

# Skate's Art Market Research

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## Skate's Art Investment Review

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

May 2011

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## Skate's Top 5000 Entries in April

Artist	Title	Year	Size, cm.	Auction House	Auction Date	Estimate, USD	Purchase Price, USD
Attributed To Aqa Mirak	Faridun in the guise of a dragon tests his sons (folio from The Shahnameh of Shah Tahmasp)	c. 1525 - 1535	29.7x28.4	Sotheby's	06-Apr-2011	3,239,400-4,859,100	12,039,635
Zhang Xiaogang	Forever lasting love (triptych)	-	125x97.5	Sotheby's	03-Apr-2011	3,214,193-3,857,032	10,164,566
Zhang Daqian	Spring mountains in Sichuan	1953	90.4x44.7	Sotheby's	05-Apr-2011	0	8,299,235
Zhang Xiaogang	Bloodline-big family	1995	179.1x229.1	Sotheby's	04-Apr-2011	4,503,808-5,147,210	7,291,023
Attributed To Govardhan	Five holy men (leaf from the St.Petersburg album)	c. 1625 - 1630	24.1x15.2	Sotheby's	06-Apr-2011	323,940-485,910	4,783,379
Chu Teh-Chun (Zhu Dequn)	Inspiration hivernale (diptych)	1987-1990	195.1x260.1	Sotheby's	04-Apr-2011	2,573,605-3,860,407	3,687,976
Anonymous-Indian (16/17)	The throne verse (Ayat al-kursi) in the form of a calligraphic horse	c. 1600	16.8x25.9	Sotheby's	06-Apr-2011	32,394-48,591	3,332,128
Zao Wou-Ki	Pins Landais	1955	100.3x81	Sotheby's	04-Apr-2011	411,776-514,721	2,967,366
Zhang Peili	No.3 (from X?)	1986	180.1x198.1	Sotheby's	03-Apr-2011	192,851-321,419	2,964,772
Zhang Xiaogang	Chen Weimin (from Bloodline)	1993	100.3x85.1	Sotheby's	03-Apr-2011	642,838-899,974	2,964,772
Zhang Daqian	Moon after rain	1980	66x125	Sotheby's	05-Apr-2011	360,276-514,681	2,534,805
Wang Guangyi	Mao Zedong: P2	1988	118.6x99.1	Sotheby's	03-Apr-2011	192,851-257,135	2,460,786
Ilya Kabakov	Holidays #10	1987	100.3x156.2	Phillips	14-Apr-2011	2,440,350-4,067,250	2,435,876
Geng Jianyi	Two people under a light	1985	117.1x154.4	Sotheby's	03-Apr-2011	128,567-192,851	2,388,788
Chen Yifei	Amitié	2003	140x100.1	Sotheby's	04-Apr-2011	1,544,163-2,316,244	2,246,757
Ding Yi	Appearance of crosses 90-6	1990	88.9x119.9	Sotheby's	03-Apr-2011	77,140-89,997	2,244,793
Zeng Fanzhi	Mask series no. 19	1994	150.1x130	Sotheby's	03-Apr-2011	642,838-1,028,542	2,244,793
Zeng Fanzhi	Mask series no. 4	1994	166.1x180.1	Sotheby's	03-Apr-2011	1,028,542-1,285,677	2,172,795
Hendra Gunawan	Snake dancer (Penari ular)	1977	196.1x135.9	Sotheby's	04-Apr-2011	154,416-283,096	2,102,635
Henryk Siemiradzki	The sword dance	1887	77x154.9	Sotheby's	12-Apr-2011	600,000-800,000	2,098,500
Zhang Daqian	Along the coast	1945	23.9x107.4	Sotheby's	05-Apr-2011	193,005-257,340	1,958,362

Source: Skate's Art Market Research

## Skate's Top 5000 Repeat Sales in April

Artist	Title	Year	Size, cm.	Auction House	Auction Date	Estimate, USD	Purchase Price, USD	Repeat Sale ERR, %	Repeat Sale Purchase Date
Wu Guanzhong	The lion groov garden	1987	83.3x152.1	Sotheby's	05-Apr-2011	643,351-900,692	3,687,691	39.53%	30-Apr-2001
Zhang Daqian	Mountain stream	1976	66.3x87.1	Sotheby's	05-Apr-2011	514,681-772,021	2,390,694	19.71%	05-May-1994
Fu Baoshi	Lady in solitude	1945	69.6x34.3	Sotheby's	05-Apr-2011	360,276-514,681	2,246,583	93.82%	08-Apr-2008

Source: Skate's Art Market Research

This issue of **Skate's Art Industry Investment Report** is dedicated to the market for works by living artists—artists who during their lives have challenged the authority of recognized masters and artistic movements.

The advantages of owning a work created by a well established living artist are usually related to the absence of concerns over authenticity and title, as well as an expected valuation step-up within a short period of time should the artist unfortunately die. On the negative side, volatile price and liquidity dynamics affect even the most well-established living artists (Richard Prince and Jasper Johns, profiled below, provide startling examples of massive value destruction in contemporary art). This volatility is also aided by the frequently uncontrolled supply of new

works that in many cases are of uneven quality and have what Skate's would call a "Komar & Melamid factor" whereby living artists can significantly damage their brands by venturing into new artistic experiments or making life choices that create a negative perception among investors in the art market.

