

Domain names: the real estate of the 21st century

Investing in domain names is more lucrative than investing in stocks

2007 has definitely not been a good year for investors in real estate and it has been even worse for those who invested in shares. The increasing interests and the loan crisis haven't done any good either. All in all, domain names are an alternative way to invest that remains rather unknown.

From IP address to domain name

Let's first clarify a few points. Each computer connected to the Internet has an IP address. Such an IP address is composed of digits (e.g. 193.111.95.31), which makes it of course not very easy to memorize. That's why domain names were brought into existence. Thanks to this system, an Internet user doesn't have to memorize 193.111.95.31, but simply surfs to a name such as www.domainname.be. This name then redirects visitors, via the IP address, to a server on which the website is hosted.

Each domain name is composed of a prefix coupled with an extension. In the example domainname.be, « domainname » is the prefix and « be » is the extension. Each country has its own extension. So, there is the .be for Belgium, the .nl for the Netherlands, and the .lu for Luxembourg. Besides, there are also a whole bunch of commercial and continental extensions, such as .biz, .info, .asia, .eu, .us, etc. All these domain names are managed by a registration bureau, also called registry. Most of the times, this is a governmental entity or a non-profit association under governmental surveillance. In Belgium, DNS Belgium is in charge. However, in general, you cannot directly address such a registration bureau. It indeed collaborates with several authorized agents and registrars (providers who register and manage domains) that deal with the whole registration procedure. Besides, this procedure has been extremely simplified and even entirely automated over the past few years. Concretely, this means that for most domain extensions, it is even possible to register and use a chosen domain name within a minute.

Each domain name is unique

One of the great advantages of a domain name is that it is unique. Only one person can own a given domain name. It is important to know that one can never be the owner of a domain name, but that each year, you can prolong your license to use this domain name. The current licence holder always has priority as far as prolongation is concerned. If he doesn't enforce his priority right, the domain name is made available to the public. Since domain names are unique, they tend to get rare, which makes their resale price rise.

Choosing a good domain name

Choosing a domain name is something that deserves some thought. A website without a good domain name is indeed bound to meet with failure. The more a domain name is strong and recognizable, the more it's worth. Try to keep the domain name as short as possible. But do make sure to register the name of your company and the name of your products and activities no matter what, even if you come up with long combinations. Taking into account that lots of domain names have already been registered, you could possibly have no other option.

Choosing a domain extension

As we already mentioned it, you can choose from several domain extensions, some being more popular than others. There are e.g. 2.000.000 more .nl domain names than .be domain names. This is related to the number of inhabitants, to the fact that Internet hasn't been adopted everywhere with the same ease (its integration in e.g. the Netherlands happened more rapidly), to the time at which liberalisation took place and to the applicable laws. Before December 2000, in Belgium, one was only authorized to register a domain name that matched one's company name. This means that e.g. the furniture maker Smith plc could only register smith.be and not coffeetable.be, chair.be or furniture.be. This has been possible for about seven years, while in the Netherlands, the option had become available far earlier.

There are currently 760.000 .be domain names vs. 2.800.000 .nl domain names. This means that in Belgium, numerous interesting combinations are still available.

Number of domain registrations per extension (March 2008)	
Extension	Number of registrations
.be – Belgium	760.000
.nl – Netherlands	2.800.000
.eu – Europe	2.800.000
.com - International	65.000.000
.us – United States	1.200.000
.de – Germany	12.000.000
.biz – Universal	1.670.000
.info – Universal	4.290.000

When choosing your extension, look beyond your home country. As a Belgian, you can perfectly register a .nl domain name, as well as numerous other extensions. Moreover, certain extensions allow interesting possibilities:

- The Democratic Republic of the Congo uses e.g. the extension .cd. This can be interesting for those who are active in the music industry; think for example of names such as christmas.cd, music.cd or standup.cd.
- As for the Tuvalu island group, it uses the extension .tv, which allows one to register nice names such as program.tv, my.tv or information.tv.
- Italy uses the extension .it, which is interesting for companies in the IT sector.
- Generic domain names such as .biz, .info, .com, .net, .org, or .name also offer lots of possibilities. Think of automobile.biz, garage.biz, jones.name, etc...

Why invest in domain names?

Why is investing in domain names more interesting than investing in real estate? That was indeed our matter of concern. Firstly, domain names are unique and, as we mentioned it before, only one person can own a given domain name. There's no question of co-property or having to appoint a property manager.

