Barranco for sale: Narratives, Strategies and Impacts of a New Spatialization in Lima’s Central Districts

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Barranco for sale: Gentrification by depopulation in Lima’s central districts

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Abstract

Over the past ten years Lima has experienced an unprecedented growth of the construction sector paired with an increase of high-rise condominiums. Urban land has become a strategic resource altering the spatial configuration of Lima’s central districts. This paper presents the results of a case study of Barranco, a central and emblematic district of Lima with some specific characteristics that have triggered an intense and ongoing gentrification process. The paper discusses how the municipal administration is carried out in a scenario of poor urban planning, a weak institutional structure and lack of economic resources, of which local authorities take advantage to bet on market-led solutions. Meanwhile, residents point to corrupted negotiations between private actors and the municipality to criticize the dominant urban development model. Starting from the dominant narratives and strategies deployed by local authorities and real estate agents we unravel the catalyst effects of a de-commoning process disguised as state policy and the investment portfolio frame that is used to attract a growing group of small-scale middle-class Limeños who are keen to invest in real estate as an alternative to savings. The intertwined strategies result in a de facto depopulation of the area: family dwellings are transformed into micro-apartments almost too small to inhabit, where a floating population only comes to spend the night. By way of discussion we pose that the Barranco case exemplifies a new trend in Latin American gentrification, in which revanchism is not characterized anymore by the physical in-flow of the urban middle classes but by a displacement by middle class financed by the short-stay renting business.

Introduction

Gentrification has become a worldwide phenomenon since urbanization processes have intensified globally, turning the metropolis into the main producer of global capital (Smith, 2002). Nowadays, the generic conceptual categories of gentrification are used globally to describe the clear (negative) effects in the social and physical fabric of urban renewal policies targeting central low-income neighborhoods, due to the commodification of urban space in these central areas. Gentrification theory was originally coined to explain urban revitalization and displacement processes in typical "western scenarios". Academic scholarship in non-western contexts agreed that the debate on gentrification processes in the global North was inadequate in its explanation of the urban transformations produced by emergent patterns of urban land appropriation in global South cities. Furthermore, these scholars argued that certain arguments inherited from global North debates had to be rephrased in accordance with global South realities to
better facilitate understandings of gentrification processes outside Europe and the U.S. (López Morales, 2016a; Lees, 2014; Davidson, 2010). In global South cities, gentrification processes are usually characterized by unstable real estate markets, a deficit of basic infrastructure, and a spatial distribution that illustrates a deep social inequality due to pre-existing socioeconomic structures (Betancur, 2014; Duhau, 2013). Furthermore, many countries in Latin America lack a solid political and institutional framework. A deficit of reliable institutions leads to improvised territorial management in which corrupt practices are tolerated at all political levels (Janoschka and Sequera, 2016; Betancur, 2014). In such light, there is mounting evidence of several types of gentrification found in Latin American cities that not necessarily resemble the sort of gentrification found in global North cities (López Morales, 2016b).

One topic that is largely debated amongst scholars focusing on the global South is the role of middle class consumers as gentrifiers. Findings from Santiago and Rio de Janeiro claim that middle class gentrifiers appear to be weak in gentrification processes in "non-western" cities (López-Morales, 2015; Cummings, 2015; Gaffney, 2016). Moreover, authors claim that, compared to "western experiences", gentrification in the global South is much more motivated by the power of real estate companies in the socio-political structure. They are regarded as having the power to influence the design of urban policies that allow a maximum profitability for private housing production companies. These houses attract middle-class buyers who are willing to pay large sums of money for relatively small size apartments (López-Morales, 2016b). More recent scholarship has problematized a clear-cut categorization of actors and roles stressing the complexity and ambivalent roles of old and new actors (Gillespie, 2017; Klauflus et al., 2017; Leitner and Sheppard, 2017; Noorloos et al., forthcoming; Steel et al, 2017). For example, a global trend that has been noted in Japan and Europe is that small-scale middle-class investors acquire properties in strategic areas not to inhabit them, but to place their money in what they consider the safest and most profitable investment option compared to others, including options for intergenerational lending or renting out of property (Hochstenbach and Boterman, 2017; Ronald, 2018). We will show for Lima how this trend involves the middle class in ways not previously known in Latin America.

