

FINANCIALIZATION OF REAL ESTATE PRODUCTION: SPATIAL IMPACTS

Financeirização da produção imobiliária: impactos espaciais

FinancIALIZACIÓN de la producción inmobiliaria: impactos espaciales



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ABSTRACT

This article seeks to identify the role of international financial capital in the appropriation of portions of Brazil's urban income and its impact on the production of space. Initially, we analyze the participation of international capital in the purchase of shares of real estate developers on the B3 exchange between 2005 and 2023, as well as its share in the companies' controlling interest. We present the specific characteristics of credit and property titles and how they induce companies to form land banks. We quantified the number of land banks and completed developments, and we defined a time factor that reveals control over the production of space. We analyze three cases in the city of Salvador, Bahia, and conclude that international capital has expanded its control over urban land and the production of space in Brazilian cities and has appropriated increasing portions of Brazil's urban income.

Keywords: Financialization; Real Estate Market; Production of Space, Salvador–BA.

RESUMO

Neste artigo busca-se identificar a participação do capital financeiro internacional na apropriação de parcelas da renda urbana nacional e os reflexos na produção do espaço. Inicialmente analisa-se a participação do capital internacional na compra de ações das empresas incorporadoras na B3, entre 2005–2023, e a participação deste capital no controle acionário das empresas. São apresentadas as particularidades dos títulos de crédito e de propriedade e como induzem empresas à formação de Bancos de Terrenos. Foram quantificados os Bancos de Terrenos e os Lançamentos realizados e definido um fator temporal que revela um controle sobre a produção do espaço. São analisados três casos na cidade de Salvador–Bahia e conclui-se que o capital internacional tem ampliado o

controle sobre o solo urbano e a produção do espaço nas cidades brasileiras e se apropriado de parcelas crescentes da renda urbana nacional.

Palavras-chave: Financeirização; Mercado Imobiliário; Produção do Espaço; Salvador–BA.

RESUMEN

Este artículo busca identificar el rol del capital financiero internacional en la apropiación de porciones de la renta urbana de Brasil y su impacto en la producción de espacio. Inicialmente, analizamos la participación del capital internacional en la compra de acciones de promotoras inmobiliarias en la bolsa B3 entre 2005 y 2023, así como su participación en el control de las empresas. Presentamos las características específicas del crédito y los títulos de propiedad y cómo inducen a las empresas a formar bancos de tierras. Cuantificamos el número de bancos de tierras y desarrollos completados, y definimos un factor temporal que revela el control sobre la producción de espacio. Analizamos tres casos en la ciudad de Salvador, Bahía, y concluimos que el capital internacional ha expandido su control sobre el suelo urbano y la producción de espacio en las ciudades brasileñas y se ha apropiado de porciones cada vez mayores de la renta urbana de Brasil.

Palabras clave: Financiarización; Mercado Inmobiliario; Producción de Espacio; Salvador–BA.

1 INTRODUCTION

The crisis of industrial capital's hegemony and the emergence of financial capital as the hegemonic power unfolded over a long process, resulting in the dissemination and consolidation of the neoliberal policy agenda (Chesnais, 1996; 1998; Harvey, 2007). In the Brazilian case, neoliberal policies gained strength during the government of Fernando Henrique Cardoso (1995–2002), driven by multilateral organizations and specific economic groups, thereby establishing the foundations for the free circulation of capital. The encouragement of financialization, through tax exemptions and deregulation, resulted in the expansion of national capital's participation in the domestic financial market, as well as enabling the participation of foreign capital in this market. Among the sectors affected by this financialization process is the real estate sector, which implies changes in the operating strategies of national real estate development companies.

Brazilian real estate production has an intersection with the financial market in two ways: through the financialization of credit¹ — Real Estate Financial System (SFI) and the securitization instruments: CCI, CRI, LCI² — and through the financialization of production, with the opening of capital of large real estate developers. In both cases, invested capital

¹ Since 1993, financial capital has operated in the real estate market through Real Estate Investment Funds (FII). FII's are collective investment vehicles that pool resources to invest in income-generating real estate assets or real estate-related securities.

² CCI – Real Estate Credit Bills; CRI – Real Estate Receivables Certificates; LCI – Real Estate Credit Letters.



takes the form of securities whose privileged *locus* of negotiation is the stock exchange, leading to the assimilation of this sector into the dynamics of financial markets and the accumulation logic of economic capital.

The public listing of real estate companies occurred simultaneously with the resumption of housing finance through the Brazilian Savings and Loan System (SBPE), the Severance Pay Guarantee Fund (FGTS), the SFI, and, under the Minha Casa Minha Vida Program (PMCMV), the Federal Budget.

Improvements in macroeconomic indicators from the early 2000s onward created a favorable environment for positive expectations in the real estate sector. The expectations surrounding the raising of funds through equity offerings in the financial market led several large companies in the sector to go public on B3's Novo Mercado (NM) segment from 2005 onward. This new organization of capital for real estate production in Brazil became a focal point for the convergence of various financialization instruments and the destination of substantial public funds (especially the Brazilian Savings and Loan System – SBPE – and the Severance Pay Guarantee Fund – FGTS). The capitalization resulting from stock offerings enabled an increase in production and an expansion of firms' capacity to respond to a growing real estate market, within a context of shifts in the guiding principles of urban policies, marked by the approval of the City Statute (Law No. 10.257/2001).

This article seeks to understand the extent to which financial capital accesses urban land rents in Brazil through the financialization of real estate production, and the impacts of this process on the production of urban space in Brazilian cities.

1.1 Methodological Procedures

The expectations surrounding the raising of funds through equity offerings in the financial market led several large companies in the sector to go public on B3's Novo Mercado (NM) segment from 2005 onward. This new organization of capital for real estate production in Brazil became a focal point for the convergence of various financialization instruments and the destination of substantial public funds (especially the Brazilian Savings and Loan System – SBPE – and the Severance Pay Guarantee Fund – FGTS). The capitalization resulting from stock offerings enabled an increase in production and an expansion of firms' capacity to respond to a growing real estate market, within a context of shifts in the guiding principles of urban policies, marked by the approval of the City Statute (Law No. 10.257/2001).



