



# SHADES OF VALUE

Fancy-colored diamonds' success on the auction stage has made them an attractive investment prospect for many. By Anthony DeMarco

IMAGES: SOTHEBY'S, CHRISTIE'S IMAGES LTD.; RIOTINTO

The past decade has seen a surge in prices for fancy-colored diamonds. Between 2009 and 2018, prices more than doubled, according to the Fancy Color Research Foundation (FCRF) (see box, Page 22). That growth has been particularly apparent on the auction circuit, where a wave of record-setting sales in the last few years has helped mark colored diamonds as a prime area for investment.

In fact, a fancy-vivid-pink diamond holds the current price record for any diamond or jewel at auction: The 59.60-carat CTF Pink Star brought in a whopping \$71.2 million at Sotheby's Hong Kong in 2017. But even before that, colored diamonds were winning big with showstoppers like the Winston Blue (\$23.8 million at Christie's in 2014), the Blue Moon of Josephine (\$48.4 million at Sotheby's the next year) and the Oppenheimer Blue (\$57.5 million at Christie's in 2016).

These high-profile sales of exceptional stones have, in turn, lifted market prices for colored diamonds of all sizes and qualities, say jewelry experts.

## THE LUXURY PORTFOLIO

Talk of fancy-colored diamonds as an investment is a fairly recent development, and largely a result

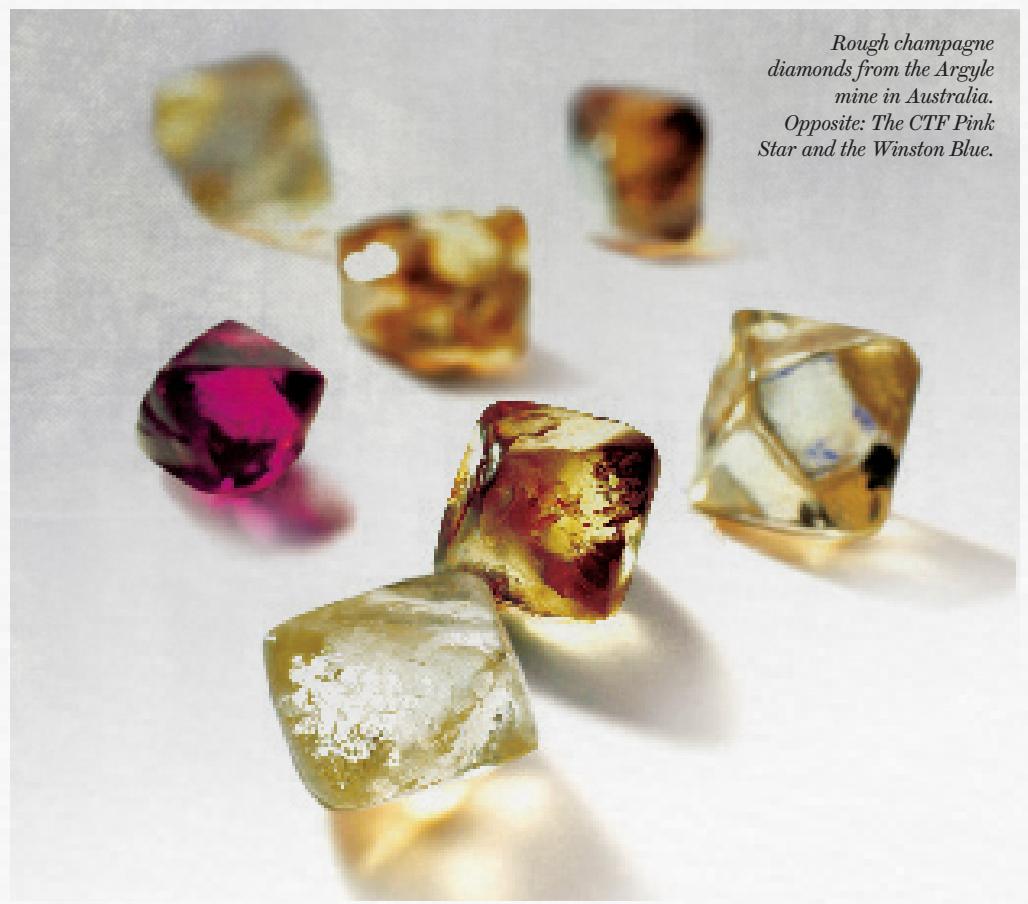
of an increase in global wealth, according to Angelina Chen, Christie's senior specialist for jewelry.