Based on a case study conducted in Barranco, Lima, the main objective of this article is to describe a new manifestation of gentrification that we call “gentrification by depopulation”. We will argue that this gentrification pattern can be explained along two lines. Firstly, along the line of failing public governance and a lack of governance transparency and accountability. We aim to show that shady public-private partnerships are presented as public-sector achievements, a process that we conceptualize as “de-commoning in disguise” as newly constructed infrastructural works – although presented as merits of good public government – are in fact commercial projects increasingly converting the common good into private property. Secondly, the previous phenomenon has triggered the construction of medium and high-rise condominiums with small but expensive apartments targeted at small-scale investors, specifically young middle-class consumers, who acquire the new dwellings to rent them out in short-term rental platforms. As a result, the new buildings in Barranco have a twofold societal impact. On the one hand, they become a type of hotel infrastructure, since they offer an accommodation solution for tourists or other temporary residents, while on the other hand, they cause typical displacement processes, among other side effects, which particularly affect sitting renters in old housing typologies such as “quintas” and “solares”.¹ Therefore, this type of speculative urbanism developed in Barranco

¹ Quintas and solares consist in urban areas that contain small one-story dwellings made of adobe. While quintas consist of multiple small houses of approximately 30 square meters, solares are multiple small rooms of approximately 12 square meters (INEI, 2007).
paradoxically causes a greater densification of the urban space while promoting a drastic reduction of the long-stay population — hence the title of this paper.

With the analysis of two intertwined manifestations of Barranco’s urban renewal process - de-commoning in disguise; and gentrification by depopulation – we emphasize the ambivalent role of local middle-income investors in the consolidation of the district’s gentrification process to develop new lines of thought on Latin American gentrifications. The following sections explain the methodology, the case-study context that entails Lima’s real estate boom (2007 – 2017) and the urban policy framework. In the analysis we argue that the intertwining of de-commoning in disguise and gentrification by depopulation signal a larger trend in Latin American gentrification, in which revanchism is no longer characterized by the physical in-flow of the urban middle classes, but by their growing financial power.

Methodology

This research is based on a qualitative ethnographic approach. Fieldwork was conducted in two periods. Between May and July of 2017, 38 interviews were conducted with long-term residents (people from the three different socio-spatial zones who lived there for at least five years) 2 and key informants from four groups: municipal servants, activists, clients of real estate businesses and real estate agents. In February of 2018 data were updated. 3 The variety of informants was key for this analysis because their testimonies revealed the impact of new investment portfolios on urban renewal and reflected the polarization between the different spatial zones in the district. In addition to the interviews, data were collected in meetings summoned by the municipality and by neighborhood associations. Interviews and events were recorded and transcribed. In addition, photographs and images (informants’ image collections, blogs, media publications and leaflets) were analyzed to establish the physical changes in the urban landscape during the real estate boom (2007 – 2017). Official documents (municipal ordinances, decrees, public-private agreements, zoning plans and urban plans), media publications (webpages, newspaper clips and YouTube videos) and documents from real estate companies (leaflets, messages, webpages, selling strategies, business models) were used in discourse analysis to establish different layers in the framing of the dominant investment portfolio message.

Barranco’s urban renewal in the context of Lima’s real estate boom

Barranco’s urban renewal process can only be understood in the context of the intense real estate boom experienced in Lima over the past 10 years. This boom is reflected in the increase of square meter prices with 293 percent between 2007 and 2017 (BCRP, 2016; BCRP, 2017). However, the rise in square meter prices in the city has not affected all urban areas equally. While Central Lima has become highly valued by real estate developers, the peripheral areas remain unprofitable for investments due to a lack of urban services and infrastructure (Kapstein and Aranda, 2014). As a result, although the growth of square meter prices is a metropolitan phenomenon, annual studies about the real estate market show that the evolution of square meter prices in Central Lima increases at a much faster pace than in Peripheral Lima. 4 The construction of new housing

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2 The Municipality of Barranco divided the district in three territorial zones: zone A, zone B, and zone C. These zones do not have a uniform demographic distribution. The spatial divisions of the district also determine contrasting social divisions (Municipalidad de Barranco, 2016a; 2017a).

