



## VIEWPOINT

by Elin Lake Ewald, Ph.D., ASA

### For Appraisers Only: Responses to some FAQs

**“How can I persuade a reluctant dealer to provide a value on the work of an artist he represents?”**

*My Opinion:* We have a policy in our office. Do not ask a dealer for a value unless you have researched it first yourself. The research usually begins with an auction search, Googling information and utilizing your art and antiques reference library of art and antiques. When you decide you have a pretty good handle on the fair market price you can then call the dealer and say “I have checked auction prices on your artist, Billy Brown, and it appears paintings of his from the 1960s that are about 36 x 48 inches sell for \$2,000. That doesn't seem nearly enough to me in this market. After all, he has had a number of exhibitions here and in Europe. I want to do justice to your artist with an accurate value.”

I think that by showing an interest in the artist and his work, other than just asking a price, can get you pretty far with the dealer. He or she will know that the appraiser has put some time and effort into finding out about the artist, wouldn't you if you put yourself in his or her place?

I remember once, before learning this, I would occasionally receive irritated responses, “You just want me to do your appraisal for you.” I would bristle at the comment because I knew how much more goes into an ASA appraisal than just a price I was asking for. But once I began coming to them with research already undertaken, I found a lot more cooperation.

By not providing pricing information the dealer does a disservice to his artist. After all, the appraiser's client may ultimately become the dealer's client, since the gallery name will be provided in the appraisal report. The appraiser needs to persuade the dealer of this truth and the advantage of cooperation.

The appraiser can also offer information valuation help to the dealer regarding other artists not in their stable, in order to develop a working relationship. By regularly visiting galleries in your area and chatting with the dealers, you establish a relationship that makes asking for information much easier.

In the past, members of ADAA (Art Dealers Association of America) were particularly leery of appraisers, referring all valuation questions about the artists they represent to other ADAA members exclusively. Lately this has changed, perhaps because more ADAA gallery information is posted on the web, perhaps because more personnel at galleries have themselves become members of appraisal associations and are therefore somewhat more sympathetic to the profession.

At any rate, my recommendation on this question is: first do your homework and then ask.

**“I am appraising an artist's estate. She has not been active for more than twenty years, and when she was, sold only a few paintings. I am told there are over 500 artworks left. Must I examine each one individually and list them separately?”**

*My Opinion:* To the best of your ability separate out the works by Medium/Size/Date. Take photographs of one or two examples in each category and assign a value to works of that size, medium and approximate date. The prices, based on today's value, will be low anyway, but the total value will be greatly reduced by the blockage discount. This might help: dealers I have spoken with about estates of artists long out of the market tell me that realistically, in today's market, it would take a good deal of luck to sell them at half or a quarter of what they went for years ago – that is, if there has been no market activity since. If



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not, the value is usually absolutely minimal. If the deceased artist worked in a style that is dated, the appraiser should look for similar work in that style to find out if there is any current market at all for the material, and if so, at what reduced value. Then the appraisal report must detail the process by which the works were valued: that is, carefully explain the methodology.

But, I would never recommend this truncated approach if the appraiser is involved in the evaluation of an estate of an established artist. In that case every piece of paper, every unfinished canvas or carving, may have possible value. At my firm, we have appraised tiny scraps of paper of major art superstars, knowing that similar scraps have been sold for multiple thousands.

In any event, always explain the process by which you arrived at a final figure. If shortening that process makes sense and saves your client an unnecessary (*sic*) fee, you won't have difficulty explaining it.

## **“How much should appraisers know about the use of art as collateral?”**

**My Opinion:** An appraiser should know as much as possible about all issues relating to fine and decorative art, just to stay in the game. You needn't recommend any particular private service, but you should be able to relate to your client a general description of what collateralization of art does and does not do.

Art and antiques are being used increasingly as collateral in loans, and lending institutions allow borrowers to retain these assets and still secure the funds. (If a recession in the art market occurs, however: all bets are off).

As the value of art and antiques rises, so does their stature as formidable assets in a family's financial portfolio. Citibank in Manhattan initiated this practice as far back as 1979, followed in the 1980s by Sotheby's. Today countless private and public organizations provide forty to fifty percent of the appraised value of artworks, antiques, wine, stamps, and

coins (etcetera), to the temporarily illiquid collector. In some instance collectors can borrow sums from \$200,000 to the multiple millions for periods of up to twenty years.

This subject, in fact, is so complex and interesting that I'll reserve an in-depth discussion of it for a future column.

## **“Is it possible for an appraiser to use a percentage loss to an artwork or antique based on a formula such as twenty-five percent loss for a tear in the upper left quadrant of a painting or a twenty-five percent loss for a missing foot on an antique chest?”**

**My opinion:** A formulaic approach to any aspect of appraising has to be looked at with a skeptical eye. A slight tear that has been restored in the upper right quadrant of a painting by one artist might indicate discounting its replacement value (after restoration), by five percent, while in the case of another artist that could be as high as thirty percent. Lining a 300-year-old painting impacts its value quite differently than lining a 30 year-old painting. A broken stile on the back of a chair from 1790, one from 1870 and one from 1920 call for varying approaches regarding damage.

The issue of discounting the loss in value of damaged paintings and furniture following restoration is a highly complex assignment and depends on a number of factors: age of the painting or object, condition prior to the one-time incident, significance of the particular painting or object and the period in which the artist worked, the skill of the conservator, the working methods of the artist (such as depth of paint application, level of craftsmanship, materials used, etc.). In fact, it is so varied that its very complexity rules out using a formula to arrive at a loss in value following restoration.

