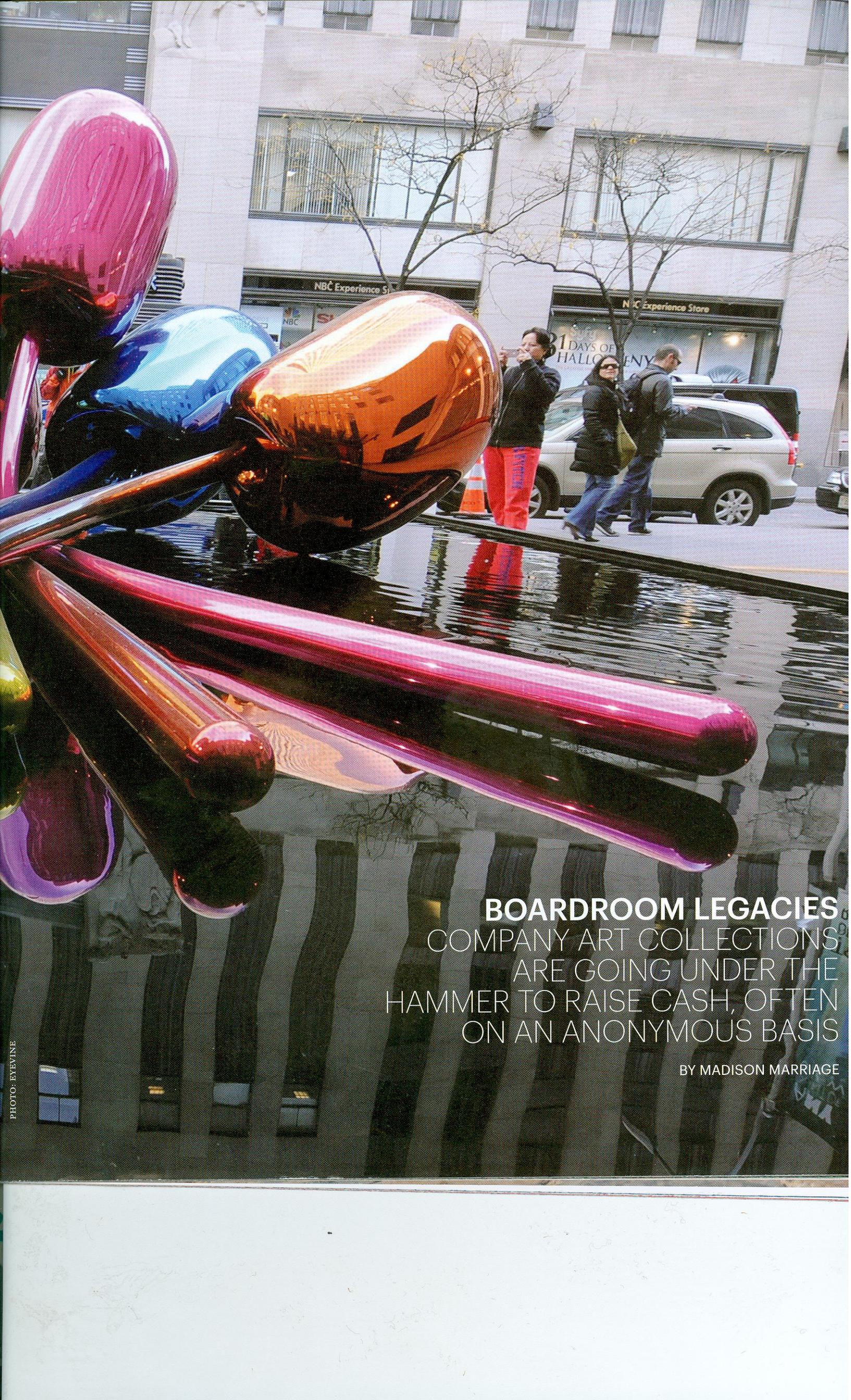




Planting the seed:
a German bank
sold Jeff Koons's
"Tulips" last
year for \$33m to
fund a cultural
foundation