3 Fieldwork was carried out in Barranco by Lorena del Castillo, Master degree in Latin American Studies at the Centre for Latin American Research and Documentation · CEDLA. The research and thesis were supervised by Christien Klaufus, Assistant Professor of urban geography at CEDLA.

projects corresponds to this pattern. In 2017 alone, the construction of new dwelling units in Central Lima exceeded Peripheral Lima by 206 percent (CAPECO, 2017). Based on its socio-demographic and residential characteristics, Central Lima consists of three areas known as Traditional Lima, Modern Lima and Top Lima (CAPECO, 2016). For the purposes of this paper, we will only mention Top Lima, which is formed by the districts of San Isidro, San Borja, Miraflores, La Molina and Barranco (see Illustration 1). Top Lima includes the most touristic and recreational areas of the city as well as the Central Business District (CBD). As such, it shelters populations with the highest income levels and highest social status. In an interview for the newspaper Gestión, Ricardo Arbulú, the general manager of Ciudaris real estate company, explained that in this area, the purchasing and selling of housing units is transforming from a housing-demand based to a speculation-based instrument (Gestión, 2017a).

The formal housing supply for the city is concentrated in the Top Lima areas and targeted at middle and higher income buyers. In 2017, the construction of apartments in these areas exceeded the rest of the city by 67 percent (CAPECO, 2017). Yet, there is a much larger housing demand in Peripheral Lima where human settlements are increasingly built on steeper, remote and dangerous terrains where it is impossible to install urban infrastructure (Fernández, 2015). This urban development pattern, in which the informal expansion of the periphery is paired by the formal production of housing units for speculation purposes in central areas, shows that metropolitan planning policies ignore the peripheral areas.

Illustration 1: Maps of Metropolitan Lima - Peripheral and Central Lima

Source: adapted from Ipsos – Apoyo, 2013, pp.7-9 and CAPECO, 2016, p.75

Over the last six years, Top Lima apartments have reduced in size with 22 percent (with the exception of apartments built in San Isidro and La Molina, where the highest income strata demand larger homes) (CAPECO, 2012; 2017). In the same vein, the format of one-bedroom apartments has begun to slowly displace that of three-bedroom apartments which were previously preferred in the Top Lima area. According to Gonzalo Arbulú (personal communication, 08 February 2018), investment analyst at the Edifica real estate company, the concentration of housing supply in Top Lima and the reduction of the average apartment size and number of bedrooms corresponds to the demographic

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5 These figures only refer to formally constructed housing units, not to informal production that always remains outside official statistics.
profile: potential clients are highly educated young professionals eligible to obtain a mortgage. For many young professionals it has become financially impossible to buy a two or three-bedroom apartment. Instead, they first buy a one-bedroom apartment to rent it out to optimize their savings capacity. After a few years, they use these savings to buy a larger apartment. This two-step buying pattern can also be seen in other Latin American metropolises where central areas similarly have become places of "transit"; as a first step towards a permanent residence and as an ideal opportunity to profit from real estate speculation (Contreras, 2011).

Over the last four years, the square meter price in Barranco has exceeded that of San Isidro where the CBD is located and which is considered the wealthiest district of metropolitan Lima. Since 2014, square meter prices in San Isidro have increased with 4%, while in Barranco it has increased with 22% (CAPECO, 2014; 2017). In 2017, the square meter price in Barranco was already 0.8% higher than in San Isidro (CAPECO, 2017). According to Urbania.pe, the largest Peruvian real estate portal, the increase in Barranco’s square meter price follows from the great appeal that this district has for artists, foreigners, young professionals, and young couples (Urbania.pe, 2017). Academic scholarship specifies these subgroups as potentially gentrifying middle-class agents who actively choose residential locations in a high-density central area with multiple amenities rather than in the traditional suburbs (Inzulza, 2016; Hubbard, 2010; López-Morales, 2016b; Mathews, 2010). As the most attractive aspects of Barranco are considered its strategic location, its proximity to the sea, its architectural heritage, its traditional fame as being Lima’s cultural and bohemian district and its extensive offer of nightlife (Gestión, 2017b; Municipalidad de Barranco, 2012).

Yet, the intensification of real estate projects in Barranco corresponds to one additional factor. Between 2007 and 2014, real estate activities were targeting all Top Lima’s districts excluding Barranco. During that period, the supply of apartments in those five districts exceeded the rest of the districts in Central Lima with 15 percent (CAPECO, 2014). After an intense urban renewal process, the local authorities of the five districts decided to establish more strict building regulations in order to contain developments. Consequently, real estate companies were no longer able to develop highly profitable projects. In the meantime, the Municipality of Barranco relaxed those regulations thus making the district more appealing to developers. To date, Barranco has the most flexible building regulations of all Top Lima districts. For example, on average, the legally required minimum area for a one-bedroom apartment in Top Lima districts is 76 square meters, while in Barranco it is only 25 square meters; a process that has been signaled in other Latin American cities also (Delgadillo, 2010; Herzer, 2008; Lopez Morales, 2016b, Inzulza, 2016). The situation is similar for parking lots: all Top Lima districts require a percentage of parking lots for visitors and a minimum of one parking lot per apartment. However, in Barranco no parking lots for visitors are required and real estate companies can build one parking lot for 1.5 apartments. Unlike other Top Lima’s districts, Barranco has no regulations to secure a minimum size for housing units. Ana Victoria Díaz (personal communication, 25 July 2017), former urban development manager of the Municipality of Barranco, stated that by lack of local municipal regulations, the municipality only refers to the broad guidelines developed by the higher-rank

