

**Trade Me Limited**

**Notice seeking clearance to acquire the shares (or assets) of  
PropertyNZ Limited**

To: registrar@comcom.govt.nz

## Executive summary

### Trade Me seeks clearance to acquire Property NZ

Trade Me Limited (**Trade Me**) owns and operates the Trade Me online marketplace and classified advertising platform (trademe.co.nz), including Trade Me Property.

Trade Me is seeking clearance to acquire 100% of the shares (or assets) of PropertyNZ Limited (**PropertyNZ**). PropertyNZ owns and operates the homes.co.nz website (**Homes**). (For ease of reference, Trade Me refers to the Homes website and the PropertyNZ business as Homes in this application.) Homes provides a free online property data and information resource for consumers and sells digital advertising services to advertisers wishing to market to Homes' audience.

The acquisition will combine Trade Me Property and Homes under Trade Me's ownership, but will result in limited overlap. Trade Me and Homes each have a different focus for their business, and the acquisition will enable Trade Me to improve the product it can provide to consumers and advertisers. Trade Me believes that this will enhance rather than lessen competition in all relevant markets.

### Trade Me Property and Homes attract consumer attention and generate revenue in different ways

The goal of platforms like Trade Me, Homes, and their respective competitors is to provide an online product that will attract consumer attention, and then to generate revenue by selling advertising services to advertisers.

Trade Me Property and Homes attract consumer attention and generate revenue in ways that differentiate them from each other.

Trade Me Property attracts consumer attention by offering a comprehensive listing of real estate for sale and rent on a user-friendly platform that makes it easy for consumers to search for available property. Trade Me Property's primary way of earning revenue from this consumer interest is by selling listings.

In doing so, Trade Me competes with print publications such as NZ Herald and Property Press, New Zealand's other two main listings platforms realestate.co.nz and oneroof.co.nz (**OneRoof**), and with other online competitors.

Homes has a different approach to attracting an audience and earning revenue. Homes uses publicly available data to produce property information and data that it provides to consumers for free, in competition with a wide range of other providers of property information and data (including Property Value, My Valocity, and PriceMyProperty). Homes earns its revenue primarily by selling digital advertising services to real estate agents and other advertisers who want to target their marketing to Homes'

audience. Homes does so in competition with a multitude of other digital advertising providers, including the likes of Google and Facebook.

**Overlap between Trade Me Property and Homes is limited**

Despite these differences, the acquisition will lead to some limited overlap between Trade Me Property and Homes on both the audience and advertising sides of the market.

Trade Me supplements its listings with property data and information through its Property Insights microsite, which is primarily accessed through Trade Me Property. On the advertising side, like Homes, Trade Me offers targeted digital advertising services to advertisers (including real estate agents).

Homes also displays some real estate listings for sale and rent as an adjunct to its core digital advertising products. The majority of the listings on Homes are provided for free. (Homes does not offer private listings.)

Therefore, for the purposes of this application, Trade Me has analysed the competitive effects of the acquisition in four markets:

- the New Zealand market for the supply to real estate professionals of advertising for real estate for sale (the **real estate advertising market**);
- the New Zealand market for the supply to real estate professionals of advertising for real estate for rent (the **rental advertising market**);
- the New Zealand market for the supply of digital advertising (the **digital advertising market**); and
- the New Zealand market for the supply of property data, information, and listings to consumers (the **audience market**).

The acquisition will not harm competition in any of these markets, although Trade Me submits that the outcome of this application for clearance does not turn on the precise bounds of the relevant markets. The Commission can be satisfied that the acquisition would not substantially lessen competition however the market boundaries are drawn.

**Strong constraint from existing competitors in the real estate advertising market**

Trade Me's acquisition of Homes will not substantially lessen competition in the real estate advertising market.

Homes is a relatively minor participant in the market with a revenue share of under **[CONFIDENTIAL]**% however the market is defined. Nor is Homes an unusually strong or vigorous competitive force whose market share belies its competitive significance. Indeed, Homes' listings are provided free to real estate agencies regardless of whether they subscribe to Homes' digital advertising product.

Moreover, Trade Me will continue to face strong constraints from other existing competitors. Real estate advertising is typically paid for by vendors

in New Zealand. Trade Me Property competes with print media and other online providers to win a share of a vendor's marketing budget and will continue to face strong competition to do so in the future.

While digital advertising is continuing to grow in New Zealand, print media – such as Property Press and NZ Herald – continues to account for over [Trade Me CONFIDENTIAL]% of all real estate advertising in New Zealand. This continued share for print illustrates the competitive force print media retains and will continue to exert in the future.

In addition to the constraint from print, the three main online participants in the real estate advertising market – Trade Me Property, realestate.co.nz, and OneRoof – compete strongly with each other. This online competition is only likely to grow as other providers such as Facebook and Google continue to grow and develop their real estate specific offerings.

Indeed, even putting print aside, the constraint imposed by these online competitors (as well as the potential for entry by others) will be more than sufficient to prevent any loss of competition from Trade Me's acquisition of Homes.

Even if the Commission did not consider these constraints to be sufficient, the reality is that Homes' modest market position and the non-exclusive nature of listings, means that another provider of property information and data could relatively easily add sufficient real estate listings to its existing product to replicate Homes' current position, should a market opportunity present itself post-acquisition. Such entry would remedy any transitory loss of competition that could be theorised.

Put simply, removing Homes as an independent participant is unlikely to change the strong competitive dynamic that exists between print media and other online providers and between the online providers themselves. Nor will it affect the ease with which others could enter and expand.

**Very limited overlap in the rental advertising market**

Homes is an even smaller participant in the rental advertising market than it is in the real estate advertising market with revenues of \$[CONFIDENTIAL] and a revenue share of well under [CONFIDENTIAL]%. And, as in the real estate advertising market, Homes is not an unusually strong or vigorous competitive force.

The primary competition in the rental advertising market is between Trade Me, Facebook – which is a strong and growing competitive constraint in this market – realestate.co.nz and OneRoof. The removal of Homes as an independent participant in this market is unlikely to change this competitive dynamic.

For these reasons Trade Me's acquisition of Homes will be unlikely to substantially lessen competition in the rental advertising market.

**Trade Me and Homes are minor participants in digital advertising market**

Nor is the acquisition likely to substantially lessen competition in the digital advertising market.

Trade Me and Homes are each relatively small participants in this market. The major providers of digital advertising in New Zealand are Google and Facebook, who together with a myriad of other providers provide a multitude of options for advertisers of all types to reach their target audience.

And, while Trade Me has adopted a digital advertising market consistent with previous Commission decisions, the outcome would not be different even if the focus were only on advertising to people with an interest in real estate. Even in that narrow segment, Google and Facebook would remain as very strong competitive forces as would, at the very least, other real estate related websites such as realestate.co.nz, OneRoof, and Property Value.

Faced with this competition, Trade Me submits that there is no plausible scenario in which advertisers would receive less or pay more for digital advertising because of the acquisition.

**No loss of quality or innovation in the audience market**

Similarly, Trade Me submits that there is no plausible scenario in which consumers will be disadvantaged because of the acquisition.

All real estate related platforms – including Trade Me, realestate.co.nz, OneRoof, Property Value, and My Valocity – have access to the necessary information and data to compete and are driven to innovate and improve their product in a way that increases audience and audience engagement. An increased audience allows these providers to provide a more valuable and compelling product to advertisers on the other side of the platform.

This incentive will remain high regardless of whether Homes is an independent participant in the market or not.

Simply put, Trade Me Property and all other platforms will continue to have a strong incentive to innovate and improve the product they offer to consumers to maximise their audience and thereby improve the quality of the product they can offer to advertisers.

**Acquisition will not substantially lessen competition via vertical or**

Finally, and for completeness, Trade Me submits that this is not an acquisition that will give rise to a substantial lessening of competition via vertical or conglomerate effects.

While Homes and Trade Me have different focuses, the acquisition does not substantially change the scope of Trade Me's existing business. That said,

**conglomerate effects**

Trade Me believes its acquisition of Homes will improve the product it can offer to both consumers and advertisers, but this improved product is likely to spur further innovation as other providers seek ways to improve the quality of their products.

The acquisition will not result in competitors being foreclosed from any of the relevant markets; nor does it provide Trade Me with a greater ability or incentive to engage in conduct that prevents or hinders rivals from competing effectively.

