A few weeks ago, a triptych portrait by the British modernist painter Francis Bacon sold for $142.4 million, a record for a work of art at auction. The next night, a silk-screen print, “Silver Car Crash (Double Disaster),” by the American pop artist Andy Warhol brought $105.4 million. And this week, “Saying Grace,” by the American illustrator Norman Rockwell, sold for $46.1 million.

The art market would seem to be going through the roof. But is it?
Despite the headlines and the hyperbolic enthusiasm of many auctioneers and dealers, the broad market for fine art is in the doldrums, according to experts who track sales data. Many works are selling near or below their low estimates or failing to sell at all.

As measured by the Mei Moses World All Art Index, a widely cited benchmark, the market for fine art declined 3.3 percent in 2012, and gained 2.2 percent through November, even with the recent record-setting sales. Strip out traditional Chinese art, the value of which has been surging for years thanks to the interest of wealthy Chinese buyers, and the performance would be much worse.

By comparison, the Standard & Poor’s 500-stock index gained 13.4 percent in 2012 and is up more than 27 percent so far this year.

At Sotheby’s, where “Silver Car Crash” set a record for Warhol, another image of a car crash, this one in green called “5 Deaths on Turquoise,” sold for barely over $7 million. A Warhol portrait of Liz Taylor with a yellow background went for $18 million (not counting commissions), below its $20 million to $30 million estimate. And at Sotheby’s, another Rockwell with a religious theme, “Walking to Church,” sold for just $2.8 million before the
buyer’s commission, below its $3 million to $5 million estimate. (Estimates don’t include commissions.)

But at least they sold. Sanford Robinson Gifford’s Civil War masterpiece, “Sunday Morning in the Camp of the Seventh Regiment,” which was on loan to the White House and had hung in the Oval Office for over 20 years, didn’t sell at this week’s auction at Christie’s, which must have come as a shock to New York’s Union League Club, which had owned the painting since 1871. It was estimated to fetch $3 million to $5 million.

A Christie’s spokeswoman said afterward that “there was steady client interest” in the painting before the auction, “given the painting’s exceptional rarity and historical significance.” But at the auction, the bidding “simply did not meet the reserve price.” The spokeswoman, who declined to be named, citing Christie’s policy, added that interest in the work was still “very much alive.”

What explains the sharp gap between perception and reality?

“What we’ve seen is that the explosive prices represent only a tiny, tiny subset of lots,” said David Kusin, a former Metropolitan Museum of Art curator who also worked on Wall Street and now runs Kusin & Company, a consulting firm in Dallas that specializes in the economics of the art market. “They get all the press, but we’ve seen relatively stable hammer prices in most categories over the past few years.”

And just two categories have pushed up the averages.

“Postwar, contemporary art — artists active from 1950 to the present — which includes Francis Bacon, Jackson Pollock, has been doing extremely well for the past 25 years,” Michael Moses, a retired professor of economics at New York University’s Stern School of Business and a co-founder of the Mei Moses Art Index, told me this week. “And traditional Chinese art — works created before 1900 — has been doing even better.”

Mr. Moses said his data indicated that traditional Chinese art had gained a compounded annualized rate of return for the 10 years ending in 2012 of 15.5 percent. Postwar and contemporary art gained 11.6 percent. By contrast, old master paintings gained only 3.3 percent and American paintings just 1 percent. And the overall index gained 7.4 percent.

Some find the whole notion of an art market to be distasteful. Michael Findlay, author of “The Value of Art,” and a director at the Acquavella Galleries in New York, said: “What I
believe in is the social and aesthetic value of art. We live in a society where everything is so monetized, the only way people can talk about art is in terms of money.”

Like many art professionals, Mr. Findlay is a critic of the Mei Moses index, which doesn’t account for private sales at galleries like Acquavella. Mr. Moses acknowledges that his index, like any index, including the Dow Jones industrial average, has its limitations. By definition, it takes what are unique objects and combines them into broad patterns. The art market is “like real estate,” he said. “No two objects are exactly alike.”

