The participation of capital and the real estate market in the production of space: the reflexes of this process in the city of Vitória da Conquista-BA

A participação do capital e do mercado imobiliário na produção do espaço: os reflexos desse processo na cidade de Vitória da Conquista-BA

La participación del capital y el mercado inmobiliario en la producción del espacio: los reflejos de este proceso en la ciudad de Vitória da Conquista-BA

Altemar Amaral Rocha ¹ http://orcid.org/0000-0002-6278-052X

¹ PhD in Geography, Full Professor, Department of Geography-UESB- Brazil, altemarrocha@gmail.com

Abstract

This paper analyzes the participation of real estate capital in the production of urban space, seeking to demonstrate the reflexes of this process in the city of Vitória da Conquista-Bahia, considering the issue of housing and housing in the city, especially the spatialization of inequalities between neighborhoods of the city derived from the concentration of income and urban land. It brings a reflection about the concept of space in Geography, starting from a review about the concept of space production. It analyzes the inversion of the value of use of housing, to the detriment of real estate speculation. It analyzes the consolidation of the real estate market and the housing issue of the city, taking into consideration the implications of these constraints on production in the production of urban space.

Keywords: Dwelling house. Real estate market. Space production.

Resumo

Este artigo analisa a participação do capital imobiliário na produção do espaço urbano, buscando demonstrar os reflexos desse processo na cidade de Vitória da Conquista-Bahia, tendo em vista a questão da habitação e da moradia na cidade, especialmente a espacialização das desigualdades existentes entre os bairros, derivadas da concentração da renda e da terra urbana. Traz uma reflexão acerca do conceito de espaço na Geografia, partindo de uma revisão sobre o conceito de produção do espaço. Analisa valorização do espaço e a inversão do valor de uso da moradia, em detrimento da especulação imobiliária. Analisa a consolidação do mercado imobiliário e a questão habitacional da cidade, levando em consideração as implicações desses condicionantes na produção na produção do espaço urbano.

Resumen

Este artículo analiza la participación del capital inmobiliario en la producción de espacio urbano, buscando demostrar los reflejos de este proceso en la ciudad de Vitória da Conquista-Bahía, considerando el tema de la vivienda y la vivienda en la ciudad, especialmente la espacialización de las desigualdades entre barrios de la ciudad derivados de la concentración de ingresos y terrenos urbanos. Trae una reflexión sobre el concepto de espacio en Geografía, a partir de una revisión sobre el concepto de producción espacial. Analiza la inversión del valor del uso de la vivienda, en detrimento de la especulación inmobiliaria. Analiza la consolidación del mercado inmobiliario y el tema de la vivienda de la ciudad, teniendo en cuenta las implicaciones de estas limitaciones en la producción en la producción de espacio urbano.

Palabras clave: Vivienda. Mercado inmobiliario. Producción espacial.

Introduction

The housing is a basic need of the individual in guaranteeing its existence, but under capitalism this need is transformed into an economic good, having its use value supplanted by commercial value (HARVEY, 2015), in this context the author states that the exchange of housing is determined by the basic costs of building the house, but the builder adds other values such as the price of the land and its variation throughout the process, the financing interest, the duration of the construction, the profit margin, and the expected time for the sale or resale of the home. Thus, Harvey states that the objective of the producer is to obtain exchange value and not use value, which causes the difficulty of obtaining housing for the economically disadvantaged classes, generating a housing crisis. Rodrigues (2013) argues that the housing crisis is present whenever buyers' ability to pay is considered. This is because what happens is not the lack of this commodity, but the abusive value far beyond what the large portion of the population can afford. This research takes into consideration the way in which the individual has access to land in the city as a housing condition, and the principles that guide the spatial production of the urban area in Vitória da Conquista-Bahia.

The urban space of a city must be analyzed from the perspective of the processes that engendered and that generated the urban space of such a city, because the city is a product of human action and as such, it is not static, it assumes over the course of historical time different forms and functions.
The growth of cities is linked to several factors, especially the economic factor. However, the degree of economic performance of a city usually does not translate into the quality of life of the population. On the contrary, economic growth often represents the impoverishment of the working classes.

