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Domain names become premium Web real estate

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By Jon Swartz, USA TODAY

SAN FRANCISCO — Everyone should have Amy Schrier's problem.

For six months, she resisted selling the domain name Blue.com for \$200,000. Using a formula she devised to fetch the highest market value for domain names, Schrier eventually convinced a private party that Blue.com was worth \$500,000. Since the name was sold in March, its site now includes links to sexual material and airfare ads.

"The market will really explode when people realize they are sitting on premium real estate," says Schrier, 37, an entrepreneur in New York who bought Blue.com for \$65,000 in 2002.

Dan Taylor, 54, an industrial designer in Toronto, stumbled onto his domain riches. In the 1990s, he bought Realtone.com with the intent of developing online content for skin-care products. As Taylor's luck would have it, that was before ring tones became available on cellphones. When Universal Entertainment in Germany came calling for the domain name last year, Taylor sold it for an undisclosed amount.

Schrier and Taylor are among an estimated 1,000 to 2,000 individuals who make a living buying and selling domain names, though about half prefer to remain anonymous to avoid competition, says Ron Jackson, editor and publisher of *Domain Name Journal*.

'A long-term investment'

Most domainers buy and own names. They "park" on sites, where they develop content in the form of Web links and ads, to generate income and increase the value of their virtual real estate.

"It's a long-term investment, like owning a home," says Lawrence Fischer, vice president of business development at SmartName.com, a company that owns and manages thousands of domain names, including Stockquotes.com. "But if a major brokerage firm came along with a big offer, I would be willing to listen."

Plenty have been willing to pay. Sales of 5,851 domain names generated \$29 million in 2005, compared with the sale of 3,813 names for \$15 million in 2004, market researcher Zetetic says.

Venture-capital firms, too, are betting on domains. Last year, Highland Capital Partners plunked down more than \$20 million on YesDirect, a holding company with 600,000 domain names. YesDirect is developing content for websites using the names, says Bob Davis, a managing general partner at Highland.

Further underscoring the hot domain-name market: Its biggest trade show ever took place in Las Vegas last week. About 400 to 500 domainers and investors took part — double what the same show drew a year ago, organizer Rick

Schwartz says. Officials at Yahoo and Google, both of which own domain names, attended. There, the largest live domain-name auction produced \$2.1 million in sales in three hours.

'Like a lottery ticket'

"It's like buying a lottery ticket, but the odds are better," says Ken Carey, 50, a longtime autoworker in Grand Rapids, Mich., and part-time inventor who owns 200 domain names, including Lowcostimports.com and Automotivecomputers.com. "All you gotta do is hit the right niche, and you're well on your way to being a millionaire."

When Carey thinks a technology is about to take off, he says, he buys a domain name that pertains to it. The more generic the name, the better its value, says Carey, who is about to retire.

Sometimes, the payoff is huge. Online entrepreneur Gary Kremen snagged \$12 million in cash and stock this year when he sold Sex.com to Escom, an adult-entertainment company.

Sometimes, it lands the owner in legal hot water.

When Benoit Deschenes, 38, of Montreal, approached a health care conglomerate about selling it a domain name containing its name, the company balked and threatened legal action, he said. On the advice of his attorney, the unemployed Deschenes says, he is selling the domain name to the company for a small, undisclosed sum.

"I never imagined it could be like this," says Deschenes, who says he collects domain names like coins and stamps. "It's a crazy time."

A surge in online ads and Web viewing have made domain names a serious business proposition. Online ad revenue is expected to reach \$13.6 billion in the USA this year, up 14% from last year, according to Jupiter Media. Overall, 153 million people in the USA use the Web, up 2.5% from a year ago, Nielsen/NetRatings says.


"Those who understand domains and what they represent, can and have done very well," says Schwartz, 52, who sold Men.com for \$1.3 million in late 2003, a huge profit from the \$15,000 he paid for it in 1997. He bought Property.com for \$750,000 last year.

Schrier, who sold Blue.com for more than twice what she was originally offered, may soon offer advice.

She intends to market her formula for getting the most value out of domain names.

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