

# LIQUID DOMAIN NAME MARKET REPORT 1ST QUARTER 2017



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DOMAINSHERPA.COM

Michael Cyger: Liquid domain names are the types of domains that are actively traded in the domain name industry. There have been some significant changes in the past quarter, and Escrow.com has released some aggregate data that's never been seen before. Stay tuned for the latest research and market analysis.

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.

Second: Serious about online trading? Secure your funds, keep your merchandise safe, and use a company that keeps the buyer and seller protected the whole way through. That's Escrow.com. Payments you can trust.

Finally, if you're a domain name investor, don't you have unique legal needs that require domain name technical know-how and industry experience? That's why you need David Weslow of Wiley Rein. Go search for David Weslow on DomainSherpa, watch his interview and you can see for yourself that he can clearly explain issues, can help you with buy/sell agreements, deal with website content issues and UDRP actions, and even help you write your website terms and conditions. David Weslow is the lawyer to call for Internet legal issues. See for yourself at DavidWeslow.com.

Michael: Hey, Sherpa network, thank you so much for joining me today. My name is Michael Cyger Cyger, and I'm the publisher of DomanSherpa.com, the website where you can learn how to become a successful domain name investor or entrepreneur directly from the expert.

Today, I'm joined by two experts in the domain name industry that are going to walk us through their latest industry report entitled "Liquid Domains Market Overview." I'm pleased to welcome Ivan Rasskazov, part of the Intelium team, makers of EstiBot.com, domainIQ.com, and NamePulse.com. Prior to Intelium, Ivan spent a number of years in the financial industry providing wealth management, investment analysis, and operation support. And Giuseppe Graziano, founder and CEO of GGRG.com, a domain name brokerage firm specializing in liquid domain names. Giuseppe was named one of the top 10 highest-grossing brokers in 2016 by Escrow.com. Welcome, gentlemen.

Giuseppe: Hi, Mike.

Ivan: Hi, Mike. How are you?

Michael: Great. So the liquid domains report tracks liquid acronyms and numeric domains, including 2L, 3L, and 4L dot-com, L being, of course, letters, and then 2N, 3N, 4N, and 5N dot-com domains, N being numbers, of course, and then CC dot-com domain names. So let me start by asking you, Giuseppe, what's the difference between an LL, a letter-letter dot-com domain name, and a CC dot-com domain name?

Giuseppe: So, yeah, it's pretty simple. So LL, it's the two-letters dot-com domains, so anything, for example, like aa.com, which actually is owned by American Airlines, or gs.com, by Goldman Sachs, etc., etc. CC stands for character-character. So it's all those [inaudible 00:01:36] domains which are composed by a letter and a number or a number and a letter, for example, j5.com or the reverse, which is 5j.com. So that is the biggest difference.

What is interesting, though, is that if we look at the report and we look actually at the records of these domains, they're actually quite similar. So, for example, the two-letter dot-coms, they're only 676, and the CC dot-com, actually 520. So the number is quite similar. The development index is also kind of close. The two-letter are about 37%, and the CC, about like 30%. And

the concentration index is very similar as well, so like, you know, the two-letter dot-com, 18%, and the CC, about 15%.

What is the big difference between them is the amount they trade for. So usually, two-letter dot-com, they usually never trade for less than half a million in like in the past three years, while CC dot-com domains actually used to trade for like less than 100,000. But, now, like the values is changing a lot also like I think because of [inaudible 00:02:49] report. But it's actually very interesting because they're like similar kind of properties and like very different like, you know, trading amounts.

Michael: Huh, so what are the CCs trading for nowadays?

Giuseppe: So like this quarter, we have like three disclosed sales, which were public, and I think the total number...I think the average was \$164,000 for each, yeah. And last quarter, like the quarter before, there was only one transaction. It was actually 4.com and was for like 44,000. So it increased like four times more. So it's quite a big increase.

Michael: Yeah, so a lot of variation there. So in this report, I can see that the 2L dot-com market has a total of 676 domain names, like you mentioned, domains like aa.com for American Airlines. The next number I see, the next column I see in the report is the EstiBot market cap. Ivan, what is the EstiBot market cap?

