

# Anticipated acquisition by iQSA Holdco Limited of certain assets of GCP Student Living plc

## Decision on relevant merger situation and substantial lessening of competition

**ME/6954/21**

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 6 December 2021. Full text of the decision published on 14 January 2022.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

### SUMMARY

1. iQ Holdco Limited (**iQ**) has agreed to acquire certain assets belonging to GCP Student Living plc (**GCP**), a real estate investment trust (**REIT**) listed on the London Stock Exchange (the **Merger**).
2. The transaction is structured as a break-up bid, whereby iQ and Scape Living plc (**SL Co**) will together acquire the entire share capital of GCP, before dividing up GCP's assets between them. The GCP assets to be acquired by iQ are referred to as the **Target Business**.<sup>1</sup> iQ and GCP are together referred to as the Parties; iQ and the Target Business are together referred to as the **Merged Entity**.
3. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of iQ and the Target Business is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the share of supply test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

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<sup>1</sup> The acquisition by SL Co of GCP's other assets results in the creation of a separate relevant merger situation, and is therefore subject to a separate merger investigation: [Scape Living Plc / GCP Student Living Plc](#).

4. iQ and the Target Business overlap in the supply of corporate purpose-built student accommodation (**PBSA**) to full time higher education students seeking accommodation (**FTSSA**) in Brighton, London and Bristol.
5. The CMA assessed the impact of the Merger on the supply of corporate PBSA (**corporate PBSA**) on (1) a UK-wide basis and (2) in local catchment areas based on walking distances of 20 minutes and 30 minutes from HEI campuses in Brighton, London and Bristol. However, the CMA also took account of constraints from corporate PBSA located further away, and from other forms of student accommodation, including PBSA provided by higher education institutions (**HEIs**) to their students (**HEI PBSA**) and houses in multiple occupation (**HMO**) where relevant in its competitive assessment in local areas. This is consistent with the approach taken by the CMA in its 2019 decision in *Unite/Liberty*.<sup>2</sup> The CMA did not receive any evidence to suggest that it would be appropriate to depart from this precedent.
6. The CMA found no realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects at a national level, based on the Merged Entity's small share of supply (less than [5-10%]), and given that the Merged Entity will continue to be constrained by a large number of corporate PBSA competitors.
7. The CMA similarly found no realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of corporate PBSA in any of the local areas where iQ and the Target Business overlap.<sup>3</sup> In particular, the CMA believes that there will be sufficient competitive constraints on the Merged Entity, including from alternative corporate PBSA providers, and a more limited constraint from HMO and HEI PBSA.
8. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

## ASSESSMENT

### Parties

9. GCP is a REIT listed on the London Stock Exchange, and owns a portfolio of 11 PBSA properties located in London, Brighton, Guildford, Egham and

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<sup>2</sup> CMA, Case ME/6825/19, Anticipated acquisition by Unite Group plc of Liberty Living Group plc, [Phase 1 decision of 6 November 2019 \(Unite/Liberty\)](#).

<sup>3</sup> To identify the local HEI campus catchment areas in which the Merger could raise competition concerns, the CMA applied a filter based on the Merged Entity's share of supply and the increment in share of supply brought about by the Merger. For one HEI campus catchment area in Brighton, and one HEI campus catchment area in London that failed the filter, the CMA conducted a more detailed analysis of the competitive conditions.

Bristol. GCP's turnover in the financial year ended 30 June 2020 was £47.8 million in the UK.

10. iQ is an owner, operator and developer of corporate PBSA, with a portfolio of 68 corporate PBSA properties in the UK. iQ is owned by funds advised or managed by affiliates of The Blackstone Group, Inc. (**Blackstone**).<sup>1</sup> iQ's turnover in 2020 was £[X] in the UK.
11. Blackstone is a global alternative asset manager, headquartered in the United States and with offices in Europe and Asia. Blackstone's 2020 turnover was £[X] worldwide, and £[X] in the UK.

## Transaction

12. The transaction involves a two-step break-up bid whereby iQ and SL Co<sup>4</sup> will acquire GCP, before dividing up GCP's PBSA properties between them and then winding up the GCP group.
13. Firstly, Gemini Jersey JV L.P. (**Bidco**), a newly-formed vehicle jointly owned by iQ and SL Co, will acquire the entire issued share capital of GCP by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the **First Step Transaction**). For the period that Bidco holds the assets of GCP, relevant governance arrangements reserve to SL Co sole control of the five properties it will ultimately acquire, and to iQ sole control of the six properties it will ultimately acquire (see Table 1 below). During this interim period, iQ's and SL Co's information rights will also be limited to the information concerning the properties they will ultimately acquire.<sup>5</sup>
14. Secondly, pursuant to the terms of a Separation Agreement between Bidco, SL Co and iQ, Bidco will transfer six of the former GCP corporate PBSA properties to iQ, and five of the former GCP corporate PBSA properties to SL Co (the **Second Step Transaction**). The GCP corporate PBSA properties which will be acquired by iQ (ie the Target Business) and those which will be acquired by SL Co (the **SL Co Target Business**) are set out in Table 1 below. iQ's acquisition of the Target Business and SL Co's acquisition of the SL Co Target Business are interrelated, and both transactions are conditional

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<sup>4</sup> SL Co is a UK REIT listed on The International Stock Exchange, with investments focused on UK PBSA and 'City Living' residential real estate assets. SL Co is majority owned by an asset pool managed by APG Asset Management N.V. an investment manager for several Dutch pension funds, a wholly-owned subsidiary of APG Groep N.V., the biggest pension administrator in the Netherlands.

<sup>5</sup> Final Merger Notice (**FMN**), submitted to the CMA on 13 October 2021, Annex 032, Shareholders Agreement, clause 4.1 and 4.2.

on confirmation that neither transaction will be referred to a phase 2 investigation by the CMA.<sup>6</sup>

**Table 1: GCP corporate PBSA properties which will be acquired by iQ and SL Co**

Property	Location
<b>Target Business</b>	
Scape Brighton	Moulsecoomb, Brighton
Scape Mile End	Mile End, London
Scape Greenwich	Greenwich, London
Water Lane Apartments	Redcliffe, Bristol
The Pad	Egham
Podium	Egham
<b>SL Co Target Business</b>	
Circus Street	Circus Street, Brighton
Scape Shoreditch	Shoreditch, London
Scape Bloomsbury	Bloomsbury, London
Scape Wembley	Wembley, London
Scape Guildford	Guildford

Source: Final Merger Notice, Table 1.

15. The Parties informed the CMA that the Merger is not subject to review by any other competition authority.

## **Jurisdiction**

16. The CMA believes that the Merger is sufficient to constitute arrangements in progress or contemplation for the purposes of the Act.<sup>7</sup>

### ***The First Step Transaction***

17. The CMA has considered whether the First Step Transaction in the break-up bid may amount to a separate relevant merger situation.

### ***The legal framework***

18. The Act does not define the period of time that a merger situation should last in order for it to qualify as a relevant merger situation under the Act. In theory,

<sup>6</sup> FMN Annex 007, 'Scheme Document', page 45.

<sup>7</sup> Section 33(1)(a) of the Act.

therefore, acquisitions of control intended purely as a temporary step in a wider overall transaction might constitute a relevant merger situation.<sup>8</sup>

19. As set out in the CMA's guidance, where merging parties elect not to notify the initial acquisition in a break-up bid, the CMA is unlikely to treat it as a separate relevant merger situation concerning the entire target enterprise where it is clear that it will be merely an interim step in the context of a wider transaction and that the subsequent steps will occur within the four-month time period within which the CMA has the ability to refer the initial acquisition.<sup>9</sup>
20. However, where it appears that the subsequent steps may not take place within four months of completion of the initial acquisition, the CMA will not risk losing its ability to refer the initial acquisition simply on the basis that it is intended that the current situation will not be permanent.<sup>10</sup>

#### *Parties' submissions*

21. The Parties submitted that they were not notifying the First Step Transaction, because it is merely an interim transaction in the context of ultimate acquisitions by iQ and SL Co, which will occur within four months of completion of the First Step Transaction.<sup>11</sup>

#### *CMA assessment*

22. The CMA decided not to investigate the First Step Transaction as a separate relevant merger situation. The CMA is satisfied that the First Step Transaction is merely an interim step in the context of wider transactions involving iQ's acquisition of the Target Business and SL Co's acquisition of the SL Co Target Business and that the Second Step Transaction will occur within the four month period within which the CMA has the ability to refer the First Step Transaction.
23. In reaching this view the CMA took account of the following considerations:
  - (a) the Parties are contractually bound to complete the Second Step Transaction on or as soon as reasonably practicable following completion of the First Step Transaction;<sup>12</sup>

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<sup>8</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), December 2020, paragraph 4.44.

<sup>9</sup> [CMA2revised](#), paragraph 4.47.

<sup>10</sup> [CMA2revised](#), paragraph 4.47.

<sup>11</sup> FMN, paragraph 63.

<sup>12</sup> FMN, Annex 003, Separation Agreement, clause 2.1.

- (b) the only condition to completion of the Second Step Transaction is CMA approval, which is also a condition of completion of the First Step Transaction;<sup>13</sup>
- (c) the First Step Transaction is subject to the UK City Code on Takeovers and Mergers, and the Rule 2.7 public announcement of a firm intention to make an offer sets out SL Co and iQ's intention to carry out the Second Step Transaction;<sup>14</sup> and
- (d) the terms of iQ's acquisition finance facility require the Second Step Transaction to occur within 14 days of completion of the First Step Transaction.<sup>15</sup>

### ***The Second Step Transaction***

- 24. Each of iQ and the Target Business is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
- 25. iQ and the Target Business overlap in the supply of corporate PBSA. The Parties submitted that, applying the product and geographic frame of reference used by the CMA in *Unite/Liberty*, the share of supply test may be met in two local catchment areas in Brighton,<sup>16</sup> and one local catchment area in London. The CMA found that the Merged Entity would have a share of supply as follows in these catchment areas:
  - (a) For a local catchment area of 30 minutes' walking distance from the University of Brighton, Moulsecoomb campus, the Merged Entity would have a combined share of supply of [40-50]%, with an increment of [10-20]%;<sup>17</sup>
  - (b) For a local catchment area of 30 minutes' walking distance from Queen Mary University of London, Mile End campus, the Merged Entity would have a combined share of supply of [30-40]%, with an increment of [10-20]%.<sup>18</sup>

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<sup>13</sup> FMN, Annex 003, Separation Agreement, clause 23.

