BLING'S THE THING
BY TERI BUHL

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Alan Bronstein, of the diamond specialist firm Aurora Gems, has been helping private clients find appropriate colored diamonds for their investment needs for the last four decades. A former colored diamond dealer and author of *Forever Brilliant: The Aurora Collection of Colored Diamonds*, Bronstein shares his insights about the pricing of these rare gems with Alchemy contributing writer Teri Buhl.

**ALCHEMY**: In the past 40 years, what kind of volatility in pricing have you seen in the colored diamond market?

**BRONSTEIN**: The last extremely volatile moment in the high-end colored diamond market occurred during the diamond investment craze of 1980. Colored diamonds, then still a fringe concept as part of an investment strategy because of lack of quantifiable information, fell 25 to 30 percent in price relative to white. This is mostly true because there was a lack of demand, not because of an oversupply.

To put this into historical context: In 1980, the diamond price guides pushed the price of a 1 carat, white, flawless gem from $8,000 per carat to $60,000 per carat in eight months and then dropped it to $10,000 per carat. In 2011, the price of this diamond is up to $29,000 per carat on the guides.

As for colored diamonds, in 1980, the most important of these gems were trading in the $100,000 per carat range. After the initial pullback, colored diamonds, as a class, have grown in value at a relative rate based on supply and demand in a two-step-forward, one-step-back scenario, with today’s values and prices easily breaking seven figures per carat for the finest and rarest of stones.
ALCHEMY: What industry factors could cause colored diamond prices to crash?

BRONSTEIN: Three things could cause the colored diamond market to hit the wall and implode. The most dangerous would be if gem labs could no longer differentiate the natural colored diamonds that come from the Earth from color-treated, enhanced or man-made colored diamonds, which exist in abundance and can be manufactured in unlimited quantities.

Second, if new mines were discovered that had an abundance of colored diamonds, this would certainly have an impact on the supply side. If demand did not grow to absorb this new supply, prices would drop. But mining companies know that a large part of the mine’s value is in its colored diamonds, so I don’t think it is likely they would be dumping them on the market.

Third, if there is an economic disaster of biblical proportions, everything will deflate and liquidity will be the toughest challenge. Historically, diamonds and colored diamonds have held intrinsic value and so, when all else fails, a colored diamond might offer more options than land, stocks, art and gold, if you need money to live.

Are colored diamonds a commodity that can be correlated to other macro economic indicators, such as the rise and fall of the U.S. dollar? Colored diamonds never have been and never will be a commodity similar to their colorless cousins. There is no correlation now or ever to any currency or any other investment vehicle. They rise and fall from supply and demand. Colored diamonds should be compared more to phenomenal art than to any other tangible or intangible investment.