



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM129Oct22

In the matter between:

Redefine Properties Limited

Primary Acquiring Firm

and

VDMV Brackengate 2 (Pty) Limited

Primary Target Firm

Panel : S Goga (Presiding Member)
: M Mazwai (Tribunal Member)
: F Tregenna (Tribunal Member)

Heard on : 02 November 2022
Order issued on : 02 November 2022
Reasons issued on : 13 December 2022

REASONS FOR DECISION

Approval

- [1] On 02 November 2022, the Competition Tribunal ("Tribunal") unconditionally approved a large merger whereby Redefine Properties Limited ("Redefine Properties") intends to acquire the remaining 49.9% undivided share in the property letting enterprise known as Massmart Brackengate from VDMV Brackengate 2 (Pty) Ltd ("VDMV Brackengate"). Post-merger, Redefine Properties will hold 100% of Massmart Brackengate's issued shares and acquire sole control over Massmart Brackengate.

Parties to the transaction and their activities

Primary acquiring firm

- [2] The primary acquiring firm is Redefine Properties, which is not controlled by any single shareholder. Redefine Properties is a Real Estate Investment Trust ("REIT") that is publicly listed on the Johannesburg Stock Exchange ("JSE").
- [3] Redefine Properties' property portfolio comprises a diverse range of properties including office, retail, residential and industrial space situated throughout South Africa.

Primary target firm

- [4] The primary target firm is VDMV Brackengate, in respect of a 49.9% undivided share in the property letting enterprise known as Massmart Brackengate ("Target Property").
- [5] VDMV Brackengate is partially controlled by VDMV Property Holdings which is in turn controlled by VDMV Property Group (Pty) Ltd.
- [6] VDMV Brackengate is an investment property fund, which forms part of the wider VDMV group, with a diversified investment, commercial and industrial property portfolio.

Proposed transaction and rationale

Transaction

- [7] In terms of the proposed transaction, Redefine Properties will acquire the remaining 49.9% undivided share in the property letting enterprise known as Massmart Brackengate from VDMV Brackengate. Post-merger, Redefine Properties will exercise sole control over Massmart Brackengate.

Rationale

- [8] The primary acquiring firm submits that the proposed transaction will complement the size and quality of Redefine Properties' industrial portfolio. This will further advance Redefine Properties' investment strategy in a more accretive asset portfolio through the alignment of prime and quality assets at attractive yields.

- [9] [REDACTED]

Competition Assessment

Relevant Market

- [10] In defining the relevant product market, the merging parties relied on data from the South African Property Owners' Association ("SAPOA"). In addition, the merging parties relied on earlier Tribunal decisions in the *Primegro Properties Limited and Growthpoint Properties Limited*¹ case, and in the *Investec Property Limited and Edgardale Properties* case, where the Tribunal accepted that light industrial property included logistics/warehouse space.² The merging parties submitted that the market is the market for rentable light industrial space. Furthermore, from a geographic market perspective, they consider the catchment to be within a geographical node within a 12km radius.
- [11] The Competition Commission ("the Commission") assessed the activities of the merging parties and found that the proposed transaction does present a product overlap as the acquiring firm, and target firm both own and control rentable light industrial properties. Redefine Properties owns 7 rentable light industrial properties located within a 12 km radius of the Target Property.
- [12] However, due to the competition analysis, the Commission found it unnecessary in this case to definitively define the relevant product market.

Competition analysis

- [13] The Commission noted that overlaps in the merging parties' industrial property portfolios exist since Redefine Properties currently holds 50.1% of the Target Property.
- [14] The Commission concluded that the proposed transaction is therefore unlikely to significantly lessen or prevent competition in any relevant market given that it would transfer ownership of the Target Property from joint to sole ownership and would not result in growth in market share after the merger.
- [15] No third-party concerns were raised regarding the transaction.
- [16] Having considered the above, the Tribunal is of the view that the proposed transaction is unlikely to result in substantial prevention or lessening of competition in any relevant market.

¹ *Primegro Properties Limited and Growthpoint Properties Limited*, Case No.: 29/LM/Jun03.

² *Investec Property Limited and Edgardale Properties*, Case No.: 20/LM/Mar11. See also *Redefine Properties Limited and Chantilly Trading 95 (Pty) Ltd in respect of the property letting enterprise known as Ellerines Warehouse Cato Ridge*, Tribunal case number 01774 (31 October 2013).

Public Interest

Effect on employment

- [17] The Commission considered whether the proposed transaction would have an adverse effect on employment. The merging parties submitted that the property management functions of Massmart Brackengate are provided by VDMV Property Management and will be managed by Redefine going forward. Employees currently involved in the management of Massmart Brackengate will continue to work for VDMV Property Management since they are not entirely dedicated to the Massmart Brackengate property.
- [18] The Commission engaged with the Acquiring Group and Target Firm's employees are not represented by any trade union, who confirmed that the employees did not raise any concerns in connection with the proposed transaction. As a result, the Commission concluded that proposed transaction is unlikely to raise employment concerns.

Effect on the spread of ownership

- [19] The Commission further assessed the impact on a greater spread of ownership. According to the merging parties, Massmart Brackengate is currently owned 50.1% by Redefine Properties and 49.9% by VDMV Brackengate. Redefine will post-merger have sole control over Massmart Brackengate. VDMV Brackengate is not currently owned or controlled by HDP. Redefine Properties is a level 1 B-BBEE contributor.
- [20] After considering the above, the Commission concluded that the proposed transaction is unlikely to have a negative impact on the promotion of a greater spread of ownership.

Conclusion

- [21] Considering the above, the Tribunal concludes that the proposed transaction is unlikely to significantly reduce or lessen competition in any relevant market. Furthermore, there are no public interest concerns raised by the transaction.

Signed by: Sha'ista Goga
Signed at: 2022-12-13 21:19:41 +02:00
Reason: Witnessing Sha'ista Goga

Sha'ista Goga

Presiding Member
Ms Sha'ista Goga

13 December 2022

Date

Concurring: Ms Mondo Mazwai and Professor Fiona Tregenna

Tribunal Case Managers : Baneng Naape
For the Merging Parties : Vani Chetty of Vani Chetty Competition Law
For the Competition : Inga Macingwane and Thabelo Masithulela