

Colour me dazzled

Record auction prices for rare coloured diamonds

Nov 21st 2009

“If you have money to invest, there is no safer haven than something rare,” says Laurence Graff, the London-born “King of Diamonds”. If this is sales talk, he is his own best customer. In December 2008, during some of the bleakest days of the credit crisis, Mr Graff paid \$24.3m for the 35.56-carat, 17th-century Wittelsbach blue diamond at Christie's in London. He set the auction record for any jewel. But in his opinion, “it was the bargain of the century. In my life, it is the rarest of them all; it is the supreme coloured diamond.”

Yet Mr Graff felt it could be improved. His team began work on the Wittelsbach almost immediately. It was a daring, even daredevil, move. When he bought the historic diamond it worked out at \$1.46m per carat. As a result of polishing it weighs four carats less. This could be calculated as a loss of about \$6m, but not by Mr Graff. He values the Wittelsbach-Graff, as the gem is now called, at \$100m. “We have given it life which it didn't have before,” he explains. Many may soon judge for themselves. The Smithsonian Institution in Washington, DC, has been in discussions with Graff regarding the possibility of a public presentation of the diamond at the National Museum of Natural History.

Competition for superb diamonds has always been strong. But now there are many more private buyers, mostly from China. In May at Sotheby's Geneva another blue—the 7.03-carat “Star of Josephine”—sold to Joseph Lau Luen-Hung, a Hong Kong real-estate developer, for almost \$9.5m. And in October the results of Christie's New York jewellery sale were so good smiles broke out even on the faces of their competitors.

Francois Curiel, the International Director and Chairman of Christie's Europe, reports that its top jewellery sales in New York, Geneva and Hong Kong typically bring in about \$30m each. The October sale realised \$47m. A star lot was the Annenberg diamond ring, a clear 32-carat flawless stone which sold for almost \$7.7m, more than double the low estimate. The winning bidder, the under-bidder and the under-underbidder were all North Americans. This is not surprising since Leonore “Lee” Annenberg and her husband Walter, a businessman and ambassador, were essentially American aristocracy. The surprise was that 25% of the sale's winning bidders over all came from mainland China.

These days when a great diamond comes on the market, the chatter is heard around the world. Take, for instance, the 2.5-carat green diamond (pictured above) offered by Sotheby's Geneva on November 17th. “There is a lot of noise about this one,” said Alisa Moussaieff, an important diamond dealer, before the sale. Although the size of a shelled peanut, the gem is the largest naturally green diamond ever to come to auction. Most natural greens are produced by the earth's radiation; artificial ones are irradiated after the gems are mined. Coloured diamonds are the rarest of gemstones, and green and red ones are as rare as they get. They are not necessarily beauties. “Normally the green ones that come up are asleep,”



explained Mrs Moussaieff. “But this one has got life. It is a ball of fire.” On Tuesday that little green ball of fire was bought by a private Asian buyer for just under \$3.1m, a record auction price for a green diamond. (The buyer's identity has not been revealed, but informed gossips say it was not Mr Lau.)

Diamonds are graded according to the four C's: cut, carat weight, colour and clarity. Provenance also can add to the price. (See the Gemological Institute of America's website for detailed information.) Had the Annenberg ring been an anonymous lot it might have fetched 25% less, Mr Curiel calculates. An even more potent example occurred at the Geneva sale. Sotheby's estimated a ruby-and-diamond necklace with matching earrings at \$530,000-\$975,000. It sold for a whopping \$4.3m. The suite is believed to have been bought by the Earl of Rosebery in 1884 for his wife Hannah Rothschild. It eventually moved along the ladder of titles until it reached Mary, Duchess of Roxburgh, the vendor.



Rarity seems to be the greatest single factor influencing today's auction prices for superb coloured diamonds. The blue “Star of Josephine” sold for \$1.35m per carat—more than five times what the colourless Annenberg fetched. Prescient investors now turn their eyes to Hong Kong. On December 1st Christie's is offering “The Vivid Pink”* (pictured above), described by one expert as the “finest and largest” of its type ever to be auctioned. Mr Graff bought the ten-carat rough-cut stone from De Beers. (He somewhat playfully describes it as the irresistible sweetener to a particularly large deal.) He had it cut into a five-carat gem and set as a ring. The American client to whom he sold this exceptional pink is now offering it at auction. “He will make a lot more than I did,” says the King of Diamonds, who plans to leave a bid.

*On December 1st at Christie's Hong Kong this five-carat diamond sold to a private Asian buyer for nearly \$10.8m, the world auction record for a pink diamond. This works out to \$2.1m per carat, a new world auction record for any diamond.