Art Market in the Doldrums
Recent auction reports may give the impression that the art market is skyrocketing. But, to judge by the Mei Moses index, which compares repeat sales of the same artworks, the market has has remained relatively flat over the last two years. Related Article »

PERCENTAGE CHANGE SINCE YEAR END 2002
+ 175%
+ 150
+ 125
+ 100
+ 75
+ 50
+ 25
0

S &P. 500-stock index
Mei Moses World All Art Index

Take the disparate results for the Bacon “Triptych” (a record) and the Warhol “Liz” (disappointing). Both feature what would seem to the untrained eye to be yellow as the dominant color. At Christie’s, that was a major selling point of the Bacon work: “The
juxtaposition of radiant sunshine yellow contrasting with the brutal physicality and immediacy of the brush strokes in this celebrated life-size triptych is what makes Bacon’s art so remarkable,” the auction house said. But when I asked a major collector why the similarly hued “Liz” hadn’t fared better, he said: “Did you see it? It’s the color of your urine.”

As for the failure of the Gifford to sell, and for the weak performance of American paintings in general, “You’re not going to see many American paintings breaking the $10 million mark,” Mr. Moses said. “Americans just don’t seem to view their national treasures the way the Chinese do. It’s almost like Americans have an inferiority complex.”

Mr. Kusin added: “The hedge fund managers aren’t interested in 19th-century American. The people who buy American paintings are solid, rational people with lots of money and good taste. They’re not buying as an investment. There are some stupendous works coming up for sale, and in my view, they have a very good future ahead of them.”

What the hedge fund managers — not to mention many of the world’s billionaires and sovereign wealth funds — are interested in tends to be contemporary and postwar art. Why they would all be flocking to the same handful of artists is, like many aspects of the art market, something of a mystery. But there’s nothing new in the phenomenon. People I spoke to pointed out that the robber barons tended to collect old masters, and during the booming 1990s, Impressionist works were all the rage.

Theories abound, from the supposed scarcity of masterpieces in other genres to a herd mentality. “Contemporary is so popular with this set of very rich, newly rich collectors,” Mr. Kusin said. “They can hang anything they want in their Manhattan co-ops or in Aspen and nobody can say that’s ugly because contemporary art has not been subjected to sustained critical appraisal. There are no markers of good or bad taste that have yet been laid down. It’s a safe place to park your money. And if you leave the price tag dangling from the frame, so much the better.”

Mr. Moses said that it shouldn’t be all that surprising that a few trophy paintings were selling for more than $100 million, even as the broad market languished. “There are over 2,000 billionaires,” he said. “If they’re putting together an art collection for 10 to 15 percent of their assets, they can invest at least $600 million in art. And a lot of them have many billions. So when they look for a centerpiece for their collections, they’ll reach for over $100 million. That’s not unusual given their relative wealth.”
“People have always shown off their wealth with the size of their edifice and what art they put in it,” Mr. Moses said. “Many very rich people are collecting modern paintings. They should be buying Turner” — the record for the British old master is $45 million for a painting sold to the Getty Museum in 2010. “He’s the father of it all. If you put the Turner on your wall, it will make everything else look bleak. But they’re just not into it. Their friends may not know Turner, but they know Warhol and Bacon.”

The upshot is that the art market may not be nearly as inaccessible for people of more limited means as the headline prices suggest. Even at auction, most lots sell for under $100,000, and there are many that sell for less than $10,000.

Contrary to the almost universal claim by art dealers and auctioneers that it’s impossible to overpay for quality art, “our research shows dramatically that high-purchase-price paintings underperform low-purchase-price paintings over time,” Mr. Moses said. “Art is very democratic. There’s a painting for every purse.”

When I asked Mr. Kusin what categories he’d recommend, he ticked off old master drawings, 19th-century European and American paintings, 18th- and 19th-century American furniture, and 20th-century decorative arts. “They’re rationally priced, stable stores of value and lovely to live with,” he said.

Mr. Moses warned that art was illiquid, and buyers shouldn’t expect to recoup their money anytime soon. He also urged collectors not to get swept up in the excitement of bidding. “Our research shows that the more you pay over the estimate, the lower your future returns will be.”

And he noted that there were worse things than losing an auction for any one object. “The beauty of art is that there is a lot of it.”