Ministry of Industry and Investments Promotion

INTERMEDIATION AND LAND REGULATION NATIONAL AGENCY

Economic land Conjuncture note

- 1st semester, 2009 -

July 2009

CONTENT

Preamble

Conjuncture notes are part of the three tools of the economic land observatory provided by the executive decree n° 07-119, dated April 23, 2007 dealing with the creation of ANIREF and setting out its statutes and missions.
These notes deal with the monitoring of the national conjuncture that characterizes economic land market and its determinants.
The elaboration of these notes revolves around five topics that constitute the indicators of the conjuncture of economic land over the period, namely:

- The national economic context related to investment,
- The legal context in relation with the changes of the legal frame governing economic land as well as any legal arrangement having an impact on the it,
- The evolution of land availabilities intended for investment,
- The evolution of the economic land demand , furthermore problematic,
- The economic land list of prices.

These indicators are established from national official sources and credible international ones. They are developed and managed in a database at the agency level.
Conjuncture notes that are drawn up reflect the points of view and the analyses of the agency. They are subject to the notice of the guardianship before they are diffused towards the concerned institutions and organizations.
This first conjuncture note is a launching number that is to be enriched thanks to the echoes it would arouse.

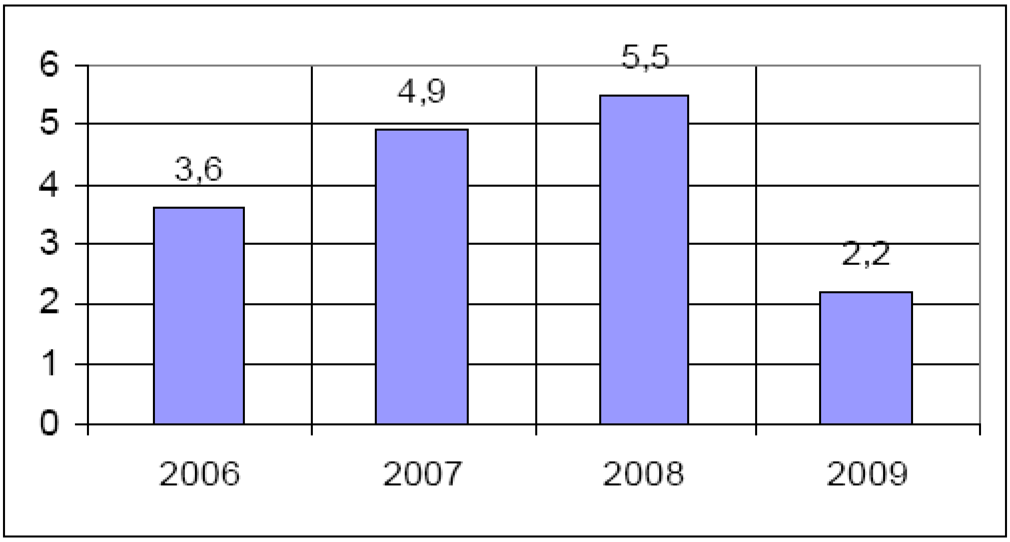
1. The economic context of the period:

The conjunction linked to investment has a direct impact on economic land market. It may have a short- term effect and even a medium-term one.

This conjuncture is marked by:

- The continuation of the programs of the economic growth recovery (2005-2009 program) through an expansionary fiscal policy which direct impact is the demand stimulation.
- The beginning of the implementation of the project that is inherent to the new industrial strategy initiated by the ministry of industry and investments promotion.
- The impact of the association agreements (European Union and the Arab free trade area) on the competitiveness of the national industry.
- The impact of the arrangements of the supplementary finance act for 2009 on the FDI (Foreign Direct Investments).

National GDP growth rate (excluding hydrocarbons)



Sources: Ministry of Finance and the World Bank.

Despite the uncertainties related to the world economic crisis effects, the economic growth maintaining and the recovery policy continuation may present a perspective of a growing market for investment.

