



# DETERMINATION OF MERGER NOTIFICATION M/19/038- BLACKSTONE GROUP/SPT CEDAR

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## Section 21 of the Competition Act 2002

### Proposed acquisition by The Blackstone Group International Partners LLP of SPT Cedar Intermediate LLC.

Dated 20 December 2019

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#### Introduction

1. On 21 November 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 The Blackstone Group Inc. (“Blackstone”), through an entity or entities to be incorporated by affiliated real estate funds of its wholly-owned subsidiary The Blackstone Group International Partners LLP (“Blackstone Group International”), would acquire sole control of SPT Cedar Intermediate LLC (“SPT Cedar”) (the “Proposed Transaction”).

#### The Proposed Transaction

2. The Proposed Transaction is to be implemented in accordance with the terms of a term sheet signed on 20 November 2019 by the SPT Cedar Partners L.L.C. (the “Vendor”) and Blackstone Group International (the “Heads of Terms”), whereby an entity or entities to be incorporated by affiliated real estate funds of Blackstone Group International will purchase 100% of the membership interests in SPT Cedar from the Vendor.
3. Notwithstanding the fact that a formal written agreement had not yet been executed at the time of the notification, the Commission considers that the Heads of Terms demonstrates to it that the undertakings involved have a good faith intention to conclude an agreement for the purposes of section 18(1A)(b)(ii) of the Act.



## The Undertakings Involved

### *The Acquirer- Blackstone*

4. Blackstone is a Delaware-incorporated corporation headquartered in the United States (“U.S.”), which is listed on the New York Stock Exchange. It is controlled by Blackstone Group Management L.L.C.<sup>1</sup>
5. Blackstone is a global alternative asset manager and provider of financial advisory services. Blackstone operates as an investment management firm and, through various investment vehicles, makes private equity, real estate, credit and hedge fund investments worldwide.
6. Blackstone Group International acts as a sub-advisor to Blackstone’s U.S. affiliates in relation to the investment and re-investment of Europe, Middle East and Africa-based assets of Blackstone funds as well as arranging transactions to be entered into by or on behalf of Blackstone funds. The parties state in the notification that each Blackstone controlled portfolio company has its own board of directors, which generally also includes Blackstone representatives. Accordingly, each company in its investment portfolio is independently managed and financed, and each has different investors.<sup>2</sup>
7. Blackstone provided to the Commission the following list of companies owned and controlled (directly and indirectly) by Blackstone (“Blackstone Portfolio Companies”) which generated turnover in the State in 2018:

<b>Portfolio Company</b>	<b>Business Activity</b>
[...]	A benefits administration platform and services provider for cloud-based HR management systems.
[...]	A producer and provider of flexible insulation foams and engineered foams for equipment insulation.
[...]	A provider of educational content and software and analytics.
[...]	A holding company for businesses operating in the waste, recycling and utilities sectors.
[...]	A cloud-native cloud enabler.

<sup>1</sup> Blackstone Group Management L.L.C. is owned by the senior managing directors of Blackstone and controlled by Stephen A. Schwarzman.

<sup>2</sup> Although the investors in different Blackstone funds may overlap.

<sup>3</sup> Blackstone confirmed that this list is accurate as at 21 November 2019.



[...]	A provider of energy saving products and water treatment solutions.
[...]	An asset management firm.
[...]	A provider of power transmission and fluid power solutions and services.
[...]	A manufacturer of still cameras, binoculars and scopes.
[...]	A global messaging service provider in India.
[...]	An information technology services provider with domain expertise in the banking, financial services and insurance sectors.
[...]	Real estate developer and commercial renting.
[...]	Developer of social and mobile games.
[...]	A provider of end-to-end payment solutions.
[...]	A provider of financial markets data and infrastructure.
[...]	A provider of inventory supply chain management services.
[...]	A provider of solutions which enable organisations to discover, classify, protect, analyse and confidently share information.
[...]	A technology enabled advertising services provider.
<b>Source: the parties</b>	

8. The parties state in the notification that Blackstone is active in the property sector in the State through its ownership of the Blanchardstown Shopping Centre and adjacent retail and office property<sup>4</sup>, which consists of the following:<sup>5</sup>

- The Blanchardstown Shopping Centre, a two-level, enclosed shopping centre housing over 180 units and three adjacent retail parks and external retail units<sup>6</sup>; and,
- A five-storey office building that currently serves as the Irish headquarters for eBay Inc.

