

# ECONOMIC LAND LIST OF PRICES

2008

First list of prices of economic land: elaboration methodology and national indexes.

## A /Elaboration methodology

### Introduction:

The executive decree 07-119 of April 23, 2007 pertaining to ANIREF creation and missions, provides the establishment of an economic land observatory based on:

- The publishing of an economic land list of prices it updates every six months.
- The elaboration of periodical conjuncture notes.
- The elaboration of studies.

Many objectives can be expected from the list of prices. Three possible uses can be considered for economic land:

- The monitoring of prices and their changes at both national and wilaya levels in order to serve as a dashboard for public institutions.
- A reference to identify key parameters for evaluating the price of properties to market.
- A guide for the evaluator and the investor allowing them to be within the range of prices, depending on the market conjuncture analysis.

For the legislator, the list of prices may be a reference for concessions reserve prices at concessions.

Transactions prices observation may also allow, in the future, the setting of a pricing policy and achieve market regulation through its periodical observation.

The methodology of the establishment of the index by weighted average prices approach:

The approach that was chosen for elaborating this list of prices is inspired from the methodology developed in France by: La Federation Nationale des Agences immobilières (FNAIM) that has given its name to an aggregate index named "FNAIM index".

The process of the elaboration of this index includes five steps:

1. Data collecting on transactions
2. Establishment of the database, data cleanup and recovery (rejection of the extremes, imputation of missing data, recovery of possible biases).
3. Definition of economic land typology
4. Calculating by stratum of weighted average prices.
5. Calculating of basic indexes and of the synthetic index.
6. Control.

The information system set up for the elaboration of the list of prices:

#### 1. Sought information:

Information on the transfer of a land can be collected at three points:

- At the time of drafting the deed of transfer at the notary: However, notaries in Algeria are not yet organized to set up a database on a portion of information contained in the deed.
- After completion of the transfer to the notary who is required to register it at the mortgages and to inform tax services about it.
- At the time of the deed registration to the land conservation. This institution holds data on transactions and thereby constitutes a database that can be examined, upon request.

These databases provide information on:

- ✓ Identification of both the transferor and the transferee;
- ✓ The transaction and the registration of the deed dates;
- ✓ The identification of the lot that is the subject of the transaction, its location and area;
- ✓ The amount of the transaction;
- ✓ Other legal data ;

## 2. Data collection mode:

The information system set for the establishment of the list of prices consists of the collection and the processing of data relevant to economic land transactions during a reference period.

### The parameters that have been used:

The collected data are classified according to several items

- Transaction identification
- Information inherent to physical parameters:
  - ✓ Urban nature ,suburban nature and extra urban
  - ✓ Land area
  - ✓ Configuration and equipments of the land
- Information inherent to legal parameters:
  - ✓ Legal act
  - ✓ Transaction and publication dates
  - ✓ Existence of a mortgage
  - ✓ Existence of easements
  - ✓ Existence of third occupants
- Information inherent to economic parameters:
  - ✓ Communication infrastructures
  - ✓ Distribution infrastructures
- Information inherent to the transaction price:
  - ✓ Declared price
  - ✓ Estimated price after investigation

### Interviewed sources:

The collection system set up for the elaboration of this list of prices consisted of interviewing all sources having information on economic land transactions.

The collection was done by the agency's regional branches. The observation scope concerned all industrial parks and activity zones of northern wilayas that are covered by the regional branches. As far as southern wilayas are concerned, Adrar is the only wilaya that was integrated.

## Data collection modes:

The collection system that is adopted includes:

- Collection of data from administrative sources
- Field observation in order to get more information
- Field investigation to estimate the prices of transactions operated between private operators

The gathering of “administrative” data is done with the use of a standard template that is sent to all identified sources .It includes the following items:

- The location of the asset
- The land area
- The transaction date
- The transaction amount

In order to get more information, the field observation includes visits to see the sites, querying of “archives” sources, interviewing the agents in charge of relevant information.

The field investigation is conducted for a better estimation of the transactions prices operated between private operators, hence for a possible reframing of the “reported” collected prices with the market trends.

## The implemented methodology:

The achievement process of this list of prices took place in 4 stages:

### Stage1 / The gathering of data on observed land transactions:

The collection system that was set up consisted in gathering information on transactions achieved during the reference period from January 1<sup>st</sup>, 2006 to December 31<sup>st</sup>, 2008. The collection took place in two stages:

The first collection dealt with the period from July 1<sup>st</sup>, 2007, to December 31<sup>st</sup>, 2008. The sample size was limited because of the short reference period and the non-response of some land conservations.

of the lots (implantation, physical characteristics).

