



**2021 NFT  
Year in Review**

# Table of Contents

1. Intro	3
2. Overview	4
2.1 What?	4
2.2 Why?	4
2.3 How?	6
2.4 When?	8
3. The State of the Market in 2021	10
3.1 Visual Art	10
3.2 PFPs	11
3.3 Cultural Collectibles	12
3.4 Gaming	13
3.5 Bird's Eye View	14
3.6 Annual NFT Trading Volume	15
3.7 Disclaimers	15
4. The Platforms	16
4.1 OpenSea	16
4.2 SuperRare	17
4.3 Foundation	18
4.4 Rarible	19
4.5 Fractional	20
4.6 Catalog	21
5. The Highlights	22
5.1 Pak	22
5.2 CryptoPunks	23
5.3 BAYC	24
5.4 ArtBlocks	25
5.5 "Everydays: the First 5000 Days"	26
5.6 XCopy	27
5.7 Axie Infinity	28
6. Emerging Trends	29
6.1 Music	29

6.2 Photography	30
6.3 NFT-enabled DAOs	31
7. Closing	32

# 1. Intro

Non-fungible tokens (NFTs) empower creatives with a new business model and give consumers around the world a new way to support, own and share in the upside of creativity on the internet.

When the Bitcoin blockchain launched in 2009, cryptocurrency was the first application. BTC demonstrated what was possible when an open, permissionless ledger could prove authenticity and true ownership of digital information without a third-party intermediary. It didn't stop at BTC though and over a decade after [Satoshi Nakamoto](#) unleashed BTC to the world, NFTs are proving blockchains are useful for more than cryptocurrencies.

This year NFTs impacted visual art, gaming, photography, music, fashion, and consumer brands broadly. What started in 2017 as a wacky idea on Ethereum (a game for [trading and mating virtual cats on-chain](#)) has grown into a multi-billion dollar global asset class that has helped tens of thousands of creatives and millions of consumers. And we're still in the early innings of this movement. In this report, we aim to present a comprehensive data-driven view of NFTs for those who'd like to understand what's happening beneath the surface.



Crypto founding father Hal Finney predicted the NFT boom in 1993!

Disclaimer: 1confirmation is an investor in many leading NFT projects ([OpenSea](#), [SuperRare](#), [Catalog](#), etc) and creators ([Pak](#), [Beeple](#), [Hackatao](#), etc). None of the information in this report is financial advice, and readers should do their own research.

## 2. Overview

### 2.1 What?

NFTs are tokens that represent authentic ownership of scarce, unique assets on an open, permissionless ledger (aka a blockchain). The importance of the open, permissionless ledger can't be overstated. Companies have been creating digital goods online for decades, but NFTs exploded in 2021 because anyone in the world can participate without permission and no one controls the database the digital goods live on top of.

NFTs give true ownership to users. The tokens are owned on-chain via control of locally stored private keys (no centralized servers required). When you own an NFT, you can verify it to anyone in the world by signing a transaction with a private key that you control, and no third-party can take that away from you.

The creation of the open [ERC 721 protocol](#) on the Ethereum blockchain in 2017 was the major catalyst for NFT growth. ERC 721 is a standard that allows anyone to mint and transfer NFTs. NFTs had been attempted on blockchains in various forms prior to Ethereum and ERC 721. But the UX, interoperability and ease of use for developers that Ethereum and ERC 721 offered changed the game. Since 2017, there has been a passionate community of builders experimenting with the protocol, and in 2021 all of that experimentation paid off with massive growth for the category.

NFTs now represent the bleeding edge of the cryptocurrency industry, bringing users to the space at a faster rate than any other category within crypto. Today it's not just ERC 721 on Ethereum that is thriving but also [ERC-1155](#) and many other NFT protocols on other blockchains like [Ronin](#), [Polygon](#), [Tezos](#), [Flow](#) and [Solana](#).

### 2.2 Why?

There are many use cases for NFTs—any creative activity on the internet can be tokenized as an NFT and sold to supporters.

To date, there have been four key NFT categories that represent the majority of the activity: visual art, profile-pic-projects, cultural collectibles, and gaming. These four have each grown to be multi-billion dollar global asset classes and are worth a deeper dive.

#### Visual Art

Generating a sustainable income as a digital artist has been difficult historically. The centralized social networks like Facebook, Instagram, and Twitter used by visual artists to reach consumers don't offer much freedom and it's tough to make real money with the web2 business model (advertisements). Top-tier artists could build a name for themselves in web2 and generate freelance work, commissions and brand deals, but those are generally constraining to creativity

(and not that lucrative). NFTs offer a fundamentally better business model for visual artists by giving them more freedom and allowing them to mint authentic, provably scarce works and sell directly to consumers.

There's a \$50B+ global market for traditional art. Prior to NFTs, digital artists couldn't participate in that market because there was no easy way for them to authenticate scarce, original work. While traditional artwork is hard to copy and hard to authenticate, digital artwork enabled by NFTs is easy to copy and easy to authenticate.

The easy authentication of original work enabled digital artists to sell over \$2.BT worth of artwork on Ethereum this year (source: [Cryptoart.io](https://cryptoart.io)). The big names like [Pak](#), [Beeple](#), [Xcopy](#), and [Dmitri Cherniak](#) dominate the headlines but thousands of visual artists are now thriving. To date, over 1,200 artists have sold artwork for more than \$100K.

## Profile-pic-projects (PFPs)

A specific type of visual NFT that exploded this year is profile-pic-projects (PFPs). These are collections of a fixed number (most commonly 10,000) of digital characters that all have a similar artistic style but variations in traits. [Cryptopunks by Larva Labs](#), created in 2017, is the authentic PFP project that sparked it all. There's since been thousands of PFPs that have followed. [Bored Ape Yacht Club](#) and [Nouns](#) are a few of the more notable but the list is long. [CrypToadz](#), [World of Women](#), [Long Neckie Ladies](#), [Lost Poets](#) and [Queens + Kings](#) are other notable recent PFPs.

PFPs represent a new way to build a brand from the bottom up rather than top down. For the past 100+ years, consumer brands were built top down by corporations. We believe that for the next 100+ years brands will be built bottom up by PFP projects and variations of them. Why are PFPs a fundamentally better way to build a consumer brand in the modern age? For the same reason that starting a cryptocurrency is a better way to build a currency: global user ownership.

PFPs are grassroots, user-owned brands that people around the world can participate in from the beginning. By owning a PFP and using it as a representation of digital identity, anyone can belong to a community and spread that community to the world. The combination of aligned incentives and shared beliefs can be an incredibly powerful force and when you compare that with the old way of building a brand top down by a corporate controlled entity that projects a brand onto consumers, the benefits are clear.

## Cultural Collectibles

Every aspect of internet culture can be tokenized and sold as an NFT and for this report we're defining sports, music, photography, video and other NFT collectibles as "cultural collectibles." Music, photography, video, and sports, are just a few sub-categories in the cultural collectible bucket that will likely grow into their own massive stand-alone categories in the coming years. If you're a builder or collector in the space, these are all worth exploring further as growth areas for the future.

## Gaming

Online games and NFTs are a natural fit as NFTs give players true ownership of their in-game items. Games have historically been closed loop ecosystems controlled by large companies (Activision Blizzard, Electronic Arts, Epic Games, Tencent, etc) but NFTs are changing that by allowing game developers to leverage open protocols and global liquidity to create truly compelling and sustainable long-term ecosystems for gamers. In-game NFTs allow gamers to turn their in-game accomplishments into real money and developers to grow their gaming ecosystems beyond the initial creation.

