

# Porto Alegre as a growth machine: recent housing production in the metropolis

Porto Alegre como máquina e crescimento:  
a produção habitacional recente na metrópole

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## Abstract

Housing production in Brazilian metropolises is linked to the expansion and strengthening of the real estate sector in urban spaces, often independently of the country's economic cycles. Porto Alegre does not deviate from the Brazilian pattern; however, this article verifies Molotch's hypothesis called "Growth Machine". To accomplish this, it examines and discusses the real estate dynamics and housing construction in the last decade in the city of Porto Alegre. Data from SINDUSCON-RS are used as reference, in addition to housing production data from the Minha Casa Minha Vida Program (PMCMV) between 2009 and 2020. Based on the hypothesis, the article demonstrates the importance that sectors linked to the real estate dynamics have in the production of space in the city.

**Keywords:** housing production; growth machine; real estate market; Porto Alegre.

## Resumo

*A produção de habitação nas metrópoles brasileiras apresenta vinculação à expansão e ao fortalecimento do setor imobiliário nos espaços urbanos, muitas vezes independentemente dos ciclos econômicos do País. Porto Alegre não foge ao padrão brasileiro; entretanto, este artigo verifica a hipótese de Molotch, denominada "Máquina de Crescimento". Para isso, examina e discute a dinâmica imobiliária e a construção habitacional na última década na cidade de Porto Alegre. Utilizam-se como referência dados do Sinduscon-RS, além dos dados sobre a produção habitacional do Programa Minha Casa Minha Vida (PMCMV) entre 2009 e 2020. A partir da hipótese, demonstra-se a importância que os setores ligados à dinâmica imobiliária têm na produção do espaço na cidade.*

**Palavras-chave:** produção habitacional; máquina do crescimento; mercado imobiliário; Porto Alegre.



## Introduction

The housing production activity in Brazil has been historically characterized by a strong link to the expansion and strengthening of the real estate sector in urban spaces, especially those more densified, which are also the places of concentration of the highest rates of socio-spatial inequalities. The strong presence of the real estate market imposes itself concerning the behavior of the country's economic growth, which, in the last decade, has been much lower than in the past decade (2001-2010), when there was a boom in the Brazilian real estate market, motivated, among other reasons, by the supply of credit to families and to the market itself. Likewise, the growing production of new housing also seems to be disconnected from population growth, since there is a tendency for a reduction in population growth in the country, especially in its more consolidated metropolises.

In Porto Alegre, as in other Brazilian metropolises, the volume of new real estate for sale, despite cyclical and annual variations, remained high and growing between 2011 and 2019, showing signs of expansion, even with the recession experienced by the country from 2016. This growing and autonomous dynamic shows that housing production is an important vector for real estate investment, being strongly related to the financial market and the support of the State itself.

This article seeks to examine and discuss the real estate dynamics and housing construction of the city of Porto Alegre in the last nine years, using data from the Civil

Construction Industries Union in the State of Rio Grande do Sul (Sindicato das Indústrias da Construção Civil no Estado do Rio Grande do Sul – Sinduscon-RS) as a reference. The data on housing production of the Minha Casa Minha Vida Program (MCMVP) for the period between 2009 and 2020 are also used, following similar analyses previously carried out (Lahorgue, 2015).

We discuss the continuous and strong presence of the real estate sector in the urban economy of Porto Alegre, despite, for example, the radical changes in the conduction of national economic policy and the virtual closing of the MCMVP, which had a very important role in the recent real estate boom in Brazil, providing strong evidence of the existence of a "growth machine" in the capital city of Rio Grande do Sul.

The article is structured in five sections, in addition to this introduction and the final considerations. In the first, it is given an overview of the recent socio-spatial changes in the metropolis as a whole; the second section presents both the housing production for middle and upper-income classes in the metropolis in the last decade and the Minha Casa Minha Vida program; in the third section, it is used demographic data for Porto Alegre to demonstrate the relative autonomy of the housing market in the face of population dynamics; finally, it is presented Molotch's reflection on the growth machine constituted by the elite linked to real estate capital, showing that the recent Porto Alegre's mandatory coalitions had structured the political economy of the city based on these premises.

## Porto Alegre: changes in the metropolis in the 21st century

We are dealing with a metropolis with significant socioeconomic, socio-spatial, and political changes in this 21st century, especially in the studied period. These changes have already been taking shape from a previous period, as pointed out by earlier analyses of the transition period in the urban order (1980-2010) from Soares and Fedozzi (2018).