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6 The information was obtained by comparing official documents that establish urban parameters in Top Lima districts:
- Ordinance No 342 approving the urban parameters and building conditions in Miraflores (2011). Lima
- Council Decree No 010, Regulation of Urban and Building Parameters, Complementary Norms on Quality Standards and Operational Levels for Urban Activities, La Molina (2016). Lima
- Ordinance No 491, Regulation of buildings and supplementary rules, San Borja (2012). Lima
- Ordinance No 1076, Zoning regulations of the districts of Barranco, Surquillo and an area of Chorrillos and Santiago de Surco. Lima
- National construction regulations of the Ministry of Housing, Construction, and Sanitation - 2006. Lima
Municipality of Lima and the Ministry of Housing, Construction, and Sanitation. The lack of a municipal ordinance that regulates and limits the construction parameters in Barranco is taken into advantage by real estate companies. They can build smaller apartments to charge higher square meter prices, boosting the demand from relatively young middle-income buyers. In this context, in an interview for the financial magazine Semana Económica, several senior officials of real estate companies revealed that – besides the strategic location of the district – the main aspect that gives Barranco added value is the municipality’s predisposition to ease construction parameters. Hence, in their vision, despite the fact that other Top Lima districts have a more or less similar target group, Barranco has become the most competitive district of Top Lima (Semana Económica, 2015).

This situation has been noticed by other Top Lima local authorities. In response, they also began to relax urban parameters starting in the least attractive areas, to promote investments. In 2018, the Municipality of San Isidro (which used to have the strictest building regulations) decided to allow the construction of one-bedroom apartments of 45 square meters, instead of 90 square meters (the former minimum area required) (Municipalidad de San Isidro, 2016). This decision immediately brought the real estate business back to the district and three important firms have begun to develop residential projects (El Comercio, 2018; Urbania.pe, 2018). According to Fernández (2015), this entrepreneurial vision of urban space in which districts compete with each other to attract investors, has established itself as the only possible way of thinking about urban development in Lima. This vision together with the lack of a clear integral territorial management policy creates a scenario in which municipalities freely negotiate with the private sector about zoning plans and residential building regulations. This approach not only dismisses the many urban problems of the city but it also causes serious conflicts in the central areas and in the quality of life of its residents. In that regard, the proliferation of new apartment buildings and the ongoing construction works have triggered complaints from sitting residents who suffer from damages to their homes, diminished views or daylight, blocked sidewalks, and road congestion (see Illustration 2).

The pattern in which a subsequent policy of relaxing and restricting the construction regulations with the aim to attract real estate investments has also been described for Santiago de Chile, Mexico City and Sao Paulo (López-Morales 2016b; Delgadillo, 2010; De Mattos, 2007). A study on urban renewal in central Santiago reveals that after a few years of land exploitation in one central area and when real estate business fully captured the ground rent, the local authorities tightened urban planning rules, hence real estate companies moved to another central area (López-Morales, 2016b). Lima can be added to the list of Latin American metropolitan areas that follow this pattern.

Illustration 2: Images of side effects of new real estate developments: Shadow cast and road congestion

Photos by Lorena del Castillo
De-commoning in disguise: the opaque promises of urban renewal

Based on what we describe above, it becomes clear that the power of real estate companies in Barranco is not just due to a lack of state governance but to the active collaboration “behind the screens” between the local administration paving the way for the private sector and the various real estate developers. But there is an additional aspect to it: as part of the deal, they promote and advertise their development projects as if they were state-developed projects. We call this phenomenon “de-commoning in disguise”. In this section, we substantiate this thesis pointing to two sides of the same coin that explain the shape of perceived irregularities committed by local authorities in Barranco: the first is the lack of transparency in governmental budget targeted at public infrastructure, in which the participatory mechanisms are arguably abused to cover up financial deals. The second is that – due to socio-spatial inequality between rich and poor areas – clientelism and electoral promises in the poor and neglected areas guarantee that regardless of fierce social discontent corrupt authorities are constantly re-elected.

