

Cyber boom

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With just the click of a mouse, virtual land barons are making a small fortune in real-world money. David Adams reports.

The new gold rush is on, but it's no longer to the hills of Ballarat or California that people are flocking. Instead, it's to the new frontiers of virtual cyberspace worlds where people are heading in their droves, eager to be among the first to snag themselves some land and set up shop.

And it's not just Monopoly money they're playing with. The virtual world of Second Life ([secondlife.com](#)),

which has almost 9 million "residents", turned over more than 12.5 million Linden dollars during July - cash that can be transferred into real-world bank accounts at a floating exchange rate of about 265 Linden dollars for \$US1.

Meanwhile, residents of Entropia ([entropiauniverse.com](#)) spent more than \$US11 million, or 110 million PED in the game's currency, in that virtual world last year. About 10 PED will get you \$US1 dollar under a fixed exchange rate, and they can even be withdrawn at real-world ATMs.

Edward Castronova, who heads the Synthetic Worlds Initiative based at Indiana University in the US, estimates that there are about 50 million people involved at some level in these virtual worlds, with many of those making money online through commercial activities.

And it's not just individuals.

Small businesses and large corporations are also dipping their toes in the water, particularly on Second Life, where big players from Toyota and Sony BMG to news giant Reuters, Australia's Telstra and even the ABC now have a presence.

But Professor Castronova believes that real-world businesses will never be able to compete with those developed inside these virtual worlds. Rather, he sees the future of these virtual economies being "dominated by legions of small, low-income self-employment firms".

Virtual economies expert David Liu disagrees. The head of the Beijing-based Cyber Recreation Development Corporation believes that a rising number of real-world businesses will "transfer" to virtual environments and he expects the products and services available in these cyberworlds to explode.

But he cautions that businesses in the virtual worlds won't just mean a "3-D version of e-business".



Second Life

It's a new economy of experience," Dr Liu says. "There will be completely new services and experiences which could happen only in a virtual world, not in the real world, and vice versa."

His company, along with partners such as MindArk - the company behind Entropia Universe - is developing a virtual world known as Dotman World, which will be based on a real-world, cash-based economy.

Dr Liu says that with growing numbers of businesses in China looking for opportunities to internationalise in fast and cost-effective ways, many companies there are no longer satisfied with just "dipping their toes" when it comes to using virtual worlds as a business model."

Let's not forget, engagement in virtual worlds is far more advanced in China, Korea, and Japan than it is in the West," he says. "Active users in the Korean virtual world Cyworld (cyworld.

com) is by itself orders of magnitude more than the numbers seen in Second Life."

INCREASING numbers of Australians are also trying to make an income from virtual worlds such as Entropia and Second Life, albeit on a much smaller scale.

Wollongong-based David Holloway, who runs a website that keeps track of the activities of the estimated 12,000 Australians who regularly use Second Life (sloz.info), says they are behind a whole range of small businesses there covering everything from the virtual game park called Armory Island to Sofia's Furniture, where you can buy a range of items from virtual furniture to houses.

"Sex and gambling have been the biggest sellers in Second Life but (the website's creators) Linden Lab have clamped down on that to a fair degree," he says. "So it tends to be clothing and entertainment venues."

But when it comes to property, the rush is turning into a frenzy - and Australians are certainly among the land barons: people who are snapping up virtual islands and vast tracts of land in a real-estate boom that's taking place on worlds including Second Life, Entropia and Weblo (weblo.com).

In Weblo, people use real-world cash to buy virtual versions of property around the world including entire countries, states, cities, landmarks and buildings. It's hard to believe, but a Canadian bookkeeper owns the entire state of NSW. Even the state of Victoria is privately owned - as are cities ranging from Rio de Janeiro to London, iconic landmarks such as the Sydney Opera House, the Louvre in Paris and the Pyramids of Giza and everything from soccer club Melbourne Victory's headquarters to Ramsay Street, of Neighbours fame. Even our hallowed temple of sport, the MCG, is owned by a virtual investor.

