



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018309

In the matter between:

IPS INVESTMENTS (PTY) LTD

Primary Acquiring Firm

And

**OLD MUTUAL LIFE ASSURANCE
COMPANY (PTY) LTD IN RESPECT OF 50%
OF VUSELELA INVESTMENTS (PTY) LTD**

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Yasmin Carrim (Tribunal Member)
	: Dr Takalani Madima (Tribunal Member)
Heard on	: 29 January 2014
Order Issued on	: 29 January 2014
Reasons Issued on	: 17 February 2014

Reasons for Decision

Approval

[1] On 29 January 2014, The Competition Tribunal unconditionally approved the acquisition by IPS Investments (Pty) Ltd of the remaining 50% shareholding in

Vuselela Investments (Pty) Ltd from Old Mutual Life Assurance Company (Pty) Ltd (“**OMLACSA**”).

[2] The reasons for approving the proposed transaction follow.

Parties to transaction

Primary acquiring firm

[3] The primary acquiring firm is IPS Investments (Pty) Ltd (“**IPS**”). IPS is jointly controlled by Octodec Investment Ltd (“**Octodec**”), City Property Administration (Pty) Ltd (“**CPA**”) and Premium Properties Ltd (“**Premium**”). Octodec, CPA and Premium each hold a 40%, 40% and 20% shareholding in IPS respectively. IPS is a property investment group which owns office, residential and retail property within Pretoria and Johannesburg. IPS has several subsidiaries of which 5 are listed below:¹

- Garlv Properties (Pty) Ltd;
- Inspret Properties (Pty) Ltd;
- Johnbuild Properties (Pty) Ltd;
- OPC Properties (pty) Ltd; and
- Vuselela.

[4] Octodec and Premium are listed separately on the Johannesburg Stock Exchange. Octodec is a property loan stock company listed on the JSE Octodec’s major shareholders are:

- Directors and Wapnick Family
- STANLIB
- Investment Solutions
- Government Employee Pension Fund

¹ See page 12 of the Commission’s Report.

Octodec has several subsidiaries of which 5 are:²

- Anke Properties (Pty) Ltd;
- Cold Air Share Block (Pty) Ltd;
- Dusku Investment Share Block (Pty) Ltd;
- Fawn Properties (Pty) Ltd; and
- Presmooi (Pty) Ltd.

[5] Premium is a property loan stock company listed on the Johannesburg Stock Exchange. Premium's property investments include office, residential, retail and industrial properties in the Pretoria CBD, Hatfield, Silverton and Johannesburg CBD. Premium's largest shareholders are Directors and Associates, Octodec and STANLIB

[6] Premium has several subsidiaries of which 5 are:³

- Tomsunder (Pty) Ltd;
- Centuria 369 (Pty) Ltd;
- Savyon Building (Pty) Ltd;
- Foxley Investments (Pty) Ltd; and
- Centprep Properties (Pty) Ltd.

[7] CPA is a property management company and provides administrative and management services to all properties owned by the IPS group. CPA is not listed and is 100% owned by the Wapnick Family. CPA has several subsidiaries of which 5 are:⁴

- Askin Investments (Pty) Ltd;
- Andproes (Pty) Ltd;
- Dorpot (Pty) Ltd;
- Bosjacob (Pty) Ltd;
- Rentbel (Pty) Ltd

² See page 13 and 14 of the Commission's Report.

³ See page 15 of the Commission's Report.

⁴ See page 16 of the Commission's Report.

Primary target firm

[8] The primary target firm is Vuselela Investments (Pty) Ltd ("**Vuselela**") and is jointly owned by OMLACSA and IPS with each entity holding a 50% share. Vuselela does not own any other entity and is formed to hold the following property letting enterprises:⁵

- The Plaza Place Building (Johannesburg CBD);
- The Royal Place Building (Johannesburg CBD);
- The Vuselela Place (Johannesburg CBD); and
- The Steyns Place (Pretoria CBD).

Proposed Transaction and Rationale

[9] In terms of the Sale of Shares and Claims Agreement, IPS is acquiring the remaining 50% of the shares and claims in Vuselela from OMLACSA. Upon the acquisition of the remaining 50% shareholding, IPS will gain sole control of Vuselela.