Starting with one side of the coin, we claim that the lack of transparency is fueled by the fact that until 2016, the district lacked a valid and applicable Concerted Development Plan (PDC). Due to pressure from activists, in 2016, the Municipality of Barranco approved the PDC 2017-2021 (Municipalidad de Barranco, 2016b). José Rodríguez (personal communication, 15 April 2018), leader of the local movement “Decisión Barranco” claims that this document has not been constituted in a legitimate participatory process. José states that since the State does not request proof of compliance with the PDC rule nor imposes sanctions for non-compliance, local authorities systematically ignore the movements’ recommendations. He and other residents of Barranco complain that local authorities fail to comply with the Law N°27806 of Transparency and Access to Public Information that obliges them to openly detail public spending. In this shady atmosphere, several activists believe that public-private agreements conceal corruption and bribes as well as a continuing privatization of formerly public spaces.

Both real estate companies and local authorities are suspected of exploiting this institutional vacuum. On the one hand, without an urban planning horizon it is easier for real estate companies to negotiate with the municipality for advantageous construction permits. On the other hand, the autonomy given to municipal administrations from 2002 onward as part of Perú’s decentralization process (Defensoría del Pueblo, 2010) empowered municipal officials to shape urban policies with little fear of public liability. Due to Barranco’s fiscal deficit, local authorities justify their decision to ease the construction rules as the only possible way to develop the district (El Comercio, 2017a). Using a “worlding” discourse (Roy and Ong, 2011), local authorities sell their development message stating that new buildings not only improve the image of Barranco but also increase public finances through tax collection (cf. Betancur, 2014; Dávila, 2016). In this context, under the premise of serving the public good, it has become common practice that public-private partnerships contain works to build or restore infrastructure (Municipalidad de Barranco, 2017b; 2017c). These agreements are signed under a valid legal framework that encourages PPPs. In companies’ publicity, the agreements are presented as part of their social contribution to the community (Nexo Inmobiliario.tv, 2017).

However, these agreements present two main pitfalls that contradict their supposed purpose of serving the common good. Firstly, these works mostly consist of small-scale

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7 The Concerted Development Plan is a master plan that should be designed in a participatory process. This plan aims to develop common objectives between local authorities and residents of a district or city. After the designing process, local authorities must ensure its compliance (Congreso de la República, 2003).

8 According to numeral 26 of article nine of the Organic Law of Municipalities, local authorities are enabled to sign agreements with private institutions to join efforts that promote local development (Congreso de la República, 2003).
reparations (such as improving public lighting, placing security booths, repairing sidewalks, placing flower pots) that improve the district aesthetically more than substantially (see Illustrations 3 and 4). Such infrastructural projects executed as social contributions are not based on technical studies and they do not meet residents’ necessities. Therefore, activists claim that these works serve to disguise “real” infrastructure problems that need to be solved with a greater urgency. The second pitfall is to the ample maneuvering space that these PPPs give municipal authorities to use them for their own convenience. Due to their non-binding nature, these agreements are not audited by higher state authorities, which creates room for corruption. Although corruption practices have not been formally reported, the information is opaque: signed agreements specify that real estate companies assume all human and financial resources necessary whereas the municipality claims on its billboards and in its public presentations that works are executed by the municipality. Local authorities present these works as part of the achievements of their administration and the costs of these works are reported as part of the participatory budget (see illustrations 3 and 4). The private sector pays for these projects while the authorities falsely present them as public-sector achievements. This scenario has been described by Dávila (2016) who states that “cuotas” - payments in money or kind to the authorities - are seen as money that “liberates” construction permits. Payments in kind to local authorities often include requests for specific infrastructural projects “that the city or mayor could then present to his constituency as the product of “people’s taxes at work”. In some cases, this charade even involved construction company workers who had to wear city uniforms (Dávila, 2016, p.61). This is what Dávila (2016) euphemistically calls “soft costs”. In Barranco, according to local critics, the authorities go one step further: they accept “cuotas” but they do not even negotiate public infrastructure according to real needs; companies only provide such “extras” in the surroundings of their own development projects to improve their sales.

