

Economic Real Estate and Its Role in Supporting Real Estate Promotion Activities: Concession Contracts as a Mechanism to Finance Commercial Real Estate Development Projects

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Abstract

This study explores the strategic importance of economic real estate in enhancing real estate promotion activities. It delves into the mechanisms through which state-owned or economically significant land contributes to urban and commercial development. A particular focus is given to concession contracts as innovative legal-financial tools used to fund and support large-scale real estate projects, especially those with a commercial nature. The research highlights how these mechanisms help bridge the funding gap and attract private investment into public-sector-driven development initiatives. Through a critical analysis of legal texts and case studies, the paper illustrates how economic real estate becomes a cornerstone of urban planning and economic revitalization.

Keywords: Economic real estate; Real estate promotion, Concession contracts, Public-private partnership (PPP), urban development

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Introduction

Real estate development plays a central role in the economic and social transformation of nations. In Algeria, the promotion of economic real estate—particularly through the use of public land and structured investment contracts—has become an essential strategy for supporting urban expansion and revitalizing infrastructure. With the increasing demand for housing, commercial centers, and industrial zones, the state has sought to harness the potential of public-private partnerships (PPPs) and concession agreements to achieve development goals while balancing public interest and private investment.

The study focuses on the importance of economic real estate and concession contracts as tools for financing and accelerating real estate promotion. These legal and financial mechanisms allow private entities to develop publicly owned land under long-term agreements, fostering collaboration between the public and private sectors. Through concession contracts, governments can leverage private capital and expertise to undertake projects that may otherwise be delayed due to limited public resources. In the Algerian context, these agreements have been increasingly used to support both commercial and housing initiatives aligned with national development strategies.

This research explores the legal and institutional frameworks, the economic implications, and the practical benefits and challenges associated with these mechanisms. It also presents case studies from Algeria, demonstrating how such projects have contributed to urban growth, regional development, and improved infrastructure. Ultimately, the aim is to highlight the transformative power of real estate promotion through concession contracts, and how such approaches can be optimized for future planning and policymaking.

1. Definition and Scope of Economic Real Estate

1.1. Land with Economic Value Used for Development Purposes

Economic real estate refers to land designated for development that holds significant value due to its potential for generating economic activity. This land is often strategically located to facilitate urban expansion, industrial growth, or commercial development. The economic value of such land is assessed based on factors like location, accessibility, and the demand for development in the area. According to Heurkens (2018), economic real estate serves as a fundamental asset in urban development, providing the necessary space for various projects that drive economic growth.

1.2. Often State-Owned or Allocated for Public-Private Development

In many cases, economic real estate is state-owned or publicly controlled, allowing governments to plan and manage urban development effectively. Public ownership enables the state to allocate land for projects that align with broader economic and social objectives. Heurkens (2018) notes that public-private partnerships (PPPs) often emerge in this context, where the

government collaborates with private developers to utilize state-owned land for development projects. This collaboration leverages public land resources to stimulate economic activity and urban growth.

1.3.Strategic Importance in Urban Planning and Economic Strategy

The strategic allocation and development of economic real estate play a crucial role in shaping urban landscapes and driving economic strategies. By identifying and developing key parcels of land, governments can influence the direction of urban growth, ensuring that development aligns with long-term economic goals. Heurkens (2018) emphasizes that the management of economic real estate requires careful planning and coordination between public authorities and private developers to achieve sustainable urban development outcomes.

2. Role in Urban and Commercial Development

2.1.Supports National Strategies for Urban Expansion and Economic Growth

Economic real estate is integral to national strategies aimed at urban expansion and economic development. By developing land with high economic potential, governments can create hubs for commerce, industry, and services, thereby stimulating economic activity and job creation. Heurkens (2018) highlights that the development of economic real estate contributes to the diversification of urban economies, attracting various sectors and fostering a dynamic economic environment.

2.2.Attracts Private Sector Investment in Public-Interest Projects

The development of economic real estate often involves attracting private sector investment, especially through public-private partnerships. These collaborations allow for the pooling of resources and expertise, enabling the realization of large-scale projects that might be unfeasible for the public sector alone. Heurkens (2018) discusses how such partnerships can lead to more efficient project delivery and the creation of developments that serve the public interest, such as affordable housing, infrastructure, and commercial centers.

