# WHEN IT COMES TO DIGITAL MARKETS, TRUST CAN'T BE SECONDARY

## How the Rise of Digital Secondary Markets for Tickets and Other Goods and Services Threatens to Box Out Consumers, Hike Prices, and Undermine Trust in Broader Markets

digitalcitizens alliance

May 2025

# Table of Contents

Executive Summary 2

Digital Secondary Markets Abound 5

How Ticket Broker-Created Scarcity Enables Digital Secondary Market to Reap Massive Service Fees 7

House and Home: The Monetization of Real Estate and How it Creates Scarcity that Threatens to Crowd Out a Generation 19

Digital Real Estate: Domain Name Scarcity Enables Big Bucks Bonanzas for Investors While Crowding Out Businesses 23

A Path Forward to Secondary Market Trust 27

# Executive Summary

Digital secondary markets represent an ever-growing percentage of event ticket sales, short-term rental bookings, and domain name transactions. As such, these online platforms are now critical markets for goods and services. Although they can provide consumers with helpful options that were unavailable just decades ago, they also pose the risk of hindering consumer access and distorting prices due to manipulative actions by brokers and sometimes even the platforms themselves, according to a Digital Citizens Alliance investigation.

Due to their central role, when these digital secondary markets act in ways that undermine trust, they can jeopardize faith in the broader markets. And this is no hypothetical concern – a Digital Citizens research survey reveals an emerging "Trust Gap" between digital and primary markets.

This is not going unnoticed.

On March 31, President Trump signed an executive order to "end price-gouging by middlemen in the entertainment industry" and ensure that ticket buyers weren't blindsided by hidden fees. Last year, Washington, DC Attorney General Brian Schwalb accused ticket broker StubHub of a deceptive scheme to advertise low prices only for the buyer to be hit by service fees of up to 40 percent at checkout. Beyond these fees, there are scores of complaints that tickets purchased on digital secondary markets turned out to be counterfeit, with many reporting they missed the event for which they had paid dearly.

As Digital Citizens looked at digital secondary markets, it found some troubling signs in online markets beyond event tickets. Airbnb is taking flak for not protecting guests at rentals:  in fact, a company executive admitted that when a guest complains about illegal hidden cameras, Airbnb doesn't notify law enforcement, even when a minor is involved.

And the monetization of homes as an investment asset is causing scarcity that fuels rising home prices. Not surprisingly, homeownership among young adults aged 25-34 has dropped from 45 percent in 2000 to 37 percent in 2024.

Another cause for concern is the secondary market for domain names, the digital real estate (such as "cnn.com") used to create a website. Domain investors purchase large blocks of domains in hopes of selling them for a profit. While there is no precise estimate, these investors are believed to control roughly up to 25 million domain names. Like the secondary market for tickets and homes, it can also lead to scarcity and price distortions that can make it difficult for others, such as small businesses, to succeed.

Let's be clear: digital secondary markets are not going away, nor should they. But given the growing portion of the market they are, how they act does matter. If they act responsibly, they reinforce consumer confidence broadly. And if they act irresponsibly without care for consumers or the potential harms they create, they undermine markets.

Scrutiny, if not a reckoning, is coming. Both the federal and state governments are looking atthe behavior of digital secondary markets. As these markets become as important as primary markets, it's up to them – or those who regulate them – to ensure that the standards that have been in place to protect consumers, businesses, and others aren't lowered. So far, the results have been mixed.

That is the reason Digital Citizens launched the Responsible Markets Initiative (RMI) - to put a spotlight on these markets to help consumers make smart decisions and provide information to policymakers grappling with how to ensure online trust and safety.

The objective is to ensure that Internet users can trust these digital secondary markets as much as they do the primary markets they've long relied upon. And research shows the "Trust Gap" among Americans between these markets is significant. By a 10-1 margin, Americans trust primary markets over online secondary markets, according to a Digital Citizens research survey of over 1,800 Americans conducted in April and May. And only 1 in 3 Americans view the actions of those who purchase event tickets, monetize homes, or acquire blocks of domain names as a positive outcome for markets and society.

As part of its Responsible Markets Initiative, Digital Citizens will also look at markets for consumer goods such as luxury goods, drugs, and toys (including whether they make it easier to peddle counterfeits) as well as platforms that offer access (at a price) to everything from user names and passwords for online services to restaurant reservations.

But it's appropriate to start with the secondary markets for tickets, housing units, and domains because they are both among the largest and most mature.

# Digital Secondary Markets Abound

Secondary markets are straightforward. There's the "primary seller" of a good and service who offers it at face value, such as a box office selling tickets or a liquor store selling a pricey bottle of bourbon. Then, there are "secondary sellers" – those that offer access (at a high premium) to hard-to-get items or sold-out events.

Not long ago, these secondary markets were called "black markets" or "grey markets" because they were either illegal or frowned upon. For example, we've come a long way from the days of scalpers hanging around the fringes of venues quietly offering event tickets to passersby while playing a cat-and-mouse game with the police. All that changed with the Internet and exploding demand for popular events. Teams and organizers wanted their piece of what has become a multi-billion-dollar global market for resold tickets to sporting events, concerts, festivals, theaters, and other live shows.

But it's not just events and shows. Want to make a few bucks by sharing your Netflix, Nord VPN, or Spotify account with a stranger? The sharesub.com platform can make that happen. Got boxed out of a reservation at a trendy restaurant? There are resellers who harvest reservation times on Resy and OpenTable for resale.

Then there are the more common markets. eBay has served as an online secondary market for goods such as memorabilia and luxury items for three decades. Facebook Marketplace launched in 2016, adding to the online players in the estimated $90 billion online market for physical goods. On the services side, car-sharing sites such as Turo serve as a platform for owners to rent out their automobiles for a price.

If you want it, there's likely an online platform that can provide it for you. And just under 70 percent of Americans have made a purchase on an online secondary market, whether tickets, goods, or services, according to the Digital Citizens research survey.

Here's what Americans report acquiring from a digital marketplace:

| | |
|---|---|
| Purchased event tickets | 38.39% |
| Secured travel accommodations | 32.64% |
| Purchased pharmaceutical drugs | 19.15% |
| Registered a domain name | 10.62% |
| Purchased goods | 36.90% |
| Rented an automobile | 14.09% |

While it can be convenient, buyer beware. Beyond creating scarcity and spiraling prices, these markets come with increased risks of counterfeits and other scams. For example, each year, scores of fans show up to the Super Bowl, only to learn their tickets aren't real. For the unluckiest, instead of going to the big game, they end up at a different venue: the police station to explain where they got the counterfeit tickets.

