

Skate's Art Market Research

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Skate's Art Investment Review

Monthly Art Investment Ideas from Skate's Art Market Research

July 2011

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June Auction Results

Skate's Rating News in June

As a result of the June auctions, Skate's rating (Skate's Top 5000) saw 162 new entries with a total capitalization of \$937.9 mln. These entries allow us to draw a number of conclusions regarding the blue-chip artists who play the leading role in the rating.

First, the record in terms of value was again achieved by Pablo Picasso, whose six new entries added \$90.1 mln to his market capitalization in the rating. Most of his lots sold above their pre-auction estimates. Two paintings were repeat sales with double-digit returns. Following Picasso was the living artist Gerhard Richter, who saw the greatest number of new entries in the ranking. However, Richter's 11 new entries totaled only \$43.3 mln, half the value of Picasso's new entries. As with Picasso, the final prices of most Richter sales exceeded their estimates. Francis Bacon also saw a substantial value addition to the rating with two of his paintings – *Study for a portrait* and *Crouching nude* – that sold for \$41.97 mln in total.

Secondly, the ongoing competition between Andy Warhol and Claude Monet once again ended in favor of the Contemporary artist. With the same number of new works (four), Warhol

achieved a higher valuation level than Monet (\$23.9 mln vs. \$16 mln, respectively). The two artists' repeat sales results were completely opposite, however. All four works by Claude Monet fetched extremely high returns for the Impressionists: 14.27% on an annualized basis on average. On the contrary, there was only one repeat sale by Andy Warhol, and it brought a negative ERR (annualized effective rate of return) of -14.65%.

Finally, another living artist – Peter Doig – also had a successful sale in June when his *Red boat (Imaginary boys)* sold for \$9.9 mln, which was three times above the pre-auction estimate. A cooling of interest was noticed for works by Jean-Michel Basquiat in contrast to recent trends: each of his three works sold at mid-estimate. The one repeat sale yielded an ERR of -0.82%. On the flip side, June was an extremely successful month for repeat sales of Marc Chagall's works. In previous cases, an initial purchase price above \$2 mln has generally meant that positive returns for repeat sales are virtually impossible to come by, but this time *Nu à l'enfant* yielded a 14.97% ERR for the seller. Another Chagall painting - *Au-dessus de la ville (+ Nu d'académie, study; verso)* sold for \$2.9 mln, bringing the seller a return of 9.34%.

Top 10 Entries to Skate's Top 5000 in June

Rank	Artist	Title	Year	Medium	Size, cm.	Auction House	Auction Date	Estimate, USD	Purchase Price, USD
17	Wang Meng	Landscape		Ink and color on paper	119.9 x 54.1	Poly International Auction, Beijing	04-Jun-11	0	62,118,990
48	Egon Schiele	Häuser mit bunter Wäsche (Vorstadt II) (Houses with laundry (Suburb II))	1914	Oil on canvas	99.1 x 119.1	Sotheby's, London	22-Jun-11	32,438,000-48,657,000	40,030,519
99	Pablo Picasso	Femme assise, robe bleue	1939	Oil on canvas	72.9 x 59.9	Christie's, London	21-Jun-11	6,468,000-12,936,000	29,043,341
101	Francis Bacon	Study for a portrait	1953	Oil on canvas	198.1 x 137.4	Christie's, London	28-Jun-11	0	28,660,767
168	Pablo Picasso	Jeune fille endormie	1935	Oil on canvas	46.2 x 55.1	Christie's, London	21-Jun-11	14,553,000-19,404,000	21,799,181
231	Wu Guanzhong	Lion woods	1988	Ink and color on paper	144 x 296.9	Poly International Auction, Beijing	03-Jun-11	0	17,734,597
243	Alberto Giacometti	Trois hommes qui marchent II	1948	Bronze w/rich brown patina	76.2 x 0	Sotheby's, London	22-Jun-11	16,219,000-24,328,500	17,323,919
244	Pablo Picasso	Buste de Françoise	1946	Oil on board	99.6 x 80.5	Christie's, London	21-Jun-11	11,319,000-16,170,000	17,271,581
370	Francis Bacon	Crouching nude	1961	Oil on canvas	198.1 x 142	Sotheby's London	29-Jun-11	11,186,700-14,382,900	13,310,974
475	Andy Warhol	Mao	1973	Acrylic and silkscreen ink on canvas	127 x 106.7	Christie's, London	28-Jun-11	9,574,200-12,765,600	11,146,363

Source: Skate's Art Market Research

Repeat Sales Results in June

Following the June auctions Skate's weighted average ERR benchmark reached 4.58% on an annualized basis. Surprisingly, the best return was achieved by Claude Monet's *La Seine près de Vétheuil, temps orageux*, which was returned to the market after a holding period of six years. It yielded a 24.22% ERR, which is an extraordinarily high return for an Impressionist work.

The second best result belongs to the female artist Tamara de Lempicka. Her works have

rarely entered Skate's rating, but this time *La dormouse* exceeded the estimate and brought a 23.43% ERR to its previous owner.

