



DETERMINATION OF MERGER NOTIFICATION M/18/088 – ALPHABET/SOUTH BANK HOUSE & THE WAREHOUSE

Section 21 of the Competition Act 2002

Proposed acquisition by Google Ireland Limited, an Irish incorporated company ultimately controlled by Alphabet Inc, of the assets constituting South Bank House and The Warehouse, Barrow Street, Dublin 4

Dated 4 December 2018

Introduction

1. On 5 November 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 Google Ireland Limited (“GIL”), an Irish incorporated company ultimately controlled by Alphabet Inc (“Alphabet”), would acquire the assets constituting South Bank House, Barrow Street, Dublin 4 and the Warehouse, 35 Barrow Street, Dublin 4 (the “Target Assets”) from KW Investment Funds ICAV (“KW ICAV”) (acting for and on behalf of its sub-fund KW Investment Fund IX), which is a wholly-owned subsidiary of Kennedy Wilson Holdings (the “Proposed Transaction”).

The Proposed Transaction

2. At the time of the notification, the notifying party submitted a letter of intent to the Commission to demonstrate the parties’ good faith intention to enter into and complete the Proposed Transaction. The parties subsequently submitted a copy of the signed contract for sale between GIL and KW ICAV dated 12th November 2018 (the “CSA”) to the Commission. The Proposed Transaction is to be implemented pursuant to the CSA.
3. In the circumstances, the Commission considers that the undertakings involved have demonstrated a good faith intention to conclude an agreement for the purposes of section 18(1A)(b)(ii) of the Act.



The Undertakings Involved

The Purchaser – GIL

4. GIL is an Irish incorporated company ultimately controlled by Alphabet. Alphabet operates a number of businesses, the largest of which is Google LLC (“Google”). Google operates an internet search engine that offers search capabilities for end users and provides online advertising space on its own websites and partner websites. Google also offers a number of different online services and software products, including an open source mobile software platform, Android. Google derives the vast majority of its revenues from online advertising. GIL is Google’s centre for the sale of advertising services in Europe, Middle East and Africa.
5. GIL owns commercial office property in the State, the majority of which is used for its own purposes and located on Barrow Street, Dublin 4. Table 1 below lists the addresses and square footage of each commercial office property in the State owned by GIL and used as Google offices.

Table 1: Commercial Office Property owned by GIL within the State

Google Address	Square Feet
Dockmill, Barrow Street, Dublin 4	[...]
Montevetro (Google Docks), Barrow Street, Dublin 4	[...]
Grand Mill Quay (Block 1 / 2), Barrow Street, Dublin 4	[...]
Gasworks House, Barrow Street, Dublin 4	[...]
Gordon House, Barrow Street, Dublin 4	[...]
[...]	[...]

6. GIL leases [...] square feet on the fourth floor of Block 2, Grand Mill Quay, Barrow Street to Twomey Moran & Partners. This currently represents the only commercial office space that GIL leases to third parties in the State.
7. In addition GIL owns and leases out a small number of commercial retail properties on Barrow Street, comprising approximately [...] square feet in total.¹

¹ GIL’s supply of commercial retail properties consists of: (a) Retail lease of the Spar on Barrow Street which is approximately [...] square feet (b) Retail lease of the Meaghers Pharmacy on Barrow Street which is approximately [...] square feet and (c) Retail lease of the [...] on Barrow Street which is approximately [...] square feet.



8. In May 2018 it was announced that Google (through GIL) had bought the Bolands Quay site in Dublin 4.² Comprising 297,191 square feet, the Bolands Quay development will be one of the largest urban regeneration projects to be undertaken within Dublin City Centre in recent years. GIL has bought the entire site and plans to use the office accommodation that will be built (comprising 230,865 square feet) for its own use. The remaining premises will consist of residential and retail space which GIL intends to rent through a commercial letting agent.
9. GIL also owns and operates two data centres at the Profile Park and Grange Castle business parks (two locations on adjacent lands to each other), in Kilmahuddrick, Dublin 22.
10. For the financial year ending 31 December 2017, Alphabet's worldwide turnover was €98.1billion³ and its turnover in the State was approximately €[...]⁴.

