From DNSeattle.com 2016 - Domain Name Liquidity: What is It, Where was It, Where Will It Be?

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I just returned from DNSeattle and I’m so pumped. We had more than 90 people show up at GoDaddy’s headquarters in Kirkland, we met, we ate, we drank, we shared stories, we laughed, and had a great time.

Today’s show is the excerpt of the educational segment of DNSeattle where we discussed domain name liquidity: what is it, where was it last year, and where is it going to be later this year and into next.

The picture album of the event is live on DNSeattle.com, scroll to the bottom. Special thanks to our sponsors, GoDaddy, Donuts, Rightside and domainSponsor, along with our registered guests. All the proceeds of this event benefit the Fred Hutchinson Cancer Research Center in Seattle. And together, we raised more than $5,000 to help find a cure for cancer.

Thank you all for being a part of DNSeattle. Here’s your show.

I have three sponsor messages before we get into today's show.

First, if you're buying or selling a domain name or portfolio and you want an estimate of it's value, Estibot.com is the place to go. Just like you'd visit Zillow.com to get an estimate of a house value, Estibot.com provides key information about the most important statistics so you can make an informed decision based on data.

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a beautiful interface, competitive pricing and 24/7 support. Uniregistry.com will surprise and delight you. The right domain name can change your life: Uniregistry.com.

Michael Cyger: All right, so today's panel includes, on my far side, Jeffrey Emerick. Jeffrey is an individual investor. You will see on his nametag it says Brand Bucket Ambassador. Actually Brand Bucket. I invited Jeffrey on to this panel because he is an individual investor who was able to take advantage of the rise in the Chinese premium (CHIP) prices last year and the prior year. So much so that he put down a down payment on his lakefront home. What is the name of the city? Newman Lake, just over. So, Jeffrey definitely understands the CHIP market. He definitely understands liquidity in the domain name industry. And he did it so well and has so many domain names on Brand Bucket that they invited him to become an ambassador. So, welcome, Jeffrey.

In the center is Joe Styler. Joe is the aftermarket product manager at GoDaddy. Joe has exclusive knowledge of the GoDaddy auction platform and knows what is selling and what is not selling to the largest pool of investors in the world. So, Joe brings a unique perspective to this panel to talk about liquidity in the domain name market. Thank you, Joe, for joining us.

And Dave Evanson. Dave is the Senior Broker at Sedo. If you have never heard of Sedo, Sedo.com. Dave and I have a ton of likewise experience in fortune five hundred. He has got a ton of connections in the fortune five hundred and know-how, which allows him to sell the premium domain names. So, Dave is brought on to the panel because of his wide experience and extensive sales base in the fortune five hundred, in the premium market. So, welcome, Dave.

So, today, you may have seen or you may not have seen. I think I did not publicize it enough that we are talking about domain name liquidity. So, I decided that this year I wanted to talk about the domain name market from a liquid standpoint, and we are going to define what liquidity is and we are going to define where the market was last year, because everybody should know that CHIPs were very hot. The Chinese investors were very hot in late
2015. A lot of US-based investors followed that rush and bought a lot and might be left holding the bags. We are going to talk about where the liquidity was and where the liquidity is going to be in 2016, so for the remainder as well as into 2017.

So, that is the focus of today's discussion. I have one mic that I would like you all to share, and I will pass them between you. I am going to start with Jeffrey over here on the side. Jeffrey, let's start with a definition of terms. Domain name liquidity. What does that mean to you?

Jeffrey Emerick: One of (Unclear 3:43.9) names on Brand Bucket and that is kind of where I started, but I learned that we could sell those, but if you need money like this right now, that is not a liquid domain. So, I started to listen to your show and I realized that three letters and short domains like that had so many buyers out there that want that, so I started investing in that when you could get three letters for under ten grand, which would be awesome now. And then I realized that you could buy four letters for 15 dollars, so I realized that there was a huge discrepancy in price. So, to me, it means you can take your domain and put it on any marketplace at any time of day and it is going to sell. If you put it up for 99 cents, it will go up to whatever the market wants, unlike those other domain names. They have value, but they just do not have that instant value. Liquidation is what it means to me.

Michael: Right. So, the brandable domain names that you have on Brand Bucket, which is the largest brandable domain name marketplace in the world, do have a value, but you need to wait for the right buyer to come find it before you can start that negotiation, whereas with three letters and four letters, which is where you made your money for your down payment on your house, those are the ones that always have value in the marketplace that you can auction off and sell at any time.

