CAK DECISION ON THE PROPOSED ACQUISITION OF 100% OF THE ISSUED SHARE CAPITAL OF RIVERSIDE TOWERS LIMITED BY BATIAN INCOME PROPERTIES LLP

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1. The Competition Authority of Kenya has unconditionally approved the proposed acquisition of 100% of the issued share capital of Riverside Towers Limited by Batian Income Properties LLP.

2. This approval has been granted based on the finding that the transaction is unlikely to negatively impact competition in the market for real estate, rental office spaces segment in Nairobi County, nor elicit negative public interest concerns.

3. **Batian Income Properties LLP (Batian)**, the acquirer, is a limited liability partnership established in Kenya. Batian is a real estate fund with diversified investors who majorly invest in the real estate sector in Nairobi and Machakos counties, including schools.

4. **Riverside Towers Limited (Riverside Towers)**, the target undertaking, is a limited liability company established in Kenya. The company constructed and manages The Cube, a commercial development in Westlands, Nairobi County.

5. The proposed transaction involves Batian's acquisition of 100% of Riverside Towers' issued share capital. The proposed sale enables the current shareholders to reallocate capital to other ventures, while ensuring business continuity. This transition is

expected to support Riverside Towers' operational expansion that was previously constrained by limited shareholder capital.

6. The transaction qualified as a merger within the meaning of sections 2 and 41 of the Competition Act CAP 504 Laws of Kenya. The Act stipulates that a merger, or takeover, may occur when an undertaking directly or indirectly acquires control over another business within Kenya. This may happen through, among others, purchase/lease of shares, exchange of shares, vertical integration.

7. Further, merging parties whose combined turnover or assets, whichever is higher, is over KES 1 Billion are required to seek approval from the Authority prior to implementing the proposed transaction. The transaction between Batian and Riverside Towers met this threshold for mandatory notification and full analysis as provided in the Competition (General) Rules, 2019.

8. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the relevant product market as well as the relevant geographical market.

9. The relevant product market comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. Based on this criterion, the relevant product market for the proposed transaction is the **market for real estate, rental office spaces segment**.

10. Determination of the relevant geographic market involves interrogating the area in which merging parties undertake the business and in where competition conditions are sufficiently similar. The target's building is located in Westlands, Nairobi. Therefore, the relevant geographic market is **Nairobi County**.

11. Nairobi real estate market is one of the most vibrant and competitive in Kenya. it comprises of a diverse mix of large-scale developers, mid-sized firms and niche players operating across residential, commercial and mixed-use developments.

12. Office spaces can be widely categorized into Grade A, B and C based on the quality and accessibility to amenities, location and the building quality:

    a) Grade A offices are high-end, premium offices located in prime areas such as Westlands, Parklands, Kilimani and Upper Hill. These offices have modern architecture, top-tier amenities, advanced IT infrastructures and ample parking;

    b) Grade B offices are mid-range offices with a good location but not necessarily in CBDs. They have decent finishes and infrastructure but are less modern compared to Grade A and may have fewer amenities. Mostly, they target local firms, NGOs, SMEs and professional service providers; and

    c) Grade C office spaces are older, offer basic office space in non-prime areas. They are mostly located in older buildings with inadequate maintenance or even outdated designs. They may lack amenities like elevators, air conditioning, or proper parking and offer low rental rates.

13. The main players in the market for commercial property are HassConsult Real Estate Ltd, Ace Realtors Ltd, Knight Frank Kenya Ltd, Dunhill Consulting Ltd, Pam Golding Properties, Sarabi Realty Group; Kenya Valuers and Estate Agents; Karengata Property Managers; VAAL Real Estate, and Azizi Realtors among others.

14. In Nairobi Metropolitan, the target holds approximately a 6% market share, while the acquirer has an approximate market share of 2%.

15. Post-merger, the merged entity's market share will be 8%, a low value that is unlikely to raise competition concern. Additionally, the merged entity will face competition from other market players who control a 92% of the Nairobi market.

16. Premised on the foregoing, the proposed transaction is unlikely to substantially lessen or prevent competition in the market for provision of rental office space in Nairobi.

17. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. Public interest in this case refers to various economically inclined concepts that, when considered, protect the welfare of the Public. In the Competition Act, some of the public interest considerations are:

    a. extent to which a proposed merger would impact employment opportunities;
    b. impact on competitiveness of SMEs;
    c. impact on particular industries/sectors; and
    d. impact on the ability of national industries to compete in international markets.

18. As per the parties' submissions, this transaction will not result in negative public interest issues.

19. Premised on the above, the approved the proposed acquisition of 100% of the issued share capital of Riverside Towers Limited by Batian Income Properties LLP unconditionally.