

Pink Diamonds and the Investment Question



Rob Bates | October 9, 2015 | CUTTING REMARKS

Last week, the [Argyle pink tender](#) rolled into town. Which once again brings up the “I” word—investment.

On paper, pink diamonds certainly seem like—and are sometimes touted as—a great investment. For one, they are extremely rare. Speaking at a Natural Colored Diamond Association panel last week, the group’s educational director Thomas Gelb said that just 0.15 percent of the diamonds submitted to the GIA lab are pink. The Argyle mine, which accounts for 90 percent of new pink diamond production and is the only consistent source, will close up shop in five years. According to Argyle Pink Diamonds manager Josephine Johnson, the prices of tender stones have appreciated by double digits over the past 10 years, behaving more like fine art than regular diamonds. After the 2008 financial crisis, when the price of just about everything (including white diamonds) plummeted, the Argyle tender enjoyed some of its best prices ever, presumably because buyers were seeking hard assets.

Yet, like those **supply-demand charts** we see for non-fancy diamonds, this logical investment thesis doesn't always comport with reality. Even Johnson says: "We would not say, 'Invest in these.'"

Veteran colored diamond dealer Alan Bronstein says that only a small number of fancy colored diamonds have the potential to appreciate, and even that limited subset can take years, sometimes decades, to show movement.

Further, even if they are an appreciating asset, they aren't a particularly liquid one. Few people have the resources, and fewer still the inclination, to spend large amounts on such little rocks.

"It is more like collecting fine art," says Johnson. "It is really a connoisseur's market."

"There isn't broad appeal," adds Bronstein. "Who do you sell to if you need the money? How many people can afford a \$50 million diamond? If a billionaire buys that stone, it means they are spending 5 percent of their net worth on it."

Take the 59.6 ct. Pink Star. In November 2013, it sold for a record-setting \$83 million. But that sale was canceled, and Sotheby's took the diamond **into its inventory**, saying it has "great confidence in its rarity and quality." It doesn't appear to have sold it.

There are fancy colored diamond collectors, sometimes with impressive holdings, but they are even rarer than the stones themselves. "In 35 years of doing this, I have met maybe four or five collectors," says Bronstein.

And of course, the diamonds are hard to value. There is no Rap list for pinks. They are too rare.

"Even with our most seasoned tender bidders, who have been coming for years and years, we still see quite a spread of bids," says Johnson. "We are surprised every year."

While Argyle offers (secret) reference prices for the stones, even it finds valuing them tricky.

“We do our best to find similar reference stones in history,” Johnson says. “But you are only looking at a couple of stones. Often there is not a lot of relationship between their pricing.”

None of this means people shouldn’t buy fancy colored diamonds; they are the some of the most beautiful gems out there. But Bronstein says that buyers must conduct due diligence—or better yet, buy them because they offer a different kind of dividend.

“I would never buy something that I didn’t find extraordinarily beautiful,” he says. “It has to be a personal experience. People need to find the diamond that connects with them, that they can wear and enjoy and find really special.”



Josephine Johnson & Alan Bronstein