Initially, the participation of international capital in the purchase of shares of real estate development companies listed on the B3 is analyzed from 2005 to 2023, through the identification of companies in the sector listed on the B3³ NM⁴ (Novo Mercado) and the survey of foreign capital participation in the acquisition of these companies' shares in public offerings. Utilizing as a reference the data presented by Fix (2011) on the involvement of foreign capital in the ownership structure of the companies in 2009, a comparison was made between this participation and the one identified in 2023, based on data from B3 (B3, 2024b) and the Securities and Exchange Commission of the Central Bank (CVM, 2023).

Subsequently, the particularities that make going public a more suitable alternative for capitalist accumulation, compared with credit and debt titles, are, as well as how these particularities may induce companies to adopt speculative strategies in urban land. Posteriorly, the impacts of this process on the formation of land banks of companies are discussed. Using the companies' earnings releases, the BTs (building transactions) and the launches were quantified⁵. The monetary data were updated by the IPCA (Brazilian Consumer Price Index) to December 2023. The comparison of the volumes of BTs and the launches made it possible to propose a temporal factor that reveals control over the production of space, enabling speculative strategies. Finally, some impacts on the production of urban space are identified, and some real estate developments carried out by these companies in Salvador, Bahia, between 2005 and 2023 are analyzed.

2 CAPITAL OPENING

The leading Brazilian real estate developers have gone public on the B3's NM, notably since 2005, with the first Initial Public Offerings (IPOs) and Follow-ons⁶. Between 2005 and 2023, the capital opening allowed the group of 26 companies in the sector to raise approximately R\$ 65.5 billion⁷ (B3, 2024b). Two periods of share issuance by companies in the sector are identified (2005–2011 and 2019–2023), with an interlude without share offerings between 2012 and 2018 (Table 01). The highest concentration of emissions

³ B3 had not yet been established at the time. The shares were negotiated at Bovespa, which in 2008 underwent a merger process that resulted in BM & FBOVESPA, and in 2017 gave rise to B3 after its merger with CETIP.

⁴ Novo Mercado is one of B3's listing segments. These listing segments have distinct corporate governance rules, with Novo Mercado being the most demanding.

⁵ The survey was not exhaustive: there were data gaps in some of the Releases consulted.

⁶ A company is considered publicly traded when its shares are traded on stock exchanges through public offerings (IPOs or follow-on offerings). IPOs effectively correspond to the process of going public

⁷ All values presented in this article have been adjusted for inflation using the IPCA index for December 2023.



occurred in the first phase and in two cycles: a capitalization cycle, between 2005 and 2007 (R\$ 33.8 billion), predominantly IPOs (about two-thirds of companies carried out IPOs during this period), followed by a capitalization expansion cycle through Follow-ons, between 2009 and 2011 (R\$ 18.5 billion), reflecting the heating up of the real estate market resulting from the Minha Casa Minha Vida Program. These emissions together accounted for about 80% of the total value raised by companies between 2005 and 2023 (Figure 1). In the second phase, between 2019 and 2023, there were fewer offerings and lower traded volume (R\$ 13.2 billion). IPOs were concentrated at the beginning of the period, while Follow-ons occurred throughout the period.

Table 01 – Brazil: B3: Novo Mercado: quantity of real estate segment share offerings by type of issuance: 2005–2023

Year	IPO		Follow-on	
	Amount	%	Amount	%
2005-2007	17	68,0	5	20,8
2009-2011	1	4,0	10	41,7
2019-2020	7	28,0	6	25,0
2023	0	0,0	3	12,5

Source: Elaborated by André Santos and Ana Rocha dos Santos based on B3 (2024b).

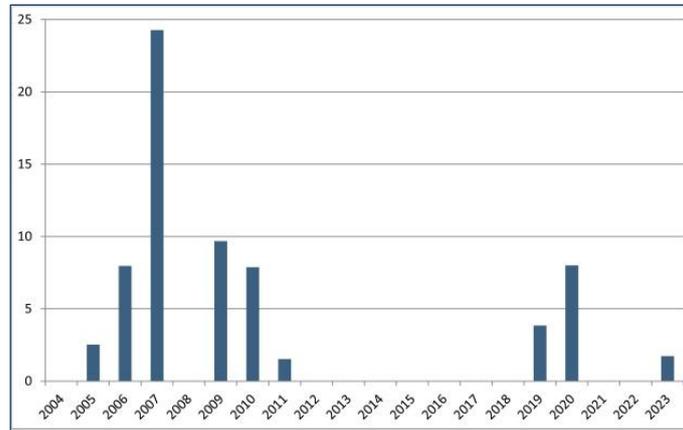
The real estate sector only began to attract significant participation from foreign capital belatedly, due to natural barriers to the penetration of this fraction of capital. Knowledge of urban dynamics and the local real estate market, the dominance of urban planning legislation, the particularities of architectural programs, financing options, and articulation with suppliers strongly influence the success of real estate developments.

The initial public offerings enabled this fraction of capital to participate in national real estate production without directly engaging in production. Foreign capital showed strong interest in these companies initially (2005–2011), acquiring approximately 72% of the total offerings in the first cycle and 63% in the second (Figure 02). In the second phase, participation decreased to approximately 27% of the total (a 40-percentage-point reduction). The reduction in foreign capital participation in share acquisitions did not imply changes, in the same proportion, in the shareholding positions they had assumed initially (2005–2011). When comparing the composition of shareholding control of companies in 2009 with that of 2023 —considering the participation of foreign capital and national/foreign capital together—the composition of shareholding control showed slight variation, with a reduction of only



7.1 percentage points⁸; with an overall participation of approximately 57% in 2023 (Table 02). Foreign capital, even with reduced involvement, maintained a majority stake in all companies.

