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FAIRY TALE ENDING

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a new customer?

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COMEBACK

THE HOUSE THAT
LALA BUILT

THE REAL VALUE
OF WATCHES





HOW MUCH IS IT WORTH?

TIME HONORED

Such is their mystique, esteemed brands like Patek Philippe can command hundreds of thousands of dollars at watch auctions

BY MICHAEL CLERIZO

According to the Federation of the Swiss Watch Industry, new-watch exports were worth \$12.5 billion in 2009—down from the previous year, but still a testament to the efficiency of the country's manufacturing, distribution and retail networks. The collector's market, on the other hand, is characterized by an irrepressible anarchy and the impossibility of pinning down accurate figures. On weekends, enthusiasts gather in school gyms, parking lots and flea markets around the world, selling watches from rows of trestle tables. Watches churn through eBay and aficionado sites, and away from the hubbub sits the secretive world of high-end dealers. The only reliable indicators are auction-house sales figures. For the big three—Christie's, Sotheby's and Antiquorum—combined 2009 sales topped out at \$147.1 million, down from a 2007 high of \$193.2 million. This month in Geneva, the houses hold what collectors call reference sales—auctions that set the tone of the entire market for the next 12 months.

These sales are closely watched—especially by the big makers themselves, who know that the influence of the auctions is far greater than their sliver of the overall market would suggest. As records are broken, demand is created for new

watches. Collectors, who often specifically are courted by the brands—perhaps elaborately by the megastar of the auction world, Patek Philippe, whose executive is known to attend collector's club meetings and which offers repairs on any Patek watch regardless of age.

Vacheron Constantin and Omega, which prices generally lag behind those of Patek and Rolex, respectively, have both capitalized on high-profile single-brand auctions in recent years. "These auctions got a lot of publicity for the brands," prominent Manhattan dealer Massimo Barracca says. "But you can't change the market with one auction. You need to do it for 20 years like Patek Philippe is, always trying to buy watches for its museum. You have to always give support to the collectors."

The buzz value of these auctions has been clouded by reports in *The Wall Street Journal* and elsewhere that watchmakers themselves bid clandestinely on their own watches. But Sam Hines, head of watches at Christie's in New York, says: "It is not unusual for collectors to bid at our auctions with the intention of adding an important piece to their collections. For instance, the Breguet Museum has purchased several watches at our auctions for their collection, each of which they publicly announced at the time." Barracca says the auction-house tradition of prote-





the identity of buyers with simple labels like "an American Gentleman" or "a Swiss Institution" may have created a false sense of impropriety. "Everyone knows it goes on," Barracca says. "It is out in the open."

Collectible watches divide into three broad categories. First, there's the antique—pre-1935 and dominated by hand-made pocket watches. This era boasts the most expensive watch ever sold, the Henry Graves Supercomplication pocket watch, which, with a high estimate of \$5 million, went for \$11,002,500 at Sotheby's New York in 1999. Daryn Schnipper, Sotheby's director of world-wide watches, calls the 1 lb. 3 oz. watch, with 24 functions, or "complications," "the Mona Lisa of watches." The next category is vintage, stretching from the late '30s to the mid-'80s, a period when the machine-made wristwatch eclipsed the pocket watch. "The Holy Grail watch from this era is the Rolex 'Paul Newman' Daytona," says Charles Tearle, director of Antiquorum Los Angeles. (It's a watch-world mystery why it's named for the actor.) In the mid-'80s, the contemporary period dawned as the watch industry adopted the use of design software and computer-controlled machine tools, allowing them to load on the complications.

The dip in watch auction sales mirrors that of the art world—as inventory is scarce during a recession. "The big, important watches were simply not on the market for the last 12 to 18 months," says Aurel Bacs, the international co-head of Christie's Watch Department. "They started to come back after the fall when confidence in the economy returned." The difference between the two markets is that the values of the watches don't face the same volatility as artwork—unlike Damien Hirst's spin paintings, which took a 40 percent tumble in value during the art market's readjustment. "Watches are not worth that much less than they were two or three years ago," Bacs says. "The buyers are still there."

In evidence, even 2009 had its auction stars. Antiquorum achieved the year's highest auction price with a 1989 Patek Philippe pocket watch that sold for just below its high estimate at \$5,120,000. At Christie's Hong Kong in December, a Rolex diving watch fetched \$438,020, more than three times its high estimate.

The industry is optimistic about sales in 2010, as evidenced by the seven-figure items appearing in early catalogs, and Barracca sees a single trend emerging: the return to quality. "Now, collectors are focusing on the most important brands: Patek Philippe, Rolex and then Vacheron Constantin and Audemars Piguet," he says. "The prices for these brands will grow the fastest."

It's a very small world. "There are only about 2,000 people willing to spend big bucks on collectible watches," Barracca explains. "They are in Italy, some in the rest of Europe, and the U.S., a few in Japan. We are waiting to see about China. Buyers in Russia and the Middle East like new watches that have some bling—they are not so interested in older watches."

Looking ahead to May, it is indeed the big names that are exciting the collecting circles. Sotheby's is offering a 1932 gold tourbillon pocket watch by Vacheron Constantin and looking to earn \$55,000 to \$75,000. Its eventual hammer price may indicate if collectors are returning to pocket watches. Perhaps the most intriguing piece is a 1950s Rolex with a black diamond-decorated dial once owned by the Bey of Tunis, estimated at \$47,000 to \$56,000.

At Christie's, a rare WWII-era yellow-gold Patek Philippe chronograph with a perpetual calendar and moon phases is expected to bring in between \$1,500,000 and \$2,400,000. There is also a 1955 pink-gold Rolex chronograph with the day and month in Italian—estimated at \$200,000 to \$290,000—and an exceptional 1957 stainless-steel Omega Speedmaster chronograph at \$20,000 to \$29,000. As an excellent entry-level watch, there is a Longines 1961 diver's watch at \$6,700 to \$9,500.

Back at Antiquorum, Tearle says younger collectors often adopt the strategy of buying two or three Rolexes for a total of \$10,000, keeping the watches for a few years before selling, turning a profit and trading up. A popular next step on the Rolex ladder could be a stainless-steel watch produced in the 1980s in collaboration with diving equipment manufacturer Comex, called the Sea Dweller. In June, Antiquorum New York will auction one expected to hit \$40,000 to \$60,000. "With watches, as with much else in life," Tearle says, "you have to start somewhere." ♦