Jeffrey: Yeah, it is recognized throughout the industry that there are so many people that are like oh, I am going to swoop on that as opposed to something that might sound great, like SeattleBikeShop. That has value to somebody, but if you need to sell right then, right there, no.
Michael: It is not going to have value because you approach every single Seattle bike shop and they are not necessarily going to want to buy it.

Jeffrey: Exactly. And the best thing that I found about liquid domains is if you find something on the market, which is a great deal, which we all do every once in a while. If you are wrapped up into non-liquid domains, you cannot just sell those, and so that is what I love about it, is I can find something at a great deal and get rid of some stuff that I already have that day, that minute if I need to.

Michael: Yeah. All right, thanks, Jeffrey. Can you hand the microphone to Joe? Joe, the GoDaddy aftermarket in auction, both expiring domain names as well as aftermarket domains from individual investors that are listing them for sale. You sell a lot of domains every single month. Would you agree with Jeffrey's definition of domain name liquidity?

Joe Styler: Yeah, I think he summed it up pretty good. I would go one step further and say probably selling within a week. I think that is pretty liquid. It is not a commodity like a stock, where you could just flip it. There is not a one-to-one ratio where there is going to a marketplace with buyers that are just going to buy the same exact thing. They are unique, but I think a liquid name would be one that you would want to be able to sell within a week.

Michael: Within a week, awesome. And Dave. So, I am grateful that all three of you are on the panel. Dave, you come at it from a different perspective. Premium domain names. If I throw out a single word that has commercial value and you think about the highest and best use like you do in real estate, and you think about a domain name, you could have a 250-thousand-dollar domain name. It is not necessarily going to get you 250 thousand dollars today, but it is always going to have liquid value. Do you often have customers that come to you and need to access the liquidity in their premium domain names?

Dave Evanson: That is a great question. Actually more and more that is happening these days. I will get to that in one second. I just want to add a comment over here about liquidity. I think they are right, and they both talked about mass numbers, big numbers. Those are the domains that are more
liquid than say higher, premium names as an example. Liquidity in any market, whether it is domains or stock or collectibles or whatever, you have to have a lot of buyers and a lot of sellers. And with that, you change into liquidity, which I agree with Joe. It is one week or less in the domain name industry, but let's say stock market or some others, it is instantaneous pretty much or overnight. It is a mutual fund.

But one major difference between a premium domain and the CHIPS as an example or the five-thousand-dollar names and 200-dollar names is that there are many, many more people interested in the lower end or are buying lower end names. Therefore, you are closer to a liquid market as opposed to an illiquid market. In the case of premium names, I think that a lot of brokers, the ones that have been around for a while and ones that are well known in the industry, have small numbers compete with large numbers of investors that already express an interest in certain premiums or have provided some guidance, like range of price, one word versus two word, .COM versus something else, certain verticals.

So, a broker can sometimes think of a quick sale or a seller that wants liquidity because it is a small, mini market. Mini liquid market perhaps. But overall, it definitely takes a longer time the higher the price because there are fewer people, and I think that domains in general are really not liquid. More of the cheaper ones, less expensive ones are closer to it, but not there yet. Premiums are not going to be there for a long time if they ever get there in terms of true liquidity.

Michael: But let's say that I picked up a domain name for ten to 15 thousand that I think has a 250-thousand retail price to the right end user. I could have gotten a great deal on the buy and it could be worth 30 to 40 thousand dollars. It does have a liquid value that you probably with your connections could sell it within a week to the right investor, right?

Dave: It definitely has liquid value, but the difference between liquidity and liquid value is really timing. Liquidity means very quick. It means exchanging either an illiquid asset or an asset that is liquid, but not as liquid as what you change it for. Cash is the most liquid asset out there. But it is true, and I say this to clients probably every week. I can sell a name for
someone very quickly. They are probably going to end up maybe within two to three days. I tell them figure 20 percent reduction from what you get if I have three months. Maybe 30 percent if I have six months because the more time you have, the more you can do on behalf of the seller.

But if you buy a name for 15 thousand, like you said, Michael, and you want 250, which is very typical of people I talk to all the time. Actually they are thinking 150 probably. If you got a good deal, to go from 15 to 30 is probably doable in a short period of time, a week or less.

