

EN

***Case No M.7663 - DTZ /
CUSHMAN &
WAKEFIELD***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 27/08/2015

***In electronic form on the EUR-Lex website under document
number 32015M7663***



EUROPEAN COMMISSION

Brussels, 27.08.2015
C(2015) 6090 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sirs,

**Subject: Case M.7663 – DTZ / Cushman & Wakefield
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²**

- (1) On 24 July 2015, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004³ by which the undertaking **DTZ** (USA) controlled by TPG (USA) and PAG Asia Capital (Hong Kong) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of Cushman & Wakefield ("**C&W**", USA) by way of purchase of shares. DTZ and C&W are collectively referred to as "Parties".

¹ OJ L 24, 29.1.2004, p. 1 ('the Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

² OJ L 1, 3.1.1994, p.3 ("the EEA Agreement").

³ OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation").

1. THE PARTIES

- (2) **DTZ** is a provider of real estate services in Asia, Europe and North America. DTZ represents tenants and owners in real estate transactions, advises on real estate investments, and provides consulting, property management and valuation services. DTZ has been jointly controlled by TPG, a US investment firm, and PAG Asia Capital, an Asian investment firm, since 2014.
- (3) **C&W** is a provider of real estate services, generating the majority of its revenues in North America. C&W is controlled by EXOR S.p.A., an Italian public investment company.

2. THE OPERATION

- (4) On 9 May 2015, DTZ, EXOR and C&W entered into a Stock Purchase Agreement and Plan of Merger. Pursuant to this agreement, EXOR will transfer its shares in C&W to a DTZ subsidiary, which will merge with C&W ("the Transaction"). Post-Transaction, DTZ will indirectly own 100% of the common stock of C&W. Therefore, the Transaction amounts to a concentration within the meaning of the Merger Regulation.

3. EU DIMENSION

- (5) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (**DTZ**: EUR [...] million and **C&W**: EUR [...] million). Each of them has an EU-wide turnover in excess of EUR 250 million (**DTZ**: EUR [...] million and **C&W**: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

4. MARKET DEFINITION

- (6) The Transaction concerns real estate services provided to commercial customers. Real estate service providers offer advice and assistance to individuals, companies, and institutions looking to buy/sell, rent/lease, develop, maintain, and invest in real estate. At the commercial level, companies contract with real estate service providers to buy/sell or rent/lease commercial properties (factories, offices, and shops), to manage properties, and for advice on real estate markets.

4.1 Product market

- (7) The Commission has examined the real estate services sector on several previous occasions⁴. It has left open the product market definition, but has in the past considered six main segments:
- (i) **asset management**: management of real estate asset portfolios,
 - (ii) **valuation**: appraisal and valuation of real estate assets,

⁴ M.6889 – *Sogecap/ Cardif/ Ensemble Immobilier Clichy-La-Garenne*; M.6621 – *CNP Assurances/BNP Paribas/Immeuble Val-De-Marne*; and M.3370 – *BNP Paribas/Atis Real International*.

- (iii) **development:** construction or renovation of existing buildings with the aim of selling or letting the site,
 - (iv) **brokerage:** buying/selling and renting/leasing real estate assets on behalf of third parties,
 - (v) **consulting:** provision of advice on real estate, and
 - (vi) **property management:** management and operation of real estate assets for third parties.
- (8) The Parties do not contest this approach. The Commission's market investigation has yielded mixed results concerning these six main segments. While competitors tended to consider that they constituted separate markets,⁵ customers rather saw them as part of an overall real estate market.⁶ However given that the Transaction would not lead to serious doubts regardless of whether the market is segmented into the above categories, the exact market definition can be left open.
- (9) The Commission has also considered, but ultimately left open, whether real estate services could be further segmented between services provided to commercial customers and those provided to residential customers.⁷ In the course of the market investigation, large majorities of competitors and customers alike stated that the provision of real estate services at residential level (to individuals) and at commercial level (to companies) were indeed separate markets.⁸ Given however that C&W does not provide any services to residential customers in the EEA and given that therefore there is no overlap between the Parties, it can be left open if there should be a distinction between commercial and residential customers.
- (10) Finally, the Commission has considered, but ultimately left open, whether it would be appropriate to segment the commercial property sector based on the category of real estate (distinguishing between office, industrial, and retail properties).⁹
- (11) DTZ does not believe this distinction is meaningful. Moreover, certain of the Parties' activities cannot be attributed to the categories considered by the Commission in previous cases. This includes certain services related to certain types of residential (i.e., residential projects for commercial clients), healthcare, parking and hospitality properties. The Parties have grouped these activities in a separate category entitled "Other Real Estate".
- (12) The Commission's market investigation proved inconclusive as to the need for this further distinction. While competitors tended to reject the idea of further segmenta-

⁵ Replies to Q1 – Questionnaire to competitors, question 6.