While not the primary focus of this report, it's important to mention that bad experiences are unfortunately too common for consumers who use secondary markets. Here are issues that consumers report having with digital secondary markets:

| | |
|---|---|
| Credit card fraud | 23.81% |
| Malware, ransomware, or other device viruses | 19.54% |
| Identity theft | 14.98% |
| Scams where the goods you purchased never were delivered | 23.12% |
| Travel scams where you paid for trip that was bogus | 7.14% |
| Copycat websites designed to trick consumers into believing they are interacting with a different business | 14.48% |

As with any market, there will be those that see opportunity. In the secondary market, it's players who create a business model out of harvesting goods and services to sell them at a markup. They've been called everything from brokers, scalpers, and domainers, but the business strategy is the same: buy early, sell high. In 2025, nowhere is that truer than in the booming digital marketplace for event tickets.

# How Ticket Broker-Created Scarcity Enables Digital Secondary Market to Reap Massive Service Fees

To say the relationship between the brokers who harvest event tickets to sell at a significant profit and the platforms that reap massive fees by helping them resell those tickets is symbiotic would be an understatement.

Brokers use sophisticated techniques and relationships with promoters to snap up coveted tickets before fans can buy them. That in turn forces the fans who were beaten to the punch by brokers to shell out hundreds, if not thousands, of dollars in ticket costs and service fees to StubHub, Vivid Seats, SeatGeek, and other secondary platforms.

President Trump cited price-gouging as a justification for the March 31 executive order that directed the Justice Department, Treasury Department, Attorney General, and Federal Trade Commission to deliver a report by October to "address the issue of unfair practices in the live concert and entertainment industry and recommend additional regulations or legislation needed to protect consumers in this industry."

Here's a good example of the challenges fans face.

The annual "Subway Series" between the New York Mets and New York Yankees is always a spectacle – but this year will arguably be the most hyped ever. Both teams are serious World Series contenders, and the upcoming matchups at Yankee Stadium starting on May 16 will be the first time superstar Juan Soto returns to face Yankee fans since he spurned the team and signed with its crosstown rivals.

Yet, there are already clear winners: the brokers who scooped up the coveted tickets and the digital platforms that will make a killing in service fees off desperate fans. For the May 16 Mets-Yankees game, StubHub had nearly 1,500 separate listings for over 7,500 tickets on April 22-23. That means StubHub alone was selling one in 6 tickets available in the stadium (which has a seating capacity of 46,537).

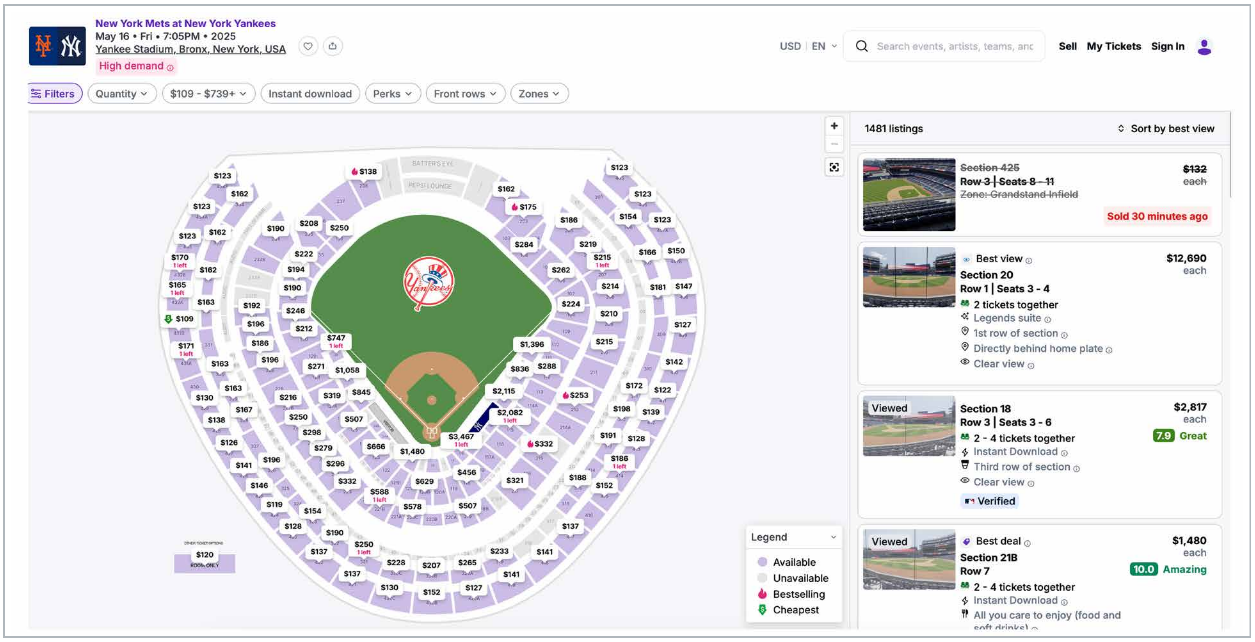


IMAGE 1

Taken together, the average StubHub price for the Mets-Yankees game was $368. And then comes the surprise: after selecting tickets, StubHub adds fees to the tally. So, fans who picked these premium tickets at $1,480 each...

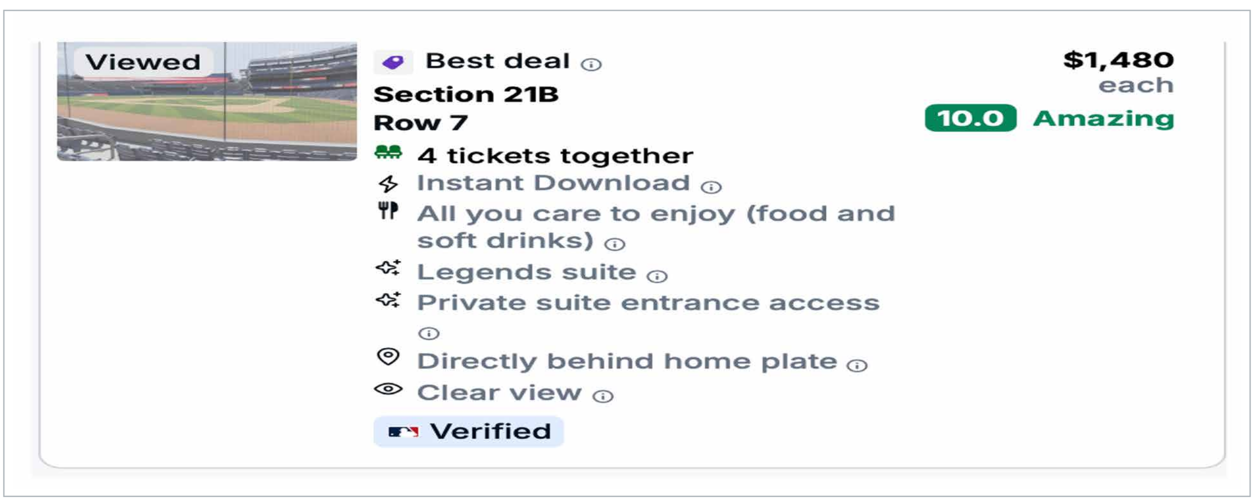


IMAGE 2

….only to learn the actual cost when they go to check out. Here's the actual price:

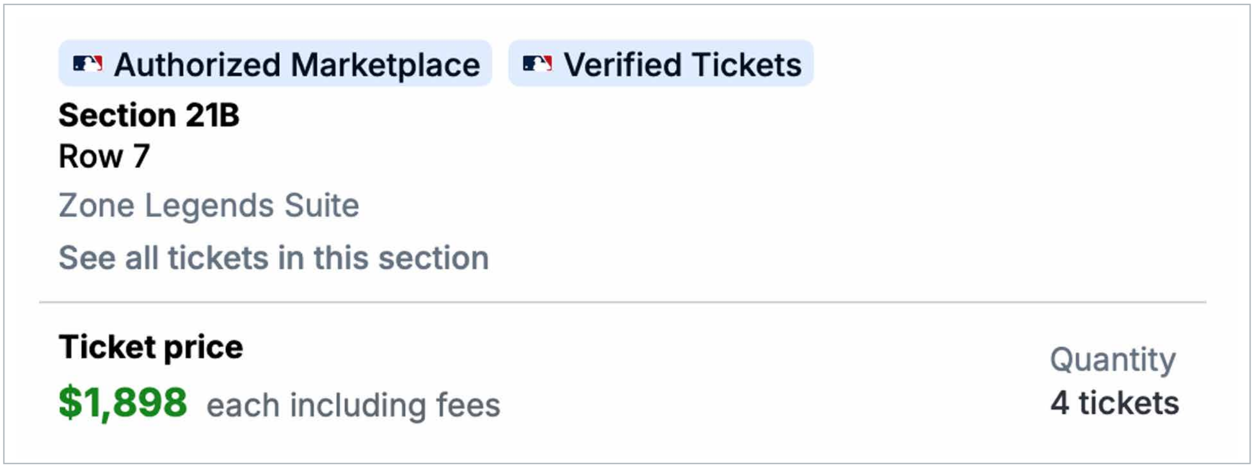


IMAGE 3

That's a $418 *per* ticket service fee that goes directly to StubHub.

One could say that someone willing to pay $1,480 per ticket can handle the extra costs – but that service fee (which ranges from [23 percent to 29 percent](), according to theticketlover.com) is tacked on to every ticket purchased. For a fan buying at the average price, that's an additional $100 per ticket, increasing the average cost for a seat at the Mets-Yankees May 16 game to $471.

Let's do the math:

- The broker charges $1,480, minus the commission (typically 10 to 15 percent) paid to StubHub. If 15 percent, that's $222 each for four tickets, or $888. So, the broker nets out $5,032 (minus the initial estimated $400 face value per ticket cost).
- StubHub charges $408 per ticket from the buyer and $222 per ticket from the seller. That's $2,520 for these four tickets.
- The fan pays $7,592 for four tickets that had an initial value of $1,600.

This is how key players mentioned in the report describe service fees:

## StubHub

"StubHub charges fees when fans buy and sell tickets. Our fees are competitive with other ticket resale marketplaces. They help us deliver a secure resale ticket buying and selling experience…Buyer fees: There's no set percentage for buy fees. Fees adjust based on ticket price, time to event, updated event information, and supply and demand….Seller Fees: There's no set percentage for sell fees. Fees adjust based on ticket price, time to event, updated event information, and supply and demand."

## Vivid Seats

"Vivid Seats charges a Service Fee on all orders so that we can back every ticket sold with our 100% Buyer Guarantee. This fee also allows us to operate our fully staffed customer service center with extended hours to ensure all customers have a seamless experience. The Service Fee is factored into the order total and is displayed prior to checkout."

## Ticketmaster

"Service charges are added to the face value of concert tickets because two important players in the concert ecosystem – venues and primary ticketing companies – get little or nothing out of the revenues derived from the ticket's face value.  That money goes mostly to the performers, secondarily to cover certain show costs, and if anything is left over to the promoters.  So, the practice developed to add a percentage service charge to a ticket's face value to pay the venue for hosting the event and the primary ticketing company for servicing venues and distributing tickets."

The issue of service fees hits home for many Americans, according to the Digital Citizens research survey. Of those who reported buying event tickets on a digital secondary market, more than half said they were surprised at the amount of fees (51 percent) and felt they paid more than what was fair (57 percent).

The service fee issue also begs another question: why are fees not the same? Does it cost StubHub more to process a $1,480 ticket than it does a $109 ticket (the lowest price on the platform for this game)? The fees for the $1,480 are $418; the fees for the $109 ticket are $34. Digital

Citizens asked StubHub whether it costs the company more to process a $1,480 ticket compared to a $109 ticket. Digital Citizens didn't receive a response from StubHub by the publication date.

A review of the sale on StubHub of tickets to the May 16 Mets-Yankees also reveals telltale signs of brokers' hold on tickets. The Digital Citizens investigation found over 150 listings on the site offering large blocks of at least ten tickets to as many as 28 tickets. Here's the StubHub listing for a block of 28 tickets controlled by one seller:

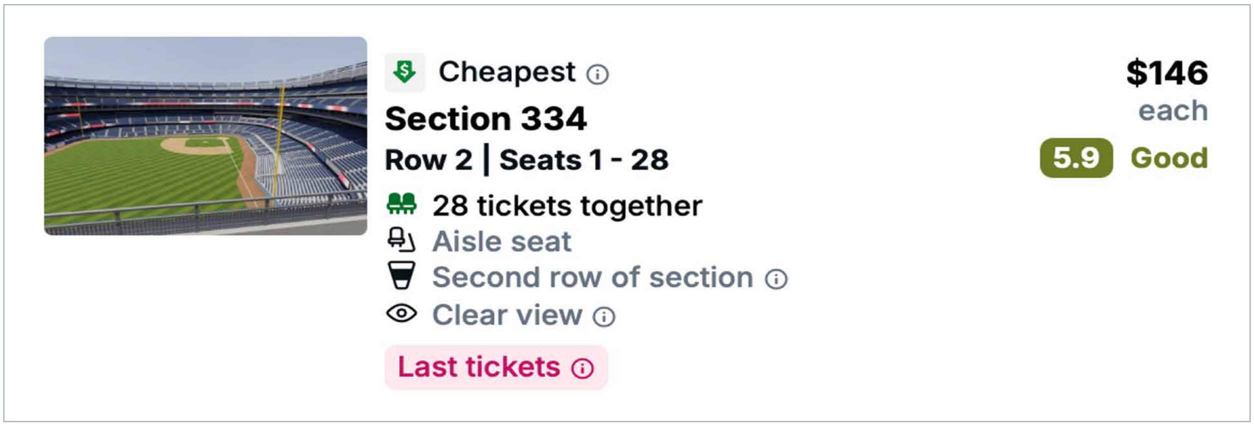


IMAGE 4

Of course, not every large block of tickets is sold by a broker – nor is every small set of 2, 4, or 6 tickets sold by a fan. In the end, reportedly less than half of tickets to major events were made available to the public, with 54 percent acquired by pre-sale programs or brokers, according to a New York state investigation.

