

DEPARTURES

Colored Diamonds: An Insider's Guide

By Alison Burwell
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***Departures* uncovers the secret to why colored diamonds are dominating today's jewelry auctions.**

Last November, a 24.78-carat pink diamond sold at a Sotheby's auction in Geneva to diamond dealer Laurence Graff for a record \$46.1 million, the highest price paid for any gem or jewel—ever. That was nearly double the previous record of \$24.3 million set in 2008 at a Christie's sale in London, when Graff purchased another legendary stone: a 35.56-carat blue diamond called the Wittelsbach.

The Graff Pink isn't the only colored diamond shattering auction house records lately. Prices have skyrocketed over the past two years. In 2009, a five-carat pink sold at Christie's in Hong Kong for \$10.8 million, achieving a world record price per carat of \$2.1 million. Last October, the Bulgari Blue, a ring with a triangular-cut, 10.95-carat blue diamond, sold at Christie's New York for \$15.7 million, setting a new record price per carat for a blue diamond. And last November, a 14.23-carat pink diamond fetched \$23.1 million at Christie's Hong Kong, the highest price ever paid for a jewel at auction in Asia.

"This isn't a once-in-a-lifetime anomaly," says Rahul Kadakia, head of Christie's New York's jewelry department. Last year, Christie's worldwide jewelry sales totaled \$426.4 million, an all-time high that led the house to declare 2010 the year of colored diamonds. "This is where the market is," Kadakia says. "It keeps progressing, and people continue to realize how rare these stones are in special colors and important sizes."

Of the millions of diamonds mined each year, the gem industry estimates that one in every 10,000 carats will possess color. Only a handful of those achieve the deeper, more valuable hues described in the industry as "fancy intense" and "fancy vivid." Of those, an even smaller percentage surpass one carat, let alone five or ten.



According to Naval Bhandari of Sotheby's Diamonds, since record-keeping began in the 1970s, colored diamonds have appreciated at about 10 to 15 percent per year. "Yellow diamonds have doubled in value every seven years," he says. "Reds, blues and greens have seen the greatest appreciation, having quadrupled within the last decade."

Robert May, executive director of the Natural Color Diamond Association, cites the growing affluence in emerging markets, like Russia, India, South America and China, as a major factor. "There's a whole new body of consumers," he says. "Asia really likes colored diamonds, and they have significantly driven up the price."

Sotheby's Asia's deputy chairman and head of jewelry, Chin Yeow Quek, sums up the buying habits of the Asian connoisseur: "If a buyer from Hong Kong has millions to spend, he'd rather buy a wonderful colored diamond than a 20-carat white diamond. You can wear it in the daytime without being conspicuous, yet it's \$8 million or \$10 million on your hand: a powerful but subtle message."

It wasn't so long ago that consumers considered colored diamonds to be less than desirable. "People would push these stones away," says James de Givenchy, the designer for Taffin and Sotheby's Diamonds. "White was all they looked for." Nicolas Luchsinger, vice president of sales at Van Cleef & Arpels, recalls a story from his years as a specialist at Christie's: A Midwestern client brought in what he thought was a peridot ring from his mother's estate. None of his siblings thought much of the semiprecious stone when dividing her collection. "Christie's said, 'Sir, what you have here is a green diamond.' And we went on to sell it for a record price," says Luchsinger. (That Belle Epoque ring, featuring a 1.73-carat stone, sold for \$886,000 at Christie's New York in 2000.)

Experts say a watershed moment in the public's awareness of colored diamonds occurred in 1987, when a .95-carat red diamond fetched \$880,000 at Christie's New York, making headlines around the world. Reportedly purchased for \$13,500 in 1956 by Montana gem collector Warren Hancock, the Hancock Red set a new record of nearly \$1 million per carat, a benchmark that held until 2007. (Rumor has it the diamond landed in the collection of the sultan of Brunei, who still wears it as a ring.)

With the increased visibility of colored diamonds comes a whole new vocabulary. In the '40s and '50s, the Gemological Institute of America developed the universal grading system known as the 4Cs, examining carat, color, clarity and cut to evaluate white diamonds. When shopping for colored diamonds, however, the 4Cs become more complex.

In 1995, the GIA expanded its system to measure hue, tone, saturation and distribution of color in colored diamonds. "Hue" describes, well, the color and can include a modifier such as purplish-pink. "Tone" refers to the stone's lightness or darkness, and "saturation" implies strength or purity of color. "Typically I advise for one straight color, but, for example, an orangey-yellow tone and saturation can make a yellow diamond even more vibrant," says Bhandari. The scale begins with "faint" and moves up to "light," "fancy light," "fancy," "fancy intense" and "fancy vivid," the last the most valuable. (While fancy colored diamonds do occur naturally, there is also a sizable market for treated and synthetic stones that mimic them—especially in pink, yellow and green diamonds of late. Fortunately, labs can easily identify most treatments and almost all synthetic manufacturers mark their stones for full disclosure.)

So exactly how and why do some diamonds come out looking like a ruby or a sapphire? Colored diamonds result when natural radiation or trace elements such as nitrogen interact with carbon atoms during formation, yielding literally every color of the rainbow. Hues like yellow and brown are more abundant. Purple, orange, green and red are the rarest. "Many jewelers will never see a red diamond in their career," says Bhandari. John King, GIA Laboratory's chief quality officer, agrees: "To say a red diamond is one in a million is certainly

no stretch.” In fact, the largest natural fancy red diamond known to exist is a relatively diminutive 5.11 carats and is owned by Moussaieff Jewelers in London. It is not for sale.