Finally, the third best ERR was achieved by a Pablo Picasso work – *Le pot de fleurs sur fond noir* – which achieved a 20.9% ERR after a holding period of four years.

Repeat Sales in June

Artist	Title	Auction House	Auction Date	Estimate, USD	Purchase Price, USD	ERR, %	Initial Purchase Price, USD	Holding Period, Years
Pablo Picasso	Couple, le baiser	Sotheby's, London	22-Jun-11	9,731,400-12,975,200	10,602,766	16.94	585,500	18
Jean-Michel Basquiat	Untitled	Sotheby's, London	29-Jun-11	7,990,500-11,186,700	8,657,307	-0.82	7,769,000	4
Tamara de Lempicka	La dormeuse	Sotheby's, London	22-Jun-11	3,568,180-5,190,080	6,606,404	23.43	294,000	14
Pierre-Auguste Renoir	Jeune femme au chapeau noir	Christie's, London	21-Jun-11	3,557,400-4,527,600	5,499,821	8.86	1,032,096	18
Claude Monet	La Seine près de Vétheuil, temps orageux	Christie's, South Kensington	28-Jun-11	1,914,840-2,712,690	4,891,219	24.22	1,113,600	6
Alexej Jawlensky	Hélène	Christie's, London	21-Jun-11	2,425,500-4,042,500	4,232,093	4.72	3,122,514	3
Théo van Rysselberghe	Le canal en Flandre par temps triste	Christie's, London	21-Jun-11	2,263,800-2,910,600	4,232,093	7.44	770,000	22
Claude Monet	Aiguille d'Etretat, marée basse	Christie's, London	21-Jun-11	4,042,500-5,659,500	4,050,989	11.18	1,920,000	6
Claude Monet	Le chemin de halage à Granval	Christie's, London	21-Jun-11	4,042,500-4,851,000	4,050,989	10.04	1,341,427	10
Marc Chagall	Nu à l'enfant	Christie's	21-Jun-11	2,910,600-4,042,500	3,960,437	14.97	2,057,000	4
René Magritte	L'empire des lumières	Sotheby's, London	22-Jun-11	2,919,420-4,054,750	3,790,786	10.71	253,000	25
Pablo Picasso	Le pot de fleurs sur fond noir	Christie's, London	21-Jun-11	1,293,600-1,940,400	3,688,781	20.90	1,482,237	4
Andy Warhol	Rorschach (in 2 parts)	Christie's	28-Jun-11	1,914,840-2,872,260	3,550,831	-14.65	5,417,000	4
Joan Miró	Femmes et oiseau devant le soleil	Sotheby's, Paris	01-Jun-11	2,875,600-4,313,400	3,313,770	11.38	2,154,500	3
Christopher Wool	Untitled (P 137)	Sotheby's, London	29-Jun-11	2,397,150-3,995,250	3,115,096	9.97	1,818,901	4
Joan Miró	Vipère exaspérée devant l'oiseau rouge	Sotheby's, London	22-Jun-11	3,243,800-4,865,700	3,064,175	10.31	946,838	10
Claude Monet	Pourville	Christie's, London	21-Jun-11	1,455,300-1,940,400	3,054,917	11.65	1,801,564	3
Marc Chagall	Au-dessus de la ville (+ Nu d'académie, study; verso)	Sotheby's, London	22-Jun-11	1,054,235-1,378,615	2,973,348	9.34	508,613	18
Frantisek Kupka	Mouvement (Pohyb)	Sotheby's, London	13-Jun-11	811,550-1,136,170	2,430,186	16.10	365,500	12
Marino Marini	Piccolo cavallo	Sotheby's, London	22-Jun-11	1,621,900-2,432,850	2,337,563	6.02	1,367,046	6
Alberto Giacometti	Homme à mi-corps (Diego assis)	Sotheby's, Paris	01-Jun-11	1,150,240-1,725,360	2,186,534	8.46	640,500	13

Source: Skate's Art Market Research

Chinese Sales Results in June

The auction results in June achieved by Beijing-based Poly International Auction prove once again the strong growth in the Chinese art market. Skate's rating saw 60 new entries by various Poly sales with a total value of \$317,729,119. As with recent sales on the Chinese art market, most of the works fetched prices far above their pre-auction estimates. The average price of these entries was \$5.3 mln.

The table below shows the 10 most valuable sales by Poly Auction in June. The most expensive Chinese work of the month is

Landscape by Wang Meng, which had no pre-auction estimate but brought a price of \$62.1 mln.

The leader by number of new entries was Zhang Daqian who saw 12 works sell above Skate's threshold price (\$2,037,500) for a total value of \$55 mln. The artist with the largest market capitalization, however, was Wu Guanzhong. With 11 premium-segment sales, he achieved \$62.9 mln in total volume. No repeat sales took place at Poly International Auction in June.