2.3.Enhances Infrastructure and Community Development

Beyond economic benefits, the development of economic real estate contributes to the enhancement of urban infrastructure and community development. Projects often include the construction of roads, public transportation systems, and community facilities, improving the quality of life for residents. Heurkens (2018) notes that well-planned developments can revitalize underdeveloped areas, reduce crime, and increase property values, leading to broader social and economic improvements in urban areas.

3.Real Estate Promotion Activities

3.1.Encourages Investment in Housing, Commercial Centers, and Industrial Zones

Real estate promotion activities play a pivotal role in stimulating investment across various sectors, including housing, commercial centers, and industrial zones. By creating a conducive environment for development, these activities attract both domestic and foreign investors seeking profitable opportunities. According to Heurkens (2018), strategic urban planning and policy frameworks are essential in guiding investments towards desired sectors, ensuring balanced and sustainable growth.

3.2. Acts as a Catalyst for Regional Development

Beyond individual projects, real estate promotion serves as a catalyst for broader regional development. The establishment of new housing developments, commercial hubs, and industrial zones can lead to improved infrastructure, increased employment opportunities, and enhanced local economies. Heurkens (2018) emphasizes that such developments often lead to the revitalization of underdeveloped areas, reducing regional disparities and promoting inclusive growth.

3.3. Fosters Public-Private Partnerships

Real estate promotion activities often involve collaborations between public authorities and private developers, known as public-private partnerships (PPPs). These partnerships leverage the strengths of both sectors: public entities provide land and regulatory support, while private developers bring in capital and expertise. Heurkens (2018) notes that PPPs are instrumental in delivering large-scale projects that might be unfeasible for either sector alone, thereby accelerating development timelines and enhancing project quality.

3.4. Enhances Urban Planning and Infrastructure Development

Effective real estate promotion is closely linked to comprehensive urban planning and infrastructure development. By aligning development projects with city-wide plans, authorities can ensure that new developments are well-integrated into existing urban fabrics, with adequate provisions for transportation, utilities, and public services. Heurkens (2018) highlights that such integration is crucial for maintaining urban livability and preventing issues like traffic congestion and service overloads.

3.5. Attracts Diverse Investment Sources

The dynamism of real estate promotion activities attracts a diverse range of investment sources, including institutional investors, real estate investment trusts (REITs), and international development funds. These investors are drawn by the potential for stable returns and portfolio diversification. Heurkens (2018) points out that the influx of varied investment sources not only boosts the financial viability of projects but also introduces international best practices and innovation into local markets.

4. Concession Contracts as Financing Tools

4.1. Long-Term Agreements Allowing Private Entities to Develop Public Land

Concession contracts are long-term agreements in which a public authority grants a private entity the right to develop and operate a project on public land. These contracts typically span several decades, providing private developers with the time needed to recover their investments and generate profits. Heurkens (2018) explains that such arrangements are particularly suited for large-scale infrastructure projects, where substantial upfront capital is required.

4.2. Provide Access to Funding Without Direct Public Expenditure

One of the primary advantages of concession contracts is that they enable the development of public assets without direct expenditure from the public budget. By transferring the financial responsibility to private developers, public authorities can undertake significant projects without incurring immediate debt. Heurkens (2018) notes that this model allows governments to focus resources on other priorities while still advancing infrastructure development.

4.3. Include Revenue-Sharing Mechanisms Between the Public and Private Sectors

Concession contracts often incorporate revenue-sharing mechanisms, where the private entity shares a portion of the generated income with the public authority. This arrangement ensures that the public sector benefits financially from the development while providing private developers with the incentive to maximize project profitability. Heurkens (2018) highlights that such mechanisms align the interests of both parties, promoting efficient project execution and long-term sustainability.

4.4. Mitigate Financial and Operational Risks

By involving private entities in the development and operation of public projects, concession contracts help mitigate financial and operational risks. Private developers assume responsibility for the design, construction, and maintenance of projects, reducing the burden on public authorities. Heurkens (2018) emphasizes that this risk transfer is crucial for ensuring the timely delivery and quality of infrastructure projects.

4.5. Enhance Efficiency and Innovation in Project Delivery

The involvement of private entities through concession contracts can lead to enhanced efficiency and innovation in project delivery. Private developers, driven by profit motives, often seek cost-effective solutions and innovative approaches to meet project objectives. Heurkens (2018) notes that this drive for efficiency can result in higher-quality infrastructure and services, benefiting the public sector and end-users.

