



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM159Oct15

In the matter between:

Arrowhead Properties Limited

Acquiring Firm

And

**Redefine Properties Limited in respect of
the property letting enterprise known as Cleary Park**

Target Firm

Panel	: Yasmin Carrim (Presiding Member)
	: Mondo Mazwai (Tribunal Member)
	: Fiona Tregenna (Tribunal Member)
Heard on	: 18 November 2015
Order Issued on	: 18 November 2015
Reasons Issued on	: 25 November 2015

Reasons for Decision

Approval

- [1] On 18 November 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Arrowhead Properties Limited ("Arrowhead") and Redefine Properties Limited ("Redefine") in respect of the property letting enterprise known as Cleary Park.
- [2] The reasons for approving the proposed transaction follow.

Parties to transaction and their Activities

Primary acquiring firm

[3] The primary acquiring firm is Arrowhead, a public company incorporated in accordance with the laws of the Republic of South Africa. Arrowhead is listed on the Johannesburg Securities Exchange Limited ("JSE") and accordingly is not controlled by any firm. Arrowhead controls Indluplace Properties Limited and Vividend Income Fund Limited which in turn control a number of firms.

[4] Arrowhead holds a diverse portfolio of properties comprising rentable retail, residential, office and industrial space located across South Africa. Relevant to the proposed transaction is the fact that the acquiring group owns a number of rentable retail properties in the province of the Eastern Cape.¹ Moreover, it owns one comparative centre in Mitchell's Plain in the Western Cape.

Primary target firm

[5] The primary target firm is Redefine in respect of the property letting enterprise known as Cleary Park. Redefine is a public firm incorporated in accordance with the laws of the Republic of South Africa. Redefine is listed on the JSE and is not controlled by any firm. Cleary Park does not control any firm.

[6] Redefine is a property loan stock company. It holds a diverse property portfolio which comprises office, retail and industrial space throughout South Africa. Cleary Park is a minor regional shopping centre located in Bethelsdorp, Port Elizabeth.

¹ These properties include The Arches, Market Square Centre, Tsolo and Sterkspruit.

Proposed transaction and rationale:

- [7] In terms of the proposed transaction, Arrowhead will acquire Cleary Park from Redefine. Post-transaction, Arrowhead will own the target enterprise.
- [8] Arrowhead submits that it is focused on acquiring a portfolio of retail centres and has identified Cleary Park as a suitable investment. According to Redefine, its current strategy is to invest in assets of a certain quality in specific areas. Cleary Park no longer forms part of this strategy thus Redefine has taken the decision to exit this non-core asset in order to refocus its portfolio on its core asset portfolio.

Impact on Competition:

- [9] The Competition Commission ("Commission") identified the relevant market to be the market for the provision of rentable retail space in comparative regional shopping centres ("comparative centres").² In this regard, it is important to note that the acquiring group owns a number of retail properties but only one comparative centre which is located in the Western Cape. Conversely, the target enterprise is a comparative centre located in Port Elizabeth.
- [10] The Commission considered the property portfolios of the merging parties and found that there is an overlap in the market for the provision of rentable retail space in relation to comparative centres. However, as the acquiring group does not own any comparative centres in the Eastern Cape which is where the target enterprise is located, there is no geographic overlap. Further, the Commission found that the closest retail property of the acquiring group is a stand-alone retail unit located 23.2km.
- [11] The Commission accordingly concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the market for the provision of rentable retail space in comparative centres.

² In determining the relevant market, the Commission considered the fact that the acquiring group owns a combination of minor regional centres, neighbourhood centres, local convenience centres and small free-standing centres and that the target enterprise is a minor regional shopping centre. It further considered the Tribunal decision in the *Fountainhead Property Trust Scheme and Pareto Limited merger* (Tribunal case no: 018556) where it accepted that regional centres fall within a comparative centre category and that comparative centres are unlikely to be constrained by centres which fall within other categories.

Public interest:

[12] The Commission concluded that there are no public interest concerns likely to arise from the proposed transaction.

Conclusion:

[13] In light of the above, we agree with the Commission's analysis and conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market. In addition, no public interest issues arise from the proposed transaction.



Yasmin Carrim

25 November 2015

DATE

Mondo Mazwai and Fiona Tregenna concurring

Tribunal Researcher:	Ammara Cachalia
For the merging parties:	Vani Chetty, Baker McKenzie
For the Commission:	Thato Mkhize