

The Coloured Diamond Chronicle

Colored Diamonds Up For Bid!

As Peter stepped into the elevator leaving his late Uncle Dave's attorney's office in New York City, he was saddened, confused and excited. The final details of his favorite uncle's estate had been settled and Peter held in his briefcase an unexpected gift: a small envelope with about a dozen colored gems and a folder with some strange looking certificates revealing the gems were Fancy Colored Diamonds. Apparently these jewels were part of his Uncle Dave's investment portfolio, but no one knew their value or what to do with them. The will just stipulated Peter was to receive the stones, learn a little about them and their market, and if he chose, add them to his investment portfolio.

Peter had a young family of four, including his wife Anne and two little toddlers. His investment portfolio only consisted of a few years' savings in his 401K. Maybe these little diamonds would add some value to his savings, if he could even sell them at all! Where should he start? Maybe he should go to the shopping center and visit with a jeweler? Do some research on the internet? Perhaps he could find a company that specializes in the colored diamond market? What kind of value do these little rocks hold? Would their value go up as time passed?

When Peter arrived home Anne was as anxious as he was to see the new diamonds. The stones were emptied from the envelope to a white handkerchief under his desk lamp, and then carefully arranged into little groups. Peter grabbed a magnifying glass and some tweezers to help arrange them, since the gems were quite small with several different shapes. There were 3 bubblegum or rose colored diamonds of various sizes. Next he saw 2 canary colored diamonds, 1 sky blue stone, an olive colored one, a little jade colored diamond and an orange-brown rock that was the largest of them all, but still pretty small. Surely these gems had some value, being diamonds, but probably not much. They were so tiny!



When the weekend arrived, Peter and Anne ventured to the shopping center bookstore to buy a couple of books about colored diamonds. After doing some reading and research, Peter decided to contact a colored diamond specialist and he set up an

appointment for the following week to view his collection.

When the meeting time finally arrived, Peter's excitement mounted as he showed the diamonds to Jeff, the dealer he had contacted. Jeff's chief gemologist examined the stones and told Peter he had a fine collection of beautiful colored diamonds. Peter recalled his uncle's few words of advice.....“ Learn a little about them and their market.” He asked Jeff's advice on how and where he could learn more about fancy colored diamonds. Jeff suggested looking into auctions with companies like Christie's, Phillips, and Sotheby's, all who had offices in New York City.



Peter continued to correspond with Jeff as well as to study comparable offerings of similar stones in major diamond bourses and exchanges around the world.

As a result of Peter's time, research, and patience, he learned his collection's estimated value was probably much greater than he had originally anticipated. He asked Jeff if his company would give him a current market value of the little gems.

After pulling some notes together from his office colleagues, Jeff shared his company's estimated asking prices of Peter's assortment of Fancy Colored Diamonds. The 3 little pink ones were a 0.5 ct diamond

valued at about \$55,000, the 1.0 ct at about \$200,000 plus, and the 0.33 ct about \$25,000. The 2 yellow stones were 1.0 ct valued at about \$15,000 and the other 2.0 cts about \$50,000. His blue diamond was 0.40 ct and had a value of about \$65,000. The interesting chameleon stone was 1.5 cts and valued about \$35,000 to \$40,000. The largest diamond was a 3.0 ct cognac with a value of about \$18,000 - \$20,000, and his last diamond, the 0.50 ct green stone was valued about \$12,000. His little inheritance had a total estimated value of about \$450,000 to \$500,000!

Jeff then revealed an interesting story about diamonds, values and auctions. “There was a man named Warren Hancock from South Dakota who collected Fancy Colored Diamonds. Back in 1956, Warren purchased a 0.95 ct fancy purplish red, round, brilliant-cut diamond, originally mined in Brazil for \$13,500. Thirty-one years later, in April 1987, the diamond was auctioned at Christie's in New York and sold for \$880,000! This sale set records for fancy colored diamond sales and the stone then became known as the famous *Hancock Red*.”

Peter wanted to go to one of these auctions!

Jeff was planning to attend an upcoming Important Jewels Auction in New York City in early February. He invited Peter and Anne to join him and his wife for the lot previewing and reception, as well as the auction itself. He also gave Peter a beautiful catalog with stunning color photos of all the lots scheduled to be auctioned. Each lot was

represented with a vibrant photograph, an estimated price range of the expected value of the lot, and a brief description of the items in the lot. Jeff cautioned Peter that the estimate was only an educated opinion of the lot's value and the final price, assuming the lot sold, could be above or below the provided estimate. He told Peter that sometimes the description of the lot could also be incomplete or flawed, and to be sure to do his due diligence and as much research as possible on lots which sparked his interest. Peter was also counseled that an important, key component of the auction process is being able to see, possibly touch and hold, thoroughly examine, and ask questions to informed specialists about specific lots during the lot preview sessions. This was the time the educated dealers and collectors began formulating their bidding strategies to hopefully procure the lots of their choice.