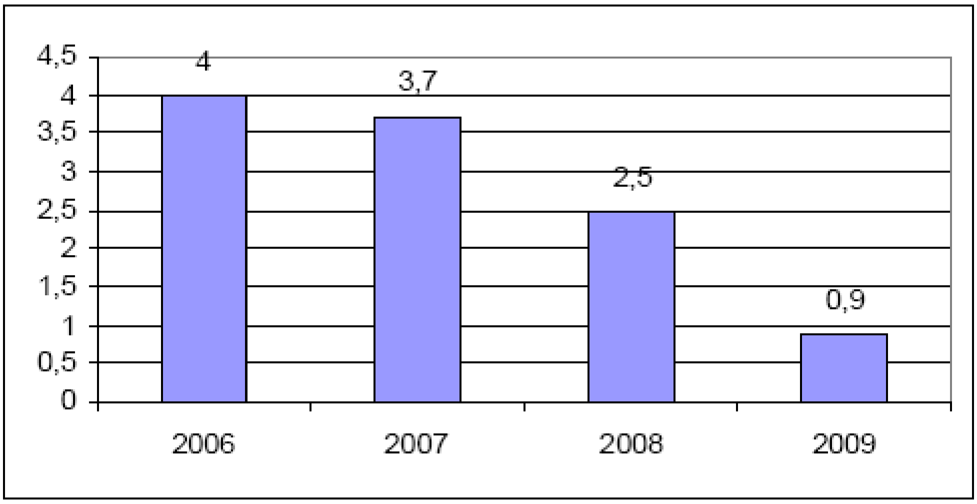
Indeed the effects of the international economic and financial crisis will continue during 2009. International institutions expect a weak global growth that would be about 9%, according to the World Bank.

The recession of developed economies will put pressure on growing markets opportunities.

The other impact of this crisis is the slowing down of the FDI movement.

The region of the south and the east of the Mediterranean have registered a sharp decrease in 2008 (-38% according to ANIMA) and accounted less than 40 billion Euros.

World GDP growth rate at the market price



Source: World Bank

The conjuncture of 2009 is marked by an unfavorable international context presenting uncertainties for investment. It nevertheless offers a promising perspective to the five year plan 2010-2014 of the Government's plan to growth support.

2. The legal context:

The legal context was marked by the publication of the ordinance 08-04 dated September 1, 2008 setting out conditions and terms of the concession of lands within the private domain of the state, intended for the achievement of investments projects.

Two innovative arrangements are provided:

- The land concession system, that is henceforth the rule concerning access to economic land within the state's private domain;
- The public auctions mode for the marketing of the concession.

The ordinance maintains however the mutual agreement mode as an exceptional measure. It is authorized by the council of ministers on the proposal of the National Investment Council, concerning projects deemed eligible.

As a prelude to the implementation of this device, instructions from the prime minister on July 26th and August 12th and 23rd, 2008 instructed ministries in charge of this kind of land to suspend their marketing.

Finally, application texts of the ordinance 08-04 were promulgated on May 2, 2009 (executive decrees 09-152 and 09-153).

Within this new device, ANIREF, mainly, along with the wilayas' committees are to play an essential role in the marketing of land intended for the achievement of investments projects.

These decrees have also extended the scope of the arrangements of the ordinance to lands located in activity zones under local communities.

Thereby, beyond these new marketing rules, the number of availabilities entrusted in management to the agency may contribute to create, at long run, a new market balance.

As far as the arrangements of the supplementary finance act for 2009 are concerned, particularly article 58 amending and supplementing ordinance n° 01- 03 dated August 20, 2001, their impact on the FDI will be diversely appreciated by foreign investors and currently difficult to measure.

3. Economic land availabilities:

Economic land is mainly located in industrial parks (IP) and activity and zones (AZ).

The census conducted by the agency, on a large number of wilayas, identified the availabilities that are as follows:

a. Availabilities in industrial parks:

Area (ha)	Number of created lots	Number of allocated lots	Number of vacant lots (*)
9 310	6 104	4 521	1 098

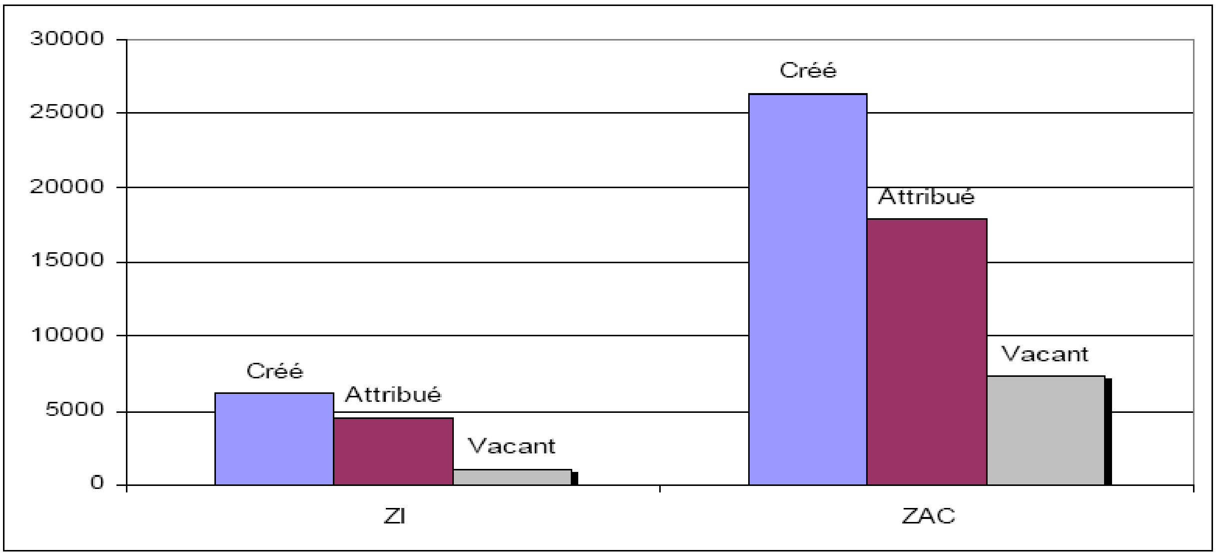
(*) Lots presenting hindrances have been excluded from this count.