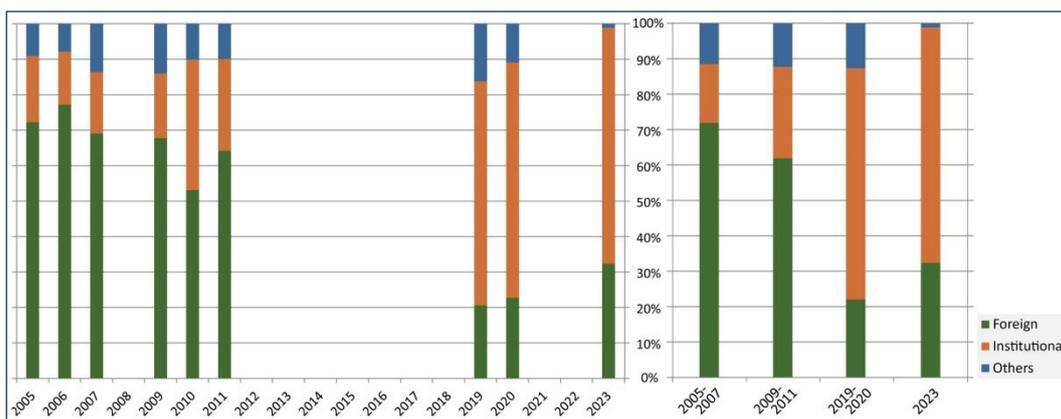
Figure 01 – Brazil: B3: Novo Mercado: Volume of Equity Offerings* by Real Estate Sector Companies, 2005–2023



*In billions of reais, adjusted by the IPCA to Dec. 2023 values.

Source: Prepared by André Santos and Ana Rocha dos Santos based on: B3 (2024b).

Figure 02 – Brazil: B3: Novo Mercado: Relative participation of foreign capital in the acquisition of shares in IPOs/Follow-ons of companies in the real estate segment, annually and by period: 2005–2023*



* Years with no indication of data were years in which the offer of shares of the companies considered in this study did not occur.

Source: Elaborated by André Santos and Ana Rocha dos Santos based on: B3 (2024b).

⁸ Fix (2011) affirms that foreign funds reduce participation to levels below 5%, so they will not be listed on B3's shareholder control list, thereby obscuring their shareholding.



The Brazilian Real Estate market has now begun to count on around 20 large publicly traded real estate development companies, capitalized through IPOs and Follow-ons, with the notable participation of foreign capital. This organization of capital implies particularities regarding the accumulation process that can affect the production of urban space. For a better understanding of the particularities of financialization, it is essential to unravel the logic of accumulation underlying the various value-bearing securities.

Table 02 – Brazil: B3: Novo Mercado: Composition by origin of capital of investment funds and participation funds, and holding companies in the shareholding control of companies in the real estate sector: 2009/2023

Origin of capital	2009		2023	
	Price*	%	Price *	%
National	13.046.177	35,96	4.321.388	43,08
Foreign	18.013.206	49,64	2.355.864	23,49
National / Foreign	5.223.782	14,40	3.353.016	33,43

*In thousands of reais, adjusted by the IPCA to Dec. 2023 values.

Sources: Elaborated by André Santos and Ana Rocha dos Santos based on: B3 (2024a); CVM (2023), and websites of investment and participation funds; Fix (2011).

3 INCOME AND PROPERTY TITLES

The financialization of the Brazilian real estate market occurred through the financialization of credit via the SFI (Brazilian Real Estate Financing System) and through the public listing of real estate developers. Although both alternatives are forms of financialization of the real estate market, they differ in their fundamentals, which allow capital accumulation in each case. In both cases, the titles involved are:

‘Securities of value’ [...] which represent sums of money. It is divided into two main groups: payment orders, which represent nothing more than debt securities [...]. The second group is represented by securities that signify not a sum of money, but rather its yield. (Hilferding, 1985, p. 135).

The first group corresponds to securitized debt, that is, fixed-income securities (fixed-interest instruments), while the second group is represented by company shares, which constitute property titles and are classified as variable-income securities. Here, price fluctuations depend essentially on two factors: the level of profit and the level of the interest rate” (Hilferding, 1985, p. 140), in contrast to fixed-income securities, which depend exclusively on the interest rate and lie outside the direct control of managers.



Shares are securities that entitle the holder to participate in the company's profits in the form of dividends, a portion of the surplus value that remunerates the ownership titles. The level of profit can be affected by business strategies or by conjunctural factors, redefining current profit and expectations of future profit. The price of shares is equivalent to the "capitalized share of participation in income" (Hilferding, 1985, p. 114). Aiming to value shares, companies create expectations of increased future income and dividend distributions, thus increasing share prices. According to the author:

Since profit is capitalized and the capitalized sum constitutes the share price, the share price appears to contain a second capital. However, it is an illusion... This does not, however, prevent this fictitious 'capital' from existing (Hilferding, 1985, p. 114).

In this sense, "the movement of shares is not a movement of capital, but merely a buying and selling of income securities" (Hilferding, 1985, p. 114); they are negotiations of anticipated income transacted independently of the object/process that generates the income; a buying and selling of securities detached from the sphere of production. In this distancing from effective production, "capital shows itself as money that multiplies money, [...] without an intermediary movement that operates the mediation" (Marx, 2017, p. 392), obscuring the necessary link between production, the distribution of dividends, and the pricing of shares.

The amount of dividends to be distributed depends on the profit, i.e., it originates from the increased value generated by the production process. If there is a prospect of increased company revenue, the price of its shares will increase, regardless of the determinant of the revenue increase. Whenever there are circumstances that allow for "a further distribution of higher dividends, then the share price rises" (Hilferding, 1985, p. 118). The formation of this fictitious capital involves creating the effective conditions in the present to support promises of future production: real estate production and urban space.

The presence of financial capital led to Corporate Governance and to shareholder participation in decision-making, with the "predominance of financial managers over industrial managers" (Shimbo, 2016, p. 126). Industrial managers were responsible, in "most cases, for daily management of the company's daily operations, knowledge of the territory and of the population's habits. And to a large extent, influence over local power at the federal, state, and municipal scales" (Fix, 2011, p. 220).

