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POLITICAL ECONOMY OF THE PRODUCTION OF HERITAGE SPACE IN A CENTRO HISTÓRICO: ATTRACTING REAL ESTATE CAPITAL, EXPELLING PEOPLE. THE CASE OF CARTAGENA (COLOMBIA)

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PEOPLE. THE CASE OF CARTAGENA (COLOMBIA).

DISSERTATION

A dissertation submitted in partial fulfillment of the
requirements for the degree of Doctor of Philosophy in the
College of Arts and Sciences
at the University of Kentucky

By
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2021

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ABSTRACT OF DISSERTATION

POLITICAL ECONOMY OF THE PRODUCTION OF HERITAGE SPACE IN A CENTRO HISTÓRICO: ATTRACTING REAL ESTATE CAPITAL, EXPELLING PEOPLE. THE CASE OF CARTAGENA (COLOMBIA).

Cartagena is a South American city whose historical built environment has been recognized as a World Heritage Site due to the preservation of elements of the Spanish military architecture of the 16th, 17th and 18th centuries. This recognition promoted a tourist and real estate boom in the Centro Histórico and, as a result, its inhabitants have faced gentrification dynamics that are expelling them to other areas of the city. During the last 15 years, these dynamics have shown a strong acceleration. Therefore, the Centro Histórico is experiencing, on the one hand, huge inflows of capital for the purchase of properties and, on the other hand, the greatest demographic drop in five centuries as a result of intra-urban migration from the Centro Histórico to the rest of Cartagena. This dissertation examines the links between real estate capital, heritage, growth coalition, and their effects on the diffusion of housing prices from the area with the highest capital inflow to the rest of the city. First, using a mixed-method approach, I show that behind the accelerated gentrification in the city there are national and transnational real estate investors who took the built environment of the Centro Histórico as a spatial fix in the global crisis scenario. The maintenance and increase of the profit rate have been achieved using the heritage label that attracts tourist consumers and that drives the continuous increase in potential land rent. Then, through Critical Discourse Analysis strategies, I identified discursive narratives to approach the understanding of the representations of space that are constructed from the growth coalition formed by public and private actors. I argue that the main strategy of the coalition is to repeatedly demonstrate the benefits of real estate and tourism activities, the authenticity in the city, and the heritagization of what could be attractive to capital. Finally, using quantitative spatial analysis, I evaluate how the increase in real estate prices in the Centro Histórico is impacting, as a ripple effect, the changes in housing prices in the rest of the city and, as a result, disrupting the affordability of housing for lower-income families.

KEYWORDS: Real Estate Capital, Centro Histórico, Political Economy, housing affordability, diffusion of housing price, growth coalition

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05/25/2021

Date

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DEDICATION

To my beautiful wife Virginia Martinez and my wonderful children Valentina and Simón.

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CHAPTER 1. INTRODUCTION

This dissertation examines how real estate capital, during and after the global crisis of 2008, takes advantage of and reproduces the heritage condition of the Centro Histórico to transform the place into a new investment asset. In order to sustain and increase the arrival of capital, public and private actors work in an articulated way (as a growth coalition) promoting narratives that help to guarantee the profitability of capital and that create a consensus in the city towards the protection of the elements that provide that profitability. The arrival of new real estate capital has created a strong expansion of housing prices in the Centro Histórico which is impacting, as a ripple effect, the change in housing prices in the rest of the city and affecting the affordability of housing for low-income families.

In this introductory chapter, I begin by explaining my relationship with the area of study and my personal experience that motivates this dissertation. Then, I present a brief contextual description of Cartagena and its Centro Histórico. Later, I lay out my research questions, the general theoretical framework, and the methodological strategies used. In the end, I briefly explain the structure of the dissertation.

1.1 How was the research idea born?

At the end of the 20th century, I was studying for my undergraduate degree in economics in Cartagena. I was taking classes in the San Agustín building, a former convent in the Centro Histórico that was converted in 1827 into the University of Cartagena. During a portion of my stay in Cartagena, I lived in the house of Mrs. Alicia which was located on Calle Santo Toribio. This house was one of the hundreds of cheap options where university students could rent a room in the Centro Histórico while studying in the city. Given that this University is one of the largest in the Colombian Caribbean Region, many students from nearby towns and cities came to study there and most of the families from the Centro Histórico rented one or more rooms to students like us. In addition to the University of Cartagena, this area of the city concentrated other universities and secondary schools, and

therefore, the Centro Histórico and some of its economic activities were strongly oriented towards the daily needs of students. University life in this space coexisted with the traditional residential and commercial uses of a downtown area and with the presence of tourists who, although they were frequent, did not yet have a significant population weight in the local landscape.

In 2001, I went to study for a master's degree in Bogotá and almost a decade later I returned to Cartagena. Some areas of the Centro Histórico were beginning to change remarkably. Almost all the places where students used to spend their free time, eat or buy study materials had disappeared. The building in front of the University, which fulfilled part of those functions, was now a luxury hotel. The building had been bought by the millionaire Woods Stanton, owner of the McDonald's franchise for Latin America. Most of the students no longer inhabited or used the Centro Histórico. Several academic programs of the University of Cartagena, plus four universities and three schools had been transferred to other parts of the city. I got used to a Centro Histórico with fewer local people and more tourists. Then, in 2014, before starting my doctoral studies in geography, I observed that the transfer of the local people and activities to areas outside of the walled Centro Histórico area no longer seemed a phenomenon limited to certain streets, but now seemed to be occurring in a generalized way throughout the Centro Histórico. Calle Santo Toribio also looked different. Two new luxury hotels, three international restaurants, and several newly restored homes dominated the street landscape. Mrs. Alicia was not there either. Ten years before, she sold her house for a lot of money and now she lived outside the Centro Histórico. The buyer was a company located in Bogotá whose main economic function is to develop financial and real estate activities. Strangely, since that purchase, the house has been empty and in serious disrepair.

These elements fit into the gentrification processes that residents and some researchers have been debating and addressing in the last 20 years. However, as an economist educated in a traditional school of thought, for me it was somewhat incomprehensible to me that while the global north was suffering from an aggressive financial and real estate crisis, at the same time, the Centro Histórico of Cartagena was

undergoing such a significant urban transformation. Where did the money come from? If there is gentrification, who is behind it? Why do they buy properties to keep them empty and in progressive deterioration? What are local economic and political actors doing so that this money for real estate purposes reaches the city? What impact does the inflow of money have on real estate prices in the Centro Histórico? Is the dynamics of the prices of the Historic Center impacting housing prices in the rest of the city? This group of questions motivated the beginning of this research.

1.2 The study area

Cartagena was founded in 1533 in the place where the Calamarí indigenous people previously lived. During the colonial period, the city (what is now called the Centro Histórico) was one of the main ports in South America for the shipment of gold and the arrival of the enslaved population. For this reason, the crown shielded the city with a group of walls and fortifications that stopped the recurrent attacks from France, England, and the Netherlands. The city belonged to the Spanish crown for nearly three centuries until gaining independence in the second decade of the 19th century. Since then, the city has expanded beyond the walls in areas with a very homogeneous population internally but very unequal economically compared to other areas (Rey, 2018). For this reason, several authors affirm that Cartagena has strong socio-spatial segregation whose origins date back more than a century (Deavila, 2019; Flórez, 2015).

The city is the fifth largest in population in Colombia (1,028,000 inhabitants) and the fourth with the highest demographic density (1,618 inhabitants per km²). Cartagena is the capital of Bolívar, one of the 32 departments of the country. The urban area has a rugged and irregular morphology due to the existence of numerous coastal areas and interconnected internal bodies of water, as well as the mountainous formation called Cerro de La Popa which, with an elevation of 150 meters above sea level, constitutes a visual and delimiting reference of the city. Those who live northwest of La Popa are mostly high- and upper-middle-income families, and those who live southeast of La Popa are mostly low- and lower-middle-income families.

The Centro Histórico has an area of approximately 1 square kilometer. The place is made up of three neighborhoods: Cathedral, San Diego, and Getsemaní, as shown in Figure 1.1. The three neighborhoods were built during the colonial period, but since their formation, they have clearly differentiated structures and architectural characters as a result of their socio-economic origin. As noted, the Centro Histórico is surrounded by a set of walls that in the past functioned as an element of military defense and in the present acts as a material and symbolic border in relation to the rest of the city (Rinaudo and Cunin, 2005). In 1984, Unesco declared that these walls, along with other Spanish military fortifications, are a world heritage site.

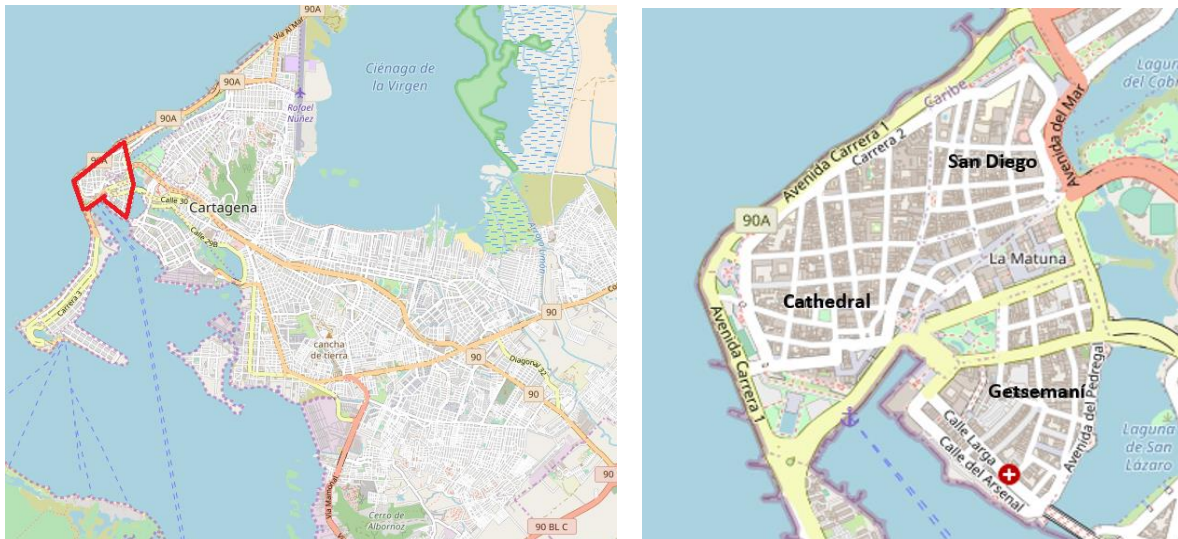


Figure 1.1 Map of Cartagena and the Centro Histórico. Source: OpenStreetMap

This declaration encouraged the penetration of global capitalism into the planning process and tourist activity in the city. The discourse of the defense and conservation of heritage classifies the built environment through architectural and historical ratings (Cunin and Rinaudo, 2008). Local governments and academia promoted the discourse of using the heritage condition as a source of economic resources (Deavila, 2019). In the Centro Histórico, large hotel chains converted convents and hospitals into luxury hotels, and neighboring houses were remodeled by the national elite to be used as summer homes (Scarpaci, 2005). As a result, the price of land increased by 600% in the last 20 years and the gentrification took a general dimension throughout the walled area and its surroundings.

Today, several native residents moved to new neighborhoods for the middle class, but others continue to resist the force of gentrification and reject proposals for buying their homes (Díaz and Paniagua, 1994). Cathedral and San Diego have been almost completely gentrified. Currently, Getsemaní begins to face the same process (Posso, 2015).

This gentrification process does not appear to consist of a replacement of the population of one class by another class with higher incomes. Although it is true that hundreds of people have sold their properties and moved out of the Centro Histórico, the buyers do not appear to be obtaining these houses to reside in. As I will see later, part of these properties is being bought for tourism purposes, but others are being acquired for financial speculation purposes. As a result, the population in Centro Histórico has fallen by 83% in the last 15 years. While, since the colonial period, the population size of this area used to be around 12 thousand inhabitants, now the Centro Histórico is only inhabited by 2 thousand people, as shown in Figure 1.2. This is the largest demographic drop since the founding of the city.

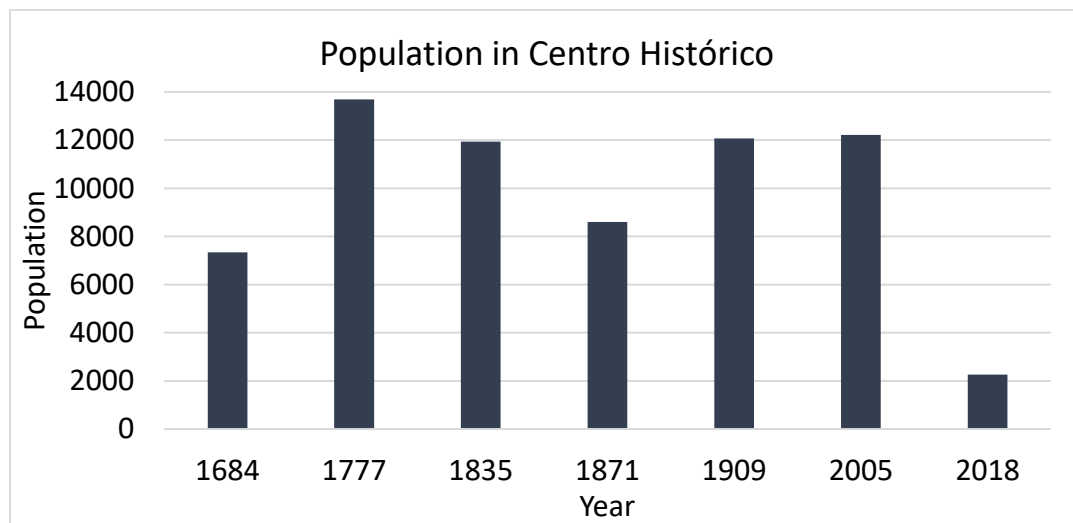


Figure 1.2 Population in Cartagena's Centro Histórico, 1684-2018. Source: National Census Dane 2005 - 2018 / Aguilera and Meisel (2009)

According to reports from international real estate agencies, the attraction for the city's real estate sector comes from Colombian expatriates, American retirees, and financial

investors. Although there is a traditional foreign interest in buying houses in Cartagena, during the last decade the attraction has increased significantly. Real estate advisers (Giambruno, 2016; Sisson, 2016; and Peddicord, 2013, 2015) indicate that Cartagena is currently attractive to investors because the security of the country has improved, there is no limit to property purchases by a foreigner, fees and commissions are relatively low, taxes are low or zero in some cases, maintenance costs of housing and life are minimal, and labor is cheap. Not even the financial crisis of 2008 has slowed down the real estate push, as a construction entrepreneur pointed out in 2009: "All forecasts are against, cheap dollars and economic recession, but Cartagena is consolidating as a leader in construction and sales of second homes" (Arturo Cepeda, August 22, 2009. *El Tiempo* newspaper).

The data from the National Federation real estate (Forbes, 2020) indicate that the Centro Histórico is the area with the highest price per square meter of the country. In addition, the annual growth of this value outperforms other Colombian cities. The Federation explained that these values are the result of foreign demand for housing in the city and the scarcity of buildable land. Some of those who lived in Cathedral, San Diego, and Getsemaní have sold their properties and possibly moved to other areas of the city. High-class families cannot find housing in the Centro Histórico and thus initiate high-end real estate projects in the closest neighborhoods and areas of expansion. In turn, the middle class expelled from their neighborhood tends to move to new homes located next to lower-class neighborhoods. Finally, the underclass continues to move to the peripheries.

1.3 Research questions

This dissertation assumes that the transnational dynamics of real estate capital take advantage of the specific conditions of each city that are profitable for investment. Likewise, I understand that public and private actors act in an articulated way to adapt the city to attract that capital. But the flow of real estate investment is not only impacting the housing market of the receiving area, it could also be impacting the housing market of the entire city. In short, in this dissertation, I seek to establish connections between the entry of transnational real estate capital, the articulation of local actors to attract capital, and the

effects on the housing market in the rest of the city. In this sense, I ask three research questions that guide the dissertation as three different but interconnected stories.

RQ1: How is real estate capital, behind gentrification, transforming the Centro Histórico into an investment asset? Here I study why capital is mobilized towards the heritage area of the city, what is the possible relationship of this mobilization with the global crisis of 2008, and how gentrifying agents use the heritage condition to boost the potential rent of property and rate of profit.

RQ2: How do local private and public actors work to produce a heritage space that is attractive to capital? Here I inquire about the interests of these actors in the heritage space, how these actors represent the space to create a consensus that protects heritage, and how they manage discursive narratives to attract capital.

RQ3: Is the growth in house prices in the Centro Histórico impacting the dynamics of house prices in the rest of Cartagena? Here I analyze the possible existence of a ripple effect between housing prices in the area with the highest capital reception and housing prices in the rest of the city, as well as the spatial and temporal dynamics of this possible effect. In this exercise, I explore how this possible contagion effect may be impacting lower-income neighborhoods.

1.4 General theoretical framework

1.4.1 Geographical political economy or Political Economy of Space

The geographer economist Eric Sheppard (2001) coined the term “geographical political economy” to name the critical perspectives on capitalism that have been formulated from geography. By disaggregating the expression, my interest in political economy is clear. Before the twentieth century, the theoretical analysis of the process of production, distribution, and consumption of goods was called political economy analysis. The basis of this perspective was to understand the production relationships that are behind

the commodity. Recognizing these relationships implied recognizing how social classes are formed in and form the productive process. However, as Wolf (2010) has denounced, in the twentieth century the economy was disconnected from politics. Following Wolf, the urgency for mathematical equilibrium led to the construction of abstract models that elude the class and power relations that lie behind supply and demand. In the same sense, these models eluded the relation of the economic elite with the governments and ignored the historical evolution of the factors that affect the markets (Wolf, 2010). The strategy of this mathematical abstraction has been useful to drive the narrative about the self-regulation of markets and to eliminate the active role of capitalists, elites, government, and workers in the alteration or creation of market demand and supply.

Returning to the expression geographical political economy, Sheppard (2001) points out that space cannot be considered exogenous to the economy, but that it is produced and is a producer within the economic process. Sheppard (2001) argues that space, social processes, and economic processes are co-implicated and that they cannot be "separable from or reducible to the other." (Sheppard, 2011, p. 3) If I assume that the economic process can produce spatialities (Soja, 1980), space becomes endogenous within capitalism and this complicates the functioning of markets and makes equilibrium impossible (Sheppard, 2001). The possibility that space can be produced is connected to Harvey's (2009a) vision of spatial reconfiguration, so it is necessary to go back a few years in the geographical literature to understand how this production process can occur.

Lefebvre (1991) was very critical of what he called the "space of the economists." Lefebvre questioned that space was shown as an empty, receptacle, inert, neutral, and transparent. On the contrary, according to Lefebvre (1991), space is a social product, is the result of social agency, and is, in turn, a producer of this agency. The production of space arises from an interrelation between spatial practices (how space is used in everyday life), the representation of space (the space conceived of the planner, the expert, the capitalist), and spaces of representation (symbolic space, the imaginary ones, of the utopia, of the resistance). Massey (2015) also elaborates the production of space argument emphasizing interrelations. She indicates that space is the product of interrelationships that go from the

global to the intimately local or tiny. In this creation of space, there are agents with greater capacity to control and appropriate space (geometries of power). Smith (2008) also postulates an idea of the production of space. He distinguishes between absolute space and relative space. The first relates to the physical attributes of the location. This space is transformed into relative space when spatial integration mechanisms are created for the encounter of the things. The two spaces are modified by the mobility of capital. When the economic activity involves moving resources to other regions, this movement produces space because it builds new environments (for example, infrastructure for production) and devalues old built and abandoned environments. This construction and devaluation produce spatial differentiation. Capital moves between absolute spaces and transforms them (produces them) into relative spaces when it integrates them into changing dynamics of development and underdevelopment.

Returning to Harvey (1982), Smith extends his analysis of cities to the global scope to analyze the relationship between mobility of capital and production of space. By using the Marxist approach, Harvey (1982) explains that the dynamics of capitalism always lead to reductions in the rate of profit and situations of over-accumulation of capital. Capital must be moved from places or sectors with low or no rate of profit to places or sectors with a higher potential return. In situations of over-accumulation, capital will hardly be reinvested in productive activity and therefore the capitalist invests the money in fixed capital (land, real estate, built environment). This solution is called the spatial fix (fix has two connotations here: solution and fixity). According to Harvey (1982), the problem with this type of investment is that the same condition of fixity of this type of capital imposes barriers for the subsequent reproduction and accumulation of capital. Therefore, part of the strategy of capital mobility involves destroying the old built environment and creating a fresh room to produce new spaces. Here, Harvey uses the idea of Schumpeter (1942), that the survival of capitalism requires a continuous process of creative destruction. The continuous operation of the spatial fix and the strategy of creative destruction are producers of space.

In this sense, the analysis of the political economy of the space implies understanding the production relations that exist behind it (interrelation of actors with interests, strategies, and agency). These relations of production are, in turn, continually reformed by the same productive act. On the other hand, space is a product that can be commodified (for example, real estate, heritage tourism). Likewise, behind the production of space, there are relations of production, which in turn are affected by space.

1.4.2 Spatial Fix and Production of Heritage Space

The recurrent search for a spatial fix at the global level has turned cities into a space for the reproduction, reorganization, and reconstitution of neoliberalism (Brenner and Theodore, 2002; Tickell and Peck, 2002). The investment and disinvestment in real estate and the built environment in the cities are made according to the expansion needs of the accumulation of capital (Harvey, 1982; Smith, 1979). At the same time, technology and advances in transportation have reduced spatial barriers. This reduction has facilitated the mobility of consumers and capital between cities. Therefore, cities have entered into a spiral of competition, and have been converted into entrepreneurial cities to attract investors and visitors. The problem with this competition is that it creates a tendency toward the homogenization of urban spaces (Smith, 2008). Therefore, this trend requires creating different and unique urban spaces to gain attraction. It is a trend that drives the search for urban authenticity.

The competition for authenticity led cities to dust off history and rediscover native cultural practices. If there are no convincing stories and practices, cities can also appeal to construct discourses of an idealized history or to transform native practices into marketable artistic samples (Harvey, 1989b and 2009b). At this point, we can use the concept of heritage to group historical material and discursive elements, as well as cultural practices. Ashworth (1994) argues that heritage is the part of the past that a society chooses in the present for economic, political, or social purposes. In the same sense, heritage can be material (built environments or landscapes) or intangible (mythologies, dances, artistic

representations). Similarly, Ashworth (1994) considers that heritage is created or produced when it receives recognition as such and when it is conserved or restored.

Despite the historical implication of the meaning of heritage, its link to the economic sphere is quite recent. Su and Lin (2014) point out that in the 1970s, heritage began to be used as a strategy of competitiveness between cities. In Cartagena (Rinaudo and Cunin, 2005), the buildings that are currently called heritage were disregarded before the 1970s. In fact, the idea of globally recognizing a place as heritage only arises in 1972 when UNESCO started the World Heritage Sites program. The urgency for heritage coincides with a period of transcendental economic and cultural transformations. Hewison (1987) argues that with the rise of postmodernism a heritage industry arises simultaneously. Harvey (1989b) indicates that the development of this heritage industry is born in parallel to the transformation of cities from managerialism to entrepreneurialism. I can suggest then that there are connections between the discourse on heritage, the search for authenticity, the entrepreneurial city, and the mobility of capital (in its continuous search for the spatial fix).

1.4.3 Spatial fix and movements of real estate capital after the global crisis

After the outbreak of the global crisis, the investor faced a significant contradiction. On the one hand, as usual, the investor needed to place the capital in fixed assets that support and offer profitability to his or her portfolio in a speculative environment (Weber, 2002; Hoesli, 2004; Leyshon and Thrift, 2007; Sassen, 2014). At the same time, as usual, the investor has a continuous urgency for liquidity (Weber, 2002; Aalbers, 2016) and for that, the investor temporarily solves this contradiction through financial engineering tools (Sassen, 2014; Christophers, Leyshon and Mann, 2017). In simple terms, the strategy is: the investor does not buy the full fixed asset, the investor buys a portion, a slice, a bit of the property. How? Financial innovations such as derivatives, collateral, and securitization allow several fixed assets to be combined (mixed) in a package of shares. This package is then separated and marketed in slices. In this way, the investor has support in a fixed asset, but can easily get back liquidity. This mechanism produced critical effects in the mortgage

market (middle class and working-class homes) in the United States and Europe. As a consequence, investors seem to develop other financial innovations and other types of fixed assets.

Fernandez, Hofman and Aalbers (2016) and Sassen (2014) have shown that the investor seeks the spatial fix in the connection of three instruments: elite properties (super prime), cities that act as a safe deposit box, and shell companies. With data from London and New York, Fernandez, Hofman and Aalbers (2016) and Sassen (2014) show that the most expensive properties in these cities are being purchased by shell companies, whose domicile is offshore centers. These places allow creating an air of fixity to companies that only exist in papers. These companies, as well as financial engineering, allow the combination of legal and illegal capital and allow the evasion of taxes (Roberts, 1994, 1995). On the other hand, Fernandez, Hofman and Aalbers (2016) and Sassen (2014) show that part of these properties is never used because their main purpose is to act as a fixed support for a package of shares (and their slices) in a city that acts as a safe deposit box.

These new trends and connections between real estate and global finance are an interesting challenge for geography. Wissoker et al. (2014) indicate that “in urban geography, the bulk of researchers who focused on real estate tended to work on gentrification and/or segregation, but little else that related to real estate... For the most part, real estate, let alone the relationship between real estate and finance, was not considered of interest.” (Wissoker et al, 2014, p. 2791) However, Rogers and Koh (2017) argue that these recent connections have prompted a “re-emergence” of studies of the connection between foreign investment and residential real estate. For this reason, they invite us to explore the geopolitical dynamics of real estate and to analyze the complexities of the interrelation between finance and real estate in both the North and the Global South (Rogers and Koh, 2017). In the same sense, Fernandez, Hofman and Aalbers (2016) show gaps to explore. For example, they indicate that it is not yet clear what type of cities are being or are included within these new financial trends. The relationship between the geographies of tax avoidance, illicit money, and the purchase of elite properties is also unclear (Fernandez, Hofman and Aalbers, 2016).

1.4.4 Local impacts: gentrification and expulsion

The growth of the service economy and the financial sector produced a preference in the consumer and in capital to return to the inner-city (Smith, 1979). The rising trend in potential demand raised expectations about future home prices in older inner-city neighborhoods. Investors and consumers bought cheap properties because they were aware of future price expectations. This dynamic had effects on residents. The local government, investors, developers, and the press lobbied hard to force the resident to vacate or sell the property (Smith, 1979). The arrival of new residents and the eviction of some former residents disrupted community networks and raised the rents of neighboring homes, which deepened the expulsion of many of the low-income residents (Zukin, 1987). There is an interesting debate of two hypotheses about the primary causes of gentrification. On the one hand, authors such as Ley (1996) argue that this is the result of changes in consumer preferences, while Smith (1979 and 2008) points out that the mobility of capital in search of higher rates of profit produces uneven developments on an urban scale and takes advantage of the rent-gap created in the inner-city and, as a result, the gentrification is produced. Gotham (2005) considers that these two hypotheses should be seen as somewhat complementary and iterative because mobility of capital and consumer preferences are mutually reinforcing.

The tourist attraction would be causing the arrival of new real estate owners to the city. However, as Gotham (2005) has argued, it is not tourism per se that produces gentrification. Gotham (2005) produced the concept of tourism gentrification to refer to a dynamic that gentrifies tourist neighborhoods through a new scheme of institutional connections between local governments, the real estate industry, and the global economy. In this scheme, production-side and demand-side explanations of gentrification act jointly. The production side refers to gentrification driven by movements of capital and the demand side refers to gentrification driven by changes in consumer preferences. Gotham argues that tourism is changing patterns of capital investment, creating new forms of financing real estate development, and creating new spaces for consumption. Gotham (2005) has argued that it is not tourism per se that produces gentrification. Gotham indicates that

tourist neighborhoods are being gentrified by a new scheme of institutional connections between local governments, the real estate industry, and the global economy. Tourism institutions and local elites are "adapting, reshaping and manipulating images of the place to be desirable to the targeted consumer." (Gotham, 2005, p.1111). Therefore, according to Gotham, it is not true that capital reacts to tourist demands, but that the tastes of the consumer for certain places are created and marketed by powerful capitalists whose main interest is to produce a built environment from which they can extract greater profits.

Whether in tourist or non-tourist cities, the transformation of housing into an investment asset of transnational interest has turned gentrification into a global phenomenon (Janoschka, Sequera and Salinas, 2014; Lees, Slater and Wyly, 2013; Smith, 2002; Gotham, 2009; Lopez, 2010). Hackworth (2002) argues that the growth of large developer corporations and equity trading in mortgages are creating new forms of corporate gentrification. Global capital is acquiring properties in neighborhoods that were already gentrified or in neighboring neighborhoods, a process Lees (2003) calls supergentrification. Smith (2002) shows how, in New York, first gentrifiers were being expelled by a global elite. The need for new rent-gaps is expanding gentrification to other neighborhoods or districts. On the other hand, this expansion is now global because it seeks rent-gap throughout the world (Slater, 2017). In recent years, cities in the Global South are witnessing the gentrification of their oldest neighborhoods (Lees, Slater, and Wyly, 2013).

The entry of a global demand for properties has driven up land prices in many cities, which is expelling former residents (Sassen, 2014). Capital mobility not only creates gentrification, it also deepens slum formation in urban peripheries (Davis, 2006). In this way, the globalization of capital appears as a new cause of residential segregation. This phenomenon of expulsion and segregation is being deepened by the default of mortgage payments and the consequent eviction of the defaulter (Wyly and Hammel, 2004).

Other conflicts resulting from the incidence of global capital in real estate markets are related to political and urban planning aspects. Cities seek to attract capital through entrepreneurial strategies, in which the local government plays a facilitating role, while the

local elite push for regulatory mechanisms to attract capital (Harvey, 1989a). Gentrification as a global strategy is displacing welfarist urban politics and imposing a revanchist urban politics (Smith, 2002). Likewise, conflicts are emerging between property developers and the urban interests of local governments (Rogers and Koh, 2017; Guironnet, Attuyer, Halbert, 2016).

1.5 Methodology

In this research, I assume that a political economy analysis implies understanding the social relations behind the processes of production, consumption, and distribution of goods, as well as the socio-economic consequences of these processes. Similarly, I understand that constructing this type of analysis implies studying how public and private actors intervene in the functioning of markets and the behavior of agents. Furthermore, in this dissertation, heritage space is treated as something produced, as a type of commodity whose exchange value can be fed by the discourses that the actors construct and promote around it.

In this sense, to cover these requirements in a political economy analysis of the relationship between real estate capital, production of heritage space, and affordability to housing, I have posed research questions that require different methodological challenges and skills. I use a mixture of quantitative and qualitative data and strategies in order to understand how real estate capital, behind gentrification, is transforming the Centro Histórico into an asset. I use critical discourse analysis strategies to elucidate how local private and public actors work to produce a heritage space that is attractive to capital. Finally, I use quantitative spatial analysis to determine if the growth in house prices in the Centro Histórico is propagated to the dynamics of house prices in the rest of Cartagena. In short, this dissertation is developed through a multi-method research approach that combines qualitative and quantitative data and strategies to address different but highly linked research questions. As I will see later, this combination also implies the use and crossing of different data sources.

By using a multi-method approach, I assume a pragmatic worldview to get closer to understanding reality (Creswell, 2013). Although reality is understood as a social construction and that the identification of causal relationships requires a qualitative approach, by identifying behavior patterns among some socioeconomic variables it is possible to reveal systematicity in the actions of the actors involved. By using qualitative strategies, the analysis gains depth and understanding of a reality that is complex, and by using quantitative strategies I gain the measurement and dimension of patterns in that reality. In this order of ideas, for each research question, I have selected the methodological strategies that best fit the challenges of that question. The combination of methods, sources, and data allows the analysis to overcome the limitations and biases of each one, permits me to triangulate information, and establish a conversation between the number and the voice of the subjects.

Complementarity and triangulation are the most important benefits that the geographic literature has seen in the combination of methods (Crang, 2002; Baxter and Eyles, 1997; Philip, 1998). I can see the benefits of complementarity in the specific case of the quantitative-qualitative relationship. The two approaches are complementary because they seek answers to different types of questions in the same research or because the answer to a quantitative question can become a field of analysis for the qualitative approach and vice versa. Another way of looking at complementarity is in the binary relationship of identified by Sayer (2010): qualitative research as an intensive approach and quantitative research as an extensive approach. This perspective is useful for global-local analysis because it allows identifying global forces and their articulation with dynamics and resistances in the places where these forces are materialized. It is necessary to highlight a type of key complementarity: quantitative techniques are able to find patterns of correlation between variables, but these techniques fail to solve the causality questions. At this point, it is necessary to turn to qualitative strategies. So, while one approach provides dimensions on the proportion of a problem, the other approach provides explanations for these dimensions.

On the other hand, triangulation allows to compare results, determine if there is convergence, differences, or some combination between them (Creswell, 2013). Let us see an example in the following comparison: rules, discourses, and uses of the heritage space. Preliminary interviews show that investors seek Cartagena for the preservation of heritage, but the documentary analysis shows that the approved restorations violate the rules of heritage preservation. Triangulation is not only useful for broadening the analysis, but it is also key in strengthening the credibility and validity of the results. Cope (2010) argues that triangulation can minimize errors by extracting data from various sources. Likewise, Baxter and Eyle (1997) see triangulation as a powerful strategy to strengthen the credibility of a research. In this sense, the quantitative analysis of socio-economic data could serve to contrast public discourses or responses in interviews and vice versa.

1.5.1 Research strategies and sources

1.5.1.1 Semi-structured Interviews.

The interview method is useful for learning what is not registered in texts, documents, or web pages, or what we cannot capture by observation (Secor, 2010). Specifically, economic geography may find in the interview an instrument for understanding causal relationships, interconnections between economic agents, and the analysis of corporate behavior (Schoenberger, 1991). In this sense, the information collected through this technique may be supplementary to other data sources and may contribute to the triangulation of information (Schoenberger, 1991; Valentine, 1997).

I conducted interviews to understand how real estate agencies sell the city and to learn about the characteristics of the clients. In these interviews, I tried to capture the practices, knowledge, and experiences of those who occupy relevant positions in the creation and promotion of real estate demand. Specifically, through the interview, I collect information on commercial strategies, tools for minimizing investment risk, managing customer expectations, and networks between foreign real estate agents and local economic actors.

Additionally, I conducted interviews with architects, restorers, former heritage preservation officers, leaders of neighborhood organizations, former members of heritage preservation boards, urban researchers, former urban planning officers, boosters, and tourism promoters. These interviews are oriented to find clues to how the different actors interact in the organization and regulation of the urban space. These interviews seek to identify interests, power relations, and city discourses. As I mentioned above, the interview has proved to be a valuable tool for capturing information on power relations, causal explanations, and political and economic motivations (Schoenberger, 1991; Valentine, 1997; Longhurst, 2010). On the other side, Cochrane (1998) indicates that researching local elites allows us to understand how the logics of capitalism are executed in practice. In this stage, it is again necessary to assume the strategies on interviewing an elite (Schoenberger, 1991).

The initial recruitment was done through a contact network that I had from my previous research in Cartagena. Additional participants were recruited through three mechanisms: 1) I asked my initial network of contacts if they could introduce me to potential participants; 2) I attended real estate fairs and academic events (related to urban planning and heritage preservation) to meet key actors; and 3) Since a part of my population under study are people whose contact information is public on the websites of their companies and institutions, I sent emails where I explained my project and ask if they would like to participate voluntarily in my research. Participation was strictly voluntary. Interviews were conducted in the workplace, but when the participant wanted it, these interviews were developed in an open space, such as a restaurant or a cafe. The interviews were conducted in Spanish.

1.5.1.2 Property traceability

The connection between the global financial markets and the local real estate market is explored by tracing the property in relation physical-owner-investment-income changes. Tracing a property involves combining multiple sources of data and field research. In this research, I integrated databases from the following sources: real estate agencies, government's official cadastral survey, AirBnb, and Superintendency of Notaries

and Registry. The data were grouped into a single database and geolocalized for GIS analysis. Additionally, I combined these sources with the results of the property survey applied during the fieldwork. This combination allowed linking the geographic origin of the capital, changes of ownership, urban changes, and rate of profit.

The strategy for obtaining information on property characteristics and economic relationships consisted of several steps. First, I carried out a photographic survey with geolocation in the study area to define a sample of properties with any of the following characteristics: recent restoration (last 10 years), in the process of restoration, or with conditions to be restored (house with high deterioration). The condition of restoration was chosen because, according to information provided in interviews by owners, architects, and real estate agents, the change of ownership is usually linked to the possibility of restoring the home. In general, participants say that it is more profitable and easier to buy properties to restore. Some investors buy to restore and sell for a significantly higher value, for other investors, it is more attractive to buy houses that they can modify according to personal criteria, and other investors buy deteriorated properties to speculate on the value and resell for a higher price, but without any modification. This strategy is based on the research design of Scarpaci (2005). In his research on gentrification in Centros Históricos, he "interrogated" property to characterize land use, the quality of the facade, restoration, occupation, economic use. This strategy inspired other research, which used photographic surveys to explore gentrification changes as a result of the lifestyle migrants (Foulds, 2014).

For each of the selected properties, I collected data on restoration condition, estimated restoration year, property use condition, real estate registration number, geographic coordinates, and facade characteristics. Subsequently, at the Superintendency of Notaries and Registry, I acquired Certificates of Freedom and Tradition for each selected property. This certificate is a public document (but not free) that provides current and historical information on the property related to changes of owners, mortgages, prices agreed on each registered sale and legal circumstances.

The information found in the Superintendency of Notaries and Registry was cross-referenced with other public databases: chamber of commerce, property tax, offshore leaks, national registry, and press news archives. These data allow us to approximate the economic relationships of owners and capital flows related to the property. Additionally, data relating to the property, buyers, owners, and architects was explored on the internet. On the websites of real estate agencies, I found information on prices, marketing strategies, and the role of properties in the global real estate market. On Airbnb (through AirDNA) I found data on use, occupation, profitability, marketing, and property manager. In institutional databases, I found information about the origin of the owners, buyers, and architects. This property traceability process is useful to determine actors, market mechanisms, and the role of property. Other researchers have conducted similar studies based on official and unofficial databases. Some interesting examples are "The homes of the super-rich: multiple residences, hyper-mobility and decoupling of prime residential housing in global cities" by Paris (2017) and "London and New York as a safe deposit box for the transnational wealth elite "by Fernandez, Hofman and Aalbers (2016).

1.5.1.3 Documentary Analysis

I explore documents to understand how the government and the elite conceive the heritage space and its usefulness for the real estate market and tourism. I used local development plans, regulations on land use, guidelines on heritage preservation, Land Management Plan and reports of meetings of the design of the Centro Histórico Management Plan, brochures and advertising materials from real estate agencies and tourism promoters; official presentations by public and private actors related to the heritage preservation and marketing of the city, and editorial columns from the local newspaper (El Universal). This material contains narratives and discourse on how the Centro Histórico should be used, appropriated, perceived, and controlled. In some cases, the information contained in these documents is contrasted with statistical data from various sources, with news in other media, with responses in the interviews, and with other independent technical reports.

The material is analyzed using the Critical Discourse Analysis (CDA) strategy (Fairclough, 2003). This approach assumes texts as a critical element to explain social change and the normalization of useful discourses to dominant interests. This approach seeks to examine how mastery and control are practiced and reproduced by written and verbal texts considering the context in which they are produced. CDA assumes discourse as a non-neutral social practice whose intentions are shaped by social situations, institutions, and structures, which, in turn, are constructed by discourse. Several researchers suggest that critical discourse analysis can provide us with a new perspective on aspects of the social world that we take as given. (Fairclough, 2012) That is why the CDA allows us to question what is promoted as "normal" or inevitable. Fairclough (2012) has employed CDA to analyze the role of discourse in the continuity of capitalism through discourses that naturalize as inevitable new strategies of accumulation. Jessop (2002) has shown with this strategy, how discursive tools are used to promote urban governance styles useful for the neoliberal project. My main interest here is to show how some narratives about the relationship between economic growth, authenticity and heritage preservation are shown as "the inevitable" and "the salvation of the city."

1.5.1.4 Participant Observation.

This method allows obtaining closer knowledge of practices and habits that subjects usually cannot or do not want to reveal in interviews or documents (Laurier, 2010). In addition, participant observation has been important for the experimentation of feelings of exclusion and power relations (Cook, 2005). From the perspective of Lefebvre (1991), the production of space arises from the daily interrelationship of spatial practices, representation of space, and spaces of representation. In this sense, observation is an appropriate method to explore how space is produced and consumed (Schein, 2010). I use this strategy in two ways. First, I conduct observational research on the streets of the Centro Histórico. Second, I attend as a participant-observer in meetings and workshops on urban planning.

For my research on the street, I identify some places of the Centro Histórico and the surrounding areas where the local authority and the private sector produce space through barriers, police, detours, and economic appropriation of public space. Examples: Plaza de Los Coches, Plaza de San Diego, entrances to the walled sector, entrances to neighborhoods for visitors and tourists. In this strategy, I also try to keep track of the main urban transformations, restoration and modification works, as well as recent physical changes in some properties. Finally, my purpose in the observation is to collect data on public and private practices of appropriation and control of urban space, specifically in areas where foreign real estate capital has a greater presence.

For my research in meetings and workshops, several urban changes are being discussed publicly in the city. The most important are the update of the Land Use Plan (POT) and the design of Centro Histórico Management and Protection Plan (PEMP). These discussions are usually open to the public. Due to legal requirements, these discussions must have the participation of public officials, company representatives, architects, lawyers, neighborhood leaders, and academia. My interest in these activities is to identify actors, discourses, and interests about the production and organization of urban space.

1.5.1.5 Quantitative spatial analysis

I use this strategy to evaluate the impact of the change in house prices in the Centro Histórico on the change in house prices in the rest of the city. This evaluation implies having access to a database with time series and spatial information on housing prices in Cartagena. Unfortunately, this database does not exist or is not available to the public. I requested this information from the economic department of the mayor's office and real estate agencies, but I did not get a response. My solution consisted of reviewing magazines published between 2015 and 2019 where real estate agencies advertise the listings of homes for sale in 110 neighborhoods of the city. I organized the information obtained in 18 spatial units (14 communes, 3 sub-communes, and the Centro Histórico). As a result, the resulting sample is 90 observations, which corresponds to 5 years and 18 spatial units.

The ripple effect analysis requires methodological strategies that incorporate and demonstrate temporal and spatial dynamics. In this sense, as long as the available data allows, I use tools from geographic economics, regional analysis, and spatial analysis that were identified in an exhaustive literature review. During this process, I develop several strategies that, in aggregate form, allow me to produce conclusions about the existence of the ripple effect. In general, I define as an explanatory variable the changes in housing prices in the Centro Histórico and as an explained variable the changes in housing prices in the non-central communes. In order to incorporate temporary effects, I investigate whether price changes in the Centro Histórico or other communes have a time-delayed effect on the other communes. To incorporate spatial effects, changes in prices in the Centro Histórico and other spatial units are weighted according to geographical proximity and socioeconomic proximity. Analytical strategies included: statistical correlation, spatial autocorrelation, geographically weighted regression, and spatial dynamic panel.

In this dissertation, descriptive statistical techniques are also used to identify and measure gentrification, real estate market dynamics, characteristics of short-term rental, avoidance of property taxes, investment profitability, and economic and labor impact of heritage tourism in Cartagena.

1.6 Structure of the dissertation

In Chapter 2, I review the historical relationship that the city has had with the built environment that is currently recognized as a world heritage site. As noted, the naval attacks during the colonial period led the Spanish crown to build a set of forts and walls to protect the city. After independence, Cartagena suffered a strong economic and demographic contraction as a result of the Spanish counteroffensive, the aggressive cholera epidemic, and the loss of its leading role as a port for foreign trade. When the city embarked on a modernist push led by the nascent bourgeoisie, the architectural elements inherited from the colonial period were seen as obstacles to progress and as symbols of a past that some in the city want to discard. However, in the first decades of the 20th century, the architectural modernism project suffered a major setback due to the global economic crisis

and the political and media pressures led by a national and local elite that struggled to recover the Spanish image of the city. This struggle is tied to a new interest in positioning Cartagena as the main tourist destination in Colombia. The subsequent national and international declaration of the city as a heritage site produced several booms of architectural restoration of properties that attracted real estate interest to the city. In this chapter, historical and recent events are reviewed to understand how the built environment of colonial origin became a tool for extracting value for tourism but also for real estate.

In Chapter 3, I study why capital is mobilized towards the heritage area of the city, the possible relationship of this mobilization with the global crisis of 2008, and how gentrifying agents use the heritage condition to boost the potential rent of property and rate of profit. This chapter begins with a quantitative exercise to measure and validate the existence of gentrification in the three neighborhoods of the Centro Histórico. This exercise is prepared with census information and is the first non-qualitative analysis of gentrification in Cartagena. The results are consistent with other studies (Piñeros, 2017 and Posso, 2015) that also indicate that gentrification in the Centro Histórico has deepened in the last decade as a result of the recent tourist boom. Subsequently, I describe the main trends in the housing market in Cartagena and its changes in the face of the global crisis of 2008. I found that one year before the global crisis of 2008, a boom in the real estate supply in the city began which has lasted more than a decade. This boom was not accompanied by a similar growth in local demand, but by a strong increase in prices. In order to understand the causes behind this boom, I identify the main characteristics of current buyers/investors in Centro Histórico, and their differences compared to the period before the global crisis. I argue that the Centro Histórico functions as a spatial fix for local and transnational capital that, escaping from the global crisis, takes advantage of the heritage status of the city (and its diffuse urban and conservation regulation) to promote and sustain a positive rate of profit on capital mobilized. Finally, I analyze the investors' motivations to purchase “heritage” properties and strategies to transform the property into a profitable investment asset. I discuss three investment strategies that in some cases can complement each other: restoration as a process of creative destruction, short-term rental as a rent-gap engine, and the use of private property as a safe haven for capital.

In Chapter 4, I investigate how local private and public actors work to produce a heritage space that is attractive to capital. I start with the premise that capital repeatedly seeks new spaces to extract surplus value and therefore, those cities that one day receive investment flow, another day may be victims of disinvestment. To face this risk and continue to attract new capital, various public and private actors act as a growth coalition that seeks to reinforce the elements that provide profitability to capital and create a consensus in the city towards the protection of those elements. The task of maintaining and increasing the real estate and tourism capital in the city requires that this growth coalition produce an attractive space for the investor and the consumer. To theoretically support the argument of this chapter, it raised a conversation between the concepts of space production, hegemony, growth coalition, and search for authenticity through heritagization. Subsequently, I carry out a characterization of the objectives and interests of the main public and private actors related to heritage and tourism in the city. Then, following Lefebvre's proposal (1991), I study key discursive narratives to understand the representations of space that are built from this coalition of public and private actors. I argue that the main strategy of the coalition is to repeatedly demonstrate the benefits of real estate and tourism activities, the authenticity in the city, and the heritagization of what may be attractive to the capital. I discuss five narratives: “the Centro Histórico is the main engine of growth”, “colonial nostalgia”, “the city of magical realism”, “Cartagena is successful in heritage preservation” and “our heritage / we are heritage”.

In Chapter 5, I evaluate whether the growth in housing prices in the Centro Histórico (resulting from the real estate boom that occurs in that area) is impacting the change in housing prices in the rest of the city. The purpose of this inquiry is to approach a verification of the impact of the transformation of the Centro Histórico into an investment asset on the housing affordability conditions in the rest of the city's neighborhoods. We develop this evaluation based on quantitative exercises made from regional analysis, diffusion studies, and spatial analysis on what they call the ripple effect or contagion effect between housing submarkets. In the literature review in this regard, I found that the use of spatial analysis tools is still incipient, most of the research is focused on the intra-regional but not intra-urban relationship, the analysis for Latin American cities is scarce, and the

databases necessary to an intraurban analysis in Colombia are almost non-existent. So, the work presented in this chapter aims to partially fill these gaps. In this chapter, I use statistical correlation analysis, spatial autocorrelation analysis, geographically weighted regression, and spatial dynamic panel. The results indicate that the accelerated growth in housing prices in the Centro Histórico is transferred more than proportionally to the changes in housing prices in the rest of the city. This fact may be affecting the affordability of housing in families whose income grows at a slower rate than the growth in house prices.

In the concluding chapter, I summarize the most relevant findings and contributions of the dissertation within the framework of the proposed research questions. Additionally, I propose some final reflections that open space for future research.

CHAPTER 2. HISTORICAL BACKGROUND ON THE RELATIONSHIP OF THE CITY WITH THE HERITAGE BUILT ENVIRONMENT

2.1 The Colonial City and its fortifications

Cartagena is a city located in the north of Colombia. Before the arrival of the Spanish conquerors, the land where the city is located today was inhabited by the Calamarí indigenous group. In 1533, due to the arrival of the conqueror Pedro de Heredia to establish the city, a displacement of natives occurred. Cartagena is part of a group of Spanish cities in the Caribbean that were key for the export of gold and raw materials and the importation of slaves. Within this group, we have Panama, Santo Domingo, San Juan, or Havana, among others. Some historians suggest that its role as a port made Cartagena one of the richest cities on the continent during the seventeenth century. This situation made the city an attractive target for British, French, and Dutch pirate attacks. The Spanish crown responded to these attacks with the construction of military forts and walls around the coastal cities. Cartagena still preserves most of these fortifications, therefore, in 1984, UNESCO granted the city the recognition of a world heritage site.

The economic success during the colonial period is reflected in the size and quality of the houses that were built, in the implantation of strong institutions of control (such as large churches and convents and the house of the Inquisition), and in the financial efforts made to protect to the city. The fortifications and walls were built between 1614 and 1796, and for their construction, the Spanish crown resorted to a significant amount of enslaved African labor and fiscal reforms throughout New Granada to cover the high costs (Bustamante and Bustamante, 1997). The defense structure contained: Fort San Felipe, Fort San Luis de Bocachica, Fort Castillogrande, Fort Manzanillo, and 11 kilometers of walls around the city.

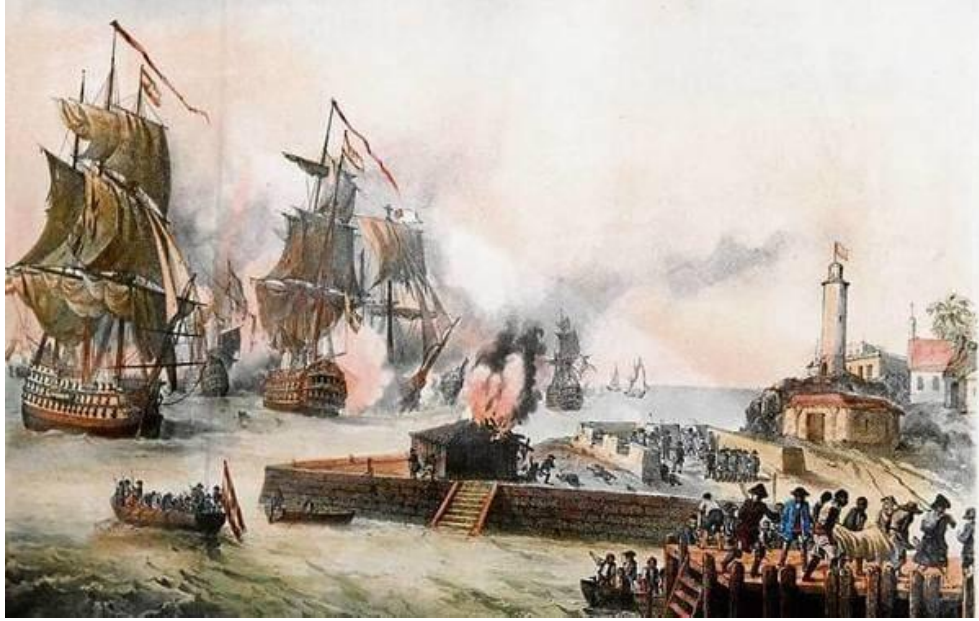


Figure 2.1 British attack (1741) on Cartagena de Indias by Luis Fernández Gordillo.



Figure 2.2 Cartagena (1763). Source: Banco de la República, Digital Collection

The boom was reflected differently in the urban structure. The city was divided into four zones: Cathedral, San Diego, Getsemaní, and the out-walls zone. The first area was the place of institutional constructions and houses of Spaniards or descendants of

Spaniards. These were large, two-story properties with architectural sophistication. High-income people whose money came from foreign trade, the sale of slaves, and cattle ranching also resided there. In San Diego the size of the houses was smaller and, in most cases, they had only one-floor. This area was the place of artisans and workers. In the third zone, the houses were also small and single floor, but much more modest (Redondo, 2004). Population linked to the retail trade and smuggling, as well as immigrants, and non-enslaved Afro-Colombians inhabited this place (Díaz and Paniagua, 1993). Outside the walls, indigenous and other non-enslaved Afro-Colombian populations had their little houses (huts). Simultaneous with the economic boom, the walled area experienced a demographic boom. At the end of the 18th century, 17,000 inhabitants were counted, the highest record before independence. This population size implied a high demographic density and housing pressure inside the walled area (Aguilera and Meisel, 2009).

2.2 Independence and the republican spirit

In 1811, Cartagena became the second city in South America to obtain absolute independence from the Spanish crown. This process was led mainly by the black and mestizo population from Getsemaní and some members of the local elite (Múnera, 1995). Due to the importance that Cartagena represented for Spanish foreign trade, the crown violently attacked the city in 1815, cutting off food for the inhabitants and using the walls as a cage to block escapes. The armed attack plus the famine caused by the confinement produced about 7,300 deaths and opened the episode of the greatest economic crisis in the city (Lemaitre, 1983).