Below is the list of the Top 10 living artists by their market capitalization in nominal prices. Our investment choices for May 2011 are lots by Gerhard Richter, Jasper Johns, Cy Twombly, Richard Prince and Ed Ruscha. As striking evidence of Larry Gagosian's market power, we note that save for the most valuable, Gerhard Richter, all of our other artists of choice are promoted by the Gagosian machine.

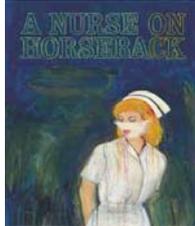
Skate's Top Living Artists						
Rank in Skate's Top 5000	Artist	# of Works in Skate's rating	Total Nominal Value, USD	Average Present Value, USD	Number of Repeat Sales	Weighted ERR, %
17	Gerhard Richter	75	371,760,544	4,659,800	13	24.91
23	Jeff Koons	52	262,367,198	4,709,680	5	14.80
24	Jasper Johns	35	206,755,750	6,989,340	4	-2.02
29	Lucian Freud	26	196,871,808	7,272,470	5	15.13
32	Damien Hirst	42	183,886,923	3,974,270	1	53.77
47	Cy Twombly	30	117,212,319	4,238,740	4	-1.12
68	Richard Prince	21	82,795,810	3,587,780	1	-21.97
70	Zhang Xiaogang	21	77,772,761	3,362,460	0	0
79	Peter Doig	16	66,477,947	3,882,960	1	36.72
85	Zao Wou-Ki	21	63,072,569	2,732,650	1	10.64

Source: Skate's Art Market Research

In the May auctions, we see that some lots by living artists are expected to yield significant returns, such as Ed Ruscha's *Honey...I twisted through more damn traffic to get here*. Several lots are expected to perform in accordance with

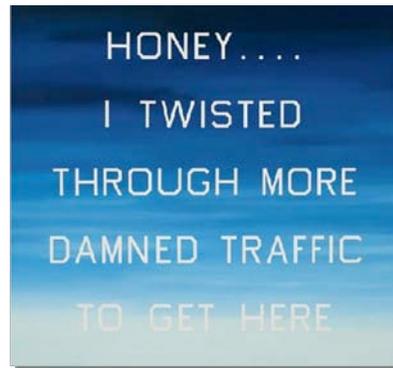
their fair market value, like Jasper Johns' *Map* and Richard Prince's *Nurse on Horseback*. Still others are aggressively priced, such as Gerhard Richter's *Volken (Rosa)* and Cy Twombly's *Untitled*.

### Top 5 Investment Ideas in May

Ed Ruscha	Jasper Johns	Richard Prince	Gerhard Richter	Cy Twombly
<i>Honey...I twisted through more damn traffic to get here</i>	<i>Map</i>	<i>Nurse on Horseback</i>	<i>Volken (Rosa)</i>	<i>Untitled</i>
				

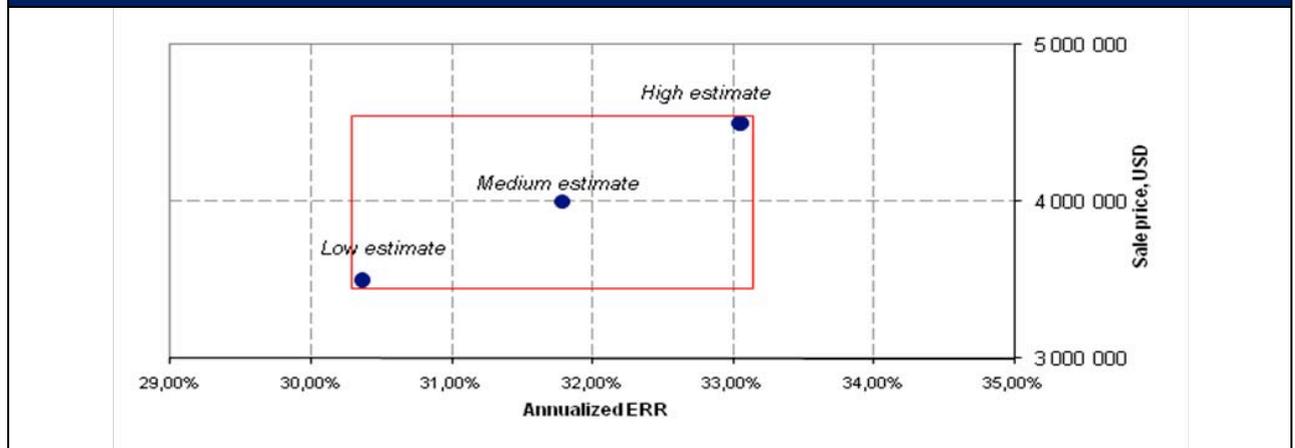
Artist	Title	Medium	Size, cm	Estimate, USD	Sale Details	Repeat Sale	Initial Purchase Price, USD
Ed Ruscha	Honey...I twisted through more damn traffic to get here	Oil on canvas	182.9x182.9	3,500,000-4,500,000	Sotheby's 10-May-2011	Yes	107,000
Jasper Johns	Map	Graphite, graphite wash, ink and gouache on paper	49.5x62.2	1,500,000-2,000,000	Sotheby's 10-May-2011	Yes	1,071,500
Richard Prince	Nurse on Horseback	Inkjet print and acrylic on canvas	198.1x147.3	3,500,000 - \$4,500,000	Christie's 11-May-2011	No	-
Gerhard Richter	Volken (Rosa)	Triptych--oil on canvas	200x300	3,000,000 - 4,000,000	Christie's 11-May-2011	Yes	343,500
Cy Twombly	Untitled	Oil based house paint and wax crayon on canvas	122x140	10,000,000 - 15,000,000	Christie's 11-May-2011	No	-