Top 10 Entries to Skate's Rating by Chinese Artists in June

Rank	Artist	Title	Year	Medium	Size, cm.	Auction Date	Estimate, USD	Purchase Price, USD
17	Wang Meng	Landscape		Ink and color on paper	119.9 x 54.1	04-Jun-11	0	62,118,990
230	Wu Guanzhong	Lion woods	1988	Ink and color on paper	144 x 296.9	03-Jun-11	0	17,734,597
574	Wu Guanzhong	Shrubalthea	1975	Oil on canvas	119.9 x 80	03-Jun-11	0	9,754,028
591	Qi Baishi	Grass and insects (alb. w/16 works)	1924	Ink and color on paper	18.5 x 25.9	03-Jun-11	2,467,422-3,392,705	9,576,682
736	Zhang Daqian	Landscape	1947	Ink and color on paper, on scroll	109 x 59.9	04-Jun-11	2,314,993-2,777,992	8,341,693
777	Wu Bing	Landscape		Ink on silk, on scroll	320 x 942.1	04-Jun-11	2,469,326-4,012,655	7,986,727
942	Wu Guanzhong	A pair of swallows	1988	Ink and color on paper	69.1 x 136.9	03-Jun-11	0	7,093,839
1014	Zhang Daqian	Wuxia Gorge	1936	Ink and color on paper	87.1 x 48	04-Jun-11	0	6,744,347
1104	Qian Long	Calligraphy (10 works)	1767	Ink on paper	102.1 x 27.9	04-Jun-11	2,777,992-4,012,655	6,389,381
1105	Zhang Daqian	The palace of longevity		Ink on paper	113 x 62	04-Jun-11	2,777,992-3,395,323	6,389,381

Source: Skate's Art Market Research, Poly International Auction

Russian Sales Results in June

In June three auction houses held sales dedicated to Russian art – Sotheby's, Christie's and MacDougall's, a London-based auction house that has built a name for itself on Russian art sales. Each of them brought one entry to Skate's rating.

In contrast to Chinese sales, Russian works of art produced relatively quiet responses from bidders. Major lots were sold either at mid-point or slightly below pre-auction estimates. Some leading paintings, such as *Shepherds with their flock at sunset* or *Crimean coast in*

moonlight by Aivazovsky and *Ponte Rialto, Venice* by Konchalovsky remained unsold. On the other hand, flower still-life works by Petr Petrovich saw particularly strong demand from bidders – *Still life with Hollyhocks* and *Lilac Bush* were sold above their estimates, just as we predicted in the analysis featured in our June report. Artworks by Vasili Vasilievich Vereshchagin also saw very different outcomes. *Shipka Pass* went unsold, while *The Taj Mahal, evening* sold for five times the pre-auction estimate. On the whole, the June sales results show that the Russian art market is still developing and generating only modest interest from collectors.

Rank	Artist	Title	Year	Medium	Size, cm.	Auction house	Auction Date	Estimate, USD	Purchase Price, USD
863	Ilya Efimovich Repin	A Parisian café	1875	oil on canvas	120.6 x 191.8	Christie's	06-Jun-11	4,929,000-8,215,000	7,428,414
2326	Vasili Vasilievich Vereshchagin	The Taj Mahal, evening	-	oil on canvas	46.5 x 61	Sotheby's	06-Jun-11	410,750-739,350	3,748,094
3094	Boris Mikhailovich Kustodiev	Portrait of Irina Kustodieva	1911	tempera on cardboard	107 x 81.5	MacDougall's	08-Jun-11	1,968,240-2,952,360	3,018,788

Source: Skate's Art Market Research

Old Masters, Overview of the Market

In July the auction houses will take a break from premium segment sales of Impressionist and Contemporary art and dedicate their sessions to conservative Old Masters lots. Generally, works by Old Masters are not perceived as a primary target for investment; rather, they attract attention mostly from devoted collectors, museums and art institutions. The question remains, though, whether there are there any Old Masters whose artworks might be considered investment assets. Skate's has compiled a set of data in an attempt to answer that question.

According to the Skate's rating, there are 10 Old Masters with significant market capitalization. The leader is Canaletto, whose highest valued paintings depicting magnificent views of Venice currently equal \$183.3 mln. Canaletto also has the greatest number of works in the rating among Old Masters – 27 paintings in total have sold for prices above the current Skate's Top 5000 threshold price of \$2,037,500.

However, the average price of Canaletto's works is less than that of his follower - Rembrandt Harmensz van Rijn. With 13 works in the rating, Rembrandt has achieved a total capitalization of \$158.7 mln, which means that

the average price his paintings in Skate's rating is \$13.97 mln (against \$7.98 mln for Canaletto).

Ranking third in this list is the British painter Joseph Mallord William Turner. Turner stands next to Rembrandt in terms of average price (\$12.22 mln), although the average returns on repeat sales of his works is much higher; on two

repeat sales he achieved a 51.2% ERR (against 7.68% for Rembrandt).

Other notable Old Masters with large market capitalizations and numbers of works present in Skate's rating are presented in Tables 1 and 2 below.