In 1821 the city regained its independence, but the economic situation did not improve substantially. Cartagena's poverty was deepened by conflicts with other neighboring cities that sought to position themselves as the main ports of Colombia. In addition, in the middle of the 19th century, Cartagena experienced a deadly cholera epidemic that continued to deepen the crisis and the demographic decline (Múnera and Román, 2016). The survival of the walls can be traced to this crisis. While at that time, many cities were demolishing their walls, in Cartagena this was not possible due to the costs that could not be borne by an impoverished city (Rinaudo and Cunin, 2005). In

addition, this crisis produced a population stagnation that slowed growth outside the walls, and therefore, the wall continued to be understood as a material border between the urban and the rural. The crisis also had an impact on the condition of housing. The reduction in population and economic power produced a trend towards the abandonment of a third of the houses and the deterioration of another part of them. In the same sense, the lack of resources limited the possibilities for architectural transformations that were already taking place in several Colombian cities (Segovia, 2001).

The situation began to change in the second half of the 19th century. The city managed to recover economically and began the process of greater urban transformation of what is now called the Centro Histórico. This process was led by a modernist spirit inspired by urban and architectural trends that occurred in Europe (Redondo, 2004). In 1870, the local administration repealed the law that, as in all walled cities, prohibited building in the immediate vicinity outside the wall (1 kilometer around). From that moment on, many high-income families began to build houses and mansions in areas such as Manga, El Cabrero, and Bocagrande, and there was an increase in empty and abandoned properties in the Centro Histórico (Lemaitre, 1983). The nascent local bourgeoisie struggles to glorify independence and strengthen the republican spirit of the city. In different parts of the city, the mayor's office builds squares, monuments, and public passages to exalt leaders of independence. In the celebration of the centenary of independence (1911), the city inaugurated a large park that connects the three neighborhoods, and that sought to follow in the footsteps of Europe and the United States in the construction of central parks for its citizens (Zabaleta, 2011).



Figure 2.3 Celebrating 100 years of independence (1911). Source: Historic Photo Library Cartagena.

During this period, the city built the University of Cartagena, the Public Market of Getsemaní, the aqueduct, the railway, the Public Theater, the La Serrezuela bullring, and the Clock Tower. In addition, the mayor's office demolished small sections of the walls to enable entry and exit to connect with the rest of the city that was developing outside the walled area. The poorest population also experienced changes in their places of residence. Some continued to live in Getsemaní and others created neighborhoods with very precarious houses in areas adjacent to the outer side of the wall (Cabrales, 2000). These new neighborhoods were called Pekín, Boquetillo, and Pueblo Nuevo. On the other hand, between the end of the 19th century and the first decades of the 20th, the city witnessed the arrival of European immigrants and others, mainly from the Middle East, as well as North American workers from the Andian oil company that began operations in Colombia. These new members of the city contributed to urban expansion and the promotion of the construction of modern buildings to replace old colonial houses (Zabaleta, 2017). Disparities in purchasing power produced disparities in architectural changes. Some families only had the money to change their Spanish facades and others were able to demolish houses and build buildings of 4 and more floors there.

At that time, a brief dynamic of wall demolition began, promoted by the local bourgeoisie, who saw the walls as useless because they no longer fulfilled military functions and were, therefore, obstacles to the modernist boom. The newspaper of the time said: "the walls are always in the most deplorable disrepair, they are places of filth, sources of infection, a shelter for immoral people" (Diario El Porvenir, Cartagena, October 23 / 1913, Pag 2). At that time, colonial fortifications and architecture were seen as a symbol of a colonial past that they wanted to discard (Rinaudo and Cunin, 2005). In total, 1.2 kilometers of walls were demolished and with this, the material border between the old zone and the modern commercial zone that was beginning to emerge was partially broken.



Figure 2.4 Train leaving the city (1926). The railway no longer exists in Cartagena.
Source: Historic Photo Library Cartagena.



Figure 2.5 Walls (1923). Source: Historic Photo Library Cartagena.

2.3 Colonial nostalgia and the emergence of tourism

The wall demolition project was more ambitious in scope but had to be stopped for two reasons. First, the global economic crisis of 1929 held back local economic capacity and the drive for urban transformation. Second, an alliance between families in the national and local elite promoted powerful political and media movements to set up a debate about what they called a murallicide -a murder of walls- (Lemaitre, 1983 and Bossa, 1975). In this debate, the elite questioned the little appreciation that the mayors gave to everything that symbolized the Spanish colonial origin of the city and therefore asked the national government to prohibit the demolition of walls. In the same sense, the Cartagena Chamber of Commerce indicated that it was necessary to conserve these historical elements because they could become a tourist attraction for cruise companies sailing through the Caribbean (Redondo, 2004).

As a result of these political and media pressures, in 1924 the President of Colombia signed a law to prohibit the demolition of walls and assign the task of their conservation to the Society for Public Improvements, a private entity made up of some members of the elite of the town. This episode started what I call colonial nostalgia and that I understand as a tendency to emotional remembrance of a past under Spanish domination, which is seen

as glorious, and which would be represented in the built environment and in narratives that recreate the values of that moment. This nostalgia may appear as a reaction to the emergence of new cultural values and economic trends in the city that challenge traditional values and power relations.

This process of remembrance is done selectively. During the 1920s, local authorities, the Chamber of Commerce, and the Society for Public Improvements built an alliance to define the historical monumentality in the city that should be preserved and that which should not. Cathedral and San Diego receive all the economic and political efforts of the urban adaptation activities to rescue the colonial image they focus on, while Getsemaní is ignored for its suburb status during the colony (Deavila, 2015). In this context, reports on the history and geography of the city are published where the identity of Cartagena is considered an absolute product of the Hispanic race and does not include the effect of the black and indigenous population, nor the process of ethnic mixing. These same manuals insist on the need to convert tourism into an economic activity as important as commerce and manufacturing and, therefore, it is recommended to promote walls, fortifications, and other buildings as instruments of tourist attraction (Pretelt, 1929). In the architectural discipline, the professionals point out that in this period the republican style culminates, and the neocolonial style arises in which modern buildings are built or reconstructed with stylistic elements usual in the colony. In some cases, those facades and houses that had been architecturally modernized at the beginning of the century, in this new period regain appearances with colonial style.

The impulse of this transformative dynamic based on nostalgia is accompanied by institutional arrangements for the formation of a tourist city (Deavila, 2019). In 1932 the Central Board of Historical Monuments and Tourism was created in order to take advantage of the fortifications for tourist purposes. In 1934 the first official organization of Cartagena for tourism promotion was formed. In Law 48 of 1943, the national government declares Cartagena as the tourist center of the country. In 1946 the National Tourism Fund was created and, in 1948 the national government, thanks to this fund, allocated money to acquire and restore buildings where colonial institutions operated and for the preservation of the walls and forts.

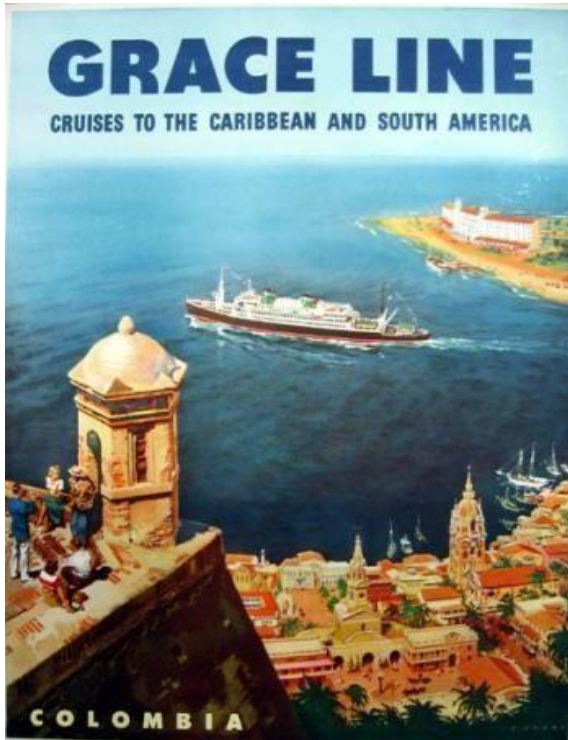


Figure 2.6 Cruise Ship Advertising (1935) and Foreign Tourists at a Fort (1925). Source: Historic Photo Library Cartagena.

During this period, a process of stigmatization and expulsion began in the popular neighborhoods attached to the wall. The media and political leaders denounce that in those places "live a poor, hungry and ragged crowd ... they are in a permanent bacchanal of brothel and tavern" and therefore it is "necessary to eradicate them" (Picot, 1927, p. 2). These neighborhoods were also described as being inhabited by "ragged blacks" whose streets and houses were spaces without hygiene and spreading diseases. Beyond the supposed moral and health reasons used to promote the expulsion of these neighborhoods, the elite sought, on the one hand, to hide from the new tourist city everything that affected the colonial white aesthetic (Flórez, 2015) and, on the other hand, to use the spaces of these neighborhoods to build an avenue between the wall and the sea (Avenida Santander). Finally, in 1939, the three neighborhoods were demolished, and their inhabitants were displaced or migrated to areas slightly distant from the walled area. At that moment, "the conviction that monuments were the most precious asset of the city began to consolidate, even above the dignity of its inhabitants" (Flórez, 2015, p. 113). In the same sense, authors

such as Cunin (2007) argue that it was in the 1930s and 1940s when the intersection between the defense of heritage, tourism promotion, and spatial segregation began.

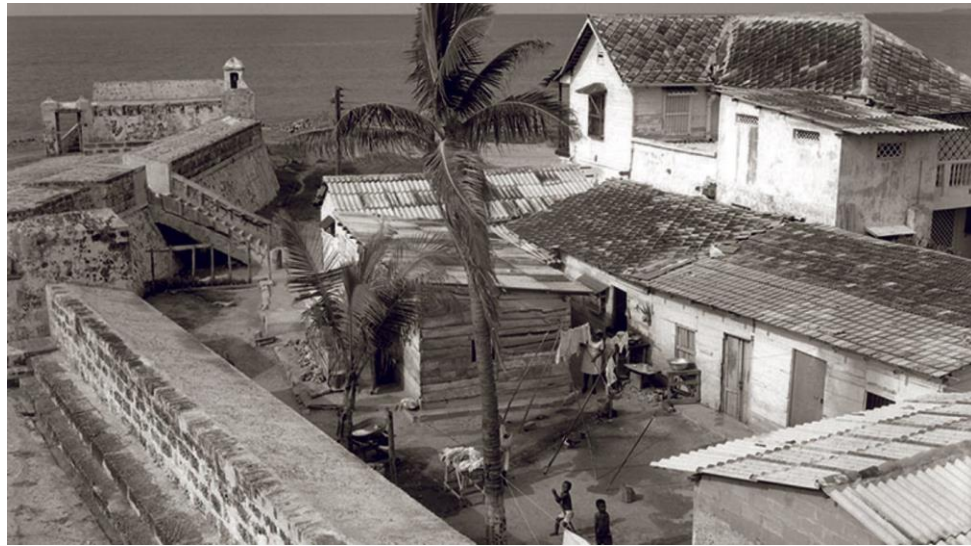


Figure 2.7 Working class neighborhood attached to the wall (1940s). Source: Historic Photo Library Cartagena.



Figure 2.8 Boquetillo. Working class neighborhoods attached to the wall (1936). Source: Historic Photo Library Cartagena.

2.4 Heritagization and tourist consolidation

Between the 1950s and 1960s, the city began to experience its first tourist splendor as a result of the global economic boom at that time and the beginning of the paid vacation system that fueled tourism in all parts of the world. Deavila (2019) has explained that this tourism growth acted as the engine of a process of heritagization of the Centro Histórico and a reorganization of the urban space that caused the displacement of low-income families towards the new peripheries of the city. He explains that heritagization is "the process through which authorities regulated the use of urban space to restore the colonial landscape and to transform the city center into an object of cultural and tourist consumption within a model of heritage tourism" (Deavila, 2019, p.4). The national government declared the walled area and several buildings as a national monument. This declaration defined preservation guidelines and prohibited modifications that would alter the colonial aesthetic order. These regulations advocated for a representation of space that rescues or recreates colonial values. A symbolic example of the local interest in raising the colonial appeal during this period was the construction and placement of statues alluding to the Spanish conquest and colonization. These statues were promoted by a local elite that has been described by Cunin (2003) as a group that puts its European ties first and that appeals to lineage as a principle of social organization.

From that moment on, the division between those areas within the walls, and those outside the walled area has direct effects on public and private investment decisions. The local and national governments provide enormous resources for the aesthetics of the walled area. A type of urban governance emerges that is focused on prioritizing public spending in areas of tourist interest and reducing public spending in the rest of the city. The local elite that owns the colonial houses in Cathedral and San Diego promotes the disguised expulsion to the periphery of all the elements that attract the consumer and the local worker (Flórez, 2015). For this reason, starting in the 1970s, the local government promoted the transfer of the railway station and schools from the Cathedral, the public hospital and prison from San Diego, and the public market from Getsemaní. These transfers impacted the three neighborhoods differently. Cathedral and San Diego increased their appeal and land values, leading to the first restorations of houses with colonial style. In Getsemaní, the inhabitants

were economically dependent on the public market and, upon being transferred, part of the population moved and another became impoverished. Problems related to drugs, prostitution, and violence arrived in the neighborhood. The neighborhood was repeatedly stigmatized by the elite and the local media, and as a result, the value of the land fell rapidly (Díaz and Paniagua, 1994).



Figure 2.9 Getsemaní Public Market (1976). Source: Historic Photo Library Cartagena.



Figure 2.10 International Convention Center on site of Getsemaní Public Market (2017). Source: Cartagena de Indias Convention Center

Other political and urban transformations that occurred during this period and that were in the function of consolidating the tourist activity and the heritage image were: construction of hotels and casinos in Bocagrande, consolidation of the airport, creation of international festivals, creation of a public-private corporation to tourism promotion (Corpoturismo), regulations on the conservation of facades, rules on mechanisms to authorize architectural changes, construction of Avenida Santander that connects the hotel zone with the airport, expulsion from the Chambacú neighborhood (a neighborhood that was created by the displaced from Pekín, Boquetillo and Pueblo Nuevo), and the construction of the International Convention Center in the place where the public market used to be.

The interest in making the walled area a heritage was in line with the global dynamics that drove a heritage industry at the urban level. In 1972, the United Nations, through UNESCO, adopted the Convention Concerning the Protection of the World's Cultural and Natural Heritage. The objective of the convention was to create tools for international cooperation that would ensure the cataloging, preservation, and publicity of sites of exceptional importance for humanity. Starting in 1978, UNESCO put the convention into practice through the process of the official declaration of heritage sites. In Latin America, there was great mobility of local public-private alliances so that cities with historical architecture were recognized as heritage. Colombian and Cartagena authorities prepared and processed an application at UNESCO for the Port, the Fortresses, and Group of Monuments to receive recognition as a World Heritage Site. In 1984, UNESCO granted the recognition and stated “Cartagena has the most extensive fortifications in South America. A system of zones divides the city into three neighborhoods: Cathedral, with the cathedral and many Andalusian-style palaces; San Diego, where merchants and the middle class lived; and Getsemaní, the 'popular quarter'” (UNESCO, 2019).

<p style="text-align: center;"> ICOMOS INTERNATIONAL COUNCIL ON MONUMENTS AND SITES CONSEIL INTERNATIONAL DES MONUMENTS ET DES SITES CONSEJO INTERNACIONAL DE MONUMENTOS Y SITIOS МЕЖДУНАРОДНЫЙ СОВЕТ ПО ВОПРОСАМ ПАМЯТНИКОВ И ДОСТОПРИМЕЧАТЕЛЬНЫХ МЕСТ </p>	
<p style="text-align: center;"> 19687 ● </p>	
<p>LISTE DU PATRIMOINE MONDIAL</p>	<p>WORLD HERITAGE LIST N° 285</p>
<p>A) IDENTIFICATION</p> <p><u>Bien proposé:</u> Port, forteresses et ensemble monumental de Cartagène</p> <p><u>Lieu:</u> Bolivar</p> <p><u>Etat partie:</u> Colombie</p> <p><u>Date:</u> 20 mai 1983 Rev. 22 mai 1984.</p>	<p>A) IDENTIFICATION</p> <p><u>Nomination:</u> Port, fortresses and group of monuments, Cartagena</p> <p><u>Location:</u> Bolivar</p> <p><u>State party:</u> Colombia</p> <p><u>Date:</u> May 20, 1983 Rev. May 22, 1984</p>
<p>B) RECOMMANDATION DE L'ICOMOS</p> <p>Que le bien culturel proposé soit inscrit sur la Liste du Patrimoine Mondial.</p>	<p>B) ICOMOS RECOMMENDATION</p> <p>That the proposed cultural property be inscribed on the World Heritage List.</p>

Figure 2.11 ICOMOS recommendation for heritage recognition (1984).

Source: UNESCO

The UNESCO recognition had rapid effects on the dynamics of restoration. In the 1970s, only the State had made some investments in public buildings and squares, but after the declaration as heritage, several family houses were restored by members of the national elite, who saw in the city a place for their vacation home. Within this elite, there were industrialists, politicians, artists, and drug traffickers (see next chapter). Some local homeowners also did more basic restorations, such as façade changes, balcony repairs, or landscaping.

2.5 Real Estate Developers and Tax Incentives: First restoration Boom

Between 1993 and 1995 two major restorations occurred and altered the living space around it. Two hotel chains (one French and one Colombian) acquired buildings that had been built as convents in the Spanish colonial era. After Independence, these buildings had various uses such as schools, universities, police headquarters, and a hospital. During

those uses, the constructions were continuously altered, for this reason, the architecture, rather than colonial, was of the republican type. However, these uses and styles were erased in the narrative of the architects and the owners of the two buildings. One of the luxurious hotels is advertised as having the “magic and charm of a 17th-century colonial convent but with the hotel comfort of the 21st century” (Hotel Santa Teresa, 2018).

The two new hotels made modifications to the surrounding public squares, new international restaurants were established in the vicinity, and several street vendors and low-income families were displaced from these areas. The arrival of the new owners plus the construction of the two new hotels produced the first documented gentrification processes, as recorded by Diaz and Paniagua (1994) and Scarpaci (2005). However, even this gentrification was localized in specific areas of the walled area and had not yet spread to the rest of the historic area.



Figure 2.12 Police Headquarters (1970). Source: Historic Photo Library Cartagena.



Figure 2.13 Hotel Santa Teresa on the site of the Police Headquarters (2015). Source: Hotel Charleston Santa Teresa

Scarpaci (2005) has studied the restoration processes in historical centers of Latin America and has pointed out that a specific characteristic of Cartagena before the end of the 20th century is that restoration has been driven mainly by the private sector. While in other cities the financing role of the government and international cooperation prevailed, in Cartagena, these actors were not the main funders of the restorations. Although this is true, it is important to note that the local elite and tourism entrepreneurs managed to promote reforms in the local government that facilitate and attract private investment in construction and restoration. As a result, the City Mayor's Office signed Decree 44 in 1999 that created a 50% exemption from property tax for homeowners restoring historic homes. The same decree established that the houses dedicated to hotels would pay the lowest property tax in the city for economic activities. This tax is progressive according to the socioeconomic classification of the property. High stratum houses pay 0.65% of the property value annually, middle stratum pays 0.45 and low stratum pays 0.2%. It should be clarified that the average property tax in Cartagena is the lowest of the main Colombian cities and one of the lowest in Latin America and the Caribbean. Additionally, in 2003 the

national government set a 100% exemption from income tax for 30 years for all new hotels to be built in the country.

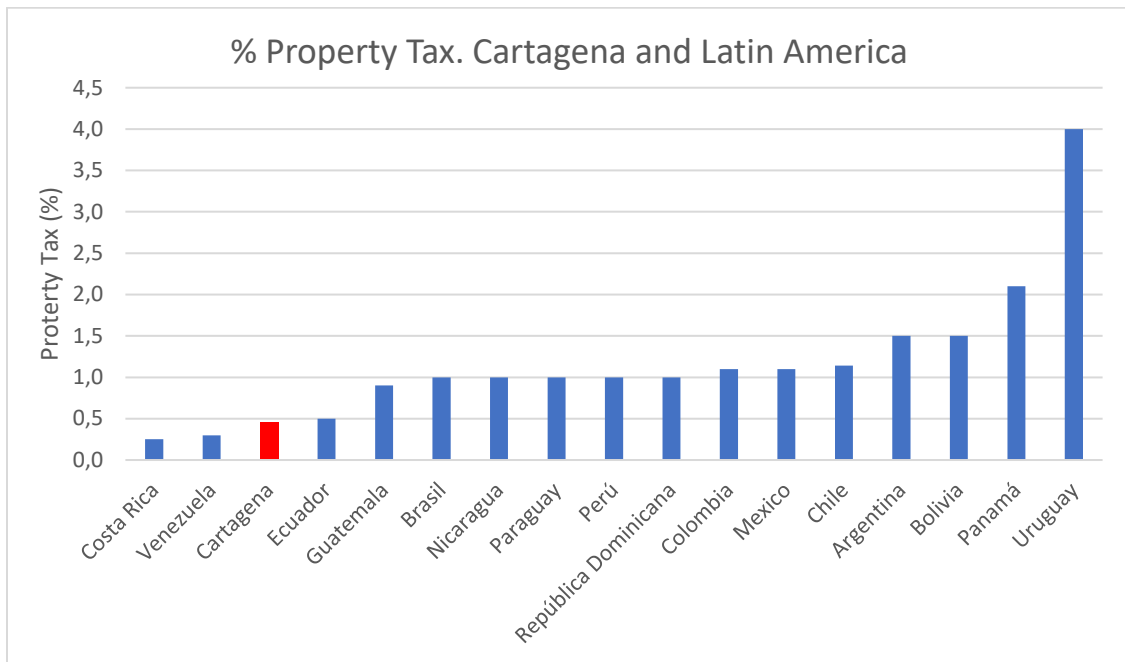


Figure 2.14 Property tax. Cartagena and Latin America. Source: De Cesare (2012)

Simultaneously and in addition, the local government drew up and approved the Land Use Plan in 2001. This Plan organizes, classifies, and projects the land uses in the city for the next 10 years (it has already expired). The Plan contains an exclusive section for the walled area and the buildings considered as national monuments. The Plan defines and regulates what modifications can be made in each of the houses within the Centro Histórico. This document stipulated that all the houses within the walled area are considered to be of the Historic Conservation type and that therefore they would be beneficiaries of tax exemptions. This classification is somewhat controversial because several of these benefited properties were built less than 80 years ago and others were completely demolished and rebuilt with a colonial appearance. Older houses but located outside the walls do not access the same tax exemptions because they are not considered to be of the Historic Conservation type.

On the other hand, the Plan defined that the houses located in the Cathedral and San Diego neighborhoods should be considered as a middle economic stratum and the

Getsemaní houses as a low economic stratum, and therefore, they could pay low property tax. This is also controversial because the vast majority of these properties belong to a local and national elite that clearly could not be considered as middle or lower class. This socioeconomic classification allowed these elites to only have to pay between 0.1 and 0.25% as property tax for buildings for residential use located within the walled area. Clearly, these planning strategies greatly benefited elite homeowners and boosted the attractiveness of owning these types of homes. Scarpaci (2005) and Burgos (2016) argue that the development of this Plan could have been co-opted by the local elite and corporate interests. In fact, a large proportion of the Plan's advisory team were architects, restorers, and tourism experts. As we can see, economic pressure groups have managed to use and produce tools on heritage conservation to obtain tax benefits and increase the demand for their assets in the walled area.

2.6 Spanish cooperation and reorganization of public space

At the end of the 20th century and beginning the 21st, a foreign actor played a key role in the tangible and intangible production of the heritage space. The Spanish Cooperation Agency, through its project for the recovery of Centro Históricos in Latin America, began an ambitious cooperation process in Cartagena to promote architectural restorations, conservation consultancies, and training of inexpensive and unskilled labor for restoration. Spain had already made contributions of resources for the beautification of the city and training of heritage workers on the approach of the celebration of the 500 years of the arrival of Colon to America. However, as of 1998, cooperation resources have grown exponentially. In fact, between 1998 and 2005, Spain invested 3.5 times more in the city than anything it had done before. To have a dimension of the interest of Spain in Cartagena, I must indicate that the agency has cooperated in restorations and formation of heritage work in 95 cities distributed in 34 countries located in Latin America, the Caribbean, Africa, Asia, and the Middle East. Cartagena is the city that has received the most resources in the world. Within the top we have (in order of money received): Cartagena, Quito, Cuzco, Mexico City, Lima, Potosí, and Havana (Maldonado, 2015).

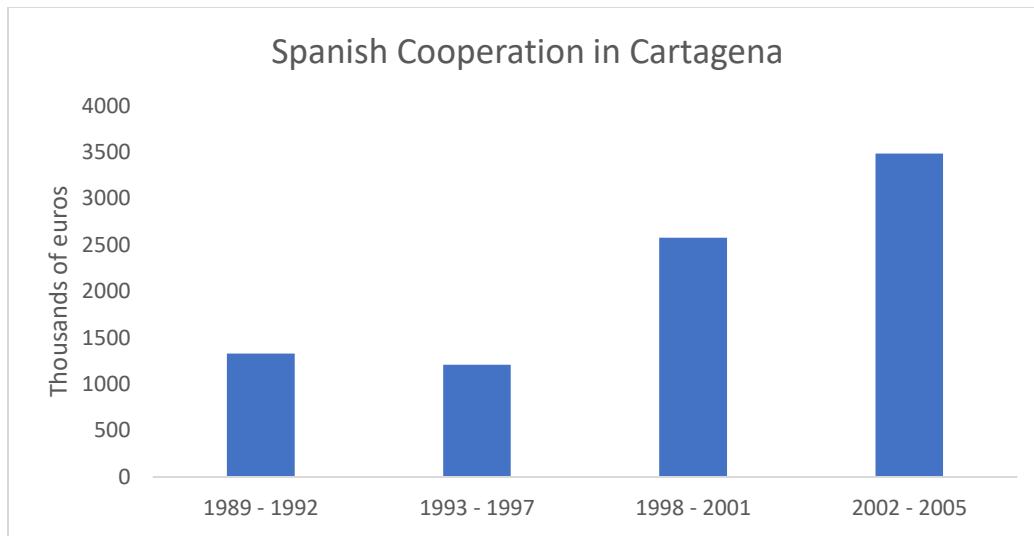


Figure 2.15 Spanish cooperation 1989-2005. Source: Maldonado (2015)

Spanish cooperation was focused on the material rescue of the city's bond with colonizing Spain. The agency took charge the restoration of buildings located in the Cathedral that were associated with the colonial institutionality, within them I can highlight the Naval Museum, the Santo Domingo Convent, the Cathedral Church, the Palace of the Inquisition, the Casa de La Moneda, and military bastions. Likewise, the agency redesigned and built the most important public squares in the Cathedral neighborhood, such as Plaza de La Aduana, Plaza San Pedro, Plaza de Los Coches, and Plaza de la Paz. These transformations evidenced the Spanish interest in colonial nostalgia and the whitewashing of public space. A proof of the first case is the rescue and relocation of the statue of Pedro de Heredia. Before Spanish cooperation, the statue was located at the outside the walled area covered by a garden and palms that prevented its view. The transformations made by the agency moved the statue in 1998 to the Plaza de Los Coches (the square where the slave auction used to work during the colonial period). Today the statue has become a tourist landmark and an unavoidable visual point for anyone entering the walled area through the main gate. The statue has also become an element of debate between those who consider that the city should not honor the Spanish conqueror and the city's historical elite who demand to keep the statue.

The intervention in public squares had an air of whitening because it began the persecution and expulsion of street vendors and popular recreation activities in the city.

There is no evidence to affirm that this persecution and expulsion was managed by the Spanish agency. The local mayor's office, in order to facilitate urban transformations and to ensure the aesthetic quality and tourist attraction of the squares, advanced a fierce policy of surveillance of public space. The occupation of public space was not considered a problem 20 years ago, but as of 1998, a discursive and legal battle began over the use of these spaces (Cáceres and Cabrales, 2007). Columns appeared weekly in the local newspaper denouncing the activity of street vending, which was stigmatized and assumed as responsible for the devaluation of certain areas of the city and the depressed sales of formal stores. This persecution was adjusted to the urban transformation plans financed by the Spanish government because the elimination in the squares of the daily popular interaction facilitated the tourist appreciation of the Spanish values inherited to Cartagena.



Figure 2.16 Pier Los Pegasos with traditional street food sales (2005). Source: El Universal



Figure 2.17 Pier Los Pegasos without traditional street food sales (2019). Source: www.sibarita.com.co

Simultaneously with the arrival of cooperation resources, Spanish private investors arrived in the city and bought houses in the Cathedral and San Diego neighborhoods. Similarly, in the city French and Italian buyers appear and focus on the same neighborhoods. The possible correlation between resources for cooperation to restore and Spanish real estate investment offers an interesting research area in the urban governance issue discussed by Harvey (1989a). The author argues that the competition to attract investment has created a public-private alliance where the local government makes investments in “entertainment” infrastructure, which drives the attraction of capital and real estate speculation (Harvey, 1989a). In Cartagena, we have witnessed a type of governance managed from Spain, where the Spanish government makes investments in restoring infrastructure and public space in one of its former colonies to create a favorable environment for the Spanish and European private investors.

2.7 City-Show, intangible heritage, and real estate: second restoration boom

As I showed previously, in the city a kind of alliance between local elite, businessmen and governments has acted to create an image of a Spanish heritage city that seems attractive to international tourism. This alliance has incorporated international actors due to the intervention of the Spanish cooperation agency and European investors. In the

last decade, these alliances have incorporated new elements of attraction and new heritage narratives to attract tourism and investment.

One of these strategies is the promotion of the city-show. Since 2007, the city has increased its role as a city of global events and with this, actors strongly connected with the global economy and members of the international entertainment world are arriving. Annually, the Hay Festival is held in January, an event with the participation of writers, journalists, and popular analysts. In January, the most prestigious classical music festival in Latin America is also held. In March, the International Film Festival takes place with the participation of local and international celebrities. In the year 2012, the VI Summit of the Americas was organized in the city with the presence of all the presidents of the American continent and another group of businessmen, celebrities, and international politicians. In addition, Cartagena has become the preferred place for marriages of the national elite. The festivals are organized by transnational cultural managers and sponsored by Colombian companies belonging to the industrial, financial, oil, tourism, and communications sectors. Sponsors also appear from the US financial sector (Goldman Sachs and JP Morgan), Spanish (Maphre), and Brazilian (Itaú). As I will see later several buyers of properties in the city are owners or are linked to several of these sponsoring companies. As we see, large owners of the capital are making clear efforts to consolidate a city-show image and attract potential real estate investors to Cartagena.



Figure 2.18 Advertising International Film Festival (2017). Source: FICCI



Figure 2.19 Advertising HAY Festival (2013). Source: www.hayfestival.com

In Getsemaní, the attraction does not come from the city-show but the narratives in intangible heritage. Given the scarcity of real estate available at the Cathedral and San Diego, new investors seek spaces in Getsemaní. This neighborhood shows the elements that Smith (1979) uses to explain the formation of gentrification. The stigmatization of previous years created a fall in the value of the land. The new investors promoted new narratives about the authenticity of neighborhood life and local cultural values (Posso, 2015). This increases the attraction for the neighborhood and as a result, the rent gap is produced, and with it, gentrification begins to emerge. Getsemaní "has been occupied later, but in a more predatory way than the rest of Centro Histórico" (Rius and Posso, 2016, p. 104). This neighborhood is a sample of a new use of heritage discourse. The attraction is not based on Spanish architectural values, but on the promotion of an intangible heritage based on the invitation to have an "authentic neighborhood life experience". The neighborhood that was despised for its link to the rebellion against Spain is today promoted commercially not by its architecture but by its daily neighborhood practices.



Figure 2.20 "You can buy fruits in front of the door" Hotel advertising in Getsemaní (2017). Source: Hotel Santo Domingo Vidal.

In addition to the promotion of city-show and the promotion of neighborhood authenticity, what are the attractive materials for investing in real estate capital in Cartagena? According to reports from international real estate agencies, the attraction for the city's real estate sector comes from Colombian expatriates, American retirees, and financial investors. Although there is a traditional foreign interest in buying houses in Cartagena, during the last decade the attraction has increased significantly. Real estate advisers indicate that Cartagena is currently attractive to invest because the security of the country has improved, there is no limit to property purchases by a foreigner, fees and commissions are relatively low, taxes are low or zero in some cases, maintenance costs of housing and life are minimal, and the labor is cheap (Giambruno, 2016, Sisson, 2016; Peddicord, 2013, 2015).

As we have seen, there is a growing interest in real estate investment in the city and one example of this is the growth of the price per square meter in the walled area during the last 10 years. After the global crisis, the average price has grown by 438%. The post-crisis rebound began in 2009 and has had rapid growth since then. As we see the global financial crisis did not negatively impact the real estate activity of the city. This does not mean that the crisis is not linked in any way with the real estate data of the city.

CHAPTER 3. TRANSFORMING HERITAGE SPACE INTO AN ASSET

Cartagena has faced several waves of gentrification in its Centro Histórico or heritage area during the last 60 years, but several studies indicate that the wave of the last decade has been the most accelerated and aggressive. Although this latest wave of gentrification in Cartagena has been explained as a consequence of the most recent tourist boom in the city, the critical theory on gentrification explains that it is the result of the mobility of capital to places where the current rent of the built environment is widely exceeded by the potentially achievable income (Smith, 1979). Before the change of preferences in a social group to use, visit or reside in rehabilitated (or renovated) places, there is a movement of builders, real estate agents, and investor owners towards places that offer better potential rates of profit than other places or economic sectors. For this reason, Smith (1979) claims that an explanation of gentrification must understand the behavior of these agents, their economic motives, and the mechanisms they use to make mobilized capital profitable. This chapter attempts to assume that assignment to understand recent transformations in Cartagena's heritage built environment. This chapter is not about gentrification but about the agents behind it. Specifically, I ask why capital is mobilized towards the heritage area of the city, what the possible relationship of this mobilization to the global crisis of 2008 is, and how gentrifying agents use the heritage condition to boost the potential income of property and their rate of profit.

To address this purpose, I proceed in the following way: 1) I quantify and validate the existence of gentrification in the three neighborhoods of the Centro Histórico. 2) I describe the main trends in the housing market in the study area and the changes linked to the development of the global crisis and post-crisis of 2008. 3) I identify the main characteristics of current buyers/investors in the Centro Histórico and their differences compared to the period before the global crisis. 4) I analyze the investors' motivations to purchase “heritage” properties and strategies to transform the property into a profitable investment asset.

In this chapter, I use data obtained from primary and secondary sources. I utilize interviews with real estate agents, resident owners, former urban planning and heritage management officers, and architects. I also report on a photographic and geolocated survey of properties. As secondary sources, I use property databases, demographic censuses for the years 2005 and 2018, national and departmental macroeconomic accounts, commercial records (Chamber of Commerce), certificates of Property Freedom and Tradition, and databases of offshore companies. The analysis is also based on materials and documents related to real estate advertising, and on heritage conservation and land use regulations.

3.1 Gentrification in Centro Histórico

Several authors and media outlets in Cartagena began talking about gentrification in the city in the mid-1990s (Díaz and Paniagua, 1994 and Díaz and Paniagua, 1993). The references were made in the context of two important urban transformations that occurred with two former convents located in very attractive areas of Cathedral and the San Diego neighborhood. Two transnational hotel chains converted the old buildings into two luxury hotels (Santa Clara and Santa Teresa). The landscape of the streets began to be modified by non-local bodies and new shops and restaurants that were oriented more towards those who stayed in these hotels and less for the local people (Scarpaci, 2005; Díaz and Paniagua, 1994). New wealthy neighbors appear in the area. For example, the houses of the Santofimio political family, the businessman Julio Santodomingo (the second richest person in the country at that time), and the Nobel Prize winner for literature Gabriel García Márquez. At that time, the few references made about gentrification were closer to optimistic ideas about revitalization or recovery of the Centro Histórico. In some critical perspective, some neighbors expressed mild concern about the dispute over the use of space, but no discomfort from the expulsion of local residents or a significant alteration of neighborhood life seemed evident yet. (Díaz and Paniagua, 1993).

Before 2005, there was still no evidence that gentrification was a widespread phenomenon that affected the entire Centro Histórico. During this period, the country and the city promoted discourse on improving security as a result of the frontal struggle (and in some cases with the use of illegal strategies) of the National Government against the

guerrilla groups. Promoted security improvements were accompanied by tax stimulus programs for the construction of hotels in the country. This spurred the construction of new hotels in Cartagena, reinvigorating or continuing (on a smaller scale) the urban transformation begun by the Santa Clara and Santa Teresa hotels. The emphasis on security and the expansion of hotels gave an important boost to the arrival of domestic and foreign tourists that consolidated as more flight lines opened and Cartagena's offer as a tourist port for cruise ships began. The notable advance of tourism in the city spurred the creation of more shops and restaurants for tourist purposes, which, together with the appearance of new hotels, put pressure on the real estate market and started the first strong growth in house prices in the Centro Histórico. New informal vendors came to the area, joining the city's traditional street vendors. The search for an attractive city for tourists and the pressure that the new formal shops put on the local government led to the start of a state struggle against the occupants of public space and the expulsion of new and old street vendors (Cunin and Rinaudo, 2008). Then, the tourist impulse, the state incentives for hotel construction, and the fierce struggle over the use of public space give rise to episodes of gentrification that, although they were more powerful than in previous periods, were not yet evident as a systematic fact. In Cathedral, houses have historically been occupied by local and national elites and the most substantial changes related to the change in land use of certain properties that went from inhabited houses to become restaurants and shops. San Diego shows changes in residents (from lower-middle-class families to upper-class families) around the Santa Clara hotel. In Getsemaní, the changes were not yet visible. Small backpacker hotels emerged in this neighborhood, with a few foreign owners rehabilitating abandoned houses. According to Scarpaci's research (2005), in Getsemaní the gentrifying changes at that time seem to be perceived as a positive event that would help the recovery of what had been a stigmatized neighborhood.

However, between 2007 and 2013 the possible gentrification process showed signs of change at different rhythms in the three neighborhoods. In Cathedral, demographic changes among residents were not clearly seen, but the new impetus for the restoration of land and the increasingly frequent changes in land use were evident. In San Diego, residents recognized a noticeable demographic change and the purchase and restoration of properties. In Getsemaní, changes during this period became more obvious and critical.

The shortage of houses to buy and restore in Cathedral and San Diego prompted a search for new assets in Getsemaní. Given the low-class origin of the neighborhood, the appearance of luxury hotels and restaurant construction created a strong socioeconomic contrast in the urban landscape. Community organizations in the neighborhood initiated a participatory investigation and complaint processes that revealed the dynamics of the expulsion of residents (Ferrer and Morillo, 2013).

It is during this time that academic literature and the media note concerns about possible gentrification in the city, and specifically in Getsemaní (Rius and Posso, 2016; Piñeiros, 2017; Perez, 2013). Although since the late 1980s it had begun a gradual and dispersed process of urban transformation in the Centro Histórico, several authors (Rius and Posso, 2016; Piñeiros, 2017; Burgos, 2016) point out that it was at the end of the first decade of the 21st century that transformation accelerates dramatically and seems to become systematic throughout the area. Since 2012 several publications have emerged from qualitative research where the word gentrification becomes the central category of analysis (Rius and Posso, 2016; Piñeiros, 2017; Perez, 2013). The main changes identified by these authors are the expulsion of residents, massive property purchases, a boom in the small and large-scale restoration industry, widespread change in land use that minimizes residential use, the disappearance of institutional offices for residents (schools, jails, parks, government offices, universities, etc. are transferred to other parts of the city), persecution of the street vendors, a substantial increase in the value of rentals, among others.

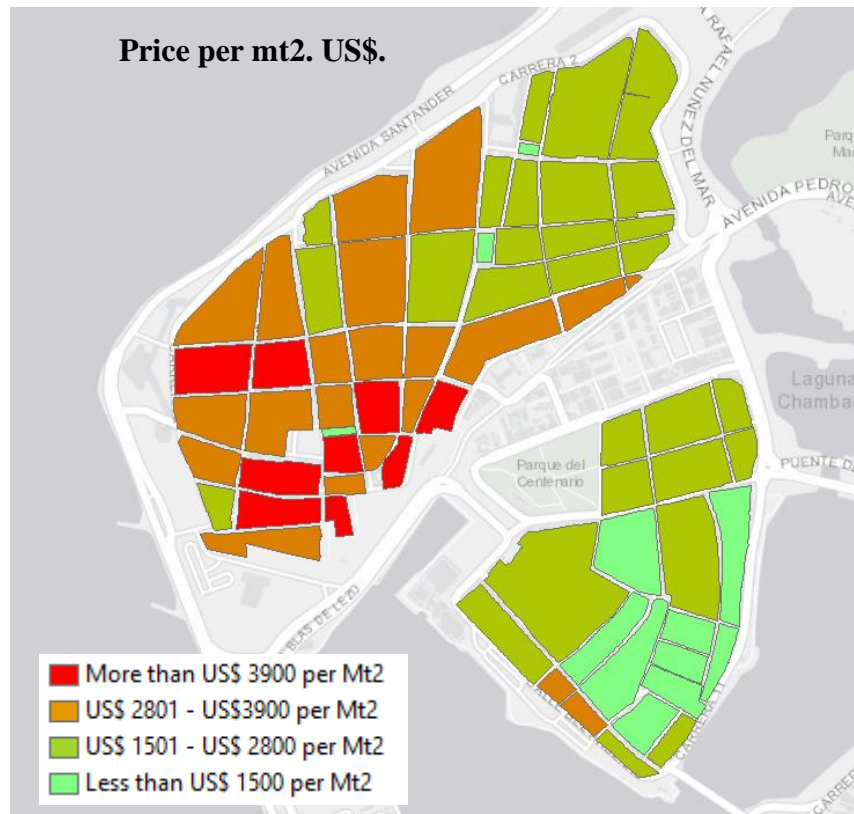


Figure 3.1 Price (dollars) per square meter in Centro Histórico, 2018. Source: Author's spatial base, data from "Arriendos y Ventas" Magazine and Cadastral Survey.

Despite the progress in the academic discussion on possible widespread gentrification at the Centro Histórico in Cartagena, there is still no quantitative evidence to confirm that this has been a systematic process throughout the area. Based on available census data and using gentrification measurements developed by Ley (1986) and Hammel and Wyly (1996), I can provide evidence in that process. They propose to compare socioeconomic change, demographic change, and change in housing use and occupation. The available censuses correspond to 2005 and 2018. The period covered by the two databases is useful because it can show us population and housing change between a phased gentrification stage (before 2005) and an accelerated and widespread gentrification stage (several years after 2005). Unfortunately, the two censuses did not ask the same questions and that is why the changes can be tested only with the variables that are repeated between censuses. In the case of socioeconomic change, I will use the proportion of people over the

age of 25 with higher education, for demographic change I will calculate the aging rate¹ and inhabitants per dwelling, and for change of use and occupation of housing I will use the proportion of housing for residential use and proportion of housing occupied by residents.

Table 3.1 Testing gentrification through demographic changes

Census 2005	Cathedral	San Diego	Getsemaní	Cartagena
proportion of people over the age of 25 with higher education	54%	37,2%	61,8%	23,5%
Ageing rate	0,59	0,3	0,44	0,26
inhabitants per dwelling	4,3	5,3	5,1	4,6
proportion of housing for residential use	41%	63%	69%	91%
proportion of housing occupied by residents	85%	92%	92%	98,3%

Census 2018	Cathedral	San Diego	Getsemaní	Cartagena
proportion of people over the age of 25 with higher education	42,9%	45,3%	68,6%	30%
Ageing rate	1,84	1,50	2,81	0,48
inhabitants per dwelling	0,7	3,1	1,6	3,03
proportion of housing for residential use	31%	24%	40%	89%
proportion of housing occupied by residents	36,5%	89,3%	61,9%	84,8%

Source: National Census (2005 and 2018) - Dane

The traditional quantitative procedure for identifying gentrification is to compare intercensal variations of each neighborhood with the intercensal variation of the city. The results suggest that during the period evaluated each neighborhood faces a different stage of gentrification (Table 3.1). In terms of socio-economic change measured by educational improvement, Cathedral shows unexpected behavior: its inhabitants reached a lower level of education in 2018 than achieved in 2005. This result shows a change of inhabitants but would suggest that new residents would have a lower economic situation. According to the

¹ It is obtained by dividing the whole of the elderly population, from 65 years of age, between people under 15 years of age.

explanation of residents interviewed there are two possible reasons: a) Cathedral has been abandoned by permanent residents and the few who remain are elderly people who never accessed the university, and b) the residents registered in Cathedral correspond mainly to people who are in charge of the care and surveillance of the property because these are mostly houses for rent and/or vacation homes (second home). San Diego and Getsemaní show an improvement in the educational level, but the size of this improvement is quite similar to what happened in the rest of the city, so this indicator would not reveal gentrification for these two neighborhoods.

The aging rate reveals a substantial change in all three neighborhoods. It is a general fact in the city the movement towards a demographic transition in which the percentage weight of the child population decreases while the percentage weight of the adult population and in old age increases. However, this change is especially high in the three neighborhoods of the Centro Histórico. While in the city, the rate of aging doubles, in the three neighborhoods in 2018 the index is 5 to 6 times higher than in 2005. This would confirm a population replacement. The children's population is almost non-existent and the three neighborhoods are mainly dominated by populations over the age of 60. In interviews with residents I find that this fact could be the result of: a) some Cathedral homes are inhabited by parents and grandparents who no longer live with their children, b) the three neighborhoods are being inhabited by a new adult population with little preference for having children, c) the three neighborhoods are being inhabited by new residents who see all three neighborhoods as an area of retreat and rest, and d) the new and old occupants inhabit Cathedral not for residential purposes but economic purposes. Although some of the four explanations may overlap, options b, c, and d would indicate gentrification. In any case, data on the high difference of the three neighborhoods versus the outcome of the city would indicate that the change is more than the city's natural demographic transition and that the main reason for the change is related to a population replacement (options b, c, and d).

The indicator of inhabitants per dwelling shows a clear demographic change in the city and the study area, but in Cathedral and Getsemaní the change is very strong. The houses go from being occupied by 4 and 5 people to being inhabited by approximately one

person. This fact is very important because in Cathedral, large houses with many rooms predominate and therefore it is surprising that each house is inhabited on average by a single person. Again, interview information suggests some hypotheses: a) single-person households where the adult lives without children and without a partner, b) houses inhabited by individuals that are responsible for care and surveillance of the property. For either reason, it is clear that there has been a major demographic and housing change that reveals who lives in Cathedral today are very different from those who occupied it in 2005. The city's trend seems to repeat in San Diego, which might suggest that traditional family structures still exist there or that population replacement occurred before 2005 and are therefore revealed as already consolidated family structures at the 2018 census.

These results are linked to housing occupancy data. As we see, San Diego has a slight reduction in occupancy rate, which is even lower than the reduction for the city. However, Getsemaní and, above all, Cathedral reflect a sharp reduction in housing occupancy. This reduction is the result of several phenomena: a) abandonment of homes that occur mainly in Getsemaní (Posso, 2015), b) the use of housing for non-residential activities but that have not been officially declared non-residential, and c) the increase of homes undergoing restoration processes. The behavior of San Diego suggests, as noted before, that the demographic change produced by gentrification has already been consolidated since before the 2005 census and therefore the new and old families that at that time resided in the neighborhood are approximately the same as they were in the census of 2018.

Residential use of homes in these two neighborhoods fell by almost a third, which is three times the reduction in Cathedral neighborhood and is 20 times stronger than the city average. This replacement of uses reveals the notable economic and real estate interest in these two neighborhoods and therefore suggests that an important reinvestment of capital and price pressure on the real estate market in the area has been developing especially there. This process is not new in Cathedral, but it is new in the San Diego and Getsemaní neighborhoods.

I must then conclude that the three neighborhoods seem to be at different stages of the gentrification process, but in all of them this process accelerated strongly over the past

decade. Cathedral neighborhood consolidates its definitive transformation into an economic space in which homes lack occupants or would be occupied mainly by people who care for or guard the property but do not use the property as a home. The San Diego neighborhood shows a sharp change in housing use (from residential to economic) that coexist with new and old consolidated resident families living there since before the 2005 census. The situation in Getsemaní also reveals a strong demographic and residential change where fewer and fewer families live, the population is mainly adult (the proportion of children in the population pyramid is almost zero), and where the economic use of homes begins to exceed residential use. It is important to note that gentrification in Getsemaní seems to be shown differently and more quickly than in the other two neighborhoods. At Cathedral, we see a sustained shift towards economic consolidation and in San Diego, we see the coexistence of family structures with economic use, but in Getsemaní gentrification seems to have entailed the disappearance of resident families (there does not seem to be a replacement of social class) as it makes a rapid leap to consolidation as a neighborhood of economic use. It is important to note that gentrification in Getsemaní looks different and faster than the other two neighborhoods. In Cathedral, we see a sustained change towards the consolidation of economic use, and in San Diego, we see the coexistence of resident families with economic use, but in Getsemaní a type of gentrification develops that tends to disappear family structures as the area transforms into a neighborhood for economic use.

3.1.1 Tourism-gentrification

The dominant explanations for the recent accelerated gentrification of the Centro Histórico focus on the city's tourism boom (Posso, 2015). As I mentioned, the increase in tourists in the city has been driven by the increase in hotels, this increase, in turn, has led to the development of restaurants, bars and shops focused on tourists. This interrelationship puts pressure on the supply of land and thus raises the price of housing. If I look at the flight arrival data to the five main Colombian cities (Figure 3.2), I find that the inflow of visitors has been growing uninterruptedly since 2000, however, before 2010 the growth was relatively homogeneous in 4 of the 5 cities (except Barranquilla). This homogeneity breaks between 2010 and 2014, a period in which Medellín and Cartagena reach average annual increases of over 12%. As of 2015, there is less pronounced growth

in all cities, but now Cartagena leads the annual increase in passengers in the country for the first time. While 68 people arrived in the city in 2010 for every 100 inhabitants, between 190 and 260 people per 100 inhabitants arrived in the city each year after 2010. As we see, the period that various authors (Posso, 2015 and Piñeiros, 2017) mention as the beginning of the explosive gentrification process corresponds to the period when tourism in the city grows exponentially.

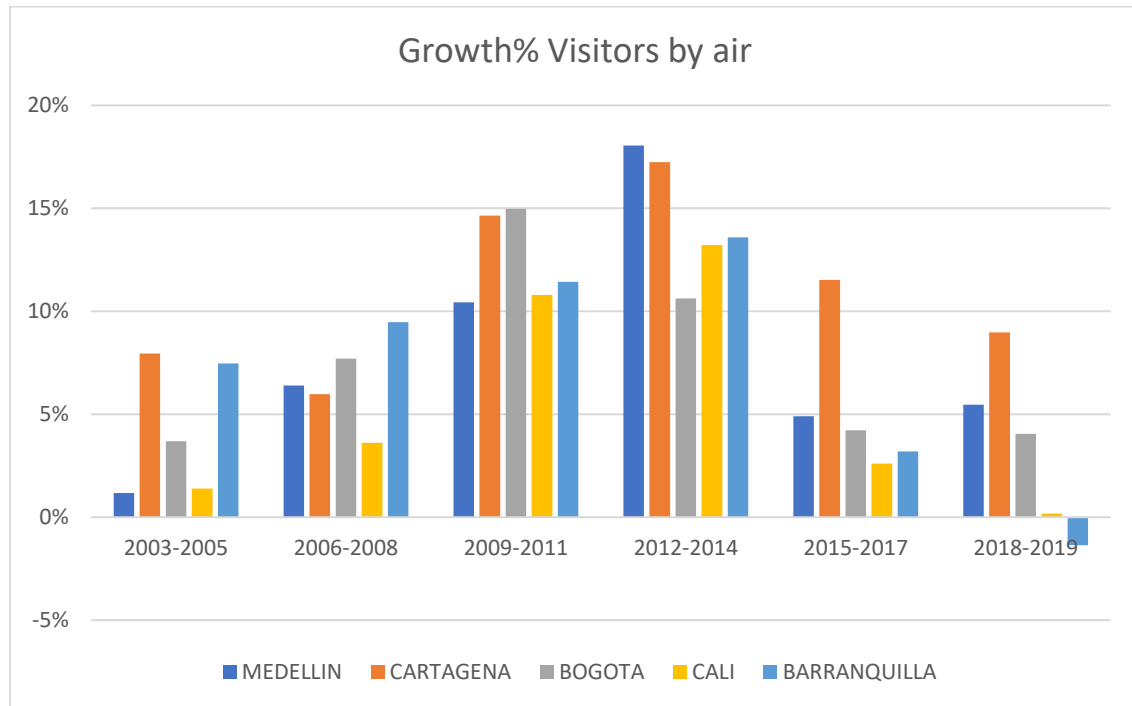


Figure 3.2 Percentage growth in visitors in the five main Colombian cities 2003-2019.
Source: Tourist Information Center of Colombia - CITUR

The arrival of mass tourism gave way to the pressure of economic interest on land use. The growth in the number of hotels is indicative of this trend of change in land use. Using data from Piñeiros (2017) we can see that between 2005-2009 the number of hotels grew by 29% compared to the previous five-year period, and between 2010-2014 the number grew by 127% (Figure 3.3). In the same research, Piñeiros (2017) concludes that the increase in the number of visitors, the implementation of incentives for hotel construction, and the increase of international events has increased the attraction for investors in the city and thus the growth of gentrification in the Centro Histórico.