BOARDROOM LEGACIES
COMPANY ART COLLECTIONS
ARE GOING UNDER THE
HAMMER TO RAISE CASH, OFTEN
ON AN ANONYMOUS BASIS

BY MADISON MARRIAGE

PHOTO: EYEVINE

The financial crisis has scored another victim, albeit one that has attracted less media attention than the collapse of companies such as Lehman Brothers: corporate art collections are coming under increasing scrutiny as many businesses seek to sell down their holdings. These corporate art divestitures are providing valuable opportunities for two of the world's largest auction houses, Sotheby's and Christie's, to boost their own businesses by swooping on the collections of faltering companies.

Photography business Polaroid, considered a major force for technological innovation in the 20th century, was forced to sell its vast archive of photos in 2010 after being declared bankrupt a year earlier. The collection, which dated back to the 1940s, included photos taken by famous artists such as Andy Warhol and Robert Mapplethorpe. The sale of the collection surpassed expectations, fetching more than \$12m. Similarly, Lehman Brothers, the US investment bank, sold off its art collection in 2010, raising £1.6m – a small step towards paying back the £282bn the bank owed its creditors at the time of the sale.

Both Sotheby's and Christie's have increased their focus on corporate art collectors in recent years in response to the more organised corporate approach to art holdings and the lucrative secondary market for advice this has created among auction houses.

Sotheby's established its dedicated corporate art team 15 years ago, and has advised on some of the largest corporate sales in recent years from collectors as diverse as HSBC, the bank, IBM, the US technology company, and charity Unicef.

In the three years to the end of 2009,

Sotheby's UK sold more than \$62m of art from corporate collections, as well as those of museums and foundations. In the three years to the end of 2012, this figure rose to more than \$218m, while this year alone, the UK business has sold more than \$33m of corporate art.

Christie's, meanwhile, formed its corporate art team in 2007, just before the financial crisis hit. Nick Orchard, head of the Christie's corporate collections arm in Europe, says the auction house had already dealt with corporate clients for several years but "saw there was an opportunity to work more closely with them and serve their needs in a more appropriate way".

Although the global art market was in a state of flux at the end of 2009, and "every company was going to the wall", Orchard notes that the impact on more stable corporate collectors was unexpected. "Companies needed to take stock of their assets, which led many to take a more proactive approach to their collections and make sure they resonated with clients or with staff," he says.

Orchard has identified growing interest among corporate buyers in purchasing local, contemporary artwork. Many companies, particularly banks, are adding pieces worth up to £10,000 by living but lesser-known artists to support local talent. Some groups have sold older artworks to fund new purchases in keeping with their modernised collections.

Artworks held in collections can also appeal to a wider audience, says Constantine Frangos, head of corporate art services business at Sotheby's, as they are "well documented and have very good provenance, which makes them very desirable for collectors".

Another recent driver of corporate art sales has been the merger and acquisition activity before and following the financial crisis. As companies snare rivals, they often end up with a wide range of artwork, covering genres as disparate as 18th-century furniture and silverware, 19th-century maritime pictures and contemporary art. "To some extent, you can map the history of a company through the art it holds," Orchard observes.

