



## COMPETITION TRIBUNAL OF SOUTH AFRICA

**Case No: 85/LM/SEP11**

In the matter between:

**REDEFINE PROPERTIES LTD**

Acquiring Firm

And

**ZENPROP PROPERTY HOLDINGS  
IN RESPECT OF A PORTFOLIO OF  
PROPERTY LETTING ENTERPRISES**

Target Firm

Panel : Norman Manoim (Presiding Member)  
Merle Holden (Tribunal Member)  
Medi Mokuena (Tribunal Member)  
Heard on : 29 November 2011  
Order issued on : 29 November 2011  
Reasons issued on : 01 December 2011

### **Reasons for Decision**

#### **Approval**

- 1] On 29 November 2011, the Competition Tribunal ("Tribunal") approved the large merger between Redefine Properties Ltd and Zenprop Property Holdings, in respect of a portfolio of property letting enterprises ("Zenprop"). We explain below our reasons for this conclusion.

## **The Parties to the transaction**

- 2] The primary acquiring firm is Redefine Properties Ltd (“Redefine”), a public company incorporated in accordance with the laws of the Republic of South Africa. Redefine is not controlled by any firm, however, it controls a number of subsidiaries.
- 3] The primary target firm is Zenprop Property Holdings (“Zenprop”), which is a privately-held South African based property investment, development and management company, specifically in terms of this transaction in respect of a portfolio of property letting enterprises. Gingko Trust and Fynbos Trust have the largest shareholding in Zenprop, being a 33.820% and 32.590% interest respectively. Zenprop directly or indirectly controls 64 companies and has a property portfolio of approximately 90 A-Grade buildings.
- 4] In terms of the transaction, Redefine will acquire 14 property-letting enterprises from Zenprop.

## **The Rationale**

- 5] The merging parties submitted that the acquisition is in line with Redefine’s strategy to improve the quality of its property portfolio by focussing on larger higher-grade investment properties. The sale of the 14 properties will enable Zenprop to fund its future growth, as well as to finance investments in new developments. It will also enable Zenprop to realise a value to purchase more properties and to unlock value in older properties to acquire new properties. Zenprop requires cash to develop and build new properties.

## **The parties’ activities**

- 6] Redefine is a property loan stock company with companies in commercial retail property, office space and industrial space in South Africa.
- 7] Zenprop is a property development and investment company and its portfolio is spread across the retail, commercial, industrial and hotel property sectors within the major business centres in South Africa.

## **The relevant market and the impact on competition**

- 8] There are both product and geographic overlap in the parties' activities regarding rentable A-Grade office space in the Cape Town CBD, Fourways and Sandton, in rentable retail space in Fourways and lastly in the market for light industrial space in Midrand.
- 9] However, the Commission found that the post-merger market shares are too low to substantially prevent or lessen competition in each of the product markets, as can be seen below:

### Market shares: Rentable A-Grade office space

<b>Node</b>	<b>Pre-merger market share</b>	<b>Post-merger market share</b>
Cape Town CBD	13.78%	18.17%
Sandton	5.68%	6.92%
Fourways	2.07%	5.84%

### Market shares: Retail space

<b>Node</b>	<b>Pre-merger market share</b>	<b>Post-merger market share</b>
Cape Town CBD	7.03%	9.25%

### Market shares: Light industrial space

<b>Node</b>	<b>Pre-merger market share</b>	<b>Post-merger market share</b>
Midrand	1.03%	1.66%

## **Conclusion**

- 10] The parties submitted that the proposed transaction will not result in any employment losses. The proposed transaction does not raise any other public interest issues.
- 11] The Tribunal agrees with the recommendation of the Commission that, in light of the low post-merger market shares and other large competitors active in those markets, the acquisition of the portfolio of properties is unlikely to result in substantial prevention or lessening of competition in the relevant market. Accordingly, we approve the above merger unconditionally.

**NORMAN MANOIM**

**01 December 2011**  
**DATE**

**Merle Holden and Medi Mokuena**

Tribunal Researcher: Nicola Ilgner

For the merging parties: Vani Chetty Competition Law

For the Commission: Bheki Masilela