b. Availabilities in activity zones:

Area (ha)	Number of created lots	Number of allocated lots	Number of vacant lots (*)
640	26 319	17 956	7 351

(*) Lots presenting hindrances have been excluded from this count.

Number of lots in IP and AZ



Number of lots in IP and AZ

The importance of the unallocated lots (18% in industrial parks and 28% in activity zones) highlights a substantial stock of availabilities.

Concerning land availabilities within the state's private domain intended for the achievement of investment projects, which management is entrusted to ANIREF, they are made up of residual and excess assets of public enterprises and lots available in industrial parks; they are assimilated in the new legal and regulatory device mentioned above to excess assets.

c. Residual and excess assets:

Number	Area of raw lands (m²)	Built area (m²)
305	3 188 822	492 377

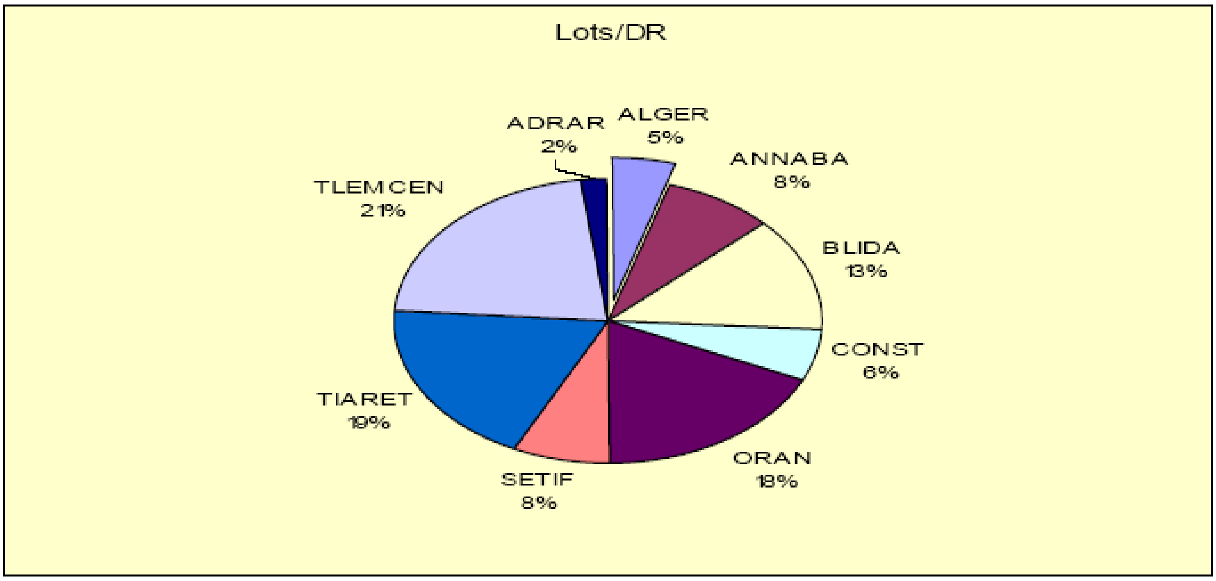
Source: ANIREF / June 2009

d. Lots of available land in industrial parks:

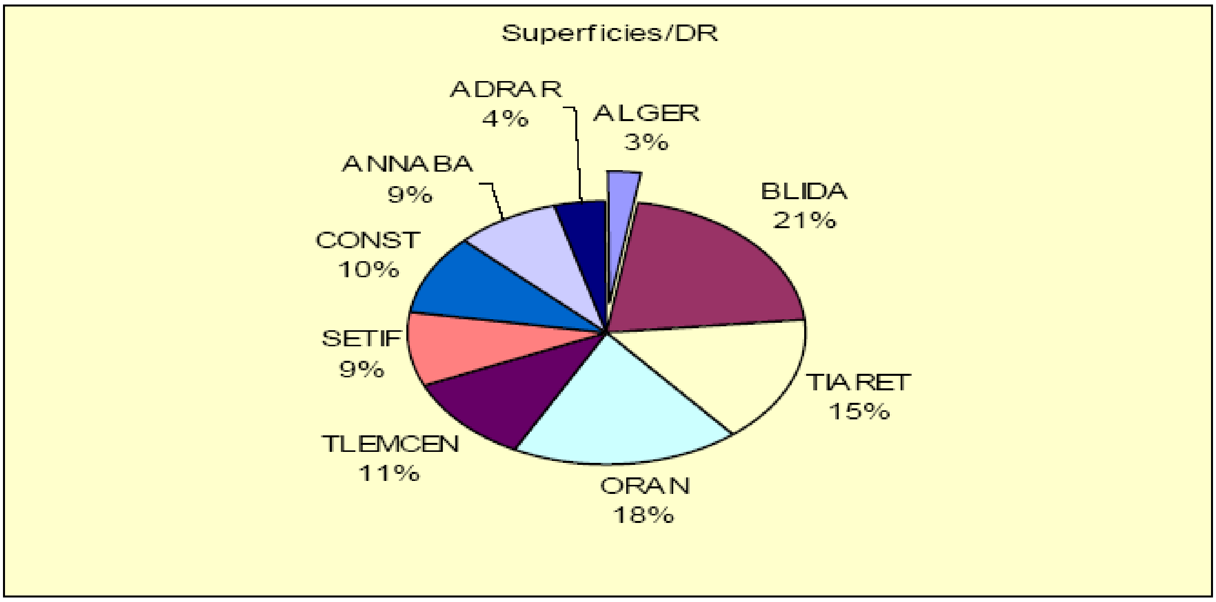
Number	Land area (m²)
277	1 675 633

Source: ANIREF / June 2009

Distribution of assets and available lots by regional branch



Distribution of available areas by regional branch



Graphs above show an unequal distribution of availabilities within the following regional concentrations:

- The Western Region with 45% of areas.
- The central region with 24%.
- The eastern region with 28%.

The case of the regional branch of Algiers that includes Algiers, Tipaza, Boumerdes, and Tizi Ouzou is specific with regard to the low availabilities that were identified (3%).

4. Economic land demand:

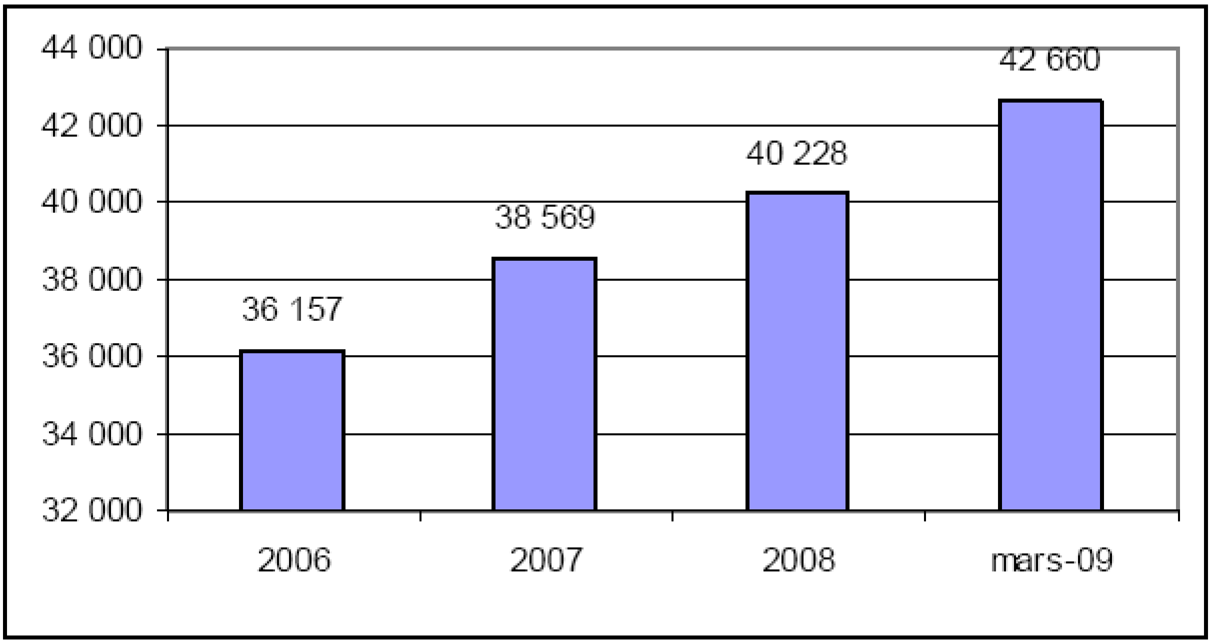
There is still no information device on the land demand intended for investment .The expression of the needs arises at the organizations in charge of marketing (land agencies, URBA, estates) or from the private market.