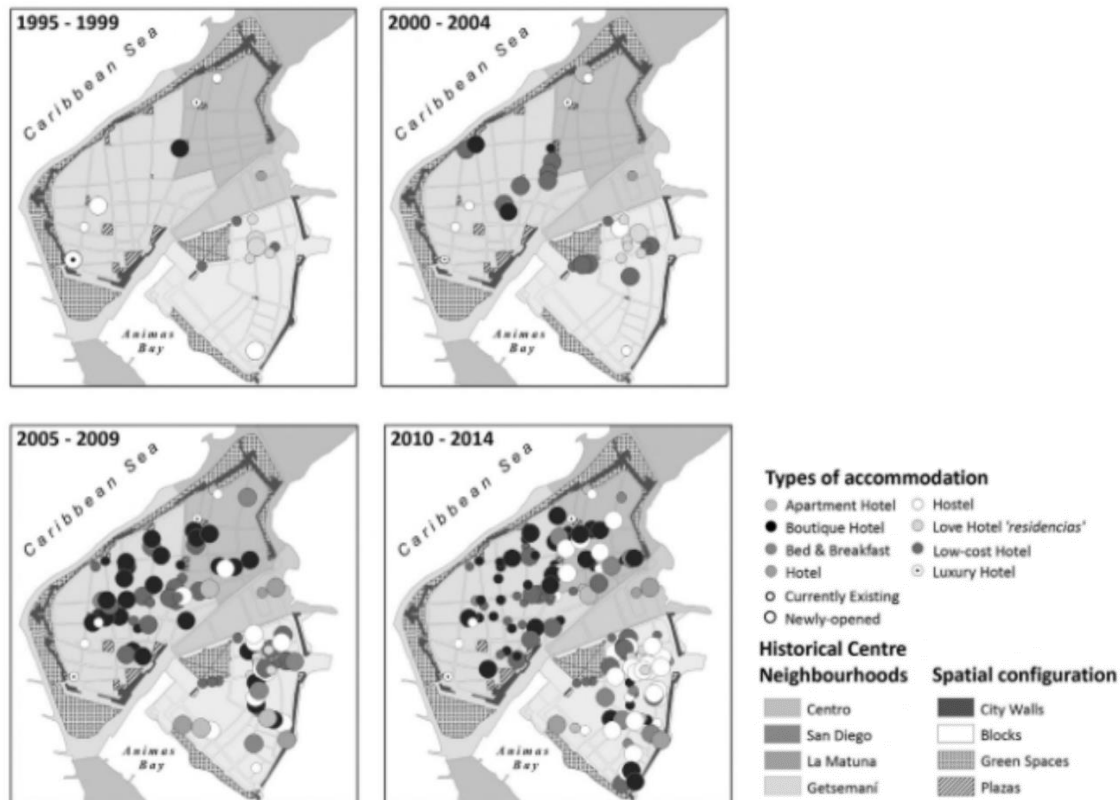


Figure 3.3 Changes in types of accommodation 1995-2014. Source: maps and data Piñeros (2017)

This type of tourism-driven gentrification has been coined 'tourism-gentrification' by Gotham (2005). Studying New Orleans, Gotham identifies a dynamic that gentrifies tourist neighborhoods through a new scheme of institutional connections between local governments, the real estate industry, and the global economy. In this scheme, what urban geography theory calls production-side and demand-side explanations of gentrification act together -the production side refers to gentrification driven by capital movements (Smith, 1979) and the demand side refers to gentrification driven by changes in consumer preferences (Ley, 1996). Gotham argues that tourism is changing capital investment patterns, creating new forms of financing for real estate development, and creating new consumer spaces. Tourist institutions and local elites are "adapting, reshaping and manipulating images of the place to be desirable to the targeted consumer" (Gotham, 2005, p. 1111).

Cocola (2018) has advanced theoretically and empirically in the analysis of the dynamics of gentrification tourism in the global north and south. The author indicates that this phenomenon usually has a strong impact in peripheral cities where tourism is treated as the main factor in economic development. In some of these cities, the size of the middle class is relatively small, so consumer tourist demand is taken as a substitute for precarious local consumer demand. "The purchasing power of visitors stimulates real estate markets and, in such a context, the classical gentrifier is supplanted by visitors as consumers of places" (Cocola, 2018, p. 8). However, as Gotham points out, tourism is not a gentrifier per se. Tourism is an activity driven by different actors looking to attract capital to the city and within this group, real estate capital is the engine of tourism activity. Why? Because the arrival of tourists accelerates the pressure on land use and thus presses the price of the property. "New spaces of consumption have the ability to increase land values and this process explains why property owners are particularly interested in promoting local tourism" (Cocola, 2018, p.11). Therefore, according to Gotham, it is not true that capital reacts to tourist demands, but that consumer tastes for certain places are created and marketed by powerful capitalists whose main interest is to produce a built environment from which they can make greater profits.

As we see, the tourist factor is not enough to explain the gentrifying forces in the Centro Histórico of Cartagena. Following Gotham (2005) and Cocola (2018), there would be real estate interest and investors of built environment who are key agents in gentrification, with greater influence than tourism itself. I must then understand how the construction market and the real estate market in the city has evolved and identify the facts that could create different growth dynamics during the last two decades.

3.2 Recent dynamics of the construction and real estate market

This section is developed by analyzing supply behavior, demand behavior, possible imbalances, and price dynamics resulting from the real estate market operation. There is no official market dynamics data for the study area, so I approach the market from data at the nearest available scale. I use data from the department where the area is located (Bolívar) as an indicator of supply and demand trends (Cartagena is the capital of Bolívar

and this city contributes 91% of the department's GDP). In addition, since there is no housing price dataset for the city or department, I built a series of housing prices in the Centro Histórico from the sales history of a sample of 200 properties distributed in the three study neighborhoods.

3.2.1 An approach to the real estate supply

As an indication of supply in the city, I take the dynamics of GDP attributed to construction in Bolívar. In Figure 3.4, we see that construction activity in the department was relatively stable between 1990 and 2006. The most important movement during this period was the decline of 1999 and 2000 as a result of the strongest economic crisis the country experienced since the Great Depression. In 1999, Colombia's economy collapsed as a result of excessive financial deregulation, the consequent failure of the mortgage market, and the bursting of the housing bubble. In the global context, several Latin American and Asian countries also exhibited capital market-related crises that aggravated the Colombian crisis due to capital flight. The explosion of the housing bubble led to the bankruptcy of construction companies and the fall in housing supply, so construction was the economic activity most affected by the crisis. The effect was so profound that it only showed signs of recovery 6 to 7 years later.

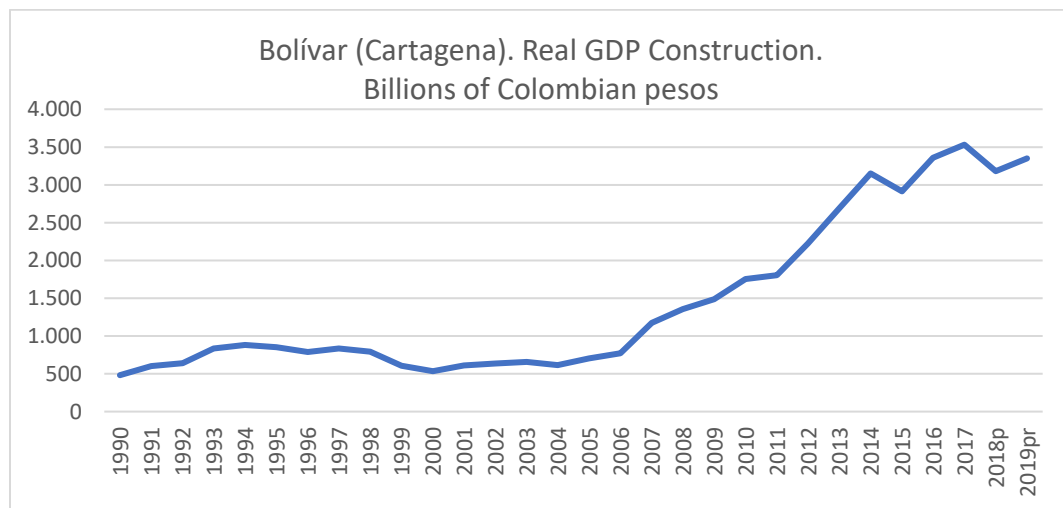


Figure 3.4 Bolívar (Cartagena), real GDP construction 1990-2019. Source: National accounts-Dane

The history of construction in the city changes markedly after 2006. The national government developed a strong commitment to stimulate construction. In 2002, law 788 was issued through which the national government created extensive tax incentives for the construction of hotels (granting exemption from income taxes and others for 30 years). Similarly, between 2003 and 2009, incentives for interest rate subsidies and soft loans for home purchases were boosted. At the same time, the global and national economy was experiencing a boom period that improved average household incomes and increased the inflow of international money to the country (Salazar et al, 2012). These events allowed construction to begin a recovery process in the country and city from 2006. From 2007 to 2017, the city has experienced a construction boom that far exceeds previously recorded numbers, so that construction as a share of Bolívar's GDP tripled in less than a decade.

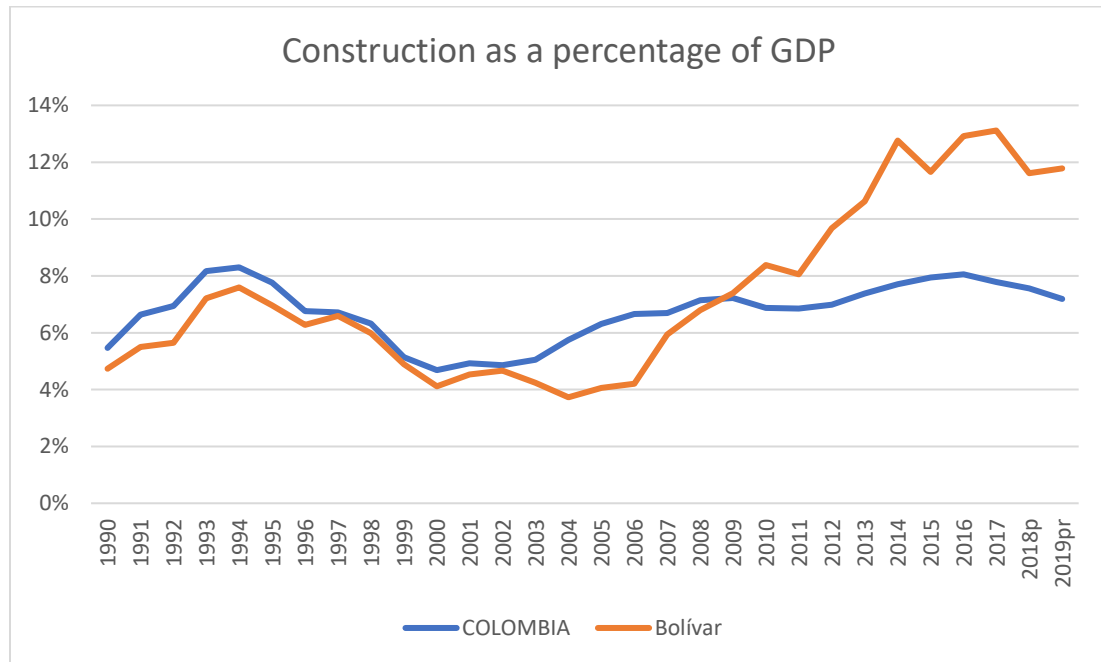


Figure 3.5 Construction as a percentage of GDP, Colombia and Bolívar, 1990-2019
Source: National accounts-Dane

Is this behavior the result of a general growth in construction in Colombia or does it correspond to specific events in Cartagena? To get closer to the answer, we can see Figure 3.5 where the percentage participation of the construction sector in the GDP of Colombia and Bolívar is represented. As we see, after the 1999 crisis, Bolivar took longer to recover than Colombia. While construction in the country in 2005 managed to return to levels like

those registered before the crisis, in Bolívar it recovered those levels two years later. However, since that year, Bolívar takes off at an unprecedented rate that exceeds the construction situation in the rest of the country as of 2010, and then continues to grow until the departmental percentage share tripled from its lowest point (2004). However, this accelerated and almost sustained growth since 2007 is surprising because it intersects with the economic crisis in the global north that, albeit slightly, impacted the Colombian economy. This behavior prompts us to ask, how is it possible that just one year before the explosion of the worst global economic crisis of the century, an expansive and uninterrupted process of construction took place in Cartagena? I will return to this question later. For now, I must verify if this expansionary dynamic of the construction sector in Bolívar belongs to a general expansion of the department's economy.

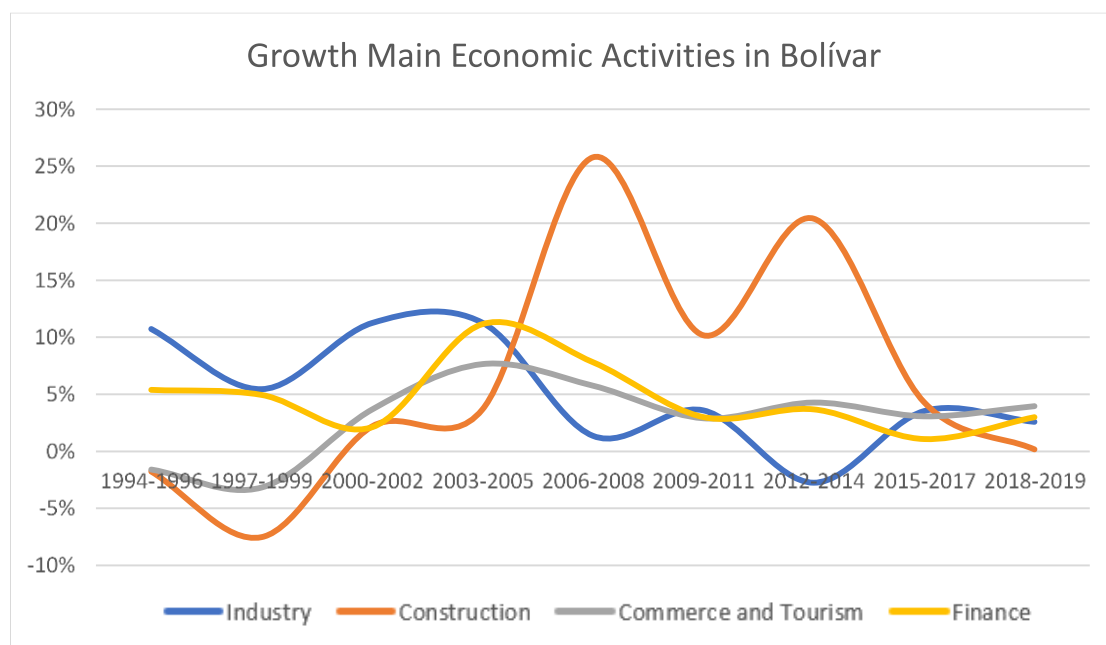


Figure 3.6 Growth in main economic activities in Bolívar (Cartagena), 1994-2019
Source: National accounts-Dane

As we can see in Figure 3.6, between 1994 and 2002, construction in Bolívar shows synchrony with the behavior of industry and commerce (the two most important economic sectors in the city). All three sectors fell sharply when the national economic crisis broke out and then began the recovery process simultaneously, albeit somewhat slowly in the construction sector. However, between 2006 and 2008 construction began to show the

opposite behavior of the rest of the local economy (especially compared to industry). While the other sectors seem to suffer the effect of the global economic crisis, construction shows its best performance. Between 2009 and 2011, construction slightly reduced its growth rate, but it was still much higher than that reported by other sectors. Later, the construction boom resumed its path of accelerated growth between 2012 and 2014, even though other sectors continued with low growth, and even negative, as is the case of the industry. Finally, during the last 4 years, construction begins to show growth rates close to the rest of the sectors and seems to be approaching a recession between 2018 and 2019. It is clear that the city experienced a powerful construction boom between 2006 and 2017 and that the peak period began in the run-up to the global crisis and during its outbreak. While the rest of the Colombian and local economy faced this outbreak, construction in the city continued to be buoyant for almost a decade more.

A construction entrepreneur pointed out in 2009: "All forecasts are against, cheap dollars and economic recession, but Cartagena is consolidating as a leader in construction and sales of second home" (Arturo Cepeda, August 22, 2009. *El Tiempo* newspaper). How to explain this opposite relationship between construction and local, national, and global industry? How to explain that two years before the crisis we observe the beginning of an unprecedented growth in construction in Cartagena and that it still does not seem to stop? The concepts of capital switching (Lefebvre, 2003) and spatial fix (Harvey, 1982) suggest answers. Part of the capital gain appropriated by the capitalist is invested in two capital circuits (Lefebvre, 2003; Harvey, 1982): the first one is reinvestment in industrial activity, and the second is the purchase of assets such as land, real estate, housing, and built environment. These assets are bought to expand the reproduction of capital and speculation. The economic cycle of industrial activity defines the proportion of capital allocated to each circuit. When the industrial cycle approaches a crisis of overproduction, capital moves towards the second circuit, in such a way that it absorbs the excess and as a result construction is expanded (Lefebvre, 2003, Gotham, 2009). This is part of what Harvey (1982) calls the spatial fix. The crises inherent in capitalism need to mobilize capital between sectors and places to find new sources of surplus-value and reduce overinvestment where the rate of profit decreases (Harvey, 1982). This strategy uses the real estate market to free up excess capital in other sectors and seeks to create new options

for profitability in fixed assets. In this sense, I could suggest that the city is receiving investments from other national and global economic sectors that were directly affected by the crisis. Christophers (2011) points out that, although the Harvey and Lefebvre hypothesis has been very influential and useful in urban geography, there is not enough empirical evidence to validate the argument and the existing findings are generally ambivalent. Therefore Christophers (2011), using real estate, financial sector and industry data for the United Kingdom, tries to test the hypothesis. The author concludes that the 2008 financial crisis was preceded by a real estate boom. Although various studies show the post-crisis tendency to move capital towards the built environment (Aalbers, 2019; Yrigoy, 2018; Fields and Uffer, 2016; Cocola y Gago, 2019, Krijnen, 2018), what is interesting about the Christophers' (2011) finding is that it shows that this mobility begins before the crisis occurs. I could be seeing this same result in Cartagena. Before the explosion of the global crisis and the reception of the effects on the local and national economy, construction in Cartagena experiences its greatest expansion, possibly because of a jump of capital from sectors and countries in crisis towards the built environment of different parts of the world. But the arrival of capital to the construction sector has not stopped, even 10 years later the construction boom continues. To get closer to validating this hypothesis, I will develop a characterization of the investors in the Centro Histórico: type of investors, the economic origin of capital, the territorial origin of capital, investment locations, purchase strategies, and possible investment objectives. For now, let us explore how local demand for the built environment has evolved in order to identify possible imbalances and impacts on real estate price dynamics.

3.2.2 An approach to the real estate demand

Most Colombians buy housing through bank loans (Salazar et al, 2012), therefore, as a proxy variable, I analyze the demand for construction employing the number of housing loans granted. As in the previous case, I compare the behavior of the variable in Bolívar with the dynamics of the same variable in Colombia. The results shown in Figure 3.7 reflect a very limited demand in the first decade of the 21st century. As already pointed out, during that period the country was struggling to recover from one of the worst recent

economic crises, and some sectors and departments took longer than others. As we can see, the number of home loans in Bolívar suffered the effects of that crisis for almost a decade. Even though the country recovered, in Bolívar the growth rate of housing loans remained in negative territory until 2009. Then, we see positive growth that, since 2012, begins to exceed the annual growth of housing loans in the country. This result is very interesting because during several moments the demand shows a different and even opposite behavior to that shown in construction GDP. The period of the greatest boom in the built environment in Bolívar coincides with growth in the number of housing loans negative or close to 0%. The coincidence of trends between GDP and credits only seems to occur from 2012. This fact suggests that during the beginning period of the real estate boom (2006-2011) an imbalance due to excess supply could have occurred because of the fall in household income as a result of the national crisis of 1999 and the global crisis of 2008. The similar behavior of GDP from construction and housing loans from 2012 suggests that in recent years the real estate market has moved towards equilibrium.

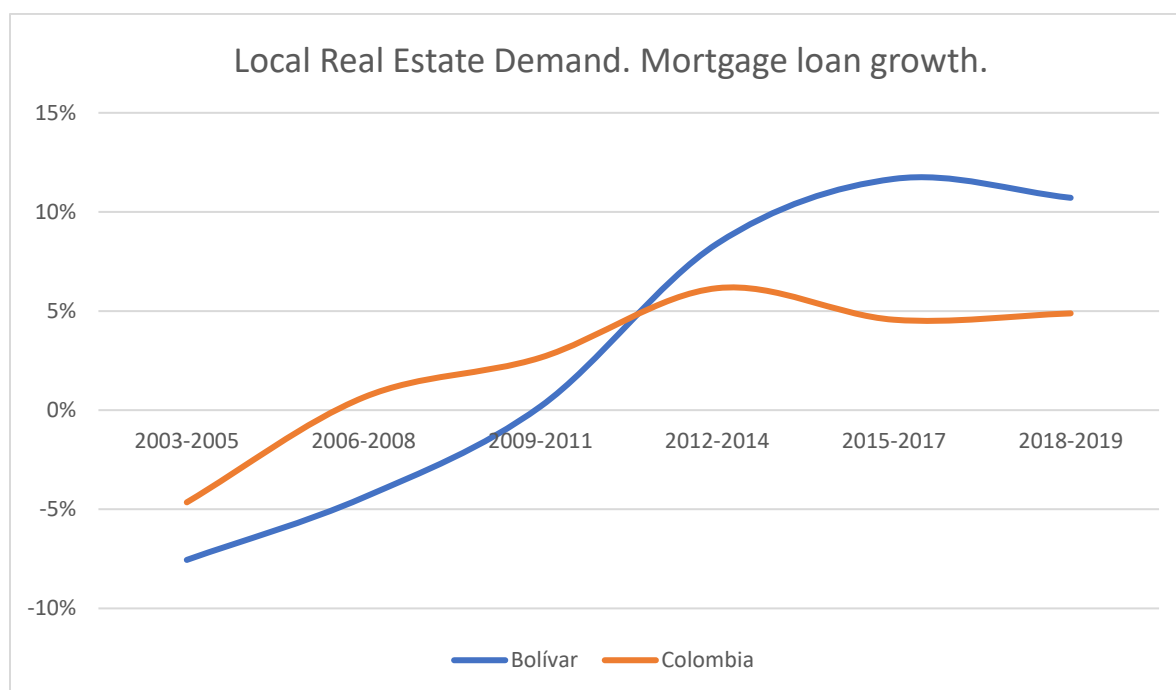


Figure 3.7 Mortgage loan growth rates, Colombia and Bolívar, 2003-2019.

Source: National accounts-Dane

Market fundamentals would indicate that the apparent imbalance was resolved through a subsequent drop in the real estate supply or a drop in house prices. As we have seen, the former did not happen because supply continued to report extraordinarily high annual growth rates for almost a decade. I then have to evaluate the response of real estate prices in the city. In Cartagena, there is no property price information system or database, so I built a price database taking information from the prices reported in the purchase/sale records of 200 properties located in the study area (as shown in Chapter 5 there is a positive correlation between price dynamics in the Centro Histórico and the rest of the city).

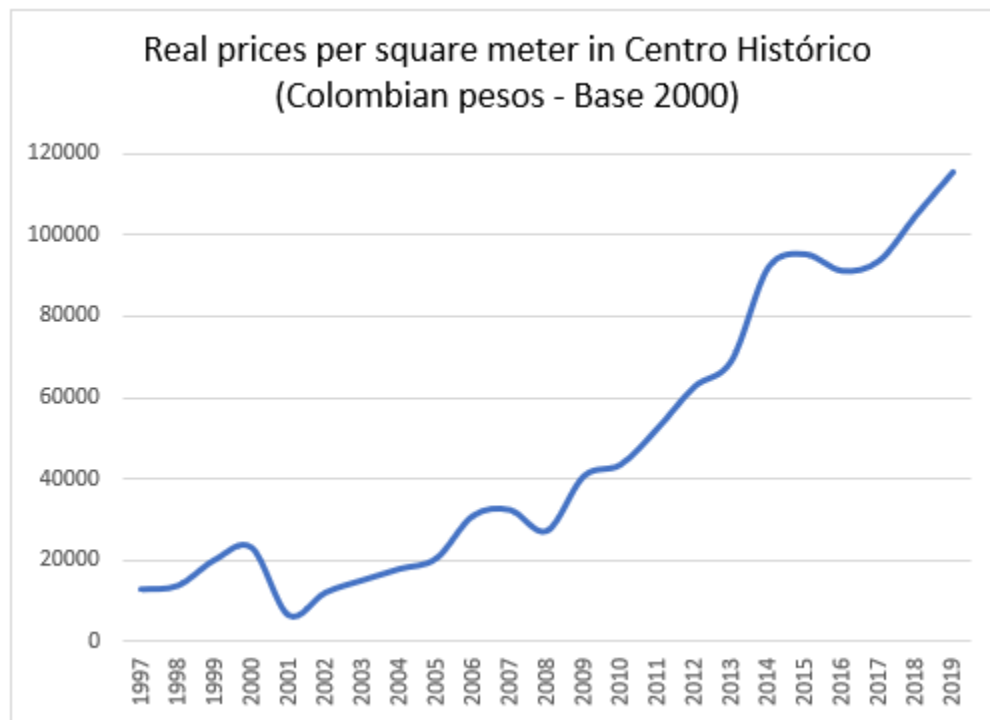


Figure 3.8 Real prices per square meter in the Centro Histórico. Source: Superintendency of Notaries and Registry, Magazine “Lease and Sales”, and Cadastral Survey.

I can distribute the price dynamics in the Centro Histórico in two periods: before 2008 and after 2008. During the first period (1997-2008), the price looks highly volatile but fluctuates around 20,000 pesos (real price) per square meter throughout the period (Figure 3.8). Prices showed a first important fall two years after the national crisis of 1999 and only manages to surpass its pre-crisis level in 2006. Then, during the outbreak of the global crisis of 2008, a new slight fall in the price arises but quickly recovers a year later.

Let us remember the supply and demand situation during this period. As previously noted, it is possible to identify an equilibrium during the period of national crisis and an imbalance between 2006 and 2011. As I said previously, this imbalance does not seem to have been offset by a fall in supply, and now, the price data suggest that neither was compensated by a reduction in prices. This circumstance invites us to consider the need to include in the demand a type of buyer who is not captured by the dynamics of mortgage credit. As a hypothesis, I could consider that it is a buyer with high purchasing power, with the possibility of moving large sums of money from one asset to another and/or whose financing comes from resources outside of Cartagena. I explore this later.

The second period of the housing price evolution is 2009-2019. During this period, the slope of the price curve changes because prices begin to grow rapidly. While between 1997 and 2008 prices doubled, registering an average annual growth rate of 10%, between 2009 and 2019 prices quadrupled thanks to average annual growth of 29%. This result does not fully coincide with the behavior of local demand, which only showed positive growth rates since 2012. Therefore, we have a period (2009-2011) that does not match the dynamics of the local housing market. As I mentioned before, I must explore which actors are participating in the purchase of housing and who do not require mortgage credit. For now, I must point out that as of 2012, price growth moves in the same direction as demand growth, but the former does so three times faster than the latter. This behavior may suggest either that the city is experiencing a real estate bubble dynamic and/or that the actors not captured in the mortgage loans variable have continued to push the real estate market and driving accelerated price growth.

Finally, the growth in real estate prices reported in the last decade coincides with the growth of tourism in the city. As I mentioned above, as of 2009 a tourist boom begins in the city that registers growth rates that oscillate between 9% and 15% per year. If we link this coincidence with the previous results of supply, demand, and prices during the pre-crisis period and global crisis (2006-2009) I can postulate as a hypothesis that: the possible capital switching that occurred during that period to Cartagena would have developed movements related to tourism that put pressure on the real estate market during the following decade to guarantee the profitability of the capital mobilized. Returning to Gotham (2005), it is possible that real estate developers and investors act on the impulse

of tourism activity and the creation of tourist consumer preferences to ensure strong price growth and thus, the return on invested capital. Again, to approach the validation of the hypothesis of capital switching and spatial fix and this new hypothesis, I must understand the characteristics, strategies, and economic relationships of the buyers not captured in our proxy variable of local demand, as well their links with the local stimulus of prices and boosting tourism.

3.3 The gentrifying forces. The unexplained demand: the new actors

As we have seen, there is a growing interest in real estate investment in the city and one evidence of this is the increase in the price per square meter in the walled area of the Centro Histórico. When I evaluate the price dynamics of the last 10 years, I find that the average price has grown by 438% after the global crisis. The post-crisis rebound started in 2009 and has grown rapidly since then. As we can see, the global financial crisis did not negatively impact the city's real estate activity. This is not to say that the crisis is not linked in some way to the city's real estate records. As already noted, the existence of a spatial fix in Harvey's terms (1982), would indicate that the real estate boom in Cartagena is a result of the movement of capital from sectors in recession towards fixed assets with high expectations of profitability. To understand the possible movements of capital towards the Centro Histórico, it is necessary to explore who invests, how they are linked to the national and global economy, and how they take advantage of the heritage condition to guarantee the profitability of the invested capital.

Our strategy for obtaining information on property characteristics and economic relationships consisted of several steps. I first carried out a photographic survey with geolocation in the study area in order to define a sample of properties with any of the following characteristics: recent restoration (last 10 years), in the process of restoration, or with conditions indicating potential for restoration (house with high deterioration). The condition of restoration was chosen because, according to information provided in interviews by owners, architects, and real estate agents, the change of ownership is usually linked to the possibility of restoring the home. In general, participants say that it is more

profitable and easier to buy properties to restore. Some investors buy to restore and sell for a significantly higher value, for other investors, it is more attractive to buy houses that they can modify according to personal criteria, and other investors buy deteriorated properties to speculate on the value and resell for a higher price, but without any modification.

For each of the selected properties, I collected data on restoration condition, estimated restoration year, property use condition, real estate registration number, geographic coordinates, and facade characteristics. Subsequently, at the Superintendency of Notaries and Registry, I acquired Certificates of Freedom and Tradition for each selected property. This certificate is a public document (but not free) that provides current and historical information on the property related to changes of owners, mortgages, prices agreed on each registered sale, and legal circumstances.

The information found in the landlord registry was cross-referenced with other public databases: chamber of commerce, property tax, offshore leaks, national registry, and press news archives. These data allow us to approximate the economic relationships of owners and capital flows related to the property.

3.3.1 Who is buying?

The analysis of the property documents of the houses reveals certain patterns. Before the 1990s the purchase and sale of real estate had little dynamic. Only 11% of the houses evaluated changed ownership between 1950 and 1989. The most common property change was related to the transfer of property within the same family. The surnames of the owners of that period show that in Cathedral the properties belonged mainly to the local elite. This is different in San Diego and Getsemaní, where properties show fewer surnames identified with the city's elite, except for some cases of immigrant families of Arab origin and a few other properties that served as a workshop and shop for families that can now be classified as upper-middle class.

Table 3.2 Properties in Centro Histórico with change of ownership 1989-2018

	Properties with change of ownership
Before 1989	11%
1989 – 1998	21%
1999 – 2008	40%
2009 – 2018	49%

Source: Property survey conducted by the author and Superintendency of Notaries and Registry

In the 90s, 21% of the properties evaluated changed ownership. As I have said, after the heritage declaration, members of the national elite mobilized capital towards the real estate sector of Cartagena during the 80s and 90s. In this period, there is also a special type of owners: people related to drug cartels. As is known worldwide, Colombia has had a recent history marked by drug trafficking. The great consolidation of the drug cartels occurred in the 90s. Cartel bosses used figureheads to launder dollars through the purchase of real estate assets and companies. In Cartagena, I find owners who are members of drug trafficking families and people listed in the Clinton List (OFAC). A sample of a potential money laundering is the growth in the price of the property during the purchase of the property. As an example, we have a house that was bought in 1994 for US\$ 16,200 and in 1996 it was bought by someone associated with drug trafficking for US\$ 138,000. In two years, there was a growth of 750% of the price. This speculative dynamic was part of the real estate bubble that broke out in 1999 along with the economic crisis.

As of 1999, most owners are characterized by belonging to the national elite and European investors. In the city, owners linked to industrial activities with a strong weight in the Colombian economy and owners linked to national political life appear. Within the Europeans, we already noted the Spanish and their possible connection with the investments of the cooperation agency (Chapter 2). As we see, beginning the twenty-first century, there is a diverse amalgam of owners, who apparently had no connections: national industrialists, Europeans, drug dealers, and local elite (the ones with the financial capacity to restore their homes). This wave of new investors produced a strong dynamic of transactions in the real estate market.

As I said in the previous section, after 2008, the real estate market shows a strong dynamism that is evident in the accelerated growth of land prices and on the promotion of

gentrification (especially in Getsemaní). Between 2009 and 2018, real estate investors bought 49% of the properties evaluated. This dynamism has been much higher in Getsemaní, where 71% of the properties have been purchased in the last 8 years. In San Diego, 50% of the properties were purchased in this period and 27% of the properties were purchased in Cathedral.

What kind of owners are driving this unprecedented real estate boom? In property documents, individuals or families, once dominant, fade and the names of legal entities and companies appear more frequently as property owners (Table 3.3). In some cases, I can identify that the owner of the company is the former owner of the house, that is, there are cases where the family creates a company or a legal entity that assumes ownership of the property. In other cases, families of the national elite constitute companies or legal entities that are in charge of managing assets of these families in various parts of the country. In other cases, we have companies that administer the assets of Colombian expatriates. In some cases, it is difficult to identify the owner's names.

Table 3.3 Proportion of properties purchased by companies 1989-2018

Neighborhoods	Proportion of properties belonging to companies before 2008	Proportion of properties purchased by companies after 2008
Cathedral	58%	83%
San Diego	51%	77%
Getsemaní	39%	70%
Total	52%	73%

Source: Property survey conducted by the author and Superintendency of Notaries and Registry

The impact of this new type of owner is evident in our data. 73% of real estate purchases between 2009 and 2018 were made by legal entities. This result varied within the three neighborhoods. Cathedral, the neighborhood with the longest elitist history, most of the properties belong to companies. In San Diego, the neighborhood with the middle-class origin, 51% of the houses belong to a company. And in Getsemaní, the working-class neighborhood with high stigmatization, most of the properties belong to natural persons. However, when I evaluate the dynamics of companies in purchases after 2008, I find that

the three neighborhoods show a broad dynamism. In all cases, more than 70% of the purchases of properties made between 2009 and 2018 were made by legal entities.

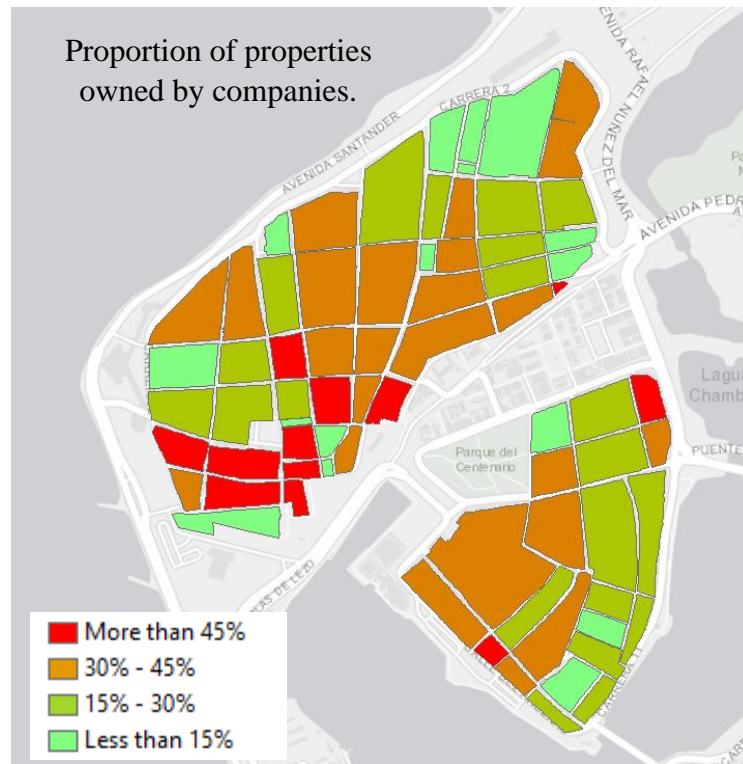


Figure 3.9 Proportion of Centro Histórico properties owned by companies, 2018.
Source: Cadastral database (Secretary of Finance)

The emergence of legal entities makes it more difficult to understand the origin of the owner. In several cases, it is not easy to establish connections between the official manager of the company and local or national families. Part of this difficulty is related to the existence of three types of companies: trust companies, temporary companies or shell companies (this will be discussed later), and companies domiciled outside of Colombia. Trust companies are in charge of managing capital and assets of natural or legal persons. These companies add capital, make investment decisions, provide guarantees to investors, and undertake the construction and sale of properties. The aggregation of capital allows the investor to cease to be visible and, in turn, implies that an exact relationship between capital and real estate assets is not clear.

3.3.2 Territorial origin of the capital-owners

As explained in the previous section, identifying the owner or buyer and its basic characteristics becomes complex when transactions begin to be carried out through legal entities. With the data we have, we can indicate that European, national, and local buyers have lost prominence, while companies or people linked to tax havens, the regional economy and US investments have gained real estate power. However, this trend should be analyzed with caution because it is likely that former owners may be hidden behind other natural persons or behind legal entities.

In Figure 3.10, we see that the main buyer type after 2008 is entities with offshore links. 32% of the purchases made in this period correspond to this type of owner. The second most important actor is the national buyer (despite reducing its prominence). The third main buyer is the type of owner of regional origin. This type of owner refers to entities or people located in the Caribbean region and, in most cases, they are linked to mining, livestock, and construction. Another type of actor that is expanding its participation is Colombian investors residing in the United States (expatriates). In this case, the economic crisis of 2008 has likely prompted the directing of their savings towards real estate investments in Colombia.

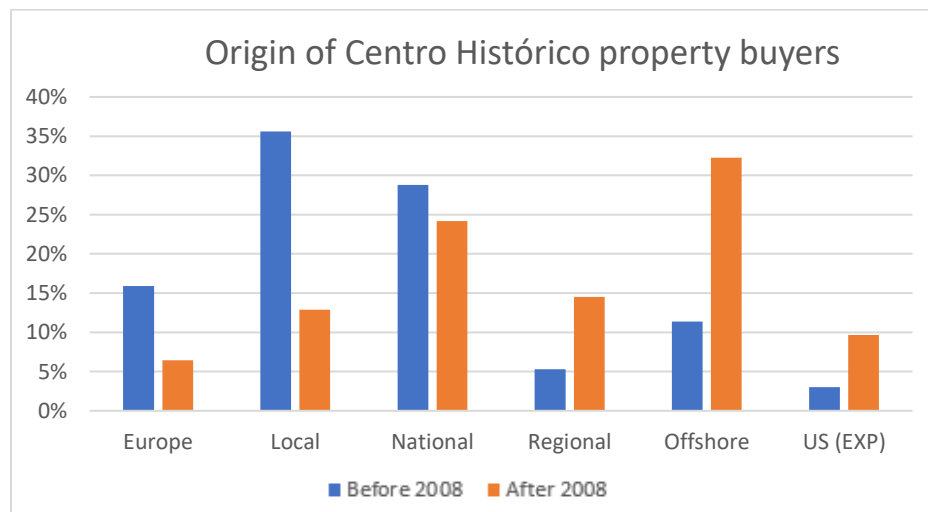


Figure 3.10 Origin of Centro Histórico property buyers, 1989-2018.

Source: Author's database from the Superintendency of Notaries and Registry, Chamber of Commerce, OpenCorporates and web searches.

The rise of these new actors has reorganized the distribution of property based on territorial origin. The national owner becomes the main owner in the walled area. They maintain their dominion over the Cathedral and San Diego neighborhoods. The second-largest owner is one of local origin. This is concentrated in Getsemaní and a few in San Diego (Table 3.4).

The third major player is landowners with offshore ties. Their focus is Cathedral, which could suggest that some of the elite that has owned homes in Cathedral for several years may be moving ownership of their real estate assets to offshore companies (we will see examples of this later). This group of owners is linked to offshore companies located in Panama (mainly), Gibraltar, BVI, Bahamas, and Curacao.

Finally, although the European investor has lost relative importance, we can see that, after the locals, this investor is the second most important owner in Getsemaní. This fact is important because, as has been said before, this neighborhood is the living stage of gentrification in the city. In Getsemaní, the European investor comes mainly from Spain, Italy, and France.

Table 3.4 Territorial origin of capital-owners in each neighborhood 2018

	Cathedral	San Diego	Getsemaní	Total
Europeans (E)	12%	6%	23%	13%
Local (L)	18%	37%	35%	27%
National (N)	31%	33%	16%	28%
Regional (R)	8%	6%	12%	8%
Tax Haven (T)	26%	11%	9%	18%
US (U)	5%	7%	5%	6%

Source: Author's database from the Superintendency of Notaries and Registry, Chamber of Commerce, OpenCorporates and web searches.

3.3.3 Economic origin of capital

This last section describes the sector or economic activity to which the owner or the owner company is linked. The usefulness of this description is to identify the possible sectoral origins of capital switching. This description can also be useful to identify connections between owners and a type of companies that promotes the image of heritage city or show city.

Using databases from the Colombian Chamber of Commerce and internet searches of press releases, I find that the economic composition of the capital that appropriates houses in Cartagena has similarities with the composition of the national and local economy, and with its growth trends. The top 10 of the economic activities with the greatest acquisition of properties are Finance, Real Estate, Industry, Construction, Contractor (of the public sector), Drug trafficking, Mining, Livestock, Entertainment, and Tourism. The first 5 activities are the activities with more weight in the national and local economy, which suggests that the walled area is a physical space used to mobilize surpluses from the strongest economic sectors to fixed assets.

Now, if I differentiate who bought before and after 2008, the importance of each activity generates a different composition. Before 2009 the top 5 buyers were owners linked to industry, drug trafficking, contractor, financial, and entertainment. The presence of drug trafficking in this top coincides with the rise of large drug cartels in the 80s and 90s. These cartels saw real estate as an asset laundering instrument. On the other hand, the industrial owner corresponds to the appearance in the real estate market of a national elite linked to companies focused on the beverage and food industry. The two media conglomerates of the country belong to these same families. Their properties are located mainly in Cathedral.

As has been repeatedly indicated, after 2008, the city's real estate market underwent remarkable changes that created unprecedented growth. These changes are also reflected in the type of economic activity from which the capital of the new buyers comes. After 2009, the top 5 buyers are linked to Finance / Real Estate, Construction, Contractor, Mining, and Livestock. Within the finance /real estate group, the main players are trust

companies, offshore asset management companies, insurance companies, and fund management companies. This result reflects the global dynamics where the finance sector is acting as the dominator and regulator of local economies (Sassen, 2014). The necessary and still unresolved question is: What portion of the capital with financial origin originally comes from other sectors such as industry, mining, real estate, or drug trafficking? For now, what I know is that former owners transfer ownership of the property to financial/real estate companies controlled by themselves. I also know that the trust is being used as a tool to manage capital in a way that delinks the owner of the capital from the possession of the fixed asset. The finance / real estate sector has its focus in Cathedral and San Diego.

In the case of construction, the owners come mainly from the construction of public works and restorations. The increase in capital coming from this sector is consistent with the growth that construction has had in the city and the country in the last decade (construction represents 8% of national production and 16% of local production). What we could be witnessing here is the movement of surpluses from a prosperous construction sector to the built environment through the real estate market. The main destination of this sector is the Getsemaní neighborhood. This is understandable because this neighborhood is the new space for speculation and gentrification, and therefore it is the only land available for new buyers.

The contractor sector contains people who perform functions for the national public sector, but not as public officials. Some contractors are involved in carrying out public works, with electoral campaigns, and with the provision of equipment for the armed forces. The importance acquired by this buyer may be the result of the strong expansion of Colombian public spending in recent decades (first in military matters and then in infrastructure construction). The neighborhood of greatest interest to these buyers has been Getsemaní.

The importance acquired by the mining and livestock sector shows a different history. The Colombian economy has a long history as a producer of this type of goods. However, recent economic history has shown complex growth dynamics in these two sectors. The last great impulse of the Colombian livestock occurred in the first decade of the 21st century. The national government created important incentives and benefits for the

expansion of this activity. However, since 2011, livestock production has been falling continuously with a slight rebound in 2017. On the other hand, the mining sector is dominated mainly by oil production. This is a product that depends on international dynamics and therefore to understand what happens in this sector it is important to understand what has happened to the price of oil. During the first 14 years of the 21st century, the price of oil showed a continuous growth that reached its peak between 2008 and 2013 (more than 100 dollars a barrel). Since 2014, the price has developed a vertiginous fall (up to 30 dollars a barrel) and that has only found a small recovery and stability in the last year (50 dollars a barrel). The fall of oil has created a crisis in some oil countries, and in Colombia, it has caused an important fiscal and commercial imbalance. In this way, in the last decade, these two sectors had their best recovery and their most important falls.

How can we connect this fact with the investment from these sectors in the walled area of Cartagena? I hypothesize that in Cartagena we are witnessing a capital switching from a type of non-industrial primary circuit (Lefebvre and Harvey indicate that this happens from the industrial sector) to the secondary circuit. This capital switching seeks a spatial fix to temporarily solve the crisis of overaccumulation and subsequent recession in mining and livestock. This also suggests that the capital switching and spatial fix approach requires an adaptation to the economies of the global south. Colombia is a country with a historical dependence on the extractive sector and, therefore, I must understand the spatial fix in Colombia as a movement from a primary non-industrial extractive circuit to the built environment. These topics should be explored in future research.

3.4 Why do they buy houses in Centro Histórico? Transforming the heritage space into an investment asset

Interviews with homeowners and real estate agents reveal that the reasons for purchase can be classified into four: a) People who buy to restore and then sell, b) People who buy to reside occasionally, c) People who buy for short-term rentals (to tourists) and long-term leases (to restaurants and tourist shops), and d) people who buy and expect a price increase to sell the property without some transformation. In terms of Smith (1979),

these four buyers may be referred to respectively a) professional promoters, b) proprietary promoters, c) tenant promoters and d) speculators. In some cases, these reasons or types of buyers overlap with each other. There are proprietary developers who restore, occasionally live, lease the house when they do not inhabit it, and according to market dynamics may choose to sell the property.

The characterization of buyers and the information on occupation and use of properties reveals that behind the real estate demand that raises prices and gentrifies neighborhoods in the Centro Histórico, more than a movement or exchange of lower-class residents for upper-middle-class residents, we are facing a majority presence of a demand marked by investment interests. Among the four types of promoters, only type b acquires the house as a place of residence, however, according to interview data, a significant part of this group acts as a promoter type c when they are not living on the property. Therefore, given that the main objective of acquiring a property in the Centro Histórico is for investment purposes, I must explore how the maintenance of a rate of profit greater than zero is ensured and what role does the specific condition of the city play as a heritage site for that maintenance.

To understand the investment-profit-heritage link, I return to Smith's (1979) key argument in his explanation of the causes of gentrification. Smith argues that gentrification is an essential dynamic of the housing market. This is the result of the mobility of capital to places that previously suffered from disinvestment and that can now generate high rates of return. The size of the rate of return depends on what he calls rent-gap, this is the difference between the potential rent of the land and the current capitalized rent of the land. When this difference is attractive enough (compared to other investments and renovation costs), real estate players will be willing to mobilize their capital there.

The current capitalized income of the land refers to the actual amount of income that the owner receives considering the present land use, while the potential rent is the amount of expected income that could be obtained with the "best and most appropriate land use". Current capitalized income can be reduced as a result of physical and environmental deterioration, style obsolescence, and market conditions. Physical deterioration reduces current rent because the property loses attraction and usability conditions. The deterioration

of the surroundings can be the result of negative stigmatization dynamics of the area due to real or fictitious facts about safety, hygiene, among others. For its part, the obsolescence of style can play two opposing roles. Some styles can be promoted as aesthetically negative which reduces current rent, while others, especially older ones, can be positively driven by their apparent historical value. Market conditions can reduce current land rent due to a drop in demand from buyers or tenants. In turn, the potential land rent depends on the possible income thanks to rehabilitations, improvements in the image about the surroundings, impulse or rescue of the most attractive architectural style, and the strengthening or creation of a demand for the purchase or rental of the property.

In the same sense, Smith (2002) and Harvey (1982) point out that market dynamics press a trend towards reducing the rate of profit. But this trend is reinforced when investment assets are fixed. In terms of Harvey (1982), mobilizing capital towards fixed assets faces a contradiction: fixed assets are a temporary solution, but its very fixed condition later turns it into an obstacle to capital mobility. Faced with the threat of a falling earnings rate, the investor can mobilize capital to other areas, resulting in disinvestment at the previous investment site. The investor can also make physical and surrounding improvements that raise potential land rent. The investor can also drive marketing strategies that fuel the attractiveness of the space he/she occupies and thus sustain or raise his/her potential rent. Finally, the investor can demolish the property and rebuild it into an architectural design that regains the attraction.

However, since the recognition of the world heritage site by its nature is based on the preservation and non-transformation of the built environment, is heritage recognition an obstacle or an opportunity to raise the potential land rent and profit rate? I will try to answer this in the next section where I explore, why capital owners see the purchase of properties in the Centro Histórico of Cartagena as a profitable operation, and how they work to ensure a positive rate of sustained profit.

3.4.1 Restoration as a creative destruction strategy

It is clear that a group of buyers in the real estate business are those who buy the property to rehabilitate and subsequently sell, inhabit, and/or rent. The rehabilitation of the property in the Centro Histórico of a heritage site faces additional restrictions to those usual in other areas of the city. Restrictions mean that restoration must be focused on restoring the historical character of the property and done without altering the landscape environment of the established architecture. This process has been regulated in Colombia through Law 397 of 1997 and in Cartagena through Decree 0977 of 2001. In the city, four types of possible interventions are defined for property in the Centro Histórico:

- a) Monumental restoration. It involves the conservation and value of the building. It requires sustaining the spatial division of the property and all architectural elements of historical value. It does not allow subdivisions. It requires historical research before modification.
- b) Typological Restoration. It seeks to preserve the architectural structure but allows modifications in order to improve its habitability. It is a little more flexible than monumental restoration because it allows subdivisions, expansions, and adaptations, but asks that a use of the property similar to the original design be ensured.
- c) Improvements (habitability). Focused on buildings that lack important architectural values. These interventions are authorized in order to sustain the habitability of the building and to achieve possible integration with the dominant architectural environment.
- d) New work. Oriented to empty grounds or buildings of contemporary architectural typology and that is in contrast to the dominant historical context. It allows demolition and replacement by new buildings, but the new construction is required to harmonize with the colonial or republican architectural tradition.

Figure 3.11 shows that restoration is preferred over improvements or new work. This makes sense for two reasons: 1) according to current real estate market data and information from real estate agents interviewed, the price of the properties is directly related to the vestiges of architectural antiquity. If a property is shown to have original

elements of the colonial or republican periods its value grows, even if the property is semi-ruined. 2) According to the legal classification of properties, there are only a very limited number of buildings or lots that allow “new work”.

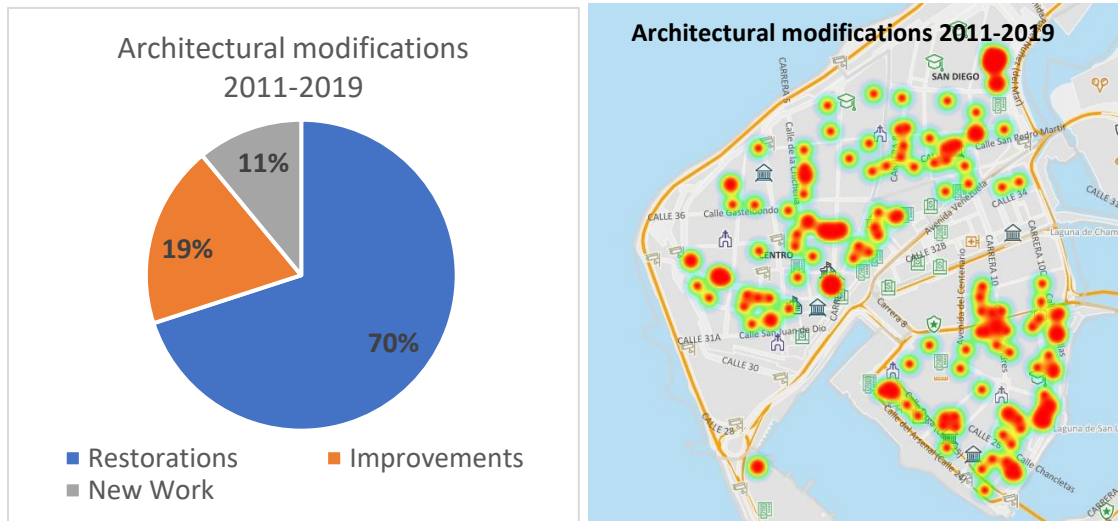


Figure 3.11 Architectural modifications in the Centro Histórico, 2011-2019. Source: Secretaría de Planeación Distrital (Cartagena)

On the other hand, interview data show that, after the heritage declaration, two booms of restoration activity in Cartagena are clearly differentiated. The first, between 1990 and 2005, was characterized mainly by private projects financed by new owners of properties in Cathedral that, as I have said, in some cases belonged to the national political and economic elite, the artistic guild, and activities related to drug trafficking. This restoration boom tends to focus on Cathedral and parts of San Diego and is mostly led by restoration architects of high national prestige, recognized for their respect for the recovery of the historical value of buildings.

The second restoration boom occurs between 2005 and 2019. It is mainly developed by entrepreneurs and transnational societies and mainly seeks to rehabilitate housing for temporary accommodation and/or rental for tourist purposes. This second restoration boom is evident in the three neighborhoods of the Centro Histórico but tends to grow much faster in Getsemaní. While the first restoration boom underscored a more artisanal and “heroic” process, the second boom is described as a mass production process of restorations where the speed and ease of construction are more appreciated than quality and historical rescue.

According to participants in our research, these restorations are mainly led by architects with little experience in restoration, with little respect for the rules of preservation of the building and the environment, and who use techniques and materials that violate the colonial or republican architectural tradition.

