



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM001Apr19

In the matter between

AFHCO Consortium 2 (Pty) Ltd

Primary Acquiring Firm

And

Menlyn East End Development (Pty) Ltd in respect of
the Sectional Title units known as the Menlyn East
Development

Primary Target Firm

Panel	: N Manoim (Presiding Member)
	: E Daniels (Tribunal Member)
	: M Mokuena (Tribunal Member)
Heard on	: 2 May 2019
Order Issued on	: 2 May 2019
Reasons Issued on	: 30 May 2019

REASONS FOR DECISION

Approval

- [1] On 2 May 2019, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction in terms of which AFHCO Consortium 2 (Pty) Ltd ("AFHCO Consortium") is acquiring control over the Menlyn East Development properties, which comprises 1740 sectional title units currently under construction.
- [2] The reasons for the approval of the proposed transaction follow.

Parties to the transaction

- [3] The primary acquiring firm is AFHCO Consortium, a joint venture that is controlled by AFHCO Holdings (Pty) Ltd ("AFHCO Holdings") and JR 209 Investments (Pty) Ltd ("JR 209"). AFHCO Holdings is wholly-owned by SA Corporate Real Estate Limited ("SACREL"), a Real Estate Investment Trust (REIT) which is listed on the Johannesburg Stock Exchange (JSE).
- [4] AFHCO Consortium, its controllers and the firms it controls will be referred to as the 'Acquiring group'. The Acquiring group is a developer and investor in affordable housing and commercial property. Further, the Acquiring group owns office, retail and industrial properties in the Johannesburg inner city, Pretoria and Centurion. Of relevance to the proposed transaction is the Acquiring group's residential property portfolio in Centurion.
- [5] The target property is the Menlyn East Development, situated in Garsfontein. The target property is owned by Menlyn East End Development (Pty) Ltd ("MEED"), which is in turn controlled by JR 209.
- [6] The target property is currently being constructed by M&T Developments (Pty) Ltd on behalf of MEED.

Proposed transaction and rationale

- [7] The proposed transaction entails the acquisition of completed tenanted residential units by AFHCO Consortium from MEED. It is intended that the proposed transaction be done in three phases. Post-merger, AFHCO Consortium will control the target properties, which will be transferred to it when they are ready for beneficial occupation.

Relevant market and impact on competition

- [8] The Competition Commission ("Commission") identified a horizontal overlap between the activities of the merging parties as they are both active in the provision of rentable residential property. The Commission however found that

there is no geographic overlap as the Acquiring group's closest residential property activities are in Centurion, which is approximately 18km away from the target properties. Given the distance between the respective property portfolios and the fact that other housing units are located in between, it seems unlikely that the one would act as a constraint on the other.

- [9] In light of the above, the Commission concluded that the proposed transaction will not result in a substantial prevention or lessening of competition in any market due to the absence of a geographic overlap in the merging parties' residential property activities. We find no reason to disagree with the Commission's findings.

Public interest

- [10] The proposed transaction raises no public interest concerns.

Conclusion

- [11] In light of the above, we concluded 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 approved the proposed transaction unconditionally.



Mr Norman Manoim

Mr Enver Daniels and Mrs Medi Mokuena concurring.

Tribunal Case Manager : Kgothatso Kgobe

For the Merging Parties : A Le Grange & D Mogapi of Cliffe Dekker

For the Commission : T Poswa & W Gumbie

30 May 2019

Date