



## Application for clearance of a business acquisition under s 66 of the Commerce Act 1986

Proposed acquisition by Property Brokers  
Limited (or its nominee) of specified assets of  
Farmlands Real Estate Limited and Farmlands  
Real Estate Property Management

25 November 2019

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## Part A – Executive Summary

1. Property Brokers Limited (**PBL**), or its nominee, is applying for clearance from the Commerce Commission to acquire the West Coast real estate business and property management business (**West Coast Business**) of Farmlands Real Estate Limited and Farmlands Real Estate Property Management Limited (together, referred to as **Farmlands**).

### Parties

2. PBL is a private limited company incorporated in New Zealand on 7 July 1986. It has over 600 staff and operates from 45 branches throughout New Zealand. It provides residential, lifestyle, rural and commercial real estate services across both the North and the South Islands, as well as property management services.
3. Farmlands Real Estate Limited is a fully owned subsidiary of Farmlands Co-operative Society Limited and offers real estate services throughout New Zealand, specialising in residential, lifestyle, rural and commercial property, as well as property management services.
4. Farmlands Real Estate Property Management Limited was incorporated on 5 August 2008 and is a fully owned subsidiary of Farmlands Real Estate Limited. It offers property management services.

### Transaction

5. The transaction involves the acquisition by PBL of Farmlands' real estate and property management business throughout New Zealand (**Proposed Transaction**) by way of an Agreement for Sale and Purchase of Business and Assets (**SPA**).

### Overlaps Between the Parties

6. The overlaps between the Parties are restricted to real estate services and property management services. Clearance is just being sought by PBL with regards to the acquisition of Farmlands' West Coast Business. No material competition issues arise in other regional areas of New Zealand for real estate services and property management services.

### Relevant Markets

7. The Parties consider that the relevant markets in this case are:
  - 7.1 The market for the provision of real estate services in the West Coast region; and
  - 7.2 The market for the provision of real estate property management services in the West Coast region.

### Counterfactual

8. PBL considers that, in the absence of the acquisition of the West Coast Business, the counterfactual would involve [

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### No Substantial Lessening of Competition in the West Coast Real Estate Market

9. **Limited Aggregation:** Based on independent data provided by the Real Estate Institute of New Zealand (**REINZ**), the combined share of both Farmlands and PBL for real estate sales on the West Coast for the last three years has ranged from [ ]. This is in circumstances where the combined market share of Farmlands, PBL and other REINZ members has been below 70% in all three years, meaning that the acquisition will be within the Commission's concentration indicator thresholds. This is not a merger of two equally large participants in the West Coast real estate market. PBL already has around [ ] market share in this three year period. Farmlands is substantially smaller at around [ ] share over these three years.
10. The proposed acquisition involves PBL acquiring the services of only around four additional real estate agents from Farmlands on the West Coast ([ ]). This is in addition to PBL's current agents on the West Coast of 11. So the actual numbers of real estate agents involved are very small.
11. **Strong Existing Competition:** The merged entity will continue to face strong competition from existing competitors including Harcourts, Greg Daly Real Estate Ltd, RE/MAX, PGG Wrightson, Bayleys and Ray White. All of these apart from Greg Daly are part of larger national networks which gives them the opportunity to leverage off the advertising and resources of their wider brands, as well as the expertise available within these well-established networks. Farmlands itself does not have a long standing presence on the West Coast for real estate, given it only acquired the Ray White West Coast real estate business in August 2019. As a result the acquisition will not give rise to the loss of a long standing real estate brand for Farmlands on the West Coast.
12. In addition, private sales represent a significant competitive constraint in the market. The REINZ figures show that private sales for real estate on the West Coast have ranged from [ ] of all real estate sales on the West Coast for the last three years. Indeed there are more sales on a private sale basis than by both Parties combined in the last three years.
13. **Future Competition:** There are no restrictions on the ability of existing market participants to expand their operations on the West Coast. There is no shortage of real estate agents, and entrance requirements for real estate agents are not high. PBL understands that each of Harcourts, Ray White Nelson and Greg Daly are all looking to increase numbers of agents on the West Coast at present ([ ]).
14. Similarly, there are low regulatory barriers to new entry. What is needed to start a new agency and expand is licenced agents, but that is a feature of the real estate industry generally. Agents are independent contractors who can switch agencies on short notice without subsequent restraints of trade, [ ]. As a result, it is not difficult to find agents willing to assist a new agency. Nor is it necessary to have a physical presence on the West Coast in order to provide real estate services there. The key requirements are to hold a valid licence, a willingness to travel and the technology to facilitate listings and be contactable. By way of example, in the last 12 months RE/MAX Elite has been selling property in Westport despite being

based in Nelson – [

]. Ray White is also selling property in South Westland from its Wanaka office, and on the West Coast generally from Ray White Nelson. There are a number of agents based in Canterbury who have West Coast property listed on their books. PBL understands that [ ] may well be looking to come on to the West Coast as new entrants.

15. **Countervailing Power from Vendors:** Vendors have significant countervailing power and are easily able to shop around for the best commissions, or even sell their property themselves. Frequently Vendors will seek appraisals for their property from multiple real estate agencies. Even once Vendors enter into an agency agreement with an agent, the standard industry sole agency applies for only 90 days, with the exception that the duration for sole agencies is slightly longer in the farming segment of the real estate services market. After that time the Vendor can switch agencies on only 7 days' notice.
16. **Different Approaches to Market Definition Produce the Same Result:** Even if the Commission were to adopt a different approach to market definition and look for instance at each of the residential, lifestyle and farm real estate segments as a market on the West Coast in itself, the REINZ data shows that the combined share of the Parties for the last 3 years has ranged from [ ] for residential, [ ] for lifestyle, and [ ] for farms (noting Farmlands has had negligible presence for farms). Again, this is in circumstances where the combined market share of Farmlands, PBL and other REINZ members in all three segments has been below 70% in all three years, meaning that the acquisition will be within the Commission's concentration indicator thresholds for lifestyle and farm, and around the threshold for residential.
17. Similarly, even if the Commission applied a different approach to geographic market scope and adopted separate geographic markets for real estate sales in each of the Buller District (i.e. around Westport), Grey District (i.e. around Greymouth) and Westland Districts (i.e. around Hokitika), the acquisition is well within the Commission's concentration indicators for each of the Grey and Westland Districts, with combined shares of Farmlands and PBL ranging from [ ] in the Grey District and [ ] in the Westland District in the last three years.
18. Issues only arise in terms of the concentration indicators for the Buller District where the Parties' combined shares have ranged from [ ] which is above the concentration indicator threshold applying of [ ]. However, there are still significant competitive constraints in the Buller District. In particular, private real estate sales in the Buller District have ranged from [ ] over this three year period; there are constraints from agents located outside the Buller District who are involved in sales in the District such as RE/MAX Nelson and Harcourts Greymouth; and there is likely short term entry from Harcourts and Ray White Nelson which PBL understand are both looking to open offices in Westport now that the mining industry has recovered from the mining recession in the 2013-2017 period.

#### **No Substantial Lessening of Competition in the West Coast Property Management Market**

19. **Limited Aggregation:** There is no publicly available information setting out market shares for property management in New Zealand. REINZ does not keep this information. As a proxy for the purposes of estimating shares in the property management market for the West Coast, PBL has used MBIE data setting out the

total number of active bonds for rentals on the West Coast as at 1 August 2019.<sup>1</sup> This data shows that PBL's share of the number of bonds lodged for properties managed on the West Coast at this time was [ ] and Farmlands' share was [ ].

20. However, while professional property managers will almost always require a bond, this is not always the case with landlords doing private rentals. As a result this data provides an incomplete picture and will overstate the Parties' actual position since it will not reflect the true extent of private rentals. PBL estimates that only around [ ] of rental properties on the West Coast are in fact managed by property management companies, with the rest being let by landlords privately. Accordingly the actual aggregation in the property management market in the present case will be small.
21. Moreover, PBL is only acquiring the services of 2 full time and 1 part time property managers from Farmlands ([ ]). So the number of property managers it gains is minimal. This is on top of only 8 ([ ]) property managers that PBL currently has on the West Coast.
22. **Existing Competition:** The merged entity will continue to face strong competition from private rentals and other competitor property management companies. These include private long and short term rentals which make up around [ ] of rentals on the West Coast. This represents the default position for any landlords facing an increase in letting fees from property managers on the West Coast. There will also be ongoing competition provided by other property management companies such as Harcourts, Greg Daly, and Quinovic (amongst others).
23. **Future Competition:** There is no constraint on existing competitors increasing the number of rentals they manage on the West Coast. Harcourts in Greymouth have recently hired a second property manager. They currently manage approximately 110 properties on the West Coast. They have recently been successful in enticing clients away from PBL.
24. There are low barriers to entry. There are no licensing costs, no hurdles or red-tape with regulatory bodies. Considering that approximately [ ] of rental properties are privately managed, the scope to build a business is good. In order to start a property management business, it is necessary to engage the services of property managers but there is no shortage of property managers. The requirements to become a property manager are not high, and are lower than those for real estate agents. Due to the fact that the software and websites utilised in property management are all web-based, there is no requirement to be based in an office. All you need is an internet connection.
25. In terms of future competition, the volumes of private short stay rentals through Air BnB/BookaBach etc have been increasing and are likely to expand further as a competitor. There are new specialist property management agencies such as the Rent Shop that are setting up franchise models throughout New Zealand and are not currently on the West Coast (<https://www.therentshop.co.nz/>). Property Scouts is another example – as at 4 November 2019 it is advertising an opportunity to buy a franchise for property management in Greymouth and Hokitika (<https://www.realestate.co.nz/2609744>). [ ] has also been referred to above as a possible new entrant on the real estate services side, and they provide property management services as well.

<sup>1</sup> <https://www.mbie.govt.nz/building-and-energy/tenancy-and-housing/rental-bond-data/>.

26. **Countervailing Power from Landlords:** Landlords have significant countervailing power and are easily able to shop around for the best fees from property managers, or rent their property themselves. There is no requirement to use a property management company. Even if the property owner will be out of the country for more than 21 days, section 16A of the Residential Tenancies Act 1986 only requires an owner to use an “agent” which could be a friend or family member and does not have to be a property manager.