[10] OMLACSA wants to sell its 50% stake in Vuselela as it falls outside its core property portfolio. IPS holds the other 50% shareholding in Vuselela and thus was the natural buyer of OMLACSA's 50% shareholding.

Relevant Market and Impact on Competition

[11] An assessment of the property portfolio of IPS, Octodec and Premium (collectively referred to as the "**Acquiring Group**")⁶ and that of the target firm⁷ revealed a horizontal overlap in respect of rentable residential space, rentable retail space and Grade C office space.

Rentable Residential Space

⁵ See Table 1 on page 19 of the Commission's Report.

⁶ For a comprehensive schedule of the Acquiring Group's portfolio see pages 68-108 of the Record.

⁷ *Op cit* 5.

Pretoria CBD

- [12] The Acquiring Group has an extensive property portfolio in excess of 200 rentable residential spaces within the Pretoria CBD and surrounding areas.⁸ An overlap in the market for rentable residential spaces within the Pretoria CBD node was identified as a result of Vuselela's ownership of the Steyns Place Building.
- [13] The market shares based on estimations of the gross lettable area (GLA) of Vuselela in the Pretoria CBD node is 2%. Post merger the Acquiring Group will have a market share of 2.3% with a market share accretion of 0.3%. This accretion, as for all the accretions resulting from the transaction, must be viewed in the light of the fact that the Acquiring Group already exercises joint control over Vuselela, and thus any market share accretion is merely notional.

Johannesburg CBD

- [14] A horizontal overlap was identified in the Johannesburg CBD by virtue of the 23 rentable properties owned by the acquiring group and Vuselela's ownership of the Plaza Place, Royal Place and Vuselela Place buildings. The market shares of the acquiring group based on a GLA estimate is 11% with a market share accretion of 2%.

Retail Rentable Convenience Centres

- [15] A horizontal overlap was identified in the Pretoria and Johannesburg CBD's in that the acquiring group owns numerous retail centres within these nodes and within a 10km radius of the target properties owned by Vuselela.

Pretoria CBD

⁸ Situated within a 5km radius of the Pretoria CBD

- [16] The acquiring group's market share in the Pretoria CBD, based on a GLA estimate, is 30.8% post merger, with a 0.3% market accretion. It is noted that within the same geographic market IPS faces competition from entities such as Redefine Properties (who own Sammy Marks Square and the Standard Bank centre), Delta Property Fund (who own Manaka House, Hallmark Building and Manaka Continental Building) and Bothongo Group (who own Bothongo Plaza and Ndiyani House).

Johannesburg CBD


- [17] The Acquiring Group's market share based on a GLA estimate in the Johannesburg CBD is 12.8% post merger with a market share accretion of 0.6%. It is noted that within the same geographic market IPS faces competition from entities such as OPH Holdings (who own Ukusasa House Building, 41 Eloff Street and Colosseum Building), Redefine Properties (who own West Street Parkade), Delta Property Fund (who own Swiss House Building), and Urban Ocean (who own 32 Diagonal Street Building and 37 Harrison Building).

Rentable Grade C Office Space

- [18] Overlaps were identified in the Johannesburg CBD node as a result of the acquiring group owning more than 30 Grade C office spaces and Vuselela's ownership of the Royal Place and Vuselela Place Buildings.
- [19] The Acquiring Group's market shares based on a GLA estimate is 13.3% post merger with a 1.1% accretion. It is noted that within the same geographic market IPS faces competition from entities such as OPH Holdings (who own 25 Rissik Street Building, Renaissance Building and the 41 Eloff Building), Delta Property Fund (who own the UNISA Building) and Redefine Properties (who own the 111 Commissioner Street Building, the 209 Smith Street Building and the 25 Simmons Street Building).

Conclusion

[20] In light of the above we conclude that the proposed transactions are unlikely to substantially prevent or lessen competition in the market for rentable residential space, rentable retail space and rentable Grade C office space. In addition, no public interest issues arise from the proposed transactions. Accordingly we approve the proposed transactions unconditionally.



Norman Manoim

17 February 2014
DATE

Yasmin Carrim and Dr Takalani Madima concurring

Tribunal Researcher: Derrick Bowles

For the merging parties: Vani Chetty- Vani Chetty Competition Law

For the Commission: Jatheen Bhima and Seema Nunkoo