Mountains and the Sea: An Analysis of the 2010 Real Estate and Retail Sectors in the Metropolitan Region of Valparaíso–Viña del Mar, Chile

Author(s): Axel Borsdorf and Rodrigo Hidalgo
Published By: International Mountain Society
DOI: http://dx.doi.org/10.1659/MRD-JOURNAL-D-11-00080.1
URL: http://www.bioone.org/doi/full/10.1659/MRD-JOURNAL-D-11-00080.1
Mountains and the Sea: An Analysis of the 2010 Real Estate and Retail Sectors in the Metropolitan Region of Valparaíso–Viña del Mar, Chile

Axel Borsdorf* and Rodrigo Hidalgo*

Introduction

Living in the mountains and looking out to the sea appeals to many Chileans in search of amenities that combine the opportunities offered by nature. Mountains and the sea are an ideal combination—not just for tourists but also for second homes and main homes of people who appreciate the amenities of both types of natural spaces. In the case of the metropolitan region of Valparaíso–Viña del Mar, the short distance to the Chilean capital, Santiago; access to a World Heritage Site (the city center of Valparaíso); and access to the leisure facilities of Chile's most attractive coastal spa (Viña del Mar) complement the amenities offered by nature. This paper provides information on the dynamic real estate market and the growth of the commercial sector in this agglomeration. It shows that high prices for domiciles with a sea view have led to new urban development farther inland. Thus mountain amenities are becoming more attractive to people moving to the Pacific Coast; however, the ongoing housing development can hardly be considered to correspond to the objectives of sustainable urban development.

Keywords: Urban development; real estate market; amenities; Chile; Pacific Coast.

Peer-reviewed: May 2013 Accepted: June 2013

This inflow has greatly intensified real estate activity. Most affected are the municipalities of Viña del Mar and Concor, where parts of the more elegant residential districts, sea view platforms, and hinterland are only loosely built up. At the same time, the commercial and tourist infrastructure, the beautiful sandy beaches, and the walking trails in the nearby national park and biosphere reserve offer all the amenities that the capital often lacks. Even in the densely built-up city center of the port of Valparaíso, a designated United Nations Educational, Scientific, and Cultural Organization (UNESCO) World Heritage Site, urban regeneration measures have been set in motion that will increase the attraction of this municipality for affluent people.

For some time, real estate firms have acted as developers and become key drivers of urban development. This has inspired academics to take a closer look at urban development processes in general and the role of the real estate sector in particular. This paper provides information on the dynamic real estate market and the growth of the commercial sector in this agglomeration. It shows that high prices for domiciles with a sea view have led to new urban development farther inland. Thus mountain amenities are becoming more attractive to people moving to the Pacific Coast; however, the ongoing housing development can hardly be considered to correspond to the objectives of sustainable urban development.

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activities are greatly influencing world heritage; however, this has not been analyzed from the perspective of sustainable urban development. The present article is an attempt to help close this research gap.

An additional issue that research focuses on is the objective to protect the UNESCO World Heritage Site of the port of Valparaiso, which could trigger conflicts of interest between the real estate sector and the defenders of the historic cityscape. In this context, we observe gentrification, which results in a certain upgrading and revitalization of urban life but is not always compatible with preserving the traditional image of the city (Moreno and Jurado 2009). This historic image is also threatened by urban decay, termed “tugurization” in Chile (from the Peruvian tugario, or hovel; see Contreras 2010; Borsdorf and Hidalgo 2012). The present article investigates the real estate on offer in 2010 in terms of advertising, number of properties, location, and price and relates it to the commercial infrastructure. It aims to contribute to the debate about sustainable urban development in an attractive location between the sea and the mountains. Urban sustainability is defined as environmentally friendly, socially coherent, and economically strengthening development. It includes the search for socially just and inspirational measures, such as reducing social exclusion and strengthening participation.

**Methodology**

The study is based on an analysis of real estate offered on the Internet (finished apartments and houses for sale, as well as unfinished projects already advertised). The captured data were entered into a database that included geographic coordinates, address, municipality, type of real estate (apartment or house), vendor, name of the project, floor space in square meters, number of stories, number of residential units, number of rooms, and value of the unit (measured in the Chilean ratable value, ie unidad de fomento [CLF, formerly UF] 1 = US$ 44 or € 36). The data were verified in situ and amended as necessary. To allow time-slicing, we then added the advertisements in the leading daily newspaper, El Mercurio de Valparaíso, from 1992, 1995, 2000, 2005, and 2009 (Anonymous, 1992–2009). Commercial units are retail, restaurants, and service units. Table 1 gives an overview of the statistical data used for this analysis.

