

Consumers can now sell their old jewels at a number of companies that have sprung up to cater to the secondhand market.

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—Ben Janowski, analyst



Retailers accustomed to buying gold from the public have in recent years turned their attention to diamonds.

overall sales of so-called "recycled diamonds"—within the trade and to consumers—at about \$1.5 billion to \$2 billion a year, out of \$81 billion in diamonds sold globally at retail. And that may be lowballing it.

"This is a cottage industry that has developed into a sizable part of the diamond trade," says Andrew Brown, president and chief financial officer of White Pine Trading LLC. "Sotheby's and Christie's do over a billion dollars a year."

#### THE BOOMERS' BAUBLES

How much this is affecting the wholesale market is unclear. Every time retailers (or even consumers) buy a recycled diamond, they are passing up the chance to buy a "new" one. "We know retail clients of ours who don't even buy diamonds anymore," says Evert Botha, whose company, Embee Diamonds, recuts trade-ins for jewelers. "They are getting a steady supply off the street."

Veteran analyst Ben Janowski says "there is no question it's a factor" in the market. "It's definitely hurting wholesale sales," he adds. "I have seen retailers with stacks of diamonds that they bought off the street. It's a drumbeat that is just going to get louder and louder."

Part of the reason, he says, is the aging of the baby boomers, who are just starting to unload all the treasures squirreled away in their safe deposit boxes.

Jewelry is increasingly coming up in estate planning, according to Jeffrey Singer, cofounder and vice president of jewelry buyer Circa. "Unless you know a child covets a piece of jewelry, it's best to sell it," he says. "When the time comes, you can divide cash any way you want. You can't cut up a bracelet three ways.

"A lot of people between the ages of 40 and 60 are inheriting jewelry from their parents, and they are

frustrated," Singer continues. "They are more interested in college tuition or remodeling the kitchen."

When looking at how the recycled diamonds boom gathered steam, most people point to the big gold rush of 2008 and 2009, which took the idea of trading in jewelry from the pawnshop to the mainstream.

"Once gold started going crazy, people started bringing in their diamonds, too," says Susan Eisen, owner of Susan Eisen Fine Jewelry & Watches in El Paso, Texas.

For a long time, though, diamonds were considered an afterthought, says Ezi Rapaport, director of global trading for the Rapaport Group.

"When I started going to the pawnshop shows, they all said we don't take the diamonds out of the gold," Rapaport says. "They didn't get a significant price for them, and taking them out of the piece took about a week and within that week the price of gold could drop. But once the pawnshops and retailers started getting high prices, they forced refiners to add the service. Now every one of them does it."

Buying recycled diamonds also "brings new people in and you can make them your customers," she adds. Still, she cautions that retailers have to budget for the buying.

