

RESIDENTIAL RESEARCH



# JEWELLERY SPECIAL.

Luxury Investment Index Q3 2015



LUXURY ASSETS SET  
NEW RECORDS IN 2015

JEWELLERY MARKET  
PERFORMANCE IN FOCUS

INTERVIEW WITH  
BONHAMS' CEO

# Luxury investments break more records in 2015

*Art and cars drive double-digit growth for the Knight Frank Luxury Investment Index*



*As Matthew Girling, CEO of auctioneer Bonhams, points out later in this report, jewellery could be considered the ultimate asset class. Since the dawn of time humans have been drawn magpie-like to shiny stones, first from the beds of streams and then mined from ever deeper underground. Dispersed around the world by the earliest traders, gems and jewellery have always been an international commodity and store of wealth. I'm therefore delighted that this latest instalment of Knight Frank's Luxury Investment Index takes a closer look at the performance of this enduring asset class.*

*I hope you enjoy reading it*

**ANDREW SHIRLEY**  
The Wealth Report Editor

Over the 12 months to the end of September the value of the Knight Frank Luxury Investment Index (KFLII) rose by 10%. This compares with an 8% drop in the value of the FTSE 100 equities index and a rise of only 1% for the top end of the London residential market.

But the headline figure masks a mixed performance by the 10 asset classes in KFLII (chart opposite). Classic cars (+18%) continue to top our league, but art was a close second – up 15%.

Just behind wine on 7% – many Bordeaux vintages have now returned to growth after prices slumped in 2011, says Nick Martin of Wine Owners – jewellery rose 5%, outperforming both prime London property and equities (for the latest jewellery trends see pages 4 and 5).

Furniture was the only asset to record negative growth with a further 12-month drop of 6%.

A slew of stellar auction results throughout the year has kept luxury investments firmly in the media spotlight. Even furniture secured a new high for a living maker when a Marc Newson Lockheed Lounge sofa was sold in April for £2.4m by Phillips.

Although no classic car has managed to beat the record set by Bonhams last year when it auctioned a 1962 Ferrari 250 GTO Berlinetta for \$38m, eight of the 25 cars ever to have sold for over \$10m at auction went under the hammer in 2015. These included all-time high results for Jaguar (\$13.2m), Porsche (\$10.1m) and, interestingly because of its youth, McLaren (\$13.75m).

Despite this, Dietrich Hatlapa of analyst HAGI, says growth is slowing and is considerably lower than for the 12 months to September 2014, when the HAGI Top index zoomed up by 25%. Mr Hatlapa says the collector market is reacting to a downturn in global liquidity and potential interest rate rises.

Strong demand for coloured stones helped Bonhams set a new per-carat record for a spinel, when it sold the 50-carat Hope Spinel brooch (our cover star) for £962,500 in September.

The short-term growth of coloured diamond prices has been more muted. This is due to a lull in Chinese buyer activity, says Oren Schneider, co-founder of Adama Partners, a New York venture firm, and member of the board of advisors to the Fancy Color Research Foundation.

But a Hong Kong-based billionaire still set the all-time record for a gem or piece of jewellery when he bid \$48.4m for the Blue Moon, a rare fancy vivid blue diamond auctioned by Sotheby's Geneva in November. The day before he paid \$28.5m for a vivid pink diamond sold by Christie's.

Although we don't include white diamonds in KFLII, larger stones have shown 5% annual growth over the past six years (see graphic on page 4).

"Diamonds, especially larger and rarer ones, could represent a viable means for wealth preservation owing to their increasing rarity and to their low correlation in prices with other assets," says Ehud Laniado, principal of diamond pricing consultancy Mercury Diamond.

