

# **Behavior of land markets and restrictions on housing access in Buenos Aires between 2003 and 2013**

## **Abstract**

The period between the years 2003 and 2013 was characterized by a sustained economic growth with social inclusion and a great expansion of social concern regarding private housing supplies in the cities of Argentina. However, this growth was not accompanied by an improvement in the overall access to land and housing. On the contrary, the habitation problems in terms of access to formal, environmentally safe and well located land with decent facilities have worsened. The City of Buenos Aires (CBA) is one of the places where this paradox is most manifested. In this article the conceptual and empirical bases are developed in order to understand this contradiction. The functioning of the land markets and the real estate development in the RMBA will be analyzed in the period 2003-2013 in relation to the macroeconomic context, the monetary effort for the acquisition and rent of a formal dwelling and certain logics of urban development.

**Key words:** land markets, real estate development, access to housing, Buenos Aires

## **Introduction**

The economic growth in Argentina after the 2001/02 crisis was accompanied by an improvement in numerous socioeconomic indicators, such as employment, poverty and income distribution (Baer and Wydler, 2011). However, as it happened in other Latin American countries, this context which bolstered economic expansion with social inclusion was not accompanied by better conditions related to the access to land, housing and the city. On the contrary, the proliferation of slums, squatting, the increase of informal rental, forced evictions, the displacement of the low income sector and the pressure land rent put on people's income have not only shown the rising difficulties to access decent housing but they have also uncovered the need to ensure integral land policies to regulate urban land markets and rental housing, redistribute land rent, promote the social right to housing and encourage the access to basic facilities.

These housing difficulties as well as the lack of urban policies concerning territorial inclusion are mostly manifested in the Metropolitan Region of Buenos Aires (RMBA). In the City of Buenos Aires (CBA), the central district of the metropolitan agglomeration, the unprecedented restrictions to formal housing arose simultaneously with the greatest expansion in the supply of residential housing in decades (Baer, 2012). In the different districts of Greater Buenos

Aires (GBA), the rest of the agglomeration that extends along concentric corridors and belts around the CBA, the real estate development boosted housing supply. At the same time, the housing solutions, which have been carried out by the state since 2003, surpassed the ones accumulated in the three preceding decades. That is to say that both, the production of social and private housing have been relatively high in RMBA. However, housing problems in terms of access to formal, environmentally safe and well located land with decent facilities have worsened.

This indicates a paradoxical situation in which the economic growth with social inclusion and increasing private and social housing supply occurred simultaneously with the rising restrictions to housing and the formal city. This is partly because of the persistence of certain policies and urban development logics, an unregulated functioning of real estate markets, the absence of an effective urban land use policy, the dynamics of some macroeconomic factors and the destination of savings and excess of profits from the most vibrant economic activities.

This article offers the conceptual and empirical basis to understand these processes. It also shares some reflections on certain planning and land policies that should be implemented in order to guarantee the right to the city. The land market functioning and real estate development of Buenos Aires between the years 2003-2013 will be

analyzed in relation to the macroeconomic context, the monetary efforts which are necessary to buy and rent formal housing and the current and dominant logics applied to urban development. To conclude with, the most significant aspects of the functioning of land markets and the possibilities for residential access will be taken into consideration to reflect upon the necessary urban policies to conduct the metropolitan development of Buenos Aires towards a more equal, efficient and sustainable city model.

### **Land price dynamics in the metropolitan area of Buenos Aires.**

The territorial distribution of differentiated urban land prices depends on various factors. The proximity to the ‘centralities’, the accessibility by public transport or roads, the environmental quality, the urban facilities and infrastructure, the availability of ‘public green’, the air pollution, the building conditions and the socioeconomic level are some of the urban-spatial and socio-territorial attributes that influence the residential and corporate location decisions (Jaramillo, 2009). The access to favorable locations fundamentally depends on the willingness to pay for urban land (buying or renting). Thus various types of land rents are formed, structuring the different prices of urban land (Baer, 2012).

For different reasons the analysis of the evolution and territorial distribution of land prices is important. Two of them are of special

interest in this article. The first one is the strong relation between land price and land supply dynamics and the allocation of land uses; land markets have a determining influence on urban structuring and the general functioning of a city. The second reason is more directly linked to the concern of this article: the conditions imposed by spatial structures of land prices and the temporal dynamics in accessing housing in the different ‘urban worlds’ that coexist in Argentina’s biggest city (Baer, 2011). Land markets exert a notable influence over the different socioeconomic strata to access housing on urban land of varying quality, from locations with the best services, facilities and green spaces, to those that lack minimum urban-environmental standards. Moreover, the dynamics and spatial distribution of land prices also determine the acquisition of urban land as a part of a housing policy.

