

# URBAN REAL ESTATE PRODUCTION IN CÓRDOBA, ARGENTINA: INTERNAL AND MACROSTRUCTURAL CONDITIONS ORGANIZING ITS DEVELOPMENT

*Sara M. Boccolini*<sup>1</sup>

Universidad Nacional de Córdoba

## 1. INTRODUCTION

Córdoba is the second-most populous -and the largest-city in Argentina. It is also the head of the second metropolitan region, the Metro Area of Córdoba (AMCBA). Nowadays, Córdoba appears to develop through three simultaneous processes: On the one hand, the renovation by densification of the central business district (CBD) and on the road network that provides access to it; on the other hand, the extension of urban land -with very low occupancy densities- over rural and industrial areas in the urban periphery and the AMCBA. Meanwhile, most neighborhoods in pericentral and intermediate areas decrease their population, while increasing their vacant dwellings. Despite this, and although housing production accelerates, the housing deficit keeps growing. It no longer affects low-income households only: An increasing percentage of middle-class households have difficulties accessing and keeping quality urban habitat.

Currently, this scenario is understood as disorderly and illogical, resulting in a dual, hybrid, and *com-fuse* city. The causes of these chaotic transformation processes are generally attributed to large real estate developers who -as predators- invade the city, and produce a disorder of such magnitude that cannot be prevented, stopped or slowed by the State.

On the contrary, this research assumes the hypothesis that urban territorialization is an uncoordinated -but coincident- action of different individual agents within the framework offered by the economic, legal, political, and social context; structured by clear premises that translate into diverse -but by no means contradictory- territorial processes. In this general framework, the specific objective of this article is the reconstruction of a dimension of such process: The production of habitat by real estate market in Córdoba.

## 2. METHODOLOGY

First, we present the neoliberal (productive, financial, and political) premises that promote real estate investments in cities. We focus in Córdoba, to quantify the importance real estate activities have developed in this particular city. Then we characterize the main groups of private or collective agents involved in the local real estate production.

Then, depending on the profitability of each investment, we compare the different production alternatives available in the market, pointing out the premises that define the most profitable products according to the specific conditions in Córdoba. We systematize qualitative and quantitative data, obtained in unstructured interviews with key actors (such as real estate agents, local developers), in field surveys about the available supply (in journals, specialized web portals, local real estate agents), official statistical data (mainly national censuses), and data produced by local and regional real estate agents. We complement this information with the review of indexed papers on the subject.

The results allow us to explain both the apparent contradictions detected initially and the impact of habitat production on Córdoba's urban development.

## 3. REAL ESTATE PRODUCTION IN THE NEOLIBERAL CONTEXT

---

<sup>1</sup> Facultad de Arquitectura, Urbanismo y Diseño de la Universidad Nacional de Córdoba; Instituto de Investigación de la Vivienda y el Hábitat (IINVIHAB-CEUR-CONICET). E-mail: saraboccolini@gmail.com

The political and productive structures of the region were consolidated following the neoliberal premises. In Córdoba, these policies have been held to the present; they dominate the economic, social, and territorial development, since the city is the *par excellence* stage of the neoliberal model: Private investors see in the urban real estate business a privileged instrument to monetize their capital, while local governments see this as an opportunity to attract foreign capital to their city.

In Córdoba, the importance of real estate activities is evident in the city's productive scheme: The scale of real estate activities highlights the city among the main urban centers of Argentina. Real estate is what conditions urban policies and investments; its strengthening is the main objective of the current public policies in Córdoba.

In this scenario, the State limits its regulatory role to facilitate capitalist practices, while real estate agents become organizers, promoters, and executors of urban development: an unbeatable situation to capture the surplus value generated in the city by the whole community. Added to this, in a structurally unstable financial and productive context -such as Argentina-, real estate investment has been shown to be a low-risk asset, with assured short-, medium-, and long-term profitability. This attracts multiple unspecialized local investors, from upper, middle, and lower-middle class.

As a result, the exchange value of real estate (particularly housing) is not always determined by the use value as urban habitat; the market is strongly restricted to products of maximum profitability for investors, and not by the actual habitat demand. This condition is essential to explain the wide distortions in the real estate market of Córdoba: The qualitative and quantitative differences of the supply against the actual demand, the evolution of real estate exchange values, and the housing and urban-land supply that remains outside the market.

#### **4. REAL ESTATE AGENTS OPERATING IN CÓRDOBA**

The agents that dominate the real estate market in Córdoba are, first, the individual landowners. This includes both owners of urban plots -with or without infrastructure-, as well as owners of non-urban plots -defined as rural or industrial areas, or natural reservations-. Also, no matter if they own vacant plots, plots located in urban renewal areas, or occupied with protected heritage buildings. These agents rarely participate in other instances of real estate production; they usually limit to speculate with the exchange value of their land, in order to place it on the market at the most advantageous situation.

