



DETERMINATION OF MERGER NOTIFICATION M/18/043 - IPUT PLC/DELOITTE HOUSE

Section 21 of the Competition Act 2002

Proposed acquisition by IPUT plc, of the asset constituting Deloitte House, 29 Earlsfort Terrace, Dublin 2.

Dated 26 June 2018

Introduction

1. On 24 May 2018, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby IPUT Public Limited Company (“IPUT”) would acquire the asset constituting Deloitte House, 29 Earlsfort Terrace, Dublin 2 (the “Target Asset”) from EPUT Property Trust Nominees Limited (“EPUT”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a contract for sale between EPUT and IPUT signed on 17 May 2018 (“the Agreement”). Pursuant to the Agreement, IPUT will acquire ownership and, thus, sole control of the Target Asset. A condition of this agreement is IPUT’s simultaneous sale of 40 Molesworth Street to EPUT¹.

The Undertakings Involved

The Acquirer – IPUT

3. IPUT is an Irish regulated property fund which was established as an exempt unit trust in 1967 and converted to a regulated property fund in January 2014. IPUT’s registered office is located at 47/49 St. Stephen’s Green, Dublin 2. IPUT’s principal activity is to invest in, and yield income from, Irish commercial real estate.

¹ The parties state in the notification that the sale of 40 Molesworth Street is not notifiable to the Commission.



4. IPUT's shareholder base is divided between the following categories of investors: (i) Irish institutional pension schemes (41%); (ii) European institutional investors (39%); (iii) Irish investment managers (16%); and (iv) Irish charities and universities (4%).²
5. IPUT's commercial real estate interests in the State are comprised of 94 properties across the office, retail, residential and industrial sectors. Table 1 below lists IPUT's rentable commercial office property interests within the State.

Table 1: IPUT's Rentable Commercial Office Property Interests within the State

IPUT Property Fund - 31 March 2018

Total amount of rentable commercial office property (in sq. ft.) currently held by IPUT within the State;

Office Portfolio	Size Square Feet
Ten Molesworth Street, Dublin 2	116,188
15 Molesworth Street, Dublin 2	3,669
40 Molesworth Street, Dublin 2	34,241
No. 2, Hume Street, Dublin 2	17,085
46 St. Stephens Green, Dublin 2	14,188
47-49 St. Stephen's Green, Dublin 2	26,634
Alexandra House, Block D Earlsfort Centre, Dublin 2. (75%)	27,123
5 Earlsfort Terrace, Dublin 2 (75%)	49,028
Styne House, Hatch Street, Dublin 2	70,368
2 Harcourt Centre, Dublin 2	36,542
3 Harcourt Centre, Dublin 2	36,399
Ballaugh House, 73-79 Lower Mount Street, Dublin 2	25,750
Timberlay House, 79-83 Lower Mount Street, Dublin 2	34,543
Fitzwilton House, Wilton Place, Dublin 2	73,645
Wilton Park House, Wilton Place, Dublin 2	141,986
Gardner House, Wilton Place, Dublin 2	76,307
1 Shelbourne Buildings, Shelbourne Road, Dublin 4	20,398
2 Shelbourne Buildings, Shelbourne Road, Dublin 4	35,016
3 Shelbourne Buildings, Shelbourne Road, Dublin 4	44,387
Block B, Georges Quay, Dublin 2	44,935
30-32 Sir John Rogerson's Quay, Dublin 2	63,531
33-34 Sir John Rogerson's Quay, Dublin 2	46,890
Riverside 1, Sir John Rogersons Quay, Dublin 2	78,127
Riverside 2, Sir John Rogersons Quay, Dublin 2	73,508
1 Grand Canal Square, Dublin 2	132,385

² IPUT's largest shareholders [...]



7 Hanover Quay, Dublin 2	65,953
25-28 North Wall Quay, IFSC, Dublin 1	113,873
The Exchange IFSC, Dublin 1	107,484
6 Georges Dock, IFSC, Dublin 1	51,586
Block P1, Eastpoint Business Park, Dublin 3	42,700
Block P3, Eastpoint Business Park, Dublin 3	49,394
Block 5, Richview Office Park, Clonskeagh, Dublin 14	21,862
Block 9, Richview Office Park, Clonskeagh, Dublin 14	31,147
Ericsson House, Beech Hill, Clonskeagh, Dublin 14	44,608
Waterside 1, Citywest Business Campus, Dublin 24 (50%)	27,543
Waterside 2, Citywest Business Campus, Dublin 24 (50%)	26,866
Waterside 3, Citywest Business Campus, Dublin 24 (50%)	26,489
Waterside 4, Citywest Business Campus, Dublin 24 (50%)	12,874
Waterside 5, Citywest Business Campus, Dublin 24 (50%)	12,708
Total	1,957,959

Source: IPUT

6. For the financial year ending 31 December 2017, IPUT's worldwide turnover was approximately €95 million, all of which was generated in the State.

Target Asset – Deloitte House

7. The Target Asset consists of the property known as Deloitte House situated at 29 Earlsfort Terrace, Dublin 2. It consists of an office block extending to approximately 6,020 sq. m. The building is let to Deloitte Unlimited Company and is wholly owned by EPUT.
8. For the financial year ending 22 December 2017, the revenue derived from the Target Asset (all of which was generated in the State) was approximately [...].
9. The property at 40 Molesworth Street comprises 34,241 square feet. The annual rent payable in respect of the ground floor and the basement of 40 Molesworth Street (which is currently leased to Specsavers) is [...] per annum³. The remainder of the building is let to Jet Engineering Technology Limited and the annual rent is [...].⁴ Hence

³ [...].