⁶ Replies to Q2 – Questionnaire to customers, question 6.

⁷ M.3370 - *BNP Paribas/Atis Real International*.

⁸ Replies to Q1 – Questionnaire to competitors, question 5; Replies to Q2 – Questionnaire to customers, question 5.

⁹ M.2863 – *Morgan Stanley/Olivetti/Telecom Italia/Tiglio*; M.3370 - *BNP Paribas/Atis Real International*.

tion,¹⁰ customers rather favoured it.¹¹ When asked to explain which type of properties they would consider under a further sub-segmentation "other real estate", competitors and customers provided answers that were largely in line with the Parties' proposed categorisation.¹² However, it is not necessary to conclude on the exact delineation of the market because the Transaction would not lead to any serious doubts under any plausible market definition.

4.2 Geographic market

- (13) The Commission has previously considered, but ultimately left open, whether real estate service markets are national, regional, or local.¹³ DTZ believes it is appropriate to consider the commercial real estate service sector on the basis of national markets. Majorities of competitors and customers queried in the Commission's market investigation alike considered that the scope of the markets concerned was likely to be national.¹⁴ Concerning the potential sub-segments office, industrial, retail and "other real estate", respondents were tied between national and regional (and sometimes local) market sizes.¹⁵ Given however that the Transaction would not lead to any serious doubts under any plausible geographic scope, the exact geographic market definition can be left open.

5. COMPETITIVE ASSESSMENT

- (14) The market shares of the Parties give rise¹⁶ to the following horizontally affected markets¹⁷:

¹⁰ Replies to Q1 – Questionnaire to competitors, question 7.

¹¹ Replies to Q2 – Questionnaire to customers, question 7.

¹² Replies to Q1 – Questionnaire to competitors, question 7.2; Replies to Q2 – Questionnaire to customers, question 7.2.

¹³ M.7203 – Unibail-Rodamco/CPPIB/Centro; M.6834 – Goldman Sachs/TPG Lundy/Brookgate; M.6889 – Sogecap/Cardif/Ensemble Immobilier Clichy-la-Garenne; M.6621 – CNP Assurances/BNP Paribas/Immeuble Val-De-Marne; M.3370 – BNP Paribas/Atis Real International; and M.2863 – Morgan Stanley/Olivetti/Telecom Italia/Tiglio.

¹⁴ Replies to Q1 – Questionnaire to competitors, question 8; Replies to Q2 – Questionnaire to customers, question 8.

¹⁵ Replies to Q1 – Questionnaire to competitors, question 9; Replies to Q2 – Questionnaire to customers, question 9.

¹⁶ DTZ is also active in the Netherlands through its affiliate, DTZ Zadelhoff. [*Description of DTZ's relationship with DTZ Zadelhoff*], there are no overlaps between the Parties in the Netherlands and therefore no affected markets.

¹⁷ Market shares calculated based on Parties' estimates excluding the provision of in-house services.

	<i>DTZ</i>	<i>C&W</i>	<i>Combined</i>
Belgium / Valuation / Offices	[10-20]%	[5-10]%	[20-30]%
Belgium / Brokerage / Retail Real Estate	[0-5]%	[20-30]%	[20-30]%
UK / Consulting / Other Real Estate	[0-5]%	[20-30]%	[20-30]%
UK / Valuation / Other Real Estate	[5-10]%	[30-40]%	[30-40]%
Birmingham / Property Management / All Real Estate	[10-20]%	[10-20]%	[20-30]%

Table 1: Affected Markets (Source: Form CO)