## Part B – The Parties

### Acquiring Party

27. The acquirer is Property Brokers Limited (**PBL**), or any of its interconnected bodies corporate or nominees. Its contact details are:

Property Brokers Limited  
240 Broadway Avenue  
Palmerston North  
PO Box 5004

**Attention:** Bill Hight, Chief Executive Officer  
Telephone: 06 280 2187  
Email: [bill@propertybrokers.co.nz](mailto:bill@propertybrokers.co.nz)  
Website: <https://www.propertybrokers.co.nz/>

28. All correspondence and notices to PBL in respect of this application should be directed in the first instance to:

Simpson Grierson  
Lumley Centre  
88 Shortland Street  
Private Bag 92518  
Auckland 1010  
NEW ZEALAND

**Attention:** James Craig / Nia Statham  
Telephone: (09) 977 5125  
Mobile: (021) 497 713  
Email: [james.craig@simpsongrierson.com](mailto:james.craig@simpsongrierson.com)

### Selling Party

29. The sellers are Farmlands Real Estate Limited and Farmlands Real Estate Property Management Limited (**Farmlands**).

30. Their contact details are:

Farmlands Real Estate Limited  
Farmlands Co-operative Society Limited  
535 Wairakei Road  
Burnside  
Christchurch, 8053

Farmlands Real Estate Property Management Limited  
Farmlands Co-operative Society Limited  
535 Wairakei Road  
Burnside  
Christchurch 8053

**Attention:** Catherine Walker, General Counsel  
Telephone: + 64 3 357 7995  
Email: [catherine.walker@farmlands.co.nz](mailto:catherine.walker@farmlands.co.nz)  
Website: <https://www.farmlandsrealestate.co.nz/>



31. All correspondence and notices to Farmlands in respect of this application should be directed in the first instance to:

Simpson Grierson  
Lumley Centre  
88 Shortland Street  
Private Bag 92518  
Auckland 1010  
NEW ZEALAND

**Attention:** James Craig / Nia Statham  
Telephone: (09) 977 5125  
Mobile: (021) 497 713  
Email: james.craig@simpsongrierson.com

## Part C – Transaction details

### Transaction

32. Farmlands Real Estate Limited and Farmlands Real Estate Property Management Limited have sold their business and assets to PBL under an agreement for sale and purchase of business and assets dated 14 November 2019 (**SPA**). Under the SPA, the sale will happen in two stages:
- 32.1 **Stage One:** all of Farmlands' real estate business and assets, other than the West Coast business and assets and non-West Coast property management agreements, were sold on (or around) 14 November 2019 (**Closing**);
- 32.2 **Stage Two:** Farmlands' West Coast real estate business and assets and non-West Coast property management agreements will be sold [ ] after PBL obtains Commerce Commission clearance to buy the West Coast business and assets (**West Coast Closing**).
33. In relation to PBL's acquisition of the West Coast Business of Farmlands this will involve:
- 33.1 **West Coast Business:** The West Coast business being sold under the SPA is Farmlands' real estate business in relation to the West Coast real estate market, as currently operated from the premises at 5 Weld Street, Hokitika and 196 Palmerston Street, Westport (**West Coast Business**);
- 33.2 **West Coast Assets:** The West Coast assets being sold under the SPA are all the Assets relating to the West Coast Business at the date of the SPA, excluding the Excluded West Coast Assets, and including certain Plant and Equipment located at the premises at 5 Weld Street, Hokitika or 196 Palmerston Street, Westport (**West Coast Assets**). The **West Coast Excluded Assets** include all intellectual property owned by Farmlands Co-operative Society Limited and its related parties (other than Farmlands Real Estate) and all related rights, as well as the Farmlands domain name and business name.
34. A copy of the Agreement for Sale and Purchase of Business and Assets of Farmlands (the **SPA**) and Deed of Variation are attached at **Appendix 1**.
35. Diagrams showing the current respective ownership of PBL and Farmlands are included at **Appendix 2**.
36. Neither PBL nor any of its subsidiaries have any existing interest in Farmlands.

### Related Transactions

37. Farmlands and PBL will enter into a strategic partnership agreement (**Strategic Partnership Agreement**) on Closing. This will govern Farmlands' and PBL's ongoing strategic relationship. In consideration for Farmlands' sale of the Business under the SPA, PBL will pay [

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## Rationale for the Proposed Transaction

38. The rationale for the merger from Farmlands' perspective is that it allows Farmlands to offer its shareholders a real estate agency and property management service from a specialised business that has provincial real estate at its core. The partnership will allow Farmlands to grow the business on a scale that it could not achieve on its own. The merging of the business will allow Farmlands to continue to provide its shareholders with access to quality real estate services. This merger allows Farmlands to increase its reach, scale and marketing opportunities for shareholders, with more customers having access to specialist rural, lifestyle and residential real estate services and property management across New Zealand.

39. Farmlands' management has recommended the sale of its real estate business to its Board on the basis that:

[

]<sup>2</sup>

40. PBL's rationale for the acquisition is to align itself with the wider Farmlands' group of companies including shareholders and customers. In particular, PBL considers that the combination of the acquisition and partnership arrangements will provide opportunities for PBL to market itself to Farmlands' shareholders and customers, with the advantages that this would bring for PBL. [

]

<sup>2</sup>[

].

## Part D – Horizontal Overlap

### Activities of the Parties to the Proposed Transaction



#### *PBL*

42. PBL is a private limited company incorporated in New Zealand on 7 July 1986. Its registered office is located in Palmerston North. It has over 600 staff and operates from 45 branches throughout New Zealand.
43. It provides residential, lifestyle, farm and commercial real estate services on a provincial basis across both the North and the South Islands.
44. On the West Coast of the South Island, PBL operates from offices in Westport, Greymouth, and Hokitika supplying real estate and property management services.
45. 99.9% of PBL shares are owned by John David Naylor, Maurice Joseph Batey and Timothy John Mordaunt.
46. Additional information on PBL can be obtained from its website at <https://www.propertybrokers.co.nz/>.



#### *Farmlands Real Estate Limited*

47. Farmlands is New Zealand's largest farmer owner co-operative. It was established more than 50 years ago, with the specific intention of providing competition in the retail farm supply industry to reduce farmers' input costs. Farmlands Co-operative Society Limited delivers a wide range of services designed to support customers primarily operating in the farming and agriculture sectors. It sells (amongst other things) farming supplies, fertiliser, grain and seeds, fuel, oil and lubricants, as well as providing real estate, finance, water management and horticulture services. Information about Farmlands generally can be found at <https://www.farmlands.co.nz/Aboutus/>.
48. Farmlands Real Estate Limited is a fully owned subsidiary of Farmlands Co-operative Society Limited. It operates from Christchurch and was incorporated on 24 May 1991. Farmlands Real Estate Limited represents a small part of the wider group's commercial activities by offering real estate services throughout New Zealand. It specialises in residential, lifestyle, rural and commercial property, and also offers property management services.
49. Additional information on Farmlands Real Estate Limited can be obtained from its website at <https://www.farmlands.co.nz/Productsandservices/RealEstate/>.

*Farmlands Real Estate Property Management Limited*

50. Farmlands Real Estate Property Management Limited was incorporated on 5 August 2008 and is a fully owned subsidiary of Farmlands Real Estate Limited. It offers property management services. Additional information on Farmlands Real Estate Limited can be obtained at <https://www.farmlandsrealestate.co.nz/sell-with-us/property-management/>.

**Relevant Overlaps Between the Parties**

51. The overlaps between the Parties are restricted to real estate and property management services.
52. In terms of regions where the Parties' real estate and property management businesses overlap, these are:
- 52.1 Waikato;
  - 52.2 Hawkes Bay;
  - 52.3 Wellington;
  - 52.4 Canterbury;
  - 52.5 Otago; and
  - 52.6 the West Coast.
53. The only material competition issues arise in the West Coast region, and that is why clearance has not been sought from the Commission for other regions.

**Required Documents / Information**

54. We provide in **Appendices 2 to 5**:
- 54.1 a copy of the most recent financial statements and management accounts for the relevant West Coast businesses of PBL and Farmlands;
  - 54.2 each Party's total sales revenues; and
  - 54.3 the names and contact details for the Parties' main competitors, and the trade or industry associations in which one or both of the Parties participate.

## Part E – Market Definition

### Overview of Relevant Markets

55. The Parties consider that the relevant markets in this case are:
- 55.1 The market for the provision of real estate services in the West Coast region; and
  - 55.2 The market for the provision of property management services in the West Coast region.

### Previous Consideration by the Commission

56. The Commission has not previously had cause to consider the relevant market definitions for real estate and property management services in a clearance context.
57. In the real estate litigation brought by the Commission against various parties for breach of ss27 and 30 of the Commerce Act 1986, market definition was not a major issue. That said:
- 57.1 In both *Commerce Commission v Bayley Corporation Limited* [2016] NZHC 1493 at [14] and *Commerce Commission v Barfoot & Thompson & Others* [2016] NZHC 3111 at [26(a)] the High Court noted that the parties to the agreement in that case held “a substantial share of the overall market for real estate services”.
  - 57.2 In *Commerce Commission v Lodge Estate Limited* [2019] 2 NZLR 168, the Court of Appeal referred at [3] to Lodge having a certain percentage share of “the Hamilton real estate agency market”. Similarly, in the High Court decision reported at [2017] NZHC 1497, there was reference at [28] and [32] to the position of the parties in “the Hamilton real estate market”.
58. These decisions by the Courts are consistent with PBL’s proposed market definition above.

### Product Dimension

59. On the real estate services side, there are four main segments of the provision of real estate services. These are residential, farm, lifestyle and commercial real estate services. The Parties’ experience on the West Coast is that the main real estate agencies all offer agents within their offices who can provide services in each of these segments. There are generally not enough listings for an agent on the West Coast to sell property in just one segment of real estate such as lifestyle for instance.
60. For property management services, this involves primarily residential property management. Neither Party is involved in commercial property management on the West Coast.

### Geographic Dimension

61. There is competition across the West Coast region generally for the provision of both real estate services and property management services. Real estate companies located outside of the West Coast (such as in Wanaka, Canterbury and Nelson/Tasman) are also involved in selling West Coast real estate.

- 62.** For instance, examples of agents from outside the Buller District (i.e. the territorial authority area around Westport) who have been selling real estate in that District include:
- 62.1** RE/MAX Nelson which has an agent (Zoe Godfrey-Payne) actively competing for listings now. An example of listings for her in the Buller District can be found at <https://www.remaxelite.co.nz/ourpeople/zoe-godfrey-payne-38627>. While she is theoretically “based” in Nelson, it appears that around 90% of her listings are held in the Buller District. On 7 November 2019 she was advertising real estate services on the front page of Westport’s newspaper “The News”, with the heading “RE/MAX Here to Stay”;
  - 62.2** Harcourts Greymouth which has a sales person (living in Reefton) who operates throughout the Buller District, Ronny Stanfield. He has listings from Granity to Karamea. More information can be found at <https://harcourts.co.nz/People/13958/Ronnie-Standfield>.
- 63.** Accordingly, PBL considers that a West Coast regional geographic dimension is appropriate.

## Part F – Counterfactual

64. PBL considers that, in the absence of the West Coast Transaction, the counterfactual would involve [

]:

64.1 [

];

64.2 [

];

64.3 [

].