Unlike in other cases where the Commission has considered vertical or conglomerate effects, while the Homes product is effective, it is not a unique and unreplicable product that other providers must have in order to compete in any relevant market. Nor is it expected to become so.

Other providers – including OneRoof, realestate.co.nz, Property Value, Price My Property, and My Valocity – already offer similar information and data to that which Homes offers today. That will not change because of the acquisition. Except for data that individual users choose to provide to the site, none of the source data that Homes uses to produce its data and information is exclusive to Homes.

Similarly, there is no exclusivity in relation to listings today. Real estate agencies list their properties on a range of print and online sites, usually as selected by vendors. Again, the acquisition will not change this.

So, while Trade Me believes it will have a better product post-acquisition, all other providers will have the same ability with or without the acquisition to access all the necessary information, data, and listings needed to compete to attract an audience.

**Trade Me requests the Commission grants clearance**

For these reasons, Trade Me submits that the Commission can be satisfied that Trade Me's acquisition of up to 100% of the shares or assets of PropertyNZ will not and will not be likely to substantially lessen competition in any market. Indeed, the acquisition is likely to spur additional competition and innovation, rather than suppress or undermine it.

Trade Me, therefore, requests that the Commission grant clearance for the acquisition.

## Confidentiality

1. This application contains information that is confidential to one or more of Trade Me or Homes. The confidential information is commercially sensitive, and disclosure of it would be likely to unreasonably prejudice the commercial position of the party providing that information.
2. Confidential information in this application is contained in bolded square brackets with highlighting to reflect who the information is confidential to.
  - 2.1 Information that is confidential to the parties as against third parties is highlighted in yellow (i.e., **[CONFIDENTIAL]**) and listed in **Attachment A**.
  - 2.2 Information that is confidential to Trade Me as against all parties is highlighted in blue (i.e., **[Trade Me CONFIDENTIAL]**) and listed in **Attachment A**.

## The acquisition and the parties

3. Trade Me Limited (and/or any of its interconnected bodies corporate) (**Trade Me**) is seeking clearance to acquire 100% of the shares (or assets) of PropertyNZ Limited.<sup>1</sup> The effect of the acquisition will be to combine the Trade Me Property and Homes.co.nz websites under common ownership.
4. The Sale and Purchase Agreement was signed on 11 February 2021. The Agreement is conditional on several matters, including receipt of clearance from the Commission. The Sale and Purchase provides that Property NZ's shareholders will sell, and Trade Me will purchase, all of the shares in Property NZ. The purchase price is **[CONFIDENTIAL]**. A copy of the sale and purchase agreement (**[Trade Me CONFIDENTIAL]**) are included as **Attachment C**. The sale and purchase agreement is confidential. There are no ancillary agreements.

## Trade Me Limited – the Applicant

5. Trade Me is an online marketplace and classified advertising platform. In May 2019, Apax Partners acquired Trade Me and Trade Me was delisted from the NZX and ASX. Apax Partners is a British private equity firm, headquartered in London, England.
6. Most relevant to this application for clearance, Trade Me operates Trade Me Property. Trade Me Property was launched in 2005 and is a searchable online property classifieds platform, which allows consumers to search for properties throughout New Zealand. Trade Me Property has two main parts: real estate for sale, and real estate for rent (including Flatmates wanted).

### Real estate for sale

7. To attract consumers to its site, Trade Me Property needs listings and an attractive and usable product for consumers. Over the 12 months to October 2020, Trade Me Property had, on average, **[Trade Me CONFIDENTIAL]** new properties listed for sale each month. In the 12 months to August 2020, Trade Me Property attracted **[CONFIDENTIAL]** unique viewers per

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<sup>1</sup> The transaction only relates to New Zealand and, therefore, no other competition agencies have been notified.

month, who viewed its listings just over [CONFIDENTIAL] million times per month on average.

8. Trade Me Property sells a range of different for-sale listing products to real estate agents (ultimately vendors) and directly to vendors (for private sales), ranging from a base listing to a feature listing, super feature listing, and premium listing. The difference between these products is in the design and look of the listing, the size of the image and where in the search results a listing appears. Trade Me Property also offers a boost product, for properties which have not yet sold, which elevates older listings back to the top of search results.
9. In the 2020 Financial Year, Trade Me Property earned \$[Trade Me CONFIDENTIAL] in listings revenue.<sup>2</sup> [Trade Me CONFIDENTIAL]% of that revenue was from sales via real estate professionals, with the remaining [Trade Me CONFIDENTIAL]% being private sales. Trade Me's top five customers ([Trade Me CONFIDENTIAL]) account for [Trade Me CONFIDENTIAL]% of its revenue, and [Trade Me CONFIDENTIAL]% of its listings.
10. Relevant to this application, Trade Me also operates the Property Insights microsite as an adjunct to the main Trade Me Property site. Trade Me launched Property Insights in October 2016.
11. Property Insights provides consumers with property details, historical sales data, estimates of what a property is likely to sell for, current rateable value (RV) information, rental estimates, and properties for sale on Trade Me. The estimate of a property's sales value is computer-generated using a Trade Me developed algorithm and is based on sales of similar properties and rateable values. Most of the data used in Property Insights is sourced from public records from councils across the country.

#### Real estate for rent

12. The real estate for rent part of Trade Me Property's business is very similar to the real estate for sale part of the business. Trade Me is incentivised to win listings and attract an audience for those listings.
13. Over the 12 months to October 2020, Trade Me Property had, on average, [Trade Me CONFIDENTIAL] new properties listed for rent each month.
14. As with for sale listings, Trade Me offers a range of different listings ranging from basic listings to feature, super feature and premium. Also like for sale listings, the difference between these rental listing products is in the look and design of the listing, the size of the images and where listings appear in search results.
15. In the 2020 financial year, Trade Me Property earned \$[Trade Me CONFIDENTIAL] in rental listings revenue.<sup>3</sup> [Trade Me CONFIDENTIAL]% of that revenue was from rental listings sold to real estate professionals, with the remaining [Trade Me CONFIDENTIAL]% being private rental listings.
16. For completeness, Trade Me also offers a product to help people find flatmates. Homes does not offer such a service and that service is not considered further as part of this application.

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<sup>2</sup> Trade Me's for sale listing revenues for the past three years are: [Trade Me CONFIDENTIAL].

<sup>3</sup> Trade Me's for rent listings revenues for the last three years are: [Trade Me CONFIDENTIAL].



## Contact details

17. The contact details for Trade Me are:

### Trade Me

www.trademe.co.nz

Level 5  
2 Market Lane  
Wellington 6011

Attention: Eleni Psaltis  
Head of Legal, Regulatory & Risk  
Trade Me

eleni.psaltis@trademe.co.nz

18. Trade Me requests that the Commission sends all correspondence regarding this application to David Blacktop (david@blacktoplawyers.com).

## The Vendors – PropertyNZ Limited

19. PropertyNZ is the company that owns and operates the homes.co.nz website. PropertyNZ is a privately owned company owned by founders Jamie Kruger (17.52%) and Michael Gibbs (14.70%), and other shareholders including Spark (22.20%).<sup>4</sup>
20. Homes operates a free online property data and information resource for consumers. Consumers can search for property information by entering a property's address, suburb, or city.
21. For each property, Homes provides property details, historical sales data, rateable value (RV) information, neighbourhood information (e.g., school zones), an estimate of what a property is likely to sell for, an estimate of what a property is likely to be rented at, partner information (e.g., estimated home loan repayments), and listings for nearby properties for sale or rent. Homes attracted an average of [CONFIDENTIAL] unique viewers per month in the 12 months to August 2020.
22. As Homes makes its information available for free, Homes derives no revenue from the provision of property information to consumers. Rather, Homes monetises consumer interest in the homes.co.nz website by providing real estate agents, property related partners and others with the opportunity to market themselves to consumers who use Homes.<sup>5</sup>
- 22.1 Examples of this on the Homes' site are the solar potential estimate, which is sponsored by Harrisons Energy Solutions, a borrowing calculator powered by Loan Market, and home inspiration featuring suppliers like Mitre 10 and Resene. Homes

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<sup>4</sup> Homes' revenues for the last three financial years are: [CONFIDENTIAL].

<sup>5</sup> Trade Me understands that Homes' top five customers [CONFIDENTIAL].