The capitalization resulting from the initial public offering (IPO) provoked an expansion of production. Two strategies were adopted: broadening the income segments

served and expanding the geographic area of operation. Decision-making centers increasingly distanced themselves from the territories affected by their decisions. These strategies were present in all 'real estate companies listed on the B3's NM' (referred to in this article as EINM-B3), but each company defined its own expansion tactics encompassing various cities, states, and regions. The expansion was necessary to increase profits and dividends in response to the volume of capital incorporated into the EINM-B3. Still, it also served as a basis for promoting speculative processes through the formation of fictitious capital. Among the fictitious capital formation strategies adopted by the EINM-B3, the most relevant was the formation of Treasury Bills (BTs). The maintenance of land banks is a necessary condition for ensuring real estate production and the subsequent distribution of dividends.

4 LAND BANKS

The primary input for real estate production is the availability of land for construction. As Fix (2011, p. 195) reiterates, "the monopoly over a portion of the territory is the way companies find to guarantee investors that they will be able to appropriate profits from construction and increases in land income from development". Maintaining land use rights (BTs) by developers is a common practice; it guarantees production. Other inputs are necessary, as are essential lines of financing for production and consumption. However, companies in this segment assess the potential production volume associated with land ownership or the availability of suitable urban land for real estate development.

Companies used part of the incorporated capital to expand their BTs (land banks), guaranteeing future production and dividends and creating fictitious capital. The way BTs are presented in the Earnings Releases report: as this character: 'billions of reais in Gross Sales Value⁹ (VGV)'. The concentration of capital in EINM-B3 and the imperatives of financial accumulation elevated the relevance of these BTs. Some of these companies increased their capital volume ten times more (Fix, 2011), amplifying their production capacity and BT formation.

Companies have implemented land banks (BTs) in various regions of Brazil to maximize the Potential Gross Sales Value (VGVP)¹⁰, the leading indicator of future profit

⁹ VGV is an indicator in the real estate market that reflects the projected sales value of a given development or group of developments.

¹⁰ VGVP (Potential VGV) corresponds to the potential VGV for unrealized launches. The acronym VGV is reserved for cases where the values refer to realized launches



potential. The information about these lands is imprecise; it either indicates only the region where they are located or provides no location at all. The states in the Southeast and South regions are almost always targets for BT formation, followed by Goiás and the states in the Northeast, especially Bahia.

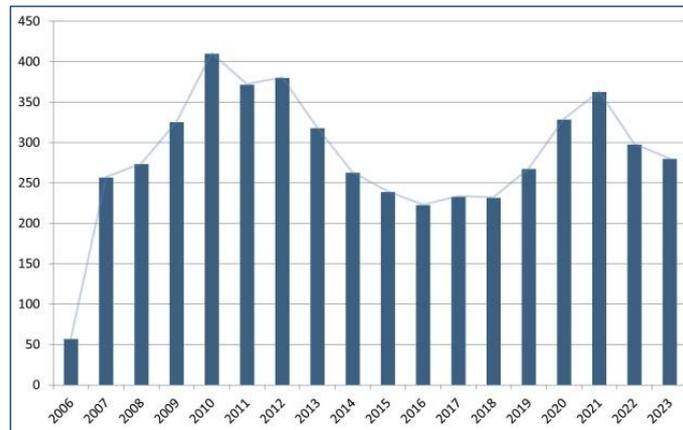
In the initial years of stock offerings, there was widespread formation of land banks (BTs), which reached approximately R\$ 250 billion in Gross Sales Value (VGVP) in 2007 and continued to rise, reaching over R\$ 400 billion in 2010 (Figure 3). The economic and political situation led to fluctuations in the volume of BTs between 2011 and 2023, ranging from R\$220 to R\$410 billion in VGVP. These values were, to a large extent, higher than the volume of real estate financing carried out by the SBPE (Brazilian System of Savings and Loans) for the same years. In December 2023, the accumulated value of BTs under the control of EBM-B3 (Brazilian Stock Exchange) represented a GSV of around R\$ 280 billion, close to the overall average of BTs between 2007 and 2023.

Competition among the companies over urban land and the volume of capital available for this purpose led to a significant increase in land prices (Fix, 2011). Data from the Economic Research Institute Foundation (2024) show intense appreciation of urban real estate in Brazil between 2006 and 2013 (Figure 04). The real estate market situation at that time was characterized by :

an intense process of land and real estate speculation, which promoted an elevation of the price of land and real estate, considered the 'highest in the world'. Between January 2008 and January 2015, the price of real estate rose 265.2% in Rio de Janeiro and 218.2% in São Paulo, leading the increase among the country's capitals (FIPE, 2015 apud Maricato, 2015, p. 39).

The initial period of BT formation corresponds to the change in slope of the curve in Figure 4, starting in 2007, when the process of increased appreciation of urban properties began, a possible side effect of the search for land for BTs and the retention of land in BTs. This rush to form BTs enabled the production and distribution of dividends, and, in addition, the appreciation of urban properties increased the VGVP/area ratio, further increasing gains from urban income.

Figure 03 – Brazil: VGVP Total of the Land Banks of real estate companies listed on B3: 2005–2023



* In billions of reais adjusted to Dec. 2023 using the IPCA (Brazilian inflation index).

