COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 016758

In the matter between:

ROELAND STREET INVESTMENT (PTY) LTD	Primary Acquiring Firm
And	
HARLEQUIN DUCK PROPERTIES 95 CC	
INFOTEAM INVESTMENTS 87 CC	
D&M PADAANLEG TRANSVAAL CC	
SUPERSTRIKE INVESTMENTS 77 (PTY) LTD	
POLFIN CC	
FRIEDCORP 192 CC	Primary Target Firms

(IN RESPECT OF 8 PROPERTY LETTING ENTERPRISES)

Panel : Anton Roskam (Presiding Member)
: Mondo Mazwai (Tribunal Member)

	: Imraan Valodia (Tribunal Member)
Heard on	: 28 August 2013
Order Issued on	: 28 August 2013
Reasons Issued on	: 27 September 2013

Reasons for Decision

Approval

1 On 28 August 2013, The Competition Tribunal ("Tribunal") unconditionally approved the acquisition by Roeland Street Investments (Pty) Ltd of eight property owning enterprises namely Harlequin Duck Properties 95 CC; Infoteam Investments 87 CC; D & M Padaanleg Transvaal CC; Superstrike Investments 77 (Pty) Ltd; Polfin CC; Friedcorp 192 CC.

2. The reasons for approving the proposed transaction follow.

Parties to transaction

3. The primary acquiring firm is Roeland Street Investments (Pty) Ltd ("**Roeland**"). Roeland is jointly controlled by Acucap Properties Limited ("**Acucap**"), SA Self Storage Investments Trust ("**SASSI**") and the Fairstore Trust ("**Fairstore**") with each entity holding a 33.33% share. Fernwood Asset Management (Pty) Ltd ("FAM") is an asset management company that manages the portfolio of Roeland and has the same shareholders and directors as Roeland. Roeland does not control or own any entities. Roeland and the firms controlling it are referred to as the Roeland Street Group.

4. Primary target firms are:

- Harlequin Duck Properties 95 CC ("Harlequin");
- Infoteam Investments 87 CC ("Infoteam");
- D & M Padaanleg Transvaal CC ("D&M");

- Superstrike Investments 77 (Pty) Ltd (“Superstrike”);
- Polfin CC (“Polfin”);
- Friedcorp 192 CC (“Friedcorp”).

5. The primary target firms are wholly owned and controlled by Mr Dirk Van Zyl Smit (Mr Smit). Roeland intends purchasing 8 property letting enterprises (all in the business of rentable self-storage space) owned by the respective primary target firms. The Target Properties are:
    - The Centurion Property (Centurion Node);
    - The Lyttelton Property (Centurion node);
    - Mnandi Property (Mnandi node);
    - The R21 Property (Centurion node);
    - Grootfontein Property (Faerie Glen/Garsfontein node);
    - Mooikloof Property (Faerie Glen/Garsfontein node);
    - Zandfontein Property (Rosslyn, Klerksoord, Akasia node);
    - Zwartkops Property (Centurion node).

Proposed Transaction and Rationale

6. In terms of the Sale Agreement, Roeland is acquiring the Target Properties from Harlequin, Infoteam, D7M, Superstrike, Polfin, and Friedcorp as a going concern. Post-merger, the Roeland Street Group will have sole control over the Target Properties.

7. The Roeland Street Group owns and operates rentable self-storage in Cape Town, Johannesburg, Pretoria and Bloemfontein. It however only operates one rentable self-storage property letting enterprise in Pretoria (Centurion). According to the Roeland Street Group, the acquisition of the Target Properties will enable it to attain commercial viability in Pretoria, given the vast geographic spread across the city.

8. The Roeland Street Group has embarked upon two key strategies, namely the development of property letting enterprises within identified suburbs requiring rentable self-storage space and the acquisition of existing property letting enterprises that meet its specific acquisition criteria. The proposed acquisitions, in conjunction with the modification of its current space offering, will enable them to achieve regional and national economies of scale from an operational perspective.