- earnt \$[CONFIDENTIAL] from these types of advertising products in the 2020 financial year, which is approximately [CONFIDENTIAL]% of Homes' revenues.
- 22.2 Homes also offers a "Premium Agent" product that allows agents to claim the houses they have sold on Homes' website and advertise themselves to people viewing properties. This costs \$99 ex GST per month.<sup>6</sup> As at the end of October 2020, Homes had [CONFIDENTIAL] agents subscribing to this product. Homes also offers additional premium agent advertising products (e.g., Suburb Expert). Homes earnt \$[CONFIDENTIAL] in revenue from these agent advertising products in the 2020 financial year, which is approximately [CONFIDENTIAL]% of Homes' revenues.
- 22.3 Homes also offers a similar Premium Branch product at a real estate branch level for \$299 ex GST per month.<sup>7</sup> Homes introduced this product in early 2018. As at the end of September 2020, Homes had [CONFIDENTIAL] branches subscribing to this product.
23. Homes does host some listings for properties for sale or rent. These are provided free regardless of whether the real estate agencies subscribe to Homes' advertising product. Homes does not provide listings for sale or rent to private vendors or lessors and has no plans to do so.
24. Basic listings for properties for sale on Homes are effectively free.
- 24.1 Real estate agencies can upload unlimited listings for free via Homes' branch listings product. Up until October 2019, Homes priced the branch listings product at \$199 ex GST per month. However, in October 2019, Homes reduced the price to zero. As at September 2020, Homes had [CONFIDENTIAL] branches subscribe to this product across both sales and rentals.
- 24.2 Alternatively, any of the [CONFIDENTIAL] agencies who subscribe to the Premium Branch product can upload unlimited listings for no additional cost.
25. An individual agent could also, should they wish to, purchase a basic listing for \$39 ex GST per listing. They could do this if the agency they worked for did not subscribe to either the branch listings or Premium Branch products.
26. Homes does sell feature listings for \$69 ex GST.<sup>8</sup>
27. In the 12 months to October 2020, Homes had an average of [CONFIDENTIAL] new listings for sale per month and in the year to 30 March 2020, Homes earnt approximately [CONFIDENTIAL] from listings.
28. With respect to rentals, Homes sells a basic listing on a subscription basis to real estate offices or property managers for \$199 ex GST per branch per month.<sup>9</sup> As at the end of September 2020, Homes had [CONFIDENTIAL] branches subscribing to this product generating \$[CONFIDENTIAL] in revenue. In the 12 months to September 2020, Homes had an average of [CONFIDENTIAL] new rental listings per month.

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<sup>6</sup> See <https://get.Homes.co.nz/PremiumAgent>.

<sup>7</sup> See <https://get.Homes.co.nz/PremiumBranch>.

<sup>8</sup> See <https://get.Homes.co.nz/Listings> and <https://get.Homes.co.nz/FeaturedListing>

<sup>9</sup> See <https://get.Homes.co.nz/PropertyManager>

29. Finally, PropertyNZ also provides property data and valuations to commercial customers such as Summerset, Partners Life, and AA Insurance. (Trade Me does not offer a similar product and has no plans to do so.)
30. PropertyNZ's contact details are:  
  
47 The Esplanade,  
Hutt Central  
Lower Hutt, 5012  
  
Attention: Jamie Kruger, CEO  
jamie.kruger@homes.co.nz
31. PropertyNZ requests that the Commission sends all correspondence regarding this application to Neil Anderson (neil@neilandco.nz).

## Rationale for the acquisition

### Trade Me's rationale

32. While Trade Me Property and Homes are both real estate related portals, they attract consumer attention and generate revenue in ways that differentiate them from each other. Indeed, it is the complementary nature of Trade Me Property and Homes that drives Trade Me's rationale for the acquisition. **[Trade Me CONFIDENTIAL]**.
33. Trade Me Property's core business is to act as a property listings platform and sell listings to real estate professionals and private vendors.
34. Although Trade Me Property does provide property data and information (via its Property Insights microsite), listings are what Trade Me Property is known for and what consumers visit Trade Me for. Moreover, the current Property Insights experience is **[Trade Me CONFIDENTIAL]** and has not had any significant investment or development since it was first launched. Today, Property Insights is **[Trade Me CONFIDENTIAL]**.
35. This is partly because Homes is focussed primarily on providing property data and information to consumers, in competition with providers like Property Value, Price My Property, and My Valocity. Just as Trade Me Property offers property data and information as an adjunct to its main listings business, Homes does the reverse; Homes offers listings as an adjunct to its property data and information product.
36. One example of the differences between the two sites is the way their search functions work. Trade Me Property allows a person to easily search for properties for sale or rent. Consumers can focus their search on location, price, features (e.g., bedrooms, bathrooms), property type and latest listings for example. Homes' search function is focussed on enabling consumers to search for a specific address to obtain information relating to that property.
37. This difference in what Trade Me Property and Homes are known for drives differences in audience. Homes' audience, for example, is skewed towards consumers in the research and early stages of the consumer property buying cycle. Trade Me Property's audience is skewed more towards the later stages of the buying cycle when consumers are actively looking for and comparing properties.

38. To put this in context, Trade Me estimates that approximately [Trade Me CONFIDENTIAL]. In particular, Trade Me believes property owners who may not be active in the typical buyer stages of the property lifecycle, represent a significant potential audience. Engaging with this audience presents a range of opportunities, including:
- 38.1 [Trade Me CONFIDENTIAL];
  - 38.2 [Trade Me CONFIDENTIAL];
  - 38.3 [Trade Me CONFIDENTIAL];
  - 38.4 keeping Trade Me Property top of mind when looking to buy/sell;
  - 38.5 [Trade Me CONFIDENTIAL]; and
  - 38.6 [Trade Me CONFIDENTIAL].
39. It is these differences in audience and focus and the potential benefits to Trade Me that drive Trade Me's rationale for acquiring Homes. In short, Trade Me views Homes as supplementing its Trade Me Property offer in four ways.
- 39.1 First, the acquisition provides Trade Me with the opportunity to show Trade Me's property listings to Homes' unique (from Trade Me Property) audience of [Trade Me CONFIDENTIAL].
  - 39.2 Second, Homes has established a position selling digital advertising services to real estate professionals and other advertisers wishing to target the Homes audience. This is not an area where Trade Me has traditionally focussed its attention, and therefore the acquisition provides an immediate revenue upside for Trade Me. Moreover, the acquisition case and the price paid depends on Trade Me continuing to grow this part of Homes' business.
  - 39.3 Third, Homes allows users to register, claim their property, and update the information about the property. Trade Me will gain this data which, when combined with Trade Me's existing data will enable Trade Me to offer advertisers with more targeted and engaging marketing opportunities to a wider set of viewers.
  - 39.4 Fourth, the acquisition will result in [Trade Me CONFIDENTIAL] – that will allow Trade Me to convert Homes from a negative EBITDA business to a positive one and increase Trade Me's enterprise value. In short, Trade Me believes that Homes is more valuable in Trade Me's hands than in the hands of the current shareholders. But this assessment relies on Trade Me continuing to invest in and grow Homes.
40. Absent the acquisition, Trade Me would explore developing its Property Insights microsite further and may be able to achieve some of the benefits of the acquisition highlighted above. However, given the current Property Insights user experience, internal resource constraints, and Trade Me's other development priorities, Trade Me believes the acquisition provides a faster and lower risk way to achieve the benefits described above, while also allowing Trade Me to focus its limited development resources on more important priorities.
41. During the period from July 2015 to October 2016, Trade Me and Homes had a commercial relationship that involved a Commercial Services Agreement and Trade Me owning a 15.7% stake in Homes. The Commercial Services Agreement provided Trade Me with access to

Homes' datasets in exchange for Trade Me providing referral traffic from Trade Me Property to Homes. From Trade Me's perspective, the arrangements and its shareholding in Homes were part of a strategic push to provide Kiwis with free and easy access to the property data that had become available for free around that time.

42. Trade Me and Homes agreed to end their commercial relationship in October 2016; the parties terminated the Commercial Services Agreement and Trade Me sold its shares back to Homes. The reason why the commercial relationship ended was due to differences of opinion between Trade Me and Homes about what the relationship between the parties entailed and the value it was delivering (and expected to deliver) to each party, and Trade Me's decision (as a major shareholder) not to participate in a Homes capital raise. Ultimately, the parties concluded that it was in their best interests for Trade Me to exit its shareholding and for the parties to agree to terminate their Commercial Services Agreement.