[Axie Infinity](#) is leading the [play-to-earn](#) gaming movement to date. Games that allow gamers to earn in-game NFTs and then turn those NFTs into cash are a game changer, providing new earning opportunities to people around the world. We think Axie Infinity represents just the first generation of play-to-earn and expect to see an explosion of compelling games and experiences in this area in the coming years.

Developers are gravitating to NFTs because their open, interoperable nature allows for new gaming experiences to be built on top of original games. This has never really happened before in gaming—all the popular games have historically been owned by large companies who have kept their ecosystems closed (e.g Fortnite is owned by Epic). When compelling experiences are built on top of an existing game and the assets within that game, online games take a leap from one-hit wonders to engaging long-term communities.

## Other

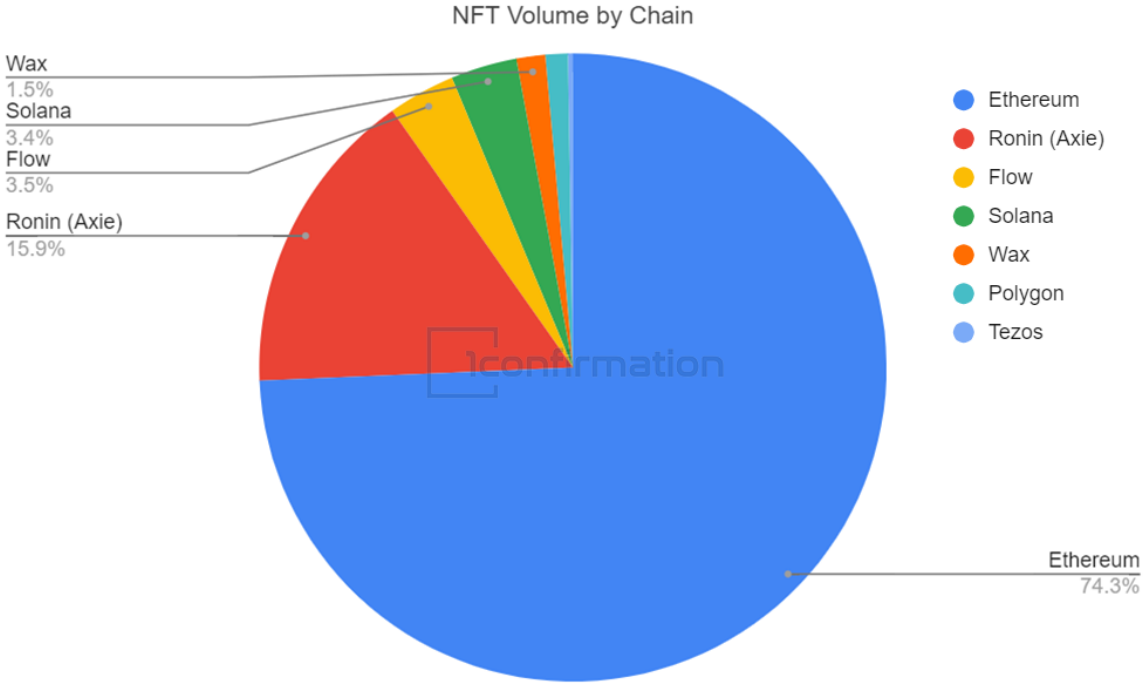
NFTs have been used to represent ownership of land in virtual worlds, represent financial assets such as custom liquidity provisions on AMMs, grant access to experiences, serve as tickets redeemable for physical goods and much more. These early use cases don't have widespread adoption yet, but they have clear potential. We suspect there will be other use cases that pop up that may not currently exist at all as well. The future of creativity in NFTs is bright.

## 2.3 How?

Each NFT collection has a smart contract that is used to create the tokens, handle transactions, and track balances. Most modern NFT smart contracts are on Ethereum. Before the ERC721 standard was created, every NFT contract was fragmented. This made it difficult to build apps that could interact with all NFTs (e.g. marketplaces like [OpenSea](#)), because custom code had to be written to interact with each contract.

The ERC721 standard is most prevalent and was the main catalyst for the global liquidity we now see on marketplaces like Opensea. But some projects use the ERC1155 standard, which differs in that it can create both fungible and non-fungible tokens. With ERC1155, IDs represent not single assets but classes of assets. ERC1155 contracts are more gas efficient for transferring multiple items of the same class, but they record less ownership information, making it harder to trace the history of individual items in a class.

In the past few years new blockchains have launched that are more centralized but boast faster block times and lower fees than Ethereum. Many of these chains have subsequently followed Ethereum in creating their own NFT standards. Some are “Layer 2s” built on top of Ethereum that still rely on Ethereum for consensus like Polygon and Ronin. Others are separate and competing “Layer 1s” like Flow and Solana. There’s lots of noise around competing L1s right now, but Ethereum and its L2s still make up 90%+ of NFT volume (see below). With a lot more L2 innovation coming in 2022 and beyond (e.g. [Quixotic](#) on [Optimism](#)), we expect the Ethereum ecosystem to continue its dominance. But adoption of other chains is likely to grow as well.





## 2.4 When?

Here is a quick timeline of the history of NFTs

### 2012-2013: Colored Coins

[Colored coins](#) was the first pre-Ethereum attempt at launching fungible and non-fungible tokens on Bitcoin. Yoni Assia [published a Colored Coins spec in 2012](#) and there was an implementation in 2013. The Bitcoin scripting language is limited and this approach never got much traction but it planted a seed for what was to come.

### 2014-2016: Counterparty

Counterparty built on the Colored coin idea of adding metadata to transactions to represent new tokens. Historic projects like [Rare Pepe](#) and [Spells of Genesis](#) were launched on Counterparty during this period. The limited scripting language held Counterparty back as well and the project never grew beyond a small cohort of crypto natives, but it was a major step forward.

### 2017-2018: Punks, Kitties and OpenSea

In June of 2017, [John Watkinson](#) and [Matt Hall](#) created [CryptoPunks](#), a collection of 10,000 unique pixel characters stored as NFTs on the Ethereum blockchain. Anyone with an Ethereum wallet could claim a Cryptopunk for free, and once they were all claimed, a strong secondary market emerged. This catalyzed the PFP movement.

ERC721 was created mid-2017 as well, and in October, [CryptoKitties](#) was the first notable project to launch using that standard. CryptoKitties quickly gained traction and media attention as some players made six-figure profits trading them.