Table 1 – Top 10 Old Masters with Largest Market Capitalization in Skate's Rating

Rank	Artist	Total Value, USD
1	Canaletto	183,818,744
2	Rembrandt Harmensz van Rijn	158,700,933
3	Joseph Mallord William Turner	151,931,032
4	Sir Peter Paul Rubens	141,142,131
5	Raphaël (Raphaël Urbinas Sanzio)	94,106,634
6	Pieter Brueghel II	86,035,722
7	Francesco Guardi	72,875,232
8	Bernardo Bellotto	56,034,672
9	Lucas Cranach (the Elder)	46,668,606
10	Jan Van Huysum	42,809,056

Table 2 – Top 10 Old Masters with the Greatest Number of Works in Skate's Rating

Rank	Artist	Number of works in Top5000
1	Canaletto	27
2	Pieter Brueghel II	22
3	Sir Peter Paul Rubens	14
4	Francesco Guardi	14
5	Rembrandt Harmensz van Rijn	13
6	Joseph Mallord William Turner	12
7	Bernardo Bellotto	11
8	Lucas Cranach (the Elder)	10
9	Francisco de Goya	9
10	El Greco (Domenikos Theotokopoulos)	9

One of the major difficulties in dealing with works by Old Masters is the question of authenticity. Tracking provenance often fails to produce satisfactory results, although on the other hand, the media occasionally report stories of experienced auction houses or dealers failing to identify real treasures, which means that smart collectors end up with big

jackpots. Such cases, however, are the exception rather than the rule. In this opaque market, an all-too-common risk involves the acquisition of forgeries. Dealing with reliable works of art, i.e., repeat sales, is one way to minimize this risk.

Old Masters have very few repeat sales records in Skate's rating, and their weighted ERR figures are generally based on only one or several works of art. The greatest number of repeat sales belongs to Pieter Brueghel II, who has been one of the most successful artists in terms of investment returns (13.20%). In July Sotheby's will present a painting by Brueghel II that will enter the rating if sold above its high estimate. This work will be discussed in greater detail further in the report.

Joseph Mallord William Turner has seen the greatest decrease in terms of his weighted average ERR, which is mainly due to his works dropping out of Skate's rating. Recently, *Lake of Thun, Switzerland* dropped out of the rating due to an increase in the rating's threshold price above the painting's sale price of \$1.84 mln. In 2007, *Lake of Thun, Switzerland* fetched a 133.4% return and, as a result, the artist's average ERR was equal to 51.2%. Only one repeat sale is left in Skate's rating, however: *Venice: Looking towards the Dogana and San Maggiore, with a storm approaching*, which has an ERR of 11%.

Despite the paucity of data, two additional points favor the fact that works by Old Masters are capable of producing positive investment returns. Table 4 shows an abundance of Old Masters with double-digit returns. There are only three artists – Sir Peter Paul Rubens, Canaletto and George Stubbs – who have managed to see negative results.

A painting by the Dutch artist Frans Hals I holds the honor of having achieved the best return. Initially purchased for \$707,000 in 2008, the *Portrait of Willem van Heythuysen, seated on a chair and holding a hunting crop* returned to the market after only three years and sold for \$14 mln, realizing an incredible 114% ERR. This painting by Frans Hals I remains his most expensive work ever to be sold at auction.

The worst ERR result belongs to Sir Peter Paul Rubens. After a holding period of only two years, *Portrait of a Man as the God Mars* was resold at a -12% loss.

Table 3 – Top 10 Old Masters with Repeat Sales Records

Rank	Artist	Number of Repeat Sales in Skate's Top 5000
1	Pieter Brueghel II	3
2	Canaletto	2
3	Lucas Cranach (the Elder)	2
4	Claude Joseph Vernet	2
5	Jan Brueghel the Elder	2
6	Jan Lievens	2
7	Domenico Beccafumi	2
8	Rembrandt Harmensz van Rijn	1
9	Joseph Mallord William Turner	1
10	Sir Peter Paul Rubens	1

Table 4 – Top 10 Old Masters by Best ERR Results




Rank	Artist	Weighted Average ERR
1	Frans Hals I	114.25%
2	Master of the Legend of Saint Barbara	46.38%
3	Jan Jansz (the Elder) Uyl	16.59%
4	Domenico Beccafumi	14.72%
5	Pieter Brueghel II	13.20%
6	John Robert Cozens	12.48%
7	Joseph Mallord William Turner	11.30%
8	Jan Davidsz de Heem	11.00%
9	Jan Brueghel the Elder	10.36%
10	Thomas Gainsborough	10.33%

Table 5 – Top 10 Old Masters by Worst ERR Results

Rank	Artist	Weighted Average ERR
1	Sir Peter Paul Rubens	-11.59%
2	Canaletto	-4.16%
3	George Stubbs	-1.56%
4	Jan Lievens	0.35%
5	Michele Marieschi	1.35%
6	Francesco Guardi	2.32%
7	Pierre Joseph Redouté	3.58%
8	Georg Flegel	3.65%
9	Paolo Veronese	4.31%
10	Francisco de Zurbarán	4.73%

Source: Skate's Art Market Research


Top 3 Art Investment Ideas for July 2011

Pieter Brueghel The Younger	Thomas Gainsborough	
<i>The Village Lawyer's Office</i>	<i>Portrait of Colonel John Bullock</i>	<i>Portrait of Mrs. William Villebois</i>
		

