



## DETERMINATION OF MERGER NOTIFICATION M/20/006 – GLL KVG/ PATRIZIA/ BISHOPS SQUARE

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### Section 21 of the Competition Act 2002

**Proposed acquisition of joint control by GLL Real Estate Partners Kapitalverwaltungsgesellschaft mbH and Patrizia Immobilien Aktiengesellschaft of certain assets comprising Bishops Square, Kevin Street, Dublin 2.**

**Dated 26 March 2020**

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### Introduction

1. On 21 February 2020, 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 Macquarie Group Limited (“Macquarie”), through its wholly-owned indirect subsidiary GLL Real Estate Partners Kapitalverwaltungsgesellschaft mbH (“GLL KVG”)<sup>1</sup>, and Patrizia Immobilien Aktiengesellschaft (“Patrizia”), through its indirect subsidiary Patrizia Immobilien Kapitalverwaltungsgesellschaft mbH (“Patrizia KVG”) which manages and controls GLL BVK Internationalier Immobilien-Spezialfonds (“BVK”)<sup>2</sup>, would acquire joint control of certain assets, comprising Bishops Square, Kevin Street, Dublin 2 (the “Target Assets”) from Hines GREIT II Ireland Fund ICAV (“Hines GREIT”)<sup>3</sup> (the “Proposed Transaction”).

### The Proposed Transaction

2. The parties informed the Commission in the notification that the Proposed Transaction is to be implemented pursuant to a contract for sale and deed of transfer (the

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<sup>1</sup> GLL KVG is an indirect wholly-owned subsidiary of Macquarie, and acts on behalf of GLL Office III Fund, which is an open-ended regulated investment vehicle under the laws of Germany.

<sup>2</sup> BVK is a German special fund in the form of a domestic asset pool. BVK is ultimately controlled and managed by Patrizia KVG (in its capacity as a management company), which is a 94.9%-owned indirect subsidiary of Patrizia.

<sup>3</sup> Hines GREIT acts on behalf of its sub-fund Hines GREIT II Bishop Fund.



“Transaction Agreements”). At the date of notification, the parties had not yet entered into the Transaction Agreements. However, Heads of Terms dated 20 December 2019 between GLL Real Estate Partners GmbH (“GLL”)<sup>4</sup> and Hines GREIT were submitted to the Commission as part of the notification. On this basis, the Commission considers that the undertakings involved have demonstrated to the Commission a good faith intention to conclude an agreement for the purpose of section 18(1A)(b)(ii) of the Act.

3. The Proposed Transaction is to be effected by the acquisition of the Target Assets by [...] (“PropCo”), which is held by a holding company, [...]. [...] was incorporated in [...] by GLL KVG and BVK for the purposes of implementing the Proposed Transaction. PropCo does not [...] in the State and is an acquisition vehicle specifically created for the purpose of acquiring the Target Assets. Based on the information available to the Commission, the Commission considers it is appropriate to characterise the Proposed Transaction as an asset acquisition within the meaning of section 16(1)(c) of the Act.

## **The Undertakings Involved**

### *The Purchasers*

#### *Macquarie*

4. Macquarie is a diversified financial services company headquartered in Sydney, Australia and is listed on the Australian Securities Exchange. It provides services in the areas of asset management and finance, banking, advisory and risk, and capital solutions across debt, equity and commodities.
5. Macquarie operates across four distinct operating businesses:
  - i. Macquarie Capital;
  - ii. Macquarie Asset Management;
  - iii. Commodities and Global Markets; and
  - iv. Banking and Financial Services.
6. In the State, Macquarie Capital operates an aircraft leasing services business, Macquarie AirFinance Acquisitions (Ireland) Limited. Macquarie also operates a helicopter leasing

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<sup>4</sup> GLL acts as the investment advisor to GLL KVG and BVK.



service in the State, Macquarie Rotorcraft Leasing (Ireland) Limited. Macquarie Capital also provides advisory services to project companies and is involved in delivering public private partnerships procured by the Irish state.