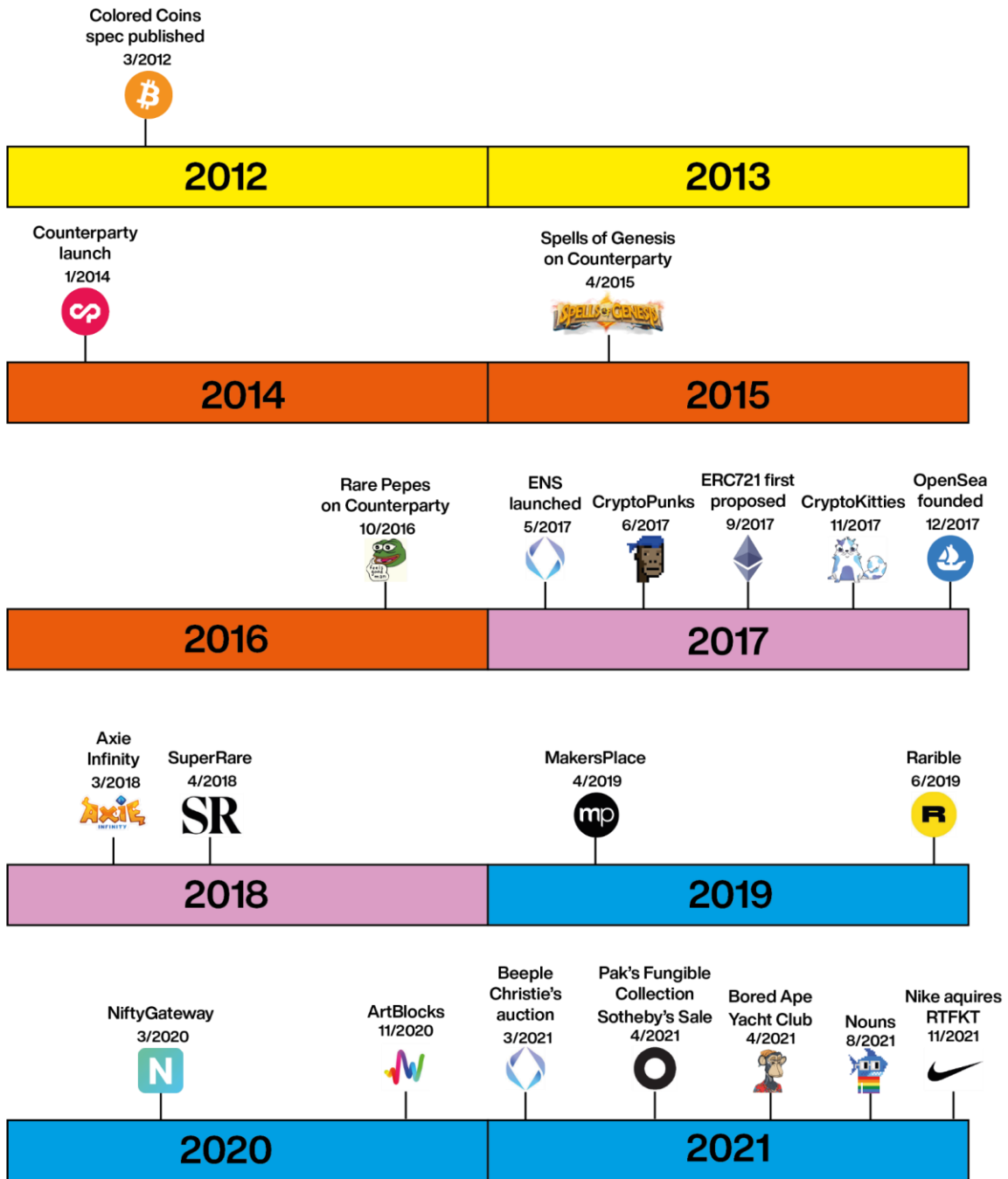
The CryptoKitties marketplace charged 5% though and the primary benefit of an NFT is that users have true ownership and can do what they want with them. Shortly after the Kitties gained some traction, a non-custodial marketplace for people to buy and sell ERC721 tokens emerged: [OpenSea](#).

### 2019-2021: The Awakening

From 2019 onwards, there was a surge of NFT experimentation. NFT trading volumes were tiny relative to cryptocurrency trading volumes and the experimentation largely stayed out of the mainstream purview until late 2020. But a small, passionate community of true believers worked to develop the ecosystem.

In late 2020, bluechip artists like [Pak](#) and [Beeple](#) dropped notable works on [SuperRare](#) and [NiftyGateway](#). In 2021, PFPs exploded ([Bored Apes](#), [Nouns](#), [Toadz](#)) and traditional auction houses like [Sotheby's](#) and [Christie's](#) and mainstream consumer brands like [Adidas](#) and [Nike](#) got involved in a big way.

# A Brief History of NFTs



## 3. The State of the Market in 2021

### 3.1 Visual Art



[Superyó by Frenetik Void](#)

#### **\$2.5B** Market Cap

Methodology: Total value of visual art traded on SuperRare, Opensea, Nifty Gateway, Foundation, Hic et Nunc, Art Blocks, MakersPlace, KnownOrigin, and Async Art in 2021.

#### **66.6k** Active Traders

Methodology: Total unique wallets that have bought or sold visual art NFTs on SuperRare, Opensea, Foundation, Art Blocks, MakersPlace, KnownOrigin, and Async Art in 2021.

#### **\$2.5B** Trading Volume

Methodology: Total visual art NFT trading volume on SuperRare, Opensea, Nifty Gateway, Foundation, Hic et Nunc, Art Blocks, MakersPlace, KnownOrigin, and Async Art in 2021.

## 3.2 PFPs



[cryptoadz pfps](#)

**\$13.9B** Market Cap

Methodology: Total value of PFP collections traded on OpenSea and Rarible in 2021.

**376.6k** Active Traders

Methodology: Total unique wallets that have bought or sold PFP NFTs on OpenSea and Rarible in 2021.

**\$8.7B** Trading Volume

Methodology: Total PFP NFT trading volume on OpenSea and Rarible in 2021.

### 3.3 Cultural Collectibles



[BTC Keys Curio Card](#)

**\$13.4B** Market Cap

Methodology: Total value of cultural collectibles traded on Opensea and Rarible in 2021.

**482.1k** Active Traders

Methodology: Total unique wallets that have bought or sold cultural collectible NFTs on Opensea and Rarible in 2021.

**\$4.4B** Trading Volume

Methodology: Total cultural collectibles NFT trading volume on Opensea, Rarible, and the NBA Topshot marketplace in 2021.

## 3.4 Gaming



[Axie Infinity gameplay](#)

**\$1.6B** Market Cap

Methodology: Total value of gaming NFTs on Axie Infinity, Aavegotchi and Zed Run in 2021.

**1.5M** Active Traders

Methodology: Total unique wallets that have bought or sold gaming NFTs on Axie Infinity, Aavegotchi and Zed Run in 2021.

**\$4.0B** Trading Volume

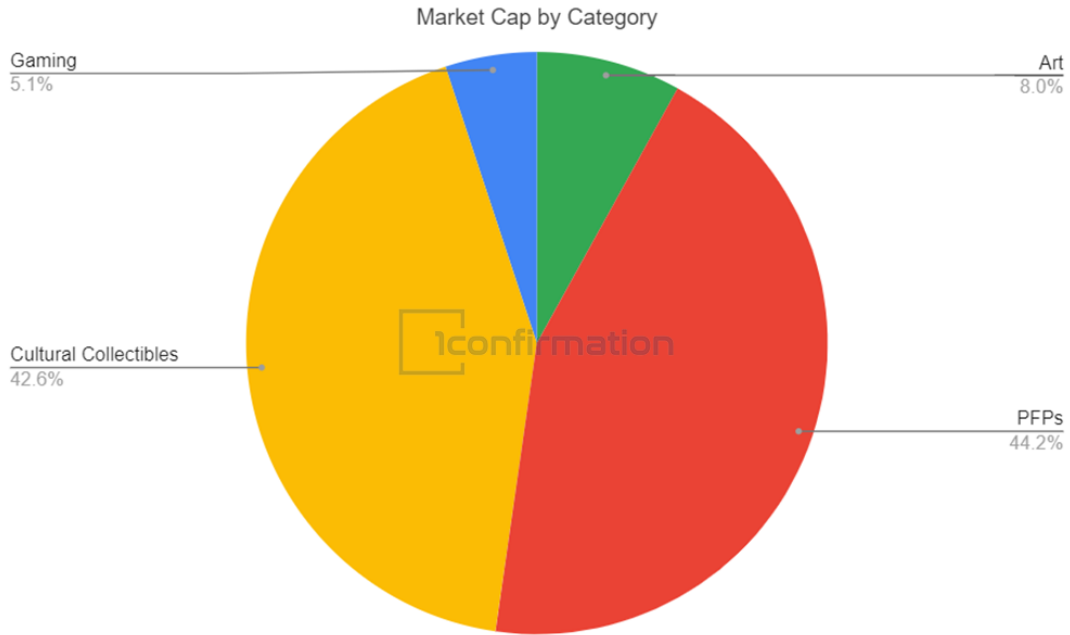
Methodology: Total gaming NFT trading volume on Axie Infinity, Aavegotchi and Zed Run in 2021.