The other side of the coin is related to severe inequalities. Barranco is the smallest, most mixed, unequal, and socially divided district of Top Lima (Municipalidad de Barranco, 2017a). The socio-spatial configuration of the district differs from other Top Lima districts where poverty rates do not exceed 2%. Despite having a large upper and middle-income population, Barranco’s poverty rates reach almost 6% (INEI, 2013). Apartments in condominiums with luxurious enclosed leisure facilities contrast visibly with precarious adobe dwellings in quintas and solares that lack basic services, usually occupied by poor families. The district has a lopsided demographic distribution, in which the poor areas house doubles the population of the rich areas, resulting in spatial fragmentation (Carbajal, 2013; Municipalidad de Barranco, 2016a). Connected to the first part of our argument, local authorities arguably use funding that they claim they invest in better infrastructure to set up populist campaigns in the poor areas. Illustrative for this matter is that the current mayor of Barranco and his wife founded the “Asociación Manos Unidas por Barranco”. This association organizes and finances social support activities such as medical campaigns, donation of school supplies, raffles for household appliances, aerobics workshops, etc. targeting the poorest residents of Barranco (Asociación Manos Unidas por Barranco, n.d.). According to Vilma Gonzales (personal communication, 15 July 2017), activist of the district, the mayor provides those residents with donations and other gifts that the latter use to satisfy their daily needs in return of their votes. This triggers a vicious circle in which authorities of poor quality are always chosen by the poorest areas of the district which are casually the most populated ones – a mechanism known to exists for decades in most poor urban settlements in Latin America (Burgwal, 1995; Lowder, 1998). In addition, residents claim that the mayor has coopted all mechanisms for citizen participation in public affairs. In their view, the mayor abuses those mechanisms to monopolize his vision on urban development as well as his control over public funding.
In short, PPPs in Barranco have obscured public policies and urban planning to the extent that real estate companies which develop minor infrastructural works as part of the deal can use these aesthetical improvements to sell their products at higher costs meanwhile stressing their social corporate responsibility. Local authorities, in turn, present these “soft costs” as public works for the common good. In reality, urban development in Barranco has increasingly become the private-sector’s core business. Public policies and participatory procedures are decreasing and weakening the voice of sitting low income residents while neglecting the real infrastructural problems in the district, whereas the role of the private sector – realtors and others – is increasing. Urban renewal has become a charade in which the worlding and boosterism narratives of the authorities have concealed this de-commoning of spatial and political resources in everyday life.

Illustration 3: Remodeling of the “Arbocó” walkway, work executed by the construction companies “Imagina” and “La Muralla”

Illustration 4: Improvement and lighting of the central sidewalk of Avenue Grau, work executed by the construction company “EDIFICA”
Gentrification by depopulation: displacement by capital - not by people

In 2011, through the ordinance N° 1076, the Municipality of Lima determined that in Barranco, buildings of 15 and 21 stories high were permitted in premises around parks and avenues of four lanes (Municipalidad de Lima, 2011). This municipal ordinance in combination with the license to build apartments of less than 40 square meters resulted in the fact that locations near Barranco’s parks and avenues became profitable for construction companies. Consequently, an aggressive verticalization process was unleashed in urban areas between the parks and avenues, whereas medium and high-rise residential condominiums of studio apartments began to spread throughout the district. New housing blocks replaced single-story family houses where the lower income population lives, resulting in a drastic reshaping of the physical and social fabric of the district. As we argued above this process is purposefully facilitated by the local authorities who ease the construction regulations to allow the real estate and construction companies to develop the highest possible buildings with the smallest apartment sizes to maximize ground rent.

Due to their large magnitude, in an interview for the newspaper Argos, José García, specialized architect on heritage architecture named these buildings “Mega-scale developments” (Argos, 2010). These buildings have several elements in common. First, they are developed on terrains were once four or five adobe houses stood. These houses were acquired by the construction companies and transformed into one single block. Second, each project is built under a condominium regime (horizontal property and collective private services) entailing between 100 and 200 apartments (depending on the building height). Most of them are studios of 25 to 40 square meters. All of them offer privately-guarded spaces with common facilities only to be used by the residents, such as swimming pools, gyms, barbecue areas and game rooms. According to Abel Villacorta (personal communication, 02 February 2018), real estate agent of Edifica, these apartments target single professionals or couples without children in search of their first house. The large common amenities are destined to become the new living areas while the dwellings, due to their limited size, only serve as sleeping areas. Third, even though there are a few medium scale real estate firms in Barranco, most of the projects are owned by the largest, wealthiest, and technologically most advanced real estate companies in Peru. For instance, Imagina, Edifica and Viva G y M, which lead the national turnover of real estate activity of 2017, are responsible of 30% of the mega-scale developments in the district (Edifica, 2017, n.p.). This monopolization of land has similarly been noted by Delgadillo (2010) and López-Morales (2016a) for other Latin American cities and by Dávila (2016) with regard to the construction of malls.

