

THE COLOR OF MONEY

WITH UNPARALLELED DEMAND DRIVEN BY CELEBRITY, FANCY
COLORED DIAMONDS ARE THE NEW FACE OF LUXURY



BY IVAN SOLOTAROFF, SENIOR EDITOR

A smartly-dressed woman buying diamonds at the New York JA Show is out for a break by the Javits Center's front doors, on her cell phone and looking perplexed. "After four hours" she says, "everything gets kind of lumped together."

Opening a small notebook, she begins a litany of two – to four-caraters she's noted at various booths, all square cuts in high clarities and colors. None, however, seem to make much of a dent on the other end of the line. Then with seven short sentences, the call is wrapped up happily.

"Oh, and I saw an emerald (cut) too," she says. "No, it was a fancy color." Pause. "A yellow." Pause. "Don't know, but it must've been clean." Pause. "But wait, it's \$61,000." Pause. "Yes, I'm sure it was emerald.(cut)" Pause. "O.K.!" Click.

I follow her inside, watch the sale made, then introduce myself. Both buyer and seller ask not to be identified. The buyer has her mark-up to protect but also her reputation. She is woefully unsure about fancy colors, as most of are. Did she buy well?

Fancy prices exist outside the commoditized rubric of white goods and fancy shapes. "It's a true, open market, unusual for diamonds in that it's driven entirely by supply and demand," says one of the foremost fancy collectors in the world. "But it's also somewhat opaque, in the supply that few people know price at a given time."

The seller is also somewhat gun-shy, for he may have undersold the stone, a particularly beautiful, rare one. Extra faceting enhances a fancy's face-up color, making the emerald cut a very unusual shape for such intensity.

I talk with him briefly about the diamond after the buyer leaves. He had it a while and grown attached – a common story with dealers and their fancies. His attachment grew after a period in which he'd considered having it recut to a marquise, hoping to take it up a color grade, then realized "that would've been almost a sin. For whatever reasons, that stone was meant to be an emerald (cut)."

He'd watched fancies move at an unparalleled rate over the last few shows, then brought the diamond to New York.

While the JA Show was touch and go for white goods, fancies moved. Until very recently an occasional rarity, fancy colors have become almost a staple, taking an increasing share of trade show and independent jeweler counter space.

Why? Well, first came J-Lo's 6 carat pink. Then the purplish-pink Kobe Bryant gave his wife, then the pink David Beckham presented wife Posh Spice on her 30th birthday – stories no amount of marketing can buy. Then a recent Wall Street Journal article advised adding a large yellow diamond to every well-rounded investment portfolio. Now, with pink diamond familiarity up 30.4 percent among those polled last year by the Jewelry Consumer Opinion Council and awareness of yellows up 21.8 percent, many a retailer has a fancy story of his own to tell.

“Supply even of good yellows is very hard now, perhaps because it's the color the public has been aware of for some time.”

“Why such demand?” “I think demand is the real question,” he says. “Supply?” he shrugs. “Well, supply is supply.”

THE SUPPLY SIDE

Certainly it is for Julius Klein. And for Michael Werdiger, Louis Glick, D.D. Manufacturing, and a few other sightholders who bring such baubles to shows year in and year out. “Historically, their market has been devoted but limited,” to “Collectors and Investors, because fancies keep their value. Among those who wore them, they were usually well into the jewelry buying cycle.”

On the supply side, that began to change in Basel 2003, where a number of dealers began showing significant fancies for the first time. By Vegas 2003, a still larger trade in fancy color diamond jewelry was evident. “Now, few booths will not have a piece or two. Even the average dealer, for whom 99 percent of business will always be white goods.”

Calls to miners, trading centers, sightholders known for fancies, and the new Natural Color Diamond Association revealed no significant new source for fancies.

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Nature, for whatever reason, leaves these tiny pockets of yellow, orange, violet and green. And the pinks, if anything, seem to have peaked, as supply of larger, better Argyle stones dry up as the mine gets played out.

A quick tip: Intense and vivid, of any color is very rare.

“I've had a call in now for a quarter-carat intense blue,” say Sheth. I've found a pear, but they want a round, and it has to be natural. It gives you an idea why prices for blues can easily go over \$100,000 a carat, even for quarter-caraters.” At retail, they can fetch \$62,500 per carat for a four-pointer.

Historically, dealers were the biggest collectors. When the tides turned and fancies came in, you tended to see more in the market, estate sales, auctions. There have been three fancy waves of late and you saw it in each: At the peak of the market in 1980, then in 1986, when a 96-point red went for over \$1 million at auction, then the late 1990's, in the market boom. This time around though, it is different. Now the demand is there.



DRIVEN BY DEMAND

To fancy dealers, cutters, jewelry manufacturers, consumer demand is the only question. “There’s far more noise in our market for fancies and that helps drive demand, mainly among the better independents, but also at the department store level. The fancy business has doubled in less than three years.”

“I certainly haven’t seen any change in supply. It’s certainly no easier now to pair, say, half-carat intense yellows. Cutting from rough is no guarantee either, because color changes so much on the wheel”. Well matched fancies can bring a 15 percent premium to the matched whites. “You can match a G and H, but a fancy and an intense? No way. If you can supply those kind of matches consistently it’s a huge plus. But only when demand is high”

“Supply even of good yellows is very hard now, perhaps because it’s the color the public has been aware of for some time,” concurs Benjamin Javaheri of Uneek. “But the pinks are getting very hard, because Argyle goods are getting smaller and scarcer at the same time the three major celebrity buys were of pink.”

“The other driving force behind fancy colors is fashion,” says the jewelry manager of a sightholder who asked not to be named. “Pick up any magazine now and you won’t see those same old black dresses and shoes. Instead, lots of primary and bold colors at the high end, pastels and softer limes and mauves as the J. Crew look becomes widespread. It’s the wave coming around, and right now it’s color. You see it in tri-color gold as well.”

Translating that to fancy color diamonds isn’t immediate however. Demand for fancy colors is a funny thing. To designers of classic fancy pieces, the issue isn’t acceptance or desire but awareness. For designer Peter Storm, fancies are “an opportunity both to expand the brand and to stretch out creatively. And it’s wonderful to see the public recognizing color as beautiful and desirable.” Color is of special interest to Storm. “Contrast is crucial,”

he says. “If a woman has lots of red in her skin, then pinks won’t look great, whereas yellows against those same tones will be concentrated.”

Storm guesstimates the average premiums fancies earn, set in the same designs as whites, are what one hears from designers at large – 60 percent for pinks, 40 percent for yellows. But again, the issue is supply. “The settings are so exacting, that while it’s possible to buy a suite of yellows to meet our specs, it would never happen with pinks.”

That impulse is certainly abetted by the ever-increasing number of fancy colors worn not only at awards shows but on runways, with designers using chocolates and cognacs in inventive couture. As such, it dovetails perfectly into the DTC’s major initiative of the past two years.

“If the right-hand ring makes the women of the world raise their right hands, then a fancy color ring makes them raise those hands even higher.”