COMPETITION TRIBUNAL

REPUBLIC OF SOUTH AFRICA

Case No: 25/LM/Mar06

In The Large Merger Between

ApexHi Properties Ltd — **Acquiring firm**

And

MICC Properties (Pty) Ltd — **Target firm**

Reasons for Decision

Approval

1. On 17 May 2006, the Tribunal unconditionally approved the proposed merger transaction between the abovementioned parties. The reasons for the decision follow.

Parties

2. The acquiring firm is ApexHi Properties ("ApexHi") a variable rate stock company listed on the Johannesburg Stock Exchange in the real estate sector.[1] No single firm controls ApexHi. The primary target firm is MICC Properties (Pty) Ltd ("MICC") a property investment company and is a wholly owned subsidiary of MICC Property Income Fund (Ltd) ("MICC Property"). MICC Property is a holding and investment company, which owns various properties indirectly through its property owning subsidiaries ("MICC Group").

Transaction

3. The transaction involves ApexHi acquiring various lettable properties from MICC.

Rationale of the transaction

4. The rationale for the transaction is that Vukile Property Fund Limited, the holding company of MICC, made an offer to acquire the issued share capital of MICC to minorities, one of which is ApexHi. ApexHi did not want cash but properties, and therefore a portfolio of properties comprising of rentable office (B grade) space, rentable retail space in the local convenience sector and rentable light (secondary) industrial space, were submitted to Apexhi and they elected the properties.[2] The primary target firm is about to delist from the

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[1] Its shareholders are Redefine Income Fund 10%; Marriott Property Fund 9%; Stanlib 6% and other 74%.

[2] A detailed list of the properties to be acquired can be found in page 33-34 of the Record

Johannesburg Stock Exchange and is therefore disposing of the targeted properties.

The merging parties activities

5. ApexHi owns and rents out properties in retail, office and industrial categories. MICC Group's property portfolio comprises commercial, retail and industrial space located throughout South Africa.

Relevant Product and Geographic Market

6. The Commission defines the relevant market as the market for the provision of grade B office space in the Witbank and Welkom nodes and in the provision of light industrial space in Strijdompark node. The Commission also found that there is an overlap in respect of the following products markets: office space (GradeB) and light industrial space. According to the Commission the geographic overlap occurs in respect of Grade B office property in the Witbank node in Mpumalanga, and Welkom node in the Free State province. The commission's investigation also revealed that in the light industrial space market geographic overlap occurs in the Strijdompark node, Randburg.

Competition Analysis of the Merger

Grade B Office space in the Witbank node

7. The Commission's investigation revealed that the merging parties would enjoy a combined post merger market share of 2.36% in the market for Grade B office space. The Commission also found that numerous players including Laeveldtrust Beleggings Beperk, ABSA and Old Mutual compete in this market. According to the Commission the market share is not significant so as to raise competition concerns. We agree with this conclusion, as the combined market shares of the merging parties will remain low in this market.

Grade B office space in the Welkom node

8.The Commission's investigation revealed that the merging parties would enjoy a combined post merger market share of 10.52%. According to the Commission the parties compete in the Free State region with Georgiou Trust, National Real Estate, Freestone Properties, and Property House. According to the Commission the merger is unlikely to raise any competition concerns, as the market shares remain low. We agree with this conclusion.

Retail Space in the Mkhuze Node KwaZulu Natal

9.In this node the parties in their filing had indicated that there is an overlap in the retail local convenience space, but the Commission had alleged, relying on IPD property classifications that there is no overlap. When asked by the Chairperson about this discrepancy, Mr Deon Feinblum (Executive Director of

ApexHi) clarified that Mkhuze has only one street in which all retail outlets are located, so that there was indeed an overlap. However he stated that post merger the merged firm's share of the retail letting market would not exceed between 10 to 15%. The combined market shares of the merging parties would remain low in this market and we therefore find that the transaction is unlikely to substantially prevent or lessen competition in this market.

Market shares for light industrial space in Strijdompark node

10. The Commission's investigation revealed that the merging parties would have a combined market share of 8.7%. The Commission also found that the merged parties compete with Metboard Properties, Old Mutual, Allan Gray, Marriot Property Fund and Capital Property Fund. According to the Commission the market share will remain low and therefore the transaction is unlikely to substantially prevent or lessen competition in this market. We agree with this conclusion.

Public interests

11. No public interest issues arise from this merger.

Conclusion

12. We conclude that the merger will not lead to a substantial lessening or prevention of competition in the identified markets and is accordingly approved.

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N Manoim

26 May 2006

Date

Concurring: U Bhoola and M Holden

For the Merging Parties: Ms Vani Chetty (Edward Nathan)
For the Commission: Leonard Lamola and Seema Nunkoo (Mergers and Acquisitions)