In socio-economic terms, we can point out the changes in the transition from an industrial and Fordist metropolis (and metropolitan region) to service and post-Fordist metropolis. In socio-spatial terms, the metropolis (and the metropolitan region) transits from a more centralized and monocentric model to a decentralized and polycentric pattern. Although, in this case, the polycentricity manifests itself with unequal and hierarchical centralities (metropolitan center, commercial centers, specialized centralities). Finally, in political terms, especially in the metropolitan core (the municipality of Porto Alegre), the great change was the transition from a participatory management model (although with limitations) to a neo-liberal management model, centered on private initiative and captained by market agents. It is important to mention the period of the so-called "World Cup projects" (2008-2014) since Porto Alegre was one of the hosts of the 2014 World Cup. Although many of these works have not been completed or realized, their projection or beginning has already allowed large sectors of the city (especially those included in the

alleged "priority area for investments") to draw the attention of the real estate market for investments.<sup>1</sup>

Thus, this set of changes also points to a modification in the production process of the metropolis, highlighting the role of the construction industry and real estate development in the process of urban accumulation, as we will analyze later.

In terms of spatial model, we can also consider that we are in the transition to a more extensive metropolis, with expansions to the south and far-south zones of the city, following the main road axes, as well as to other municipalities of the metropolitan region. This expansion is different, since it includes the production of new peripheries, both for high-income social groups, in gated communities, and for the lower-income brackets' population, which is now in "planned neighborhoods" by the expansion of condominiums under the Minha Casa Minha Vida Program. In other words, we have here the reproduction and intensification of socio-spatial segregation in the new peripheries. And the real estate sector, with its greater segmentation and targeting of new products, is an important agent of this segregation.

This socio-spatial segregation manifests itself especially in the inner spaces of the metropolis, in the already consolidated urban fabric, which is also undergoing a process of change in economic and social contents. We can refer to a real estate "new cycle" in the metropolis. There are many processes in it: the neighborhood valorization, the occupation of the former industrial areas by residential condominiums and commercial enterprises, and the gentrification, which is more evident in

the so-called 4th District (Floresta, Navegantes, São Geraldo, São João, Farrapos and Humaitá neighborhoods), the former large industrial area in the northern zone of the city.<sup>2</sup>

All this movement is carried out in concert with the public sector and urban agents (builders, developers, consultants, international agencies), among which the construction industry and real estate development are prominent, revealing the importance of the analysis we will perform.

## The real estate market in Porto Alegre in the last decade

In this section, we will describe the situation of Porto Alegre before the most recent real estate investments. Putting a slightly longer period into context, Graphic 1 shows the amount of new real estate offered between 2002 and 2018, including, therefore, the period with consolidated data available from Sinduscon/RS.

Therefore, more than 5,000 properties were built and offered per year over these 17 years. Although with oscillations, it is not possible to say that any year was weak in this economic activity since the total is 109,146 units. Notice that these numbers include only residential units and exclude individual constructions (houses built by contract, for example), that is, it refers only to those properties built by construction companies.

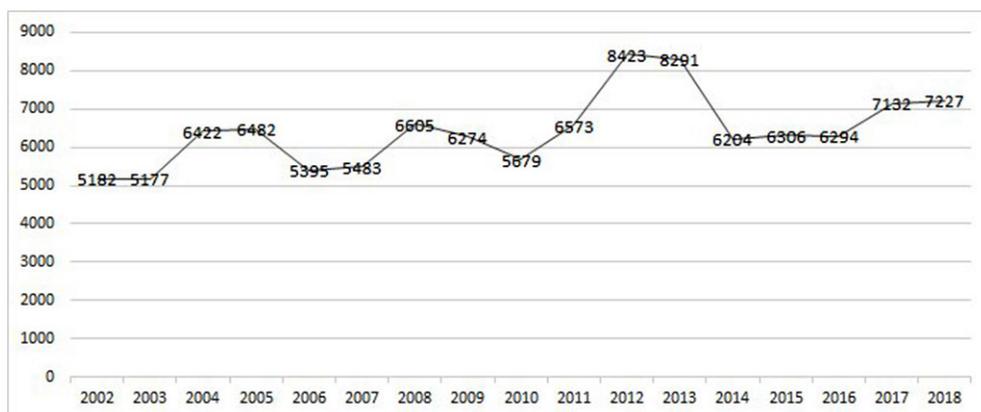
So, these records are very expressive and show the importance of civil construction and the real estate market in the city's economy.