### 3.5 Bird's Eye View

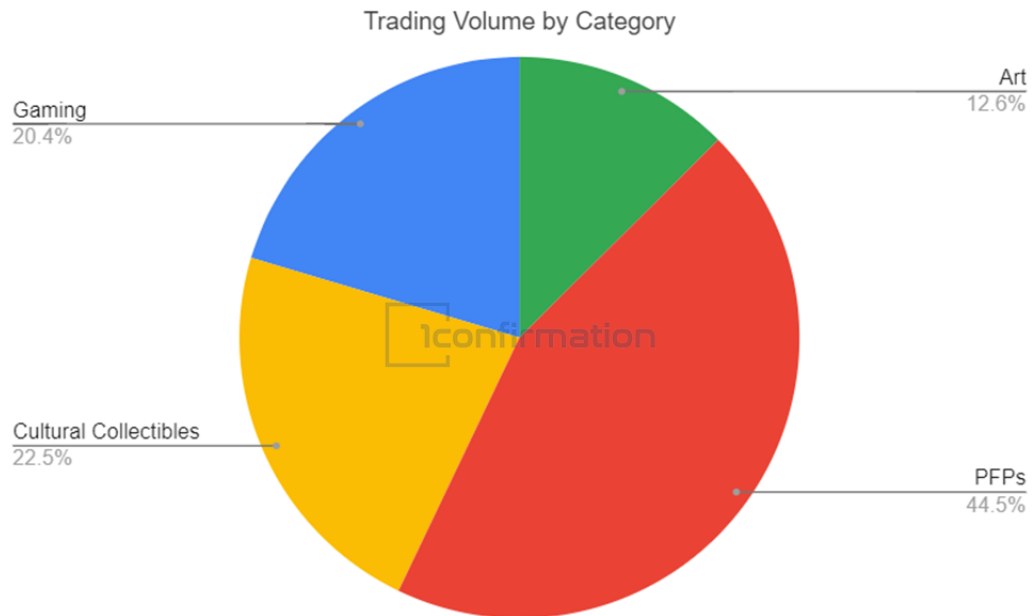
2M Active NFT Users on Ethereum

Methodology: Total unique wallets that sent or received NFTs on Ethereum in 2021.

\$31.4B Total NFT Market Cap



\$19.6B NFT Trading Volume



### 3.6 Annual NFT Trading Volume



Methodology: Total trading volume that occurred on SuperRare, Opensea, Rarible, Nifty Gateway, Foundation, Hic et Nunc, Art Blocks, MakersPlace, KnownOrigin, Async Art, NBA Topshot, Axie Infinity, Aavegotchi, and Zed Run

### 3.7 Disclaimers

- Active trader counts were based on unique wallets. Some users operate from multiple wallets, so the true active trader count will be lower.
- Gaming NFT projects with large market caps that have not released a full game yet were excluded from the gaming category breakdown.

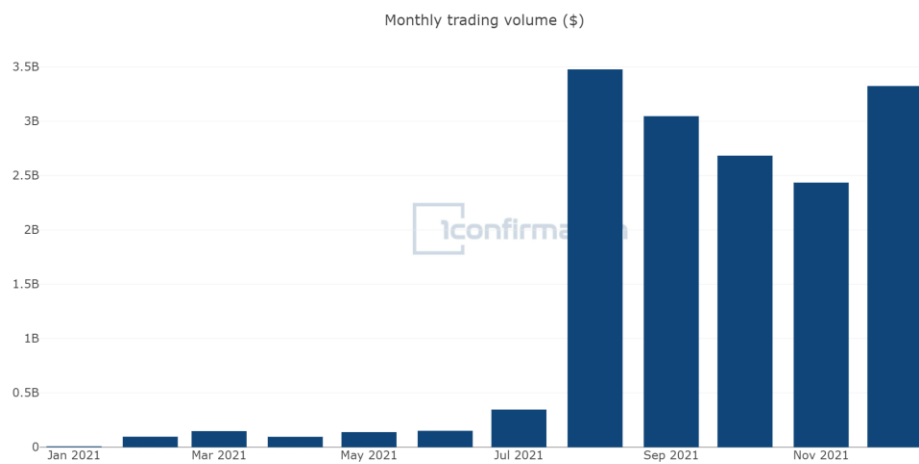


## 4. The Platforms

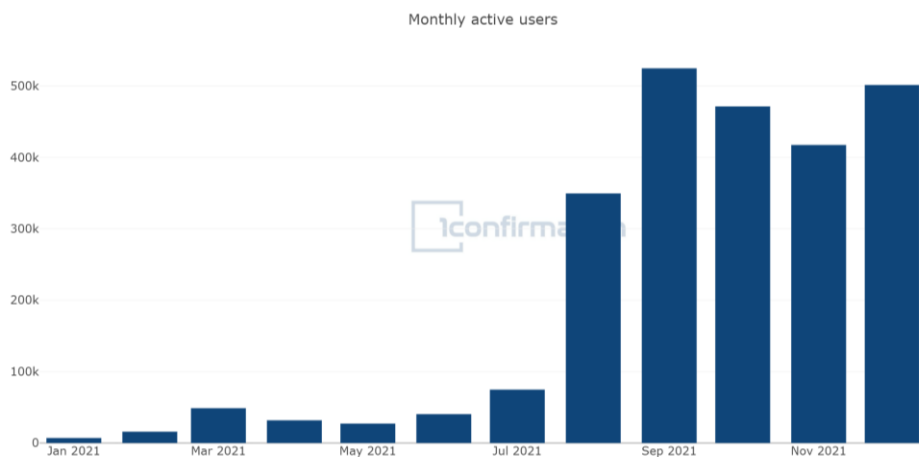
### 4.1 OpenSea

[OpenSea](#) is the largest NFT marketplace by trading volume. In 2017, co-founders [Devin Finzer](#) and [Alex Atallah](#) saw the early CryptoKitties movement and the need for an easy-to-use marketplace that enabled people around the world to buy and sell NFTs. By December of that year, they launched the OpenSea beta and today they are one of the fastest growing online marketplaces ever and the [most widely used non-custodial crypto application](#).

#### \$16B Trading Volume in 2021



#### 1.26M Active Users in 2021



Methodology: Total trading volume and unique active users on OpenSea Ethereum and OpenSea Polygon in 2021.

