

STRATEGIES FOR REAL ESTATE DEVELOPMENT IN THE PRODUCTION OF THE CITY. THE CASE OF THE “DEVELOPER” GAMA IN THE CITY OF CÓRDOBA, ARGENTINA

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ABSTRACT

The economic and political crisis of Argentina in 2001/02 was followed by a period of intensification of the construction industry and of the real estate market³ in the city of Córdoba as well as in many other urban centers. This process can be explained mainly by the macroeconomic changes that were involved in such crisis, and by the necessity of capital to reallocate the surplus towards new urban markets and spaces⁴, where its reproduction be enabled by the access to urban land rent.

In line with this process, there was an improvement of the conditions for the emergence and consolidation of those brokers in charge of such segment of the market. Thus, during the 2000s, there was an emergence⁵ and consolidation of large economic groups in Córdoba who called themselves urban *developers*, and who became dominant brokers in the process of reproduction of the city. In this context, business groups have implemented a set of practices aiming at higher profits as regards the process of production of the city. In this sense, the study of one of the largest urban developers in the city, GAMA Inc., is used to analyse a series of strategies/practices oriented to make higher profits as regards the productive process and the production and capitalization of urban land rents. We identify two main dimensions: strategies related to an economic-financial level, which make GAMA's average profit⁶, and strategies related to a territorial level, including

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³ We recognize different European authors in the trajectory of the analysis of the workings of real estate market. Authors such as Lefebvre (1969, 1972), Topalov (1979) and Castells (2004) have made important theoretical contributions to reflect upon the relation between capitalism and city. In England, Ball (1987, 1989 and 2003) analyzed the organization of the segment involved in housing construction as a way to understand the workings of real estate market. In Latin America, especially Scheingart (1979, 1983 and 2001) devised a real estate developer's typology according to their scale, staff, relationship with the State, origin of their capital and type of projects. Padilla (1989), and Lovera (1989), among others, have been central thinkers in the industry of construction.

⁴ As Harvey (2007) states, the spatial configuration would not be other thing that the expression of the dynamics of capital accumulation and of social reproduction. That is to say, the production of urban space is the medium in which production surplus is absorbed, capitalized and valued. Hence, it has a substantial importance for the enlarged reproduction of capital.

⁵ Some of the business groups that emerged from 2001/2 onwards are: GNI (2002); Grupo Edisur (2003); Grupo Proaco (2003); Elyon S.A. (2004); By Best Developers (2006); Grupo Eling S.A (2009).

⁶ The average rate of profit refers to the return calculation of their own capitals in an operation, and this is the result of the relation between the net expected profit (gross profit/income minus land, construction, and financial costs) divided the average annual immobilization of their own capitals (capital involved multiplied by the number of periods of time) (TOPALOV, 1979). This calculation is a normal operation in the capitalist mode of production carried out in every productive activity where there is value production, which enables the developer in this case to define or not the production according to the calculation of opportunity cost that the investment implies.

real estate development and the exploitation of urban land rent, which represent its extraordinary profit (TOPALOV, 1979).

Within this framework, we base our work in a case study which analyses the practices of GAMA Inc. The company was founded in 1986 by Jorge Oscar Petrone, and ever since it has been involved in the construction and selling (with its own financing) of condominium buildings, in the division of land into lots, and in other urban projects. Its production includes more than 35 projects and 17,000 commercial units. Nowadays, the company is simultaneously constructing three urban complexes (Terraforte 2, La Diva de Gama and Ciudad Gama) which represent 6,000 units in 21 towers, and it is commercializing more than 1,000 lots (Barrio Norte 1 and Barrio Norte 2).

From the methodological perspective and in view of the objectives of this research, we have used diverse and complementary strategies for the search and analysis of information: we carried out exhaustive interviews (with government officials, with the company's employees and directors), we attended company gatherings held by "developer" groups, and we analysed specific bibliography, documents, company websites and newspapers.

As we have analysed, within the strategies involving the economic-financial level, *forward vertical integration* (manufacturing key supplies and acquiring road equipment) became a fundamental strategy. It enabled the developer not only to achieve more independence and to improve time construction, thus capital turnover, but also to reduce costs of production. Moreover, GAMA presents a particular system of multiple commercialization, ranging from its own production of supplies –openings and wooden furniture–, real estates with their own financing, and the administration of buildings, tenant associations and garages in every project. In general terms, the company works with a financing mechanism that combines specially the funds that come from presales and from negotiable debt instruments. This system is put into practice in order to meet both the needs of production capital (financing construction) as well as of circulation capital (financing consumption), and it has its own rate of return. This enables the company to reduce the time of capital circulation and to generate a product by itself with its own rate of return (financing).

The second issue in our analysis was oriented to account for the diversity of territorial strategies related to real estate development and the exploitation of urban land rent, which represent the extraordinary profit for the company. In relation to the territorialization of the projects, GAMA has preferred to buy land lots within urban jurisdictions having public services and large dimensions, empty urban areas at intermediate locations where there is little real estate development, where the conditions for construction are unfavorable, but the initial cost is very low. In this context, the company implemented fundamentally two strategies in order to face the residual value of the land's price: extended negotiations with the land owner/s, and the acquisition of land beforehand. In order to counterbalance the unfavorable conditions of lots (adverse conditions for construction, areas with little real estate development) the firm was able to negotiate changes in urban legislation with the Municipality of Córdoba, which enabled the company to raise their levels or high building designs. Besides, it also put a series of practices in place aimed at the generation of surcharge or *class monopoly rent*; strategies that are oriented to create a sense of safety and to build a *distinctive lifestyle* through a set of equipment and services. This scenario leads to the construction of an imaginary of spatial desirability, which becomes a key issue to understand the differential values of urban land (BAER, 2011).

GAMA has become a relevant real estate developer among the network of brokers in the city of Córdoba, given its capacity to operate, adapt and innovate in relation to the changes in the market. The *developer* company leads a process of capital accumulation that turns it into a major broker in the field of business⁷ and housing construction of Córdoba.

⁷ For an analysis of the business field in Córdoba, see: Capdevielle (2014).

The supremacy of structural factors and the subject of globalization in the study of urban change gave perhaps an excessive attention to the definition and to the description of the “global city” at the expense of the analysis of the processes, agents and concrete practices (CATTANEO PINEDA, 2011). In other words, there is a relative deficit of empirical studies on the business groups that produce the city and the spatial consequences of these economic practices (RASPALL, 2014).

In order to compensate this lack of case studies, we focused on the strategies of GAMA Inc., which are oriented to the reproduction and accumulation of economic capital. At the same time, we hope to contribute to the Land Rent Theory by means of the analysis of concrete strategies implemented by this *developer*. In the current context, it is necessary to rethink the place and impact that real estate developers have in contemporary cities, since they become into key agents of urban transformations.

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