



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM196Dec15

In the matter between:

INDLUPLACE PROPERTIES LIMITED

Primary Acquiring Firm

and

**CLIDET NO.947 (PTY) LTD, SUGAR CREEK TRADING
289 (PTY) LTD, THE TRUSTEES FOR THE TIME BEING
OF THE SAWHF SA RENTAL 3 TRUST AND THE
TRUSTEES FOR THE TIME BEING OF THE SAWHF SA
RENTAL 4 TRUST IN RESPECT OF NINE PROPERTY
LETTING ENTERPRISES**

Primary Target Firm

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| Panel | : Norman Manoim (Presiding Member) |
| | : Imraan Valodia (Tribunal Member) |
| | : Medi Mokuena (Tribunal Member) |
| Heard on | : 24 February 2016 |
| Order Issued on | : 25 February 2016 |
| Reasons Issued on | : 16 March 2016 |

Reasons for Decision

Approval

- [1] On 24 February 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between Indluplace Properties Limited and Clidet No.947 (Pty) Ltd, Sugar Creek Trading 289 (Pty) Ltd, the trustees for the time being of the SAWHF SA Rental

3 Trust and the trustees for the time being of the SAWHF SA Rental 4 Trust in respect of nine property letting enterprises.

[2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

[3] The primary acquiring firm is Indluplace Properties Limited (“Indluplace”) a private company incorporated in the Republic of South Africa. Indluplace is listed on the Johannesburg Securities Exchange as a Residential Real Estate Investment Trust (“REIT”). Indluplace is controlled by Arrowhead Properties Limited (“Arrowhead”). Arrowhead is not controlled by any firm. Indluplace and Arrowhead control other firms, collectively, the “Acquiring Group”.¹

[4] Indluplace is a property investment company that invests in residential properties with a focus on affordable housing generally in larger urban centers close to work opportunities and transport infrastructure. Arrowhead holds a diverse portfolio of rentable retail, residential, office and industrial property throughout South Africa.

Primary target firm

[5] The primary target firm is Clidet No.947 (Pty) Ltd, Sugar Creek Trading 289 (Pty) Ltd, the trustees for the time being of the SAWHF SA Rental 3 Trust and the trustees for the time being of the SAWHF SA Rental 4 Trust (“the Fund”) in respect of nine property letting enterprises (“the Housing Fund Portfolio”).²

Proposed transaction and rationale

[6] The Fund is selling its asset known as the Housing Fund Portfolio in terms of an Acquisition of Immovable Properties Agreement. Subsequent to the transaction, Indluplace will acquire ownership of the Housing Fund Portfolio.

¹ See paragraphs 2-4, pages 5-6 of the Commission’s Recommendation for a list of companies that constitute the Acquiring Group.

² See paragraphs 7-9, page 7 of the Commission’s Recommendation for the breakdown of ownership/controllers of the companies constitution the Fund and for the nine property letting enterprises within the Housing Fund Portfolio.

- [7] Indluplace invests in residential properties with a focus on affordable housing generally in larger urban centers close to work opportunities and transport infrastructure.

Impact on competition

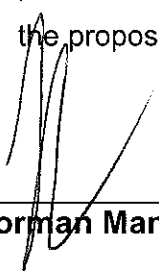
- [8] The Competition Commission ("Commission") submits that there is a horizontal overlap in the market for the provision of rentable residential property. The Commission carried out its analysis in the relevant markets within the geographic locations of Jansen Park in Boksburg (Gauteng), Theresa Park in Pretoria (Gauteng) and in Duvha Park in Witbank (Mpumalanga). The Commission noted that the Acquiring Group does not own any affordable housing property in the Western Cape Province, as such no analysis was carried out in that location.
- [9] The Commission found that the market share accretion within the relevant markets was negligible. The merging parties are relatively small players in the market and would continue to be constrained by other competitors in the relevant markets.
- [10] Competitors and third parties that were contacted by the Commission stated that they didn't "recognise" the merging parties in the provision of affordable rental space in the residential property market. Before the Tribunal, the Commission confirmed that the term "recognise" in such a context meant that the competitors and third parties viewed the Acquiring Group as a small player in the market that was not considered as substantial competition.
- [11] The Commission therefore concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.
- [12] We concur with the Commission's conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

- [13] The merging parties confirmed that the proposed transaction will not result in any adverse impact on employment.
- [14] The proposed transaction further raises no other public interest concerns.

Conclusion

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



Mr Norman Manoim

16 March 2016
DATE

Mr Imraan Valodia and Ms Medi Mokuena concurring

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| Tribunal Researcher: | Kameel Pancham |
| For the merging parties: | Baker & McKenzie |
| For the Commission: | Reabetswe Molotsi |