The two restoration booms may have links to the dynamics of the global economy and the urgency of accelerating capital turnover. Homeowners and real estate agents recognize that restoring has always been a highly expensive project. These high costs have been an argument for explaining the exodus of middle- and lower-class premises from the Centro Histórico. These people could not afford restorations or maintenance. This situation was seen as an investment opportunity for domestic capitalists and a few foreigners who found relatively cheap and restorable properties at the end of the 20th century. Interviewees agree that, because of the restoration costs, only people with large amounts of money could get involved in such projects.

In the second boom, the restoration market is growing rapidly. Demand for restorable properties, traditional materials, and restoration workers raises prices on each of these items. This moves new and old real estate players to look for new cost-lowering schemes. The massive influx of capital from 2010 and the urgency to accelerate the return on investment led to the recruitment of architects and workers with little expertise in the historical value of premises and who execute rehabilitation using materials and using techniques that are contrary to conservation principles. In the next chapter, I explore why institutional control over compliance with conservation principles has been so complex, but at this point, it is important to note that rules have gaps that give space to evade conservation without incurring illegality. An example of these gaps is that, for the official authorization of an intervention, a restoration architect must conduct historical research on the design and structure to be intervened. This architect is usually the same one who subsequently executes the restoration. That is why some architects interviewed maintain that the hired architect acts as judge and jury and therefore can demolish portions that should be conserved but that they prefer to destroy because it is not profitable for the property.

In the search for more profitable spaces, Cathedral and San Diego neighborhoods are no longer attractive to restore because the high demand of the previous period raised housing prices and reduced the supply of restorable properties. That is why restoration and real estate interest turns its gaze to Getsemaní. There is still an important supply of restorable properties and lots for new work, besides, housing prices were ostensibly low compared to the rest of the historic area. Getsemaní was the space conducive to the arrival of capital for its nascent rent-gap. As I described above, Getsemaní until 20 years ago was a stigmatized neighborhood regarded as a territory of crime, drugs, and prostitution which generated a very low current income, but by 2005 the neighborhood began to be shown as the place to "enjoy the authentic local life of Cartagena". In this way, optimistic expectations about the potential income of the neighborhood begin to materialize. This trend change is clear in Figure 3.12, where we see restorations in Cathedral and San Diego growing at a slow pace, while in Getsemaní these grow by 510% between 2011 and 2019.

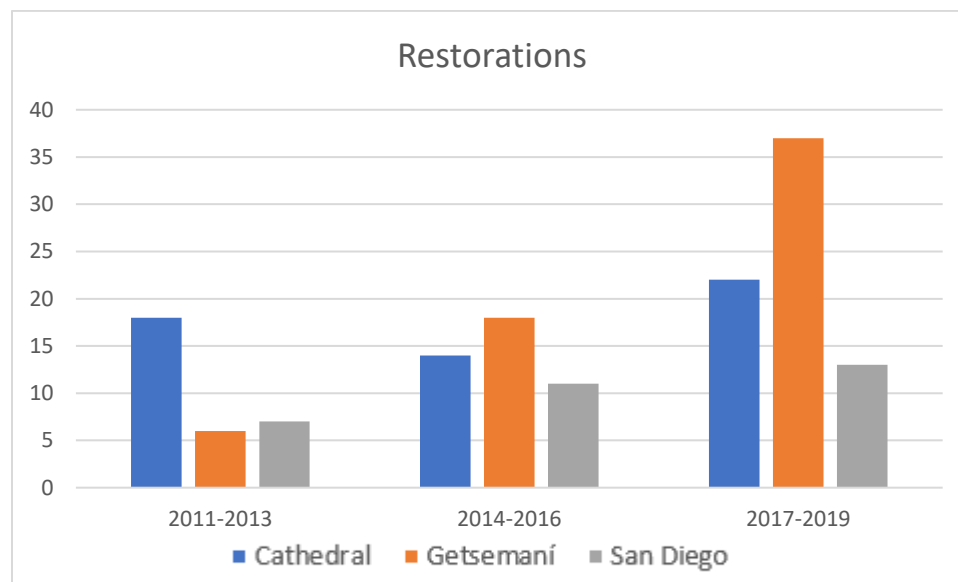


Figure 3.12 Restorations in the Centro Histórico, 2011-2019. Source: Secretaría de Planeación Distrital (Cartagena)

Given the legal constraints to demolish, modify, and re-build, how does restoration contribute to the creative destruction dynamics that capital mobility requires? As noted, the same heritage condition provides an attraction over the property that allows raising the price. A property labeled heritage acquires monopoly properties because there is no other

competitor with the same qualities located in exactly the same space. For its part, the antiquity of architectural design has a direct relationship with the price, in such a way that houses with a colonial appearance are more appreciated than houses with a contemporary appearance. So how does the process of creative destruction work? It does it in several ways. The climatic condition of Cartagena causes an accelerated deterioration in any building, and therefore architects estimate that every 30 years a property must be restored. Some houses that have been restored with low-cost materials tend to require restoration work in less time. Also, the requirements of historical conservation impose maintenance costs that some families fail to assume and therefore vacate the property waiting for a prospective buyer.

This tendency to deteriorate is an opportunity for investors who see in the restoration a big business. In interviews, real estate agents and architects recognize that it is more attractive and profitable to acquire a property to be restored than a newly restored property. The first one is cheaper, provides more freedom for architectural design, and generates greater profits in a potential sale. Real estate agents indicate that an investor who buys, restores, and sells can obtain a profit ranging from 25% to 35% of the value of the income received from the sale. Otherwise, an un-restored property can be sold after being restored for a price that triples the original cost of purchase.



Figure 3.13 Restorations in Calle del Porvenir, 2017. Source: Author's photo archive

However, as was described, the costs of a restoration that maintains historical values and respects conservation rules are increasing and therefore the arrival of investment is simultaneously pressing down the profit rate. In addition, restrictions on the modification of old structures reduce the chances of economic use of the property. In the face of such obstacles, the investor responds with reductions in restoration costs through the recruitment of low-skilled architects and workers as well as the use of non-conservation materials and techniques. But does that not mean attacking the property condition, attacking the rules, and therefore reducing the market price? Not necessarily. Indeed, there are different complaints from experts, in the media and neighbors that the regulatory principles of heritage conservation are being less and less fulfilled (Paz, 2018), but real estate developers and architects have skillfully managed to transfer heritage narratives to buildings that do not comply with these normative principles. Otherwise, heritage rules are an obstacle to raising profit rate and therefore these rules are not strictly followed, but at the same time, heritage label is used to raise the profit rate. The norm allows the non-restorable to be demolished but, to ensure the value of the property, developers and architects identify or "invent" restorable architectural elements and thus ensure the desired condition of "restored property". Harvey (1989b) uses the term "antique manufacturing" to refer to the ability of new building materials and architects to construct replicas of old-looking buildings. Thanks to this it is possible to make a "simulation" of the past in such a way that it is sometimes difficult to distinguish the replica from the original. Curiously, this simulation is claimed as authenticity and exceptionality, even though it is repeated in many historical centers of the Hispanic Caribbean.

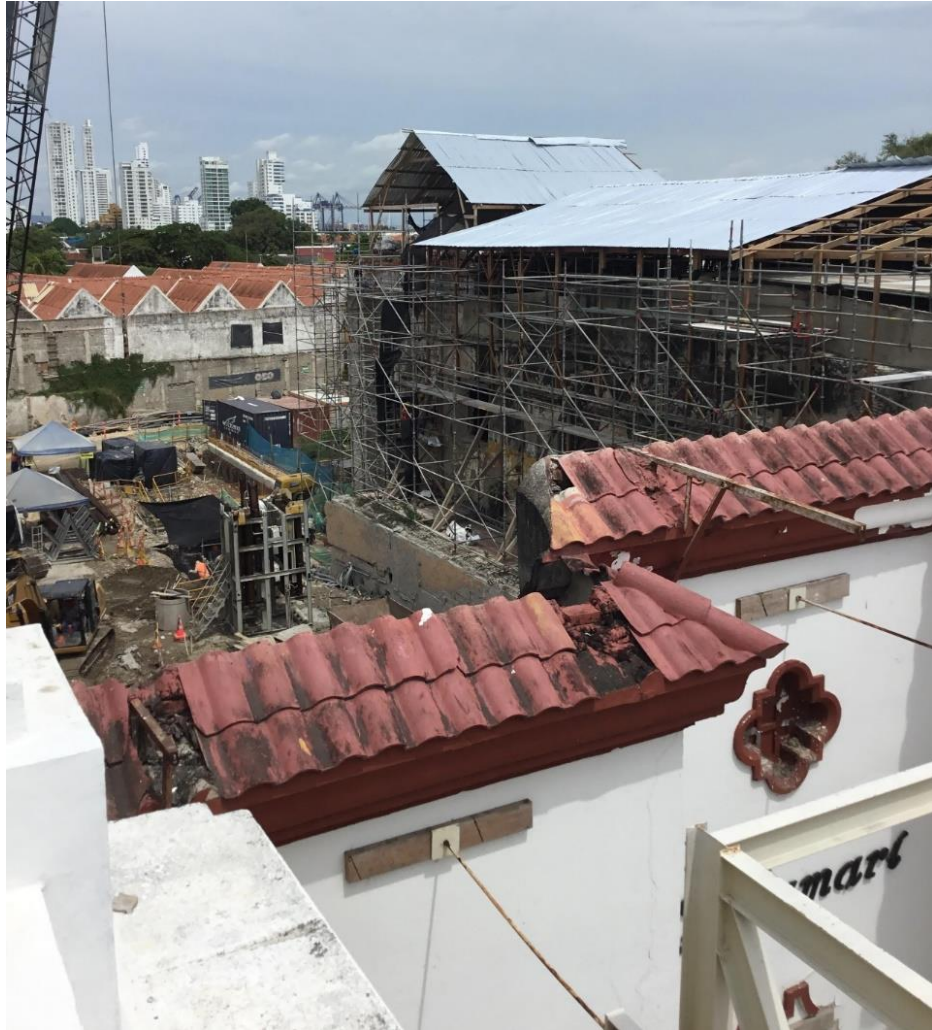


Figure 3.14 Restoration underway in construction of Hotel San Francisco Four Seasons, 2019. Source: Author's photo archive



Figure 3.15 Restoration work. Calle San Agustín, 2018. Source: Author's photo archive

In the next chapter, I explore in detail how different public and private actors may occasionally be unwitting accomplices of non-compliance with conservation principles and in turn to cover the construction with heritage narratives, but for now, I can explore a case of recent restoration to understand how the articulation between non-compliance of heritage rules and the appropriation of heritage narratives operates to raise the profit rate.

In 2019, La Serrezuela Shopping Center was inaugurated within the San Diego neighborhood and its centerpiece, as indicated in its promotional brochure, is the "monumental restoration of the old bullring La Serrezuela". In addition, the Construction License authorizing the intervention indicates that in these properties the norm allows typological and monumental restorations, but not new works. The architectural design of

the intervention was directed by one of the most recognized restorers in the country, Alberto Barrera, who has been in charge of award-winning restorations in the city and the country. Although the construction area was valued at US\$ 2 million, the current project is valued at US\$ 150 million. Due to the magnificence of the construction and the business structure that developed and managed this project, various media and opinion leaders have made the Shopping Center a tourist, commercial and architectural icon of the city. La Serrezuela currently contains international brand stores, haute cuisine restaurants, and cultural spaces. The commercial premises were built around a wooden structure with a slightly similar appearance to the original bullring.



Figure 3.16 Design Rendering of La Serrezuela Shopping Center. La Serrezuela Brochure (2016).

However, architects, residents, and experts have pointed out that no restoration occurred there. In fact, the same construction company argues that the original structure was highly damaged by abandonment and that therefore the best option was to demolish and rebuild it while respecting the original design. The images suggest that there are no vestiges in the design of the previous structure, but only the facade that, apparently, was the only thing they kept (Figure 3.17). Besides, the project's critics have pointed out that the additions, height, and materials used also do not correspond to the city's regulatory requirements on heritage conservation. Likewise, the use given to the area has been questioned because it violates the principles of residential life of San Diego.



Figure 3.17 Remains of La Serrezuela Bullring 2002. Source: <http://www.cartagena-indias.com/Lugares/circo-teatro.html>

The developers of the project have managed to counter criticism by appropriating heritage narratives. The contracting of Barrera ensures that the work was labeled as authentic restoration². According to the developers, in La Serrezuela they seek to combine the heritage of the city with cultural, entertainment and commercial activities, that is why, they say “with this project we recover the memory of an architectural monument forgotten by the city and demolished by time” (La Serrezuela brochure, 2016, p.3). Its multi-language website tells a story linking the history of the bullring with the current Shopping Center. Its effort to tie a New Work to the spirit of restoration employs details such as the use of pieces of wood that supposedly belong to the original construction as inputs of decorative elements of the place. Despite evidence of violation of architectural and environmental conservation rules, developers manage to create in the visitor and investor (shares of La Serrezuela are negotiated through trust system) the image of a heritage restoration project

² In advertising in local newspapers, they indicate “In the work of restoration and historical validation, there was the work and collaboration of the renowned Alvaro Barrera Herrera, one of the architects with the most experience in restoration in Colombia and who knows well the architecture of the Centro Histórico of Cartagena” (Garavito, 2019)

that is actually a New Work. In this way, the debate on the historical value is given away to give primacy to the exchange value of the Shopping Center.

3.4.2 Short-term rental to expand the rent-gap

With the accelerated and global growth of tourism over the past decade, the housing business has exposed major transformations in the real estate market (Wachsmuth and Weisler, 2018; Paccoud, 2017; Cocola and Gago, 2019). One of the most important transformations is the one that is happening in the short-term rental business. Although this type of business is not new, technological advancement has impacted on how owners and visitors are participating in the market (Fields, 2018; Rogers and Koh, 2017). This accelerated the increase in the supply of short-term rental houses and access by visitors who prefer to avoid the restrictions and prices of the hotel system. The firm that has achieved the greatest advantage of these technological developments globally to participate in short-term rental has been Airbnb (Wachsmuth and Weisler 2018; Cocola and Gago, 2019). While there are other smaller technology companies, Airbnb's dynamics over the past decade give us an idea of how the short-term rental business is moving and changing in tourist cities.

In Cartagena, the growth of the Airbnb platform has been remarkable. In the first year of operations in the city (2012) the platform listed 130 accommodation options and in 2019 the list offered was 7481 accommodation. The rapid growth in the city achieved surprising economic results for the owners. Airdna places the city within the 10 cities where the most money hosts are doing (Sharford, 2015) ³. Although the growth in the number of listed lodgings has been global for the past 10 years, Cartagena seems to be located as one of the cities where the emergence of new accommodation options is more accelerated. Comparing Cartagena with the 20 cities with the highest number of tourists in the world and with the 15 cities with the highest number of tourists in Latin America (Munoz, 2020),

³ From highest to lowest the list is: London, Dubai, Cabo San Lucas, Zermatt, Cannes, Venice, Sidney, Mykonos, Cartagena and Edinburgh (Shatford, 2015)

I find that the city is the fourth with the highest average quarterly growth being surpassed only by Istanbul, Punta Cana, and Dubai (Table 3.4).

Table 3.4 Airbnb growth in tourist cities 2014-2019

Quarterly Airbnb growth in tourist cities 2014-2019						
Ranking	Cities	Growth Q		Ranking	Cities	Growth Q
1	Istanbul	24%		16	San Juan	2%
2	Punta Cana	22%		17	Sao Paulo	0%
3	Dubai	18%		18	Rio de Janeiro	0%
4	Cartagena	17%		19	Honk Kong	0%
5	Cancun	15%		20	Bangkok	-3%
6	Panama	13%		21	Kuala Lumpur	-4%
7	Mumbai	11%		22	Buenos Aires	-5%
8	Mexico	9%		23	New York	-5%
9	Quito	8%		24	Rome	-7%
10	Cusco	7%		25	Tokyo	-7%
11	Shenzhen	6%		26	Barcelona	-8%
12	Las Vegas	6%		27	London	-9%
13	File	5%		28	Macau	-9%
14	Miami	3%		29	Paris	-12%
15	Valparaiso	2%	30	Singapore	-13%	

Source: AirDNA | Short-Term Rental Analytics | Vrbo & Airbnb Data

How is the rapid and sustained growth of short-term rent in Cartagena connected with the real estate market in the heritage area? Several authors have identified a growth in the capital invested in the rental market following the 2008 global financial crisis (Beswick et al, 2016; Fields and Uffer, 2016; Wijburg et al, 2018), and therefore it has been hypothesized that the accelerated momentum in the rental market could be the result of a movement of capital from crisis-affected productive sectors to a market that provides new, more flexible forms of capital accumulation using fixed assets (Cocola and Gago, 2019).

The flexibility of the short-term rental market occurs because when the investor makes short rather than long rentals, the property is free from rigid contracts that hinder the sale of the property at any time. As has been shown before, the real estate market in Cartagena is being a more capital reproduction space than for residential use and, therefore, this market is under pressure to accelerate capital rotation times. The flexibility provided by the short-term rental market is part of that pressure, but it is not enough. The emergence of digital platforms linked to the rental market and the real estate market facilitates the interaction between demand and supply and with it these markets become more flexible, more efficient, and more global (Fields, 2018; Rodgers and Koh, 2017). For this reason, Cocola and Gago (2019) argue that platforms such as Airbnb function "as an instrument that contributes to the financialization of housing" (Cocola and Gago, 2019, p. 2), where the flexibility gained in the market allows the property to absorb surplus capital and make it an easy-to-compromise asset.

Cartagena has consolidated a buy-to-rent market during the past six years, but it has not always been the case. Before entering the city platforms such as Airbnb, city builders pointed out that, because of the high housing prices in the city, it was not a good business to invest in properties in Cartagena (Perez, 2012). However, since 2014 the buy-to-rent business acquired a strong interest. Although the price per home continues to increase, construction companies have increased the supply of homes as assets with "insured" profitability. The promoted return is based on an estimated valuation of the property close to 10% per year, but above all, based on profitability for the rent mainly estimated at 0.7% per month on the value of the property. It is also indicated that the profitability may be higher if the rental is short-term. The promotion of high profitability is based on the heritage condition that the city retains and that makes the city "unique" and therefore a "world-class tourist attraction".

**Intro to “Cartagena Colombia Real Estate Listings for Sale & Rent”
(www.escapeartist.com)**

Cartagena Colombia real estate for sale is quickly becoming a premier investment location with real estate prices expected to rise thanks to an increase in tourism popularity. There has never been a better time to purchase a dream home and move to and live in Cartagena. Whether it’s for retirement, vacations, or investment, there are plenty of home and property options to choose from.

Cartagena is thought of as one of the most interesting places in all of South American because of its incomparable world heritage. Cartagena has been named a UNESCO heritage site. Nearly everywhere you go has a fascinating history and an experience just waiting to be had, including authentic Colombian restaurant locations to boutique shopping experiences. There are also three centuries of colonial history to enjoy each and every day. Many of these historical sites have been transformed into bustling shopping areas consisting of boutiques filled with the finest handmade items, and restaurants with top notch food that serve the freshest seafood imaginable.

Figure 3.18 Real estate advertising, 2020

Source: <https://www.escapeartist.com/realestate/cartagena>

New players in the real estate market and rental market include foreign real estate agents who have come to the city since 2010. They lead companies focused on the foreign buyer looking for properties in Cartagena for a second home, for retirement, for investment, and/or for rent. Among these companies, I can highlight Cartagena First American Realty (founded in 2010), American Realty Group (founded in 2011), Colombia Rents Real Estate (Founded in 2016), Colombia Exclusive Real Estate (founded in 2011), and Cartagena Vacation Rentals (Founded in 2015). Some of these companies offer to divide their services into three areas: sale of properties for investment purposes and competitive profitability, properties for short-term rental, and luxury tourist activities (private jet, yacht, private islands, etc). By working on all three activities, the company can build confidence in profitability because the investor becomes aware that, by buying a property in Cartagena, the same real estate company induces profitability through the promotion of luxury tourism that makes short-term rental viable in a sustained way.

Some of these companies enter into contracts with owners in which they acquire exploitation rights over the property. The contract states that the company will manage the property and undertakes to deliver a certain unchanged monthly amount for the duration of

the contract. There it is stated that the owner recognizes that the house is an investment and that if the owner wants to enjoy the value of the use of the property, he/she must pay rent to use his/her own house. I find in some extreme cases where the legally registered owner is not the investor but the same company in charge of short-term management and rental. This business logic suggests a type of real estate market where the transnational investor can buy a property in the Centro Histórico, receive monthly profitability (as a result of short-term rental and annual appraisal) and subsequently sell in the global market the property which he/she may never have known.

In addition, by not reporting the investor's name in legal housing documents, the ownership relationship on the home becomes blurred. We are faced with a situation where a company sells, manages, rents, and resells a property, but where the buyer-investor does not become visible. The ownership relationship over the asset may become even less visible when the investor is a company supported by shares of several buyers. In this sense, a transnational investor could buy a portion of a house that he or she never inhabits, but on which he or she receives portions of profitability and an income from the subsequent sale. At the same time, these companies begin to concentrate power on the urban environment of the Centro Histórico. In interviews, some owners expressed their complaint against companies like these because when they have under their administration a high number of properties they are deploying and imposing tourist uses in a widespread way in areas where residential use should prevail. The concentration of power over the use of space via the accumulation of managed properties may be allowing these companies to acquire political power over the management of territory and heritage. I will explore this in the next chapter.

Some of these companies promote properties using several online platforms simultaneously that include their own and third-party platforms such as Airbnb, so I may find that the same manager offers several accommodation options on Airbnb or the like. Support in digital media has allowed both the sale and the short-term rental to be marketed internationally. Also, this has been accompanied by the emergence in the city of multinational companies in the luxury property real estate market, which exploits the globalization of the sales and short-term rental market for heritage properties. Within this group of multinational companies with presence in the city, I can highlight Christie's

International Real Estate, Luxury Estate, John Taylor, and Savills (all headquartered in England). Of course, these new actors use the heritage narrative as the city's main property promotion label. Some agents invent names and traditions that the city has never had but that in the global framework are useful for manufacturing the uniqueness of the city that attracts transnational investors (See Figure 3.19).

JOHN TAYLOR

REAL ESTATE AGENCY CARTAGENA DE INDIAS

“John Taylor Luxury Real Estate has arrived to Colombia and opened its doors in beautiful Cartagena de Indias, a colonial city declared a UNESCO World Heritage Site in 1984, the most visited tropical destination of Latin America, known as the city of eternal summer. Famous for its Bohemian charm, its walls, its balconies and its narrow cobbled streets, that preserve the history of the Heroica.

Its colonial, republican and modern architecture, its intense night life attractions, its cinema and classical music festivals, make of this city a unique location on this planet, that you cannot miss to visit. Our JT Cartagena team offers you a personalized attention, combining professionalism, innovations and values during sales, rentals and property management of luxurious properties, ranging from villas and apartments of high standings in privileged areas with beautiful views on the Caribbean Sea and the old city center, to colonial and republican houses, that conceal spectacular interiors, and finally to prestigious properties in its sister islands with its white sand and clear waters

Figure 3.19 Real estate advertising, 2020 Source: <https://www.john-taylor.com/>

The dynamics of the short-term rental market have different traits in supply size, evolution, prices, profitability, and marketing in the three neighborhoods of the Centro Histórico. To identify the basic characteristics of short-term rental I use the Airbnb data as an indicator of market trends. The data used in the analysis were generated by Grajales (2019) and Airdna (2020). The market differences between the three neighborhoods seem to be intertwined with the previous differences identified in the chapter.

As a starting point, it is important to note that the Centro Histórico represents 34% of the offer of accommodation listed on the platform. The most popular neighborhood is

San Diego which has an offer of 583 properties, after that Cathedral with 524 accommodations and finally Getsemaní with 351 (Table 3.5). The high number of offers in San Diego is the result of the fact that in that neighborhood the apartment/mansion ratio is higher compared to Cathedral where the supply of large houses prevails. Additionally, as we have seen, in San Diego residential use has historically been higher compared to what happens in Cathedral. The relatively low number of accommodations in Getsemaní could suggest that Airbnb's presence there is still incipient as a result of the neighborhood's late appearance within the tourist offer and as a result of the majority preference of families for the residential use of the property. However, Airbnb's growth rate in this neighborhood (23%) would indicate that short-term rentals in Getsemaní have not reached their maximum ceiling. In Table 3.5, we see that this neighborhood registers a quarterly growth rate of accommodation close to that registered in cities such as Istanbul or Punta Cana, while in the other two neighborhoods the growth rate suggests that the Airbnb supply there tends to stabilize. As real estate agents point out, the lack of available housing in Cathedral and San Diego is accelerating the conversion of Getsemaní into the “new” pole of the real estate and short-term rental business.

Table 3.5 Airbnb characteristics by neighborhood, 2019

Neighborhood	Bed	Quarterly Growth	Estimated Monthly Return for Short-Term Rental of a Home	Average price x one night in homes with 4 rooms or less	Average price x one night in houses with more than 4 rooms
Cathedral	524	4%	0,95%	US\$ 364	US\$1960
San Diego	583	7%	1,01%	US\$ 306	US\$ 1300
Getsemaní	351	23%	1,31%	US\$ 202	US\$ 750

Source: Grajales (2019)

Getsemaní's data gives us clues about the link between the production of rent-gap and the short-term rental market. Although the price of land in that neighborhood has grown rapidly, it still registers lower levels than documented in the rest of the Centro Histórico. The difficulty in finding new homes to exploit economically in the most expensive areas has driven the mobility of capital to the heritage neighborhood with lower prices and a wide range of unexploited homes. The tourist attraction created over the

neighborhood over the past decade has led to accelerated visitor growth and short-term rental accommodation. But the new owners are aware that the low price of the land is related (in addition to the stigma) to the limited architectural appeal of the neighborhood and therefore they use another kind of heritage marketing narrative in Airbnb (and the like). While Cathedral uses labels such as “luxury, colonial, mansion, xviii century”, in Getsemaní expressions such as “picturesque, poetry, charming, cozy, bohemian, local people or folk art” are used. Short-term rental marketing has managed to fuel the potential rent of the neighborhood through the use and invention of narratives that give a different kind of uniqueness. New investors promoted new narratives about the authenticity of neighborhood life and local cultural values. This increases the attraction to the neighborhood and as a result, the rent-gap is produced, and gentrification begins to emerge. This neighborhood is a sign of how the real estate-tourism link produces a new use of heritage discourse. The attraction is not based on Spanish architectural values, but on the promotion of an intangible heritage based on the invitation to "experience the authenticity of neighborhood life".

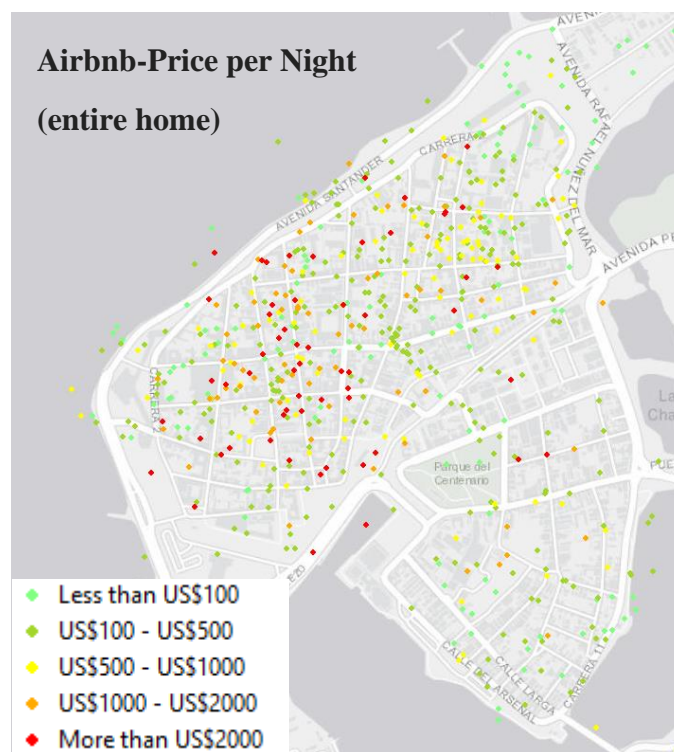


Figure 3.20 Map Airbnb-Price per night (entire home), 2019. Source: Grajales (2019)

While Getsemaní offers comparatively low rental prices, the rate of return tends to be higher than the rest of the Centro Histórico because the housing price does not yet show the values of the other two neighborhoods (Figure 3.20). Capital, through the buy-to-rent market, is mobilizing towards Getsemaní to exploit the best rate of profit generated there. The rapid arrival of the short-term rental market is driving the change in the use of family homes. The change of owners in Getsemaní is inducing the transition in land use from unprofitable activities (the residential) to high-profit activities (the touristic), which raises the potential rent of the land to levels as attractive as initially occurred in the rest of the Centro Histórico. Therefore, Yrigoy (2018) points out that it is not necessary to deteriorate the property to generate a rent-gap, it can also become visible when investors change the use of housing from residential uses to tourist uses. Following Aalbers (2019), the links between short-term rental, real estate globalization, transnational investors, rent-gap, and capital switching make tools like Airbnb (and the like) key instruments in the new global wave of gentrification.

3.4.3 The Centro Histórico as a “safe haven”

In the description of types and reasons for buying homes in the Centro Histórico, I mention the buyer for whom the property is a mechanism of accumulation of value and/or speculation. Although it is not a new fact that housing is treated as active (Harvey, 1982), in this section, I show how the demand for properties in the Centro Histórico is marked by a transnational elite of diverse origins who, diversifying their investment portfolio, see Cartagena as a safe haven for capital due to the heritage-tourism-real estate-regulation nexus that exists in the city.

Rogers and Koh (2017) highlight that the global real estate sector has become an active class for foreign investors seeking to diversify their investment portfolio. As we saw in the identification of owners, after 2009 some outstanding characteristics of the new buyers are: they belong to a transnational elite, some are legal entities or companies, they report developing financial and real estate activities and some have ties or are registered in tax havens. Several studies identify owners with similar characteristics in global cities and luxury tourist destinations (Fernandez, Hofman and Aalbers, 2016; Janoschka et al, 2020; Rogers and Koh, 2017). Several authors agree that this trend in the global real estate market

could be linked to the over-accumulation of capital resulting in the 2008 crisis, which is looking for a spatial fix in the luxury property segment (Fields, 2019, Aalbers, 2019, Pow, 2017). The accelerated flow of capital towards real estate has been registered both by global real estate agencies (Shirley, 2020) and by urban researchers such as Sassen (2016) who indicate that the new financialization trends in the real estate market have caused real estate assets to represent the 60% of the value of the entire global asset portfolio.

Why and how properties in the Centro Histórico become class assets in the global real estate market? To answer this question, I rely on the research of Fernandez, Hofman and Aalbers (2016). The authors postulate that global cities such as New York and London offer a unique condition as they are perceived as safe spaces to give liquidity to fixed assets due to the ease they show for the systematic resale of properties. This security is provided by legal stability and how the real estate market is managed and regulated in the two cities. Because of these qualities, transnational wealth elites turn New York and London into “safe deposit boxes” to receive their excess capital from the post-crisis. Fernandez, Hofman and Aalbers (2016) identified that in the mobility of capital to these cities, the elite is relying on wealth managers and legal experts who have promoted the formation of legal entities, offshore transactions, and registration in tax havens to access tax benefits, anonymity, and ease in buying and selling properties. As we will see, although Cartagena does not contain all the stability and liquidity attributes identified in New York or London, the transnational investor has managed to find these requirements in other attributes of the Centro Histórico. We will see that these local attributes are being accompanied by similar investment strategies that can also provide tax benefits, anonymity, and ease of buying and selling in the city. In this way, Cartagena also functions, with its local specificity, as a safe haven for capital.

Unlike what was identified by Fernandez, Hofman and Aalbers (2016), Cartagena has been characterized in the last 15 years by political and legal instability, but this has not discouraged the entry of real estate capital and, in some cases, has become an attraction. Political instability is the product of the resignation or dismissal of numerous mayors and government officials due to allegations of corruption. This situation has limited the actions of control over urban transformation and therefore in all socioeconomic strata,

constructions and real estate transactions flourished lacking sufficient legal control (Montaño, 2020). On the other hand, in our interviews, the complaint was repeated about the urban regulatory gaps that have resulted from the expiration of the Land Management Plan (it should have been updated in 2013 and has not yet been done) and the lack of a Special Plan for Management and Protection of the Centro Histórico (this Plan is mandatory to define protection rules for all heritage sites in the country and its formulation and approval should have been done in 2014). Although these gaps are denounced as obstacles by the formal construction guild, interviews with various stakeholders reveal that more than an obstacle, the gaps have been an attraction for investors, builders, and restorers to change land use, build more floors than allowed, and evade the norms of heritage preservation, which increases the potential rent of the land.

If there is political and legal instability, how can the investor reduce the risk and potential illiquidity of their real estate assets in the Centro Histórico? First, in Colombia, there is a long tradition of protecting private property, even though there is evidence that this property may be breaking the law⁴. Furthermore, in Cartagena, as we will see in the next chapter, the argument for the defense of heritage has been transferred to the defense of the investor who acquires properties in the heritage area. There is a kind of homage to those who decide to invest in the city because "they beautify the Centro Histórico, bring in capital, pay taxes and create jobs" (interview with the real estate agent). We have seen that the heritage has been used as a hook to seduce real estate investors to the city because it is useful to attract tourists and because it is a condition that creates an image of uniqueness and authenticity to the property, which systematically feeds the increase in its value of change.

The liquidity necessary for the investor to accelerate the capital turnover time is managed by mechanisms similar to those identified by Fernandez, Montaño and Aalbers (2016) and Sassen (2016). Old and new owners have transferred title to the property to shell property companies. These companies declare "real estate activity" as their main

⁴ An example is the construction of a project called Aquarela which has been proven to violate urban norms, but no national or local entity has made the decision to demolish.
https://caracol.com.co/emisora/2020/07/07/cartagena/1594154356_576887.html

function, they tend to have a capital of less than US \$ 3,000, generally, report having zero or one worker, and register addresses that do not coincide with the location of the property or the location of the apparent real owner. These types of companies help to easily transform a fixed asset into a liquid asset because it generates an attribute of "mobility" of the property and because it reduces transaction costs. I say "mobility" because ownership through companies allows investors to sell the company instead of officially selling the property, which means that the property goes from the real estate market to a "company market" which can operate at the same global level. Buying and selling a property using a company strategy allows the property to be repeatedly marketed around the world without requiring the steps of the local real estate market. In this sense, a property can change ownership but remains registered under the title of the same company. In the same way, selling company titles faces lower transaction costs than selling houses because it generates a lower tax burden and reduces the payments inherent in property deeds and other local procedures. Additionally, the "company market" allows investors in the global market to buy and sell portions of the properties of houses in the Centro Histórico without carrying out real estate registrations in the city. In this way, a person in search of a profitable, liquid, and safe haven can purchase several portions of houses in the Centro Histórico that he/she may never use.

On the other hand, there is evidence to suggest that transferring capital to the purchase of properties in the Centro Histórico could also have the purpose of tax avoidance and evasion. Decree 44 of 1999 and Decree 977 of 2001 allowed property tax exemptions for properties classified as "historical and architectural conservation". Although the principle of this regulation was to encourage residents to take care of the qualities of the property, at the same time it could have become a stimulus to attract investors to the heritage real estate market. These exemptions were eliminated in 2017 as a result of a debate in the City Council about the fact that the most expensive properties in the city were not contributing to public finances. On the other hand, the property payment is made from the cadastral appraisal. Legally, this appraisal can be an amount close to 70% of the property's market value. However, the city's property data shows that properties have cadastral appraisals that range between 15% and 49% of the market price, which implies property tax payments that are highly disconnected from current market dynamics.

Additionally, in the Centro Histórico, there is a high tendency to evade these taxes. The property tax payment reports for 2019 show that 35% of the properties have past due debts and that 26% have not made corresponding payments for two years or more. The accumulated evasion of property tax payment in the Centro Histórico represents an amount three times greater than the value collected in just one year (2018). In this sense, the inefficiency and little transparency in the property arrangements that are common to Cartagena could be a tax attraction for capital seeking a safe haven almost tax-free.

Buying property through a company or replacing the owner with a company that belongs to the same person may also contribute to tax avoidance and evasion. Recent studies on tax justice (Saenz and Zucman, 2019) have shown that it has become a traditional practice for elites at a global level to create and use shell companies to transfer personal income to them in order to take advantage of the tax policy that punishes natural persons and rewards legal entities. Saenz and Zucman (2019) explain that governments have formulated tax laws that, under the narrative of encouraging job creation, have reduced the tax burden for legal entities and offset this reduction through an increase in the tax burden for natural persons. The authors point out that the traditional strategy used by rich people to avoid taxes is to transfer (on paper or in real life) taxable income to non-taxable income, therefore current tax regulations have allowed rich people to reduce their tax payments for transferring personal accounts to accounts of their own shell companies. Colombia has not been immune to this trend, according to calculations by Garay and Espitia (2019), while tax deductions and exemptions allow people to reduce their tax burden on labor income by 50%, they reduce their tax burden on capital income and dividends by 86%. Also, although the richest companies in the country have the highest nominal tax rate, at the same time, when applying for deductions and exemptions, these companies are the ones that pay the lowest effective tax rate (Garay and Espitia, 2019). The information provided by accounting consultants and real estate agents would indicate that in Cartagena (as in the entire country) home buyers prefer to transfer ownership to a company to reduce the tax burden they would face if the registered owner were a natural person thanks to the exemptions granted by the State to legal entities.

However, as Saenz and Zucman (2019) point out, the most important tax benefit for creating companies is not the transfer of accounts but the link of these companies with tax havens. As mentioned in the owner characterization, an important new player is shell offshore companies. Among common addresses of these companies, Panama, British Virgin Islands, Gibraltar, Curaçao, and the Bahamas, may be noted. Tax havens allow companies that only exist on paper to create an "air of fixity". These places allow combining legal and illegal capital and allow tax evasion (Roberts, 1994, 1995). A key attraction of shell companies operating in tax havens is that they produce "financial opacity" by disconnecting capital from its owner, making it difficult for governments and tax and judicial investigators to determine "who owns what" (Saenz and Zucman, 2019). In a simple way, the strategy to avoid taxes through shell companies in tax havens is the following: 1) the owner of company X that must pay taxes in Colombia creates a shell company in a tax haven; 2) Company X pretends or inflates purchases from shell company to raise costs; 3) this action allows to demonstrate minimum or negative profits to the Colombian tax authorities and high profits to the tax authorities of the tax haven; 4) As a result, the owner of the two companies (X and shell) has a low overall tax burden because he/she feigns minimal losses or profits where taxes are high and moves his/her real profits to a territory where taxes are low or zero.

I do not have data to show how investors are using Centro Histórico properties linked to these types of companies to evade taxes, but I found that several houses belonging to companies and individuals identified in the Panama Papers leaks. These leaks correspond to confidential documents from Mossack Fonseca (a transnational company dedicated to offshore wealth management) that contain information on people linked to shell companies in tax havens. Using an example, I can have clues about the logic behind the use of these companies in the Centro Histórico. For the safety of the researcher, I will use the letter X to designate the family that owns the house in our example. The X family is one of the richest in Colombia in the last 5 decades. Its main economic activity is food and media manufacturing. The family appeared registered as the owner for more than 40 years of a mansion appraised cadastral at US\$ 1,300,000 in 2018. In Cartagena it is no secret that X owns the house, in fact, the social sections of local media frequently mention the celebrations that have taken place there. In 2013, the family registered the sale of the

property to the Panamanian company Y for a value of US\$ 17,300,000. The directors and management of this company appear to be linked to Mossack Fonseca and coincide with the directors and management of other companies linked in Spain to an investigation for tax fraud through shell companies. In Cartagena, some neighbors maintain that this house continues to be used by family X. As a hypothesis, I suggest that some owners have transferred their assets (including their houses in Cartagena) to tax havens in order to reduce the tax burden for wealth taxes and inflate costs (demonstrating purchases of expensive properties) in Colombia to register low profits and thus pay less. In this way, due to its status as a safe haven, the Centro Histórico would also function as a link in transnational tax avoidance. Fernandez, Hofman and Aalbers (2016) show common trends in London and New York where most of the real estate purchases are being organized from offshore financial centers, however, the authors acknowledge that the relationship between the geographies of tax avoidance, illicit money, is not yet clear and the purchase of elite properties (Fernandez, Hofman and Aalbers, 2016).

Finally, the real estate market in the Centro Histórico may also be functioning as a safe haven for money laundering derived from illegal activities, which may be more viable when shell companies and tax havens are used. In interviews with owners and press releases, it has been pointed out that in the 1990s some houses were bought by figureheads of drug trafficking. The characterization of owners also allowed us to identify buyers in the last decade who have been mentioned in the media as suspects or close to suspects of illicit activities (corruption, drug trafficking, forced displacement, fraud). The literature on money laundering (Teichman, 2020; Unger and Ferwerda, 2011) includes real estate as a traditional laundering activity, especially when the places where the money is received have little financial supervision, when large constructions are carried out, or when they are carried out renovations/restorations. Teichman (2020) explains that shell companies can buy deteriorated properties and finance their renovation or restoration through another offshore company. When purchasing and restoring legal capital with illegal capital can be mixed. Both the value of the transaction and the costs of restoration can be inflated to justify the mobility of large amounts of money. Part of these expenses can be justified with purchases made from an offshore shell company. Additionally, the use of the property for tourist purposes can be useful to continue laundering money thanks to the high prices that

can be generated in these cities. A key aspect in these types of transactions is that the use of banks should be avoided, and all purchases are made using cash.. Additionally, the advantage of using shell companies and tax havens is that, as I have said, they allow for the construction of opacity on the ownership of capital and allow the mixture of legal and illegal capital in such a way that surveillance on the tracing of capital origins becomes increasingly complex.

We are not able to demonstrate the existence of money laundering through the Centro Histórico, but we can examine some examples to find clues. Consider two cases:

- 1) In 2012, a stock brokerage company that controlled 29% of the stock market was intervened in by the national government because it carried out illegal transactions. The government began a process of extinction of the properties of the owners. One of them had a property in Cartagena valued at US\$ 1,500,000. This property was sold in 2016 to a company with a name similar to the one the government acted against, but which does not show an official link with the original owner.
- 2) The company Inversiones Tolú was created in June 2010 and reports zero employees. The registered address is located in a working-class neighborhood of a poor town in the region. Two months after its creation, the investment company Tolú buys a semi-destroyed property in Cartagena for a value of US \$ 1,200,000. Two months later, this company sells the same property for US\$ 5,750,000 to the transnational company KIT Capital, which will restore and found a luxury hotel on the property. It is difficult to identify the connection between these two companies; the only coincidence is that a member of the transnational company comes from the same region corresponding to the domicile of the Inversiones Tolú company. KIT Capital has offices in New York, Cartagena, and Dubai, and has links with companies registered in Panama and BVI. On its website, KIT Capital says that the company has been an investment advisor to the Colombian government, oil companies, and financial institutions in Latin America (Figure 3.21). The company is managed by Kaleil Isaza Tuzman. He is an American businessman with Colombian roots who spent several years at Goldman Sachs managing investments in emerging markets. Isaza was arrested in 2015 in Colombia and extradited in 2017

to the United States. He faces a dozen charges of fraud and conspiracy in connection with the defrauding of investors in KIT Digital and two investment funds (Bloomberg, 2017).

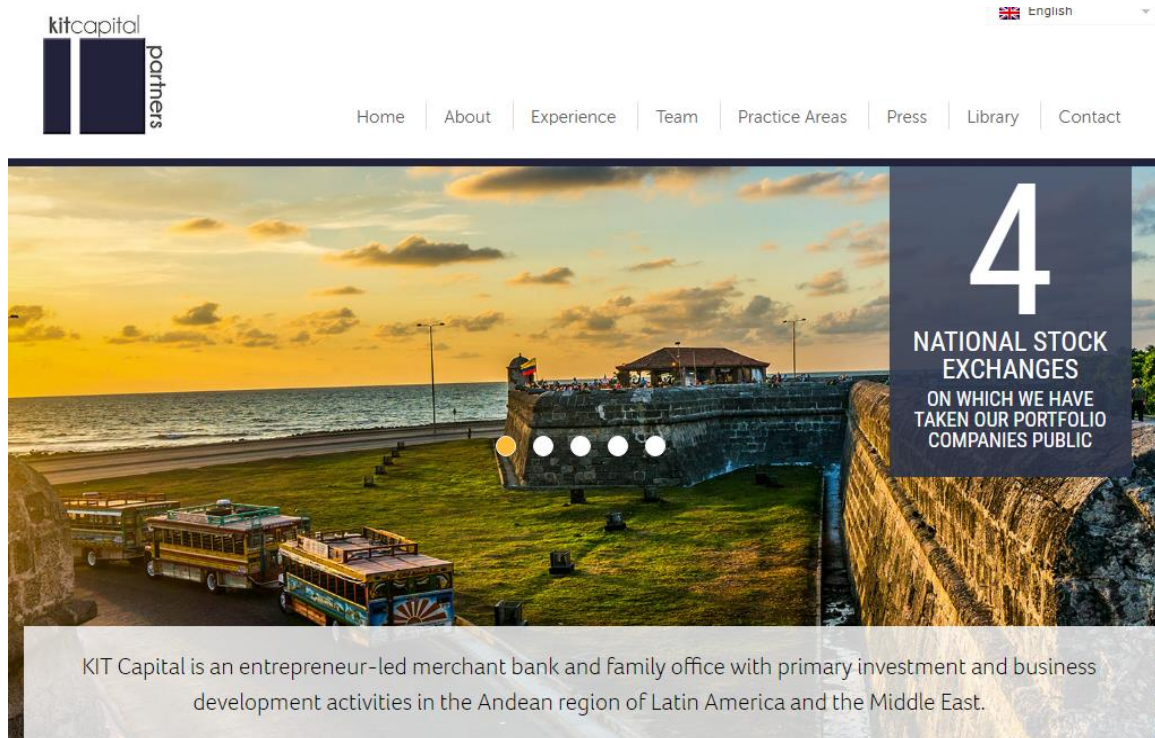


Figure 3.21 Advertising KIT Capital, 2017. Source: KIT Capital Partners
<https://www.kitcapital.com/>

These examples plus the data that has been presented throughout the second half of this chapter suggest that the Centro Histórico meets several requirements to be a money laundering scenario. We have restorations, rapidly growing house prices, use of shell companies, landlords connected to tax havens, judicial investigations into possible connections of some landlords with illegal activities, preference for payment in cash for the purchase of properties, tourist destination, and little institutional surveillance on owners and compliance with regulations. The use of the Centro Histórico as a safe haven for money laundering is a convincing hypothesis that requires further evaluation by judicial authorities.

Finally, the transformation of the property into a safe haven for capital is visible in the data of empty or unoccupied houses in the Centro Histórico. As shown in the section

on gentrification, in the 2018 census there is a significant reduction in occupied houses in the three neighborhoods. In interviews with real estate agents, they indicate that the houses are empty because their owners only use them for occasional housing and/or tourist purposes, however, this reason is not enough to explain the proportion of empty houses since, according to the census, only 55% of the unoccupied houses have any of these functions. The rest are registered as empty houses. The distribution in the Centro Histórico of empty homes is uneven between neighborhoods (Figure 3.22). It tends to be higher in Cathedral blocks where properties are more expensive, where there is a greater supply of Airbnb, and where companies are usually the main owner. At the same time, the percentage of empty homes is relatively low in blocks of Getsemaní where properties are less expensive, there is less supply from Airbnb, and where companies are not yet the majority owners.

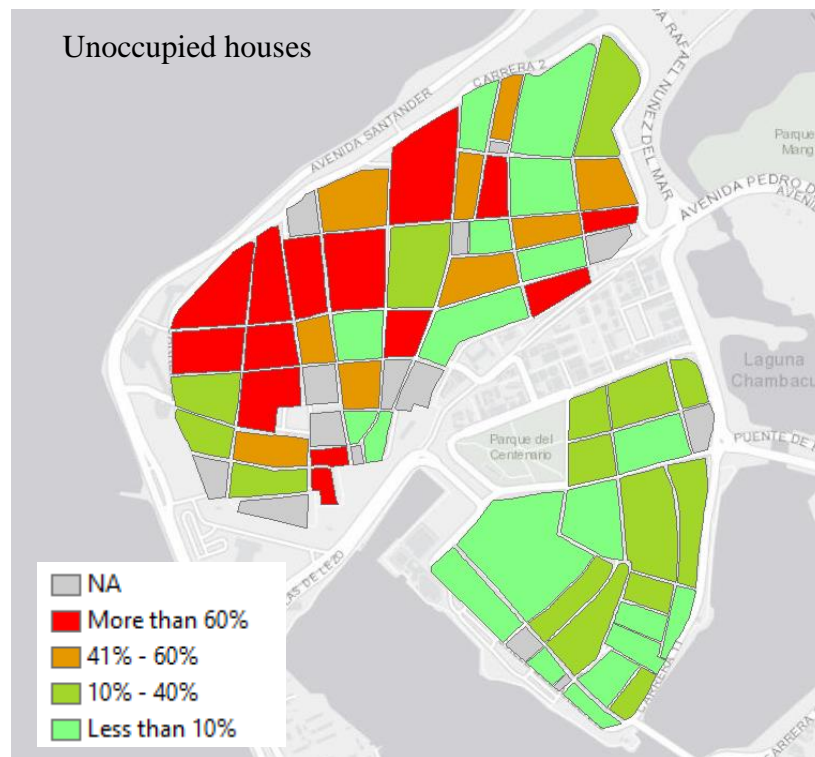


Figure 3.22 Unoccupied houses in Centro Histórico, 2018.

Source: National Census 2018 - Dane

The increase in the proportion of empty properties seems to be a common trend among cities where the housing market has been captured by the capital market (Minton, 2017; Sassen, 2016). This increase in the proportion of empty properties has been explained in the literature for the following four reasons: 1) bubbles in the construction sector (Lopez, 2014) where demand is insufficient for the acquisition of housing, 2) the eviction of debtors (García, 2016) 3) use of housing for short-term leases (Cocola and Gago, 2019), and 4) in certain areas or cities, homes function as a store of value (Fernandez, Hofman and Aalbers, 2016) or safe haven (Pow, 2017) where stability is sought in the exchange value of an asset or its increase. The first reason can be rejected because it is not a usual phenomenon in old houses and because I have shown that in Cathedral demand exceeds supply. On the other hand, eviction is minimal and is related to houses at risk of demolition. The third reason has an important weight because in the city there is an accelerated growth of the short-term rent but, as I said, only 55% of the empty houses have a tourist function or occasional residence. I can then suggest that the fourth reason would also be working in the Centro Histórico. In interviews with owners, I identified that there are investors who acquire properties for “speculative purposes”. They tell us that as the price of housing always grows in the city (even more when the property has old architecture) it is a good business to buy a house to ensure the stability of the amount of capital and to speculate on prices. Some of these investors buy deteriorated houses, “take them off” the market, and a few years later offer them back on the market at a much higher price and labeled “ready to restore” (a highly demanded label).

An example of the speculative function of empty property is the case of Casa Lecompte which belongs to the company “Inversiones Davanic”. This house was built in the 1920s using architecture from the so-called republican period. The house always belonged to the same family (Lecompte) and the last restoration applied occurred in 1983 and was financed by the family. In 2012, this house was bought in a deteriorated condition by the company “Inversiones Davanic” paying US\$ 2,750,000 for it. According to Commercial Registries, this company declares that it develops real estate and construction activities and indicates that it is directed by Jorge Mattos, a Colombian businessman with real estate investments in several cities in the country and Florida (USA). Between 2012 and 2019 the house was not inhabited or architecturally intervened (Figure 3.23) and

therefore its deterioration increased. However, in 2019 the company put the house for sale for a value of US\$ 5,700,000. The company did not make any improvement in the house but tries to achieve an average annual return of 15% on the original investment value. Again, as in almost all cases, the exchange value is increased from the heritage historical narrative (Figure 3.24).



Figure 3.23 Casa Lecompte 2012 vs 2019. Source: Google Street Views

Advertising in Real Estate Atelier.

House for Sale Cartagena De Indias, Bolívar

LECOMPTE HOUSE

This sumptuous house is History! Designed by the great French architect Gastón Lelarge in 1924 who brought wonderful works to the city. It is worth mentioning that he was a disciple of Charles Garnier, the builder of the Paris opera with whom he worked on this work. Other of his works were among others: the old Cartagena Club, the dome of the San Pedro Claver Church, the old Roman bridge, the National Capitol and many more. He died in Cartagena on August 9, 1934.

Figure 3.24 Casa Lecompte. Advertising in Real Estate Source: Real Estate Atelier - Luxury Properties <https://atelierinmobiliario.com/>

3.5 Conclusions

Changes in occupation and use of housing and demographic changes in our intercensal analysis reveal a strong process of gentrification in the Centro Histórico. The history of urban transformation in each neighborhood implies that each one is located at different moments in this process. Cathedral is consolidated as a territory where economic

use almost completely replaced residential use. In San Diego, we see the coexistence of new economic uses of the neighborhood and families belonging to the first gentrifying waves. The scarcity of new gentrification spaces in these two neighborhoods led investors to turn their gaze to Getsemaní and there an accelerated capital inflow process arises that quickly disappears the traditional family structures of the neighborhood.

Several authors agree that gentrification in Cartagena is not a new event, but rather that it has acquired an accelerated rate as a result of the tourist boom that the city experienced in the last decade. However, authors such as Gothan (2005) and Cocola (2018) point out that behind this gentrification tourism process are real estate developers and investors who use tourism as an accelerator of potential land rent and therefore as a mechanism for the return on investment. Responding to this argument, this chapter sought to analyze the behavior of these agents behind gentrification in the Centro Histórico of Cartagena, and study how they work to increase the profitability of their investment.

In the first instance, I analyze the recent evolution of the real estate market in the study area. I found that one year before the global crisis of 2008, a boom in the real estate supply in the city began which has lasted more than a decade. This boom was not accompanied by a similar growth in local demand, but by a strong increase in prices that reached, in just 10 years, quadruple the average price of a home in the Centro Histórico. Thus, the real estate boom and the increase in prices were driven by a boom in external demand during the last decade that sees property in the area as an investment and speculation asset and not as a space for residential use.

