



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018648

In the matter between:

**THE TRUSTEES FOR THE TIME BEING OF THE TRUZEN
113 TRUST AND REDEFINE PROPERTIES LIMITED**

Primary Acquiring Firm

And

**SYCOM FUND COLLECTIVE INVESTMENT SCHEME IN
PROPERTY, IN RESPECT OF TH PROPERTY ENTERPRISE
KNOWN AS THE DISCOVERY BUILDING**

Primary Target Firm

Panel	: Dr T Madima (Presiding Member)
	: Prof F Tregenna (Tribunal Member)
	: Mr A Roskam (Tribunal Member)
Heard on	: 4 June 2014
Order Issued on	: 4 June 2014
Reasons Issued on	: 2 July 2014

Reasons for Decision

Approval

- [1] On 4 June 2014, The Competition Tribunal ("**Tribunal**") unconditionally approved the acquisition by The Trustees for the time being of the Truzen 113

Trust and Redefine (Pty) Ltd for an undivided half share in the Discovery Building from Sycom Property Fund Collective Investment Scheme as a going concern.

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

Parties to the transaction

- [3] The first primary acquiring firm is The Trustees for the Time being of the Truzen 113 Trust ("**Truzen Trust**"). The Truzen Trust is controlled by Mr Tannenberger, Mr Blow and Mr Mundell. The Trustees are also executive directors of Zenprop Property Holdings. Zenprop has Gingko Trust, Fynbos Trust, Hisbiscus Trust, Palmer Trust, Allan Mundell Family Trust and Karoobos Trust as shareholders. The Trustees of these 6 Trusts are also Mr Tannenberger, Mr Blow and Mr Mundell.
- [4] The second primary acquiring firm is Redefine (Pty) Ltd ("**Redefine**") a company listed on the Johannesburg Securities Exchange ("**JSE**") and not controlled by any firm. Redefine controls various firms for purposes of this transaction. What is relevant for purposes of this transaction is Redefine's control over Fountainhead Manco Property Trust Managers Limited ("**Fountainhead Manco**").
- [5] The primary target firm is the Discovery Building which is owned by Sycom (Pty) Ltd ("**Sycom**") a company represented by FirstRand Bank Limited in its capacity as Trustee. Sycom is listed on the JSE and carries Real Estate Investment Trust status.
- [6] Sycom is controlled by Acucap Properties Limited, in its capacity as the management company Sycom Property Fund Managers Limited. For the purposes of this transaction, only Sycom's ownership of the Discovery Building is relevant.

Proposed Transaction and Rationale

- [7] The Truzen Trust and Redefine intend to acquire undivided half shares in the Discovery Building as a going concern from Sycom. The Truzen Trust and Redefine will each have 50% of the shares in the Discovery Building which they will jointly control.
- [7] The Truzen Trust and Redefine have identified the transaction as a worthy investment opportunity which will complement their existing portfolio. Discovery Health (Pty) Ltd is currently the only tenant, it is unlikely to renew its lease at the end of March 2016. Sycom's has therefore decided to dispose the property to mitigate risk of a substantial vacancy in the 2016 financial year as well as the risk associated with re-developing and re-tenanting the property in an uncertain office market.

Relevant Market and Impact on Competition

- [8] The Truzen Trust as already mentioned is controlled by 3 trustees who also are trustees for 6 Trusts ("**6 Trusts**").¹ These 6 Trusts control Zenprop, a company that manages a portfolio of 84 properties ranging from retail, commercial, industrial and the hotel sector throughout SA. Zenprop only manages the properties which are owned by various trusts.²
- [9] Redefine is a property loan stock company that comprises of a diverse portfolio of retail, office and industrial space throughout SA. Redefine Group owns 123 590m² (one hundred and sixty three thousand four hundred and twenty square metres) of rentable A-Grade office space in the Sandton and Environs node.
- [9] Sycom is a closed –end unit trust which owns the Target Property which is classified as rentable A-Grade office and retail property located within the

¹ Gingko Trust , Fynbos Trust, Hibiscus Trust, Palmer Trust, Allan Mundel Family Trust and Karoobos Trust

² Due to the links between the 6 shareholders, the Trustees of the Truzen Trust and Zenprop, the Commission has adopted a conservative approach and will take into account all the properties owned by the 6 shareholders in assessing the transaction.

Sandton node. Sycom invests directly and indirectly in retail and office space in Gauteng and Western Cape.

- [10] The proposed transaction does result in horizontal overlap in regards to activities between the merging parties in respect of rentable A -Grade office space in the Sandton and Environs node.
- [11] The relevant market is therefore the provision of rentable A-Grade office property rentable A – Grade office property within a 7km radius from the Discovery Building. This includes Sandton, Enviros, Rosebank, Morningside, Illovo, Hyde Park and Dunkeld area.
- [12] In this market the 6 Trusts market share will increase post transaction from 12.1% to 13.77%, this is a 1.67% accretion. The market share of Redefine will increase post-transaction from 9% to 10.67%, this also results in a 1.67% accretion. If the Commission considers the wider market and includes B-Grade property in the node as substitutable, Redefine's market share will increase from 10.67% to 14.54%, this is a 3.87% accretion.
- [13] The Commission is of the view that the market share accretion is minimal and the proposed transaction is unlikely to result in the Trusts or Redefine exercising market power in the affected node. It is further of the view that given the prevailing vacancies in the area it is unlikely that the merged entity will exercise market power in the market for A-grade office spaces in the node. There are also numerous large competitors such as Growthpoint, Vunani, Momentum and Old Mutual that will continue to constrain the merged entity.
- [14] The Commission also considered whether information sharing between Redefine and the Trusts should be of concern. However, both merging entities do not control a significant portion of the market to such an extent that the exchange of sensitive information between the two parties was likely to significantly affect customers in the market.

Conclusion

[16] In light of the above I conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the market for provision of rentable A -Grade office property. In addition, no public interest issues arise from the proposed transaction. Accordingly I approve the proposed transaction unconditionally.



Dr T Madima

2 July 2014
DATE

Mr A Roskam and Prof F Tregenna concurring

Tribunal Researcher:	Moleboheng Moleko
For the merging parties:	Vani Chetty – Vani Chetty Competition Law (Pty) Ltd
For the Commission:	Hardin Ratshisusu, Grashum Mutizwa and Lana Norton