

**COMPETITION TRIBUNAL  
REPUBLIC OF SOUTH AFRICA**

**Case No: 44/LM/Jun04**

**In the large merger between:**

**Growthpoint Properties Limited**

**and**

**Lyons Corporate Lease Fund (Pty) Ltd**

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**Reasons for Decision**

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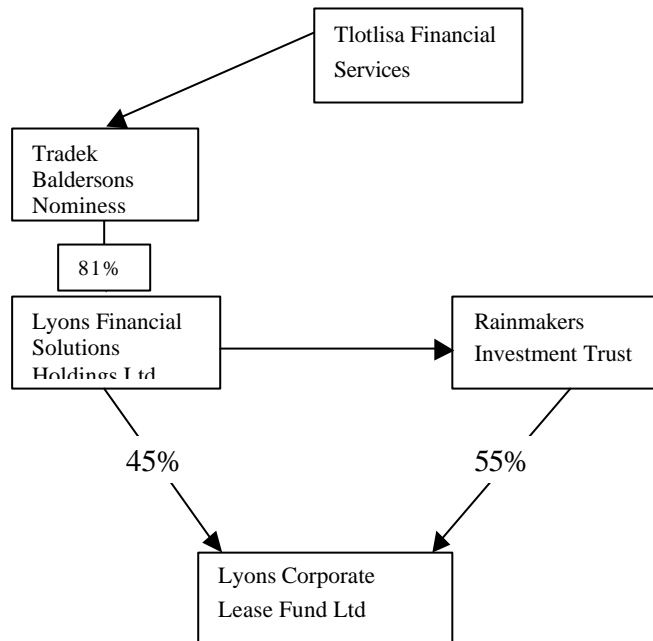
**APPROVAL**

On 14 July the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Growthpoint Properties Limited and Lyons Corporate Lease Fund (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

**The Parties**

1. The primary acquiring firm is Growthpoint Properties Limited ("Growthpoint"), which is a property loan stock company listed on the JSE. Its property portfolio comprises 120 properties situate country-wide. Shareholders of Growthpoint include the Mine Employee Pension Fund ("MEPF") as to 16.02%, Sentinel Mining Industry Retirement Fund ("SMIRF") as to 2.93%, Mariott Asset Management as to 13.18%, Investec Employee Benefits as to 8.31% and Old Mutual Asset Management as to 6.93%.
2. The primary target firm is Lyons Corporate Lease fund ("LCLF"). Lyons is a property holding and investment company focussed on the real estate and specialised finance sectors of the property industry. It is also listed on the JSE. Tlotlisa Securities, a BEE controlled company, ultimately controls LCLF . LCLF is controlled in the manner set out in the diagram below.

### Structure of Target Firm



### The Merger Transaction

3. The transaction comprises a series of agreements pursuant to which Growthpoint will acquire a portfolio of eleven properties from subsidiaries of Lyons.

### Rationale

4. Growthpoint's goals are to enhance its property portfolio and to guarantee the long-term, stable income stream to Growthpoint linked unit-holders. This transaction will offer investors access to a healthy physical property portfolio.
5. Lyons seeks to release capital for it to seek out further property and financial investments and to enable it to use the proceeds of the transaction to settle outstanding debts.

### The Relevant Product and Geographic Markets

6. Both companies are owners of diversified property portfolios which derive their income from rentals received from tenants of those properties.

Growthpoint in addition derives its income from investments in various listed property loan stock and property unit stock companies<sup>1</sup>.

7. The Commission evaluated the properties being acquired and matched them to the existing Growthpoint portfolio. All areas within a particular node compete with each other. This is an accepted form of definition both by market participants and in our previous decisions<sup>2</sup>.
8. The Commission identified overlaps in four markets, which are all commercial office properties in different geographic areas. These are:
  - ?? Grade A Commercial property in the Bedfordview/Bruma node
  - ?? Grade A commercial property in the Sandton node
  - ?? Grade A commercial property in the Midrand node
  - ?? Grade B commercial property in the Sandton node

### **Impact on Competition**

<b>Product Market</b>	<b>Market Share</b>
Grade A Commercial property - Bedfordview/Bruma	14.2%
Grade A commercial property - Sandton	1.8%
Grade A commercial property - Midrand	15.8%
Grade B commercial property - Sandton	4.5%

9. The combined post-merger market share does not exceed 15% in three of the defined markets. In the Grade A commercial property Midrand market, the market share marginally exceeds this figure. We are satisfied that the property market – particularly commercial property - is sufficiently competitive. This is based on our assessment of the number of players existing in the market in recent mergers.

### **Conclusion**

We conclude that the merger will not lead to a substantial lessening of competition and therefore approve the transaction unconditionally. There are no public interest concerns which would alter this conclusion.

<sup>1</sup> The parties submit that Growthpoint holds no more than 5% in each of these companies.

<sup>2</sup> See for example Selcovest 23 (Pty) Ltd and Basfour 2776 (Pty) Ltd –27/LM/Apr04

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