<sup>14</sup> FMN, Annex 002, Rule 2.7 Announcement, page 3.

<sup>15</sup> Parties' Response to RFI 3, paragraphs 3.1 to 3.4.

<sup>16</sup> The Parties submitted that the share of supply test is met in respect of 20 minutes' and 30 minutes' walking distance catchment areas around the University of Brighton, Moulsecoomb campus, however only the latter failed the CMA's filter. The Parties also provided shares of supply for the 30 minutes' walking distance catchment area around the University of Brighton, City campus, but noted that Scape Brighton was actually located just outside this catchment, so this catchment also did not fail the CMA's filter.

<sup>17</sup> See Table 4.

<sup>18</sup> See Table 5.

26. The CMA therefore believes that the share of supply test in section 23 of the Act is met.

### ***Conclusion on jurisdiction***

27. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
28. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 19 October 2021 and the statutory 40 working day deadline for a decision is therefore 13 December 2021.

### **Counterfactual**

29. The CMA assesses a merger's impact relative to the situation that would prevail without the merger (ie the counterfactual).<sup>19</sup> In anticipated mergers, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the merger firms than under the prevailing conditions of competition.<sup>20</sup>
30. The CMA's assessment of the counterfactual will often focus on significant changes affecting competition between the merger firms, such as entry into new markets in competition with each other.<sup>21</sup> The CMA is also likely to focus only on significant changes where there are reasons to believe that those changes would make a material difference to its competitive assessment.<sup>22</sup> The counterfactual is not intended to be a detailed description of the conditions of competition that would prevail absent the merger. Those conditions are better considered in the competitive assessment.<sup>23</sup>
31. In this case, the Parties submitted that the relevant counterfactual should be the prevailing conditions of competition.<sup>24</sup> [✂].<sup>25</sup> The CMA found no evidence to support the use of a different counterfactual, and therefore assessed the Merger against the prevailing conditions of competition.

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<sup>19</sup> [Merger Assessment Guidelines](#) (CMA129), 18 March 2021 (**Merger Assessment Guidelines**), paragraph 3.1.

<sup>20</sup> [Merger Assessment Guidelines](#), paragraph 3.2.

<sup>21</sup> [Merger Assessment Guidelines](#), paragraph 3.8.

<sup>22</sup> [Merger Assessment Guidelines](#), paragraph 3.9.

<sup>23</sup> [Merger Assessment Guidelines](#), paragraph 3.7.

<sup>24</sup> FMN, paragraph 83.

<sup>25</sup> [✂].

## Background

### *Student accommodation*

32. The Parties are active in the supply of accommodation to FTSSA.<sup>26</sup> Student accommodation consists of rooms that are available to be let by students on a short-term basis (typically on 40-51 week terms).
33. Student accommodation comprises two main types:
- (a) PBSA, which consists of properties developed specifically for students. Bedrooms are typically single occupation, while kitchens and common areas are typically shared, as are bathrooms in the case of 'standard' or 'non-ensuite' rooms. Frequently, PBSA consists of large developments, accommodating hundreds of students;<sup>27</sup> and
  - (b) HMO. A house (or flat) in multiple occupation is traditionally a property where different individuals who are not family members share a single residence, typically with individual bedrooms and shared use of that residence's common areas (kitchen, bathrooms etc). For the purposes of the CMA's investigation, HMO includes non-purpose-built houses, flats and studios rented by FTSSA from a private landlord. HMO therefore captures almost all properties at which FTSSA reside, other than PBSA.<sup>28</sup>
34. PBSA is supplied both by corporate PBSA providers (including the Parties) and by HEIs. The CMA considers the differences between corporate PBSA, HEI PBSA and HMO within the frame of reference section below.

### *The provision of student accommodation*

35. The end users of student accommodation are FTSSA.
36. First-year students, international students and students with disabilities are typically offered an 'accommodation guarantee' by the HEI.<sup>29</sup>
37. In order to meet the capacity demands of these accommodation guarantees, HEIs will typically offer their own PSBA (where available). If their own PBSA is insufficient to meet this demand, HEIs will typically contract with corporate PBSA providers through nomination agreements to secure a set number of beds.

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<sup>26</sup> FTSSA excludes those students who live in their own/family residence.

<sup>27</sup> FMN, paragraph 85 a.

<sup>28</sup> FMN, paragraph 85 b.

<sup>29</sup> *Unite/Liberty*, paragraph 49.



38. Returning students are usually not covered by an accommodation guarantee. These students are generally responsible for finding their own accommodation and will typically elect to let a room directly from a corporate PBSA provider or to rent HMO accommodation.<sup>30</sup>
39. Therefore, in relation to corporate PBSA, students will obtain a room either:
- (a) directly from a corporate PBSA provider through the ‘direct let’ channel (either directly through their websites or through, for instance, agents); or
  - (b) indirectly through their HEI, where the latter has entered into a nomination agreement with the PBSA provider.
40. The Parties’ customers therefore comprise both individual students and HEIs. Internal documents and Parties’ responses to RFIs have indicated that there may be occasional customers falling outside the two main categories, such as language schools and corporate customers booking for employees undertaking full-time study.
41. The CMA also notes that different corporate PBSA providers have different business models. Some providers (such as GCP and SL Co) own corporate PBSA properties, but outsource management and branding of those properties to an asset manager/operator. Some providers are asset managers/operators only (eg CRM), and do not own the underlying properties. Finally, some providers are both owners and operators (eg Unite and iQ).<sup>31</sup>
42. As part of the *Unite/Liberty* investigation in 2019 the CMA conducted a survey of individual direct let students. Online questionnaires were sent to 18,816 students. In total, 998<sup>32</sup> students completed the survey. The CMA did not complete a further survey as part of this investigation but has referred to the results of the *Unite/Liberty* survey below where appropriate.

## Frame of reference

43. Market definition is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise from the competitive assessment.<sup>33</sup> It involves identifying the most

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<sup>30</sup> Some HEIs also work to some extent with HMO providers (albeit to a lesser extent than corporate PBSA providers), both by running housing lists (which in some circumstances are accredited) and by entering into both formal (head lease schemes) and informal agreements with local HMO providers.

<sup>31</sup> Following the Merger, iQ will take over operation of the GCP properties that it is acquiring that are currently operated by Scape. This includes Scape Mile End and Scape Greenwich in London, The Pad and Podium in Egham and Scape Brighton.

<sup>32</sup> At least as far as question 8 of the survey.

<sup>33</sup> [Merger Assessment Guidelines](#), paragraph 9.1.

significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.<sup>34</sup>

44. Market definition is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the CMA's analysis of the competitive effects of the merger in any mechanistic way. In assessing whether a merger may give rise to an SLC, the CMA may take into account constraints outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.<sup>35</sup>
45. iQ and the Target Business' activities overlap only in the supply of corporate PBSA in the UK, and at the local level, in Brighton, London, and Bristol.

### ***Product scope***

46. The Parties submitted that the relevant product market includes all types of PBSA (including both corporate and HEI PBSA).<sup>36</sup> The Parties also submitted that HMO imposes a very strong constraint and that in some geographic markets the narrowest plausible product market will also include the supply of HMO alongside PBSA.<sup>37</sup>
47. This contrasts with the CMA's product frame of reference in *Unite/Liberty* which considered the effect of the merger on the provision of corporate PBSA. On the basis of the evidence received in its investigation, set out below, the CMA considers that the product frame frame of reference used in *Unite/Liberty* remains appropriate.

### ***Corporate PBSA***

48. The CMA notes that the Parties' activities overlap only in the provision of corporate PBSA. The CMA has therefore started with corporate PBSA as the narrowest candidate frame of reference and looked at whether this should be widened to include other types of student accommodation.
49. Third party evidence confirmed that relative to other forms of student accommodation corporate PBSA is usually of a higher quality with more

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<sup>34</sup> [Merger Assessment Guidelines](#), paragraph 9.2.

<sup>35</sup> [Merger Assessment Guidelines](#), paragraph 9.4.

<sup>36</sup> FMN, paragraph 86

<sup>37</sup> FMN, paragraph 95

expensive rooms (typically en-suite and studios) and is more likely to offer facilities such as cinema rooms, gyms and other on-site amenities.<sup>38</sup>

50. Consistent with the findings of *Unite/Liberty* the CMA received evidence that these features may differentiate corporate PBSA from the other forms of student accommodation.

### *HEI PBSA*

51. The CMA notes that HEI PBSA tends to be lower quality and cheaper than corporate PBSA. HEI PBSA more commonly offers rooms with shared bathrooms in addition to en-suite rooms, with limited provision of studios. In addition, the facilities available within HEI PBSA are typically more basic than those found in corporate PBSA.<sup>39</sup>
52. However, the CMA recognises that HEI PBSA may be an alternative to corporate PBSA for some students. The presence of some constraint from HEI PBSA can be seen in the results of the CMA's *Unite/Liberty* survey (which was sent exclusively to direct let students). In response to the question asking respondents what they would have done if the corporate PBSA property where they were resident had been fully booked, 21% responded that they would have rented a room in an HEI PBSA property.<sup>40</sup>
53. The degree of substitutability of HEI PBSA for students booking through the direct let route will depend on the proportion of students that benefit from HEI PBSA accommodation guarantees and whether there is sufficient spare capacity after students who benefit from those guarantees have taken up their offers of accommodation. The evidence gathered by the CMA suggests that HEI institutions often have insufficient capacity to meet their accommodation guarantees (and so contract additional capacity from corporate PBSA providers), and those that do have a variable amount of spare capacity after guaranteed places are filled.
54. These findings are supported by the third party evidence received from competitors and HEIs, who submitted that HEI PBSA is only suitable for certain students, typically students that benefit from an accommodation guarantee, such as first year students, international students and students with disabilities. In addition, these student groups may have a preference towards HEI-arranged PBSA accommodation, as staying in university halls ensures that they are living close to other students and benefit from a degree

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<sup>38</sup> [REDACTED] Third party call note; [REDACTED] Third party call note.