Ed Ruscha, *Honey...I twisted through more damn traffic to get here*



Painting Description	
Artist	Ed Ruscha
Artist's Rank in Skate's List	124
Title	Honey...I twisted through more damn traffic to get here
Year of Creation	1984
Medium	Oil on canvas
Size, cm	182.9x182.9
Auction House	Sotheby's
Auction Date	10-May-2011
Estimate, USD	3,500,000 – 4,500,000
Initial Purchase Price, USD	107,000
Previous Purchase Date	14-Oct-1998
ERR (on expected repeat sale at mid-point), %	31.79% per annum
Holding Period on Expected Repeat Sale, Years	13

ERR Scenario for *Honey...I twisted through more damn traffic to get here*



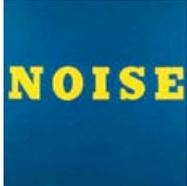
Source: Skate's Art Market Research

Observing the art market for Ed Ruscha, we note that his earlier period is more valuable in terms of auction prices than the later period. Two peer groups of large canvases show that the “word” paintings created before 1980 are 40% more expensive than Ruscha’s later works. The average prices for the two groups are \$1,646,695 and \$965,772, respectively. However, this trend was already broken twice when two acrylic works - *The mountain* and *Sex at noon taxes* - were sold for \$3 mln and \$4.3 mln, respectively. These two cases might explain Sotheby’s high valuation, which includes an irrational premium (IP) that we

estimate at 247%. Such aggressive pricing is not likely to stop collectors from acquiring this work, given that it has already changed hands eight times (including twice at auction) since its creation in 1987.

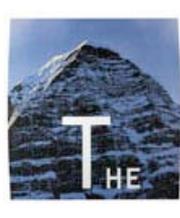
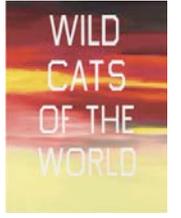
This transaction will be the second public repeat sale for the artist. The previous such sale yielded a 3% annualized effective rate of return (ERR) upon its sale for \$2.4 mln, which was three times below the pre-auction estimate. If the work sells at the mid-point of the estimate range this time, it will yield a 31.8% ERR, a record return for the artist.

Peer Group Criteria, Early Period (1960-1980)	
Average price, USD	1,646,695
Maximum price, USD	3,591,500
Minimum price, USD	125,838

Skate’s Peer Group for Ed Ruscha, Early Period (1960-1980)					
					
<b>Title</b>	Damage	Talk about space	Untitled	Not only securing the last letter but damaging it as well (Boss)	Desire
<b>Year of Creation</b>	1964	1963	1963	1963	1969
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas
<b>Size, cm</b>	182.9x170.2	181x170	170.2x182.9	149.9x139.7	152.4x139.7
<b>Auction House</b>	Christie’s	Christie’s	Phillips	Sotheby’s	Sotheby’s
<b>Auction Date</b>	10-May-2004	13-May-2002	12-May-2002	11-Nov-2003	10-Nov-2008
<b>Premium Price, USD</b>	3,591,500	3,529,500	2,532,500	1,912,000	2,434,500
<b>Repeat Sale</b>	No	No	No	No	No
<b>ERR, %</b>	-	-	-	-	3

Source: Skate’s Art Market Research

Peer Group Criteria, Late Period (1980-2011)	
Average price, USD	1,152,445
Maximum price, USD	4,338,500
Minimum price, USD	84,186

Skate's Peer Group for Ed Ruscha, Late Period (1980-2011)					
					
<b>Title</b>	Strength	The Amazing Earth	Sex at noon taxes	The mountain	Wild Cats of the World
<b>Year of Creation</b>	1983	1984	2002	1998	1985
<b>Medium</b>	Oil on canvas	Oil on canvas	Acrylic on canvas	Acrylic on canvas	Oil on canvas
<b>Size, cm</b>	162.6 x 147 cm	162.5 x 162.5	162.6x193	193x183	162.5 x 162.5
<b>Auction House</b>	Sotheby's	Christie's	Phillips	Christie's	Christie's
<b>Auction Date</b>	11-Nov-2008	11-May-2005	8-Nov-2010	5-Feb-2008	10-Nov-2004
<b>Premium Price, USD</b>	1,142,500	80800,000	4,338,500	3,019,178	769,100
<b>Repeat Sale</b>	No	Yes	No	No	No
<b>ERR, %</b>	-	-	-	-	-

Source: Skate's Art Market Research

## Jasper Johns, *Map*



Painting Description	
Artist	Jasper Johns (b. 1930)
Artist's Rank in Skate's List	24
Title	Map
Year of Creation	1971
Medium	Graphite, graphite wash, ink and gouache on paper
Size, cm	49.5x62.2
Auction House	Sotheby's
Auction Date	10-May-2011
Estimate, USD	1,500,000-2,000,000
Initial Purchase Price, USD	1,071,500
Previous Purchase Date	11-May-2004
ERR (on expected repeat sale at mid-point), %	4.59% per annum
Holding Period on Expected Repeat Sale, Years	7
ERR Scenario for <i>Map</i>	