65. [

].



## Part G – The Industry

- 66.** In this section we deal with the following topics:
- 66.1** an overview of the real estate and property management industry;
  - 66.2** the services provided by the Parties on the West Coast;
  - 66.3** other industry participants on the West Coast;
  - 66.4** relevant industry bodies; and
  - 66.5** recent merger activity in the industry.

### Overview of the Real Estate Industry

- 67.** The Parties offer real estate services to vendors of property (**Vendors**) to assist or promote the sale of properties by those Vendors. These services include some or all of the following:
- 67.1** marketing and promotion of a property in accordance with the instructions of the Vendor, including through:
    - 67.1.1** advising the Vendor on a marketing plan, including advising on the location, frequency, characteristics, and contents of any advertisements;
    - 67.1.2** drafting the description of the property for any advertisements or listings, including the headline and content of the description;
    - 67.1.3** arranging for the property to be photographed and/or selecting appropriate photographs of the property for use in advertisements or listings;
    - 67.1.4** arranging for the placement of print advertising in newspapers, magazines, and speciality publications such as the Property Press;
    - 67.1.5** arranging for street-signage outside the property;
    - 67.1.6** incidental advice including, for example, advising the Vendor on presentation of a property, including advice on property staging;
    - 67.1.7** arranging for the listing of the property on websites such as the Parties' own websites, [www.trademe.co.nz](http://www.trademe.co.nz), and "realestate.co.nz";
  - 67.2** advising Vendors about potential methods for sale of a property (for example, by auction or tender);
  - 67.3** advising Vendors about price expectation/valuation, including collecting, collating and providing information as to comparable sales;
  - 67.4** assistance to locate buyers for the property, including by:

- 67.4.1 maintenance of databases of potential or prospective buyers; and
    - 67.4.2 conducting open homes or private inspections by prospective buyers;
  - 67.5 conducting the sale of a property by the method chosen by the Vendor, including providing auction rooms, auctioneers, and associated services as necessary;
  - 67.6 assistance with the negotiation and settlement of a property transaction, including providing appropriate documentation, such as branded blank sale and purchase agreements; and
  - 67.7 providing various miscellaneous services to facilitate the services listed above.
68. Real estate services are offered by a mix of large brands and smaller agencies. At the national New Zealand level, the major real estate brands are Bayleys, Harcourts, Ray White, LJ Hooker and Mike Pero (amongst others). In the Auckland region, there is Barfoot & Thompson.
69. Qualification barriers for becoming a real estate agent are not high. Real estate salespeople in New Zealand must first get a qualification from an approved provider and then be licensed by the Real Estate Authority (**REA**). Real estate salespeople are self-employed independent contractors and are paid on a commission basis. The relevant qualifications required before applying for a real estate licence are:
- 69.1 Salesperson - National Certificate in Real Estate (Salesperson) Level 4;
  - 69.2 Branch manager - National Certificate in Real Estate Level 5, version 3 or later.
70. Typically, fees for obtaining a National Certificate are in the range of \$1,500 - \$2,000. After a candidate receives their National Certificate they then need to apply for a licence from the REA, and then maintain that licence by doing industry training each year as specified by the REA.<sup>3</sup>
71. Properties do not need to be sold through real estate agents. Vendors can list their properties privately free of commission on sites such as:
- 71.1 trademe.com;
  - 71.2 listed.co.nz;
  - 71.3 selldirect.co.nz;
  - 71.4 homesell.co.nz.
72. The Parties regard private sales as a major competitive threat on the West Coast. As noted by PBL in its [ ] review of the proposed transaction:

<sup>3</sup> Refer for instance to <https://www.rea.govt.nz/real-estate-professionals/apply-for-your-licence/required-criteria-and-qualifications-to-work-in-real-estate/> and <https://www.barfoot.co.nz/careers/getting-started-in-real-estate>.

[

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**73.** As set out further below in the market share section of the competition analysis, private sales make up a large component of the real estate market on the West Coast. For instance, using just sales on trademe.com as an example, as at 1 November 2019 there were multiple residential, lifestyle and rural West Coast properties privately listed for sale. Examples include:

**73.1** Listing #:2367310851, 1883 Kumara - Inchbonnie Road, Lake Brunner, Greymouth;<sup>4</sup>

**73.2** Listing #:1924141989, 50 State Highway 67, Waimangaro-a, Buller;<sup>5</sup>

**73.3** Listing #:2328584888, 339 Main South Road, Paroa, Greymouth;<sup>6</sup>

**73.4** Listing #:2369260702, 402 Kumara Junction Highway, Hokitika;<sup>7</sup>

**73.5** Listing #:1613463498, 47 Main Street, Reefton, Buller;<sup>8</sup>

**73.6** Listing #:1913852550, 2 Cape Foulwind Road, Carters Beach, Buller.<sup>9</sup>

#### **Overview of the Property Management Industry**

**74.** Owners of properties who wish to rent them out have the option of managing the rental themselves or contracting with a property manager to do this. Services provided by a property manager include:

**74.1** receiving rent on the landlords' behalf;

**74.2** finding suitable tenants;

**74.3** handling maintenance;

**74.4** conducting regular property inspections on entry, during the tenancy and on exit for the purposes of maintaining the property;

**74.5** dealing with disputes;

**74.6** resolving any issues at the end of a tenancy.

<sup>4</sup> <https://www.trademe.co.nz/property/rural/auction-2367310851.htm?rsqid=3e40eaa647484adc9e200f329ffe17b-001>

<sup>5</sup> <https://www.trademe.co.nz/property/rural/auction-1924141989.htm?rsqid=3e40eaa647484adc9e200f329ffe17b-001>

<sup>6</sup> <https://www.trademe.co.nz/property/residential-property-for-sale/auction-2328584888.htm?rsqid=df700da56db5414c95752fd7af850369-036>

<sup>7</sup> <https://www.trademe.co.nz/property/residential-property-for-sale/auction-2369260702.htm?rsqid=ca273ee5e34141b292f895f5a955c4e0-037>

<sup>8</sup> <https://www.trademe.co.nz/property/residential-property-for-sale/auction-1613463498.htm?rsqid=91242b84f6ba444ca0cdc7b01c041af0-038>

<sup>9</sup> <https://www.trademe.co.nz/property/residential-property-for-sale/auction-1913852550.htm?rsqid=469d9abadb41410bbbf38058f6d30fdb-039>

75. The property manager becomes the landlord's agent who looks after their investment. Further information on the role of a property manager can be found at [www.tenancy.govt.nz](http://www.tenancy.govt.nz).
76. There are no particular requirements to become a property manager, and many larger property firms provide in-house training.<sup>10</sup> In particular it is not necessary for property managers to be qualified as real estate agents in order to provide property management services.
77. Nor is it necessary for property managers to be part of a real estate business. In many instances, it is advantageous not to be linked to a real estate business that sells properties. Stand-alone property management businesses are more focused and can attract specialist operators.
78. As is the case with real estate sales, landlords can rent properties out themselves without engaging the services of a property manager. Private rentals are a major competitor on the West Coast for property managers. While PBL does not have firm specifics, it believes the split between privately managed rentals and professionally managed rentals is likely to be around [ ] private and [ ] professionally managed. Just looking at rentals listed on trademe.com as at 1 November 2019, there were multiple residential properties on the West Coast privately listed for rent at that time. Examples include:
- 78.1 Listing #:2334642957, Romilly St, Westport, Buller;<sup>11</sup>
- 78.2 Listing #:2347927703, 62 Albert Street, Greymouth;<sup>12</sup>
- 78.3 Listing #:2369452227, 101A Preston Road, Greymouth.<sup>13</sup>
79. It is worth noting that there are a mix of longer term and short term private rentals. The volume of short term private rentals has been growing on the West Coast where owners of rentals privately advertise on Air BnB, BookaBach, and other sites.

### Services Provided by the Parties on the West Coast

#### *PBL*

80. On the West Coast, PBL provides real estate and property management services.
81. In terms of the relevant segments of real estate services it provides on the West Coast, PBL supplies each of residential, lifestyle, rural and commercial real estate services. The rural segment includes sales of arable, bareland, cropping, dairy, deer, fattening, forestry, grazing, horticulture, mixed, and specialist livestock properties. The commercial segment comprises hotel/motel/leisure, industrial, office, retail, business, investment opportunities and land.

<sup>10</sup> <https://www.careers.govt.nz/jobs-database/finance-and-property/property-services/property-manager/how-to-enter-the-job#how-to-enter-the-job> .

<sup>11</sup> <https://www.trademe.co.nz/property/residential-property-to-rent/auction-2334642957.htm?rsqid=5c0ebaf0b25047b8b4f85f6dfd690546-001>

<sup>12</sup> <https://www.trademe.co.nz/property/residential-property-to-rent/auction-2347927703.htm?rsqid=ff93ef96e27f4fe591abf89d92fe6e2f-003>

<sup>13</sup> <https://www.trademe.co.nz/property/residential-property-to-rent/auction-2369452227.htm?rsqid=8c8a1e66de9d4486bc4485cd2cf9a4c5-002>

82. PBL provides these services from three branches on the West Coast where 11 real estate agents operate. PBL has:
- 82.1 Westport office - 5 agents, and 3 ([ ]) property managers;
  - 82.2 Greymouth office - 3 agents, and 3 property managers;
  - 82.3 Hokitika office - 3 agents, and 1 property manager (the latter is based in both the Hokitika and Greymouth offices); and
  - 82.4 Reefton – 1 part time property manager [ ].

*Farmlands*

83. Farmlands offers residential, rural, lifestyle, and commercial real estate services on the West Coast, as well as property management services.
84. These services are also supplied on the West Coast from two branches:
- 84.1 Westport office – 1 branch manager real estate agent and 2 other agents, with a further future agent completing licensing requirements – as well as 2 property managers. [ ];
  - 84.2 Hokitika office - 1 full time real estate agent and 1 part time agent who is also a property manager. [ ].
85. Farmlands has no office in Greymouth.
86. Farmlands’ real estate agent responsible for sales of rural properties on the West Coast is based in its Westport office.

**Other Industry Participants on the West Coast**

87. In addition to the Parties, there are numerous other suppliers of real estate and property management services operating on the West Coast of New Zealand. All advertise their listings through traditional media, as well as on platforms such as trademe.com and realestate.co.nz.