Michael: Yeah. I just want to do a mic check. Can everybody in the back hear? All right, Aaron gave me the thumbs up. So, Dave, what are the properties of a domain name that make it liquid? What makes a domain name liquid versus illiquid?

Dave: Well, thinking back, I have been around this industry for 18 years now, way back, say five years to 15 years back, traffic portfolios were liquid. People were buying based on multiples of variants and those portfolios, all those domains, sold very quickly thanks to PPC not being as lucrative as it has been in the past and the fact that I think most aggregators of traffic had purchased whatever was available for the most part. That is gone. Recently, the CHIPs, as you mentioned, Michael. I guess Jeffrey has done well, and I know our friends at GoDaddy do very well selling a lot of them and we sell quite a few as well. But the CHIPs. The Chinese came in maybe not with numbers of people (Unclear 12:02.4) huge dollars, which played into mass, so we had pretty close to liquidity there.

Generally speaking, I think liquidity would have to be lower end domains. As we go up the line with a lot of appeal - in other words, appeal to a lot of people. As you go up the line, premiums would be closer to liquidity in terms of being able to sell them quickly if they are, again, appealing to more rather than fewer people.

Michael: But in terms of the properties of the domain name, Dave. Clearly appealing to more people is the great differentiator between liquid and not liquid, but what is the property? What makes the domain name more liquid?
Dave: Short. .COM is still king. There are a lot of great extensions now, but .COM is still king. Short. One syllable. Descriptive. Easy to remember. Those are pretty pricey. So, if you move down from there, two-word .COMs, even three-word .COMs, but descriptive. Potentially good at generating a business or at least the perception is they will appreciate and there are certain verticals that appreciate better than others.

Michael: Like gambling. Alcohol. Which ones?

Dave: I think insurance has been appreciative one because it has not yet. I think that technology will not appreciate. The reason for that is most of the technology stocks (Unclear 13:52.6). Most of the technology domains, once people become aware of them, it is too late. I think anything with eCommerce is good. Anything with globalization and probably anything that does well compared to comps when people try to evaluate them. So, there are names that appraise very well and there are names that do not appraise very well, but they may be equal in value or the reverse may be true.

Michael: Yeah. Thanks, Dave. Joe, let me ask you. On GoDaddy aftermarket, what are the properties of domain names that you see that sell really well? They are always selling. They always have liquid value. They always have buyers on your marketplace.

Dave: There is a lot of liquidity I think in the market today. (Unclear 14:48.4) is a great platform. (Unclear 14:50.2) platform, especially when you type it in with Afternic. We have a lot of reach. So, getting your names in front of a lot of people brings liquidity in, and that is an important aspect. The other thing that I think is really important is Elliot wrote a blog article the other day. Elliot Silver, and he was talking about the importance of buying smart, and I really think that that is key. (Unclear 15:12.2) that talks about making money on the buy, not on the sell. Make sure you buy smart. That is really important when you are talking about a liquid domain name. There are a lot of names that are just garbage and you are never going to be able to sell them, so you need to be able to decide when you buy a name: is this going to be desirable for other people and how desirable will it be?
And if you do that, then there is going to be liquidity in the market. So, as Dave said, shorter is better. .COM is usually easier to sell. I would call somebody up and sell a .COM easier than I could sell them a .NET or .ORG. So, I think you have to look at some of the things that are generally present in the (Unclear 15:48.7) room. And then, as far as just figuring out what sells, there are a lot of trends that we see in NameBio and other things published. What has been selling? And I think you want to watch a couple things. There is micro and macro trends. For instance, Prince just died. We have Trump who is trying to (Unclear 16:06.6) running man.

So, people are guessing and there is that trend, and there is also macro trend. We talked about the Chinese premium names. Most people are going after short, numeric names or short, letter names, and those are more of the macro trend words. They are countries. And I think it is important to watch different markets, like India. It is starting to become more and more as a player, and that is going to be something to watch in the future. I think it is important to watch some of these news police, how they take off and how they use them. So, I think it is important to watch those trends, and then you will be able to decide a little easier what is going to sell.