The capitalist mode of production turning land into commodity has brought a series of problems for cities, the most severe being access to housing. In this logic, the Government emerges as a reinforcing agent of this reality, causing the largest investments in collective urban equipment and services to be directed to privileged areas, not taking into account the needs of the population as a whole.

The real estate market and its role in the production of urban space

Recently, we have seen the emergence of a global property market based on the commercialization of real estate where land is treated as a simple financial asset that according to Harvey (2013, p. 508), can be “bought and sold according to the income it produces”. For Harvey (2013) If land is freely traded, then it becomes a commodity of a very special kind. As land is not a product of labor, it cannot have a specific value, in this sense, the author states: “What is negotiated is a right over future revenues, which means a right over future profits from land use or, more directly, a right to future work”.

The reflection on “production of space has theoretical demands brought by the very movement of reproduction of reality, with multiple configurations; the city is structured under the design of the production and reproduction of space as a commodity” (CARLOS; VOLOCHKO; ALVAREZ, 2015, p. 12). If it is a commodity, it can be bought and sold at any time by anyone, because, as Barbosa states, (2018, p. 101) “The city market requires differentiated attractiveness for its realization as a business”.

Citing Marx, Harvey (2013, p. 508) states: Acquisition of land "simply gives the buyer a right to receive an annual rent.” For the author,

Any income stream (such as an annual income) can be considered as interest on some fictitious, imaginary capital. For the buyer, income appears in his accounting as interest on money invested in land acquisition, and in principle is no different from similar investments in government debt, corporate stocks and shares, consumer debt, and so on. The money invested is in all cases interest-earning capital. Land becomes a form of fictitious capital and the real estate market functions simply as a private branch (HARVEY, 2013, p. 508).
In this sense, the real estate market has a particular branch that is the commercialization of land and in particular, urban land. This recent expansion in the commercialization of urban land by the real estate market has turned urbanization into a process of commercialization of urban space and accelerated the accumulation of private capital derived from this segment, including through direct trading on stock exchanges and real estate business holding funds.

This process allowed the emergence of numerous urban centers and centralities with dynamics of land sale and resale by the real estate market, as stated by Sanfelici (2016, p. 17). “Real estate businesses are based on the private capture of rent increments that originate from in the uninterrupted process of reconfiguration of urban 'centralities', further enhancing the dynamics of capital and as a consequence the expansion of capitalism, both in the real estate sector and in land-based income extraction and on the basis of any other consumer product or good. Harvey (2013, p. 14) further adds in this context “fixed capital (particularly that embodied in built environments), finance, credit, income, space relations and state spending”, for Harvey, all this has to be brought together in spatial analysis in order to better understand urban processes and real estate participation in the uneven development of cities.

However, it is necessary to consider that the specificities of the real estate sector provide the increase of a significant portion of small housing producers in the real estate market, acting both in the real estate development process and in the real estate segment.

The capitalist mode of production, turning land into commodity, has brought a series of problems for cities, the most severe being access to housing, mainly due to the high value of land and the low wages paid to the population. Engels (1873) points out that the housing crisis is directly linked to the capitalist productive structure implanted in nineteenth century Europe, this structure pushed and still pushes a large mass of workers to live in low standard houses or, most of the time, to live without home. Thus, "homelessness is no accident, it is a necessary institution and, together with its health repercussions, etc., can only be eliminated when the whole social order that results from it is revolutionized from the ground up." (Engels, 1873, p. 25).

This perception of homelessness, developed by Engels, reflects directly on the spatial context of the city and on the way space is produced, that is, each transformation that occurred during the urbanization process will imply the production of
The participation of capital and the real estate market in the production of space: the reflexes of this process in the city of Vitória da Conquista-BA

ROCHA, A. A.

"differentiated spaces, with miscellaneous content”. In this sense, “geographical space is a product of concrete relationships that man creates in and through society” (CARLOS, 1994, p. 35).