Ivan: Sure, the EstiBot market cap is the summary of all EstiBot valuation in a particular category. Now, we do try our best to exclude strong trademarks in some of the categories, like 4Ls, where they're distinguishable, simply because you cannot monetize those domains without having the property rights associated with them. So that really kind of shows the total value that EstiBot [inaudible 00:04:08].

A market cap value, let's say, of large cap securities who have a certain market cap, similar item for domains, many of these domains and valuations

for EstiBot are tracked based on actual sales numbers. And we do review them. For example, Giuseppe was actually very kind to point out that the increasing number of sales in the CC domains is like the [inaudible 00:04:30] review on our part to kind of examine what market cap and average valuation should be. But that's basically what the focus is there.

Michael: So that makes sense. aa.com is American Airlines. So you're looking at the value of aa.com, ab.com, ac.com, ad, and then ba.com, all the way through. You do the EstiBot valuations, you add them up, and that's the market cap. Would you exclude, for example, aa.com because that's American Airlines, or would you leave that in there?

Ivan: That's a good question. We would not. It's simply too generic. You know, when we talk about strong trademarks, it has to be something really definitive. An interesting example...what I will say is not a letter-letter dot-com, but coach.com. Obviously, Coach is a brand, and it carries a certain level of monetization there. But it's also a very generic word, which we wouldn't zero out or exclude in EstiBot. And so aa.com falls in the similar category. It's very generic, can be used for so many different uses. So that would make sense in that regard.

Michael: That makes sense, all right. So then we know the market cap of each of these different categories. So the market cap for 3L dot-coms is 2.06 billion. So it's about half a billion less than the 2L market, even though there's, you know, a heck of a lot more domains in the 3L, so makes perfect sense.

The next column is interesting one. So now that we know the size of the market, we wanna know generally something that you track called the concentration index, which is the total number of owners of each category of liquid domain names. And so why is it important to track the individual number of owners of each category like 2Ls or 3Ls domain names?

Giuseppe: Absolutely. I think that one, the concentration index is extremely important to understand two things. One is the supply, and the other one is the volatility. And I'll give you like a simple example. So if we take like a very concentrated category like the four-letter dot-com, where there's like a very small number of owners compared to the total number of domains. So let's assume I'm like a portfolio owner that owns like 10,000 four-letter domains and decided this is the right time to sell, and I would put all my domains in auctions. What happens is that the increase in supply, which is quite large, will [inaudible 00:06:56] to the inventory in the market, and, you know, the supply goes up, and the price actually goes down.

And so my decision affects like a lot of places in the industry, while if only on like a few domains, like maybe 10 domains or like 1 domain, that will not affect the prices too much. So, basically, when we look at the concentration, we're looking at the ability...actually the power of [inaudible 00:07:18] to put domains on the market will affect the prices. And we can expect that domains that are less concentrated, they will be like less volatile like in the long term.

Michael: That makes sense. Any idea how many domains would, as the percentage of the total volume of that type of domain, like 2Ls has 676, how many domains would need to go under the market to cause a lot of volatility? What do you think?

Giuseppe: So for two-letter dot-coms, there are a few owners there, like more than five of them. So like, you know, if they were to pull, like, all this 5 of them or like all 10 of them like go to market, they will like affect supply dramatically.

But the other...the concentration index works in conjunction with the development index, because if they're developed, usually, the end user are less likely to put the domain on the market. So the more categories, both developed and less concentrated, the less volatile it will be like in the long term.

Michael: So if you're looking to make an investment in any of the categories, the more developed and the more number of owners there are.

Giuseppe: And the less concentrated.

Michael: I'm sorry, the higher the concentration or the lower the concentration...

Giuseppe: The lower the concentration. The lower the concentration...[inaudible 00:08:29] development. It's a measure that the category would not be too much volatile.

Michael: Right, right. Okay, that makes sense.