### Homes' rationale

43. Trade Me understands that Homes considers that Trade Me's ownership will provide Homes with the opportunity to market the site to a wider audience, while also enabling Homes to develop a wider and deeper property data set that will enhance the experience of Homes users.
44. Absent the acquisition, Trade Me understands that Homes will continue its focus on engaging the homeowner, widening its property data set, and offering additional digital advertising services to that audience, albeit without being able to access Trade Me's datasets and audience.

### Relevant markets

45. As described above, Trade Me and Homes each operate real estate related websites. Access is free for consumers, and Trade Me and Homes each earn revenue by (to a greater or lesser extent):
- 45.1 providing property advertising (listings) to real estate professionals (ultimately for vendors) - albeit that most of Homes' listings are provided for free - and property management companies (ultimately for lessors) (Homes does not sell for sale or rental listings to private sellers); and
- 45.2 selling digital advertising services to real estate professionals and other advertisers.<sup>10</sup>
46. As the Commission has previously acknowledged, online platforms such as Trade Me and Homes are two-sided markets. They bring together an audience on one side of the market with advertisers on the other side of the market. The interrelationship between the audience and advertiser sides of the market can create feedback loops that impose constraints on the operator of the platform.

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<sup>10</sup> As described above, Homes.co.nz also offers a commercial home valuation product to commercial customers. The Commission has previously defined a national market for the supply of property information products to corporate and government customers. *Re PropertyIQ New Zealand Limited and Terralink International Limited* [2013] NZCC 22. Trade Me does not offer a similar commercial valuation product and has no plans to do so. Given this lack of overlap, that market is not considered further in this application.

47. However, the Commission’s consistent position has been to define markets on each side of a platform and then to consider any cross-platform feedback loops in its competition analysis.<sup>11</sup> Without offering any view on whether that is a correct approach or not, Trade Me has adopted the Commission’s approach in defining markets in this application.
48. Therefore, Trade Me has adopted the following markets in this application:
- 48.1 the New Zealand market for the supply to real estate professionals of advertising for real estate for sale (the **real estate advertising market**);
  - 48.2 the New Zealand market for the supply to real estate professionals of advertising for real estate for rent (the **rental advertising market**);
  - 48.3 the New Zealand market for the supply of digital advertising (the **digital advertising market**); and
  - 48.4 the New Zealand market for the supply of property data, information, and listings to consumers (the **audience market**).

### The real estate advertising market

49. In *Motorcentral*, Trade Me submitted that there was a national market for the supply of motor vehicle advertising to motor vehicle dealers. This encompassed digital and print advertising, and all types of digital advertising (classified, display, and search).
50. The Commission took a narrower approach and adopted a market for “the supply of online motor vehicle classified advertising to dealers”.<sup>12</sup> The Commission correctly recognised that it must consider any other sources of constraint from outside the market in its competition analysis.<sup>13</sup>
51. Trade Me remains of the view that online classified advertising is constrained by print advertising and other digital advertising. This is especially so for real estate.
52. Trade Me Property and other real estate advertising providers sell real estate advertising to real estate agents. For the most part, real estate agents pass those costs onto vendors. Therefore, while Trade Me’s contractual relationship is with real estate agents, for the most part, real estate advertising is chosen and paid for by vendors on the recommendation of real estate agents.
53. When a vendor decides to sell their home, they have a range of advertising options to choose from and allocate their budget towards. This includes online listings services like Trade Me (and competing sites), but also print advertising like Property Press, newspaper’s homes sections, and real estate agents’ own websites (for which there is typically no charge).

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<sup>11</sup> See *Trade Me Limited and Limelight Software Limited* [2018] NZCC 1 (**Motorcentral**), *NZME Limited and Fairfax New Zealand Limited* [2017] NZCC 8 (**NZME/Stuff**) at [201] for example.

<sup>12</sup> *Motorcentral* at [84] and [120].

<sup>13</sup> *Brambles New Zealand Ltd v Commerce Commission* (2003) TCLR 868 (HC), at [34]-[39] and [157]-[159].

54. Indeed, of the \$[CONFIDENTIAL] million per year spent on real estate advertising, \$[CONFIDENTIAL] million was spent on print advertising ([CONFIDENTIAL]%), with \$[CONFIDENTIAL] million spent on digital advertising ([CONFIDENTIAL]%).<sup>14</sup>
55. Vendors are faced with a choice about where to invest their advertising budget, and they allocate that budget according to the value they apprehend different methods deliver. If all online listings were to increase by a snip, vendors would divert their advertising spending to print and other media (e.g., display advertising). For that reason, Trade Me submits that the correct market is the market for the supply of real estate advertising to real estate professionals.
56. Trade Me acknowledges that this market definition is wider than the analogous market the Commission adopted in *Motorcentral* and the markets some overseas regulators have adopted based on the specific facts in those jurisdictions.<sup>15</sup> However, Trade Me submits this is justified based on the realities of the New Zealand real estate market.
57. That said, Trade Me submits that the outcome of this application for clearance does not turn on whether print and online real estate advertising are in the same market. Put another way, the Commission can be satisfied that the acquisition would not substantially lessen competition even in a narrow online only market, due to the strong competitors present in that market.
58. Finally, Trade Me submits that the market is national notwithstanding that Trade Me has four different pricing zones for its feature listings products.<sup>16</sup> These pricing zones do not reflect differences in the competitive options available to consumers in different areas of New Zealand. The same products are available to consumers throughout New Zealand as OneRoof, NZME, and RealEstate.co.nz all operate nationally. Rather, the zones largely reflect the value of the properties in the zone and the resulting value consumers see in the Trade Me feature listings products. Likewise, Homes operates nationally. In any event, Trade Me submits that the outcome of this application for clearance does not turn on whether the market is national or regional, as Trade Me will continue to face vigorous competition in all areas of New Zealand.

### The rental advertising market

59. The rental advertising market is very similar to the real estate for sale advertising market, but there are two major distinctions.

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<sup>14</sup> Trade Me analysis based on REINZ data, marketing schedules and desktop research.

<sup>15</sup> The ACCC in *Fairfax Media / All Homes Pty Limited* indicated it thought it likely there were separate print and digital markets for the supply of real estate classified advertising services in the ACT, but did not form a concluded view; the OFT (as it then was) in *The Digital Property Group Limited/Zoopla Limited*, defined a market for online property advertising through property portals; and the French Competition Authority has considered print and digital to be in different markets, (Decision n° 18-DCC-18 of 1 February 2018 relating to the acquisition of sole control of the company Concept Multimedia by the Axel Springer Group).

<sup>16</sup> Zone 1: Auckland.  
 Zone 2: Bay of Plenty (2 districts), Canterbury (3 districts), Nelson / Tasman (3 districts), Otago (1 district), Waikato (6 districts) and Wellington (5 districts).  
 Zone 3: Bay of Plenty (3 districts), Canterbury (5 districts), Manawatu / Wanganui (1 district), Northland (3 districts), Taranaki (3 districts), Waikato (4 districts), Wellington (3 districts) & West Coast (3 districts).  
 Zone 4: Bay of Plenty (1 districts), Canterbury (1 districts), Gisborne (1 district), Hawkes Bay (4 districts), Manawatu / Wanganui (6 districts), Otago (4 districts) & Southland (3 districts).

60. The first is that the rental advertising market is predominantly an online market. While there may be some constraint from print media, print is not the strong constraint in the rental market that it is in the for-sale market.
61. Second, the customer set for rentals is much more diffuse. Trade Me estimates that nearly [CONFIDENTIAL]% of real estate sales in New Zealand are completed via a real estate agent.<sup>17</sup> And while vendors ultimately pay for real estate advertising, the immediate customer for platforms like Trade Me are the real estate agents. As described above, for Trade Me, the top five agencies in New Zealand account for [Trade Me CONFIDENTIAL]% of its revenue.
62. Rentals are different with Trade Me estimating that only around [CONFIDENTIAL]% of rentals are transacted through property professionals.<sup>18</sup> Moreover, the property professionals undertaking rentals are a materially more fragmented group than the real estate agencies involved in the for sale market.
63. Given these differences, Trade Me has defined a separate rental advertising market and considers the competitive effects separately below.