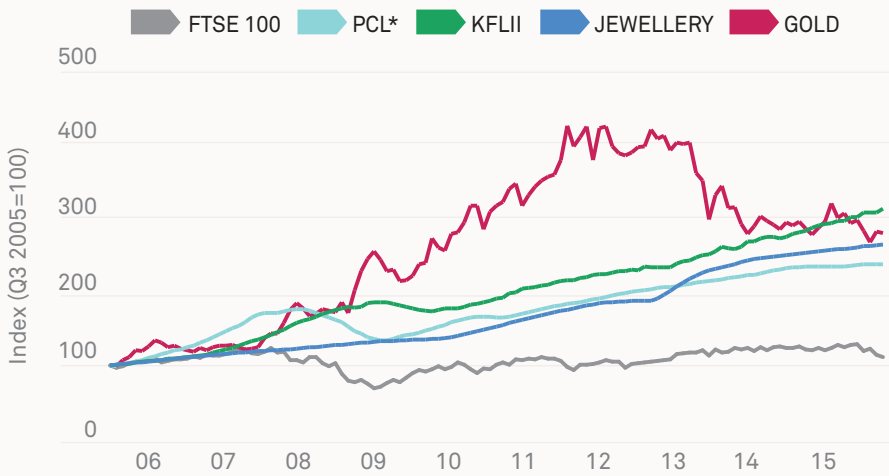
Contemporary and modern artists have performed particularly strongly, with Picasso's *The Women of Algiers* setting an all-time auction high of \$179m with Christie's in May. Many other artists, including Modigliani (\$170m) and Twombly (\$70.5m), also scored personal bests.

However, Celine Fressart of art advisory business 1858 Ltd, says the market is less robust than the headline results would suggest, with a relatively high number of auction lots remaining unsold at many sales.

"Works that are fresh to the market will continue to achieve top prices, but things that have sold more recently won't attract as much interest. Our clients are becoming more careful and more interested in the more affordable middle markets."

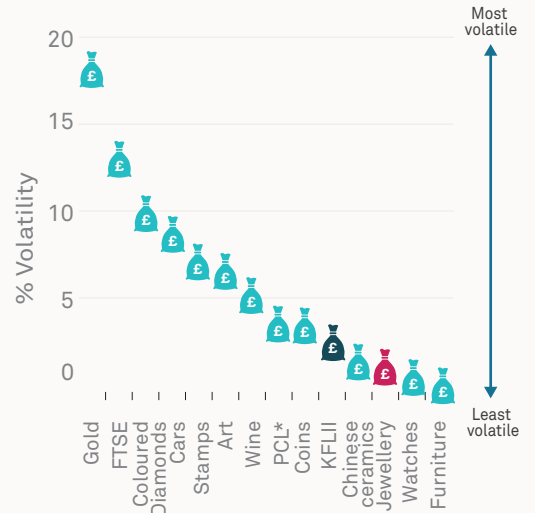
Ralph Taylor, Head of Post-War and Contemporary Art at Bonhams, agrees that there can be an imbalance between quality and price. He says less known, but highly influential artists, such as Adolf Luther of the Zero movement, and Italy's Lucio Fontana, offer real opportunities for the connoisseur.

KFLII performance versus other asset classes (to Q3 2015)



