

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018754

In the matter between:

REDEFINE (PTY) LTD

Primary Acquiring Firm

And

**ANNUITY PROPERTIES LTD, ANNUITY ASSETS
MANAGERS (PTY) LTD AND ANNUITY PROPERTY
MANAGERS (PTY) LTD**

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 Redefine (Pty) Ltd ("**Redefine**") to acquire the

entire issued linked unit capital of Annuity Properties Limited ("**Annuity**"), Annuity Asser Managers (Pty) Ltd ("**Annuity Assets Managers**") and Annuity Property Managers (Pty) Ltd ("**Annuity Property Managers**").

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

Parties to the transaction

- [3] The primary acquiring firm is Redefine, a company listed on the "*Diversified Real Estate Investment Trusts*" ("**REIT**") sector on the Johannesburg Securities Exchange ("**JSE**"). Redefine's shareholders include; State Street (Custodian), Stanlib, Government Employees Pension Fund, Investec and Investment Solutions. Redefine also controls various firms in South Africa, the continent and internationally.
- [4] The primary target firms are Annuity, Annuity Assets Managers and Annuity Property Managers. Annuity is not controlled by any firm. The beneficial unit-holders of Annuity include; Public Investment Corporation, Coronation Asset Management and Grindrod Asset Management.
- [5] The shareholders of Annuity Asset Managers and Annuity Property Managers include; Sasfin Private Equity Fund Manager (Pty) Ltd, Greenacres SA Investments LLC, The Helenko Trust, The Daniel Rubenstein Family Trust, Panayiotis Theocharides, Joshua Saul Benjamin Greenberg, The Panico Theocharides Family Trust, The Levfrie Trust and Seahorse SA Investments CC. Annuity, Annuity Asset Managers and Annuity Property Managers do not directly or indirectly control any firm.

Proposed Transaction

- [6] Redefine intends to acquire the entire issued linked unit capital of Annuity by way of one or more indivisibly inter-related schemes of arrangement from the current unit-holders of the Annuity linked units ("**Scheme**"). Simultaneously

Redefine will also acquire all the ordinary shares in and shareholder claims against Annuity Asset Managers and Annuity Property Managers.

Rationale

- [7] The Scheme will enable the Redefine Group to advance its investment strategy of expanding its local property portfolio by acquiring prime quality assets at attractive yields through a single transaction. For Annuity the proposed transaction provides its linked unit-holders with an opportunity to maximise and protect value in a volatile market by swapping to a diversified large cap stock at a premium. The transaction also provides its linked unit-holders with substantial exposure to Redefine's quality retail and international property portfolio, to an attractive development pipeline and a fund with significantly superior liquidity.

Relevant Market and Impact on Competition

- [8] Redefine is a property loan stock company which is listed on the JSE. Redefine property portfolio has a diverse range of properties such as office, retail and industrial throughout South Africa.
- [9] Annuity is also a property loan stock company which is listed on the JSE in the "*Diversified* REITS" sector. Annuity has properties in Johannesburg, Durban and Cape Town. Annuity Asset Managers provides exclusive asset management assets services to Annuity and Annuity Property Managers provides exclusive property management services to Annuity.
- [10] The proposed transaction does result in horizontal overlap arising in relation to provision of rentable A-Grade and B-Grade office space within the Melrose/Waverly node, Sandton and Environ node, Midrand node, Constantia node and in the market for rentable light industrial space in Ormonde, Riverlea and Crown node.

- [11] Redefine and Annuity Asset Managers and Annuity Property Managers both offer their services exclusively to Annuity and Redefine and not to any other companies and/or competitors. This means post-merger, the competitors of Annuity and Redefine will not be foreclosed in the market for the provision of asset and property management services and no input or customer foreclosure will arise.
- [12] The relevant market is therefore the provision of rentable A-Grade office property in the Melrose/Waverly, Sandton and Environs, Midrand and Constantia Kloof nodes and light industrial space in the Ormonde/Riverlea/Crown node.

Rentable A –Grade office properties, in the Melrose/Waverly node

- [13] In the Melrose/Waverly node Redefine has a market share of 4.06% and Annuity Properties has a market share of 8.38%. The market share post-merger of Redefine will increase to 12.76%. The merged entities will still have competitors in the market such as Growthpoint, Hyprop and Investec.

Rentable A –Grade office properties, in the Sandton and Environs node

- [14] In the Sandton and Environs node, Redefine has a market share of 15.91% and Annuity has a market share of 0.08%. The market share post-merger of Redefine will increase to 15.99%. The merged entities will still have competitors such as Growthpoint, Acucap, Sycom, Tiber, Old Mutual, Zenprop and Vunani.

Rentable A –Grade office properties, in the Midrand node

- [15] In the Midrand node, Redefine has a market share of 5.39% and Annuity Properties has a market share of 1.65%. The market share post-merger of Redefine will increase to 7.04%. The merged entities will still have competitors such as Shibbolet, Fedprop and Investec.

Rentable A –Grade office properties, in the Constantia Kloof node

- [16] In the Constantia Kloof node, Redefine has market share of 6.59% and Annuity has a market share of 1.32%. The market share post-merger of Redefine will increase to 7.91%. The merged entities will still have competitors such as Abland, Growthpoint, Montagu Property Group and Darle Investments.

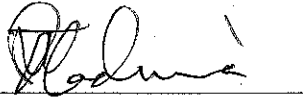
Rentable Light Industrial space, in the Ormonde/Riverlea/Crown node

- [16] In the Ormonde/Riverlea/Crown node, Redefine has market share of 1.55% and Annuity has a market share of 1.11%. Post-merger Redefine will have an estimated market share of 2.93%. Some competitors in the market include Capital Property Fund, Growthpoint and Ash Brook Commercial Properties.
- [17] The Commission considered the market share accretions in the different nodes and it concluded that there are all minimal accretions. We are of the view that the proposed transaction is unlikely to alter A-Grade office spaces in the nodes as the competitors are reputable and credible alternative players are available. We are further of the view that currently available office spaces will also constrain the merged entity from unilaterally increasing rental prices.
- [18] The transaction will not have an adverse effect on employment. None of the employees from Annuity Property Management division will be retrenched. Four employees of Annuity Asset Managers will be retrenched but retrenchment packages comprising of 12 months' salary in advance have been offered and the employees will be assisted to find new employment.

Conclusion

- [19] 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 the Melrose/Waverly, Sandton and Environs, Midrand and Constantia Kloof nodes and light industrial space in

the Ormonde/Riverlea/Crown node. 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

Prof. F Tregenna and Mr A Roskam concurring

Tribunal Researcher:	Moleboheng Moleko
For the merging parties:	Vani Chetty – Vani Chetty Competition Law
For the Commission:	Hardin Ratshisusu, Grace Mohamed and Tshegofatso Radinku.