



EUROPEAN COMMISSION
DG Competition

***Case M.8229 -
HAMMERSON / IRISH
LIFE / ILAC SHOPPING
CENTRE***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 14/12/2016

***In electronic form on the EUR-Lex website under document
number 32016M8229***



EUROPEAN COMMISSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Brussels, 14.12.2016
C(2016) 8817 final

PUBLIC VERSION

To the notifying parties:

Dear Sirs,

**Subject: Case M.8229 – Hammerson/ Irish Life/ ILAC Shopping Centre
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 15 November 2016, the Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Hammerson plc ("**Hammerson**", United Kingdom), and Irish Life Assurance plc ("**Irish Life**", Ireland), acquire within the meaning of article 3(1)(b) of the Merger Regulation joint control of ILAC Shopping Centre ("**ILAC**", Ireland) by way of purchase of assets ("the Transaction").³ Hammerson, Irish Life and ILAC are collectively referred to as "**Parties**".

I. THE PARTIES

2. Hammerson develops, owns and manages shopping centres and retail parks primarily in the United Kingdom and France.
3. Irish Life Assurance is a life and pensions company that provides protection, pensions and savings products to clients across retail, corporate and investment management businesses. Irish Life is a wholly owned indirect subsidiary of Great-West Lifeco of Canada, an international financial services holding company.

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 Publication in the Official Journal of the European Union No C 432, 23.11.2016, p. 9.

4. ILAC is a 17,776 sqm shopping centre situated in Dublin, which comprises a diverse mix of more than 80 retailers and catering units.
5. In particular in Ireland, both Hammerson and Irish Life are active as landlords who buy retail space which is then let to prospective retail tenants. Irish Life is currently active on the Irish retail real estate market, owning and managing a number of shopping centres and retail parks, while Hammerson is active in the Irish retail real estate market through its interest in the Dundrum Assets⁴ and a series of smaller rental properties (the "Minor Assets").⁵

II. THE OPERATION

6. The Transaction entails the acquisition by Hammerson of a 50% interest in ILAC from Joseph O'Reilly ("JOR"), a private person currently owning several properties and a real estate development company in Ireland. The remaining 50% interest is currently held by Irish Life.
7. As a result of the Transaction, Hammerson and Irish Life will both own 50% interests in ILAC and be entitled to the same voting rights at Board level.
8. The ILAC Co-Ownership Agreement ("COA") requires all key decisions to be adopted by the Board by simple majority. In particular, the Board must approve, amongst others, the appointment, removal and replacement of the Asset Manager⁶, any capital expenditure relating to ILAC, the annual strategy, any change in rents and budget.⁷
9. Therefore, Hammerson and Irish Life will acquire joint control over ILAC within the meaning of Article 3(1)(b) of the Merger Regulation.
10. The Commission notes that the Transaction takes place against the background of several other similar acquisitions by Hammerson of retail real estate assets in the Greater Dublin area that have either already taken place or [...].⁸ Given, however, that these transactions are not inter-conditional; involve different levels of control; and different undertakings, the Commission concludes that these transactions are not interrelated and, therefore, in accordance with paragraphs 42 and 43 of the Commission Consolidated Jurisdictional Notice are not considered part of the proposed Transaction. These separate transactions are nonetheless taken into account in the competitive assessment to the extent that they have already been concluded.

⁴ M. 7905 – *Hammerson/Allianz Group/ Dundrum Town Centre*.

⁵ The "Minor Assets" consist of several small properties for which Hammerson acquired 100% interest from the ultimate seller, JOR: (1) [...]; (2) [...]; (3) [...]; (4) [...]; and (5) [...].

⁶ The Asset Manager, together with the Board, comprises the "senior management" of ILAC within the meaning of the Commission Consolidated Jurisdictional Notice (paragraph 69). The Asset Manager is tasked with managing ILAC. [...].

⁷ [...].

⁸ Hammerson also acquired certain other assets owned by the same ultimate seller, JOR: (i) The "Dundrum Assets", which involved a 50/50 joint venture between Allianz and Hammerson (M. 7905 – *Hammerson/Allianz Group/ Dundrum Town Centre*), and (ii) acquisitions of sole control of a series of smaller rental properties, the "Minor Assets", which were not notifiable under the Merger Regulation. In addition, Hammerson plans acquiring 50% interest in the Phase I and II of the Sword Pavilions from JOR, [...].

