COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 021071

In the matter between:

Accelerate Property Fund Limited Primary Acquiring Firm

And

Parktown Crescent Properties Proprietary Limited Primary Target Firm

in respect of the KPMG-leased Properties

Panel	:	Norman Manoim (Presiding Member), Andiswa Ndoni (Tribunal Member) Yasmin Carrim (Tribunal Member)
Heard on	:	08 April 2015
Order issued on	:	08 April 2015
Reasons issued on	:	15 April 2015

Reasons for Decision

Approval

[1] On 08 April 2015 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between Accelerate Property Fund Limited ("Accelerate") and Parktown Crescent Properties Proprietary Limited ("PCP"), in respect of the KPMG-leased Properties. The reasons for approving the transaction follow.

Parties to the transaction

[2] The primary acquiring firm is Accelerate, a property investment company listed as a Real Estate Investment Trust ("REIT") on the Johannesburg

Securities Exchange ("JSE"). Accelerate is thus not controlled by any firm. Accelerate holds a portfolio of properties in prime locations throughout South Africa. Its primary business is the investment in, and acquisition of commercial, retail and industrial properties located in the Gauteng, Western Cape, Limpopo and KwaZulu Natal Provinces. Of relevance to the proposed transaction is Accelerate's interest in office properties.

[3] The primary target firm is PCP, established as a property holding company for certain properties tenanted by KPMG. It does not conduct any other business. The entire issued share capital in PCP is held by non-controlling shareholders, including certain directors and ex-directors of KPMG Incorporated ("KPMG") and certain directors and ex-directors of KPMG Services Proprietary Limited ("collectively the Sellers"). PCP is thus not controlled by any firm. PCP controls Wanooka Properties Limited ("Wanooka") as at 70% of its entire issued share capital. Wanooka is also a holding company in respect of the KPMG-leased Properties and does not conduct any other business.

Proposed transaction and rationale

[4] The target property is currently utilised by prominent financial services firm KPMG to run its business. The property is owned by some present and erstwhile KPMG directors through two separate entities. In terms of the transaction, Accelerate will become the owner of the property and KPMG will enter into a lease with it and continue to use the premises to run its business.

[5] Technically in terms of the way it is structured, Accelerate intends to acquire the entire issued share capital of PCP and the remaining 30% of the issued shares in Wanooka, not already owned by PCP. Post-merger, Accelerate will have sole control over PCP and Wanooka.

[6] The transaction enables the directors of KPMG who own shares in the property holding company to realise their investment. For Accelerate, which is in the business of property investment, it represents a business opportunity to add to its high quality office portfolio.

Competition assessment

[7] The relevant product market is the market for the provision of rental space in office property, classified as Grade A and B office property. This is because Accelerate owns Grade B office space and PCP owns Grade A office space.

[8] The Commission found that there was no product overlap arising from the proposed transaction. Accelerate owns Grade B office properties in Gauteng and Western Cape Provinces, whilst PCP's Grade A office properties are located in Gauteng, Limpopo, Eastern Cape and Mpumalanga Provinces.

[9] Given that the merging parties both own properties in the Gauteng Province the Commission also considered the nodes wherein the merging parties' properties are located to ascertain whether the properties are likely to pose a competitive constraint on each other. The Commission found that the merging parties do not own any office properties within the same node or adjacent to each other. The Commission thus concluded that the merging parties' properties located in the Gauteng Province are unlikely to competitively constrain each other.

[10] We agree with the Commission's findings above. The essence of the transaction is that directors and former directors of KPMG have decided to sell the property from where they practise to a third party property company. No other tenant is affected by the transaction. Given that

KPMG has also at the time of the sale secured what it considers a favourable lease no concerns arise from this transaction.[1]

Public Interest

[11] The merging parties confirmed that the proposed transaction will have no effect on employment. The proposed transaction also raised no other public interest concerns.

CONCLUSION

[12] We agree with the Commission's findings that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant product market. We therefore approve the transaction without conditions.

Mr Norman Manoim

15 April 2015
DATE

Ms Andiswa Ndoni and Ms Yasmin Carrim concurring.

Tribunal Researcher: **Caroline Sserufusa**
For the merging parties: Johan Coetzee of Glyn Marais Inc
For the Commission: Prishani Maheeph

[1] See comments of Mr Watkins in the transcript page 5.