*Real Estate*

88. **Appendix 5** to this application sets out the Parties’ main West Coast competitors for real estate services and their relevant contact details. These competitors include:
- 88.1 NZ Real Estate West Coast Ltd which trades as **Harcourts** and operates from Hokitika and Greymouth. Its shares are held evenly by Graeme Paul King and Kevin Patrick O’Donnell. It was incorporated on 17 August 2016, and offers residential and commercial real estate services across the West Coast. Harcourts provides real estate services both locally, nationally and internationally, offering both real estate and property management

services. It appears to have 8 agents and one property manager on the West Coast.<sup>14</sup> For more information see: <https://harcourts.co.nz/>;

**88.2** Greg Daly Real Estate Ltd which is a Greymouth based independent real estate agency which offers residential, rural, commercial and lifestyle real estate services in the West Coast region. It was incorporated on 10 June 2013 and 75% of its shareholding is owned by Gregory James Daly. It has one office in Greymouth and appears to have 3 agents<sup>15</sup>. For more information see: <https://www.gregdalyrealestate.co.nz/>;

**88.3** PGG Wrightson Real Estate Limited which was incorporated on 4 November 2009 and is a wholly owned subsidiary of PGG Wrightson Limited. It has approximately 61 offices across New Zealand. It offers residential, commercial, rural and lifestyle real estate services throughout the West Coast region via its Greymouth office. It appears to have approximately 6 licenced agents on the West Coast<sup>16</sup>. For more information see: <https://www.pggwre.co.nz/office//our-listings/>;

**88.4** Bayleys Realty Group (**Bayleys**) which was incorporated on 23 October 1987 and is a wholly owned subsidiary of Bayleys Corporation Limited. Bayleys sells residential, rural, commercial real estate services and property management services on the West Coast<sup>17</sup> from its Richmond and Nelson branches in the Nelson/Tasman region via Vining Realty Group Limited. The Richmond branch has approximately 3 agents<sup>18</sup> and the Nelson branch has approximately 22 agents<sup>19</sup>. For more information see: <https://www.bayleys.co.nz/>;

**88.5** RE/MAX Elite which operates from one office in the Nelson region and has approximately 10 agents<sup>20</sup>. It offers residential and commercial real estate services in the upper half of the West Coast<sup>21</sup>. Until recently it has had no physical presence on the West Coast itself, but it has [

]. It is part of the RE/MAX New Zealand franchise network, which belongs to a global franchise network in real estate controlled by RE/MAX LLC headquartered in Denver, Colorado. It has 22 branches in New Zealand, approximately 156 agents and 11 property managers. For more information see: <https://www.remaxelite.co.nz/>;

**88.6** Ray White Nelson Real Estate which provides real estate services on the West Coast from two offices in Nelson and Richmond (refer to <https://rwnelson.co.nz/about#team>). It has [

<sup>14</sup> For the number of staff at the Greymouth branch please see: <https://harcourts.co.nz/Offices/645/Harcourts-Greymouth> and at the Hokitika branch: <https://harcourts.co.nz/Offices/854/Harcourts-Hokitika>

<sup>15</sup> For number of staff, please see end of website: <https://www.gregdalyrealestate.co.nz/>

<sup>16</sup> For number of staff, please see: <https://www.pggwre.co.nz/office/greymouth/people/>

<sup>17</sup> For West Coast listings, please see homes : <https://www.bayleys.co.nz/search?viewType=Gallery&orderType=IsFeatured&searchType=Everything&keywords=westport> For Hokitika listings, please see: <https://www.bayleys.co.nz/search?viewType=Gallery&orderType=IsFeatured&searchType=Everything&keywords=hokitika>

<sup>18</sup> For number of staff, please see: <https://www.bayleys.co.nz/franchises/vining-realty-ltd/402/richmond>

<sup>19</sup> For number of staff, please see: <https://www.bayleys.co.nz/franchises/vining-realty-ltd/400/nelson>

<sup>20</sup> For number of staff, please see: <https://www.remaxelite.co.nz/ourpeople/7366>

<sup>21</sup> For West Coast listings, please see: <https://www.remaxelite.co.nz/mapproperty/homes-for-sale-3139>

J. There is also Wanaka Real Estate Limited which trades as Ray White Wanaka and was incorporated on 21 June 2012. It provides residential and rural real estate services in the West Coast from one office in Wanaka.<sup>22</sup> Approximately 11 agents operate from the Wanaka office<sup>23</sup>. The Ray White brand was established in 1902 in Australia. It has a network of almost 1,000 offices and employs over 13,000 staff and 1,900 property management professionals. It manages approximately 230,000 rental properties across the group. Ray White rural started in 1994 and includes 94 selling. For more information see: <https://rwwanaka.co.nz/>

**88.7** Whittle Knight & Boatwood Estate Agents Limited trading as Whittle Knight and Boatwood Ltd was incorporated on 28 January 1966. Gill Knight is the majority shareholder and the business is headquartered in Christchurch. It offers property management and real estate services primarily in the Canterbury region for residential, commercial and industrial properties; and real estate services for residential, commercial, industrial properties and businesses. However, it also offers residential real estate services in the West Coast<sup>24</sup>. It has one office, 6 agents and 6 property managers operating out of one office<sup>25</sup>. For more information see: <https://wkb.co.nz/>.

**88.8** Highlands Real Estate Group Limited, which trades as Harcourts Wanaka, also provides residential real estate services on the South West of the West Coast from its Wanaka office<sup>26</sup>. It was incorporated on 11 August 2010 and approximately 63% of its shareholdings are held between Highland Property Enterprises Limited (33% shares) and Paramedium Limited (30% shares). It has approximately 14 licenced agents and 2 property managers<sup>27</sup>. For more information see: <https://harcourtswanaka.co.nz/>.

**88.9** First National Group NZ Limited which trades as First National Real Estate, and was incorporated on 28 July 1989. It is a member of an Australian based real estate network which hosts over 400 offices throughout Australia, New Zealand, Vanuatu and Papua New Guinea. First National Group NZ Limited offers a property management service and residential, rural, commercial and holiday home real estate services across New Zealand. It offers residential real estate services in the West Coast region from its Wanaka, Motueka, Richmond and Canterbury branches (such as Ilam and Ashburton)<sup>28</sup>. For information see: <https://www.firstnational.co.nz/>.

<sup>22</sup> For West Coast listings, please see: <https://rwwanaka.co.nz/properties/residential-for-sale?category=&keywords=&maxFloor=0&maxLand=0&minBaths=0&minBeds=0&minCars=0&minFloor=0&minLand=0&price=&sort=updatedAt+desc&suburbPostCode=Haast+7886>

<sup>23</sup> For number of staff, please see: <https://rwwanaka.co.nz/about#team>

<sup>24</sup> For West Coast listings, please see: <https://www.realestate.co.nz/3544322> [*residential property listed by Gill Knight on 104 Shiel Street, Reefton*]

<sup>25</sup> For number of staff, please see: <https://wkb.co.nz/about-us/team/>

<sup>26</sup> For West Coast listings, please see: <https://harcourtswanaka.co.nz/Property/Residential?pageid=1&search=haast&formsearch=true&OriginalTermText=&OriginalLocation=&location=&proptype=&min=&max=&minbed=&maxbed=&sold=false>

<sup>27</sup> For number of staff, please see: <https://harcourtswanaka.co.nz/Meet-the-Team>

<sup>28</sup> For West Coast listings, please see: <https://firstnational.co.nz/search/residential-sales/?keyword=haast&sort=DateDesc&profile=&page=1>

89. Other competitors which operate on a smaller scale on the West Coast for real estate include:
- 89.1 Devlin Real Estate Limited which was incorporated on 6 January 1988 and is wholly owned by Kane Hampton. It operates from one office in Rangiora and offers residential real estate services in the West Coast Region.<sup>29</sup> It has 9 agents and 1 property manager. For more information see: <https://www.devlin.co.nz/>;
- 89.2 Dynamic Realty Limited which was incorporated on 15 June 2017 and is wholly owned by Sonia Tafilipepe. It offers real estate services in the West Coast region from its Christchurch office<sup>30</sup>, which has 5 agents<sup>31</sup>. For more information see: <https://www.dynamicrealty.co.nz/>;
- 89.3 Cowdy & Co Limited which was incorporated on 18 March 1987 and is owned by Andrew and Janice Cody. It offers residential, commercial and lifestyle real estate and property management services in the Christchurch region, and operates from once office in Christchurch. It also offers residential real estate services in the West Coast region.<sup>32</sup> For more information see: <https://cowdy.co.nz/>;
- 89.4 Synergy Realty Group Limited trading as SYNRG, which was incorporated on 13 November 2005 and is owned by Sean Paul Synnott and Robin Sadowski-Synnot. It is part of a global franchise network comprising of 97,000 agents across 95 countries. It offers residential, business and commercial real estate services across the South Island from its offices in Invercargill and Wanaka, and offers residential real estate services on the West Coast.<sup>33</sup> It has 5 agents. For more information see: <http://www.synrg.co.nz/>;
- 89.5 Browns Real Estate Limited which trades as New Zealand Sotheby's International Realty and is part of a global franchise network controlled by Sotheby's International Realty Affiliates LLC (**Sotheby's**). Sotheby's is an international real estate group with 22,500 independent sales associates in approximately 990 offices and 72 countries and territories. Brown Real Estate was incorporated on 22 December 2004 and is owned by JB & JB Trustee Company Limited, Julian Brown, Julie Brown, Alan Harper and Mark Harris. It offers residential real estate services and property management services for luxury properties across New Zealand. It has 15 offices across New Zealand and approximately 125 agents. It currently offers residential real estate services on the West Coast<sup>34</sup> from its Nelson

29 For West Coast listings, please see: [https://www.devlin.co.nz/index.cfm?pagecall=property&propertyID=3359698&realestate=88\\_Bell\\_Hill\\_Road\\_MOANA\\_7805](https://www.devlin.co.nz/index.cfm?pagecall=property&propertyID=3359698&realestate=88_Bell_Hill_Road_MOANA_7805) [residential property listed by Tony Gordon on 88 Ben Hill, Moana]

30 For West Coast listing, please see: [https://www.dynamicrealty.co.nz/listings?post\\_type=listings&count&sold=0&saleOrRental=Sale&stateOrRegion%5B0%5D=West%2520Coast&minprice&maxprice&minbeds&maxbeds&minbaths&maxbaths&cars&doing\\_wp\\_cron=1572573550.0534129142761230468750](https://www.dynamicrealty.co.nz/listings?post_type=listings&count&sold=0&saleOrRental=Sale&stateOrRegion%5B0%5D=West%2520Coast&minprice&maxprice&minbeds&maxbeds&minbaths&maxbaths&cars&doing_wp_cron=1572573550.0534129142761230468750) [7 Pukaki Avenue, Ngahere]

31 For number of staff, please see: <https://www.dynamicrealty.co.nz/staff>

32 For West Coast listing, please see: <https://cowdy.co.nz/christchurch-properties-for-sale/search-properties/> [1 Paringa River Area, Bruce Bay listed by Craig Goodland]

33 For West Coast listing, see: <http://www.synrg.co.nz/for-sale?&status=current&disposalMethod=buy&page=2> [7 Williams Drive, Fox Glacier listed by Sean Synnott]

34 For West Coast listing, please see: <https://www.nzsothebysrealty.com/purchasing/region/West%20Coast/sort/most-recent/> [4589 Karamea Highway, Buller, property ID NEL00318]



office on the South Island which has 7 agents<sup>35</sup>. For more information see: <https://www.nzsothebysrealty.com/>;

**89.6** LSK Builders 2011 Limited which trades as G.J Gardner Homes in Nelson, which builds and sells residential property on the West Coast<sup>36</sup>. It is part of an Australian based franchise network operating in Australia and the USA, the franchise has been active in New Zealand since 1997. LSK Builders was incorporated on 5 April 2011 and is owned by Graham and Shirley Vercoe. It has approximately 30 offices across New Zealand with an office located on the West Coast in Greymouth, which has one agent<sup>37</sup>. For more information see here: <https://www.gjgardner.co.nz/english/locations/nelson/listings> .

