



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM078Jul17

In the matter between:

Growthpoint Properties Limited

Primary Acquiring Firm

And

**Redefine Properties Limited in respect of a
58% undivided share in the property letting
enterprise known as the N1 City Mall**

Primary Target Firm

Panel	: Ms Andiswa Ndoni (Presiding Member)
	: Prof. Fiona Tregenna (Tribunal Member)
	: Prof. Imraan Valodia (Tribunal Member)
Heard on	: 16 August 2017
Order Issued on	: 16 August 2017
Reasons Issued on	: 6 September 2017

REASONS FOR DECISION

Approval

- [1] On 16 August 2017, the Competition Tribunal ("the Tribunal") unconditionally approved the large merger between Growthpoint Properties Limited ("Growthpoint") and Redefine Properties Limited ("Redefine") in respect of a 58% undivided share in the property letting enterprise known as the N1 City Mall, hereinafter referred to as the merging parties.
- [2] The reasons for the approval follow.

Parties to the transaction

Primary Acquiring Firm

- [3] Growthpoint is a property investment holding company which holds a property portfolio consisting of rentable office, retail and industrial space. The majority of Growthpoint's properties are located in the Western Cape, Kwa-Zulu Natal and the Eastern Cape provinces.
- [4] Growthpoint is classified as a Real Estate Investment Trust ("REIT") and is listed on the Johannesburg Stock Exchange ("JSE"). Growthpoint is not controlled by any firms but does control a number of firms which form part of its expansive property investment and management business.

Primary Target Firm

- [5] The N1 City Mall ("the Target property") is a 64 209 metres square rentable retail space located in Goodwood in the Western Cape. It is classified as a major regional centre. Redefine owns the Target property and holds a 58% undivided share in the Target property and Growthpoint holds a 42% undivided share therein.
- [6] Redefine is a property investment fund that holds REIT status and is listed on the JSE. It currently holds a property portfolio that consists of retail, office and industrial spaces located throughout South Africa.

Proposed transaction and rationale

- [7] The proposed transaction consists of a change from joint control to sole control. In terms of the Sale of Rental Enterprise Agreement, Growthpoint wishes to acquire the 58% undivided share in the Target property from Redefine. Upon completion of the proposed transaction, Growthpoint will exercise sole control over the Target property.

- [8] Growthpoint views the Target property as a very suitable well performing asset, which should continue to do so with the required capital injection. It is a sought after asset for REITs that seek stable growth and exposure in the Western Cape.
- [9] Currently, Redefine views the Target property as a non-core property that is not in keeping with its portfolio strategy due to significant capital expenditure required to sustain the high rentals. Disposing of the Target property will enable Redefine to reinvest in other core assets in the major economic sectors of South Africa.

Relevant market and impact on competition

- [10] The Commission considered the activities of the merging parties and found that the proposed transaction presents a horizontal overlap in the provision of rentable retail space, specifically comparative shopping centres. When defining the geographic market, the Commission examined the location of the Target property as well as the location of Growthpoint's properties. The Target property is located in the Western Cape as well as Growthpoint's other 12 rentable retail properties. The Commission defined the geographic market to be within a 15 kilometre ("km") radius from the Target property. Within the 15km radius, Growthpoint owns 4 comparative shopping centres which place them in direct competition with the Target property.
- [11] The Commission therefore assessed the proposed transaction in the market for the provision of rentable retail space, specifically centres within a 15km radius of the Target property ("the relevant market").
- [12] When conducting its market concentration assessment, the Commission found that Growthpoint will have a post-merger market share of 22.85%, with an accretion of 6.32% in the relevant market. This assessment was calculated without taking into account Growthpoint's 42% undivided shareholding in the Target property. When the Commission accounted for Growthpoint's undivided shareholding in the Target property, it found that Growthpoint will have a post-merger market share of 22.85%, with an accretion of 3.67%. The Commission

found that the 6.32% and 3.67% market share accretions are unlikely to negatively affect the competitive climate of the relevant market and are unlikely to result in a substantial lessening of competition.

- [13] The Commission also assessed whether the change from joint control to sole control of the Target property would result in a subsequent increases in rental prices by Growthpoint. Certain tenants were contacted by the Commission and did not raise any concerns. The tenants submitted that rental prices and subsequent rental increases can be negotiated and are concluded on a contractual basis. As such, the lessor is restrained from imposing a unilateral price increase outside the terms of the contract. Furthermore, the Commission found that there are 14 other property owners such as Hyprop Investments, Pareto and Evolution Property Management within the 15km radius of the Target property that can constrain Growthpoint should it decide to engage in anti-competitive conduct.
- [14] In view of the above, we concur with the Commission's ultimate conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market.

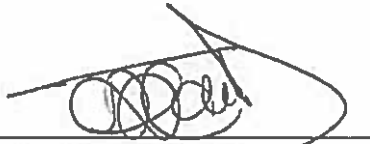
Public interest

- [15] The merging parties submitted that the proposed transaction will not have any adverse effect on employment as there will be no merger related retrenchments. Given that the employee representatives were notified and no submissions contrary to the merging parties' submission were made, the Commission is of the view that proposed transaction does not raise any employment concerns or any other public interest concerns. We concur with the Commission.

Conclusion

- [16] 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 other public interest issues arise from the proposed transaction. Accordingly,
we approve the proposed transaction unconditionally.


Ms Andiswa Ndoni

6 September 2017
Date

Prof. Fiona Tregenna and Prof. Imraan Valodia concurring

Tribunal Researcher : Mr Ndumiso Ndlovu

For the Merging Parties : Ms Lerisha Naidu of Baker McKenzie

For the Commission : Ms Beverley Chomela