

Unlocking urban regeneration through land-based collaboration with landowners

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Executive summary

Riyadh, the capital of Saudi Arabia, is experiencing a remarkable urban transformation driven by rapid population growth and a dynamic economy. This momentum is creating significant demand for residential, commercial and hospitality projects across diverse income segments. Market expectations are also evolving positively, supported by new regulations that allow foreign ownership in selected zones and increasing international interest ahead of major global events, such as Expo 2030 and the FIFA World Cup 2034.

By 2030, the city aims to add approximately 340,000 homes, 4.6 million sqm of office space, 2.6 million sqm of retail space and nearly 28,800 hotel rooms. These ambitious development targets reinforce Riyadh's trajectory toward becoming a global economic hub. Expo 2030 alone is anticipated to contribute SAR355b to the economy, further stimulating regeneration initiatives and enhancing the city's long term growth prospects.

As Riyadh shifts from geographic expansion to urban densification, innovative regeneration approaches are becoming increasingly vital. Traditional land acquisition methods that rely heavily on government cash compensation are evolving. To address this, the report proposes a partnership model in which land is contributed as equity within a Special Purpose Vehicle (SPV). This structure enables landowners, government entities and master developers to share both risks and returns, with compensation derived from the value created through higher density, mixed use development.





The report also emphasizes the importance of Land Value Capture (LVC)¹, a collaborative approach to urban regeneration, where innovative partnership models play a vital role in financing and facilitating development. By treating land as equity and fostering partnerships among government entities, landowners, and master developers, these models enable shared risks and returns. This confirms that all stakeholders benefit from the value created through higher-density, mixed-use development. Social sustainability is identified as a key priority, necessitating collaboration among multiple stakeholders to achieve cohesive regeneration across the capital.

In urban development, several key principles are essential for success. The bankability rule emphasizes aligning incentives through a clear profit waterfall structure, ensuring landowners receive their minimum entitlements first. The master developer earns a market management fee and a promotion only after meeting specific milestones related to time, cost, quality and social outcomes. The social license rule highlights that social sustainability is a fundamental requirement, not an optional consideration. The Organization for Economic Co-operation and Development (OECD) guidance on integrated urban policy stresses the need for coordination across sectors, levels of government and stakeholders. UN-Habitat frames urban regeneration as reactivating underutilized assets and redistributing opportunities.^{2,3} Lastly, the Execution Rule advocates for treating project delivery with megaproject management discipline, employing reference-class forecasting, milestone-based contracting, and independent cost and schedule assurance to protect returns.⁴

In summary, implementing these innovative models in Riyadh can unlock new development zones, ease supply demand imbalances, reduce government spending burdens and promote sustainable, integrated urban growth – Thus, firmly positioning Riyadh as a leader in modern urban transformation.

Introduction

This report explores innovative models for urban regeneration in Riyadh, focusing on addressing fiscal controls associated with land expropriation. It outlines an asset-based expropriation partnership model that facilitates urban regeneration while promoting equitable participation from landowners and sustainable development outcomes. Social sustainability is recognized as a vital component of urban development.

Urban regeneration in Riyadh presents a significant opportunity for landowners and the private sector as the city transitions from rapid expansion to sustainable, high-density development. This evolution focuses on rejuvenating older neighborhoods, preserving cultural heritage and enhancing livability with smart technology. Key initiatives include energy-efficient retrofits, mixed-use and walkable environments, and minimizing environmental impact, offer exciting prospects for investment and collaboration in this transformative process.

Collaborative approach to urban regeneration

A collaborative approach to urban regeneration is essential, particularly in situations where traditional expropriation methods face funding challenges. This approach emphasizes treating land as equity rather than a mere cost, fostering partnerships among government, master developers and landowners. By aligning the interests of all stakeholders, this model aims to create sustainable, vibrant urban environments that meet community needs while facilitating significant economic growth.

Landowners also stand to gain benefit from this collaborative model. They are offered a range of compensation options, such as replacement units, serviced plots, shares in the SPV or revenue shares, rather than being limited to a single cash offer. This flexibility allows landowners to select the option that best suits their needs and circumstances. Furthermore, landowners can participate in the value uplift resulting from mixed-use conversions and higher-density developments, ensuring that they benefit from the increased value of their land.

