



# DETERMINATION OF MERGER NOTIFICATION M/15/004 BLACKSTONE / THE ATRIUM BUILDINGS

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## Section 21 of the Competition Act 2002

### Proposed acquisition by The Blackstone Group L.P., through Atrium Office Investment Sarl, of certain assets of Atrium Property Developments Limited and Balcuik Limited

Dated 25 February 2015

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#### Introduction

1. On 30 January 2015, in accordance with section 18(1) of the Competition Act 2002, as amended<sup>1</sup> (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Atrium Office Investment Sarl (“AOI”), a wholly-owned subsidiary of Blackstone Real Estate Partners Europe IV and Blackstone Real Estate Partners VII, funds managed by affiliates of The Blackstone Group L.P. (“Blackstone”, together with its affiliates the Acquirer), would acquire certain assets, namely, Block A and Block B of the Atrium Buildings (collectively “the Atrium Buildings”), situated in the Sandyford Industrial Estate in Dublin, from Atrium Property Developments Limited and Balcuik Limited (collectively “the Vendors”).

#### *The Transaction*

2. The proposed transaction is the subject of an agreement for sale by private treaty of the Atrium Buildings, Sandyford, Dublin 18, entered into between and by AOI and the Vendors on 16 December 2014.
3. As part of the proposed transaction, Blackstone is to acquire ownership and thus sole control of both Blocks A and B of the Atrium Buildings, together with existing [...] leases over offices, storage and parking spaces, licences for additional parking spaces and a telecommunications roof mast, for a purchase price of €[...].

#### The Undertakings Involved

##### *The Acquirer – Blackstone*

4. AOI is a company incorporated in [...] and a wholly owned subsidiary of Blackstone Real Estate Partners Europe IV and Blackstone Real Estate Partners VII, funds managed by affiliates of Blackstone.

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<sup>1</sup> It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.



5. Blackstone is a US based 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 all over the world.<sup>2</sup>
6. In the State, Blackstone is active, through a number of portfolio companies, in various sectors including manufacturing, IT solutions, hospitality, helicopter leasing, outdoor clothing and equipment, pharmaceuticals, retail and media.<sup>3</sup> Blackstone has an office presence in Dublin through its credit platform GSO<sup>4</sup> and it currently has commercial real estate interests in three office buildings<sup>5</sup> and a hotel<sup>6</sup> in Dublin.
7. For the financial year ending 31 December 2013, Blackstone had a worldwide turnover of approximately €[...] and a turnover in the State (including its controlled portfolio companies) of approximately €[...].

#### ***The Target Assets – The Atrium Buildings***

8. The Target Assets consist of the property known as the Atrium Buildings, located in the Sandyford Industrial Estate, Dublin 18.
9. The Atrium Buildings comprises two office buildings (Block A and Block B) with a combined size of 32,144 square metres (346,000 sq. ft.) and both are currently occupied pursuant to a number of [...] letting agreements by tenants; Block A by Avaya International Sales Limited, Amdocs Software Limited, Bayer AG, Salesforce.com Inc. and Microsoft Ireland Operations Limited, and Block B by Microsoft Ireland Operations Limited.
10. For the year ending 31 December 2014, the Atrium Buildings generated turnover in the State, consisting of rental income received, in the amount of €[...].

#### ***The Vendors***

11. The Atrium Buildings are currently owned by Atrium Property Developments Limited (Block A) and Balcuik Limited (Block B), both having their registered addresses at 22 Clanwilliam Square, Grand Canal Quay, Dublin 2.
12. Both Atrium Property Developments Limited and Balcuik Limited are property investment/management companies, representing a consortium of private individuals and companies.

#### **Rationale for the Proposed Acquisition**

13. The notification states:

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<sup>2</sup> <http://www.blackstone.com/the-firm/overview>

<sup>3</sup> These include: [...], Catalent Pharma Solutions Inc., [...], [...], Hilton Hotels Corporation, Intertrust Group, [...], [...], [...], [...], Polymer Group Inc, RGIS Holdings LLC, Tangerine Confectionary Ltd. and [...].