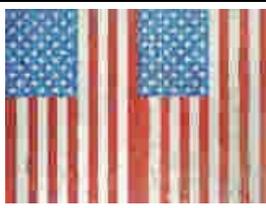
Source: Skate's Art Market Research

Among all American living artists Jasper Johns is definitely the most successful and valuable. Though he stands right behind Jeff Koons in Skate's Top Artists rating, the two artists' approaches are too different to compare. Furthermore, Jeff Koons is a leader in terms of volume but not in the value of individual works. Jasper Johns' market capitalization in the premium art segment is the largest (\$244.6 mln) and is made up of 35 works. Finally, with the large flow of his works to the auction market he enjoys a relatively low bought-in rate, only 15% for 2010 and early 2011.

This month Sotheby's presents a rare piece by Jasper Johns – *Map* (1971). This is not the first time that this particular painting has appeared at auction; in 2004 it was sold for \$1,071,500 at Christie's. Even though it is one of the most recognizable signature works of Johns, the auction market has never seen any other works from this

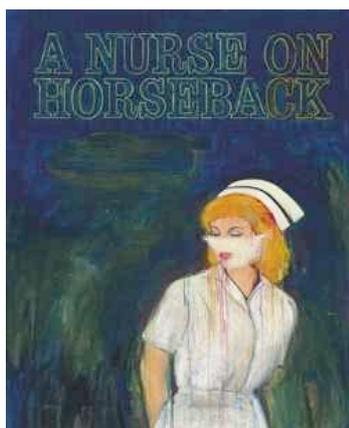
series apart from regularly appearing lithographs. Works from this series are exhibited in museums such as MOMA and the Los Angeles Museum of Contemporary Art, which makes this work of particular interest given how rarely museums decommission their artworks.

Although he is one of the most expensive living artists in the world (currently #24 in Skate's rating), Jasper Johns is not associated with reliable and stable investments. The high initial prices that were initially paid for the artist's works have served to make further returns very volatile, and not all resold works have yielded positive investment returns. If *Map* sells at the mid-point of the estimate range, it will yield an ERR of 4.59%. Such modest pricing will allow the work to appreciate over time. Return-focused investors are not advised to bid above the high estimate.

Skate's Repeat Sales by Jasper Johns				
				
<b>Title</b>	0 Through 9	Gray numbers	Two Flags	Colored alphabet
<b>Year of Creation</b>	1961	1957	1937	1959
<b>Medium</b>	Pastel on paper laid on canvas	Encaustic on canvas	Oil on canvas	Oil and collage on panel w/encaustic
<b>Size, cm</b>	137.4x105.7	71.1x55.8	132.7x176.5	30.5x26.7
<b>Auction House</b>	Sotheby's	Sotheby's	Christie's	Sotheby's
<b>Auction Date</b>	08-Nov-2004	10-Nov-2009	12-May-1999	07-May-2001
<b>Premium Price, USD</b>	10,928,000	8,706,500	7,152,500	3,745,750
<b>Initial Purchase Price, USD</b>	9,909,500	5,271,500	12,100,000	3,520,000
<b>ERR, %</b>	-2	6	-6	0
<b>Holding Period, Years</b>	1	6	9	12

Source: Skate's Art Market Research

## Richard Prince, *Nurse on Horseback*



Painting Description	
Artist	Richard Prince (b. 1949)
Artist's Rank in Skate's List	68
Title	Nurse on Horseback
Year of Creation	2004
Medium	Inkjet print and acrylic on canvas
Size, cm	198.1 x 147.3
Auction House	Christie's
Auction Date	11-May-2011
Estimate, USD	3,500,000 - 4,500,000

Source: Skate's Art Market Research

Last year Richard Prince found himself in a very controversial situation. On the one hand, four of his sales entered Skate's rating, which has a threshold price of \$1.87 mln. This is an impressive volume for a living artist, considering that the top entry - *Nurse in Hollywood no. 4* (2004) – was sold for \$6.5 mln. On the other hand, one of these works – *Millionaire nurse* (2002) – became the worst performing repeat sale for the year within Skate's Top 5000. Resold for \$3.3 mln, the work yielded a negative 22% annualized return after a holding period of just two years. While statistically it does not offer a representative data sampling, a negative return of this magnitude has a high likelihood of scaring potential investors who are considering

putting significant money into a work by Prince.

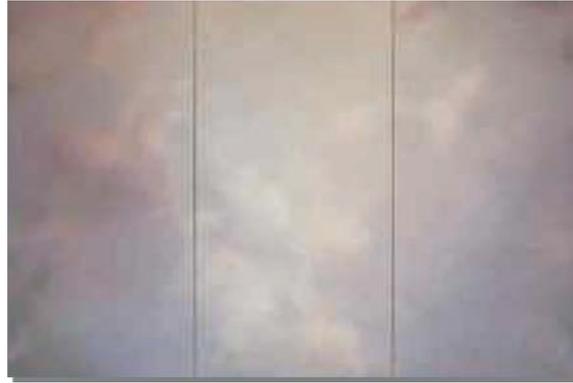
This month we will not see any repeat sales from Prince. However, both works that will be presented on the auction market will enter Skate's Top 5000 if sold at estimate. Between *Wayward nurse (Crashed)* at Phillips and *Nurse on Horseback* at Christie's, we choose the second lot as having the more reasonable estimate. The explanation is provided below in the peer group that we have compiled for this work. The pricing of *Nurse on Horseback* corresponds with the fair market value, as the average price of the peer group is \$3.78 mln, which means that the estimate includes an irrational premium of only 20% based on Skate's Art Asset Pricing Model.

