

11% ACHIEVED AT SOTHEBY'S AND CHRISTIE'S MAY 2011 IMPRESSIONIST AND MODERN WEEK

Source : <http://www.artasanasset.com/market/>

Erskine Summary: Mei Moses has come out with their May Impressionist Art Returns report, which focuses on the recent Sotheby and Christies impressionist auctions in New York City. Although only a very limited window into the overall art market, their rigorous analytical method of publicly reported auction results makes for some interesting reading. The full report is by subscription via their web site

- 1) The two May evening sales have been reported in the press as being below expectation with total sales less than those generated in November 2010.
- 2) Repeat sale data on over 1/3 of the lots that sold and the average of their compound annual returns (CAR) of these 31 lots was a strong 11.2% with an average holding period of 15.7 years. This strength is documented when these returns are compared to the returns that would have been achieved if the art purchasers had invested instead in the S&P 500 Total Return index (where dividends are reinvested tax free) for the same holding dates as the art. At Sotheby's November 2010 evening sale of impressionist and modern 19 lots sold that had a prior auction price that we could find. The highest CAR for the evening was the 26.2% achieved by AUGUSTE RODIN's THE THINKER which sold for \$4 million and had appeared on the market 9 ½ years earlier when it was purchased for \$440,000.
- 3) At Christie's November 2010 evening sale of impressionist and modern paintings 23 lots sold that had a prior auction price. Reasons vary from changes in condition or authorship, overly aggressive expectations by the auction house or owner, the prior purchase was consummated at a price far in excess of the high presale price estimate and there is currently no buyer willing to continue the mispricing of this trophy item etc.
- 4) Beautiful Assets Advisors' research shows that the single best predictor of the current auction price of a work that had sold at auction sometime earlier is that price inflated to the current time period by changes in our appropriate collecting category index over the time period from purchase to sale. This value is way below the presale low estimate of \$15 million and reveals that the owner or auction house had return expectation far above those produced by the impressionist market over that time period.
- 5) Using the same Mark to Market methodology to enhance the prior purchase price low presale estimate of 2.5 million would generate a current market low presale estimate of \$5.77 million almost 1/3 the 2011 value used by the auction house. The average CAR for investment in the

S&P 500 TR index for the same holding periods as the 107 art pairs was only 6.8%.