Digital Citizens reached out to both the New York Yankees (as the venue) and StubHub (as the reseller platform) whether they take action to limit brokers' ability to purchase blocks of tickets so they can be resold on secondary markets. Digital Citizens didn't receive a response from the New York Yankees StubHub by the publication date.

Brokers sell on secondary markets before the tickets are available – or may never be. At the start of the NBA playoffs, 16 teams were vying to be champions. Only two teams will make it to the finals. But NBA Finals tickets were already available for all 16 contenders on secondary markets. For example, for hopeful fans of the Lakers, a ticket to game one of the finals ranged from $1,916 to $114,765 per ticket on Vivid Seats.

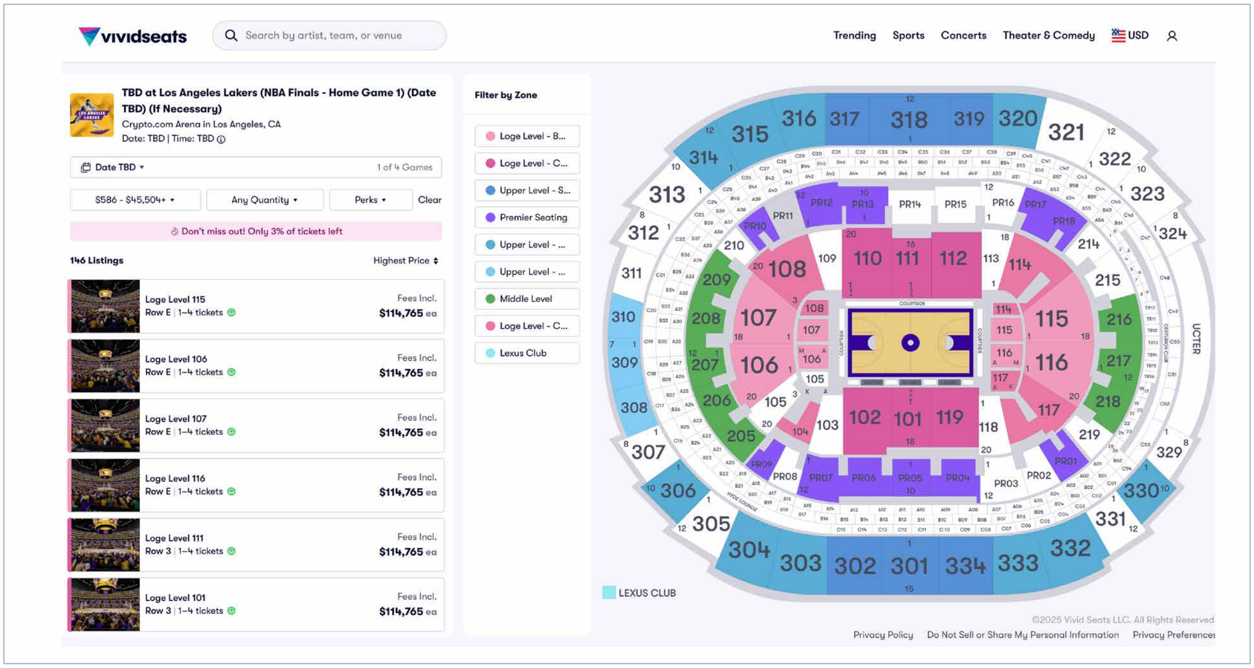


IMAGE 5

How is this possible? Because brokers post tickets that they expect to acquire but may not yet have. That is unique to these digital platforms. Primary sellers such as Ticketmaster can't advertise "potential" tickets because they must abide by on-sale dates determined by event organizers designed in part to ensure fair access to tickets.

Over the last decade, sports and music fans have grown increasingly frustrated at how brokers beat them to the punch to acquire coveted tickets. That is because brokers take advantage of pre-sale partnerships with teams, promoters, advertisers, sponsors, and event organizers to acquire tickets before they are available to the public. And they utilize technology such as bots to snap up tickets seconds after they go on sale.

Consumers have long complained of being shut out of tickets to major events, but the issue came to a boil during Taylor Swift's 2023-2024 New Eras world tour. The highest grossing in music history, the average secondary market price for tickets across the 149 tour dates was just under $1,100 – sparking criticism directed at Ticketmaster and secondary markets from consumers to industry to politicians.

Gabrielle Lask's experience was common. A self-proclaimed Swiftie, she tried to score $49 tickets through a pre-sale offer by her credit card company. When she was shut out, she bit the bullet and paid $4,000 for two tickets through a broker. Some found it more cost-effective to fly to Europe to catch a Taylor Swift show due to European regulations that combat charging exorbitant prices for tickets (more on that later).

Just like the Yankees set ticket prices for their home games (then costs spiral on secondary markets), the artists and venues determine the price for concerts. For example, for Swift's 2023 shows at SoFi Stadium, face-value tickets sold for $49 to $449. According to the Los Angeles Times, they spiked upward, ranging from $800 to $11,000 on secondary markets.

The next mega ticket show will be this summer's Lady Gaga's "Mayhem Ball Tour" – her first arena tour since 2018. Tickets sold out immediately, leading Lady Gaga to add more dates. Those lucky enough to buy face-value tickets to her August 23rd Madison Square Garden show paid $598.25 per ticket for second-row seats in Section 212.

For brokers who immediately flip them and platforms that enable them to do that, they are poised to make a nice profit. For example, second-row seats in Section 212 are selling for $5,175.40 (with fees) on Vivid Seats.

Here's a screenshot of the costs on Ticketmaster at pre-sale:

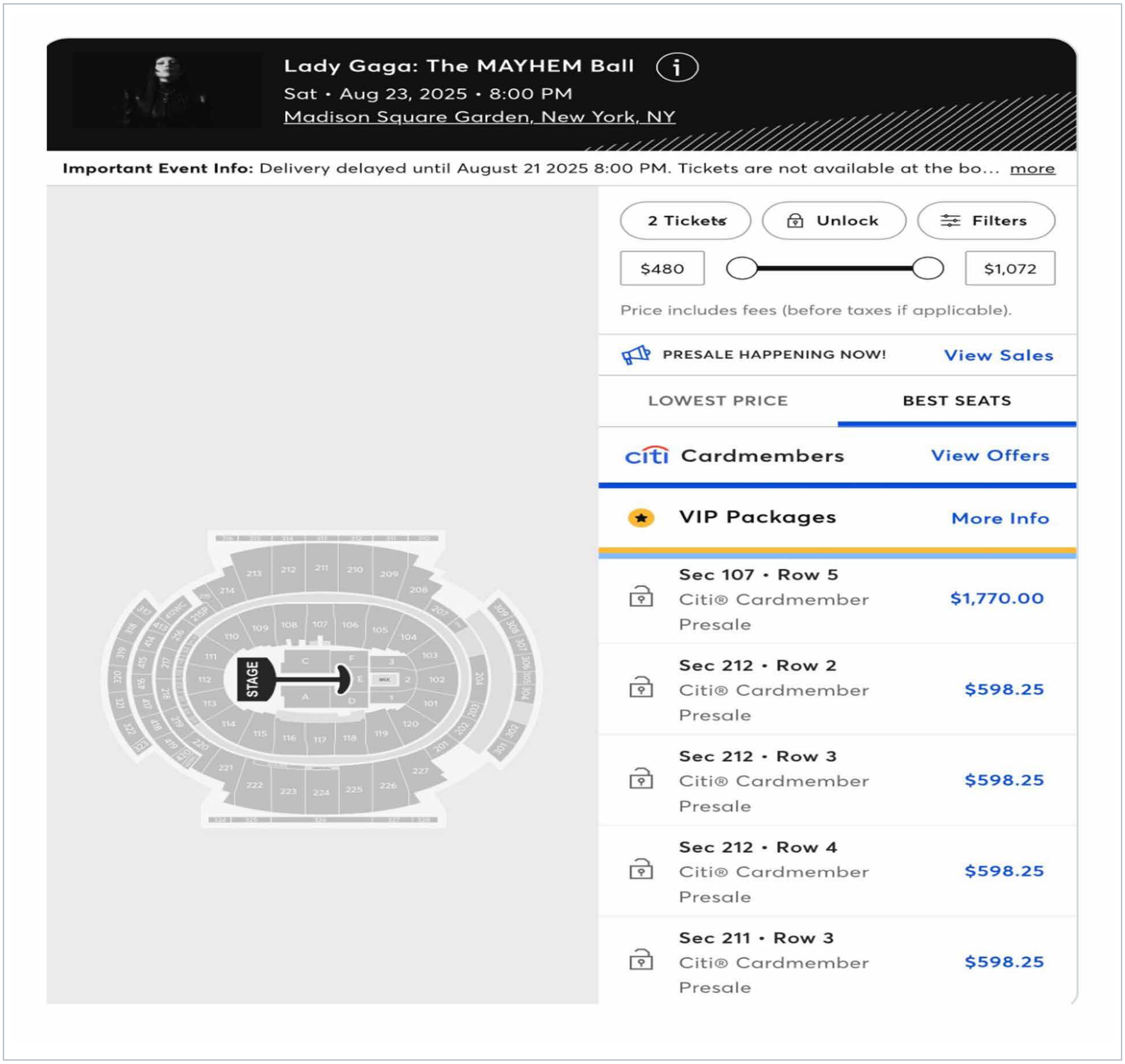


IMAGE 6

And here's the cost for tickets in the same row and section on Vivid Seats:

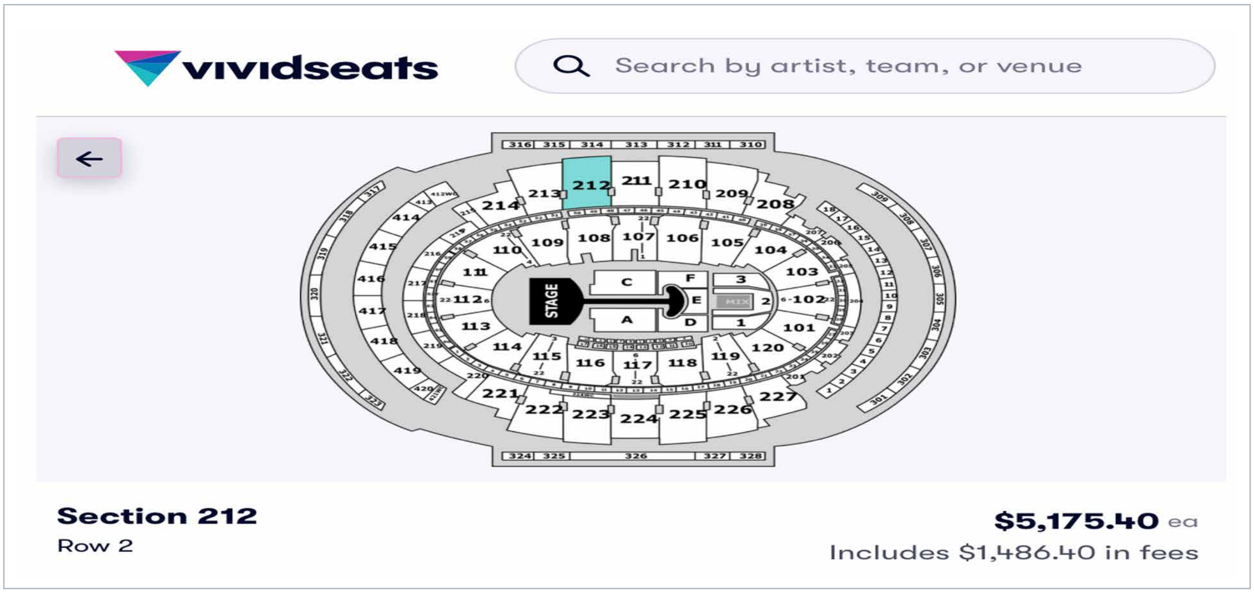


IMAGE 7

## Lady Gaga Tickets: Face Value vs. Secondary Markets: Who Pays What & Who Gets What?

| | What These Players Get | | | | |
|---|---|---|---|---|---|
| | Buyer Pays | Arena/Artist Promoter Recieves | Ticketmaster Charges | Broker Charges | Vivid Seats Charges |
| Primary Market | $598.25 | $449 | $149.25* | – | – |
| Secondary Market | $5,175.40 | – | – | $2721.85 | $1,486 from buyer<br>$517.54 from Seller<br>Total: $2,003.54 |

*Estimate based on "all-in" ticket during pre-sale.

Another issue that infuriates ticket buyers is paying a premium on the secondary market even though the event is not sold out. The Detroit Tigers-Chicago White Sox game on June 3 at Rate Field in Chicago is a good example.

Quality seats at face value are available. Digital Citizens identified face-value tickets in Section 121 for purchase. Investigators then searched secondary platforms to check availability and pricing for comparable seats.

| Seller | Ticket Price | Fees Paid By Buyer | Total Cost |
|---|---|---|---|
| Tickmaster | $75 (face value) | $15.85 | $90.85 |
| StubHub | $90 | $44.00 | $134.00 |
| SeatGeek | $119 | $50.66 | $169.66 |
| Vivid Seats | $125 | $49.85 + 2.50 | $177.35 |

A fan who relied on Vivid Seats to attend the game would pay nearly double what the primary seller, in this case Ticketmaster, is charging for comparable seats. And in a move that is increasingly drawing the ire of Members of Congress and regulators, the three secondary markets didn't disclose the fees until the final payment prompt.

