

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 019307

In the matter between:

Investec Property (Pty) Ltd

Acquiring Firm

And

**Spareprops (Pty) Ltd
in respect of Erf 247 Rosebank Township**

Target Firm

Panel	:	Norman Manoim (Presiding Member), Imraan Valodia (Tribunal Member) and Medi Mokuena (Tribunal Member)
Heard on	:	27 August 2014
Order issued on	:	27 August 2014
Reasons issued on	:	12 September 2014

Reasons for Decision

Approval

- [1] On 27 August 2014 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between Investec Property (Pty) Ltd ("Investec Property") and Spareprops (Pty) Ltd (Spareprops") in respect of Erf 247 Rosebank Township ("Target Property").
- [2] The reasons for approving the proposed transaction follow.

Parties to transaction

- [3] The primary acquiring firm is Investec Property, a private company incorporated in accordance with the laws of the Republic of South Africa. Investec is a property investment company, with its sole shareholder being Investec Property Group Holdings Proprietary Limited ("Investec Property Group"). Investec Group is 100% controlled by Investec Limited ("Investec"). Investec Property owns A, B, C and P grade office properties situated throughout South Africa. Relevant to this merger is Investec's building in Rosebank, the Firs which is a retail property with some office space as well.
- [4] The primary target firm is Spareprops, a company incorporated in accordance with the company laws of the Republic of South Africa. Spareprops is jointly controlled by Investec Property and SMH Investment Holdings CC ("SHM"). Spareprops owns a P-Grade office property described as Erf 247 Rosebank Township, situated in Rosebank Johannesburg (herein referred to as "The Target Property"). Spareprops has no other interest except for The Target Property.

Proposed transaction

- [5] The proposed transaction involves the acquisition of the Target Property by Investec Property, from Spareprops. Post-merger Investec Property will thus acquire full control of the Target Property.

Competition assessment

- [6] The proposed transaction gives rise to a horizontal overlap in the product market for the provision of rentable office property in Rosebank. Unlike the Target Property, which is classified as P

grade, the Firs office property is classified as A grade, effectively in industry terms a lower grade. Although property firms sometimes argue that the different grades are not substitutes of one another the Commission, in our view prudently, also decided to include in its analysis the potential substitutability between Grade P and A office properties.

- [7] Taking this approach the Commission's analysis revealed that the merged entity will have a post-merger market share of less than 10% in the Rosebank node. The low market shares, coupled with the fact that the merged entity will continue to face competition from other property firms such as Growthpoint, Old Mutual and others, gave the Commission confidence that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market.

Public Interest

- [8] The merging parties confirmed that the proposed transaction will have no adverse effect on employment¹ and raises no other public interest concerns.

CONCLUSION

- [9] We agree with the Commission that the proposed transaction is unlikely to substantially prevent or lessen competition and thus approve the transaction without conditions.



Mr Norman Manoim

Prof. Imraan Valodia and Ms Medi Mokuena

12 September 2014
DATE

¹ See Merger record at page 42.

Tribunal Researcher:

Caroline Sserufusa

For the merging parties:

Andile Nikani of Fluxmans Attorneys

For the Commission:

Xolela Nokele