Peer Group Criteria	
Average price, USD	3,783,102
Maximum price, USD	7,433,000
Minimum price, USD	744,000

Skate's Peer Group for <i>Nurse on Horseback</i>							
							
<b>Title</b>	Piney woods nurse	Settlement nurse	Country nurse	Nurse in Hollywood no. 4	Lake resort nurse	Dude ranch nurse #2	Surfing nurse
<b>Year of Creation</b>	2002	2003	2003	2004	2003	2002	2003
<b>Medium</b>	Inkjet print and acrylic on canvas	Inkjet print and acrylic on canvas	Inkjet print and acrylic on canvas	Acrylic and inkjet on canvas	Inkjet print and acrylic on canvas	Inkjet print and acrylic on canvas	Inkjet print and acrylic on canvas
<b>Size, cm</b>	203.2x132.1	210.8x119.4	201.9x132.8	175.3x106.7	177.8x121.9	177x127	162.5x106.7
<b>Auction House</b>	Christie's	Christie's	Christie's	Phillips	Christie's	Christie's	Phillips
<b>Auction Date</b>	12-Nov-2007	05-Feb-2008	29-Jun-2009	12-May-2010	11-Nov-2008	18-Oct-2008	27-Feb-2008
<b>Premium Price, USD</b>	6,089,000	4,232,760	2,843,505	6,466,500	3,330,500	5,496,007	4,271,218
<b>Repeat Sale</b>	No	No	No	No	No	No	No
<b>ERR, %</b>	-	-	-	-	-	-	-

Source: Skate's Art Market Research

## Gerhard Richter, *Wolken (Rosa)*



Painting Description	
Artist	Gerhard Richter (b. 1932)
Artist's Rank in Skate's List	17
Title	Wolken (Rosa)
Year of Creation	1970
Medium	Triptych--oil on canvas
Size, cm	200 x 300
Auction House	Christie's
Auction Date	11-May-2011
Estimate, USD	3,000,000 - 4,000,000
Initial Purchase Price, USD	2,448,000
Previous Purchase Date	15-May-2007
ERR (on expected repeat sale at mid-point), %	5.27 % per annum
Holding Period on Expected Repeat Sale, Years	4
Historical ERR on Previous Repeat Sale, %	15
Purchase Date of Previous Repeat Sale	04-May-1994
Initial Purchase Price of Previous Repeat Sale	343,500

ERR Scenario for <i>Wolken (Rosa)</i>	
Annualized ERR	5.27%
Low estimate	1.25%
Medium estimate	5.27%
High estimate	9.29%
Low estimate Sale price, USD	3,000,000
High estimate Sale price, USD	4,000,000

Source: Skate's Art Market Research

The most expensive living artist in the world, Gerhard Richter, is most commonly recognized for his *Abstraktes Bild* series, which contributes almost one third to his overall market capitalization of \$371.8 mln. This month Christie's presents an alternative option to invest in Richter's art - *Wolken (Rosa)* – which, if sold, will provide an example of a double repeat sale. This work belongs to a less valuable series by the artist: there are only four “cloudy” works in Skate's rating, including this month's offering. Sold for \$2.4 mln in 2007, last time it yielded a 15% annualized return to its owner. Only four years later the painting is back on market and if the final price reaches the mid-point of its estimate range, it will yield an ERR of just

5.27%. Clearly, this is not an example of a carefully planned investment transaction.

First, according to its peer group, the average price for works from this series is only \$1,322,594, so in 2007 the work was already purchased with a high irrational premium.

Second, the highest price for “cloudy” works has never exceeded \$3 mln, so if the final price for this painting reaches at least the lowest point of the estimate, it will represent a record for the series.

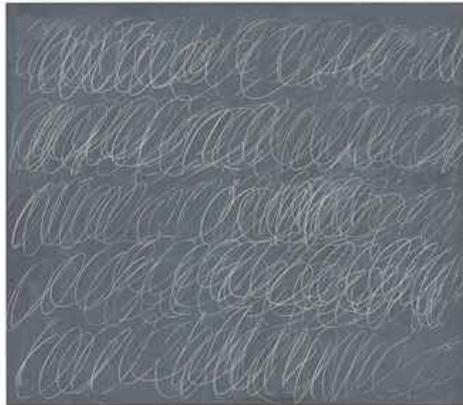
Richter's market in May will either be supplemented by a new self-record or an unlucky ERR benchmark.