Studio apartments in mega-scale developments are mainly seen as investment instruments due to their small sizes. Thus, even if they are purchased as houses, they are only intended to be temporary places of residence instead of places where new families can start their lives. Many middle-class apartment owners revealed in interviews that they decided to invest in property because they receive a much higher return rate on their investment than banks offer. Even if they do not have children, the apartments are considered too small as a permanent residence so the main reason to buy them is to be able to sell them a few years later and then use the money as part of the down payment for a larger residence. Many of the studio apartments are bought by small-scale investors acquiring between one and eight apartments in the same building to rent them out through short-term rental platforms. According to their testimonies, this way of renting out per day allows them to obtain higher rents, while the property itself deteriorates less than with a permanent tenant. Additionally, they say that renting out for short periods of time reduces the risk of long-term tenants not paying the rent. Real estate agents that develop new studio apartments in Barranco reported that only 35% of the studios on
average are being bought to be used as a home; the rest are being bought with the purpose of speculating and renting out.

This investment model has recently been expanded with a property management option offered by the same realtors, creating an advanced and long-term investment portfolio. As Juan Carlos Tassara, one of the owners of Edifica explained in El Comercio (2017b), when attracting new buyers or investors, the companies now offer a package deal that contains a rental management option for a fixed monthly payment so owners can dissociate themselves from the responsibility of becoming landlords. In order to do so, real estate companies have created subsidiary companies with a different trade mark and business line: hotel management. Under the name of such new companies, the realtors advertise sold apartments on short-term rental platforms such as Airbnb, Booking.com and Hotels.com, where they rent out apartments at higher rates than the monthly payment, making the package deal extra profitable (Gonzalo Arbulú, personal communication, 08 02 2018).

Illustration 5: Screenshots of the reception of Osma 360 (building developed by Edifica) and of the advertisement of Trendy Host (hotel management subsidiary company of the Edifica Group)


We argue that this process results in a specific form of gentrification in which investment formulas have resulted in a de facto depopulation of the area. Preceding the recent real estate boom, the district has seen a reduction in the number of residents between 1998 and 2007 from 42,000 to 29,000 (Carbajal, 2013). This argument is used by the authorities as a justification of urban renewal paired with a densification of the built environment. Since the district is said to receive five million tourists a month while lacking the hotel capacity for it, the authorities regard the package deal construction that has increased the offer of short term lease apartments as a win-win situation (Ana Victoria Díaz, personal communication, 25 July 2017). So, instead of building for the local market of people in need of housing, Barranco builds to accommodate tourists. Instead of repopulating the area, the construction boom increases the floating population of short-stay visitors producing a de facto depopulation. The displacement of sitting residents is not the result of an incoming local gentry that takes their location but of new investment portfolios that lure small-scale local investors to opt for package deals that accommodate a detached population-in-flux.

To conclude, most of the studio apartments being built in Barranco are not intended to meet real housing necessities but intended to be rented out to temporary residents who only see the district as a transit area. To be sure, such displacements change the connection between people and place and their sense of belonging. Neighbors lose a sense of neighborliness; many complain about a loss of local identity due to the influx of tourists (see Illustration 5). Moreover, most condominiums offer private leisure facilities inside, so residents or visitors do not need to use public space outside their buildings, turning new residents into unknown subjects. Studies in both Asian and Latin American cities about
the social impacts of newly gentrified neighborhoods evidence that social interaction between sitting low-income residents and newcomers is severely reduced (Inzulza, 2016; Turgut and Sismayazici, 2012). Gentrification by depopulation obstructs the formation of a local citizen consciousness since new owners of urban space are not residents, hence they do not experience any problems nor do they feel socially connected to the district. This, in turn, is a challenge for local political parties diminishing the possibility of critical citizenship; creating more possibilities for land grab, corruption and political clientelism which engendered this gentrification cycle in the first place.

