



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 019406

In the matter between:

REDEFINE PROPERTIES LIMITED

Primary Acquiring Firm(s)

And

**MACSTEEL GENPROP (PTY) LTD
and
MACSTEEL COREPROP (PTY) LTD**

Target Firm(s)

| | |
|-------------------|-------------------------------------|
| Panel | : Yasmin Carrim (Presiding Member) |
| | : Andreas Wessels (Tribunal Member) |
| | : Medi Mokuena (Tribunal Member) |
| Heard on | : 26 September 2014 |
| Order Issued on | : 26 September 2014 |
| Reasons Issued on | : 03 October 2014 |

Reasons for Decision

Approval

- [1] On 26 September 2014 the Competition Tribunal ("Tribunal") unconditionally approved an acquisition by Redefine Properties Limited of 28 heavy industrial properties from Macsteel Genprop (Pty) Ltd and Macsteel Coreprop (Pty) Ltd.
- [2] The reasons for approving the proposed transaction follow hereunder.

Parties to the Transaction

Primary acquiring firm

- [3] The primary acquiring firm is Redefine Properties Limited ("Redefine"). Redefine is a property loan stock company listed on the Johannesburg Securities Exchange and currently holds Real Estate Investment Trust (REIT) status. Redefine's shares are widely dispersed with its major shareholder holding just 6.18% of the issued shares.¹ Redefine owns a diversified property portfolio comprising office, retail and industrial space situated throughout South Africa.

Primary target firm

- [4] The primary target firms are Macsteel Genprop (Pty) Ltd ("Genprop") and Macsteel Coreprop (Pty) Ltd ("Coreprop") in respect of 18 and 10 heavy industrial properties respectively ("the Target Properties"), located throughout South Africa.² Both Genprop and Coreprop are wholly owned subsidiaries of Macsteel Service Centre SA (Pty) Ltd ("Macsteel"). Macsteel is incorporated in terms of the laws of the Republic and supplies much of Sub-Saharan region with a full range of steel products.

Proposed Transaction

- [5] The transaction before us is structured as a Sale Agreement and involves Redefine acquiring sole control over the Target Properties such that post-merger Coreprop and Genprop cease to exercise any control over the Target Properties.
- [6] It is envisaged that in addition to the transfer of control over the target properties from Macsteel to Redefine, a lease agreement will be concluded in terms of which Macsteel will lease the Target Properties from Redefine.

¹ A mere three entities hold more than 5% of the issued shares in Redefine, those being Stanlib, the Government Employees Pension Fund (GEPF) and State Street (Custodian).

² The Target Properties are situated across the provinces of Gauteng, KwaZulu-Natal, the Free State, the Northwest and the Eastern and Western Capes.

Rationale

- [7] Redefine submits that it views the acquisition of the Target Properties in line with its strategy to diversify its property portfolio and increase its exposure to the heavy industrial properties sector.
- [8] From Macsteel's perspective, the proposed transaction presents an opportunity to divest from the area of property ownership and management which it considers non-core and to focus on its core competencies in steel merchanting, processing and distribution.

Relevant Market and Competition Analysis

- [9] Having carried out a comparison between Redefine's property portfolio and the Target Properties, the merging parties identified just a single overlap in the merging parties' activities. That overlap is in the market for rental space in heavy industrial property in the Germiston and surroundings node.
- [10] The Competition Commission ("Commission") concurred with the merging parties' submission regarding market definition and thus proceeded to assess the competitive effects of the proposed transaction on that market.
- [11] The Commission submitted that in the market for rentable heavy industrial space within the Germiston and surroundings node, the merged entity would hold a market share of below 5% and that the transaction will not alter the structure of the market whatsoever.

Public Interest

- [12] The proposed transaction has no effect on employment or any other public interest consideration and thus no further consideration in this respect is warranted.

Conclusion

[13] We find that the proposed transaction raises just a single overlap between the merging parties' activities and that the merged entity's market share will be minimal. In light thereof we consider the transaction unlikely to substantially prevent or lessen competition in the relevant market and accordingly approve the transaction unconditionally.

03 October 2014

DATE



MS YASMIN CARRIM

Mr Andreas Wessels and Ms Medi Mokuena concurring

Tribunal Researcher: Shannon Quinn

For the merging parties: Vani Chetty of Baker & McKenzie.

For the Commission: Dineo Mashego