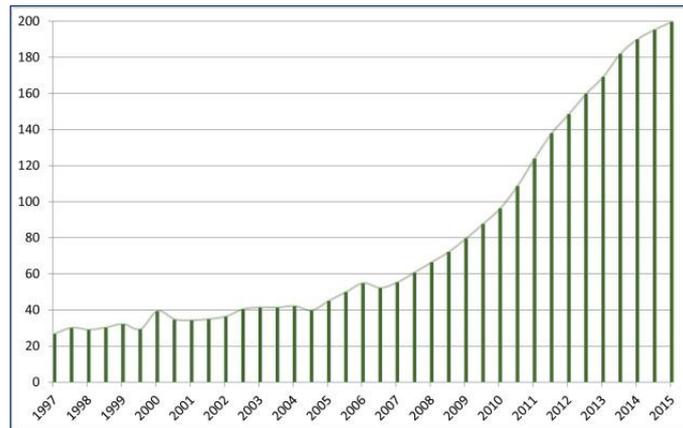
Source: Prepared by André Santos and Ana Rocha dos Santos based on company earnings releases¹¹.

It is not common for EINM-B3 companies to disclose the extent of the land holdings of their BTs. Among the companies analyzed¹², only eight declared this extent in some of their press releases and reported the corresponding Gross Sales Value (VGVPs). Considering these representative values for the universe of companies, it is possible to estimate the total area of the land held in the BTs for the entire set of EINM-B3 companies. This estimate allows us to make a first approximation of the extent of the BTs. By determining the relationship between VGVP and land area of the BTs in the sample and projecting it to the entire set, the total area estimated for December 2023 was on the order of 100 million square meters, located in the central Brazilian cities, as is constantly referenced in the press releases as being characteristic of the lands in question. These companies have amassed a large stock of land for real estate development, with implications for urban income and the production of urban space.

¹¹ The companies consulted were: MRV, Alphaville, Cyrela, Direcional, Tenda, Gafisa, Eztec, Helbor, Cury, Even, Plano e Plano, Tecnisa, RNI, Moura Dubeux, Mitre, Trisul, Rossi, PDG, Lavvi, Melnick.

¹² Cyrela, Even, Helbor, JHSF, Melnick, MRV, Plano e Plano, Trisul.

Figure 04 – Evolution of the FIPEZAP Index¹³: 1997–2015



Source: Prepared by André Santos and Ana Rocha dos Santos based on: FIPE, 2024.

Considering that: (i) the sale of shares on the stock exchange is equivalent to trading part of future profits; (ii) real estate production has a portion of its profit based on the appropriation of urban income; and (iii) the land plots that make up Land Banks (BTs) essentially serve the purpose of creating fictitious capital, what is being traded on the stock exchange, in the form of shares, is urban income, compelling companies to make efforts to maximize this income. The companies' strategies involve retaining land in BTs and maximizing the income to be extracted from the developments carried out there. Thus, a significant portion of national urban income is remitted abroad in the form of interest and dividends (with a low tax burden, when not exempt). A relevant portion of Brazilian urban income already circulates through stock exchanges in the form of dividends (present income) and share trading (future income).

The predominantly speculative urban land market becomes umbilically linked to the financial market. The speculative process characteristic of the financial market is transferred to the production of urban space, with the interests of the financial investor serving as the benchmark for EINH-B3 (Brazilian Stock Exchange), which exhibits expressive participation from foreign capital. Paulani (2013) alerted us to a new phase of the economy in which dependence on foreign capital no longer appears as an outstanding debt, as in the 1980s. In this new phase, foreign capital accesses the national economy via the financial system.

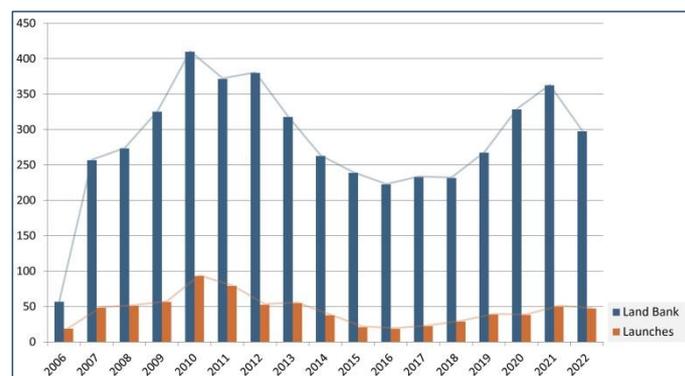
¹³ A nationwide residential property price index, developed by FIPE using data from the VivaReal and Zap Imóveis portals (FIPE, 2024).

5 CONTROL OVER THE PRODUCTION OF URBAN SPACE

The formation of BTs results not only in the control of a specific extension of space and its production, but also in the timing of this process. The volume of the annual launches of the EINM–B3 corresponds only to a fraction of the volume of the BTs; as such, EINM-B3 companies guarantee production for a specific period. Consequently, companies reserve a portion of urban land and define the pace of their production.

The extension of production time guaranteed by the BTs is a control index over the production of urban space, which can be estimated by comparing the VGVs of new launches and the VGVP of the BTs each year. The volumes of the BTs and of new launches increase or decrease simultaneously, suggesting coherent behavior between them, despite the distance between the curves (Figure 05). In the overall calculation, considering only the data where the volume of launches and BTs were reported for the same year/company, the average annual volume of launches is equivalent to a VGV of approximately R\$ 44.5 billion, and the average stock of BTs, in VGVP, is equivalent to R\$ 284.1 billion. Considering this overall average of launches and BTs, the totality of the BTs guaranteed launches for 7 consecutive years; more than two-thirds of the validity period of a master plan before its revision, as determined by the City Statute (10 years).

Figure 05 – Brazil: Total VGVP* of the Land Bank and VGV* of launches:** 2006–2023



* Billions of Brazilian reais, adjusted by the IPCA to Dec. 2023.

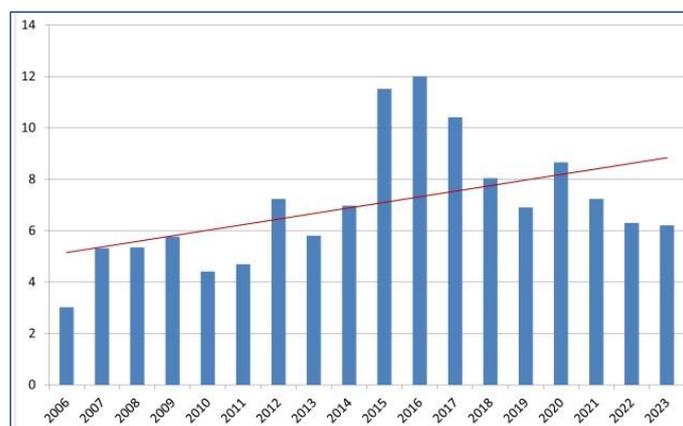
** Only data for which both BTs and launches were available for the same period were considered.

