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Assessing exclusionary displacement through rent gap analysis in the high-rise redevelopment of Santiago, Chile

Ernesto López-Morales 

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Abstract

Rent gap theory is used here as a way to analyse exclusionary displacement in six high-rise urban renewal areas in Santiago, Chile. Drawing on a survey of 746 original households, this article finds 40 per cent of low-income owner-residents do not have the chance to purchase new replacement accommodation using the portion of rent gap they capture after selling their land to high-rise developers. Whilst the sale price of new apartments rises, a particular type of blockbusting limits the choices of the low-income residents to selling at a good price or staying put. The ratio between the different ground rent levels captured either by developers and original owner-residents confirms the extensive power deployed by the large-scale real estate firms at the moment of gentrifying central areas and the extent to which they generate residential

displacement. The ground rent capture is a political economic process, not a function of the market.

Keywords:

Rent gap

exclusionary displacement

blockbusting

gentrification

urban renewal

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Notes

1 See for instance, Chile (López-Morales, [2010](#), [2011](#), [2013](#)) or South Korea and China (Shin, [2009a](#), [2009b](#)). Rent gap has been recently used by anti-gentrification activists in

London, UK, as an argument for nurturing their challenge of the dominant systems of urban segregation (London Tenants Federation, Lees, L., Just Space, and Southwark Notes Archive Group, [2014](#)).

2 This is not the case in Manhattan, epitome of a market dominated by high rises, where the “volume” of redevelopment is brought only to the point where marginal profits equal marginal construction costs (see Glaeser et al., [2005](#)). Thanks to reviewer 2 for raising this issue.

3 This is excluding the more affluent eastern districts of Santiago.

4 Official data obtained from the specialized Ministry and Housing and Planning website <http://www.observatoriohabitacional.cl>

5 Thanks to reviewer 3 for this clarification. In Chile it is a criminal offence to inform incorrect data to the Property Registry Data Base (PRDB).

6 Thanks to reviewer 2 for suggesting to add this point to the analysis.

7 Probably the biggest problem of rent gap analysis is that it focuses specifically on ground rent therefore it is hard to calculate the distinction between ground rent and wholesale rent (including the value of the building). Thanks to reviewer 3 for this clarification.

8 The UF is an account unit used in Chile which is daily adjusted due to inflation. One UF corresponds to US\$ 43, and 3000 UF is equivalent to US\$ 129 000 (March 2014 exchange rate).

9 These markups might seem astonishingly high but not that much for the normal profits achieved by real estate developers in Chile.

10 Conservador de Bienes Raíces de Santiago.

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