

Ministry of Industry and Mines

Intermediation and Land Regulation National Agency



INDUSTRIAL LAND CONJUNCTURE NOTE

-Fiscal year 2017-

June 2018

CONTENT

Preamble

1. The economic context of the period

2. The regulatory context of the land market meant for investment

3. The evolution of the land market meant for investment

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 regulatory context of the land market meant for investment;*
- The evolution of the land market meant for investment.*

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.

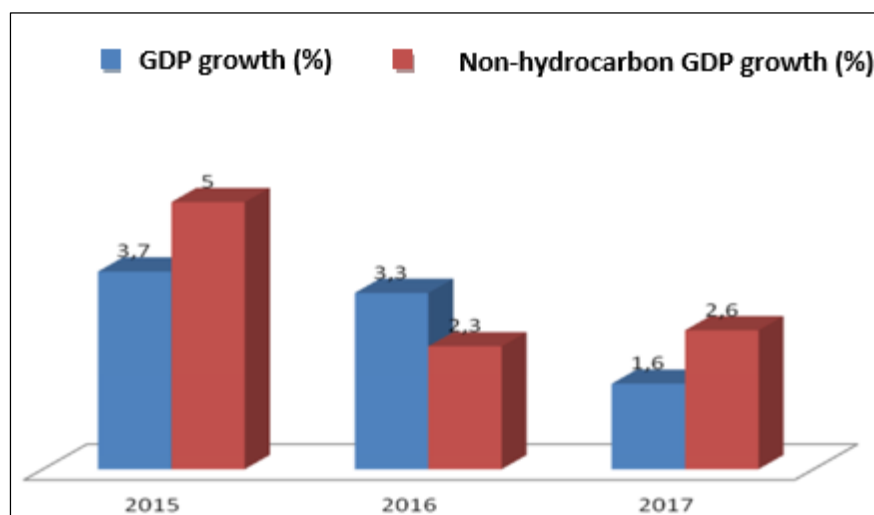
1. The economic context of the period

The economic context of the year 2017 remains marked by the state's policy of fiscal restraint, following the deficit in public accounts and the balance of payments.

This context has strongly impacted national economic growth which has suffered a slowdown: gross domestic product growth stood at 1,6%¹ compared to 3.3% in 2016 and 3.7% in 2015.

Despite continued public support for economic activity, the economic conjuncture also impacted non-hydrocarbon growth: non-hydrocarbon GDP growth stabilized in 2017 at a rate of 2.6%, a slight improvement over 2016, but a sharp decline from 2015.

The decline in the State's financial resources and the persistence of the balance of payments deficit constitute constraints not only for public investments but for companies as well.



Source: National Office of Statistics

A supportive action plan

To support the economy, the government has adopted an action plan (GAP) to mobilize non-conventional financing. It aims to consolidate the State's finances and support the 2016-2019 budget path.

Diverse impact on industrial growth

Despite the tense economic context, the industrial sector has maintained appreciable growth. It recorded a rate of 4.8% in 2017, compared with 3.8% in 2016 and 4.8% in 2015.

Nevertheless, this growth is not due to investment in capacity, but rather to better use of the existing production potential. The measures to protect national production have given an opportunity for growth to certain industries. This is the case of

¹Quarterly national accounts -1st quarter 2017- N°813.

construction materials, steel, metal, mechanical and electrical industries as well as agri-food industries.

Mixed rates of business creation and investment

The economic context has not been conducive to business creation and industrial investment.

According to the National Office of Statistics, 2017 recorded a decline in business registrations and creations.

Investments in the industrial sector declared to the ANDI have changed little, growing by less than 1%².

Years	S1/2016	S1/2017	Variation S1 2016/ S1 2017
Investment projects	1.288	1.298	0,78%

Investment in the industrial sector represents 61.87% of total reported investment.

2. The industrial land market context

2.1. The legal context related to investment

The regulation related to investment is marked essentially by the promulgation of the Law n°17-02 on orientation Law of the SMEs which establishes a new vision of support to the SMEs as regards creation, development and perpetuation of the SMEs.

