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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM015Apr17

In the matter between

Propertuity Development (Pty) Ltd	Primary Acquiring Firm
And	
Redefine Properties Ltd in respect of Jewel City	Primary Target Firm

Panel	: Mr Norman Manoim (Presiding Member)
	: Mr Enver Daniels (Tribunal Member)
	: Prof. Imraan Valodia (Tribunal Member)
Heard on	: 31 May 2017
Order Issued on	: 31 May 2017
Reasons Issued on	: 22 June 2017

REASONS FOR DECISION

Approval

[1] On 31 May 2017, the Competition Tribunal ("the Tribunal") unconditionally approved the large merger between Propertuity Development (Pty) Ltd ("Propertuity Development") and Redefine Properties Ltd ("Redefine") in respect of Jewel City, herein referred to as the merging parties.

[2] The reasons are as follows.

Parties to the transaction

Primary Acquiring Firm

[3] Propertuity Development is a property investment company that primarily engages in property development and holds a diverse portfolio of commercial, office, residential and retail properties throughout South Africa. It is jointly controlled by RMH Property Holdings (Pty) Ltd, JSL Investments (Pty) Ltd and Roho Investments 1 (Pty) Ltd. In turn, Propertuity Development controls a number of firms which include Main Street Life Trust, Revelation House Trust and Propertuity Management (Pty) Ltd. Propertuity Development's controllers and subsidiaries shall collectively be referred to as the Acquiring group.

[4] Of relevance to the proposed transaction is the Acquiring group's Grade A and B office properties within the Gauteng Province.

Primary Target Firm

[5] The Jewel City property ("the Target property") is located within the central business district (CBD) of Johannesburg, and is wholly owned by Redefine.

[6] The Target property is defined as a Grade B office property.

Proposed transaction and rationale

[7] The proposed transaction entails the sale of the Target property as an asset.

[8] The sale is subject to a delayed transfer condition. At the hearing Mr Ricky Luntz, the Managing Director of Propertuity Development, explained that until the Target property is transferred to the Acquiring group, which is likely to be in September 2018, Redefine will remain in control of the Target property and will retain the income derived from the tenants in place. Once the property is registered in the Deeds Office, the Acquiring group will control of the Target property without any restrictions of the sale agreement. In essence, the

proposed transaction shall be effectively implemented once the delayed transfer condition is satisfied.

[9] The Acquiring group expresses interest in the Target property and views it as an attractive investment from which it can derive income. Currently, Redefine is pursuing a strategy of investing in core-asset properties in certain areas. It is of the view that the Target property no longer fits into its investment strategy and therefore has decided to sell the Target property to the Acquiring group.

Relevant market and impact on competition

[10] The Commission considered the activities of the merging parties and found that the proposed transaction presents a horizontal overlap as the merging parties provide rentable Grade B office space in the Johannesburg CBD node (the relevant market). At the conclusion of its investigation, the Commission found that post-merger, the merged entity will have a minor market share of 5.5% with an accretion of 4.3% in the relevant market. Furthermore, the merged entity will still face competition from other players such as Delta Property Fund.

[11] In view of the minor market share accretion in the relevant market, the Commission concluded that the proposed transaction is unlikely to substantially lessen or prevent competition in the relevant market. We agree with the Commission's findings although had the concentration been higher it might have been worth investigating whether the Target Property could be differentiated from other Grade B properties. At the hearing we were informed that rentals at the Target Property were higher than those of other Grade B properties because the building required greater security given its tenants were in the jewellery business. On the present facts however this is not an issue we need to determine.

Public interest

[12] The merging parties submitted that the proposed transaction will have no effect on employment as the Acquiring group nor the Target property have any

employees. Given that the merging parties will operate as they did pre-merger, the Commission is of the view that the proposed transaction will not have any adverse effects on employment and does not raise any other public interest concerns.

Conclusion

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

Mr Norman Manoim	**22 June 2017** **Date**

Mr Enver Daniels and Prof. Imraan Valodia concurring

Tribunal Researcher	:Mr Ndumiso Ndlovu
For the merging parties	:Ms Vani Chetty of Baker McKenzie
For the Commission	:Ms Zintle Siyo