⁴ The rent derived from this property in 2017 was [...], the projected rent for 2018 is [...] while the projected rent for 2019 is [...].



the acquisition by EPUT of the property at 40 Molesworth Street is not a notifiable transaction.

Rationale for the Proposed Acquisition

10. IPUT states the following in the notification:

“The Proposed Transaction represents an investment opportunity for the Purchaser which is consistent with its strategy of investing in high quality assets to provide its investors with a consistent and stable income yield from Irish commercial property.”

Third Party Submissions

11. No submission was received.

Competitive Analysis

12. There is a horizontal overlap between the activities of IPUT and the Target Asset in the State with respect to the supply of rentable commercial office property.

Market Definition

Product Market

13. The Commission has previously assessed the competitive impact of transactions involving the acquisition of rentable commercial office property. In its determination in M/16/028 – Standard Life/Block B Elm Park⁵, the Commission assessed the competitive impact of the relevant transaction in the potential product market for the supply of rentable commercial office property.

14. The European Commission⁶ recently considered, but ultimately left open, the question of whether the commercial real estate sector should be segmented in accordance with

⁵ M/16/028 – Standard Life/Block B Elm Park <http://ccpc.ie/enforcement/mergers/merger-notices/m16028-standard-lifeblock-b-elm-park>.

⁶ Please see paragraph 20 of the European Commission decision in Case COMP/M.8229 – Hammerson/Irish Life/ILAC Shopping Centre which can be accessed at: http://ec.europa.eu/competition/mergers/cases/decisions/m8229_100_4.pdf.



the following categories of property: (i) office properties; (ii) retail properties; and (iii) industrial properties.

15. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant product markets. The Commission's conclusion concerning the competitive effects of the Proposed Transaction would be unaffected whether the relevant product market in the present case is defined broadly, (i.e. defined as all rentable commercial property) or narrowly, i.e., (defined by individual categories of rentable commercial property).

Geographic Market

16. The European Commission⁷ in COMP/M.8229 – *Hammerson/Irish Life/ILAC Shopping Centre* considered, but ultimately left open, whether real estate markets can be regarded as national, regional or local, stating the following:

“the [European] Commission considered in previous cases, but ultimately left open whether there is any scope for a regional market definition and examined the markets for rental of retail space in shopping centres of at least 8 000 or 10 000 sqm within a 50 km radius around the relevant city in the region. As far as the present case is concerned, the Parties note that, in the case of Dublin, a 50 km radius substantially encompasses the whole of the Great Dublin Area (“GDA”).”

17. It is also not necessary in this instance to define a precise geographic market since the size of the geographic market will not materially alter the competitive impact of the Proposed Transaction whether the relevant market is defined broadly, (i.e. encompassing the State), or narrowly, (i.e., encompassing the GDA⁸).
18. However, for the purposes of its review of the Proposed Transaction the Commission has analysed the effects of the Proposed Transaction on the narrowest possible relevant

⁷ Ibid.

⁸ A 50km radius encompassing the GDA.



product and geographic market, namely the market for the supply of rentable commercial office property in the GDA.

Supply of rentable commercial office property in the GDA

19. According to information provided by Savills⁹, IPUT had an ownership interest in 1,957,959 square feet, or approximately [0-5]% of the estimated 39,854,264 square feet of rentable commercial office property in the GDA.
20. The Target Asset comprises 64,799 square feet, while the 40 Molesworth Street property comprises 34,241 square feet. As such, following the implementation of the Proposed Transaction, and constituent asset swap, IPUT's share in the supply of rentable commercial office property in the State will be approximately [0-5]%, representing an increment of [0-5]%.
21. In addition, there are currently (and there would remain after the Proposed Transaction is put into effect) a number of other suppliers of rentable commercial office and/or residential property in the GDA and, more generally, in the State. These competitors will continue to act as a competitive constraint on IPUT following implementation of the Proposed Transaction. Table 2 below lists the estimated market shares of IPUT's largest competitors in the GDA commercial office sector.

Table 2: Shares of IPUT's competitors in the GDA Commercial Office Sector.

Landlord	Estimated share (%)	Square Footage
Irish Life	[0-5]%	[...]
Green REIT	[0-5]%	[...]
NAMA	[0-5]%	[...]
Kennedy Wilson	[0-5]%	[...]
Hibernia REIT	[0-5]%	[...]
Davy	[0-5]%	[...]
Friends First	[0-5]%	[...]
State Street	[0-5]%	[...]
REAL I.S	[0-5]%	[...]
Aviva	[0-5]%	[...]
Credit Suisse	[0-5]%	[...]
Source: Best estimates, IPUT and Savills		

⁹ Savills is a global real estate services provider. Information provided by Savills, at the request of IPUT, used a combination of in-house knowledge and public domain information. The resulting market shares, and total market size, constitute best estimates and were produced for the purposes of assisting the Commission in its present assessment.



22. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns with respect to the supply of rentable commercial office property in the GDA.

Vertical Relationship

23. The parties state in the notification that there is no vertical relationship between IPUT and the Target Asset. The Commission has not identified any vertical relationship between the parties. On this basis, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

24. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

25. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition, whereby IPUT plc would acquire sole control of Deloitte House situated at 29 Earlsfort Terrace, Dublin will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh

Member

Competition and Consumer Protection Commission