



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 020628

In the matter between:

REDEFINE PROPERTIES LIMITED

Acquiring Firm

And

**HYPROP INVESTMENTS LIMITED
IN RESPECT OF STONERIDGE SHOPPING CENTRE**

Target Firm

Panel	: Medi Mokuena (Presiding Member)
	: Anton Roskam (Tribunal Member)
	: Imraan Valodia (Tribunal Member)
Heard on	: 4 March 2015
Order Issued on	: 4 March 2015
Reasons Issued on	: 24 March 2015

Reasons for Decision

Approval

- [1] On 4 March 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Redefine Properties Limited ("Redefine") and Hyprop Investments Limited in respect of the Stoneridge Shopping Centre ("Hyprop").
- [2] The reasons for approving the proposed transaction follow.

Parties to transaction and their Activities

Primary acquiring firm

- [3] The primary acquiring firm is Redefine, a public company listed on the Johannesburg Stock Exchange ("JSE"). Redefine is not controlled by any firm. The top beneficial shareholders of Redefine holding more than 5% of its linked units include the following: Government Employees Pension Fund (7.80%), Investment Solutions (5.12%), Stanlib (4.97%), Investec (3.96%), and Coronation Fund Managers (3.68%). Redefine controls a number of firms which make up the Redefine Group.¹
- [4] Redefine is a property loan stock company listed under the "*Diversified Reits*" sector on the JSE. It currently holds REIT status. Redefine holds a diverse property portfolio which comprises of offices, retail and industrial space throughout South Africa. The retail properties of the Redefine Group are of relevance to the current transaction. These include community centres, neighbourhood centres, major regional centres, local convenience centres, minor regional centres, speciality retail (motor dealership), small free-standing centres and super regional centres.

Primary target firm

- [5] Redefine is acquiring Stoneridge Shopping Centre ("Stoneridge"), which is owned by Hyprop. Hyprop has a number of institutional investors which, at varying degrees, hold stakes in Hyprop.² However, these investors do not influence the management or business of Hyprop in any way nor do they have any appointments to the Hyprop board.
- [6] Hyprop is a professionally managed Real Estate Investment Trust, and is listed on the JSE in the '*Retail Reit*' sector. Hyprop presently has a specialised portfolio of various properties comprising of office and retail properties across South Africa. However, only Stoneridge Shopping Centre is relevant to the proposed transaction.

¹ The firms directly or indirectly controlled by Redefine are: Redefine International plc, Madison Property Fund Managers Limited, Fountainhead Property Trust Management Limited, Fountainhead Property Administration (Proprietary) Limited, Fountainhead Property Trust (South Africa), Redefine Retail (Proprietary) Limited, Redefine Pacific (Mauritius), Annuity Properties Limited, Annuity Asset Managers Proprietary Limited, Annuity Asset Managers Proprietary Limited and Annuity Property managers Proprietary Limited.

² The institutional investors include the Government Employees Pension Fund, Stanlib, Coronation Fund Managers, Investment Solutions, Old Mutual.

Hyprop's Stoneridge Shopping Centre is a value centre located at Greenstone Park in Edenvale, Gauteng.

Proposed transaction and rationale:

- [7] In the proposed transaction, Redefine intends to acquire the Stoneridge Shopping Centre as a going concern. Upon completion of the proposed transaction, Redefine will own Stoneridge Shopping Centre.
- [8] Redefine's submitted rationale for the transaction is that it wants to grow and diversify its property asset base to include a retail component. Hyprop submits that it is disposing of the Stoneridge value centre as it does not form part of its core business.

Relevant Market and Impact on Competition:

- [9] The Competition Commission ("Commission") identified the relevant product market to be the market for rentable retail space, which can be further divided into the narrow submarket for value centres since Stoneridge is a value centre. The Commission utilised a radius of 15km for its geographic assessment. Thus, the relevant market is defined as the market for rentable retail space (value centres) within a 15km radius of Stoneridge Shopping centres.
- [10] The Commission considered the property portfolios of the merging parties to determine whether any overlaps existed between them. It found that Redefine does not own any value centres and as such will be a new entrant in the market.
- [11] Although the Commission was of the view that comparative centres do not compete with value centres, it nonetheless considered the "Freeway Centre", situated approximately 7km from Stoneridge, in its assessment. Upon comparing the structure, location and targeted customers of the two centres and taking into account the views of the relevant tenants and property managers, the Commission concluded that the Freeway Centre was not a viable alternative to Stoneridge.
- [12] The Commission therefore concluded that there are no overlaps between the activities of the parties. Accordingly, the proposed transaction is unlikely to substantially lessen or prevent competition in the relevant market.

Public interest:

[13] The Commission concluded that there are no public interest concerns likely to arise from the proposed transaction.

Conclusion:

[14] In light of the above, we agree with the Commission's analysis and conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market. In addition, no public interest issues arise from the proposed transaction.


Medi Mokuena

24 March 2015
DATE

Anton Roskam and Imraan Valodia concurring

Tribunal Researcher: Ammara Cachalia
For the merging parties: Vani Chetty of Baker McKenzie
For the Commission: Dineo Mashego