



DETERMINATION OF MERGER NOTIFICATION M/19/015 IRISH RESIDENTIAL PROPERTIES – XVI PORTFOLIO

Section 21 of the Competition Act 2002

Proposed acquisition by Irish Residential Properties REIT PLC of sole control of XVI Portfolio.

Dated 19 July 2019

Introduction

1. On 17 June 2019, 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 acquisition whereby Irish Residential Properties REIT PLC (“I-RES”), would acquire sole control of certain properties known as XVI Portfolio (the “Target Assets”) from Bryant Park QIAIF ICAV acting for and on behalf of its sub-fund, MAV I Fund (the “Vendor”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction will be implemented pursuant to a contract for sale dated 13 June 2019 between I-RES and the Vendor.

The Undertakings Involved

The Acquirer – I-RES

3. I-RES is an Irish real estate investment trust listed on Euronext Dublin. I-RES is focused on building a portfolio of residential rental accommodations in the State.
4. I-RES has an ownership interest in a number of residential and commercial properties, as well as a number of properties under development in the State. Table 1 and Table 2 below outline I-RES’ investments in the State.



Table 1: I-RES' Real Estate Interests in the State, 2019

Property	No. of residential units	No. of commercial units
The Coast, Baldoyle, Dublin 13	52	0
Hansfield Wood, Dublin 15 ¹	194	0
The Square, Hampton Wood, Finglas, Dublin 11	128	0
The Maple, Sandyford, Dublin 18	68	0
Coldcut Park, Clondalkin, Dublin 22	91	0
Elmpark Green, Merrion Road, Dublin 4	201	0
City Square, Gloucester Street, Dublin 2	24	1
The Forum, Sandyford, Dublin 18	8	0
Tallaght Cross West, Tallaght, Dublin 24	442	14
Bessboro, Terenure, Dublin 6	40	0
Tyrone Court, Inchicore, Dublin 8	95	0
Rockbrook Grande Central, Sandyford, Dublin	81	3
Rockbrook South Central, Sandyford, Dublin 18	189	6
Grande Central, Sandyford, Dublin 18	65	0
Lansdowne Gate, Drimnagh, Dublin 12	224	0
Bakers Yard, Portland Street North, Dublin 1	86	4
Beacon South Quarter, Sandyford, Dublin 18	225	5
Charlestown Place, Finglas, Dublin 11	235	0
The Marker Residences, Grand Canal Dock, Dublin 2	85	6
Camac Crescent, Inchicore, Dublin 8	90	0

¹ Hansfield Wood includes 95 apartments in an additional development currently under construction.



Property	No. of residential units	No. of commercial units
The Laurels, Tallaght, Dublin 24	19	1
Priorsgate, Tallaght, Dublin 24	103	7
Kings Court, Smithfield, Dublin 7	83	5

Source: Based on Information provided by parties

Table 2: I-RES' Real Estate Developments in the State 2019

Property	No. of residential units to be acquired	No. of commercial units to be acquired
Semple Woods, Donabate, County Dublin	40	0
Taylor Hill, Balbriggan, County Dublin	78	0
Project Merrion, Merrion Road, Dublin 4	69	0
Waterside, Swords, County Dublin	55	0

Source: Based on Information provided by parties.

5. For the financial year ending 31 December 2018, I-RES's worldwide turnover was approximately, €50.6 million, all of which was generated in the State.

The Target Assets – XVI Portfolio

6. The Target Assets, outlined in Table 3, comprise of 16 developments, consisting of 815 residential units and two commercial units. 15 of these developments are in Dublin and one is in Cork.



Table 3: the Target Assets

Property	No. of residential units	No. of commercial units
Beechwood Court, Stillorgan, Dublin 18	101	0
Time Place, Corrig Road, Sandyford, Dublin 18	67	0
Northern Cross, Malahide Road, Dublin 13	128	0
Carrington Park, Northwood, Santry, Dublin 9	142	0
Heywood Court, Northwood, Santry, Dublin 9	39	0
Richmond Gardens, Richmond Avenue, Dublin 3	98	0
Xavier Court Apartments, 21 – 25 Sherrard St Upper, Dublin 1	41	0
Harty's Quay, Rochestown Road, Cork	50	0
Belville Court, Johnstown Road, Cabinteely, Dublin 18	29	0
Russell Court, Feltrim Road, Swords, County Dublin.	29	0
St. Edmunds, Palmerstown, Dublin 20	18	0
Belleville, Blackhorse Avenue, Dublin 7 & The Mills, Twelfth Lock, Castleknock, Dublin 15	21	0
The Oaks, Porterstown Road, Clonsilla, Dublin 15	14	0
Spencer House, Custom House Square, IFSC, Dublin 1	12	0
East Arran Street, Smithfield, Dublin 7	12	0
Coopers Court, Bond Street, Dublin 8	14	2 ²

Source: *Based on Information provided by parties.*

7. For the financial year ended 31 December 2018, the turnover of the Target Assets was approximately, €[...].

² Additionally, two commercial units form part of the Coopers Court development and the Target Assets. One of these units is [...] and the other is [...].



Rationale for the Proposed Transaction

8. The parties state the following in the notification:

“The Proposed transaction is in line with the I-RES’ investment policy and strategy.”³

“The Proposed Transaction is part of the Seller’s⁴ broader strategy [...]”

“[...]”

Third Party Submissions

9. No submission was received.

Competitive Analysis

Horizontal Overlap

10. There is a horizontal overlap between the activities of I-RES and the Target Assets in the State with respect to the supply of rentable residential real estate in the State.

