878,158 - exceeds the Fair Market Value and implies an Irrational Premium (IP) of 83% (there have been only eleven "flower" works by Chagall sold for more than \$2,000,000). Valued so high, *Les Maries et le bouquet de fleurs rouges* does not present the best investment case. If bought above its mid-range estimate, its purchaser will have a difficult time realizing a positive investment return. However, in case of Chagall, it is not so much the initial purchase price as the good timing of exit that determines investment returns. Chagall is highly susceptible to the trends on the major markets. A long holding period and the exit during a market boom could allow a returns-focused buyer to come out ahead in the event of a resale.

<b>Artist</b>	<b>Marc Chagall</b>	
<b>Artist's Rank in Skate's List</b>	20	
<b>Title</b>	Les Maries et le bouquet de fleurs rouges	
<b>Year of Creation</b>	1964	
<b>Medium</b>	Oil on canvas	
<b>Size, cm</b>	73x60	
<b>Auction House</b>	Sotheby's	
<b>Auction Date</b>	08-Feb-11	
<b>Estimate, USD</b>	2,078,670-2,878,158	
<b>Number of Repeat Sales for this Artwork (before this auction)</b>	None	
<b>Initial Purchase Price, USD</b>	1,047,500	
<b>Previous Purchase Date</b>	14-May-97	
<b>ERR (on expected repeat sale at midpoint), %</b>	5.22%	
<b>Holding Period on Expected Repeat Sale, Years</b>	14	





  

	<table> <tr> <th colspan="2">Peer Group Criteria for Bouquet de fleurs Oil Paintings</th></tr> <tr> <td><b>Average Price, USD</b></td><td>1,573,054</td></tr> <tr> <td><b>Minimum Price, USD</b></td><td>270,700</td></tr> <tr> <td><b>Maximum Price, USD</b></td><td>4,840,000</td></tr> <tr> <td><b>Total Number of Sold Works</b></td><td>46</td></tr> </table>	Peer Group Criteria for Bouquet de fleurs Oil Paintings		<b>Average Price, USD</b>	1,573,054	<b>Minimum Price, USD</b>	270,700	<b>Maximum Price, USD</b>	4,840,000	<b>Total Number of Sold Works</b>	46
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<b>Total Number of Sold Works</b>	46										

Source: Skate's Art Market Research

Skate's Top 5000 Peer Group for Marc Chagall's Flower Subject								
								
<b>Title</b>	Les fleurs sur Saint Jeannet	Le Buisson en Fleurs	Bouquet de printemps	Le grand bouquet (Bouquet des ferme)	Le bouquet des amoureux sur fond bleu	Le bouquet dans la nuit	Bouquet devant la fenêtre	Le Grand Bouquet de fleurs
<b>Year of Creation</b>	1968	Circa 1959-67	1966	1966	1965	1978-1980	1956	1974
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	oil on canvas	Oil on canvas	Oil on canvas
<b>Size, cm</b>	72.5x88	111.8 x 88.3	100.5x73	100x81.5	100.1x71.1	81 x 65.2	91.9x72.9	129.9 x 89
<b>Auction Date</b>	06-Feb-2006	03-Nov-2008	06-Nov-2007	02-May-2006	04-May-2010	04-Feb-2008	04-Feb-2007	06-Nov-2001
<b>Premium Price</b>	3,555,561	1,314,500	3,737,000	3,376,000	3,106,500	922,008	2,682,443	666,000
<b>ERR, %</b>	-	-	-	-3.24	-		-	-

Source: Skate's Art Market Research

Positive and Negative ERR Extremes on Repeat Sales of Chagall's Works				
	Positive ERR		Negative ERR	
				
<b>Title</b>	Les mariés au bouquet de fleurs	Le Jongleur de Paris	Roses et mimosas	La joie au cirque
<b>Year of Creation</b>	1975	1969	1956	1983
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil and tempera on canvas
<b>Size, cm</b>	72.5x51.3	115.5x89	147.1x114	81x116.1
<b>Auction Date</b>	08-May-2007	04-May-2009	04-May-2010	03-Feb-2009
<b>Premium Price</b>	1,832,000	2,882,500	2,826,500	1,980,492
<b>Initial Purchase Price, USD</b>	555,750	1,136,000	3,608,569	2,078,262
<b>ERR, %</b>	17	21	-19	-28
<b>Holding Period, Years</b>	6	4	1	8 months