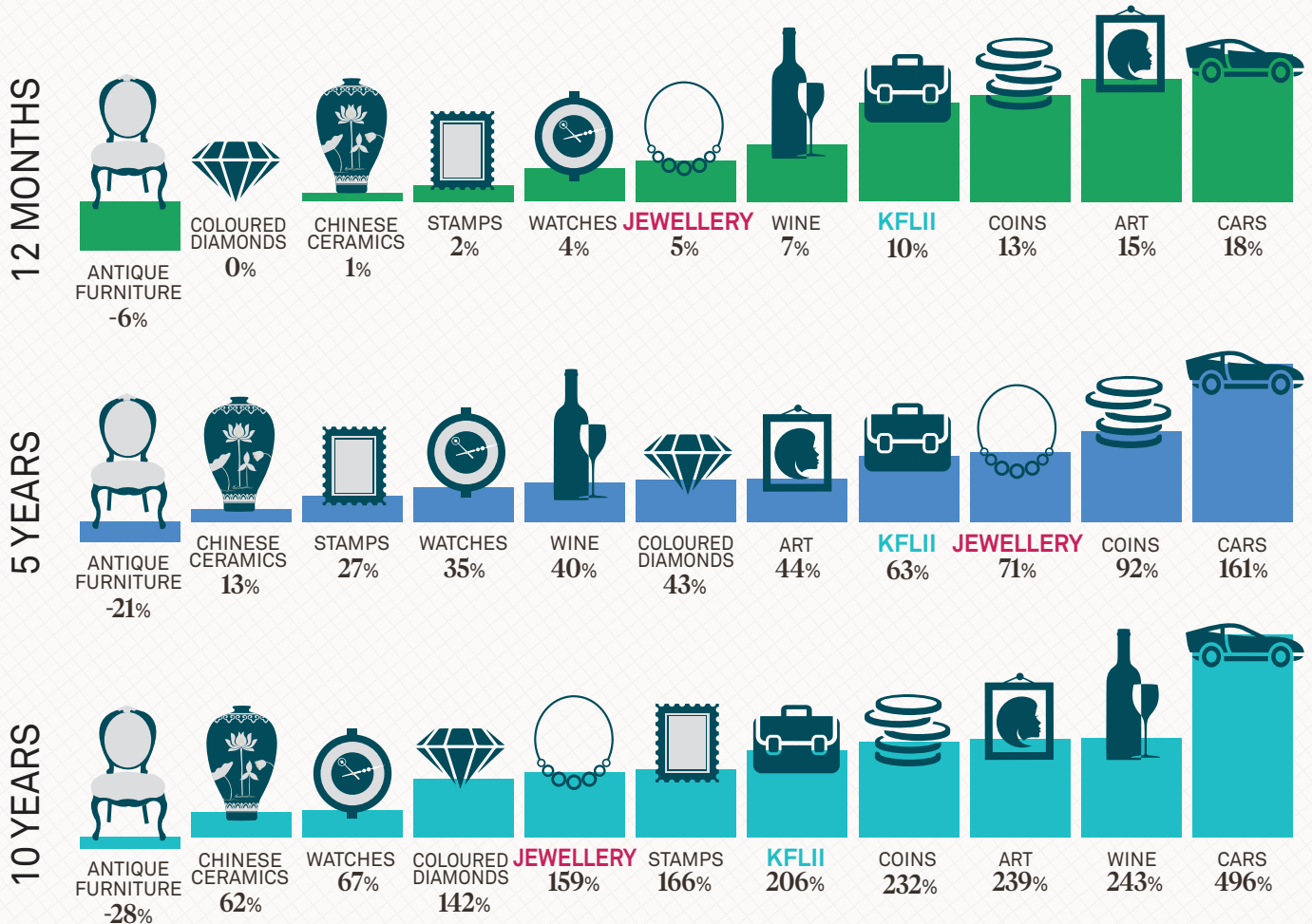
\*Knight Frank Prime Central London Residential Index  
Source: Knight Frank Research

10-year asset price volatility



Based on annual price points  
Source: Knight Frank Research

KFLII performance by asset class (to Q3 2015\*)



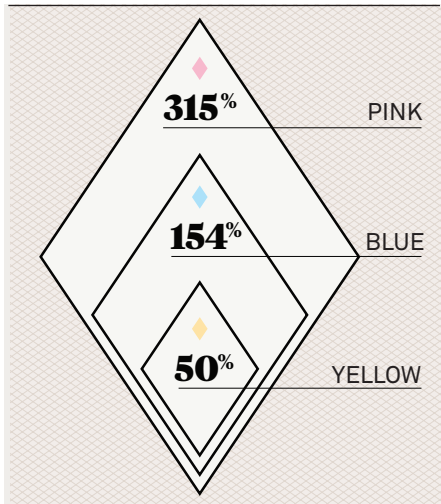
\*Except data for stamps and coins, which is updated annually. Coloured diamond data bi-annual until Q2 2014.  
Source: See back page for details of data suppliers

