

ART APPRAISALS & AUCTIONS 101

“Fair Warning”



Bonhams

1793

History of Auction Houses

- In 1693, John Evelyn Mentions a “great auction of pictures in the Banqueting House, Whitehall” .



- Stockholm Auktionsverk, 1674.
- Bonhams Founded 1793.

Prior to Auction Houses

In the 1600's roughly during Charles I Reign, dealers took items in on “consignment” and held onto them.

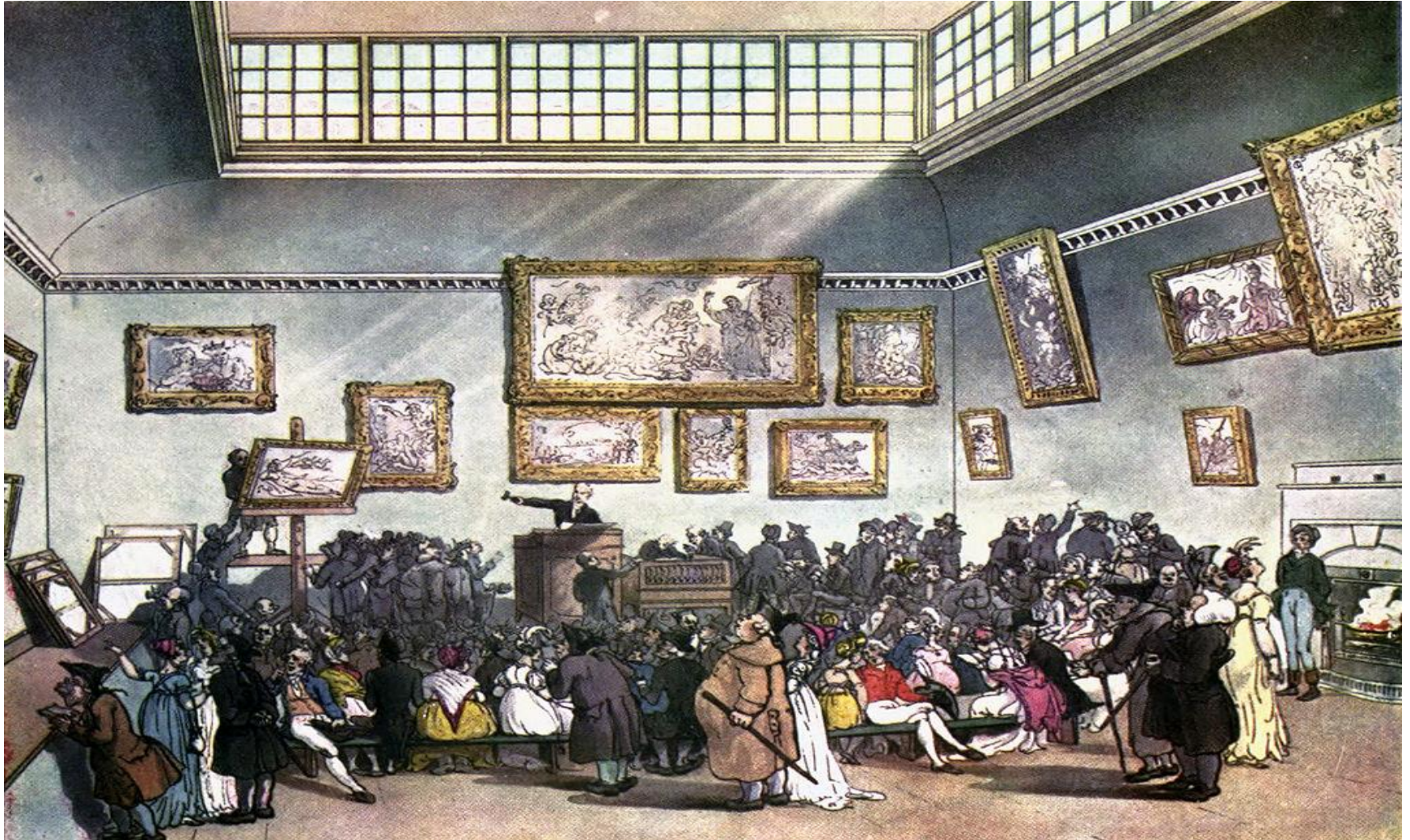
Good for the dealer but
Transactions might take
A long time.
No sense of urgency,
excitement.



Origins of Truly Professional Auctioneers during 18th c. England



18th Century Auction



An Early 19th century English Gentleman's Library, with books, coins and ephemera in mahogany cases.



Property of a Lady, 1983



How are items valued?

Replacement Value: Or insurance value. Generally for Insurance scheduling, Damage & Loss, Retail. Usually the highest price.