7. For the financial year ending 31 March 2019, Macquarie's worldwide turnover was approximately €[...], of which approximately €[...] was generated in the State.
8. GLL KVG is a wholly-owned, operationally separate, indirect subsidiary of Macquarie. GLL KVG is a capital investment company which manages GLL Office III Fund.
9. For the financial year ending 31 March 2019, GLL KVG's worldwide turnover was approximately €[...], [...] was generated in the State.

#### *Patrizia*

10. Patrizia is a European real-estate investment partner which provides clients with access to asset classes and investment products. It has offices and 'hubs' across four continents. Patrizia's clients include German private, (semi-)professional and institutional investors as well as global institutional investors including pension funds, insurance companies and state funds.
11. Patrizia KVG is a 94.9%-owned indirect subsidiary of Patrizia. Patrizia KVG is a capital investment company which manages BVK and nominally owns the assets of BVK. BVK has [...] [...] and [...] office assets in the State as shown in Table 1.



**Table 1: Overview of Patrizia's office and retail property interests in the State**

Predominant use	Property	Floor Space (sq ft)
[...]	[...]	[...]sq ft
[...]	[...]	[...]sq ft
[...]	[...]	[...]sq ft

Source: Information provided by the parties

12. For the financial year ending 31 December 2018, Patrizia's worldwide turnover was approximately €[...], of which approximately €[...] was generated in the State.

#### *The Target Assets*

13. The Target Assets comprise Bishops Square, Kevin Street, Dublin 2, and are currently owned by Hines GREIT. The property extends to a measured area of [...] sq ft.
14. The Target Assets are a recently extended and refurbished seven storey modern office building and consist predominantly of office space ([...] sq ft) and ground-floor retail space ([...] sq ft).
15. In 2019, the worldwide turnover generated by the Target Assets was approximately €[...], all of which was generated in the State.

#### **Rationale for the Proposed Transaction**

16. The parties state in the notification:

*“Acquisition of the Target Assets by GLL KVG forms part of an investment decision... Acquisition of the Target Assets forms part of Patrizia's investment strategy of acquiring high profile real estate in Europe and in the Americas”.*

#### **Third Party Submissions**

17. No submission was received.



## Competitive Analysis

### *Horizontal Overlap*

18. There is a horizontal overlap between the activities of Patrizia and the Target Assets in the State in relation to the supply of rentable commercial office property and the supply of rentable commercial retail property. Macquarie is not active in the supply of rentable commercial office property or in the supply of rentable commercial retail property in the State.
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 competitive effects of the Proposed Transaction would be unaffected whether the precise relevant product market is defined narrowly (e.g. separate potential markets for each category of rentable commercial space, namely: (i) the supply of office space, and (ii) the supply of retail space) or more broadly (e.g. a single potential market for the supply of all categories of rentable commercial space).
20. However, for the purposes of assessing the competitive effects of the Proposed Transaction, the Commission has followed the approach taken in its previous determination in *M/17/046 – Hammerson/Teba*<sup>5</sup> and has assessed the competitive impact of the Proposed Transaction by reference to the following two potential narrow product markets:
  - i. the supply of rentable commercial retail property; and
  - ii. the supply of rentable commercial office property.
21. Similarly, it is not necessary for the Commission to define precise relevant geographic markets in this instance as the Commission's assessment of the competitive impact of the Proposed Transaction would not materially alter depending on the precise geographic market definition that is adopted.

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<sup>5</sup> Please see merger determination [M/17/046 – Hammerson/Teba](#) (2017).



