

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 020933/LM222Mar15

In the matter between:

SA Corporate Real Estate Limited

Primary Acquiring Firm

And

**SA Corporate Real Estate Fund
and wholly owned subsidiaries/
fixed property companies of
SA Corporate Real Estate Fund
And**

Primary Target Firms

SA Corporate Real Estate Fund Manager

Panel	:	Medi Mokuena (Presiding Member), Andiswa Ndoni (Tribunal Member) Fiona Tregenna (Tribunal Member)
Heard on	:	06 May 2015
Order issued on	:	06 May 2015
Reasons issued on	:	27 May 2015

Reasons for Decision

Approval

- [1] On 06 May 2015 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between SA Corporate Real Estate Ltd ("SACREL") SA Corporate Real Estate Limited and wholly owned subsidiaries/fixed property companies of SA Corporate Real Estate Fund ("SACREF") and SA Corporate Real Estate Fund Manager ("SACREF Manco"). The reasons for approving the transaction follow.

Parties to the transaction

- [2] The primary acquiring firm is SACREL, which was previously known as Tornotype Ltd. SAREL is a public company incorporated solely for the purpose of this transaction, and currently provides no products and/or

services. Post-merger the current shareholders of SACREF will become new shareholders in SACREL, and none of them will control SACREF.

- [3] The primary target firms are SACREF and its wholly owned subsidiaries/fixed property companies and SACREF Manco. SACREF is listed on the Real Estate Investment Trust sector on the Johannesburg Security Exchange. SACREF owns a diverse range of properties from which rental income is derived. These properties include logistics, industrial, office, retail and other properties. SACREF Manco is controlled by Marriot Property Services (Pty) Ltd, a wholly owned subsidiary of Old Mutual Property (Pty) Ltd. SACREF Manco wholly owns SACREL, the primary acquiring firm in the proposed transaction. SACREF Manco is the existing management company of SACREF's property portfolio, and receives a monthly management fee.

Proposed transaction and rationale

- [4] Through the Amalgamation Agreement, SACREL wishes to acquire the entire issued share capital of SACREF Companies and all claims. In terms of the SACREF Manco Agreement, SACREL wishes to acquire the entire issued share capital of SACREF Manco, as well as all the shareholders claims.
- [5] The aim of the proposed transaction is to convert SACREF from its current form as an externally managed portfolio in a collective investment scheme in property, to an internally-managed corporate Real Estate Investment Fund ("REIT").

Competition assessment

- [6] The proposed transaction results in no horizontal overlap, since New SACREL is a newly established company that offers no products and /or services.

- [7] The Commission however identified a vertical overlap arising from the proposed transaction. This is as a result of the vertical relationship that exists between the merging parties, since SACREF Manco manages SACREF. However the Commission submitted that the vertical relationship is unlikely to result in any foreclosure concerns as pre-merger, SACREF Manco was only providing management services to SACREF and post-merger the status quo remains. The Commission thus concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the identified market. We agree with the Commission's findings.

Public Interest

- [8] The proposed transaction will have not have any negative impact on employment as no retrenchments are likely to occur as a result of the proposed transaction. This is because SACREL, SACREF and SACREF Manco do not have any employees. The proposed transaction raised no public interest concerns.

CONCLUSION

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


Ms Medi Mokuena

27 May 2015
DATE

Ms Andiswa Ndoni and Prof. Fiona Tregenna concurring.

Tribunal Researcher:	Caroline Sserufusa
For the merging parties:	Andries Le Grange of Cliffe Dekker Hofmeyr Attorneys
For the Commission:	Kgashane Kgomo