Michael: Yeah, and it always kills me when I see the stories about this politician or that politician thinking about picking a running mate. It just seems like it is a lottery ticket. You are going to try and register a domain name. Maybe that political party will want to buy it from you. It is a lottery ticket. It is not a fundamental to domain name investing. So, Jeffrey, let me ask you because you seem to see the trend in the four letters. I think a lot of people saw the trend in the three letters. They quickly moved from four figures up to five figures. Now they are out of reach. Some might say they are even priced at end user pricing, like the investors are paying for them.

But you saw the four-letter trend beforehand. And four letters. There are a lot of companies that are buying four letters in the West, using it for their company names as well as in the East, using them to potential speculate. What is it about the domain names, the actual aspect of the domain name, the property of the domain name that caused you to think this is going to be worth more in the future and invested for a year luckily, but it could have been a (Unclear 17:50.2)? What was it about that?
Jeffrey: Scarcity, and real estate prices too. Like I said, three-letter .COMs. I could not even afford them and four letters are undervalued. It was just a clear, obvious this is undervalued. You have just got to believe in that. Recognize it. The properties of the liquid domains, for me, is it is already taken, because if it is available. It is taken and it is available. So, a lot of them are taken and they are not available. And as each one gets taken, all the other ones that are available become more valuable. So, it comes down to scarcity. You have got a limited supply. Every time somebody gets on, it is smaller and smaller and the value goes up.

Michael: Yeah, I wish I had bought some two-letter .COMs recently or two numbers in any of the TLDs that are represented by people in the audience here. So, I often see on NamePros the discussion forum that is widely used by the industry that Brand Bucket, so I am going to ask you a question about Brand Bucket. I will see a post that somebody just had a domain name accepted by Brand Bucket, which has a relatively high threshold to get into their inventory, and it will be listed for 17 hundred dollars or 22 hundred dollars and they will be selling it on NamePros to another investor for like 40 dollars. Clearly that is the liquid value. If you want to liquidate it today, 40 dollars for a two-thousand-dollar domain name that may have just been hand registered for eight dollars or less is going. Is that the typical liquid value for brandable domain names today?

Jeffrey: Yeah, we have noticed that there is a huge aftermarket for accepted or listed names on Brand Bucket. It just kind of comes with they are a player in that space. They are number one. So, people know that we sold 801 domains last year. 2.4 to 2.5 million in sales. So, people know that we sell names, and so they know. We call it passing the torch. We can sell these domains for ten years, but at some point, if they have not sold yet, you are going to pass the torch. Whether you have been super successful, you retire, or you are just like oh, I have not had very much success, but for some reason, 40 to 50 dollars seems to be the aftermarket price for anything accepted and listed on Brand Bucket.

But you have got to pay a fee to get them on there, so the ones that are already listed come with a higher price and ones that have not come with a
lower price. I like those ones that have not been listed yet because the most names we sell have been recently listed. They have not been on there. They do sell years later, but obviously the majority of people are looking for what just got listed.

Michael: Yeah, it is an interesting dynamic that an investor will hand register a domain name and then get it accepted on Brand Bucket without paying the ten-dollar fee to actually have it listed and a logo generated and offered for sale, but then they will just go an flip it and turn that eight dollars into 40 or 50 dollars and go do it again with some other domain.

Jeffrey: Yeah, in any business of the world, doubling your money is awesome. So, to be able to buy a ten-dollar name and sell it for 40 dollars is pretty good.

Michael: Yeah. Joe, Chinese investors drove the market in 2015. We saw it from sort of the first quarter, second quarter, and then it peaked in the late 2015 time period. Let's talk about where the liquidity was. What did GoDaddy see from selling liquid CHIPs? Short, Chinese, premium domain names using the vowels that are preferred in China. What happened in late 2015 that you saw at GoDaddy?

Joe: I think everybody in the market saw a big rise in the Chinese premium names. So, they are going to be short. Either consonants without vowels or without (Unclear 22:11.1) or a numeric name without a four, so there were certain things that Chinese liked more than other names. And even the other ones that they did not like so much. They might have moved the B or four. It is going to be able to sell at a lesser value. I think everybody in the market saw that. There was just a lot more demand than there was supply, and so prices went up. There was a lot of active buyers and a lot of money there.