Therefore, in an attempt to analyze the urban space of a particular city, in this case that of Vitória da Conquista, it is necessary to understand the movement of production and reproduction of society itself, because as Carlos (1994, p. 33) puts it, “in to the extent that society produces and reproduces its existence in a certain way, this mode will impress specific historical features”. This specificity is understood by Lefebvre (2013) as singularity.

For Lefebvre, each place is unique because it has a form and a physical reality that distinguishes it from the others, but it is also universal in that it relates through the productive forces and the relations of production with the logic that triggers the process of change space production.

In this context, it can be said that the urban space is the product of social relations, and of the forms of these relations. Most often these relations are conflicting, and urban space demonstrates in its forms all this conflict of classes and interests that exists through spatial differentiation, such differentiated spaces in a city demonstrate the inequality with which the appropriation of space occurs in the present society, based on the molds of capitalism.

It is sufficient to look at any city to see that there is a great differentiation between housing characteristics of neighborhoods, size of building plots, “conservation”, finishing of houses, paved streets or not - spatial segregation. At the same time, there are spaces in the city with infrastructure and others without. [...] This means that diversity refers not only to the size and characteristics of houses and land, but to the city itself (RODRIGUES, 1988, p. 11).

The manner in which the individual will have access to land in the city as a housing condition will depend on the manner in which society is hierarchized into social classes and conflict between portions of the population. As points out, by Carlos (1997 p. 54), when he states that “[...] the type, location, size and form of housing will depend on and express the way each individual fits into the general material production process of society”.

Bringing this reflection to the urban issue of the city of Vitória da Conquista-BA, it can be said that in recent years the real estate market has acted strongly in the
production of the urban space of the city and in this process the socio-spatial inequalities are accentuated at a faster pace increasingly accelerated and hierarchical.

**Valorization and financialization of housing as forms of urban space production**

The logic of capitalist valorization of space can be explained by the advance of the “financialization of the city” (VOLOCHKO, 2007), the subversion of the role of housing that has use value and, in this process, becomes currency with exchange value. In a city where there is intense spatial appreciation, the population will suffer even more from the difficulty of gaining access to decent housing, especially in the case of Brazil where a large portion of the population receives low and insufficient wages to meet all human needs, such as education quality, health, food, clothing, etc. and especially access to housing.

In a class society the possibility of access to urban land will always be unequal and contradictory. In this process, the poorer population, because they do not have enough income to acquire housing in a place with a good urban structure, is forced to live in distant and precarious neighborhoods. Besides that, housing conditions, that is, the characteristics of the houses vary greatly according to the economic reality of the population.

In Vitória da Conquista-BA, it is noticed that the individual as a subject of social action is increasingly displaced from access to housing, since the price of land in the city is high and concentrated in the hands of the few, as Harvey states (2015, p. 175) Urban land and the housing market are fertile places for a prosperous rentier class to accumulate even more wealth and power. It is observed that the more valued the more elite urban land becomes the place is the case of Bairro Candeias where the price of the square meter is one of the most expensive in the city and is also the neighborhood where there is a higher concentration of income see (map 1).

It can be seen from the data in map 1 that there is a close relationship between purchasing power and housing pattern and appreciation of real estate and land, it is clear that there is a higher income concentration in the Recreio and Candeias neighborhoods and this concentration coincides with increase in the venal value of real estate.


Based on (map 1), another issue that can be analyzed is the expansion of verticalization in the city of Vitória da Conquista. It is noticed that it concentrates specifically in the Recreio and Candeias neighborhoods with a recent expansion to the Boa Vista neighborhood. According to data from IBGE (2010), the city at that time had about 5000 verticalized apartment units today according to the field research survey (2019). The data indicate that there are already more than 10,000 verticalized apartment units with one or more floors. This recent verticalization was concentrated mainly around Olivia Flores Avenue and Luís Eduardo Magalhães Avenue, as can be seen in
map 2, the larger number of properties financed by some maintenance agency of the national housing policies is in this area.

It can be seen from the data in map 1 that there is a close relationship between purchasing power and housing pattern and appreciation of real estate and land, it is clear that there is a higher income concentration in the Recreio and Candeias neighborhoods and this concentration coincides with increase in the venal value of real estate.