5. Legal and Institutional Framework

5.1. Based on National Laws Regulating Concessions and Public Land Use

The legal and institutional framework governing concession contracts in Algeria is primarily based on national laws that regulate public land use and public-private partnerships (PPPs). These

laws provide the legal basis for granting concessions, ensuring that private entities can develop and operate public land for specific purposes. According to the Algerian Investment Code, the state retains ownership of public land while granting usage rights to private developers through concession agreements. This framework aims to balance public interest with private investment, fostering economic development while safeguarding public assets.

5.2.Requires Transparency, Feasibility Studies, and Risk Management

For concession contracts to be effective, the legal framework mandates transparency, comprehensive feasibility studies, and robust risk management strategies. Transparency ensures that the process of granting concessions is open and competitive, reducing the potential for corruption and ensuring that projects are awarded to capable developers. Feasibility studies assess the economic, technical, and environmental viability of proposed projects, providing a basis for decision-making. Risk management involves identifying potential risks associated with the project and implementing strategies to mitigate them, ensuring the project's long-term success and sustainability.

5.3.Incorporates Public Procurement Regulations

The legal framework also incorporates public procurement regulations that govern the bidding process for concession contracts. These regulations establish procedures for advertising, evaluating, and awarding contracts, ensuring that the process is fair and competitive. They also set out requirements for contract performance, including timelines, quality standards, and penalties for non-compliance. By adhering to these regulations, public authorities can ensure that concession agreements are executed efficiently and effectively, delivering value for public resources.

5.4.Establishes Institutional Roles and Responsibilities

The institutional framework defines the roles and responsibilities of various entities involved in the concession process. This includes government ministries, regulatory bodies, and local authorities, each with specific duties related to project approval, oversight, and enforcement. For example, the Ministry of Housing and Urban Planning may be responsible for approving land use plans, while the Ministry of Finance oversees financial aspects. Clear delineation of responsibilities helps prevent overlaps and gaps, facilitating smoother project implementation.

5.5.Ensures Compliance with Environmental and Social Standards

In addition to economic and technical considerations, the legal framework requires compliance with environmental and social standards. Developers must conduct environmental impact assessments to evaluate the potential effects of their projects on the surrounding environment and communities. Social considerations include ensuring that projects do not displace local populations without adequate compensation and that they contribute positively to local development. Adherence to these standards promotes sustainable development and social equity.

5.6. Facilitates Dispute Resolution Mechanisms

The legal framework also provides mechanisms for resolving disputes that may arise during the implementation of concession contracts. These mechanisms can include arbitration, mediation, or recourse to the courts, depending on the nature of the dispute and the terms of the contract. Having clear dispute resolution processes in place helps to address conflicts promptly and fairly, minimizing delays and ensuring that projects stay on track.

5.7. Adapts to Changing Legal and Economic Contexts

Finally, the legal and institutional framework is designed to adapt to changing legal and economic contexts. This flexibility allows for adjustments to concession agreements in response to unforeseen circumstances, such as economic downturns or changes in public policy. Regular reviews and updates to the legal framework ensure that it remains relevant and effective in promoting sustainable development through concession contracts.

6. Benefits and Challenges

6.1. Benefits: Stimulates Economy, Creates Jobs, Improves Infrastructure

Concession contracts offer several benefits, including stimulating economic growth, creating employment opportunities, and improving infrastructure. By involving private investment in public projects, these contracts can accelerate the development of essential infrastructure, such as roads, bridges, and public facilities. The East–West Highway project in Algeria, for instance, was a significant public works initiative that involved international consortia and contributed to regional economic development .

6.2. Enhances Efficiency and Innovation

Private sector involvement through concession contracts can lead to enhanced efficiency and innovation in project delivery. Private developers often bring specialized expertise and a profit-driven approach that can result in cost savings and innovative solutions. The Algiers Metro project, which involved international companies and was completed after decades of delays, demonstrates how private sector participation can help overcome challenges and deliver complex infrastructure projects .

6.3. Reduces Public Financial Burden

By transferring the financial responsibility to private developers, concession contracts can reduce the immediate financial burden on public budgets. This allows governments to allocate resources to other priorities while still advancing infrastructure development. The Boughezoul–Laghouat railway project in Algeria, for example, was part of a significant railway investment program aimed at modernizing existing infrastructure without overburdening the public treasury .

6.4. Promotes Sustainable Development

When properly structured, concession contracts can promote sustainable development by incorporating environmental and social considerations into project planning and execution. Developers are often required to conduct environmental impact assessments and engage with local communities to ensure that projects contribute positively to the environment and society. This approach helps to balance economic development with environmental protection and social equity.