Second, there are the real estate developers, i.e., large, medium or small business groups, dedicated to producing, managing, and financing real estate projects.

Third, there are the small and medium investors -local or regional agents-, with funds obtained in agriculture and industry, or independent professionals and executives. They capitalize their funds investing in real estate projects managed by the developers.

Finally, there are the investors who finance the construction of real estate that they will use as their own home. Paradoxically, these agents are the only ones that invest in real estate products to use them according to their *primordial* function, that is to say, as urban habitat.

This multiple agents, so diverse in both interests, and economic and political resources, nevertheless have uniform criteria that define their interventions in the territory.

#### **5. CRITERIA THAT DEFINE THE REAL ESTATE PROJECTS IN CÓRDOBA**

The main criterion of real estate capitalization is obviously to achieve the highest possible return in relation to the initial investment. It privileges, on the one hand, urbanization projects of peri-urban raw land (where changing the land use from rural to urban supposes a 3-fold increase in the land value), and, on the other hand, projects in which the plot's floor area ratio is greater (e.g., plots where land use regulation allows high buildings versus plots limited to low-density individual dwellings), in order to decrease the relation between the initial cost of the plot and the benefits.

In Córdoba -and in Argentina in general- this criterion also favors projects that involve brand new buildings: The exchange value of housing in Córdoba has increased 5 times between

## URBAN REAL ESTATE PRODUCTION IN CÓRDOBA, ARGENTINA: INTERNAL AND MACROSTRUCTURAL CONDITIONS ORGANIZING ITS DEVELOPMENT

2001 and 2015, while the construction cost has done so only 1.5 times. Therefore, it is much more profitable to build new projects than to refurbish existing buildings. This concentrates the investments in Córdoba in two main models: First, peri-urban housing developments; second, high-density brand new apartment buildings in the only area where this pattern is allowed, e.g., the CBD.

In a first analysis, the results show that the urbanizations mean greater profitability than the projects of high-density apartment buildings: between 5 to 10 times more, even an extraordinary 200 times more in the case of developing a *Convenio Urbanístico* (urban agreement with the City Council). But the urbanization of raw land implies very few improvements added to the land, reason why the differential rent is almost completely monopolized by the land-owner; this diminishes the benefits for the developer (unless in the few cases that both functions are carried out by the same agent). In addition, urbanization of raw land is comparatively more complicated than construction projects (in the former, administrative procedures multiply, management resources needed increase exponentially, etc.). Finally, the diversification of investors or the financial management of the project are more complicated, if compared to construction projects. Therefore, it can be said that for small-scale developers -and developers without great political resources- investing in high-density projects in the city business district is more profitable than raw land urbanization.

The next investment criterion is to obtain the largest possible increase in exchange value, if compared to similar real estate products in the market. This is achieved through both external and internal economies.

External economies (e.g. urbanization, agglomeration, and accessibility economies; economies of scale) also concentrate investments: On the one hand, apartment buildings in the CBD. On the other hand, peri-urban urbanizations in raw plots that have direct access to the regional road network; and also those located in the northwest city district, close to natural reservations and considered of better environmental quality.

Internal economies include the added benefits to real estate products, in order to increase their market competitiveness. These advantages may be of the functional or the spatial kind (e.g. to focus on typologies of higher demand, or to include better amenities), the material kind (e.g. better quality in materials and terminations), or the symbolic kind: Concepts such as exclusivity, security or status appear, as well as special services (e.g. private security, domotics); moreover, the enclave model for real estate products is promoted, both in apartment buildings and in housing estates.

On the other hand, in the case of apartment buildings, the units have the smallest possible area (which explains the high percentage of one-bedroom apartments -almost 25% of the available supply-), and in the case of urbanizations, the plots have the minimum area. As the value of each property is reduced, the number of small potential investors in a project increases, diversifying the potential investors for a real estate project; this also allows medium and large agents to diversify their investments in different projects, and/or in different city districts.

Finally, developers and investors prefer products already tested in the market, in order to guarantee their profitability, valuation, and liquidity. This allows greater financial and management control, and generates economies of scale by mass producing projects. This criterion seriously limits the production of novel or diversified products.

These results explain the situation of plots located in pericentral and intermediate areas. The exchange value of these plots is that of the land, plus the existing improvements (in this case, single-family homes), plus the valorization for its location, accessibility, environmental and urban quality, and existing infrastructure. But to place them in the real estate market, it must be added also the cost of renovation and adaptation of the buildings, both due to material and functional obsolescence of housing that is more than twenty years old. Those buildings cannot be replaced with a new project of greater area, since those districts' land use regulation restrict their occupation to single-family dwellings.