**90.** In addition to the above competitors, as noted above, private sales by Vendors frequently take place on the West Coast, and operate also as a constraint on real estate services providers. Platforms on which vendors can make private sales include trademe.com; listed.co.nz; selldirect.co.nz; and homesell.co.nz.

**91.** In terms of possible future entrants into the West Coast real estate services market, PBL considers there could be future entry from:

**91.1** [

];

**91.2** [

];

**91.3** [

].

**92.** It is also relatively easy for real estate agents to set up their own agency without needing to part of a wider brand. Greg Daly Real Estate Ltd is an example of this.

<sup>35</sup> For staff numbers, please see: <https://www.nzsothebysrealty.com/our-people/office/nelson/>

<sup>36</sup> For West Coast listings, please see: <https://www.gjgardner.co.nz/english/listings/?region=11>

<sup>37</sup> <https://www.gjgardner.co.nz/english/locations/west-coast/team>

## Property Management

93. The key competition for property management companies is the ability of landlords to rent out their properties privately on both a long term and short term basis
94. In addition to private rentals, **Appendix 5** to this application sets out the Parties' key West Coast competitors for property management services and their relevant contact details. These competitors are:
- 94.1 Harcourts (as described above) which provides residential and commercial property management services on the West Coast from its Greymouth office (<https://harcourts.co.nz/Offices/645/Harcourts-Greymouth>);
- 94.2 Greg Daly Real Estate Limited (as described above) which provides commercial property management services on the West Coast (<https://www.gregdalyrealestate.co.nz/?/rent/commercial/>);
- 94.3 Quinovic which manages all types of properties all over the West Coast region from its Christchurch offices (<https://www.quinovic.co.nz/rentals/west-coast/>).
95. In terms of future competition, as previously noted the volume of private short stay rentals through Air BnB etc has been increasing and is likely to expand further as a competitor.
96. There are new specialist property management agencies such as the Rent Shop that are setting up franchise models throughout New Zealand and are not currently on the West Coast (<https://www.therentshop.co.nz/>). Property Scouts is another example – as at 4 November 2019 it is advertising an opportunity to buy a franchise for property management in Greymouth and Hokitika (<https://www.realestate.co.nz/2609744>). [ ] has also been referred to above as a possible new entrant on the real estate services side, and they provide property management services as well.<sup>38</sup> [ ]
97. As is the case with real estate, it is also easy for property managers to set up their own property management business without needing to be part of a wider brand. There are no limitations on anyone either starting a property management business or expanding an existing business. Considering that approximately [ ] of rental properties are privately managed, the scope to build a business is large. There are no licensing costs, no hurdles or red-tape with regulatory bodies.

## Other Relevant Industry Bodies

98. In terms of other relevant industry bodies, these include:



- 98.1 The Real Estate Institute of New Zealand (**REINZ**), is a membership organisation representing more than 14,000 real estate professionals

<sup>38</sup> Refer to [ ]

across New Zealand. It specialises in all facets of real estate including residential sales, rural, auctioneers, business brokers, commercial and industrial sales and leasing and residential property managers. Further information about it can be found at <https://reinz.co.nz/>;



- 98.2** Leading Property Managers Association (**LPMA**) is an international association active in New Zealand, Australia and the United States. It is comprised of specialist property managers and property management businesses across New Zealand and provides industry insight and training to investment property owners and tenants;



- 98.3** NZ Realtors Network Ltd is a referral network of local non-national independent real estate companies. PBL is a member but not Farmlands. For more information see: <https://www.nzrealtors.co.nz/about>.

### **Recent Merger Activity**

- 99.** On 1 August 2019, Farmlands Real Estate Limited acquired Ray White's real estate business operating from Hokitika and Westport as Landmark Real Estate. Prior to the acquisition, Farmlands had no presence on the West Coast in either the real estate or property management services markets.
- 100.** PBL's wholly owned subsidiary Property Brokers West Coast Limited acquired Hastings McLeod Limited including its subsidiaries E V Arthur Limited (based in Greymouth) and Buller Real Estate Limited (based in Westport) in 2019. Both EV Arthur and Buller Real Estate have been fully integrated into the PBL brand since then.

## Part H – Competition Assessment for West Coast Real Estate Market

- 102.** This section deals with:
- 102.1** the relevant market shares for the West Coast real estate market;
  - 102.2** the constraints on the merged entity post-acquisition from existing competition in that market;
  - 102.3** the constraints on the merged entity post-acquisition from potential competition; and
  - 102.4** countervailing power from Vendors.

### Market Shares

- 103.** Given the small number of real estate agents each of PBL and Farmlands have on the West Coast (i.e. around 11 agents for PBL and 4 agents for Farmlands), market shares can vary quite substantially from year to year. They are also susceptible to factors such as an agent leaving a particular office to go and work for another brand. [ ]].
- 104.** Against that backdrop, the best independent data available to reflect market shares for real estate is that provided by REINZ as set out below. All agents throughout the country are members of REINZ and are required to provide it with data at the time of making a sale of real estate. The REINZ data set out below:
- 104.1** is for the three time periods ending 1 October 2016 – 30 September 2017, 1 October 2017 – 30 September 2018 and 1 October 2018 – 30 September 2019, and is presented as YE Sept 2017, YE Sept 2018 and YE Sept 2019 respectively;
  - 104.2** includes for Farmlands the West Coast sales of the Ray White offices recently acquired by Farmlands in 2019, being Landmark Real Estate West Coast Limited based in Westport which covered Westport and Hokitika;
  - 104.3** includes shares for PBL, Farmlands, Other REINZ Member Sales, and Private Sales. REINZ does not break down the “Other REINZ Members Sales” category into agencies/ brands<sup>39</sup>;
  - 104.4** includes figures for all real estate sales on the West Coast region, and also splits this into residential, lifestyle and farm sales. It does not include sales of commercial real estate as all REINZ’s commercial and industrial data is provided to them by the relevant council, and not by REINZ members, so market share analysis is not possible for this category. That said, sales of commercial real estate on the West Coast are very small. In particular

<sup>39</sup> PBL also has separate market share data provided to it by REINZ over the last two years which shows PBL’s position measured against that of other REINZ members throughout New Zealand. This data is included in PBL’s documents provided together with this application to the Commission. However this data does not include private sale data in contrast with the REINZ data referred to in the clearance application.

PBL is not aware of there being any full time commercial agent on the West Coast;

104.5 is not publicly available information, and is therefore marked confidential.

105. The REINZ real estate sales data for all sales of residential, lifestyle and rural properties on the West Coast is as follows:

**West Coast Region**

All Sales Count

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

% rep

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

106. REINZ have also broken these total West Coast figures for all sales into their constituent components of residential, lifestyle and farm sales on the West Coast. These are as follows:

**Residential**

Sales Count

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

% rep

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

## Lifestyle

Sales Count

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

% rep

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

## Farms

Sales Count

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

% rep

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

107. Lastly, despite the Parties' view that the relevant geographic scope of the markets is the West Coast, for completeness REINZ has also broken down all sales of residential, lifestyle and farm real estate on the West Coast into the three territorial authority boundaries within the West Coast region, being the Buller District, Grey District, and Westland District. This shows the following:

**Buller District (TA)**

All Sales Count

<b>Sales Group</b>	<b>YE Sept 2017</b>	<b>YE Sept 2018</b>	<b>YE Sept 2019</b>
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

% rep

<b>Sales Group</b>	<b>YE Sept 2017</b>	<b>YE Sept 2018</b>	<b>YE Sept 2019</b>
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

**Grey District (TA)**

All Sales Count

<b>Sales Group</b>	<b>YE Sept 2017</b>	<b>YE Sept 2018</b>	<b>YE Sept 2019</b>
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

% rep

<b>Sales Group</b>	<b>YE Sept 2017</b>	<b>YE Sept 2018</b>	<b>YE Sept 2019</b>
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

**Westland District (TA)**

All Sales Count

<b>Sales Group</b>	<b>YE Sept 2017</b>	<b>YE Sept 2018</b>	<b>YE Sept 2019</b>
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

% rep

Sales Group	YE Sept 2017	YE Sept 2018	YE Sept 2019
Farmlands	[ ]	[ ]	[ ]
Property Brokers	[ ]	[ ]	[ ]
Other REINZ Members	[ ]	[ ]	[ ]
Private	[ ]	[ ]	[ ]

**108.** As can be seen from these market shares:

- 108.1** The combined share of both Farmlands and PBL for real estate sales on the West Coast for the last three years has ranged from [ ]. This is in circumstances where the combined market share of Farmlands, PBL and other REINZ members has been below 70% in all three years, meaning that the acquisition will be within the Commission's concentration indicator thresholds;
- 108.2** Even if the Commission were to adopt a different approach to market definition and look at each of the residential, lifestyle and farm real estate segments as a market on the West Coast in itself, the combined share of the Parties for the last 3 years has ranged from [ ] for residential, [ ] for lifestyle, and [ ] for farms (noting Farmlands has had negligible presence for farms). Again, this is in circumstances where the combined market share of Farmlands, PBL and other REINZ members in all three segments has been below 70% in all three years, meaning that the acquisition will be within the Commission's concentration indicator thresholds for lifestyle and farm, and around the threshold for residential;
- 108.3** Similarly, even if the Commission applied a different approach to geographic market scope and adopted separate geographic markets for real estate sales in each of the Buller District (i.e. around Westport), Grey District (i.e. around Greymouth) and Westland Districts (i.e. around Hokitika), the acquisition is well within the Commission's concentration indicators for each of the Grey and Westland Districts, with combined shares of Farmlands and PBL ranging from [ ] in the Grey District and [ ] in the Westland District in the last three years. Issues only arise in terms of the concentration indicators for the Buller District where the Parties' combined shares have ranged from [ ] which is above the concentration indicator threshold applying of [ ], but there are still significant competitive constraints in the Buller District as set out below.