11. There is also a minor horizontal overlap between the activities of I-RES and the Target Assets in the market for the supply of rentable commercial real estate in the Greater Dublin Area⁵ (the “GDA”). However, since commercial real estate accounts for [...] % of I-RES’ total annual turnover and only two units of the Target Assets are commercial units, the increment as a result of the Proposed Transaction will not raise any horizontal competition concerns in relation to the supply of rentable commercial real estate in the GDA.

12. 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

³ Within the I-RES Investment Policy and Strategy, I-RES’s aim is stated as: *“To assemble a portfolio within its focus activity of acquiring, holding, managing and developing investments primarily focused on residential rental accommodations and ancillary and/or strategically located commercial property on the island of Ireland principally within the greater Dublin area and the other major urban centres on the island of Ireland.”*

⁴ The entity referred to as the “Seller” is Bryant Park QIAIF ICAV acting for and on behalf of its sub-fund, MAV I Fund, defined as the Vendor in paragraph 1.

⁵ The Greater Dublin Area in this instance comprises of a 50 km radius around Dublin city centre as referred to in paragraph 15 below.



define precise relevant markets. The Commission's conclusion on the likely competitive impact of the Proposed Transaction will be unaffected whether the market for the supply of rentable residential real estate is distinguished into separate markets for rentable commercial real estate and rentable residential real estate. In this case, the Commission considers that there are no reasons to depart from its previous approach to market definition in relation to the real estate rental market for the purpose of assessing the competitive effect of the Proposed Transaction.⁶

13. However, for the purposes of this determination, the Commission has followed its approach in *M/18/058 – KWPRS/ ICAV/ Grange Stillorgan Road*⁷ and has assessed the likely competitive impact of the Proposed Transaction on the potential product market for the supply of rentable residential real estate.

Geographic market definition

14. Similarly, it is not necessary for the Commission to define the precise relevant geographic market in this instance, since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the precise relevant geographic market is narrow (e.g., the GDA) or broad (e.g., the State).
15. In relation to the geographic scope of the relevant product market, the Commission has previously assessed the competitive impact of similar transactions by reference to a 50 km radius around Dublin City centre, which substantially encompasses the whole of the GDA.⁸ The Commission has adopted this approach in assessing the competitive impact of the Proposed Transaction by reference to the narrowest possible relevant geographic market, namely the GDA.
16. The respective shares of I-RES and the Target Assets in the market for rentable residential real estate in the GDA⁹ are outlined in Table 4. On this basis, following the

⁶ Please see, for example, merger determinations *M/15/070 – Starwood/ Elm Park* which can be accessed at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m15070-starwood-elm-park/> and *M/18/025 – Kennedy-Wilson/ Elysian Building, Cork* which can be accessed at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m18025-kennedy-wilson-elysian-building-cork/>.

⁷ Please see, for example, merger determination *M/18/058 – KW PRS ICAV/ Grange, Stillorgan Dublin* which can be accessed at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m18058-kwprs-icavgrange-stillorgan-road/>.

⁸ Please see merger determination *M/17/046 – Hammerson/Teba* which can be accessed at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m17046-hammersonteba/>.

⁹ For the purposes of this determination, the Commission notes that the GDA encompasses a wider region than that which I-RES' rentable residential real estate is confined, and, therefore, I-RES' market share as presented in Table 4 is overestimated.



implementation of the Proposed Transaction, I-RES' market share in the potential market for the supply of rentable residential real estate in the GDA will be [0-5]%.

Table 4: Share of rentable residential real estate (all units), the GDA.

Party	Number of Units	% market share
I-RES	2,754	[0-5]%
Target Assets	765	[0-5]%
Combined	3,519	[0-5]%
Market Total	[...]	100%

Source: *Parties' estimates, based on [...].*

17. For completeness, the Commission has also assessed the Proposed Transaction's competitive impact in the broader potential geographic market, namely, the State.
18. According to the information provided by the parties, outlined in Table 5, I-RES has an ownership interest in 2,754 units of rentable residential real estate in the State. The Target Assets comprise of 815 units of rentable residential real estate in the State.

Table 5: Share of rentable residential real estate (all units), in the State.

Party	Number of Units	% market share
I-RES	2,754	[0-5]%
Target Assets	815	[0-5]%
Combined	3,569	[0-5]%
Market Total	[...]	100%

Source: *Parties' estimates, based on [...].*

19. On this basis, following the implementation of the Proposed Transaction, I-RES' market share in the potential market for the supply of rentable residential real estate in the State will be approximately [0-5]%.



20. In addition, there are currently (and there would remain following implementation of the Proposed Transaction) a number of other suppliers of rentable residential real estate in the GDA and in the State.¹⁰ These competitors will continue to act as a competitive constraint on I-RES following implementation of the Proposed Transaction.
21. 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 residential real estate in the GDA, or in the State.

Vertical overlap

22. The parties have stated in the notification that there is no vertical relationship between I-RES 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

23. 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

24. No ancillary restraints were notified.

¹⁰ These competitors include, for example, Irish Life, Hibernia REIT PLC, Tristan Capital, LRC Group, Comer Property Management Limited and Kennedy-Wilson Ireland Limited.



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 Irish Residential Properties REIT PLC, would acquire sole control of certain properties known as XVI Portfolio from Bryant Park QIAIF ICAV acting for and on behalf of its sub-fund, MAV I Fund, 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