The analysis was performed with descriptive statistics based on a study of primary sources, such as the national census of population and housing, updated in 2012; building permits for new residential construction; and official trade data for the country—municipal, regional, and national—from the internal revenue service.

**Study area**

The municipalities studied are located in the metropolitan region of Valparaíso–Viña del Mar (population: 1,759,167) and include all coastal towns, Valparaíso (population: 272,543), Viña del Mar (population: 291,602), and Concón (population: 56,594; all figures are the most recent available data from 2010). The highest average monthly household income, $ 1,448 (US$ 1882), was found in the municipality of Concón, followed by Viña del Mar at $ 900 (US$ 1170) and Valparaíso at $ 899 (US$ 1168). On average, dwelling units were inhabited by 3.5 (Concón), 3.6 (Viña del Mar), and 3.7 (Valparaíso) people.

Greater Valparaíso consists of 5 municipalities: the coastal municipalities of Valparaíso, Viña del Mar, and Concón and the municipalities of Quillpue and Villa Alemana, which are located inland. According to the 2012 census, the 5 municipalities have a total population of 934,859. The main study area for this article was the coastal towns, which reflect the difference between mountain and sea and are relevant to understanding the attractions that real estate investment projects exploit in these places, taking advantage of the natural physical attractions of the coastal landscape.

The attractions of these municipalities include their favorable location; the picturesque cityscape of Valparaíso, with its deep sea and fishing ports, funiculars, sea view platforms, museums, and attractive higher quarters; the elegant atmosphere of Viña del Mar, with its casino, the annual music festival and theatre, luxurious

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**TABLE 1 Sources of data.**

<table>
<thead>
<tr>
<th>Data</th>
<th>Source</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building permits for new residential construction</td>
<td>Municipal archives</td>
<td>2000–2010</td>
</tr>
<tr>
<td>Population figures and housing census</td>
<td>The national census of population and housing</td>
<td>2002, 2012</td>
</tr>
<tr>
<td>Commercial establishments and commercial units</td>
<td>Phone directories for 2010–2011 and municipal patents for commercial units in 2011</td>
<td>2010–2011</td>
</tr>
</tbody>
</table>
beaches, botanical gardens, and good choice of restaurants; and finally the traditional seafood restaurants of Concón and its Grand Hotel. In Concón there are magnificent dunes on a higher terrace (Santuario de la Naturaleza Campo Dunar de la Punta de Concón, see Elortegui 2005), perfect for various leisure activities and merging at the edge with hilly woodland. Sports enthusiasts enjoy the horse-racing grounds in Valparaíso, numerous tennis courts, and an 18-hole golf course. The coast offers ideal conditions for surfers, windsurfers, and yachtspeople. The beautiful surf entices swimmers even at low water temperatures.

The municipalities in this study are located on the ocean-facing slopes of the coastal cordillera, which offers much local color in the form of huasos (Chilean cowboys) rodeos, festivals and other rural festivities, and especially many typical rural inns. La Campana National Park, which is also a UNESCO Biosphere Reserve, provides a well-kept network of walking trails for hikers (Elortegui and Moreira 2002). Guided walks to the peak at 1828 m are also on offer. The park is surrounded by daytrip destinations with excellent infrastructure that have already become the targets of some amenity migration (Borsdorf and Hidalgo 2009).

The climate is pleasantly temperate and—typically for the maritime location—well balanced throughout the year. Sea breezes and land winds provide ventilation. Summer daytime highs average 20°C, falling in winter no lower than 15°C. At night, throughout the year, temperatures drop to 5°C, which is much appreciated by the local population. The average annual precipitation of 462 mm falls between May and October; all other months remain dry. The 25 coastal resorts are within easy reach and stretch over 130 km toward the south.

The density of commercial activities is highest in Valparaíso and lowest in Concón. This trend continued through 2008–2009, with Concón benefiting most from the newly constructed commercial infrastructure. New residential construction was heaviest in Viña del Mar (Table 2). Nevertheless, it is doubtful whether declaration of the core districts of Valparaíso as a UNESCO World Heritage Site fulfills the objectives of sustainable urban development. This is analyzed later.

### Results

#### Building permits

Between 2001 and 2010, a total of 1939 building permits were granted in the study area. Figure 1 shows their distribution across the three municipalities: 58.2% went to Viña del Mar, 35.3% went to Valparaíso, and only 3.5% went to Concón. The number of building permits correlates positively with the average price (Table 3): the more expensive the residential units, the greater the demand. This suggests an improvement in the quality of the residences on offer, particularly in Viña del Mar.