Secondly, there is a lower access threshold. A domain name costs about 34 EUR excl. VAT a year. If you invest 25.000 euros each year, you will soon have 700 domain names in your portfolio. Good and simple domain names often go for prices ranging between 500 and 1.500 euros. For stronger domain names, the price can sometimes climb to a few thousand or even several tens of thousands of euros. At SEDO, a market place for buying and selling domain names, the average selling price is about 1500 euros.

Thirdly, no one forces you to sell your domain name. You can prolong it each year and sell it only after a few years. As a matter of fact, a domain name entails no maintenance costs whatsoever. You don't have to look after your domain name, as you should with a building or a parcel of land. Nor do you need to hire a property manager or to pay withholding or property tax.

Fourthly, the transfer costs are minimal, no notary must be consulted and most registries use an automated process, which minimizes risks for sellers as well as for buyers. If there is no trust between parties, there are parties such as SEDO who can act as third parties in order to complete a transaction and to ensure that there is no risk for the buyer nor for the seller.

Fifthly, it is impossible to lose or damage your domain name. Unless you should forget to prolong it, you can keep your domain name for life. Another advantage that your domain name offers as opposed to real estate is that it cannot fall victim to vandalism or housebreaking. This means that you don't need any insurance.

Respect of rights

Trading domain names has only recently become authorized. Back when the .be domain names were liberalized at the end of the year 2000, trading them was not authorized: there was no way to change the name of their holder. Slowly, most registries realized that the free market principle had to be applied here as well and domain trading became officially allowed.

However, all this does not mean that commercial and trademark rights should not be respected anymore. Hence, you can not register nike.be or microsoft-shop.eu just like that. As a matter of fact, holders of commercial and trademark rights enjoy protection on the territory in which their rights apply. Many registries also provide a dispute resolution procedure allowing brand holders to (re)claim their domain name in a relatively inexpensive fashion. Thus, registering domain names definitely does not imply that you start acting as a domain pirate. Because that would mean that you would deliberately register registered trademarks while not having the right to do so. Even if you are its rightful owner, your domain name could thus be seized.

To put it shortly, registering domain names must be done in a wholesome manner. Choose generic names (such as sports.be, gsm-subscription.be, etc.) to which nobody could enforce rights.

Recent successful sales

Figures regarding the most lucrative sales are usually hard to find. In 90% of the cases, the sale is directly completed between the buyer and the seller and the selling price remains confidential. Some of the largest acquisitions, such as those of porn.com (9.5 million \$), computer.com (2.1 million \$) and seniors.com (1.8 million \$), sometimes end up in the (foreign) media. In the tables below, you will find an overview of some of the recent sales that were closed in 2007 and 2008 via intermediaries in domain trading. Domain buyers can be individuals or companies, ranging from SMEs to multinationals:

A few sales made in 2008	
Domain names	Selling price
sport.co.uk	£ 135.000
holland.net	\$ 27.500
casiono777.net	\$ 20.000
datarecovery.com	\$ 1.659.000
173.com	\$ 302.000
4x4.co.uk	£ 38.500
comparer.fr	€ 30.000
südsee.de	€ 5.000
upload.nl	€ 4.500
viajes.mobi	\$ 8.000
Autograph.com	\$ 55.000

A few investment tips

Have you decided to invest in domain names? All right! In that case, let us give you a few more tips:

- Keep an eye open for everything happening in the domain name world. You can do that e.g. by regularly checking out online blogs such as <http://blog.combell.com>. This site publishes all news regarding domains and also informs Internet users when a landrush is imminent for a given extension. It so happens that certain domain extensions are not open to registration yet, but could be in weeks, months or years to come. So, be among the first to take your pick from millions of combinations!
- Lately, IDNs (Internationalized Domain Names) have also become available. That means that numerous extensions also authorize special foreign characters such as à, é and ç. More concretely, on top of letters from A to Z and digits from 1 to 9, certain domain names can also be registered with special foreign characters.
- Finally, let's go over the numbers once again: the Netherlands currently have 2 million more .nl domain names than Belgium. Amongst these 2 million, there are certainly interesting domain names of which you could register the Belgian version. To do so, choose only generic names and do not aim for existing trademarks. Prepare a list of interesting names and start registering!

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