Artist	Title	Medium	Size, cm	Year of Creation	Estimate, USD	Sale Details	Repeat Sale	Artist's Rank in Skate's Top 5000
Pieter Brueghel The Younger	The Village Lawyer's Office	Oil on panel	73 by 105 cm	1618	1,277,550 – 1,916,356	Sotheby's, 6-July-2011	No	64
Thomas Gainsborough	Portrait of Colonel John Bullock	Oil on canvas	227.3 x 152.4	-	5,642,000 - 8,060,000	Christie's, 5-July-2011	Yes	
Thomas Gainsborough	Portrait of Mrs. William Villebois	Oil on canvas	226 x 147	-	6,448,000 - 9,672,000	Christie's, 5-July-2011	No	




Source: Skate's Art Market Research

The Village Lawyer's Office by Pieter Brueghel The Younger

Painting Description		
Artist	Pieter Brueghel The Younger	
Title	The Village Lawyer's Office	
Year of Creation	1618	
Medium	Oil on panel	
Size, cm	73x105	
Auction House	Sotheby's	
Auction Date	6-July-2011	
Estimate, USD	1,277,550 – 1,916,356	

Pieter Brueghel II, also called as The Younger, is one of the few Old Masters who consistently provide collectors and investors with high and stable returns. Of his 22 works in Skate's rating, three are repeat sales, which is a record for Old Masters. The average ERR of these works, which

are presented in the table below, is 13.20%. All of these works are good investment cases. Initially purchased at modest prices, they remained in private hands for more than 10 years before returning to the market.






ERR Results of Pieter Brueghel II			
			
Title	The Procession to Calvary	The Battle between Carnival and Lent	Peasant wedding procession
Year of Creation	1607	-	1630
Medium	Oil on panel	Oil on canvas	Oil on panel
Size, cm	122x169	119.4x171.2	73.9x124
Auction House	Sotheby's	Christie's	Sotheby's
Auction Date	04-July-06	06-Dec-06	25-Jan-06
Premium Price, USD	9,520,200	6,415,297	2,704,000
ERR, %	12	19	10
Holding Period, Years	16	13	23
Initial Purchase Price, USD	1,375,000	552,447	241,713

Source: Skate's Art Market Research

In July, Sotheby's will present one additional artwork by Pieter Brueghel The Younger that has the potential to enter Skate's rating if sold above the pre-auction estimate. *The Village Lawyer's Office* is a large-size canvas that is reasonably priced, according to our research. The catalogue note for this painting claims that Brueghel the Younger created numerous versions with comparable subjects throughout his life, although the shortage of auction records prevents us from compiling an accurate peer group based on these works. On the other hand, there are enough sales records of middle-large size canvases that are helpful in

determining a fair value for *The Village Lawyer's Office*.

The average price of the peer group is \$2,589,657. It is important to mention that the peer group includes not only sales that entered Skate's rating but also less valuable sales. The auction house's estimate for *The Village Lawyer's Office* appears to be significantly lower than the work's fair value. As with other repeat sales by Brueghel The Younger, this work might actually bring a solid return in the future given the right holding period.

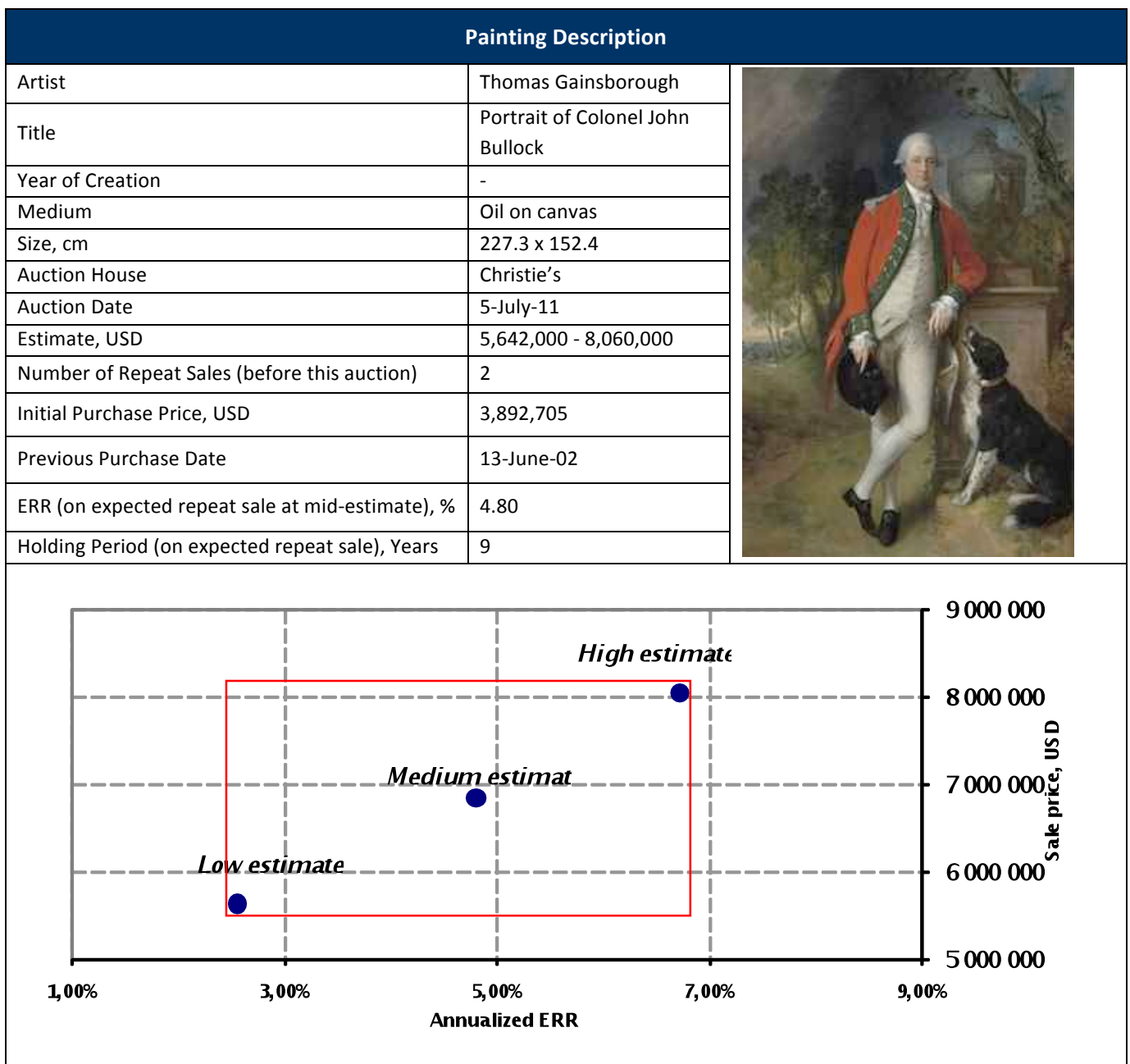
Skate's Peer Group for <i>The Village Lawyer's Office</i> *					
					