### Existing Competition

- 109.** PBL considers that there will be strong constraints on the merged entity post-acquisition from existing competition in the West Coast. The reasons for this are set out below.

#### *Extent of Aggregation*

- 110.** This is not a merger of two equally large participants in the West Coast real estate market. As noted in the market shares by sales of real estate generally on the West



Coast over the last three years, PBL already has around [ ] market share. Farmlands is substantially smaller at around [ ] share.

111. Farmlands believes that even these shares overstate its presence in the lifestyle and rural segments of the West Coast real estate market where its presence is substantially smaller than this. Farmlands is stronger (but still substantially smaller than PBL) in the residential real estate segment of the West Coast real estate market, but that is where competition is fiercest.

112. It is also worth noting that the proposed acquisition involves PBL acquiring the services of only around four additional real estate agents from Farmlands on the West Coast, [ ]. This is in addition to PBL's current agents on the West Coast of 11. So the actual numbers of real estate agents involved are very small.

113. [

].

114. [

]:

[

]

115. [

].

*Strong Existing Competition on the West Coast*

116. The real estate market on the West Coast is extremely competitive. As noted in Farmlands' management's report to the Board:

[

]<sup>40</sup>

<sup>40</sup> [

].

- 117.** Farmlands itself does not have a long standing presence on the West Coast for real estate, given it only acquired the Landmark / Ray White business in August 2019. As a result the acquisition will not give rise to the loss of a long standing real estate brand for Farmlands on the West Coast.
- 118.** The merged entity will continue to face strong competition from existing large competitors. These include:
- 118.1** Harcourts – which has around 8 agents and one property manager at its Greymouth office; and 14 agents and 2 property managers at its Wanaka office. It will continue to be particularly strong in the residential real estate services segment;
  - 118.2** Greg Daly which has around 3 agents on the West Coast. It is particularly strong in the residential and rural real estate services segment;
  - 118.3** RE/MAX which has around 10 agents providing real estate services on the West Coast from their Nelson office. They have an agent operating in the West Coast itself almost full time and advertise in the local paper every week. [ ];
  - 118.4** PGG Wrightson which has around 6 agents on the West Coast;
  - 118.5** Bayleys which has around 6 agents operating from two offices in the Nelson/Tasman region and able to sell on the West Coast. Bayleys often target high end listings on the West Coast, and have done so for many years. Areas like Cape Foulwind, Punakaiki, Brunner plus various commercial properties feature in their listings;
  - 118.6** Ray White Nelson [ ];
  - 118.7** Ray White Wanaka and Harcourts Wanaka which both appear to consider South Westland as part of their own territory and come to the West Coast often, especially if a high profile listing comes up.
- 119.** In particular, Harcourts, RE/MAX, PGG Wrightson, Ray White and Bayleys are all part of larger national networks which gives them the opportunity to leverage off the advertising and resources of their wider brands, as well as the expertise available within these well-established networks.
- 120.** In addition to the above, PBL believes that private sales represent a significant competitive constraint in the market. As set out in the REINZ figures:
- 120.1** Private sales for real estate on the West Coast have ranged from [ ] of all real estate sales on the West Coast for the last three years. Indeed there are more sales on a private sale basis than by both parties combined in the last three years;
  - 120.2** Similarly, private sales have ranged from [ ] for residential sales on the West Coast for the last three years, [ ] of lifestyle sales, and [ ] of farm sales;

**120.3** Even looking at narrower geographic markets, private real estate sales in the Buller District have ranged from [ ], in the Grey District from [ ] and in the Westland District from [ ] over the last three years.

**121.** In Farmlands' management's report to its Board, private sales are acknowledged as a direct threat:

[

]<sup>41</sup>

**122.** The combination of the existing competitors above and private sales is a strong one which will continue to constrain the merged firm post-acquisition. In particular, from PBL's perspective, [

].

*Strong Existing Competition Even in the Buller District*

**123.** As set out above, the combined share of both Parties in the Grey and Westland Districts is small.

**124.** It is only in the Buller District where the Commission's concentration indicator thresholds are exceeded, with the Parties' combined shares ranging from [ ] over the last three years. However, this is a reflection of historic factors, rather than any entrenched position of the Parties. In particular, as a result of the global mining crisis in the period 2013-2017, the economy of the Buller District went through a period of significant recession, losing a significant percentage of its workforce as the then state owned coal mines wound down their operations. Coinciding with this was the closure of LafargeHolcim's Westport cement plant. This led to a contraction in the number of real estate sales and values in the Buller District in this period. However, around mid-2017 the mining industry started a period of strong recovery and this is still in progress to date. This has led to renewed interest from competitors in expanding their presence in the Buller District.

**125.** As a result of that economic recovery, there is strong existing and future competition in the Buller District provided by:

**125.1** Private real estate sales which have ranged from [ ] over this three year period;

**125.2** Sales by other real estate agents which have ranged from [ ] in the last three years, and are expected to increase. This includes agents from outside the Buller District who have been selling real estate in that District. Examples include:

**125.2.1** RE/MAX Nelson which has an agent (Zoe Godfrey-Payne) actively competing for listings now. An example of listings for her in the Buller District can be found at <https://www.remaxelite.co.nz/ourpeople/zoe-godfrey-payne-38627>. While she is theoretically "based" in Nelson, it appears that around 90% of her listings are held in the Buller District. As

<sup>41</sup> [

].

noted above, on 7 November 2019 she was advertising real estate services on the front page of Westport's newspaper "The News", with the heading "RE/MAX Here to Stay";

**125.2.2** Harcourts Greymouth which has a sales person (living in Reefton) who operates throughout the Buller District, Ronny Stanfield. He has listings from Granity to Karamea. More information can be found at <https://harcourts.co.nz/People/13958/Ronnie-Standfield>;

**125.3** Likely expansion by existing real estate companies. [

];

**125.4** Likely new entry in the Buller District in the short term from Harcourts and Ray White Nelson following the mining recovery. [

].

#### *Commissions*

**126.** The strength of existing competition which will continue post-acquisition can be seen in the fact that commissions in the West Coast real estate market have [ ]. This reflects the generally low sales values on the West Coast. For instance, the average price of a house in Westport is around \$130,000, while in Greymouth it is \$180,000. The average number of days a house is usually listed for sale on the West Coast is currently around 280 days (compared to around 448 days in October 2018)<sup>42</sup>, which is lengthy by New Zealand standards. The commission for PBL's agents is [ ] on a house sale which [ ].

**127.** Based on the house sales values and the length of time required to sell a property, there is [

]. PBL's Area Manager on the West Coast Charlie Elley has advised that [ ].

<sup>42</sup> This is derived from REINZ figures at <https://www.reinz.co.nz/Media/Default/Statistic%20Documents/2019/Residential/October/REINZ%20Monthly%20Property%20Report%20-%20October%202019.pdf> at p49. As set out there, the "level of inventory available for sale currently sits at 40 weeks, 24 weeks less than in October 2018". This figure is more reliable than the "current Days to Sale" on that page which is calculated using only those houses that have actually sold in that month as opposed to the houses that have not sold.

### *Ability of Existing Market Participants to Expand*

- 128.** There are no restrictions on the ability of existing market participants to expand their operations on the West Coast. There is no shortage of real estate agents and, as noted above, entrance requirements for real estate agents are not high.
- 129.** Recent examples of existing competitors looking to expand their operations include:
- 129.1** Harcourts which is conducting a recruitment drive in the West Coast region which signals that their business is experiencing growth in the region. In particular Farmlands understands that Harcourts is likely to be looking to re-establish an office in Westport;
- 129.2** Ray White Nelson [ ];
- 129.3** [ ]; and
- 129.4** Greg Daly Real Estate Ltd which recently increased its staff numbers.
- 130.** While it is helpful to have agents based in the West Coast with a local reputation, this is not a requirement (as noted above, and in the section below dealing with potential competition). Indeed, for farm sales, [ ]; As a result, existing competitors from national brands are able to use resources based outside of the West Coast to assist as necessary.
- 131.** Additionally, there has been an increased demand from vendors in Christchurch to purchase properties in Reefton and Westport, which is motivating Canterbury based competitors to provide real estate services on the West Coast without having a physical presence in the region.

### **Potential Competition**

#### *Low Barriers to Entry*

- 132.** There are low regulatory barriers to new entry. What is needed to start a new agency and expand is licenced agents, but that is a feature of the real estate industry generally. As noted above, the licensing requirements for real estate agents are not high.
- 133.** While it is helpful to have agents with a good local reputation, agents are independent contractors who can switch agencies on short notice without subsequent restraints of trade. As a result, it is not difficult to find agents willing to assist a new agency.
- 134.** It is not necessary to have a physical presence on the West Coast in order to provide real estate services there. The key requirements are to hold a valid licence, a willingness to travel and the technology to facilitate listings and be contactable.
- 135.** In some cases, the requirement to travel is removed altogether, particularly where the property is bare land which does not require an agent's presence in order for the property to be viewed by a prospective purchaser.

136. By way of example, in the last 12 months RE/MAX Elite has been selling property in Westport despite being based in Nelson. Ray White is selling property in South Westland from its Wanaka office. There are a number of agents based in Canterbury who have West Coast property listed on their books.

*Near and New Entrants*

137. In terms of possible future entrants into the West Coast real estate services market, as noted above PBL considers there could be future entry from:

137.1 [

];

137.2 [

].

138. It is also relatively easy for real estate agents to set up their own agency without needing to part of a wider brand. Greg Daly Real Estate Ltd is an example of this happening in the past.

**Countervailing Power from Vendors**

139. Vendors have significant countervailing power and are easily able to shop around for the best commissions, or even sell their property themselves. Frequently Vendors will seek appraisals for their property from multiple real estate agencies.
140. Even once Vendors enter into an agency agreement with an agent, the standard industry sole agency applies for only 90 days, with the exception that the duration for sole agencies are slightly longer in the farming segment of the real estate services market. After that time the Vendor can switch agencies on only 7 days' notice. In the residential segment of the market, this is against the backdrop of an average 280 day period to sell a house on the West Coast, which offers the prospect of Vendors using more than one agent during the sale process.