Jewelers have had their eyes on the stones for years, waiting for the market to catch up. In 1948, Harry Winston sold its Windsor Yellow earrings, a pair of pear-shaped yellow diamonds, to the duchess of Windsor. Harry Winston also owned the Eugenie Blue, a heart-shaped, 30.82-carat blue diamond now in the Smithsonian’s collection, and even the Graff Pink, which was originally sold to a private collector 63 years ago. There is currently an 8.8-carat fancy intense pink diamond on display in the New York store.

Colored diamonds have played an integral part in Tiffany & Co.’s history as well, dating back to 1878, when Charles Tiffany purchased the yellow Tiffany diamond. Today it resides in the Fifth Avenue store. In 2008, Tiffany obtained the exclusive rights to all fancy yellow rough diamonds from Gem Diamonds’ Ellendale mine in western Australia for the full economic life of the mine. “Not only does Ellendale have the most amazing fancy yellow diamonds but it also meets our strict sourcing standards,” says Jon King, Tiffany’s executive vice president. Recent additions to the company’s collections include the Tiffany Bezet, a yellow-diamond and gold stackable ring (*from \$6,550*), and yellow Elsa Peretti Diamonds by the Yard pendants (*from \$9,000*).

Many other Madison Avenue jewelers are expanding their colored diamond selection to satisfy increased demand. Newcomer Leviev celebrates its fifth anniversary in May with the release of a one-of-a-kind five-piece diamond collection valued at \$10 million. Each design is inspired by one of the five cities in which Leviev has a boutique. Highlights include the Singapore chandelier diamond earrings with two half-carat reds, as well as a five-carat orange-diamond Oak Leaf ring from London.

In June, De Beers will introduce Swan Lake, a high jewelry collection featuring pink, yellow, orange and gray diamonds. “We believe it is the right collection to debut now due to the strong interest in colored diamonds,” says CEO François Delage.

Some jewelers, such as David Yurman, report fielding requests from customers specifically on the hunt for colored diamonds. “A client just asked for a diamond tennis bracelet with different shades of pink,” says Evan Yurman, design director of the company’s High Jewelry collection, which launched last April. He also recalls a custom blue diamond ring he sold three years ago. “I had the joy of calling the owner up three weeks ago to say that someone was willing to pay twice what I sold them the ring for. When it comes to colored diamonds, it’s the Wild West.”

Shades of Brilliance

The market for loose stones is clearly thriving (see “Diamonds by the Numbers,” next page), but jewelers have also begun to work colored diamonds into their designs.

Cindy Chao

The Hong Kong jeweler often works with colored diamonds, creating pieces like the flower-shaped Solstice cuff in orange and yellow diamonds and the Topsy brooch with yellow and brown diamonds. \$624,800; cindycho.com.

Leviev

Each piece in Leviev's fifth-anniversary, one-of-a-kind collection is inspired by a place, like the London Oak Leaf ring with a five-carat orange diamond, and this Russian Blue cat studded with blue, green and pink diamonds. *Price upon request; leviev.com.*

Kwiat

The family-run company is favored for its personal service and selection of serious—predominantly colorless—diamonds, but client requests have seen it broaden its palette to include selections like a five-carat fancy vivid yellow stone. *\$500,000; kwiat.com.*

De Beers

The recently debuted Swan Lake collection highlights pink, yellow, orange and gray diamonds in pieces such as a pendant necklace and these fancy pink and gray diamond earrings. *\$45,000; debeers.com.*

De Grisogono

The jeweler's signature has become its use of black diamonds, but this Zigana ring adds yellow, pink and brown to the mix in rose gold. *\$200,800; degrisogono.com.*

Diamonds by the Numbers

Colored diamonds are prized for their rarity, their mysterious hues and their record-breaking numbers at auction. Here, a brief history by color and carat.

The Graff Pink

Price: \$46,158,674

Sotheby's Geneva, November 2010

Described by Laurence Graff as "the finest pink diamond I have ever seen in my career," the Graff Pink enters record books as the highest price ever paid for any gem at auction.

The Perfect Pink

Price: \$23,165,968

Christie's Hong Kong, November 2010

The fancy intense pink color led the 14.23-carat piece to fetch the highest price for any jewel sold at auction in Asia.

The Vivid Pink

Price: \$10,830,719

Christie's Hong Kong, December 2009

Clocking in at \$2.1 million per carat, the five-carat Vivid Pink set a new auction record for the highest per carat price ever paid for any diamond.

The Wittelsbach-Graff Diamond

Price: \$24,311,191

Christie's London, December 2008

The historic, 35.56-carat blue diamond, owned by the king of Spain in the 1700s, disappeared from the public eye for nearly 50 years until it resurfaced in 2008 on the auction block. Laurence Graff, who purchased it, set a world record price for a blue diamond. He renamed it the Wittelsbach-Graff and controversially recut it to 31.06 carats to improve its appearance.

The Bulgari Blue

Price: \$15,762,500

Christie's New York, October 2010

The two-stone ring includes a triangular-cut, 10.95-carat fancy vivid blue diamond that set a new world auction record price per carat for a blue diamond.

The Purplish-Red Diamond

Price: \$2,646,000

Christie's Geneva, November 2007

The 2.26-carat gem set world auction records for both price and price per carat for a red diamond when Laurence Graff purchased it in Geneva.

The Green Diamond

Price: \$3,502,149

Christie's Hong Kong, May 2008

This fancy square-shaped, 10.36-carat green diamond set a world record price for a diamond of this color, buoyed by its unusually large size.