

# CHRISTIE'S

LOT 29	24,000,000
EURO	18,720,000
BRITISH POUND	12,720,000
SWISS FRANC	30,000,000
HONG KONG DLR	186,960,000
JAPANESE YEN	2,832,480

CONVERSIONS APPROXIMATE



CHRISTIE'S



# A DOLLAR SHORT

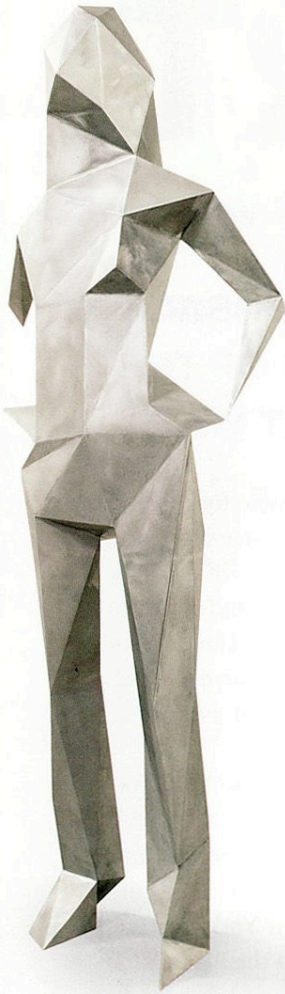
BY MATTHEW ROSE

**THE EFFECTS OF THE SHAKY GREENBACK  
ARE BEING FELT ON BOTH SIDES OF THE  
ATLANTIC, IN VERY DIFFERENT WAYS.**

**T**HESE DAYS, the art market is so international that it's easy to forget that currencies still have borders. And the recent weakness of the once-almighty dollar has been redrawing the map for dealers and collectors alike. From June 2007 to June 2008, the euro went from \$1.35 to \$1.55, and since its adoption in 2000 it has gained some 60% against the U.S. dollar. The disparity is flooding American fairs with Europeans, keeping American buyers home and nurturing an industry that seeks to make art more of a liquid asset as it moves prized pieces to strategic markets across the globe.

With European registration up 33% at The Armory Show in New York this past March, collectors were greeted by a surprising and novel sight: artworks marked in euros instead of dollars. The strategy, while not widespread, was not uncommon. Armory Show director Katelijne De Backer says, "I heard collectors from Europe saying it's great to come art shopping in New York because the euro is so strong." And some dealers from the other side of the Atlantic ▲





are feeling doubtful about their American clients' buying power. One collector, James Pollack, watched as a European dealer "absolutely refused to sell something unless the collector used a credit card, even though the buyer was willing to let the check clear in dollars before the piece was sent," he says. "That shows you how weak a position American collectors are in these days."

"I think Americans will go quiet on the exhibition front," says Philip Hoffman, chief executive of the Fine Art Fund, a London-based art investment group, talking from a car speeding through downtown Dubai. "And Europeans will now look to buy in dollars. Clearly currencies are playing a stronger role in what we do." Hoffman, who previously worked for Christie's, believes that American art could be ripe for choice pickings, acknowledging that his fund, with more than \$130

more often "dealing with the French, the Swiss and Spanish. Europeans are walking around New York feeling peppy."

Luxe Gallery director Stephan Stoyanov has noted this phenomenon and says that the past winter saw strong sales for his gallery in New York—from Europe. "One first-time collector from Belgium bought several pieces by Ellen Harvey, a French collector scooped up works by the same artist and a pair of Japanese buyers bought massively," he says. Did they act now because of the exchange rate? "Absolutely."

"The currency situation does make you cautious," says American collector Blake Byrne, a retired television executive, "although for Europeans, American art is priced attractively now." While Byrne buys work in both Los Angeles and Paris, where he maintains homes, he was stunned to see prices this spring in New York posted in

### "The euro is literally killing me, so I find myself quoting prices in euros every day."

—SANDRA GERING, Gering & López Gallery, on converting prices of French artist Xavier Veilhan's sculpture (left) from euros to dollars

million in investments, recently purchased \$1.5 million of "American 1960s art," not naming the artists for fear of creating a rush. "It's a strategic purchase."

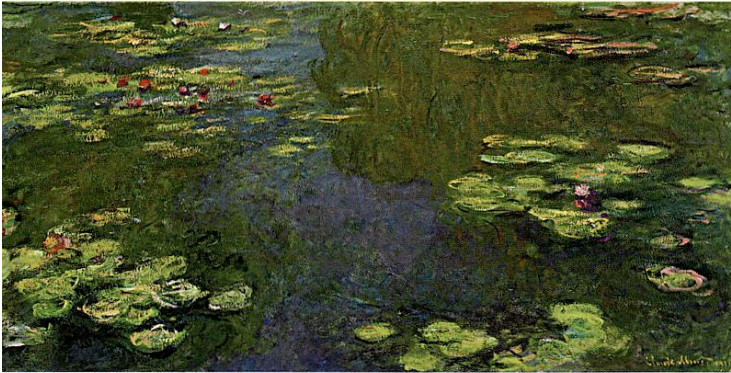
"New York is becoming a shopping extravaganza for Europeans because there's a built-in 30% discount in the dollar, and we're selling at London auction houses because we want that percentage," explains Ian Peck, CEO of Art Capital Group. The New York-based financial services firm loans money against art, providing acquisition financing and lines of credit to galleries, dealers and private collectors. He notes that profits are up "maybe 10% or more because of how we're handling the currency issues." Peck and his group advise on where the best global markets are to sell particular works, whether it's Hong Kong, London, New York or Dubai. While New York is still the world's art center, the U.S. economy is taking a toll on local collectors, Peck observes, "even the wealthiest collectors." These days, he says, Art Capital is