III. EU DIMENSION

11. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁹: (Hammerson: EUR [...] million, Irish Life: EUR [...] million and ILAC: EUR [...] million). The aggregate EU-wide turnover of each of at least two of the undertakings concerned is more than EUR 250 million (Hammerson: EUR [...] million, Irish Life: EUR [...] million) but they do not each achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
12. Therefore, the Transaction has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

IV. MARKET DEFINITION

IV.1 Product markets

13. The Commission has previously examined the real estate services sector¹⁰ and, has identified potentially distinct markets for: (i) real estate rental; (ii) real estate management; (iii) real estate development, and (iv) real estate property¹¹. In this regard, the market for real estate management refers to the management of real estate assets on behalf of third parties whereas the market for real estate property (owning, maintaining, operating and letting real estate) refers to ownership and management for an undertaking's own account. In each case, however, the Commission has ultimately left the market definition open.
14. Moreover, the Commission has also considered, but ultimately left open, whether the real estate services sector can be further sub-divided into residential real estate on the one hand and commercial real estate on the other hand.¹²
15. The Commission has also considered in previous cases, but ultimately left open, various further distinctions with regard to the commercial real estate in the following segments: (i) office properties; (ii) retail properties; and (iii) industrial properties.¹³
16. Finally, the Commission has considered in previous cases, but ultimately left open, whether each of the markets for rental of retail real estate and management of retail real estate could be further segmented between (i) retail real estate properties, including

⁹ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

¹⁰ M.6889 – *Sogecap/ Cardif/ Ensemble Immobilier Clichy-La-Garenne*, paragraph 12, M.6621 – *CNP Assurances/BNP Paribas/Immeuble Val-Demarne*, paragraph 13, M.3370 – *BNP Paribas/Atis Real International*, paragraph 10, M. 7663 – *DTZ/ Cushman and Wakefield*, paragraph 7.

¹¹ M.2825 – *Fortis AG SA/ Bernheim- Comofi SA*, paragraph 7, M.6020 – *ACS/ Hochtief*, paragraph 12 and 13, M.6400 – *ECE/ Metro/MEC JV* paragraph 17 and 18, M.6834 – *Goldman Sachs/ TGP Lundy/ Brookgate*, paragraph 14, M. 7203 – *Unibail Rodamco/ CPPIB/ Centro*, paragraph 13.

¹² M. 2863 – *Morgan Stanley/ Olivetti/ Telecom Italia/ Tiglio*, paragraph 19, M. 3370 – *BNP Paribas/Atis Real International*, paragraph 9, M. 7663 – *DTZ/ Cushman and Wakefield*, paragraph 7.

¹³ M. 2863 – *Morgan Stanley/ Olivetti/ Telecom Italia/ Tiglio* paragraph 19, M.3370 – *BNP Paribas /Atis International*, paragraph 9, M. 7663 – *DTZ/ Cushman and Wakefield*, paragraph 10.

shopping centres and retail parks, of at least 8 000 sqm or 10 000 sqm, and (ii) shopping centres only of at least 8 000 sqm or 10 000 sqm¹⁴.

17. The Parties' approach is to consider that the relevant product market is likely to be the one relative to rental of retail real estate property without further distinction by size (i.e. shopping centres and/or retail parks of at least 8 000 sqm or 10 000 sqm being a separate market) or by type of retail property (i.e. shopping centres being a separate market from other retail properties). In this regard, the Parties submit that it would not be appropriate to delineate the rental of retail space in shopping centres from the rental of other retail space, in particular because retailers take account of all available retail space when considering opening a new shop without focusing primarily on shopping centres. However, the Parties have provided information also on the basis of the narrowest plausible product market definition, that is, on the basis of shopping centres only of at least 8 000 sqm or 10 000 sqm and shopping centres of all sizes.
18. Given that the Transaction does not raise serious doubts as to its compatibility with the internal market under any of the relevant plausible product markets, the product market definition can be left open in this case.

IV.2 Geographic markets

19. The Commission has previously considered, but ultimately left open, whether real estate markets can be regarded as national, regional or local¹⁵.
20. In particular, the 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 region¹⁶. 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. Given that the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible distinction, the geographic market definition can be left open in this case.