In terms of support measures, the law provides support for the creation, research-development-innovation, export and development of subcontracting. It also aims to facilitate access to bank financing through the creation, at the Ministry in charge of SMEs, of credit guarantee funds, seed funds and promotion of startups in innovative projects.

The year 2017 also recorded the promulgation of five (05) implementing decrees of Law No. 16-09 on investment promotion.

Furthermore, the Finance Act for 2017 has in Article 80 amended Article 58 of the Finance Act 2016 relating to the creation, development and management of activity zones, industrial zones and logistics zones by legal entities of private status on non-agricultural land being their property or falling within the private domain of the state on the basis of a concession, they are granted by mutual agreement for a period of 33 years, with reductions on the annual fee modulated according to the geographical location of the project and specifications codifying the rights and obligations of the concessionaire.

These reductions on the annual fee are as follows:

Wilayas of the north of the country

- 95 % during the project implementation period that may range from 1 to 5 years;
- 75 % during the operating period that may range from 1 to 3 years.

² Investment projects declared to ANDI in the 1st half of 2017.

Wilayas of the High Plateaus and the South

- One symbolic DZD/ m² during a period of 10 years and 90 % of the amount of the domain fee beyond this period for the projects implemented in the wilayas of the South and the high plateaus that benefited from development programs.

Wilayas of the far South:

- One symbolic DZD/ m² during a period of 15 years and 95 % of the amount of the domain rental fee beyond this period for the projects implemented in these wilayas.

2.2. The legal context related to land intended for investment

a) Industrial land:

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 director of the Wilaya in charge of investment, territorially competent.

The practical terms of the concession of the State's 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 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 according to the plot area granted.

The program of realization of new industrial zones which is of utmost importance for the revival of investment, will allow the developing of about 12.000 hectares of new spaces distributed through 39 wilayas. It is today in phase of implementation.

The government has included this program in its action plan and has entrusted the responsibility for the realization of 43 new industrial zones to the Walis³. ANIREF is in charge of completing the development of the 07 zones currently under realization.

b) Tourist land:

Mutual agreement concession is authorized by an order of the Wali after a favorable opinion of the National Agency of Tourist Development (ANDT) and the agreement of the Minister in charge of tourism for the plots of land belonging to a Tourist Expansion Zone, in accordance with the domain provisions (article 48) of Ordinance No. 15-01 dated July 23, 2015 concerning the Supplementary Finance Act for 2015.

³ Decision of the INC in its session 84 dated October 15, 2017

Within the framework of the development of Tourist Expansion Zone the Finance Act for 2018⁴ has in its article 114, supplemented the provisions of article 17 of the law n°03-03 dated February 17, 2003 on expansion zones and tourist sites. Thus the drawing up of studies, development works and the realization of expansion zones and tourist sites infrastructures are done by the State.

Nevertheless, the development works can be done by a single investor or a group of investors beneficiary of a land intended for the realization of an investment project inside a tourist zone and a tourist site, with the accompaniment and the technical assistance of the National Agency of Tourist Development in parts that can be developed and built in a tourist zone and a tourist site which land fall within the private domain of the State, on the basis of a duly established framework agreement between the National Agency of Tourist Development and the investor in accordance with the tourist development plan of the expansion zone and tourist site.

c) Agricultural land:

Access to agricultural land is governed by the provisions of Law No. 10-03 dated August 15, 2010 setting out the conditions and terms of exploitation of agricultural land of the private domain of the State and its implementing decrees.

Within this framework, the concession of agricultural land of the private domain of the State as well as the superficies attached to it, is granted on the basis of specifications established by regulation for a maximum duration of forty (40) years renewable, in return for the payment of an annual rental fee; the determining of terms, recovery and allocation are set out by the Finance Act.

Agricultural land as well as superficies are made available are conceded by the administration of the domains after the Wali had authorized it, following a call for candidacy launched by the National Office of Agricultural Lands.

The call for applications terms and the criteria for selecting candidates are defined by order of the Minister of Agriculture.

3. The evolution of the land market meant for investment

3.1. The demand for land meant for investment

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

In order to meet the constantly evolving demand, land allocations have been made from available land in industrial zones (IZ) and activity zones (AZ), as well as from the reserves of new industrial zones currently being developed. The use of the new zones has led the public authorities to postpone any new allocation of land before the completion of the development works⁵ as well as the drawing up of concession deeds for the beneficiaries who only have eligibility orders for the concession.

