



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM121Sep20

In the matter between:

Grindrod Property Holdings Limited

Primary Acquiring Firm

And

SA Corporate Real Estate (SACREL) in relation to various rental enterprises belonging to respective wholly-owned subsidiaries of SACREL

Primary Target Firm

Panel:	Ms Y Carrim (Presiding Member) Mr E Daniels (Tribunal Member) Dr T Vilakazi (Tribunal Member)
Heard on:	20 October 2020
Order Issued on:	20 October 2020
Reasons Issued on:	16 November 2020

REASONS FOR DECISION

Approval

[1] On 20 October 2020, the Tribunal unconditionally approved the proposed transaction in which the Grindrod Property Holdings Limited (“Grindrod Property Holdings”) intends to acquire various rental enterprises from the subsidiaries of SA Corporate Real Estate Limited (“SACREL”).

[2] The reasons for the approval of the proposed transaction follow.

Parties to the transaction

Primary acquiring firm

- [3] The primary acquiring firm is Grindrod Property Holdings Limited (“Grindrod Property Holdings”), a public company incorporated in accordance with the laws of South Africa. Grindrod Property Holdings is a wholly-owned subsidiary of Grindrod Limited (“Grindrod”), a company listed on the Johannesburg Stock Exchange (“JSE”). Grindrod is not controlled by any firm or shareholder. Grindrod controls numerous entities in addition to Grindrod Property Holdings.
- [4] Grindrod Property Holdings controls two firms, namely: ERF Four Three Nine Walvis Bay (Pty) Ltd and Nourse Mines Silica Bricks. Grindrod and its subsidiaries are collectively referred to as the “Acquiring Group”.
- [5] The Acquiring Group operates through two divisions, that is Freight Services and Financial Services. With respect to the Freight Services Division, the business units comprise of services for the integrated movement of dry-bulk, bulk liquid, containerised cargo and vehicles national and internationally. In the Financial Services Division, the business units consist of banking, private equity, asset management and exchange trade fund services.
- [6] In addition to the two divisions, the Acquiring Group through Grindrod Property Holdings is a property holding and property management company for Grindrod Group. Relevant to the proposed transaction is the industrial property owned by Grindrod Property Holdings situated at 5 Bluff Road in Durban, KwaZulu Natal Province (“5 Bluff Road”). This property is used for container storage and warehousing by the Grindrod Group on behalf of its clients. Grindrod Property Holdings does not lease or rent property to external parties.

Primary target firm

[7] The primary target firms are wholly owned subsidiaries of SA Corporate Real Estate Limited (“SACREL”) which comprises of:

[7.1] Dune Lark Investments Propriety Limited (“Dune Lark”)

[7.2] Blue Heron Proprietary Limited (“Blue Heron”)

[7.3] Grey Heron Investments Proprietary Limited (“Grey Heron”)

[7.4] Rock Kestrel Investments Proprietary Limited (“Rock Kestrel”): and

[7.5] Wood Ibis Investments Proprietary Limited (“Wood Ibis”)

[8] The Rental enterprises or Target Properties which are operated by each of the above subsidiaries in respect of the leasehold properties are:

[8.1] Lease area 15, 29 and 30 of Erf 10014 Durban, situated at 34 Shadwell Road, Maydon Wharf (“34 Shadwell Road”);

[8.2] Lease area 32, 33, 34 and 35 of Erf 10014 Durban, situation at Cnr Shadwell & Jenkyn Roads, Maydon Wharf (“Cnr Shadwell & Jenkyn Roads”);

[8.3] Lease area 36 and 37 of Erf 10014 Durban, situated at 137 Johnston Road, Maydon Wharf (“Johnston Road”)

[8.4] Lease area 56 of Erf 10014 Durban, situated at Shadwell Road, Maydon Wharf (“Shadwell Road”); and

[8.5] Lease area subs 1, 2, 3, 4, 5, 6 Block M and remainder of sub 3 Block M of Erf 10014 Durban, situated at Methven Road, Maydon Wharf (“Metheven Road”)

[9] All the rental enterprises operated in respect of the target properties are located in the Durban, Maydon Wharf area. These properties are used for logistics and warehousing. The target firms do not control any firms.

Proposed transaction

Transaction

[10] According to the Combined Sale of Letting Enterprise Agreement, Grindrod Property Holdings seeks to acquire the rental enterprises as a going concern from

the target firms. Grindrod South African Property Holdings (Pty) Ltd (“Grindrod South Africa Property Holdings”), a subsidiary of Grindrod, is a subtenant of the rental enterprises.

- [11] Post transaction, Grindrod Property Holdings will own the rental enterprises and take over from SACREL as landlord and the existing subtenant will remain as tenant.

Rationale

- [12] The Acquiring Group submits that this transaction will ensure the continuity of its tenure in the Maydon Wharf precinct. It has leased the properties at this location since 1990 and has over many years negotiated the acquisition of these leases, the proposed transaction helps it achieve this.

- [13] For the target firms, this proposed transaction is aligned with the current SACREL strategy.

Competition Analysis

- [14] When considering the merging parties’ activities, the Commission found that there is a horizontal overlap as both parties are active in the market for the provision of industrial properties in Durban.

- [15] It was found that the merged entity will have estimated market shares below 10% with an accretion of approximately 1.5% in the market for the provision of rentable warehouse and distribution industrial properties in Maydon Wharf and surrounding industrial areas. Post-merger, the merged entity will not be in a position to exercise any market power due to the presence of competing industrial properties in the Durban area. Therefore, the proposed transaction does not result in any substantial lessening or prevention of competition in the market under consideration.

Public Interest

[16] The merging parties submitted that the proposed transaction will not result in any retrenchments, job losses or any negative impact on employment terms and conditions. To validate the merging parties' submission, the Commission engaged with the employee's representative from both the acquiring firm and target firms who did not raise any employment concerns.

[17] It is also worth noting that the rental enterprises do not have any employees as they are handled by a property management agent.

[18] Accordingly, the proposed transaction did not raise any public interest concerns.

Conclusion

[19] In light of the above, we concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market. Consequently, we approved the transaction unconditionally.

16 November 2020

Ms Yasmin Carrim

Date

Mr Enver Daniels and Dr Thando Vilakazi concurring.

Tribunal Case Managers: Lumkisa Jordaan and Mpumi Tshabalala

For the Merging Parties: Duduetsang Mogapi and Andries Le Grange of Cliffe Dekker Hofmeyr Inc

For the Commission: Nonhlanhla Msiza, Grashum Mutizwa and Zanele Hadebe