Source: Prepared by André Santos and Ana Rocha dos Santos based on company earnings releases.

Figure 06 represents the relationship between the accumulated VGVP in BTs each year and the respective VGV in launches, and indicates the average number of years that EINM-B3 could maintain launches each year — defined in this study as the Temporal Factor of BTs (FTBT). There was a general upward trend in the FTBT (linear trend line in Figure

6), despite fluctuations and periods with a persistent downward trend. In perspective, there is greater control over the timing of real estate production, increasing the potential for speculation in urban income.

Figure 06 – Brazil: FTBT: relationship between the VGVP of BTs and the VGV of annual launches and listed companies on the NM: 2006–2023



Source: Prepared by André Santos and Ana Rocha dos Santos based on company earnings releases.

The BTs also suffer permanent renovation; developments are carried out on land within the BTs and launched, and the addition of new land replenishes the BTs. This dynamic allows a given plot of land to remain in the BTs for long periods. Only three of the EINM-B3 companies presented a composition of the BTs based on the acquisition year criterion (Table 03). These companies declared BTs with a total of 108 plots of land, of which 29 had been in the BTs for more than seven years, and of this total, 12 had been part of the BTs for more than ten years (longer than the validity period of a PDDU - Master Plan for Urban Development). One plot of land had remained in the BTs for 17 years, since the initial period of the developers' IPOs.

Table 03 – Brazil: Composition of the Land Banks by year of acquisition for some of the companies listed on the B3: 2006–2023

Company	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
M.Dubeux	—	3	1	—	—	4	2	5	7	1	2	1	1	9	*	*	*	*	36
Melnick	—	—	—	—	3	—	—	—	4	—	1	1	7	—	1	5	2	12	36
Eztec	1	1	1	1	2	1	—	3	1	—	—	—	1	9	8	4	1	2	36

Land plots held for more than 7 years in BT

Land plots held for more than 10 years in BT

* No information available in the Earnings Release.

Source: Elaborated by André Santos and Ana Rocha dos Santos based on: Moura Dubeux, 2019, p. 24; Melnick, 2023, p. 24; Eztec, 2023, p. 23.

The possibility of waiting for the right moment to launch projects implies speculating on urban rents. This definition includes aspects of the economic situation, but these are not the only relevant factors. There are speculative processes related to urban rent determined by urban externalities, by the urban context in which a given plot of land is located or to which it is related (Abramo, 2007). In this way, the production of urban space affecting the land in question is a determining factor in the process of speculation over urban land.

The EINM-B3s have exercised control over the production of space by retaining sufficient land for long periods of production, defining the pace of production and the content of the space produced. Maintaining land within a BT for an extended period allows the immediate and/or mediate urban space to undergo spatial reproduction, thereby increasing the value of the land and property. The formation of BTs and the resulting FTBT provide the necessary time to manage city production in a way that favors the interests of these companies, which may eventually exert influence at all three levels of government, including changes to PDDU determinations (Urban Development Master Plans).

Considering the participation of foreign capital in shareholding control in 2023, differences are identified in the formation of land banks (BTs), project launches, and the FTBT (Table 4). EINM-B3 companies with only foreign funds participating in shareholding control had a higher average BT volume (R\$ 20 billion) and a higher average launch volume (R\$ 2.9 billion). EINM-B3 companies with only national capital participation exhibited lower volumes of BTs and FTBT. These data reaffirm the relevance of international capital in control of the production of urban space and in appropriating national urban income.

Table 04 – Brazil: B3: Novo Mercado: Average BTs, launches, and FTBT, considering foreign capital participation in shareholder control: December 2023

Capital origin	Average BT*	Average of launches*	FTBT (Years)
Estrangeiro	20,08	2,90	6,93
Nacional & Nacional/Estrangeiro	12,25	1,48	8,30
Só Nacional	9,24	1,79	5,16

* VGV in billions of reais.

Source: Prepared by André Santos and Ana Rocha dos Santos based on: Company earnings releases.

6 THREE CASES IN SALVADOR (AND AN ADDENDUM)

In Salvador, approximately 120 projects undertaken by nine EINM-B3 companies were identified between 2005 and 2023. These projects stand out in the landscape due to their scale (verticalization, extent, and number of units) and can be divided into three categories, according to the urban context in which they are inserted: (i) projects in urban expansion zones with a good supply of cheap land; (ii) projects in consolidated areas with sparsely available lots; (iii) projects in sectors of the city undergoing densification, with large plots available. Projects in this last category were selected because they more transparently demonstrated the BTs' management strategies.

Three sets of developments stood out: Greenville (PDG), Horto Bela Vista (JHSF), and Complexo Vila Piatã (PDG). In addition, the analysis extends to a development in the launch phase (in December 2023) that presented similarities to the selected developments: Cidade Sete Sóis (MRV). In these developments, the practical results of land retention in BTs were identified; the adopted production strategy was fractional launches. Fractional launches are understood as the occupation of only part of a given land parcel, with the remaining area reserved for future developments or additions to the existing project. This strategy reveals control over the timing of production and incorporation. Figure 7 indicates the location of these developments in Salvador.

Figure 07 – Salvador: location of completed projects and Horto Bela Vista, Greenville, Villa Piatã Complex, and Cidade Sete Sóis: 2023



Source: Prepared by André Santos and Ana Rocha dos Santos.
Cartographic base adapted by the authors from Google Earth (2023).