<sup>39</sup> FMN, Annex 12.70, Higher Education Policy Institute, 'Student Accommodation: The Facts' (2020), page 23.

<sup>40</sup> *Unite/Liberty*, paragraph 63.

of assurance about security, amenities, and service levels.<sup>41</sup> This suggests that HEI PBSA provides a limited constraint on corporate PBSA pricing.

55. As such, and since the proportion of students that benefit from HEI PBSA accommodation guarantees, and the extent of any spare capacity after accommodation guarantees are taken up, varies between HEIs, the CMA has excluded HEI PBSA from the relevant frame of reference but considered the constraint from HEI PBSA as part of the competitive assessment where relevant.

## HMO

56. The CMA also considered whether HMO should form part of the product frame of reference.
57. HMO accommodation is differentiated from both corporate and HEI PBSA and is typically materially cheaper.
58. The CMA believes that HMO may not be considered as substitutable with corporate PBSA for many students booking through the direct let route. In particular, third parties indicated that HMO is often not suitable for first year and international students, because the former will not have had sufficient time to form a group of friends with which to book an HMO, and the latter may not have access to a UK guarantor, which is required by many HMO landlords.<sup>42</sup> The CMA therefore believes HMO only provides a limited constraint on corporate PBSA pricing.
59. For HEIs entering into nomination agreements, the evidence does not suggest that HMO is considered suitable for these purposes. The CMA has seen little evidence of HEIs entering into nomination agreements with HMO providers.<sup>43</sup>
60. However, the CMA recognises that HMO may be a viable alternative for certain direct let students, in particular returning students and postgraduate students. Consistent with the findings of *Unite/Liberty*, the CMA received evidence from some third parties that returning students may consider HMO as an attractive alternative as they may prefer to live together with friendship groups.<sup>44</sup>
61. The presence of some constraint from HMO can also be seen in the results of the CMA's *Unite/Liberty* survey (which was sent exclusively to direct let

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<sup>41</sup> *Unite/Liberty*, paragraphs 49 to 51; [redacted] Third party call note.

<sup>42</sup> [redacted] response to third party questionnaire.

<sup>43</sup> [redacted] submitted that historically it had taken on some HMO properties and acted as the landlord but has now ceased using this model. [redacted] Third party call note.

<sup>44</sup> For example, [redacted], [redacted] and [redacted] response to third party questionnaires.

students). In response to the question asking respondents what they would have done if the corporate PBSA property where they were resident had been fully booked, 24% responded that they would have used HMO.<sup>45</sup>

62. As such, the CMA has excluded HMO from the relevant product frame of reference, but considered the constraint from HMO as part of the competitive assessment where relevant.

#### *Conclusion on widening the frame of reference from corporate PBSA*

63. For the reasons set out above, the CMA considers that the frame of reference should not be widened to include HEI PBSA or HMO for the product frame of reference.

#### *Corporate PBSA room type and type of customer*

64. The CMA has also considered whether the product scope should be narrower than corporate PBSA.
65. In respect of room type, while the Parties and their corporate PBSA competitors may provide different types and quality of rooms in individual properties, across different properties they generally offer a similar range of room types. Consistent with the findings of *Unite/Liberty*, the CMA received evidence that there is relatively limited differentiation in the quality of the rooms supplied by the majority of corporate PBSA providers.<sup>4647</sup> Although the CMA does not consider that the product frame of reference should be narrowed in this respect, it has taken differences or similarities in the Parties' offerings in specific locations into account in the competitive assessment.
66. As noted above (see paragraph 39), there are two groups of corporate PBSA customers: HEIs via nomination agreements and students via direct lets. Average prices for equivalent 'direct let' corporate PBSA rooms and corporate PBSA rooms subject to nomination agreements with HEIs are generally similar, though prices for the latter may be lower due to lower marketing costs<sup>48</sup> and the CMA therefore considers it appropriate to assess the two customer groups within a single frame of reference. However, the CMA recognises that there are differences in these two customer sets and will take this into account in the competitive assessment where relevant.

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<sup>45</sup> *Unite/Liberty*, paragraph 68.

<sup>46</sup> *Unite/Liberty*, paragraph 102.

<sup>47</sup> For example, industry reporting does not segment PBSA suppliers based on the quality of their rooms (for example, see FMN, Annex 020, 'Cushman & Wakefield 2020/21 UK Student Accommodation Report').

<sup>48</sup> *Unite/Liberty*, paragraph 73.

67. In addition, as outlined in paragraphs 36 and 38, the CMA notes that different types of student (including first years, returners and international students) have different demand preferences and different levels of reliance on (corporate) PBSA. The CMA will take these differences into account in the competitive assessment but considers it appropriate to assess all types of student within a single frame of reference, because all corporate PBSA providers offer rooms to each of these different types of student.
68. In line with *Unite/Liberty* the CMA has, therefore, not further narrowed the product frame of reference of corporate PBSA.

#### *Conclusion on product scope*

69. For the reasons set out above, the CMA has considered the impact of the Merger in the provision of corporate PBSA. The CMA will consider the constraint from other forms of student accommodation as part of its competitive assessment.

#### **Geographic scope**

70. The Parties submitted that they do not consider that competition takes place at the national level<sup>49</sup> and that any local geographic market should take into account properties readily accessible by public transport and HEI-supplied transport. In smaller cities where such transport is well-developed and heavily used by students, the Parties submitted that the narrowest plausible geographic market should generally be city-wide. For London, and other large cities, they submitted that it should be the central area of the relevant city (ie central London) and those properties which are readily accessible by public transport from outside that area.<sup>50</sup>
71. In *Unite/Liberty*, the CMA found evidence of competition at the national level in respect of the acquisition of sites and development of corporate PBSA. In addition, third parties indicated that the decisions of students and HEIs may be influenced by the national branding and reputation of corporate PBSA providers.<sup>51</sup>
72. Nevertheless, the CMA found that competition primarily occurs on a local basis such that decisions on pricing and quality are always taken in the context of the individual asset and its relative position at a local (intra-city) level. The CMA found that proximity to the HEI campus is the primary factor

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<sup>49</sup> FMN, paragraph 92.

<sup>50</sup> FMN, paragraph 97.

<sup>51</sup> *Unite/Liberty*, paragraph 81.

when customers are choosing corporate PBSA accommodation, both for students booking accommodation through the direct let route or HEIs entering into nomination agreements.<sup>52</sup> Based on survey evidence and submissions from HEIs on how far students are prepared to travel to reach their HEI, on a cautious basis, the CMA used 'campus catchment areas' of 20 minutes' and 30 minutes' walking distance from the affected HEI campuses.<sup>53</sup>

73. However, the CMA recognised that other factors such as public transport options may be relevant in some cities and took this into account within the local competitive assessments.<sup>54</sup>
74. Evidence received by the CMA in this investigation was broadly consistent with the findings of *Unite/Liberty* with respect to national and local competition and the CMA has therefore adopted the same approach to the geographic frame of reference.

#### *Conclusion on geographic scope*

75. For the reasons set out above, the CMA has considered the impact of the Merger in the following geographic frames of reference:
- (a) a UK-wide frame of reference; and
  - (b) local frames of reference based on (i) catchment areas of 20 minutes' walking distance from the affected HEI campuses; and (ii) catchment areas of 30 minutes' walking distance from the affected HEI campuses.
76. As in *Unite/Liberty*, the CMA recognises that other factors such as public transport options may also be relevant and result in student accommodation located outside of the catchment areas exerting a competitive constraint in some cities. This will be taken into account within the local competitive assessments.

#### **Conclusion on frame of reference**

77. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:
- (a) a UK-wide frame of reference for the provision of corporate PBSA; and

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<sup>52</sup> *Unite/Liberty*, paragraph 81.

<sup>53</sup> *Unite/Liberty*, paragraphs 84 to 85.

<sup>54</sup> *Unite/Liberty*, paragraph 90.

- (b) local frames of reference for the provision of corporate PBSA in each city where both iQ and the Target Business are present, within (i) catchment areas of 20 minutes' walking distance from the relevant HEI campuses and (ii) catchment areas of 30 minutes' walking distance from the relevant HEI campuses.

## **Competitive assessment**

### ***Horizontal unilateral effects***

78. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.<sup>55</sup> Horizontal unilateral effects are more likely when the merging parties are close competitors.
79. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of corporate PBSA at both a national and local level.

### ***National competitive assessment***

80. The Parties submitted that:
- (a) The CMA's investigation in *Unite/Liberty* established that there is limited competition at the national level because of geographic constraints on students and HEIs as customers, and also because of specific local factors that influence pricing.<sup>56</sup>
- (b) The merger is incapable of giving rise to an SLC given that iQ's share of supply for corporate PBSA will remain below [5-10]% following the transaction, with an increment of just [0-5]% (a combined share of supply of [5-10]%).<sup>57</sup>
- (c) Unite will remain the leader in corporate PBSA nationally post-Merger, with a share of supply of [20-30]% and iQ will be a distant number two player with a share of less than half of Unite's share.<sup>58</sup>

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<sup>55</sup> [Merger Assessment Guidelines](#), paragraph 4.1.

<sup>56</sup> FMN, paragraph 119.

<sup>57</sup> FMN, paragraph 120.

<sup>58</sup> FMN, paragraph 120.



81. The evidence received by the CMA is consistent with the CMA’s findings in *Unite/Liberty* that competition at the national level is limited.<sup>59</sup> The evidence related to the national competitive assessment is considered below.