In fact, StubHub displayed a prominent "Your price is locked!" banner across the screen – before "unlocking" the price to add the $44 service fee at payment.

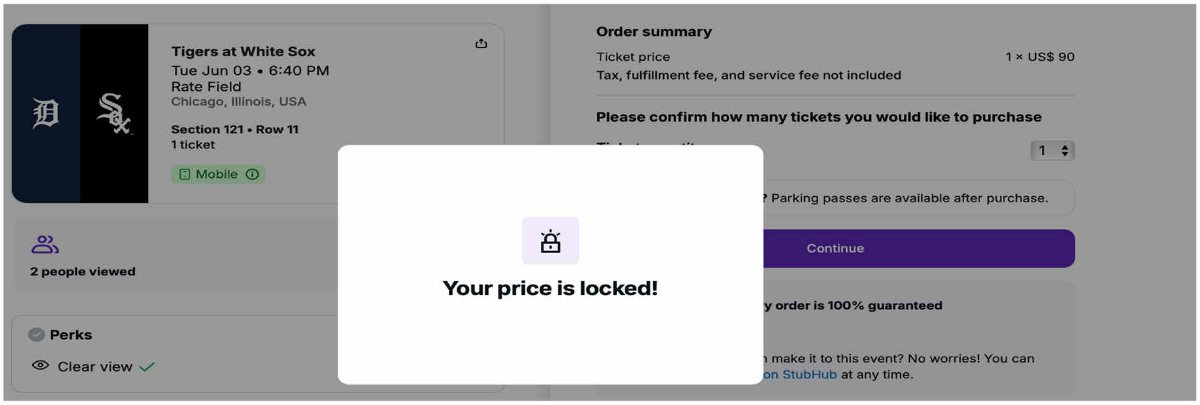


IMAGE 8

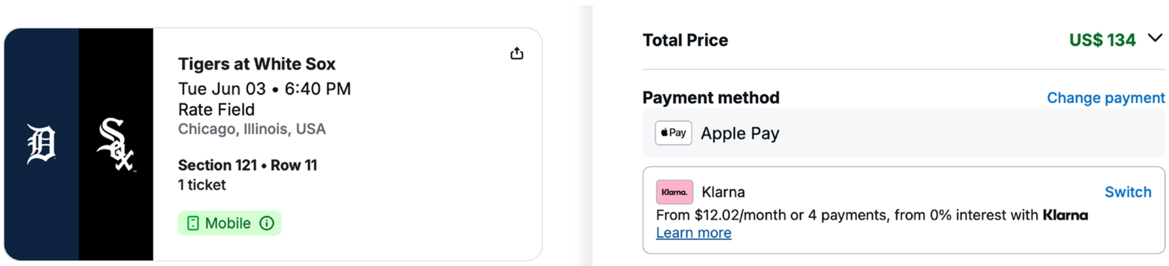


IMAGE 9

This fee-adding technique is what spurred Washington, DC Attorney General Brian Schwalb to sue StubHub for what he called deceptive practices in 2024. When he filed the lawsuit, he said, "StubHub lures consumers in by advertising a deceptively low price, forces them through a burdensome purchase process, and then finally reveals a total on the checkout page that is vastly higher than the originally advertised ticket price. This is no accident—StubHub intentionally hides the true price to boost profits at its customers' expense."

In its public response to the lawsuit, StubHub said, "We are disappointed that the DC Attorney General is targeting StubHub when our user experience is consistent with the law, our competitors' practices, and the broader e-commerce sector."

What's the net outcome of the rise of digital secondary markets?

The saying "The house always wins" comes to mind. Seventy-five percent of Americans who purchased reseller tickets said online secondary markets lead to speculators hoarding products. These platforms flourish in a profitable marriage of convenience with ticket brokers, who create the scarcity that makes desperate fans willing to pay exorbitant fees. Unfortunately, it's creating haves and have-nots. Most can't pay the price to see their favorite artist: 71 percent of fans said they opted out of purchasing tickets to see an artist they enjoy due to spiraling prices.

In one year, the world will turn its eyes to North America, which will host the 2026 FIFA World Cup. Soccer fans from all over the globe will flock to venues in the United States, Canada, and Mexico to root for their team. And the ticket brokers and digital platforms that stand to gain can't wait.

That's because ticket prices will be out of this world unless President Trump's executive order or other developments spur regulators and Congress to act. Later in the report, options that could address runaway prices will be discussed.

# House and Home: The Monetization of Real Estate and How it Creates Scarcity that Threatens to Crowd Out a Generation

Even before mortgage rates jumped, many young Americans were giving up on the quintessential "American Dream" of owning their own home due to a combination of the lack of properties for sale and, as a result of that scarcity, spiraling prices.

A key factor in that scarcity and price hikes has been homes no longer on the market because they have been monetized by homeowners or investors – either as vacation rentals placed on digital secondary markets such as Airbnb or as part of long-term real estate portfolios by private equity firms, real estate investment trusts (REITs), and large corporations oftentimes financed by private equity groups.

Just like with event tickets, the monetization of homes, condos, and townhomes is creating market scarcity that is certainly a contributing factor in price spikes that make it difficult for many Americans, but especially the latest generation to enter the workforce.

Consider this. Since 2009:

- The housing affordability index has dropped by 42 percent, according to the National Association of Homebuilders.
- The homeownership rate among Americans aged 25-29 dropped by 25 percent. Among 30- to 34-year-olds, the ownership rate dropped by 15 percent.
- There has been a significant shift toward renters. For example, 67 percent of homes were occupied by their owners in 2009. Since then, the homes added to the market are nearly evenly split between homes owned and rented (53-47 percent).

Something else happened in 2009.

Airbnb had its first full year of operations, offering primarily vacation rentals. In March of that year, it had reported having 10,000 listings in the United States. By 2024, that number jumped to 2.25 million U.S. listings. And Airbnb's success spurred competitors such as VRBO and other vacation rental platforms.

There are certainly reasons other than the emergence of digital secondary markets such as Airbnb that have caused home ownership to become increasingly unattainable for many young Americans. College debt, higher mortgage rates, and lagging new home construction to name just a few. But it's hard not to look at two trends and not see them as key contributing factors that create scarcity and subsequent price increases. Median U.S. home prices increased from $208,000 in 2009 to $416,000 in 2025.

Some of the rise of digital secondary markets directly leads to tenants getting squeezed out. For example, San Francisco prosecutors filed suit against property owners who evicted renters, including two who were disabled, so they could list the units as rentals on digital platforms. In another, a man was evicted on the grounds the landlord was moving in. But he never did. Instead, he listed the unit on Airbnb.

The monetization of properties for vacation rentals does more than raise prices and create the opportunity for bad actors to take advantage of vacationers.