#### Location of new developments

Most new residential units are being constructed in Viña del Mar. In 2009 a total of 2270 apartments from 21 building projects were put on the market. In 2010 the number of projects in this municipality rose to 41, while 29 projects were put on the real estate market in Valparaíso and 20 projects were listed in Concón. Most residential construction in 2009–2010 took the form of high-rise apartment buildings (85.6%), erected as vertical condominiums (vertical gated communities). In only 13 projects (14.4%), bungalows were constructed in condominiums (horizontal gated communities). Closed

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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Concón</td>
<td>1718</td>
<td>19,954</td>
<td>572</td>
<td>611</td>
</tr>
<tr>
<td>Valparaíso</td>
<td>44,375</td>
<td>37,020</td>
<td>2235</td>
<td>1454</td>
</tr>
<tr>
<td>Viña del Mar</td>
<td>13,547</td>
<td>8533</td>
<td>2804</td>
<td>2270</td>
</tr>
<tr>
<td>Total</td>
<td>59,640</td>
<td>65,507</td>
<td>5611</td>
<td>4335</td>
</tr>
</tbody>
</table>

bungalow quarters in Concón fetched prices of CLF 4000–6000 (US$ 176,000–264,000), and apartments, depending on size, were priced between CLF 1100 (US$ 48,400) and CLF 8300 (US$ 365,200). In Valparaíso, the units were noticeably cheaper, with bungalows available from CLF 1326 (US$ 58,334) to CLF 4122 (US$ 181,368) and apartments available from CLF 667 (US$ 29,348) to CLF 4479 (US$ 197,076). Apartments in Viña del Mar fetched top prices of up to CLF 20,500 (US$ 902,000). In the only horizontal gated community built during that time, the maximum price was CLF 4479 (US$ 197,076). Aspects of location determine pricing. Sea views fetch the highest prices.

**TABLE 3** Variations in price, expressed as ratable value (CLF), for newly constructed residential units in the municipalities of Concón, Viña del Mar, and Valparaíso, 1992–2009.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Changes in price by CLF ratable value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concón</td>
<td>1.00</td>
</tr>
<tr>
<td>Valparaíso</td>
<td>17.20</td>
</tr>
<tr>
<td>Viña del Mar</td>
<td>2.11</td>
</tr>
</tbody>
</table>


**FIGURE 2** Location and price levels of residential building projects and density of retail and service provision in 2011; UF = CLF. (Design by the authors)
The processes that resulted in the formation of the continuous urban seafront of greater Valparaíso are related to the expansion of the port city of Valparaíso and to the consolidation of its main roads, both to Santiago and to the coastal settlements and the Aconcagua Valley (Salinas 1967).

Valparaíso has been economically significant as the second most important port and service center in Chile since the 1820s, when it exceeded 20,000 inhabitants. The annexation of Viña del Mar came with the location of certain industries in the last decade of the 19th century and with the emergence of early coastal resorts (Cáceres and Sabatini 2003). The physical link is the Concón road that joins it with Viña del Mar, first constructed in the 1920s and upgraded in 1930 (Sumonte 1994). With a predominantly residential function associated with the consolidation of the resort and leisure activities, Concón is a destination for the population of Santiago and its surrounding areas.

The process described gave rise to a bipolar city with high- and middle-income residential quarters mainly in flat areas of Viña del Mar, as well as on the lower coastal terraces in Reñaca. High-rise buildings were constructed in the same space beginning in the 1950s as main or second homes for migrants from Santiago. This also occurred in some sectors of Concón near the coastline and in Valparaíso in the last decade, where the hills near the lower flat coastal terrace have been built up with high rises.

Valparaíso’s urban development has changed as a result of its status as a UNESCO World Heritage Site. Restrictive regulations for new buildings applying for construction permits in the heritage area have triggered a movement to other areas of the district.

In the municipality of Viña del Mar, building plots with a sea view are becoming scarce despite high-rise building activity. The real estate firms try to make up for this deficit with proximity to retail and service centers. Increasingly, however, projects are initiated in the middle of the coastal cordillera. An entire new town is being built in Curauma, on Valparaíso territory—so far without retail outlets or services (Borsdorf and Hidalgo 2008b). Figure 2 shows the location of the residential projects from 2010 in

<table>
<thead>
<tr>
<th>Municipality</th>
<th>2002</th>
<th>2012</th>
<th>% VAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valparaíso</td>
<td>282,840</td>
<td>294,848</td>
<td>4.07</td>
</tr>
<tr>
<td>Concón</td>
<td>18,872</td>
<td>37,765</td>
<td>50.03</td>
</tr>
<tr>
<td>Viña del Mar</td>
<td>285,454</td>
<td>331,399</td>
<td>13.86</td>
</tr>
<tr>
<td>Total</td>
<td>587,166</td>
<td>664,012</td>
<td>11.57</td>
</tr>
</tbody>
</table>

Source: INE, 2011. %VAR, percentage change.
relation to the density of retail outlets and services on offer. Geographic information system (GIS) data were not available for Concón, so it could not be included in the GIS part of the study. The nearby La Campana Biosphere Reserve starts just north of the area of the map. A part of Peñuelas National Park (also part of the La Campana Biosphere Reserve) can be seen on the southern part of the map (see Figure 1).