V. COMPETITIVE ASSESSMENT

V.1. Horizontal issues

22. On a national level, the Transaction does not give rise to any affected market since the Parties would reach a maximum market share of [10-20]% in the market for shopping centres only of at least 8 000 sqm or 10 000 sqm.

¹⁴ M.6400 – *ECE/ Metro/ MEC JV*, paragraphs 34 to 38, M. 7203 – *Unibail- Rodamco/ CPPIB/ Centro*, paragraph 15.

¹⁵ M.7203 – *Unibail-Rodamco/CPPIB/Centro*, paragraphs 18 and following, M.6834 – *Goldman Sachs/TPG Lundy/Brookgate*, paragraphs 21 and following, M.6889 – *Sogecap/Cardif/Ensemble Immobilier Clichy-la-Garenne*, paragraph 15, M.6621 – *CNP Assurances/BNP Paribas/Immeuble Val-Demarne*, paragraphs 17 and following, M.3370 – *BNP Paribas/Atis Real International*, paragraphs 13 and following, M.2863 – *Morgan Stanley/Olivetti/Telecom Italia/Tiglio*, paragraphs 21 and following, M. 7663 – *DTZ/ Cushman and Wakefield*, paragraph 11.

¹⁶ M.6400 – *ECE/ Metro/ MEC JV*, paragraphs 44 and 77.

23. On a local level (i.e the GDA), when considering all retail properties, the Transaction does not give rise to any affected market since the Parties would reach a maximum market share of [10-20]% in the market for all retail properties of at least 8 000 sqm or 10 000 sqm.
24. When considering shopping centres only on a local level (i.e. the GDA), the Transaction gives rise to two affected markets
- (a) Shopping centres of at least 8 000 sqm or 10 000 sqm in the GDA, where the Parties' combined market share is [20-30]% and
 - (b) Shopping centres of all sizes in the GDA, where the Parties' combined market share is [20-30]%.
25. In light of the foregoing, the remainder of the Commission's assessment is conducted exclusively on the basis of shopping centres only, examined on a local level (i.e. the GDA), as this is the only plausible definition that would give rise to affected markets.

a. Shopping centres of at least 8 000 sqm or 10 000 sqm in the Great Dublin Area

26. The market shares of the Parties in the market for shopping centres of at least 8 000 sqm in the GDA are:

	Hammerson	Irish Life	TOTAL	Parties' combined share
Volume (sqm)	[...]	[...]	899 432	[...]
Market Share (%)	[10-20]%	[5-10]%	100%	[20-30]%

Source: Annex 13 Form CO

27. In this market, the Transaction does not give rise to any competition concerns for a number of reasons.
28. First, the combined market share of the Parties is limited ([20-30]%) and the market is quite fragmented with several other competitors present with the ability to constrain the Parties post-Transaction. For instance, in 2015, competitors such as Green Property, Tesco Ireland, NAMA, Omni Park were present in the market with a market share of [5-10]%, [5-10]%, [5-10]% and [0-5]% respectively.¹⁷ Therefore, various alternatives exist and retailers could turn to these other competitors in the event of a price increase post-Transaction.
29. Second, the market is dynamic since in the GDA there is significant demand for retail assets, arising from factors including the recovery of the Irish economy, increased consumer spending and expectation of rental growth from present levels¹⁸. Therefore, the retail estate sector is an attractive sector for several investors, as exemplified by the numerous new investors which entered the market in recent years by buying existing properties¹⁹. In addition there are also new surfaces for shopping centres in the pipeline

¹⁷ Table 2B Annex 13 Form CO.

¹⁸ Property Market Analysis (PMA) Report Q3 2015, pages 3 to 6 (Annex 10A to the Form CO); CBRE estimations (Annexes 10B to the Form CO); Oxford Economics, Country Economic Forecast – Ireland 2016 (Annex 10C to the Form CO).

¹⁹ For example, in 2016 the Blackstone Group L.P. announced the acquisition of the Blanchardstown Centre from Green Property (<http://multi.eu/blackstone-acquires-blanchardstown-centre/>); Deka acquired Whitewater Shopping Centre (27,800 sqm); Oaktree & Sigma capital acquired Newhall Retail Park;

that are mostly expected to come on-stream in the medium to longer term.²⁰. Therefore, there is expected to be continued and even increased competition in the market post-Transaction.