# Part I – Competition Assessment for West Coast Property Management Market

## Market Shares

141. There is no publicly available information setting out market shares for property management in New Zealand. REINZ does not keep this information. As a proxy for the purposes of estimating shares in the property management market for the West Coast, PBL has used MBIE data setting out the total number of active bonds lodged with Tenancy Services for rentals on the West Coast as at 1 August 2019.<sup>43</sup> The figures for PBL and Farmlands represent the actual number of bonds lodged for properties they manage on the West Coast.
142. Rental bonds can be lodged with Tenancy Services by landlords at the commencement of a tenancy agreement. The bond money could cover unpaid rent, the cost to remedy any damage to the property incurred during the tenancy by the tenant, or any other claims relating to the tenancy. However, it is important to note that there is no legal requirement on landlords to ask tenants to lodge bonds when they move into a property at the commencement of a tenancy arrangement.<sup>44</sup> While professional property managers will almost always require a bond, this is not always the case with landlords doing private rentals. As a result this data provides an incomplete picture and will almost certainly overstate the Parties' actual position since it will not reflect the true extent of private rentals in particular.

	Total rental bonds	Percentage share of rentals %
PBL	[ ]	[ ]
Farmlands	[ ]	[ ]
<b>Total active bonds</b>	1,768	<b>100%</b>

## Existing Competition

### Aggregation

143. PBL is significantly larger than Farmlands for property management on the West Coast. As noted above, PBL currently has around [ ] rental properties that it manages on the West Coast based on rental bonds held. Farmlands currently has around [ ] rental properties that it manages on the West Coast based on rental bonds.
144. As set out in the table, the figures above indicate that Farmlands' share of a West Coast property management market is only around [ ]. This figure will be overstated, as it only represents active bonds lodged and understates in particular the volume of private rentals.
145. PBL estimates that only around [ ] of rental properties on the West Coast are in fact managed by property management companies, with the rest being let by

<sup>43</sup> <https://www.mbie.govt.nz/building-and-energy/tenancy-and-housing/rental-bond-data/>.

<sup>44</sup> <https://www.tenancy.govt.nz/rent-bond-and-bills/bond/>.

landlords privately. Accordingly the actual aggregation in the property management market is small.

- 146.** Moreover, PBL is only acquiring the services of 2 full time and 1 part time property managers from Farmlands ([ ]). So the number of property managers it gains is minimal. This is on top of only 8 ([ ]) property managers that PBL currently has on the West Coast.

*Strong existing competitors*

- 147.** The merged entity will continue to face strong competition from private rentals and other competitor property management companies. These include:
- 147.1** Private long and short term rentals which make up around [ ] of rentals on the West Coast. This represents the default position for any landlords facing an increase in letting fees from property managers on the West Coast;
  - 147.2** Harcourts;
  - 147.3** Greg Daly;
  - 147.4** Ray White Nelson, [ ];
  - 147.5** Quinovic which states on its website that it manages all types of properties all over the West Coast region from its Christchurch offices (<https://www.quinovic.co.nz/rentals/west-coast/>).

*Fees*

- 148.** Fees for property management of rentals are charged as a percentage of the weekly rent, as is typical of any property management agency throughout New Zealand. In PBL's case, while there are provisions within the property management authority agreement with the rental owner to review and increase fees, [ ].
- 149.** The exception to this is where external factors have increased compliance costs for property managers, as has been the case with the increased insulation and heating requirements because of the Residential Tenancies (Smoke Alarms and Insulation) Regulations 2016 and Residential Tenancies (Healthy Homes Standards) Regulations 2019 coming into force. But even there PBL [ ].

*Ability of existing market participants to increase supply*

- 150.** There is no constraint on existing competitors increasing the number of rentals they manage on the West Coast. Harcourts in Greymouth have recently hired a second property manager. They currently manage approximately 110 properties on the West Coast. They have recently been successful in enticing clients away from PBL.
- 151.** There is no shortage of property managers. Recently PBL sought to employ a property manager in Greymouth, [ ]. As noted above, the entry requirements for property managers are lower than for real estate agents. Property managers do



not need to have a qualification or a license to be a property manager. PBL's property managers on the West Coast [

].

## Potential Competition

### *Low barriers to entry*

152. There are low barriers to entry. There are no licensing costs, no hurdles or red-tape with regulatory bodies.
153. Considering that approximately [ ] of rental properties are privately managed, the scope to build a business is good. In order to start a property management business, it is necessary to engage the services of property managers. As noted above, the requirements to become a property manager are not high, and are lower than those for real estate agents.
154. Due to the fact that the software and websites utilised in property management are all web-based, there is no requirement to be based in an office. All you need is an internet connection. For example, a growing market on the West Coast is short-term rentals where owners advertise on Air BnB/BookaBach etc. In many instances, these owners are not even based on the West Coast. For long-term rentals, you could effectively operate from anywhere on the West Coast. For instance, Air BnB has a functionality that was introduced roughly two years ago. This is called "co-host". The functionality basically enables an out of town owner to utilise another user of Air BnB to manage their short-term rental property. This functionality further enables investors who do not live on the West Coast to rent their property on a short term basis. In essence, it strengthens the private, short-term segment of the property management market.
155. While there would be advantages in being close to properties under management to conduct inspections and so forth, this is not a requirement. As noted above, Quinovic states that it manages all types of properties all over the West Coast region from its Christchurch offices (<https://www.quinovic.co.nz/rentals/west-coast/>).

### *Near and New entrants*

156. In terms of future competition, as previously noted the volumes of private short stay rentals through Air BnB etc have been increasing and are likely to expand further as a competitor.
157. There are new specialist property management agencies such as the Rent Shop that are setting up franchise models throughout New Zealand and are not currently on the West Coast (<https://www.therentshop.co.nz/>). Property Scouts is another example – as at 4 November 2019 it is advertising an opportunity to buy a franchise for property management in Greymouth and Hokitika (<https://www.realestate.co.nz/2609744>). [ ] has also been referred to above as a possible new entrant on the real estate services side, and they provide property management services as well.<sup>45</sup>
158. It is also relatively easy for property managers to set up their own business without needing to part of a wider brand. In many instances in property management, it is almost preferable, or advantageous not to be linked to a real estate business that

<sup>45</sup> Refer to [ ].

sells properties. Stand-alone property management businesses are more focused and can attract specialist operators.

### **Countervailing Power from Landlords**

- 159.** Landlords have significant countervailing power and are easily able to shop around for the best fees from property managers, or rent their property themselves.
- 160.** PBL's standard property management agreement provides for a minimum initial management period of [                      ]. After this period, the contract is then "open" and can be terminated by the property owner on giving [                      ].
- 161.** Typically, in all areas of the country, prospective property owners shop around both between different property management companies, and also in comparison with private rentals.
- 162.** If they do not have any prior relationship with a property management agency, generally a decision is based on the management fee, and or a relationship with the property manager. However, there is no requirement to use a property management company. Even if the property owner will be out of the country for more than 21 days, section 16A of the Residential Tenancies Act 1986 only requires an owner to use an "agent" which could be a friend or family member and does not have to be a property manager.

## Part J – Confidentiality

- 164.** Both public and confidential versions of this clearance application have been provided to the Commission.
- 165.** Confidentiality is sought in respect of the information in the confidential version of this application that is highlighted in coloured shading. Confidentiality is sought for the purposes of section 9(2)(b) of the Official Information Act 1982 on the grounds that:
- 165.1** the information is commercially sensitive and contains valuable information which is confidential to either or both of the merger Parties; and
  - 165.2** disclosure of it is likely to prejudice unreasonably the commercial position of the merger Parties.
- 166.** PBL requests that it be notified of any request made to the Commission under the Official Information Act for release of the confidential information, and that the Commission seeks its views (and those of Farmlands where applicable) as to whether the information remains confidential and commercially sensitive at the time responses to those requests are being considered.
- 167.** The above applies equally in respect of any additional information provided to the Commission that is expressed to be confidential.

## Part K – Declaration

I, Bill Highet, have prepared, or supervised the preparation, of this notice seeking clearance.

To the best of my knowledge, I confirm that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to me that is relevant to the consideration of this notice has been supplied; and
- all information supplied is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am an officer of the company and am duly authorised to submit this notice.

**Name and title of person authorised to sign:**

Bill Highet  
Chief Executive Officer  
Property Brokers Limited

**Sign:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Appendix 1 – Transaction Documents

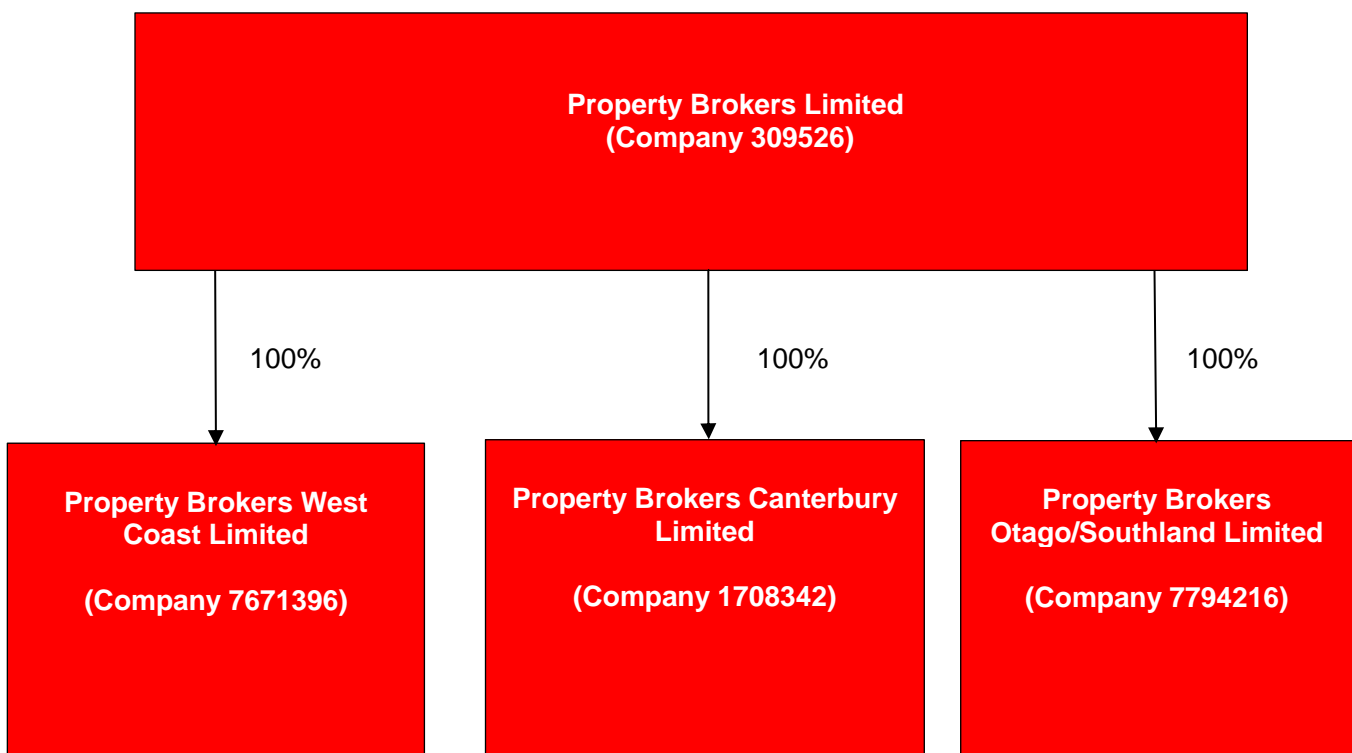
- Agreement for sale and purchase of business and assets [ ].
- Strategic partnership agreement [ ].