Peter met Jeff at his Manhattan office and headed for the Auction House where the activity was scheduled to begin later that morning. When they arrived the area was already flourishing with activity. The atmosphere seemed to hold some kind of electrical charge. Men and women of every nationality were conversing in the lobby, some rather animated and others in hushed dialog. Different languages melted together resulting in a whirring sound further charging the dynamic environment. Dealers were studying their auction catalogs while small groups of buyers huddled together discussing bidding strategies. The fervor grew as the time to begin the auction drew near. As the bidders confirmed their

registrations, picked up their numbered bidding paddles and moved into the auction room, the mood became surreal as over 250 people shuffled into their chairs and got ready for the opening bid.



The auction room was modern and spacious. The front of the room accommodated a raised podium for the auctioneer, as well as working spaces for those recording and managing the activity. Several large TV monitors were on the front wall to display the pieces in the current lot as well as the ever-changing bidding progress. To the side was a work area with phone banks and computers for those able to bid online and by phone. Chairs were close together and the seating was tight as men in expensive suits, women in business attire, and those dressed more casually nestled together, finalizing their notes and bidding plan. Most had set monetary limits on their maximum bid for coveted lots; however, many of those restrictions would quickly vanish as their desired lots attracted loads of attention and the bidding pace intensified.

Peter took his seat near the back of the room where he could observe the audience and their reactions as the auction dynamics came into play. He had also marked a few favorite pieces in his catalog to see how they would do when they came up for bid.

As the first lot came up for bid, Peter was awed at the speed that bidding paddles were raised and lowered, and before he knew it the hammer sounded on the block signaling the sale of the first lot, a unique diamond charm necklace. Jeff reminder Peter that the winning bid or “Hammer Price” didn’t include the additional Buyer’s Premium of about 15%-25% or any other taxes or special fees the buyer would be required to pay.



The auction proceeded and the energy in the room continued to build. Beautiful jewelry and individual gemstones made stimulating lots, which sparked high interest among bidders. When one of the items Peter circled in his catalog, and Anne’s favorite, a Colored Diamond Ring, was about to be auctioned, he found himself sitting on the edge of his chair when the lot was described as a Diamond Ring with a 0.51 carat Fancy Vivid Purplish Pink center stone, and 46 petite round diamonds. The sales estimate in the catalog was \$60,000 to \$80,000. Bidding began and paddles again shot into the air. The action was moving quickly and the herd of bidders was shortly narrowed to only three, now fiercely competing with each other as the price skyrocketed higher. Peter actually felt his heartbeat quicken as the

excitement continued and he found himself holding his breath as the auction came to a rapid climax. The hammer slammed down and the bidding was over, concluding a \$338,000 sale! The winning bidder beamed with glutton satisfaction, while the losers appeared very upset and extremely envious of the victor.

When various lots came up for bid, the emotions in the room surged and ebbed like the ever-changing waves of the ocean. Some lots sold well over their estimated prices while other lots couldn’t attract a bid.

When the auction finally finished, Peter examined the faces of the players. It was easy to tell from expressions and body language, many who had won, lost, perhaps overpaid, and those that walked away empty handed. What an experience! After the room emptied Peter felt a twinge of disappointment as the auction ambiance wisped away.

However, this auction was exciting! Peter heard sales totaled almost 50 million dollars and about 87 percent of the lots offered were sold. The highest selling lot was a 50.52 carat diamond that sold for \$9.5 million to a private collector!

Jeff noted Peter’s continued enthusiasm and concentrated focus throughout the several hours of the auction and was curious to hear Peter’s thoughts about the whole experience. Peter had scribbled notes in his catalog to help remind him of things he wanted to remember. It was easy to list his thoughts for Jeff.

- Auctions have a certain allure to them... and are unpredictable!
- Perceived bidder's goals: own the world's best – find hidden treasures – find incredible bargains – not pay more than the lot is worth
- Can't always rely on catalog estimates to be an accurate price indicator
- There is risk involved for the buyer and seller - Buyer may pay too much - Seller may not get true value of item. Due diligence needs to be done by buyer AND seller when preparing for the auction
- VERY important to attend auction previews to learn, ask questions, and examine lots to be auctioned

- This type of auction provided an international open market, enabling active competition and item exposure
- Things moved EXTREMELY FAST and the overall atmosphere was highly charged and vibrant!

Peter decided to keep his diamond inheritance to help diversify and bolster his investment portfolio. He furthermore planned to spend some time researching and learning more about the interesting and exciting Fancy Colored Diamond Market.

Peter immensely enjoyed his auction experience and planned to attend a few more jewelry auctions, perhaps in the future as a seller, and someday as a buyer.



Pastor-Genève bvba is a Swiss diamond dealer that deals exclusively in rare colored diamonds. Our chief technical consultant, Stephen Hofer, has over 30 years of experience studying rare colored diamonds and is the author of "Collecting & Classifying Colored Diamonds", the foremost periodical on the study of rare colored diamonds.



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