Based on (map 1), another issue that can be analyzed is the expansion of verticalization in the city of Vitória da Conquista. It is noticed that it concentrates specifically in the Recreio and Candeias neighborhoods with a recent expansion to the Boa Vista neighborhood. According to data from IBGE (2010), the city at that time had about 5000 verticalized apartment units today according to the field research survey (2019) with one or more floors. This recent verticalization was concentrated mainly around Olivia Flores Avenue and Luís Eduardo Magalhães Avenue, as can be seen in map 2, the larger number of properties financed by some maintenance agency for national housing policies are in this area.

Map 2 - Spatialization of real estate products by source of financing - Vitória da Conquista-BA-2019

Another consideration that needs to be made is that Recreio and Candeias neighborhoods are historically occupied by an upper and upper middle class, Rocha (2013) and Ferraz (2001), point out that these neighborhoods originated in the 1970s to
meet a demand. Vitória da Conquista lived between 1960 and 1970. That is, such neighborhoods were gradually being converted into noble areas of the city by the destination of residents of traditional families of the city who migrated from the center to the neighborhoods Rcreio and Candeias.

The appreciation was gradually consolidated by the densification of the buildings, the larger size of the lots available for sale, the size of the built buildings, the impact of the neighborhood, all of which provided a way to maintain the degree of elitization of these areas, even with housing policies popular settlement in its surroundings, such as Urbis I, the BNH complex, the Inocoop complex, among others, such housing estates have been massively converted and incorporated into the prevailing pattern in middle- to upper-class neighborhoods.

On the other hand, it is verified that there is a process of valorization associated with the urban density, that is, as the new developments are being incorporated, these spaces undergo a process of acceleration of the venal value of the m² of vacant land to new areas constructions. This appreciation trend is noticeable around avenue Olivia Flores With the construction of Shopping Boulevard and the opening of Avenue Perimetral José Pedral Sampaio. (maps 1 and 2).

It is necessary to consider that the valorization trajectory has originated since the 1980s and extends to the 2000s, with the creation of new subdivisions, with the launch of large urban enterprises, associated with the implantation of public facilities, such as public universities and private, great avenues; Shopping malls; bank branches and other specialized services.

Graph 1 - Percentage of the participation of lotors in the real estate market by number of lots in closed lots - legal area of Vitória da Conquista-BA, 2019.
Thus it can be said that the appreciation curve of the m² in these neighborhoods persists for more than 30 years and has been consolidating strongly in the last five years with the arrival of several developers and contractors in the city. These developers build both in the opening of lots and in the construction of housing for housing. In (graph 1), we have a distribution of the percentage of units in condominiums closed by these developers.

It is noticed that it is at this moment that financial capital, in partnership with real estate capital inserts once and for all into the urban space of Vitória da Conquista, with the arrival of mixed capital companies such as Terras alphaville and MRV that have a massive participation international capital through direct stock trading on the Stock Exchange and real estate fund trading. However, there is a striking difference between the two companies, MRV, in addition to acting as a landlord with the creation of Land Bank, is also a developer and builder. Alphaville, on the other hand, acts only as a subdivision with more than 60 residential and commercial subdivisions throughout the country. (VERBAL INFORMATION)².

Alphaville urbanismo invested 74 (seventy-four) million reais for the land purchase, infrastructure implementation and mobility of the luxury allotments in Vitória da Conquista, for a long-term gain of 150 million reais, but in the national conjuncture the company In the last two years it has been suffering a loss of about 50% of its net worth, according to the company's own data are more than R $ 937 million in loss in 2017 and 2018 consecutively (VERBAL INFORMATION)³.

MRV Engenharia, on the other hand, invested a lot less in Vitória da Conquista, in total it was invested just over 2 (two million reais) with gains above the market average for the company. According to data from Mrv (2019), the company operates today in more than 160 Brazilian cities, “this makes the company have a potential addressable market of over 300,000 homes per year” (verbal information)⁴. This is a very big cake and MRV wants to have a share, says Menin (2019) "this is our project, to have a share of approximately 20% of this market" (VERBAL INFORMATION)⁵.