That has changed a lot in the last few months. So, GoDaddy has seen a difference in it as I am sure everybody else has, but I think there is still, as I said, a lot of liquidity in the market, so our sales overall are still very strong. We are still selling a lot in the aftermarket, but there is always a demand for names that are good. There are always new businesses that are starting out. And I really think it depends on what your level is. We mentioned NamePros.
That is a great venue to sell names. I see people hustling all the time. They move on for a name, they buy it for a buck or two bucks, and then they go sell it to somebody else for ten bucks.

I bought (Unclear 23:08.8).xyz for eight or ten bucks and I got that from a guy. I am sure he bought it for 88 cents. For him, it is a great profit and it is a good name for ten bucks. There is always people that are selling at that low end. Like you said, there is a lot more money that is available to people that I can spend 20 bucks or I can spend 100 bucks on a name because there is a lot of liquidity in that area. If you are talking about the sweet spot where names sell, a few thousand dollars. There is a lot of liquidity still there when you are looking at small businesses. There are a lot of small businesses that either are starting up every day or need to invest in a better brand. Something that is memorable, that is short, and kind of upgrade their original name.

Michael: Yeah.

Joe: The liquidity is there. It just depends on what marketplace you are looking at and what kinds of names you want to sell.

Michael: Yeah. Dave, the liquidity was there in 2015. Someone argued that liquidity is still there today, but I think so many people got hyped up by the liquid domains that were being influenced by China that they went over the top. They started registering six-number and seven-number .COMs, even eight numbers with patterns and doing the same with letters when it did not make sense. A lot of times those types of portfolios that are registered using a special deal if you have connections at a registrar that are purchased for less than typical registration fee get sold in bulk, and I think a lot of American investors came into the market later than the Chinese who were buying it and driving the market up, so the Americans bought a little bit higher and now are holding domain names that are worth a little bit less than what they paid.

Is that what you have seen as a premium domain name dealing with portfolios of larger portfolio owners?

Dave: I think that sums it up very well. I think Joe is covering what it is going on. If you are talking about where it stands now, I think that is correct.
If you look at the two-letter .COMs, probably six months ago if it did not have a vowel or the letter V, a two-letter .COM would be very I am going to say easy, but relatively easy to sell in a relatively short period of time- maybe couple weeks - for at least one million dollars. And I mean that was not even thought of a year ago or two years ago. The three-letter .COMs without any vowels or without V were probably peaking at around 60 thousand on average I would say holding long, and then it is probably down I am guessing around 35 to 40 maybe. Sorry. 28 and then maybe 24 with a V or with a vowel.

So, there are some people that did buy high and are holding, and I know who some of them are and the ones that I am thinking of did get in late, but they did not buy all of them in one time. They bought them over time.

Michael: So, the dollar cost averaging that our investor tell us about that we do not buy all of your 401K at the same time.

Dave: Exactly. I was tracking that term. That is exactly what it is. There are some people that bought high, and we will have to see what happens.

Michael: Yeah. Just yesterday, I think on NameJet, the domain name 27.com was finished in auction. I think it hit a high of 1.5 million dollars and it did not sell because it did not hit the reserve. Does that surprise you?

Dave: Yes.

Michael: It does surprise you in today's market, where somebody should be selling for the current value of the domain name.

Dave: I am not an expert on Chinese letters and Chinese numbers, although we do have several Chinese brokers in-house and I have done some deals with them and in China and several of our brokers in-house have done deals with the Chinese either through our Chinese brokers or directly, and I will say that when it comes to numbers, I know that the number eight as an example is very good. I know that four is not very good. It is terrible. Five is not very good. I do not know what 27 means, but as an example, someone
bought 114.com a couple years ago for 2.1 million I think it was. And I thought what, but that is 411 in China.

So, 27 might mean something that I do not know about. So, I would have thought once it went over one million it would sell.

Michael: Yeah. So, Dave, let me ask you. In the remainder of 2016 and into 2017, what are we going to see happen to domain name liquidity? Is it going to stay at the stable position that it is right now, where good domain names like 27, are always going to have a strong liquid value? And I do not want to make this all .COMs. Clearly recently Web.Hosting sold for 75 thousand dollars. S.Club sold for 38 thousand dollars. All good domain names have a base liquid value. What are we going to see for the remainder of 2016, into 2017?

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Dave: I do not know, but my guess would be.