Affected residents say it eats away at neighborhoods. Take the beach communities that dot Florida's Gulf Coast. Redington Beach residents voted to ban vacation rentals in neighborhoods. Meanwhile, residents of Indian Rocks Beach have called rentals a "cancer" that is "destroying what was once a peaceful safe community," but its town leaders have backtracked on imposing restrictions.

What is happening in these Gulf Coast towns mirrors a tug-of-war occurring across the country and the world as communities grapple with the impact of the monetization of properties. Jersey City limited homeowners to 60 nights of rentals a year. Miami banned most short-term rentals in 2019. Meanwhile, a law passed in Arizona banned any efforts to limit short-term rentals.

The issue of scarcity and price increases goes beyond digital secondary markets. According to a Redfin August 2024 report, 1 of every 6 homes sold from April to June 2024 was acquired by investors. Among the most low-cost houses, investors snapped up 1 in 4 of them. The number of homes remains relatively small. However, according to a MetLife Investment Management report, institutional investors such as Blackstone and Pretium Partners could control 40 percent of U.S. single-family rental homes by 2030.

"It's almost a captive market," Jordan Ash, director of labor-jobs and housing at the Private Equity Stakeholder Project, told CNBC. "They've been very explicit about how people are shut out of the homebuying market and are going to be perpetual renters."

If Americans are increasingly relegated to renters, it recalls the dystopian scenes from "It's a Wonderful Life" when Jimmy Stewart's character George Bailey gets the chance to see what would have happened if he'd never lived and not operated the Ol' Building and Loan that financed houses for families of modest means. George comes across the part of Bedford Falls that should be dotted with homes he financed – only to find it called "Pottersville" and filled with run-down rentals controlled by miserly Mr. Potter.

It wouldn't be a Digital Citizens report without mentioning that Americans should be mindful of the safety issues – both Internet and in real life – that properties rented on these platforms can pose. Just as with tickets, digital secondary markets also create concerns that short-term rentals on digital platforms aren't monitored as well as hotels, which can lead to scams and potentially security issues.

The Digital Citizens research survey found many Americans have experienced issues with vacation rentals reserved on these platforms.

| | | |
|---|---|---|
| Felt that I paid more than what was fair | 27.18% | 274 |
| My booking was of a lower quality than was advertised | 23.61% | 238 |
| Had trouble checking into my accommodations | 20.24% | 204 |
| My reservation did not exist | 11.01% | 111 |
| Experienced a credit card breach shortly after that I attributed to this purchase | 8.73% | 88 |
| Had a security issue at the accommodation | 6.45% | 65 |

It's also worth noting that CNN's 2024 investigation of Airbnb raised serious safety concerns. CNN reviewed 2,000 pages of lawsuits and police records and interviewed nearly two dozen guests who reported surveillance devices at vacation rentals they obtained through Airbnb. An Airbnb representative in a deposition said that 35,000 customer support tickets had been logged over the previous decade regarding surveillance devices (some of those tickets might have been for the same incident).

Airbnb did not have a practice of informing law enforcement when surveillance devices were reported. Nor does Airbnb conduct background checks on all its hosts.

# Digital Real Estate: Domain Name Scarcity Enables Big Bucks Bonanzas for Investors While Crowding Out Businesses

Long before institutional entities scooped up residential properties, technology investors saw gold by gaining control of a different type of real estate: domain names that are used as the addresses for websites and other forms of an online presence.

The primary focus of these operators, called domainers, is not to create websites with the domains they acquire but to hold on to them in hopes that down the road they can sell them for a healthy profit. Think of them like digital real estate flippers.

And just like event tickets and the monetization of residential properties, when domainers harvest domain names, they create scarcity that ultimately leads to higher prices for businesses trying to acquire an effective domain for a website.

Here's how. Like ticket brokers, domainers are a relatively small group of people who hold a disproportionate number of domains. By domainers' own rough estimates, there are roughly 5,000-10,000 domainers who control between 15 million to 25 million domains (nearly all of which are .COM).

Domainers are such a significant player that GoDaddy, the largest registrar, lists them as its third-largest customer population after small businesses and web designers. And GoDaddy is itself perhaps the world's biggest domainer. According to its 2024 annual report, GoDaddy maintains its own portfolio of more than one million domain names.

At those levels, these speculators control up to 15 percent of the market for registered .COM domains. The objective for most is bulk. In 2012, Mike Mann purchased 14,962 domain names in 24 hours. "I'm just really greedy," Mann told CNET. "I want to own the world."

In perhaps a bit of foreshadowing, CNET led its story on the domain-grabbing spree with: "The next time you find yourself pounding your keyboard in frustration because the domain name you want is already taken, direct your ire toward Mike Mann."

Domain investors never miss an opportunity. The day that Pope Francis died, April 21, someone registered PopeLeoIV.com in hopes his successor would choose that name. The domain name is now parked with the email contact (as of May 12, 2025): thisdomainforsale@diginames.com. Presumably, it's quite pricey. If the new pontiff had chosen to be called Pope John Paul III, that domain name is listed for $1 million.

There has been a love-hate relationship between domain investors and the organization that oversees the technical coordination of the domain name industry. When that organization, the Internet Corporation for Assigned Names and Numbers, agreed to create hundreds of new types of domains (such as .loan or .club), ICANN's chief Fadi Chehadé said, "The reality is, the more there are names, the less people will actually be hogging names in order to charge a lot for them."

Those comments were likely based on domain investors making exorbitant profits. "Domain King" Rick Schwartz last year sold bestodds.com for $1 million. In 2023, Schwartz reported that he made $12 million in domain sales in one week.

Domain resellers enjoy margins that dwarf what ticket brokers or real estate investors reap. According to NameBio,1.5 million domains have been resold for over $100. They came with an initial price tag of roughly $23 million. Buyers paid $2.7 billion for them – or 120 times the initial cost. It's important to note that not all these domains were resold by domainers. Some were sold after the holder was no longer needed for them.

The resale of domains can be fraught, whether domain investors or not. Recently, a company sued after it reached an agreement to purchase the domain name PayRewards.com for $38,000 – only to have the seller renege and demand $380,000 once he learned the identity of the buyer. According to Domain Name Wire, Dean Adams acquired PayRewards.com in 2022. After learning the buyer was Pay.com.au, Adams raised the price tenfold and threatened to sell the domain to someone else. A Denver district court judge last month granted a temporary restraining order preventing Adams from selling the domain to another party. Per the court's docket, a hearing in this matter is scheduled for May 21, 2025.

Millions of domains remain dormant while resellers hold out for high returns. And when these domains are not used but "parked" (left undeveloped), it creates scarcity just like tickets and homes. In the case of domain parking, that means businesses, organizations, or causes who would desire one of those domains can be locked out – unless they are willing to pay a serious premium.

Americans report that the actions of domain investors hinder people from being able to establish an online presence. This is particularly true for Americans who have purchased a domain name: 63 percent of them said that investors who purchase large numbers of domain names hinder people from trying to start a small business, an organization, or other online projects.