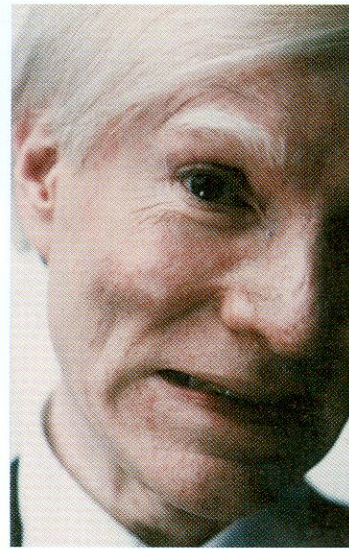
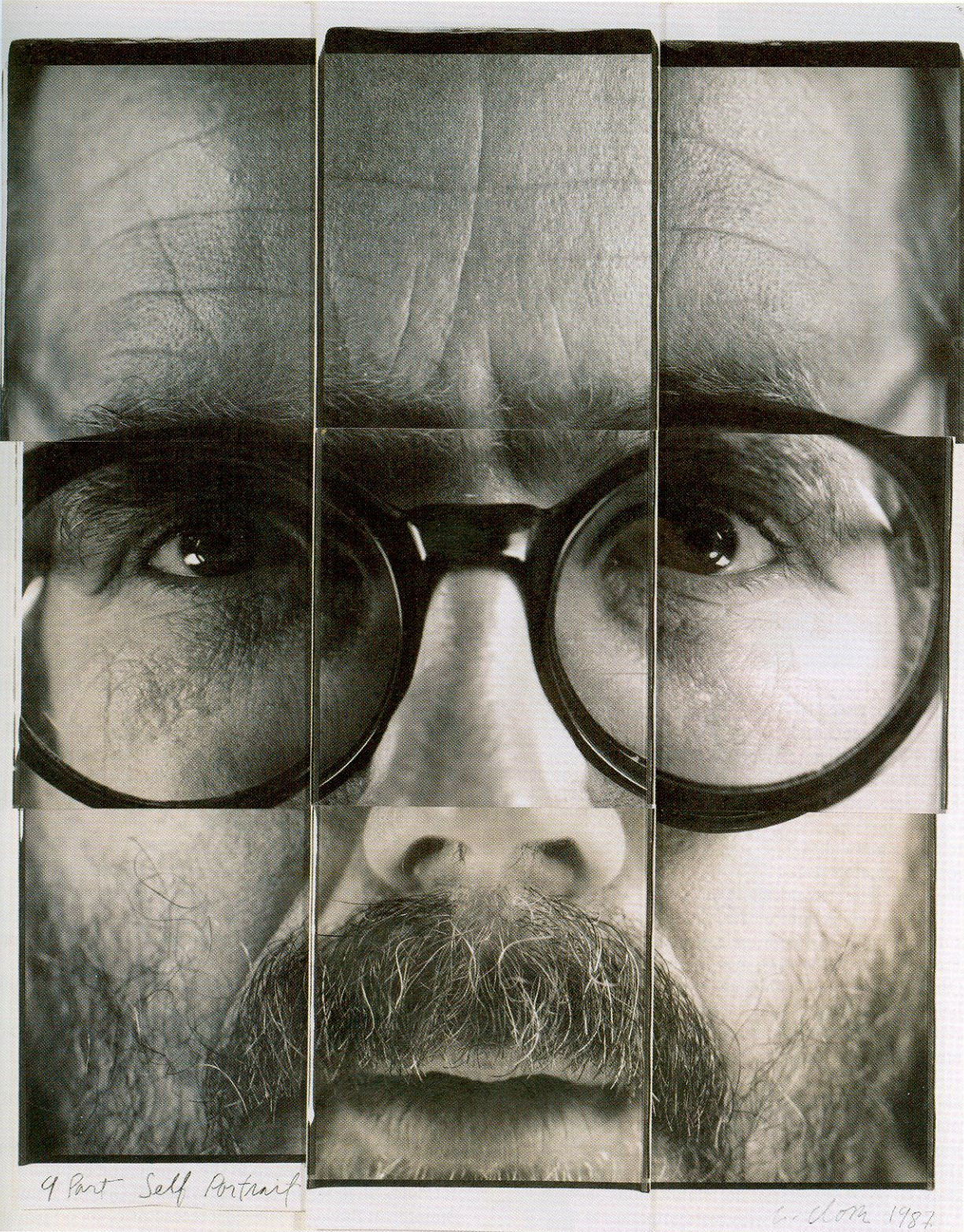
But these motley collections might lose their relevance for hybrid organisations that are looking to convey a coherent corporate message, leading many to offload legal pieces and start afresh.

Commerzbank, for example, decided to sell Alberto Giacometti's "Walking Man I" in 2010. The sculpture came into the German bank's possession as part of a larger collection included in the acquisition of Dresdner Bank in 2008. But the takeover – now widely considered disastrous – led to Commerzbank's €18.2bn government bailout the following year.