Source: Skate's Art Market Research

## Top Still Life Artworks to Watch in February

Artist Rank in Skate's Top 5000	Artist	Title	Auction House	Year of Creation	Size, cm	Medium	Estimate, USD	Repeat Sale
15	<b>Paul Gauguin</b>	Nature morte a L'Esperance	Christie's	1901	66.2 x 76.2	Oil on canvas	11,025,000 - 15,750,000	No
14	<b>Fernand Léger</b>	Nature Morte	Christie's	1938	72.5 x 92	Oil on canvas	1,260,000 - 1,890,000	No
254	<b>Giorgio Morandi</b>	Natura morta	Sotheby's	1953	41 x 53	Oil on canvas	1,102,500 - 1,575,000	No
1	<b>Pablo Picasso</b>	Nature morte au compotier	Christie's	1919-20	24.2 x 33	Oil on canvas	945,000 - 1,260,000	Yes
254	<b>Giorgio Morandi</b>	Natura Morta	Christie's	1952	40 x 50.5	Oil on canvas	1,279,591-1,919,386	Yes

Source: Skate's Art Market Research

## Skate's Art Stocks Index: This Year Underperforming S&P 500

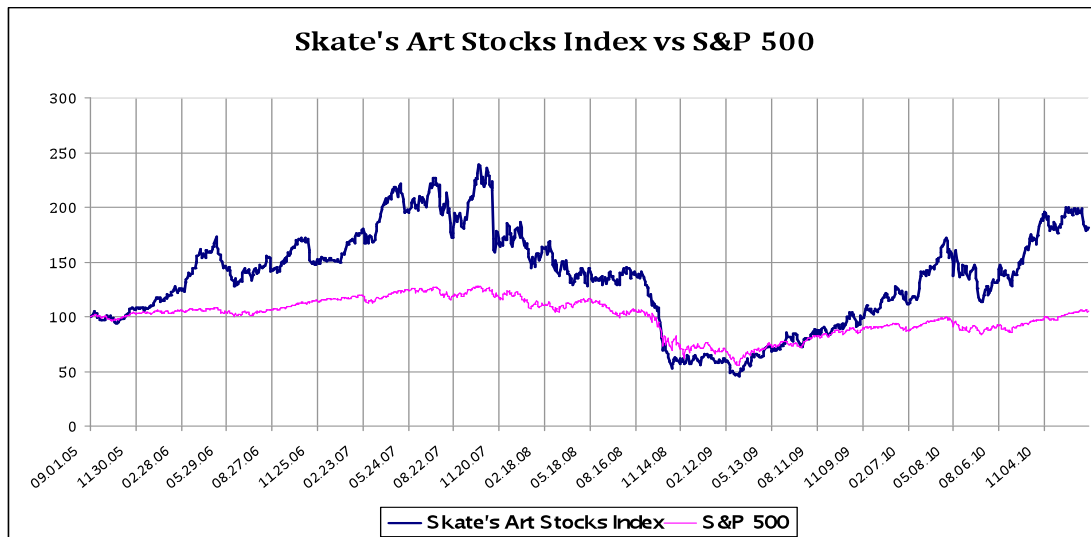
After robust performance throughout 2010, Skate's Art Stock Index (SASI) cooled off in January, largely heading south due to the more than 10% negative correction of Sotheby's share price. As a result, SASI has underperformed the S&P 500 by 8 percentage points in January. However, in the long run (see charts below) SASI continues to produce significantly stronger returns than the S&P 500.

Among the noteworthy price changes, we highlight Stanley Gibbons 7.8% monthly share price increase, which was helped by both a stronger pound and an upbeat trading update (albeit with no hard financial data) published by Stanley Gibbons on January 17. Camerawork, an illiquid investment company that owns a massive photographic collection and is listed in Germany, experienced significant distortion in its share price that we assign no specific importance to due to the nearly complete lack of liquidity in its shares and the complete lack of transparency in Camerawork finances.

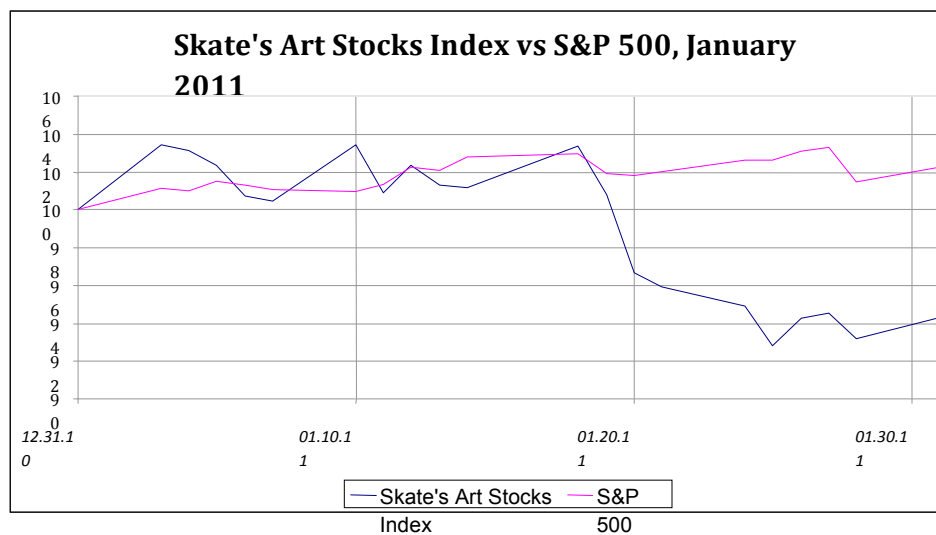
### Skate's Art Stocks (*all values are in USD*)