This diversity is defined as structural and should be corrected .So we hypothesize that the different properties transactions that have been observed could be grouped into strata defined according to their representativeness so that price changes would be similar within the same stratum.

- The second collection was established on new hypotheses:
  - ✓ Enlargement of the observation period from January 1<sup>st</sup>, 2006 to December 31<sup>st</sup>, 2008.
  - ✓ A greater awareness of the regional branches
  - ✓ A more insistent intervention with the land conservation

### Stage2 / base establishment and processing:

The processing consisted in:

- Cleaning up the database by removing statistical biases.
- Updating to 2008 of transactions prices made during 2006-2007 using ONS indexes, the aim being to establish the base 100 to 2008.

### Stage3 / Establishment of the observed economic land typology:

Economic land is heterogeneous. This heterogeneity corresponds to the diversity [The base stratification presentation](#)

<b>STRATA</b>	<b>Transferred land nature</b>
Stratum 1	Wilaya
Stratum 2	Legal status of the seller: public/private
Stratum 3	Type of the zone: industrial park / activity zone

This typology has led to the establishment of a reference stock based on the proportion of property type by strata.

#### Stage4 / calculating averages and indexes:

Prices calculations were made by the use of weighted average prices model. They were done with Excel and SPSS software computing.

### 3. Some Algerian economic land fundamentals :

We should note that there are very few studies on economic land prices in Algeria. The estates and taxes services establish prices scales for their own management needs only. The collected data concerns mainly land to be built but hardly ever industrial land.

At the international level, this kind of land is rarely vested by economists. The lists of prices deal essentially with urban land and accommodation.

Because of the scarcity of referents, we had to base the analysis of the observed prices on our knowledge of the national context.

The following comments can be put forward:

#### ➤ About economic land market functioning:

The first remark is about economic land market determinants. It is obviously not a competitive market. The offer is dominated by the public sector made up of the estates, land agencies and URBA. The estates are very often at the base of the offer in so far as they assign land to land agencies and URBA reserves. These actions are the product of the regulation reasoning. While determining prices, agencies and URBA base on acquisition prices, even if the land has been acquired for many years. Land agencies reserves were acquired in the 90's. The estates have developed a market study approach by updating their price scale semiannually. A private owner adopts an expediency attitude. He assigns his property by expediency or by necessity. The demand is provided by investors. The purchaser is compelled to buy a property in the region he would have determined according to data related to his own investment market. His land purchase is thus imposed by economic land availability.

#### ➤ About the acquired land use:

Economic land generally serves to the implantation of an industrial production unit. It can also be used for the implantation of a logistics or commercial platform. Some sites can be the scene of a competition between sectors (industry and subsidiary activities). It may result in an upward pressure on prices.

➤ **About the regional differentiation of prices:**

The region that is represented here by the wilaya is undoubtedly a factor of differentiation of land prices. The wilaya's economic potential is a determining factor of investment and consequently of the investor attractiveness.

The assignor as well as the purchaser integrates this fact into his decision. Wilayas having a high economic potential tend to record high prices.

➤ **About biases that are related to the observation:**

In any statistical observation, biases may exist. When the bias origin is known, the processing of the base allows corrections. In other cases, the bias is smoothed by the calculation model. So, in the national index, the structural effect linked to the region is corrected by the weighted average. At the wilaya level, it is corrected only when the sample is big enough to integrate the different strata.

**4. Presentation of the database that was used to establish the list of prices:**

The processed database totalizes 819 transactions out of the 1063 observed ones. This base was used in establishing the list of prices.

The list of prices data interpretation was done according to several criteria deemed important. They are:

- The kind of the location zone of the observed transaction: activity zone or industrial park;
- The legal status of the seller: a transaction done by a public organization (land agency, URBA/CNERU or Estates) or by a private natural or legal entity;

- The wilaya or the region (3 regions were selected: North, Highlands and South). The regional division is directly drawn from the administrative division;
- The volume of transactions is expressed in value and area;
- The physical characteristics of transactions.

[B /national indexes](#)

Economic land

National prices and indexes

*(Base 100 of Indexes: 2008)*

	AD/m <sup>2</sup>			Index year...	Index semester1 year...	Index semester2 year...	Variations
	Average price	Minimum	Maximum				
National	6.679	600	25.555				