

Ministry of Industry and Mines

Intermediation and Land Regulation National Agency



INDUSTRIAL LAND CONJUNCTURE NOTE **- Fiscal year 2016-**

June 2017

CONTENT

Preamble

1. The economic context of the period

2. The context of the land market meant for investment

3. The evolution of the land market meant for investment

4. The list of prices of industrial land

Conclusion

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.

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 the fiscal year 2016.

The content of this note is based on the main headings of the previous notes.

Thus, this conjuncture note integrates the following sections:

- The economic context of the period;*
- The context of the land market meant for investment;*
- The evolution of the land market meant for investment;*
- Prices of land meant for investment and the period index.*

These indicators are based on official national and international credible sources.

They are developed and managed in a database at ANIREF.

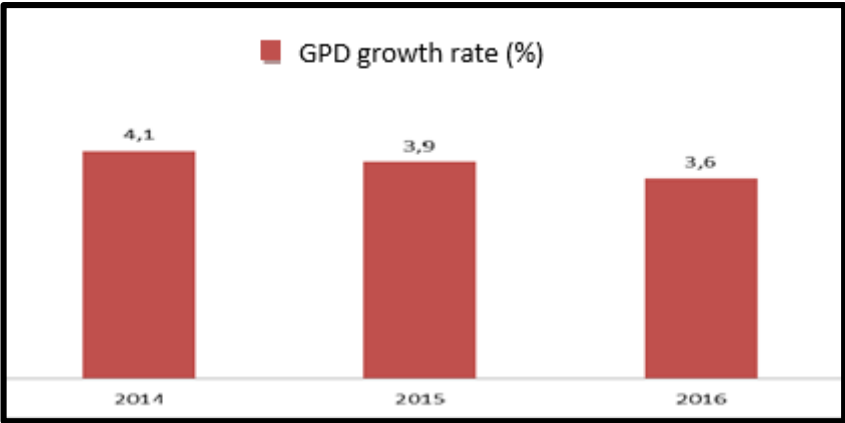
Conjuncture notes that are drawn up reflect the points of view and the analyses of the Agency.

1. The economic context of the period

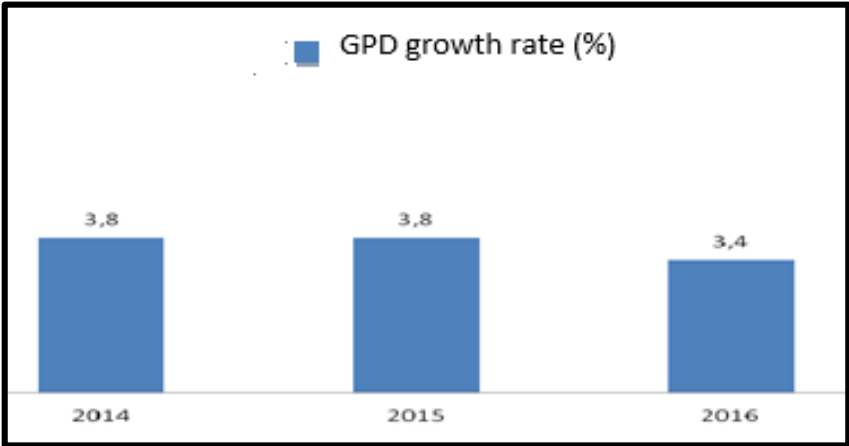
The economic context of the year is still marked by a drop in hydrocarbon prices, which strongly impacts the country's macroeconomic balances. Hence, the decline in the volume of hydrocarbon exports added to persistently low prices of a barrel of oil, led to an imbalance in the current accounts in 2016 despite a policy of expenditure rationalization.

However, economic growth slowed only slightly in 2016 despite the decline in oil nominal GDP. Non-hydrocarbon sectors showed slowing down signs especially those related to manufacturing.

The current accounts remain in deficit although they are down compared to 2015: the public accounts deficit has shrunk in 2016 under the combined effect of a smaller contraction in revenues and the keeping on of the expenditure budget.



Source: World Bank (2016 estimates)



Source: National Office of Statistics ¹

¹ Quarterly national accounts -1st quarter 2017- N°782

The new economic conjuncture has brought in a new climate of rigor and budget restraint. The new growth model has also been approved; it aims to achieve a greater economic diversification and intensify the national production. Investments in high value-added sectors such as the mechanical sector, agribusiness, renewable energy, services, digital economy and knowledge are highlighted.

Also, the willingness to reduce imports through the introduction of import licenses for some products aims to enhance local production.

2. The context of the industrial land market

2.1. The legal context pertaining to investment

The conjuncture related to investment is characterized by the promulgation of Law No. 16-09 dated August 03, 2016 pertaining to investment promotion. The new code redefines the eligible investment as well as the advantages that can be granted. Eligible investment includes the creation of new capacities, the extension of existing ones or their rehabilitation.