*Shares of supply*

82. The Parties presented shares of supply based on numbers of beds, calculated using iQ’s estimate of a total of [redacted] private sector PBSA beds in the UK.<sup>60</sup>

83. Table 2 contains the Parties’ estimates of the national shares of supply of the main providers of corporate PBSA beds in the UK.<sup>61</sup>

**Table 2: Estimated national shares of supply in corporate PBSA<sup>62</sup>**

Corporate PBSA Provider	Number of beds	Shares of supply
iQ	[redacted]	[5-10]%
GCP	[redacted]	[0-5]%
Target Business	[redacted]	[0-5]%
<b>Merged Entity</b>	<b>[redacted]</b>	<b>[5-10]%</b>
Unite	[redacted]	[20-30]%
Student Roost	[redacted]	[5-10]%
Homes for Students	[redacted]	[0-5]%
CRM Students	[redacted]	[0-5]%
Fresh Student Living	[redacted]	[0-5]%
Host Students	[redacted]	[0-5]%
Campus Living Villages	[redacted]	[0-5]%
Hello Student	[redacted]	[0-5]%
The Student Housing Company	[redacted]	[0-5]%
Sanctuary Students	[redacted]	[0-5]%
SL Co	[redacted]	[0-5]%
Other	[redacted]	[30-40]%
<b>Total corporate PBSA Beds in the UK</b>	<b>[redacted]</b>	<b>100%</b>

Source: Parties’ estimates; Final Merger Notice, Table 4.

84. Based on these shares of supply the CMA believes that there is no realistic prospect of an SLC at a national level:

<sup>59</sup> *Unite/Liberty*, paragraph 80.

<sup>60</sup> The Parties used iQ’s estimate of the total number of corporate PBSA beds in the UK, combined with internal data on their own room numbers, and Cushman & Wakefield data on the room numbers of competitors, to calculate national shares of supply. The CMA notes that Cushman & Wakefield estimated a slightly higher total of [redacted] private sector PBSA beds in the UK. The CMA found in *Unite/Liberty* that the use of the number of beds as a measure of the size of PBSA properties and providers is appropriate and common practice in the industry.

<sup>61</sup> Although there are some differences in the competitor shares of supply estimated by iQ and those estimated by SL Co in Case ME/6953/21, differences are not material, and shares of supply are modest in any event.

<sup>62</sup> Figures for SL Co include beds owned by the SL Co Target Business.

- (a) The Merged Entity's share of supply will remain modest at [5-10]%;
- (b) The share of supply increment resulting from the Merger is very small at [0-5]%;
- (c) Unite will remain the clear market leader with a share of supply of [20-30]%; and
- (d) There remains a significant number of alternative providers of corporate PBSA with material shares of the national market.

### **Local competitive assessment**

#### *Local overlaps between iQ's and the Target Business' properties*

85. At a city-wide/town-wide level, local overlaps arise between iQ's and the Target Business' properties in Brighton, London and Bristol.
- (a) In London, iQ will acquire 'Scape Mile End' ([X] beds) and 'Scape Greenwich' ([X] beds). iQ currently owns 16 corporate PBSA properties in London.
  - (b) In Brighton, iQ will acquire 'Scape Brighton' ([X] beds). iQ currently owns two properties in Brighton, 'iQ Abacus House' ([X] beds) and 'iQ Sawmills' ([X] beds).
  - (c) In Bristol, iQ will acquire 'Water Lane Apartments' ([X] beds), a corporate PBSA property owned by GCP but operated by Collegiate. iQ currently owns a single corporate PBSA property in Bristol, 'iQ Bristol' ([X] beds).
86. iQ will also acquire two corporate PBSA properties in Egham, Surrey. Neither iQ nor Blackstone currently owns any corporate PBSA in Egham, so the Merger does not give rise to a local overlap in respect of these properties.

#### *Share of supply filter for HEI campus catchment areas*

87. In merger investigations where merger firms tailor their offering to each specific local area, this may result in the CMA having to consider a large number of overlaps between the merger firms. In such cases, the CMA may employ a filtering approach, which involves identifying some areas as requiring no further consideration based on systematic information that is relatively easy to gather. This allows the CMA to gather further information for a more manageable number of areas (ie those that fail the filter), and give

them further consideration based on factors that can be systematically analysed across all local areas.<sup>63</sup>

88. Consistent with the approach taken in *Unite/Liberty*, the CMA applied a filter to identify HEI campus catchment areas<sup>64</sup> giving rise to an overlap where either the Merged Entity's share of supply or the increment arising from the Merger is sufficiently low that the CMA believes there can be no realistic prospect of a substantial lessening of competition.<sup>65</sup> Any given HEI campus is considered to 'fail' the filter, and to warrant further consideration, when both the Merged Entity's share of supply and the share of supply increment resulting from the Merger exceed 30% and 5% respectively.
89. The catchment areas set out in Table 3 have failed this filter and as such have been identified as requiring further consideration to determine whether there is a realistic prospect of an SLC arising in these local areas as a result of the Merger. One HEI campus in Brighton, and one HEI campus in London failed the CMA's filter. No HEI campuses in Bristol failed the CMA's filter, and the overlap between iQ and the Target Business in Bristol is therefore not considered further in this Decision.

**Table 3: HEI campus catchment areas that failed the CMA's filter**

<b>Brighton</b>	1. Moulsecoomb Campus (University of Brighton)
<b>London</b>	2. Mile End Campus (Queen Mary University)

### ***Detailed local competitive assessment***

90. The CMA conducted a detailed competitive assessment for the Brighton and London campus catchment areas that failed the filter. The CMA has assessed:
- (a) Shares of supply and increments for each campus that failed the filter;
  - (b) The closeness of competition between the Parties within the catchment areas;
  - (c) The competitive constraint from alternative corporate PBSA providers within the catchment areas (including the extent to which alternative

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<sup>63</sup> CMA2revised, paragraph 4.32 to 4.33.

<sup>64</sup> For the purposes of its investigation, the CMA reviewed HEI campuses identified by the Parties, from which the Higher Education Statistics Agency (HESA) collects data, and which have FTSSA >1,000, based on location data, bed numbers and FTSSA estimates provided by the Parties.

<sup>65</sup> iQ used Cushman & Wakefield Reports to identify the corporate PBSA situated in London and Brighton respectively, and the number of beds for each PBSA asset, and Google Maps to calculate the walking distances between HEI campuses and corporate PBSA assets.

corporate PBSA beds to those of the Parties are available to HEIs to meet their commitments, eg to guarantee beds to first year students);<sup>66</sup> and

- (d) The out of market constraint from corporate PBSA properties located outside the catchment areas, HMO and HEI PBSA.<sup>67</sup>

### *Market context*

91. The CMA notes that there are certain market features that are relevant to its competitive assessment of all relevant local catchment areas. These features, which are summarised in the sub-section below, have been taken into account in all local areas subject to more detailed investigation.

### *Price setting*

92. Consistent with the CMA's findings in *Unite/Liberty*, the CMA has received evidence that students are price sensitive.<sup>68</sup> Students will typically compare prices across student accommodation providers, which are generally transparent on websites, and weigh up price against other property specific characteristics including location, quality and facilities. From the point of view of HEIs sourcing beds under nomination agreements, price is an important factor, as well as location and the type of room.
93. The Parties submitted that prices for their rooms are typically set well in advance of the next academic year.<sup>69</sup> Price setting is informed primarily by [redacted] along with a variety of other factors.<sup>70</sup>
94. The CMA has not seen any evidence that the Parties are able to price discriminate between different types of students and the CMA understands that corporate PBSA providers therefore have to set their prices for a given room type based on the average student.

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<sup>66</sup> For both closeness of competition between the Parties and the competitive constraint from alternative corporate PBSA providers, the CMA's systematic assessment in each local area has included consideration of the evidence available on: (i) the location of the relevant corporate PBSA properties (ii) price (iii) room mix and (iv) facilities/amenities offered.

<sup>67</sup> The CMA's assessment in each local area has included consideration of the evidence available on: (i) the use of public transport by students (ii) the extent to which HEIs have sufficient HEI PBSA stock to meet their accommodation guarantees and any excess capacity (iii) the quality of HEI PBSA and (iv) the prevalence of first year and international students staying in the Parties' properties.

<sup>68</sup> CMA assessment of responses to third party questionnaires. [redacted], [redacted] and [redacted] responses to third party questionnaire.

<sup>69</sup> Parties' Response to RFI 2, paragraph 21.1.

<sup>70</sup> Parties' Response to RFI 2, paragraph 21.2.

### *Approach to pipeline properties*

95. As part of its investigation, the CMA has been made aware of instances where corporate PBSA properties are in the process of being developed or have recently been completed (**pipeline properties**).
96. The CMA has considered these pipeline properties to be part of the relevant frame of reference when the property is already under construction and the supplier has confirmed that it will start housing students from the start of the next academic year (ie September 2022). The Parties confirmed that their sales cycle begins in the [ ] prior to the start of the academic year in question and so any corporate PBSA property opening in the next academic year will already be competing with and providing a constraint on the Parties.

### **Brighton**

#### *Local context*

97. The CMA's filter was failed in relation to one HEI campus catchment area in Brighton: the University of Brighton's Moulsecoomb Campus which failed the filter for the 30 minutes' walking distance campus catchment area.
98. In Brighton there are two HEIs with more than 1,000 FTSSA: The University of Brighton and The University of Sussex. The University of Sussex has only one campus, located in Falmer, about four miles north of Brighton city centre. The University of Brighton has three campuses in Brighton:
  - (a) the Falmer campus, located opposite the University of Sussex in Falmer, about four miles north of Brighton city centre;
  - (b) the Moulsecoomb campus, located about two miles north of Brighton city centre; and
  - (c) the City campus, located in Brighton city centre.
99. The Merger will result in iQ acquiring the 'Scape Brighton' property from GCP following which it will own three properties in Brighton – the newly acquired 'Scape Brighton' and its existing properties 'iQ Abacus House' and 'iQ Sawmills'.

#### *Shares of supply*

100. Table 4 below shows iQ's and the Target Business' combined shares of supply and increments from the Merger for academic year 2022/23 for the

University of Brighton, Moulsecoomb Campus 30 minutes' walking distance catchment area which fails the CMA's filter.