The initial Horto Bela Vista project previewed the construction of 18 buildings, four of which were designated for commercial use, and a shopping center. Construction took place between 2010 and 2012 in an area of the city identified in the master plan in force at the time (PDDU) as the Retiro/Acesso Norte Municipal Centre. By July 2012, construction at Horto Bela Vista had been completed (Figure 08), presenting nine buildings organized into three condominiums with 26 to 36 stories, in addition to the Bela Vista Shopping Centre (one of the largest in Salvador). Part of the land remained unused.

In 2022, about 40% of the original plot's total area remained unused (12 years). In the meantime, the real estate units sold were occupied, and the surrounding area became more densely populated with several new real estate developments. The Salvador metro system began operations at the integration station for Lines 1 and 2 (Estação Acesso Norte) and the Acesso Norte metro/bus integration terminal, which are connected to the Bela Vista Shopping Centre by a footbridge. The space produced by various agents led to an urban reconfiguration that treats these residual lots as positive externalities, capable of being capitalized into the value of the properties that may eventually be built there.

Figure 08 – Salvador: unoccupied areas in Horto Bela Vista: 2022



Source: Prepared by André Santos and Ana Rocha dos Santos.
Cartographic base adapted from Google Earth (2023).

In 2023, the Villa Piatã Complex had five vertical condominiums, comprising more than seventy buildings with 10 to 15 floors, built between 2008 and 2014 (Figure 09). After the condominiums were delivered, Orlando Gomes Avenue, the access road to the Complex, was widened, the Xangô River, which borders the Complex, was channeled, and

projects to redevelop the Atlantic coastline in the vicinity of this development were carried out.

Figure 09 – Salvador: unoccupied areas in Complexo Villa Piatã: 2022



Source: Prepared by André Santos and Ana Rocha dos Santos. Cartographic base adapted from Google Earth (2023).

In July 2022, most of the remaining areas were still unoccupied (Figure 9) (at least 10 years of fallow land). On a smaller portion, a vertical condominium was being built by the developer Tenda (an EINM–B3). As in the previous case, part of the original land remained unused, while a series of actions by the State and other social and business agents led to significant changes in the immediate and surrounding urban context, thereby appreciating this urban sector.

Greenville is a complex of five condominiums, comprising a total of 17 buildings ranging from 24 to 30 stories each. The condominiums were built between 2010 and 2014. In 2022, there were still vacant lots (Figure 10) (8 years without social use), a situation that remained unchanged until December 2023.

At the same time as these condominiums were being built, Pinto de Aguiar Avenue (which provides access to Greenville) was duplicated, and the metro system operations began (in June 2014); Pituaçu Station is just over 1.5 kilometers from Greenville. After the completion of the works, the following were also carried out: the requalification of roads in the vicinity, the launch of several developments in the surrounding area, the inauguration of Tamburugy Avenue, the duplication of Gal Costa Avenue (connected to Pinto de Aguiar Avenue, structuring the road system of Salvador that connects the Atlantic Coast with the

Bay of Todos os Santos) and, in 2023, a comprehensive redevelopment of the Atlantic coastline in the vicinity of the development (about 1 km away) was initiated.

Figure 10 – Salvador: unoccupied areas in Greenville: 2022



Source: Prepared by André Santos and Ana Rocha dos Santos.
Cartographic base adapted from Google Earth (2023).

In addition to these three cases analyzed, there is the recently launched Cidade Sete Sóis, presented as a smart city: a project comprising seven vertical condominiums. This development is still in the launch phase, with the construction site set up and the land for the condominiums prepared. Cidade Sete Sóis follows the same typology as the developments presented above; it is a large-scale development organized as a complex of condominiums (Figure 11), with two launched concurrently with the complex and the others only indicated in the project, reaffirming the fractional launch strategy.

Figura 11 – Salvador: Cidade Sete Sóis: simulated photo 2023



Source: MRV (2023).

The developments vary in scale: they are built on extensive plots of land, forming a group of condominiums with multiple buildings with a large number of residential units. These three developments form a kind of cluster, with few access points. They were presented as planned neighborhoods, but were only partially built and lacked the facilities compatible with the designation of 'neighborhood'. A portion of the land was kept vacant, awaiting the development of the surrounding area. This division allows the current launch to serve as the basis for the appreciation of the remaining portion of the land that remained under the control of EINM–B3.

These unused plots of land were kept in the BTs for a long time, especially since they were already part of the BTs before the launches that have already been carried out, built, and occupied. This portion of land, by remaining in the BTs, in addition to the appreciation resulting from the occupation of the completed developments, undergoes appreciation processes derived from state investments in infrastructure in the sectors of the city affected by the developments, changes in the PDDU guidelines for these areas, and the city's own expansion in this direction. From this perspective, the presence of residual land in the BTs is not accidental; it is by design.

7 ON THE PRODUCTION OF SPACE AND URBAN LAND INCOME

The similarities between the ventures are consistent with companies' interpretation of BT management. The issue does not concern any particular company. As Wood (2014, pp. 24-25) reminds us, no matter how powerful companies may be, they “are merely vehicles for capitalists [...] a particular means by which capitalists organize their wealth”. This is clear in the intertwining of shareholdings between investment funds and companies (Fix, 2011; Carvalho; Ribeiro, 2019). One must look at companies as a whole, as agents of capital, and at the form of capital that establishes the logic of action for this group. EINM–B3s present themselves as a particular organization of financial capital (domestic and foreign) at its intersection with the national urban space.

The formation of BTs allowed developers to control the schedule for the incorporation of the land included therein. Due to the size of these BTs and the capital accumulated in these companies, this control implies: (i) the possibility of anticipating the actions and decisions of the State and society regarding the production of urban space; and (ii) choosing the right moment for development, from the perspective of profitability and capitalist accumulation strategies. In times of financial capitalism, the central issue of the

accumulation process occurs in the sphere of urban income appropriation, not in production itself, but in incorporation.

