Liquid Domains Market Overview

2nd Quarter 2016
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About the Data:

Some of the information provided in this report, such as the category breakdown, trademark analysis and valuation data was derived using proprietary systems built by Intelium Corp. or its affiliates.

The domain sales data was provided by ShortNames.com. It was also generated using automated means and through the use of proprietary technology. The data is verified on the best available bases and may be subject to inconsistencies or errors that are corrected at the sole discretion of ShortNames.com.

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Any information requests should be directed to g@grg.com. Please put Quarterly Industry Report in the header of the email.
**OVERVIEW**

LL.com domains comprise one of the most coveted internet property categories in the world. There are only 676 possible combinations, which puts this group in third place for scarcity among all liquid domain groups. The category’s EstiBot Valuation Market Cap stands at US$2.7 billion. US companies and individuals control 53.4% of this category. Some of the world’s biggest corporations such as American Airlines (aa.com) and Morgan Stanley (ms.com) use a LL.com which contributes to the 41% development index, the highest among liquid domains.

**SALES ACTIVITY & TURNOVER**

The past 12 months of activity reveal that LL.com domains continue to be purchased by large enterprises: we.com, la.com and le.com, were all sold for more than US$1.5M. The overall turnover for this category, however, remains low and coincides with the concentration index of .267, the second lowest reported among the liquid domain categories.

**FORECAST**

We expect the availability of LL.com domains to stay low in the near future, which should maintain the group’s premium pricing. Chinese investors are likely to keep a steady demand for domains with Chinese premium letters and end users are likely to occasionally purchase one of these rare assets, helping to increase the development index. This category should therefore remain one of the most stable and valuable domain segments in the foreseeable future.
**OVERVIEW**

Despite the relatively large number (17,576 assets), LLL.com is the 4th most developed asset class with about one in three domains developed (over 5,800 websites). The ownership is concentrated mostly in the hands of US registrants (53%), with one specific owner listed as the registrant of over 1,300 domains (6% of the whole category). The high development index contributes to rank LLL.coms as 3rd in EstiBot Market Cap, estimated at approximately US$2B.

**SALES ACTIVITY & TURNOVER**

There were 39 publicly disclosed sales for a total of USD$1.46 million in Q2 2016, which accounted for a .22% turnover rate. The fifth percentile decreased 9.64% from Q1, which is in line with the negative trend across the categories, but significantly better than other categories like LLLL and NNNNN, which have suffered two digits declines. The drop has been more significant in Chinese Premium LLLs, which have suffered losses comparable to less scarce assets like LLLLS, largely due to a sharp decline in Chinese demand.

**FORECAST**

Despite the dip in prices, the high development index makes LLL.coms highly recognizable and prestigious assets. Therefore, they are likely to maintain their value and low market volatility over time, especially since large portfolio holders are unlikely to indiscriminately increase supply.
OVERVIEW

LLL.L.coms are the largest and the most traded group among the liquid domain categories. There are 456,976 individual combinations with a 21% development index. The category has an EstiBot market cap valuation of approximately $2 billion. LLLL.com registration availability completed in 2007 and many LLLL.coms were obtained through mass registrations. This resulted in a high concentration index of 0.7, the highest among all liquid .com domains.

SALES ACTIVITY & TURNOVER

There were over 4,550 disclosed sales in Q2 2016 which equals to a remarkable 1% turnover, the highest of all categories. This category was greatly affected by the decline in Chinese demand and fifth percentiles have registered a sharp 23% drop since Q1 earlier this year. The variation highly depended on the type of assets that were traded: specifically, the Chinese Premium Domains registered losses far in excess of Western Premium Domains.

FORECAST

Since there are no significant differences in end user demand between Chinese and Western Premium domains, in the long term we forecast a steady normalization of the trading ranges with Western Premium combinations trading closer to the more expensive Chinese Premiums. The extremely high concentration index of 0.7 implies that LLLL domains are more susceptible to substantial changes in demand and supply in short periods of time.
OVERVIEW

This category is the second most scarce domain group after NN.com domains with only 520 possible registrations. This group also shows the second highest development index among all liquid domains at 37.9%. As a consequence of the high end user adoption, this category is one of the least concentrated (0.314) and has an EstiBot Market Cap valuation of US$18M.

SALES ACTIVITY & TURNOVER

Due to the high development index and the scarcity of assets, we believe that the LN/NL domains are largely undervalued and a category to watch with interest for future appreciation, and large end user transactions.

FORECAST

There are no disclosed transactions in Q2 2016 for LN/NL assets, mostly because of the limited number of assets available. Notable transactions in 2015 include w8.com for $140,000 USD, u8.com and v5.com for $130,000 each.
OVERVIEW
With only 100 assets, NN is the rarest and most valuable domain category. About 37% of this class is developed, with over 50% of the registrants located in China. The group’s EstiBot market cap valuation is ~$159 million, with an average price of about $1.5M per asset and a concentration index of .17 (83 owners for 100 assets), the lowest among all categories.

