

# **Ministry of Industry and Mines**

**Intermediation and Land Regulation National Agency**



## **ECONOMIC LAND CONJUNCTURE NOTE**

**- Fiscal year 2015-**

***July 2016***

# CONTENT

## ***Preamble***

### **1. The context of the land market meant for investment**

- 1.1. The legal context related to investment
- 1.2. The legal context related to land intended for investment
- 1.3. The economic context of the period

### **2. The evolution of the supply and demand of land intended for investment**

- 2.1. Industrial investments of the period
- 2.2. Demand for land intended for investment for the period

### **3. Transaction prices and index of the period**

- 3.1. Average price and the index period
- 3.2. Prices by market segment

## **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 amended and supplemented 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 purpose of these notes is to monitor the national conjuncture that characterizes the land market meant for investment and its determinants. The present conjuncture note concerns 2015.*

*The content of this note is based on the main headings of the previous notes. Thus, this conjuncture note integrates the following sections:*

- The context of the land market intended for investment;*
- The demand for land intended for investment;*
- Disposal of land intended for investment;*
- Prices of land meant for investment and the index period.*

*These indicators are based on national official sources and international credible ones. They are developed and managed in a database at the ANIREF level.*

*Conjuncture notes that are drawn up reflect the points of view and the analyses of the Agency.*

## **Abstract**

Three main conclusions can be drawn from the economic land market context for 2015:

- The economic context of 2015 is characterized by uncertainty for investment and growth. It is expected to be difficult and bring uncertainties about the financing capacity of the national economy. Investors anticipate market risks and tend to postpone investment decisions.*
- The demand for land is decreasing in spite of the facilitations defined by the public authorities thanks to the new mode of processing of the files of request for land falling within the private domain of the State.*

## 1. The context of the economic land market

### 1.1. The legal context related to investment

The conjuncture related to investment remains governed by the provisions related to the granting of benefits within the framework of the ANDI and including the three regimes - general, derogatory and common law.

In the land and real estate component, the benefits include:

- **In the general regime**
  - Exemption from disposal duty against payment for real estate acquisitions made within the framework of the concerned investment;
  - Exemption from registration fees, land registration fees and domains remuneration on concessions of built and unbuilt real estate granted for the implementation of investment projects.
  
- **In the regime of the areas to be developed**
  - Exemption from disposal duty against payment for all real estate acquisitions made within the framework of the investment;
  - Partial or total support by the State, after evaluation of the Agency, of the expenses for the infrastructure works necessary to the realization of the investment;
  - Exemption from registration fees, land registration fees and domain remuneration for concessions and built and unbuilt real estate granted for the realization of investment projects. This advantage is applicable for the minimum duration of the concession granted.
  
- **In the derogatory regime:**
  - The advantages concern the concession of land for the realization of the investments.

The 2015 Finance Act brought more benefits. The annual rental fee set by the domains services as part of the concession of land falling within the private domain of the State intended for the realization of investment projects, now corresponds to 1/33 of the market value of the land conceded. The fee is set by applying the minimum price of the range of prices observed in the territory of the commune. The provision is applied to concessions previously granted for investment projects.

### 1.2. The legal context related to land intended for investment

The terms of access to land intended for investment have undergone a significant change, moving towards a bigger facilitation. New provisions have been taken by the Finance Act for 2015 in its Article 48: the concession of land intended for investment is granted exclusively by mutual agreement. This concession is authorized by order of the Wali on the proposal of the Director of the Wilaya in charge of investment territorially competent. It concerns land falling within the private domain of the State, residual assets of dissolved public enterprises, surplus assets of public economic enterprises as well as land in industrial and activity zones.

The practical arrangements of the concession of State real estate properties for the realization of investment projects have been defined by the interministerial instruction n° 01 dated August 06, 2015. The new arrangements emphasize particularly on the processing time of concession requests for investment projects. It is thus, decided to limit the time of examination of the project by the concerned services (8 days) and its processing by the Directorate of Investment (8 days). The processing times by the Domains for the promulgation of the acts are strongly limited too.

The terms of the concession remain unchanged: the concession is granted for a minimum of 33 years renewable and a maximum of 99 years. It entitles the beneficiary to obtain a building permit and to apply for credit from financial institutions to fund the project. The concession is guaranteed and can only be cancelled in the event of a breach of the concessionaire's obligations, by way of legal proceedings.

The financial advantages are still in force: they consist of price reductions and deferrals:

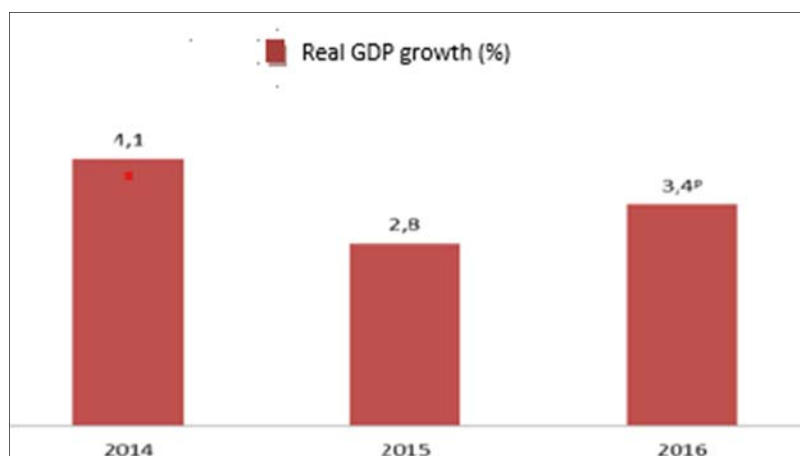
- Wilayas of the North: payment of 90% of the annual fee during the period of realization of the project which can spread out from one (01) year to three (03) years and, 50% during the period of exploitation which can spread out from one (01) year to three (03) years.
- Wilayas of the South and the high plateaus: a symbolic dinar during a period of ten (10) years and 50% of the amount of the domain fee beyond this period for the investment projects established in the wilayas that have been used for the execution of programs located in the South and the high plateaus; for the wilayas located in the South: one (01) symbolic dinar/m<sup>2</sup> during a period of fifteen (15) years and 50% of the domain fee beyond this period.

Furthermore, the program of realization of new industrial parks by ANIREF continues to impact the climate of the land intended for investment by giving prospects for a significant improvement of availabilities.

### 1.3. The economic context of the period

The economic context of the year is marked by the very sharp decline in hydrocarbon prices that started in mid-2014. This unfavorable conjuncture has led to the deterioration of the country's macroeconomic balances.

Economic growth slowed to 2.9% compared to 4.1% in 2014. The current accounts deteriorated: the budget deficit widened to 15.9% of GDP. Hydrocarbon exports fell sharply, accounting for only 19% of GDP compared to a peak of 36% in 2011. The balance of payments deficit has led to a decline in international reserves, reducing the capacity to finance imports.



Source: Bank of Algeria / World Bank

The new economic conjuncture has introduced a new climate of austerity and budgetary restraint.

The 2016 budget focuses on sound finance and calls for a reduction in expenses, mainly investment. Public investments, long a driver of growth, are slowing down and will not fail to impact the decline in domestic demand and thus industrial investment.

## 2. Evolution of the supply and demand of land intended for investment

### 2.1. Industrial investments of the period

Investment projects often result in demands for land when it comes to creating new production capacity.

The investment declarations to the services of the ANDI<sup>1</sup> for 2015 are in sharp decline compared to 2014.

	2014	2015	Variation 2014/2015
<b>Investment projects</b>	9 904	7 950	-20%
<b>Industrial Investment projects</b>	5 942	2 124	-64%

Source: ANDI

The trend clearly reflects the impact of the difficult economic situation on investment. The decline is particularly high for industrial investment projects.

The strong signal sent by the public authorities in the form of restrictions on imports of finished goods and encouragement of economic diversification has not yet been observed in the field of investment. It is known that in such a conjuncture the investor tends to be more cautious and generally adopts an attitude of waiting and postponing.

### 2.2. Demand for land intended for investment for the period

The demand for land for industrial investment is mainly channeled to the land falling

<sup>1</sup> National Agency for Investment Development

under the private domain of the state.

According to a balance sheet drawn up by the government, the number of industrial investment projects processed by the Wilayas has reached 3,261 files. This volume is down from 2014, i.e.-8.5%.

The changes in the mode of allocation of land conceded that make much easier the processing of files has however, helped to contain the decline in demand.

The disposals of industrial land published at the land registries have recorded a sharp decline compared to 2014. After a growth of 25% in 2014, transactions have fallen by 2014, transactions fell by 42% in 2015. The assets disposed of during the year were 391 assets of which 72% within the framework of the concession of public land.

Evolution index of the number of transactions

	2013	2013	2014
Number of transactions	541	674	391
Evolution index at n-1	143	125	58

Though it is difficult to link the evolution of land transactions to the economic conjuncture, the demand for industrial land is nevertheless a revealing indicator of the general climate.

### 3. Transaction prices and index of the period

#### 3.1. Average price and the index period

The national average price, estimated at 7,326 DA / m<sup>2</sup> marks a turning point in the market. It records a stability compared to 2014 when it displayed 7.259 DA/m<sup>2</sup>.

List of prices  
2015

National	DZD/m <sup>2</sup>		
	Average price	Minimum (Percentile 25%)	Maximum (Percentile 95%)
	<b>7 326</b>	<b>2 056</b>	<b>28 113</b>

Furthermore, the « geographic location » factor always impacts price differentiation. This differentiation is measured by the amplitude of the prices of the list of prices.

#### 3.2. Prices by market segment

Concessional operations of land falling within the private domain of the State are similar to a regulated market that plays the role of prices moderator. This regulation is due in particular to the instruction given to the domain services to set the annual fees on the basis of the lower limit of the market price range.

This regulation mode of conceded land indirectly impacts transfer prices by the private sector.

Concession prices expressed in terms of market value<sup>2</sup>

National (concession)	Market value equivalent (DZD/m <sup>2</sup> )		
	Average price	Minimum (Percentile 25%)	Maximum (Percentile 95%)
	<b>7 305</b>	<b>2 500</b>	<b>30 525</b>

Transfers prices

National (transfer)	Transaction value (DZD/m <sup>2</sup> )		
	Average price	Minimum (Percentile 25%)	Maximum (Percentile 95%)
	<b>4 604</b>	<b>976</b>	<b>15 073</b>

<sup>2</sup> Annuity= 1/33 of the market value