Liquidation Value: Orderly and forced under time constraints. Sometimes related to a blockage discount.

Most Typical: Fair Market Value:

The price at which the property would change hands between a willing buyer and willing seller, neither being under any compulsion to buy or sell, and both having reasonable knowledge of the relevant facts. (from IRS pub 561)

Valuation Approaches

Most Typical Valuation Approach: Sales comparison approach

A procedure to conclude an opinion of value for a property by comparing it with similar properties that have been sold or are for sale in the relevant marketplace, by making adjustments to prices based on marketplace conditions and the properties' characteristics of value.

Cost Approach: Related to cost of manufacturing.

Income Approach: Related to valuation of object that can be used to generate income.

Determinants of Value

Legal Factors:

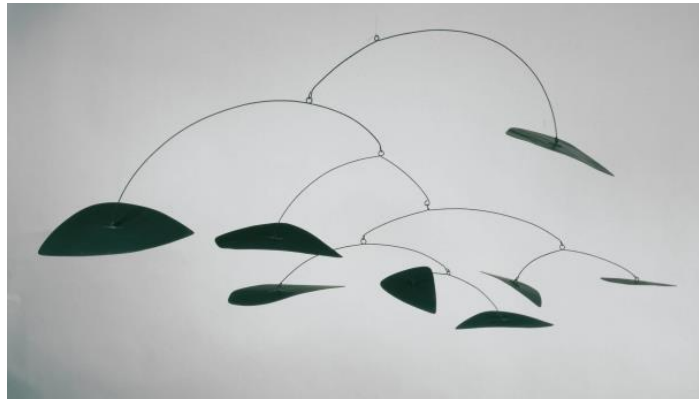
- Authenticity
- Good and Unencumbered Title

Art Market Factors:

- Rarity
- Marketplace/Market Fluctuation
- Condition/Quality
- Provenance
- Authenticity
- Age?

Authenticity

- If an artwork has not been confirmed to be authentic, the marketplace will typically reject it.
- In a litigious environment, this means more and more artworks can't be sold.



Alexander Calder's *Eight Black Leaves*, the subject of a current litigation

How can authenticity be determined?



Volumes of the Zervos literature to be referenced for works by Picasso (more than 16,000 works)

- Importance of a *catalogue raisonné*
 - What if one does not exist or is incomplete?
 - What if there are multiple conflicting sources?
 - Some categories, certification services like in jewelry, coins.

Rarity

- Generally, gold coins are worth more than silver, which are worth more than copper. However, this is not always true, as a copper coin can be extremely rare if the mintage of a coin was low or if the mintage for whatever reason never survived.
- At a prior firm, I sold a classic rarity, a 1907 Saint Gaudens Ultra High Relief for \$825,000 in 1997.
- Alternatively a regular 1907 Saint Gaudens High Relief sells for between \$8,000-15,000 on average, or less.



The Marketplace

- What do you think would be worth more?
- A 2,400 year old gold coin from Greece, a 1908 US mint state \$20 gold coin or an 1895 silver dollar?



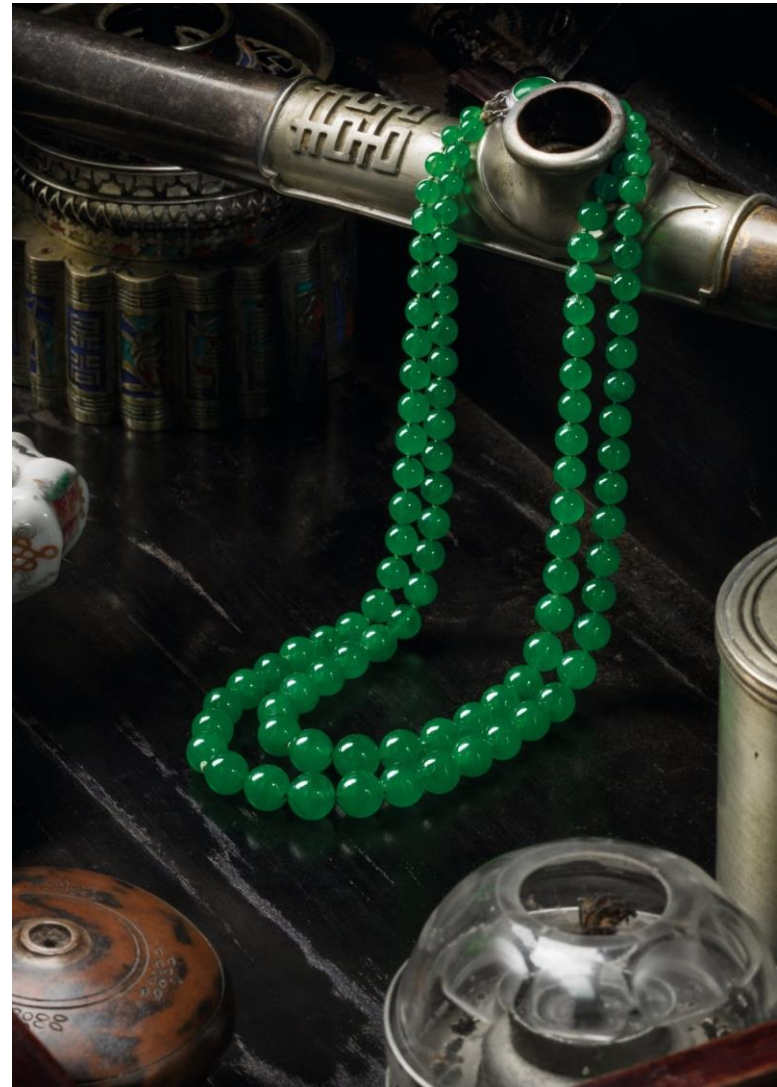
- 1933 US \$20 sold for a WR \$7.6 million in 2002.
- World record for ancient coin \$2.1 million.
- World record for an Islamic Coin is \$6 mm.