The actors in this type of demand for houses in the Centro Histórico have diverse characteristics such as: they belong to a transnational elite; they do not reside in the homes they buy; they prefer to buy using cash; their capital comes mainly from finance, real estate, construction, government contracts, the primary sector (mining, agribusiness, livestock) and illegal activities; some of them buy properties through shell companies and some of them have ties to tax havens.

Why and how did mobilizing capital to a heritage site become a good business? In this chapter, I argue that the Centro Histórico functions as a spatial fix for local and transnational capital that, escaping from the global crisis, takes advantage of the heritage

status of the city (and its diffuse urban and conservation regulation) to promote and sustain a positive rate of profit on capital mobilized. I discuss three investment strategies that in some cases can complement each other: restoration as a process of creative destruction, short-term rental as a rent-gap engine, and the use of the private property as a safe haven for capital.

I show that the activity of buying to restore and then sell has become a highly profitable business because the repetitive deterioration of the property opens a fresh room for continuous capital reinvestments, thus solving the problem of the usual accumulation barriers on fixed assets. Besides, the investor has managed to take advantage of the gaps and deficiencies in the regulation of heritage conservation to manufacture economically exploitable antiques that enjoy the profitable label “heritage house”.

Likewise, I explain how the short-term rental market in Cartagena was dramatically transformed as a result of the entry of transnational real estate agents and the accelerated use of digital platforms such as Airbnb that consolidated the Centro Histórico as an investment asset of global interest. Agents and investors use and stimulate the growth of international mass tourism and the attractiveness of "heritage authenticity" to make the mobilized transnational capital profitable. The incorporation of properties in the global real estate and the short-term rental market has made it possible to widen the rent-gap and thus make the purchase and restoration of houses worthwhile.

I also analyze the role of the Centro Histórico as a safe haven for capital accumulation. The global crisis of 2008 created an excess of capital in different economic sectors which was mobilized to other sectors and places. In Cartagena, we witnessed the strong inflow of capital oriented to the real estate sector starting in 2007. New investors see the Centro Histórico as an investment space that, in addition to high profitability, provides a low risk, high liquidity, ways of avoidance and evasion tax, opacity in the owner-property relationship, and opportunities for money laundering. Institutional failures related to heritage property, the use of shell companies, and tax havens for the purchase and management of property play a key role in achieving these purposes.

As we have seen, behind the accelerated gentrification in the city there are real estate investors who took the built environment of the Centro Histórico as a spatial fix in

the global crisis scenario. The maintenance and increase of the profit rate have been achieved through the use of the heritage label and its narrative that attracts tourist consumers and that drives the continuous increase in potential land rent. As a result, a contradiction arises in the housing market: we have a profitable and globally salable heritage space, but with little historical preservation and full of empty and unoccupied houses. Exchange-value is eliminating historical-value and use-value.

CHAPTER 4. PUBLIC AND PRIVATE ACTORS AND THE PRODUCTION OF HERITAGE SPACE

Capital repeatedly seeks new spaces to sustain the process of extracting capital gains and therefore, those cities that one day receive an investment flow could be victims of divestment in the future. On the other hand, the entry of real estate and tourism capital not only generates benefits for the investor; in cities, there is a structure of private and public actors linked directly and indirectly to these two economic sectors that also receive benefits from each new investment. Some actors receive benefits because they build or restore buildings, others because they win more clients, others because they receive salaries, and others because they obtain electoral improvements. Therefore, faced with the permanent risk of divestment, this structure of private and public actors must work recurrently to produce an attractive space for capital.

When I use the expression "produce a space" I am not referring to the production of physical spaces but to how spaces are socially constructed, represented, and conceived according to the interests of a dominant group. In this sense, I use Lefebvre's idea of space as a social product formed by everyday spatial practices and the ways of conceiving and imagining space (Lefebvre, 1991). But the French author points out that this production process and the results are mainly dominated by whoever exercises political and economic power. This dominant group uses a "system of signs" to normalize their way of conceiving space in those who are not part of power. In this chapter, I explore some elements of this "system of signs" used by public and private actors linked to power to produce an attractive space for capital.

The work of these actors is not simple because, as we have seen, the growing inflow of real estate and tourist capital can have negative effects on a part of the population. In Cartagena, local people denounce the increase in gentrification, the expulsion of traditional stores, disappearance of neighborhood life, discrimination, price increases, restriction of the right to the city, and other problems related to mass tourism (Posso, 2015; Perez, 2013; Burgos, 2016). Although there is a significant proportion of families that obtain employment thanks to the entry of these capitals, the labor market data suggest that

working conditions and wages for these families are increasingly precarious. These negative effects are seeds for dynamics of resistance that create a risk for the work done by the structure of private and public actors to attract capital. Therefore, in this chapter, I study how this group of actors adjusts the elements of this “system of signs” to confront these potential resistances.

Following Lefebvre (1991), I understand this “system of signs” as discourses endowed with technical and political elements to generate a representation of space based on the interests of the dominant group. Therefore, I study some discursive narratives that are used by public and private actors in the production of an attractive space for capital. I use the expression “discursive narratives” to refer to the set of verbal and written texts that tell fictitious or non-fictitious facts and that are installed by public and private institutions to normalize ways of conceiving space. In terms of Van Dijk (1993), this type of discursive narratives functions as an instrument of power to induce and persuade dominated groups to unconsciously accept their domination. In the same way, Fairclough (2003) argues that discursive practices can act as ideological tools that seek to produce and reproduce unequal power relations. One strategy of these discursive practices is to promote (often false) assumptions about any aspect of social life as common-sense facts in order to hide the interests of the dominant group behind the discourse (Wodak, 2014). In this chapter, I discuss and elucidate the assumptions, the elements constructed as “common sense”, and the interests behind the space-producing discursive narratives.

To carry out these purposes I use basic tools of Critical Discourse Analysis - CDA (Fairclough, 2003; Wodak, 2014; Van Dijk, 1993). This approach seeks to examine how mastery and control are practiced and reproduced by written and verbal texts taking into account the context in which they are produced. CDA assumes discourse as a non-neutral social practice whose intentions are shaped by social situations, institutions, and structures, which, in turn, are constructed by discourse. Within its techniques, the CDA can use wording analysis, grammatical analysis, intertextuality, the study of assumptions, and narrative analysis, among others (Hasting, 2014). In this chapter, I approach the analysis combining elements of the last three techniques. Intertextuality explores how and why other texts are referred to or implied in the analyzed text and what are their effects on

discourse. In some cases, intertextuality can be useful to identify how universal truths are constructed through discourse (Hasting, 2014). The study of assumptions seeks to understand how they are generated and what realities may be hidden behind them. The discursive use of common-sense assumptions seeks to normalize as given situations that perhaps are not, but whose “existence” is necessary to support the purposes of certain political strategies. Finally, the narrative analysis seeks to understand the formation, meaning, and intentionality of the stories that are used to explain events, interactions, and emotions (Hasting, 2014). The narratives often have persuasive language that uses emotional elements and the definition of heroes, villains, triumphs, and tragedies to engage the reader morally.

The chapter begins with a theoretical framework that establishes a conversation between the concepts of production of space, hegemony, coalition of growth, and heritagization. Later I make an approximation to the objectives and interests of the main public and private actors related to the tourist and real estate promotion in the Centro Histórico of Cartagena. Then I work on five discursive narratives: "the Centro Histórico is the main engine of growth", "colonial nostalgia", "the city of magical realism", "Cartagena is successful in heritage preservation" and "our heritage / we are heritage". The sources of information are semi-structured interviews with architects, owners, real estate agents, and residents; editorials and press releases from the local newspaper; urban planning diagnostic workshops; brochures and advertising materials from real estate agencies and tourism promoters; and official presentations by public and private actors related to the heritage preservation and marketing of the city.

4.1 Theoretical framework

4.1.1 The production of space

Lefebvre (1991) was very critical of what he called the "space of economists" which was shown as abstract, empty, receptacle, inert, neutral, and transparent. On the contrary, according to Lefebvre (1991), space is a social product, it is the result of social agency and is in turn its producer. Dominant actors have naturalized the idea of "space as neutral and

fixed" because they seek to hide that it is the product of relations of power and exploitation; and that this production seeks to sustain those relationships. According to Lefebvre (1991), the social production of space is the result of the interrelation between three dimensions: spatial practices, representations of space, and spaces of representation. The former refers to the experienced space, that is, the physical and material actions, uses, and interactions that are carried out on the space to develop social production and reproduction. Spatial practices are manifested, for example, through the circulation systems of people, money, and goods, land uses, urban zoning, physical infrastructures (Harvey, 1989b). Representations of space refer to the space conceived by the planner, the technocrat, the architect, who designs a set of signs, meanings, codes and knowledge about how space should be understood and used. Within this dimension is, for example, the drawing of maps, architectural discourses, forbidden spaces, and visual representation of space. Finally, the third dimension, the spaces of representation refer to the imagined space, to the mental, symbolic, and sometimes material creations, which imagine new possibilities and meanings for the use of space. Within this category are included, for example, iconography, monumentalism, imaginary landscapes, and artistic manifestations.

In this chapter, I focus on the dimension of representation of space because, following Lefebvre (1991), it allows us to explore how public and private actors linked to power conceive space and which signs, meanings, codes, and knowledge they use to contribute to production social of a useful space to attract capital. This does not mean that the other dimensions do not act, but, as Lefebvre (1991) points out, the representation of space seeks to be or is dominant over the other two dimensions through "intellectually elaborated sign systems", that is, through the discourse (Delgado, 2013). Therefore, in this chapter, I propose to identify the elements of these signs and the elaboration strategies of those who produce them. This elaboration, in Lefebvre's terms (1991), arises from the mixture between knowledge and ideology, where the second is clothed with the first to endow the dominant conception of the space with apparent transparency and neutrality. This mixture arises in the link between the architect, the planner, the technocrat, and the economically dominant group. At this point, to explain the link between knowledge and power, Lefebvre (1991) resorts to the concept of hegemony. The author maintains that society suffers from an "illusion" that assumes architects, planners, and technocrats as

experts in space, as "supreme judges of spatiality", but in reality, they only adapt their conception of space to the "wishes of those who manipulate consciences". For this reason, hegemony is exercised over society not only through the ruling class but also through its interrelation between politicians and personalities with intellectuals and experts in space. In the same sense, as I pointed out initially, Lefebvre (1991) maintains that hegemony uses knowledge to generate representations of space useful to sustain current power relations.

4.1.2 Hegemony and intellectuals in space

Hegemony, in the sense of Gramsci (2007), can be understood as the ability of the ruling class to achieve that, without the use of coercion, the dominated class acts and defends, voluntarily, the interests of the ruling class. The use of hegemony seeks that the interests and values of the ruling class are naturalized in such a way that it seems that defending them is beneficial for the whole society. In Williams's terms (1977), through hegemony, a sense of reality is created for the vast majority that becomes almost absolute and that is why it is very difficult to challenge this sense. In this way, Williams (1977) clarifies that it is not simple manipulation or indoctrination, but that hegemony works through a complete set of practices and expectations in relation to the whole life, with the senses and perceptions that the individual has about himself or herself and about the world. Therefore, ultimately, hegemony is a system of meanings and values, it is a culture, a culture with a sense of domination (Williams, 1977)

How is this dominant sense of reality naturalized without the use of coercion? Gramsci (2007) explains that hegemony articulates a complex interrelation of active political, social, and cultural forces that act through the structures of "civil society". There is an interaction between ideological, cultural, and knowledge relations produced by organizations and institutions that are not necessarily part of the State or the main center of economic power, but that do act as promoters of a conception of the world and a sense of reality that the successfully imposed as morally desirable. Within civil society, intellectuals are the main actors in the impulse and naturalization of this conception of the world and that sense of reality. In general terms, Gramsci (2007) indicates that intellectuals, acting as subordinate actors of the ruling class, are in charge of producing and distributing

ideas and knowledge within civil society (their main field of action) to naturalize the meaning of the dominant reality and create consensus around it.

The action of intellectuals through civil society is not easy because occasionally they can meet social actors who dispute the ideas and knowledge that they distribute. That is why hegemony is not something static, it is a dynamic process that, in order to face resistance, must be continually recreated and defended. In this way, within civil society, discursive persuasion is used as a tool for recreation and defense that allows building voluntary consensus around the interests of the ruling class. In this sense then, discursive persuasion is a central strategy for the dominated class to appropriate the system of meanings, values, ideas, and worldview of the ruling class and promote them because, thanks to the work of intellectuals, it must be assumed as something of "common sense." The success of persuasion is that hegemonic interests seem to be spontaneously and disinterestedly defended by various social actors who are not necessarily politically or economically linked. The articulation of these actors, intellectuals, and civil society based on dominant interests is called by Gramsci (2007) the historical bloc. Our purpose in this chapter is to approach the understanding of the persuasion strategies promoted in civil society to consolidate a consensus among key actors on the representation of space useful to the ruling class. In this sense, the group of architects, planners, technocrats, and other experts in space play the role of intellectuals who act as subordinate agents of a class and who are in charge of producing and distributing representations of space (conceived space) that, thanks to strategies of persuasion, are assumed by society as transparent, neutral and common sense.

Although intellectuals in space may have aesthetically and scientifically legitimate considerations, they also act according to their own economic interests and who hires them. The architect, for example, builds an aesthetic criterion that responds to his/her own evaluations, but also to the interests of those who pay for the work. Architects act as arbiters, creators, and manipulators of taste and therefore play a crucial role in leading and persuading civil society on how to organize the built environment. As Knox and Pinch (2014) point out, the architect is in a powerful position because his/her own design decisions and his/her own aesthetic evaluations guide and stimulate the consumption of

certain types of architectural and spatial elements. But, as has been explained, the design and valuation of the architect are linked to the interests of the person who hires him and for this reason, these professionals contribute decisively to the production and consumption of “symbolic capital” (Harvey, 1989b). In Bourdieu's terms (1977), this type of capital groups together the goods and services that reflect the taste and distinction of the owner. The accumulation of symbolic capital that the elite seeks is supported and negotiated with the architect, and this accumulation contributes to the extension, in the collective, of the criteria of taste and distinction of those who accumulate. This extension induces people of the same economic level to reproduce and subconsciously defend the same criteria (*habitus*). The same could happen in lower socioeconomic classes that seek to resemble the elite (Bourdieu, 1977). In short, the interrelation between architects and economic power produces in the built environment a symbolic capital that can build a consensus on aesthetic criteria that operates even at the subconscious level.

4.1.3 Growth Coalition and the importance of image

In the famous paper on the city as a growth machine, Molotch (1976) explains that the success of cities has been quantified in terms of economic growth and this promoted a system of competition between cities to attract new capital and sustain the current capital. To be successful in this competition, public and private actors with shared interests form visible and non-visible alliances to produce an investment-friendly city. This alliance was called the Growth Coalition. Leaders of the main economic activities of the city, chambers of commerce, realtors, builders, and local government participate within this coalition. On the one hand, private actors seek to expand their profits, bring in more consumers, increase the value of land, and on the other hand, public actors seek to obtain new tax revenues, stimulate employment, and expand their electoral base. Also, in the coalition, there are auxiliary actors such as universities, local press, and some civic and cultural organizations that act and help consolidate consensus on growth strategies. (Logan and Molotch, 2007). The growth coalition strategies are usually focused on influencing and formulating land-use policies, tax cuts, stimulating a market-oriented city, and the use of boosterism.

Although this type of growth coalition has a history of several decades, Harvey (1989a) points out that from the 70s and 80s the idea that cities should adopt a more

entrepreneurial and less managerial attitude began to emerge globally. This change strengthens the need and work of the growth coalition. Harvey (1989a) explains that the crisis of those decades, the subsequent recipe called the Washington Consensus, and the development of a “flexible accumulation regime” imposed a trend in cities towards fiscal austerity and the defense of urbanism led by the market and privatization. This trend is driven by a type of urban governance of entrepreneurship in which the local government loses the power to organize the space so that it is almost completely taken over by a growth coalition. In this type of governance, while private actors acquire an active leadership role, public actors reduce their regulatory and managerial role and become simple facilitators. Harvey (1989a) identifies three key characteristics in this version of the growth coalition with an entrepreneurial approach: 1) the local government focuses on creating the mechanisms to attract external sources of financing, 2) the investment of the public sector is oriented to develop projects of high social and economic risk but that is necessary for the generation of profits in the private sector, and 3) the coalition focuses more on the political economy of the place than of the territory. That is, it focuses more on producing projects and images of the city that attract the consumer and the investor instead of projects aimed at improving the quality of life of its inhabitants (Harvey, 1989a).

This third characteristic acquires greater relevance as a result of the reduction of spatial barriers due to technological advances. The importance of proximity/remoteness as a decision criterion for consumers and investors decreases systematically and therefore cities have resorted to promoting image and authenticity to differentiate the place. In order to attract capital and the "right people" to the city, growth coalitions incline their efforts to the promotion and production of a place where aesthetics, spectacle, and authenticity narratives prevail over any other project that improves the material conditions of the residents. I propose that part of the success of the coalition in this strategy is that it has managed to naturalize, via hegemony, the defense of aesthetics, spectacle, and authenticity narratives as the only possible paths for growth. In this sense, the growth coalition, as the dominant player in civil society, works to consolidate a consensus in which residents voluntarily defend the interests of the coalition even though this means giving up improvements in material conditions. "All citizens must care, promote and improve our

image and our authenticity to attract capital, tax collection, and jobs." Who opposes this laudable purpose?

4.1.4 In the search for authenticity: heritagization

According to Harvey (1989b and 2009b), the competition for authenticity leads cities to dust off history and to convene native cultural practices that are useful to attract capital. This dynamic is part of the postmodern trend that uses, mixes, simulates, and recreates vernacular traditions, local stories, and particular fantasies to produce urban built environments adapted to the client's requirements. Cities take the form of a "collage" of scraps of the old, the modern, and the imagined. We witness a "palimpsest" where partially superimposed layers of history coexist according to their attractiveness (according to the dominant aesthetic criteria) and where the "undesirable" is overwritten to make it attractive (Schein, 1997). If there is no compelling history or attractive cultural practices, cities appeal to construct discourses of idealized history or to transform native practices into marketable artistic displays (Harvey, 1989b and Harvey, 2009b). For this reason, history has become a resource for the economic search for authenticity. But not all history is useful for this purpose, only that which has earned the heritage stamp, the stamp that makes the place marketable (Graham, Ashworth, and Tunbridge, 2016).

Several authors (Urry, 1994; Ashworth, 1994; Su and Lin, 2014; Hewinson, 1987; Harvey, 1989b) argue that since the 1970s a strong boom has emerged in many countries to identify, produce and promote the heritage built environment. UNESCO inaugurated the World Heritage Site program in 1972 and in 1978 the declaration of heritage began on all continents. The heritage boost was of such dimension that in the first 12 years of declarations, 328 sites were approved (28% of the current total). The tourist boom that began in the 1960s (Ashworth, 1994) and the deindustrialization crisis of the 1970s (Hewinson, 1987) caused a shift in cities towards promoting heritage as a new economic strategy. Different public and private actors developed new forms of a representation of history that would be attractive to tourists and promoted projects for the preservation and restoration of the built environment that would contribute to this representation (Urry, 1994). It is in this context where Hewison (1987) suggests the emergence of a heritage industry that is producing important transformations in urban and rural landscapes that

evoke a nostalgia for objects, values, and meanings of the past. Hewison (1987) maintains that this nostalgic impulse seeks to be a social emollient and reinforce national identity in the face of the crisis. In this sense, the heritage industry is not necessarily linked to real history because heritage tends to tell or recreate a non-critical version of the past. For this reason, Urry and Larsen (2011) point out that, unlike authentic history, heritage seeks to hide inequalities and stimulate a superficial commodification that can even destroy what it supposedly conserves.

The distinction between history and heritage is developed by Ashworth (1994) and is illustrative to understand that heritage is something socially constructed, but where the interest of a dominant group prevails. The author maintains that heritage is the part of the past that a society chooses to sustain, promote and recreate in the present for economic, political or social purposes, therefore while “history is the remembered record of the past: “heritage is a contemporary commodity purposefully created to satisfy contemporary consumption” (Ashworth, 1994, p.16). In the same sense, society in the present defines and recreates what should be considered heritage, as well as its meanings according to the demands of current societies (Graham, Ashworth, and Tunbridge, 2016). Then, the past can be exploited as a resource through a process of heritagization that produces a version of the past that is profitable in the present. This process consists of four stages: 1) The “specialists” on the past and on the space select an element, 2) The corresponding institution enhances the element by legally declaring it as a symbol of the city, 3) Public and private actors intervene (restore) the element and define rules of protection and use, 4) the element is exposed to be admired and consumed (Laplane, 1992 and Ashworth, 1994). The heritagization then implies the interrelation of a group of actors and institutions that build a collective consensus on what should be constituted as heritage, its transformation, its regulation, and its consumption. In this chapter, I identify the actors behind heritagization and how they work and articulate to create consensus.

4.2 Key private and public actors

4.2.1 Actors in the private sector

Within the private sector, I can identify actors connected to tourist activities, real estate, builders, business, architecture, and elite property-owners organizations. Some of these activities are formally represented through economic associations that have allowed them to consolidate themselves as important influence groups in the future of the city. Among these associations, I highlight Camacol, which groups together builders, Cotelco, which groups hoteliers, Fenalco, which groups merchants, Lonja, which groups real estate agents, and the Chamber of Commerce. Although there are also associations of architects, their most visible representation occurs in informal guilds and university departments of architecture.

Camacol's objective is to "promote and defend the interests of builders by promoting the sector before the public and private organizations" as well as to "intervene with the government on issues of impact for construction by participating in the formulation and agreement of policies, standards, and actions conducive to preserving a favorable environment for building activity" (Camacol, 2020). Additionally, Camacol produces publications, technical reports, and workshops on urban regulations, construction dynamics, and business competitiveness. Camacol is a member of the board of directors of the Chamber of Commerce and of the Superior Council of the main private university in the city. Its current director previously worked in the city's tourism and hotel sector.

Cotelco's mission is "to organize and represent the interests of the businessmen of the city's hotel and tourism industry, providing tools that contribute to their competitiveness" (Cotelco, 2020). This association also seeks to defend the regulations applicable to the hotel activity to safeguard the sustainability of its companies and develop the necessary work for the arrival of new tourists, the conquest of new markets, and the arrival of new airlines. In addition to association activities, they develop functions of tourism promotion, legal and tax training, and the design of commercial agreements between hoteliers and suppliers. 70% of Cotelco affiliates are hotels located within the Centro Histórico.

Fenalco's objective is to represent, guide, and protect the interests of the city's commerce. In this order, this association acts with other economic associations and local government in the defense and promotion of the commercial activity. Fenalco represents the interests of various companies related to tourism, such as restaurants, hotels, bars, shops, jewelers, travel agencies, as well as companies related to construction and the real estate market. Fenalco is also part of the Superior Council of the most important private university in the city. This association founded the Centro Histórico Corporation 15 years ago, whose objective was "to promote the conservation and defense of the Centro Histórico and the search for alternatives that allow the completion and support of the revitalization process" (Fenalco, 2017). In the same sense, Fenalco has led to the need to have a Manager for the heritage area in order to "have a person who exclusively centralizes its care, contributes to projecting it over time and is a defender of its integrity and works for preserve the certification as a sustainable destination and as a universal heritage." (Fenalco, 2017). Finally, it is important to note that the director of Fenalco worked at the City Hall in the position of City Manager, a position where the current mayor sought to promote what Harvey (1989a) calls urban entrepreneurialism. The director's sister has tried to be mayor of the city on several occasions and has led the Society for Public Improvements.

Lonja brings together appraisers, real estate companies, and construction companies. Among its objectives, it stands out: to support public entities in the formulation of strategies for real estate development, to be a spokesperson for the sector in front of the government, as well as to strengthen the promotion of real estate supply and demand. Within the framework of this last purpose, Lonja publishes a free monthly magazine called "Rent and Sales", in which the largest real estate agencies advertise information on available properties. In this magazine, the director of Lonja usually writes a monthly editorial where her political position on the urban activity of the city is made explicit. The director owns a real estate company along with her brother, who is an architect and columnist for the most important local newspaper: "El Universal." He has been a pre-candidate for mayor of the city representing a radical right-wing party.

Within the real estate sector, I must highlight two important local agencies: Araujo y Segovia and Real Estate Bustamante. The former is dominant in the city-wide market

and the latter dominates the market in the Centro Histórico. It is necessary to point out that Araujo y Segovia belongs to one of the richest families in the city. They have businesses in construction and hotels, and they also own the local newspaper with the greatest tradition and circulation in the city, "El Universal." This family has had a strong presence in national politics as Ministers of State and congressmen. Their current political participation is developed from the radical right-wing political party in the country. On the other hand, as I pointed out in the previous chapter, international real estate agencies with a long history at a global level Christie's International Real Estate, Luxury Estate, John Taylor, and Savills have appeared in the city. Additionally, some individual real estate agents have established themselves as market dominators in high-end properties in the Centro Histórico.

Chamber of Commerce is a private institution that brings together all the merchants and formal businessmen of the city. They establish as their main purpose "to serve as an organ of the general interests of commerce before the government and before the merchants themselves, promoting regional development." (Cámara de Comercio, 2020) Although it is private, the Chamber was delegated by the national government to carry out the legal registration of all companies and organizations that are created in Colombia. Since 2012, this institution has also been delegated to issue the National Tourism Registry. These delegations granted by the State allow the Chamber of Commerce to become a player with notable power in the public discussion on the economic development of the city. As an example of this remarkable role, the Cartagena Chamber of Commerce currently serves as the technical secretariat of the Regional Commission for Competitiveness and Innovation of Cartagena and Bolívar, a public-private entity where the Cartagena Competitiveness and Innovation agenda is organized. Finally, the Chamber of Commerce also acts as a member of the Superior Council of the most important private university in the city.

Architects and restores. In Cartagena, architects tend to be grouped into two associations: the Bolívar Society of Engineers and Architects and the Colombian Society of Architects. The first has served as a consultant in the issuance of concepts on urban projects in the city and therefore has a chair on the Technical Committee on Heritage. The second association has a national character, and its main purpose is "to promote

architecture and urbanism" and "to guide architects' relations with the State" (Consejo Gremial de Bolívar, 2020) The main influence of this association in Cartagena is through the management and organization of the Expociudad fair, the largest real estate fair held in Cartagena and which is aimed at both residents and real estate investors. On the other hand, according to our interviews, the group of architects with the greatest power in the Centro Histórico is made up of a sector of the restoration tradition that began in the 70s and 80s. This group is not a formal association, but some local architects identify it as a clan with limited access, acting in a collusive way with enough market power to restrict the entry of new restorers.

Although I cannot affirm the existence of leadership in this group, it is possible to identify that the main references in the restoration tradition are Alberto Barrera Herrera and Alberto Samudio Trallero. Finally, another architectural instance of power (they have a chair in the Technical Committee of Heritage) is the university departments of architecture. This discipline is offered by three private universities: Jorge Tadeo Lozano University, San Buenaventura University, and the Technological University of Bolívar. Currently, the first of these universities is the one with the greatest presence in the field of restoration and heritage because most of the restoration architects are graduates and professors from there. Additionally, this university offers the only postgraduate degree in the northern region of Colombia in "conservation and management of material heritage."

Society for Public Improvements. As I explained in Chapter 2, this private society was created by the local elite in 1923 to stop the demolition of the city walls and manage the care of the fortifications. Between the 1930s and 1980s, society played a central role in urban development policy and the expansion of tourism (Rinaudo and Cunin, 2005). As of 2012, the Society renounced the administration of the fortifications and now focuses its functions on "fostering a sense of belonging in the inhabitants of the city of Cartagena through training in civic culture and the conservation of their historical cultural heritage, material, immaterial and natural" (SMPC, 2020). Its current board of directors consists mainly of architects, engineers, and economists. Some of its members have family ties with directors of influential entities such as Camacol (the construction association) and Invest

In Cartagena (a public-private alliance to attract national and foreign investment to the city).

Great developers and owners. In the previous chapter, I described the characteristics of the main owners. For the analysis that I propose in this chapter, I select the representatives of the developer-owners of the two largest current real estate projects in the Centro Histórico: La Serrezuela Shopping Center and Hotel San Francisco-Four Seasons. La Serrezuela is a project directed by the construction company and promoter Cohen (based in Bogotá) and the capital is managed through investment trust funds. The San Francisco-Four Seasons Hotel is managed by San Francisco Investments, a subsidiary company of the Valorem group. This business group is owned by Alejandro Santo Domingo, the third richest person in Colombia and who also owns the most important television channel in the country, the second newspaper with the largest national circulation, and the largest natural gas company in the Caribbean region.

Recently in the city, a neighborhood association of elite owners called Fundación Centro Histórico has emerged. This Fundación describes itself as "an urban initiative of civil society, non-profit, that brings together residents and generators of employment in the Centro Histórico." (Fundación Centro Histórico, 2020) They define as objectives to strive for the protection of tangible and intangible heritage, for the quality of life of its residents, and for the education of citizens for the care of that heritage. The board of directors is made up of McDonald's' main investor in Latin America, the owner of the largest travel agency in Colombia (Aviatur), a partner financier of Brunswick, some Colombian bankers, the owner of the land with the largest urban real estate expansion in the city and the president of the Society for Public Improvements. It is worth noting that the McDonalds investor is recognized as the owner of the Hotel Casa San Agustín, which appears in official records under the ownership of Albemar Participation Ltd, a company based in the British Virgin Islands. This Fundación has been operating for 3 years and its main visible focus of struggle has been against the occupation of public space and night-time "annoyances" caused by the presence of bars and nightclubs.

4.2.2 Actors in the public sector

Within the local government, five key actors are identified in relation to heritage and its link with local urban planning: Heritage and Culture Institute (IPCC), Heritage Technical Committee, Workshop School, Corpoturismo, and Planning Secretariat. At the national level, an important player in decision-making on uses and urban changes in the Centro Histórico is the Directorate of Heritage of the Ministry of Culture of the National Government.

The Institute of Heritage and Culture aims to safeguard heritage and within its functions, it establishes: “to ensure the conservation and enhancement of the city's cultural heritage; promote the revitalization of the Centro Histórico” (Alcaldía de Cartagena, 2003); and apply the necessary control and sanctions on urban interventions made on the heritage and architectural uses of the Centro Histórico. The IPCC is divided into two areas: Cultural Division and Heritage Division. The latter is in charge of identifying, conserving, intervening, and controlling the heritage. Within its functions, the Heritage Division must provide historical and normative advice on architectural interventions, catalog and update the list of Assets of Cultural Interest, prepare documentation of properties for its declaration as heritage, monitor construction works in the Centro Histórico; and sanction urban interventions that violate preservation standards. The current Heritage Division Director has held that position since 2003 (the same year the IPCC was created). He is an expert architect in restoration and a faculty member at the university with the greatest architectural tradition in the city (Jorge Tadeo Lozano University). The law stipulates that he must be the technical secretary of the Technical Committee for Heritage, whose functions are explained in the following paragraph.

The Heritage Technical Committee is a specialized group whose main function is to issue a concept of approval or disapproval of all interventions in buildings, houses and public space that are intended to be carried out in the Centro Histórico and surroundings. The concept issued must ensure the preservation of heritage according to historical, legal, and architectural criteria. In this sense, any restoration, modification, and/or construction project that occurs within the Centro Histórico must previously request authorization from the Committee. Additionally, within its functions, the Committee can propose to the Mayor

measures to regulate heritage, recommend sanctions, and propose tax incentives for the owners of houses classified as Assets of Cultural Interest. The Committee is made up of the representative of the Mayor, a representative of the Bolívar Society of Architects, a representative of the universities with an architecture department (usually a professor from the Jorge Tadeo Lozano University is elected), a representative of the Academy of History from Cartagena (usually a lawyer), a representative of the residents of the Centro Histórico (currently a civil engineer), a representative of the museums (currently an architect) and the Director of the Heritage Division (also an architect).

The Workshop School is created within the framework of the arrival to the city of the Spanish Agency for International Cooperation in order to support the restoration of some public buildings and to train local workers in the restoration and conservation of masonry and carpentry processes. Since 2012, the Workshop School was commissioned by the Ministry of Culture for the administration of the fortifications and other Assets of the Cultural Interest of the city that belong to the Colombian State. The School received the functions of protecting, conserving, restoring, enhancing, and generating social appropriation activities on these properties. Recently, this entity has been the subject of disputes over its role as a fortification manager. Since 1923 the walls and other fortifications that are in Cartagena are not the property of the Mayor's Office but of the National Government (through the Ministry of Culture) and therefore the decisions about what can be done on the fortifications depend on the Ministry and not on the Mayor. This has been the subject of strong debate because some cultural and political leaders of the city are opposed to transformations and land-use changes that the national government has tried to give to these spaces that, for local people, are public spaces of the city. The Ministry has authorized the installation of bars, restaurants, and places for private parties, and this has increasingly restricted the use by local people. During the last two years, the Ministry has tried to modify the functions of the Workshop School to assign the administration of the fortifications to a private company domiciled in Bogotá.

Corpoturismo is an entity created in 2001 and is in charge of coordinating public and private actors to “strengthen the positioning of Cartagena de Indias as a tourist destination”. The entity's director is defined by the Mayor's Office, but the board of

directors is made up mainly of private associations linked to commercial and tourist activity. Within the board, I can highlight the Mayor's Office, Cotelco, Chamber of Commerce, Airport Society, and Fenalco. The recent director of Corporturismo is an architect and part of his professional practice has occurred in the city's Planning Secretariat. This entity is linked to the heritage field because in the development of its promotional activity it uses the heritage image as its main tool.

Planning Secretariat is the office in charge of formulating, coordinating, and monitoring the policies and strategies of economic and territorial development of the city. Beyond the generic relationship that an urban planning office may have with the Centro Histórico, I am including the Secretariat because it is assigned the function of the Special Management and Protection Plan for the Centro Histórico (PEMP). This Plan is an instrument for planning and managing the cultural heritage of a place that must be protected for its historical, cultural, and architectural value. The preparation of the PEMP requires the full participation of public, private, and community actors, as well as potential beneficiaries, managers, and funders of protection projects. Although the national regulation (Law 1185 of 2008) requires that all heritage sites must have a PEMP formulated and approved before 2014, the Cartagena Planning Secretariat has not been able to meet this requirement and is still in the diagnostic stage. Some explanations for the delay in preparing this Plan suggest that there are strong disputes over the opposing interests of the actors involved. Part of these disputes may arise from the fact that the approved PEMP must establish maximum construction ceilings and define land uses, which confront residential interests with interests of real estate developers. A symbolic fact of this conflict is that the Planning Secretary is usually in charge of architects who, in their private act, could have real estate interests.

The Heritage Directorate of the Ministry of Culture is "in charge of formulating and implementing policies, plans, programs and projects that seek to develop the management, protection, and safeguarding of Colombian cultural heritage and its social appropriation." (Congreso de Colombia, 2008). It has responsibilities over the Centro Histórico of Cartagena because, has been mentioned, the fortifications and other Assets of Cultural Interest are property of the National Government and not of the city. For this reason, when

a public or private actor plans to carry out architectural interventions in the areas of influence of these properties, it is mandatory to request prior authorization from the Heritage Directorate. These authorizations have been the subject of recurrent debate in Cartagena because, in some cases, they would be contrary to the interests expressed by some members of the local citizenry.

4.3 Narratives and strategies

4.3.1 "The Centro Histórico is the engine of the growth of the city."

In Cartagena, there is a consensus on the importance of heritage for the economic growth of the city because the built environment with a heritage label has been established as one of its most important tourist attractions, but this was not always the case. In the first half of the 20th century, the fortifications were seen by members of the nascent bourgeoisie as an obstacle to progress while members of the traditional aristocracy protected them as an element of the urban landscape that recalled the Spanish origin of the city (Rinaudo and Cunin, 2005). The incipient trend towards tourism in that period based the city's attractiveness on the sun and beach tourism (Avila, 2008). However, at the beginning of the second half of the 20th century, the city began to establish itself as an international tourist destination, and public and private actors saw and promoted the Centro Histórico and the fortifications as a "new" element of tourist attraction. Then, an accelerated process of heritagization of the place started, promoted by tourism development (DeAvila, 2019).

The key moment of heritagization happened when local authorities, historians of the traditional elite and tourism entrepreneurs requested and obtained from UNESCO, in 1984, the declaration of Cartagena's port, fortifications, and monumental complex as a world heritage site. This heritage stamp puts Cartagena in a privileged group that gives elements of authenticity to the city to consolidate itself as a tourist destination. However, in a series of studies on competitiveness, promoted by the Cartagena Chamber of Commerce, a group of economists and architects (Bernal, Quintero and Lopez, 2005; Bernal and Quintero, 2006) pointed out that, 20 years after that declaration, the city continued to focus its tourism proposal on the sun and beach element and had not been able

to differentiate itself from other cities in the Caribbean that have a better offer for this type of tourist element. The authors point out that there is insufficient tourist use of the historical-monumental heritage (Bernal and Quintero, 2006) and therefore, they recommend reorienting the tourist policy towards promoting the Centro Histórico and cultural traditions of the city (Bernal and Quintero, 2006). A similar conclusion was produced in the 2006 study on the economic impact of the Centro Histórico contracted by the Mayor's Office of Cartagena and Fenalco (Zuleta and Jaramillo, 2006). This study estimates that the heritage area only generates 3.8% of the city's GDP and 5% of employment, and therefore recommends improving investment in heritage conservation and maintenance so that the Centro Histórico can have a greater impact on the economic and social results of the city. Likewise, in 2009, economists from the local headquarters of the Banco de la República pointed out that "due to its colonial architectural heritage, Cartagena has the conditions to become a destination for cultural tourism that attracts people with a good income level" (Meisel, 2008, p.2) and therefore considered it necessary to strengthen the heritage infrastructure, the performance of shows and the consolidation of the city as a "destination for congress tourism."

This set of recommendations on greater use of heritage as a way to enhance the competitiveness and growth of the city penetrated the formulation of Local Economic Development Plans. In 2008, the Mayor's Office, together with the Department of Governance, Fenalco, the Chamber of Commerce, Corpoturismo, and some universities formulated the Regional Competitiveness Plan for Cartagena and Bolívar. There, they linked heritage, history, and tourism with the conditions that make Cartagena an appropriate place to conduct business and investment. In the Local Development Plan (2008-2011), the Mayor's Office is committed to the "recovery of the environmental, cultural, intangible, monumental and urban heritage of Centro Histórico and its possibilities for sustainable tourism exploitation" (Pinedo, 2008, p.36) and, within the framework of this recovery, one of her flagship strategies was to get street vendors out of the Centro Histórico. The strategy combined the use of police force, incentives for vendors, and discourses on the need to beautify and free up the space of Cartagena. Regarding this strategy, the newspaper El Universal highlights that "the recovery of 130,934 square meters

of public space has been one of the main achievements of the city Administration between 2008 and 2011 ... it is an unprecedented figure in local history" (Montes, 2011).



Figure 4.1 The daily struggle of street vendors. Source: Primicia Tu Buena Noticia. <http://primicia.com.co/15-comparendos-por-ocupacion-indebida-del-espacio-publico-en-cartagena/>



Figure 4.2 The daily struggle of street vendors. Source: Rafael Bossio

The following mayor (2012-2015) more clearly associates the narrative of competitiveness with the heritage. In the preamble to its Development Plan, it stipulates that Cartagena is a "unique city in the world and for the world" and therefore "they will

take advantage of the comparative and competitive advantages of the city, especially its architecture, culture, and monuments, to position the brand of Cartagena in the world” (Vélez, 2013). In this sense, his main strategy will be "to generate dynamics of local development and sustainable productive chains that promote the competitiveness of heritage." (Vélez, 2013, p. 45) During this period, the management of the public space “recovered” by the previous mayor advances to another level. On the one hand, the mayor increased surveillance efforts to prevent the reappearance of expelled vendors, and on the other hand, he decreed that public space could be rented to private actors who have adjoining properties. This rental strategy was questioned by neighbors and former street vendors, but the Mayor insisted that the rent is necessary because it allows the city to raise more money for the public budget, because the private sector will be able to take advantage of the space economically and because this "orders the city". Fenalco indicated that they were pleased with the rental because "it will undoubtedly contribute to a better development of some formal economic activities compatible with an economic consideration for the city" (De Avila, 2015). The previous mayor expelled and cleared the public space, and the next mayor rented and semi-privatized that same space in the name of the city's economic growth.



Figure 4.3 Public space occupied by the formal economy. Source: KimKim.
<https://www.kimkim.com/c/best-cafes-in-cartagena>



Figure 4.4 Public space occupied by the formal economy. Metro Magazine.
<https://revistametro.co/2018/01/09/espacio-publico-parcelado/>

In concurrence with the Mayor's Office, private actors also mobilized the narrative that linked heritage to competitiveness and economic growth. In academic events, restoration architects point out that the preservation and maintenance of the Centro Histórico become viable when "citizens can take advantage of them for their own benefit ... and perceive their economic advantages" (Samudio, 2008, p. 14), therefore, he affirms, referring to study by Zuleta and Jaramillo (2006), that there is a consensus among Cartagena people that understands the Centro Histórico "as an instrument of economic development." Subsequently, the restorer and professor at the Tadeo University, Ricardo Zabaleta (2013), made the presentation "Architectural and urban heritage of Cartagena de Indias: a fundamental factor in its competitiveness in global urban networks" (Zabaleta, 2013). The emphasis of the presentation is placed on a journey through the urban history of the city and the opportunities to continue developing architectural recovery works. Among his conclusions, the restorer indicates that the potentialities of the history, architecture, and landscape of Cartagena are a way to consolidate the city as a world tourist destination (Zabaleta, 2013).

The newspaper El Universal, through its daily editorial, also actively participates in the defense of the Centro Histórico as an engine of economic growth. The newspaper introduced in 2012 the metaphor "the Centro Histórico is Cartagena's cash register" to indicate that it is the main place from which the city must extract money (Figure 4.5). This

metaphor is systematically used by the newspaper for several years to promote the investment of public resources in the care of the area and to attack uses of the Centro Histórico that, according to the newspaper, threaten the attractions of the city. On the one hand, El Universal repeatedly asks the Mayor's Office to allocate resources to beautify “the cash register” and on the other, it demands that it continue to expel street vendors who “damage” the image of “the cash register” (El Universal, 2014; El Universal, 2017).



Figure 4.5 "Centro Histórico is the cash register of Cartagena" Source: El Universal, 2017)⁵

⁵ Translation: “**It is urgent to order the Centro Histórico.** We lost the count of all the times that we have said here that the Centro Histórico of Cartagena de Indias is its cash register, the magnet that attracts tourists, and therefore, one of the largest sources of formal employment in the city, that forces us all to defend it from the many abuses that are committed in it, which are getting worse every day. And despite the enchantment of the old city and the sympathy of ordinary Cartagena people, complaints are beginning to appear everywhere: on social networks, on websites for travelers, in letters written to the different authorities, and the press, among others.”

The recommendations of economists and architects, local development plans, and pressures from the local newspaper, occur before and during the beginning of the second restoration boom that I have mentioned in chapter 3, and which is accompanied by a notable increase in hotels, restaurants, and shops. tourist attractions, as well as an acceleration of gentrification. Between the 2005 Census and the 2018 Census, the Centro Histórico reduced its population by 83%. In addition, the mayor's office managed to reduce street vendors by 82%. While the city was emptied of residents and traditional local vendors, at the same time the number of visitors grew rapidly, and the first debates and conflicts appeared around the effects of mass tourism (Posso, 2015; Burgos, 2016). Restaurants, bars, and party organizers took advantage of the rule that allows the legal use of public space by paying rent, and any street, square, and fortification are assumed as places to occupy and extract money (PEMP discussion). Independent journalists, political leaders, and university students made criticisms of the rental of public space which it is considered by them as a “tool of privatization and exclusion” that also “threatens the heritage conservation”. On the other hand, community leaders from Getsemaní and San Diego denounced the processes of the expulsion of residents, the rise in prices of basic goods and services within their neighborhoods, and the disappearance of traditional stores, grocery stores, and schools and spaces for children. Researchers from the social and human sciences introduced discussions about the negative effects of certain tourist activities in the city: gentrification (Posso, 2015), racism (Florez, 2015), disputes over public space (Romero, 2008), exclusion (DeAvila, 2015), and sexual exploitation (Sorzano and Miller, 2018).

These complaints, discussions, and conflicts have been confronted discursively by the growth coalition, although revealing certain contradictions. The most repetitive argument among the different public-private actors is that, despite the negative effects, it is necessary to continue promoting tourism in the Centro Histórico because this is "the largest generator of income for the city." Corpoturismo systematically introduces in local development plans that tourism is "the sector that generates the most income for the region" (Dau, 2020). El Universal continues to use the metaphor of the “cash register” to ask the mayor to expel street vendors so that the city will focus on high-income tourists, and “take care of them so they come back” and “leave more money in Cartagena” (El Universal,

2017). The same newspaper cited an economic report from the Chamber of Commerce to affirm that "tourism continues to be the sector that generates the most income in Cartagena" (El Universal, 2016). However, this statement does not appear to be true.

In the city, there are no official statistics on the economic size of tourism and the only data available come from the Dane Macroeconomic Accounts. These accounts divide the income of each city into ten economic activities (Figure 4.6). These data indicate that the activity that generates the most Value Added for the city is the Manufacturing Industry, which contributes 38% of the total (Meisel and Aguilera, 2020). Among the 10 economic activities in the city, there is a group called "Commerce, car repair, hotels, and restaurants" that has traditionally been taken in Cartagena as indicative of tourist activity. In the Dane accounts, this group appears in the fifth place of contribution with 10% of the total. This traditional classification does not allow a clear identification of the effective contribution of tourism because it includes, in addition to hotels, restaurants, and bars, all kinds of commercial activities in tourist and non-tourist areas, as well as vehicle repair workshops. According to data from registered companies in Chamber of Commerce, this group of activities that are not necessarily touristy represents 87% of the Value Added accounted for as "Commerce, hotels, and restaurants." Of course, part of the tourism Value Added also comes from commercial activities, but there is no official data in the city that allows us to fully disaggregate what part of the commerce is relative to tourism and what part is not. I find the most approximate numbers in the databases of companies registered in the Chamber of Commerce, which indicates that tourism companies generate 5.5% of the income of all registered companies. This classification is also problematic because it does not include informal activities, which in Cartagena represent 55% of all jobs.

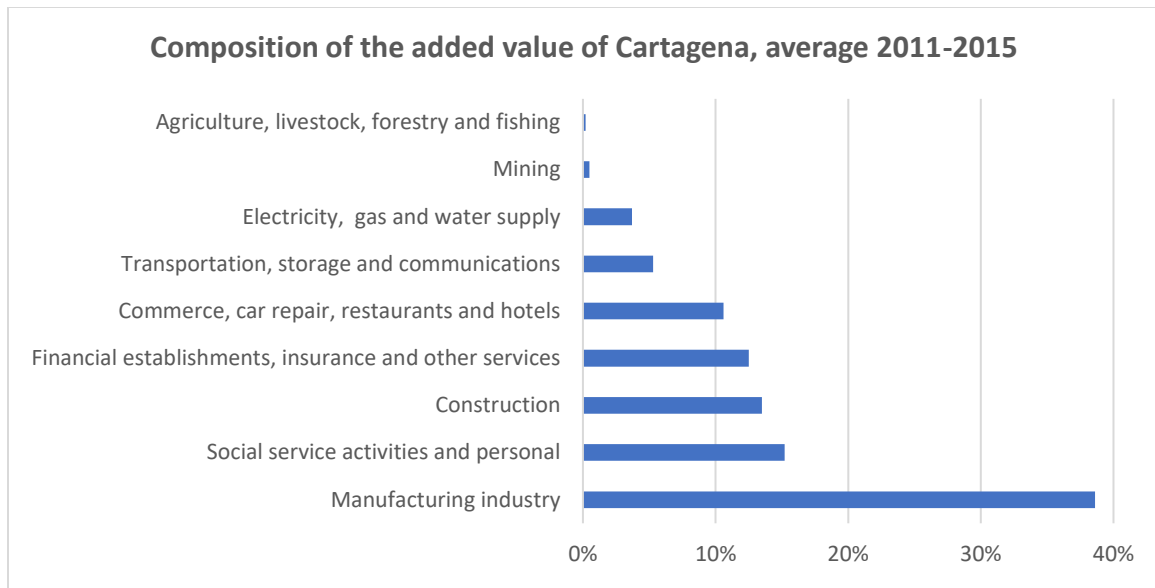


Figure 4.6 Composition of the added value of Cartagena, average 2011-2015
Source: TerriData –DNP / Dane

This lack of precision in the data has been exploited by the growth coalition to justify the importance of tourism to the city's income. We saw that it is not true that it is the sector that generates the most income, but we also saw that the contribution of 10% (according to traditional classification) wrongly includes non-tourist activities and that overestimate the economic impact of tourism. However, coalition actors use this traditional aggregation system repeatedly. The Chamber of Commerce, the Mayor's Office, Corpoturismo, economists from the Banco de la República, economic associations, and the local press repeat the same aggregation in official documents, technical reports, and press columns. A symbolic case of the systematic use of this aggregation can be found in a presentation by the "Cartagena Cómo Vamos" organization. This organization was created by economic associations, the Chamber of Commerce, the Technological University of Bolívar, and El Universal, and its main function is "to monitor the quality of life of Cartagena." In their recent report on tourism, they formulate a "new" classification called "Hotels, restaurants, bars and similar" to account for the importance of the arrival of new visitors to the city (Peñas, 2017). Again, the category "similar" includes all types of shops and vehicle repair workshops deployed in tourist and non-tourist areas and which, as pointed out, represent 87% of the total of the "new" classification.

The narrative of "the largest generator of income" is linked to another: "tourism is the largest generator of employment because it contributes 30% of the jobs in the city." This narrative is supported by the traditional classification that was mentioned previously. When the jobs generated by "commerce, hotels and restaurants" are aggregated, the usual result is around 30%, which represents about 130 thousand jobs. Economists from the Banco de la República, as in the case of income, use this aggregation as an indication of the employment generated by tourism, but they do not clearly indicate whether all this employment is tourism or not (Meisel and Aguilera, 2020). Data from registered companies indicate that formal activities related to tourism provide 22,000 jobs. This corresponds to 15% of formal employment in the city and 5.2% of total employment. If the popular number "30%" is true, it would mean that the remaining 24.8 percentage points are informal employment. In absolute terms, this means that of the supposed 130 thousand tourist jobs, 83% would be informal work. This is far from other estimates made by Dane (2020) that indicate that for every formal tourism job there are 2.3 informal jobs in this activity. In this sense, tourism in Cartagena would actually be generating about 71,000 formal and informal jobs, which represents 17% of total jobs in the city. What does the growth coalition say?

Although these calculations are based on the same sources and data from the coalition, its members prefer to spread a narrative based on an incorrect aggregation. The main promoter of this narrative is Corpoturismo, the public-private agency in charge of promoting tourism in the city. In 2015, its director stated "30% of employment in Cartagena de Indias comes from the Commerce, Hotels and Restaurants sector, a sector closely linked to tourism" (Corpoturismo, 2015). In 2017, she says "at least 34 percent of formal local employment originates in activities related to this industry (tourism)" (Corpoturismo, 2017). In 2019, the director indicates "the tourism sector generates more than 30% of jobs in Cartagena, represented in companies associated with the hotel industry and gastronomic trade" (Corpoturismo, 2019). In 2020, the director once again affirms that "around 30% of formal jobs in Cartagena are related to the tourism industry." (Portafolio Newspaper, 2020). As we can see, Corpoturismo has systematically tried to hide in its narrative the weight that non-tourist activities play within this repetitive percentage. Even more surprising is that the director further alters and distorts the narrative when he points out that 30% corresponds to formal employment (even though the same formal tourism

companies maintain that they contribute only 5.3% of formal employment). An additional contradiction is that, while the coalition has repeatedly pushed for the expulsion of informal workers from the Centro Histórico, at the same time it is these types of workers who have the highest percentage participation in the acclaimed narrative “tourism is the greatest generator of employment.” The informal is included in a hidden way in the narrative to inflate the labor contribution of tourism but is openly excluded in the narrative that seeks to “beautify the city”.

Other narratives related to growth, but less repetitive in the public-private discourse, are linked to “the Centro Histórico helps to increase tax collection” and “tourism contributes to reducing poverty”. The official data does not seem to validate these claims either. As I showed in Chapter 3, the weak tax institution and the exemptions in various taxes have worked as an attraction for the development of real estate and tourism activity in the Centro Histórico. On the other hand, in the decade of the real estate and tourism boom, the extreme poverty rate only dropped 3.5 percentage points, which made Cartagena one of the 7 Colombian cities with the lowest reduction in this indicator. Finally, the narratives on income contributions, employment, taxes, and poverty reduction are based on non-existent or unverifiable evidence, but this, rather than being an obstacle, has been a discursive opportunity to maintain consensus.

4.3.2 “Colonial Nostalgia”

After the Independence of the early nineteenth century, Cartagena faced very critical years. The same struggle for independence produced numerous fatal victims of war and famines caused by the Spanish blockade of the supply systems (Lemaitre, 1983). Subsequently, the city faced a strong cholera epidemic that reduced the population by a third (Aguilera and Meisel, 2009). Additionally, the economic power of the city was always linked to its functions for the Spanish Empire, therefore, after independence, its economic role in the country decreased notably (Múnera and Roman, 2016). Economic historians point out that only in the second half of the 20th century did the city begin its most important period of recovery, mainly due to the reactivation of its port condition (Aguilera

and Meisel, 2009). It is in the preamble to this recovery where I can identify the beginning of the most notable discourses on a type of colonial nostalgia that, in Hewison's terms (1987), would seek to reinforce local identity to cope with the long crisis.