Ivan: Although that maybe harder to do for things like 2Ls. And as Giuseppe pointed out, obviously, like those transactions, it's really difficult to say how they would affect average price. But at the same time, there's only 676 domains. There's a very strong chance, even if a substantial amount of them comes on the market, their average value may not be impacted significantly just because of how rare they are as an investment. And sorry to interrupt you, Mike.

Michael: Yeah, no, no worries. So how has the quantity of sales in the past quarter increased or decreased from the prior quarter?

Giuseppe: All right, so let me look at the data. So, basically, like, you know, on the past quarter, like, you know, in Q4 of 2016, we had like 5,500 domain sales and for a total of 5.5 millions. And this quarter instead, we have like fewer domain sales. We only have like 4,000 of them. And that account to actually for over eight millions in sales. So the average increase in volume was actually 2.5 million, which is like significant.

Michael: And so can you say that the average price of domain names is going up, or is it really skewed because a couple of big sales happened that didn't happen in the prior quarter?

Giuseppe: Right, I think you're exactly right. So basically there was like one big transaction that actually skewed the data, which was a two-number dot-com sold. It was like 01.com, which sold for about 1.8 million. And that alone adds almost two millions to the value of transactions. And, you know, two-number dot-com domains are very rare. So when they go to market and they sell, they sell like for a high amount.

Then we saw like three-numbers going up as well. Like, for example, as we said, the CC domains like went up like quite a bit. We saw the four-letters coming up. And we saw the three-letter coming up. The only category that went down was actually the five-numbers dot-com.

Michael: And what happened in the five-numbers dot-com?

Giuseppe: So five-numbers dot-com I think went down from...it was like one million...like last quarter, it went down like to 750 more or less this quarter.

Michael: Seven hundred fifty thousand. So is that enough data to say that there is a trend, and it's going down? You know, when investors are looking at...you know, they're listening to this, they download the report, and we'll give them the link below, and then they look at it and see it's going down, should they be worried about their investment? Or should they be saying like, "It was an off quarter"?

Ivan: Well, part of the...

Giuseppe: It could be like...

Ivan: Sorry, go ahead.



Giuseppe: Yeah, I mean, Ivan, you can take this. But, I mean, it can be like an off quarter, but also it could be simply that like less people are putting domains for sale. It can be like, you know, it can go both ways.

Michael: Yeah, and [inaudible 00:11:17]

Ivan: And part of it too is if you look at 5Ns or 4Ls, which I believe also went down in the quarter by a fairly meaningful number, it could be, you know, less larger portfolio holders that are effectively selling their portfolios. And that can correlate with the concentration index. When you have a category that's...has a very high concentration index and the holders are selling their portfolios, they're moving them, they're less likely to do so, unless some level of speculation takes place and [inaudible 00:11:51] in the following quarters, especially if they're folding their portfolios for value.

So the numbers going down by themselves are not necessarily a bad sign. It just requires a little bit more research. Well, what's the change in concentration index? What domains may have moved? How did they move? Perhaps, some moved or developed or not. So, it's more of a yellow flag, if you will.

Michael: In the report, you state the total disclosed sales volume, you get that sales volume from ShortNames.com. Some readers might be curious why you're getting your numbers from ShortNames.com versus some of the other data sources.

Three more quick sponsor messages of today's show:

First, if you're buying a domain name from a private party and want to know what else they own, DomainIQ.com is the tool you should be using. View their entire portfolio, filter by Estibot value and be a better investor. \$49.95 for 250 queries per month. Visit [DomainIQ.com/portfolio](http://DomainIQ.com/portfolio) to learn more.

Second, Efty was built by domain investors to increase your inquiries, sales and profit. Forget spreadsheets and archived emails — manage your entire investment portfolio in one place using a secure and completely confidential platform. Learn more at [Efty.com](http://Efty.com), that's e - f - t - y, [Efty.com](http://Efty.com).

Finally, if you're struggling with how to buy, sell, and value domain names, you need to check-out [DNAcademy.com](http://DNAcademy.com). Published by me, Michael Cyger of DomainSherpa, and trusted by Uniregistry to train their new employees, you too can learn using the DNAcademy accelerated learning system for domain name investing. Learn more at [DNAcademy.com](http://DNAcademy.com).