This law defined three categories of advantages: the common advantages, the additional advantages for the privileged and/or job-creating activities and the exceptional advantages for the benefit of investments bearing a particular interest for the national economy.

The law integrates all the provisions previously planned and concerning the advantages related to the access to industrial land:

- Exemption from registration fees, the land registration fee as well as from the domain remuneration for concessions of built and unbuilt real estate. These advantages apply to the minimum duration of the concession granted;
- The reduction of 90% on the amount of the annual rental fee established by the domains services, during the period of realization of the investment;
- The exemption from the land fee on real estate properties that fall within investment framework for a period of ten (10) years from the date of acquisition;
- The reduction of 50% on the amount of the annual rental fee established by the domains services, for a period of three (03) years after the exploitation phase is noted.

Investments realized in the regions of the South and the High Plateaus as well as in the areas which development requires a specific contribution of the State, benefit from specific advantages:

- The partial or total payment by the State after the ANDI had evaluated the expenses for the infrastructure works that are necessary for the realization of the

investment;

- The reduction of the annual rental fee for the concession of land for the realization of investment projects. Hence, the land located in the regions of the Great South, the High plateaus and other areas which development requires a special contribution from the State, benefit from very advantageous prices: one DZD / m² during a period of fifteen (15) years for the areas of the Great South and ten (10) years for the other areas. Beyond the period, the concessionaire has to pay only 50% of the amount of the domain fee.

These provisions are incentives for industrial investment, especially in assisted regions.

2.2. The legal context related to land intended for investment

The terms of access to land intended for investment remain governed by the provisions of the Supplementary Finance Act for 2015. The concession of land is authorized by an order of the Wali on the proposal of the Wilaya director in charge of investment, territorially competent.

The practical terms of the concession of the 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 terms emphasize particularly on the processing time of concession requests for investment projects.

The device for determining the annual rental fee set by the domain services (as part of the concession of land falling within the private domain of the State for the realization of investment projects) remains advantageous. It corresponds to 1/33rd of the market value of the conceded land and is established by applying the minimum price of the range of prices observed at the level of the commune as well as the application of the bonuses granted according to the plot area.

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.

3. The evolution of the market of land intended for investment

The demand for industrial land continues to be pressing despite the mobilization of public land.

The industrial land market has undergone a notable change following the new measures meant to ease the procedures for access to concession introduced by the Supplementary Finance Act for 2015.

The demand for land remains high, resulting in pressure on supply. The assessment made by the Ministry of Interior since these new measures came into force till June 2016² shows a strong interest since 21.000 applications have been submitted to the relevant wilayas departments while only 31% of the files processed have been accepted, including more than 3.200 industrial projects.

To remedy this, the public authorities are developing the land supply by authorizing the granting of land in projects for the creation of new areas and the extension of existing ones.

As far as the new industrial parks being developed by ANIREF are concerned, concessions have made significant progress since more than 3.100 lots totaling 2.700 ha have been allocated.

Public authorities have also undertaken an operation reorganize land situation in order to recover the land granted to investors but which has not been not exploited. Thus, according to DIVINDUS group, there is an unexploited land supply estimated at 2.174 hectares, i.e. 15% of the area administered by this group, i.e. 14.000 ha.

4. The list of prices of industrial land

The national average price estimated at 5,956 DZD / m² seems to mark a turning point for the market. It records a decline compared to 2015 when it was 7,326 DZD / m², i.e. a rate of -19%.

This evolution is due to the change in the structure of transactions now dominated by the concession of public land which totaled 85% of the total transactions observed during the year.

List of prices 2016

National	DZD/m ²			National index (LPI ₂₀₁₆ base=2008)	Variation 2015/2016
	Average price	Minimum (Percentile 25)	Maximum (Percentile 95)		
	5 956	2 322	15 500	203	-19%

Nevertheless, this note must be qualified because of the "geographical location" factor which has a strong impact on price differentiation. Prices vary from a minimum (percentile 25%) of 2.322 DZD/m² to a maximum (percentile 95%) of 15.500 DZD/m².

² Government meeting minutes-June 1st, 2016

Two notable developments characterize the conjuncture for 2016:

- The supply of land in the form of sales is shrinking and the prices are relatively higher than those prevailing in the public supply in the form of concessions (+40%);
- The supply of land in the northern regions is shrinking, leading to a rise in demand in the regions of the High Plateaus and the South where prices are particularly moderate.

Conclusion:

Three main conclusions can be drawn from the analysis of the industrial land market conjuncture that characterized 2016:

- *The context of 2016 continues to be characterized by a difficult economic situation and remains marked by budget and balance of payments deficits.*
- *The demand for land remains high, resulting in strong pressure on land under concession: only 31% of requests have been approved despite the mobilization of available land or land under development.*
- *The effect of the regulating mode of the prices of conceded land has been the lowering of the average price.*