Peer Group Criteria	
Average price, USD	1,322,594
Maximum price, USD	3,003,704
Minimum price, USD	69,280

Skate's Peer Group for <i>Wolken (Rosa)</i>				
				
<b>Title</b>	Clouds (Grey) Wolken (grau) 231-1	Wolken (Stimmung)	Wolkenstudie, grün-blau	Wolke
<b>Year of Creation</b>	1969	1970	1970	1969
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil and pencil on canvas
<b>Size, cm</b>	150.6x200.7	199.9x300.5	80x100	100 x 80cm
<b>Auction House</b>	Seoul Auction	Christie's	Sotheby's	Christie's
<b>Auction Date</b>	14-Sep-2007	10-May-2004	25-Jun-2002	29-Jun-1999
<b>Premium Price, USD</b>	2,130,668	2,023,500	2,996,456	167,111
<b>Repeat Sale</b>	No	Yes	No	No
<b>ERR, %</b>	-	-21	-	-

Source: Skate's Art Market Research

### Cy Twombly, *Untitled*



Painting Description	
Artist	Cy Twombly (b. 1928)
Artist's Rank in Skate's List	47
Title	Untitled
Year of Creation	1967
Medium	Oil based house paint and wax crayon on canvas
Size, cm	122 x 140
Auction House	Christie's
Auction Date	11-May-2011
Estimate, USD	10,000,000 - 15,000,000

If Cy Twombly's collectors live up to Christie's expectations, the artist's market will present a new self-record for the most expensive of his works ever sold publically. Currently, Twombly's most valuable painting that was sold at auction is *Untitled (New York City)*, which brought \$8.7 mln in 2005. Another argument that this estimate is an example of aggressive pricing is the peer group of Twombly's premium segment paintings. The average price of *Untitled* works is \$4.2 mln, which means that the auction estimate for this month's sale implies an ERR of 340.4%.

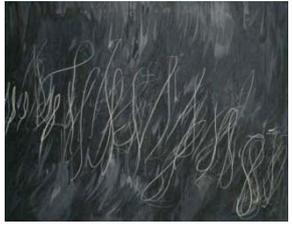
Therefore, this case combines two potential risks. On the one hand, the work might not find a buyer at such a price, and, on the other, the future owner risks realizing a negative return when he or she seeks to sell it. Furthermore, Cy Twombly's market clearly acts in accordance with the general rule of investing in art, which favors a substantial holding period and modest initial purchase price. As we can see in the table, *Untitled (Bolsena)* with a -7% ERR is an example of this rule. That said, our forecast for the May sale of *Untitled* is not very optimistic.

Peer Group Criteria	
Average price, USD	4,238,740
Maximum price, USD	8,696,000
Minimum price, USD	1,934,500

Skate's Peer Group for <i>Untitled</i>				
				
Title	Untitled	Untitled	Untitled	Untitled (New York City)
Year of Creation	1970	1971	1967	1968
Medium	Oil on canvas	Oil on canvas	House paint	Synthetic polymer paint, silkscreen inks and spray-paint on linen
Size, cm	154.9x190.5	300x467	144.8x172.7	172.7x215.9
Auction House	Sotheby's	Sotheby's	Christie's	Sotheby's
Auction Date	11-Nov-2002	07-May-1990	12-May-1999	08-Nov-2005
Premium Price, USD	5,619,500	5,500,000	2,532,500	8,696,000
Repeat Sale	No	No	No	Yes
ERR, %	-	-	-	20

Source: Skate's Art Market Research

### Skate's Repeat Sales by Cy Twombly

				
<b>Title</b>	Leda and the swan	Untitled (Bolsena)	Leda and the Swan	Untitled (New York City)
<b>Year of Creation</b>	1963	1969	1960	1968
<b>Medium</b>	Oil, graphite and wax crayon on canvas	House paint w/wax crayon & lead pencil on canvas	Oil on canvas	Synthetic polymer paint, silkscreen inks and spray-paint on linen
<b>Size, cm</b>	100.3x80	200.7x240.5	193.8x202.4	172.7x215.9
<b>Auction House</b>	Christie's	Sotheby's	Sotheby's	Sotheby's
<b>Auction Date</b>	10-Nov-2010	11-May-2004	08-Nov-2004	08-Nov-2005
<b>Premium Price, USD</b>	2,322,500	2,920,000	2,024,000	8,696,000
<b>Repeat Sale</b>	Yes	Yes	Yes	Yes
<b>Initial purchase Price, USD</b>	640,500	2,869,500	467,500	220,000
<b>Holding period, Years</b>	11	1	12	19
<b>Annualized ERR, %</b>	10	-7	11	20

Source: Skate's Art Market Research

### Poland's Abbey House: First Art Industry IPO since September 2005

On May 5, 2011, the Warsaw-based art auction Abbey House floated its shares on the Warsaw Stock Exchange.

With the firm's pre-IPO pricing range suggesting a pre-money valuation of PLN 36 million (approximately \$13 million) and a tiny capital increase of just 153,697 Series B shares at PLN 3.6 or USD 1.3 per share, the deal is small. Abbey House is a start up, having commenced operations in October 2010 and grossed only USD 0.5 million in sales for 2010. Its business model combines all known art business models, including a local arts & crafts auction, a local art magazine, a Polish market price database and a quasi-dealer business that promotes

contemporary local artists. In a nutshell, Abbey House is telling potential investors that it will be a proxy for the Polish art market and thus be able to capture any growth experienced by this market in the foreseeable future.