**Table 4: University of Brighton, Moulsecoomb Campus 30 minutes' catchment area shares of supply and travel times**

PBSA site	Provider	Number of beds	Shares of supply	Walking distance to Moulsecoomb campus
Scape Brighton	GCP	[X]	[20-30]%	4 minutes
iQ Abacus House	iQ	[X]	[10-20]%	29 minutes
iQ Sawmills	iQ	[X]	[0-5]%	14 minutes
<b>Merged Entity</b>		[X]	<b>[40-50]%</b>	
Pavilion Point (from 2021/2022)	Fresh Student Living	[X]	[10-20]%	28 minutes
Student Castle Brighton	Student Castle	[X]	[5-10]%	6 minutes
Hollingbury House	Abodus Student Living	[X]	[5-10]%	15 minutes
Aparto Stoneworks, Aparto Vogue Studios	Aparto Student	[X]	[0-5]%	12/13 minutes
45-47 Hollingdean Road †	CRM	[X]	[0-5]%	14 minutes
Hillfort House BN2 4PB †	Student Roost	[X]	[10-20]%	13 minutes
<b>Total corporate PBSA</b>		[X]	<b>100%</b>	

Source: CMA calculations based on capacity information provided by the Parties and competitor respondents to the CMA's merger investigation; walking distances provided by Parties in response to RFI 2, Annex 027.2.

† Pipeline property, operational for September 2022

## *Closeness of competition*

### *Parties' submissions*

101. The Parties submitted that iQ's properties and the Target Business' properties are not close competitors, based on differences in the age of the relevant properties and the range of facilities available:

(a) Although corporate PBSA properties in Brighton are generally new, high-quality and modern accommodation (the first corporate PBSA having opened in the city in 2014), iQ's properties are the oldest in the city, with iQ Abacus House and iQ Sawmills opening in 2014 and 2015 respectively.<sup>71</sup> On the other hand, Scape Brighton opened in 2020, and is therefore more comparable with other new corporate PBSA developments

<sup>71</sup> FMN, paragraph 175.

such as Student Castle Brighton (opened in 2020) and Pavilion Point (opened in 2021).<sup>72</sup> [redacted].<sup>73</sup>

- (b) Scape Brighton also has newer and more varied facilities than iQ's properties, which are more likely to be replicated at other new competing properties.<sup>74</sup> In particular, Scape Brighton and newer properties such as Student Castle and Pavilion Point all have an on-site gym and library or study spaces, neither of which are offered at iQ's properties in Brighton.<sup>75</sup>
- (c) The price ranges for students seeking a room under a direct let are similar across all corporate PBSA properties in Brighton, especially once the quality of the accommodation and the facilities on offer are taken into account.<sup>76</sup> Therefore, iQ's and Scape Brighton's properties are not more closely priced in comparison to each other than to other corporate PBSA in Brighton.

### *Differentiation*

- 102. The CMA notes in respect of pricing that the Target Business' prices are generally lower than those at iQ's properties in Brighton. For example, in 2020/21, the range of rates for an ensuite room was [redacted] at Scape Brighton,<sup>77</sup> and [redacted] across iQ's two Brighton properties.<sup>78</sup> This price differential indicates some degree of differentiation between iQ and the Target Business' properties.
- 103. The CMA also notes that there are differences in the mix of room types offered at iQ and the Target Business' properties. Across iQ's two properties in Brighton, over three-quarters of beds are ensembles, with the remainder being studios. Conversely, at Scape Brighton, over two-thirds of beds are either studios or two bed apartments.<sup>79</sup>
- 104. iQ's properties are closer to the city centre, whereas Scape Brighton is closer to Moulsecoomb campus.
- 105. However, the majority of third party responses to questionnaires indicated that iQ's properties compete with Scape Brighton, with at least one iQ property and Scape Brighton both appearing in the top five competitors in Brighton

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<sup>72</sup> FMN, paragraph 175.

<sup>73</sup> FMN, paragraph 175.

<sup>74</sup> FMN, paragraph 176.

<sup>75</sup> FMN, Table 9.

<sup>76</sup> FMN, Table 10.

<sup>77</sup> Parties' Response to RF12 question 2, Annex 30.27.

<sup>78</sup> Parties' Response to RF12 question 2, Annex 023 (tab Q2).

<sup>79</sup> Parties Response to RF12 question 2, Annex 023 (tab Q2); Parties' Response to RF12 question 2, Annex 30.27.

named by five of seven respondents.<sup>80</sup> The University of Brighton also noted that Scape Brighton and iQ Abacus House were among the top five corporate PBSA options for students studying at each of their campuses.<sup>81</sup>

#### *Internal documents*

106. The CMA notes that some of the Parties' internal documents suggest that iQ and GCP consider each other's properties in Brighton to be direct competitors. For example, a Scape internal document showed [REDACTED].<sup>82</sup>

#### *Conclusion on closeness of competition*

107. The CMA considers that iQ and the Target Business do compete relatively closely in Brighton, notwithstanding that there are some signs of differentiation between their respective properties. The CMA has therefore considered the competitive constraints that will exist post-Merger.

#### *In-market competitive constraints*

##### *Level of concentration*

108. At a city level, the Parties submitted that there would be no material change in the level of concentration or shares of supply, as iQ would simply replace GCP as the leading provider of corporate PBSA, with a share of supply ([40-50]%) post-Merger across three properties (iQ Abacus House, iQ Sawmills, and Scape Brighton) which is lower than GCP's current share of supply ([40-50]%) across two properties (Scape Brighton and Circus Street).<sup>83</sup>
109. The CMA does not accept that the Merger will not result in any change in concentration at the city-wide level in Brighton. This is because the Parties' submission assumes that GCP is currently able to influence the competitive strategy of the Circus Street PBSA property ([REDACTED] beds), whereas following the Second Step Transaction the Circus Street PBSA property will be owned by SL Co and will therefore become an independent competitor (SL Co does not currently own any PBSA in Brighton). However, Circus Street is subject to a long lease to Kaplan,<sup>84</sup> which has full operational control over how the property is run and how prices for rooms are set. The CMA therefore considers that the Circus Street PBSA property should be treated as

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<sup>80</sup> CMA analysis of responses to third party questionnaires.

<sup>81</sup> University of Brighton response to third party questionnaire.

<sup>82</sup> FMN Annex 30.7, Scape internal document, [REDACTED].

<sup>83</sup> FMN, paragraph 155; note that these shares of supply exclude the pipeline properties discussed in paragraph 112 below.

<sup>84</sup> [REDACTED].



competing independently both pre- and post-Merger, rather than attributed to GCP's share of supply. The consequence of this is that the Merger will result in a clear increase in the share of supply of the largest provider in the Moulsecoomb campus 30 minutes' walking distance catchment area, from [20-30]% pre-Merger (represented by Scape Brighton), to [40-50]% post-Merger (the Merged Entity).<sup>85</sup>

#### *Alternative corporate PBSA providers*

110. The Parties submitted that post-Merger, iQ will remain constrained by six significant rival corporate PBSA providers at the Brighton city level (Aparto Student, Fresh Student Living, Student Castle, Abodus Student Living, Homes for Students and Kaplan living).<sup>86</sup> Within the University of Brighton Moulsecoomb campus 30 minutes' walking distance catchment area, the Parties submitted that iQ will remain constrained by the first four of these corporate PBSA providers.<sup>87</sup>
111. The CMA notes that responses to third party questionnaires indicated that geographical proximity to HEI campuses is an important competitive parameter in Brighton, but is not the only parameter that dictates how closely providers compete with each other. The alternative corporate PBSA properties remaining in the University of Brighton Moulsecoomb campus 30 minutes' walking distance catchment area are discussed in turn below:
- (a) Pavilion Point (Fresh Student Living): This property opened in September 2021, providing [X] beds in a mixture of ensembles and studios, similar to iQ Abacus House, though with a slightly lower range of rates more comparable to those of iQ Sawmills and Scape Brighton. The property offers facilities including an on-site gym and cinema room, similar to the facilities at Scape Brighton.<sup>88</sup> It is located in the city centre close to iQ's Abacus House and further away from Moulsecoomb campus than other corporate PBSA accommodation in the catchment area.
- (b) Student Castle Brighton (Student Castle): This property opened in 2020, providing [X] beds.<sup>89</sup> Student Castle offers only studio or 'twodio' rooms, and is therefore more comparable in terms of room mix to Scape Brighton, where a majority of rooms are studios. Studio prices are

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<sup>85</sup> See Table 4.

<sup>86</sup> FMN, paragraph 169.

<sup>87</sup> FMN, paragraph 171.

<sup>88</sup> CMA analysis of [X] response to third party questionnaire.

<sup>89</sup> FMN, Table 25

comparable to those at Scape Brighton.<sup>90</sup> Apart from Scape Brighton, Student Castle is the closest corporate PBSA to Moulsecoomb campus.

- (c) Hollingbury House (Abodus Student Living): This property opened in 2019, providing [X] beds. The majority of rooms at Hollingbury House are ensuite rooms, with only a small number of studio rooms, making Hollingbury House more comparable with iQ's properties than with Scape Brighton. Ensuite room prices are comparable to those at Scape Brighton. It is a 15 minute walk from the Moulsecoomb campus (so closer than IQ's properties, but further away than Scape Brighton).
- (d) Aparto Stoneworks and Aparto Vogue Studios (Aparto Student): These properties both opened in 2017, and provide [X] beds (Aparto Stoneworks) and [X] beds (Aparto Vogue Studios) respectively, all of which are in studio rooms. Studio prices are comparable to those at Scape Brighton, with a lower range of rates than the iQ properties.<sup>91</sup> Both are less than a 15 minute walk from campus (so closer than IQ's properties, but further away than Scape Brighton).

#### *Pipeline properties*

- 112. The CMA also notes that third party questionnaires identified two pipeline corporate PBSA properties within the University of Brighton Moulsecoomb campus 30 minutes' walking distance catchment area which were not included in the current share of supply data submitted by the Parties:
  - (a) CRM (45 – 47 Hollingdean Road): this property will open in time for the 2022/23 academic year, with [X] beds.
  - (b) Student Roost (Hillfort House, 1 Moulsecoomb Way): this property will open in time for the 2022/23 academic year, with [X] beds.
- 113. The inclusion of these confirmed pipeline properties means that the Merged Entity will face competition from six competitors in the Moulsecoomb campus catchment post-Merger.<sup>92</sup>

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<sup>90</sup> FMN, paragraph 179.