One of the most distinctive characteristics of the real estate market of the RMBA in the years after the crisis of 2001/02 was the extraordinary increase of land prices, which widely surpassed the price rise of other services and commodities. In the CBA, the average price of properties on sale rose almost nine times between June 2002 and June 2014, from 193 to 1.682 dollars (USD) per m<sup>2</sup> (Table 1). This process of valorization has not been gradual. On the contrary, there have been tendencies that show, in broad strokes, four moments (Figure 1). Between June 2002 and 2008 the price increase was especially significant, with an annual rise of US\$ 133 and a relative

annual increase of 32%<sup>1</sup>. After a short plateau between 2008 and December 2009, a period with only 2% annual price increase, the price evolution resumed its strong growth rate, to reach values around US\$ 1.700 by mid-2012. Although the annual variation in this period was only 16%, significantly less than between 2002-2008, in absolute terms this period shows the highest annual price rises, namely US\$ 249.

Finally, between June 2012 and June 2014 the average land price remained practically stable, as it occurred between June 2008 and December 2009. However, while the first stagnation was due to a retraction of the real estate market, related to the global financial crisis<sup>2</sup>, the second standstill finds its origins in domestic causes like the increasing restrictions to buy dollars<sup>3</sup> and the slowdown of economic activity.

**Table 1. Key indicators of land price evolution. CBA, June 2002 – June 2014**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Supply	107	556	1.0	1.3	1.2	1.7	1.7	1.4	978	1.5	1.4	1.4	1.7

<sup>1</sup>The relative and absolute average annual variations are chosen to compare the intensity of the land price evolution in periods of different length.

<sup>2</sup>The macroeconomic and intrinsic real estate market causes that characterize the real estate valorization process after the end of the 2001/02 crisis until December 2008 have been analyzed by Baer (2011).

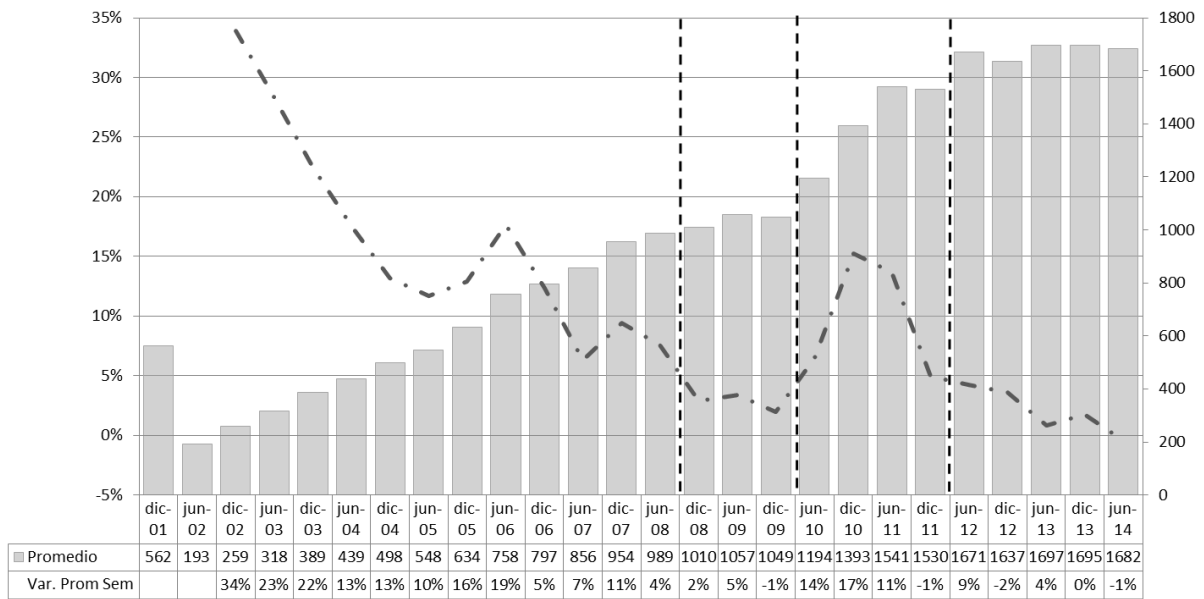
<sup>3</sup>The measure, known as the ‘cepo cambiario’ (‘currency clamp’) refers to a series of government restrictions to buy foreign currency (primarily dollars) since October 2011. One of the most restrictive measures was taken on the 5<sup>th</sup> of July 2012 when restrictions on savings in dollars were reinforced.

(lots)			13	47	99	09	73	18		69	36	68	99
Supply (hectares)	5,2	31,5	s/d	73,1	61,3	83	83	64	45,9	63,6	67,6	53,4	91,2
Average <sup>1</sup>	193	318	439	548	758	856	989	1.057	1.194	1.541	1.671	1.697	1682
Mean	173	292	356	454	564	707	840	882	1.081	1.358	1.562	1.495	1481
Minimum	69	127	120	141	213	273	115	258	369	377	302	460	460
Maximum	386	1.017	1.666	1.945	2.926	3.357	2.459	3.822	2.970	3.302	4.530	4.960	4959

Source: elaboration based on quarterly reports on land prices by the City of Buenos Aires (SSPLAN)

Note: <sup>1</sup> Refers to an adjusted average that excludes the districts of Puerto Madero and Retiro for the distortion generated by their extreme values ('outliers').