Jakub Kokoszka, Vice President of Abbey House, estimates that the current size of the Polish art market is USD 100 million and could potentially increase 20-fold to USD 2 billion by 2021. This projection is based on a report by KPMG - *The Luxury Goods Market in Poland* - that places the overall value of the luxury goods market in Poland at approximately PLN 27 billion in 2009. Furthermore, Abbey House bases its estimates on a combined 100,000 high net worth individuals (HNWI - more than EUR 1 million in liquid assets), premium affluent citizens (EUR 500,000 or more in liquid

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assets) and core affluent citizens (EUR 2,000 or more in gross income per month). Based on the assumption that 20% of these 100,000 individuals can afford and will choose to purchase at least one work of art per year, Abbey House estimates that the total annual turnover in the Polish market will grow by a factor of more than 6.5 - from the current level of 3,000 artworks sold at auction to 20,000 works sold per year.

While Skate's takes those projections with a large grain of salt and notes that Abbey's business model thus far lacks focus and maturity, we are very happy to report on the upcoming IPO and will be delighted to follow Abbey House once it is successfully listed (i.e., once the IPO is underwritten). This is the first art industry IPO since Skate's began publishing Skate's Art Stock Index on September 1, 2005. Since then, most of the changes to the index have involved delisting firms as they went private or defunct (e.g., Italy's Finarte Casa d'Aste or the Toronto-based Art-in-Motion Income Fund).

Developing the local auction business is perhaps the best thing that Abbey House can do in the next few years. The company's listed peers in South Korea and Japan (Seoul Auctions, Shinwa Art Auctions and Art Vivant) have all managed to grow solid and profitable businesses locally. In addition, there are also excellent privately owned firms that have become notable operators (e.g., Polly in China, Safron in India and Russian-art focused MacDougall's in London).

We have scheduled our due diligence visit to Abbey House on May 6 in Warsaw, and if all goes well, we will include the Polish firm in Skate's Art Stocks Index as of May 10, 2011. This will expand the number of constituent stocks to 12 in the index. Abbey House will likely be the smallest firm in the index in terms of market capitalization and the only one to represent eastern Europe.

### **What's Happening to Artprice's Stock?**

Artprice, the Paris-listed art market data provider that is best known for its price database, flamboyant headquarters near Lyon named House of Chaos, and secretive financial reporting (the firm publishes only revenue values without disclosing either proper financial statements or any significant operational data), came on our radar last week due to the inexplicable surge in its share price. Artprice's share price tripled over the course of last week, which now makes the firm valued at \$142 million. This is four times above its major rival Artnet's market capitalization and about 20 (sic!) times its annual revenues (Artprice made EUR 5.4 million in sales in 2010, a modest increase of 11% over 2009). Artprice's business model is not nearly as well understood as Artnet's, and we can see no basis for either this share price rally or Artprice's valuation in general. The rally appears to have been triggered by an article in the local media (La Tribune newspaper) implying certain forward-looking statements such as an anticipated rapid increase in Artprice's sales. Skate's remains very suspicious of Artprice, as we do not like the lack of transparency in its accounting and are troubled by these rapid share price movements.