If the value of this kind of investment is compared with the exchange value of similar but brand new built housing in peri-urban areas, it shows an 18% loss in the exchange value in the case of lower-middle-class neighborhoods, and 45% loss in the case of middle- and upper-middle-income neighborhoods. This proves the lack of competitiveness of the built habitat in

pericentral and intermediate areas in the current real estate market, and explains their population decrease in recent years. Having a housing stock of good material quality, and located in areas without the congestion of the CBD or the poor infrastructure of the periphery, is not enough to counteract that situation.

## 6. CONCLUSIONS

The results show that premises based on optimizing the profits of real estate developments can fully explain the processes that characterize the recent development of the urban structure of Córdoba: Renewal by densification in the CBD, peri-urbanization, counter-urbanization in the AMCBA, and population shrinking of pericentral and intermediate areas of the city.

However, these results also show contradictions. In the first place, the agents that obtain the greater economic benefits in real estate production are those that define qualitatively and quantitatively the habitat supply for the whole community: The production of urban habitat does not follow livability criteria; final users' needs lose relevance, compared to those who invest to capitalize assets. Because of this, the gap between the actual habitat demand and the available habitat supply is increasing.

On the other hand, the investments generate little diverse products, and they concentrate in a few urban districts, until the market -or the district- saturates, time when they begin to focus on new urban areas. According to this, it is not possible to speak of processes of revitalization or urban improvement, but processes of capture of urban surplus value by real estate agents or land-owners, in spite of the whole community involved in the production of that surplus value.

The results show both the agents most benefited by urban habitat production, as well as the sectors that are left out of the game: Low density pericentral and intermediate areas, and middle- and low-income households.

The premises reconstructed in this work are an initial -but fundamental- contribution in the current dispute for the development of our cities. From these results, it becomes imperative to articulate them in future instances with a detailed analysis of other logics that contribute to these processes, such as urban planning and habitat production carried out by the State.

## 7. BIBLIOGRAPHY

- ABRAMO, P. (2012). *Eure*. "La ciudad com-fusa: mercado y producción de la estructura urbana en las grandes metrópolis latinoamericanas". Vol. XXXVIII, n°114, pp.35-69.
- BOCCOLINI, S. (2014). *Café de las ciudades*. "Micro-densificación en barrios pericentrales. Una solución emergente a la tensión del sistema urbano". Vol. CXLII, n° CXLIII [on-line].
- \_\_\_\_\_. (2016). *Quid 16*. "El evento urbano. La ciudad como un sistema complejo lejos del equilibrio". N° 16, pp.186-218.
- \_\_\_\_\_. (2017). *Urbe*. "Regulação urbana em Córdoba. ¿para una ciudad sustentable e inclusiva?". [En prensa]
- BORSODORF, A. (2003). *Eure*. "Cómo modelar el desarrollo y la dinámica de la ciudad latinoamericana". Vol. XXIX, n° 86, pp.37-49.
- CAPDEVIELLE, J. (2014a). *Cuadernos Geográficos*. "Espacio urbano y desigualdades: las políticas públicas y privadas en la ciudad de Córdoba, Argentina (1990- 2011)". Vol. 53, n°2, pp.135-158.
- \_\_\_\_\_. (2014b). *Terra Nueva Etapa*. "Los grupos «desarrollistas» y su incidencia en el espacio urbano de la ciudad de Córdoba, Argentina (1990- 2013)". Vol. XXX, n°47, pp.129-152.
- CISTERNA, C., y CAPDEVIELLE, J. (2015). *Papeles de Geografía*. "Estrategias de promoción inmobiliaria en la producción de la ciudad. El caso del desarrollista GAMA en la ciudad de Córdoba, Argentina". Vol. LXI, pp. 137-153.
- COHEN, A., GIUNTA, J., y GÓMEZ, C. (2007). *Plan director Córdoba 2020 - Informe preliminar 1*. Facultad de Arquitectura, Urbanismo y Diseño Industrial, Córdoba.
- DE MATTOS, C. (2006). *América Latina: Cidade, campo e turismo*. "Modernización capitalista y transformación metropolitana en América Latina: cinco tendencias constitutivas". En De Mattos (Ed.), Consejo Latinoamericano de Ciencias Sociales, São