Michael: In the report, you state the total disclosed sales volume, you get that sales volume from ShortNames.com. That is the number, you know, the volumes that we're talking about right now, like 5Ns going down from 1 million to 750,000. Some readers might be curious why you're getting your numbers from ShortNames.com versus some of the other data sources. Like EstiBot, you know, tracks data and provides it as part of the analysis or NameBio or DNPrice.es. Can I ask you why that is the case?

Giuseppe: So ShortNames actually...one of the things I like about that is that they actually provide charts that you can look at. And the data, I think it's quite the same as both EstiBot, there's also NameBio. Another added feature of ShortNames, which I quite like, it's that they provide the 5th percentile and the 10th percentile, which actually are very useful to understand what is the floor value of a category.

Michael: Yeah, awesome. So as long as you brought up that fifth percentile and talking about the floor of any category, let me dig into that. So the fifth percentile, as calculated by ordering all the domain sales, so if there were 100 sales for four-numbers and you order them from high to low, then you take .5 of that number and you go up, and that number is the floor value, basically. That's considered, you know, by ShortNames, by you guys as sort of

the lowest price that people can expect to pay. Is that a reliable number, from your experience?

Giuseppe: Yeah, usually, it's like a very reliable number from my experience. And the reason why we use like the fifth percentile like to understand what is the floor value is because it takes away like the bottom of the range, so it removes like the outliers [inaudible 00:13:57] in the bottom. And that is very important for a transaction.

And I'll give you an example. Like if you look at less quarter for like three-letter dot-coms, there was like a sale for dnw.com. They sold for \$3,000, which is extremely low. And this is probably a case where like the seller was not informed about the market prices. And this is one reason why we read through these reports, because dnw would sell at least, as a three-letter dot-com, on average, for like 15,000. And because it's like a Chinese premium domain, then it would sell like at least for 30,000, the current market rate. So this is why we use the fifth percentile because we can remove those data [inaudible 00:14:38] actually will skew the whole average if we were using other type of indicator, like the average or the median.

Michael: Yeah, great example. I think it was dwn. Is that what you said, Giuseppe?

Giuseppe: dnw, I think.

Michael: dnw is owned by [inaudible 00:14:50]. We use it as a short [inaudible 00:14:52], dwn. And yeah, I think everybody in the industry that read about that sale is kicking themselves for not getting over there and like searching on a regular basis for those types of domains. All right, so that makes sense on the fifth percentile and why you're pulling out some of those outliers there.

Let me ask you about the next column in the report. So we talked about the sales volume, and the data is coming from ShortNames. The next column

that you have is a new column that's added to this report, and it's a pretty phenomenal column. It is Escrow.com sales volume. What is that, and how is it calculated?

Giuseppe: Yeah, I mean, we're really excited, I mean, because, Mike, both you and I even, like we love data, we love to see like more data published. So like Escrow.com were like so kind like to join us for the report. And, you know, if anybody doesn't know Escrow.com, it's like the leading escrow service for domain names. And they handle like over three billions in transactions. So the amount of transaction received is massive.

And basically what they did is like to release the total volume of all transaction in specific categories, except the two-numbers and three-numbers, just for confidentiality reason. The reason why it's so exciting like to get this data is because... You know, all of us, like we're not fan of like those statements, like "Oh, you know, like I always see that there is a lot of transactions that do not get disclosed. And, you know, the percentage of transaction disclosed is very small compared... And I would like to quantify that. I would like to see how much is that."

And that's why like with this kind of data, we can actually see what is the level of disclosed transaction as opposed to the level of transaction that remains confidential and kind of give us like a better idea of what is like the real market size and what is like the real market turnover.

Michael: Yeah, definitely. And so what are some of the significant numbers that you notice between, you know, the reported sales volume that you get on ShortNames and what hasn't been reported necessarily through an Escrow.com transaction?

Giuseppe: Right, so it's quite interesting. It's actually...it's basically the double on...like, you know, disclosed transaction are eight million. And the data disclosed by Escrow.com is actually 16 million. And that does not include the two-numbers and three-numbers dot-com. So let's keep that in mind.