6.5.Challenges: Legal Complexity, Risk Allocation, Long Approval Timelines

Despite their benefits, concession contracts also present challenges. Legal complexity can arise from the intricate regulations and procedures involved in granting concessions, which may require specialized legal expertise. Effective risk allocation between public and private entities is crucial to ensure that both parties share responsibilities appropriately, but achieving this balance can be challenging. Additionally, long approval timelines can delay project initiation, potentially leading to cost overruns and missed opportunities. Addressing these challenges requires careful planning, clear legal frameworks, and efficient administrative processes.

6.6.Potential for Corruption and Mismanagement

The complexity and scale of concession projects can create opportunities for corruption and mismanagement if not properly regulated. Transparency in the bidding process, stringent oversight mechanisms, and accountability measures are essential to mitigate these risks. Implementing robust governance structures and conducting regular audits can help ensure that concession contracts are executed in the public interest and that resources are used efficiently.

6.7.Dependency on Private Sector Performance

While private sector involvement can bring benefits, it also introduces the risk of dependency on private entities for the delivery of essential public services. If private developers fail to meet performance standards or face financial difficulties, it can disrupt service delivery and impact public welfare. To mitigate this risk, concession agreements should include clear performance metrics, penalties for non-compliance, and mechanisms for monitoring and enforcing contract terms.

7. Case Studies or Local Examples

7.1. East–West Highway (Algeria)

One of the most prominent infrastructure projects in Algeria is the East–West Highway, a 1,216 km motorway that connects the country’s eastern and western borders. Developed with the participation of international consortia under public-private partnership models, the project serves as a prime example of how large-scale infrastructure can be achieved through concession agreements. It significantly improved transportation across the country, boosted regional trade, and created thousands of jobs. As Heurkens (2018) notes, such projects exemplify the role of PPPs in national development by aligning public objectives with private efficiency.

7.2. Algiers Metro Expansion

Another relevant case is the expansion of the Algiers Metro, which involved a mix of public financing and foreign private sector participation. Initially delayed for decades due to political and financial issues, the project gained momentum when private sector contractors from Europe were brought in under structured contracts. This collaboration allowed Algeria to overcome domestic capacity constraints and deliver critical infrastructure in its capital. The metro not only eased urban mobility but also demonstrated the value of foreign expertise and financing in fast-tracking development (Heurkens, 2018).

7.3. Boughezoul Smart City Initiative

The Boughezoul smart city project in central Algeria is an ongoing effort that aims to establish a sustainable urban center through innovative planning and private investment. Though still in development, it is expected to be one of the first smart cities in North Africa. The project is built around a concession framework where public land is provided to investors to develop residential, commercial, and technological infrastructure. The initiative underscores how concessions can be used as tools for promoting futuristic, integrated development strategies that focus on sustainability and innovation (Heurkens, 2018).

7.4. Diar El Mahçoul Housing Complex (Algiers)

Historically, the Diar El Mahçoul housing complex serves as an early example of planned urban development in Algeria. Though built during the colonial period (1950s), the project involved extensive coordination between public authorities and architectural planners. While it wasn't a concession in the modern legal sense, it set a precedent for structured public-led development and addressed the acute housing needs in Algiers. The legacy of such housing initiatives still informs Algeria's approach to mass housing and urban renewal projects today (Pouillon, 1956; Heurkens, 2018).

Conclusion

In conclusion, the promotion of economic real estate through concession contracts presents a strategic opportunity for sustainable urban and regional development in Algeria. These mechanisms not only attract private sector investment but also enable the state to deliver critical infrastructure without direct public expenditure. By leveraging concession agreements, public authorities can facilitate housing, commercial, and industrial projects that contribute significantly to economic growth, job creation, and improved quality of life.

However, the success of such models depends heavily on the strength of the legal and institutional frameworks that govern them. Transparency in contract allocation, comprehensive feasibility studies, and effective risk management are essential for ensuring that projects are delivered efficiently and equitably. At the same time, challenges such as legal complexity, risk-

sharing, and long approval timelines must be addressed to maintain investor confidence and public accountability.

Looking ahead, the Algerian government and its development partners must continue to refine these frameworks, drawing from both local experiences and international best practices. By investing in capacity building, regulatory reforms, and inclusive planning, Algeria can further unlock the potential of economic real estate and concession-based development, positioning itself as a model for balanced and sustainable urban growth across the region.

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