A Jadeite and Diamond Ring
\$40,311

A Fine Two Strand Jadeite Bead
Necklace
Very good translucency, bright emerald
green colour
\$841,055



Market Volatility

- Tastes change, impacting the various sub-markets for different styles and period of artwork.
- Different works within the same collection may appreciate or depreciate over time, without relation to each other.
- Japanese Art vs Chinese Art, for example.



An inscribed and carved Yixing stoneware teapot
and cover

Sold at Bonhams, Hong Kong for HK\$10M in
November 2013

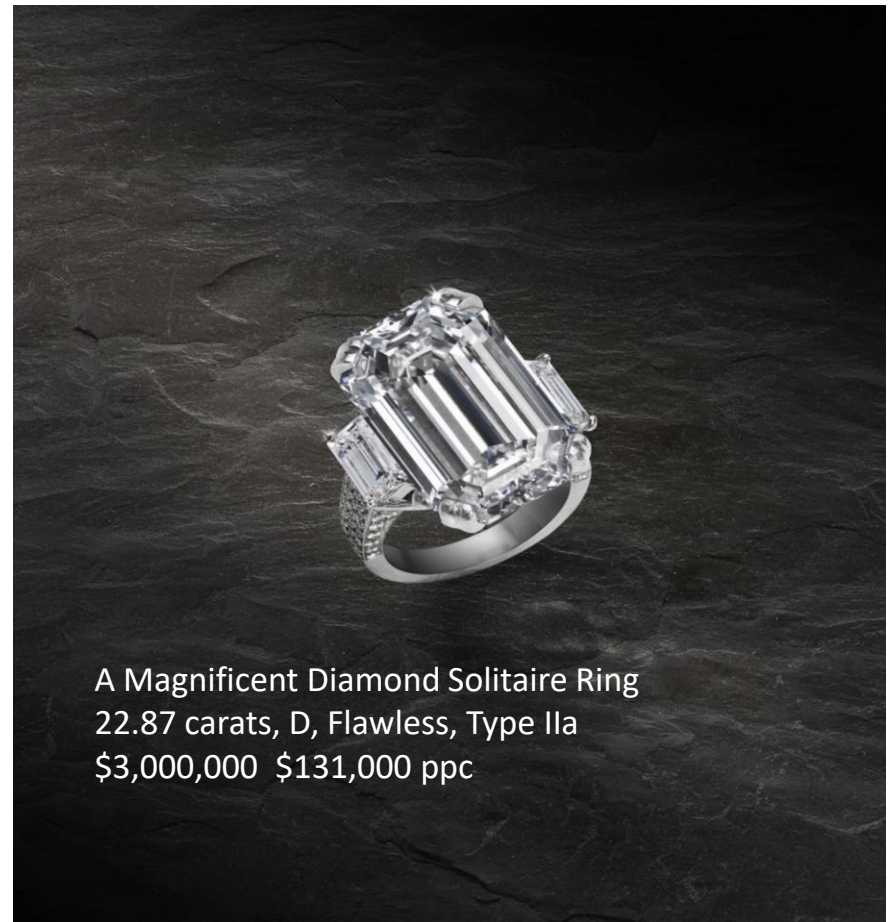
Condition

- Condition or state of preservation is of paramount importance.
- 2 Identical coins can differ in value purely based on state of preservation.
- Example: an 1884-S Silver Dollar, in AU condition is \$200. In MS Condition \$100,000+





A Rare Unmounted Diamond
17.82 carats, D, VS1 Clarity, Type IIa
\$2,629,000, \$147,530 ppc



A Magnificent Diamond Solitaire Ring
22.87 carats, D, Flawless, Type IIa
\$3,000,000 \$131,000 ppc

Intangibles: Beauty, Provenance

How are they Different?