### The digital advertising market

64. Trade Me submits that it is useful to consider a digital advertising market separate from the real estate for sale (classified) advertising market above. This market encompasses all other types of general digital advertising including search and display and the types of marketing partnerships Homes has developed, but excludes classified listings of the type included in the real estate advertising market defined above. There is some overlap between Homes and Trade Me in this market, but both are relatively small participants.
65. The Commission most recently considered the scope of the digital advertising market in *NZME/Stuff*. In that case, which involved the proposed merger of the two largest online news sites in New Zealand, the Commission defined a market for the supply of digital advertising in New Zealand.<sup>19</sup>
66. In doing so, the Commission recognised that:
- Digital or online advertising is a broad category that encompasses all advertising delivered over the Internet, via a consumer’s computer, mobile phone or tablet. The advertising can be audio, video, image or text based.
67. And while the Commission considered that there would be a range of sub-categories that provide advertisers with different outcomes, the Commission did not consider that separate types of advertising warranted separate markets.
68. Nor did the Commission consider that there was a separate customer market for advertisers who wanted to be associated with news sites (i.e., a specific customer market). This was even though the Commission declined the merger on the basis that the merger would substantially lessen competition in the reader/audience markets.

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<sup>17</sup> This is based on the fact that Trade Me’s for sale listings volumes, [Trade Me CONFIDENTIAL]% comes from agents, and [Trade Me CONFIDENTIAL]% direct.

<sup>18</sup> This is based on the fact that Trade Me’s for rent listings volumes, [Trade Me CONFIDENTIAL]% comes from agents, and [Trade Me CONFIDENTIAL]% comes direct.

<sup>19</sup> NZME/Stuff at [245].



69. Similarly, in this case, while Trade Me Property and Homes are property related websites and therefore attract audiences with an interest in property, that does not mean that there is a separate customer market for the sale of digital advertising to advertisers wanting to attract people interested in real estate. Rather, Trade Me submits that the Commission should adopt the approach it took in *NZME/Stuff* and define a market for the supply of digital advertising in New Zealand.
70. However, again, the precise scope of the market is unlikely to be determinative of this clearance application. Even if the Commission adopted a narrowly defined market focused on the sale of digital advertising to persons with an interest in real estate, that market would still include all property related websites, the property sections of all news media websites, Google, and Facebook.

### The audience market

71. Trade Me has also adopted a New Zealand market for the supply of property data, information, and listings to consumers (the **audience market**).
72. This market could, in theory, be separated further into property data and information on the one hand, and property listings on the other. However, Trade Me's view is that the precise scope of the audience market is unlikely to be material to the Commission's assessment.
73. Property data, information, and listings are provided for free to consumers in New Zealand by a range of providers. Therefore, any competitive harm in this market would arise through a loss of quality or innovation. This is unlikely. All providers are incentivised to compete and innovate to attract a larger audience (to maximise advertising revenue) and that will not change following the acquisition.
74. In *Motorcentral*, the Commission took the pragmatic approach of focussing its attention on the advertising side of the market:

The competition effects of the acquisition in the advertising market could also manifest in the audience market (for example, a lessening of competition could result in reductions in the quality of listings platforms, harming potential vehicle buyers). However, on the evidence before us, we do not consider that the competition effects in the audience market would be more significant than the competition effects in the advertising market. Accordingly, our analysis focuses on the competitive impact of the acquisition in the advertising market.

75. Trade Me submits that the Commission may consider adopting a similar approach in this case and direct its focus to the advertising side of the market. However, for completeness, Trade Me has addressed the audience market further below.

### None of the relevant markets are prone to coordinated effects

76. As an initial point, Trade Me submits that none of the relevant markets are prone to coordinated effects. None of the features identified by the Commission in the Merger Guidelines as market features that might facilitate coordination are present in any of these markets. Moreover, Trade Me submits that the Commission can be satisfied that removing Homes as an independent participant will not change the market in a way that would make coordination more likely, more complete, or more sustainable.<sup>20</sup>

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<sup>20</sup> Mergers and Acquisitions Guidelines at [3.86].

77. Therefore, this application does not address coordinated effects in each relevant market below. However, Trade Me can provide further information if that would be useful to the Commission.

## Why the acquisition will not substantially lessen competition in the real estate advertising market

### Summary

78. Trade Me is, and will continue to be, constrained by the numerous competitors who compete in the real estate advertising market. These range from print media providers like NZ Herald and Property Press, to other online providers like realestate.co.nz and OneRoof.
79. By contrast, Homes is a relatively small participant in this market and is not an unusually disruptive competitive force. This is illustrated by the fact that in October 2019 Homes effectively made basic listings free. Despite that move, Homes' listings have not increased significantly. Put simply, Homes' removal as an independent participant is unlikely to change the underlying strong competitive dynamic that exists. The market will continue to be characterised by strong price competition and innovation.

### Continuing strong constraint from print media

80. Print media is a significant supplier of advertising of real estate for sale in New Zealand. As described above, the real estate advertising market is worth an estimated \$[CONFIDENTIAL] million per year. \$[CONFIDENTIAL] million was spent on print advertising ([CONFIDENTIAL]%), with \$[CONFIDENTIAL] million spent on digital advertising ([CONFIDENTIAL]%).<sup>21</sup>
81. The three major print media providers in New Zealand are Property Press, NZ Herald, and Stuff.

#### *Property Press*

82. Property Press is a free dedicated real estate magazine, published every week in 10 different regions around New Zealand.<sup>22</sup> Trade Me understands that Property Press is owned by six different joint ventures throughout New Zealand. It was previously published and distributed by Bauer who owned approximately 50% of each joint venture but sold these interests to Mercury Capital in mid-2020. The remaining 50% of each joint venture is owned by real estate agents in the particular region of New Zealand where the Property Press is published.
83. Trade Me estimates that Property Press accounts for [CONFIDENTIAL]% of all real estate advertising revenue in New Zealand, with an average revenue per campaign of \$[CONFIDENTIAL].<sup>23</sup>

<sup>21</sup> Trade Me analysis based on REINZ data, marketing schedules and desktop research.

<sup>22</sup> Central Auckland, North Shore, Eastern Auckland, Franklin, Taranaki, Nelson, Otago, Taupo, Canterbury, Lake District.

<sup>23</sup> Trade Me Property research.

**(NZME) NZ Herald**

84. The NZME business is well known to the Commission. As described recently by the Commission, NZME is a New Zealand media and entertainment business that offers radio broadcasting (Newstalk ZB, ZM, Radio Hauraki, etc), print publications (The New Zealand Herald, Herald on Sunday, Weekend Herald, etc), digital publications (such as [www.nzherald.co.nz](http://www.nzherald.co.nz)), and e-commerce services.
85. NZME provides print real estate advertising through its newspapers, most particularly the NZ Herald and Weekend Herald. NZME also owns 80% of OneRoof, which is discussed further below.
86. NZME forecast property revenues of \$35 million for the 2020 calendar year,<sup>24</sup> indicating that NZME enjoys a [CONFIDENTIAL]% share of the real estate advertising market, which included \$22 million in print revenue.<sup>25</sup>

**Stuff**

87. The Stuff business is also well known to the Commission. Stuff operates a variety of print publications in New Zealand, including The Dominion Post, The Press, and The Sunday Star Times, and other regional newspapers. These print publications provide property advertising in a similar way to the NZ Herald.
88. Trade Me estimates that Stuff's revenue share of the real estate advertising market is between 5% and 10% considering Stuff's share of suburban newspaper revenues.
89. Stuff also owns Neighbourly, which is a private neighbourhood website that allows neighbours to talk and share online as is discussed further below. It also has a property section that allows users to search for properties for sale.

**Continuing strong constraint from other online portals**

90. In addition to the strong continued constraint from print media, Trade Me will continue to be constrained by its rival online providers, most notably, realestate.co.nz and OneRoof. These providers already have strong brands and an established position in the market and there is nothing to prevent them from expanding their presence if a market opportunity presents itself. Indeed, the constraint from these online providers will be sufficient in and of itself to prevent a substantial lessening of competition arising from Trade Me's acquisition of Homes.
91. While share in digital markets is very difficult to assess, the table below provides Trade Me estimates of listings per month, unique audience for each site<sup>26</sup>, and share of advertising expenditure for some market players. There is nothing to prevent any of these competitors from continuing to expand their offering.

