



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM095Aug16

In the matter between:

RMB HOLDINGS LIMITED

Acquiring Firm

And

PROPERTUITY DEVELOPMENT PROPRIETARY LIMITED

Target Firm

Panel	: Mondo Mazwai (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Imraan Valodia (Tribunal Member)
Heard on	: 26 October 2016
Order Issued on	: 26 October 2016
Reasons Issued on	: 14 November 2016

Reasons for Decision

APPROVAL

- [1] On 26 October 2016, the Competition Tribunal approved a large merger between RMB Holdings Limited ("RMBH") and Propertuity Development Proprietary Limited ("Propertuity").
- [2] The reasons for the approval follow.

PARTIES TO THE TRANSACTION AND THEIR ACTIVITIES

Primary Acquiring Firm

- [3] RMBH is a private company incorporated in accordance with the laws of the Republic of South Africa and not controlled by any firm. RMBH is a focused investment company with a 27.5% controlling interest in Atterbury Property Holdings (Pty) Ltd ("Atterbury").
- [4] Atterbury is a property investment and development firm with a portfolio of properties and developments in the Gauteng, Limpopo, North-West and Western Cape provinces. These properties and developments are spread across office, commercial, residential and retail segments.
- [5] Collectively, Atterbury and RMBH will be referred to as the "acquiring group".

Primary Target Firm

- [6] The target business is a property investment company with a focus on property development and regeneration in urban spaces, holding interests in Gauteng and Kwa-Zulu Natal.

PROPOSED TRANSACTION AND RATIONALE

- [7] The proposed transaction involves an acquisition by RMBH of 34.07% of the shares in Propertytuity. Post transaction, RMBH will be able to veto the appointment of senior management and executive, therefore exercising control in Propertytuity in terms of s12(2)(g) of the Competition Act 89 of 1998 ("the Act").
- [8] In terms of rationale, RMBH submitted the proposed transaction was in line with its strategy of investing in property businesses with strong entrepreneurial management teams.

- [9] Propertuity submitted that the transaction presents an equity injection which will allow the company to grow its vision for inner city areas and allow the company to invest in funding in systems and infrastructure of the business itself.

RELEVANT MARKETS AND IMPACT ON COMPETITION

- [10] Both Propertuity and the acquiring group, through its control of Atterbury, possess property portfolios in Gauteng. Atterbury's consists of retail, industrial, residential and short-term accommodation property. Propertuity's consists of retail, residential, industrial, office, hotel, parking, storage, and artist studio properties.
- [11] In its analysis, the Commission found a horizontal overlap in the differentiated product sub-markets for the provision of retail space in convenience centres within the Johannesburg CBD and surrounding areas, Grade A and Grade B office property in the Johannesburg CBD and surrounding nodes and short-term accommodation in the Johannesburg CBD and surrounding areas.
- [12] In the market for the provision of retail space in convenience centres within the Johannesburg CBD and surrounding areas, the merged entity will have a market share of approximately 18.51% with an accretion of 0.24%. The Commission submitted that the merged entity will additionally be constrained by at least twelve other convenience centres in a 5km radius.
- [13] In the market for Grade A and Grade B office property in the Johannesburg CBD and surrounding nodes, the merged entity will possess a market share of approximately 2.34% and, as such, the Commission submitted that it is unlikely to substantially prevent or lessen competition.
- [14] In the market for short-term accommodation in the Johannesburg CBD and surrounding areas, the Commission found an overlap in the market for the provision of 4 star accommodation in Johannesburg. On the Commission's

calculations, the merged entity will possess a 17.1% market share with an accretion of approximately 5.03%. The merged entity will continue to face competition from numerous hotels, constraining its ability to prevent or lessen competition.

[15] The proposed merger thus does not create any competition concerns.

CONCLUSION

[16] Although presenting horizontal overlaps, the post-merger market shares in such markets as well as the presence of strong competitors will render such overlaps nugatory.

[17] The proposed transaction does not raise any public interest concerns.

[18] Accordingly, we approved the transaction without conditions.



Mondo Mazwai

14 October 2016
Date

Medi Mokuena and Prof. Imraan Valodia concurring.

Tribunal Researcher: Alistair Dey-Van Heerden

For the merging parties: Albert Aukema of Cliffe Dekker Hofmeyr

For the Commission: Nolubabalo Myoli