CHAPTER 1

THE PROFESSIONAL APRAISER

"Knowledge is of two kinds. We know a subject ourselves, or we know where we can find information upon it."

Samuel Johnson

In appraising, knowledge is power only if it can be communicated articulately. If the three-word mantra of the real estate appraiser is location, location, location, then the chant of the jewelry appraiser must be research, research, research, with education, experience, and connoisseurship added as support and foundation.

Historically, jewelry appraising as a profession is in its infancy, but the same basic concepts and principles for responsible jewelry appraising have been around for a long time. When law divided material properties into "real" and "personal," real property assumed a dominant role in business matters. Personal property, called chattels, was of lesser importance. Thus, real property (real estate) appraisers have dominated valuation practices despite the vast financial investments in personal property and the valuation problems inherent in buying, selling, and insuring these goods.

As a growing awareness of investment potential in arts, antiques, machinery, tools, stamps, coins, sculpture, glass, china, household furnishings, gems, and jewelry emerged, personal property appraisers began to read, study, modify, and codify existing defined standards. They realized that the differences between the appraisal specialties that made them appear to be quite unrelated were in the kinds of data and property attributes with which the appraisal was concerned and not in the principles and methods. Henry A. Babcock wrote in "Appraisal, Principles, and Procedures" that the principles and methods of valuation for a diamond ring and a single-family residence were one and the same—the differences were between the technological data. Appraisers of diamonds must know how diamond purchasers react to the four Cs of cut, clarity, color, and carat weight, while the residence appraiser is concerned with buyer reaction to the value elements of square footage, number of rooms, age of the dwelling, and location.

Until recently the jewelry appraiser has avoided using any standard appraisal structure and has voiced indifference to using the existing methodologies, concepts, and principles. The awakening has begun, and today many gems and jewelry appraisers are clamoring for precise valuation information. There lies ahead a great development period in which the jewelry appraiser will recognize the tie between appraisal principles and their unifying concepts, which pervade and are basic to all branches of the profession.

The gems and jewelry appraiser is in a period of evolution and maturation; he or she must understand that, even with the knowledge of special techniques, the business is complex and volatile. The realization that estimates of value assigned to items will materially impact both client and subject for a long time is beginning to get the appraiser's attention and consideration. Thus, more and more valuers are concluding that appraising must be more than just a sideline of the jeweler or gemologist. It demands full status as a profession.

The subject of valuation is an alive and vital topic that requires the student and practitioner of valuation science to keep current with trends by a continuing
education process. The lament most often heard even from conscientious appraisers is: “I thought I was at the top of my profession, then someone moved the top!” Just keeping up with changes and trends in one’s own appraisal specialty is not enough. In this fast-paced society, the jewelry appraiser needs to have scholarship in fine arts, decorative arts, antiques, fashion, coins, and stamps, among others. The deeper one delves into valuation science, the clearer it becomes that a common thread connects all personal property. In Chapter Three, attention is drawn to ways in which a knowledge of social customs and cultures, costumes, motifs, and designs of times past can aid today’s jewelry appraiser with identification and value-determination information.

Though it may sound farfetched, the study and knowledge of worldwide social, economic, political, and environmental conditions are becoming essential for the appraiser. These forces have direct impact on the value of gemstones and jewelry. The great scope of the appraisal field embraces many ideas and concepts.

Being able to interpret a fluctuating marketplace is unquestionably vital. Last year’s appraisal values may be drastically different when one considers this year’s politics, environmental changes, and inflation or recession economics. Those who doubt the impact of foreign policy upon their local gemstone values have only to reflect on how the political unrest in southeast Asia closed ruby and sapphire mines and caused those gems to skyrocket in price, or to study the price impact on precious gemstones and precious metals when there is news of mine depletions. Inflation often creates a scenario in which poorer quality gems and jewelry are offered instead of price increases. The new synthetic gemstones are another problem area. The competent appraiser needs training in the use of modern equipment to be able to distinguish the synthetics constantly arriving in the market. Indeed, just being able to identify heirloom jewelry from fine reproductions speaks well of the competence of the appraiser!

Appraisers need access to actual pricing information at all levels of the marketplace. Currently, they continue to establish value from researched sources in their own geographical area, while pricing information at an international level is becoming more essential, especially for gem-quality goods. One reason appraisers need to be aware of international value is simple: Fine gemstones and well-crafted jewelry prices vary less geographically as their market values increase and the circle of buyers and sellers shrinks. At the highest market levels, the prices paid and the values assigned will often be one and the same regardless of geographical location. This can be accounted for because of the excellent communications in the jewelry industry, augmented by the use of computers, FAX communication, and telecommunication networks. Designer jewelry needs special attention in price research and analysis.

### Primary Function of the Appraiser

The starting point of any appraisal is an investigation of the property to be appraised. The appraiser has a primary function when he or she contracts to make a valuation, and that is to determine what level of the market is most appropriate for the purpose of the item being appraised. The appraiser must be aware of any constraints of that market (such as scarcity). There are several kinds of value and each has its legitimate place for some type of jewelry appraisal. Retail replacement value (new and used), fair market value, and liquidation value are the most often sought. Of course, the appraiser will take the client’s instructions and/or wishes into consideration, but in the final analysis it is the appraiser’s sole responsibility to select the appropriate value or estimated cost. It is also the responsibility of the appraiser to convey and fully explain to the client what is meant by the particular value that has been determined in order to prevent unwitting or deliberate misapplication of the appraisal.

For instance, an appraisal that calls for replacement value of an antique brooch for insurance would not be fulfilled properly by an appraisal of retail replacement value as a new piece of jewelry. Vintage jewelry can only be compared with other (used) comparable or identical vintage jewelry. A summary of related costs and values is illustrated in table 1-1, Purpose and Function of Appraisals. The appraiser must keep in mind that he or she must perform with a clear awareness of the public confidence that rests on his or her integrity and knowledge of valuation techniques. In the final analysis, the most competent appraiser may be the person who knows his or her limitations. The functions of an appraiser can be outlined in this manner:

1. To determine monetary value of a particular item of jewelry or gemstone
2. To determine the quality of the property
3. To establish the appropriate market for the subject being valued
4. To identify and authenticate if possible and if required
5. To estimate the cost of replicating the property, if it is the only means of replacement
6. To reach conclusions and recommendations