Michael: Dave! You are my man. Come on.
Dave: I am guessing what will happen. Assuming that worldwide economy stays the same (Unclear 28:50.7) a lot to do with it too, I think we will see a lot more registrations. I do not know exactly what the numbers are, but I think I saw the other day 127 million .COMs have been registered and it is probably 327 are going to do 50 million overall and sometimes there is 750 thousand in one day. So, there is clearly still many, many more domains than there are people investing, and to have liquidity, you really have to have more investors put more money investors to have quick liquidity, so I do not think there will be a major change.

I agree (Unclear 29:33.5). I am interested in (Unclear 29:35.1) actually speaking at a conference here in a couple months of (Unclear 29:38.1) watching (Unclear 29:38.7) and Joe had mentioned it. That could be the next frontier. I am not sure. In China, it is very interesting. They could come back, and the Government has got a lot to do with it in China. When folks in China see the stock market go down, some of them invest in domains because it is safer. Here, the stock market goes down and people do not invest in domains. They sell the domains. They need money. So, I do not think there will be a major difference within the next year from what we are seeing right now. It is more of the same.

Michael: All right. Joe, what do you think is going to happen the remainder of 2016, into 2017? More of the same?

Joe: Yeah, I do not see a major change I would say at least for the next year. There has been a lot of the liquidity out of the Chinese market. I think it has already taken a big hit, but I do not think that is going to continue to drop too much. I think we have seen most of it come down. We will keep an eye on India and also keep an eye on China if they return (Unclear 30:34.3). Those are the two big things.

Michael: And when you say keep an eye on India and then continue to keep an eye on China, is that like a six-month thing or is that like a five-year timeline where you are seeing India continue to grow and it is going to be a slow growth?
Joe: India is growing quickly, so I think the real thing that you want to watch there is the other investors. They are having more and more conferences and there are other people that are going to get involved, and that is where you really have to watch. The big tipping point in China was the investment. A lot of investors came in. They bought a lot of names. That is what drove liquidity. All that money in the market. I think watching the Indian market and watching what the investors are doing and keeping a close ear to the ground on that is really a key. If we are talking about liquidity and rapid rise in price, we want to keep an eye on people that are going to be able to spend that money. There is a lot of money in India. We just have to watch and see if it goes towards domains.

Michael: And a lot of the Chinese money that came in, in late 2015 went into .COM. Some went into .CC, .XYZ, .VIP, and then some other TLDs as well in addition to a lot of the new gTLDs. Do you think India is going to be the same? Is India more focused on their country code top-level domain, .IN, or are they looking at .COMs or are they looking at new gTLDs? What do you see?

Joe: I keep a real close eye on that actually and I would say .COM is always king, even there, and .IN. When I was there, this was about 1.5 years ago, speaking at a conference and I kept my eye out when I was out traveling around in Bombay and in (Unclear 32:06.7). And I did not see many advertisements with .IN at all and I asked people about it when I was there. And now I am talking to people that are there and they are seeing a lot more .INs come up and more advertising, and that is a big thing. If there is advertising behind the name and people have that recognition and understand that it is available for them to go to, then that is going to important. If you have a name that you want to be liquid, it needs to somehow or other drive revenue, and that has to come with brand recognition. There has to be a recognition that hey, this is there. There is (Unclear 32:39.4) and it gets me online in front of people.

Michael: Definitely. And Jeffrey, as an individual investor, from your perspective, what do you see happening in the remainder of this year and into next year?
Jeffrey: So, what I have seen recently, especially with four letters, is there has been a divergence. is what I call it. These Chinese investors, which we have to remember they are not just a group. They are just like us. They have got newbie investors. They have got sophisticated investors. People do not really think that far. They just see that they are one group of people, and so you have got these people who lead the market and you have got people who follow them. And so, the people who lead the market have already decided to leave, and so there is this aftermath of what is left. And what I have seen is random letters are just going down in price every single day, but pronounceable domains and also patterns is what I should say keep going up in value.

So, at the same time, the same domains going up in value and the same domains going down. Ones are just random. The other ones have a pattern. They have the pronounceable. So, it is a really interesting time. People are kind of panicking, but it is arbitration time. There is a lot of money to be made in recognizing that.

Michael: Yeah, great point. All right, at this point, I am going to open it up to the audience. If you have any questions for this panel, please raise your hand. Greg, where are you from?