---

² Extracted from Alphavilleurbanismo S.A. November 13, 2019, available at: https://www.alphavilleurbanismo.com.br/linha-de-produtos
³ Annual balance sheet of Alphaville urbanismo S.A, with financial statements at December 31, 2018 and 2017
⁴ Transcript of conference between MRV directors on November 13, 2019, available at https://ri.mrv.com.br/ListResultados/Central-de-Resultados?r0Kr7/51+2K3bi4bQ263g==acesso December 15, 2019.
⁵ Transcript of conference between MRV directors on November 13, 2019, available at https://ri.mrv.com.br/ListResultados/Central-de-Resultados?r0Kr7/51+2K3bi4bQ263g==acesso December 15, 2019.
From the speech of the owner of the company, it is clear that there is no interest in solving the housing problem for the poor population. In the entrepreneur's view, his business is profit, even if the quality of the houses is not a priority. For MRV, investments and financing lines vary from the Brazilian Savings and Loan System (SBPE) that comes from savings income; My House My Life Program (MCMV), direct from Caixa, through the IPCA system or the SBPE / TR system. In addition, the company recently created a system called Land Bank, that is, Land Bank for direct purchase and sale, both by the company and by other groups interested in building, such as luggo, a real estate fund company, startup of MRV, which has partnered with the company to build and rent properties in several cities in the South and Southeast of the country.

These negotiations are beginning to be part of the city's construction scenario, which until recently was run by local and/or regional companies such as Prates Bomfim, Ciclo Engenharia, E2 Engenharia, Pel Construtora, Gráfico Empreendimentos, among others. Based on the data from (chart 1) it can be seen that the percentage is very homogeneous among the companies that control the real estate market of Vitória da Conquista, together the six largest company’s control 82% of the market.

Today the participation of these companies is very representative of the number of units produced, out of a total of 10,000 (ten thousand) units produced in closed condominiums and vertical residential complexes in the last eight years, Kubo
Engineering and Graphic Enterprises were the most built in followed by Pel Construtora, MRV, VCA, and E2engineering.

If throughout the twentieth century, most houses of Vitória da Conquista were built in the form of self-construction; now with the funding of the Minha Casa Minha Vida program and other housing financing, the buildings were mostly built by the developers and construction companies that control all the new real estate developments in the city and with the gains made in this process, refinance the new buildings and / or land acquisitions to keep the accumulation cycle constantly expanding.

Around this consolidated area of the Candeias neighborhood there was and still a relatively large stock of land, either due to the breakdowns and relocations that occur in the neighborhood itself or by large areas occupied by pastures around the Verruga River between the Boa Vista and Candeias neighborhoods (ROCHA, 2018), the fact is that in these areas there has been a growing implementation of closed horizontal condominiums, coupled with a growing deployment of enclosed lots and a rapid verticalization with medium and high standard buildings, especially around and around Luis Eduardo Magalhães Avenue from Olivia Flores Avenue. The data from (graph 2) illustrate the participation of some companies in the process of creating closed allotment in the city.

In recent years, especially between 2010 and 2019, the participation of state-subsidized and state-funded real estate capital has absorbed a large part of the values intended for housing construction. Another significant portion of these investments comes from profits from private real estate developments associated with other sources of financing, ranging from profits from shares traded in the financial market or from profits from the productive sector, as well as investments from the sale of rural properties, with the sale of commodities; investments associated with real estate funds or fixed income funds.

Ultimately, these investments control almost all housing production in the city, pushing poor people increasingly into under-housing areas, reducing the chances of housing access for a significant portion of the population. In this process It can be seen that there was an inversion in the housing construction patterns, if before the worker bought a land and started his house in the self-construction system, now the land purchase has become increasingly difficult, as that the values practiced in the market are destined to an
income range above three minimum wages and this percentage of income is very low among the 338,480 inhabitants of Vitória da Conquista (IBGE, 2019).