# Gems and jewellery – a sparkling return

A graphical focus on the performance of diamonds, precious coloured stones, pearls and jewellery

## Diamonds

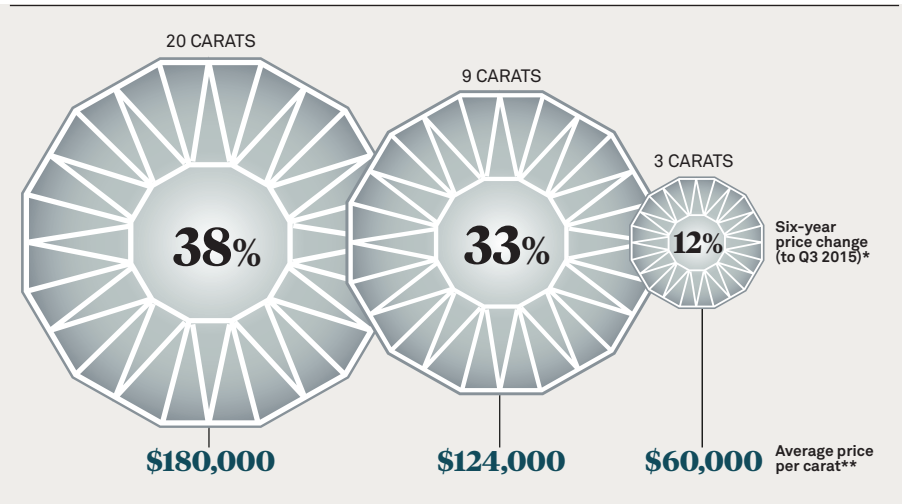
Coloured diamonds – 10 year average price change (to Q2 2015)



Source: Fancy Color Research Foundation

White diamonds

Source: Mercury Diamond



\*Round diamonds of quality M-SI2 and above \*\*Round diamonds of the highest quality (D-IF)  
All data is based on wholesale prices and for diamonds without irregularities (imperfections beyond the 4Cs). Irregularities could significantly affect prices up or down.

## Jewellery price comparisons

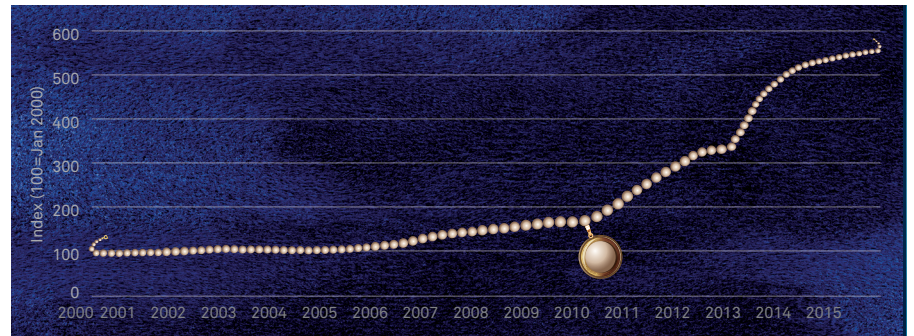
	<b>\$68,500</b> 2012		<b>\$221,000</b> 2014
	<b>£129,000</b> 2008		<b>£458,500</b> 2015
	<b>£11,950</b> 2004		<b>£326,500</b> 2014

**01.** Diamond, ruby, and turquoise "Clip Danseuse" brooch, Van Cleef & Arpels, 1943 – sold by Bonhams New York in December 2012. **02.** Diamond, ruby, and turquoise "Clip Danseuse" brooch, Van Cleef & Arpels, 1943 – sold by Bonhams New York in June 2014. **03.** Cartier "Tutti Frutti" bracelet – sold by Christie's Geneva in November 2008. **04.** Cartier "Tutti Frutti" bracelet – sold by Bonhams London in September 2015. **05.** Sapphire and diamond ring, the sapphire weighing 30.00 carats, Sri Lankan origin, no heat – sold at Bonhams London in June 2004. **06.** Sapphire and diamond ring, the sapphire weighing 30.08 carats, Sri Lankan origin, no heat – sold at Bonhams London in April 2014.