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<sup>24</sup> NZME 2019 Full Year Results presentation, page 27 ([https://www.nzme.co.nz/media/1490/nzme-2019-full-year-results-presentation\\_final.pdf](https://www.nzme.co.nz/media/1490/nzme-2019-full-year-results-presentation_final.pdf))

<sup>25</sup> NZME *New Zealand Media and Entertainment Investor Day* 16 November 2020, page 104.

<sup>26</sup> Unique audience is the number of people who visited a site in a month. For that reason, a person can be a unique viewer to any number of sites.

	New listings per month <sup>27</sup>	Unique audience per month <sup>28</sup>	Revenue	Share of print and online spend	Share of online spend
Trade Me	[CONFIDENTIAL]	[CONFIDENTIAL]	[Trade Me CONFIDENTIAL]	[Trade Me CONFIDENTIAL]	[Trade Me CONFIDENTIAL]
Homes	[CONFIDENTIAL]	[CONFIDENTIAL] ([Trade Me CONFIDENTIAL] of which is unique from Trade Me Property)	[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
Real Estate	[CONFIDENTIAL]	[CONFIDENTIAL]	Unknown to Trade Me	Combined ~ 12.5%	Combined ~ 33.5%
OneRoof	[CONFIDENTIAL]	[CONFIDENTIAL]	\$4m <sup>29</sup>		
Facebook	[CONFIDENTIAL]	Unknown to Trade Me	Unknown to Trade Me		
Hougaard en	Unknown to Trade Me	Unknown to Trade Me	Unknown to Trade Me		

92. All these providers offer a range of products in competition with Trade Me's products.

<sup>27</sup> Average for the 12 months to October 2020

<sup>28</sup> Average for the 12 months to October 2020.

<sup>29</sup> NZME's *New Zealand Media and Entertainment Investor Day* 16 November 2020, page 128.

Trade Me Product	Basic <sup>30</sup>	Feature <sup>31</sup>	Super Feature <sup>32</sup>	Premium <sup>33</sup>	Boosted <sup>34</sup>
<b>Realestate.co.nz</b>	Yes	Yes	Showcase	No	Refresh
<b>OneRoof</b>	Yes	Yes	Yes	No	Refresh
<b>Hougarden</b>	Yes	Yes	Showcase	No	No
<b>Homes</b>	Yes	Yes	No	No	No
<b>Facebook</b>	Yes	No	No	No	No
<b>Neighbourly</b>	Yes	Showcase Plus	No	No	No
<b>Google</b>	Yes	No	No	No	No

### ***realestate.co.nz***

93. Realestate.co.nz is an online real property listings portal owned by the real estate industry. Realestate.co.nz is owned in equal shares by Property Page (NZ) Limited and Real Estate Institute of New Zealand (**REINZ**). REINZ is a membership organisation representing 14,000 real estate agents throughout New Zealand. Property Page (NZ) Limited is owned by Ray White, LJ Hooker, Barfoot & Thompson, Harcourts, and Bayleys.
94. Realestate.co.nz claims on its website that it is used by over 1,300 real estate offices in New Zealand, and that it features 97% of all listings currently marketed in New Zealand. Given its ownership, realestate.co.nz has close relationships with the real estate industry.
95. Realestate.co.nz offers standard listings, feature listings (similar to Trade Me Property's feature product), showcase listings (similar to Trade Me Property's super feature product), and refresh (similar to Trade Me Property's boost product).

<sup>30</sup> Trade Me's most basic listing product. A Basic listing is required to activate all other listing products, upgrades, and marketing packages.

<sup>31</sup> Feature listings are larger than Basic, have a distinctive yellow background and appear higher in search results than Basic. Search results also include additional details about the property compared to Basic listings.

<sup>32</sup> Super Feature appears at the top of search results, displays 3 photos in search results (instead of 1), is larger than a Feature listing and lasts for 7 days. It includes a Feature Listing and reverts to that after the 7-day period.

<sup>33</sup> Premium listings are Trade Me's largest listing. It appears below Super Feature listings in search results.

<sup>34</sup> Boost elevates listings to the top of search results, within the relevant product tier.

96. Trade Me estimates that realestate.co.nz had an average of [CONFIDENTIAL] listings per month in the 12 months to October 2020, and [CONFIDENTIAL] unique viewers per month.
97. Realestate’s audience and inventory have stalled recently as new digital offerings such as OneRoof have entered the market. However, realestate.co.nz appears to be responding to this increased competition. Realestate.co.nz has recently relaunched its consumer facing website, and in 2018 it added agent sales data and District Valuation Roll (DVR) data.

### **OneRoof**

98. OneRoof is an online property portal and is a relatively new entrant into the market. OneRoof provides listings and property information and data for free to consumers. NZME launched OneRoof in 2018. Today, OneRoof is owned 80% by NZME and 20% by HouGarden.com Limited, a New Zealand property portal targeting the Chinese-speaking market.
99. OneRoof has grown from a zero base to be a strong competitor in the market. In its latest interim report NZME said its “[s]trategic priority is creating New Zealand’s leading real estate platform”.<sup>35</sup>
100. OneRoof has grown its listings and audience by successfully leveraging its diversified media businesses to advertise OneRoof across all NZME channels and using its established sales team to sell across platforms.
101. Trade Me estimates that OneRoof had an average of [CONFIDENTIAL] listings per month in the 12 months to October 2020, and [CONFIDENTIAL] unique viewers per month.
102. In its 2020 Investor Presentation, NZME reported forecast revenue for OneRoof of \$19 million with digital revenue of \$4 million.<sup>36</sup> In its 2019 financial results, NZME reported that OneRoof had earned revenues of \$2.8 million. In the same period, NZME reported property revenue (both print and OneRoof) of \$40 million. Trade Me understands that NZME sells its print and online products as a bundle, and while Trade Me has no visibility of how NZME allocates revenue between the two, Trade Me expects that the digital figures might understate digital revenues.

### **Facebook**

103. Facebook Marketplace entered the real estate advertising market in April 2019. Facebook marketplace is a searchable online classified advertising platform. Since April 2019, Facebook has offered real estate agents the ability to list their properties for sale on their Facebook page and target potential buyers via that channel.
104. However, Facebook’s search function for consumers is limited to price at this stage, i.e., consumers cannot search on property type, number of bedrooms etc. In contrast, Facebook has built a more advanced search function for rental properties and grown its presence to a significant level in a quick period of time. It would be relatively quick and straightforward for Facebook to build a better search function for properties for sale, and Trade Me expects Facebook to do this.

<sup>35</sup> NZME 2020 Interim Results Presentation, page 23.

<sup>36</sup> NZME’s New Zealand Media and Entertainment Investor Day 16 November 2020, page 128.

105. And despite its current limited search functionality, Trade Me research indicates that many agents use Facebook to market their properties and that usage is due to reach, price, and ease of use. Trade Me estimates that Facebook had an average of [Trade Me CONFIDENTIAL] new listings per month in the 12 months to October 2020.
106. While Facebook is currently a relatively small participant in this market, its strong audience position means it is well positioned to expand if a market opportunity presents itself.

#### ***Hougarden***

107. As described above, Hougarden is a 20% owner of OneRoof. However, Hougarden also provides a property portal targeting the Chinese-speaking market, including search functions. As with other portals such as realestate.co.nz and OneRoof, Hougarden offers a range of different advertising products to vendors.

#### ***Neighbourly***

108. As described above, Stuff owns Neighbourly, which is a private neighbourhood website that allows neighbours to talk and share online. Like Facebook, Neighbourly provides an avenue for real estate agents to share properties for sale within a particular neighbourhood.

### **Continuing constraint from threat of entry or expansion from adjacent markets**

109. New entry, or expansion is likely to be a continued feature of this market should a market opportunity arise. OneRoof and Facebook recently entering and expanding their presence in this market is testament to this.
110. For example, Trade Me expects that Google will enter the real estate advertising market with a property focussed product at some point. Google would be able to use its powerful and extensive audience data to target property advertising effectively. Currently, Google's presence in real estate is limited to allowing agents to list inventory on Google and target potential buyers.
111. Moreover, Trade Me does not believe there would be anything to prevent a provider of property data and information that does not provide listings today from adding those listings to their current offering to replicate any loss of competition felt by the loss of Homes (similar to how Homes expanded to add listings in 2016). All that would be required is for a provider to enter an agreement with a real estate agency to gain listings, something agencies would have the incentive to do to remedy any perceived loss of competition.
112. The best examples are Property Value and My Valocity.
- 112.1 Property Value has recently been rebranded from QV.co.nz and is owned by Core Logic, a multinational with headquarters in the United States with a market capitalisation of over US\$6 billion. Core Logic describes itself as a global leader in property information, analytics and property-related risk management services in the United States, Australia, and New Zealand.
- 112.2 My Valocity is a New Zealand company that offers up-to-date property information and data.
113. Either provider could begin offering a free listings service in the way Homes does today.