As plots near the coast become ever scarcer, real estate companies are increasingly developing alternative locations that are readily accepted by customers. Inner-city restoration in Valparaíso has virtually no benefits from these developments. Instead, even in poorer districts, plots with a sea view are being razed and built up with high-rise apartment blocks. This must be seen in connection with the deepening fragmentation of urban development typical for Latin American and Chilean cities (Borsdorf and Hidalgo 2008a). “Islands of the rich” subsequently merge into a “sea of the rich.” An even stronger trend is that of building in attractive valleys and on the slopes of the coastal cordillera. This includes plots far from any services, which offer good air and the enjoyment of an attractive landscape (Figure 3).

Housing market
The housing market in the seafront municipalities of greater Valparaíso is segmented by type of housing and buyers. Tables 4 and 5 show there has been a significant increase in housing units between 2002 and 2012 and a proportionally smaller increase in the population. However, although Chile is still a distant reality from the perspective of developed countries, there are early signs of these residential units being bought up by people from other countries. In the past 5 years, residence permits for seniors have increased by 36%, and permits for temporary senior residences have increased by 68%. These are usually elderly people who sell their property and come to settle in Chile so as not to die in a nursing home. They come to live in a place with great weather and lower costs than Miami and the Spanish Mediterranean coast and to enjoy a good quality of life and a different cultural environment (Portalinmobiliario.com 2011).

In addition, Chileans living in Argentina, the United States, Spain, Venezuela, and Sweden, as well as nationals of these countries, have listed Internet sites to acquire properties for a second home. On a smaller scale, people from other countries, such as Tahiti, Croatia, Russia, Japan, Brazil, Mexico, Costa Rica, Ecuador, and Germany, have accessed such sites. Foreigners list 3 major motives for wanting to move to Chile from their home country: they want to work there, they want to spend holidays there, or they see it as a good location for investment in property (Portalinmobiliario 2009).

Aspects of sustainability
Urban development in the Valparaíso–Viña del Mar conurbation cannot be seen as sustainable. Some new tall buildings have been constructed in the sensitive environment of the Concón dunes and have heavy impacts on the ecosystem (Elórgtegui 2005). Social segregation is being accelerated, and social coherence is endangered. Urban development is driven by private real estate corporations and is not controlled by the municipality, as a result of the Chilean neoliberal climate in which the influence of the public authorities is diminished. Favorable locations are bought by these corporations, while local people can barely afford the purchase of lots or apartments. The municipalities should accordingly make some efforts to again gain control of urban development.

Conclusion
Recent building activity has mainly benefited the elegant sea resort of Viña del Mar, with its large coastal platform and the gentle slopes that include many sea view locations. In terms of population, this municipality is now the leading metropolitan region; it overtook Valparaíso in the 2002 census for the first time.

Concón, by far the smallest municipality, includes only a small coastal platform. The steep slopes offer no feasible building plots; potential building plots for new projects are restricted to the high terrace and the hinterland. Even so, increased new development is taking place here in the coastal cordillera. Some impressive modern high-rise buildings directly at the incline toward the sea are fetching premium prices. At the same time, new locations farther inland are attracting ever more new inhabitants, even though the sea and the retail centers can only be reached by car.
Valparaiso has not made the most of options to renovate its city center in the wake of its designation as a UNESCO World Heritage Site. Early signs of inner-city revival through gentrification can be observed, but it is here that fragmented urban development is most noticeable in the cityscape. This is partly because of the large proportion of low-income households in this city, whereas the populations of Viña del Mar and Concón are almost exclusively middle- and higher-income families, which inhibits fragmentation.

Mountains and the sea are the key attractions for people to move to this area. Clear air, a pleasant climate, and abundant leisure options, plus the high social prestige of the metropolitan region, further increase the popularity of the area. The coastal cordillera is becoming increasingly popular, partly because building plots with a sea view have become scarcer but also because the Chileans increasingly appreciate mountain settings. However, the ongoing housing development does not correspond to the objectives of urban sustainable development.

ACKNOWLEDGMENTS

The authors thank Fondecyt for funding this project (No. 1095222), “The transformation of central place: commercial restructuring and residential gentrification. The case of Santiago, Valparaiso and Viña del Mar” and (1120223), “Real estate and second homes: the city without limits in the towns of the coast on Valparaíso Region (1992–2012)”.

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