



## THE PROPOSED ACQUISITION OF NOVA ACADEMIES TATU CITY PROPERTY LIMITED BY SUMMIT REAL ESTATE PROPRIETARY LIMITED

1. The Competition Authority of Kenya (CAK) approved the acquisition of Nova Academies Tatu City Property Limited by Summit Real Estate Proprietary Limited (Summit).
2. Summit, the acquirer, is incorporated as a real estate developer with investments in South Africa's education and healthcare sectors, is looking to venture into other African markets, including Kenya.
3. Nova Academies Tatu City Property Limited (Nova), the target, is incorporated in Kenya. The firm is involved in property holding and development.
4. Nova has developed a learning institution in Athi River, Nova Athi River, which is being managed by Novastar Academies and is in the process of developing another learning institution at Tatu City.
5. The proposed transaction involves the acquisition of the entire issued share capital in Nova by Summit. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010.
6. Nova did not have any turnover for the preceding year (2017), but its **assets were valued at over Sh1 billion** and, therefore, the transaction meets the threshold for full merger analysis as provided in the **Merger Threshold Guidelines**.
7. The two parties are both involved in property development and therefore, the Authority determined the relevant product market for the purposes of analysis of this transaction as the market for property development.
8. Summit has no presence in Kenya. The target has one property in Athi River and is developing another in Tatu City. Therefore, the relevant geographical market is regional - Nairobi County and surrounding counties.
9. Property development in Kenya is highly dependent on availability of land which, especially in urban areas, is a costly input.
10. According to the Nairobi Land Report 2018 Quarter 1 by Hass Consult, there was

general increase (0.6%) in the demand for land in Nairobi by private and government-owned entities.

11. The increase was partly attributed to the plan by the Government to build affordable housing units as well as the sustained demand for home ownership by Kenyans.
12. The Hass Consult report states that Nairobi had an estimated supply of 25,819 units in 2017, bringing the number of units constructed in the Capital to 1.9 million.
13. Based on the assumption that Nairobi's population grows by 3.3% annually, the number of units needed in the city in 2018 is 3.9 million. The cumulative housing deficit in 2018 is approximately 2.0 million.
14. The increase in housing units generates higher demand for social amenities such as schools, healthcare institutions and leisure facilities. Property developers factor in the ease of access to such amenities when costing their projects.
15. Although most of the property developers focus on housing units, they can easily switch to developing other types of units such as schools, shopping complexes and healthcare facilities.
16. Some of the property developers in the country are; Hass Consult, Knight Frank, AMS Properties, Jumia Housing, Lloyd Masika, Cytonn Investments, Cordison International Kenya Limited, Kenwind Holdings Limited, Elicio International, and Kwacha Group of Companies Limited.
17. The Authority's view is that the merged entity will have an insignificant market share in the market for property holding and development since Summit does not have activity in the country. Additionally, the target only has one completed project and is in the process of developing another in the upcoming Tatu City.
18. The Authority anticipates that the merged entity will face credible competition from other established developers such as Hass Consult, Cytonn Investments, Lloyd Masika, AMS Properties and Knight Frank.
19. Therefore, the Authority's position is that the proposed transaction is unlikely to substantially lessen or prevent competition in the market for property holding and development in the Nairobi region.
20. Summit's management has indicated that it is seeking to invest into and expand the activities of Nova Academies. This is likely to result in more employment opportunities. It is therefore the Authority's view that the proposed transaction is unlikely to raise any public interest concerns.

21. Since the transaction is unlikely to raise negative competition or public interest concerns, the Authority approved the **acquisition of the entire issued share capital in Nova Academies Tatu City Property Limited by Summit Real Estate Proprietary Limited.**