“Colonial nostalgia” refers to a recurring emotional remembrance of a past under Spanish domination, which is seen as glorious, and which would be represented in the built environment and in narratives that recreate the values of that moment. This nostalgia may appear as a reaction to the emergence of new cultural values and economic trends in the city that challenge traditional values and power relations (Bissell, 2005).

As I have pointed out, beginning in the 20th century, some mayors who sought to modernize the city began a process of partial demolition of the wall, which was strongly opposed by a local elite (Rinaudo and Cunin, 2005). This local elite defended the maintenance of the walls because they represented its colonial origin and symbolized the success of the Spanish city against the English and Dutch attacks. Historians of the traditional elite (Lemaitre, 1983) of later years described this process as *muralicidio* (wallcide). As we know, the success in the maintenance of the walls has allowed the heritage recognition and the tourist and real estate boom in recent decades, for this reason, I maintain that the current colonial nostalgia narrative is a daily and permanent process of heritagization to defend the interests of those two economic activities.

A first tool of the colonial narrative works through the idealization of the past. From architects to tourist promoters, they describe a Spanish colonial city full of glory, power, and benignity. In their description, they make a call to those who inhabit the city to feel proud of that colonial past. They also ask that those who visit try to know the wonders that the city inherited from that past. An introductory paragraph from a travel agency brings together the traditional elements with which it is presented to Cartagena, saying “when traveling to Cartagena, you will not be able to avoid going back in history, especially to colonial times, and it is that at that time the viceroys and wealthy settlers chose the walled city as their permanent residence. It is these colonial-style houses that have made La Heroica the most desired tourist destination in Colombia” (Aviatur, 2019). This description delimits the appeal to the colonial period. Although it does not deny the existence of another part of the story, all the emphasis is placed on the period of Spanish control. On

the other hand, the agency is in charge of associating the houses of the city with the power and wealth of another era, as well as their link with the condition of a tourist destination. It is a bit contradictory that the agency uses the expression "La Heroica" because this qualifier was assigned to the city after the independence resistance that precisely sought to end Spanish colonial rule. Other common expressions in advertising refer to the gold and silver that was flowed through the port, to the pirate attacks for whom Cartagena was a "treasure", and to the colonial cultural traits and traditions that the locals supposedly still hold.

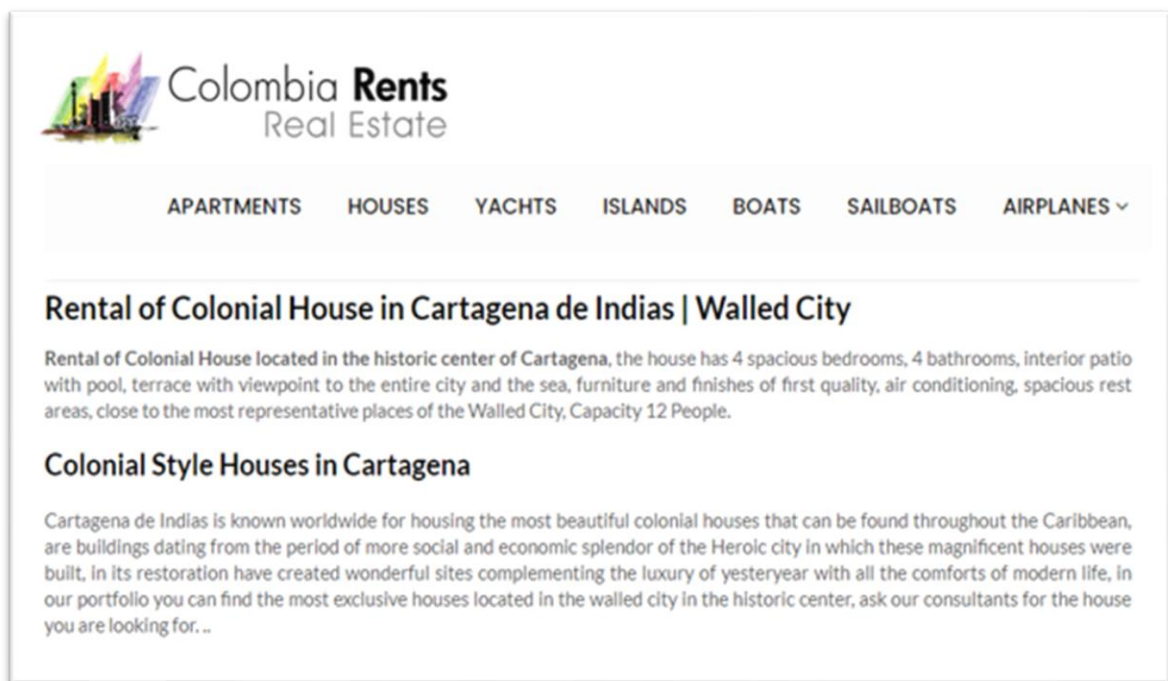


Figure 4.7 Real estate advertising. Source: Colombia Rents Real Estate.
<https://colombiarents.com/en/colonial-house-cartagena-colombia/>

A key fact in the nostalgia narrative is hiding or erasing post-colonial historical elements. The tourist allusion to episodes of the last two centuries is scarce. Only recently, intending to stimulate interest in Getsemaní, a few tourist guides and the Mayor's Office refer to elements related to independence. Within the narrative of idealization of the past, the conflicts and labor exploitation that forged the colonial-style built environment are also hidden, as well as the role of Cartagena as the main slave market in the region. Within the

brochures of the hotel real estate projects, the story described, about the building that is being restored, begins in the 16th century, and ends in the 17th century. The subsequent uses that the building had are not part of the history described. Many of these were convents during the colony, but later they were used as schools, universities, hospitals, public offices, factories, shoe stores, workshops, even as brothels.

Restoration architects play a central role in this erasure of the post-colonial period. During the years of urban transformation that sought to modernize the city, several houses in the Centro Histórico were demolished and in their place were built houses with an architectural style called "Republican". As real estate agents point out, these properties tend to be cheaper than colonial-style houses, and therefore buyers hire restorers to erase the Republican style and re-give the house its Spanish colonial character. In the largest hotel projects, architects link archaeological work to scrutinize the ground, walls, and ceilings for any artifacts older than two centuries. The finds contribute to strengthening colonial symbolism and, as a result, rising property prices. During the search for the colonial remains, the restorer reconstructs histories of the architecture of the building in which the colonial elements are highlighted, and later modifications are admonished. Some critical architects point out in our interviews that this group of restorers not only erase the non-colonial or recreate the colonial, sometimes they also remove colonial walls and elements when these are an obstacle to the owner's economic goals.

But not only the built environment must maintain the colonial style. The human landscape must also look colonial so that the tourist feels that they return to the past. Tourist guides recommend touring the Centro Histórico in a horse-drawn carriage driven by a driver, usually Afro-Colombian. A guide says: "the lords of the colony used this type of luxury transport for their personal use and for their social enhancement" ... "Since colonial times, the lords with power had carriages for their personal use or to honor with a ride to distinguished visitors". Another guide recreates a tour of a tourist with her daughter and says: "we would have the opportunity to walk through beautiful streets comfortably seated in a classic carriage pulled by a noble white horse. Immediately we are transported back in time, I, a jealous father of the Colony, in the company of my beautiful princess" (Donde by El Universal, 2018). The use of the carriage is described as a return to the past where

you acquire for a moment a social enhancement as a distinguished visitor member of some monarchy. That social enhancement can also be experienced by the distinguished visitor through the purchased services of a human landscape that recreates elements of the city's slavery past. In 2012, Corpoturismo participated in a tourist fair disguising a man as a slave because “these characters represent us on a tourist level” (El Universal, 2012). Although this fact produced notable criticism in the city, in the following years, the slave image continues to be used, but in a less obvious way. Some restaurants in the city produce job offerings where Afro-Colombian women are required to work as waitresses, wearing uniforms that recreate the clothing that the enslaved population wore during the colony (Santamaría, 2020). One of the new uses of the slave image appears in a destination wedding trend where the departure and walk of the wedding couple are accompanied by a court of Afro-Colombian women wearing colonial servant dresses. We see then that, within the colonial package, Afro-Colombian men and women are included so that they contribute, through decoration and customer service, to the production of emotions that evoke a past where the tourist is transformed into the colonial lord. It is not enough that the architectural style is colonial, it is necessary to reinforce the image of the city with a human landscape that also looks and acts like workers (or slaves) of the colony.



Figure 4.8 Marriage and carriage. JetSet Magazine. www.jetset.com.co



Figure 4.9 Entrance to restaurant. Candé Restaurant.
<https://cartagenacolombiarentals.com/2016/03/cande-restaurant/>



Figure 4.10 “A Style Influencer's Vibrant Destination Wedding in Cartagena, Colombia”.
 Brides Magazine. <https://www.brides.com/hilary-rushford-wedding-cartagena-colombia-4783426>



Figure 4.11 Participation of Corpoturismo in tourist fair. Source: El Universal (2012)

The relationship of the heritage / tourism / real estate axis with the black population is one of exclusion and inclusion. During the colonial period, this population formed the main workforce for the construction of the built environment that is currently called heritage. During this period, in addition, the black population, mainly under a slavery relationship, exercised the functions of service and care. After the liberation of slaves and independence, most of this population settled in Getsemaní and areas attached to the Centro Histórico. When the city begins the impulse of tourist activity, the local elite fights for the removal of these adjoining neighborhoods in order to "create a more attractive and cleaner city for tourists" and build urban infrastructure projects in those areas. On the other hand, in the framework of the search and recognition of the heritage seal, part of the economic activities in which the black population of Getsemaní worked was demolished and transferred to the periphery of the city. These two movements contributed to a

reconfiguration of the urban space where black and / or poor people must reside segregated from the Centro Histórico in order to "promote" urban development with an emphasis on tourism and heritage (DeAvila, 2019).

However, tourist promoters realized that certain elements of black everyday life can be capitalized as a tourist attraction (Avila, 2008). Like other cities in the insular and continental Caribbean, Cartagena is internationally marketed as a tropical paradise with exotic elements due to the mixture of beaches, colonial history and architecture, and African cultural features. Additionally, tourism in low-income countries adds to these marketed virtues a less visible appeal: the unequal power relationship between tourist and resident. This inequality is attractive because it provides the tourist with a condition of superiority, while the resident, voluntarily or not, acquires attitudes of servility and subordination (Strachan, 2002). This relationship of superiority / subordination is reinforced by race, gender and type of work conditions. Public and private tourism promoters include black women in the city's marketing as fruit vendors, candy vendors, dancers, waitresses, or as human wedding accessories. Although they have less prominence, black men also appear as tourist propaganda as fishermen, dancers or as fruit sellers. The tourist promotion of Cartagena builds an imaginary of black bodies (mainly female) whose main functions are limited to low-wage jobs with an emphasis on tourist services (Streicker, 1997). As we see in some photos, advertising usually shows white tourists chatting in a happy and harmonious relationship with "their black worker." In terms of McDowell (2009), in the service activity, and especially in the tourist activities of the Caribbean, the consumer of black labor pays both for the labor force and for the appearance and physical features of the worker. Otherwise, "service workers are not simply selling their labor power, but also their racially marked bodies; the 'commodification of difference' makes it possible for people to market their bodies and for tourists" (Sheller, 2003).

The commodification of blackness in tourism propaganda has been linked to the formation, for tourism and real estate purposes, of a human landscape where black bodies reinforce, in the built environment, colonial nostalgia based on new (or old) relationships of superiority / subordinations based on race. The construction of this landscape has

imposed selection criteria in the tourist labor market. In certain tourist service activities, the chances of many workers of obtaining employment depend on their skin color, their gender, their body shape, their hair style, their age, their “service attitude”, and above all, the ability to behave according to the stereotypes that white tourists have about the black bodies of the “exotic and paradisiacal Caribbean”. Those historical relations of exploitation based on race in the Caribbean that sustained the development of capitalism in Europe in the 18th century (Mintz, 1985) are currently being reproduced through the capitalization of black bodies for the development of the transnational tourism and real estate industry.

As in the colonial slave-owning period, black bodies could only be visible when they perform duties of attention to the master / tourist, afterwards, they must be hidden or sent to the outskirts of the workplace. During the workday, the bodies are consumed and visually exploited, and later, they are expelled and segregated to the slums of the city.

The erasure indicated in the architectural elements is also executed in the human landscape. As I mentioned previously, in the last two decades the mayor's office and economic associations have carried out a frontal fight against street vendors in order to “recover” the public space and beautify the Centro Histórico. However, this fight is limited to the expulsion of a certain group of occupants of the public space, but not of others. There is a preference for granting occupation of the space to agents who contribute to the formal tourism business. Cafes, restaurants, hotels, event organizers, and tourism agents can make use of the public space through a rental payment, but they are also doing it informally without the required permits. Likewise, some of the irregular occupants may be informal workers who are admitted to occupying the public space because they help to recreate the colonial landscape. Everything that alters the image of the type of tourism and history that the economic and political elite wants to promote is erased from the space.

In that struggle to erase, the Fundación Centro Histórico that was mentioned previously also appears with great force. They have led efforts in judicial and governmental instances for the removal of occupants of public spaces, the homeless, and the festive effects of nightlife (music, prostitution, drunk people, etc.). Their main argument is that when they bought their “colonial houses” the place did not have that “nocturnal disorder” and that this is undermining the historical heritage. This argument is problematic because

nightlife and its effects have existed in the Centro Histórico for decades. Some streets where members of the Fundación bought properties were, during the late twentieth century, typical places of the problems that they are denouncing. But the Fundación is leading a narrative that strengthens their argument: They claim that when they bought their houses, the Centro Histórico was a neglected place, and "a little abandoned." In an interview with a member of the Fundación, he says "we arrived when this was not like now, it was a bit abandoned, they were tenants, not tourism ... it was a place of residents in their rocking chairs."

They indicate that they came to recover and restore a Centro Histórico for "authentic residents", but "suddenly it became a city for tourism." The Fundación is building a narrative that imagines a city that was a bit empty and that they came to revitalize. The problem is that the demographics say otherwise. Before the arrival of most of the new owners (2008-2009), the Centro Histórico was occupied by about 12,213 people (census 2005). A decade later the population was reduced to 2,264 people (census 2018). The place was not empty, it had the population that it has historically had, the place began to empty with the rise of tourism-gentrification that I showed in the previous chapter and in which these new owners play a key role. However, this narrative that erases the recent past (including its population and nightlife) is an effective strategy to justify the appearance of the new wealthy owners (who arrived at a place that needed to be populated and recovered) and to defend their fight against everything that alters the aesthetics of the colonial place. An additional contradiction in the argument of the members of the Fundación is that several of them, rather than residents, are elite tourism entrepreneurs. Therefore, their fight is not against tourism but against mass tourism that negatively impacts the economic activity that they lead.

4.3.3 "The city of Magical Realism"

Unlike the colony, the emphasis today on distinguished owners and visitors is no longer associated with some kind of monarchical or aristocratic position but corresponds to cultural and entertainment actors with global significance and whose presence in the city has been appropriated by the tourism and real estate narrative. Within the brochure and advertising of tourist promoters, the Mayor's Office, and real estate agencies, the names of

famous owners and visitors are mentioned frequently. We can find references to Greta Garbo, Yoko Ono, Marlon Brandon, Will Smith, Shakira, Mick Jagger, Silvia Tcherassi, Mel Gibson, Sofía Vergara, and Robert de Niro, among others. Tour guides explain and recreate stories about the places visited by these celebrities and their experiences in them. On the carriage ride, for example, the drivers point out properties and narrate where a certain celebrity slept or which one of them owns one of the houses. But the most repetitive and widely deployed reference (even in international media) is the Colombian writer Gabriel García Márquez. In the following paragraphs, I reflect on how the allusion to this writer by members of the growth coalition would serve to stimulate both the tourism and real estate boom.



Figure 4.12 Marlon Brando filming a movie in Centro Histórico. 1968.
Source: El Universal (2018)



Figure 4.13 Will Smith visits Cartagena to film a movie in Centro Histórico, 2019.
Source: People En Español Magazine. <https://peopleenespanol.com/celebridades/fotos-will-smith-cartagena-colombia-pelicula/>

Gabriel García Márquez (Gabo) was born in Aracataca (Magdalena), a town near Santa Marta, another Colombian city in the Caribbean. During his university education, he lived in Bogotá and Cartagena. Later, he lived in Barranquilla where he published his first novel and later returned to Bogotá to work as a chronicler for an important national newspaper and continue his literary production. A few years later, García Márquez, for work and/or exile, lived in New York, Caracas, Paris, and Barcelona. Then, he chose Mexico as his final place of residence until the day of his death. In addition to Mexico City, García-Márquez had summer or short-stay homes in Paris, Cartagena, and Bogotá. He published 42 books including novels, short stories, journalistic chronicles, and autobiography, and in 1982 he received the Nobel Prize for Literature. Most of his stories and novels are located in the Latin American literary genre called magical realism, which uses the strategy of linking everyday life events with fantastic elements. A characteristic element in some of his texts is that they have as setting an imaginary small town called Macondo, which according to some analysts (Martin, 2010) has the characteristics of his native town, but the writer usually says that Macondo represents any forgotten town in Latin America that it is isolated from the European world view (Martin, 2010).

Cartagena is associated with García-Marquez in several ways: a) During his youth he lived two years in the city; b) Later he used to visit the city because part of his family moved there years later; c) At the beginning of the 90s, the writer acquired and demolished an old house in the Centro Histórico and managed to build in its place a summer mansion that faced numerous difficulties and criticisms because it did not meet the criteria of colonial architecture⁶; d) Two novels by the author (“Love in the times of Cholera” and “Of Love and Other Demons”) have Cartagena as their setting; e) He founded a Latin American journalism school in Cartagena and f) Part of his funeral ashes rest in the Centro Histórico in one of the buildings of the University of Cartagena..



Figure 4.14 Tribute to Gabriel García Márquez in the place where part of his ashes rest, University of Cartagena, 2016. Source: BBC News.

García-Marquez was one of the first members of the country's cultural elite to buy and build a home in the city's Centro Histórico. This purchase was the beginning of what I have called the first restoration boom (1993). During the following years, various members of the country's political and cultural elite followed the same path and bought and restored houses in the Cathedral and San Diego. As an architect interviewed points out: "It was a time when if you wanted to show that you were someone important in Colombia, you had to buy a house in the Centro Histórico of Cartagena." Although Gabriel García Márquez

⁶ <https://www.semana.com/la-casa-de-gabo/19802-3/>

had a strong closeness to the Latin American political left that cost him exile outside the country, his passage as a buyer in the real estate market was part of the references that the national elite incorporated in the expansion of its symbolic capital. After receiving the Nobel Prize, García-Márquez became an attraction for an elite that, in some cases, sometimes discriminated against him in the past (Martin, 2010). The writer's movements and the possibility of being close to him were included as inputs and desires in the production of criteria of taste and distinction for the accumulation of symbolic capital. That elite attraction to the writer could perhaps nurture Cartagena's real estate drive during that first restoration boom.

In the last decade, the attraction for Garcia-Marquez's bond with Cartagena acquired a new and strong impulse. In the period that I have called "the second restoration boom", this link between the writer and the city is actively exploited in tourism and real estate promotion. The general element of the writer in tourist rhetoric is "magical realism." Various authors have shown how the word "magic" is a recurring instrument in tourist advertising to mix real spaces with imagined ones that attract new visitors (Lee, 2012; Crang, 1996; Urban, 2016). Paraphrasing Lee (2012), magic represents "the place where anything can happen", "where you can be enchanted", "where there are mysteries to discover" "where reality mixes with fantasy" or "where there can always be astonishment and illusion". Cartagena also moves in this trend. Tourist advertising where Cartagena is associated with magic is numerous. There are also hotels, event organizers, travel agencies called that use the nickname "Cartagena Mágica". However, with the incorporation of the writer in the tourist attraction, the magical realism, the literary genre that he used, is turned into a quality of the city. The director of Corpoturismo promoting the city expressed: "all this is part of the magic of Cartagena de Indias, the cradle of magical realism immortalized by our Nobel Prize winner Gabriel García Márquez and reflected in his books." (Salazar, 2017) Likewise, a tourist article from El Universal indicates "in Cartagena, we live the magical realism with which Gabo envelops all his readers" (El Univesal, 2017). The travel section of The New York Times, citing the writer's words, points out that a Spanish friend who visited Cartagena affirmed that this is a city so full of magic that García Márquez, rather than writing magical realism, only seems to be a notary of what found in the city (Giridharadas, 2010).



Figure 4.15 Travel blog (Depth of Mind). Source: Cartagena: "The magic city". <https://www.depthofmind.com/cartagena/>

The added value of using the author's literary genre is that it links the everyday with fiction. It is enough that you enter and participate in the daily life of the city so that you begin to experience the magic. This strategy takes on much more force when they describe Cartagena as the source of inspiration for the author's work because they include his life and what happens in his novels as a tourist landmark. In the formal and informal, public, and private tourist guides, up to 35 references are included to places related to the writer's steps through Cartagena and to the characters and events of the two novels set in the city (see figure 4.16). On the life of García Marquez, the references include from the place where he first entered the city or the square where he slept his first night because he had

no money, to the place where his ashes rest. About the novels, there are references to houses where it is believed his characters lived, as well as schools, convents, squares, markets, and landscapes that were part of the daily life of those characters.

Tourist narration tends to take advantage of the resource of magical realism in such a way that it can sometimes be difficult for the visitor to know which part of the story real and which part is fiction. In fact, some guides on the street narrate the story as if the characters existed, and some others build, on these characters, additional stories to those that García-Márquez wrote. In other cases, the narrative links the writer to the characters as if they had parallel real lives. A guide in *El Universal* says that, while you go through the tourist references about the writer, "you feel in your nose the smell that García-Marquez, Fermina⁷ and Sierva María⁸ felt when crossing these same streets" (*El Universal*, 2017). The invention of the place for tourist purposes has gone so far that some government tourist promoters affirm that Cartagena is Macondo although, due to the colonial tradition of the city, this seems to be opposite to the idea of the writer when he imagined that town thinking of his hometown.

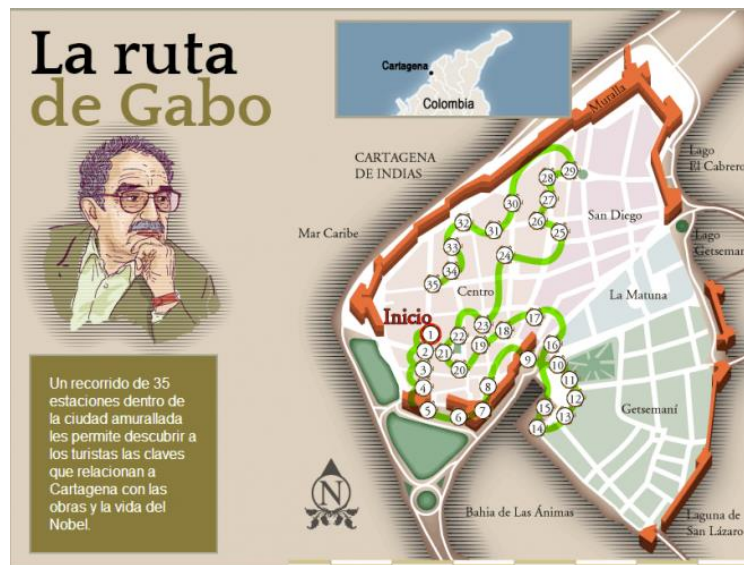


Figure 4.16 "The route of Gabo" Source: <http://static.elespectador.com/especiales/1404-RutaGabo/index.html>

⁷ Fermina is the main character in the book "Love in the Times of Cholera."

⁸ Sierva María is the main character in the book "Of Love and Other Demons."


The real estate sector has also managed to take advantage of the writer's proximity to the city and the tourist landmarks that have been created around him. A fact, perhaps anecdotal, links García-Marquez with the construction and inauguration of the first large luxury hotel in the Centro Histórico (Hotel Santa Clara-Sofitel). According to the author, when he worked as a reporter in Cartagena, he had to make a chronicle about a strange case that occurred where the Hotel Santa Clara is located today. This site was originally a convent and later a hospital. In 1949 several crypts from the colonial period were uncovered and in one of them were the remains of a 12-year-old girl whose hair had not stopped growing for 2 centuries. The author says that this chronicle gave rise to the book "Of Love and other demons", which was published in 1994. A year later Sofitel inaugurated the Hotel Santa Clara, and two years later García-Márquez inaugurated his house in front of the hotel. This fact, coincidental or not, has been successfully employed by the hotel and neighboring properties ever since. But currently, with the new impulse of the image of the writer in the tourist dynamics of the city, the real estate market has expanded the narrative about the author in the same way that tourism promotion has done.

The real estate agency "Luxury Estate" announces the sale of a property in this way: "a luxury real estate restoration project next to Gabriel Garcia Marquez 'house and a few meters from Hotel Santa Clara - this villa brings together the comforts of modern life and the beauty and allure of the XVIIIth century Republican era". Other examples of real estate ads say: "house located a few steps from the residence of writer Gabriel García Márquez, near to Hotel Santa Clara and the best restaurants in Old Cartagena" and "beautiful penthouses is located in the Centro Histórico of Cartagena just one block from the house of the Colombian writer Gabriel Garcia Marquez and just steps from the Hotel Santa Clara in one of the best areas of the city". In the same way as in the tourist narrative, buyers and sellers in the real estate market use allusions based on the strategy of magical realism. The transnational real estate agency "Mansion Global" introduces its section on Cartagena as follows: "The Magic of Cartagena. The cobblestone streets and colonial architecture give the city a magical air. The Nobel Prize winner for literature, Gabriel García Márquez, known for his rich magical realism, was partly inspired by this port to write his novels. Now could be a good time for foreign buyers to try their luck in Cartagena" (see figure 4.17). The use of fiction also appears in the qualities of properties. In an interview with a

real estate agent, the agent claimed to have sold the house where Fermina Daza lived. Of course, it is a statement based on fiction because the character did not exist, the character's source of inspiration is the author's mother when she lived more than 300 kilometers from Cartagena.

MANSION GLOBAL

NEWS TOP MARKETS NEW DEVELOPMENTS MORE



The cobblestone streets and colonial architecture of Cartagena de Indias give the city a magical feeling. Nobel-Prize-winning author Gabriel García Márquez, known for his novels rich in magic realism, drew inspiration from this port city. Now might be a good time for overseas buyers to try their luck on Cartagena. Consider, for example, what \$5 million buys: A more than 16,000-square-foot, restored 18th-century house with high ceilings, 12 bedrooms, two courtyards, a lap swimming pool surrounded by tropical vegetation, and city and ocean views.

Figure 4.17 Real estate advertising, 2020

Source: <https://www.mansionglobal.com/articles/the-magic-of-cartagena-9663>

The consensus built around the magical realism of the city even manages to show the tourist visitor and the potential real estate buyer that the daily events of the city are a mixture of reality and fiction. The mixture of typical activities of transnational high culture

(Hay Festival or International Classical Music Festival) with the traditional uses that local people make of the city within the framework of its social reproduction is presented as part of that magical realism. The conflicts over the use of the city are not narrated as conflicts but rather as a result of the diffuse border between reality and fiction that inspired García-Márquez. The survival struggles and the usual social contradictions in the Centro Histórico are included as an attraction of the city “where everything is possible”.

The inclusion of García Márquez has made it possible to add to the attraction narratives a period in history that was being discarded due to colonial nostalgia. They add the life of Fermina Daza and Florentino Ariza that takes place during the decline and rebirth of the city at the end of the 19th century, and the life of the writer that takes place during the second half of the 20th century. The narrative palimpsest that overlaps, sometimes inconsistently, the colony, the literature, and the writer's life has been completed, for now. In the terms of Lee (2012), the use of the magical realism strategy fosters a landscape where real and imaginary geographies coexist in order to contribute to the increase in exchange value in tourism and real estate activity.

4.3.4 “Cartagena is a successful case of heritage preservation”

In a BBC report in 2007, the Director of the IPCC Heritage Division pointed out "in Cartagena, facadism does not happen, where only the facades are preserved, and the interiors of the houses are demolished, and the shell remains" (BBC, 2007). This response occurs in a debate against the criticisms of other architects who warn that the city could lose its heritage status due, among other things, to the lack of control over architectural interventions and the real estate boom. The Director of the Division opposes these criticisms and states that what can be a threat to heritage is “uncontrolled tourism”. As has been said, the direction of this Division has always been in charge of the same person since 2003, and therefore it is understandable that he always defends "success in preservation" because he is one of the main people responsible for the care of the heritage.

However, in the city, numerous opinions insist on denouncing the failures in the preservation. There is a consensus among architects and other actors linked to the heritage

debate that the success in the conservation of the fortifications is true, but they differ on what happens with the houses and buildings within the Centro Histórico. Indeed, one of the criticisms is related to facadism. In an interview with a former mayoral official who worked in the heritage preservation area, he points out that one clue to the existence of facadism is that "they build several floors where they could only build two of these... because they build swimming pools, garages, elevators, basements." An architecture professor also states that "the director of the heritage division is aware of the facadism because he has signed several permits authorizing it" and mentions examples of several important hotels in the city that made facadism. The professor says: "they demolished everything inside and they are doing it all over again, they just left the shell". In the same way, another architecture professor, heritage expert, and former conservation official indicates that the phenomenon of facadism has occurred in two ways. In some cases, "the facade is left as is (separated from the rest of the house) and behind it, the completely new work is done". In a second way, at the time when there was no interest in colonial style, many owners replaced original facades with more contemporary styles, then, after the declaration of heritage, those second facades began to be demolished to recreate and simulate, with new facades, the colonial style.

However, the strongest criticisms about the lack of control over architectural interventions and the real estate boom are related to the over-elevation of houses, impact on the residential environment, and changes in use. Former residents and some architects have repeated complaints about the recurring over-elevation dynamics (this refers to the construction of additional floors than the original house had). Since the colony, only some houses in the Cathedral and San Diego had a maximum of two floors and, usually, no house exceeded the height of the wall. This changed between the 19th and 20th centuries because there is a significant architectural movement to build new institutional buildings that added the third floor. Then, in the 1920s and 1930s, when there was an architectural struggle between colonial nostalgia and more modern styles, a few buildings of more than 3 floors appeared in the Centro Histórico. This dynamic was stopped when the city mobilized efforts towards the definition of norms for the protection of the colonial architectural style. However, according to some complaints, in the last 20 years, the over-elevation has a new boom. In our interviews, several builders are approved by the Heritage Technical

Committee for two-floor buildings, but they build at least two additional floors in an inconspicuous way that sometimes makes it difficult to monitor during the construction process. Then, when the construction is finished, a legal entanglement arises that makes it impossible to demolish the floors originally not allowed. An architect interviewed maintains that, given the impossibility of expanding the physical space horizontally, investors seek to access more space by pressing the permitted limits vertically. The architect says: "people with power are allowed to build more square meters (vertical) than is acceptable, it is a payment of hidden favors" ... "building x should have fewer floors, but they approve more, no there is a criterion of architectural quality".

Discussions about the impact on the residential environment include several aspects. In some cases, the construction of new projects that affect the stylistic harmony of the area is questioned. This is usually related to the same over-elevation problem. Since each neighborhood and street had uniform height since the colony, the construction of one or two floors above the original elevation alters that uniformity. Some architects have insisted that the over-elevation is impacting the scenic visual relationship with the walls. Other impacts in terms of harmony are related to the type of facades, colors, and materials used. On the other hand, the construction of buildings with a greater volume than the original is structurally affecting the walls of neighboring houses that still maintain volumes similar to the colonial period, and therefore some of the affected houses have had to be closed and abandoned (Otero, 2012).



Figure 4.18 Over-elevation building in progress, Getsemaní, 2017.

Source: <https://revistazetta.com/?p=28423>

Land-use change has been another recurring complaint especially among residents of the Centro Histórico. They have claimed in debates on heritage protection, in our interviews, and in the media that the institutions advocate for the defense of the residential use of the place. They support their claim in the preservation recommendations sent by ICOMOS (2017) and in what is established in the 2001 Land Use Plan - POT. These recommendations and the POT indicate that the Centro Histórico should prioritize residential use and minimize the economic use of the estate. The main problem with the change of use is that many houses and buildings have been adapted or transformed into shopping centers, hotels, nightclubs, and bars, which would go against traditional uses since the colonial period. These changes are reducing the number of places for traditional neighborhood consumption and the development of typical processes of social reproduction. The operation of shopping centers and large hotels brings a volume of people, vehicles, and alterations to the environment that conflict with traditional neighborhood life. Although in the Centro Histórico there have always been places for nightlife, these were more focused on the local consumer than on the visitor. With mass tourism and the change in land use, the nights in the Centro Histórico are now more active, during the day the neighborhood coexistence has vanished, and the public space has been transformed into

parking lots, bars, and outdoor restaurants. As one resident points out, "tourist use has invaded the entire Centro Histórico and now the place no longer belongs to us."

How is it possible that these situations appear if the law offers tools to avoid them? The first explanation from architects and residents is that the Heritage Division does not exercise sufficient control. Let us remember that the Technical Committee for Heritage is the body in charge of approving architectural modifications and the Division is in charge of advising projects, monitoring their execution, and sanctioning non-compliance. Architects and residents maintain that there is a "gigantic distance between what is approved and what is built", while a former official for heritage affairs points out "I estimate a 70% compliance between what is approved and what is built." Both former officials and architects agree that one cause of the limited control is that there are not enough workers in charge of surveillance. The former official acknowledges that, although the heritage is assumed as the main asset of the city, the mayor's office allocates very little money to hire enough people to carry out the surveillance. For this reason, as residents and former officials point out, the few supervisors must be selective about which restorations or constructions to monitor and which not. According to the complaints of some residents, these supervisors prefer to go to small transformations and avoid visits to large projects. In an interview, they mention "the supervisors went every day to the small house of a man who was painting it, but they never went to supervise the project of a very powerful man in the region". Other residents suspect supervisory corruption and under-the-table transactions to avoid controls. In an interview, they say "supervisors go where they can negotiate a bribe, but when construction is large, supervisors are held back internally or by someone with a lot of power." Residents, as well as an architect and a former official agree that even when some sanctions have been applied, the project is later completed, but without resolving the architectural irregularities. The most common sanction is the suspension of the work for a certain number of months, but the interviewees affirm that during that time the builders continue to develop the work illegally at night. While this is happening, some project leaders may appeal the sanctions to the Technical Committee, others lobby higher-ranking entities to obtain reapproval, others resort to legal instances to seek reinterpretations of the law, and others prefer to use illegal mechanisms (bribery and threats) to continue the project.



Figure 4.19 Over-elevation building in progress in front of Fort San Felipe, 2019

Source: <https://www.infobae.com/america>

In El Universal, the Director of the Heritage Division has responded that his office "does monitor all the buildings in the Centro Histórico" and that the limited number of supervisors "does not affect the monitoring and control of any of the processes." In the same sense, he pointed out that 95% of the projects are complying with the legal requirements and with what was approved by the Technical Committee. For this reason, both former officials and residents assure that some of the errors against heritage preservation are born in the discussion and approval of projects made by the Technical Committee. In this place, conflicts of interest can occur because, according to interviews, there are representatives with little interest in heritage preservation, there are representatives with personal ties to the leaders of a project, and there are representatives who are or will be part of the project under discussion. As previously stated, there are those who maintain that in Cartagena there is a guild of restorers with a long tradition who act in collusion to facilitate the processing of their architectural projects and to limit the entry into the city of new restorers. Some architects and residents argue that, as some

representatives on the Committee are part of that guild, collusion strategies impact the ease with which projects are approved by the Committee. The greater the relationship between the project leader and the traditional restorer's guild, the greater the ease of approval. For those who are not part of the collusion, the Committee could set more obstacles, demand more requirements, and repeatedly postpone the approval of the project.

In some cases, the differences between the opinion of residents, architects, builders, and the Committee are usually explained institutionally by possible ambiguities in the city's planning laws. As mentioned, the Land Management Plan had to be updated in 2011 and this did not happen. Likewise, the Special Heritage Management Plan - PEMP had to be approved in 2014 and this did not happen. The approval and updating of these plans are the responsibility of the Mayor's Office, but it depends on the participation of pressure groups whose opposing individual interests complicate these processes. Possible legal ambiguities can be exploited by architects to produce buildings that other architects understand as a violation of the heritage law. Likewise, the Committee can approve projects contrary to architectural traditions because "the law is not clear." The problem of legal ambiguities is changing the forms and purposes of discussion in the Committee. A resident state that "currently, the approval exercise is of a legal nature because people are no longer interested in adjusting to the conservation of heritage but are looking to take advantage of the regulatory differences to be able to build more square meters... the projects in the Committee are no longer presented by architects but by lawyers".

The Director of the Heritage Division may also occasionally have a conflict of interest. Within his functions, he can advise projects and he does not face legal impediment to be part of the design of any project. He would also be part of the guild of traditional restorers who tend to collusive behavior and therefore in the execution of his functions in the Committee and in surveillance he can act permeated by that positionality not publicly accepted. One resident maintains that "the Director knows a lot, but he is sinuous; when the project belongs to someone with power, he finds all the reasons to propose its approval, but when it belongs to someone without power, he looks for all the reasons to prevent its approval". However, this "sinuosity" and contradictions do not always go unnoticed by the legal authorities at the national level. He has been sanctioned for problems of

administrative negligence and is currently facing a disciplinary investigation for having authorized a construction that is considered illegal by national entities with a higher hierarchy. Some residents maintain that they have even denounced acts of corruption within the Heritage Division, but the local justice has done nothing about it.

Despite these debates and recurring complaints in the city, the Director frequently repeats that "Cartagena is a successful case of heritage preservation." As I said previously, this statement is understandable because he is precisely one of the main actors in this management. In a virtual academic event commemorating the anniversary of the heritage declaration given by UNESCO, the Director reaffirmed that the success is because "the Centro Histórico is the most cared-for area of Cartagena." He demonstrates success by displaying restored buildings that received architectural awards. Success is supported by a non-random selection of properties defined by intellectuals in restoration. During the same academic event, a resident asked insistently (in the comments section) why the heritage authorities did not stop the violations of affecting the residential environment, over-elevation, and respect for the original piece that, according to him, La Serrezuela Shopping Center produced during its construction (see the previous chapter). The meeting moderator selected several questions from renowned architects and left the resident's concern for the end of the event. The Director did not answer the question because "there was no time to talk about specific cases." However, the moderator took responses from the same comment section where an architect said that those questions are part of the myths and imaginaries that residents have about what can or cannot be done in the Centro Histórico. This architect works as a restorer and real estate agent, in addition, he worked as a heritage advisor for a PEMP that failed in the past. As I have said previously, several critical architects and residents have formulated very strong questions about the errors of La Serrezuela, but this work was in charge of one of the leaders of the guild of traditional restorers that has been previously described. An interviewed resident maintains that due to the criticism that existed during the construction of this project, the restorer in charge resorted to higher national authorities (Ministry of Culture) to obtain construction permits. An architect interviewed agrees with this and adds that, due to political favoritism, the National Government has promoted approval of projects that would violate principles of heritage protection.

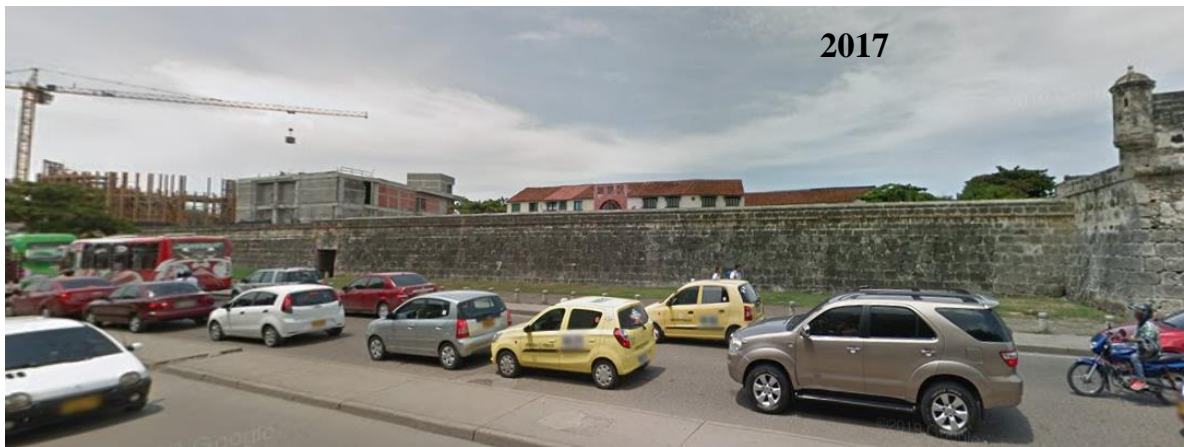
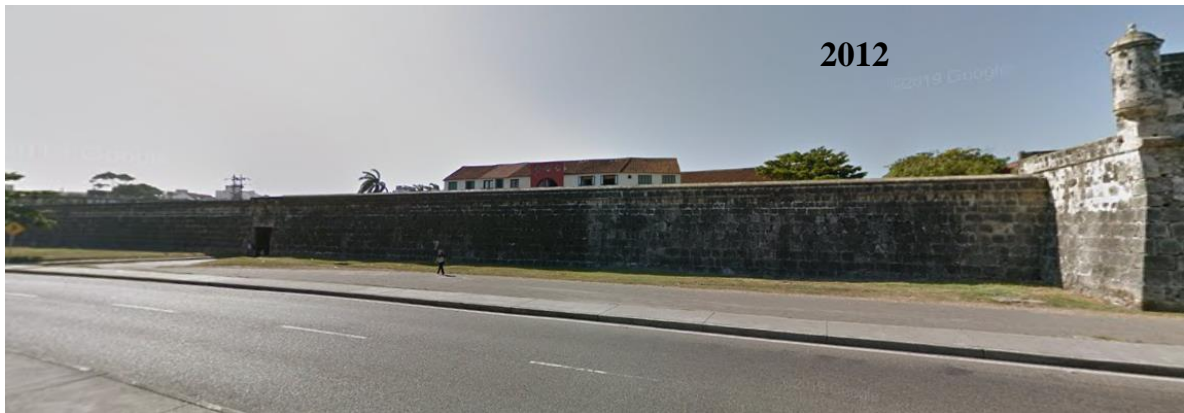


Figure 4.20 Over-elevation building in progress in San Diego. Source: Google Street View

Why is the narrative “we are a successful case in heritage preservation” useful? Because the label of success gives a mark of authenticity to the city. Although the demonstration of success is based on a strategic selection of restorations, the label of success and the mark of authenticity are displayed towards the rest of the properties of the Centro Histórico. Regardless of the questions, complaints, and denunciations about repeated irregularities in heritage protection, other public and private actors take up and promote this narrative of "success" because it stimulates attractiveness for the city and, in this way, increases the exchange value in tourist activity and real estate.

4.3.5 “Our Heritage / We are Heritage”

As we have said, the hegemonic work of the growth coalition needs to be dynamic because it usually encounters dissent and resistance. In the Centro Histórico of Cartagena,

we can identify some clues from actors and organizations that occasionally exert such dissent and resistance. The most visible clues are found in the Getsemaní neighborhood where the organizational work of the Gimání Cultural Foundation, the Neighborhood Association, the TuCultura Foundation and the Proudly Getsemanicenses Movement are notable. The main struggles undertaken by these organizations have been the recovery of the neighborhood's cultural memory, the vindication of neighborhood life, and resistance to the social effects of gentrification. These organizations maintain an ambivalent relationship with real estate capital because, on the one hand, they state that they are suffering from breaks in the neighborhood fabric and an increase in the prices of basic goods and housing, but, on the other hand, they assume that gentrification is the result of the tourist boom which is producing income for many local families. This ambivalent relationship is fueled by the mechanisms that tourism entrepreneurs use to exploit the resistance of the neighborhood. Some young people used graffiti as expressions of appropriation of the space in which the local identity was reinforced, but years later tourism and real estate companies have included graffiti in a tourist attraction in the neighborhood and, in some cases, construction companies have paid for the elaboration of graffiti in areas near nascent real estate projects. In the same sense, for many local families, residing in the neighborhood constitutes an act of resistance against land grabbing, but tour guides economically exploit the presence and daily life of local families because they are turned into elements of a human landscape that evidences the “Magical realism of the city” or that it is “the only way in which the tourist can experience the authentic neighborhood life”. The growth coalition manages to sustain its hegemonic work through a dynamic process of appropriation, for economic exploitation, of the expressions of neighborhood resistance.

Other clues of dissent and resistance can be identified in the disputes for appropriation of public space in Cathedral and San Diego. We can highlight three actors who show claims against the private interests of control of the public space in those neighborhoods: university students and street vendors. The first group usually uses the streets and squares of the Centro Histórico as a space for political protest and occasionally, in response, the mayor's office has resorted to repressing demonstrations because students could “damage the heritage” and because “tourists could get scared.” These same official reasons have created a field of struggle between the growth coalition and popular and

student political organizations around the debate on the right to the city and on the question “heritage for whom?”. Part of these demands includes criticism of those statues of the city imposed by the elite of "colonial nostalgia" in public spaces. The claim is focused on two: 1) "Why should citizens be obliged to pay tribute to Spanish conquerors?" and 2) "If public spaces are, among other things, spaces for political deliberation and construction, who decides which monuments should be located there?" On the other hand, street vendors disagree with the police persecution of which they are victims. As we have related, in the last two decades the mayor's office has carried out a systematic fight against street vendors to prevent them from using public space. These actors are critical: from the blockade promoted by the growth coalition to the possibility that street vendors may also have access to tourist foreign exchange; the non-recognition by the mayor's office that before the tourism and real estate boom, street vendors were already there; and they see as an unfair contradiction that the mayor's office expels poor sellers to lease the space to wealthy tourist entrepreneurs.

As we see, the arrival of investors and the urban transformations that they impose have created claims of a resistance that complains about the expulsion of street vendors, the gentrification and the difficulties for local people to enjoy and use the Centro Histórico. This, together with the debates described above, has opened the way to conflicts around the use and appropriation of the walled area. The growth coalition is aware of these disputes and has adjusted its strategy to sustain the consensus. The adjustment in the strategy consists of reinforcing the idea that the heritage is not owned by a few but belongs to all. On the claim on the appropriation that big capital is making of the Centro Histórico, the coalition promotes a narrative in which the heritage is collective property and of which everyone is a part. This narrative tends to take advantage of the ambiguity in Cartagena about what is classified or not as heritage. National and international declarations only recognize as heritage the monumental set of fortifications and some houses in the city, but informally the heritage label has been extended to almost the entire city. Although what is officially declared as tangible heritage has limited access (despite being a public good) or is under the private domain, the collective property narrative contributes to common citizens defending and protecting assets that do not necessarily provide any personal

benefit. Any aesthetic alteration and/or urban transformation must be defended because it is an improvement of “our heritage”.

The first component of this adjustment in the narrative is observable in the increase in private and public initiatives that seek to “raise awareness about the care of our heritage”. The Society for Public Improvements, the Workshop School, the IPCC, and the Fundación Centro Histórico include among their main objectives “teaching local citizens the value of their heritage.” The target population of these educational processes includes from primary school students to formal and informal workers in the tourism sector. A problematic point of these processes is that, on occasions, heritage is studied as a synonym for “history”. For this reason, in some cases, the history of the city is told based on the heritage and colonial values that want to be promoted. Some versions of that heritageized history exalt the Spanish conqueror and diminish or eliminate the exploitation, discrimination, and violence under Spanish rule, as well as the anti-colonial resistance mechanisms that persist today.

In this process of “creating awareness”, the aim is to turn the citizen into a key agent in the care of the heritage. With recurrence, the media and members of the coalition warn the public that “due to our bad behavior, the city could lose its heritage recognition.” For this reason, public and private institutions promote civic campaigns whose slogans ask “give value to your heritage”, “do not dirty your heritage”, “do not make graffiti on your heritage”, “do not occupy your heritage public space”, “do not use certain colors on your facades”, etcetera. These messages face two conflicting situations. First, each citizen can have very different meanings about the value of what is called heritage. Rinaudo and Cunin (2005) maintain that many people from Cartagena may not feel identified with the historical narratives about colonial buildings because they could represent links with a past of slavery or because, in the case of the walls, they represent an instrument of urban segregation. For this reason, the authors wonder “perhaps the black population, descendants of the slaves who were brought to build those same walls, have another representation of a heritage imposed as common?” (Rinaudo and Cunin, 2005, p.3). Second, as has been shown previously, the complaints and denunciations about failures in heritage preservation suggest that the culprits of these violations are not common residents

but private investors and some architects who use the ambiguity of urban regulations to extract more value from the space with heritage label.



Figure 4.21 Official Advertising for heritage preservation (Mayor's Office)⁹, 2017
Source: IPCC Twitter account

The second component of narrative adjustment consists of mixing tangible and intangible heritage to present it as a single unified one. Intangible heritage refers to the set of "traditions inherited from the past and contemporary rural and urban uses characteristic of various cultural groups" (UNESCO, 2018, p.3). I examine this component through the case of the San Francisco hotel project of the Four Seasons chain that is being built in Getsemaní. This neighborhood does not enjoy the same architectural fame as Cathedral or

⁹ "Did you know that ... it is our duty to monitor and protect the material heritage of Cartagena, in the Centro Histórico, its area of influence and historic periphery." "Let's get it right, for the heritage!" "SP" means Soy Patrimonio (I am heritage)

San Diego. Since the colonial period, houses used to be small, one-floor, and with very simple facades. Since it was a neighborhood strongly linked to the independence struggle, it was unattractive for the narrative of nostalgia for the colonial period under Spanish rule. The Four Seasons project is building attractiveness from the mix of tangible and intangible heritage. This mix includes a reconstruction of history from architectural and archaeological remains, as well as from the traditional and contemporary practices of the residents of Getsemaní.

This hotel project occupies and groups several properties and, according to its institutional page, the project seeks to "rescue the heritage value of the intervened properties, the neighborhood culture, and customs of its inhabitants" (Valorem, 2020). The properties range from 16th-century churches to 20th-century buildings. Investors are aware of the impacts that private investment is causing in Getsemaní and of the potential alterations that the hotel may generate and, therefore, their investment project involves social responsibility activities focused on the residents of the neighborhood. Within these activities, investors produce a monthly magazine called "El Getsemanicense" which, according to institutional information from the first issue, was created to "tell the neighborhood, its history, its people, its traditions, its dreams, challenges, and opportunities." The magazine says that its target audience is current and future residents of the neighborhood and seeks that with this text they give "greater value to their heritage by knowing more about its details, the little stories, and the reasons behind many spaces of all the days". The publication is divided into 10 sections into 14 pages. The cover is always a popular representative of the local traditional culture. Some sections may not appear in some issues, but there are three that are permanent and that take up the most pages: "I am Getsemaní", "Visual-Mind" and "My Heritage". The first of these is a chronicle about the person on the cover and usually takes two pages. The second and third are focused on some of the buildings in the project and contain illustrations, construction stories, and descriptions of transformations that are being carried out for the future hotel. The two sections usually occupy the center pages and use between 4 and 5 pages.

Let us take one of the numbers to illustrate the use of the "our heritage" strategy. In magazine number 29 appears on the cover Rocky Valdés, one of the most important boxers

in the city and to whom they dedicate the section "I am Getsemaní" (Figure 4.22). In that section, they explain that the history of the boxer is part of the elements that must be considered within the life of the neighborhood as an Intangible Heritage of Colombia. Then, in the central pages, the description of El Club Cartagena begins (one of the buildings that will be restored for the operation of the lobby, the event room, and the main restaurant of the future hotel). There we see drawings, stories, an exaltation of architectural attributes, and the construction work that is being done (see Figure 4.23). Everything under the "My Heritage" section. What is interesting about this building is that, during its operation, it was a site for the exclusive use of the elite of the city that built the Club in the 1920s in order to have a representative space of modernity to "talk about business in the English style ". This place functioned as the central axis of economic power in the city and was recognized for excluding everything that did not represent the values of the elite. It was a place that sought to reconnect Cartagena with European values and images. The Club was the host site for presidents of the national government and members of European monarchies. On the other hand, with some exceptions, Getsemaní has been mostly a neighborhood of low-income families and therefore its link with the Club was very limited (Díaz and Paniagua, 1994). This situation is evident in the same historical description produced by the magazine, in which the neighborhood's connections with the Club are almost non-existent. On the other hand, what the magazine strangely does not tell us is what existed in the place before the Club or how the residents of the neighborhood used that space before the 20th century. I say "strangely" because the authors of the hotel project have placed a very strong emphasis on archaeological studies of buildings classified as colonial. Why is it important to do archeology in those 16th-century churches and convents and it is not important to do it where the Club was built? For the magazine, the history of the place only begins with the construction of the Club in 1925. As we can see, the magazine that seeks to "relate the neighborhood, its history and its traditions" emphasizes declaring "our heritage" a 90-year-old building that represents the dreams of the elite who resided in other neighborhoods but whose connection to the life of Getsemaní has historically been weak. When the magazine brings together the popular life of the neighborhood, an epic representative of that life and the glamorous history of a building called "my heritage" aims to create a sense of belonging

among residents towards everything that appears in the magazine because everything is labeled as "El Getsemanicense".