Title	A Flemish village in winter with the Massacre of the Innocents	Village scene with peasants carousing and dancing around a maypole	A wedding feast in a village	The Egg Dance	Peasant wedding procession
Year of Creation	-	-	-	-	1630
Medium	Oil on panel	Oil on panel	Oil on panel	Oil on panel	Oil on panel
Size, cm	121.9x169.9	49.5x85.5	53.6x73.9	69.5 x 99.7	73.9x124
Auction House	Sotheby's	Sotheby's	Christie's	Christie's	Sotheby's
Auction Date	07-July-09	02-Dec-97	08-July-99	5-July-07	25-Jan-06
Premium Price, USD	7,564,983	3,333,053	2,222,136	2,297,100	2,704,000

* The peer group for *The Village Lawyer's Office* also includes paintings that are not presented in the table above.

Portrait of Colonel John Bullock by Thomas Gainsborough

In July, Christie's will present two large canvases by the British painter Thomas Gainsborough: *Portrait of Colonel John Bullock* and *Portrait of Mrs. William Villebois*. Both of these works are expected to enter Skate's rating and, assuming they exceed the auction house's low estimates, they will be recorded as the most expensive works by the artist ever to be sold publically.

Both works appear to include substantial irrational premiums, although their public sales records do not provide us with enough data to construct comprehensive peer groups that would serve as confirmation. The auction market has not seen any analogues for these canvases in terms of subject matter, size or other criteria that might become the basis for a peer group. Nevertheless, using the data that currently exists for sales of works by Gainsborough we can still conduct a comparative analysis and draw several curious conclusions regarding the portraits being auctioned.









Source: Skate's Art Market Research

The first artwork by Thomas Gainsborough, *Portrait of Colonel John Bullock (1731-1809), full-length, dressed in military uniform in a landscape, with a dog at his feet*, is appearing at auction for the fourth time. This is an exceptionally frequent change of hands, especially for an Old Master work. Since its last purchase at Sotheby's, the painting has been in private hands for nine years.

Skate's rating has not seen many repeat sales of works by Old Masters, and Gainsborough is no exception. Previously he had only one repeat sale in the rating: *A wooded landscape with a herdsman, cows and sheep near a pool*, which yielded a 10% return. Christie's has set a wide estimate range (\$5,642,000-8,060,000) for the portrait, and if sold at mid-estimate, the work


will achieve a 4.8% ERR and remain in Skate's rating. In addition, the work is likely to become the most expensive one by the artist ever to be sold publically. What reasons might justify such a high valuation?

In general, very few full-length portraits by Gainsborough like *Portrait of Colonel John Bullock* have come to the auction market; many more half-length portraits have been sold. The table below compares the two types of portraits. The analysis clearly shows that one style over the other has had no significant influence on the price. Yet, the rarity of full-length portraits like *Portrait of Colonel John Bullock* is among the reasons cited for the increased price.