For master developers, the collaborative approach offers significant advantages. They gain access to a clean, phased land pipeline with clear title and defined development rights, simplifying the planning and execution of projects. Risk allocation becomes more manageable, as the private sector primarily takes on sales and market challenges, allowing for greater opportunities and flexibility in navigating these situations. This arrangement allows developers to focus

on delivering high-quality projects while minimizing legal and regulatory risks through enablement mechanisms offered by government organizations. The compensation structure for master developers is designed to align their interests with those of the community and landowners. It typically includes a base management fee, complemented by performance-based incentives tied to value creation and successful delivery outcomes. This structure encourages developers to maximize the potential of each project, ensuring that the benefits of urban regeneration are shared among all stakeholders.

To promote fairness and transparency in the process, protections are established, including transparent valuations and grievance mechanisms. These measures align with the expectations set forth by the International Finance Corporation (IFC) Performance Standard 5,⁵ which emphasizes the importance of fair treatment for affected landowners. By incorporating these elements, the collaborative approach to urban regeneration not only addresses the immediate challenges of land acquisition but also fosters a more equitable and sustainable urban environment for all stakeholders involved.

The proposed funding strategy, LVC, aims to reduce government spending, particularly by avoiding cash expropriation. This funding stack comprises several elements, including value capture instruments such as the sale of development rights, excess density rights, negotiated exactions and land pooling or readjustment.^{1,6} Additionally, it incorporates real estate cash flows generated from pre-sales, long-lease income from retail or logistics and staged parcel disposals.

Where feasible, capital market options such as sukuk or green sukuk, project finance, or infrastructure funds can be pursued once land titles and necessary approvals are considered bankable. This diversified funding approach not only enhances the financial sustainability of urban regeneration projects but also supports the broader economic goals of the region.

Accelerating urban regeneration through innovative models

Urban regeneration has increasingly become a strategic pathway for cities facing rapid growth and fiscal constraints. Across global markets, six distinct land based partnership models have emerged as effective mechanisms for mobilizing landowners, enabling private-sector participation, and reducing the financial burden on governments. These models – ranging from equity participation to cooperative-based structures – offer cities the flexibility to activate development even in complex environments characterized by fragmented ownership, underutilized land or rising market pressures.

In many fast-growing cities such as Riyadh, where significant expansion continues to place demands on infrastructure and public finances, these models are particularly relevant.

1

The first model, equity participation, enables landowners to introduce their land directly as equity into a SPV or joint venture. This structure allows landowners to become long-term partners in regeneration projects, sharing both the risks and the financial upside of future development. By valuing land as a contributing asset, this approach aligns incentives among stakeholders and is particularly effective where landowners prefer to retain a stake in the area's long-term transformation.

2

A second model builds on Public-Private Partnerships (PPP) with landowner inclusion, where government participates not just as a regulator but as a strategic partner. In these cases, landowners, public authorities, and developers collaborate within structured PPP or SPV arrangements to deliver projects of significant scale and complexity. This model is especially relevant in urban areas where infrastructure, mobility or public amenities must be delivered in parallel with private development.

3

Another important pathway is the lease or concession-based partnership, which allows landowners to retain long-term ownership while granting development or operational rights to private partners for a defined period. This approach separates ownership from use, providing an attractive option for landowners who prefer not to sell but are open to revenue participation through long-term leases, concessions or usufruct arrangements.

4

In many cities, fragmented ownership patterns pose a major obstacle to regeneration. Land readjustment offers a powerful solution by temporarily pooling individual land parcels, upgrading infrastructure, and redistributing serviced plots back to owners in a fair and proportionate manner. This model resolves spatial coordination challenges without requiring full acquisition, delivering better-planned and infrastructure-ready urban blocks that are more attractive for development.

5

When regeneration requires relocation or reconfiguration, land exchange or swap-based partnerships provide a structured alternative to cash compensation. Landowners may exchange their plots in strategic redevelopment areas for serviced land, development rights or equivalent assets elsewhere. This avoids conflict, accelerates project timelines and ensures equitable outcomes while unlocking high-value locations for transformation.

6

The final model, cooperative-based partnerships, is rooted in collective stewardship. Here, landowners band together through community land trusts or cooperative associations to guide redevelopment in a way that balances social, economic and environmental goals. This approach is particularly useful in areas with strong community identity or where small individual plots need consolidation to support more integrated development.

These mechanisms reflect not only structural options but also the diverse roles governments must adopt to successfully guide regeneration. Globally, public-sector involvement spans four core functions: enabler, coordinator, value redistributor and deal orchestrator. As an enabler, the state exerts minimal intervention while using regulatory tools (such as zoning changes, Floor Area Ratio (FAR) adjustments and establishment of redevelopment zones) to unlock private action.