3.2. Industrial land transactions observed during 2017⁶

⁴ Law N° 17-11 dated December 27, 2017 related to Finance Act for 2018.

⁵ Note n° 410 /PM dated November 19, 2017 sent by the Prime Minister to the Walis.

⁶ Source: List of prices 2017 set up by ANIREF.

The evolution of industrial land transactions measured in terms of properties disposed of and published at land registries continues to increase in 2017. The list of prices of industrial land for 2017 has shown an annual evolution index of 108, corresponding to an increase of 8.6% compared to 2016. This increase in the volume of transactions is mainly due to public concessions.

Transactions number evolution index

Years	2015	2016	2017
Number of transactions	391	649	705
Evolution index at n-1	58	165	108

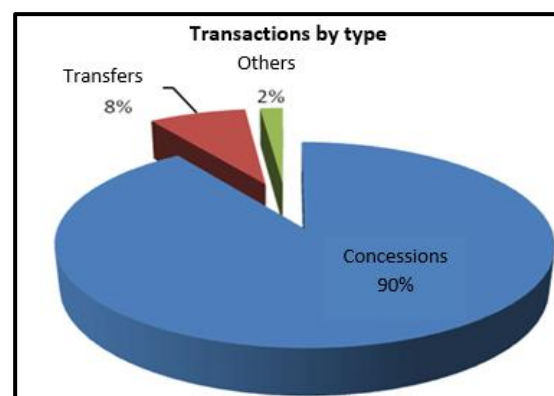
a) The weight of concessions in transactions

Concessions of land falling within the State's private domain are developing, supplanting private land transfers. In fact, the trend observed in recent years is continuing and shows a change in the legal structure of land disposed of.

- The concession grouping the transactions carried out by Land Agencies and the Domains are increasing and concern 637 properties, i.e. 90% of the transactions observed during the year 2017.
- The transfer grouping transactions between legal entities and/or individuals tend to become marginal with only 08% of the year's transactions, i.e. 55 of the properties disposed of.

Transactions by type

Transaction mode	Number
Concession	637
Transfer	55
Others	13
Total	705



b) Prices of transactions observed during the year

The change in the structure of the legal status of land disposed of continues to have a moderating impact on the market price. The list of prices for the year 2017 has highlighted this impact: thus the national average price estimated at 5,518 DZD / m² thus records a decline of 7% compared to 2016.

List of prices 2017

National	DZD/m ²			National index (LPI ₂₀₁₇ base=2008)	Variation 2016/2017
	Average price	Minimum (Percentile 25)	Maximum (Percentile 95)		
	5 518	1 675	19 981	197	-7%

Geographic location also impacts land prices. A strong prices differentiation is observed: prices vary from a minimum (25% percentile) of 1,675 DZD/m² to a maximum (95% percentile) of 19,981 DZD/m². The growing weight of the number of lots transferred in the regions of the High Plateaus and the South (47% of the transactions) has accentuated this differentiation and had a downward impact on the average price.

c) The moderating role of the land concession

The average price of land conceded by public operators expressed in market value (excluding reductions), equal to 5,472 DZD / m², is lower than the price of land transferred by private operators: 6,169 DZD / m². The granted land thus plays a role of price moderation.

Concessions prices expressed in market value

National (concession)	Equivalent market price (DZD/m ²)		
	Average price	Minimum (Percentile 25%)	Maximum (Percentile 95%)
	5.472	1.709	19.750

Transfers prices

National (transfer)	Transaction value (DZD/m ²)		
	Average price	Minimum (Percentile 25%)	Maximum (Percentile 95%)
	6.169	700	19.714

Conclusion:

The industrial land market conjuncture that characterized fiscal year 2017 allows us to draw four main conclusions:

- *In spite of the economic context, the demand for industrial land is still high.*
- *Industrial land remains a limiting factor for investment.*
- *The low availability in the northern regions makes the High Plateaus and the southern regions attractive.*
- *The concession market regulating mode has resulted in a decrease in the average price of the transactions observed during the fiscal year.*