**Figure 1. Absolute and relative average<sup>1</sup> land price evolution. CBA, December 2002 – June 2014**



Source: elaboration based on quarterly reports by the City of Buenos Aires (SSPLAN)

Note: <sup>1</sup> Refers to an adjusted average that excludes the districts of Puerto Madero and Retiro for the distortion generated by their extreme values (‘outliers’).

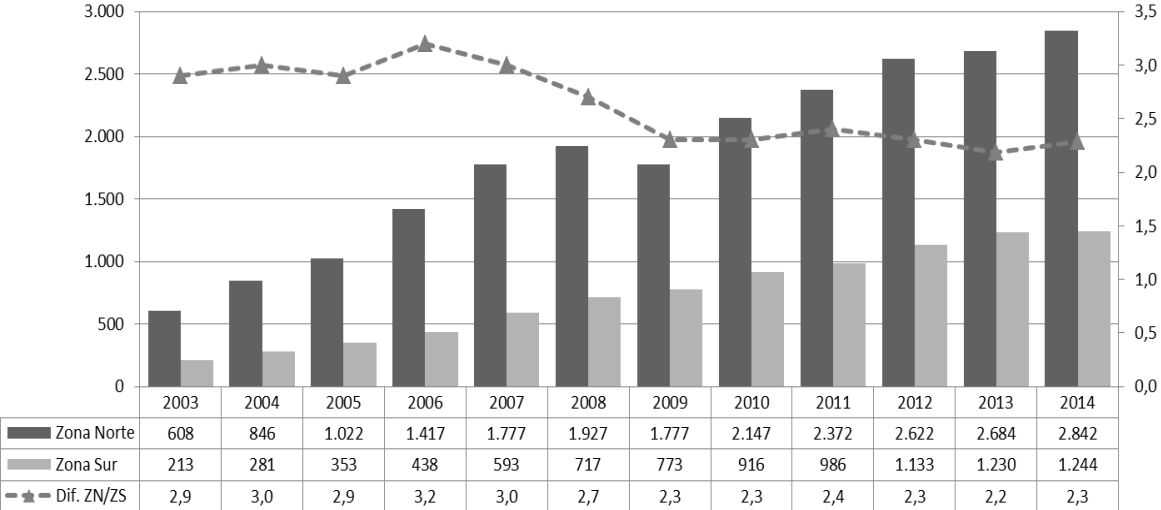
A comparison between the average and the mean land price reveals that until 2007, a significant difference existed between both measures, due to the notable dispersion of extreme values, fundamentally because of the high prices in certain districts<sup>4</sup>. But from that year onwards, it was easier to perceive a smaller gap between averages. The districts that pushed up the average stopped doing so with the same intensity, while various districts with considerably lower land prices experienced an increase in their valorization rhythm after 2007. This process was especially manifested comparing

<sup>4</sup> The extreme values correspond to the northern and northeastern districts of Núñez, Palermo, Villa Ortúzar and Recoleta. Puerto Madero and Retiro are excluded from the analysis for its atypical market and land price levels.



northern and southern districts<sup>5</sup> in the period 2008-2014 and shows a change in valorization rhythm in the land markets of Buenos Aires. After reaching a maximum level, three times the price differentiation in 2006, one can identify a subtle price convergence between northern and southern city part, until a steady difference of 2,2-2,4 from 2009 onwards (Figure 2).

**Figure 2. Evolution of land price difference between Northern and Southern Area**



Source: Elaboration based on quarterly reports on land prices by the City of Buenos Aires (SSPLAN)

The Government of Buenos Aires interpreted the decreasing price gap between northern and southern districts as a change of tendency, mitigating the traditional socio-territorial inequality that characterizes

<sup>5</sup> During the period 2002-2008 the valorization rate of Palermo and Recoleta was 29 and 27 percentage points (pp) above the mean (Parque Chacabuco), respectively. For the period 2009-2013, this tendency was inverted and both districts were only 11 and 2 pp above the mean.

the city (SSPLAN, 2013). From another perspective however, the price convergence can be seen as a regression in terms of Harvey's 'the right to the city' (Harvey, 2008), considering the effect of rising land rents on the middle and lower incomes that live in the south. In many cases, these groups find themselves incapable of facing the residential and commercial rents (Jajamovich and Menazzi, 2013). The latter interpretation explains the decreasing price gap from the accelerating valorization of southern districts, rather than a decrease of prices in the northern area.

### **Recent evolution of real estate development in the City of Buenos Aires**

Any attempt to explain the unequal land price evolution should incorporate a main factor that composes demand for land in urban territories: the real estate developer. The analysis on requested building permits (how much, what, where and when) offers reliable empirical evidence to track the land developers competed for, the expectations regarding final demands they hoped to meet with their projects and the reaction on the demand side considering the macro-economic changes. This chapter tries to clarify these concerns.

