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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM271Feb18

In the matter between:

Redefine Properties Limited	Primary Acquiring Firm
And	
The Trustees for the time being of the 115 West Street Trust in respect of an undivided half share of the property letting enterprise known as the Alexander Forbes Building	Primary Target Firm

Panel	: Andreas Wessels (Presiding Member)
	: Mondo Mazwai (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 21 February 2018
Order Issued on	: 21 February 2018
Reasons Issued on	: 5 March 2018

REASONS FOR DECISION

Approval

[1] On 21 February 2018, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Redefine Properties Limited ("Redefine") and The Trustees for the time being of the 115 West Street Trust ("West Street Trust") in respect of an undivided half share of the property letting enterprise known as the Alexander Forbes Building ("Target Property").

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

Parties to the proposed transaction

Primary Acquiring Firm

[3] Redefine is a real estate investment company listed on the Johannesburg Stock Exchange. Its shares are widely dispersed and as such no single shareholder controls Redefine. Redefine controls a number of entities in South Africa and internationally.

[4] Redefine focuses on owning, developing and managing quality property. Redefine owns a diversified portfolio of office, industrial and retail properties throughout South Africa.

Primary Target Firm

[5] The West Street Trust and Redefine jointly control the Target Property in undivided half shares.

[6] The Target Property is an A-grade office building located in Sandton, Gauteng.

Proposed transaction

[7] In terms of the *Sale of Rental Enterprises Agreement*, the proposed transaction entails Redefine - who currently owns 50% of the Alexander Forbes Building - acquiring the remaining 50% of the Alexander Forbes Building as a going concern from the West Street Trust. Post-merger, Redefine will exercise sole ownership and control over the Target Property.

Impact on competition

[8] The Competition Commission ("Commission") found a horizontal overlap between the activities of the merging parties in the market for the provision of rentable Grade A office properties in the Sandton and Environs node[1].

[9] Data on various property nodes throughout the country are published by the South African Property Owners Association ("SAPOA"). Relying on this source of information, the Commission found that the merging parties will have a combined post-merger market share of less than 15% in the provision of rentable Grade A office properties in the abovementioned node.[2]

[10] The Commission further stated that proposed transaction was unlikely to alter the pre-merger market structure since Redefine is merely increasing its ownership in the Target Property from 50% to 100%. Furthermore, there are other firms active in the provision of rentable Grade A office properties in the identified node that are able to exercise competitive restraints against the merged entity.

[11] Based on the above, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market.

[12] The Tribunal asked questions of the Commission and the merging parties in relation to why the SAPOA identified "Sandton and Environs" node is an appropriate proxy for delineating the relevant geographic market. The Tribunal further advised that the Commission should in future property mergers be able to explain why, from a merger analysis perspective,[3] a specific property node[4] is a proper proxy for the relevant geographic market in a specific case.

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[1] According to the Commission's Report this node includes Sandton, Sandown, Parkmore and Sandhurst.

[2] Also see the merging parties' Competitiveness Report, Record pages 115 and 116.

[3] Specifically from a demand-side, i.e. customer, perspective.

[4] As identified by SAPOA.

[13] We however, considering the nature of the proposed transaction (i.e. an increase in shareholding) and other available information, have no reason to doubt the Commission's conclusion in this case that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

[14] The merging parties confirmed that the proposed transaction will not result in any retrenchments or job losses.[5]

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

Conclusion

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

Mr Andreas Wessels — 5 March 2018 **Date**

Ms Mondo Mazwai and Ms Andiswa Ndoni concurring

Tribunal Researcher: Hlumelo Vazi

For the Merging Parties: V Chetty of Vani Chetty Competition Law

For the Commission: I Mhlongo

[5] Merger Record, pages 12, 120 and 121.