## Pearls

21st century price change (to Q3 2015)

Source: AMRD



## Coloured Stones

Record auction prices achieved per carat

	<b>RUBY</b> <b>\$1,185,451</b>		<b>EMERALD</b> <b>\$280,413</b>		<b>SAPPHIRE</b> <b>\$243,702</b>		<b>SPINEL</b> <b>\$30,000</b>
<p><b>"SUNRISE" PIGEON'S BLOOD CARTIER RING</b> 25.59 carats, Sotheby's Geneva, 12 May 2015 \$30.3m</p>		<p><b>BULGARI BROOCH ELIZABETH TAYLOR COLLECTION</b> 23.46 carats Christie's New York 13 December 2011 \$6.6m</p>		<p><b>"THE JEWELS OF KASHMIR" RING</b> Sotheby's Hong Kong 7 October 2015 \$6.7m</p>		<p><b>THE HOPE SPINEL</b> 50.15 carats Bonhams London 25 September 2015 \$1.5m</p>	

# The original asset class

Andrew Shirley, editor of the Knight Frank Luxury Investment Index, talks jewellery trends with Bonhams' CEO and Global Head of Jewellery Matthew Girling



Last bids please.....Matthew Girling in action

**Andrew Shirley** Has the creation of new wealth around the world created a more global market for jewellery?

**Matthew Girling** Unlike some other investments of passion such as art and wine, jewellery has been used as a store of wealth and traded by many cultures since prehistoric times – you could say it was the original asset class. Of course, more wealth means people have more money to spend, but we have been selling jewellery in places like Hong Kong and Latin America for a very long time.

**AS** Does that help explain why the jewellery market is less volatile than say art, according to our Luxury Investment Index?

**MG** To a certain extent. With a few exceptions, like jade for example, jewellery is also viewed from a much more global perspective and there are fewer different styles to go in and out of fashion.

**AS** But you must see certain trends emerging?

**MG** Without a doubt we are seeing the return of the so-called precious coloured stones: emeralds, sapphires and rubies. Demand is very strong and record prices are being paid.

**AS** Why the resurgence?

**MG** The 20th century, thanks to the hugely successful marketing campaign by De Beers, which controlled the market for much of that period, was really the era of the diamond – it was what people aspired to own. Now the market is more fragmented and the hegemony of the diamond is less absolute, people are rediscovering coloured stones, which have never had a similar marketing push behind them.

**AS** Are there any other coloured stones that are becoming more popular?

**MG.** Jewellers have periodically tried to introduce other stones and educate the

public about them, but so far nothing has really got across the line to challenge the big three. Spinel, which come from the same mines as rubies, might be coming closest at the moment but if you look at the price per carat they are still some way behind. It's a bit frustrating because there are stones out there like green garnets that are also exceptionally beautiful and rare.

**AS** I've heard that natural pearls are also performing very well?

**MG** Definitely. It wasn't that long ago that pearls were often the most valuable piece of jewellery owned by a lady, but the popularisation of cultured pearls at the beginning of the last century by Japan's Mikimoto killed the market for natural pearls for almost a century. But now buyers from the Persian Gulf, where most of the natural pearls came from, are buying back into their heritage. Even in the 1960s Dubai was basically just a pearl fishing village. We are achieving exceptional prices for natural pearls at auction and see the demand for these and the strong prices to continue to increase in 2016.