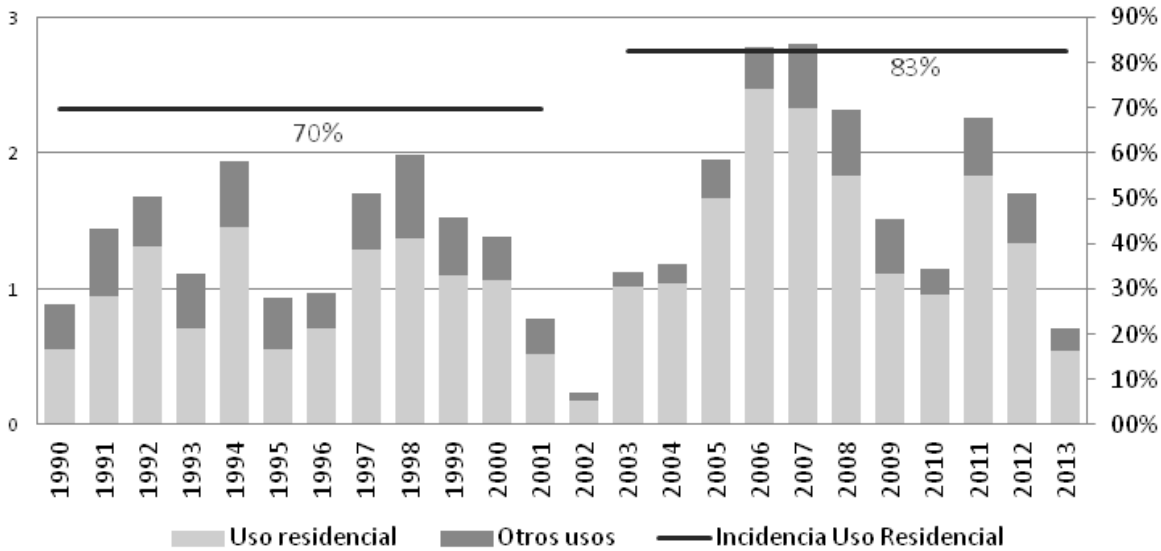
The first feature to highlight is the dynamism in construction experienced in the CBA throughout the last decade. After the crisis of 2001/02 the total surface of authorized permits for new construction

increased and reached 1.954.598 m<sup>2</sup> in 2005 and a yearly average of 1.774.129 m<sup>2</sup> in 2002-2013, widely surpassing the annual number registered for the period 1990-2001 (1.362.512 m<sup>2</sup>). The evolution of construction permits is much more sensible to economic volatility than land prices, showing the cycle of construction. Figure 3 permits to distinguish the peak phases of real estate development, the years 2005-2008 being the most dynamic period. From 2008 construction and land price decreased. The impact of the international financial crisis on the local economy was also being noticed in the sector. Although 2011 registered an upturn of activity, in 2012 the descending path resumed resulting in the lowest authorized quantity of surface in 24 years (with exception of 2002) in 2013. This rapid fall has to do with a retracting economy in general, and the effect of the 'currency clamp' in particular. The annual average of new construction between the years 2009-2013 fell by 28% compared to the period 2003-2008. However, the recent dynamics still exceed the performance of the nineties by more than 100.000 m<sup>2</sup> per year.

An analysis of the land uses that developers carried out shows that residential uses amounted to 70% of total construction in the period 1990-2001, while in the period 2003-2013 this number rose to 83%. In absolute numbers: almost 1 million m<sup>2</sup> yearly in the first period; nearly 1, 5 million m<sup>2</sup> in the second, accumulates 16, 2 million m<sup>2</sup> between 2003 and 2013. The lower incidence of other uses not only results from the focus of developers on producing housing, but it is also

explained by the strong focus on the construction of large shopping malls in the nineties (Tella, 2001).

**Figure 3. Evolution of authorized surface for new construction (millions m<sup>2</sup>) by use and incidence of residential use. CBA, 1990-2013.**



Source: Elaboration based on data from the General Directorate of Works and Land Register

In addition to Figure 3, it is worth mentioning the composition of the authorized surface for residential. It shows the dominance of multifamily housing: 92% in 1990-2001; 98% in 2003-2013. This follows both from an absolute increase in construction of multifamily dwellings, as from a decrease in the building of single family housing. The increase of multifamily residences is linked to the spatial dynamics of the land markets, since it presumes a strong focus of real estate developers on those areas that, by land use norm, offer higher

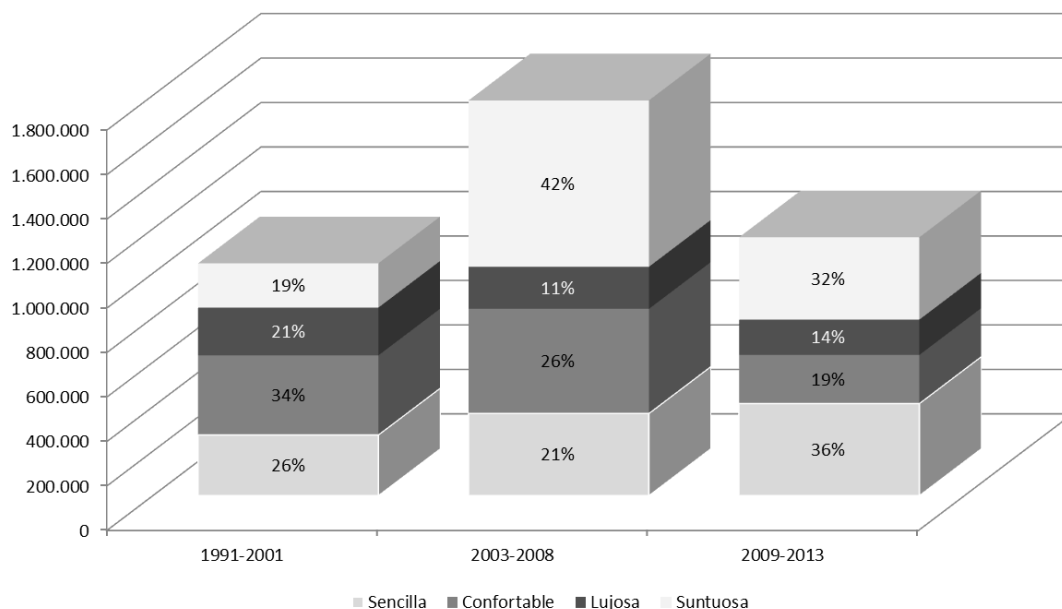
building density. In this manner, the spatial concentration of derived demand for certain parts of the city tends to produce the highest price increases (Baer, 2012).

