COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 12/LM/Mar10

In the matter between:

SA Corporate Real Estate Trust Scheme	Acquiring Firm
And	
Old Mutual Life Assurance Company ("South Africa") Ltd	Target Firm

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Panel	:	Norman Manoim (Presiding Member), Yasmin Carrim (Tribunal Member), and Andreas Wessels (Tribunal Member)
Heard on	:	14 April 2010
Order issued on	:	14 April 2010
Reasons issued on	:	04 May 2010

Reasons for Decision

Approval

[1] On 14 April 2010 the Competition Tribunal ("Tribunal") approved the acquisition by SA Corporate Real Estate Trust Scheme, represented by ABSA Bank Ltd as trustees for the time being, of a property letting enterprise known as "Supply Chain". Supply Chain is controlled by Old Mutual Life Assurance Company ("South Africa") Ltd. The reasons for approval follow below.

The Transaction

[2] The acquiring firm is SA Corporate Real Estate Trust Scheme ("SA Corporate"), represented by ABSA Bank Ltd as trustees for the time being. SA Corporate is controlled by SA Corporate Real Estate Fund ("SA Corporate Fund"). SA Corporate Fund, listed on the JSE Ltd, is a diversified real estate investment fund with investments in retail, industrial and office property mainly in the metropolitan areas of South Africa.

[3] The target firm is a property letting enterprise known as "Supply Chain". Supply Chain is controlled by Old Mutual Life Assurance Company ("South Africa") Ltd ("OMLACSA"). Supply Chain is a light industrial property situated in Jet Park, Gauteng with a gross lettable area (GLA) of 30 299 m2.

[4] SA Corporate is acquiring Supply Chain from OMLACSA and following the implementation of the transaction Supply Chain will be solely controlled by SA Corporate. Supply Chain is being sold together with all improvements thereon and fixtures and fittings of a permanent nature, which includes all rights and obligations in terms of the lease agreements.

The Rationale

[5] SA Corporate currently owns the site adjacent to Supply Chain in Jet Park which has the same tenant namely, Supply Chain Services; these two buildings are adjoined via a bridge. SA Corporate has a pre-emptive right to purchase Supply Chain which is notarially tied. In addition, general property investment is in line with SA Corporate's strategy and business activities.

[6] OMLACSA's rationale for the disposal of Supply Chain is that the property falls within OMLACSA's "Development Fund", which is comprised of properties to be developed and sold on completion of development. The development of Supply Chain was completed in October 2008.

The parties and their activities

[7] The relevant activities of the merging parties geographically overlap in rentable light industrial space in the Jet Park Node in the Gauteng Province.

The relevant market and the impact on competition

[8] The relevant market is defined as the market for rentable light industrial space in the Jet Park node, Gauteng Province.

[9] The acquiring group's aggregated market share in rentable light industrial space in the Jet Park node on implementation of the proposed transaction will increase from the current 6% to 11% post-merger.[1] Furthermore, according to the Competition Commission the increase in the level of concentration resulting from this deal, i.e. the change in the Herfindahl-Hirschman Index (HHI) is 60 points – therefore the change in the level of concentration in the relevant market due to this merger remains low.

[10] With regard to the current tenants' position, the long term tenant Supply Chain Services has confirmed that it does not have any concerns regarding the proposed merger since there is a pre-agreed rental increase for the duration of the contract period and as such the tenant will not be disadvantaged by the change of ownership of the property. Furthermore, Supply Chain Services confirmed that, although the property is designed specifically to suit its needs, it should be able to find an alternative developer should the lessor impose an unacceptable rental increase post the existing contract.

[11] In light of the above, we find that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market.

CONCLUSION

[12] It is unlikely that the proposed transaction will substantially prevent or lessen competition in the relevant market since the post-merger market share of the merged entity remains low. Furthermore, there are no significant public interest issues that arise from the proposed deal. We accordingly approve the transaction.

____________________ 04 May 2010

Andreas Wessels **DATE**

Yasmin Carrim and Norman Manoim concurring.

Tribunal Researcher: Thandi Lamprecht

For the merging parties: Vani Chetty Competition Law (Pty) Ltd

For the Commission: Mfundo Ngobese

[1] Sources: Merging parties' gross lettable area (GLA) and SAPOA for total GLA.