## Appendix 2 – Corporate Structure Charts

### Current ownership of PBL

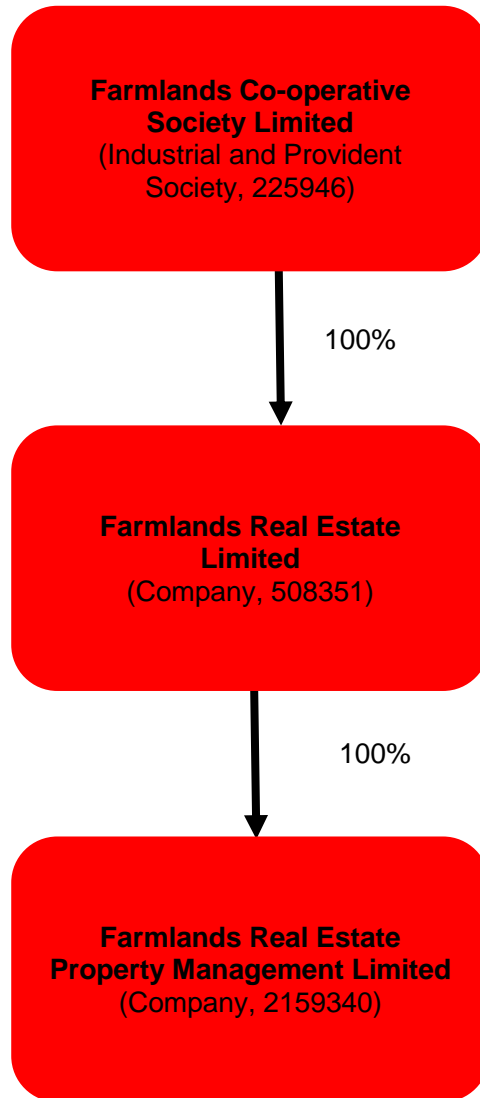
As set out in the chart below, the South Island company structure for PBL involves Property Brokers Limited with three subsidiaries: Property Brokers West Coast Limited, Property Brokers Canterbury Limited and Property Brokers Otago/Southland Limited (and similar subsidiaries in the North Island for Waikato, Hawkes Bay, Manawatu and Wairarapa).

### Property Brokers Limited Corporate Structure Chart



## Current ownership of Farmlands

The current ownership of Farmlands is set out below:



## Appendix 3 – Audited Financial Statements and Annual Report

### PBL

- The final and draft accounts for Buller Real Estate Limited and EV Arthur Limited (now part of PBL) for 2018 and 2019 are **attached**.

### Farmlands

- Farmlands' Co-operative's Annual Report and Financial Statements for 2018 are **attached**.
- The management profit and loss statements for the relevant Ray White business unit acquired by Farmlands in August 2019 for the periods April 2017 to March 2018 and April 2018 to March 2019 are **attached**.



## Appendix 4 – Total Sales Revenues

### PBL

The financial accounts for Buller Real Estate Limited show that:

- For the year ended 30 June 2018 total income before expenses was [ ] and total surplus before tax was [ ]. This was based off income from sales commissions received of [ ] and income from rental commissions of [ ]. (The approximate split of the [ ] sales commission figure between the different types of real estate was [ ] residential, [ ] rural and [ ] commercial);
- For the year ended 30 June 2019 total income before expenses was [ ] and total surplus before tax was [ ]. This was based off income from sales commissions received of [ ] and income from rental commissions of [ ]. (The approximate split of the [ ] figure between the different types of real estate was [ ] residential, [ ] rural and [ ] commercial).

The financial accounts for EV Arthur Limited show that:

- For the year ended 30 June 2018 total income before expenses was [ ] and total surplus before tax was [ ]. This was based off income from sales commissions received of [ ] and income from rental commissions of [ ]. (The approximate split of the [ ] figure between the different types of real estate was [ ] residential, [ ] rural and [ ] commercial);
- For the year ended 30 June 2019 total income before expenses was [ ] and total surplus before tax was [ ]. This was based off income from sales commissions received of [ ] and income from rental commissions of [ ]. (The approximate split of the [ ] figure between the different types of real estate was [ ] residential, [ ] rural and [ ] commercial)

### Farmlands

The management profit and loss statements for the relevant Ray White business unit acquired by Farmlands in August 2019 indicate that:

- For the period April 2017 to March 2018 total income was [ ] and operating profit was [ ]. This was based off commissions on total sales values of [ ];
- For the period April 2018 to March 2019 total income was [ ] and operating profit was [ ]. This was based off commissions on total sales values of [ ].

## Appendix 5 – West Coast Competitors and Industry Bodies

### West Coast Real Estate Competitors

Competitors	Contact details
NZ Real Estate West Coast Ltd which trades as <b>Harcourts</b> and operates from Hokitika and Greymouth	Kevin O'Donnell / Graeme King Business Owners - Harcourts Greymouth +64 27 273 2000 / +64 275 990 309 +64 3 768 9839 / +64 3 755 8367 <a href="mailto:kevin.odonnell@harcourts.co.nz">kevin.odonnell@harcourts.co.nz</a> / <a href="mailto:graeme.king@harcourts.co.nz">graeme.king@harcourts.co.nz</a> <a href="https://harcourts.co.nz/">https://harcourts.co.nz/</a> <a href="https://harcourts.co.nz/Offices/645/Harcourts-Greymouth">https://harcourts.co.nz/Offices/645/Harcourts-Greymouth</a>
Greg Daly Real Estate Ltd which is a Greymouth based independent real estate agency	Greg Daly Director 735 Main South Road, Gladstone GREYMOUTH, 7805 03 7626463 / 027 478 3594 <a href="https://www.gregdalyrealestate.co.nz/">https://www.gregdalyrealestate.co.nz/</a>
PGG Wrightson Real Estate Limited which operates from its Greymouth office	Peter Crean Real Estate Manager Mobile: 027 434 4002 <a href="https://www.pggwre.co.nz/office/our-listings/">https://www.pggwre.co.nz/office/our-listings/</a>
Bayleys Realty Group ( <b>Bayleys</b> ) which operates from its Richmond and Nelson branches in the Nelson/Tasman region via Vining Realty Group Limited	Graeme Vining Bayleys Nelson Mobile: +64 21 541 554 Office: +64 3 546 9455 <a href="mailto:graeme.vining@bayleys.co.nz">graeme.vining@bayleys.co.nz</a> <a href="https://www.bayleys.co.nz/">https://www.bayleys.co.nz/</a>
RE/MAX Elite which operates from one office in the Nelson region	Kate Bradley Owner/Director/Principal (AREINZ) Mobile: 0274 321 195 Office: 03 548 7705 (Nelson) <a href="https://www.remixelite.co.nz/">https://www.remixelite.co.nz/</a>
Ray White Nelson which operates from offices in Nelson and Richmond	Mark Rumsey Principal +64 274 764 718 <a href="https://rwnelson.co.nz/about#team">https://rwnelson.co.nz/about#team</a>
Wanaka Real Estate Limited which trades as Ray White Wanaka	Anna Findlay Licensee Agent Business: 03 443 8912 <a href="https://rwwanaka.co.nz/">https://rwwanaka.co.nz/</a>
Whittle Knight & Boatwood Estate Agents Limited trading as Whittle Knight and Boatwood Ltd which is headquartered in Christchurch	Ian Knight Director Business: 03 348 4149 <a href="https://wkb.co.nz/">https://wkb.co.nz/</a>

Highlands Real Estate Group Limited, which trades as Harcourts Wanaka	Grant Parker Branch Manager Mobile: 0274 937 549 <a href="https://harcourtswanaka.co.nz/">https://harcourtswanaka.co.nz/</a>
First National Group NZ Limited which trades as First National Real Estate and offers residential real estate services in the West Coast region from its Wanaka, Motueka, Richmond and Canterbury branches (such as Ilam and Ashburton).	Bob Brereton Chief Executive Officer Business: 03 443 0097 <a href="https://www.firstnational.co.nz/">https://www.firstnational.co.nz/</a>

## West Coast Property Management Competitors

Competitors	Contact details
Harcourts (as described above) which provides residential and commercial property management services on the West Coast from its Greymouth office	Kevin O'Donnell / Graeme King Business Owners - Harcourts Greymouth +64 27 273 2000 / +64 275 990 309 +64 3 768 9839 / +64 3 755 8367 <a href="mailto:kevin.odonnell@harcourts.co.nz">kevin.odonnell@harcourts.co.nz</a> / <a href="mailto:graeme.king@harcourts.co.nz">graeme.king@harcourts.co.nz</a> <a href="https://harcourts.co.nz/">https://harcourts.co.nz/</a> <a href="https://harcourts.co.nz/Offices/645/Harcourts-Greymouth">https://harcourts.co.nz/Offices/645/Harcourts-Greymouth</a>
Greg Daly Real Estate Limited (as described above) which provides commercial property management services on the West Coast	Greg Daly Director 027 478 3594 <a href="https://www.gregdalyrealestate.co.nz/?/rent/commercial/">https://www.gregdalyrealestate.co.nz/?/rent/commercial/</a>
Quinovic	Merivale / Riccarton Offices in Christchurch 03 355 0348 / 03 343 4888 <a href="mailto:enquiries@quinovic-merivale.co.nz">enquiries@quinovic-merivale.co.nz</a> / <a href="mailto:enquiries@quinovic-riccarton.co.nz">enquiries@quinovic-riccarton.co.nz</a>

## Other Relevant Industry Bodies

Association	Contact details
Real Estate Institute of New Zealand ( <b>REINZ</b> )	Bindi Norwell Chief Executive Officer Level 3, 155 Khyber Pass Road Grafton, Auckland 1023 Ph: 09 356 1752 <a href="https://reinz.co.nz/">https://reinz.co.nz/</a>
Leading Property Managers Association ( <b>LPMA</b> )	Ashley Giles NZ General Manager <a href="mailto:ashley.giles@lpma.com">ashley.giles@lpma.com</a>
NZ Realtors Network Ltd	Donna Peffers General Manager NZ Realtors Network Ltd Mobile: 021 505 485 <a href="mailto:donna@nzrealtors.co.nz">donna@nzrealtors.co.nz</a> <a href="https://www.nzrealtors.co.nz/about">https://www.nzrealtors.co.nz/about</a>