114. Moreover, there is nothing that would prevent a wholly new provider from establishing a service equivalent to Homes. A new entrant would need to build a website, secure access to Council data (which would be available), and provide free listings. It is estimated that this could be done in 6 to 9 months with a modest investment.

## Why the acquisition will not substantially lessen competition in the rental advertising market

115. Homes is a relatively small participant in the rental advertising market and the acquisition will, therefore, result in limited overlap.
116. In the 12 months to September 2020, Homes averaged [CONFIDENTIAL] new rental listings per month generating revenue of \$[CONFIDENTIAL]. This compares to Trade Me's [CONFIDENTIAL] listings and revenue of \$[Trade Me CONFIDENTIAL] million.
117. The real competition in this market is and will remain between Trade Me, Facebook, realestate.co.nz, and OneRoof. Facebook, in particular, is a strong and growing competitive constraint in the rental advertising market. Facebook entered this market in around May 2019 and has grown its new listings to an average of 5,019 per month. Facebook listings likely understate Facebook's impact as Trade Me expects that rentals and flatmates can also be found via user posts in addition to listings.
118. Similarly, NZME has signalled it has further plans to expand its rental offering to, in its words "support the investor market and provide a natural adjacency for property seekers". There is nothing to prevent OneRoof seeking to expand in this way.<sup>37</sup>
119. Given this existing strong competition, the removal of Homes as an independent participant in this market is unlikely to change the competitive dynamic.

## Why the acquisition will not substantially lessen competition in the digital advertising market

120. In the 12 months to 30 June 2020, advertisers spent an estimated \$[Trade Me CONFIDENTIAL] on digital advertising in New Zealand (excluding classified and directory services).<sup>38</sup> Digital advertising accounts for [Trade Me CONFIDENTIAL]% of all advertising spend in New Zealand.<sup>39 40</sup>
121. Google and Facebook dominate digital advertising in New Zealand. In the 12 months to 30 June 2020, revenue from "search" advertising was \$766 million. It is estimated that Google accounts for 90% of this revenue,<sup>41</sup> giving Google a nearly 70% share of digital advertising spend. In the same 12-month period, revenue from "social media" advertising was [Trade

<sup>37</sup> NZME's *New Zealand Media and Entertainment Investor Day* 16 November 2020, page 102.

<sup>38</sup> IAB H1/Q2 2020 Digital Advertising Revenue Report, pages 6 and 10.

<sup>39</sup> IAB H1/Q2 2020 Digital Advertising Revenue Report, page 10.

<sup>40</sup> The IAB report is the only available information on the size of the New Zealand market. However, the report comprises predominantly agency spend, and is therefore likely to understate Google and Facebook significantly.

<sup>41</sup> See <https://www.nzherald.co.nz/business/how-much-google-and-facebook-made-in-nz-in-2018/IPFLSCEOAS5DZX6JAQGXXK6BEAI/>.



**Me CONFIDENTIAL**], most of which is estimated to flow to Facebook.<sup>42</sup> This suggests Facebook has a market share of around **[Trade Me CONFIDENTIAL]**% in this market.

122. By comparison with Google and Facebook, Trade Me and Homes are very small participants. Trade Me's revenue in this market in the 2020 financial year was \$**[Trade Me CONFIDENTIAL]** million; Homes has approximately \$**[CONFIDENTIAL]** in revenue per year. This is a combined revenue share of less than **[CONFIDENTIAL]**%.
123. Nor are Trade Me and Homes close to the next largest competitors to Google and Facebook. NZME, for example, reported digital revenue of \$60.4 million for the 2019 calendar year.<sup>43</sup> While not reported, Stuff is also a significant supplier of digital advertising.<sup>44</sup>
124. Indeed, despite being significantly larger than Trade Me and Homes in this market, in *NZME/Stuff* the Commission found that the merger of NZME and Stuff (share of approximately 15% of digital advertising combined<sup>45</sup>) would not substantially lessen competition in the digital advertising market. The Commission explained:

Overall, however, we consider that other existing providers of digital advertising provide a constraint on the merging parties. The majority of this constraint stems from large aggregators or intermediaries such as Google and Facebook but also (to a lesser extent) from other news and information providers such as TVNZ and MediaWorks. While these other providers have considerably fewer visitor numbers (and therefore reach) than the merging parties or the aggregators and intermediaries, they have a well-known and respected brand which is attractive to some advertisers.

This constraint is diminished when the advertiser is seeking to target its advertising within a news environment. To achieve comparable reach to the merging parties, an advertiser must combine purchases across a number of suppliers (such as TVNZ, MediaWorks and others) which adds cost and complexity for the purchaser. Nonetheless, the Commission considers that currently the market for digital advertising is competitive (and likely to remain so with the merger) with a number of alternative options for digital advertising.<sup>46</sup>

125. Trade Me submits that the same logic applies in this case. Indeed, Trade Me submits that the prospect of competitive harm arising from a combination of Trade Me and Homes is materially more remote.
126. Not only do Trade Me and Homes have smaller positions in digital advertising, but they are also less significant in relation to providing general digital advertising to property audiences than NZME and Stuff were in relation to advertising to news audiences. NZME and Stuff were the only major news producers in New Zealand and had a 15% share of all digital advertising.
127. In contrast, and as explained earlier in this application, there are several property related websites in addition to Trade Me and Homes including Realestate.co.nz, OneRoof (NZME), Property Value, and My Valocity, not to mention Facebook and Google's ability to attract a

<sup>42</sup> The IAB report also estimates that it underestimates Facebook's revenue by up to **[Trade Me CONFIDENTIAL]**% (see page 4).

<sup>43</sup> [https://www.nzme.co.nz/media/1490/nzme-2019-full-year-results-presentation\\_final.pdf](https://www.nzme.co.nz/media/1490/nzme-2019-full-year-results-presentation_final.pdf). NZME also reported half year digital revenue of \$28.3 in the six months to 30 June 2020, a period which included the level 4 lockdown.

<sup>44</sup> NZME/Stuff at [288].

<sup>45</sup> NZME/ Stuff at [293].

<sup>46</sup> NZME / Stuff at [317] to [318].

real estate interested audience. All these providers seek to and do attract an audience with an interest in property and, therefore, provide that audience profile for advertisers.

128. Therefore, even if the Commission focused purely on the sale of digital advertising for persons with an interest in real estate, the market would still include Google and Facebook as well as other property related websites in addition to Trade Me and Homes.
129. For these reasons, Trade Me submits that there is no plausible scenario in which its acquisition of Homes could lead to a lessening of competition, let alone a substantial lessening.

## Why the acquisition will not substantially lessen competition in the audience market

130. As described above, in *Motorcentral*, the Commission focussed its competition analysis on the advertising side of the market and indicated that it did not believe that the competition effects in the audience market would be more significant than the competition effects in the advertising market.
131. Trade Me submits that the same logic applies in this case. Nevertheless, Trade Me explains very briefly below why there is no plausible scenario in which consumers seeking property listings, information and data will be worse off because of the acquisition.
132. Property data and information of the type Homes provides for free is also provided for free to consumers in New Zealand by numerous other providers. Therefore, any competitive harm in this market would arise through a loss of quality of listings, data, or information.
133. The table below shows the numerous other providers of this information and data in New Zealand. These include OneRoof, realestate.co.nz, Property Value, My Valocity, Price My Property, and Professionals. Online listings are available from Trade Me, OneRoof, realestate.co.nz, and Facebook.