Another significant change in real estate development in the last decade is the average size of newly delivered housing. The surface declined from 111 m<sup>2</sup> per unit in the years 1991-2001 to 96 m<sup>2</sup> in the period 2003-2013. This phenomenon is most manifested, however, in the years 2009-2013, when average size of new housing only reached 85 m<sup>2</sup>, numbers unmatched in recent residential construction history in Buenos Aires. The tendency towards housing of smaller size is translated in rising supply of one or two-room apartments. This of course has to do with the maximized use of land, referring to the land use that pays the best price, in the competition with other uses for the purchase of a specific lot (Morales-Schechinger, 2005). The search for the best use of land is influenced by a high rent per m<sup>2</sup> for small-sized units, by the use of housing as investment in a context of increasing rental, and a real estate demand that, in the case of ability to buy, can only access small-sized housing.

More changes appear when we unbundle residential use according to categories registered in the construction permits: simple, comfortable, luxurious and sumptuous (DGEyC, 2011). The most striking observation from the comparison between the three periods in Figure

4 is the increase of ‘sumptuous’<sup>6</sup> supply to a stunning 42% in the sub-period 2003-2008. After 2008, the residential space to attend the highest incomes decreased to 32% between 2009-2013. On the other hand, despite general contraction of building activity, the relative importance of ‘simple’ housing increased strongly from 21% to 36%. Naturally, this lowering of housing standards is connected with the reduction of average residential surface and, together with the decline in sumptuous housing, demonstrates a change of tendency in real estate development which is also visible when analyzing the construction permits by district.

**Figure 4. Annual average (m<sup>2</sup>) and percentage of authorized surface for residential construction by category. CBA, 1991-2013.**



<sup>6</sup> Housing categorized as ‘sumptuous’ corresponds, to a large degree, with the residential typology known by its real estate marketing names Torres Deluxe, Torres Premium and Torres Country (Szajnberg, 2006).

Source: Elaboration based on data from the General Directorate of Works and Land Register

Indeed, the inclination towards sumptuous housing between 2003 and 2008 corresponds with a noteworthy spatial concentration. In the same period, only 5 districts (of a total of 48) accounted for 47% of residential space authorized for construction, with one district (Palermo) as undisputed outlier, accounting for 15%. The territorial selectivity of real estate development tends to vary according to the type of housing that is intended; that is precisely what happened between 2009 and 2013. Simultaneous with the increasing incidence of small apartments and the decrease of large-sized sumptuous housing, a spatial lack of concentration in residential construction was registered in which the 5 dominant districts<sup>7</sup> fell 6 percentage points.

Now, the patterns of real estate development are not indifferent regarding land price dynamics. The period 2003-2008 stands out because of the expansion of housing supply for high and middle-high incomes with the ability of acquiring (paying in cash) sumptuous housing, relatively spacious and located almost exclusively in the traditional high-rent neighborhoods. This tendency partly explains why the highest price rises were registered in the northern axis, Puerto Madero and certain districts in the western axis. Once completed this cycle by the saturation of this real estate product, the scarcity of land

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<sup>7</sup>The composition of the 5 top districts changed between the two periods: high class Puerto Madero was outpaced by middle class Almagro.

and the elevated lot prices, the market reorients its locality and typology preferences and focuses on less valued city parts and on lower housing standards. After the effects of the international financial crisis settled in, early in 2010 land prices resumed an upward path. However, this growth had different characteristics, in comparison to the previous period. It is worth mentioning that there have been changes in rate of valorization and a decrease in the price breach between the most and least valued districts. From 2012 the upward cycle comes to an end after a notable drop in private construction, drawn down by a collapse<sup>8</sup> in the dollar market that is amplified by the so called ‘currency clamp’.