Greg: Hi, I am Greg from Google. My question is about how the price of domains is determined and what market forces drive those. I wondered how much of the price of the domain is built on a speculation, so the idea that if I spend ten thousand dollars on the domain, I can sell it for a higher price, and then how much of that price is based on the value of the domain name to someone who wants to use it to host a site and make money that way.

Michael: Great question.

Jeffrey: There are a lot of sites coming online of LLLSales.com. Things like that actually help. Before it was a big thing. I would go to people and say hey, (Unclear 34:48.7) is this and I would list stuff, but now I can say do not trust me. Go to this site and you can see. So, things like that are really helping, and you can track the market by that. And I think that more and more people who had decided to invent products like that are really going to
help bring the market to another level and also bring attention to car insurance.

Michael: Yeah, but to Greg's point, how much is the base value of the domain name and how much is the hype on sites like LLL.info? Clearly it was a lot of hype at the end of 2015.

Jeffrey: Right, and that is the cool thing about those sites. You can actually tell people what the price is. You do not have to just give statistics.

Michael: The market value is the market value.

Jeffrey: The market value is the market value. Every three days they update their current prices. So, instead of just giving people the best prices that sold to end users, which we all ooh and ah over, we can look at realistic hey, this is selling every single day of the week for this price.

Michael: Yeah. And just like the NASDAQ and just like the DOW, it goes up and down. It is based on the market conditions that day. So, you are saying it is just the market is the market.

Jeffrey: I think that as more companies come out with ways to track the current sales, I think that will actually bring up the prices higher because when LLSales really started to gain traction, I always tell everybody about it I did not know, and now everybody does.

Michael: Yeah. Joe. Dave. Anything to add to that question?

Dave: I do. Greg is not going to like my answer. Domain valuation is highly subjective. Let's compare for a second to physical real estate. You have ten townhomes on the same street. They are all built at the same time. One has got certain bedrooms. The others have two. Two-car garage versus one. A lot of sales history is public data because people have moved in and moved out within the last several years. Good comps. Very, very good comps and you pretty much know within say five percent or ten percent what the house would go for.
It does not work like that with domains for a few reasons. One is because there is only one way to say whatever the domain is .COM or whatever the name is .NET or .CLUB or .XYZ or whatever, whereas for the townhouses, there are ten on the street, so any one of the ten might work. If you want to be on that street, they are all very similar. So, you do not have an exact comp to begin with. Number two: while the lower end names are sold and the data is public, the prices are, I believe and I think most would agree that once you get over 100 thousand dollars only about ten percent of the sales prices are published. And once you are over 50 thousand, I am going to say 20 percent. So, you do not have as much data.

And then furthermore, another problem is that townhomes or homes pretty much turn over a lot faster (Unclear 37:47.9) or whatever than domains. Somebody might sit on a domain for 20 years. So, if you are looking at a domain to buy and you are looking for a comp and the comp was sold, but it was ten years ago, how does that help you today? So, it is subjective. And on top of that, how motivated is the buyer? How knowledgeable is the buyer? How motivated is the seller? And there are different sellers and buyers. There is the buyer buying to flood, or the business model that the company is well funded, backed by VCs and they have a great business model and they want the name. They know that for every lead they convert, it is worth X thousands of dollars. It is worth a lot more to that person than the next person.

So, I think that it depends upon the domain. If it is generic and fairly common and there are comps that are available, probably it is tighter. And of course it would be true if there is a lot of data. It is not going to be a very tight number. I can tell you, you can ask five or ten top brokers about a name and most of the time my experience has been maybe five or six are very tight on the numbers. One is way, way down and one is on another planet. The other two, you do not know where they are. And then when you want to get an appraisal, go to Sedo, go to GoDaddy, go to five other places and you are probably going to get very different numbers.

So, it is subjective, and it is not going to get much more scientific. I think you probably want the scientific answer.
Michael: Any other questions? Yeah, Andrew.

Andrew: (Unclear 39:29.3) from Austin, Texas, DomainNameWire. Jeffrey, you mentioned that the pronounceable, four-letter names are kind of going up in value and these so-called CHIPs, the ones who had just (Unclear 39:39.9) no V are going down in value. Isn't that just indicative? Doesn't that just prove that what happened in China is clear speculation, but at the end of the day the end users actually want you to buy a domain name is what drives the value in those pronounceable ones with vowels that could be more like an acronym? That is where the value comes from.

