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Private Practice

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These days some of the biggest deals aren't happening in the salesroooms.

The earnings statements for **Christie's** and **Sotheby's** for the first half of 2009 indicate that private sales accounted for a larger portion of both firms' business than ever before. Although Christie's gross of $1.8 billion for January through June was down 50 percent from the same period last year, its private sales, totaling $199.7 million, declined only 34 percent. At Sotheby's, meanwhile, auction sales for the period dropped 66 percent while private sales fell a mere 4 percent, to $134 million.

The decrease in overall earnings reflects the retreat of consignors from auctions, in part because of the absence of guarantees. Both Christie's and Sotheby's say that as of last fall they had stopped offering those incentives, which had helped them compete for a flow of Impressionist, modern and contemporary material during the boom years. Newly conservative estimates may also lead sellers to believe they can reap greater rewards through private transactions. Certainly, the sums changing hands in some of these, such as **David Geffen**'s 2006 sale of **Jasper Johns**'s *False Start*, 1959, to **Kenneth Griffin** for $80 million, can make auction prices seem paltry by comparison; the Johns brought $17 million at Sotheby's in 1988.

But the primary reasons sellers are opting out of auctions are to avoid the stigma attached to property that is bought in and to insure both secrecy — no one wants to be seen as desperate for cash — and speed. If you're anxious to sell, says **Stephane Cosman Connery**, director of private sales and senior vice president of Impressionist and modern art at Sotheby's, "you want to receive the funds quickly. You don't want to wait for the auction process."

Although houses, advisers and dealers are all understandably tight-lipped about who is selling what and for how much, private deals appear to be trending toward time-tested material. "A year ago, 80 percent of transactions were modern," Connery says of trades in his field, "and this year 90 percent have been Impressionists." Similarly, **Emmanuel de Chaunac**, Christie's senior vice president of postwar and contemporary art, says he has been "concentrating much more on postwar than cutting-edge. The very new things are still seeing readjustment in pricing, so clients are waiting to get a serious opportunity."

As for the price points at which most such transactions are being conducted, the auction houses are concentrating on the high end. "The focus of what we do in private sales is dealing with works in the million-plus category," says Connery. Both Christie's and Sotheby's claim to have completed several transactions in the $30 million-plus region over the past year, but several New York art advisers say that deals in that lofty realm have been rare. **Mary Hoeveler** notes that she has seen very few above $10 million, while **Levin Art Group** director **Todd Levin** puts the price range at from $500,000 to $5 million, remarking that only top-quality material by brand- name artists is moving. He adds that since the beginning of the year, clients with money who "waited to come back into the market until there was blood on the street" have made purchases through him whose aggregate value reaches into eight-figure territory. **Cristin Tierney** says her clients, who tend to be in the financial industry, may disavow any interest in big-ticket items but will still jump at the chance to nab an $8 million painting for $5 million. In fact, one such transaction helped Tierney's business get through the summer.

There are not as many masterpieces out there as one might think; collectors who have to sell are parting mostly with second-tier pieces. And, says adviser **Stefano Basilico**, "the best-quality material isn't being sold at fire-sale prices. The things I've heard about that are seemingly super values are things we wouldn't want to buy in any market."

Yet coups are possible, especially with newer art. The New York and Berlin dealer **Robert Goff** says he recently procured an "A+" **Karen Kilimnik** for a client for $400,000, noting that a year ago a work of similar quality and size sold privately for just under $700,000. At the same time, negotiations can stretch out longer than they did in flush times. "Everyone feels entitled to move slowly," says adviser Tierney. "We are doing a ton of legwork and there is a new possibility every week, but a lot of transactions are not closing." Goff has had similar experiences. "There is a real problem arriving at consensus about how things should be priced," he says — and sometimes it's the intermediary who gets squeezed: On a $650,000 deal, Goff had to settle for a $15,000 commission, significantly less than the typical 10 percent.

Ironically, failure in private negotiations may be a bullish indicator. "I've had deals fall apart where we are talking about a 5 or 10 percent difference," says Basilico. "To some degree, I take that as a sign of market health. It means both buyer and seller have confidence in their positions."

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