Name	Listing/ Currency	January 2011 Performance	YTD 2011 Performance	Price as of January 31, 2011, USD	Market Cap as of January 31, 2011, USD mln	52-wk High, USD	52-wk Low, USD
<b>Sotheby's</b>	NYSE/ USD	-10.4%	-10.4%	40.30	2702.72	47.80	21.76
<b>Artprice</b>	Paris/ EUR	0.8%	0.8%	11.97	76.55	15.70	9.00
<b>Artnet</b>	Frankfurt/ EUR	4.3%	4.3%	7.35	41.39	7.58	5.45
<b>Collectors' Universe</b>	NASDAQ/USD	-0.4%	-0.4%	13.85	108.72	17.03	9.05
<b>Mallett</b>	London/ GBP	4.0%	4.0%	1.09	14.99	1.16	0.90
<b>Camera Work</b>	Frankfurt/ EUR	32.9%	32.9%	7 487	299.49	7 875.60	5 256.71
<b>Art Vivant</b>	Tokyo/JPY	5.1%	5.1%	3.13	48.43	3.28	2.38
<b>Seoul Auctions</b>	Seoul/ WON	-8.5%	-8.5%	3.76	62.75	4.81	2.46
<b>Shinwa Art Auction</b>	Tokyo/JPY	-0.2%	-0.2%	377.77	21.91	405.55	200.23
<b>Stanley Gibbons</b>	London/ GBP	7.8%	7.8%	2.75	69.27	3.03	1.75
<b>MCH Group</b>	Zurich/CHF	3.7%	3.7%	52.57	252.62	55.62	33.66
<b>Skate's Art Stocks Index</b>		<b>-5.7%</b>	<b>-5.7%</b>	<b>181.7</b>	<b>3 699</b>	<b>199.9</b>	<b>111.0</b>

Source: Skate's Art Market Research



Source: Skate's Art Market Research



Source: Skate's Art Market Research

**For continuous updates on Skate's Art Stock Index and its constituent companies, please visit <http://www.skatepress.com/index.php?cat=2>**

## About this Newsletter and the Data Used

Welcome to the February issue of Skate's Art Investment Review. As always, our coverage is focused on the universe of 635 global artists whose artworks are represented in Skate's Top 5000 database, which is comprised of the world's most valuable art according to auction prices. To learn more about Skate's Top 5000 and the artworks and artists represented, please visit [www.skatepress.com](http://www.skatepress.com).

In this issue of Skate's Art Investment Review we focus on the most important January results as well as on the major upcoming February Sotheby's and Christie's auctions:

- Sotheby's, Impressionist & Modern Art Evening Sale, London, February 8, 2011
- Sotheby's, Looking Closely: A Private Collection, London, February 10, 2011
- Christie's, Impressionist/Modern Evening Sale, February 9, 2011
- Christie's, The Art of The Surreal Evening Sale, February 9, 2011

Our top investment picks have been chosen based on the following criteria:

- The artist is classified by Skate's as a "Blue-chip" artist, which means that they have both outstanding liquidity (i.e., more than 20 works included in Skate's Top 5000, and significant market capitalization in Skate's Top 5000 (a combined market value of more than \$100 mln for works included in Skate's Top 5000)
- An investment rating of the artwork equal to or greater than BB- (for detailed investment reports on any of the artworks covered in this newsletter please order Skate's Artwork

Background Report by calling +1.212.514.6010)

- Favorable price and liquidity trends in the market today, including a steady demand for the artist's works over the last 24 months
- A track record of positive investment returns based on repeat sales of an artist's higher value works
- The auction house's estimate for the artwork does not significantly exceed the peer group valuation range based on auction price records for comparable artworks

When looking for art investment recommendations, we also exclude all artworks priced over \$20 million, as statistically they have virtually no chance of yielding positive investment returns for buyers who go above this price threshold. Skate's also excludes all artworks priced below \$100,000, as investable art requires significant due diligence and ownership expenses, and it is not economically feasible to conduct relatively expensive research and administration for lower value works. Our recommendations are focused on works of art that have a strong chance of yielding annual returns (after auction commissions are accounted for, but before ownership costs and taxes) in excess of the threshold weighted average effective rate of return (ERR), which is calculated from the repeat sales calculated in Skate's Top 5000 (for details on this calculation, please visit [www.skatepress.com](http://www.skatepress.com)). As of February 1, 2011, the Skate's Top 5000 Weighted Average ERR benchmark stands at 4.24% per annum (in USD terms).

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