Jeffrey: Yeah, I would call that the proof in the pudding. I was an investor in big quantities and I kind of got to see the same thing. America was in it first and then China came. Like I said, there are the key investors. You have got the followers, and those people just kind of bid it up and then it is only natural for it to kind of fall back down and reach that level. But yeah, definitely. I think that that is the proof in the pudding. Before the Chinese came, either short, valuable, pronounceable was also a thing, but they added the pinyin, which was the quick translation from English to Chinese, which (Unclear 40:42.0).

Michael: All right, we have time for one more question. Ray, coming back to you. Where are you from, Ray?

Ray: Portland. (Unclear 41:02.1) and my question is with regard to generic, premium pricing and what you are guys are seeing with regard to that. It is kind of my assumption that committed investors are probably not as hyped about that, but we are seeing a lot of names that are kind of in that high, high ball instead an (Unclear 41:27.3) price followed by (Unclear 41:28.9). So, I am just wondering what you guys are seeing in regards to premium pricing.

Michael: So, tiered premium pricing with respect to liquidity. Are the tier premium domains selling? Joe, you want to start.

Joe: Yeah. I would say publicly you are seeing a lot of sales. I mean I know Right Side just released theirs and they sold a lot of names recently. Even in a tiered market, when you look at Donut premium names, they have a tiered
process for all the names and they rate them. You are seeing a decent amount of liquidity, and it goes back to my initial point. If your name is a smart buy, it is going to be liquid no matter where it is. Personally, I have a donut name. I have Z.Company that I picked up, and I got about 250 bucks into it. I know I could sell that today for about two thousand dollars. That is what the single-letter .COMPANYs go for. Z is a good name.

So, I am sure I could sell that for ten times, and I paid premium. I have 140-dollar renewal. There are other investors that are buying names. I think it is interesting. I will tell you two years ago, at NamesCon, everybody was really against the new TLDs coming out in public. I do not want to buy these names and .COM is king, and all this stuff in the public forum. And then they would pull me aside after and say all right, now, how do I get these names. So, there is definitely a demand and you will see that there are other investors that are buying. Mike Berkens you saw bought two portfolios (Unclear 43:01.9) new TLDs. He is invested into them. He is a pretty smart guy.

So, there is a lot of people that can still find deals. There are deals anywhere. It is when you make that buy. If you buy smart, you are going to be able to have liquidity on the backend. And there are names that are priced for like (Unclear 43:17.9) that maybe you are not going to be able to sell in any market, and you just have to decide is it a wise investment.

Michael: Yeah. Jeffrey or Dave, any thoughts on premium domain name pricing and liquidity it follows.

Jeffrey: I think Joe summed it up.

Michael: Yeah, all right. Dave.

Dave: I think he summed it up very well. It is all about demand and supply. All economics is demand and supply. And I think where we are right now it is indicative of (Unclear 43:46.2) some of the even more and more. So, what Joe is seeing we are seeing as well. I think that that trend is going to continue. There will be more of it over the next several years.
Michael: Thanks, Dave. So, with all of my panels, I would like to give them something special. Since Joe and Dave were flying, I brought one pound of fudge from Bainbridge Island Fudge. It is from Bon Bon. When you all come over this summer to Bainbridge Island to support our local businesses and spend a day and drink our local wine and beer, you are going to stop by Bon Bon on Downtown. You can walk right off the boat. You can walk right into Downtown. This is their trademark fudge, and it is phenomenal. I looked it up today. It is only three Big Macs if you eat that whole pound of fudge.

And I want to point out that Dave and Jeffrey are past Sherpas on Domain Sherpa, meaning that they have come on the show. They have given back to others without asking anything, and all I do is give them this little mug that says Domain Sherpa, and on the back it says I'm a Sherpa, Leading Others to Reach Their Peak. This one is for Joe for joining us on today's Sherpa. Thank you so much, Joe, for being a Domain Sherpa and joining the other two Sherpas.

And a quick plug before I let you guys go. The person that helped me develop that is over there in the corner in the blue shirt. John (Unclear 45:22.6), raise your hand. He runs Ad Planet over on Bainbridge Island. Does anything that you can put your label on. Cords. Cups. Anything. John is your guy. So, if you are looking for any products, he is my boy over on Bainbridge Island.

Thank you all very much again for joining us on the panel. Thank you.

Watch the full video at:
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