



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 021121

In the matter between:

VUKILE PROPERTY FUND LIMITED

Acquiring Firm

And

**FOUR ARROWS INVESTMENTS 46 (PROPRIETARY) LIMITED
IN RESPECT OF NONESI MALL**

Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Yasmin Carrim (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 8 April 2015
Order Issued on	: 8 April 2015
Reasons Issued on	: 15 April 2015

Reasons for Decision

Approval

- [1] On 8 April 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Vukile Properties Limited ("Vukile") and Four Arrows Investments 46 (Proprietary) Limited ("Four Arrows") in respect of the Nonesi Mall.
- [2] The reasons for approving the proposed transaction follow.

Parties to transaction

Primary acquiring firm

- [3] The primary acquiring firm is Vukile, a company listed on the Johannesburg Securities Exchange ("JSE"). Vukile is not controlled by any firm. ¹Vukile controls the following companies which operate in South Africa: MICC Property Income Fund Limited, MICC Properties (Pty) Ltd and Synergy Income Fund Limited ("Synergy").
- [4] Vukile is a listed property fund with controlling interests in various properties. Vukile's portfolio comprises of retail and office space as well as land under development. Relevant to the proposed transaction are Vukile and Synergy's property portfolios.

Primary target firm

- [5] Vukile is acquiring Stoneridge Shopping Centre ("Nonesi Mall"), which is owned by Four Arrows. The Nonesi Mall is a retail centre situated in Queenstown in the Eastern Cape.

Proposed transaction and rationale:

- [6] In the proposed transaction, Vukile intends to acquire Nonesi Mall as a going concern. Upon completion of the proposed transaction, Vukile will own Stoneridge Shopping Centre.
- [7] Vukile's submitted rationale for the transaction is that it will enable it to expand its property portfolio, particularly in the retail sector. Four Arrows submits that the sale of the Nonesi Mall provides an opportunity for it to realise its investment.

¹ The largest institutional unit holders of Vukile, holding more than 5% of its shares include the following: Public Investment Corporation (20.05%), Stanlib Limited Assets Management (12.23%), Investec Limited Assets Management (7.08%), Prudential Portfolio Management (5.69%) and Old Mutual Investment Group (5.03%). In addition, the major beneficial unit holders of Vukile include Government Employees Pension Fund (21.16%), Stanlib Asset Management Limited (7.57%) and Sanlam Group Limited (6.93%).

Relevant Market and Impact on Competition:

- [8] The Competition Commission ("Commission") identified the relevant product market to be the market for the provision of rentable retail property, further divided into the narrow submarket for comparative centres² since Nonesi Mall is a comparative centre. Given that Nonesi Mall is located in Queenstown in the Eastern Cape, the geographic market considered was the Eastern Cape generally and Queenstown more specifically.
- [9] The Commission considered the activities of the merging parties to determine whether any overlaps exist between them. As stated above, Vukile's property portfolio comprises of office and retail space (including comparative centres) as well as land under development. Both Vukile and Synergy own comparative centres in various regions across South Africa with the exception of the Eastern Cape. The Nonesi Mall is a comparative centre in the market for rentable retail property. Thus, the Commission found that a horizontal overlap exists in the activities of the parties as both the acquiring firm and the target firm are involved in the provision of rentable retail property in respect of comparative centres. However, as the acquiring group does not own any retail property in the Eastern Cape or Queenstown, the Commission found that there is no geographic overlap between the activities of the parties.
- [10] On such basis, the Commission concluded that the proposed transaction is unlikely to substantially lessen or prevent competition in the relevant market.

Public interest:

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

² The market for rentable retail space can be divided into four categories: convenience centres, comparative centres, Lifestyle centres, value centres. Comparative centers are a type of shopping centre which may include larger community, minor regional, regional and super-regional sized centres. The tenant mix is typically geared towards a wide range of shops in which customers will be able to compare many items such as clothing or fashion items. In addition, these centres are typically characterized by destination shopping being the converse to convenience shopping. Based on these characteristics, comparative style shopping centres can generally be seen to be substitutable with one another.

Conclusion:

[12] 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.



Norman Manoim

15 April 2015
DATE

Yasmin Carrim and Andiswa Ndoni concurring

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