30. Third, switching costs in this market are mostly represented by the cost of exiting the existing lease. To this regard, an independent report highlighted the current low level of rents and documented a number of switches of tenants across shopping centres in the GDA²¹. Moreover, Dublin still appears to have a relatively high vacancy rate, above the European city average.²² Therefore, retail tenants could easily switch from one unit to another in the event of a price increase post-Transaction.
31. With respect to the market for shopping centres of at least 10 000 sqm in the GDA, the Parties submit that their combined market share will be comparable to that in the broader market for shopping centres of at least 8 000 sqm in the GDA and, in any case, below 30%²³. Moreover, in the GDA at least 15 competing shopping centres have a surface of at least 10 000 sqm²⁴ and therefore, also in this narrower market, there are several other competitors with the ability to constrain the Parties post-Transaction. In addition market characteristics such as market dynamics and switching costs are similar to those in the market for shopping centres of at least 8 000 sqm in the GDA. Lastly, as for the market for shopping centres of at least 8 000 sqm, also in the market for shopping centres of at least 10 000 sqm there would have been no significant exits over the last three years²⁵. Therefore, also in this market, it is expected that competition will continue or potentially even increase post-Transaction.
32. In conclusion, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in the markets for shopping centres of at least 8 000 sqm or at least 10 000 sqm in the GDA.

Friends First recently acquired both the Globe Retail Park, County Kildare and the Kilkenny Retail Park. In 2015, for instance, Varde has purchased both the Acorn Portfolio and the Spectrum Portfolio; Davidson Kempner has purchased the Cornerstone Portfolio; Marathon has purchased both Manor West Shopping Centre in Tralee (County Kerry) and the Parks Portfolio; Hines also completed the purchase of a 72.8% interest in Liffey Valley Shopping Centre; Deka acquired Whitewater Shopping Centre and Oaktree acquired both Sligo Retail Park and Navan Retail Park (source: Paragraphs 8.25 and 8.26 of the Form CO).

²⁰ Property Market Analysis (PMA) Report Q3 2015, page 26 (Annex 10A to the Form CO).

²¹ Property Market Analysis (PMA) Report Q3 2015, page 14, 27 and 28 (Annex 10A to the Form CO).

²² The vacancy rate in Dublin in 2015 was 7.5% in the second quarter of 2015, see paragraph 8.5 Form CO.

²³ Paragraph 7.10 of the Form CO.

²⁴ Property Market Analysis (PMA) Report Q3 2015, pages 23 to 25 (Annex 10A to the Form CO).

²⁵ Paragraph 8.32 of the Form CO.

b. Shopping centres of all sizes in the Great Dublin Area

33. The market shares of the Parties in this horizontally affected market are:

	Hammerson	Irish Life	TOTAL	Parties' combined share
Volume (sqm)	[...]	[...]	1 075 598	[...]
Market Share (%)	[10-20]%	[5-10]%	100%	[20-30]%

Source: Annex 13 Form CO

34. The reasoning applied to the markets for shopping centres of at least 8 000 sqm or 10 000 sqm in the Greater Dublin Area can also be applied to this broader market. More specifically, the Parties' combined market share is limited and even lower ([20-30]%) than the market analysed above, and there are even more competitors active in this market. Second, as the market is dynamic with several investors and new projects in the pipeline, increased competition is expected for the future. Moreover, the same principles regarding switching would also apply in this market. Therefore, various alternatives exist also post-Transaction and retailers could turn to these other competitors in the event of a price increase.
35. In conclusion, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in the market for shopping centres of all sizes in the GDA.

V.2. Non-horizontal issues

36. There are no vertically affected markets with regard to the Transaction.
37. Hammerson is not active in any downstream activity and has not [...] any upstream activity²⁶ (i.e. real estate development). Irish Life is not currently active in any market upstream of the rental of real estate market. Irish Life is, however, present in the downstream market for the management of retail real estate in Ireland but it does not have a share of 30% or more in this market under any plausible market definition.
38. Given that the Transaction will not give rise to any vertically affected markets irrespective of which of the potentially relevant plausible market definitions is used, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on the basis of non-horizontal links between the Parties' activities.

V.3. Conclusion

39. In view of the above, and considering all of the evidence available to it, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market.

²⁶ [...].

VI. CONCLUSION

40. 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)

Margrethe VESTAGER

Member of the Commission