### **Increasing restrictions on access to formal housing in the City of Buenos Aires**

The evolution of the monetary effort for buying and renting housing as well as certain characteristics of the mortgage market are essential in dimensioning the conditions of residential access for the final demand side. The collapse of derived demand for urban land for instance, has a direct connection with the retraction of final housing demand in the context of a decelerating economy. This process shows itself in the notable retraction of real estate purchase and sale transactions performed in the CBA: 2012 and 2013 show the lowest

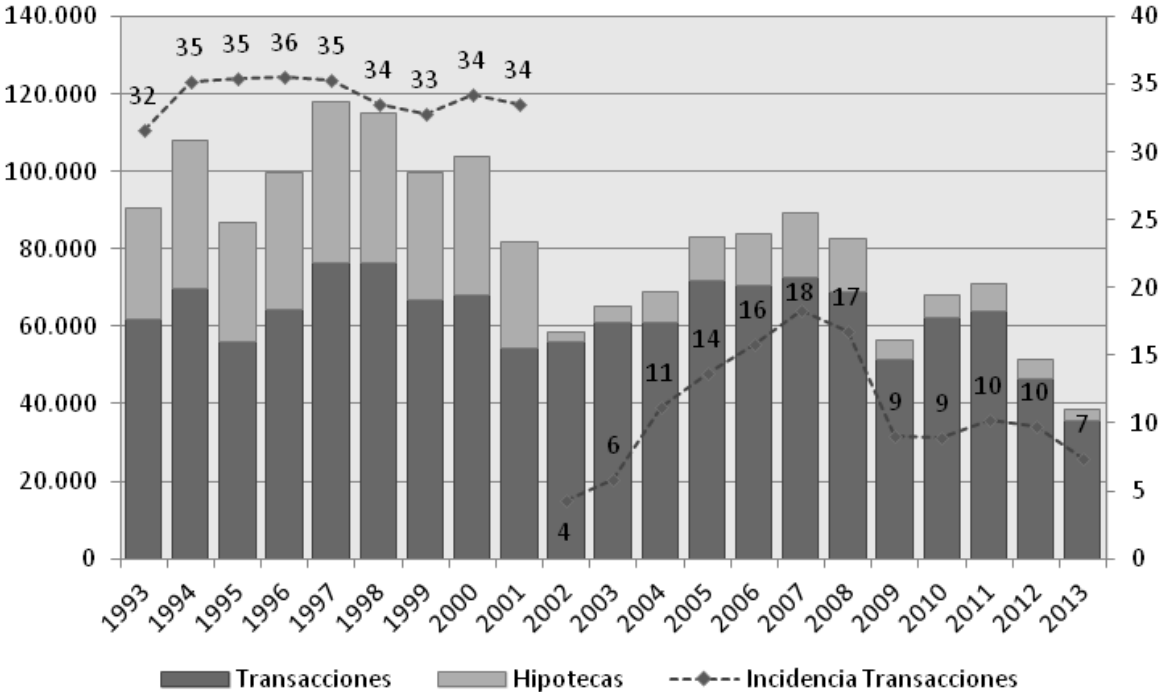
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<sup>8</sup>The appearance and distancing of the illegal dollar with respect to the official dollar, converts in an inflationary factor with impact on construction prices. Another reason for the price increase has to do with the oligopolistic market structure of commodities like steel, aluminum and cement, which favors disproportionate pricing in the sector’s value chains (Zaiat, 2014).



quantity of transactions in the last decade, and with exemption of 2002 and 2003, also show the lowest incidence (7%) of transactions through mortgage loans<sup>9</sup> (figure 5).

**Figure 5. Notarial acts of purchase and sale transactions and incidence (%) of mortgage loans. CBA, 1993-2012.**



The classical conception of the law of supply and demand sustains that, facing a contraction of demand capacity, prices will fall. However, in very imperfect and unregulated markets like real estate, this theoretical premise does not hold, especially concerning land prices that have remained stable during the course of years of contraction of derived (real estate development) and final demand

<sup>9</sup> The low portion of mortgage loans has been a constant factor throughout the cycle of real estate valorization that started after the 2001-02 crises. While mortgages averaged 34% in the period 1993-2001, for the years 2003-2013 the portion fell to 12%.

(residential consumers) of new housing. In the case of new housing units, after reaching a price peak in the third trimester of 2012, prices also remained stable, although some districts experienced small adjustments. The sale values of new housing and urban land did not decline, because the market was adjusted primarily by the supply flux. Another form of adaptation occurred by an alteration of housing unit size. In any case, these are strategies conducted in real estate markets in order to preserve profitability facing augmented restrictions in residential access throughout the real estate valorization cycle.

The price increase after the 2001/02 crisis continued with disproportionate levels, when already in 2006 the average price in US Dollars surpassed that of the nineties. In this way, average prices of new two and three-room apartments doubled between 2006 and 2013. The growing pressure generated by the real estate valorization is clearly noted in the evolution of the monetary effort that people have to conduct in order to buy housing. Table 2 visualizes the strong increase in quantity of average salaries necessary for buying the same two-room unit, especially between 2009 and 2013, a period in which one needs to devote between 3,4 and 5,5 years of average salary (YAS) additionally for the purchase of a unit.