## 4.2 SuperRare

[SuperRare](#) is the leading marketplace for high-end visual art. The platform was started in early 2018 by co-founders [John Crain](#), [Charles Crain](#), and [Jonathan Perkins](#). Since then, SuperRare has curated a talented cohort of artists and built a passionate community of collectors.

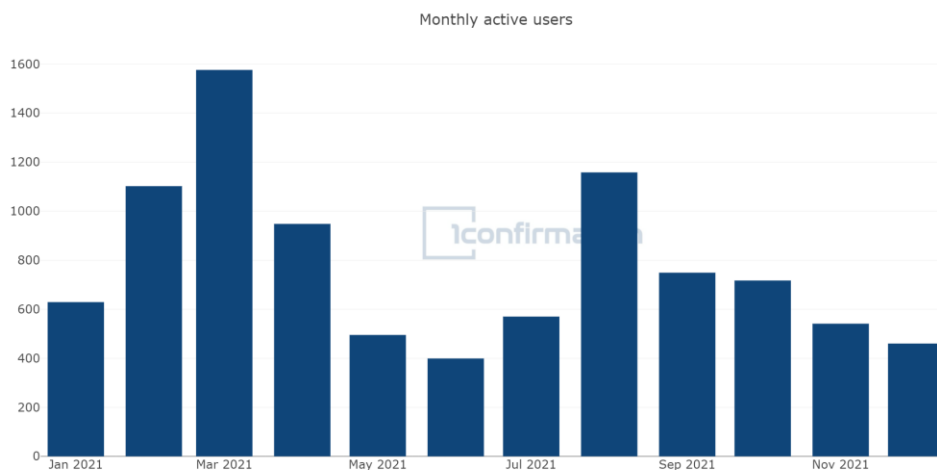
This year, SuperRare launched the first stage of a long term decentralization plan by distributing [\\$RARE](#) tokens to the community, investors and core team. \$RARE is being used to govern new curated spaces on the platform.

Based on the top thousand sales, the average sale price of a SuperRare piece currently sits at 10.6ETH. This is the highest of any marketplace in the industry.

### \$207.5M Trading Volume in 2021



### 4.4k Active Users in 2021

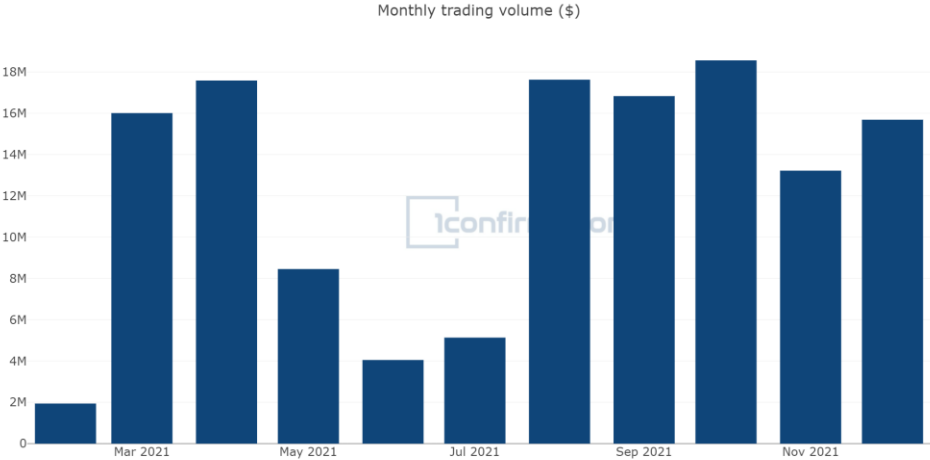


Methodology: Total trading volume and unique active users on SuperRare in 2021.

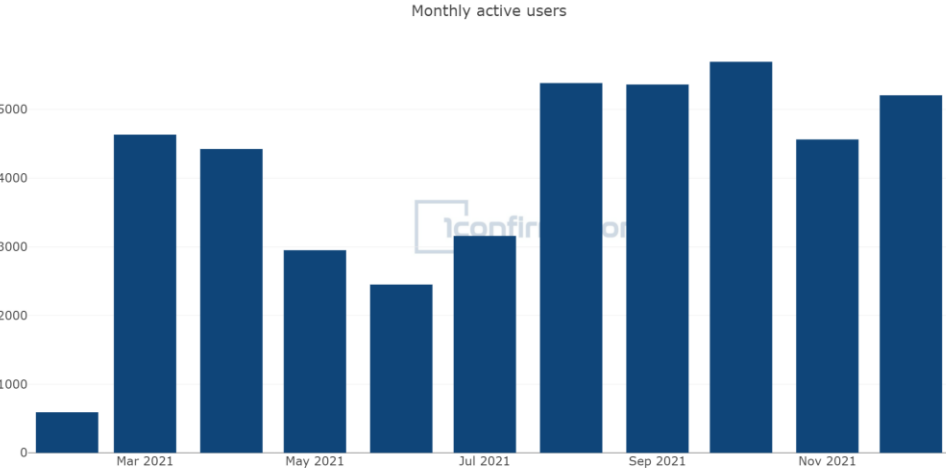
### 4.3 Foundation

[Foundation](#) is a marketplace spanning many cultural asset categories from digital art to music to memes. The platform launched in February 2021 and has hosted a diverse range of auctions, from the original Nyan Cat meme to an NFT by Edward Snowden that captured the landmark court decision ruling the NSA's mass surveillance illegal.

#### \$135M Trading Volume in 2021



#### 26k Active Users in 2021



Methodology: Total trading volume and unique active users on Foundation in 2021.

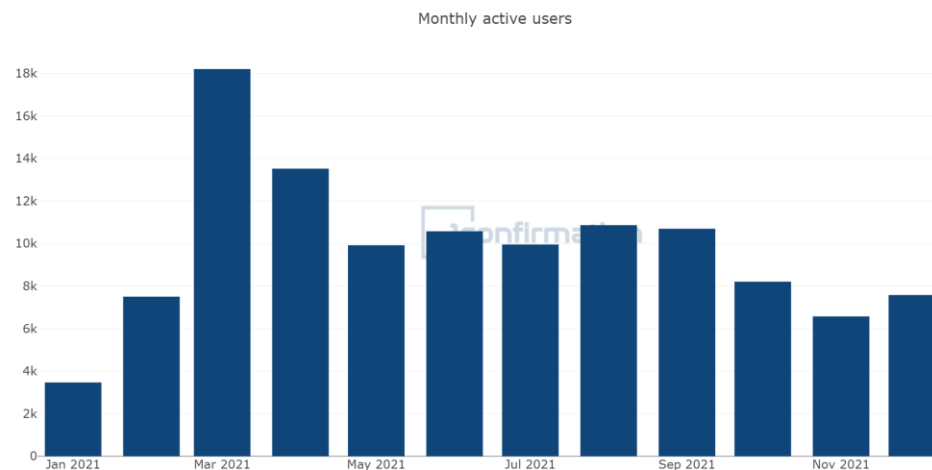
## 4.4 Rarible

Since its launch in late 2019, the [Rarible](#) marketplace has been an active hub for collectibles and artwork trading. This year, Rarible put in motion plans to expand from a single NFT marketplace to an ecosystem of projects built on the Rarible smart contracts and utilizing the Rarible indexer. Rarible Protocol is governed by RaribleDAO and its \$RARI token.