Weblo also offers the chance to buy virtual versions of real-life web domain names and celebrity fan sites, including those for David Beckham, Paris Hilton, Angelina Jolie and Microsoft boss Bill Gates.

While people have been using the internet to trade for years - think of auction sites such as eBay - the use of cold, hard, real-world cash in virtual worlds is raising new questions about issues including copyright, contracts and even taxation law (the Australian Tax Office says transactions undertaken in virtual worlds are taxable if the activities constitute a business rather than a hobby).

Monash University law lecturer Melissa de Zwart says that while virtual worlds haven't yet caused a crisis demanding new laws, questions remain about how to apply existing laws, particularly when it

comes to the conditions that people agree to when they enter these virtual worlds and how these interact with real-world realities such as contracts and property law.

Such questions have already hit the courts in the US. In one recent case, lawyer Marc Bragg took Second Life creator Linden Lab to court after it suspended his account. Mr Bragg claimed the suspension caused him financial loss as he was involved in land development on the site.

"And, of course, it's going to be different here than in America," Dr de Zwart says, pointing out that while the virtual world is global, the legal world often isn't.

The matter gets even more complex when it comes to the controversial practise of "farming". In the past few years, Asian entrepreneurs have hit the headlines by rotating shifts of students working around the clock in what are virtually sweatshop operations to sit at computer screens and earn enough points to collect gold, artefacts and trophies. These are gathered from cyberworlds, such as the large multiplayer game World of Warcraft (worldofwarcraft.com), with the prizes eagerly bought by real-world gamers.

The practise has already sparked lawsuits and even, according to reports from China, murder. Earlier this year an online gamer was reportedly stabbed to death by a fellow gamer for selling a virtual sword that didn't belong to him.

While virtual worlds can appeal to the obsessive side of some people, for others it's purely about hard-headed business decisions.

For Perth-based Second Life property developer Adam Frisby, when it comes to investing in virtual worlds such as Second Life, his rule is simple: "You can't afford to invest any more than you want to lose," he says. "The returns on investment are fairly good, but there's a great deal of risk involved and the workload is larger than you would expect."

While Mr Frisby acknowledges that running a business on Second Life means being subject to a service provider that "holds all the chips and could potentially pack up, leaving you out to dry", for him business is paying off.

Mr Frisby is wary of putting real-world prices on the virtual real estate his Second Life company owns, although he concedes that buying it today would set him back more than \$US600,000.

But he also sounds a note of caution, saying the "easy profits" many people expect "just aren't there".

"With perseverance, a good business model and a bit of luck it is possible to succeed, but it's not a regular, everyday occurrence," Mr Frisby says.

The property tycoon

David Storey, a 25-year-old PhD student at Sydney University, made the Guinness Book of Records when he paid \$US26,500 in December 2004 for what is now known as Treasure Island. Mr Storey, aka "Deathifier", says he bought the island after convincing some investors that he could make the investment back within a couple of years. He did so about a year later. Estimating that he has since spent as much as \$50,000 in developing the island - now home to about 40 buildings and a small population - Mr Storey says its income has grown to about 2500 PED (about \$US250) per day. But he

does not intend to turn his business in Entropia into a full-time job. "I would be missing something if this was all I was doing for the rest of my life," he says. "I might miss out on some of the real-world social aspects of being in a workplace."

The stock broker

With about 70 companies listed, the World Stock Exchange features businesses selling everything from real estate through to furniture, clothes and even skin. And none of it is physically real. Based in Second Life, the virtual stock exchange is run by Melbourne-based IT entrepreneur Luke Connell (aka Lukeconnell Vandeverre). The 24-year-old formally launched the exchange in March and says it has turned over the equivalent of about \$US1.5 million in the past four months. Mr Connell, who also has recently launched the World Internet Currency, which allows people to experience what it is like to invest in virtual companies without necessarily needing to enter a virtual world, is careful to describe the stock exchange as a game. "I would just like to stress that it's not a real market, it's a fictional market," he says. "It's a game and it's a platform for people to learn, have fun and potentially make money from the increase in value of their fictional currency."

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