URBAN REAL ESTATE PRODUCTION IN CÓRDOBA, ARGENTINA: INTERNAL AND  
MACROSTRUCTURAL CONDITIONS ORGANIZING ITS DEVELOPMENT

- Paulo, pp.41-73.
- DÍAZ, O., SECRETARÍA DE DESARROLLO URBANO, DIRECCIÓN DE PLANEAMIENTO, DIRECCIÓN DE HÁBITAT, Y DIRECCIÓN DE OBRAS PRIVADAS Y USO DEL SUELO. (2010). *Plan director Córdoba 2020 - Programa de densificación urbana (documento preliminar)*. Municipalidad de Córdoba, Córdoba.
- DÍAZ TERRENO, F. (2011). *RiURB - Revista Iberoamericana de Urbanismo* “Los territorios periurbanos de Córdoba. Entre lo genérico y lo específico”. Nº 5, pp.65-84.
- ELORZA, A. L. (2014). *Segregación residencial en la ciudad de Córdoba. Dinámica y efectos en la calidad de vida de la población pobre segregada*. (Tesis de doctorado). Universidad Nacional de Córdoba, Córdoba.
- FACULTAD DE ARQUITECTURA, URBANISMO Y DISEÑO, Y SECRETARÍA DE DESARROLLO URBANO. (2008). *Bases para el Plan Director Córdoba 2020. Lineamientos y estrategia general para el reordenamiento del territorio*. Municipalidad de Córdoba, Córdoba.
- FOGLIA, M. E. (2001). *Anales Linta*. “Una política urbanística para el desarrollo del área central de Córdoba”. Vol. II, nº5, pp.31-37.
- GIOMBELLINA, B. (2015). *Agricultura urbana, periurbana y agroecología en Córdoba y su área metropolitana*. Ediciones INTA, Córdoba.
- GIOMBELLINA, B., y QUINTEROS, M. (Eds.). (2015). *Perspectivas de la agricultura urbana y periurbana en Córdoba*. Ediciones INTA, Córdoba.
- HARVEY, D. (1977). *Urbanismo y desigualdad social*. Siglo XXI, México.
- \_\_\_\_\_. (1989). *Geografiska Annaler*. “From managerialism to entrepreneurialism: The transformation in urban governance in late capitalism”. Vol. LXXI, nº1, pp.3-17.
- \_\_\_\_\_. (2007). *Breve historia del neoliberalismo*. Ediciones AKAL, Madrid.
- INDEC (2012). *Censo Nacional de Población, Hogares y Viviendas 2010 Censo del Bicentenario Resultados definitivos, Serie B No 2*. INDEC, Buenos Aires.
- IPLAM ciudad. (2015a). *Área central y microcentralidades*. IPLAM ciudad, Córdoba.
- \_\_\_\_\_. (2015b). *Interfases Urbanas*. IPLAM ciudad, Córdoba.
- \_\_\_\_\_. (2015c). *Líneas estratégicas para el desarrollo de Córdoba*. IPLAM ciudad, Córdoba.
- JANOSCHKA, M. (2002). *Eure*. “El nuevo modelo de la ciudad latinoamericana: fragmentación y privatización”. Vol. XXVIII, nº85, pp.11-29.
- LUCCA, C., COMETTO, A., COMES BRUNETTO, M. C., ECHECOLANEA, J., CAPDEVILA, M. G., y FERNÁNDEZ, M. F. (2014). *Informe Córdoba ciudad, Argentina 2014*. Editorial de la UNC, Córdoba.
- MARENGO, C. (Ed.). (2006). *La periferia de Córdoba: cuestiones sobre hábitat urbano*. Departamento de publicaciones de la FAUD-UNC, Córdoba.
- PERALTA, C., y LIBORIO, M. (2014). *Revista Vivienda y Ciudad*. “Redistribución poblacional en la ciudad de Córdoba entre los períodos intercensales 1991-2001 / 2001-2008. Evaluación de los procesos de dispersión, densificación, gentrificación y renovación”. Nº1, pp.99-113.
- REESE, E. (2006). *Medio Ambiente y Urbanización*. “La situación actual de la gestión urbana y la agenda de las ciudades en la Argentina”. Vol. VI, pp.3-21.
- \_\_\_\_\_. (2014). *Hábitat, acceso al suelo y financiamiento: experiencias alternativas de producción socio-habitacional* “Construcción del territorio, mercado y política. La experiencia de la ley de hábitat popular en la Provincia de Buenos Aires” En Gargantini (Ed.) Asociación Vivienda Económica- AVE, Córdoba pp. 13-17.
- SASSEN, S. (2015). *Expulsiones. Brutalidad y complejidad en la economía global*. Katz Editores, Madrid.
- SVAMPA, M. (2001). *Los que ganaron: la vida en los countries y barrios privados*. Editorial Biblos, Buenos Aires.
- TECCO, C. (2006). *Desarrollo Local. Una revisión crítica del debate*. “La gestión del desarrollo local y la administración de bienes públicos. Modelos y prácticas en la organización de la gestión municipal”. En Rofman, y Villar (Ed.) Espacio Editorial, Buenos Aires, pp. 215-230.