In the 1990s, people started accumulating a great deal of wealth, particularly in Asia — a trend that ground to a halt in 2007 and 2008 during the global financial crisis, but returned "with a vengeance" in 2009, she says. That was the year demand for colored diamonds began to gather steam, she reports, and rising wealth has continued to drive that market since.

Chen says the highest-priced gems are collected like artworks — another category that's seen a sharp rise in investor demand over the last 10 years. "We don't recommend or sell colored diamonds as investments. However, with the great increase in wealth, very rich clients have looked to these as something else in their portfolio...another thing to buy that has great value, like a Rothko or a Picasso," she says, noting that the colored-diamond market is strong because supply is limited.

**"RICH CLIENTS HAVE LOOKED TO THESE AS SOMETHING ELSE IN THEIR PORTFOLIO"**

*Rough champagne diamonds from the Argyle mine in Australia. Opposite: The CTF Pink Star and the Winston Blue.*



**\$71.2M**

THE RECORD PRICE THE CTF PINK STAR ACHIEVED AT SOTHEBY'S HONG KONG IN 2017.



The Oppenheimer Blue.

# 90%

THE ARGYLE MINE IN AUSTRALIA PRODUCES MORE THAN 90% OF THE WORLD'S PINK DIAMONDS.

Co., which specializes in colored diamonds and gemstones.

With the Australian resource nearing its end, Alrosa wants to help meet the demand for rare colored diamonds, according to a spokesperson for the Russian miner. At least two of its projects in Russia are producing colored diamonds, including pinks, and the company says it could potentially satisfy 30% of the colored-diamond market.

Not only are pink diamonds extremely valuable, Polnauer believes they should be considered a staple of the jewelry-maker's palette. Quoting Graff director Raymond Graff, he declares: "You cannot make jewelry without pink diamonds. They are the horses pulling the carriage."

In fact, Scarselli says the sky-high prices for good-quality pinks have resulted in greater demand for other pink hues.

## "IF TIFFANY STARTS TO POPULARIZE YELLOW DIAMONDS, IT COULD GET VERY INTERESTING"

The sale values of pink diamonds have climbed to the point of opening the door to lesser-price-point color saturation, such as faint to very light pink," he says. "The market is positioned for [gains in] very specific sizes and color saturation, as well as clarity, [largely due to] sales in China and Southeast Asia."

Like pinks, high-quality blues are in demand, and the supply of the best stones is low, so the rise in prices is expected to continue.

The increase in the value of blue diamonds is at least partially attributable to changes in the color-classification system during the 1990s, according to Gary Schuler, Sotheby's jewelry division chairman for the Americas. At that time, the Gemological Institute of America (GIA)

That's one reason Bruno Scarselli — a dealer who specializes in statement colored diamonds — considers these stones "an exceptional investment vehicle. The demand is absolutely greater than the availability of true investment-type diamonds in blue, pink, green and yellow, or even rarer colors such as purple, violet and orange."

The diamonds' limited availability means they're costing some 5% to 20% more to mine, he adds, and that has increased wholesale prices by 8% to 15%.

### PINK AND BLUE APPEAL

Even casual auction observers notice that pink and blue diamonds are achieving the highest prices and spurring the biggest headlines. Most in the industry believe this demand will continue — particularly for pinks, since Rio Tinto's Argyle mine in Australia, which produces more than 90% of the world's pink diamonds, is expected to close as early as 2020.

"The best-selling items today are fine-quality pinks, especially Argyle pink diamonds," says Leibish Polnauer, founder of online retailer Leibish &

**"THE BEST-SELLING ITEMS TODAY ARE FINE-QUALITY PINKS, ESPECIALLY ARGYLE PINK DIAMONDS"**

## THE 10-YEAR SPECTRUM

In the 10 years from 2009 to 2018, the three main colored-diamond categories — pink, blue and yellow — showed a price increase of approximately 123%, according to the Fancy Color Diamond Index (FCDI). By individual category, pinks rose approximately 177%, blues went up by 89%, and yellows climbed 81%.