The bank gave most of the collection to German museums on permanent loan, while "Walking Man I", a surprise discovery for Commerzbank, was put up for



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Distressed sales: Alberto Giacometti's "Walking Man I", opposite; works from the Polaroid collection "Nine Part Self-Portrait, 1987" by Chuck Close, left, and Andy Warhol, above

auction. It fetched a staggering £65m – the most expensive sculpture ever sold at auction at the time. "The bank knew it was valuable but had no idea it was that valuable," says Frangos.

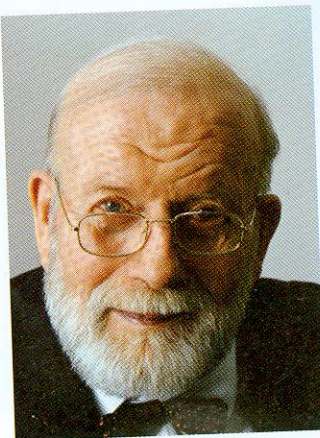
British American Tobacco similarly decided to sell the collection of contemporary art it took on after acquiring Dutch cigarette producer Turmac in 2000. Turmac had amassed an impressive contemporary art collection after its managing director, Alexander Orlow, decided in the 1950s to fill his factory's interior with contemporary art

to raise the spirits of workers on the otherwise dreary factory floor. In the following decades, he added to the works – and chose well; the collection sold in 2010 for more than €13m, representing the biggest sale of contemporary art the Dutch market had ever seen.

There was much fanfare around the Turmac sale, but approaches to publicity surrounding corporate sales vary wildly. Some companies court press attention around a sale to explain their mission to the public, whether it is to give the money raised to a charity or to reinvest ➤



Rich heritage: the estate of Gustav Rau, right, sold Claude Monet's "Le Pont de Bois", top right, and El Greco's "Saint Dominic in Prayer", above, this year to fund charitable works



proceeds in the collection. Last year, German bank Norddeutsche Landesbank, for example, sold a Jeff Koons sculpture, "Tulips", for \$33m to fund a new cultural foundation after seeing the value of his artwork shoot up.

"Certain collections tell us [they] want a lot of exposure and publicity to put their name and message out," Frangos says. "Others are modest, and are happy to put [their] name in the catalogue, but they don't want the bells and whistles around the sale of their works. The reputation of the corporation is more important than any amount of financial return."

Orchard agrees that companies tend to be skittish about how the wider world interprets a sale. Although many corporations want to sell their art for seemingly mundane reasons, such as changing locations, "the last thing most companies want to do is [make] a public disposal of art, because of the connotations", he says.

Christie's is working with two companies at the moment on the sale of artworks, but both want to remain out of the public eye. "Most sales we handle are anonymous because companies are very anxious that people might [interpret] the sale in the wrong way, or

that it gives a negative message about the company's financial position," Orchard explains.

As the financial crisis recedes, companies increasingly want advice on lending parts of their collection to museums and galleries for public viewing, which in helps enhance the value of the collection.

Frangos says a large part of his job is to plot the whereabouts of artworks are held at any given time, as some organisations acquire works anonymously at auction or – as can be the case with charities – inherit previously unseen collections from wealthy patrons.

German doctor and philanthropist Gustav Rau, for example, left a substantial art collection to the German arm of Unicef in 2002. The bulk of the collection is not on public display until now, but several valuable pieces by artists such as Jean-Honoré Fragonard

El Greco and Claude Monet have been put up for sale this year to fund Unicef's relief programmes for children and a hospital Rau set up in the Democratic Republic of Congo. To date, the sale – in which El Greco's "Saint Dominic in Prayer" achieved a record price for a 16th-century master – has raised more than £24m.

The allure of hidden treasure in companies' art collections is what tempted Frangos out of his previous role in Sotheby's European paintings team last year. "What I like most about corporate art services is giving access to pictures that are not available to the public, which enables us to make a lot of discoveries," he says. "A lot of companies don't know the value of their works, so it is great to tell them a painting they bought in 1970 is now worth a fortune. Most people can't imagine how many wonderful works of art there are hidden away." ■

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