SALES ACTIVITY & TURNOVER
Given the exceptionally low supply of NN.com domains, it is very rare to report a sale in this category. The highest disclosed sale until now has been 37.com, which sold in 2014 for approximately US$2 million.

FORECAST
Due to scarcity and the high development index, NN.coms are likely to remain a highly valuable asset class with market dynamics similar to prime real estate and fine art. The uniqueness of each domain is likely to guarantee sales prices that could vary greatly with each buyer.
OVERVIEW

With 1,000 assets, the EstiBot market cap valuation for NNN.com is approximately US$429 million which translates to a little over US$400,000 per domain. The 21% development index is lower than expected and surprisingly similar to less scarce categories such as the LLLL and NNNN.coms. However, the concentration index is fairly high at .34, suggesting that ownership is fairly spread out with registrants almost evenly split between China (52%) and US (41%).

SALES ACTIVITY & TURNOVER

There have been only 3 disclosed sales (0.3% turnover) in Q2: 281.com ($201,100), 746.com ($121,000) and 384.com ($158,720). These numbers are considerably lower than the peak sales of Q4 2015, which include 399.com ($821,819) and 989.com ($818,181).

FORECAST

NNN are likely to remain one of the most appealing categories for domain investors and end users alike. The publicity of high profile transactions such as 360.com (which now ranks in the top 100 Alexa websites and is rumored to have sold between $16M and $17M in early 2015) makes the ownership of these domains very prestigious. With the growing demand by end users from China, we expect a slow but steady increase in the development index and therefore a potential surge in value in the medium to long term for this asset class.
**OVERVIEW**

With 10,000 assets, the EstiBot market cap valuation of this category is US$378 million which translates to an average valuation of US$37,800 per domain. Despite being rated 5th for scarcity, NNNN have the second lowest development index (less than 1 in 5 domains are developed) and a concentration index of 0.46. Over 65% of these domains are owned by Chinese registrants. A high profile example includes 1688.com owned by e-commerce giant Alibaba.

**SALES ACTIVITY & TURNOVER**

There were 23 reported public sales in this category Q2, with over $500,000 in total sales volume. The 5th percentile variation was -7.46%, which is in line with the overall negative trend, but still significantly better than the double digit price declines which affected LLLL and NNNNN domains.

**FORECAST**

Although the 19.78% development index is quite low, the highly concentrated ownership in the hands of large portfolio holders pursuing a buy and hold strategy should curb any excess in supply which might put pressure on the prices during a bearish phase of the market. We expect NNNN to be a relatively stable category with promising growth potential and low volatility.
OVERVIEW
With 100,000 assets, 5N is the second most numerous category of liquid .com domains. With the last available domain registered in 2012, the category has quickly established itself as one of the most traded, especially because of a strong investor demand from China which accounts for over 50% of the group's registrants. The category's EstiBot market cap valuation is a little under USD$200 million, or about USD$2,000 per domain. The group has a 14.2% development index which ranks as the lowest among all liquid categories, with only about one in seven domains developed into a website.

SALES ACTIVITY & TURNOVER
There were over 1,000 disclosed transactions for the NNNN category which accounted for a 1% turnover in Q2. The 5th percentile has registered a 23.26% decline, which mirrors the 23.89% drop of the LLLL category highlighting the decline in Chinese demand and the high number of undeveloped assets listed for sale. The category has a relatively high concentration index of 0.56.

FORECAST
5N dot coms are likely to continue to show substantial volatility in line with the changes in Chinese demand. It is interesting to note that the 5th percentile value of NNNN is approximately twice the value of the corresponding 5th percentile in the LLLL category. It appears that the 5N trading value might be a function of the NNNN .coms price level rather than actual end user demand, which tends to be weak for random number combinations and for domains containing the number 4. This is also reflected in the low development index for this category.
GLOSSARY OF TERMS

