



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM211Oct17

In the matter between:

HCI 111 Commissioner (Pty) Ltd

Primary Acquiring Firm

And

**Redefine Properties Limited in respect
of the property known as 111 Commissioner Street**

Primary Target Firm

Panel : Andreas Wessels (Presiding Member)
: Medi Mokuena (Tribunal Member)
: Andiswa Ndoni (Tribunal Member)
Heard on : 29 November 2017
Order Issued on : 29 November 2017
Reasons Issued on : 19 December 2017

Reasons for Decision

Approval

- [1] On 29 November 2017, the Competition Tribunal ("Tribunal") unconditionally approved the transaction involving HCI 111 Commissioner (Pty) Ltd ("HCI 111 Commissioner") and Redefine Properties Limited ("Redefine") in respect of the property letting enterprise known as 111 Commissioner Street ("the target property").
- [2] The reasons for approving the proposed transaction follow.

Parties to the proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is HCI 111 Commissioner, a wholly owned subsidiary of Hosken Consolidated Investments Limited ("HCI Limited"). HCI Limited is a public company listed on the Johannesburg Stock Exchange (JSE) and is not controlled by any single firm.
- [4] The HCI Group controls a diversified portfolio of properties comprising retail, office, industrial and inner city housing.

Primary target firm

- [5] The primary target firm is the property letting enterprise operated by Redefine known as 111 Commissioner Street.
- [6] Redefine is a Real Estate Investment Trust.
- [7] The target property is a multi-storey building located at 111 Commissioner Street, Johannesburg CBD, Gauteng. The target firm currently comprises of rentable Grade B office space as well as street-level retail space.

Proposed transaction and rationale

- [8] In terms of the proposed transaction, HCI 111 Commissioner has entered into a *Sale of Shares and Claims Agreement* with Redefine where it intends to acquire the target property as a going concern, including immovable property, buildings, lease agreements and movable assets. Upon implementation of the proposed merger, HCI 111 Commissioner will exercise sole control over the target property.

- [9] The HCI Group intends to redevelop and convert approximately 12 074 m² of the office component of the target property into an estimated 340 residential units.
- [10] The HCI Group submitted that the proposed transaction will contribute to its existing portfolio through the development of a diversified portfolio of retail, office, industrial and inner city housing.
- [11] Redefine submitted that it has elected to exit from this asset in order to remain aligned to its investment strategy.

Impact on competition

- [12] The Competition Commission ("Commission") found horizontal overlaps between the activities of the merging parties in the markets for rentable (i) office space; (ii) retail property classified as convenience centres; and (iii) residential space.

Office space

- [13] In respect of rentable office space the Commission found that the acquiring group does not own any rentable Grade B or C office space in the Johannesburg CBD and surrounding nodes. There is therefore no geographic overlap between the merging parties' office properties.

Convenience centres

- [14] In respect of the market for rentable retail property classified as convenience centres, the Commission found that the merged entity will have a market share of less than 5% within a 10 km radius of the target property. The Commission further found that the merged entity will continue to face competition from other convenience centres in the immediate vicinity of the target property such as Park Central Shopping Centre, Lyndhurst Square

Shopping Centre, Oriental City, Xavier Boulevard and Protea Shopping Centre.

Residential space

- [15] The Commission found that the HCI Group currently owns the property letting enterprises known as Shell House and the Rand Daily Mail which comprise a total of 780 units of rentable residential space and are located within an 8 km radius of the target property.
- [16] On the basis of a very broad product market delineation consisting of all types of residential property, the Commission found that the merged entity will have a market share of less than 1% of all lettable residential property within the Johannesburg inner city and surrounds. The Commission also found that there are numerous alternative residential property owners that will continue to constrain the merged entity post merger such as Jozi Housing, Johannesburg Housing Company, Johannesburg Social Housing Company, Madulammoho Housing, Southpoint Properties, Redcon Property Development and Connaught Properties. Based on this the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition.
- [17] We however take no view on the appropriate delineation of either the product or geographic market for residential property. The Tribunal advised the Commission to in future cases specifically consider whether, from a demand-side perspective, there are potentially narrower product markets for lettable residential property given that properties of different quality / grades attract different property rents.
- [18] We however find no reason to differ with the Commission's ultimate conclusion in this case given the merged entity's relatively small size and the presence of a number of competitors in the identified area of overlapping activities. In future transactions involving residential property we would however expect a more detailed analysis of the relevant product market,

specifically from a demand-side perspective, as well as of market concentration.

Public interest

[19] The merging parties confirmed that the proposed transaction will have no adverse effect on employment in South Africa.¹

[20] The proposed transaction further raises no other public interest concerns.

Conclusion

[21] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr Andreas Wessels

19 December 2017

DATE

Mrs Medi Mokuena and Ms Andiswa Ndoni concurring

Tribunal Case Manager : Ms Busisiwe Masina
For the merging parties : Ms Lerisha Naidu of Baker McKenzie
For the Commission : Ms Busisiwe Ntshingila

¹ Merger Record, pages 16 and 78.