<sup>4</sup> <http://www.blackstone.com/businesses/aam/credit-%28gso%29>

<sup>5</sup> Hume House on Pembroke Road, Ballsbridge, Dublin 4, Bloodstone Building on Sir Rogerson's Quay, Dublin 2 and Block B, Riverside IV, Britain Quay, Dublin 2.

<sup>6</sup> DoubleTree by Hilton Burlington, Burlington Road, Upper Leeson Street, Dublin 4.



*“The Proposed Transaction represents an investment opportunity for the Purchaser which is consistent with its strategy of investing in attractive companies or assets to increase their value with a view to profiting from their eventual sale. The Purchaser invests on behalf of funds and their underlying investors rather than on behalf of the Purchaser.”*

### Third Party Submissions

14. No submission was received.

### Competitive Analysis

15. There is a minor horizontal overlap between the parties in the market for rentable commercial property in Dublin.<sup>7</sup>
16. Blackstone’s commercial real estate interests in the State are comprised of the following properties:
- a. Hume House, Pembroke Road, Ballsbridge, Dublin 4 [...];
  - b. Bloodstone Building on Sir John Rogerson’s Quay, Dublin 2 [...]; and
  - c. Block B, Riverside IV, Britain Quay, Dublin 2 [...].
17. These three commercial buildings in Dublin, consisting of [...] square metres of office and retail space, constitute less than [0-5]% (i.e. [...] sq. ft.) of the approximately 45 million sq. ft. of such commercial property in the Dublin area, according to the parties.<sup>8</sup>
18. The Atrium Buildings consists of two, grade A<sup>9</sup>, office buildings (combined 32,144 square metres), comprising circa [...] square metres of office space, circa [...] square metres of storage space and circa [...] car parking spaces. Both Blocks A and B are subject to [...] leases, housing [...] tenants as follows:
- a. Block A
    - i. [...];
    - ii. [...];
    - iii. [...];
    - iv. [...]; and
    - v. [...].
  - b. Block B
    - i. [...];
    - ii. [...]; and

<sup>7</sup> 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 markets.

<sup>8</sup> Based on estimates and research by CBRE; [http://www.cbre.ie/ie\\_en/](http://www.cbre.ie/ie_en/)

<sup>9</sup> Grade A - Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence. <http://www.boma.org/research/Pages/building-class-definitions.aspx>



iii. [...].

19. Taking into account the 32,144 square metres that comprises the Atrium Buildings (i.e. combined 346,000 sq. ft.), Blackstone will own a combined [0-5]% of rentable commercial property in the Dublin area after the proposed transaction.
20. Despite this horizontal overlap the proposed transaction does not raise any substantial horizontal competition concerns. There is a large supply of commercial property in Dublin. Office take-up in Dublin during Q4 2014 reached 94,642 square metres, with the overall rate of vacancy falling to 11.84% in the quarter and a total of 205 office leasing transactions being signed in 2014.<sup>10</sup>
21. In addition, there are a number of other large international property investors<sup>11</sup> active in the market for commercial property in the State, all holding significant property portfolios, as well as a number of large local competitors, such as IPUT, Kennedy Wilson, Green Property and Irish Life, all having significant interests in commercial property.
22. The proposed transaction does not raise any vertical competition concerns.
23. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

#### **Ancillary Restraints**

24. No ancillary restraints were notified.

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<sup>10</sup> Dublin Office MarketView Q4 2014; CBRE, supra.

<sup>11</sup> Pimco, Lone Star, Davy, F&C and Hibernia.



## **Determination**

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Atrium Office Investment Sarl, a wholly-owned subsidiary of Blackstone Real Estate Partners Europe IV and Blackstone Real Estate Partners VII, funds managed by affiliates of The Blackstone Group L.P., would acquire certain assets, namely, Block A and Block B of the Atrium Buildings, situated in the Sandyford Industrial Estate in Dublin, together with existing long term leases and licences, from Atrium Property Developments Limited and Balcuik Limited, 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

**Gerald FitzGerald**  
**Member**  
**Competition and Consumer Protection Commission**