<sup>91</sup> CMA analysis of [X] response to third party questionnaire.

<sup>92</sup> The CMA notes that the Parties also identified an additional pipeline property within the University of Brighton Moulsecoomb campus 30 minutes' walking distance catchment area, 56-57 Lewes Road (60 beds), which they submitted would be operated by Homes for Students, and would launch in time for the 2022/23 academic year. However, the CMA's investigation did not confirm when this property would become operational, and therefore this property has been excluded from the competitive assessment on a cautious basis.

114. The CMA notes that the Parties' internal documents show that they monitor several competitors' offerings in Brighton. For example, one GCP document [redacted].<sup>93</sup>

*Conclusion on in-market competitive constraints*

115. Based on the range of alternative providers discussed above, the CMA considers that the Merged Entity will continue to be constrained by a large number of alternative corporate PBSA suppliers post-Merger.

*Out-of-market competitive constraints*

116. As set out in paragraph 76 above, the CMA recognises that other factors such as public transport options may also be relevant and result in student accommodation located outside of the catchment areas exerting a competitive constraint in some cities. The CMA has considered this dynamic in Brighton and also assessed the level of constraint provided by HEI PBSA and HMO as they may be viable alternatives for certain direct let students, as explained above.

*Corporate PBSA outside of the 30 minutes' walking distance campus catchment area*

- *Parties' submissions*

117. The Parties submitted that the geographic frame of reference in Brighton should be city-wide (including Falmer), noting in particular that:
- (a) Brighton is a relatively small city with good public transport which is heavily relied upon by students to travel to their courses.<sup>94</sup>
  - (b) Students in Brighton city centre, whether living in corporate PBSA or HMO, regularly commute to the Falmer campuses of both the University of Brighton and the University of Sussex (approximately 90 minutes' walk away), whilst students living in University of Brighton HEI PBSA located in Coldean and Falmer regularly commute into Brighton to the Moulsecoomb Campus and City Campus, as University of Brighton students are taught at a mixture of the three campuses.<sup>95</sup>

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<sup>93</sup> FMN, Annex 30.8, Scape internal document, [redacted].

<sup>94</sup> FMN, paragraph 146.

<sup>95</sup> FMN, paragraph 147. The CMA notes that the University of Brighton did not confirm whether individual students are taught at a mixture of all three of its campuses.

(c) The University of Brighton runs an hourly shuttle service between its three campuses which is free for students, running between 07:55-18:25 during the term with two evening services.<sup>96</sup>

- *CMA assessment*

118. Third parties indicated that students in Brighton routinely travel more than 30 minutes walking distance from their accommodation to campus. One third party submitted that students search for accommodation on a city-wide basis<sup>97</sup> and another stated that students consider up to a 15 minute bus journey.<sup>98</sup>
119. Three<sup>99</sup> of the five competitors in Brighton that responded to the CMA's third party questionnaire indicated that students in Brighton regularly use public transport to get to their place of study. However, two<sup>100</sup> competitors submitted that there is more limited constraint from properties that require public transport to reach campus.
120. The CMA also assessed student travel patterns based on where students live and study. Data provided by the Parties<sup>101</sup> showed that students do travel significant distances to the campus where they study. For example, in the academic years 2019/2020 and 2020/2021, a clear majority of students at iQ's Abacus House property ([REDACTED] in 2019/2020 and [REDACTED] in 2020/2021) and at iQ's Sawmills property ([REDACTED] in 2019/2020 and [REDACTED] in 2020/2021) – both of which are located in Brighton city centre and fall within the 30 minutes' walking distance catchment areas of Moulsecoomb and City campus – attended the University of Sussex, requiring a commute to Falmer for all of their courses (four miles north of Brighton city centre).<sup>102</sup> A similar pattern applied (although to a lesser extent) among students resident at Scape Brighton, where [REDACTED] attended the University of Sussex in 2020/21.<sup>103</sup> This tendency for students to commute to the Falmer campus from the city centre was verified by data provided by the University of Sussex.
121. The CMA has been unable to determine the extent to which students are willing to live outside the city centre and travel in to a city centre campus (for example, University of Brighton students studying at the Moulsecoomb campus willing to live in the 'Homes for Students' corporate PBSA property in

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<sup>96</sup> FMN, paragraph 148.

<sup>97</sup> [REDACTED] response to third party questionnaire.

<sup>98</sup> [REDACTED] response to third party questionnaire.

<sup>99</sup> [REDACTED], [REDACTED] and [REDACTED] responses to third party questionnaire.

<sup>100</sup> [REDACTED] and [REDACTED] responses to third party questionnaire.

<sup>101</sup> FMN, paragraph 149.

<sup>102</sup> See FMN paragraph 149.

<sup>103</sup> FMN, paragraph 149.

Falmer referred to in paragraph 122(c) below). The constraint from this property on the Parties may therefore be significantly lower than an equivalent city centre corporate PBSA property for this group of students. However, given the Parties' inability to price discriminate between students seeking accommodation (see paragraph 94 above) and the significant proportion of students staying in the Parties' properties from the University of Sussex (located in Falmer), the overall constraint from this property is expected to still be material.

122. The CMA notes that three corporate PBSA buildings in Brighton are located outside of the Moulsecoomb campus 30 minutes' walking distance catchment area (Circus Street, Alumno Falmer and Crown House), and if these three properties are included in the calculation of shares of supply, the Merged Entity's combined share of supply falls to [30-40]% with a [10-20]% increment.<sup>104</sup> The constraint posed by these properties is discussed further below:

- (a) Circus Street (Kaplan Living): This property, located in Brighton city centre opened in 2019, providing [X] beds.<sup>105</sup> More than three-quarters of beds are en-suites, with the remainder studios, so this property has a similar room mix to iQ Abacus House. The CMA's investigation revealed that a majority ([X]) of residents studied at the University of Brighton, Moulsecoomb campus, indicating that this property could exercise a significant constraint on the Merged Entity in this catchment area.<sup>106</sup>
- (b) Crown House (CRM): The CMA's investigation indicated that this pipeline property, located in Brighton city centre, would open for the 2022/23 academic year, offering [X] beds in studio rooms.<sup>107</sup> The CMA notes that this property is only slightly further from the Moulsecoomb campus than the Circus Street property, so for the same reasons this property may exercise a constraint on the Merged Entity in this catchment area.
- (c) Alumno Falmer (Homes for Students): This property, located two miles north of the Moulsecoomb campus in Falmer, opened in 2021, and offers a mix of [X] beds in ensuite and studio rooms.<sup>108</sup> The CMA's investigation did not indicate whether any students resident at Alumno Falmer study at the Moulsecoomb campus, but the CMA notes that this

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<sup>104</sup> CMA analysis of responses to third party questionnaires.

<sup>105</sup> However, for the purposes of the city-wide shares of supply in paragraph 122, the CMA attributed [X] beds to Circus Street, on the basis that [X].

<sup>106</sup> [X] response to third party questionnaire.

<sup>107</sup> CRM response to third party questionnaire.

<sup>108</sup> FMN, paragraph 177.

property's location means it is better suited to students studying at other HEI campuses in Falmer.

- *Conclusion on out-of-market constraint from outside the 30 minutes' walking distance campus catchment area*

123. The CMA considers that the data showing the distances that students frequently travel from their accommodation to campus and the evidence from third parties supports the Parties' view that there is material constraint from corporate PBSA situated outside of the campus catchment area.
124. The CMA notes that the constraint from outside of the campus catchment area also potentially increases the extent of the constraint from HEI PBSA and HMO which are considered in turn below.

#### *HEI PBSA*

125. The Parties submitted that:
- (a) There is a large supply of HEI PBSA in Brighton which offers a strong alternative for both University of Brighton and University of Sussex first-years in particular, who receive accommodation guarantees;<sup>109</sup>
  - (b) the provision of HEI PBSA is expanding with the development of new or improved properties. For example, the University of Brighton recently upgraded the Mithras halls, located on the Moulsecoomb Campus, with new residence halls which provide 763 additional student beds in Brighton city centre,<sup>110</sup> and the University of Sussex has completed 839 student beds as part of its Student Village development in Falmer;<sup>111</sup> and
  - (c) the combined share of supply of the Merged Entity falls to below [5-10]% on a city-wide basis for all PBSA (corporate and HEI PBSA).<sup>112</sup>
126. Both HEIs told the CMA that their HEI PBSA is typically less expensive than the corporate PBSA in Brighton and differentiated in what it offers (for example, the HEIs offer very few studio rooms within their PBSA). However, the University of Brighton submitted that the prices that the corporate PBSA providers can charge are constrained by the HEI PBSA<sup>113ii</sup> and confirmed that

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<sup>109</sup> FMN, paragraph 193.

<sup>110</sup> The CMA notes that the [University of Brighton's website](#) indicates that the total number of beds in the Mithras Halls is 803 beds, of which 763 are ensuite beds.

<sup>111</sup> FMN, paragraph 192.

<sup>112</sup> FMN, paragraph 189.

<sup>113</sup> University of Brighton Third party call note.

its newly opened Mithras Halls PBSA offers en-suite rooms rather than rooms with shared bathrooms.

127. The CMA has assessed whether there is evidence that students who benefit from an HEI accommodation guarantee consider corporate PBSA to be a viable alternative in Brighton. The CMA understands that the University of Brighton guarantees accommodation to first year domestic and international undergraduates and first year international postgraduates, and the University of Sussex guarantees accommodation to first-year domestic and international undergraduates, international masters postgraduates and domestic and international first-year PhD postgraduates.<sup>114</sup> Data provided by the Parties shows that a significant proportion of the students staying in their properties in Brighton fit into these categories and benefit from an accommodation guarantee.<sup>115</sup> As a result, the CMA considers that HEI PBSA is a viable alternative for a significant number of students in the Parties' properties in Brighton.
128. In addition, the CMA has considered whether there is evidence that HEI PBSA is also an option for students that do not benefit from an HEI accommodation guarantee. The University of Brighton confirmed that it does not have any beds left over in its halls after it has fulfilled its accommodation guarantee. The University of Sussex indicated that it typically does have around 5-10% 'excess capacity' which is offered to certain students who do not benefit from accommodation guarantees. The HEI indicated that these excess beds are usually evenly spread across their HEI PBSA properties. As a result, the CMA considers that there may be some limited constraint provided by HEI PBSA for students that do not benefit from an accommodation guarantee in Brighton.