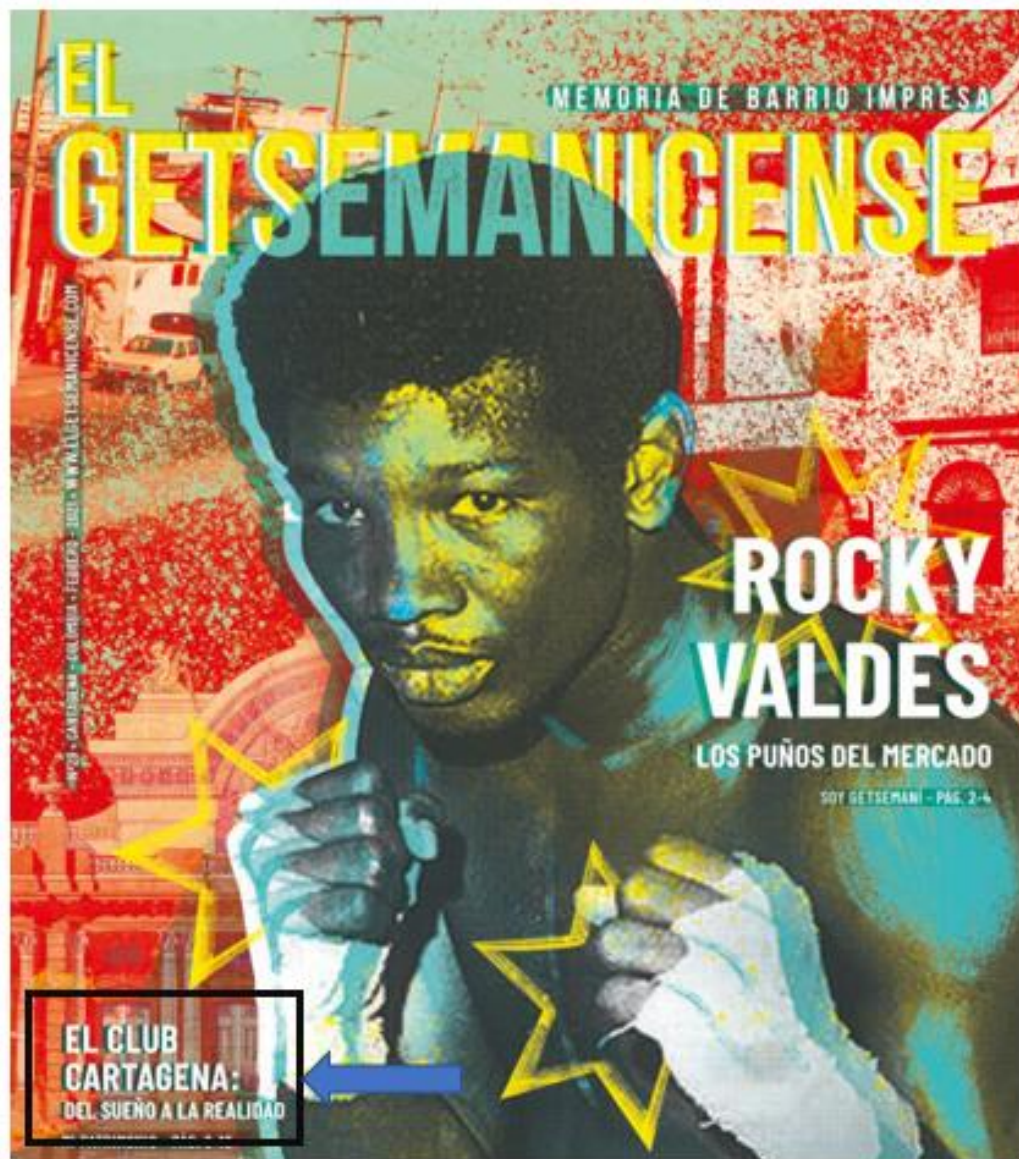


Figure 4.22 Cover of Magazine "El Getsemanicense", 2020.

Source: <https://www.elgetsemanicense.com/>

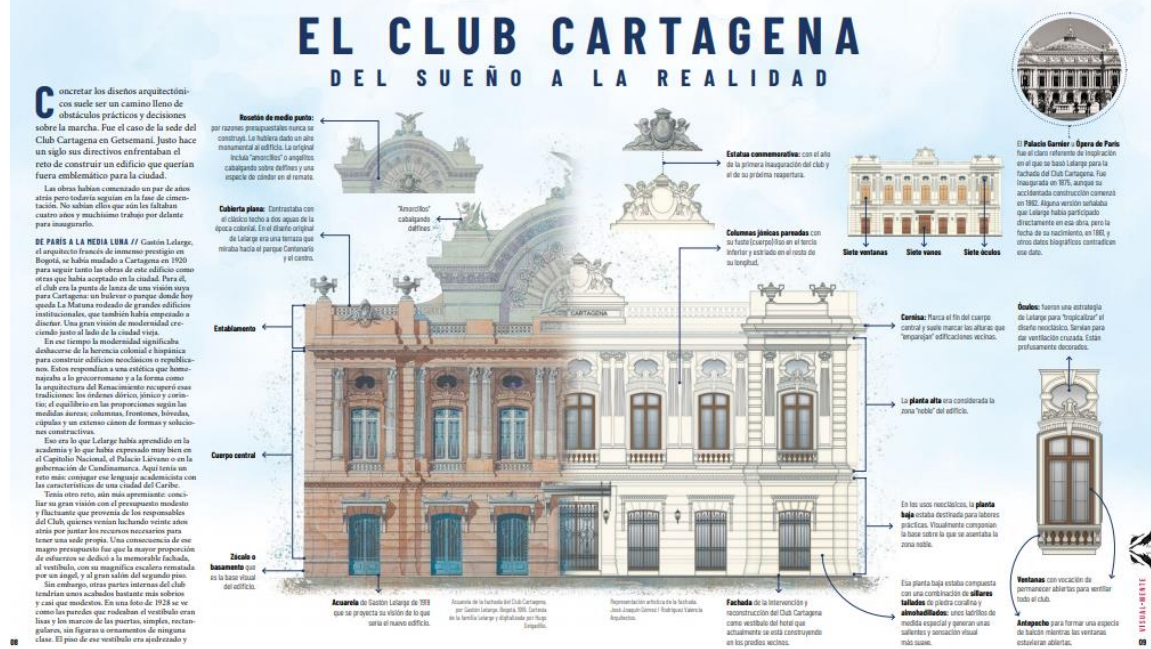


Figure 4.23 Central pages of Magazine "El Getsemanicense", 2020
Source: <https://www.elgetsemanicense.com/>



Figure 4.24 Design Rendering Hotel San Francisco – Four Seasons, 2020.
Source: https://www.hosteltur.com/lat/129166_four-seasons-abrira-hotel-de-lujo-en-cartagena.html

As explained, the hotel project, like other tourist and real estate activities, when there is lack of history of colonial architecture, takes advantage of the new forms of

attractiveness of a neighborhood: the intangible heritage. For nearly 20 years, local authorities have incorporated the expression “intangible heritage” into the public narrative to refer to “the knowledge and activities that are and have been a relevant expression of traditional culture”. Although this type of heritage was not part of the tourist package in the 90s, with the impulse of Getsemaní as a new focus of real estate and tourist attraction, the coalition mobilized the narratives of authenticity and uniqueness of the city towards the valuation of the daily practices of that neighborhood. This is reflected by a businessman in a PEMP workshop: "the main heritage value of Getsemaní is the people, the life of the neighborhood and we must take advantage of that to attract tourists."

Where there are few elements of tangible heritage, growth coalition actors promote the idea that people are heritage. Although the use of this label for the daily practices of the neighborhood has been generally welcomed by the residents of Getsemaní because they are useful to protect their presence there, at the same time some residents see the intangible heritage label as something problematic when it is linked to the tourist narrative. In the same PEMP workshop, an official from the Planning Secretariat recommends "the ball of cloth (a way of playing baseball in the middle of the street with a ball made of scraps of fabric) should be maintained because it is an opportunity to attract tourism", but a resident answers “you want to change our chip, we are not a tourist attraction, we are a living community, the tourist must come to see what neighborhood life is like, but neither the tourist promoters nor the mayor's office cannot decide how we should live to attract tourists”.

The incorporation of the resident as part and owner of the heritage contributes to strengthening the attachment of the locals to the Centro Histórico and the rescue of cultural practices that help protect their permanence in the neighborhood. However, the growth coalition may also be taking advantage of these narratives in various ways. On the one hand, the coalition economically exploits new forms of authenticity for tourist and real estate attractiveness when architectural values in the area are scarce. On the other hand, when the coalition makes residents feel part of and owners (even if it is not true) of the heritage, it helps them not see heritagization as a process that is contrary to their daily practices in the use and appropriation of the city. Finally, by creating this simulated

ownership and ownership relationship, the coalition produces an emotional bond in the resident regarding the care and defense of tangible heritage because “if we do not take care of what belongs to us and what we are, we can lose our heritage recognition, and therefore, we can lose our existence”.

4.4 Conclusions

The task of maintaining and increasing the real estate and tourism capital in the city requires that various public and private actors act in a coordinated manner to produce an attractive space for the investor and the consumer. In this task, a type of coalition arises in which people, positions, voices, and interests intertwine to naturalize representations of the space and create a consensus, in the rest of the inhabitants of the city, on defending and reproducing these representations. A key actor in the formation of these representations is, what I have called, the intellectual of space who, in the name of "technique", produces conceptions of space according to the needs of the dominant group. But these conceptions and their material effects could give rise to situations of resistance on the part of those who are victims of these effects or who receive negligible benefits from the entry of this capital. For this reason, the intellectuals of the space and the rest of the members of the coalition repeatedly adjust their strategies to guarantee that the dominated group agrees, voluntarily, to defend and stimulate the interests of the coalition.

In this chapter, following Lefebvre's proposal, I studied some discursive narratives to approach the understanding of the representations of space that are constructed from this coalition of public and private actors. I argued that the main strategy of the coalition is to repeatedly demonstrate the benefits of real estate and tourism activities, the authenticity in the city, and the heritagization of what could be attractive to the capital. I discussed five narratives: “the Centro Histórico is the main engine of growth”, “colonial nostalgia”, “the city of magical realism”, “Cartagena is successful in heritage preservation” and “our heritage / we are heritage”. In the first of these, I showed that the narratives on income contribution, employment, taxes, and poverty reduction are based on non-existent or

unverifiable evidence, but this, rather than being an obstacle, has been a discursive opportunity to maintain the consensus.

On the other hand, the narrative of colonial nostalgia makes a recurring emotional remembrance of a past under Spanish domination, which is seen as glorious, and which would be represented in the built environment and in stories that recreate the values of that moment. This narrative is economically useful because it provides greater exchange value to the real estate and tourism sectors. That is why the intellectuals of the space and the coalition exalt, explore, and recreate material and immaterial artifacts that cover the place with colonial authenticity. In the same way, the narrative of "magical realism" has allowed the exploitation of a period that colonial nostalgia tends to erase. The novels and the life of Gabriel García Márquez have created new tourist and real estate landmarks in the city that were previously discarded. But "magic realism" generates an additional function. This narrative is based on a literary genre that shows an interrelation between the unreal or magical and everyday life that is narrated realistically. This strategy helps to show the tourist visitor and the potential real estate buyer that the daily events of the city are a mixture of fact and fiction. The mixture of typical activities of transnational high culture with the traditional uses that local people make of the city within the framework of its social reproduction is presented as part of that magical realism.

The narrative "Cartagena is a successful city in heritage preservation" is promoted by the institutional authorities in charge of preservation and by a group of traditional restorers linked to the growth coalition. This narrative is useful for real estate and tourist interests because, although there are numerous criticisms, complaints, and denunciations about violations of preservation rules, the label "success" contributes to displaying a mark of authenticity over the entire Centro Histórico. Finally, the narrative "our heritage / we are heritage" seeks to include the resident as responsible and part of the heritage preservation. This strategy aims to strengthen a "sense of belonging" that, on the one hand, counteracts possible resistance to the effects of urban transformation and, on the other hand, that allows residents to use daily practices as part of the attractiveness for real estate and tourism capital.

CHAPTER 5. THE DIFFUSION OF HOUSING PRICE MOVEMENTS FROM CENTRO HISTÓRICO TO THE REST OF THE CITY

As we saw in chapter 3, since 2009, the Centro Histórico has experienced a real estate boom that is reflected in real price growth of 29% average per year. I have shown that this boom is the result of the entry of a national and transnational capital that sees the houses in the heritage area as an investment asset and not as a place to live. The strong influx of real estate capital has coincided with a process of a demographic drop in the Centro Histórico of 83%. Due to the increase in prices and the effects on neighborhood life, about 10 thousand people have left the place to move to other parts of the city. The real estate prices shown in the Centro Histórico are not in line with the average income levels of the city and therefore, for many in Cartagena, having a place to live in this place is almost impossible. As a result, it is possible that the rest of the city may be experiencing changes in the demand for housing for several reasons: 1) families that sold their houses in the Centro Histórico have acquired a high capacity to pay high prices in other parts of the city; 2) families who wanted to live in the Center will look for slightly cheaper housing in nearby or similar neighborhoods; 3) the demand driven by these two groups of families can raise prices in other neighborhoods and as a result, pressure the mobility of other families to less expensive areas; 4) this new movement can, once again, put pressure on demand in other neighborhoods and put pressure on the expulsion of residents; and 5) real estate agents use housing market failures to speculate on housing prices in the city driven by what is happening in the Centro Histórico.

In this chapter, I investigate whether the growth in house prices in the Centro Histórico is impacting the dynamics of house prices in the rest of Cartagena. I analyze the possible existence of a ripple effect between housing prices in the area with the highest capital reception and housing prices in the rest of the city, as well as the spatial and temporal dynamics of this possible effect. In this exercise, I explore how this possible contagion effect may be impacting lower-income neighborhoods. To carry out this purpose I use statistical correlation, spatial autocorrelation, geographically weighted regression,

and spatial dynamic panel. The chapter begins with a theoretical framework that discusses the diffusion and/or contagion relationships between changes in prices in housing submarkets. Second, I present a literature review of the main empirical advances that have been developed to test these relationships. Later, I explain how the data were obtained and the methodological strategies. Then, I show the results and findings on the existence of the diffusion effect in price changes between the Centro Histórico and the rest of the city. In the end, I provide conclusions.

5.1 Theoretical framework

Within the discipline of economics, the first attempts to analyze the functioning of the (price) housing market were made from the principles and assumptions of neoclassical microeconomics. In general, the use of this perspective faced the difficulty of adjusting the specificity of this particular good (housing) to the logic that explained the functioning of the markets for any other good. For this reason, neoclassical economics failed to incorporate certain market failures that are characteristic of the housing market (Meen,1999). Among them, I could mention information asymmetry, transaction costs, physical differentiation of the good, the non-transportability or spatial differentiation of this good, among others.

Non-portability complicates the application of competitive principles for the analysis of this market because location automatically provides a differentiation based on local factors that can cause different effects on supply and demand, and thereby create price disparity across the entire city.

The first approach to solving neoclassical failures, and within them non-transportability, appears with the development of hedonic models of house prices (Can,1992). In these approximations, the differentiation of the houses is incorporated by including the specific internal and external characteristics of each house. Here, for example, to explain the determination of the price and its differentiation from other locations, the hedonistic models highlight the importance of the location and proximity to roads for travel to workplaces, as well as the urban attributes that surround the home.

The internal and external characteristics of the housing offer, as well as its location, may be subject and limited to legal aspects of urban land use planning. This variable has been treated by Glaeser (2009) to explain the relationship between regulation and the housing market. The author provides empirical evidence from American cities to demonstrate that excessive regulation in land use planning produces an inelastic supply of housing, which helps explain the high level of prices in certain places. According to Glaeser (2009), cities and areas with greater land regulation tend to show higher house prices.

From the demand perspective, economic science explains that a key determinant for the increase in house prices in some areas more than in others may be related to the differences in the economic, labor and wage structure of each area. Thus, for example, in areas or cities where there is a high level of income and wages paid to workers, there will be upward pressure on the price of all goods, including housing. In this same sense, the tax rate of each area affects the disposable income of the housing consumer and therefore tax zoning can influence the price disparity. Likewise, we should expect high house prices in those areas where economic activities that generate high incomes and employ skilled labor are concentrated.

In the same way of analyzing demand, demographic changes have been seen as an explanatory variable of changes in demand and, therefore, of changes in prices. Within this perspective, two factors that influence price disparity are highlighted: demographic composition of households and migration. The first of these determinants refers to the number of children, age of heads of household and number of members who receive income. Larger families may require larger homes but may also face greater restrictions on paying high prices. Likewise, the age of those who receive income can have an impact on the quantity, quality and location of housing. In the same way, the second factor, migration, alters the demand because the arrival or departure of families increases or reduces the needs for housing in the city or in certain areas of the city.

Another line of thought to explain the disparity in prices highlights the importance of incorporating macroeconomic determinants. Meen (1999) and Munro and Maclellan (1987) show that there are national economic factors that affect the local urban level of

house prices. For example, expansionary monetary (via interest rate) and fiscal policy can increase available money and act as stimulants for aggregate demand and specific demand for housing (Harris, 1989). In the same sense, in economic geography, Levin and Wright (1997) have pointed out that there are global facts that can have impacts on the variability of house prices in various ways. On the one hand, the increase in foreign investment and international workers can stimulate housing demand and prices, and on the other hand, the global economic cycle may have an effect on local aggregate demand and with it the demand for housing (Meen, 1999). The effect of the global can also act through the occurrence of a spatial fix (Harvey, 1982). When there is a potential recession situation, capital owners mobilize their money towards a built environment (housing, for example) in certain areas, cities and countries that allows them to ensure capital accumulation. This movement of capital towards real estate can impact supply by encouraging the production of new housing projects, on the one hand, and demand because new buyers and real estate investors appear.

Once the determinants of the general price change are understood, some questions appear: do the changes in prices in place *x* have any relation to prices in place *y*? Or, in other words, is there a possible relationship between price movements in a spatial unit and the price movement in another unit (contiguous or not)? Going back to some of the determinants that I have mentioned, do macroeconomic changes have a direct general effect on all homes in the city or only some that later spread the change in prices to the rest of the city? Or, how can we know if the arrival of migrants in one area has an impact on the price of other areas? Ultimately, we are asking about the existence of a type of contagion (Forbes and Rigobon, 2002) of real estate prices that moves from one place to connected or nearby places.

In the 1990s, the first approaches to answer these concerns emerged thanks to the empirical work of Giussani and Hadjimatheou (1991), in which a ripple effect on house prices in England is demonstrated. Within these approaches, Meen (1996 and 1999) theorizes that in certain cities there may be a ripple effect that develops not only a possible relationship between price changes in different neighboring spatial units, but a type of transmission or contagion that ranges from higher hierarchy housing submarket towards

lower hierarchy submarkets. The ripple effect describes how price variations in one place move or spread to other places with a time lag. According to Meen (1999), there are strongly dynamic areas that lead prices and another less dynamic areas whose price is driven by what happens in the former. In this sense, Cook (2005) argues that the weight of the variations in prices will depend on the relative importance of the dynamism of each local market compared to those that lead prices.

The correlation analysis between price changes has also been addressed from the economic research on price convergence (Cook, 2005). This indicates that, in the short term, there are differences in price variations, but in the long term, the differences tend to disappear and, therefore, prices converge or move towards equilibrium (MacDonald and Taylor, 1993 and Holmes and Grimes, 2008). In other words, in the short term the price ratio diverges, but in the long term it converges. This result occurs because there is a time lag due to the speed of the ripple effect. This long-term convergence process completes the metaphor of the ripple effect: in a market a shock occurs that impacts the price, later, that impact spreads to connected and / or contiguous areas, the shock continues to spread from there to other neighboring sub-markets and so on, but in the end (or in the long term) the shock disappears and all the sub-markets return to their initial state, albeit with a higher price level.

5.1.1 Why does the ripple effect happen?

The urban tendency to show higher real estate prices in a central area and lower prices in contiguous areas can be found in the Chicago school models, in location theory, in Alonso's theory or in the idea of “rent gradient” (DiPasquale and Wheaton, 1996). In simple terms, these approaches explain that the real estate price decreases as a function of the distance to downtown areas. The individual seeking housing faces a trade-off between price and distance; the closer or more accessible the center, the higher the price you will have to pay for housing. Otherwise, the individual gives up low prices, but wins by reducing costs and transportation time. These approaches are understandable, but only allow us to understand the difference in prices in a single moment, that is, these approaches do not incorporate the dynamic temporal analysis that helps explain how changes in prices

in a central area generate changes in prices in subsequent periods and contiguous areas. They are not enough to explain the occurrence of the ripple effect.

The inclusion of dynamics has been made by several authors from geography and from the regional economy. In the field of geography, Hamnett's contribution (2003 and 2009) stands out. In his explorations of widespread gentrification in London, Hamnett notes that the presence of top executives and professionals in central London has pressured demand for housing in that area and neighboring areas because these new real estate buyers seek to live as close to the center as possible based on available purchasing capacities. If they cannot find affordable housing in the center, they move their demand to neighboring areas and thereby put pressure on prices in those areas. This effect is transmitted from zone to zone until it impacts the most peripheral areas. That phenomenon was named by Hamnett (2009) "spatially displaced demand." An additional important element in this author's approach is that he theorizes how gentrification in an area would have negative effects for low- and middle-income families not only in the originally gentrified area but in neighboring areas because also there, native residents are pressed to move as a result of spatially displaced demand that puts pressure on those areas.

This possible explanation of the ripple effect is linked to the concept of "replaced demand" formulated by (Grigoryeva and Ley, 2019). Homeowners in a neighborhood with rising real estate prices are motivated to sell the property and move to other areas with low prices to earn money from the price differential. This movement can cause an increase in prices in the cheaper areas because new buyers can enjoy greater purchasing power than regular residents and with this there would be a pressure on demand in those areas.

Spatial changes in demand are addressed from the regional economy through migration. The empirical works of Guissani and Hadjimatheou (1991) and MacDonald and Taylor (1993) demonstrate the existence of a ripple effect in London and suggest as a possible explanation that this effect may be the result of a movement of high-income residents from less expensive areas to more central areas, and expensive. Similar to the spatially displaced demand argument, Oikarinen (2006) argues that houses near the central area function as substitute goods and, therefore, new migrants move there. The price in the neighboring areas will rise with a temporal lag. Oikarinen (2006) says that this lag is the

result of the high transaction costs and information failures characteristic of the real estate market.

Within the regional economy, Meen (1999) formulates spatial arbitrage as a possible hypothesis of the ripple effect. The author argues that housing markets are not efficient because they have high transaction costs and information failures that complicate and slow down the process of searching for substitute goods. This hypothesis originates from the previous empirical exercise of Pollakowski & Ray (1997), which finds evidence of a “positive feedback effect” in which the information available on prices in one area feeds prices in another contiguous one, which gives rise to a price ripple effect.

As we can see, information plays a key role in the spatial and temporal lag in the diffusion of real estate prices. The problem of information failures in the functioning of competitive markets has been extensively developed by Grossman and Stiglitz (1976). The authors point out that in the markets there are agents not informed about price dynamics and they react slower or inefficiently in purchasing decision-making. For this reason, Oikarinen (2006) indicates that the more informed agents, the smaller the time lag in the diffusion and, at the same time, that the most informed agents in the real estate market tend to live in central or contiguous areas, while the least informed live in the periphery.

Within the discipline of geography, the role of information dissemination is based on Hägerstrand's (1967) spatial diffusion models. These models maintain that innovations are spread spatially according to the distance that separates them from previous innovators. In this sense, the dissemination of information on prices, and on the variables that impact prices, is spreading with a certain spatial and temporal lag according to the connectivity and information networks to which market agents have access.

However, accessing this information may be more costly for certain agents and for this reason many actors choose to take central areas (or the leading or higher-ranking submarkets) as the price reference. In this sense, the information asymmetry and the costs to reduce it open space for real estate speculation and the role of expectations as a “regulator” of the market (Grigoryeva and Ley, 2019). Those who are aware of changes in prices in a submarket can influence prices in other submarkets through the creation of discourses that feed the expectation of rising prices in the latter. In a way, the game of expectations can

create the behavior of self-fulfilling prophecies where agents believe that prices are going to rise in a certain area and modify their behavior by pressing demand in that area and thereby generating the expected growth in prices (Oikarinen, 2006).

A final group of explanations for the ripple effect is framed in the impact of the urban economic structure and the impacts from the macroeconomic variables. As I mentioned at the beginning, employment can play a determining role in increasing prices. People with better labor income increase the demand and the price of housing. In this sense, the urban labor structure can have effects on the price differential between areas of the city. High-paying employment centers attract high-income residents who seek housing in those centers or contiguous areas (Benjamin, Chinloy, and Jud, 2004). In turn, the increase in high-income residents in certain areas increases local consumption for goods produced in other neighboring areas. This increase in consumption increases employment and income for residents, and this increases demand and the price for housing in these areas. In this way, the occurrence of this ripple effect assumes that the benefits of wealth in one area are transmitted to the rest of the city.

Similarly, Oikarinen (2006) argues that, in most cases, the jobs of the financial centers in each city coincide with or are connected to the upper real estate submarket (downtown and metropolitan area centers). This connection leads to these sub-markets perceiving the effects of a major macroeconomic shock more quickly because it is in those areas where the effects in number of jobs and income level are initially perceived. These effects are transferred to the real estate market in that area before the others. This hypothesis of Oikarinen (2006) faces generalization problems because the leading centers or sub-markets have very diverse economic and labor characteristics in each city, and therefore their reaction to macroeconomic shocks can also be very diverse. Part of this diversity is related to the type of economic activity that is developed in the central area, the type of jobs and wages that this activity generates and the high or low connectivity that the activity has with the national and global economy.

To face this problem, I can use the urban classification that Smet (2015) proposes to explain the differences in urban housing prices. The author organizes cities into three types: places for production, places for consumption and places for business services. In

the first group, housing prices tend to be low because land rent is part of production costs and this group of cities compete with each other through cost reduction. Raising housing prices affects the accumulation strategy in the production centers. In the second group, the accumulation strategy is based on the circulation of money for consumption. They are cities that seek to attract high-income consumers, which in turn strongly press the demand for places to stay or reside, and thereby inflate the price of housing. Within this group, tourist towns fit quite well.

In these cities, housing tends to be highly commodified and endowed with discourses of authenticity (Harvey, 1989b) and the local resident competes to purchase homes with the non-local consumer. Contradictory, cities based on attracting consumption forge their economic activity in sectors whose employment is of low quality and low wages. Finally, the third group contains cities based on the provision of financial, legal and other specialized services to facilitate the circulation of capital. In these types of cities, there is a notable inflow of capital and the generation of highly paid jobs. These two elements produce pressure on housing demand in a similar way to that described by Hammnet (2003), therefore, cities based on business services tend to stimulate upward housing prices. From this approach, I could more easily expect a ripple effect in the second and third groups, however, compared to the second, we are faced with a dilemma. How does the ripple effect work in a city where groups with high purchasing power coexist with a majority group of very low purchasing power? What effects does the particular ripple effect in these cities produce on inequality?

5.2 Empirical background

The hypothesis of a ripple effect on the diffusion of house prices has its main empirical antecedent in England. I can locate in the nineties some works that took advantage of the development of new econometric tools to establish possible statistically causal relationships between prices of different housing sub-markets. Guissani and Hadjimatheou (1991), MacDonald and Taylor (1993), Alexander and Barrow (1994) explore the ripple effect on a regional scale in England using price correlation analysis, cointegration and the Granger causality test. Using the correlation analysis, they evaluated

the existence of co-movement between English regions. The cointegration analysis is useful to identify if the relationship between the sub-markets has a long-term relationship. Granger's causality test tries to test whether the behavior of one submarket depends causally on the past behavior of another submarket. The results are similar because they identify statistical evidence of the existence of a ripple effect that goes from the English Southeast to the Northeast of the country and suggest intraregional migration processes as the main cause.

At the end of the 90's, I can identify works that evaluate the price diffusion patterns among housing sub-markets outside England. As a novel fact of that moment, I must emphasize that not only is diffusion explored at the regional scale, but also possible diffusion at the intra-urban scale is investigated. Among these works, I highlight in the United States the contributions of Pollakowski and Ray (1997) and Dolde and Tirtiroglu (1997), and in France, the work done by Roehner (1999). In all three papers, there is a common interest in linking changes in house prices in large cities to the dynamics of the financial market. But there is also a common problem: the difficulty in obtaining a series of housing data on an intra-urban scale. This problem was mainly addressed by reviewing data from mortgage institutions and data from real estate agencies. Like previous work in England, correlations between regions and causality tests were used in these new exercises. Specifically, the work of Pollakowski and Ray (1997) uses copula models similar to those used for stock market projections. This US-focused work finds results that suggest a positive causal relationship between prices in the central New York region and its neighboring areas. The same relationship was tested on a national scale, but the spread only seems to occur between areas with similar economic conditions. Dolde and Tirtiroglu (1997) analyze diffusion in San Francisco and Connecticut using autoregressive models and generalized autoregressive conditional heteroskedasticity models (common modeling strategies in behavioral projections of financial variables). Their results indicate that changes in prices show a dynamic of diffusion throughout the entire metropolitan area. Similarly, Roehner (1999) studies the diffusion of prices in Paris but uses the elasticity calculation technique between districts. The author identifies a transmission of speculative attitudes starting in the most expensive areas and spreading to the rest of the city, including

areas of low-income families, which could further impact the quality of life of those families.

Starting the 21st century, articles emerged in England investigating the regional convergence of prices in the housing market. Convergence is important for the hypothesis of the ripple effect because the existence of the former would indicate that prices in the long term converge towards the same price ratio, which suggests that initial increases in a region tend to appear in the long term in the rest of the regions. Cook (2003) and Holmes (2008) test for convergence using Augmented Dickey-Fuller Tests which are unit root tests applied to identify long-term stationarity in time series. Their findings indicate that there is long-term convergence but that the speed is different between regions.

Almost simultaneously, in other countries, initiatives arose to test the possible existence of a ripple effect of changes in house prices. In Finland, Oikarinen (2006) uses cross-correlations, autoregressive vector models, and the Granger test to explore price diffusion at the regional and metropolitan scale (Helsinki). In this work, the author manages to show contagion from the country's capital to the rest of the regions, but at the metropolitan level, he finds that diffusion occurs from the suburbs to the center. The article suggests that the causes behind the diffusion are informational factors, migration, and changes in the labor market. Stevenson (2004) develops a similar exercise (Autoregressive Vectors and Cointegration) for Ireland and identifies a ripple effect from Dublin to the rest of the country.

Research on housing price diffusion also appears in Asia. Ho, Ma and Haurin (2008) studied the Hong Kong housing market using the Granger causality test and detects a ripple effect within individual sub-markets. They suggest that the effect is associated with the impact of external economic crises that produce shock in the internal market. The ripple effect was also identified in China by Huang, Zhou, and Li (2010). The authors explored data from nine cities to identify a correlation between their house prices and, for this, they applied cointegration analysis and impulse response models.

Beginning the current decade, spatial statistics begin to be incorporated into the econometric techniques traditionally used in ripple effect analysis. Holly (2011) uses the contiguity matrix based on the geometric average distance between London and the rest of

the English regions. This matrix is incorporated into ordinary least squares regressions and spatio-temporal response impulse models. The results indicate that the shocks received in a dominant region are propagated contemporaneously and spatially to other regions, which in turn impact with delay to other nearby regions. Likewise, Kuethe and Pede (2011) use quarterly data from the United States and incorporate neighborhood data or location “spillovers” to include spatial elements in the previously used Autoregressive Vector technique. The results indicate that macroeconomic effects have impacts on the studied spatial units which in turn are diffused towards neighboring units due to spillovers.

I must also highlight the works of Miao, Ramchander and Simpson (2011) and Holmes, Otero and Panagiotidis (2011) that take advantage of autoregressive models and unit root tests to confirm, on the one hand, the existence of a ripple effect between cities in the United States resulting from the presence of dependencies spatial and information spillovers and, on the other hand, the evidence of long-term convergence in house prices whose speed of adjustment is inverse to the distance. Cook and Watson (2016) find a similar result in England because they identify a positive relationship between geographical proximity and the degree of diffusion of price changes.

An important advance in the inclusion of spatial techniques in the ripple effect analysis was developed by Ma and Liu (2013) when they evaluated the dynamics of house prices in Australia. This work uses Anselin's (1988) developments on spatial dependency analysis. Geographical weighting matrices were constructed based on the demographic characteristics of Australian cities, and a spatial autoregressive vector model was subsequently formulated and applied. The results showed a spatial correlation between the price dynamics of the country's capitals. These correlations show greater dependence on geographic proximity than on demographic.

In the last decade, there has been considerable interest in testing the ripple hypothesis beyond Europe or the United States. In New Zealand, Shi, Young and Hargreaves (2009) examine on a national scale, the movement of house prices between cities using the Granger causality test. The authors find little evidence on the occurrence of a ripple-type spread and suggests that its existence would depend on migration rather than on economic factors. In South Africa, Balcilar et al (2013) evaluate the possibility of

a ripple effect among the most important regions of the country. The authors use the traditional unit root and stationarity tests and manage to demonstrate a ripple effect from Cape Town to some regions, but not all. Also, this effect may be different depending on the size of the property. In Malaysia, Lean and Smyth (2013) use panel data analysis and unit root tests. They show evidence of a ripple effect that runs from the most developed to the least developed regions. Furthermore, they identify regional clusters in terms of the speed of adjustment towards convergence. In Singapore, Liao et al (2015) employ autoregressive vector and impulse response functions to assess the ripple effect on a regional scale. The results show that the entry of foreign liquidity creates a significant impact on price growth not only in the central region of the country but also in other regions due to the existence of a ripple effect, and this effect does not occur if the liquidity injection appears in non-central regions.

The development of the mortgage and financial crisis in the United States prompted the emergence of a new interest in testing its relationship with the dynamics of price diffusion in American cities. Gupta et al (2012) used cointegration tests and autoregressive models and identified a ripple effect in California explained by migratory processes from more expensive areas to cheaper areas. This mechanism raised prices in the second zones because real estate investors took advantage of the migratory expectations to acquire properties before prices rose. Similarly, Chiang and Tsai (2016) use Granger causality and the autoregression vector model and they found the ripple effect at the sub-regional scale but not at the interregional level and that this effect became more evident during the periods of the global financial crisis. Their findings show that the ripple effect occurs in upward-trending markets and very little in downward-trending markets. A similar result is obtained by Zhu, Füss and Rottke (2012) through a spatial panel data model together with autoregressive models that, in addition to lagging housing prices, incorporate unemployment, GDP per capita, real estate regulations, and distance to central areas as independent variables. The results show that both geographical proximity and economic proximity are key determinants to explain the contagion effect and that this effect became more evident during the mortgage crisis.

As we can see, the testing of the ripple effect has been mainly focused on England, Northern Europe, the United States, Asia, and Oceania. The predominant analyses are at the regional and national levels, but there has been very little evidence of the diffusion mechanism at the metropolitan scale. Furthermore, the studies have their methodological support mainly in the development of time series econometrics with spatial analysis strategies used only to a limited extent. The last three articles that we present below partially break these trends.

Taltavull, López and Juárez (2017) use spatial autocorrelation analysis and a panel model to analyze housing price dynamics in a Spanish tourist region. The work takes advantage of a huge database of individual house prices for 4 years (2008-2011) and built for tax purposes. The strategy identified spatial autocorrelation patterns that created local price clusters. Likewise, the authors show that there is a ripple effect that arises in the most touristic city in the region and is transmitted through these local clusters.

Similarly, Grigoryeva and Ley (2019) employ spatial autocorrelation analyses and spatial panel models with autoregressive variables in order to understand price diffusion in the Vancouver metropolitan area (Canada). The authors demonstrate the existence of a ripple effect in the city, which spreads price changes from the two most expensive epicenters (and with the greatest inflow of foreign real estate investment) to the rest of the city's districts. This diffusion effect quickly impacts neighboring districts and then, with some time lag, the effect spreads to the rest of Vancouver. As we can see, a useful fact of this work is the ability to test the effect within a metropolitan area, a test that has been little developed in the literature found.

In Latin America, our literature review was only able to identify a single article on price diffusion or contagion dynamics among housing sub-markets. This work, developed by Enríquez, Campo, and Avendaño (2015), addresses the regional relationships between the prices of new homes in Colombia. The working hypothesis proposes a contagion effect from Bogotá to seven capital cities of the country. The methodological strategy was based on econometric cointegration techniques, unit root tests, and Granger's causality test. The data used were the average new home price indices for the 8 cities and for the quarters between 1999 and 2013. The authors did not find statistical evidence of the existence of a

price diffusion process from Bogotá to the other cities, but they found statistical causal relationships between small cities and their neighboring cities.

As a summary of the literature review, I must say that: a) the incorporation of spatial analysis in the ripple effect test has still been very limited, but important advances have been achieved thanks to spatial panel models that take advantage of temporal and spatial data; b) most of the papers develop analyses at national and intra-regional scale but very little at intra-urban or metropolitan scale; c) one reason to explain the small number of intra-urban studies may be the difficulty manifested in obtaining temporal and spatial data for that scale; d) there is profuse literature on the ripple effect in Northern Europe, the United States, Oceania, and Asia, but the analysis of Latin America has been very scarce in the literature reviewed, and e) the ripple effect becomes more evident when there is an inflow of foreign capital into the local market.

5.3 Data and Methodology

Ripple effect analysis requires spatial and temporal data; as well as a statistical method that shows the effects produced by these two dimensions. The first requirement presents us with complex challenges in data collection. In Colombia, there are databases of average house prices by city, but there are no price databases within cities. In other words, there is no available database that groups information on housing prices at the neighborhood or urban district scale. This means that, as a researcher, I must construct this information from secondary sources that, due to their economic function, group and publish data on housing prices in Cartagena. I have two options: 1) the Local Ministry of Finance and 2) local real estate agencies. The first option refers to the public entity that is responsible for collecting and managing local property taxes, and for this purpose, performs an appraisal of all the properties of the city. This appraisal (for tax purposes) has two problems: a) it is based on physical and external characteristics of housing but does not capture the dynamic market, and b) its year-on-year variation is the result of an automatic adjustment according to official inflation recorded. The second option corrects the two problems because the reported prices are based: initially, on the commercial appraisal and later, on the real estate dynamics of each area of the city. The limitation of

this option is that the data is not grouped in any database and therefore it is necessary to access it from the information that these agencies publish for marketing purposes.

I chose the second option. To do this, files of magazines from the largest and most active real estate agencies in the city were reviewed. The information available allowed access to data from 2015 to 2019. Agencies do not have this aggregated information by neighborhoods or districts (communes) but publish prices per property for sale individually. What I did then was to create an average price database for each commune and sub-commune of the city from the properties that were offered for sale each year. In Cartagena, there are 15 urban communes, which are named by number 1 through 15. Commune 1 occupies a geographical area that is more than three times the size of other communes, so in this specific case I divide the commune into 4 communes (one of these corresponds to the city's Centro Histórico). In this sense, I have 18 space units (14 communes, 3 sub-communes, and the Centro Histórico). So, our sample is 5 years and 18 space units for a total of 90 observations.

5.3.1 Methodology

This chapter intends to assess whether the housing price change in Centro Histórico (it will be called "Centro" from now on) has an impact on the housing price change of the other communes over time. As noted above, the ripple effect analysis requires methodological strategies that incorporate and demonstrate temporal and spatial dynamics. In this sense, I use some of the tools previously discussed in the literature review as long as the available data allows. During this process, I develop several strategies that, in aggregate form, will allow us to produce conclusions about the existence of the ripple effect. In general, I will define as an explanatory variable the Centro and as an explained variable the non-central communes. In order to incorporate temporal effects, I will investigate whether price changes in the Centro or other communes have a time-delayed effect on the other communes. To incorporate spatial effects, changes in prices in the Centro and other spatial units will, in some processes, be weighted according to geographical proximity and socioeconomic proximity.

The first process I carry out is the analysis of the statistical correlation between price changes in the Centro and price changes of each spatial unit. This process seeks to explore the extent to which the two variables in question fluctuate together. Besides, correlation is calculated between the temporal delay of price changes in the Centro and changes in the price without delay in each of the other spatial units in order to determine whether the correlation between Centro and rest is diluted to the next period or if, on the contrary, it becomes more apparent.

Subsequently, I incorporated spatial analysis. At this point I verify the statistical existence of spatial dependence on the variable, for this, I use the Moran Index. This technique allows you to identify whether the distribution of objects in space is the result of a random pattern or not. This index varies between -1 and 1, where positive values suggest agglomeration, while negative values suggest dispersion. Moran's I is a statistical test and therefore provides tools to test the statistical significance of spatial autocorrelation by generating a Z statistic and a P-value (Anselin, 1988). The null hypothesis is: random spatial distribution of the data; while alternative hypotheses is: agglomeration or dispersion. The calculation formula is as follows:

$$I = n \frac{\sum_{ij} w_{ij}(y_i - \bar{y})(y_j - \bar{y})}{W \sum_{ij}^n (y_i - \bar{y})^2}$$

N = # of samples (dots) within a study area

y_i = value of the Y variable at the location i-th

\bar{y} = average value of the Y variable

w_{ij} = spatial relationship of the dots i and j' weight matrix

W = sum of weight matrix values

The spatial autocorrelation findings would indicate that the behavior of the analysis variable in a spatial unit correlates with the behavior of the same variable in neighboring units. This result leads to the need to employ regression strategies that incorporate spatial effects. This is why the Geographically Weighted Regression is implemented, which not only generates results on the overall relationship of the variable between spatial units but

also generates results on the local association (Fotheringham, Brunson and Charlton, 2002). In this sense, this type of regression seeks to capture the effects of neighborhood. Geographically weighted regression generates correlation coefficients and statistical significance for each spatial unit, which allows us to identify areas of the city where the association is positive, null, or negative, and where it is stronger, weaker, or statistically non-existent.

This strategy gives us clues about the areas of the city where there is greater spatial association force, but it is not enough to test the ripple effect because: a) It only shows us the effect of the Centro on its neighboring units, but not on the rest of the city, and b) Some authors (Fotheringham, Brunson and Charlton, 2002) suggest that this method is more appropriate for a number of observations much greater than ours.

Faced with these limitations, I use the panel data analysis in a similar way to how it was previously used by other authors (Oikarinen, 2006; Grigoryeva and Ley, 2019). Traditional data regression analysis is divided into three groups based on the structure of the data. A group is Time Series Analysis, which uses a database of temporal changes from a group of variables for a single individual. In this case, the sample size corresponds to the number of periods evaluated. A second group is the Cross-Sectional Analysis, which is based on a database of changes between individuals (people, neighborhoods, communes, cities, etc.) of a group of variables for a single period. In this case, the sample size is the number of individuals. And the third group is the Panel Analysis (or longitudinal), which works with a database of temporal changes of a group of variables between several individuals. In the latter case, the sample size is given by the multiplication of the number of individuals by the number of periods evaluated. By employing this strategy, I can constitute as the sample the totality of the observations and not only the 18 space units or the 5 years, as happened in the previous strategies. This advantage provides our statistical exercise with greater reliability over results because it increases degrees of freedom (Wooldridge, 2010). For the panel model to account for a diffusion mechanism, I must add the effect of time-delayed variables, and variables weighted according to their spatial connectivity.

As we see, the panel data technique, by using cross-sectional data and temporal data, not only allows us to expand the sample size but also allows us to incorporate heterogeneity between different individuals, as well as the evolution of the same individual over time. This heterogeneity and evolution cannot be captured in time series analysis or cross-sectional analysis, respectively. In this sense, the data analysis panel fits with the methodological needs of this analysis because the testing of the ripple effect involves evaluating the relationship and change of variables between communes over time. In addition, this strategy allows us to expand our sample size to a value that can provide robustness to the statistical process that will be carried out.

5.4 Results

Cartagena is organized in 15 districts (institutionally called communes), with a classification and numerical denomination linked to its age and location in the territory. Commune 1 groups the Centro Histórico, and other neighborhoods with a mainly tourist focus, which formed mainly before 1930. Communes 2 and 3 group neighborhoods close to the Centro, but not touristic, with middle- and low-income families, and officially constituted in the first half of the twentieth century. Communes 4, 5, 6, and 7 group low-income neighborhoods located near the Ciénaga de la Virgen, and their main formation dates from the second half of the century. Communes 8, 9, and 10 group middle-income neighborhoods, located in the geographical center of the city, and formed in the first half of the twentieth century. Communes 11, 12, 13, 14, and 15 mostly group the most recent-created neighborhoods, located in the main area of urban and industrial expansion, and concentrate families with high, middle and low incomes.

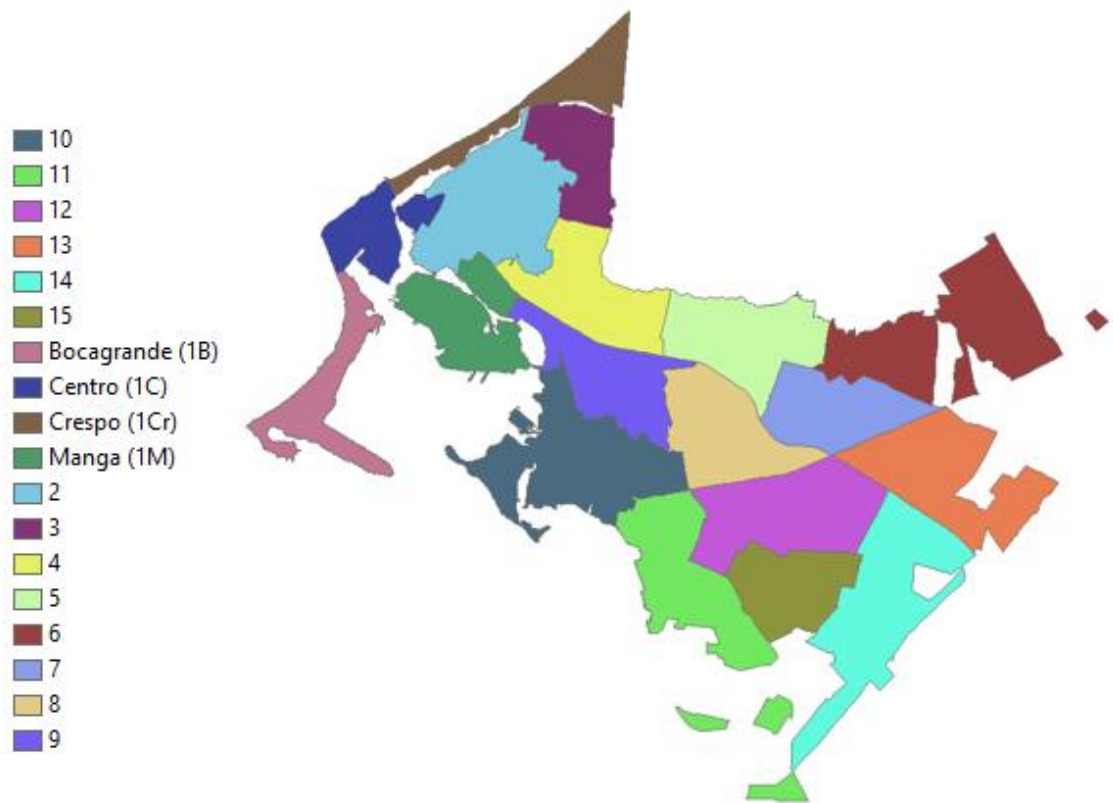


Figure 5.1 Communes and sub-communes of Cartagena
Source: Author's spatial database.

As mentioned in the methodological section, the commune that occupies the largest area in the city is number 1, also this contains our main explanatory variable (the Centro), so, for the quantitative analysis, I divide this commune into 4 sub-communes that are denominated according to the neighborhood of greatest population: Centro (1C) Bocagrande (1B), Crespo (1CR) and Manga (1M). Thus, besides, I treat separately the behavior of the Centro separately from the rest of commune 1.

Centro is the area with the highest housing prices in the city (Figure 5.2). Its prices are triple the average price of the rest of the city. The difference is slight when the Centro is compared to the Bocagrande sub-commune but becomes a little wider when compared to the neighboring sub-communes Crespo and Manga. However, when the Centro is compared to the other communes the difference is remarkably wide so that the prices in the Centro can in some cases be up to 8 times the price of communes with cheaper housing.

These differences show: a) the consolidation of the Centro Histórico as a world heritage site and a tourist attraction attract high levels of investment and real estate demand that drive extraordinarily high price speculation, and b) the price of housing seems to decrease as I move away from the Centro, however, in distant communes, a relatively high price area can be identified in those communes where new buildings have been constructed.

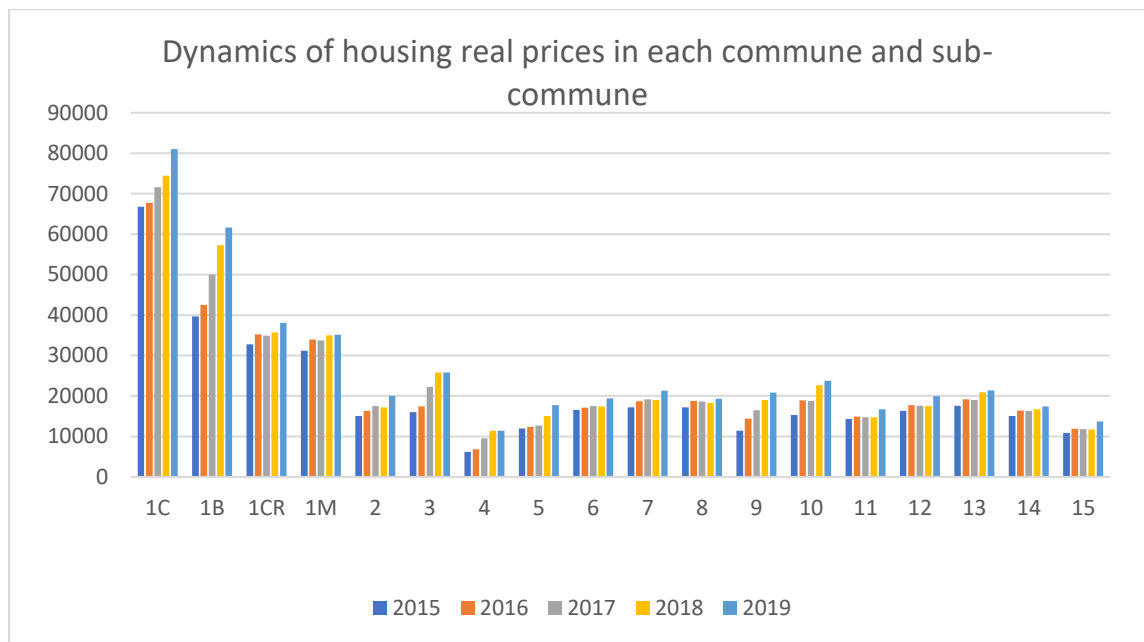


Figure 5.2 Dynamics of housing prices in each commune and sub-commune of Cartagena, 2015-2019. Source: Author's database from data collected in Magazine "Lease and Sale"

Price increase has been widespread throughout the city; however, Figure 5.2 shows that in absolute terms the communes with the greatest changes during the analysis period were, in descending order, Bocagrande, Centro, commune 3, commune 9 and commune 10. In percentage terms, the average cumulative increase (2015-2019) across the city is 35%. But the only communes that appear with above-average growth were Bocagrande, communes 3, 4, 5, 9, and 10. Contrary to expectations, the Centro is part of the group of communes that reports the lowest percentage of cumulative growth. This might suggest that, if there is a ripple effect, price changes in the Centro would lead to more than proportional changes in the prices of other communes in the city. Although it is not yet possible to confirm or deny relations between geographic units, it seems that the possible

relationship between price changes at the Centro and price changes in other communes is not always associated with geographical proximity, but economic closeness may be playing a key role. This will be explored later.

5.4.1 Correlations

Following Grigoryeva and Ley (2019) and Oikarinen (2006) I calculate cross-correlations between price changes at the Centro and price changes in the other communes. First, I evaluate as simultaneous co-movements, i.e., test the degree of correlation that occurred in the same period; and then I evaluate the correlation between changes in a period (t) in the communes and the changes that occurred in the Centro in the previous period (t-1). The inclusion of this correlation with a lag would be the first clue to validate the existence of the ripple effect (Table 5.1).

Table 5.1 Cross-correlations: price changes at the Centro and price changes in the other communes

	Centro t	Centro t-1
Bocagrande	-0,12	0,93
Crespo	0,4	0,53
Manga	-0,53	0,92
Commune 2	0,8	-0,32
Commune 3	-0,65	-0,4
Commune 4	-0,59	-0,43
Commune 5	0,68	0,86
Commune 6	0,92	-0,1
Commune 7	0,71	-0,07
Commune 8	0,24	0,03
Commune 9	-0,83	0,4
Commune 10	-0,43	0,94
Commune 11	0,91	0,16
Commune 12	0,72	0,16
Commune 13	-0,44	0,92
Commune 14	-0,03	0,78
Commune 15	0,76	0,16
All communes	0,13	0,98

Source: Author's calculation

Findings show that price changes in the aggregate of communes have a weak correlation with changes in the Centro occurring in the same period (t). The communes that seem to show strong correlation are those that are most distant from the Centro. In addition, surprisingly, 8 of the 17 communes (and sub-communes) evaluated show a negative correlation with price changes at the Centro occurring in the same period. On the contrary, when I introduce the lag in the changes of the Centro, the situation changes markedly. The degree of correlation between the aggregate of communes and the lagging changes of the Centro shows a fairly strong correlation (0.98). Specifically, the correlation becomes strong in communes geographically close to the Centro, but also in those with some socioeconomic closeness. Oppositely, the correlation remains negative or small in communes with geographical proximity, but with little socioeconomic connection.

The correlation growth from column t to column t-1 suggests that, in the same year, price changes in the Centro have very little impact on price changes in the rest of the city, but that these changes take on considerable importance in most of the following years. In this sense, we may suspect that a ripple effect is acting with a temporal lag since the price increase in the Centro would impact part of the rest of the city from the following year to which it was caused. It can then be considered as hypotheses that the real estate boom impacts the Centro more quickly and then we must wait a year for the effect to be propagated to the rest of the city from there. As shown in the literature review, this could involve informational inefficiencies of the real estate market (Oikarinen, 2006). However, we must be cautious of these results. The correlation analysis shows individual relationships based only on the group of observations for the pair of communes evaluated, and this implies that the conclusions are based on a very limited set of observations. On the other hand, this same analysis suggests that there could be relationships originating in some form of geographical or economic dependence between communes, and this implies that space analysis needs to be given way.