A blue and white porcelain meiping with birds on branch, Wang Bu (1896-1968)

Sold, Bonhams, San Francisco, June 23, 2015, for \$533,000 (including buyer's premium)



A small blue and white vase, *Meiping*, in the style of Wang Bu

Sold, Christie's, London, May 10, 2011, for \$64,828 (including buyer's premium)



Provenance



The Lauren Bacall Collection – 31 March 2015

After John James Audubon (American, 1785-1851)

American white pelican (Pl. CCCXI), 1836

Estimate: \$40,000-60,000

Sold: \$173,000



From Another Collection

After John James Audubon (American, 1785-1851)

American white pelican (Pl. CCCXI), 1836

Estimate: \$50,000-70,000

Sold: \$43,750

Provenance, Hawaiiana Example

Rare Drum, Hawaiian Islands

pahu heiau or patu hula

Wood, skin, fiber

height 30 1/4 in (77 cm)

PROVENANCE

James Drummond Dole, Honolulu, Hawaii

Thence by descent

James Drummond Dole (1877–1958), also known as the "Pineapple King", was an American industrialist who developed the pineapple industry in Hawaii and established the Hawaiian Pineapple Company. Hawaiian Pineapple Company, or HAPCO, was later reorganized to become the Dole Food Company, which now does business in over 90 countries. Dole was a cousin (once removed) of Sanford B. Dole, President of the Republic of Hawaii.

Sold, Bonhams, New York, November 14, 2013, for \$68,750 (including buyer's premium), against a presale estimate of \$12,000-16,000





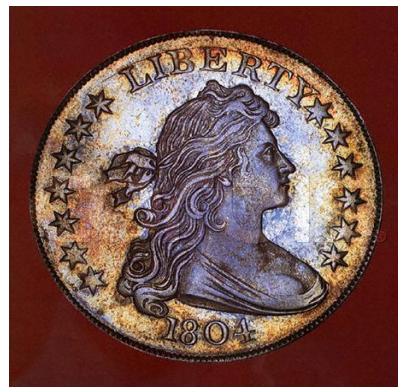
An Art Nouveau Glass, Baroque Pearl, Diamond
& Enamel Pendant Necklace,
by Rene Lalique, circa 1905
\$87,500



An Art Nouveau 18k
Gold & Enamel
Brooch/Pendant,
by Vever
\$18,300

What about the Age of an Item?

- Much more subjective criterion.
- Artworks that tell a great story or are truly nicely designed can command a premium.
- Augustus St. Gaudens' redesign of the US \$20 gold piece in 1907 is an homage to the ancients, per TR.



Purposes of Appraisals

- · Estate Tax (IRS 706) Filing
- · Estate Planning
- · Financial Planning
- · Equitable Distribution
- · Insurance Coverage

Auction Estimates vs. Appraisals

Auction Estimates

- **Range of values** assigned to an object or group of objects
- Do not require a signed appraisal agreement
- Always provided gratis
- As much a marketing tool as an indication of value

Appraisal

- **Single values** assigned to an object or group of objects
- ***Formal document*** - signed appraisal agreement tailored to the type of appraisal

Estate, Decedent's Home

- Typical Assets in an Estate or Trust?
- Cash or financial investments
- Real Estate
- Tangible Assets: everything else.
- Auction Houses and Related Firms offer specialized services to value and advise clients on tangible assets that are art, collectibles, antiques, etc.

Is Art a good financial investment?

Example of Joan Whitney Payson's Van Gogh Irises.

The painting was in a private European collection until 1947 when it was bought by New York philanthropist Joan Whitney Payson for \$80,000. She bequeathed it to her son, John Whitney Payson, who sold it through a famous auction house to provide funds for a charitable foundation.

Van Gogh Irises, painted 1889



ROI, Irises?

- Purchased 1947 for \$80,000.
- Sold at auction 1987 for \$53.9 million A. Bond.
- Total Rate of Return of over 650% sounds good at first, but not over 40 years.
- Also this doesn't take into account inflation, income loss from alternative investments, and the loss of compounding interest income.
- We never speak of art as investment in our industry, for good reason.

Auction Drama Part 1



Property of a Lady Part 2



THANK YOU!

- Q AND A

Bonhams

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