



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM245Mar16

In the matter between:

Respublica Student living (Pty) Ltd

Acquiring Firm

and

**Midrand Varsity Lodge (Pty) Ltd,
Masingita Estates (Pty) Ltd and
Sam King Investment Holdings (Pty) Ltd
in respect of two property letting enterprises
known as Midrand Student Village
and White House Lodge**

Target Firms

Panel	:	Yasmin Carrim	(Presiding Member)
		Andiswa Ndoni	(Tribunal Member)
		Anton Roskam	(Tribunal Member)
Heard on	:	22 March 2016	
Order issued on	:	22 March 2016	
Reasons issued on	:	22 April 2016	

Reasons for Decision

Approval

1. On 22 March 2016 the Competition Tribunal (the "Tribunal") unconditionally approved an acquisition by Respublica Student living (Pty) Ltd ("Respublica") of Midrand Varsity Lodge (Pty) Ltd ("Midrand Varsity Lodge"), Masingita Estates (Pty) Ltd ("Masingita Estates") and Sam King Investment Holdings (Pty) Ltd ("Sam King Investment") in respect of two property letting

enterprises known as Midrand Student Village and White House Lodge.

2. The reasons for the approval of the proposed transaction follow.

The Parties and their activities

3. The primary acquiring firm is Respublica, a firm incorporated in terms of the laws of the Republic of South Africa. Respublica is controlled by Redefine Properties Ltd ("Redefine Properties")¹ and Bridgehead Real Estate Fund (Pty) Ltd ("Bridgehead").²
4. Redefine Properties is listed on the Johannesburg Securities Exchange Ltd and is not controlled by any firm. As at 31 August 2015, the top five beneficial shareholders of Redefine are as follows: Government Employees Pension Fund (9.44%), State Street (Custodian) (5.76%), Stanlib Asset Management Ltd (4.33%), Redefine Empowerment Trust (7.04%) and Coronation Fund Managers Ltd (3.94%). Respublica does not control any firm. The issued share capital of Bridgehead is held by 22 shareholders. The top three shareholders of Bridgehead are: Bighthouse Investments (Pty) Ltd (49.86%), Cledon Trading (Pty) Ltd (17.01%) and Hanend Properties (Pty) Ltd (10.96%).
5. Respublica owns, manages and develops rentable residential properties for the purpose of student accommodation. It provides fully serviced apartment to students in Pretoria and Johannesburg. Redefine Properties owns a property portfolio comprising of office, retail and industries space throughout South Africa. Bridgehead is a property investment company that holds a limited number of properties.

¹ In addition to Respublica, Redefine controls in excess of 20 firms. See record, page 16 – 17 for a list of these firms.

² In addition to Respublica, Bridgehead controls in excess of 7 firms. See record, pages 17 – 18

6. The primary target firms are Midrand Varsity Lodge, Masingita Estates and Sam King Investment (the “sellers”), in respect of two property letting enterprises known as Midrand Student Village and White House Lodge (the “target enterprises”). The sellers invest in the construction, management and maintenance of rentable student accommodation. The target enterprises consist of rentable residential space for student accommodation and are located in Midrand, Gauteng Province.

Proposed transaction and rationale

7. In terms of the Sale of Property Portfolio Agreements, Respublica intends to acquire the target enterprises and all related immovable property, assets and lease agreements from the sellers. On completion, Respublica will have sole control over the target enterprises.
8. Respublica intends to grow its asset base in line with the forecast growth objectives for the company’ business.
9. According to the sellers, the target enterprises intend to realise their marketable immovable assets and have identified Respublica as a suitable purchaser.

Competition Analysis

10. The Commission found that there is a horizontal overlap between the activities of the merging parties in relation to the provision of rentable space in residential properties used for student accommodation. In respect of the relevant geographic market, the Commission found that residential properties located more than 8 kilometres apart do not pose a competitive constraint on each other. The Commission further found that the merging parties’ respective properties are located between 24 and 39 kilometres apart. Given this, the Commission is of the view that there is no geographic overlap between the activities of the merging parties as their respective properties are located too far apart to be considered as substitutes.

11. The Commission therefore concluded that that the proposed transaction is unlikely to substantially prevent or lessen competition in the market for the provision of rentable space in residential properties used for student accommodation.

Public interest

12. The merging parties confirmed that the proposed transaction will have no adverse effect on employment and will not result in any retrenchments in South Africa. The proposed transaction raises no other public interest concerns.

Conclusion

13. In light of the above, we agree with the Commission that the proposed transaction is unlikely to substantially prevent or lessen competition in the market for the provision of rentable space in residential properties used for student accommodation as there is no geographic overlap between the activities of the merging parties. Further, we agree with the Commission that proposed transaction is unlikely to result in significant public interest concerns. We therefore approved the proposed transaction unconditionally.



Ms Yasmin Carrim

22 April 2016
Date

Ms Andiswa Ndoni and Mr. Anton Roskam concurring

Tribunal Researcher : Ipeleng Selaledi
For the merging parties : Vani Chetty of Baker & McKenzie Attorneys
For the Commission : Reabetswe Molotsi