5.4.2 Spatial dependency analysis

The existence of the ripple effect assumes that price changes are moved or spread in space from one main commune to other communes. This implies that there would be a spatial association of price variation in the city. To verify this association, I use the concept of spatial autocorrelation. Spatial statistical analysis is based on the so-called First Law of Geography (Tobler,1970): " everything is related to everything else, but near things are more related than distant things" (p.3). Spatial autocorrelation is a spatial analysis mechanism that explores how similar the data of a variable in neighboring geographic units is. The existence of spatial autocorrelation may suggest that the behavior of a variable in a unit is associated with the behavior of that same variable in neighboring units, which could contribute to empirical support for the validity of the ripple effect in the study area. As noted in the methodological section, to verify the existence of this type of autocorrelation I resort to Moran's I. This index evaluates whether a global grouping pattern exists for a given characteristic of the population, or whether the distribution of that characteristic in space is random or dispersed.

In the methodological section, I explain that the calculation of Moran's Index requires the determination of a matrix that weights the weight of the variable according to distance. This matrix allows you to assign more weight to nearby units and less weight to distant units. Creating the spatial weighting matrix requires defining what type of contiguity best reflects the interaction between census sections. In other words, it is necessary to define a criterion to establish the degree of neighborhood between census sections. A first contiguity criterion is to establish a maximum distance to consider neighbors to two census sections. That criterion was tested, but it was not chosen because the size of the sections is very variable and therefore the number of neighbors could vary depending on the size. Spatial statistics propose other types of contiguity that take its name from chess movements. Tower, bishop and queen types are mostly used. The Figure 5.3 illustrates that contiguity is considered in each case (letter C represents which are defined as contiguous to S):

Tower			Bishop			Queen		
	c		c		c	c	c	c
c	s	c		s		c	s	c
	c		c		c	c	c	c

Figure 5.3 Types of contiguity

I choose the Queen criterion because it ensures the inclusion of more neighbors and ensures that most communes have approximately a similar amount. Map on Figure 5.4 reflects the spatial contiguity relationships resulting from applying the Queen criterion.

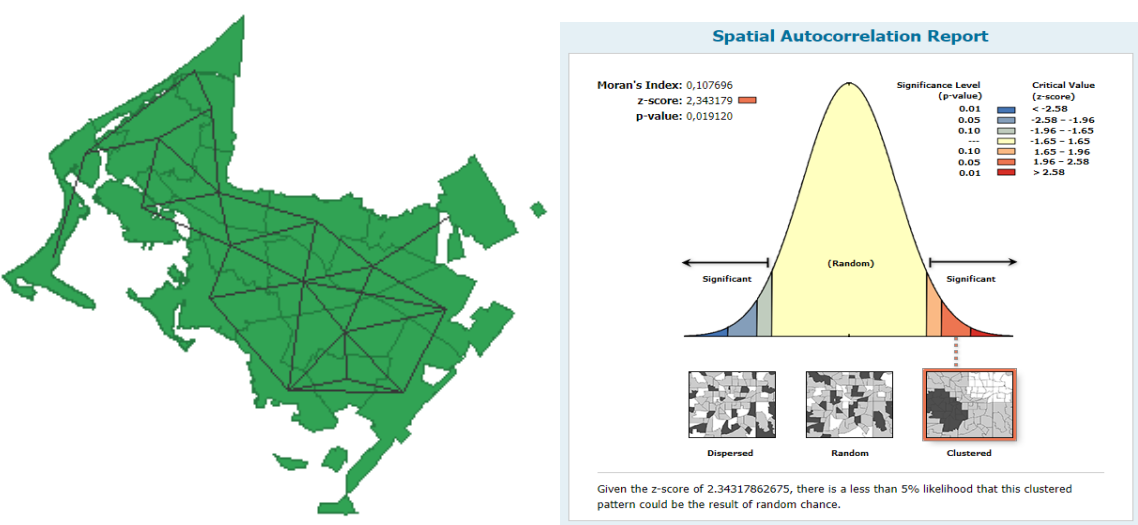


Figure 5.4 Spatial contiguity relationships and spatial autocorrelation report. Source: Author's calculation

The resulting Moran´s Index was 0.107696 with a P-value of 0.019120 (Figure 5.4). This result indicates that the variable "annual price change in communes" has positive spatial autocorrelation and that its distribution is not a result of randomness. In this sense, there is a spatial diffusion effect of price changes in the city. This result is a contributing element to the validation of the ripple-effect hypothesis in the city but also implies that any subsequent statistical analysis procedure must incorporate the role of closeness in the relationship between variables. In this sense, the contiguity matrix plays a key role. In the

next section, I will explore a spatial regression technique that adjusts the value of the variable in each commune according to the geographical closeness that it has with the other communes to incorporate the results of the spatial autocorrelation test.

5.4.3 Geographically Weighted Regression Analysis (GWR)

GWR is a type of linear regression that allows you to model relationships that vary spatially. With this procedure, local regressions are built for each commune by taking information from the neighboring geographic units, where the nearest communes have greater weight than the most distant ones (Fotheringham, Brunson and Charlton, 2002). Like the traditional regression analysis, the GWR generates the regression coefficients for each independent variable, its specific levels of statistical significance, and the coefficient of determination. The difference with traditional regression is that GWR will generate each of these values for each commune, which allows us to identify areas where the spatial relationship of price changes between communes is strongest and where it is weaker or statistically non-existent. I can also check whether the price change ratio between neighboring communes is positive or negative. However, this type of regression has a limitation: it does not allow us to identify how a particular geographic unit is associated with the rest of the other communes, that is, I cannot disaggregate the effect of the Centro from the effect of the rest of the communes (although some of this was already partially tested in the previous section). Taking into account this limitation I propose a Geographically Weighted Regression that, in addition to the spatial effect inherent in the technique, incorporates as explanatory variables the change in neighbor prices, but with a lag of several periods. The equation formulated is:

$$\Delta P_{it} = \beta_0 + \beta_1 \sum w_{ij} \Delta P_{jt-1} + \beta_2 \sum w_{ij} \Delta P_{jt-2} + \beta_3 \sum w_{ij} \Delta P_{jt-3}$$

Where the dependent variable is price change in commune i and the independent variables are: price change of the other communes (j) in the previous period (Pt-1), two previous periods (Pt-2) and three previous periods (Pt-3), but all of them spatially weighted (w_{ij}) according to the contiguity matrix. The results are shown in Figure 5.5 (since results

are produced for each commune, it is more useful and understandable to present the results on maps).

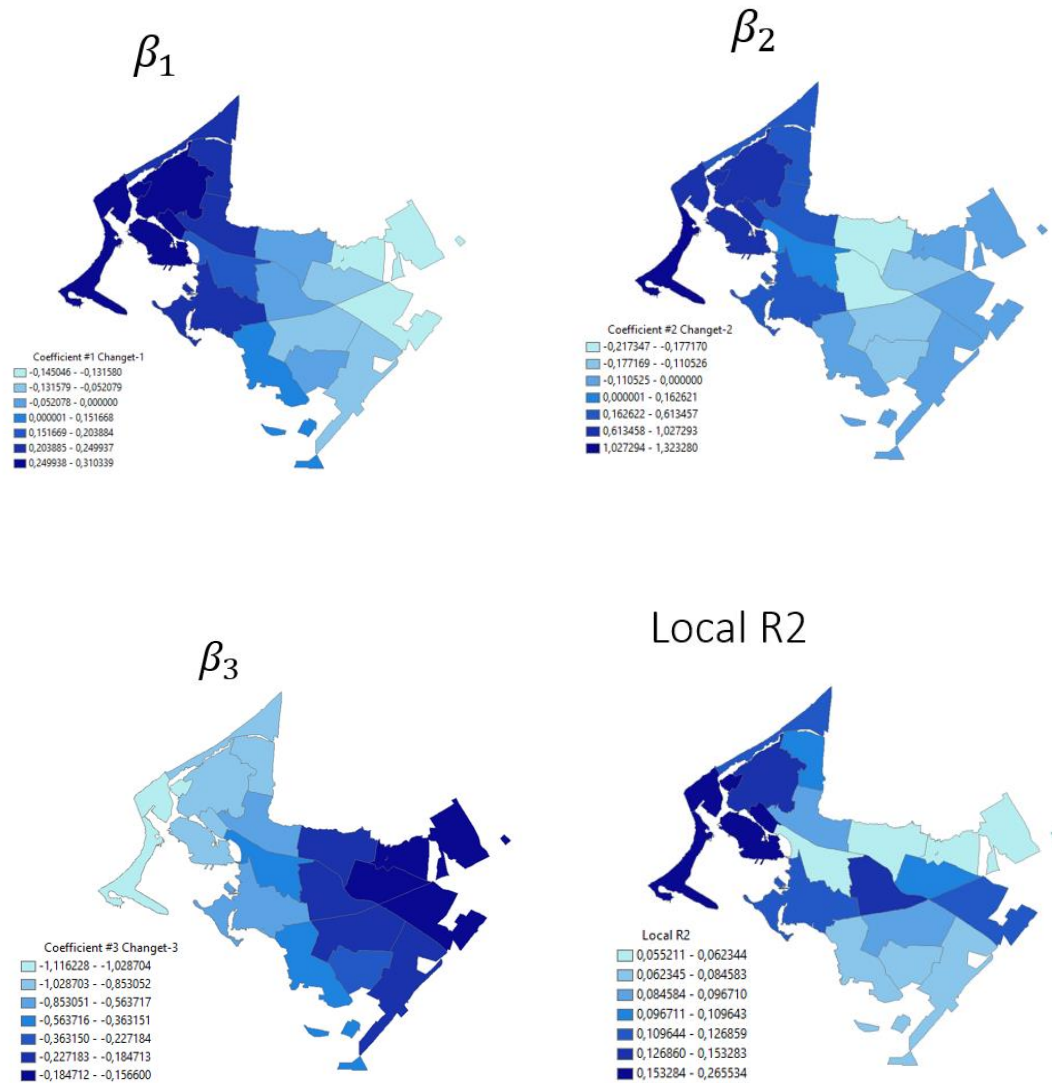


Figure 5.5 Local Coefficients of the geographically weighted regression.

Source: Author's calculation

The coefficient of determination R^2 tells us how much of the change in the dependent variable is a result of changes in the independent variables. The GWR process generated an overall R^2 of 37%, indicating that the price changes in the city's communes is determined in that proportion by the price change in neighboring communes. The remaining percentage corresponds to variables not included in the specification of this

model. This determination is not the same in all cases. On the Local R² map, we see that in communes 4, 5, 6, 9, 11, 12, 14 and 15 the coefficient of determination is below 10%, in the communes Crespo, 3, 8, 10 and 13 show a coefficient between 10% and 15%, and in the communes Centro, Manga, Bocagrande and 2 report a coefficient ranging from 15% to 27%. This result shows a greater determination in communes near the Centro and in communes near the city's second economic and urban hub, while the level of determination tends to be lower in distant communes inhabited mainly by low-income families. The comparatively low R² in commune 9 in front of its neighbors can be explained in the fact that the largest market square in the city is located in that commune, which has led to a significant differential in property prices in front of its neighbors.

I now examine the coefficients (β) of the lagging price changes. I found that the direct impact (positive relationship) of price change in neighboring communes in previous periods tends to be greater in those areas close to the Centro and tends to decrease in the furthest areas. This suggests that as we approach the Centro, the diffusion effect of the price changes tends to increase, whereas as we move away from the Centro that diffusion tends to disappear or even negatively impact. The direct impact on a commune's price changes seems more evident when the temporal lag of changes in neighbor prices is less. As we see, by lagging only one period, I detect 10 communes with a direct relationship between neighbors; by lagging behind two periods, I identified 9 communes with a direct relationship between neighbors; but when I lag three periods, all relationships appear inverse (negative). In this sense, the impact between communes of price changes in the neighbors disappears after the second lag.

As we noted above, this impact tends to be greater as we approach the Centro, which supports the idea that the diffusion effect is both temporally and spatially greater in the communes near the Centro. It should be noted, however, that in all cases the variables resulted in a statistical significance level of less than 75% which does not allow us to confirm a statistically significant association of diffusion through this strategy. It should also be noted that, given our data type and our objective, the GWR procedure is limited because (a) it reduces observations only to all geographical units (18) and does not allow us to take advantage of all the observations that result from multiplying units per year (90),

and b) it is not possible to identify the specific diffusion that occurs from the Centro over the other communes (the hypothesis I am trying to validate). However, the GWR has allowed us to identify and visualize where the diffusion processes could become more evident both temporally and spatially. The limitations will be resolved in the next final section.

5.4.4 Geographic neighbors or socioeconomic neighbors?

Geographically Weighted Regression showed that possible diffusion would operate not only over spatial relationships but also by socioeconomic similarities. The analysis of R2 Local indicated that the effect of price changes on neighbors has a higher ratio of determination in areas close to the Centro, but also in communes where middle-income families reside, on the contrary, this ratio of determination appears to be very slight in communes where low-income families reside (even located near the Centro as is the case with communes 3 and 4). The importance of socioeconomic similarity should then be incorporated as an alternative version to the spatial diffusion explanation. In this sense, I build a matrix of contiguity based on that similarity. To this end, I take into account the official socio-economic stratification in which the city is classified by local authorities. The Colombian government classifies households into 6 strata called through numbers, where a number 1 means low-low stratum, the number 2 is low stratum, the number 3 is medium-low strata, the number 4 is medium-high strata, the number 5 is high strata, and the number 6 is high-high strata (Figure 5.6).

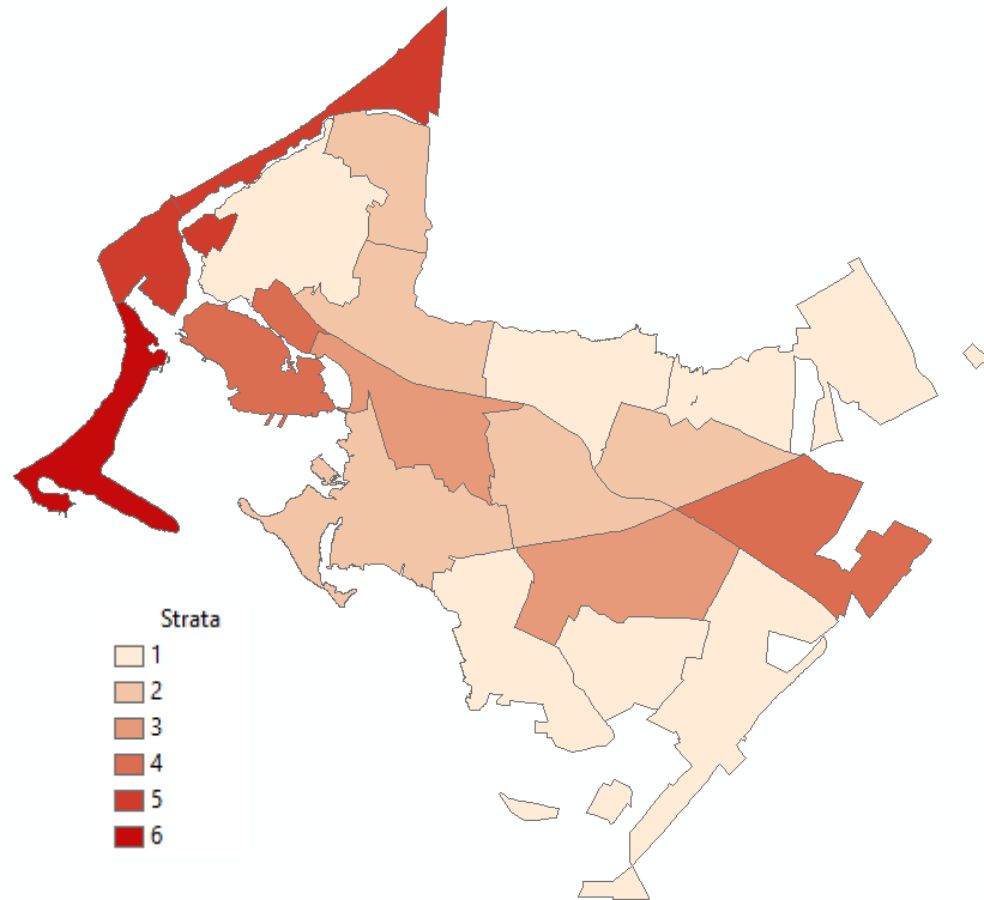


Figure 5.6 Socioeconomic strata in Cartagena, 2019 Source: Mayor's Office Cartagena

The construction of the socioeconomic contiguity matrix consisted of creating a table of 18 rows by 18 columns (one for each commune) where 1 value is assigned to communes corresponding to the same stratum or an immediately higher or lower stratum, and the zero value is assigned to communes corresponding to two strata above or below the target commune. The ordering followed the Weight Matrix showed in Table 5.2.

Table 5.2 Weight matrix for stratum

Stratum	1	2	3	4	5	6
1	1	1	0	0	0	0
2	1	1	1	0	0	0
3	0	1	1	1	0	0
4	0	0	1	1	1	0
5	0	0	0	1	1	1
6	0	0	0	0	1	1

Weights are multiplied by the price changes of each commune as appropriate so that the price changes in a commune weighs more when it is correlating with a commune of similar strata. The socioeconomic contiguity matrix can be found in the appendices.

5.4.5 Dynamic and Spatial Panel Analysis.

Taking into account the results shown above and that ripple verification should show spatial and temporal diffusion processes, our panel data model incorporates certain modifications: 1) The initial correlation analysis showed that the relationship between price change in the Centro is stronger with the rest of the city when the variable was lagging a period, therefore, price changes are included in simultaneous (t) and lagging (t-1). 2) Spatial autocorrelation analysis showed that the price change variable is not randomly distributed in space, but follows a pattern of agglomeration, therefore independent variables are weighted by closeness. 3) The result of spatial autocorrelation also implies that there may be a relationship between geographic neighbors, therefore the average price changes between neighbors are incorporated. 4) The result of the GWR suggests that a relationship between the dependent variable and the lagging change in neighbor prices might be occurring, therefore this variable is included. 5) The results of the initial correlation analysis and the GWR Local R2 suggest that there could be a relationship between the dependent variable and the simultaneous and lagging price change of similar socioeconomic communes.

Our model then assumes as a dependent variable the price changes of the non-Centro communes (PNC_i) and as independent variables, I establish: the price changes of the distance weighted Centro (PC), the lagging change in distance-weighted Centro prices (PC_{t-1}), the price changes of neighboring communes (PG_j) (according to the matrix of geographical contiguity), the lagging price changes of neighboring communes (PG_{jt-1}), the price changes of communes with socioeconomic similarity (PS_j) (according to the matrix of socio-economic contiguity) and the lagging price changes of communes with socioeconomic similarity (PS_{jt-1}). The mathematical expression of this model is as follows:

$$\Delta PNC_{it} = \beta_0 + \beta_1 \sum w_{ic} \Delta PC_t + \beta_2 \sum w_{ic} \Delta PC_{t-1} + \beta_3 \sum w_{ij} \Delta PG_{jt} + \beta_4 \sum w_{ij} \Delta PG_{jt-1} + \beta_5 \Delta PS_{jt} + \beta_6 \Delta PS_{jt-1}$$

First step.

The three main approaches to modeling a database panel are: Fixed Effects (FE), Random Effects (RE), and Pooled (Wooldridge, 2010). Choosing one of the three should go through a specification testing process that guides us on discarding and model selection. The selection mechanism is based on whether or not there is a correlation between the behavior of the model residuals and the behavior of the explanatory variables used. If this correlation exists, I would be detecting that the residues fail to capture the effect of the non-observable phenomena that may arise from the differences between specific characteristics of individuals that may or may not change over time. Otherwise, the non-observable heterogeneity between individuals would be altering our coefficients and therefore these would be biased (Wooldridge, 2010).

I start by verifying the model's execution through the Fixed Effects (FE) approach. This approach assumes that some characteristics not observed within individuals (communes) can impact or skew the coefficients of explanatory variables, i.e. the residues of the model do not capture the non-observable effect completely and therefore there would

be a correlation between residues and explanatory variables. To control this problem, the fixed effects model treating the characteristics not observed as fixed in each individual and in each period (Wooldridge, 2010). Additionally, the FE approach assumes that these constant characteristics over time are unique to the individual and are not correlated with the characteristics of other individuals. The following are the results (Figure 5.7):

Fixed-effects (within) regression		Number of obs	=	51
Group variable: district		Number of groups	=	17
R-sq:		Obs per group:		
within	= 0.4066	min	=	3
between	= 0.1595	avg	=	3.0
overall	= 0.3103	max	=	3
corr(u_i, Xb) = -0.0975		F(6,28)	=	3.20
		Prob > F	=	0.0161

ChangeNoCentral	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ChangeCenter	.0370159	1.134856	0.03	0.974	-2.287632	2.361664
ChangeCenterLag	-1.133526	6.501372	-0.17	0.863	-14.45098	12.18393
SocEco	1.639366	.5593507	2.93	0.007	.4935878	2.785143
SocEcoLag	-.7517687	.6234312	-1.21	0.238	-2.02881	.5252723
GeoNeig	-.9019229	.6612268	-1.36	0.183	-2.256385	.4525388
GeoNeigLag	-.2061646	.7464248	-0.28	0.784	-1.735147	1.322817
_cons	1450.297	1120.942	1.29	0.206	-845.848	3746.441
sigma_u	1363.7935					
sigma_e	1958.9097					
rho	.32646091	(fraction of variance due to u_i)				

F test that all u_i=0: F(16, 28) = 0.92	Prob > F = 0.5602
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Figure 5.7 Fixed-effects regression (Panel Model). Source: Author's calculation

Before evaluating the signs, values, and statistical significance of regression coefficients, it is necessary to check whether this model is consistent with our dataset and variables. To do this, I check that the correlation between residuals and variables does not exist. The information generated by $\text{corr}(u_i, Xb)$ indicates that this correlation is close to zero and therefore there is a possibility that it does not exist statistically. To verify the statistical significance of that value I use the F test that appears at the bottom of the result. This test poses as a null hypothesis that: the observed and non-observed fixed effects (u_i)

are equal to zero, that is, they are equal in all units, and therefore the rejection of the hypothesis would mean that the fixed-effect model is the most appropriate. As we see, the probability of significance of F is greater than 0.05 and therefore I must accept the null hypothesis. In conclusion, I must discard the fixed effects approach.

I proceed to try the second strategy: Random Effects (RE). This strategy is similar to fixed effects but assumes non-observable heterogeneity as a random variable, which means that I cannot be sure about the exact value of the intercept that each individual may have, and therefore, I assume that it will gravitate around a central value. The random-effects approach assumes that $\text{corr}(u_i, Xb)$ is zero so it incorporates that non-observable heterogeneity into the residuals to perform the regression. Here are the results (Figure 5.8):

Random-effects GLS regression		Number of obs	=	51
Group variable: district		Number of groups	=	17
R-sq:		Obs per group:		
within	= 0.3585	min	=	3
between	= 0.6018	avg	=	3.0
overall	= 0.4234	max	=	3
corr(u_i, X) = 0 (assumed)		Wald chi2(6)	=	32.31
		Prob > chi2	=	0.0000

ChangeNoCentral	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
ChangeCenter	.9140927	.9114622	1.00	0.316	-.8723404	2.700526
ChangeCenterLag	8.430854	4.179275	2.02	0.044	.2396257	16.62208
SocEco	1.248237	.3518399	3.55	0.000	.5586435	1.937831
SocEcoLag	-.4893084	.5071583	-0.96	0.335	-1.48332	.5047036
GeoNeig	-1.134704	.4355869	-2.61	0.009	-1.988439	-.2809698
GeoNeigLag	-.1844386	.4134278	-0.45	0.656	-.9947422	.625865
_cons	488.6678	581.1108	0.84	0.400	-650.2884	1627.624
sigma_u	0					
sigma_e	1958.9097					
rho	0	(fraction of variance due to u_i)				

Figure 5.8 Random-effects regression (Panel Model). Source: Author's calculation

Although RE improved the statistical significance of the coefficients of explanatory variables, it is still early to evaluate the corresponding signs and values. As in the previous process, I should check if this approach is suitable for our dataset and variables. The first step is to apply the Hausman test which sets as a null hypothesis that the appropriate model is that of random effects and as an alternative hypothesis that the appropriate model is fixed effects. The result of the test (see appendices) resulted in a probability of significance greater than 0.05 and therefore I can confirm that the RE method produces more efficient and consistent results than the FE method. However, since I have detected in the previous process that the correlation between residuals and explanatory variables is statistically non-existent, I should check whether the random effects model works better than a Pooled type regression, which also assumes that $\text{corr}(u_i, Xb)$ is zero. To do this I use the Breusch-Pagan Lagrange multiplier test (see appendices) which establishes as a null hypothesis that a Pooled OLS is more suitable than random effects. The probability of significance of the test was greater than 0.05 therefore I must accept such null hypothesis and conclude that the most appropriate method for our dataset and variables is the Pooled.

Second step.

The Pooled approach assumes that those that the behavior of the residues is independent of the behavior of the explanatory variables, since this was verified in FE I can infer that this third resulting model is consistent (Wooldridge, 2010). This regression uses the traditional Ordinary Least Squares (OLS) process. Here are the results (Figure 5.9):

Source	SS	df	MS	Number of obs	=	51
Model	120253180	6	20042196.7	F(6, 44)	=	5.39
Residual	163755264	44	3721710.55	Prob > F	=	0.0003
				R-squared	=	0.4234
				Adj R-squared	=	0.3448
Total	284008444	50	5680168.88	Root MSE	=	1929.2

ChangeNoCentral	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ChangeCenter	.9140927	.9114622	1.00	0.321	-.9228387	2.751024
ChangeCenterLag	8.430854	4.179275	2.02	0.050	.0080789	16.85363
SocEco	1.248237	.3518399	3.55	0.001	.5391503	1.957324
SocEcoLag	-.4893084	.5071583	-0.96	0.340	-1.511419	.532802
GeoNeig	-1.134704	.4355869	-2.61	0.012	-2.012572	-.2568368
GeoNeigLag	-.1844386	.4134278	-0.45	0.658	-1.017648	.6487704
_cons	488.6678	581.1108	0.84	0.405	-682.4841	1659.82

Figure 5.9 Pooled regression. Source: Author's calculation

First of all, I identify that test F shows that in global terms the results are statistically significant, and the R-square indicates that 42% of the price changes in non-central communes are determined by the variables included in the model. Although it is still early to discuss the signs of the coefficients, it is important to note that the only coefficients that are statistically significant, at this time, are: lagged price change in the Centro (positive relationship), the price change of geographic neighbors (negative relationship) and price change of socioeconomically similar communes (positive relationship).

However, I still need to perform several checks to advance building a consistent model. I checked for the existence of: homoscedasticity (constant variance of errors), normal distribution of residues and multicollinearity between variables. White's test results (see appendices) indicated that there are heteroscedasticity issues that need to be corrected. On the other hand, I find minor multicollinearity between Geographical Neighbors and Similar socioeconomics. This result was expected because in some cases neighboring communes have socioeconomic similarities. However, the Variance Inflation Factor (VIF) test indicates that this level of multicollinearity is acceptable and does not affect the proper model specification. The normality test reported that the residuals are normally distributed.

To correct heteroscedasticity, I ran the model through Minimum Generalized Squares adjusted to Panel Data (FGLS). Here are the results (Figure 5.10):

Cross-sectional time-series FGLS regression						
Coefficients: generalized least squares						
Panels: homoskedastic						
Correlation: no autocorrelation						
Estimated covariances	=	1	Number of obs	=	51	
Estimated autocorrelations	=	0	Number of groups	=	17	
Estimated coefficients	=	7	Time periods	=	3	
			Wald chi2(6)	=	37.45	
Log likelihood	=	-454.4083	Prob > chi2	=	0.0000	
ChangeNoCentral	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
ChangeCenter	.9140927	.8466032	1.08	0.280	-.7452191	2.573404
ChangeCenterLag	8.430854	3.881881	2.17	0.030	.8225076	16.0392
SocEco	1.248237	.3268033	3.82	0.000	.6077145	1.88876
SocEcoLag	-.4893084	.4710693	-1.04	0.299	-1.412587	.4339704
GeoNeig	-1.134704	.4045908	-2.80	0.005	-1.927688	-.341721
GeoNeigLag	-.1844386	.3840086	-0.48	0.631	-.9370815	.5682044
_cons	488.6678	539.7594	0.91	0.365	-569.2411	1546.577

Figure 5.10 Minimum Generalized Squares adjusted to Panel Data (FGLS): Final Result.
Source: Author's calculation

The new and final version of the model presents homoscedasticity and additionally rules out autocorrelation problems. The coefficients maintain their signs and values and show a reduction in their standard error, so they improve their statistical significance. However, again, the only 3 coefficients that remain statistically significant are: lagged price change in the Centro, the price change of geographic neighbors, and the price change of socioeconomically similar communes.

Third Step: Interpretation of regression coefficients.

The neighbor price change variable reports a negative (contrary to expected) and statistically significant coefficient. The lagging version of this variable also shows a

negative effect, but the coefficient is not statistically significant. These two results indicate that price changes in a commune are negatively related to price changes in neighboring communes, but the impact of these changes is not sustained until the next period.

The result of this variable is surprising because it not only suggests discarding the process of spatial diffusion between neighboring communes, but this would indicate that among these communes there is a negative relationship concerning the price changes. This result can be explained by our previous findings: in some sets of neighboring communes, price changes tend to be similar (e.g., Bocagrande, Manga, Crespo and Centro), while in other areas of neighboring communes the changes show opposite behaviors (e.g., commune 6, 13, 7, 10 or commune 2, Centro, Crespo). The socioeconomically heterogeneous geography of the city may explain this negative relationship. Studies in spatial segregation in the city (Espinosa et al, 2018; Rey, 2018) have shown negative local autocorrelation (high-low) in various parts of the city, meaning that there are neighboring communes with strong social differentiation between them. Hamnett's spatially displaced demand hypothesis (2003) may be useful in understanding this coefficient. This hypothesis suggests that families who want to live in an expensive area can shift their demand to nearby neighborhoods that are a little less expensive and this would increase prices in these receiving neighborhoods. Although this can work between neighboring communes such as Centro and Bocagrande, in other neighboring but more heterogeneous areas, for example, between Crespo and commune 2, it is very difficult to make it happen. Why? Because the latter two are socioeconomically opposed communes, the first belongs to high stratum and the other low-low stratum. Such differentiation may not be an incentive for demand to be spatially displaced between these two communes in the face of price changes in one of them.

Marxist geography could give us an additional explanation. Smith (2008) explains that, at various scales, capitalist accumulation is supported in the process of contradictory tendencies towards equalization and differentiation. In urban terms, competition produces price equalization and this reduces the rate of profit, so that the investor mobilizes capital to areas where there are still few competitors and thus obtain high-profit rates. Smith theorizes that this mobilization of capital tends to impoverish some areas at the cost of

enrichment of others. Bringing this idea to our data, I can suggest that there may be a spatial displacement of real estate capital between neighbors that reduces attractiveness in one commune and creates them in another, so that increased demand in one commune can lead to reductions in demand in the neighboring commune, so that price growth in one commune is accompanied by price declines in the other. It is a hypothesis that requires further exploration in future work.

The variable price change in similar communes socioeconomically produced a positive (expected) and statistically significant coefficient. The lagging version of this variable reports a negative sign but is not statistically significant. These two results indicate that a commune's price changes are positively related to price changes in similar communes socioeconomically, but the impact of those changes disappears to the next period.

The result of similar communes confirms our suspicions in the GWR analysis. The spread of price changes between communes seems to be more due to economic connectivity than spatial contiguity (as shown above). This process of diffusion between similar communes occurs in the same period but does not generate lagging effects. Several facts may explain this finding. On the one hand, the phenomenon of displaced demand and replaced demand can exist among similar socio-economic communes. High-income families shift their demand from very expensive communes to less expensive but socioeconomically similar ones. Likewise, families with properties in expensive communes can sell the house to buy in a less expensive commune but that maintains similar socioeconomic conditions. In both situations, shifting or replacing demand, price growth in an expensive commune has a direct impact on price changes in receiving communes.

On the other hand, the socioeconomically heterogeneous geography of the city makes the relationship between communes more determined by their economic links and similarities than by their geographical proximity. The historic poverty of communes 2, 6 and 14, for example, makes their housing markets more connected with each other (despite being far from the other) than among the communes that have closer (13, Manga or 10). Similarly, the socio-economic connections between Manga and commune 13 allow their housing submarkets to have a greater link than they have with their neighboring communes (2, 6 or 14). As a result, we observe the presence of networks of real estate submarkets

with internal homogeneity but disconnected from networks with which there is no such homogeneity. Price changes are spread across those networks regardless of whether they are spatially unconnected.

Finally, the Centro's price change lag variable reports a positive (expected) sign, and statistically significant (P less than .05). Change without lag also shows a positive coefficient but no statistical significance. The immediate effect does not happen, but the laggard does. This result shows that, in Cartagena, there is a ripple effect with a temporal lag moving from the Centro to the rest of the city. In addition, the value of the coefficient indicates that additional changes in the Centro's housing prices produce on average more than proportional changes in house prices in non-central communes.

This result confirms the preliminary findings of the initial correlation analysis between price changes at the Centro and changes in the rest of the communes. I validate that changes in the Centro move to the rest of the city, but not immediately but with temporal lag. The lagging effect can be explained from the theory of Meen (1999) and Oikarinen (2006). The asymmetry of information and transaction costs inherent in the real estate market slows the reactions of market players around price changes, so diffusion processes tend to occur with temporal delays. On the other hand, Hägerstrand's innovation dissemination models (1967) allow us to understand that the time to disseminate data on price change across the city depends on the distance between information source and receivers so that the aggregate effect of price change diffusion comes with a temporal delay.

The ripple effect in Cartagena implies that the accelerated price growth that is occurring in the Centro (as a result of the high real estate demand there) is transferred to the rest of the communes in the subsequent period but in a more than proportional way. Using the Meen (1999) and Hamnett (2003) hypotheses, I could explain this ripple effect as a result of: a) The high cost of housing prices in the Centro and its neighboring neighborhoods drives a process of demand shifted to other different areas of the city where socioeconomic conditions may be slightly lower (Manga, Crespo, commune 9, 10 and 13). This displacement causes a lagging increase in prices in these receiving communes. B) Lagging change is more than proportional because the inefficiency inherent in real estate

markets is possibly exploited by actors in that market to create price speculation environments in communes where access to information may be more limited. C) The advertising narrative for the sale of properties in non-central communes is based not only on the specific spatial characteristics of the commune where it is located but is also fueled by a discourse that gives greater value to the property due to the fact of being in a city with a Heritage Historic Site (The Centro). In this sense, the price of housing in the non-central communes incorporates both the characteristics of the housing (physical and spatial) and the "privilege" of being located in a city with a heritage area.

Is this impact a type of positive externality caused by the Centro? The answer is yes if we only assume as desirable the increase in the change value of a property. Owners throughout the city see the growth of the valorization of their home not because of its local characteristics (internal and external) but because of the real estate boom in the Centro. The answer is no if we consider the proportion of families paying rent for the dwellings they live in and the purchasing capacities in each socioeconomic stratum to pay monthly rent or to buy housing.

In Cartagena, in the aggregate, 32% of families pay rent for the property they live in, however, this percentage increases in low-income families. While 30% of non-poor families pay rent, at the same time 50.5% of the poorest families must do so. On the other hand, according to the National Statistics Department (Dane), the percentage changes in house price and rent are approximately the same each year, so that, according to our findings, price changes in the Centro directly impact, with a temporal lag of a period, to tenant families residing in non-central communes, but this impact can be even greater for the poorest families, and as a result, inequality is growing.

Table 5.3 Growth of household income and growth of house price according to stratum.

	Annual income Growth	Annual housing price Growth
Low Strata	0,2%	8,7%
Middle Strata	3,5%	8%
High Strata	4,9%	5,4%

Source: Author's calculation from Dane.

In addition, one way to approach the potential distributional effects of the housing price change in the Centro is by comparing the annual percentage variations in income in each social stratum versus the percentage variations in house prices that occur in each of these strata. In Table 5.3, it can be seen that annual income per person grows more in high strata than in low strata and oppositely, the average price of a property grows more in low strata than in high strata. As a result, the lower socioeconomic condition, the greater the net loss of income (after subtracting housing price growth). It is then noted that the ripple effect in Cartagena, which spreads price changes in the Centro to the rest of the city, is an element that would be deepening inequality in the city.

5.5 Conclusions

In this chapter, I test the existence of a ripple or contagion effect between changes in prices in the Centro Histórico and changes in prices in the rest of the city. The use of simple correlation analysis and spatial analysis showed a possible association between changes in prices, and the panel data method confirmed the existence of a ripple or contagion effect that transmits price variations in the Centro to other parts of Cartagena. This effect occurs in a lagged manner, that is, the city's neighborhoods receive the expansionary effect of prices one year after the expansion occurs in the Centro. However, this impact is not proportional. An increase of one dollar in the Centro generates an average increase of 8 dollars in the price of homes in the rest of Cartagena. This result implies a possible deepening of urban inequality because the income of those who own homes in the Centro tends to grow faster than the income of other families in the city. Likewise, these

data suggest that families, where household income grows slower than real estate prices, face greater difficulties in finding a home in the city. Additionally, I find that the transmission of contagion does not necessarily occur through spatial relationships but rather through socioeconomic similarities. As a result, price changes spread through socioeconomic links or networks that are not spatially connected. Finally, in this chapter, I show that the real estate boom in the heritage area has effects that go beyond the place where capital is received because housing affordability in the rest of the city is reduced by the ripple effect.

CHAPTER 6. CONCLUSIONS

In this dissertation, I analyze the relationship between the dynamics of real estate capital in the Centro Histórico, the articulation of public-private actors for the production of heritage space, and the impact of these processes on housing prices in the rest of the city. I carry out this purpose by establishing a dialogue between analytical elements of economic geography and cultural geography. I use the postulates on capital switching, spatial fix, accumulation, and rent-gap to understand the mechanisms that interconnect real estate capital with urban transformations in the Centro Histórico. On the other hand, I interpret the heritage space as the result of a production process based on certain economic interests and, as a producer of power relations that the ruling class seeks to sustain and reproduce. I understand that this production process not only acts materially but also works through narratives managed and controlled by public and private actors that obtain direct and indirect benefits from the heritage space. Additionally, I use regional analysis tools to identify the alterations in the city's housing market as a result of the entry of real estate capital into the heritage space. This dialogue between two subfields of geography required the use of a mixture of sources, data, and research methods, both qualitative and quantitative, in order to understand and identify causal relationships, agent behaviors, trends, and patterns.

The main contribution of this dissertation consists in showing how the heritage built environment of a Centro Histórico of the global south is transformed into an additional instrument of accumulation and circulation of capital for the processes of “spatial fix” that arise in the face of recessions in other places and sectors. When an architectural asset acquires heritage recognition, it strengthens its exchange value based on the authenticity and preservation of its fixed qualities. These fixed requirements would pose an obstacle to the necessary liquidity due to the circulation of capital, for this reason public and private actors (economic and political) promote commercial innovations, regulatory gaps, and narrative strategies to produce a flexible and adjustable heritage space in the face of the requirements of profitability and liquidity of capital. A second important contribution of this dissertation is that I managed to show that the effects of the inflow of real estate capital are not limited to the gentrification processes that occur in the reception area (and that have

been extensively studied by other authors), but that can be expanded, in the form of ripple effect, towards the housing market the rest of the city and as a result, they can reduce housing affordability in families of low and middle income.

Cartagena has shown a changing relationship with the built environment that today is recognized by UNESCO as a World Heritage Site. The city's walls were built to block the entry of English, French and Dutch naval forces seeking to extract the wealth concentrated in the city due to its status as the main port in South America. After losing their military function, the walls came to be seen as an obstacle to the modernization of the city and a material representation of a past that the rising bourgeoisie sought to discard. This vision came into conflict with a national and local elite that struggled to rescue the colonial symbols and values inherited from the period under Spanish rule. The existence of the walls then constituted a field of dispute between a republican pro-independence elite and an elite that held on to colonial nostalgia. The latter won the contest and managed to lay the foundations to turn the Spanish-built environment into an instrument to transform Cartagena into a tourist city. This new vision also turned the walls into an instrument of segregation and exclusion. Everything that detracted from the image of a Spanish colony was expelled from the Centro Histórico. Political decision-makers prioritized what is inside the walled area and reduced their concern about what is outside it. The efforts made by the city to recover, protect and beautify the Spanish-built environment led Unesco to grant recognition of the set of colonial military fortifications as a World Heritage Site. This event gave Cartagena's Centro Histórico a key distinctive attribute for the extraction of value. While the heritage label made the city an important tourist destination, the image of authenticity gave the walled area an air of exclusivity that allowed real estate speculation.

In chapter 3, I show how real estate capital has managed to take advantage of the heritage condition of the Centro Histórico, turning the place into an investment asset. Using census data, I provide evidence of accelerated gentrification that coincides with a strong inflow of real estate capital in the context of the global crisis of 2008. As of that year, a notable increase in real estate prices has been taking place in the Centro Histórico as a result of the rise of external demand that sees the heritage area as an investment and speculation asset and not as a place for residential use. The dynamics and characteristics

of the actors in this demand suggest that the Centro Histórico is working as a spatial fix for local and transnational capital that, escaping from the global crisis, continues its accumulation process through the use of the city's heritage status. In this dissertation, I discuss three mechanisms through which profitability for incoming capital is managed: restoration as a process of creative destruction, short-term rental as a rent-gap engine, and the use of heritage property as a safe haven for capital. The first mechanism aims to solve the problem of accumulation barriers inherent to investment in fixed assets, and for this, the process of repetitive deterioration and restoration has opened innumerable fresh spaces for recurring reinvestments of real estate capital. In the second mechanism, tourist and real estate agents act in an articulated way to stimulate and take advantage of mass tourism to make the transnational capital mobilized to the city profitable. The properties of the Centro Histórico have been incorporated into the global real estate and short-term rental market and, as a result, the potential rent of the property and the rent-gap have growth opportunities. Finally, in the third mechanism I explain that, in addition to high profitability, the current operation of the real estate market in the Centro Histórico provides other desirable elements for an asset. The diffuse action of the government, ownership through shell companies, the use of financial instruments, and the relationship of the property with tax havens allow investors in the Centro Histórico to gain liquidity, possibilities to avoid and evade taxes, opacity in the relationship owner-property, money laundering opportunities, and investment risk reduction.

In Chapter 4, I study how public and private actors act in an articulated way to produce an attractive space to maintain and increase real estate and tourism capital in the city. I take the concepts of hegemony, growth coalition, and heritagization to explore how this group of actors (linked to power and supported by intellectuals of space) promote particular narratives about the heritage space in order to create a common consensus around the protection of capital needs. These narratives are characterized by the promotion of the social benefits of real estate and tourism investment, the defense of authenticity in the city, and the heritagization of everything that may be attractive to capital. In the chapter I analyze five narratives: “the Centro Histórico is the main engine of growth”, “colonial nostalgia”, “the city of magical realism”, “Cartagena is successful in heritage preservation” and “our heritage / we are heritage”. In the first narrative, I show that the alliance of public

and private actors has positioned a story that defines the Centro Histórico as the main factor of growth, job creation, tax collection, and poverty reduction. I show that this story is based on non-existent or unverifiable evidence, but this, rather than being an obstacle, has been a discursive opportunity to maintain consensus.

The colonial nostalgia narrative seeks to make systematic remembrance of a past whose glory is associated with the built environment and with values and traditions supposedly inherited from the colony. This narrative is economically useful because it provides greater exchange value to the real estate and tourism sectors. Architects and restorers are a fundamental axis in this narrative because they work to exalt, produce, and recreate material and immaterial artifacts that cover the area of real estate and tourist interest with colonial authenticity. "Magical realism" refers to the literary genre in which the writer Gabriel García Márquez worked, and which is characterized as the narration of magical events as a regular part of real life. The incorporation of García Márquez supports three tools of attraction: the life and work of the author give elements of authenticity to certain places and properties, the use of magic as a habitual strategy of tourist propaganda, and the discursive mixture of reality and fantasy allows to exploit the daily activities of the local people as "samples of magical realism". The narrative "Cartagena is a successful city in heritage preservation" is promoted by the institutional authorities in charge of preservation and by a group of traditional restorers linked to the growth coalition. This narrative is useful because, on the one hand, it confronts the numerous criticisms and complaints about violations of preservation rules and, on the other hand, the image of success in preservation contributes to displaying on all real estate investments in the Centro Histórico a mark of authenticity that strengthens exchange value. Finally, the narrative "our heritage / we are heritage" seeks to include the resident as responsible and part of the heritage preservation. This narrative seeks to create a "sense of belonging" that counteracts resistance to the urban impact of the entry of capital and tries to use the daily practices of residents as part of the attractiveness for real estate and tourism capital.

In Chapter 5, I seek to determine the effect on the housing question in the rest of the city of the real estate dynamics driven by what is described in Chapters 3 and 4. Most urban studies on the impacts of real estate capital in the city tend to focus on the processes

of dispossession as a result of gentrification. This chapter attempts to show that the effects are not only limited to the area where capital arrives, but that, through the market mechanism, the impacts can alter the affordability of housing throughout the city. In this sense, I analyze whether the growth in housing prices that occurs in the Centro Histórico (as a result of the real estate boom) is impacting housing prices in the rest of the city. For this purpose, I use the empirical resources of regional analysis and urban economic geography on the relationship between housing submarkets. The literature reviewed shows that in some cities in Europe and the United States, a ripple or contagion effect occurs between house prices in one epicenter and house prices in other places that are spatially or economically connected. Through spatial statistical analysis and panel data method, I identify the occurrence of a ripple effect in Cartagena, in which changes in prices in the Centro Histórico are directly transmitted to changes in prices in the rest of the city. This exercise showed that the effect is more than proportional because the increase of one dollar in the price of housing in the Center produces an average increase of 8 dollars in the price of housing in the rest of the city. This result could be deepening urban inequality because it reduces the purchasing power of those whose incomes grow at a slower rate than the growth rate of house prices. Also, I detect that contagion does not occur through spatial connectivity between neighborhoods but through areas with a similar or slightly lower socioeconomic situation. This result suggests that diffusion is moving from the Centro Histórico to high-income areas and from there, downward, to low-income areas.

The findings summarized above allow us to formulate a theoretical approach on the relationship between real estate capital, production of heritage space, and housing affordability in a city in the Global South. To face a crisis of over-accumulation, capital is mobilized to sectors and places where it can ensure positive rates of profit. In this movement, the capitalist finds in the built environment an investment asset that provides a profitable material anchor. However, when there are not enough investment opportunities in the global north, capital looks to the built environment of the Global South for an additional spatial fix to continue the accumulation process. In that search, certain cities offer attributes that make them more profitable than others. Cartagena is a profitable space due to four attributes: it has a Centro Histórico that attracts mass tourism, its heritage label feeds the exchange value of the properties in that place, the economic limitations of its

inhabitants allow the investor to acquire houses at a relatively low price; and the diffuse operation and vigilance of the law grants to the capitalist some freedom of action that he/she does not find in the Global North. The inflow of real estate capital introduces a shock to the housing market that impacts the everyday residents of the city. On the one hand, it produces a type of gentrification where the expelled families are not replaced by families with a higher income but by capital and, as a result, an emptying of the place begins to occur. On the other hand, the inflow of capital produces an accelerated growth in housing prices in the place of investment that is spread, as a ripple effect, to the rest of the city, which, in turn, reduces the affordability of housing for families with middle and low incomes. In this way, the movement of capital towards the housing market not only produces gentrification but also acts like a wave that expels people to more distant and/or more precarious places. However, agents outside the city are not solely responsible for these effects. Public and private local actors, who obtain direct and indirect benefits from the entry of the investor, manage the production of an attractive space for capital. These actors function as a growth coalition that drives narratives and actions that strengthen the attributes mentioned above. This group of actors struggles to impose a consensus on the attractions of the city and the social benefits of investment in order to feed the profitability of capital, to obtain their own profits, and to counteract complaints about the general expulsion.

In this dissertation, I identify some topics that open space for future research. In the first place, later it will be necessary to extend the analysis about the mechanisms of articulation of tax havens, money laundering, and tax avoidance with the industry of restoration and renovation of properties in Centros Históricos. Second, research in economic geography could expand on the study of the relationship between institutional failures and the flow of real estate capital. Neo-institutional economics has argued that countries with greater institutional stability and compliance with the law tend to attract more foreign investment, however, in this dissertation, I show clues about how legal loopholes and failures in the application of the rules may be working as elements of attraction for real estate capital. In the same vein, it will be pertinent to explore how growth coalitions in cities of the Global South promote certain loopholes and failures in order to generate capital returns. Third, from the perspective of cultural geography, we must

continue to investigate how the production of space for tourism and real estate purposes is building a human landscape based on the exoticization of daily life and the bodies of historically excluded people (mestizos, women, Afro-Colombians, indigenous). Fourth, the analysis of the ripple effect should be expanded with the study of how intra-urban migrations are related to the dynamics of contagion in housing prices. This expansion will validate the role of the real estate boom in the systematic expulsion of families to more remote and precarious areas.

Finally, the economic changes resulting from the spread of Covid-19 create additional investigative challenges. In 2020, while Colombian income fell to its worst levels of the century, the country reported the highest growth in real estate sales in the last decade. On the other hand, the pandemic caused a sharp drop in tourist activity and, as a result, in the Centro Histórico hundreds of stores and restaurants went bankrupt and their leases were canceled. Although this fact suggested a drop in demand, some interviewees pointed out that owners are not lowering the rental price because new investors are entering the city willing to pay even higher prices for the use of the property. During the pandemic, a new wave of gentrification may be unfolding in the Centro Histórico in which tourist companies with less economic capacity are being replaced by millionaire real estate investors. In the words of a property seller: "the pandemic has brought international buyers with much more money willing to take advantage of the bankruptcy caused by the crisis." It is then possible that the city is witnessing a new spatial fix where richer families and transnational capitalists mobilize capital to take advantage of the possible new rent-gaps that have been created in the real estate market as a result of the pandemic.

APPENDICES

Appendix A: Socioeconomic contiguity matrix

	Centro	Bocag	Crespo	Manga	UCG2	UCG3	UCG4	UCG5	UCG6	UCG7	UCG8	UCG9	UCG10	UCG11	UCG12	UCG13	UCG14	UCG15
Centro	0	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Bocag	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Crespo	1	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Manga	1	1	0	0	1	0	1	0	0	0	0	1	0	0	0	0	0	0
UCG2	1	0	1	1	0	1	1	0	0	0	0	0	0	0	0	0	0	0
UCG3	0	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0
UCG4	0	0	0	1	1	1	0	1	0	0	0	1	0	0	0	0	0	0
UCG5	0	0	0	0	0	0	1	0	1	1	1	1	0	0	0	0	0	0
UCG6	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	1	0	0
UCG7	0	0	0	0	0	0	0	1	1	0	1	0	0	0	1	1	0	0
UCG8	0	0	0	0	0	0	0	1	0	1	0	1	1	1	1	1	0	0
UCG9	0	0	0	1	0	0	1	1	0	0	1	0	1	0	0	0	0	0
UCG10	0	0	0	0	0	0	0	0	0	0	1	1	0	1	0	0	0	0
UCG11	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1	0	1	1
UCG12	0	0	0	0	0	0	0	0	0	1	1	0	0	1	0	1	1	1
UCG13	0	0	0	0	0	0	0	0	1	1	1	0	0	0	1	0	1	0
UCG14	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	0	1
UCG15	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	1	0

Appendix B: Regression Tests

Hausman Test

```
. hausman fe re
```

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fe	(B) re		
ChangeCenter	.0370159	.9140927	-.8770768	.6761179
ChangeCent~g	-1.133526	8.430854	-9.56438	4.98011
SocEco	1.639366	1.248237	.3911285	.4348354
SocEcoLag	-.7517687	-.4893084	-.2624603	.36257
GeoNeig	-.9019229	-1.134704	.2327815	.4974786
GeoNeigLag	-.2061646	-.1844386	-.021726	.621472

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

```
chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B)
        = 5.61
Prob>chi2 = 0.4684
```

Breusch and Pagan Lagrangian multiplier Test

Breusch and Pagan Lagrangian multiplier test for random effects

```
ChangeNoCentral[district,t] = Xb + u[district] + e[district,t]
```

Estimated results:

	Var	sd = sqrt(Var)
ChangeN~1	5680169	2383.31
e	3837327	1958.91
u	0	0

Test: Var(u) = 0

```
chibar2(01) = 0.00
Prob > chibar2 = 1.0000
```


Normality Test

Skewness/Kurtosis tests for Normality						
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	joint Prob>chi2	
resid	51	0.0092	0.0303	9.64	0.0081	

White Test (Heteroskedasticity)

White's test for Ho: homoskedasticity
against Ha: unrestricted heteroskedasticity

chi2(27) = 41.62
Prob > chi2 = 0.0358

Cameron & Trivedi's decomposition of IM-test

Source	chi2	df	p
Heteroskedasticity	41.62	27	0.0358
Skewness	29.32	6	0.0001
Kurtosis	1.22	1	0.2693
Total	72.16	34	0.0001

Variance inflation factor (multicollinearity test)

. vif

Variable	VIF	1/VIF
GeoNeig	5.49	0.182093
SocEco	4.16	0.240460
SocEcoLag	3.54	0.282875
ChangeCenter	2.86	0.349661
ChangeCent~g	2.62	0.381896
GeoNeigLag	1.93	0.519387
Mean VIF	3.43	

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- “Spatial analysis of the relationship between oil palm cultivation and forced displacement in Colombia”. Journal “Cuadernos de Economía”, No 61. 2013.
- “Poverty in a resettlement of population in displacement condition. Patiogrande (San Jacinto)” Palobra Journal No 11. 2010.
- “Theoretical and empirical approaches to the relationship between inequality and growth in Colombia”. Palobra Journal. No 9. 2008.

Book

- “Land conflicts and social organizations in the Colombian Caribbean region”. In editorial process by the University of Cartagena.
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