The Target Assets – South Bank House and the Warehouse

11. The Target Assets consist of two commercial properties known as South Bank House and the Warehouse, both situated on Barrow Street, Dublin 4. South Bank House consists of an office block extending to 62,150 square feet. The adjacent Warehouse building consists of an office block extending to 19,505 square feet. Both properties are currently occupied by a single tenant, Mason Hayes & Curran (a law firm).
12. In 2017, the annual contracted gross rent for the Target Assets was approximately €[...] million, all of which was generated in the State. Southbank House had an annual contracted gross rent of €[...] and the Warehouse had an annual contracted gross rent of €[...].

Rationale for the Proposed Transaction

13. The notification states:

² Please see press release by Savills the NAMA-appointed receiver to the Bolands Quay development project for further information <http://www.savills.ie/news/article/112474/242936-0/05/2018/bolands-quay-sold-to-google>

³ Euro figure converted from US\$110,855,000,000 using the European Central Bank (ECB) average conversion rate of 1.13 for 1 January 2017 – 31 December 2017.

⁴ Euro figure converted from US\$562,719,000 using the European Central Bank (ECB) average conversion rate of 1.13 for 1 January 2017 – 31 December 2017.



“The Proposed Transaction is the acquisition of an important parcel of land that effectively links the existing Google campus on the west of Barrow Street to the recently purchased Bolands Quay development on the northern end of Barrow Street. [...]”

Third Party Submissions

14. No submission was received.

Competitive Analysis

Horizontal overlap

15. There is a small horizontal overlap between the activities of GIL and the Target Assets in the State with respect to the supply of rentable commercial office property.
16. The Commission previously assessed the competitive impact of transactions involving the acquisition of rentable commercial office property in M/16/028 – Standard Life/Block B Elm Park⁵. In addition, the European Commission considered the Irish commercial real estate sector in COMP/M.8299 – Hammerson/Irish Life/ILAC Shopping Centre⁶.
17. In its determination in M/16/028 – Standard Life/Block B Elm Park, the Commission assessed the competitive impact of the relevant transaction in the potential product market for the supply of rentable commercial office property.
18. In COMP/M.8299 – Hammerson/Irish Life/ILAC Shopping Centre, the European Commission considered, but ultimately left open, whether the commercial real estate sector should be segmented in accordance with the following categories of property: (i) office properties; (ii) retail properties; (iii) industrial properties.
19. 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

⁵ M/16/028 – Standard Life/Block B Elm Park <http://ccpc.ie/enforcement/mergers/merger-notice/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.



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).

20. In relation to the geographic market, 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”).”

21. In this instance it is also not necessary 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 entire State) or narrowly (i.e., encompassing the GDA).
22. However, for the purposes of the review of the Proposed Transaction, the Commission has analysed the effects of the Proposed Transaction based on the narrowest possible relevant product and geographic market, namely the market for the supply of rentable commercial office property in the GDA.
23. According to information provided by GIL, it currently leases out [...] square feet, or approximately [0-5%] of the estimated 44.5 million square feet of rentable commercial office property in the GDA. The Target Assets comprise 81,655 square feet, or approximately 0.18% of the estimated 44.5 million square feet of rentable commercial space. On the basis of these figures, following the implementation of the Proposed

⁷ Ibid.



Transaction, GIL's market share in the potential market for the supply of rentable commercial space in the GDA will be approximately [0-5%].

24. 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 space in the GDA.

Vertical Relationship

25. The notifying party states in the notification that there is no vertical relationship between GIL and the Target Assets. 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

26. 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

27. 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 Google Ireland Limited, an Irish incorporated company ultimately controlled by Alphabet Inc, would acquire the assets constituting South Bank House and the Warehouse, both located at Barrow Street, Dublin 4, 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

Patrick Kenny
Member
Competition and Consumer Protection Commission