The index, an initiative of the Fancy Color Research Foundation (FCRF), tracks the market behavior and wholesale buying prices of colored diamonds as far back as 2005, based on data from 26 influential colored-diamond dealers.

In the past three years, the yellow segment has dropped in price by 8%, the FCDI indicates — particularly in the "fancy" and "intense" categories. Fancy-pink diamonds in all sizes were stable during 2018, while vivid-pink stones went up 0.8% on average. Certain sizes showed greater increases: 2-carat fancy-vivid pinks went up 4.7%, and 3-carat ones rose 4.8%.

As for 2019, the FCRF projects "overall stability, with some upturn on various articles, especially in the yellow segment, as their prices [have] reached their lowest point."

The future of global diamond mining will affect prices as well, the foundation notes. "Within a quarter of a century, the majority of the diamond mines operating today will cease to exist," it says, and that will push prices up for the existing supply.

Champagne-diamond jewelry.



IMAGES: CHRISTIE'S IMAGES LTD; RIO TINTO

A ring with a champagne diamond from the Argyle mine.



# 123%

THE APPROXIMATE PRICE INCREASE IN THE THREE MAIN COLORED-DIAMOND CATEGORIES — PINK, BLUE AND YELLOW — FROM 2009 TO 2018.

expanded the categories from "fancy" and "fancy intense" to include "fancy dark," "fancy deep" and "fancy vivid."

"It made [color grading] much more specific, and in doing so, it differentiated the stones for rarity," he explains. "As markets recognized what was truly the rarest of the rare, it pushed those prices up."

Polnauer is particularly bullish on the investment potential of high-quality pink and blue diamonds.

"Pinks and blues in the larger sizes that have sold at auctions at record prices have outperformed the index of stocks or commodities," he claims. "A 2-carat intense blue that was sold 15 years ago at \$300,000 per carat is now selling at \$900,000 per carat."

### MELLOW YELLOW

As an example of how fickle the market can be, fancy-yellow diamonds — which not that long ago were as popular as their pink and blue counterparts — have seen prices stagnate in recent years.



*Earrings with champagne diamonds from the Argyle mine.*

"Yellows have softened in price a bit. However, due to lower production, I believe prices will hold steady going forward," predicts Jose Batista, president of manufacturer Rio Diamond.

Scarselli says this color category remains "under some pricing pressure for more commercial sizes and for those that have deterring gemological factors, such as strong fluorescence, SI1 to I1 [clarity], or heavy makes, and slight secondary color hues. On the other hand, it has become very difficult to find a well-cut diamond with good proportions in clarities from VS1 to internally flawless."

Polnauer, for his part, believes prices for yellow diamonds have bottomed out and will start climbing again.

"Since the start of 2019, I see vivid yellows strengthening in all sizes," he reports. "In general, I feel prices of all yellows will go up in 2019, since until now, they have been trading at historically low prices, especially those over 5 carats."

Indeed, Tiffany & Co. has been increasing the use of yellow diamonds in its fine jewels, notes Chen, and that could be a catalyst for demand in the mainstream market. "If Tiffany starts to popularize yellow diamonds, it could get very interesting in the next few years."

#### MASTERPIECES OF NATURE

Choosing a fancy-colored diamond for investment is challenging, according to Chen, because the grading system for these gems doesn't necessarily reflect their beauty. Even stones with the same characteristics on paper — such as two fancy-intense blues of the same weight and shape — can look markedly different side-by-side.

"There are so many nuances to colored diamonds," she says. "They are essentially the equivalent of masterpieces in the art world."

Indeed, many in the industry would prefer that people purchase colored diamonds out of appreciation for the gems' beauty, rather than the return they can yield.

"I never liked the word 'investment,'" says Schuler. "It's not something

I ever used in my career of helping individuals to determine their motivation to buy. I hope their first and foremost reason to buy fancy-colored diamonds is beauty and rarity, and if there is an appreciation of the price, that's the cherry on top of the cake."