Chinese Premium - any domain that does not contain the letters A,E,I,O,U.V.
Concentration Index - A calculation that evaluates the registrant density of a particular category. A Concentration Index value of 0 implies that each domain is owned by a separate and unique registration. A concentration index of 1 implies that all of the domains in a particular category are owned by a single registrant.
Development Index - Percentage of the domain category that has been developed into website.
Development/Developed - a classification of a particular domain that was developed into a website. Intelium uses proprietary methodology to determine whether a domain name is developed.
EstiBot - EstiBot.com is a domain analytics platform that focuses on domain valuations and providing its users with tools to buy or sell their inventory.
EstiBot Valuation - a statistical, fair market valuation of a domain name. As a rule, strong trademarks are assigned a fair market valuation of $0, as the domain name does not have value without corresponding IP rights. These types of domains cannot be effectively resold in the markets as a stand alone asset and their valuations stem strictly from the attached trademark, or IP value.
EstiBot Valuation Market Cap - Sum of all EstiBot Valuations for a particular domain name category.
Liquid Domains - Specific types of domain categories that are actively traded on the major marketplaces. These include LL/LLL/LLLL dot coms; NN/NNN/NNNN/NNNNN dot coms: as well as the NL/LN dot com domains.
5th Percentile - the 5th percentile is the value at two standard deviations below the mean sales price. It is a representation of a reasonable category price floor in any given time period. For example, consider a scenario of only 100 reported sales where the highest sale is $100,000 and the lowest is $1,000. If each reported sale is sequenced in $1,000 increments (i.e. $1,000, $2,000, $3,000 and so on), then the 5th percentile will be the 5th lowest sale at $5,000.
Registrar - an entity that manages the reservation, transfers, and upkeep of registrant data.
Registrar - an individual or entity that registered a particular domain name.
Registry - An entity that manages the database of all domain names and related registrant information relating to a specific TLD. The registry takes on the technical functions of ensuring that the domains in their respective TLD resolve. As an example, VeriSign is the Registry of the .com TLD.
TLD - top level domain. This is extension part of a domain name. The most popular TLD by registrations is the .com.
Turnover - The percentage of the domain name category that is bought or sold in markets in a particular period of time for domain names.
Western Premium - any domain that does not contain the letters J,K,Q,UV,W,XYZ.

METHODOLOGY FAQs

DEVELOPMENT PERCENTAGE
Q: Which domains are considered developed?
A: Intelium has developed its own methodology to measure if a domain name is developed. The domain and the content of any website it contains are analyzed for dozens of specific variables in order to qualify for this category.

CONCENTRATION INDEX
Q: How is the concentration index calculated?
A: The concentration index is the number resulting from the following calculation: 1-(number of registrants/total number of domains).
Q: How do you count privacy domains?
A: Each domain displaying “Private Registrant”, “Whois Privacy Corp,” or any known privacy service as registrant, is considered as registered by a separate owner.

OWNERSHIP BY COUNTRY
Q: Which domains do you consider registered in China?
A: All domains displaying a registrant address from China, Hong Kong and Macau.
Q: Which domains do you consider registered in Europe?
A: All domains displaying a registrant address from the following countries: United Kingdom, Germany, France, Netherlands, Switzerland, Spain, Sweden, Denmark, Italy, Turkey, Ireland, Belgium, Norway, Finland, Estonia, Slovakia, Greece, Croatia, Hungary, Serbia, Austria, Lithuania, Poland, Cyprus, Island, Luxembourg, Latvia, Portugal, Ukraine, Isle of Man, Czech Republic, Belarus, Bulgaria, Bosnia, Albania, Macedonia, Slovenia, Kosovo, Montenegro, Malta, Andorra, Gibraltar, Monaco, San Marino, Liechtenstein, and Vatican City.
Q: Which domains do you consider registered in the rest of the World?
A: Rest of the world (ROW) is a residual value of domains not registered in China, Europe, or the United States.
Q: How do you consider privacy domains in terms of geographical location?
A: For Privacy whois domains, we assume the country of the privacy service.

ESTIBOT MARKET CAP
Q: What is the EstiBot market cap?
A: The EstiBot Market Cap is the sum of all EstiBot Valuations for a particular domain name category. Strong, non-generic trademarks are valued at $0.
Intelium is the premier supplier of domain name analytics. We specialize in creating powerful software and service solutions for the domain name industry.

Over the past 10 years, our products have been used by hundreds of thousands of satisfied customers across the world. We have built a reputation for providing the highest quality of software and customer service.

We also specialize in gathering and analyzing raw internet data, and converting that data into useful intelligence. Our data is routinely used by domain investors, public and private sector organizations, as well as government agencies to make key decisions.

Software is not just our business, it is also our passion. We strive to continuously improve the software and services we provide to our customers.

GGRG.com is a Lisbon based Brokerage and Consulting firm which focuses on the 29,872 com domain names defined as “liquid” (NNN, NNN, NNNN, LL, LLL, LN & NL). Founded in 2015 with the vision of making the domain after-market efficient, we provide unbiased advice and market intelligence that allows investors to make informed decisions.

With millions of dollars in privately brokered transactions and clients that range from private investors to billion dollar companies, GGRG.com quickly established itself as a leading firm in the domain space, and received award nominations for Blogger of the Year and Goodwill Ambassador in 2015, and Broker of the Year in 2016.

ShortNames aggregates and tracks short domain name auctions and sales across a multitude of domain marketplaces. We provide tools and powerful search features to help domain investors track and monitor domains and categories of interest.

We have been tracking the domain aftermarket since early 2008, with a focus on short domains. Most sales we track are collected from the closing price of public auctions, as well as some private sales that are reported to us by certain venues. We cannot guarantee that all reported sales were completed successfully, but we do our best to remove any inaccurate data.

The goal of the site is to provide an aggregated overview of the short domain market, and to offer tools to those who invest in it.

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