



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM063May18

In the matter between:

SANLAM LIFE INSURANCE LIMITED

Primary Acquiring Firm

and

**INGENUITY PROPERTY INVESTMENT (PTY) LTD
IN RESPECT OF FIVE IMMOVABLE PROPERTIES
AND LETTING ENTERPRISES SITUATED IN
CENTURY CITY**

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Enver Daniels (Tribunal Member)
	: Yasmin Carrim (Tribunal Member)
Heard on	: 05 July 2018
Order Issued on	: 05 July 2018
Reasons Issued on	: 13 August 2018

Reasons for Decision

Approval

[1] On 05 July 2018, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Sanlam Life Insurance Limited and Ingenuity Property Investment (Pty) Ltd in respect of five immovable properties and letting enterprises situated in Century City.¹

[2] The reasons for approving the proposed transaction follow.

¹ Aurecon West, Aurecon East, Mazars, the Gateway and Virgin Active.

Parties to the proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Sanlam Life Insurance Limited (Sanlam Life), a private company incorporated in accordance with the laws of the republic of South Africa. Sanlam Life is 100% controlled by Sanlam Ltd, a JSE public listed company.
- [4] Sanlam Life controls numerous other firms in South Africa.

Primary target firm

- [5] The primary target firm is Ingenuity Property Limited (Ingenuity), a public company incorporated in accordance with the laws of the Republic of South Africa. Ingenuity is a JSE listed company focusing on acquiring and developing commercial properties in the Western Cape.
- [6] The target properties in respect of the proposed transaction are Aurecon East, Aurecon West, The Gateway, Mazars House and Virgin Active.

Proposed transaction and rationale

- [7] The proposed transaction entails Sanlam Life acquiring the letting enterprises as a going concern and immovable property. Post-merger Sanlam Life will exercise control of the Target Properties.
- [8] The Sanlam Life submits that it has an interest in expanding its property portfolio and gaining exposure in terms of having a wider spread of office, retail and mixed-use properties in Western Cape region. Ingenuity submits that the proposed transaction is part of Ingenuity's strategy to realise growth and provide the firm with an opportunity to reduce debt and create equity for further development in future.

Impact on competition

- [9] The Sanlam Group is a financial service group in South Africa engaged in various services. Relevant to this transaction is the Sanlam Group's property portfolio which

consists of commercial and industrial property investment in the Western Cape, Kwa-Zulu Natal and Gauteng Province.

- [10] Ingenuity is a property investment company with properties predominately located in Western Cape Province. Ingenuity's property portfolio consists of office space, retail space, industrial space, parking and development property. Ingenuity's property is managed by Rabie Property Group (Pty) Ltd.
- [11] The Competition Commission ("Commission") investigated the activities of the merging parties and found that the proposed transaction will not result in a horizontal overlap in the provision of rental and office space and that there are no vertical overlap envisaged from the proposed transaction. Although both firms own properties in the Western Cape, the Commission found that the properties of the merging parties are located in distinct nodes with the acquiring firm's properties located in Parrow and the target firm's properties located in Century City. The Commission found that there is a 30% price difference between the Century City and Parrow properties, this is because Century City is more affluent than Parrow. The Commission concluded that it is unlikely that in the event of a 10% price or rent increase in Parrow, tenants will switch to Century City. Further, the Commission also found that there is Goodwood property node in between Parrow and Century City to which tenants are likely to switch to in the event of a rental increase in either Parrow or Century City.
- [12] Given the above, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market in South Africa. We concur with this finding.

Public interest

- [13] The merging parties confirmed that the proposed transaction will not give rise to any adverse effect on employment.
- [14] Furthermore, the proposed transaction raises no other public interest concerns.

Conclusion

[15] 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 Norman Manoim

13 August 2018
DATE

Mr Enver Daniels and Yasmin Carrim concurring

Tribunal Case Manager: Busisiwe Masina

For the merging parties: Mr Andries Le Grange of Cliffe Dekker Hofmeyr

For the Commission: Ms Nonhlanhla Msiza