22. For the purposes of its review of the competitive effects of the Proposed Transaction, the Commission has followed the approach to geographic market definition taken its previous determination in *M/17/046 – Hammerson/Teba*<sup>6</sup> and has assessed the competitive impact of the Proposed Transaction in the Greater Dublin Area (“GDA”).<sup>7</sup>
23. The respective estimated shares of Macquarie, Patrizia and the Target Assets for the supply of rentable commercial retail property in the GDA are set out in Table 2 below. Following implementation of the Proposed Transaction, the combined estimated market share of Macquarie, Patrizia and the Target Assets in the relevant market will be less than [...] % of all rentable commercial retail property in the GDA.
24. In light of the above, the Commission considers that the Proposed Transaction is unlikely to raise any horizontal competition concerns in relation to the supply of rentable commercial retail property in the GDA.

**Table 2: Estimated share of rentable commercial retail property in the GDA, 2018**

Supplier	Area (sq ft)	Share (%)
Macquarie	[...] sq ft	[0-5]%
Patrizia	[...] sq ft	[0-5]%
Target Assets	[...]sq ft	[0-5]%
Others	[...] sq ft	[...]%
<b>Total</b>	<b>18,706,029 sq ft<sup>8</sup></b>	<b>100%</b>

Source: Estimates provided by the parties to the Commission

25. Similarly, Table 3 below shows the estimated market shares of Macquarie, Patrizia and the Target Assets for the supply of rentable commercial office property in the GDA.

<sup>6</sup> *M/17/046 – Hammerson/Teba* (note 5) .

<sup>7</sup> *M/17/046 – Hammerson/Teba*, this was defined as the area within a 50km radius of Dublin city.

<sup>8</sup> This figure was provided by the parties on the basis of the Commission’s determination in [M/19/026 – Henderson Park/Green Reit](#) (2019).



**Table 3: Estimated share of rentable commercial office property in the GDA, 2018**

Supplier	Area (sq ft)	Share (%)
Macquarie	[...] sq ft	[0-5]%
Patrizia	[...] sq ft	[0-5]%
Target Assets	[...] sq ft	[0-5]%
Others	[...] sq ft	[...]%
<b>Total</b>	<b>40,041,747 sq ft</b>	<b>100%</b>

Source: Estimates provided by the parties to the Commission<sup>9</sup>

26. Following implementation of the Proposed Transaction, the combined estimated market share of Macquarie, Patrizia and the Target Assets in the relevant market will be less than [...] % of all rentable commercial office property in the GDA. Therefore, the Commission considers that the Proposed Transaction is unlikely to raise any horizontal competition concerns in relation to the supply of rentable commercial office space in the GDA.
27. 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 retail property or the supply of rentable commercial office property in the State.

#### *Vertical Relationship*

28. The parties state in the notification that there is no vertical relationship between Macquarie, Patrizia 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.

<sup>9</sup> Parties' estimates calculated by reference to Cushman & Wakefield Irish Office Market Report for Q1 2019, which can be accessed at: [https://www.cushmanwakefield.com/-/media/cw/marketbeat-pdfs/ireland\\_off\\_1q19.pdf](https://www.cushmanwakefield.com/-/media/cw/marketbeat-pdfs/ireland_off_1q19.pdf).



### **Conclusion**

29. 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**

30. 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 Macquarie Group Limited, through its wholly-owned indirect subsidiary GLL Real Estate Partners Kapitalverwaltungsgesellschaft mbH, and Patrizia Immobilien Aktiengesellschaft, through its indirect subsidiary Patrizia Immobilien Kapitalverwaltungsgesellschaft which manages and controls GLL BVK Internationalier Immobilien-Spezialfonds,<sup>10</sup> would acquire joint control of certain assets, comprising Bishops Square, Kevin Street, Dublin 2, from Hines GREIT II Ireland Fund ICAV, 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**

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<sup>10</sup> GLL BVK Internationalier Immobilien-Spezialfonds (“BVK”) is a German special fund in the form of a domestic asset pool. BVK is ultimately controlled and managed by Patrizia Immobilien Kapitalverwaltungsgesellschaft (in its capacity as a management company), which is a 94.9%-owned indirect subsidiary of Patrizia Immobilien Aktiengesellschaft.