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Single-letter domain names fetch average of £39,000



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OCTOBER 2, 2011 by Tim Bradshaw, Digital Media Correspondent

Internet investors and speculators have spent tens of thousands of pounds to buy just one or two letters in online addresses, after a new set of UK domain names went under the hammer.

Twelve single-letter domains – including x.co.uk and o.co.uk – fetched an average of £39,000 each in an auction run by Nominet, which administers the UK's internet infrastructure. Including two-letter domains, 2,831 web addresses were sold, raising £3m for the Nominet Trust, an independent charity promoting internet access, safety and education.

The buyers are a combination of businesses wanting to promote their brands, individuals laying claim to their initials and speculators betting that they can build a business out of a unique domain or sell it on for a profit.

Notable buyers include Facebook, which bought fb.co.uk, the Chartered Institute of Personnel and Development, snapping up hr.co.uk, H&M buying hm.co.uk and Mercedes-Benz purchasing mb.co.uk.

But in the highest-priced auction, Google was outbid for the rights to g.co.uk by Any-Web, a company which collects, builds and resells domain names and is believed to be the auction's biggest spender.

According to auction data collected by Ty Hancocks, founder of Exacts.co.uk, which builds online businesses from the relevant generic domain names, Any-Web paid a high five-digit figure for g.co.uk, one of more than 170 domains the company acquired for a total investment of almost £500,000. Any-Web declined to comment on the prices reported. The company also acquired financial-industry domains VC.co.uk and PE.co.uk.

Other individuals and companies each acquiring multiple domains include XYZ Invest LLC, which acquired no.co.uk; Registration Transfers Limited, buyer of gm.co.uk; and Domain Developers Fund, which bought pr.co.uk. Domain Developers Fund estimates the global domain-name market is worth \$25bn and growing at 10 per cent a year, including secondary trading, renewals and new registrations, with some 215m domains registered around the world.

"You have a large number of people hoping to make a fast buck and using the specialist knowledge of the process to steal a march on other parties who might potentially be interested in the future," said Mr Hancocks, who describes himself as a domain developer. "I think you have some people in it purely for a collector mentality."

Mr Hancocks, who bid for around 70 domains but did not win any, collected pricing data from his participation in the auction process, web forums and

market ever," said another person involved in multiple auctions. "I don't think we will see anything like it again."

Many of the websites bought in the auction have already been sold on for prices unknown. The registrar of x.co.uk, for example, has changed hands three times in the past week and is currently owned by Kiss Ltd of Mayfair.

Domain names are usually offered on a "first come first served" basis but these short domains had been held back for technical and policy reasons, such as to avoid confusion with other international domains.

Beginning last December, Nominet contacted 20,000 rights holders to offer them the opportunity to acquire relevant domain names for a nominal fee before the addresses were put up for auction. Only 220 brands successfully acquired domains this way, including British Airways (ba.co.uk) and Virgin Enterprises (v.co.uk). The auctions ran in August and September.

"The revenue raised was at the top end of our expectations," said Nick Wenban-Smith, senior legal counsel for Nominet.

Speculation on domain names is fraught with legal risk, with at least one trademark owner already threatening to take a recent buyer to court.

"It is in my view an asset class in its own right," said one buyer. "But if the names lost all popularity, at least I've done something very nice for a charity that's worth supporting."

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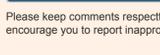
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