

In the large merger between:

Emira Property Fund (Pty) Ltd

and

PCP Equity (Pty) Ltd

Reasons for Decision

Approval

1. On 17 December 2003 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Emira Property Fund (Pty) Ltd (“the Fund”) and PCP Equity (Pty) Ltd (“PCP”). The reasons for this decision follow.

The transaction

2. This is an acquisition, on behalf of Momentum Property Investments (Pty) Ltd (“MPI”), of the office and retail properties owned by PCP. The Fund is a listed investment scheme in property, established in terms of the Collective Investment Schemes Control Act 45 of 2002 for purposes of the transaction.

The parties

3. The primary acquiring firm is the Fund, established on behalf of MPI. MPI is a wholly owned subsidiary of Momentum Group Limited and ultimately controlled by FirstRand Limited.

4. The primary target firms are the following wholly owned subsidiaries of PCP:
 - i) Linksfield Centre Properties (Pty) Ltd, which owns the Linksfield Centre;
 - ii) East Rand Junction (Pty) Ltd, which owns East Rand Junction;
 - iii) Primeview Properties (Pty) Ltd, which owns Market Square, and
 - iv) Hightower Properties (Pty) Ltd, which owns East Coast Radio.

Evaluating the merger

The relevant market

Product market

5. Within the property sector, the parties are both active in the office property and retail property segments.

1. Office property

6. In a recent decision the Tribunal accepted that within the office property segment, the different grades of office property (grades A, B, C and P) constitute different relevant product markets.¹ There is no reason to deviate from this market definition.
7. FirstRand competes in respect of Grades A, B and C office property, while PCP competes in respect of Grade A office property only.
8. Hence, the relevant product market, within the office property segment, is Grade A property.

2. Retail Property

9. We accept, as we have elsewhere, that within retail property, community shopping centres, neighbourhood shopping centres, local convenience centres, value centres and shopping malls, constitute different relevant markets.²

¹ See Momentum Property Investments (Pty) Ltd and Bonatla Property Holdings Limited, case no. 34/LM/Jul03.

² See Primegro Properties Ltd and Growthpoint Properties Ltd, case no. 29/LM/Jun03.

10. FirstRand competes in respect of community shopping centres, neighbourhood shopping centres and local convenience shopping centres. PCP, on the other hand, competes only in respect of neighbourhood shopping centres and community shopping centres.

11. Thus the relevant product markets, within the retail property segment are neighbourhood shopping centres and community shopping centres.

Geographic market

12. Participants in the property industry tend to classify geographic markets as local. The areas are grouped together into “nodes”; all the areas within a node compete with each other.

13. The acquiring group does not provide the same grade of rentable property as the target properties do, within the same nodes. Thus there is no geographic overlap between the parties.

Impact on competition

14. Since there is no geographic overlap between the relevant product markets, as identified, we accept that the transaction will not impact on the competitive status of any of these markets.

Public interest

Employment

15. The parties submit that the transaction will result in the retrenchment of the two people currently employed by Primeview Properties (Pty) Ltd.

Conclusion

16. We conclude that the merger will not lead to a substantial lessening of competition. There are no significant public interest concerns, which warrant a different conclusion. Accordingly, we agree with the Commission’s recommendation that the transaction be unconditionally approved.

N. Manoim

18 December 2003
Date

Concurring: L. Reyburn, T. Orleyn

For the merging parties:	Hofmeyr Herbstein & Gihwala Inc.
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For the Commission:	M. van Hoven, Mergers and Acquisitions division, Competition Commission.
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