- *Conclusion on out-of-market constraint from HEI PBSA*

129. For the reasons set out above, the CMA believes there is evidence of some constraint from HEI PBSA in Brighton for students that benefit from an HEI accommodation guarantee and to a lesser extent for returning students.

### *HMO*

130. The Parties submitted HMO imposes a further significant constraint on the Parties given that:

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<sup>114</sup> Parties' Response to RFI4, Q8.

<sup>115</sup> FMN, paragraph 193. The CMA also notes that [X] of the students in the Scape Brighton property in academic year 2020/21 were assumed to have received an HEI student accommodation guarantee: Parties' response to RFI4, Table 3.

- (a) until 2014 there was no corporate PBSA and so HMO has always been widely used in Brighton;<sup>116</sup>
- (b) there is a large stock of HMO in the city, predominantly located within reasonable proximity of the city centre;<sup>117</sup> and
- (c) both HEIs in Brighton provide a searchable database (or ‘portal’) which provides advice and assists students looking for HMO accommodation.<sup>118</sup>

131. While one competitor<sup>119</sup> submitted that HMO is a viable alternative for some students, no competitors in Brighton said their corporate PBSA pricing was set with reference to HMO pricing.
132. Both HEIs confirmed that they do provide support to students looking for HMO. However, the CMA has not seen anything to suggest that such a service is exceptional amongst HEIs.
133. In addition, one third party noted that international students can disfavour HMOs due to the UK guarantor requirements of landlords and lower quality of accommodation.<sup>120</sup> The CMA notes that [redacted] of students staying in the Parties’ properties in Brighton are international students,<sup>121</sup> which may limit the extent to which HMO is a constraint on the Parties.

- *Conclusion on out-of-market constraint from HMO*

134. For the reasons set out above, the CMA does not consider that there is evidence that the constraint from HMO on the Parties is particularly strong in Brighton.

*Conclusion on out-of-market competitive constraints*

135. For the reasons set out above, the CMA considers that the Merged Entity is constrained by corporate PBSA in the city outside of the Moulescoombe campus catchment area. In addition, there is evidence of some constraint from HEI PBSA in Brighton.

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<sup>116</sup> FMN, paragraph 197.

<sup>117</sup> FMN, paragraph 198.

<sup>118</sup> FMN, paragraph 200.

<sup>119</sup> [redacted] response to third party questionnaire.

<sup>120</sup> [redacted] response to third party questionnaire.

<sup>121</sup> [redacted] of the students in iQ’s Brighton properties and [redacted] of the students in Scape Brighton in 2020/21 were international, Parties’ response to RF12, Q7.



## *Conclusion on horizontal unilateral effects in Brighton*

136. In Brighton, although the Parties are the two largest corporate PBSA providers in the Moulsecoomb catchment area, the Merged Entity will continue to be constrained post-Merger by several large alternative corporate PBSA providers (including properties outside of the campus catchment area). Accordingly, for these reasons and the other factors above, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of corporate PBSA in the catchment area for the University of Brighton, Moulsecoomb campus.

## **London**

### *Local context*

137. The CMA's filter was failed in relation to one HEI campus catchment area in London: Queen Mary University of London (**QMU**), Mile End campus.
138. The Parties submitted that walking distance catchment areas are not an appropriate measure for London, because the highly-developed public transport system broadens the range of accommodation available to students. Instead, the Parties submitted that the appropriate geographic frame of reference in London is properties located in central London, together with those readily accessible from central London, namely all properties located in Transport for London (**TFL**) Fare Zones 1-3.<sup>122</sup> The CMA has considered the relevance of these factors in its assessment of out-of-market constraints below.
139. The Merger will result in iQ owning three corporate PBSA properties in the QMU Mile End campus 30 minutes' walking distance catchment area: 'iQ Aldgate' ([redacted] beds), 'iQ Magenta House' ([redacted] beds), both already owned by iQ, and 'Scape Mile End' ([redacted] beds), which iQ will acquire from GCP.

### *Shares of supply*

140. Table 5 below shows iQ's and the Target Business' combined shares of supply and increments from the Merger for academic year 2022/23 for the QMU Mile End campus 30 minutes' walking distance catchment area, which fails the CMA's filter.

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<sup>122</sup> FMN, paragraph 206.

**Table 5 – London QMU, Mile End campus catchment area shares of supply**

<b>PBSA Provider</b>	<b>Number of beds</b>	<b>Share of supply</b>	<b>Walking distance to QMU Mile End campus</b>
iQ	[REDACTED]	[10-20]%	27 minutes (iQ Aldgate) 23 minutes (iQ Magenta House)
Scape Mile End (operated by Scape)	[REDACTED]	[10-20]%	3 minutes
<b>Parties Combined</b>	<b>[REDACTED]</b>	<b>[30-40]%</b>	
Unite Group	[REDACTED]	[20-30]%	Rahere Court (4 minutes) Sherren House (9 minutes) Pacific Court (10 minutes) Blithehale Court (21 minutes) Quantum Court (21 minutes)
Scape (Mile End Canalside)	[REDACTED]	[10-20]%	6 minutes
Student Housing Company	[REDACTED]	[5-10]%	24 minutes
Sanctuary Students	[REDACTED]	[5-10]%	9 minutes (Coopers Court) 23 minutes (Don Gratton House) 24 minutes (The Craft Building)
Host Students	[REDACTED]	[5-10]%	16 minutes (the Hive) 21 minutes (Sunlight Apartments)
<b>Total</b>	<b>[REDACTED]</b>	<b>100.0%</b>	

Source: FMN, Table 18; Parties' estimates; walking distances estimated by the Parties; FMN, Annex 016.

### *Closeness of competition*

#### *Parties' submissions*

141. The Parties submitted that:

(a) Only a small minority of students at iQ's properties in the catchment area attended QMU ([REDACTED] for iQ Aldgate, and [REDACTED] for iQ Magenta House in academic year 2019/20), and the remainder attended HEIs beyond a 30 minute walking distance from those properties.<sup>123</sup>

(b) Conversely, a large majority of students at Scape Mile End attend QMU ([REDACTED] in academic year 2019/20).<sup>124</sup>

142. The CMA notes that the above evidence suggests that iQ's properties and the Target Business are not competing closely for students attending QMU Mile End campus.

<sup>123</sup> FMN, paragraph 226.

<sup>124</sup> FMN, Annex 046.3.

143. The CMA notes that an internal document suggests Scape considered [REDACTED].<sup>125</sup> [REDACTED]. iQ internal documents showed [REDACTED].<sup>126</sup>
144. The CMA notes that iQ's and the Target Business' properties in the catchment area are not closely located to one another: while Scape Mile End is near the centre of the catchment, only 3 minutes' walk from the QMU Mile End campus, iQ's properties iQ Aldgate and iQ Magenta House are located 27 minutes' and 23 minutes' walk away respectively. However, iQ's and the Target Business' properties offer similar facilities, with all three properties having a lounge and on-site gym.<sup>127</sup>
145. One third party also described the locations of iQ's properties as less popular with QMU students due to their more expensive 'City of London' locations.<sup>128</sup> The difference in prices at these properties was confirmed by data provided by the Parties for academic year 2020/21, with studios at iQ Aldgate and iQ Magenta House costing [REDACTED] per week and [REDACTED] per week respectively, whereas the majority of studios at Scape Mile End cost between [REDACTED] and [REDACTED] per week.<sup>129</sup>

#### *Conclusion on closeness of competition*

146. The CMA therefore considers that iQ's and the Target Business' properties do compete with each other to some degree, but that they appear to compete more strongly with other corporate PBSA providers than with each other, as discussed below.

#### *In-market competitive constraints*

##### *Alternative corporate PBSA providers*

147. The Parties submitted that post-Merger, the Merged Entity will remain constrained by a number of significant rival corporate PBSA providers in the QMU Mile End campus 30 minutes' walking distance catchment.
148. In particular, the Parties submitted that there would remain five alternative corporate PBSA providers within the catchment area, namely: Unite, Scape (SL Co), the Student Housing Company, Sanctuary and Host. Although the Merged Entity would become the largest corporate PBSA provider in the

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<sup>125</sup> [REDACTED] FMN Annex 30.6, Scape internal document [REDACTED].

<sup>126</sup> FMN Annex 012.8, iQ internal document [REDACTED].

<sup>127</sup> FMN, paragraph Table 19.

<sup>128</sup> [REDACTED] response to questionnaire

<sup>129</sup> Parties' Response to RFI 2 question 2. In terms of room mix, iQ Aldgate and Scape Mile End only offer studio rooms and iQ Magenta House offers a mix of studio rooms and en-suites. See footnote 140.

catchment area, Unite would have a similar number of beds overall ([redacted] beds compared to the Merged Entity's [redacted] beds). While some of these alternative properties offer a more limited range of facilities, the CMA notes that both the Scape property and the Student Housing Company property offer a lounge, cinema and on-site gym, similar to the properties belonging to iQ and the Target Business.<sup>130</sup>

149. The CMA notes that the Merged Entity will continue to face competition from other corporate PBSA properties located very close to the QMU Mile End campus, including Rahere Court (Unite, [redacted] beds) and Scape Mile End Canalside (SL Co, [redacted] beds). The room mix at both properties is similar to iQ's Magenta House, which offers a majority of ensuite rooms (iQ Aldgate and Scape Mile End only offer studios): Rahere Court offers [redacted] ensuites and [redacted] studios, while Scape Mile End Canalside offers [redacted] ensuites and [redacted] studios. Prices at Scape Mile End Canalside are broadly comparable to those at Scape Mile End, with a standard studio costing [redacted] per week for academic year 2020/21.<sup>131</sup> Prices at Rahere Court are higher, and more comparable with those at iQ's properties, with a studio costing [redacted] per week for 2020/21.<sup>132</sup>

#### *Conclusion on in-market competitive constraints*

150. Based on the assessment above, the CMA considers that the Merged Entity will continue to be constrained by several alternative corporate PBSA providers post-Merger, and those alternative providers will compete more strongly with the Merged Entity than the Target Business currently competes with the iQ properties in this catchment area.