It always helps if the appraiser during his career has valued several other examples of the work of the artist or artisan. It is not appropriate for an appraiser who has worked primarily with contemporary art, and who has never been involved previously with Old



Master paintings, to make a determination regarding damage and loss of value to this type of painting without studying the issue in depth, or consulting with someone familiar with older artwork. An unenlightened opinion may result in prescribing two baby aspirin for someone desperately in need of a heavy dose of codeine.

The wise appraiser is the one who knows when and how to effectively minimize some aspects of his assignment, if appropriate, and other times when there can be no excuses for taking a shortcut. Applying formulas to determining loss in value to restored paintings or prints or any kind of decorative art is, in my opinion, not earning your fee as a professional appraiser.

I use percentages as a way to explain a more complicated analysis. That is, to calculate approximately the level of discount that a dealer would allow should he be given the painting or object to sell at his gallery or shop, having fully disclosed the history of damage and restoration. It is reasonable to assume that in a minor damage case a dealer in Old Master paintings might apply that discount somewhat differently than a dealer in contemporary art. However, suppose there are waiting lines of clients for that contemporary artist's work and folks are fighting to acquire the art? Suppose that chest-on-chest is the only extant example of a particular artisan's oeuvre? How does one factor that in? No, deciding on post restoration loss in value can be very complex and cannot depend upon a formula.

**Suggestion:** The wise appraiser uses his or her analytical abilities rather than relying upon formulas to determine loss in value following restoration.

**“What is the impact on the art market of the new transparency, that is, easier and wider access to more information, such as auction results?”**

*My opinion:* Well, you do suddenly have a lot of collectors telling the appraiser what they think the price of a painting or piece of furniture is worth today. There is no question but that collectors have better access to current

information about the market, but can they interpret the raw data they've accumulated? An attorney recently said to me that he had gotten print-outs of auction sales for a work owned by his client and he (the lawyer) thought the price should be such and such. I told him that I had looked up a few court cases on the Internet and wanted to explain to him just how the cases should have been decided. He then laughed and said he expected that we should both respect one another's expertise.

There is more than a little truth in the adage that a little learning is a dangerous thing. However, there is no doubt that personal property appraisers in general have lost a great deal of work because of the prevalence of auction sales results available to potential clients, the offering of both art and decorative art online, and the multiplicity of articles regarding big ticket sales worldwide. But I have seen some giant mistakes made by both buyers and sellers because they've depended on the surge of information that they were unable to interpret accurately. Not knowing the difference between fair market sales and replacement values is one (often a problem in divorce cases). Another, and this is prevalent, is looking at the highest prices paid for either a work of art or period pieces of furniture and equating those very unusual and rare prices with a mediocre object that is the subject of the appraisal.

Another problem is trying to convince a client that several hours of research might be necessary for an appraisal when she has been a faithful viewer of “Antiques Roadshow” and knows that all “a real appraiser” has to do to come up with a value is give the object a quick once-over and be able to tell the owner all about it – from the work history of the artist or maker to the number of their marriages – and do it all in a matter of minutes!

**Suggestion:** To forestall an argument about how much time the appraiser should be spending on a client's report, discuss the scope of the work – have a list of the issues to be researched for an accurate valuation: determining the current market for the item



being appraised, the necessity of contacting galleries or shops for pricing information, the fieldwork visits necessary; the library time required, the writing and document preparation, etc. Let them know how much time all that will take you. In some cases, such as donation, it means researching and writing up a page of information that provides the basis for the evaluation. Explain that in order to prepare a professional appraisal to conform with USPAP and ASA standards, a great deal more is needed for your written appraisal than simple statements that have not been substantiated and which cannot be used for any official purpose because they are verbal and unsupported.

### **“What has been the effect of art fairs on art dealers and the market, good or bad?”**

*My opinion:* The ripple effect is in play here. The more excitement that is generated by worldwide art fairs the more attention it brings to all art everywhere. Of course that too often results in bringing out all the long-closeted bad reproductions and faded prints that haven't been looked at it since Granny stored them in the tool shed, but it also encourages people to find out more about better art they may have had for years but not really thought much about until now. “It just hung in our dining room for years,” you may be told. “Could it have any value?”

The problem that may arise from the multiplicity of art fairs is that they can distort price. At some of the more important fairs the work of very-hot-now artists may be sold for prices above the amount being asked because several well-heeled and very competitive collectors are after the same group of (“you gotta have ‘em now”) artists. As the hoopla

fades, how do appraisers in 2007 value work that in 2006 was at an all-time high, but for which there has not been time enough to be offered at auction? This goes full circle to the dealers we spoke about above. It's the smart appraiser who develops a relationship of trust with dealers-in-the-know, the ones who exhibit at these famous fairs. And don't forget the handful of private dealers who advise collectors who frequent the fairs. They are also a fount of information regarding the shifting winds of change in the art market vis a vis their clients.

**Suggestion:** I speculate that eighty percent of the artists appearing at the international art fairs will have disappeared in a few years, that about fifteen percent will continue to be represented by galleries somewhere and will be part of museum group shows, that four to five percent will have one-person exhibitions of significance and be acquired by museums worldwide, and that perhaps half of one percent will have a lasting impact on the art of the twenty-first century. But that's just *my opinion*.

### **ABOUT THE AUTHOR**

*Elin Lake Ewald, ASA, serves as a member of the Board of Directors and Editor of the Newsletter of the New York Chapter of ASA. She is a member of the American Arbitration association, and is a doctoral candidate, Ph.D. program, New York University. Ms. Ewald, a fine art appraiser, is President of O'Toole Art Associates, Inc., a 12 person firm specializing in the appraisal of corporate collections and in damage/loss/fraud reports involving fine and decorative art. She is currently researching her dissertation topic focusing on art ethics and law involving the fine art appraiser.*