The introduction of the auction system by ANIREF could ultimately be a barometer for monitoring the demand of economic land.

The monitoring of national statistics on the creation of enterprises and industrial investments may also indicate the expected demand concerning economic land.

The statistics of the National Center of the Trade Register provide information on the creation of industrial companies.

Number of companies of the industrial sector in operation



Source: CNRC / 2009

We notice that there has been an increase, over the three last years, concerning the creation of enterprises - an increase of **11%** over the period **2006-2008-**. The first quarter of 2009 registers a large volume of creations with 2432 registered companies i.e. **+ 6%** compared to 2008.

This dynamics is noteworthy in so far as it takes place in a context of uncertainties engendered by the effects of the international economic and financial crisis.

Another fact that is noteworthy lies in the registration concentration. The wilaya of Algiers holds the largest implantation with 29% of the registrations. Furthermore, nine wilayas in the north total more than 60% of the registrations.

These statistics show that pressures may occur on the demand of land in some wilayas. But in many other wilayas, the demand may remain low.

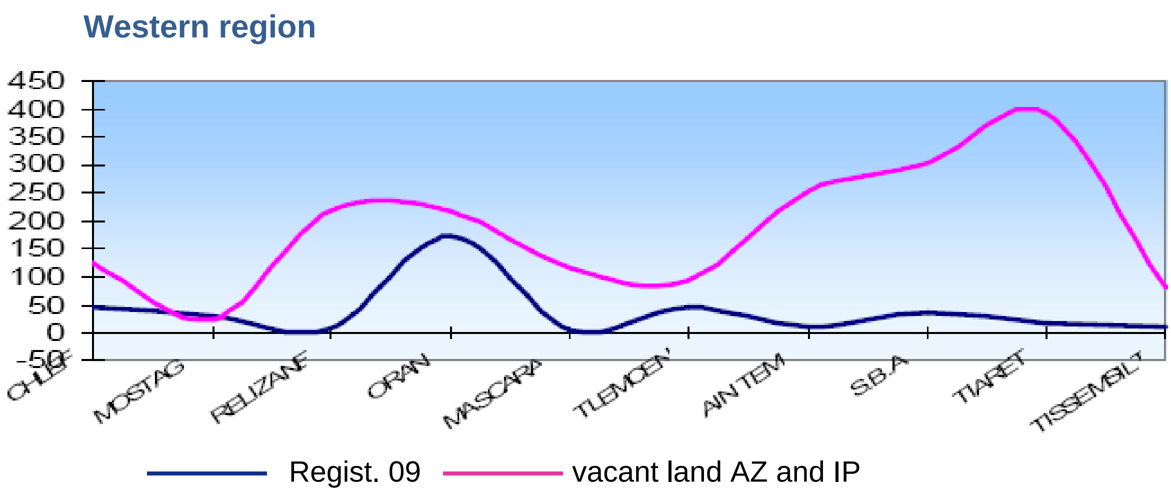
The other indicator concerning land demand for investment is the number of investment projects declared at ANDI. The publications of this agency show that the number of the investments projects that have been registered is quite large. Over the period 2002-2008, 6 873 projects were reported including 384 projects by foreign investors.

5. The correlation between the listed available land offer and the estimated demand through the new registrations of the CNRC:

The reconciliation of data on vacant land and the registrations of the economic sector companies at the CNRC (1st quarter of 2009) highlights surplus situations, in almost all the wilayas.

a. The western region:

Apart from Mostaganem, land availabilities are superior to the potential demand. The wilayas of Oran and Tlemcen present very slight surpluses, constituting a precarious balance.



b. Central region:

Apart from the wilayas of Tizi Ouzou and Medea, the region presents a precarious balance or deficits. The wilaya of Algiers is an atypical case, with an almost virtual absence of the availabilities and a very high potential demand.

