THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF MAYHOUSE LIMITED BY MAANZONI LODGE LIMITED AND CHRISTOPHER MUSYOKA MUSAU.

1. The Competition Authority of Kenya has approved acquisition of the entire issued share capital of Mayhouse Limited by Maanzoni Lodge Limited and Christopher Musyoka Musau unconditionally. The transaction is being implemented at a time when the hospitality industry is recovering from the negative impact of the COVID-19 pandemic.

2. Maanzoni Lodge Limited, the acquirer, is a limited liability company incorporated in Kenya and whose principal business activity is providing hospitality services under the trade name Maanzoni Lodge located in Machakos County, Kenya.

3. **Mayhouse Limited,** the target, is incorporated in Kenya and is in the business of renting hotel rooms for accommodation and conferencing. Mayhouse, which operates under the brand name Hotel 680, leases spaces for use as shops, churches and office space.

4. The proposed transaction involves the acquisition of the entire issued share capital in Mintea Corp (the target's parent company) and in Mayhouse (the target) by Maanzoni Lodge Limited and Christopher Musyoka Musau, resulting in change of control. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010 and subject to full analysis

5. The parties' combined and relevant assets for the preceding year was **over Sh1 billion.** The transaction, therefore, met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019.**

6. Premised on the merging parties' commercial activities, the relevant product markets considered during analysis of these transactions were (i) the market for the provision of commercial spaces for rent, and (ii) the market for the provision of conference facilities. The parties provide their services within the Nairobi Metropolitan Area (NMA). Therefore, the relevant market is **regional (NMA).**

7. Commercial real estate is property that is used exclusively for business-related purposes or to provide a workspace rather than as a living space. Commercial real estate includes office space, hotels and resorts, shopping malls, restaurants, and healthcare facilities, among others.

8. The uptake of commercial property space in Kenya witnessed a significant decline in office space absorption due to the disruption caused by the COVID-19 pandemic. A report published by Cytonn Investments in 2021 indicated that there was an oversupply of office spaces in 2020 with the occupancy rate standing at 77.7%. This forced developers and landlords to reduce or maintain prices and rents in order to remain competitive and attract occupants to their office spaces. This scenario was exacerbated by the remote working model by various companies.

9. Nairobi's Central Business District, where the Target's facility is located, accounts for 10.2% of the office space supply in the NMA as indicated by Figure 1 below.

10. In 2020, the supply in the relevant market increased with the introduction of 0.8 million square feet office space through opening of the Millennium Business Park in Lang'ata, Upperhill Chambers in Upperhill, Majani House, and Central Bank Pension Building in the CBD, Templeton House, Capital Square, and Delta Chambers in Westlands. A further increase in the commercial space capacity of 6.7 million square feet was recorded in 2021 after the completion of the Global Trade Centre (GTC) Office Tower, and Riverside Square both in Westlands and the Karen Green in Karen.

11. The market for the provision of commercial spaces for rent in the NMA is not concentrated. There is an oversupply in the market. There has also been entry into the market in the last two years which contributed to an increased capacity and decrease in rental rates. Further, given that the acquirer is not active in this relevant market, the market structure and concentration will not change post-merger. Therefore, the transaction is unlikely to substantially lessen or prevent competition in the relevant market.

12. The Kenyan hospitality sector is a vibrant industry driven by demand for four main components; accommodation, food and beverages, meeting & conferencing spaces, and leisure & entertainment. With regard to this transaction, the analysis focused on meeting and conferencing spaces.

13. The hospitality sector was negatively impacted by the COVID-19 pandemic. Imposition of daily curfew hours and the remote working models particularly affected the uptake of conferencing services in 2020 and early 2021. Data from the Economic Survey, 2021 corroborated this by indicating that the number of international and local conferences

held declined by 87.0% and 75.2 % respectively, in 2020 as potential customers adopted online-based tools to undertake meetings.

14. However, a Central Bank of Kenya (CBK) study July 2021 noted that utilization of conferencing services had improved by 19% in the two (2) months to June 2021. The uptick was attributed to increase uptake of conferencing services by the national and county governments.

15. Conferencing facilities in the NMA are provided by hotels and dedicated meeting, conference, and exhibition facilities like the Kenyatta International Convention Centre (KICC). Data from the Tourism Regulatory Authority (TRA) reveals that there are approximately 60 licensed providers of conferencing services in the NMA. They include to include Intercontinental Nairobi, Radisson Blu Hotel Nairobi, the Sarova Stanley, Villa Rosa Kempinski, Sankara Nairobi, Crowne Plaza, Safaripark Hotel, among others.

16. There is minimal concentration in the market based on the sixty (60) market participants. Therefore, it is the Authority's view that the transaction is unlikely to substantially lessen or prevent competition in the relevant market.

17. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;

    i. extent to which a proposed merger would impact employment opportunities;
    ii. impact on competitiveness of small and medium enterprises (SMEs);
    iii. impact on particular industries/sectors; and
    iv. impact on the ability of national industries to compete in international markets.

18. Based on the submissions of the parties, the proposed transaction is unlikely to lead to

any negative public interest issues.

19. Premised on the aforementioned, the Authority approved the acquisition of the entire issued share capital of Mayhouse Limited by Maanzoni Lodge Limited and Christopher Musyoka Musau unconditionally.