Illustration 5: Post in Facebook page El Observador Barranquino with complaints of sitting residents

Source: https://www.facebook.com/groups/1777164085842597/about/ (accessed 24 April 2018)

Conclusions

Since 2007, Lima has experienced an intense urban renewal process released by a real estate boom. This process has not affected all urban areas in the city equally. The new housing production targeted the central areas for speculative purposes, while housing construction in peripheral areas was carried out informally in increasingly remote and dangerous places. The only route towards urban development considered by local authorities of Lima is the one triggered by private real estate developments and commodification of the housing production. Likewise, the absence of well-established integral urban policies between Lima’s metropolitan authority and the districts’ authorities has generated an institutional vacuum where districts’ authorities establish urban policies according to their criteria and convenience. The combination of a lack of planning, the abuse of power and illegitimate uses of citizen participation mechanisms have generated a phenomenon that we have called de-commoning in disguise, which consists of two interconnected sides: first, the acceptance of “cuotas” in kind by the municipality to pretend they execute infrastructural projects whereas in fact these are executed by the real estate companies in exchange for flexible urban parameters and construction permits; and, second, a system of clientelism targeted at the poor areas to take away the most fierce forms of criticism. As we have demonstrated, real estate companies negotiate with the Municipality of Barranco the construction of small infrastructure works around the new buildings in exchange for these above-mentioned
favors to promote the development of profitable real estate projects. These deals are carried out under the name of public-private agreements supported by the current legal framework. Through these agreements, the Municipality of Barranco legitimizes the renewal process claiming that it benefits all residents. However, far from improving living conditions of the long-term residents in the poorest areas of the district, PPPs create a shady atmosphere that covers up weak public management. Given that the local authorities control the mechanisms of citizen participation, they construct minor infrastructural works that are presented as outcome of participatory processes whereas in fact these do not correspond to residents' demands. Also, due to the non-binding nature of PPPs, these works have a questionable technical quality and are not subject to accountability processes. Furthermore, local authorities claim authorship of these works while they were entirely executed by the real estate companies. In this way, local authorities use PPPs to make residents believe that they are doing their job. Although the local authorities claim that these works are executed with public resources, there is no evidence of the destination of these public funds after all. Sitting residents believe that these funds are (ab)used in political campaigns to obtain votes in the poorest areas of the district. In this way, the PPPs in combination with populist practices perpetuate the election of unaccountable political authorities, while reducing the possibilities of long-term residents to participate in decision-making processes about the fate of their urban district. The decrease of public urban space in combination with decreasing participation constitutes the de-commoning phenomenon we refer to here.

The favorable scenario for highly profitable real estate projects in Barranco is producing the proliferation of medium and large-scale condominiums with enclosed recreational facilities and expensive studio apartments of small size and high square meter prices intended to be purchased by middle-income buyers. Although part of the buyers acquires these dwellings to meet their need for temporary housing, most of the buyers are small-scale investors purchasing the property to speculate with square meter prices and generating an additional source of income through renting their apartments on short-term rental platforms. As a result, the urban renewal process shows the classic effects of new-build gentrification such as displacement of low-income households to give way to new forms of housing (medium and large-scale condominiums) whose owners are wealthier middle-income sectors (cf. Inzulza, 2016; Gaffney, 2016; Díaz, 2013). However, most of the new dwellings are not built to be inhabited but to be rented out to short-term occupants, which produces a de-facto depopulation of the district or, as we call it, gentrification by depopulation.

In this context, the real estate companies have developed an experimental business model in Barranco to increase their profit. They offer administration services to new apartment owners in return for a monthly fix payment. Through a subsidiary hotel management company (that they own) they offer the apartments through short-stay rental platforms. This way they extract rent from both the production of housing and the temporary rental business. For small scale investors – usually middle class Limeños – this option is much more attractive and secure than any other investment option. Hence, indirectly, small-scale investors have a leading role in the urban real estate renewal process of Barranco. The actors that profit most from the rent gap might be the realtors, local middle-class investors are the ones sustaining this new model. Different from other scholars who claim that local middle classes in Latin American cities are too passive and weak to even be called gentrifiers (López-Morales, 2015; 2016b; Cummings, 2016) we conclude that in Lima these groups sustain the gentrification model that we have described in this paper.

Ultimately, and politically speaking, gentrification by depopulation minimizes the possibility of new owners to develop a sense of belonging with the district. Moreover, since these nonresidents are not exposed to the side-effects of urban renewal this reduces the
possibility of creating citizen’s awareness with regard to choosing more accountable local authorities and preventing de-commoning in disguise. However, new nonresidents are the potential future voters in the following municipal elections (as voting is compulsory in Peru). Therefore, one strategy political groups could develop in order to tackle this de-commoning and de-population phenomenon, is to appeal to these (future) voters’ short-term interest, stressing that any further deterioration of urban space and services will certainly affect the rentability of their apartments in the years to come.

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