**Table 2. Average price (US\$/m<sup>2</sup>) of new 2 room apartments and quantity of Years of Average Salary (YAS) for its acquisition. CBA, October 2006, 2009 and 2013 \***

	2006			2009			2013				06-09	09-13	
District	US\$/m2	US\$	Y AS	US\$/m2	US\$	Y AS	US\$/m2	US\$	YAS		Dif. YAS	Dif. YAS	Dif. YAS
Caballito	1.250	56.228	9,2	1.794	80.727	9,2	2.439	109.745	8,3	13,1	-0,03	-0,81	4,0
Palermo	1.593	71.685	11,7	2.232	100.462	11,4	3.132	140.948	10,7	16,9	-0,32	-0,67	5,5
Villa Crespo	1.200	54.022	8,8	1.664	74.886	8,5	2.214	99.618	7,6	11,9	-0,33	-0,91	3,4
Villa Urquiza	1.213	54.584	8,9	1.665	74.935	8,5	2.204	99.197	7,5	11,9	-0,42	-0,95	3,4
	2006			2009			2013				Var. 06-09	Variation 09-13	
Avg. inc. \$	1.571			2.800			6.783				78%	142%	
Avg. inc US\$	510			735			1.096		695		44%	49%	-5%
US\$ rate	3,08			3,81			6,19		9,76		24%	62%	62%

Source: Elaboration based on data from the General Directorate of Statistics and Surveys (Ministry of Internal Affairs, GCBA); database of ‘(until September 2011) and Adinco (from September 2011) for transaction values; database of INDEC. Central Bank of Argentina for US\$ rate.

\* In the grey colored columns the parallel or illegal dollar are use as reference; the average income and exchange rates are the average of the last trimester of every year.

Paradoxically, this burden on buying arose simultaneously with the 142% increase of average income in Argentine pesos between 2009 and 2013. However, the strong dollar influence on the real estate market together with the gap between the official and the illegal one (exchange rate caused by the ‘currency clamp’) have diminished purchasing power expressed in dollars. Free access to the North American currency has been restricted until it was made completely impossible by mid 2012. Hence, real estate markets started being governed by the values on the illegal exchange marketplace. While the dollar price in 2009 (then the official and only one) was 3, 81 pesos, in 2013 the cost of the official dollar had rose to 6, 19. The reference dollar for the market (the parallel or illegal) had ascended far more, to 9, 76 pesos. Following this parameter, in October 2013 an average income was worth 695 dollar, 5% less than in October 2009, when this income matched 735 dollar. It is clear that between 2009 and 2013 the price of new housing continued rising like the whole cycle of

valorization, also in districts with a major supply increase, where prices of new housing rose between 32% (Villa Urquiza) and 40% (Palermo). These are exactly the price increase levels that explain the additional quantity of average salaries that are needed in order to acquire housing.

The unprecedented monetary effort necessary to access housing entailed a strong contraction of real estate demand and has, as described before (page 7) reoriented real estate development towards the production of smaller sized housing, in order to maintain sales. For many people who were still in conditions to acquire housing, this form of adjustment has meant an important resignation of residential space. For example, in 2009 the 107.000 dollars necessary to buy a new three-room apartment in upper middle class district Caballito, was not enough to obtain a two-room unit four years later. But for many the notable price increase signified a transition to renting. Effectively, this increase in renting in the last decade has been a turning point regarding the relative and absolute increase of home owners in the CBA<sup>10</sup>.

Unlike the purchasing market, the local values of the rental market are stated in pesos. Adding the recent increase in average income (165% between February 2009 and November 2013), results in a monetary effort for renting much less aggravated than in the purchasing market.

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<sup>10</sup> Between 1960 and 2001, the portion of tenants reduced from 50% to 22%, with the strongest decrease between 1970-1980 (40% to 25%). The cycle is interrupted and reverted in the 2001-2010 decade when the incidence of tenant households grew by 8 percentage points (22% to 30%).

Moreover, the incidence of rental on average income reduced; especially in the districts that increased their residential supply for the rental market the most, like Palermo and Villa Crespo (Table 3). In other words, the increase of average income was higher than the price rise in two-room rental housing.

**Table 3. Average rental price in pesos of 2 room apartments and affordability. CBA, February 2009 and 2013.**

District	2009		2013		2009-2013	
	Rental price	Affordability	Rental price	Affordability	Var. Rental price	Dif. Incidence of rent
<b>Agronomia</b>	975	38,0%	2.503	36,9%	157%	-1,1
<b>Almagro</b>	975	38,0%	2.544	37,5%	161%	-0,5
<b>Barracas</b>	1.050	40,9%	2.441	36,0%	132%	-5,0
<b>Caballito</b>	1.100	42,9%	2.524	37,2%	129%	-5,7
<b>Colegiales</b>	1.050	40,9%	2.565	37,8%	144%	-3,1
<b>Flores</b>	975	38,0%	2.374	35,0%	143%	-3,0
<b>Palermo</b>	1.450	56,5%	2.755	40,6%	90%	-15,9
<b>San Cristobal</b>	950	37,0%	2.390	35,2%	152%	-1,8

<b>Villa Crespo</b>	1.175	45,8%	2.395	35,3%	104%	-10,5
<b>Villa Urquiza</b>	1.050	40,9%	2.426	35,8%	131%	-5,2
<b>Average income</b>	2.564		6.783		165%	