#### *Out-of-market competitive constraints*

##### *Corporate PBSA outside of the 30 minutes' walking distance campus catchment area.*

151. The CMA also believes that corporate PBSA located outside the catchment area and readily accessible via public transport should be taken into account as part of the local competitive assessment, although it does not believe that city-wide shares of supply are an appropriate measure given the size of London. This is consistent with the CMA's approach to local catchments in London in *Unite/Liberty*.<sup>133</sup>

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<sup>130</sup> FMN, Table 19.

<sup>131</sup> Knight Frank London city market report for Q4 2020.

<sup>132</sup> Knight Frank London city market report for Q4 2020.

<sup>133</sup> *Unite/Liberty*, paragraph 213.

152. In particular, the CMA notes that corporate PBSA located in Stratford outside the 30 minute walking catchment area may exercise a constraint on the Merged Entity. Evidence received by the CMA supporting this conclusion included:
- (a) A third party indicated that Unite's Stratford One property ([REDACTED] beds) would compete for students studying at QMU Mile End campus.<sup>134</sup>
  - (b) An iQ internal document [REDACTED].<sup>135</sup>
  - (c) The Parties submitted that an HEI PBSA property operated by QMU, Aspire Point ([REDACTED] beds), was located in Stratford, a 42 minute walk from the QMU Mile End campus. As Mile End campus is the closest QMU campus to Aspire Point, this indicates that students are prepared to travel from outside the 30 minute walking catchment area.<sup>136</sup>
153. The CMA notes that even if only Unite's Stratford One property were included in the frame of reference, the Merged Entity's share of supply would fall to [20-30]%, with an increment of [10-20]%.
154. In addition, although third party responses to the Merger investigation did not identify any pipeline corporate PBSA properties due to open within the catchment in time for academic year 2022/23, one third party noted that it would open a [REDACTED] bed property just outside the catchment area in Aldgate (approximately 33 minutes' walk from QMU Mile End campus) in summer 2022.<sup>137</sup> This property is offering studio rooms from [REDACTED] for academic year 2022/23, at a similar price point to iQ Aldgate.

#### *HEI PBSA*

155. The Parties submitted that QMU offers a considerable amount of HEI PBSA (2,602 beds), of which a large proportion of beds are located in the catchment area (1,973 beds), and that including these beds in the competitive assessment (which is appropriate because corporate PBSA pricing is influenced by HEI PBSA pricing) reduces the Merged Entity's share of supply post-Merger to [20-30]%.<sup>138</sup>
156. However, the CMA notes that HEI PBSA in the catchment appears to be significantly differentiated from the offering of the Parties and other corporate

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<sup>134</sup> [REDACTED] response to third party questionnaire.

<sup>135</sup> FMN Annex 12.53, iQ internal document, [REDACTED].

<sup>136</sup> FMN, paragraph 231.

<sup>137</sup> [REDACTED] response to third party questionnaire.

<sup>138</sup> FMN, paragraph 230.

PBSA providers, which may limit the extent of the out-of-market constraint they impose. In particular:

- (a) The mix of room types in HEI PBSA is different to that of corporate PBSA, with many of QMU's properties offering non-ensuite rooms in addition to ensuite rooms.<sup>139</sup> In contrast, the majority of rooms in iQ's and the Target Business' rooms in the catchment area are either ensuite or studios.<sup>140</sup>
- (b) HEI PBSA rooms are significantly cheaper than rooms of the same type in corporate PBSA. For example, QMU HEI ensuite rooms were typically between [redacted] and [redacted] per week in 2021/22,<sup>141</sup> compared to between [redacted] and [redacted] per week for ensuite rooms in iQ Magenta House (iQ Aldgate and Scape Mile End only offer studio rooms).<sup>142</sup>

157. Where HEIs do not have significant excess capacity remaining after fulfilling accommodation guarantees, HEI PBSA will not be a viable alternative for students that do not benefit from a guarantee, usually returning students. However, the CMA notes that [redacted] of residents at Scape Mile End were first year undergraduates in 2020/21,<sup>143</sup> while [redacted] of students at iQ Aldgate and [redacted] at iQ Magenta House were first year students in the same year.<sup>144</sup> On a similar note, [redacted] of students at iQ Aldgate, and [redacted] of students at iQ Magenta House were international students in 2020/21,<sup>145</sup> while [redacted] of students at Scape Mile End were international students in 2020/21.<sup>146</sup> Therefore, for a significant minority of students residing at properties owned by iQ and the Target Business, HEI PBSA may constitute a viable alternative.<sup>147</sup>

#### *HMO*

- 158. The Parties submitted that QMU students have access to the University of London's lettings service to help students renting in the HMO sector. However, the CMA has not seen anything to suggest that such a service is exceptional amongst HEIs.
- 159. One third party noted certain advantages of HMO in the area to students, including that the majority fell within the Mayor of London's affordable rent

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<sup>139</sup> FMN Annex 30.35, iQ internal document, [redacted].

<sup>140</sup> FMN Annex 023, CMA RFI 2 Data File; Annex 30.27 - Response to Question 2 of RFI 2 - iQ Version.

<sup>141</sup> FMN, Annex 30.35, iQ internal document, [redacted].

<sup>142</sup> FMN, Annex 023, CMA RFI 2 Data File.

<sup>143</sup> Parties' Response to RFI2, Table 8.

<sup>144</sup> FMN Annex 023, CMA RFI 2 Data File.

<sup>145</sup> FMN Annex 023, CMA RFI 2 Data File.

<sup>146</sup> Parties' Response to RFI2, Table 10.

<sup>147</sup> The CMA did not receive data from QMU on whether it has sufficient HEI PBSA stock to meet accommodation guarantees and whether it has any excess capacity once guarantees are taken up.

description, and that shorter assured shorthold tenancy lengths could be achieved than in corporate PBSA.<sup>148</sup>

### *Conclusion on horizontal unilateral effects in London*

160. There is currently limited competitive interaction between iQ and the Target Business, in respect of the QMU Mile End campus 30 minutes' walking distance catchment area, and they do not appear to compete closely for QMU students. The CMA found that the Merged Entity will continue to be constrained post-Merger by a number of alternative corporate PBSA providers within the 30 minutes' walking distance catchment. Furthermore, the CMA considers that the Merged Entity will be constrained post-Merger by corporate PBSA providers situated outside the 30 minutes' walking distance catchment area, and to a lesser extent, HEI PBSA and HMO within the catchment area.

### *Barriers to entry and expansion*

161. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>149</sup>
162. The CMA saw some evidence in internal documents that barriers to entry for corporate PBSA in Brighton have historically been considered high.<sup>150</sup> On the other hand, the CMA notes that there is evidence of ongoing entry in Brighton with three new properties opening in the coming year, and further corporate PBSA at earlier stages of development/planning which have not been considered in the CMA's competitive assessment but which may provide further constraint on the Merged Entity in future.
163. However, the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

### *Countervailing buyer power*

164. The Parties submitted that they face strong countervailing buyer power when selling corporate PBSA rooms to HEIs under nomination agreements because HEIs have their own PBSA available to offer students, and corporate PBSA providers are keen to maintain good relationships with HEIs because

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<sup>148</sup> [X] response to third party questionnaire.

<sup>149</sup> [Merger Assessment Guidelines](#), from paragraph 8.40.

<sup>150</sup> FMN Annex 012.1, iQ internal document, [X].

agreements with HEIs can be a condition of obtaining planning permission for new developments.<sup>151</sup>

165. However, the CMA notes that the buyer power of HEIs is limited by the extent of alternative corporate PBSA providers available with which they can enter nomination agreements.<sup>152</sup>
166. In any event, the CMA has not had to conclude on countervailing buyer power as the Merger does not give rise to competition concerns on any basis.

### Third party views

167. The CMA contacted customers and competitors of the Parties. Some third parties raised concerns regarding increased concentration and market power of the Merged Entity in Brighton,<sup>153</sup> and one third party raised a concern about the possibility of higher rents in London.<sup>154</sup> Another third party raised concerns about increasing concentration in relation to corporate PBSA at the national level.<sup>155</sup> These views have been considered within the competitive assessment where appropriate.

### Decision

168. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
169. The Merger will therefore **not be referred** under section 33(1) of the Act.

**Naomi Burgoyne**  
**Director, Mergers**  
**Competition and Markets Authority**  
**6 December 2021**

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<sup>151</sup> FMN, paragraph 263.

<sup>152</sup> Where buyer power does not result in new entry, it is unlikely to prevent an SLC that would otherwise arise from the elimination of competition between the merger firms, because a customer's buyer power depends on the availability of good alternatives to which they can switch to, which in the context of an SLC will have been reduced. See [Merger Assessment Guidelines](#), paragraph 4.20.

<sup>153</sup> [redacted] response to third party questionnaire; [redacted] response to third party questionnaire; [redacted] response to third party questionnaire.

<sup>154</sup> [redacted] response to third party questionnaire.

<sup>155</sup> [redacted] response to third party questionnaire.



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<sup>i</sup> In paragraph 10, reference to 'The Blackstone Group, Inc.' should read 'Blackstone Inc.', following the group changing its name on 6 August 2021.

<sup>ii</sup> Paragraph 126 should be read as follows: 'However, the University of Brighton submitted that the prices that the corporate PBSA providers can charge are possibly constrained by the HEI PBSA and confirmed that its newly opened Mithras Halls PBSA offers en-suite rooms rather than rooms with shared bathrooms.'