5.1 Belgium / Valuation / Offices

- (15) The merged entity would reach a combined market share of [20-30]% with a [5-10]% increment brought about by the Transaction.
- (16) The Parties submit that the main competitors, BNP Paribas Real Estate and CBRE, will have higher market shares than the merged entity with [20-30]% and [20-30]% respectively.
- (17) The respondents to the market investigation highlighted several important players as being close competitors of the Parties¹⁸ and the majority of customers, which responded to the market investigation, considered that the Transaction would have no impact on their companies.¹⁹
- (18) With regard to the impact of the Transaction on the Belgian market for office valuation, competitors tended to consider the merger to have a positive effect on the market,²⁰ whereas customers were rather neutral.²¹
- (19) According to the majority of customers and competitors, who replied to the market investigation, the market segment for office real estate presents no or low barriers to entry.²²
- (20) In light of the results of the market investigation, the low market share of the combined entity and the presence of two competitors with a stronger market presence than the merged entity, the Transaction does not raise serious doubts in the Belgian market for the valuation of offices.

¹⁸ Replies to Q1 – Questionnaire to competitors, question 12; Replies to Q2 – Questionnaire to customers, question 12.

¹⁹ Replies to Q2 – Questionnaire to customers, question 13.

²⁰ Replies to Q1 – Questionnaire to competitors, question 14.

²¹ Replies to Q2 – Questionnaire to customers, question 14.

²² Replies to Q2 – Questionnaire to customers, question 11; Replies to Q1 – Questionnaire to competitors, question 11

5.2 Belgium / Brokerage / Retail Real Estate

- (21) The merged entity would reach a combined market share of [20-30]% with a [0-5]% increment brought about by the Transaction.
- (22) The Parties submit that the limited increment reflects the negligible impact of the Transaction on this market.
- (23) The Parties submit that the competitors present in this market will act as a strong competitive constraint to the merged entity, in particular CBRE with a [5-10]% market share, but also JLL with [5-10]%.
- (24) The respondents to the market investigation highlighted several important players as being close competitors of the Parties²³ and the majority of customers which responded to the market investigation considered that the Transaction would have no impact on their companies.²⁴
- (25) With regard to the impact of the Transaction on the Belgian market for brokerage of retail real estate, competitors tended to have a negative view of the Transaction. One in particular underlined the increased size of the merged entity as potential cause for lower quality services.²⁵ Customers, on the contrary, considered that the Transaction would have no impact on the market, in view, among others, of the limited market share of DTZ and the presence of several competitors in this fragmented market.²⁶
- (26) According to the majority of customers and competitors who replied to the market investigation, the segment of retail real estate presents no or low barriers to entry.²⁷
- (27) In light of the results of the market investigation and the limited increment of the Transaction on the Parties' combined market share, the Transaction does not raise serious doubts in the Belgian market for brokerage of retail real estate.

5.3 UK / Consulting / Other Real Estate

- (28) The merged entity would reach a combined market share of [20-30]% with a [0-5]% increment brought about by the Transaction.
- (29) The Parties submit that the Parties have different focuses in this market. DTZ generates its revenues from work with educational providers and healthcare providers, while C&W does not undertake any assignment in these sectors, but works mostly with governmental agencies and local authorities.

²³ Replies to Q1 – Questionnaire to competitors, question 12; Replies to Q2 – Questionnaire to customers, question 12.

²⁴ Replies to Q2 – Questionnaire to customers, question 13.

²⁵ Replies to Q1 – Questionnaire to competitors, question 14.

²⁶ Replies to Q2 – Questionnaire to customers, question 14.

²⁷ Replies to Q2 – Questionnaire to customers, question 11; Replies to Q1 – Questionnaire to competitors, question 11

- (30) The Parties submit that the competitors present in this market will act as a strong competitive constraint to the merged entity, in particular JLL with a [20-30]% market share, but also CBRE with [5-10]%, and Savills with [5-10].
- (31) The respondents to the market investigation highlighted several important players as being close competitors of the Parties²⁸ and the majority of respondents to the market investigation considered that the Transaction would have no impact on their companies.²⁹
- (32) With regard to the impact of the Transaction on the UK market for consulting on other real estate, the majority of competitors replied that the Transaction would have no impact on the market,³⁰ while the majority of customers either did not form an opinion about the transaction or considered it positive for the market.³¹
- (33) The majority of competitors responding to the market investigation consider that the market segment for other real estate has low barriers to entry.³²
- (34) In light of the results of the market investigation, the limited increment in market share and the different focus of the Parties, the Transaction does not raise serious doubts in the UK market for consulting on other real estate.