Source: elaboration based on data from the General Directorate of Statistics and Surveys (Ministry of Internal Affairs, GCBA)

The high burden on buying housing needs to be placed in a context of absent mortgage credit, currently on the lowest levels in seventy years. The requirements for credit access exclude the majority of households. Firstly, for the persistence of informal labor: In the third trimester of 2013, the rate of unregistered labor stood at 35% in the RMBA (EPH-INDEC, 2014). Secondly, because of the required credit quote income leaves out the majority of formal employees<sup>11</sup> and finally, because of high interest rates<sup>12</sup>. Subsidizing demand through mortgage credits may favor housing access but certainly does not guarantee this. By contrast, in an unregulated market a mismatch between supply and demand resulting in new price rises is inevitable. Without regulation policies and instruments on land and housing supply, mortgage credits will become an additional valorization factor that nullifies the subsidy and therefore generates a transfer of public resources to owners.

<sup>11</sup> Calculations point out that in 2010 a family needed between 2 and 3 average individual incomes to acquire a 2 room apartment with mortgage credit.

<sup>12</sup> The high interest rate explains the elevated costs of a mortgage credit compared with rental costs. In 2010, the monthly credit quote amounted to 80% more than the rental price for the same type of housing.

## **Conclusions**

This paper has analyzed the real estate panorama and its relation with the monetary effort that households have to make in order to access formal housing in the City of Buenos Aires (CBA). Characterizing this phenomenon helps to understand the growing housing access restrictions that prevailed throughout the real estate valorization cycle of 2003-2013. The rhythm of urban land valorization continuously surpassed that of other commodities and services, even in the period of less dynamism in construction and property transactions after the international financial crisis in 2008.

The general land price increase was strongly noticed in housing sale values and, therefore, in the monetary effort necessary to buy a property. The augmented rental demand can be explained precisely by the growing restrictions on home buying, influenced by the lack of mortgage credit and, fundamentally, by land price rises. Within a context of economic expansion and unregulated functioning of land markets, land valorization in the CBA strongly interacts with the behavior of real estate development, the territorial concentration of housing supply (whether aimed as object of use or of treasury), few upper class districts being a testimony of this.



While the latter was valid for the years 2003-2008, from 2008 onwards the panorama changed. In the first place, the historical north-south price gap shrunk, caused by the relatively high valorization in the south. Secondly, a territorial dispersion was witnessed regarding quantity of permits and m<sup>2</sup>'s authorized for new housing. Together with the declining dominance of the five upper class districts which accounted for half of the construction between 2003 and 2008, the construction of sumptuous housing of large surface ceded terrain to other residential categories of minor size. Thus, seeking certain profit margins through mechanics of maximized land use has reoriented real estate towards producing housing of less standard and size, focusing outside of the traditional northern, centric and certain eastern areas.

Now, beyond these real estate development fluctuations throughout the last decade, the notorious expansion of residential production certainly did not improve the access to formal housing in the CBA. On the contrary, habitation issues have worsened and conflicts concerning access to land, housing and the city have rapidly increased since 2003. The obscene land price increase is a central part of the explanation. Other important factors are the selectivity of real estate investment, the decisions of treasury and the allocation of profit surplus – which has more influence on the type of supply than final demand does - the level of activity and the space requirements for economic activities, the interest rates, the expected profitability of projects and, last but not least, the unregulated behavior of real estate development.

A new ingredient to add to this cocktail is the increase in unoccupied housing. In 2010 an astounding number of 340.975 units were unoccupied on a total of 1.425.840 dwellings in the CBA. Between 2001 and 2010 the situation worsened drastically, with an absolute increase of 132.105 units. The decoupling between physical stock and housing supply is another bulleted point on the long list of factors that sustain the elevated land and housing prices, surpassing whatever inflation index, thus aggravating habitation issues.

The above underlines the urgent need for an integral housing policy that incorporates instruments of generation, movement, use of housing supply and regulation of the real estate market. This is necessary, not only to promote access to a roof over one's head, but also to guarantee the right to the city, mitigating the residential segregation and territorial inequity and reverting the perverse socio-urban situation of 'houses without people and people without houses'. A strategic urban land management that attends to the habitation question from a comprehensive approach of territorial equity and land use, infrastructure, services and other attributes of the city is needed. Moreover, public policies capable of reverting such practices and processes that turn the unregulated functioning of land markets into a mechanism that augments inequality and injustice in urban development processes should be implemented.

## **Article in English – author guidelines**

<http://www.elsevier.com/journals/cities/0264-2751/guide-for-authors>

### **Standard structure for articles in Cities:**

- Length: 5000-6000 words (including references, notes and captions)
  - Nosotros necesitamos excluir la parte de RMBA y reducir la parte de monetary effort.
- Subdivision – unnumbered sections  
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- Introduction
- Material and methods
- Theory/calculation
- Results
- Discussion
- Conclusions
- Appendices

### **Highlights**

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## **Formatting**

- Preferred fonts: Arial (or Helvetica), Times New Roman (or Times), Symbol, Courier.