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

*Target – SPT Cedar*

<sup>4</sup> See CCPC Determination [M/16/030 Blackstone Group/Blanchardstown Shopping Centre \(2016\)](#).

<sup>5</sup> [...].

<sup>6</sup> <https://www.blanchardstowncentre.ie/>



10. SPT Cedar is owned by subsidiaries of Starwood Property Trust Inc. (“STWD”), a finance company, active in the real estate and infrastructure sectors. SPT Cedar is a qualifying investor alternative investment fund, which invests primarily in property and/or property related assets in the State. SPT Cedar owns the properties set out in Table 2.

<b>Predominant use</b>	<b>Property</b>	<b>Location</b>
Commercial (office)	[...]	Dublin 2
	[...]	Dublin 2
	[...]	Dublin 2
	[...]	Dublin 2
	[...]	Dublin 4
	[...]	Dublin 7

Source: SPT Cedar

11. For the financial year ending 31 December 2018, SPT Cedar’s worldwide turnover was approximately €[...], all of which was generated in the State.

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

12. The parties state in the notification that:

“[...]”

#### **Third Party Submissions**

13. No submission was received.

#### **Competitive Analysis**

##### *Horizontal Overlap*

14. There is horizontal overlap between the business activities of the parties in the State. Both parties are active in rentable commercial retail space and rentable commercial office space in the State.

#### **Market Definition**

##### *Product Market Definition*

15. The Commission did not come to a definitive view on the precise relevant product market in respect of the supply of rentable commercial space, in its previous



determination in *M/18/025 Kennedy-Wilson/Elysian Building, Cork*.<sup>7</sup> Similarly, the European Commission has considered, but ultimately left open whether the supply of rentable commercial space could be further segmented according to the use of the real estate (e.g. by reference to rentable commercial retail space, rentable commercial office space).<sup>8</sup>

16. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. The Commission does not need to come to a definitive view on the precise relevant product market in this instance since its conclusion on the likely competitive impact of the Proposed Transaction will be unaffected whether the precise relevant product market is narrow (e.g. separate potential markets for each category of rentable commercial space: (i) the supply of rentable office space; (ii) the supply of rentable retail space; and (iii) the supply of rentable industrial space) or broader (e.g. the potential market for the supply of all categories of rentable commercial space).
17. For the purposes of this determination, the Commission has followed the approach taken in its previous determination in *M/17/046 – Hammerson/Teba*<sup>9</sup> and has assessed the competitive impact of the Proposed Transaction in two potential narrow markets. Those potential markets are the two narrowest potential markets in which the parties' business activities overlap, namely: (i) the supply of rentable commercial retail space; and (ii) the supply of rentable commercial office space.

#### *Geographic Market Definition*

18. For the purpose of this determination, it is not necessary for the Commission to define the precise relevant geographic markets as, regardless of whether the potential geographic market is narrow (i.e. the Greater Dublin Area ("GDA")<sup>10</sup>) or broad (i.e. the State), the Proposed Transaction is unlikely to raise any competition concerns.
19. The Commission and the European Commission have previously considered real estate markets on a national, regional, and local level. For the purpose of this determination,

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<sup>7</sup> Determination [M/18/025 Kennedy-Wilson/Elysian Building, Cork](#) (2018).

<sup>8</sup> Please see para 16 of European Commission Decision [M.6834 Goldman Sachs/TPG Lundy/Brookgate](#) (2013)

<sup>9</sup> Please see merger determination [M/17/046 – Hammerson/Teba](#) (2017).

<sup>10</sup> The Greater Dublin Area in this instance comprises of a 50 km radius around Dublin city center.



the Commission has followed the approach taken its previous determination in *M/17/046 – Hammerson/Teba*<sup>11</sup> and has assessed the competitive impact of the Proposed Transaction in the GDA, where all SPT Cedar’s properties are located.