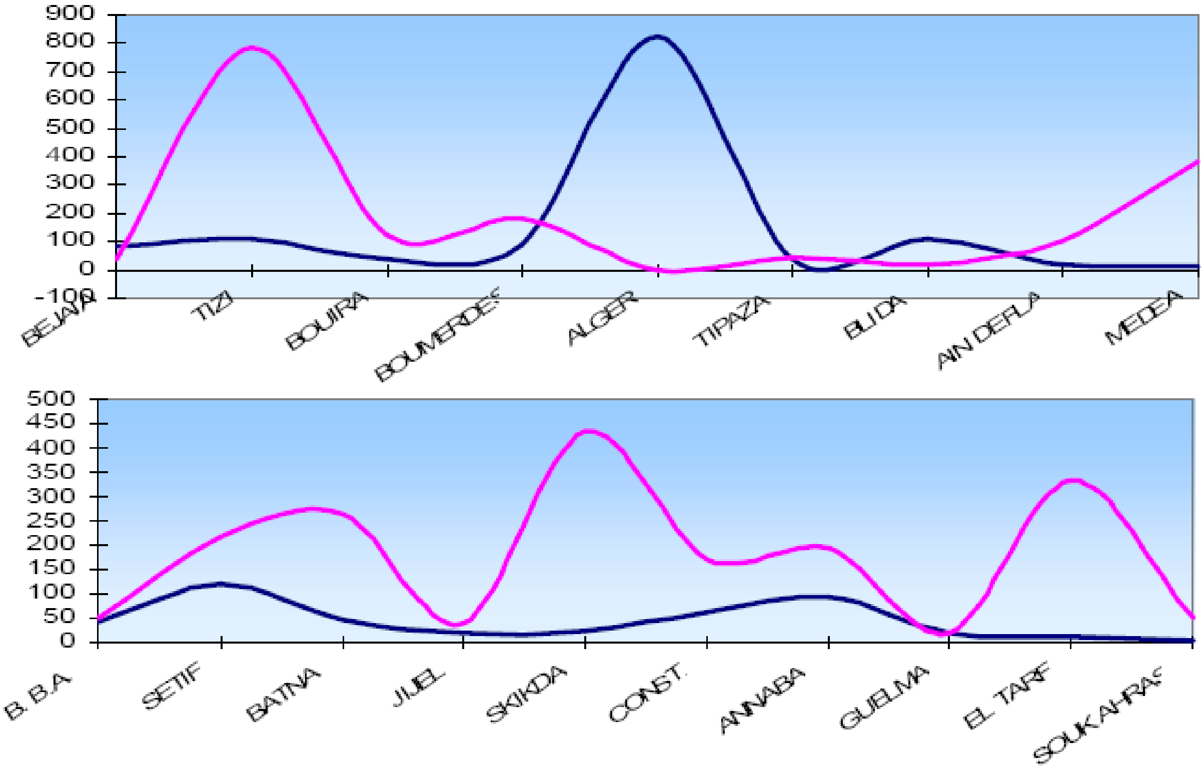
Central region

Regist. 09 vacant land AZ and IP

c. Eastern region:

The east region represents a very subtle situation with very low availabilities in the wilayas of Bordj Bou Arreridj, Jijel and Guelma and high availabilities in others. The region is also characterized by a low dynamics of enterprise creation, except for the wilayas of Setif and Annaba.

Easern region

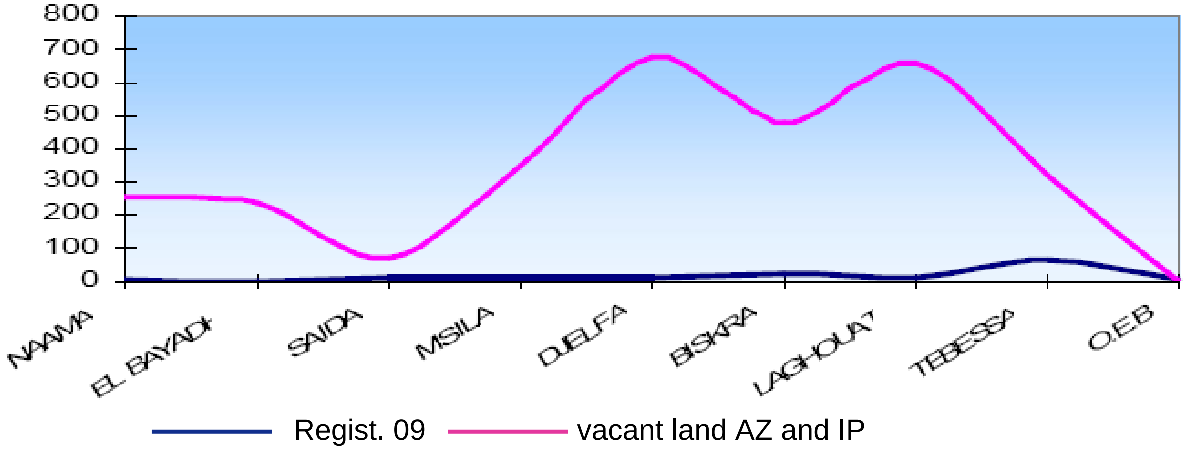


Regist. 09 vacant land AZ and IP

d. Other regions:

The other regions of the south and the highlands are characterized by a very low enterprises creation dynamics. The availability of the economic land is not problematic in these regions.