5.4 UK / Valuation / Other Real Estate

- (35) The merged entity would reach a combined market share of [30-40]% with a [5-10]% increment brought about by the Transaction.
- (36) The Parties submit that the Parties have different focus on this market. DTZ generates over [...] % of its revenues in this market from leisure and hospitality real estate, while C&W generates only around [...] % of its revenues in the leisure and hospitality sector; C&W generates the rest of its revenues in this market from mixed-use buildings ([...] %), self-storage estates ([...] %) and a broad range of other industries.
- (37) The Parties submit that the competitors present in this market will act as a strong competitive constraint to the merged entity, in particular CBRE with a [10-20]% market share, but also JLL with [10-20]%, and Savills with [5-10].
- (38) The respondents to the market investigation highlighted several important players as being close competitors of the Parties³³ and the majority of respondents to the market

²⁸ Replies to Q1 – Questionnaire to competitors, question 12; Replies to Q2 – Questionnaire to customers, question 12.

²⁹ Replies to Q1 – Questionnaire to competitors, question 13; Replies to Q2 – Questionnaire to customers, question 13.

³⁰ Replies to Q1 – Questionnaire to competitors, question 14.

³¹ Replies to Q2 – Questionnaire to customers, question 14.

³² Replies to Q1 – Questionnaire to competitors, question 11

³³ Replies to Q1 – Questionnaire to competitors, question 12; Replies to Q2 – Questionnaire to customers, question 12.

investigation considered that the Transaction would have no impact on their companies.³⁴

- (39) With regard to the impact of the Transaction on the UK market for valuation of other real estate, the majority of both competitors and customers replied that the Transaction would have no impact on the market, in view, among others, of the presence of several competitors.³⁵
- (40) According to customers who replied to the market investigation, the segment of other real estate presents a certain degree of barriers to entry,³⁶ while for the majority of competitors it has low barriers to entry.³⁷
- (41) In light of the results of the market investigation, the different focus of the Parties and the presence of several sizeable competitors, at this stage the Transaction does not raise serious doubts in the UK market for valuation of other real estate.

5.5 Birmingham / Property Management / All Real Estate

- (42) The merged entity would reach a combined market share of [20-30]% with a [10-20]% increment brought about by the Transaction.
- (43) The Parties submit that the competitors present in this market will act as a strong competitive constraint to the merged entity, in particular GVA with a [20-30]% market share, but also CBRE with [10-20]%, JLL and Savills with [10-20]% each and KnightFrank with [5-10]%.
- (44) The Commission notes that, despite the rather high increment, the combined market share is rather low.
- (45) Moreover no concerns were raised during the market investigation from competitors or customers with regard to this market.
- (46) In conclusion, in view of the low combined market share and the presence of several sizeable competitors, at this stage the Transaction does not raise serious doubts in Birmingham in the market for property management for all real estate.

5.6 Vertically affected markets

- (47) The parents of DTZ own certain participations in companies active in markets which are upstream to the market in which the merged entity will be active, notably in real estate development and assets management. However, their market shares remain in all circumstances below [5-10]%.

³⁴ Replies to Q1 – Questionnaire to competitors, question 13; Replies to Q2 – Questionnaire to customers, question 13.

³⁵ Replies to Q1 – Questionnaire to competitors, question 14; Replies to Q2 – Questionnaire to customers, question 14.

³⁶ Replies to Q2 – Questionnaire to customers, question 11.

³⁷ Replies to Q1 – Questionnaire to competitors, question 11

- (48) The Parties submit that in view of the limited market shares and the highly fragmented nature of both the upstream and downstream markets, the merged entity will not have the ability or the incentive to pursue any strategy of input or customer foreclosure.
- (49) In conclusion, the Commission considers that Transaction does not raise serious doubts with regard to non-horizontal relationships.

6. CONCLUSION

- (50) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

*For the Commission
(signed)
Phil Hogan
Member of the Commission*