*Competitive Assessment*

20. For the purposes of its analysis, the Commission has assessed the competitive impact of the Proposed Transaction in: (i) the potential market for the supply of rentable commercial retail space in the GDA; and (ii) the potential market for the supply of rentable commercial office space in the GDA.

*The supply of rentable commercial retail space in the GDA*

21. In respect of the potential market for the supply of rentable commercial retail space in the GDA, Table 3 below shows that the parties’ combined estimated market share for the supply of rentable commercial retail space in the GDA was approximately [5-10]% in 2018. Following implementation of the Proposed Transaction, the increment in Blackstone ’s share of rentable commercial retail space in the GDA is minimal, i.e., a single retail unit located in Iveagh Court (predominantly a commercial office development), which accounts for just [0-5]% of the overall volume of rentable commercial retail space in the GDA.

<b>Table 3: The Parties’ estimated market shares in respect of rentable commercial retail space in the GDA in 2018</b>		
<b>Parties</b>	<b>By volume</b>	
	<b>Sq. ft.</b>	<b>%</b>
Blackstone (Blanchardstown SC)	[...]	[0-10]%
SPT Cedar (Iveagh Court retail unit)	[...]	[0-5]%
<b>Combined</b>	[...]	<b>[5-10%]</b>
Others	[...]	[...]%
TOTAL	[...]	100.0%
<b>Source: the Parties</b>		

22. In addition, the Commission found that there are a number of competitors including Deka Immobilien Investment GmbH, Hammerson plc, Allianz SE, Irish Life Group Limited, IPUT plc, Oaktree Capital Group LLC, Universal Investment-GmbH, which will continue to exert a competitive constraint on Blackstone in respect of the supply of

<sup>11</sup> Please see merger determination [M/17/046 – Hammerson/Teba](#) (2017).



rentable commercial retail space in the GDA following implementation of the Proposed Transaction.

23. 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 space in the GDA.

*The supply of rentable commercial office space in the GDA*

24. In respect of the potential market for the supply of rentable commercial office space in the GDA, Table 4 below shows that the parties' combined estimated market share for the supply of rentable commercial office space in the GDA is approximately [0-5]% in 2019. Furthermore, Blackstone's presence in the supply of rentable commercial office space in the GDA is minimal, accounting for less than [0-5]% of the overall supply.

<b>Table 4: The Parties' estimated market shares in respect of rentable commercial office space in the GDA in 2019</b>		
<b>Parties</b>	<b>By volume</b>	
	<b>Sq. ft.</b>	<b>%</b>
Blackstone	[...]	[0-5]%
SPT Cedar	[...]	[0-5]%
<b>Combined</b>	[...]	<b>[0-5%]</b>
Others	[...]	[...]%
<b>TOTAL</b>	<b>40,257,025</b>	<b>100.0%</b>

**Source: the Parties<sup>12</sup>**

25. In addition, the Commission found that there are a number of competitors including Hibernia REIT Public Limited Company, Hines Real Estate Ireland Limited, Irish Life Group Limited, IPUT plc, Kennedy Wilson Holdings, Inc., Green REIT Limited, which will continue to exert a competitive constraint on Blackstone in respect of the supply of rentable commercial office space in the GDA, following implementation of the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction is

<sup>12</sup> The parties cite in the notification the Cushman & Wakefield Irish Office Market Report for Q3 2019 (the "Report") which estimates the stock of office property in Dublin at 3,740,000 sq. m. (40,257,025 sq. ft.). The Report is available at the following link: <http://www.cushmanwakefield.ie/en-gb/research-and-insight/2019/dublin-office-market-q3-2019>.



unlikely to raise any horizontal competition concerns in relation to the supply of rentable commercial office space in the GDA.

26. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in respect of the supply of rentable commercial retail space and the supply of rentable commercial office space in the State.

#### *Vertical Relationship*

27. The parties state in the notification that there is no vertical relationship between any of the Blackstone Portfolio Companies' activities and SPT Cedar in the State. The Commission has not identified any existing 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**

28. 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**

29. 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 The Blackstone Group Inc., through an entity or entities to be incorporated by affiliated real estate funds of its wholly-owned subsidiary The Blackstone Group International Partners LLP, would acquire sole control of SPT Cedar Intermediate LLC, 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**