What I think is important to note is that I will not consider that the eight millions are to include in the six millions because a lot of those transaction that are reported by disclosed transaction like ShortNames, they are of the lower value domains, like four-letter and five-numbers and three-letters. And those domains are all the time they sell through auction services like Sedo and GoDaddy and Flippa and NameJet and so on. And so those one, they do not require Escrow.com. So I would see it not necessarily as a complementary but more like as an intersection of the full universal transaction every quarter.

Michael: Well, is it fair to say it's not necessarily an intersection, but you might be able to add those two numbers together to get a better idea of what's actually happening in the marketplace, is that fair to say?

Ivan: I think that's mostly fair to say. You'll still have some overlap. But if you look at the numbers themselves, I mean, where is the majority of the volume that's different between the two-numbers? That's the 2Ls and the 3Ls, right? Those are the ultimate premium domains. And so the number where it mentions up the most seems to be the 3N. And the number where the disclosed data seems to be a lot more favored, as Giuseppe points out, that tends to be in the 4N category, so a lot of these chips and other types of foreign domains that are being traded. And so, yeah, I think you can, to a large part, add those numbers together. And it confirms what a lot of us already suspect. There is a very large private market for domains. Now, the question becomes is now how do we take this private market and make it a little bit more public?

Michael: Yeah. So what's your answer?

Ivan: I think the battle is strategic. I think the number one thing the industry can do is show the world that domain names are valuable assets. And when we're able to do that, companies and people that are spending \$3 million or \$2 million on domain names are recognized as an independent financial

class. They'll be putting names in balance sheets. They'll be disclosing their transactions to shareholders and things like that. And some companies that do that in public reports. But that'll be much...the process that will be encouraged by the strategic [inaudible 00:19:38]. So...

Michael: Yeah, definitely. Anything else in the report that you think was significant that we should point readers to when they go and download the report? We'll open it up to either of you. What do you think?

Giuseppe: All right. I think like the data that was most interesting to me is really seeing like how does the CC dot-com increase in value? Also, if we look...for example, the Escrow.com data, we saw that the disclosed sale is about like half a million. And the Escrow.com data is about 2.5 million. So it's like a huge difference. And, really, if we compare to the last quarter and like the level of transaction that we saw, it's like huge. It's very [inaudible 00:20:25]. So that is what was interesting to me.

I see that the level of prices didn't change too much. So, for example, like both the four-letters and the five-numbers, which are like, you know, the two most created categories, they actually, you know, just reported like a single-digit variation. Same for like three-letters dot-com, that actually only increased like by 3%, so kind of stable. And, yeah, those were like, you know, the data the jumped out most to me.

Ivan: Sure, one thing I look at in terms of kinda the future of what the liquid market will be is the development rates, kind of taking a look at some of those categories, see if that's moving in any direction. What are these domains that are still being held by investors? Because as those numbers, in theory, increase over the long term, then you see two things. One is you will have to start looking for other categories that fit the liquidity aspect of it, but also just seeing how some of those domain names are used and what the concentration index changes will be. So I feel the development number really drives a lot of this information.

Michael: Definitely. Yeah, if I was investing in these domains or thinking about it, I'd be downloading every single report and archiving them so I can track the data over time.

If you had a question about today's report, anything that we discussed, please post them in the comments below this video on DomainSherpa. And I'll ask Ivan and Giuseppe to come back and answer as many as they can. I'll also include a link below this video to the location where they can download...where you can download the report yourself. If you found educational benefit from the show, please take a moment and post a comment of thanks to today's Sherpas. You can do so by clicking the button below or share it on Facebook and tell your other investor friends that there's a report out there that is expanding our industry, that's making it, you know...that's creating an opportunity for more investors to come in.

I'm gonna be the first to thank today's Sherpas. Ivan Rasskazov and Giuseppe Graziano, thanks for coming on the DomainSherpa show, sharing your knowledge of domain name liquid market and thanks for being Domain Sherpas for others.

Ivan: Thanks for having us, Mike.

Giuseppe: Thank you, Mike.

Michael: Thank you all for watching. We'll see you next time.