**AS** What would be your advice to anybody thinking of investing in jewellery?

**MG** I think it is very soulless to buy things and not enjoy them, a lot of the pleasure of jewellery is seeing somebody wear it. So first of all buy something that will suit the person you are buying it for. And to start with it is definitely worth taking advice from somebody who knows the market, until you become more knowledgeable yourself. In terms of particular things to look out for, anything that is really redolent of its period is doing very well, I think there is a lot of growth to be seen from jewellery from the 60s and 70s.

**AS** What has been the most memorable auction you've been involved with?

**MG** It has to be setting a record price per carat for a deep blue diamond when I sold an extremely rare fancy stone weighing 5.30 carats for \$1.8m per carat – a total of £6.2m – in 2013. The atmosphere in the room was simply electrifying. The stone was a gorgeous colour and just the right size and shape.

[www.bonhams.com](http://www.bonhams.com)



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# Data digest

**The Knight Frank Luxury Investment Index (KFLII)** tracks the performance of a theoretical basket of selected collectable asset classes using existing third-party indices (see below). Each asset class is weighted to reflect its relative importance and value within the basket. The third-party indices selected are widely used by the media and analysts to track the performance of each asset class, but Knight Frank can take no responsibility for their accuracy or independence and methodological differences may affect like-for-like comparisons. The index does not take into account any dealing, storage or management costs. Methodological differences could impact like-for-like comparisons.

### Research

Andrew Shirley  
The Wealth Report Editor  
+44 1234 720534  
[andrew.shirley@knightfrank.com](mailto:andrew.shirley@knightfrank.com)

### Media & Marketing

Jamie Obertelli  
+44 20 7861 1104  
[jamie.obertelli@knightfrank.com](mailto:jamie.obertelli@knightfrank.com)

### INDEX SOURCES

<b>Art</b>	AMRD
<b>Chinese ceramics</b>	AMRD
<b>Antique furniture</b>	AMRD
<b>Jewellery</b>	AMRD
<b>Watches</b>	AMRD
<b>Wine</b>	Wine Owners
<b>Classic cars</b>	Historic Automobile Group International (HAGI)
<b>Stamps</b>	Stanley Gibbons
<b>Coins</b>	Stanley Gibbons
<b>Coloured diamonds</b>	Fancy Color Research Foundation

Please contact [andrew.shirley@knightfrank.com](mailto:andrew.shirley@knightfrank.com) for more details of each index

### The Knight Frank Luxury Investment Index

	Index change	12-month change	Five-year change	10-year change
Sep-05	100			
Mar-06	106			
Sep-06	111	11%		
Mar-07	121	14%		
Sep-07	137	23%		
Mar-08	159	32%		
Sep-09	173	26%		
Sep-08	175	10%		
Mar-10	175	2%		
Mar-09	183	4%		
Sep-10	188	7%	88%	
Mar-11	203	11%	92%	
Sep-11	212	13%	91%	
Mar-12	222	9%	84%	
Sep-12	229	8%	68%	
Mar-13	238	7%	50%	
Sep-13	254	11%	47%	
Mar-14	269	13%	53%	
Sep-14	277	9%	58%	
Mar-15	290	8%	59%	
Sep-15	306	10%	63%	206%

Front cover: The Hope Spinel, sold by Bonhams, London, for £962,500 in September 2015

### Contacts and acknowledgements

HAGI [www.historicautogroup.com](http://www.historicautogroup.com); Stanley Gibbons [www.stanleygibbons.com](http://www.stanleygibbons.com); Wine Owners [www.wineowners.com](http://www.wineowners.com); Fancy Color Research Foundation: [www.fcresearch.org](http://www.fcresearch.org); AMRD [www.artmarketreport.com](http://www.artmarketreport.com). AMRD also tracks the price-movement of: sculpture, silver, porcelain, toys, carpets, clocks, photography, prints and many other collectibles. For more information contact [g.geremia@artmarketresearch.com](mailto:g.geremia@artmarketresearch.com)

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**The Wealth Report 2015**

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