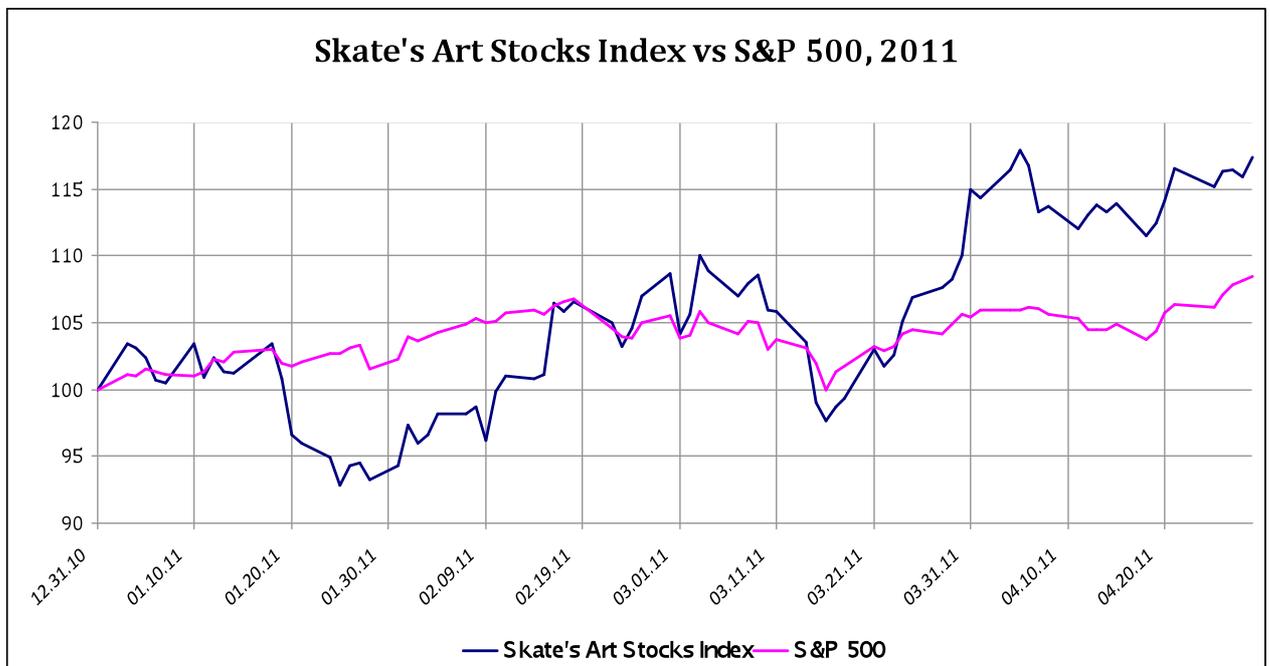
## Skate's Art Stocks Index

### Skate's Art Stocks

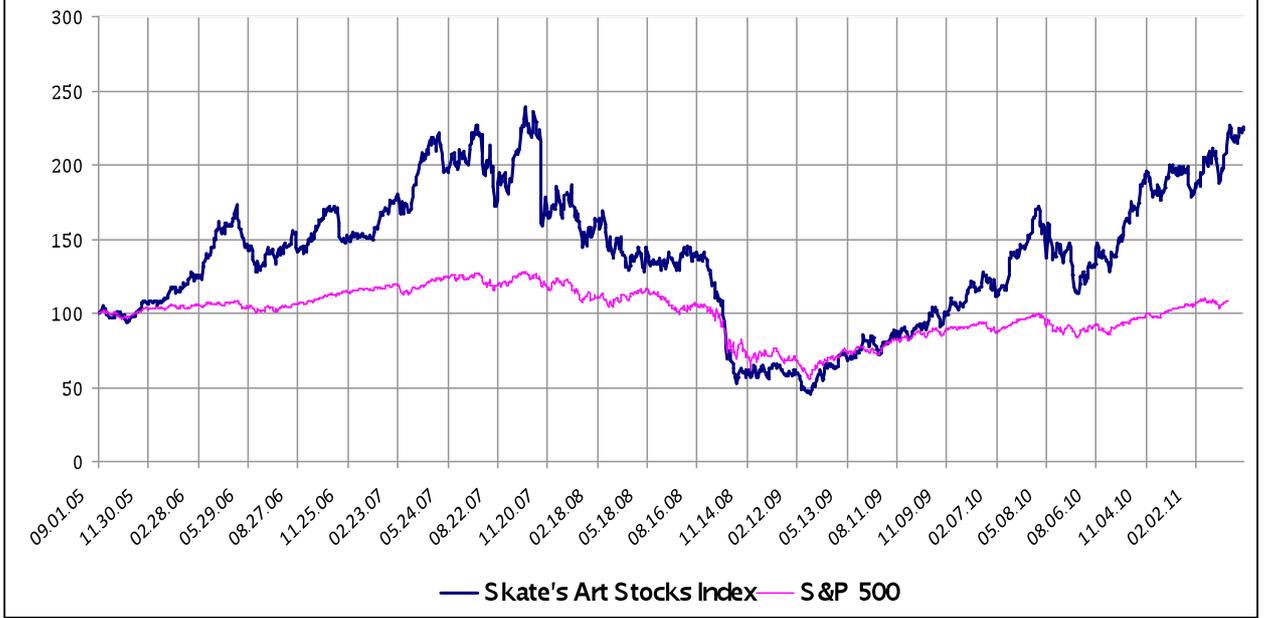
*All Values are in USD*

Name	Listing/ Currency	April 2011 Performance	YTD 2011 Performance	Price as of April 29, 2011, USD	Market Cap as of April 29, 2011, USD mln	52-wk High, USD	52-wk Low, USD
Sotheby's	NYSE/ USD	-4.0%	12.3%	50.52	3388.12	55.67	22.06
Artprice	Paris/ EUR	248.6%	236.9%	40.01	255.93	43.55	9.00
Artnet	Frankfurt/ EUR	52.9%	58.5%	11.18	62.94	11.50	5.97
Collectors' Universe	NASDAQ/USD	8.9%	10.8%	15.40	120.89	17.03	11.01
Mallett	London/ GBP	1.5%	13.3%	1.18	16.33	1.24	0.90
Camera Work	Frankfurt/ EUR	1.5%	27.6%	7 189.16	287.57	7 875.60	5 256.71
Art Vivant	Tokyo/ JPY	4.5%	-7.1%	2.77	42.83	3.09	2.31
Seoul Auctions	Seoul/ WON	-5.0%	-14.9%	3.50	58.34	4.81	2.87
Shinwa Art Auction	Tokyo/ JPY	-9.6%	12.7%	426.39	24.73	1 028.46	216.00
Stanley Gibbons	London/ GBP	20.8%	19.5%	3.05	76.80	3.05	1.88
MCH Group	Zurich/ CHF	2.8%	10.6%	56.10	269.57	56.10	38.08
<b>Skate's Art Stocks Index</b>		<b>2.1%</b>	<b>17.4%</b>	<b>226.1</b>	<b>4 604.03</b>	<b>227.0</b>	<b>112.9</b>

Source: Skate's Art Market Research



### Skate's Art Stocks Index vs S&P 500



## About this Newsletter and the Data Used

Welcome to the April 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 April results as well as on the major upcoming May auctions:

- Sotheby's, Contemporary Art Evening Sale, May 10, 2011
- Christie's Post – War and Contemporary Art Evening Sale, May 11, 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 April 1, 2011, the Skate's Top 5000 Weighted Average ERR benchmark stands at **4.28%** per annum (in USD terms).