	Value Estimate	Council Data	Sales History	Mortgage Calculator	Photos	Rent Estimate	Solar Estimate
<b>Property Insights</b>	Yes	Yes	Yes	Yes	No	No	No
<b>Homes</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>OneRoof</b>	Yes	Yes	Yes	No	No	No	No
<b>PropertyValue</b>	Yes	Yes	Yes	No	Yes	No	No
<b>My Valocity</b>	Yes	Not visible	Yes	No	Limited	No	No

134. Trade Me's acquisition of Homes will not reduce either Trade Me, or any other provider's, ability or incentive to provide the best experience they can for consumers. This is because the business model of Trade Me, realestate.co.nz, OneRoof, and others depends on attracting an audience and being able to claim the position as the number 1 property portal in New Zealand. The same applies to those providers who are focussed on providing only property data and information to drive audience such as Property Value, Price My Property, My Valocity, and Professionals.
135. All these providers will continue to have the incentive to invest in their consumer facing product and to provide quality and user-friendly access to listings, information, and data that consumers value. This is what will drive their audience, and therefore the 'quality' of the product they can offer to advertisers.
136. This dynamic does not depend on the presence or absence of Homes as an independent participant in the market. Trade Me will still have at least the same incentive to invest in and innovate with Homes as Homes would absent the acquisition. And even if Trade Me did not, that would simply leave an opportunity either for another provider to improve their product and win an increased audience, or for another party, such as CoreLogic, to enter.
137. For these reasons, there is no plausible scenario in which consumers seeking property listings, information and data will be worse off because of the acquisition.

## **No vertical or conglomerate effects**

138. For completeness, Trade Me submits that its acquisition of Homes is unlikely to lead to a substantial lessening of competition via vertical or conglomerate effects.
139. Vertical or conglomerate effects rely on the ability and incentive for a merged firm to engage in conduct that prevents or hinders rivals from competing effectively. However, this is not an acquisition that substantially changes the scope of Trade Me's existing business; that is, the acquisition does not add a vertical or conglomerate element to Trade Me that does not already exist.
140. Moreover, while Trade Me believes its acquisition of Homes will improve the product Trade Me can offer to both consumers and advertisers, this will not foreclose other competitors or deny them sufficient scale to compete. Simply put, Homes' products are not so unique or valuable that providers must have access to them to compete in any relevant market.
141. In fact, other providers – including OneRoof and realestate.co.nz – already offer the information and data that Homes provides.
- 141.1 All the data these providers need to be able to compete effectively is publicly available and is, in fact, used by them today. The acquisition will have no impact on those provider's ability to access that data.
- 141.2 Similarly, there is no exclusivity in relation to listings. Real estate agencies list their properties on the range of sites their clients wish them to. Again, the acquisition will not change this.
- 141.3 Third, the acquisition will not deny other providers access to consumers who use the Homes website. Consumer attention is contestable, and consumers use a variety of websites already today. The acquisition will change neither of these features.

142. All providers will continue to have the same ability to access all the necessary information, data, and listings they need to provide a competing product to Trade Me/Homes.
143. The Commission can, therefore, be satisfied that there is no plausible scenario in which the acquisition will lead to vertical or conglomerate effects that would be likely to substantially lessen competition in any market.

## **Summary and conclusion**

144. For the reasons explained, Trade Me's acquisition of Homes will not substantially lessen competition in any market (however the markets are defined).
145. Trade Me, therefore, requests that the Commission grant clearance for its acquisition of Homes.

I, Alan Clark, have 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 Trade Me Limited's Head of Classifieds and I am duly authorised to submit this notice.



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**Alan Clark**  
**Head of Classifieds**  
**Trade Me Limited**

Date: 17/2/21

## Attachment A: Schedule of confidential information

The parties have removed from the public version of the Application the following information because the information is confidential to the parties and disclosure would be likely to disclose a trade secret or be likely unreasonably to prejudice the commercial position of one or both of the parties (*cf* s 9(2)(b)(i) and (ii) of the Official Information Act):

- The percentage in the second line of second to last paragraph on page 2 of the Executive Summary.
- The dollar figure on the second line of the third to last paragraph on page 3 of the Executive Summary.
- The percentage on the third line of the third to last paragraph on page 3 of the Executive Summary.
- The third sentence of paragraph 4 after the words after “purchase price is”.
- The unique viewers per month, and viewing figures in paragraph 7.
- The revenue figures in footnote 4.
- The unique viewers per month figure in paragraph 21.
- All of footnote 5 after the words “top five customers”.
- The revenue and revenue percentage figures in sub-paragraph 22.1.
- The agent, revenue, and revenue percentage figures in sub-paragraph 22.2.
- The branch figure in sub-paragraph 22.3.
- The branch figure in sub-paragraph 24.1.
- The branch figure at sub-paragraph 24.2.
- The new listings and revenue figures in paragraph 27.
- The branch, revenue, and new listings figures in paragraph 28.
- The dollar and dollar percentage figures in paragraph 54.
- The percentage figure on the second line of paragraph 61.
- The percentage figure in paragraph 62.
- The dollar and dollar percentage figures in paragraph 80.
- The percentage and average revenue figures in paragraph 83.
- The percentage in paragraph 86.

- The new listings per month, and unique audience per month figures (with the exception of the figure immediately before the words “which is unique from Trade Me Property” in the second column) in the table under paragraph 91.
- The Homes revenue, share of print and online spend, and share of online spend figures in the table under paragraph 91.
- The figures in paragraph 96.
- The listings and unique viewers figures in paragraph 101.
- The new listings and revenue figures (with the exception of the revenue figure on the last line) in paragraph 117.
- The revenue figure on the third line of paragraph 123.
- The revenue percentage figure in paragraph 123.
- The contact details in Attachment B.
- The documents provided in Attachment C.

The parties have removed from the public version of the Application the names and contact details of the individuals listed in Attachment B to protect the privacy of individuals relying on s 9(2)(a) of the Official Information Act.

Trade Me has removed from the public version of the Application the following information because the information is confidential to Trade Me and disclosure would be likely to disclose a trade secret or be likely unreasonably to prejudice the commercial position of one or both of the parties (*cf* s 9(2)(b)(i) and (ii) of the Official Information Act):

- The percentage in the second line of the first full paragraph on page 3 of the Executive Summary.
- The words in brackets in the fourth sentence of paragraph 4.
- The new listing figure in paragraph 7.
- The revenue, revenue percentage, and listings percentage figures in paragraph 9.
- The names of Trade Me’s top five customers in paragraph 9.
- The revenue figures in footnote 2.
- The new listings figure in paragraph 13.
- The revenue and revenue percentage figures in paragraph 15.
- The revenue figures in footnote 3.
- The last sentence of paragraph 32.
- The words after “experience is” and before “and has not” in the second sentence of paragraph 34.

- The final sentence of paragraph 34 after the words “Insights is”.
- The first sentence of paragraph 38 after the words “that approximately”.
- All of sub-paragraphs 38.1, 38.2, 38.3, 38.5, and 38.6.
- The unique audience figure in sub-paragraph 39.1.
- The words after “will result in” and before “- that will allow” in sub-paragraph 39.4.
- The percentage figure on the last line of paragraph 61.
- The percentage figures in footnote 17.
- The percentage figures in footnote 18.
- The figure immediately before the words “which is unique from Trade Me Property” in the second column of the table under paragraph 91.
- The Trade Me revenue, share of print and online spend, and share of online spend figures in the table under paragraph 91.
- The new listings figure in paragraph 105.
- The revenue figure on the last line of paragraph 117.
- The revenue figure in the first sentence of paragraph 120.
- The percentage figure in the second sentence of paragraph 120.
- The dollar figure in the second sentence of paragraph 121.
- The percentage figure in the final sentence of paragraph 121.
- The percentage figure in footnote 42.
- The revenue figure on the second line of paragraph 123.
- Attachment E and the index and documents provided as Attachment E.



**Attachment B: Schedule of industry contacts**

<b>Party</b>	<b>Contact</b>
Realestate.co.nz	[CONFIDENTIAL]
NZME (OneRoof)	[CONFIDENTIAL]
Stuff	[CONFIDENTIAL]
Property Value	[CONFIDENTIAL]
My Valocity	[CONFIDENTIAL]
Ray White	[CONFIDENTIAL]
Barfoot & Thompson	[CONFIDENTIAL]
Harcourts	[CONFIDENTIAL]
Bayleys	[CONFIDENTIAL]
LJ Hooker	[CONFIDENTIAL]
REINZ	[CONFIDENTIAL]
Mike Pero Real Estate	[CONFIDENTIAL]

## Attachment C: Transaction documents

[CONFIDENTIAL]

## Attachment D: Trade Me structure chart



Grey = non-operating.

## Attachment E: Schedule of documents requested by the Commission

[Trade Me CONFIDENTIAL]