euros. "If it's 200,000 euros—well, that's \$350,000!" For selling work, Byrne favors the large global auction houses. "Christie's, Sotheby's or Phillips will allow a seller to reach a global audience with their extensive networks and deal better with the euro," he says.

New York dealers are having to adapt to the currency crunch. Sandra Gering, the director of Gering & López Gallery, is pricing French artist Xavier Veilhan's sculptures in euros in her Manhattan gallery. Veilhan's realist and Cubist-inspired works "are priced in euros worldwide, but translated into dollars, they're very expensive," says Gering. Paying production costs in euros combined with discounts to American collectors, she says, "cuts my profit margins deeply, and I am burned on both sides. The euro is literally killing me, so I find myself quoting prices in euros every day." On the other hand, in Paris, dealer Daniel Templon is pricing works for American Pop artist Jim Dine in dollars, in the



**33%** London Impressionist artwork purchased by Americans in 2005.



London Impressionist artwork purchased by Americans in 2008. **15%**

same range as the artist's prices at Pace-Wildenstein in New York.

François Curiel, chairman of Christie's Europe, observes that Americans are hesitating. In an auction this past March at Christie's Paris, a Persian silver and gold inlaid brass candlestick from the first half of the 14th century went for \$4.5 million, wildly over its high estimate of \$300,000, but produced a certain resistance from American bidders. "At one point, I heard a buyer say, 'It's too rich for me,'" recalls Curiel. "I think the conjunction of the candlestick going for such a high price and the strong euro slowed down the ardor of this particular collector."

According to Christie's sales statistics, Americans have been buying progressively less in the London Impressionist sales. In June 2005, they swept up 33% of the works that sold; in February 2006, that percentage dropped to 24%. By February 2007,

22.5% of works were bought by Americans, and this past February that number had dropped to just 15%.

There are ways to make the exchange rate work in one's favor—if one has sufficient capital. Hoffman explains that while his fund is denominated in dollars, a work bought in dollars is often sold in euros, yielding a back-end profit. "I bought an Old Master painting for \$3 million in late 2007, in dollars, and sold it at the Maastricht fair in euros—the same day Bear Stearns went down," he says with a laugh. "Well, because of the dollar's weakness we made a bigger profit than I would have expected." Playing the currency market on the back of the art market, says Hoffman, has netted the fund "between 10% and 15% profit."

Peck has been working in the same vein. "We bought a collection from a major Asian corporation," he says, "that included a Vlaminck, a Chagall and a Miró for a

French collector; the three top pieces ranged in price from \$5 million to \$10 million each. The entire collection cost \$30 million; we put up 90% of the financing, the collector 10%." Art Capital sold the three works in London privately and at auction, then converted the profit back to dollars. "Our client made money on the dollar-pound-euro exchanges," he says. "Our interest was purely as a lender, and we earned on the principal plus the interest."

With more activity at fairs in cities from Tokyo to Paris, the trend is that American dealers go abroad while American buyers stay home. Guillaume Piens, press director of Paris Photo, says, "The current financial crisis seems not to have deterred American galleries from coming to Europe. For Paris Photo 2008, we have never received so many applications from American galleries, with more than 20 galleries represented." The narrative is simple: Follow the money. "U.S. galleries are coming to Europe to find new euro collectors," says Piens. New York dealer David Zwirner had a similar experience at Art Basel in June. "The weakness of the U.S. dollar deterred some American buyers, but we still had strong sales due to the strength of our ongoing relationships with European collectors," he says.

For American collectors looking ahead, especially those who don't have unlimited funds, there isn't much clarity. Garrett Siegel, a Paris-based American collector, is waiting out the dollar's slide. "People always buy when they have a monetary advantage," he says. Siegel buys in both Europe and the U.S. and pays with dollars, but he won't pick up a painting by the young Irish artist Isabel Nolan right now. The quoted price of 3,800 euros (\$6,000) has meant an increase of more than 5% over the past six months. "We're watching for a rebound in the dollar," he says, "but we won't wait forever." **EJ**

Although it carried an estimate of \$36 million–\$47 million, Monet's 1919 painting "Le bassin aux nymphéas" fetched a record \$80.5 million at a Christie's London auction June 25.