

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM052Jun15; LM045Jun15

In the matter between:

Investec Property Fund Limited

Primary Acquiring Firm

And

**Certain target properties that are ultimately controlled by
Griffin Holdings Proprietary Limited and
Raidel International Investments Limited** Primary Target Firms

Panel	:	Yasmin Carrim (Presiding Member), Mondo Mazwai (Tribunal Member) Imraan Valodia (Tribunal Member)
Heard on	:	06 August 2015
Order issued on	:	06 August 2015
Reasons issued on	:	02 September 2015

Reasons for Decision

Approval

- [1] On 06 August 2015 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between Investec Property Fund Limited ("the Fund") and certain target properties that are ultimately controlled by Griffin Holdings Proprietary Limited ("Griffin") and Raidel International Investments Limited ("Raidel"). The reasons for approving the transaction follow.

Parties to the transaction

- [2] The primary acquiring firm is the Fund, a real estate investment fund that is listed on the Johannesburg Securities Exchange Limited ("JSE").

The Fund's major shareholder is Investec Limited ("Investec"), with a 43% shareholding. Investec is an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets namely: the United Kingdom, South Africa and Australia amongst others. The Fund's main objective is to deliver long term sustainable growth to its shareholders. Of relevance to the proposed transaction are the acquiring firm's industrial, retail and office properties located in Gauteng and Western Cape.

- [3] The primary target firms are 22 properties ("Target Properties") ultimately controlled by Griffin and Raidel. Griffin is 100% owned by Adias Investments Proprietary Limited ("Adias") which in turn is owned and controlled by the Nobre Family Trust ("Nobre"). Of the Target Properties 16 are controlled and owned by Raidel, and the remainder of the six are controlled and owned by Griffin. The Target Properties consist of industrial, retail showrooms and office properties located in the Western Cape and Gauteng Provinces.
- [4] The Target Properties owned by Griffin consist of the following:
- Grindrod, Portion 57, Longmeadow Business Estate Ext. 2 (Grindrod); Kevro Falcon Forest, Portion 58, Longmeadow Business Estate Ext. 2 (Kevro Falcon); AGCO, Portion 112 of the farm Rietfontein IR 63 (AGCO); Consol, Portion 118 of the farm Rietfontein IR 63 ("Consol"); Commerce Corner, Erf 556, Kensington B (Commerce Corner); and Kevro-Dunrose, Erf 13, Longlake Ext 1 (Kevro Longlake).
- [5] The Target Properties owned by Raidel consist of the following:
- Danmar/Sabaru, Erf 68 Longmeadow Business Estate Ext. 3 (Danmar/Sabaru); International SOS, Portion 1 of Erf 72, Grand Central Ext.21/ Remaining Extent of Erf 72, Grand Central Ext.21 (International SOS); National Urethane Industries (New), Erf 546, Isando Ext. 3 (New National Urethane Industries); National Urethane Industries (Old), Erf 536, Isando Ext. 3 (Old National Urethane Industries); North Safety, Erf

549, Isando Ext. 3 (North Safety); Armadillo, Erf 759, Spartan Ext. 25 (Armadillo); Baldwin Filters, Portion 99 of Erf 602, Spartan Ext. 2 (Baldwin Filters); MTU, Portion 251 of Erf 602, Spartan Ext. 2 (MTU); Aluminco, Portion 96 of Erf 602, Spartan Ext. 2 (Aluminco); Thistle Bakery, Portion 62 OF Erf 602, Spartan Ext. 2 (Thistle Bakery); Plasticchem, Portion 61 of Erf 602, Spartan Ext. 2 (Plasticchem), Jotun Paints, Portion 95 of Erf 602, Spartan Ext. 2 (Jotun Paints); Coastal Air, Portion 241 of Erf 602, Spartan Ext. 2 (Coastal Air); Premier Foods-Cape Town, Erf 150170, Epping (Premier Food Cape Town); CMH, Erf 451, Randjespark Ext. 136 (CMH); and So-So Trading, Erven 35191 & 35192, Milnerton (So-So Trading).

- [6] While the acquisition of the target properties is planned to occur at the same time by Investec the Commission requested Investec to file two separate notifications because it was of the view that the acquisition constituted two separate transactions given that Griffin and Raidel are completely unrelated target firms. However, due to the fact that ultimately post-merger all the properties will be controlled by the acquiring firm, the Commission decided to combine the analyses of the proposed transactions.

Proposed transaction and rationale

- [7] The proposed transaction entails the acquisition of the Target Properties by a special purpose vehicle company ("SPV") that is yet to be formed. This will be done in terms of the Subscription and Share Buy-back Agreements. Griffin and Raidel will transfer the Target Properties to the SPV. Post-merger the Fund will have 100% controlling interest in SPV.
- [8] The acquiring firm submits that the property portfolio of the Target Properties is a quality portfolio of scale and diversification, which will contribute to the strength of the Fund's existing real estate fundamentals. For Raidel and Griffin, the proposed transaction gives

them an opportunity to dispose of the Target Properties and at the same time realise their investments in properties.

Competition assessment

[9] Based on the locations of the Target Properties(Gauteng and Western Cape) and the activities of the merging parties, the Commission identified six horizontal overlaps namely:

- In the market for the provision of rentable light industrial property within a broader node encompassing the Kempton Park/ Spartan, Isando, Elandsfontein, Meadowdale, Linbro Park, Germiston and Pomona nodes;
- In the market for the provision of rentable light industrial property within the Epping/Airport/Maitland node;
- In the market for the provision of rentable light industrial property within the Montague Gardens/Milnerton/Paarden Eiland node;
- In the market for the provision of rentable speciality property/motor dealerships within a 15 km radius of the target speciality property located in Longmeadow (including Edenvale, Meadowdale, Bedfordview and Germiston);
- In the market for the provision of rentable Grade B office property within the Midrand node and
- In the market for the provision of rentable Grade B office property within the Randburg node.

[10] In all the markets identified, the Commission found that the post-merger market shares in all the identified markets will be between the ranges of 6-34%, with market share accretions between the ranges of 1-23%. Furthermore in all of the relevant markets the merged entity will continue to be constrained by other market players such as Growthpoint, Redefine and Acucap Properties Limited amongst others. This coupled with the fact that in most of these markets there is vacant space for renting. Based on this, the Commission came to the conclusion that the

proposed transaction will not substantially prevent or lessen competition in the identified markets. We concur with the Commission on this finding.

Public Interest

[11] The proposed transaction will have no effect on employment and raises no other public interest concerns.

CONCLUSION

[12] We agree with the Commission's findings that the proposed transaction is unlikely to substantially prevent or lessen competition in the identified markets. We therefore approve the transaction without conditions.



Ms Yasmin Carrim

02 September 2015

DATE

Ms Mondo Mazwai and Prof. Imraan Valodia concurring.

Tribunal Researcher:

Caroline Sserufusa

For the merging parties:

Andile Nikani of Fluxmans Attorneys

For the Commission:

Reabetswe Molotsi