This role is effective when market appetite exists but requires clearer rules or land-use flexibility. When cities face spatial coordination failures (particularly due to fragmented ownership) the government steps in as a coordinator, offering legislative support, temporary land control, parcel pooling and administrative facilitation to overcome bottlenecks. In more interventionist settings, governments act as value redistributors, capturing the uplift created through development and reinvesting it to improve public infrastructure, provide affordable housing or offer in-kind compensation to landowners. At the most strategic level, the government becomes a deal orchestrator, actively structuring partnerships, sequencing multi-site delivery, negotiating with stakeholders and managing long-term risk allocation.

Global case studies demonstrate how the right combination of roles, incentives, and pressure mechanisms can transform cities. Barcelona, for instance, showcases how acting as an enabler helped convert a 2 sq km post-industrial district into a thriving mixed-use innovation hub. The city deployed regulatory tools such as density uplift, mandatory land concessions and per square meter levies to stimulate redevelopment despite scattered ownership, although the lighter pressure meant land activation occurred at a slower pace.

In contrast, Mumbai highlights the power of the coordinator role. Faced with regenerating one of the densest urban clusters affecting nearly 25,000 residents, the government partnered with a nonprofit trust, streamlined approvals, established eligibility criteria and mandated minimum unit standards. Here, the optimization pressure came not from regulatory force but from deteriorating living conditions deemed unfit for habitation.

São Paulo presents a striking example of the value redistributor model. Through the creation of tradable development rights (CEPACs) and a progressive idle land taxation regime, the city generated revenue for reinvestment, funded infrastructure upgrades, and stimulated rapid market-led redevelopment across a 4.5 sq km corridor previously marked by fragmented industrial and residential land. The introduction of transparent auctions and time-sensitive incentives produced a fast-track regeneration timeline, proving that strong fiscal levers can reshape urban markets. Meanwhile, Boston's Innovation District demonstrates how the deal orchestrator role can be decisive. There, the mayor leveraged political influence to brand the district, attract anchor tenants, introduce zoning flexibility and accelerate administrative processes. Although the area initially consisted of industrial brownfields and large parking tracts, high-level coordination and early commitments created the momentum necessary to transform it into a vibrant round-the-clock economic cluster.



Lessons learned: why owner-integrated regeneration succeeds and where it breaks down

The proposed expropriation partnership models present a promising approach to urban regeneration in Riyadh. By treating land as equity and fostering collaboration among various stakeholders, this model has the potential to unlock substantial value while alleviating fiscal pressures on governments. To provide effective implementation, several actionable next steps are recommended.

Establishing a clear valuation baseline is crucial, along with offering diverse consideration options such as units, plots, shares and hybrid cash-out arrangements. These measures are essential for fostering stakeholder engagement and building trust. It is vital to neutralize holdouts by implementing supermajority voting and defining explicit rules for project valuation appeals and dispute resolution. This approach can significantly reduce conflicts and streamline decision-making processes.

To reduce disruption for displaced residents, funding relocation through the project budget rather than relying on public funds, is recommended. Confirming the early delivery of replacement units will further ease the transition for affected individuals.

Assessing social outcomes is critical. Metrics related to affordability, displacement rates, job access and community satisfaction will provide valuable insights into the project's impact.³ Recognizing gentrification as a manageable risk enables proactive planning and the implementation of protections for tenants and small businesses, supported by research linking renewal and redevelopment to displacement pressures (Seoul research).^{7,8}

Learning from past challenges where distributed rights and coordination failures hindered progress, it is essential to avoid the anticommons trap. Proactively utilizing land value capture strategies can monetize density and facilitate land-use conversions, thereby funding necessary infrastructure and unlocking private finance.^{1,6}

Implementing a procurement strategy similar to PPPs is vital. This approach emphasizes project preparation, clear risk allocation, competitive tendering and the creation of an enabling environment for success.⁹ For transitions from industrial to mixed-use developments, a comprehensive brownfield plan should be developed from the outset, detailing remediation scope, liability allocation and phasing strategies.

To address persistent cost and schedule overruns, enhancing delivery performance is essential. This can be achieved through outside-view forecasting, stage-gate governance and transparent, incentive-aligned contracting to safeguard returns.⁴ Overall, these lessons learned provide a strategic framework that balances stakeholder interests, mitigates risks and promotes community well-being. By following these guidelines, urban regeneration projects can achieve sustainable outcomes that benefit all involved.



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