Batista echoes that sentiment, saying, "I feel that you should buy a

**"YOU SHOULD BUY A DIAMOND FIRST AND FOREMOST BECAUSE YOU LIKE IT"**

# 30%

RUSSIAN MINER ALROSA SAYS ITS PROJECTS COULD POTENTIALLY SATISFY 30% OF THE COLORED-DIAMOND MARKET.

diamond first and foremost because you like it." Variables such as rare colors and sizes can help increase a stone's value, he acknowledges, but in his view, "this is secondary."

#### LAB-GROWN COMPETITION

The rarity, value and longevity of natural fancy-colored diamonds command a certain level of respect along with a premium price. As such, the consensus seems to be that lab-grown stones pose no danger to the colored-diamond business.

"Lab-grown diamonds and natural stones are targeting different markets and needs," the Alrosa spokesperson asserts. "Synthetic stones are used to brighten up the day, but natural diamonds are forever."

Polnauer has been an outspoken critic of lab-grown diamonds and says these gems won't threaten the natural colored-diamond industry because they don't retain their value.

"Lab-grown diamonds are similar to a fly in the soup," he states. "They cannot really compete with authentic, natural diamonds. Who would spend \$100,000 on a fake diamond? The marketing strategy of lab-grown diamonds is very good, but they can't overcome their biggest obstacle: They are unsellable on the secondhand market, as they are considered a mere imitation. They are trying to sell the stones as an 'environmentally friendly' substitute, but let's face it, no respectable high-end jeweler will ever touch them." ■



*The Blue Moon of Josephine.*

IMAGES: RIO TINTO; SOTHEBY'S CHRISTIE'S IMAGES LTD.

# BEST OF THE LOT

THE TOP-SELLING COLORED DIAMONDS OF THE 2018 AUCTIONS



*The Winston Pink Legacy.*

#### 4. THE AI DIAMOND

Step-cut, 5-carat, fancy-vivid-blue, VS2 diamond.  
Sold for: \$13,833,499  
Price per carat: \$2,766,700  
Estimate: \$12.5 million to \$15.3 million  
Sotheby's Hong Kong, October 2018



#### 5. HEART-SHAPED PENDANT

Heart modified brilliant-cut, 15.56-carat, fancy-intense-pink, VS1 diamond pendant necklace.  
Sold for: \$9,537,500  
Price per carat: \$612,950  
Estimate: \$9.5 million to \$12 million  
Christie's New York, December 2018



#### 1. THE WINSTON PINK LEGACY

Cut-cornered rectangular-cut, 18.96-carat, fancy-vivid-pink, VS1 diamond.  
Sold for: \$50,375,000  
Price per carat: \$2,656,909  
Estimate: \$30 million to \$50 million  
World auction record price per carat for a pink diamond.  
Christie's Geneva, November 2018

#### 2. MOUSSAIEFF

Pear-shaped, 8.01-carat, fancy-vivid-blue, internally flawless diamond pendant necklace by Moussaieff.  
Sold for: \$20,470,000  
Price per carat: \$2,555,556  
Estimate: \$18.5 million to \$25 million  
Christie's Hong Kong, May 2018

#### 3. BULGARI

Cushion modified brilliant-cut, 8.08-carat, fancy-vivid-blue, VS2 diamond on a ring by Bulgari.  
Sold for: \$18,312,500  
Price per carat: \$2,266,399  
Estimate: \$13 million to \$18 million  
Christie's New York, December 2018



*Bulgari ring with a fancy-vivid-blue diamond.*

*Heart-shaped, fancy-intense-pink diamond pendant.*

#### 6. LIGHT-PINK CUSHION

Cushion-shaped, 21.19-carat, fancy-light-pink, VVS2 diamond.  
Sold for: \$7,365,673  
Price per carat: \$347,601  
Estimate: \$4.4 million to \$6.4 million  
Sotheby's Geneva, November 2018

#### 7. FANCY-PINK SQUARE

Square-cut, 5.03-carat, fancy-pink, VS1 diamond.  
Sold for: \$2,935,263  
Price per carat: \$583,551  
Estimate: \$790,200 to \$1.1 million  
World auction record per carat for a fancy-pink diamond  
Bonhams London, September 2018