### \$249M Trading Volume in 2021



### 79k Active Users in 2021



Methodology: Total trading volume and unique active users on Rarible in 2021.

## 4.5 Fractional

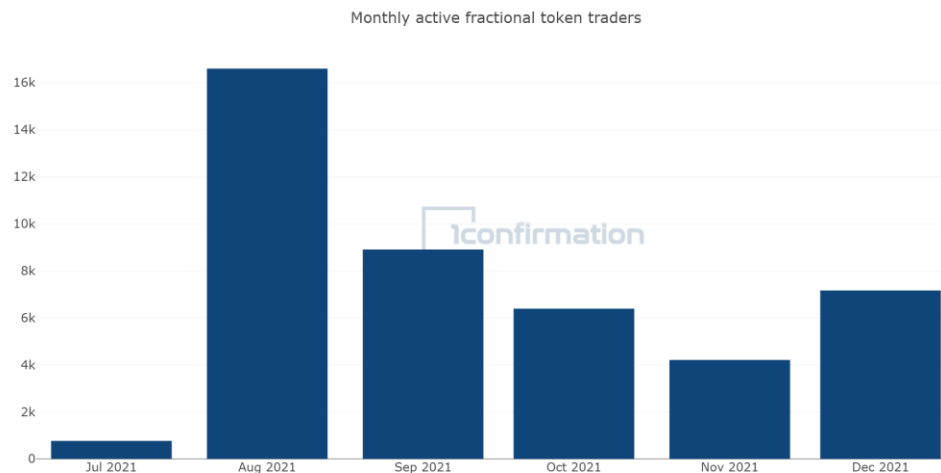
[Fractional](#) is a protocol that makes it easy to fractionalize and share ownership of an NFT or group of NFTs. Users can lock an NFT or group of NFTs in a vault, split ownership of the vaulted NFT into a fixed supply of ERC20 tokens, and then list those tokens on decentralized exchanges.

Since the launch in July 2021, Fractional has seen strong early adoption. Popular fractional tokens like [\\$DOG](#), the fractionalisation of the NFT of the original Doge meme, have surpassed hundreds of millions of dollars in trading volume on DEXs.

### \$1.78B Trading Volume of Fractional Tokens in 2021



### 37k Fractional Token Traders in 2021



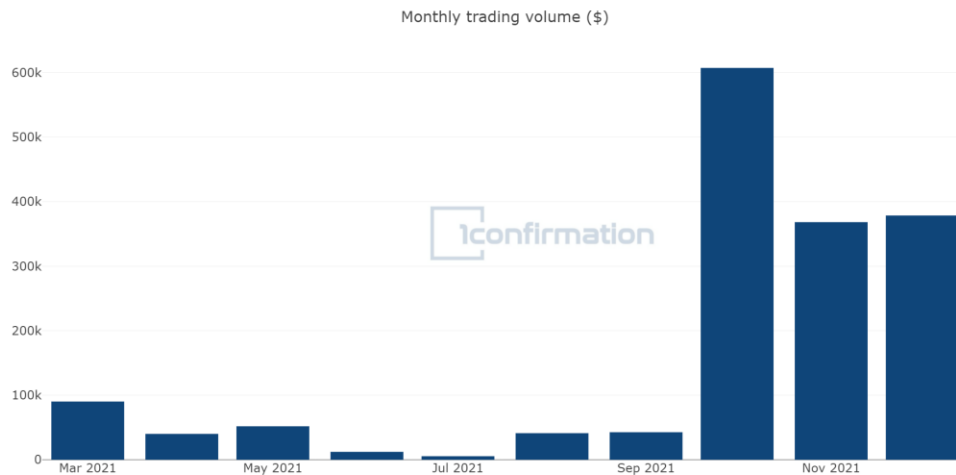
Methodology: Total trading volume and unique active users of Fractional tokens in 2021.

## 4.6 Catalog

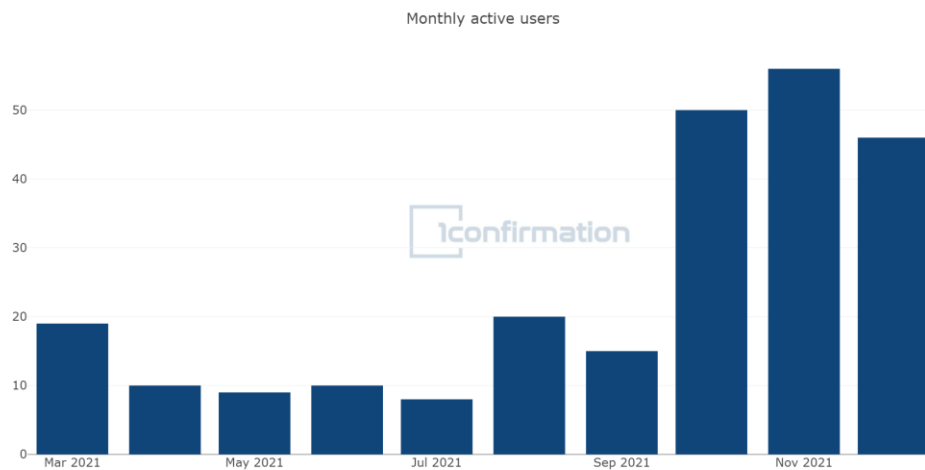
Launched in March 2021, [Catalog](#) has emerged as the leading curated marketplace for music NFTs. Each Catalog record is a one-of-a-kind collector's item issued by the musician.

Catalog has onboarded musicians across a range of genres from dancehall to techno and we expect bluechip artists to emerge from the Catalog platform in 2022. Some early candidates include [Haleek Maul](#), [Daniel Allan](#), [Matthew Chaim](#) and [Xcelencia](#).