**Final considerations**

Here we can point out some considerations about the relationship between the production of real estate sponsored by the financial system and produced by mixed capital and multinational capital companies with the issue of space production, the valorization of the city's urban growth and expansion axes. Vitoria da Conquista is the case of the land of the Alphaville venture that according to company data, were invested more than 70 million reais for the purchase of land, implementation of infrastructure and setting the standard of urbanization, required by the company and investors. One of the main investments made by the company was the construction of an access road between Terras Alphaville condominium and Olivia Flores Avenue; this was also one of the pillars of sales marketing of the more than one thousand lots offered for sale by the company.

Another area that also underwent a recent strategy of appreciation for real estate capital was the extensive swathes of land between Olivia Flores Avenue and the Verruga River, in the Candeias and Boa Vista neighborhoods.

In these lands, the landowners, associated with local companies, with regional companies and, with the public power to guarantee on the one hand, the urbanistic infrastructure of the place and on the other, to increase the venal value of their lands with the implantation of equipment such as the Boulevard shopping mall, large malls and gated communities. Thus, “space is no longer understood only as a raw material and means of production, but as a product that has value and that values itself according to properly urban-spatial and financial dynamics” (CARLOS; VOLOCHKO; ALVAREZ, 2016, p. 11).

This is a major movement that involves real estate marketing strategies, allied to the company's sales portfolio with financing strategies that attract a consumer class that fits the selling profile in the banks' financing ranges, specifically the Income ranges defined by the MCMV Program and subsidized by the Federal Government through Caixa Econômica Federal.
These real estate development strategies promote, on the one hand, a rapid urbanization process in areas that until recently functioned as cattle pasture, but at the same time increasingly fragment the urban space by adopting fencing and walling practices in gated communities the flagship of new real estate developments developed by companies that are directly linked to finance capital and international capital.

Urban fragmentation is increasing around Perimetral Avenue, around Gilenilda Alves Avenue and around Luis Eduardo Magalhães Avenue. If previously the Verruga River was a natural source of fragmentation of the urban space of Vitória da Conquista now beyond the Verruga River, the more than 40 (forty) new Closed Condominiums already installed in the city further fragment the neighborhoods and subdivisions of this region, making it difficult to access to the main public facilities around Olivia Flores Avenue. In this context, the expansion of closed condominiums and subdivisions engenders an “even greater fragmentation of space and institutes new mechanisms for both the dispossession and the poor integration of the urban poor”. (VOLOCHKO, 2015, p. 11).

On the other hand, the municipal government guarantees the implementation of access roads such as Perimetral Avenue and Luis Eduardo Magalhães Avenue, followed by the embellishment of Olivia Flores Avenue and its surroundings. On the other hand, the real estate sector further fragments this space with the implementation of several high standard closed condominiums, thus constituting a rapid transformation of a large newly closed and closed area, prorated between developers / developers seeking development large real estate projects, mostly funded by current housing policies, increasing the city's socio-spatial inequalities, as access to these newly deployed goods and services is restricted to a small portion of the society that can afford these new “products” also called new “housing standard concepts” sold by the real estate market. For as Botelho (2007) states, with a lot of money in their hands, the richest class can: occupy, shape, fragment space in the way that suits them best. In this sense, maximizing exchange values produces disproportionate benefits for some groups and diminishes opportunities for others.

References

The participation of capital and the real estate market in the production of space: the reflexes of this process in the city of Vitória da Conquista-BA

ROCHA, A. A.


BOTELHO, A. The city as business: space production and capital accumulation in the city of São Paulo, Cadernos Metropoles, nº 18, São Paulo, Pucsp, 2007


MRV, earnings release, transcript call Conference, November 13, 2019. Belo Horizonte, MRV, 2019. Available at: https://ri.mrv.com.br/Results / Results Center? = r0Kr7 / 51 + 2K3bi4bQ2t63g = =, access at: November 29, 2019.


The participation of capital and the real estate market in the production of space: the reflexes of this process in the city of Vitória da Conquista-BA

ROCHA, A. A.


