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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM097Jun18

In the matter between:

Futuregrowth Asset Management (Pty) Ltd, acting as agent for Old Mutual Life Assurance Company (South Africa) Limited	Primary Acquiring Firm
And	
Citiq Treasury (Pty) Ltd	Primary Target Firms
Citiq Property Services (Pty) Ltd	

Panel	: Andreas Wessels (Presiding Member)
	: Andiswa Ndoni (Tribunal Member)
	: Medi Mokuena (Tribunal Member)
Heard on	: 8 August 2018
Order Issued on	: 8 August 2018
Reasons Issued on	: 22 August 2018

REASONS FOR DECISION

Approval

[1] On 8 August 2018, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth"), Citiq Treasury (Pty) Ltd ("Citiq Treasury") and Citiq Property Services (Pty) Ltd ("CPS"), hereinafter collectively referred to as the merging parties.

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

Parties to the proposed transaction

Primary Acquiring Firm

[3] The primary acquiring firm is Futuregrowth, acting as an agent for Old Mutual Life Assurance Company (South Africa) Limited ("OMLACSA"). Futuregrowth is wholly owned by Old Mutual Investment Group Holdings (Pty) Ltd ("OMIG").

[4] Futuregrowth is a specialist asset management company operating within the Old Mutual group of companies. Of relevance to the competition assessment of the proposed transaction is the Old Mutual group's diversified portfolio of immovable properties and rental enterprises.

Primary Target Firms

[5] The primary target firms are (i) Citiq Treasury; and (ii) CPS. Citiq Treasury and CPS are wholly owned by Citiq (Pty) Ltd ("Citiq"). Citiq is jointly controlled by Stanislaus Investments (Pty) Ltd and OMLACSA.

[6] Citiq Treasury operates as a property holding company. CPS is the property administration and rental management division of Citiq.

Proposed transaction

[7] In terms of the proposed transaction, which takes place in multi-transaction steps, Futuregrowth will acquire from Citiq the entire issued share capital in and all the claims against Citiq Treasury and CPS.

Impact on competition

[8] The Competition Commission ("Commission") considered the activities of the merging parties and found that the proposed transaction presents a horizontal overlap in the following four product markets:

(i) the market for rentable office space;

(ii) the market for rentable retail property classified as convenience centres;

(iii) the market for rentable residential space; and

(iv) the market for rentable residential property used for student accommodation.

[9] We take no view in these reasons regarding the exact scope of the relevant geographic markets for each of the abovementioned product markets. Leaving the geographic market delineation open does not affect our ultimate conclusion.

Rentable office space

[10] In respect of rentable office space, the Commission found no geographic overlap between the office properties owned by the merging parties.

Convenience centres

[11] In respect of rentable retail property classified as convenience centres, the target firms own a property known as 27 Boxes situated in the Melville area. The Commission did not adopt a definitive view on the exact scope of the relevant geographic market but, based on customer interviews conducted, assessed the effects of the proposed transaction on convenience centres within an 8 km radius of 27 Boxes.

[12] On the above basis the merged entity will have a post-merger market share of less than 20%. The Commission further submitted that the convenience centres in the immediate vicinity of the target property that will constrain the merged entity include Campus Square Shopping Centre, Game Building Sopping Centre and Northcliff Corner.

Rentable residential space

[13] Regarding the provision of rentable residential property, the merging parties own properties in the suburbs of Berea, Bellevue, Hillbrow and Rosettenville.

[14] In relation to Berea, the Commission found that the merged entity's post-merger market share will be below 20%. In relation to Bellevue, the Commission found that the merged entity's post-merger market share will be below 10%. In relation to Hillbrow, the Commission found that the merged entity's post-merger market

share will be below 20%. In relation to Rosettenville, the Commission found that the merged entity's post-merger market share will be below 5%. The Commission further found that there are numerous alternative residential property owners in each of these areas that will continue to constrain the merged entity post-merger.

Student accommodation

[15] In relation to student accommodation, the Commission found an overlap between the merging parties' activities with regard to the provision of student accommodation in the Johannesburg CBD.

[16] The Tribunal questioned the Commission and the merging parties about the geographic overlap of activities in relation to student accommodation, the methodology for calculating market shares, as well as the sources of information to determine market shares.[1]

[17] Responding to questions from the Tribunal, the Commission indicated that it calculated market shares based on the number of beds of each provider. The Commission said that it contacted several providers of student accommodation in the Johannesburg CBD and requested information on their number of beds. The Tribunal requested further details of this market investigation, which the Commission provided directly after the hearing.[2]

[18] The Commission said that its market investigation confirmed that the merged entity will have a market share of less than 15% in the provision of student accommodation in the Johannesburg CBD. The Commission identified *inter alia* the following competitors in this market: Respublica, MMI Property Management, South Point Management Services, the University of Johannesburg and the Witwatersrand University.

[19] The Commission ultimately concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. We have no reason to disagree with this conclusion.

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[1] Transcript, pages 9 to 14.
[2] See Commission's letter of 8 August 2018.

Public interest

[20] The merging parties confirmed that the proposed transaction will not have any negative effects on employment in South Africa.[3]

[21] The proposed transaction raises no other public interest concerns.

Conclusion

[22] 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 concerns arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

Mr Andreas Wessels

22 August 2018

Date

Ms Andiswa Ndoni and Mrs Medi Mokuena concurring

Tribunal Case Manager:	Hlumelo Vazi
For the merging parties:	S Meyer of Cliffe Dekker Hofmeyr Inc
For the Commission:	B Ntshingila and T Masithulela

[3] Merger Record, pages 9, 67, 673.