Male Portraits by Thomas Gainsborough						
	Full-length portraits		Half-length portraits			
						
Title	Portrait of Sir Charles Gould	An old peasant with a donkey in a wooded landscape	Portrait of Richard Tickell	Portrait de Giusto Ferdinando Tenducci tenant une partition	Portrait of Samuel Foote (1720-1777)	Portrait of Thomas Hanmer
Year of Creation	c. 1782	-	1780	-	-	c. 1770
Medium	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas
Size, cm	228x152.5	50.3x38.7	74.5x62	76.7x64	74.9x62.2	103.5x83
Auction House	Christie's	Christie's	Sotheby's	Christie's	Christie's	Sotheby's
Auction Date	14-June-05	7-Dec-07	26-Nov-03	22-Feb-09	7-June-02	24-Jan-08
Premium Price, USD	1,128,816	134,530	3,172,886	2,812,961	273,500	241,000

Source: Skate's Art Market Research





Portrait of Mrs. William Villebois by Thomas Gainsborough

Painting Description		
Artist	Thomas Gainsborough, R.A.	
Title	Portrait of Mrs. William Villebois	
Year of Creation	-	
Medium	Oil on canvas	
Size, cm	226x147	
Auction House	Christie's	
Auction Date	5-July-11	
Estimate, USD	6,448,000 - \$9,672,000	

The second Gainsborough painting to be sold by Christie's is *Portrait of Mrs. William Villebois*. Women are an even rarer subject for Gainsborough; to date there have not been any full-length female portraits on the premium segment of the auction market (i.e., in Skate's rating).

However, Christie's has already sold half-length portraits of women during the past decade. The table below shows examples of such

transactions. These canvases are much smaller and their average price is a mere \$220,500. As with the previous work by Gainsborough, we can see that the rarity and the size of *Portrait of Mrs. William Villebois* have been factored into what comes across as an incredibly high valuation, especially given the artist's previous performance.

Portraits by Thomas Gainsborough				
Half-length portraits				
				
Title	Portrait of Mrs. Thomas Fletcher	Portrait of a lady, identified as Lady Louisa Clarges	Portrait of the Hon. Mrs Watson (1767-1818), later Lady Sondes	Portrait of Miss Elizabeth Edgar
Year of Creation	-	-	-	-
Medium	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas
Size, cm	75.5x62.7	76.2x63.5	125.7x101	76.2x63.5
Auction House	Christie's	Christie's	Christie's	Christie's
Auction Date	16-June-00	6-Apr-06	8-June-06	30-Nov-01
Premium Price, USD	97,275	374,400	294,679	115,150

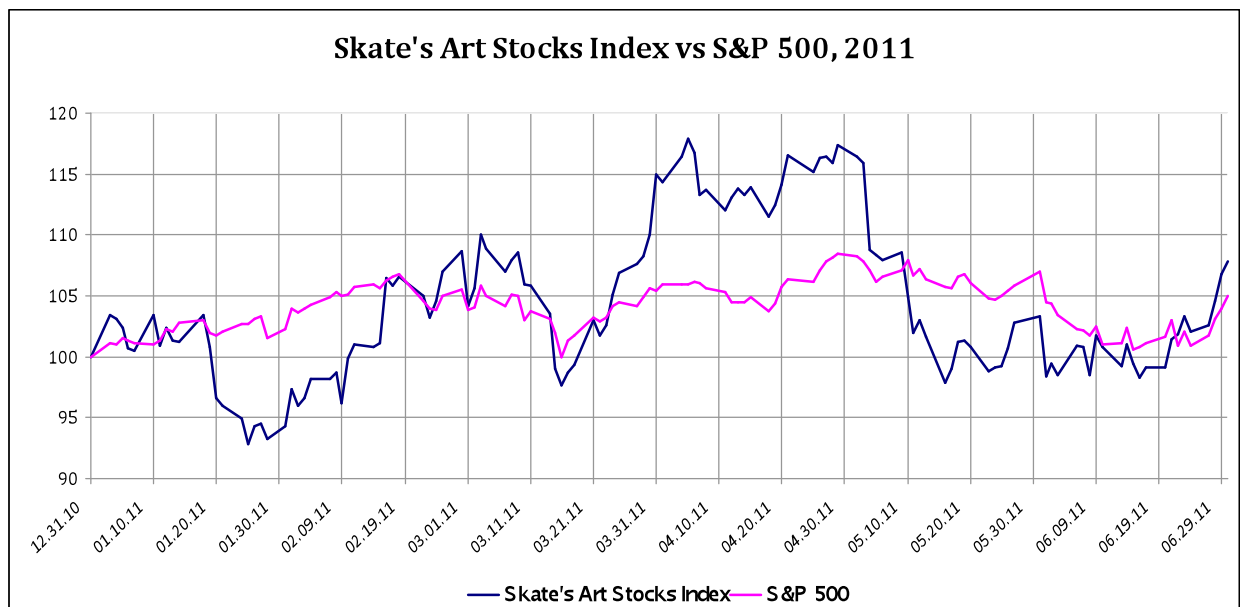
Source: Skate's Art Market Research and Artnet