Part of the issue is the industry has had a checkered past with domain manipulation. In the early stages of the Internet, schemers registered the domain names of famous people, such as Nicole Kidman and Madonna, with the intent to force them to pay a "ransom" to get control over the property. ICANN instituted procedures to enable brands and celebrities to get names that were clearly "cybersquatted."

Domainers themselves have acknowledged that their practices make them unpopular. Several years ago, prominent domainer Drew Rosener acknowledged on a podcast, "Nobody likes us. It's just a fact….I think we've probably dug our own hole."

A recent issue that has surfaced is transparency. Operators such as Rick Schwartz recently called on disclose big-ticket domain resales: "Not reporting domain sales is a disgrace." Drew Rosener objected that it's a domainer's responsibility to educate the market: "Comps are for the weak and uninformed." It seems worthwhile that as real estate transactions generate records that must be made public, digital real estate should as well. More transparency would certainly help in an industry that faces trust issues.

Parking domains, a common practice especially for domainers, is also likely to lead to an inevitable showdown with cyber security experts. Just as abandoned real estate can be utilized by criminals, parked domains present an opportunity for cybercriminals. First, they rarely have security because a parked domain has little to secure. When neglected, they become a target for bad actors who leverage parked domains to redirect traffic to malicious websites or subdomains they create. This tactic enables the criminals to spread malware, steal credentials, and present malicious ads that have viruses.

Domains (and domaining) are a complicated industry that warrants further review. In the coming months, Digital Citizens will look to work more closely with domain name industry experts to identify how such an important component of the Internet ecosystem can foster trust and strengthen a secondary market that is a significant player.

# A Path Forward to Secondary Market Trust

Digital secondary markets play an important role in today's economy, enabling easy access to goods and services. But like many other aspects of the digital economy, they run the risk of becoming increasingly warped, creating scarcity and other issues that price out large portions of the population. By a 4-1 margin (67 percent to 17 percent), Americans consider service fees a form of price-gouging.

Finding a balance that ensures the benefits of these markets without creating a "haves and have nots" economy must be a goal. Scoping the extent of the problem should be the first step. As the Department of Justice and Federal Trade Commission work to comply with President Trump's executive order, they should conduct comprehensive research on how ticket brokers acquire tickets, whether these brokers collaborate with platforms on pricing, and whether the fees charged are exploitive.

With that information, the FTC and DOJ can determine an enforcement strategy, including how to apply the BOTS Act that was enacted to stop brokers from using Bots to unfairly acquire tickets. In the coming days, we will also be able to gauge the impact that the FTC's upcoming rule that mandates that ticketing and lodging companies include pricing information in its ads and other offers upfront. If that rule is not sufficient, the FTC will need to consider additional measures to ensure fee transparency.

The DOJ should also research whether digital markets are creating more risks. Americans think so. According to the Digital Citizens research survey, 59 percent of respondents said these markets are causing an increase in scams, fraud, and theft.

There are also lessons to be learned from other countries. For example, the European Union in 2024 implemented new regulations to make it harder for ticket brokers to harvest tickets and then charge astronomical prices to concert fans. The regulations require digital secondary market platforms such as StubHub to collect "essential information about third-party professional sellers, such as name, contact details, and ID, before traders can lift tickets on the platform," make the ticket-selling process more transparent including letting fans know which tickets are being sold by professional ticket brokers, and ban practices designed to "manipulate consumers into decisions."

The FTC should determine whether the European approach is right for the United States. At the minimum, it seems beneficial that digital secondary markets collect information on brokers (under the principle, "know your business customer") and alert would-be buyers whether they are purchasing tickets from a certified broker or not.

The appropriate approach with vacation rentals is more complex because there is no one-size-fits-all approach. What may be good for New York City may not be appropriate for Phoenix (which bans regulations on property rights). But, again, transparency seems to be a positive step, at least initially. A good step would be to require those who utilize homes for short-term rentals – whether they are the actual homeowners or investment companies turning properties into assets – to register with a local municipality. That way, cities and towns could gain a better understanding of the scope of vacation rentals.

Registration is already the practice in cities such as Seattle, Chicago, and Washington, DC. With that information, localities can make informed decisions about whether they'll allow residential homes to be used as short-term rentals, determine minimum stays, and the number of days a year the property can be utilized as a rental.

President Trump should also direct the Treasury Department and Housing and Urban Development Department to conduct a study on the impact of institutional investors purchasing homes. This study should focus on whether the actions of these investors are harming Americans' ability to purchase homes by creating scarcity and driving up prices. This study should follow up on a 2024 General Accounting Office report that found in the years after the 2008-2009 housing market collapse, "institutional investors had a funding advantage over smaller investors at a time when mortgage lenders were generally reducing lending…Additionally, technological advancements allowed companies to acquire and manage large portfolios of single-family homes more easily."

That GAO report reported the large volume of home purchases by investors may have contributed to rising prices but limited its conclusions because of limited data and "no consistent definition of an institutional investor." The Trump Administration should dive deeper and find more conclusive determinations because this issue isn't going away.

ICANN has had a tangled relationship with domain investors. Its ex-CEO called their practices "hogging." ICANN has not conducted publicly available research on the impact of domain investors on scarcity and pricing or the cyber security risks of large blocks of domains that are parked and dormant. That would be a good first step so the Internet community, policymakers, and regulators can assess whether action is needed. However, 63 percent of Americans believe there should be legislation or regulations that prevent investors from acquiring domain names with the intention to sell at an enormous profit.

As policymakers and regulators get a better understanding of the benefits and risks of digital secondary markets, they should take lessons from the early warning signs over a decade ago with social media platforms. Digital Citizens for one sounded multiple alarms about how criminals and other bad actors exploited these markets. As a society, we should not wait as long to ensure the responsibility of digital secondary markets.

That was the intent when Digital Citizens launched its Responsible Market Initiative in 2024. As we move forward, the organization intends to do follow-up reports looking more deeply into individual markets over time proposing more specific solutions.

Ultimately, ensuring the responsibility of these markets takes a "village approach" – from Congress to federal agencies to the state attorneys general who serve as the de facto consumer protection arm for their citizens to Internet safety and consumer protection groups. Combined, these efforts can ensure healthy digital markets.

## About Digital Citizens Alliance

The Digital Citizens Alliance is a nonprofit, 501(c)(6) organization that is a consumer-oriented coalition focused on educating the public and policymakers on the threats that consumers face on the Internet. Digital Citizens wants to create a dialogue on the importance for Internet stakeholders— individuals, government, and industry—to make the Web a safer place. Based in Washington, DC, the Digital Citizens Alliance counts among its supporters: private citizens, the health, pharmaceutical, and creative industries, as well as online safety experts and other communities focused on Internet safety. Visit us at www.digitalcitizensalliance.org.

digitalcitizens alliance