Other regions



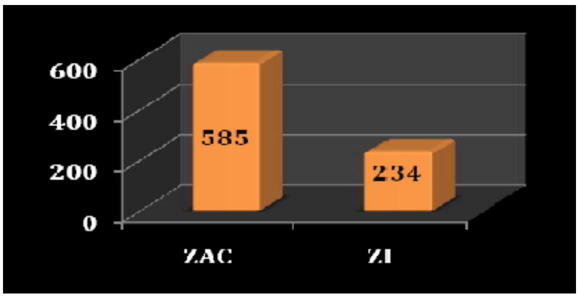
6. List of prices of economic land :

The first list of prices of economic land, established by ANIREF, helped to get a better understanding of the market functioning. The investigation conducted among land agencies lead to the observation of the transactions of economic land located in industrial parks and in activity zones during the period 2006- 2008.

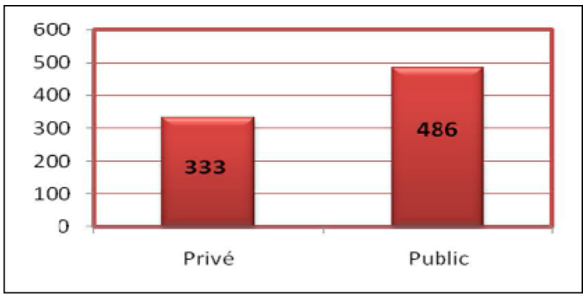
a. Observed sample:

The investigation permitted the observation of 1064 transactions. The base processing selected 813.

Sample structure by zone



Sample structure by status



b. Physical and economic characteristics of the sample:

Transactions focused on a total area of 355 ha: **34%** in **AZ** and **66%** in **IP**. On the whole, the transferred lots are equipped with various networks and are not encumbered. Almost all the transactions are transfers, with some concessions cases.

Sample distribution by region

Regions	Private			Public			Total
	AZ	IP	Subtotal	AZ	IP	Subtotal	
Highlands	70	38	**108**	104	37	**141**	**249**
North	154	71	**225**	257	69	**326**	**551**
South					19	**19**	**19**
Total	**224**	**109**	**333**	**361**	**125**	**486**	**819**

Three regions were considered to locate the implantation of the transferred land:

- The north (coastline, Tellian Atlas);
- The highlands (plains and Saharan Atlas);
- The south.

This region division is directly linked to the administrative division (wilaya).

Out of the 819 considered transactions:

- 551 transactions, i.e. 67%, were registered in the northern wilayas;
- 249 transactions, i.e. 30,4%, were registered in the highlands wilayas;
- 19 transactions, i.e. 2,3%, were registered in the southern wilayas.

c. The volume of transactions:

The transactions have focused on a total area of 3 551 255 m² (355 ha) divided into 819 lots (the average area of a lot: 4 336 m²). The distribution among zones is as follows:

- AZ: 1 201 317 m², i.e. an average area of 2 054 m²/ lot.
- IP: 2 349 938 m², i.e. an average area of 10 042 m²/ lot.

Section	AZ			IP		
	Number of transactions	Average area (m²)	Total area	Number of transactions	Average area (m²)	Total area
Total	**585**	**2 054**	**1 201 317**	**234**	**10 042**	**2 349 938**
	71%		**34%**	**29%**		**66%**

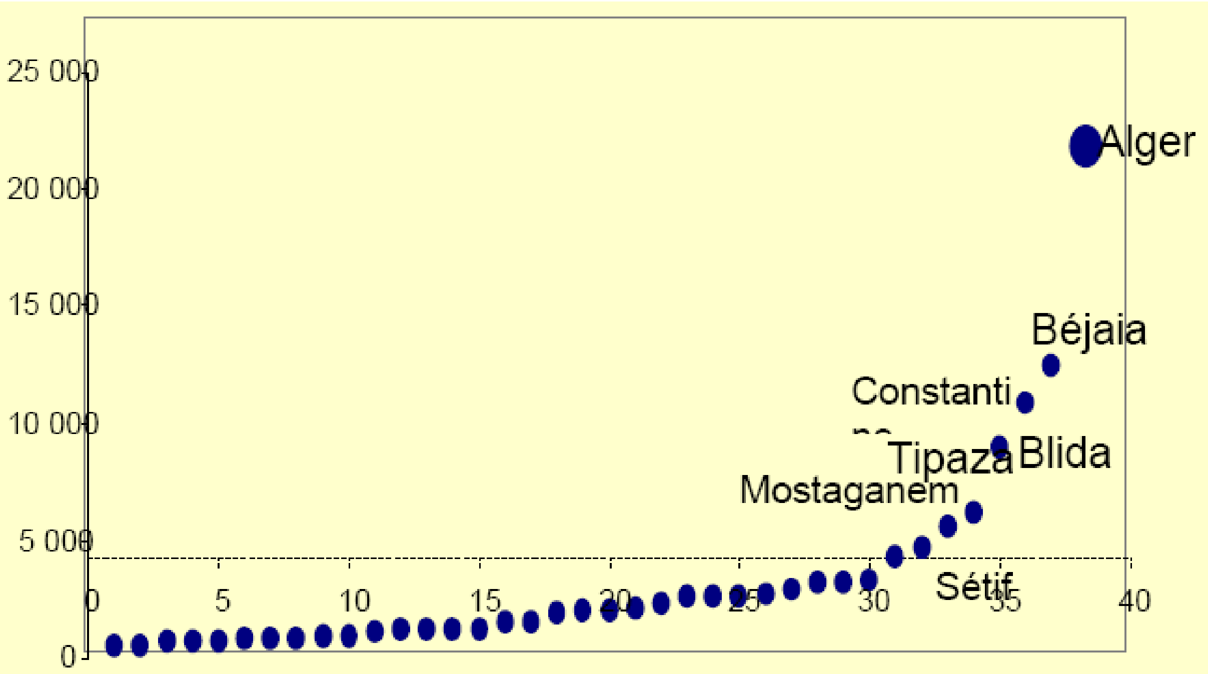
d. Economic land average prices:

Average prices at the national level, as they figure in the processing of the observed data, are as follows:

Economic land National prices and indexes (Base 100 of indexes: 2008)							
	AD/m²			Index Year ….	Index Semester 1 Year….	Index Semester 2 Year….	Variations
	Average price	Minimum	Maximum				
National	4 679	600	25 555				

The exploitation of the results of the list of prices has highlighted a strong prices disparity between the wilayas, with high prices in the wilayas featuring strong economic potential and moderate prices in the others.

Average prices by Wilaya



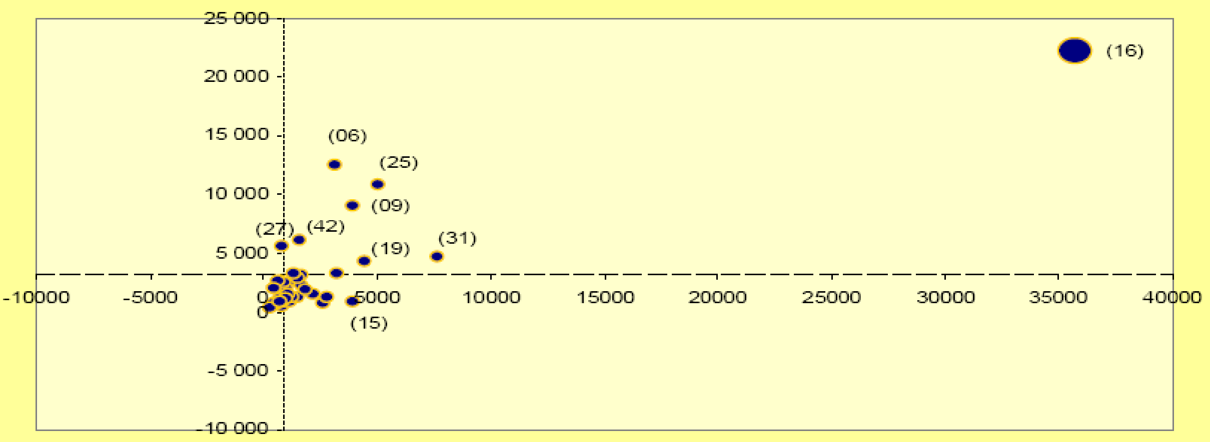
The above graph shows a dichotomy in the distribution. On the one hand, an important number of wilayas display prices below the average and on the other hand, a group of wilayas display prices above average. These wilayas house either large metropolises or activity zones registering a significant investment dynamics.

The wilaya of Algiers is atypical and is distinguished by its average price.

e. Distribution of prices and the economic potential of the wilayas:

The analysis of the results permitted the identification of a strong correlation between average prices by wilaya and the density of the economic bases, measured by the registrations of the industrial sector companies at the CNRC.

Economic potential and prices



f. The functioning of the economic land market :

The public economic land observation has highlighted two behaviors:

- Public economic land transactions are marked by a sense of encouragement and incitement to investment. The mode of determination of prices by land agencies and URBA follows an administrative logic. The offered price is always based on the acquisition price to which are added developing expenses and the profit margin of the developer organization.
- Private land transactions are marked by a trade opportunity logic that is sometimes speculative.

g. New regulation and the market behavior:

The new regulation of economic land within the state's private domain will certainly have an impact on the market behavior. The consecration of the concessions and the mode of bids for the marketing are important and even decisive factors. What makes public land important is that it induces an inflection in the noticed trend. It is probable to see the logic of the market expand and have an impact on the prices formation. It is possible to witness two different markets arising from buyers, namely:

- A transfer market fed by private land owners;
- A market of the right to concession fed by lands within the state's private domain and the local communities.