



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM126Aug17

In the matter between:

INDLUPLACE PROPRIETARY LIMITED

Acquiring Firm

And

TARGET FIRMS LISTED IN ANNEXURE 1

Target Firms

Panel	: Norman Manoim (Presiding Member)
	: Yasmin Carrim (Tribunal Member)
	: Fiona Tregenna (Tribunal Member)
Heard on	: 27 September 2017
Order Issued on	: 27 September 2017
Reasons Issued on	: 24 October 2017

Reasons for Decision

APPROVAL

- [1] On 27 September 2017, the Competition Tribunal ("Tribunal") approved a transaction in which Indluplace Proprietary Limited ("Indluplace") purchased a number of firms listed in Annexure 1 to these reasons ("target firms") without conditions.
- [2] The reasons for the approval follow.

PARTIES TO THE TRANSACTION AND THEIR ACTIVITIES

Primary Acquiring Firm

- [3] Indluplace is controlled by Arrowhead Properties Limited ("Arrowhead"), which holds a 60% controlling interest in the firm.¹
- [4] Indluplace controls a number of entities within South Africa. Relevant to the current transaction is its control of Friedshelf 1781 (Pty) Ltd ("Friedshelf").
- [5] Indluplace is a property investment company which invests in residential properties with a focus on affordable housing in large urban centres close to work opportunities and transport infrastructure.

Primary Target Firms

- [6] The target firms are all entities which own various residential property letting enterprises in Gauteng and Durban. The merging parties submit that the firms can be separated into two portfolios.
- [7] The firms in the first portfolio (numbers 1-15 in Annexure A) are all controlled by Malewell Investments Pty Ltd ("Malewell") a holding company which controls a number of properties and other investments across South Africa. The firms in the second portfolio (numbers 16-20 in Annexure A) are controlled by various trusts which are all affiliated to Malewell.
- [8] All twenty entities are members of, or affiliated to, the Buffet Group of companies, which hold interests in the rentable property market and are grouped by the shared interest Malewell, Malewell Two Pty (Ltd), the Fynbos Trust and Melkbos Trust have in them.

¹ Arrowhead is a company incorporated in accordance with the Laws of the republic of South Africa and listed on the Johannesburg Securities Exchange.

PROPOSED TRANSACTION AND RATIONALE

- [9] The proposed transaction involves Friedshelf acquiring the entire issued share capital of the first portfolio companies and Indluplace acquiring the second portfolio.
- [10] In terms of rationale, Indluplace submits that the transaction is in line with its strategy to grow its residential portfolio through the acquisition of yield enhancing properties which diversifies its portfolio with well-located, quality properties.
- [11] The Buffet group submits that the proposed transaction will realise its investment in the properties.

RELEVANT MARKETS AND IMPACT ON COMPETITION

- [12] The Commission found that transaction raised a horizontal overlap between the activities of the merging parties in respect of rentable residential property space.
- [13] The Commission assessed the overlap between the activities of the merging parties in a number of geographic nodes,² using data provided by the merging parties which was sourced from the publically available Property24 report. In none of the assessed markets did the post-transaction market share exceed 5% nor did the accretion exceed 2%.
- [14] In all the geographic nodes assessed, the Commission submitted that the post-merger entity would face competition from numerous firms that own residential property, constraining its ability to prevent or lessen competition.

² These nodes included: Johannesburg inner city and surrounding nodes; Randburg and surrounding nodes, Kempton park and surrounding nodes, Benoni, Roodepoort, and Vanderbijl Park.

[15] The Commission concluded that the proposed merger is unlikely to raise any competition concerns in any of the rentable residential property markets and is therefore unlikely to substantially prevent or lessen competition.

[16] We see no reason to differ from this conclusion.

CONCLUSION

[17] Although presenting horizontal overlaps the post-merger market shares are too low to raise concern.

[18] The proposed transaction does not raise any public interest concerns.

[19] Accordingly, the transaction was approved without conditions.



Norman Manóim

24 October 2017
Date

Yasmin Carrim and Fiona Tregenna concurring.

Tribunal Researcher: Alistair Dey-Van Heerden

For the merging parties: Lerisha Naidu of Baker McKenzie

For the Commission: Tomiso Loate and Ratshidaho Maphwanya

ANNEXURE 1

1. Yieldex 1 Proprietary Limited;
2. Yieldex 4 Proprietary Limited;
3. Yieldex 7 Proprietary Limited;
4. Yieldex 10 Proprietary Limited;
5. Unlocked Properties 1 Proprietary Limited;
6. Unlocked Properties 6 Proprietary Limited;
7. Unlocked Properties 10 Proprietary Limited;
8. Unlocked Properties 11 Proprietary Limited;
9. Unlocked Properties 12 Proprietary Limited;
10. Unlocked Properties 13 Proprietary Limited;
11. Unlocked Properties 14 Proprietary Limited;
12. Unlocked Properties 21 Proprietary Limited;
13. Ixonix Proprietary Limited;
14. Buffshelfco 7 Proprietary Limited;
15. First Residential Project Proprietary Limited;
16. The Trustees for the time being of Buffshelf 51 Trust in respect of the property letting enterprises known as Cranborough Mews, Rothchild Manor, Upper East Side, Villa Mia, Rand President, Summer Place, Noordheuwel Heights, and Surrey;
17. The Trustees for the time being of Buffshelf 62 Trust in respect of the property letting enterprises known as Logan's View, Sunset View, Kilimanjaro, Jackson's Cove, Sparrow Hawk, Germiston, and Waterfront;
18. The Trustees for the time being of Buffshelf 63 Trust in respect of the property letting enterprises known as Rhodesfield;
19. The Trustees for the time being of Buffshelf 74 Trust in respect of the property letting enterprises known as Kings, Samuel, Ezra, Chronicles, Leviticus, Exodus, Genesis, Judges, Nehemiah, Deuteronomy, Numbers, Joshua, and Ruth; and
20. The Trustees for the time being of Buffshelf 92 Trust in respect of the property letting enterprises known as Arches, Cedar Valley, Westwood and Huntingdon Place, Maria Mansions, Robwill Mansions, and Springbok Court.