NFTs Are So Much More Than JPEGs

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Crypto investors are now running to the NFT (non-fungible token) space, and for good reason; with seasoned NFTs having appreciated by *50,000% in less than two years*, it would be lunacy to ignore them. However, they are still misunderstood by many and often labeled as mere JPEGs.

Put simply, NFTs are digital assets with unique properties. They can be anything from virtual items like CryptoKitties to real-world assets like real estate. Some examples of NFT digital assets include land titles, art, collectibles, memorabilia and sports cards, to name just a few. The "non-fungible" phrase refers to each asset being unique and irreplaceable. For example, one dollar is fungible because anyone can trade it for another dollar and still have the same thing. In contrast, a one-of-a-kind trading card is non-fungible. Trading it for a different card will leave the owner with something… different. It's handy to think of them as digital collector's items — for instance, instead of an actual painting, you get a digital file.

NFTs are also part of the blockchain network. While any blockchain can develop a support standard, most NFTs are part of Ethereum (the blockchain validates every NFT transfer, rather than any one central institution). Like Bitcoin, Ethereum is a cryptocurrency, but its blockchain also supports these unique assets. One other quality is worth noting: NFTs

are unique cryptographic tokens stored in virtual cryptocurrency wallets; they are divisible, transferable and consumable.

Why we should care about NFTs

Blockchain technologies have been changing the way we transfer assets for years, but until now, few have considered the implications of the technology for traditional assets. NFTs are driving this revolution because they provide a digital standard for ownership of tangible items. That means we can easily and safely sell physical possessions on the blockchain. In fact, NFT asset sales reached more than $3.5 billion in the first three quarters of this year. A few recent transactions: the Bored Ape Yacht Club, one of the most popular NFT projects online, sold for $982,500; and Twitter cofounder Jack Dorsey sold his first-ever tweet as an NFT for more than $2.9 million.

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NFTs also have additional features that go beyond the usual, further adding to their value:

- Indivisibility: NFTs are indivisible concerning their utility, in the same way you can’t buy and use a train ticket partially (only one person can use the seat).
- Scarcity: Developers can limit the number of NFTs available, which means they can be scarce.
- Uniqueness: No two are the same. The metadata of every NFT is unalterable, providing verifiable authenticity.
- Ownership: NFTs live on a distributed ledger technology (DLT) within associated accounts. Their original creator controls the private key of the account where they live. That person is also free to transfer their NFT(s) to any account.
- Transparency: Public distributed ledgers are

decentralized and immutable. There are publicly verify records of token issuance, activities and transfers. As a result, verifiable authenticity is assured.

- Interoperability: Trade (purchasing or selling) of NFTs is done across various DLTs, using a decentralized bridge.

Aside from the above attributes, three additional qualities can make NFTs particularly attractive investments.

Rarity

CryptoPunks – a collection of pixel-art characters created in 2017 by Larva Labs –shocked the world, showing how a couple of pixels could become an exclusive piece of art. An initially free giveaway on Reddit started a revolution that ultimately propelled one, "CryptoPunk #7523", to be sold at a Sotheby's auction house in June for $11 million – the first hyper-successful NFT project, and CryptoPunks remain the rarest and most valuable pieces found in the market today.

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Gamification

Another highly sought-after utility is gamification, along with community voting mechanics. One organization to keep an eye on in that regard is Divine Anarchy, described on its site as "the first attempt at an in-game governance NFT that will act as an experimental catalyst for open-source tribe formation". Its project launched on October 1, and has quickly become an NFT sensation. The art is not only stunning, but also has built-in social sandbox game theory, where the community actively participates in determining real-world effects of the Divine Anarchy NFTs. In addition, the organization has the support of huge influencers in the crypto

Twitter community, and is attempting to bridge the gap between crypto and anime.

Access

The Bored Ape Yacht Club (BAYC) was released in June using a different approach to increase its NFT value. Owning a Bored Ape doubles as a membership card to its digital club; as a result, investors were willing to spend big bucks to access the exclusive crypto community, raising its perceived value. Further, the project is constantly updating its roadmap. According to recent BAYC social media posts, it plans to add an actual yacht club in the future, and claim to be attracting celebrities from all over the world. Plus, private clubs and secret organizations have formed around holders of these NFTs.

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The future of collecting NFTs

When it comes to these assets, figuring out what you like is the easy part; what's difficult is navigating the marketplace and knowing which platform is right for you. When I make my rounds in the NFT space, I aim to connect emotionally to the art I'm collecting, and look for an active community with people excited about the project and a competent team looking to pioneer its space. Finally, I look for innovation when it comes to new ways I can enjoy them.

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