According to Marx (2014, p. 181-182):

The cyclical process of capital is one of continuous interruption: one stage is abandoned, the next stage is entered; one form is discarded, another is assumed; each of these stages not only conditions, but at the same time excludes the other. However, the characteristic feature of capitalist production [...] is continuity [...]. Each stagnation at one stage causes a greater or lesser stagnation throughout the cycle, not only in fixed capital.

The formation of BTs interrupts the capital cycle, immobilizing capital in the form of commodities. In this case, the commodity is urban land, the basis of real estate production and the support for urban income. At first glance, the land retained in BTs appears to be merely the raw material that guarantees the production and reproduction of capital, yet it behaves uniquely. The land included in BTs, even when immobilized, is taken as value in the formation of fictitious capital.

The value of urban land is not defined by the value of improvements made to the land itself; these improvements have marginal significance in the formation of value. What defines urban income is its location in the urban structure and accessibility to services (Singer, 1980). The presence of a specific set of urban objects associated with a particular location defines the value of the real estate product; a monopolistic location value (Arraes; Sousa Filho, 2008). Urban externalities, which result from production by the state, society, and, eventually, the company itself, are part of this process of value definition. In this sense, it is correct to say that real estate development, in the management of its production process (and within legal procedures), appropriates surplus value that goes beyond the immediate result of its own production. The decision to carry out or not carry out the development shifts the accumulation to speculative processes on urban income.

The prospect of increased profits resulting from land appreciation, stemming from production carried out by the State and/or society, contrasts with the short-term drive to realize surplus value, characteristic of accumulation processes and the shortening of capital cycles. As a result, real estate development companies manage land use projects (BTs) by balancing these two interests: the immediate interest in production and the speculative interest. A portion of the land is used for production, and another portion is maintained within the BTs. The remaining land within the BTs continues to appreciate due to the production of urban space associated with them. Maintaining land within BTs does not correspond to a

classic interruption of the production cycle; production is not interrupted; it shifts to the production of urban space attached to the land.

Knowledge of urban dynamics and the possibilities for intervening in these dynamics are imperative for distinguishing between production and speculation, between urban land as an input to production and urban land as a basis for the formation of fictitious capital. There is no single solution to this equation, and it is the analysis of the circumstances in each case that defines the parameters of the choice. In the new form of capital organization, decisions about the management of EINM–B3s are no longer made by company executives. Decisions about the companies that control BTs are subject to corporate governance, guided by the partners who hold controlling interests, with significant foreign capital participation. Thus, the production of Brazilian urban space, to a certain extent, responds to the interests of this fraction of capital.

8 FINAL CONSIDERATIONS

With financialization, capital has gained greater freedom of movement. It can also exercise greater selectivity in its choices, resulting in a greater potential for impacts on the economy, consequently, on the direction of society and, *mutatis mutandis*, on the production of space. Financial capital has penetrated the real estate sector, with strong participation from investment funds and significant foreign capital, facilitated by the financial opening carried out in the 1990s. By going public on the stock exchange, this sector, traditionally local in nature, created a path that granted foreign financial capital access to national real estate production. This process of capital concentration and the logic inherent in financial capital led these companies to the widespread formation of fictitious capital.

One form of this fictitious capital was the accumulation of urban land in extensive BTs, which allowed them to dictate the pace of launches and, consequently, the optimal time for incorporation, leading to speculative processes in urban land rent. EINM-B3 companies have accumulated urban land holdings totaling over 100 million square meters and an average sales value of R\$240 billion across key urban sectors in major Brazilian cities across various states. This has had implications for the urban land market and a general increase in the value of urban properties. This land accumulation has allowed them to guarantee, on average, just over 7 years of new developments each year, providing a perspective of sustaining the income generated and the dividends to be distributed. The possibility of such a large-scale influence on the production of urban space is a legacy of

the initial public offering (IPO) of these real estate development companies on the stock exchange.

With the hegemony of financial capital, urban land became subject to a new logic: when incorporated into the BTs of publicly traded companies, these companies began to value the urban land under their control based on its potential to generate income. This situation, shaped by the formation of extensive BTs, shifts the production and appropriation of urban land income to the center of the accumulation process in the real estate sector. Control over the timing of launches, as measured by the FTBT, implies the possibility of managing production so that it takes place on land that is most strategic to the process of capitalist accumulation. This type of strategy is not new in the sector; however, it has been enhanced by ABT and intensified by the concentration of capital in EINMB3.

The cases analyzed, located in Salvador, provide an initial perspective on the impacts on the production of urban space; large-scale production, forming clusters, with fractional launches, and the maintenance of large plots of land unoccupied for long periods. The developments were located in sectors of the city that underwent infrastructure development and the densification of use and occupation. These processes have significant potential to increase urban land value. This approach to space production, fractioning launches and leaving land unused for more than a decade, reflects the speculative potential present in this context of high concentration of (financial) capital and the formation of large vacant lots driven by corporate management.

In the production of the city, financial capital is interested in exploiting urban income, which is appropriated as location and externalities. This urban income, whose fabric is orchestrated by financial capital, stems from the convergence of: (i) the production of urban space by the state and society; (ii) the relaxation of urban regulations; (iii) the availability of ample lines of financing; and (iv) the control, provided by BTs, over the timing of incorporation, resulting in the constitution of superlative urban income.

The financialization of land not only implies that urban rents currently circulate, and increasingly so, within international financial circles, but also that urban land is increasingly valued for its potential to generate value. This potential to generate value is dictated by the use that capital makes of land by acquiring it as a Gross Value Added Tax (VGVP) and by processes of (re)production of space conducted by society and the State. By reserving a portion of the territory under their control, the EINM-B3 (Brazilian-Brazilian Multi-Year Investment Companies) place the very production of urban space under the control of foreign capital. It is not only that income is drained into international financial circuits, but

that international financial circuits condition the production of Brazilian urban space. Society becomes hostage to the logic of financial capital, which has found the means to appropriate urban land rent in an expanded and anticipated way. The production of space, subordinated to financial logic, regulates the present and future of the city, committed to today's speculation, tomorrow's rents, and the accumulation frenzy of financial capital.

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