### \$1.65M Trading Volume in 2021



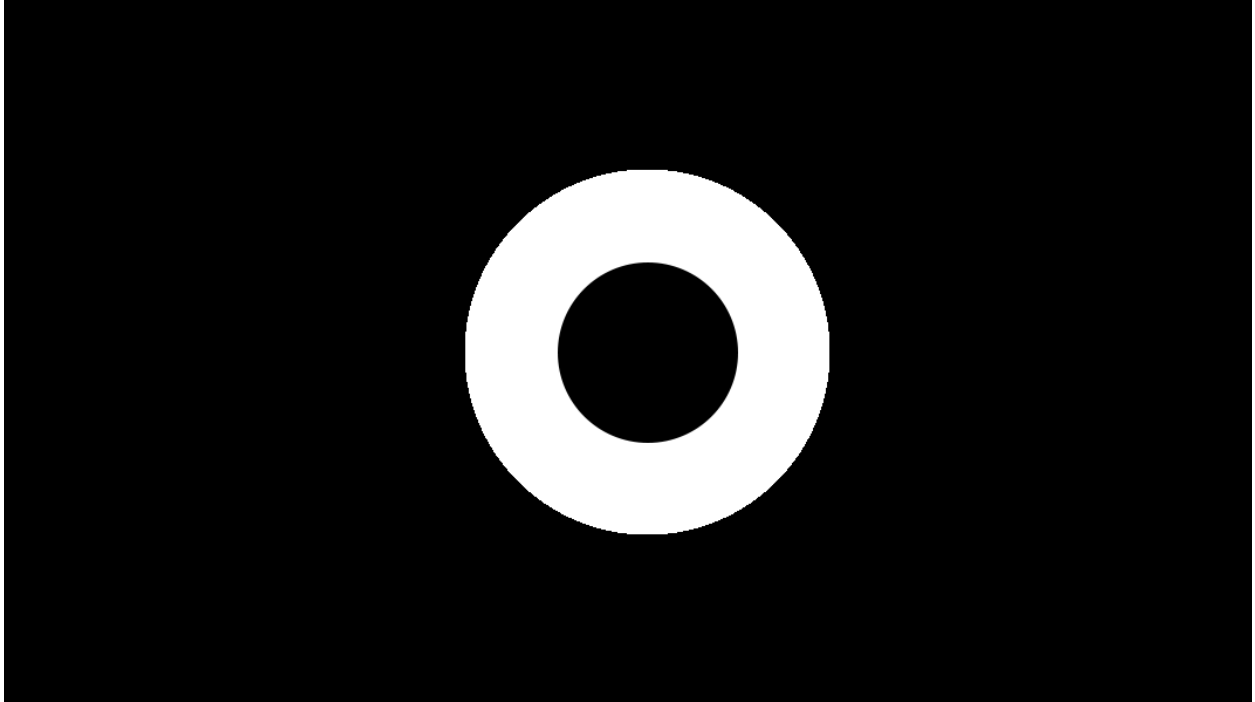
### 181 Active Users in 2021



Methodology: Total trading volume and unique active users on Catalog in 2021.

## 5. The Highlights

### 5.1 Pak



[Pak](#) is a pseudonymous creator known for pushing the boundaries of NFTs by exploring new mechanics that wouldn't have been possible in traditional art mediums. They currently hold the #1 spot in cryptoart, selling artworks [worth over \\$291M to date](#). They also hold the record for the most [expensive artwork sale at auction by a living artist](#). Their drops are multi-dimensional, incorporating puzzles, game theory, mystery and clean geometric visuals. In 2021, Pak's creations were all tied together by the \$ASH token, which is earned by burning Pak NFTs and unlocks early access to new projects. More on Pak: [Who is Pak?](#)

\$91.8M of mass units sold in the "Merge" drop

\$292M of artwork sold

\$85.8M \$ASH market cap

## 5.2 CryptoPunks



[Punk #7523](#)

[CryptoPunks](#) was the first programmatically generated NFT PFP projects on Ethereum and holds the status as a “rookie card” for NFTs. When it launched in 2017, the NFTs were free to claim by anyone with an Ethereum address. 2021 solidified the project’s position as the bluechip PFP. The record for highest CryptoPunk sale is held by the ‘Covid Alien’ Punk #7523, which [sold for \\$11.75M at Sotheby’s in June](#).

\$11.75M highest single sale

\$2.4B trading volume



## 5.3 BAYC



[BAYC #7698](#)

[Bored Ape Yacht Club](#) is a collection of ten thousand unique ape PFP NFTs launched in April 2021. BAYC collectors are granted full commercial rights to the apes they had purchased. The core team delivered a roadmap of fun perks like gated edit access to a shared artboard, airdrops of companion NFTs and IRL events. This strategy presented a sharp contrast to previous PFP projects like CryptoPunks and Hashmasks where once the drop was complete, there was little to no further input from the creators.

\$2.8M highest single sale

\$979M trading volume

## 5.4 ArtBlocks



[Fidenza #545](#)

[Art Blocks](#) is a primary marketplace for generative art that's seen phenomenal growth this year. Each project is a collection of artworks that are randomly generated at the moment of minting using an algorithm of the artist's design. Bluechip Art Blocks collections have emerged this year like [Ringers](#) by [Dmitri Cherniak](#) and [Fidenza](#) by [Tyler Hobbs](#).

\$6.9M highest single sale

\$1.39B secondary sales volume



## 5.5 Everyday: the First 5000 Days”



[Everydays: the First 5000 Days](#)

[Beeple](#) has been creating a piece of art everyday for the past 13+ years, and in 2021 all the hard work paid off for him. [Everydays: The First 5000 Days](#) by Beeple is a collage of 5,000 images created for his Everydays series. The piece was the [first NFT auctioned off by a major traditional auction house](#) and holds the title of 7th most expensive sale of an artwork by a living artist.

Beeple followed up this sale with another massive Christie's sale in 2021: [\\$29M for Human ONE](#)

\$69.3M First Christie's auction sale

\$174.5M Beeple's total sales of NFTs to date



## 5.6 XCopy



[Right-Click and Save As guy](#)

[XCopy](#) is a London based NFT artist who explores death, dystopia and apathy through distorted visual loops. He is the top artist on SuperRare by both total sales and highest single sale. XCopy is one of the earliest pioneers of NFTs as an artistic medium, starting his journey as a cryptoart creator and evangelist in 2017.

\$7M highest sale

\$40.6M SuperRare sales volume

## 5.7 Axie Infinity



[Axie Infinity](#) is an NFT based game where players battle, raise, and trade fantasy creatures called Axies. Each Axie is an NFT. Axie Infinity is the largest NFT game based on trading volume and active player base and has led the play-to-earn movement to date.

\$3.7B NFT trading volume in 2021

\$25.4B AXS fully diluted market cap

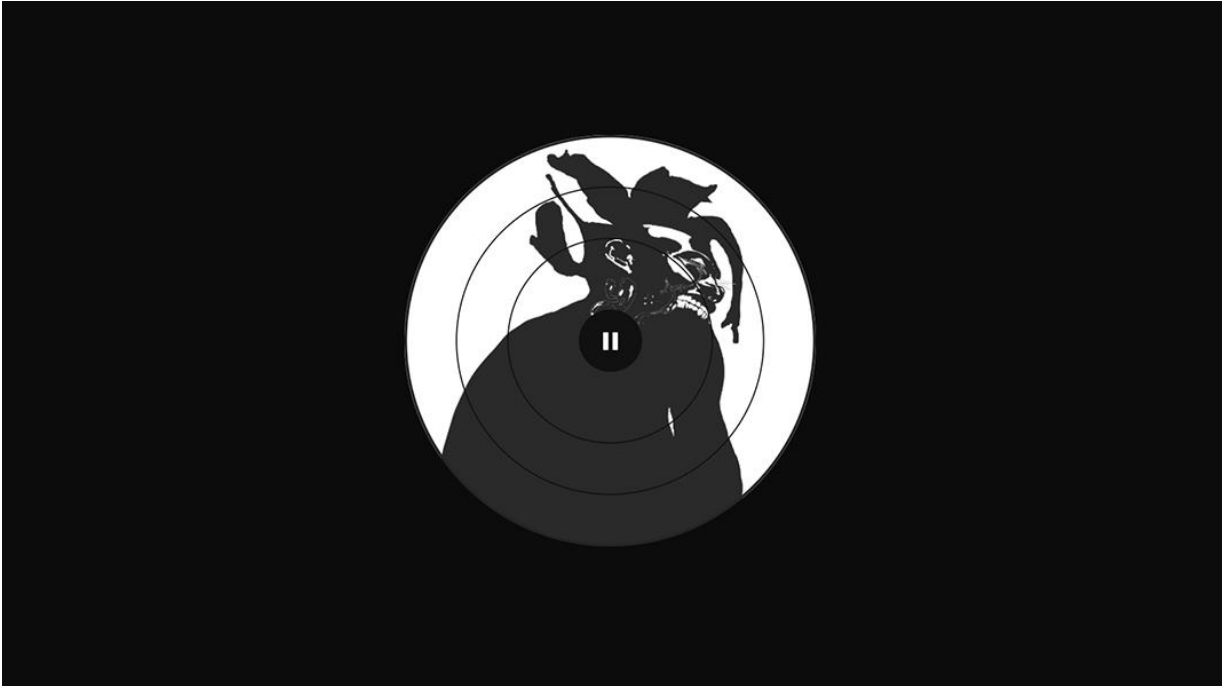
\$103M SLP market cap



## 6. Emerging Trends

A few trends that we're excited about moving for 2022:

### 6.1 Music



[Burden by Haleek Maul](#)

The music industry is broken. We all know it. Today, there are over 8 million musicians on Spotify. [Only 7,500 of them, 0.09% of the group, make more than \\$100K per year.](#)

Music on the internet is largely controlled by the streaming platforms who charge consumers to listen. We believe NFTs could flip music into becoming free for all to listen to but expensive to own the scarce, authentic version (like traditional art). [Catalog](#) is leading the way here and [Arpeggi Labs](#) is another platform to keep an eye on. In 2021 collectors did not place the same value on audio NFTs as they did on visual NFTs, but that may start to change in 2022.

Using NFTs, artists can sell directly to fans and fans can support musicians directly and in return share in the upside of the music they love. A strong case study for this use case is the Inner EP by [Haleek Maul](#). Haleek sold [four songs from his new EP](#) for \$235k in 2021. He would have needed approximately 59M Spotify streams to earn that same amount. Haleek now has a new way to grow his music without a traditional record label. His fans are his record label and there is strong incentive alignment.

## 6.2 Photography

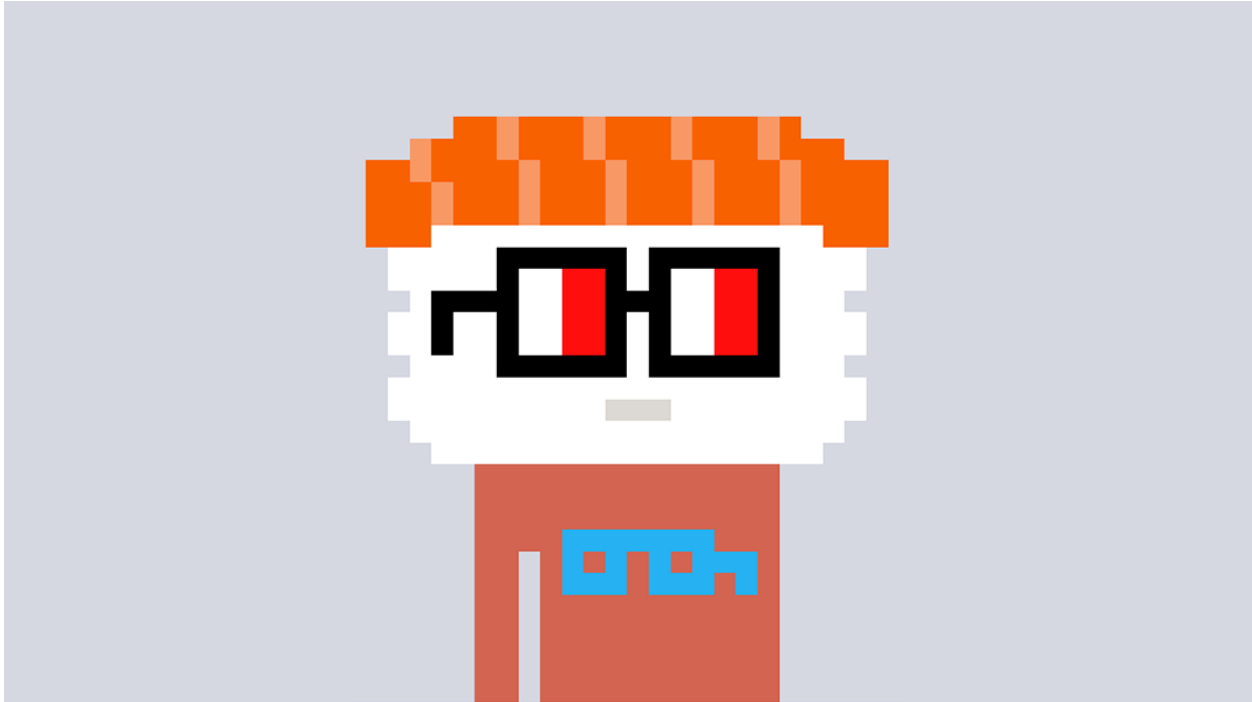


[#FreeHawaii](#)

Photography is another category of creativity poised for big growth in 2022. It started to emerge in 2021 with photographers like [Isaac “Drifters” Wright](#) and [Justin Aversano](#) minting and selling the popular collections ([Where My Vans Go](#) and [Twin Flames](#)). Previously photographers had limited ways to monetize online, but NFTs offer photographers a new way to build direct relationships with fans and fund their art.

The [#FreeHawaii project](#) is an interesting case study of how NFTs can empower photographers. [Cath Simard](#), a prominent photographer from Canada, was tired of chasing down copyright infringers to her most famous photo, which went viral and was shared millions of times without credit to her. She was previously unable to collect a single dollar to show for her efforts, but when she decided to sell the photo as an NFT and then release its usage rights to the world the [NFT sold at auction for \\$300,000.](#)

## 6.3 NFT-enabled DAOs



[Noun 29](#)

A decentralized autonomous organization (DAO) is a group of people aligned by economic incentives and shared beliefs that come together to provide a product or service without a centralized entity or corporate governing body. Bitcoin is the original DAO, and in the years since there has been an explosion of DAOs offering various products and services.

[NounsDAO](#) is a good case study of a DAO in the context of NFTs. Created by a group of Nouners including [Punk 4156](#) and [Gremplin](#), Nouns is a PFP project that auctions off one Noun a day. The sales from Nouns goes to a treasury governed by Nouns holders. Each noun represents not just an artwork but also a vote to decide on how the treasury spends its funds. We expect many new experiments in NFTs + DAOs in 2022 and beyond.



## 7. Closing

NFTs had a breakout year in 2021 but the asset class is still small relative to cryptocurrency broadly. The total market cap of NFTs is ~\$31.4B, just ~1.36% of the total market cap of cryptocurrency (\$2.3 trillion).

We believe that NFTs will ultimately be larger than cryptocurrencies by the end of this decade and in 2022 steps will be made toward that end:

- The large existing cryptocurrency exchanges ([Coinbase](#), [FTX](#), [Kraken](#), etc) will recognize how important it is for the growth of their businesses to get into NFTs. Fiat onramps will improve and it will become easier for people outside the crypto ecosystem to buy their first NFT.
- More consumer brands and celebrities will launch NFT projects, capturing more mainstream attention for the category and further normalizing NFTs as part of mainstream culture.
- Belief in the value of many types of NFTs beyond pure visual art—like music, photography, and virtual real estate— will grow and several of these categories will become multi-billion dollar asset classes on their own.
- NFTs will emerge on Ethereum L2s in a big way, bringing cheap, fast NFT experiences to more people. This will grow the pie of total users of NFTs, which will surpass 10M by year-end.

2021 was crazy in NFT land, and 2022 is shaping up to be crazier. Thank you for reading.

Sincerely,

1confirmation Team