9. According to Mr Smit, the target entities are struggling with certain debt redemption challenges and are also experiencing liquidity problems. Thus it is no longer feasible for Mr Smit to continue with such property letting investments. Further due to Mr Smit's age he is no longer able to obtain suitable finance for his businesses and has thus re-assessed his position insofar as these investments are concerned.

Relevant Market and Impact on Competition

10. The relevant market was defined, upon filing, by the merging parties both in a broad and narrow sense. They submitted that on a narrow definition, there was no overlap as the acquiring firm's storage space may be classified in terms of the South African Self Storage Investment Trust ("SASSI") grading system as Grade A3, whereas, the target firm's storage space may be classified as Grade B2. On a broader definition, being the market for the provision of rentable self-storage properties across all grades of storage space including midi, mini and maxi industrial space classified as standard units within a 30km radius, the merging parties found an overlap resulting in a 14% combined post-merger market share.

11. The Commission agreed with the merging parties that, when defined narrowly, there is no overlap. They reached this conclusion on the basis that the merging parties' rentable self storage properties were unlikely to be substitutable because there was a vast price differential between the

respective properties. The Commission also considered the market from a broad perspective, being the market for the provision of rentable self-storage properties within the Centurion area and found that there was an overlap. The market shares were considered on a 'number of units' analysis and a 'gross lettable area' ("GLA") analysis. The combined post-merger market shares of the total rentable storage space in Centurion were found to be 57% and 44% respectively.

12. Given the high post-merger market shares as calculated by the Commission, the Commission requested the merging parties to provide their market shares and those of their competitors located within a 10km radius of the merging parties properties. The merging parties then filed a report showing a combined post-merger market share of 13%. This was because the report included the informal sector in its analysis. According to the report, the self-storage market in South Africa is in its infancy and is rapidly growing. It includes numerous operators in the formal sector, in the form of industrial parks where storage facilities have been constructed, to the informal sector in the form of pre-fabricated facilities, containers, document warehouses and storage facilities offered by furniture removal companies.

13. It is not necessary to conclude on the relevant market as the proposed transaction is unlikely to substantially prevent or lessen competition irrespective of whether the market is defined narrowly or broadly. As indicated above, if narrowly defined, there would be no overlap between the self-storage properties of the merging parties. If broadly defined, on the Commission's calculation, the parties' post-merger market shares would be 57% (based on GLA), whereas the parties estimate their post-merger market shares to be 13%[1].

[1] The Commission initially accepted the merging parties' revised report indicating a 13% post-merger market share but at the hearing reverted to its original calculations, indicating that it had had insufficient time (before it was due to refer its recommendation to the Tribunal) to conduct any further market analysis following the revised report.

14. While on the Commission's calculations, the merging parties may enjoy high market shares, it is unlikely that the merged entity will have market power as there are numerous other rentable self-storage properties located in Centurion which are likely to constrain the merging parties from engaging in anti-competitive behaviour. According to the parties, some competitors operate, on average, between 5 and 20% below capacity. Thus the availability of other alternative competitors presents customers of the merging parties with some degree of countervailing power.

15. Moreover, barriers to entry into self-storage are low. There are no regulatory barriers to entry. The main requirements for entry are access to land zoned for industrial or agricultural use and capital. There is vacant land available in and around Centurion. The capital investment needed to enter into the market is also relatively low. The parties indicated that a new entrant could enter the market within a period of 6-12 months. The Commission's investigation confirmed this.

16. The Commission received concerns from one of the parties' competitors who was of the view that the merged entity would, post-merger, increase the rentals payable for the target property by upgrading the properties to “A” Grade properties. For reasons set out above, we are of the view that the merger does not raise any competition concerns.

Conclusion

17. In light of the above we conclude that the proposed transactions are unlikely to substantially prevent or lessen competition in the market for rentable self-storage space. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transactions unconditionally.

Mondo Mazwai

27 September 2013

DATE

Anton Roskam and Imraan Valodia concurring

Tribunal Researcher:	Derrick Bowles
For the merging parties:	Vani Chetty
For the Commission:	Themba Mahlangu and Lana Norton