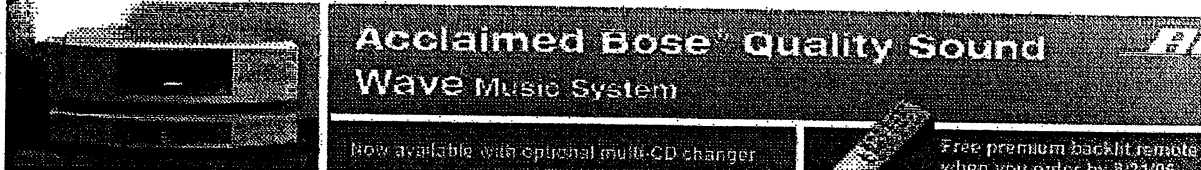


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Virtual real estate boom draws real dollars

By Michael Learmonth, Reuters

NEW YORK — Rising interest rates have yet to cool white-hot real estate prices. Perhaps that's why the concept of virtual home ownership has captured the imagination of a growing number of online gamers, who are plunking down real cash for their own slice of the digital frontier.



After orienting yourself to Second Life on a remote island, you'll be ready to hit the mainland.

Screenshot courtesy lindenlab.com

Large swathes of undeveloped online property, some bearing an uncanny resemblance to a palm-studded West Coast beachfront idyll, are selling for up to \$550 an acre.

That amount is but a song compared with real world real estate, but these are computerized representations of property — pretty pictures, if you will — in an online graphic role-playing game known as Second Life.

"The idea of land ownership and the ease with which you can own land and do something with it... is intoxicating," said Philip Rosedale, CEO of Second Life creator, San Francisco-based Linden Labs.

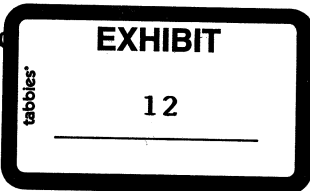
Second Life is a relatively new entry into the world of Massively Multiplayer Online games, known to enthusiasts as MMOs. (Some refer to them as MMORPGs, massively multuser online role-playing games.) Like Sony's EverQuest and Electronic Arts' The Sims Online, players create their own civilizations and interact with others living alternative lives online.

Starting a "second life" costs \$9.95 a month and requires a download at the game's Web site and a fairly powerful Mac or Windows-based computer. Current players arrange welcoming parties for newbies and often help point them toward plots available for virtual homesteading.

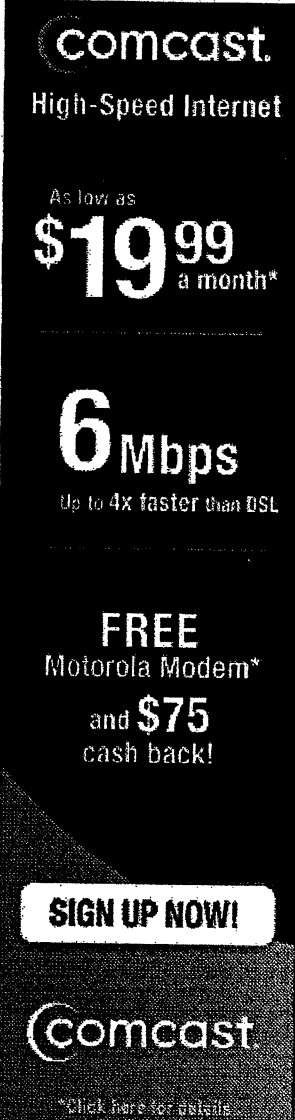
The Second Life world is a little over a year old, but in its accelerated ecosystem, where

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players fly and don't waste time eating or going to the bathroom, a commercial society has quickly emerged — complete with stores, artisans, charities and social clubs.

Linden decided to allow the buying and selling of property in the Second Life world in December, ending a land-rush system where players dashed into new land created as Linden added new servers to place their claims.

"That was fun, but people in Second Life are building businesses, selling cars and clothing. It seemed dumb to have how fast you can move determine what land you were able to get," Rosedale said.

It turns out people are motivated to buy virtual real estate for some of the same reasons they buy it in the real world.

"My vision is to buy real estate in Second Life with one or two other investors and make it available to new players as a business," says a Portland-based player known as Merwin Marker.

Like many players, Marker doesn't want too many details of his "first life" to sully the fantasy he's built in Second Life. He allows that he is male, middle-aged, and runs a home-based healthcare recruiting business.

Marker owns an ocean-front spread on which he heads Awakening Avatars, the fourth-most-popular social group in the game.

His two-thirds of an acre property could fetch as much as 10 Linden dollars a square meter, or \$106 at today's exchange rate, a bit higher than the average price of about \$100 for an acre.

All goods and services in the game can be transacted in either Linden or U.S. dollars. One entrepreneur and Second Life player runs a currency exchange.

Gamers have long laid down hard currency to buy virtual objects. Ebay does a brisk trade in currency and artifacts from the fantasy world, Ultima Online. But the prices paid for Linden property are breaking new ground.

Since the company began allowing the sale of property, growth of the game increased by two-thirds and the company adds between 30 and 40 new computers a month, each creating a new island out of an endless digital sea.

Property is taxed by "The Lindens," as the overseers of Second Life are known, and Rosedale says real estate tax revenue now exceeds subscriptions for the closely held Linden Labs.

The company, which is backed by Lotus founder and high-tech investor Mitchell Kapor, has about 10,000 active players.

Second Lifers are free to think big, and many do, so Linden this spring began offering the ultimate prize for the acquisitive — the private virtual island. The going price: \$980 up front and \$195 a month to maintain.

Rosedale says six virtual islands are currently on offer, which the company will design to the specifications of any player, or group of players who wish to own one.

"Land ownership feels important and tangible," he says. "It's a real piece of the future."

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