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## Art house picture

On Monday evening, Sotheby's (BID on the New York Stock Exchange) conducted its fall auction of Impressionist and Modern art in New York, generating a total of \$315.4 million, including the buyer's premium, up by a healthy 17% from last year's \$269.7 million. The highlight was René Magritte's 1937 work *Le Principe du Plaisir*, which commanded \$26.8 million (\$23.5 million before fees), well above its \$15 million to \$20 million (pre-premium) estimate.

But the evening may be more notable for what didn't happen. Sixteen of the 65 lots on offer failed to land an adequate bid, while the pre-commission total of approximately \$272 million fell short of the low end of the Street's expected range (analysts had penciled in \$284 million to \$395 million). The soft results were not unique to the publicly traded half of the auctioneering quasi-duopoly. On Sunday evening, Christie's auctioned \$279.2 million in

post-commission sales, down 42% year-over-year.

One piece, Marsden Hartley's 1913 *Pre-War Pageant*, looked to be a source of particular pain for BID. With a pre-auction estimated price of \$30 million that had been directly guaranteed by Sotheby's, it was pulled after no buyer stepped forward at the \$24 million level. *ARTNews* notes that the high-priced lot's failure may leave a mark on BID's results:

Sotheby's arranged 23 third-party guarantees, known here as "irrevocable bids," whose backers can receive a financing fee for their trouble, and extended a single house guarantee. The firm's solo risk, on a star lot that failed to sell, assuredly wiped out what should have been a profitable evening.

(For more on such guarantees, see the bearish analysis of Sotheby's in the [Sept. 7 edition of Grant's](#) as well as the most recent episode of our Current Yield podcast, featuring Wendy Battleson. —*adv.*)

The question before the house: Do the early-season results represent a blip, or something more? A subtle change in tone from management regarding the Chinese market may suggest the latter. Back in August, CEO Thomas Smith said: "There are a lot of mainland Chinese [who] are also strong right now and [who] have a lot of convertible cash as well." Less than three months later, Smith downplayed the importance of the world's second-largest economy, telling listeners-in on the Nov. 1 earnings call:

I don't think we've ever called out any sort of activity by mainland Chinese buyers, who, by the way, are only 10% of our aggregate sales volume this year, I should point out. They're not huge.

Not many college students in Boston, either.

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