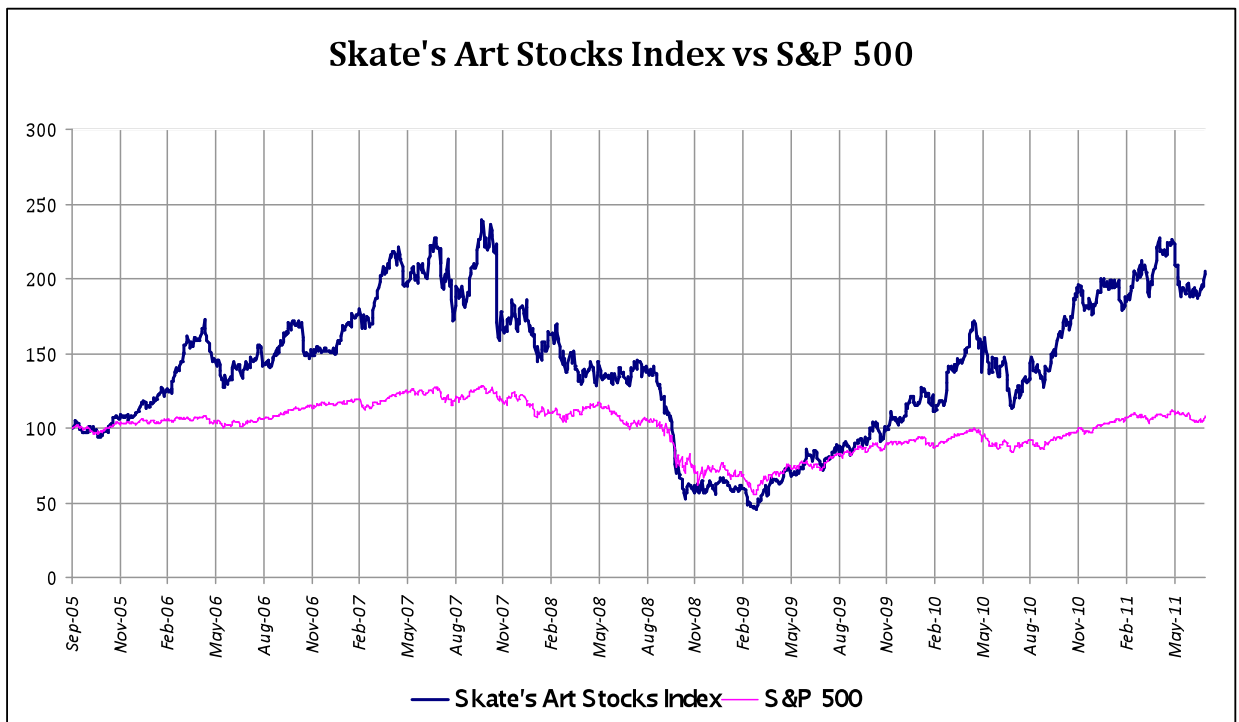
Skate's Art Stocks Index

All Values are in USD

Name	Listing/ Currency	June 2011 Performance	YTD 2011 Performance	Price as of June 30 2011, USD	Market Cap as of June 30 2011, USD mln	52-wk High, USD	52-wk Low, USD
Sotheby's	NYSE/ USD	2.2%	-3.3%	43.50	2917.33	55.67	22.06
Artprice	Paris/ EUR	47.8%	409.4%	60.49	386.92	84.81	10.46
Artnet	Frankfurt/ EUR	-4.3%	-0.2%	7.04	39.63	11.50	5.97
Collectors' Universe	NASDAQ/USD	5.6%	6.6%	14.82	116.34	17.03	11.01
Mallett	London/ GBP	-2.8%	8.9%	1.14	15.70	1.24	0.97
Camera Work	Frankfurt/ EUR	-5.4%	15.1%	6 484.58	259.38	7 875.60	5 256.71
Art Vivant	Tokyo/JPY	-3.1%	-12.1%	2.62	40.51	3.21	2.31
Seoul Auctions	Seoul/ WON	-0.4%	-14.9%	3.50	58.34	4.81	2.87
Shinwa Art Auction	Tokyo/JPY	-7.5%	28.9%	487.70	28.29	1 028.46	216.00
Stanley Gibbons	London/ GBP	-6.1%	15.5%	2.95	74.21	3.28	1.88
MCH Group	Zurich/CHF	-2.1%	5.6%	53.55	257.31	55.12	35.34
Abbey House	Warsaw/PLN	44.6%	266.6%	4.97	50.49	7.40	1.31
Skate's Art Stocks Index		4.4%	7.9%	205.3	4 244.45	227.0	112.9

Source: Skate's Art Market Research





For continued 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 Data Used

Welcome to the July issue of *Skate's Art Investment Review*. As always, our coverage is focused on the universe of 665 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.

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

- Sotheby's, 06-July-2011, Old Master and British Paintings – Evening Sale
- Christie's, 05-July-2011, Old Master & British Paintings – Evening Sale

Our top 3 investment picks for upcoming auctions are listed in this report; they 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 million for works included in Skate's Top 5000)
- An investment rating of the art object 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 sampling Skate's Top 5000 repeat sales (for details of this sampling go to www.skatepress.com). As of July, the Skate's Top 5000 Weighted Average ERR benchmark stands at **4.58%** per annum (in USD terms).