Focusing on the last decade (between 2011 and 2018), 56,450 new units were built and offered, considering commercial units. It was also in this period that we had the years with the highest absolute number of new constructions in the city: in the period 2012-2013, more than 8,000 new properties were built each year. Table 1 shows some details that complement Graphic 1. The first detail is the absolute predominance of building construction over housing. Of the little more than 52,000 residential units (houses + apartments), 94.63% are apartment-type dwellings.

Thus, in recent years we have witnessed a reinforcement of the fact that Porto Alegre is one of the most verticalized cities<sup>3</sup> in the country (Lahorgue, 2015, p. 36). Within the apartment typology, the most visible is the absolute predominance of two-bedroom units, representing 51.66% of all vertical units. It is also interesting to notice that one-bedroom units, although numerically much smaller than the two and three-bedroom typologies, have shown consistent growth year after year.

About the construction of commercial units, it can be seen that they represent only 7.30% of the units offered in the period considered. There are oscillations from year to year, but the market's behavior in the last two years, with an increase in the share of commercial units, may indicate the beginning of a change – or at least a greater share – of the commercial segment in real estate investment.

Graphic 1 – New properties offered between 2002 and 2018



Source: Sinduscon/RS.

Table 1 – Distribution of new housing supply in Porto Alegre (2011-2018)

Types	Quantity of units offered								Total/ Types
	Years								
	2011	2012	2013	2014	2015	2016	2017	2018	
Efficiency apt.	0	28	10	15	32	38	113	125	361
Apt. 1 bds.	202	275	316	352	424	536	639	887	3,631
Apt. 2 bds.	3,016	3,773	3,780	2,763	3,419	2,677	3,089	3,065	25,582
Apt. 3 bds.	2,443	3,470	3,024	2,082	1,655	2,094	1,978	1,846	18,592
Apt. 4 bds.	108	106	137	102	66	112	94	110	835
Pent. 1 bds.	1	1	1	0	0	1	3	3	10
Pent. 2 bds.	4	11	20	28	30	24	24	26	167
Pent. 3 bds.	30	28	43	44	37	42	44	37	305
Pent. 4 bds.	1	0	0	2	3	10	9	11	36
<b>Subtotal</b>	<b>5,805</b>	<b>7,692</b>	<b>7,331</b>	<b>5,388</b>	<b>5,666</b>	<b>5,534</b>	<b>5,993</b>	<b>6,110</b>	<b>49,519</b>
House 2 bds.	72	53	52	87	54	31	25	17	391
House 3 bds.	324	192	250	315	273	292	296	264	2,206
House 4 bds.	33	24	24	17	15	44	30	24	211
<b>Subtotal</b>	<b>429</b>	<b>269</b>	<b>326</b>	<b>419</b>	<b>342</b>	<b>367</b>	<b>351</b>	<b>305</b>	<b>2,808</b>
Flats	5	2	4	2	1	10	10	23	57
Business rooms/ business complexes	246	357	514	358	260	329	750	754	3,568
Stores	29	8	15	13	2	32	7	11	117
Others	59	95	101	24	35	22	21	24	381
<b>Subtotal</b>	<b>339</b>	<b>462</b>	<b>634</b>	<b>397</b>	<b>297</b>	<b>393</b>	<b>788</b>	<b>812</b>	<b>4,122</b>
<b>Total/Year</b>	<b>6,573</b>	<b>8,423</b>	<b>8,291</b>	<b>6,204</b>	<b>6,306</b>	<b>6,294</b>	<b>7,132</b>	<b>7,227</b>	<b>56,450</b>

Source: Secovi/RS – Agademi.

## The real estate production of the Minha Casa Minha Vida Program in Porto Alegre

It is important to add to our discussion the data from the Minha Casa Minha Vida Program (MCMVP). After a period of unavailability, the Brazilian government is again openly offering information about the program. For this reason, even if it exceeds the period analyzed, we will show the complete data of the MCMVP in Porto Alegre. Thus, these data correspond to the period 2009-2020, distributed by income bracket of the beneficiaries based on

the minimum wage: Level 1 corresponds to a monthly income of up to 3 minimum wages; Level 2, from 3 to 6 minimum wages; and Level 3, from 6 to 10 minimum wages. The exception is Level 1.5, whose data appear only between 2017 and 2020.<sup>4</sup> The comparison between the amounts per income level (especially levels 2 and 3) helps us to understand the disparity between the developments aimed at beneficiaries that strongly need support from the State (Level 1) and the adherence of the PMCMV to the dynamics of the real estate sector in Porto Alegre in the period between 2009 and 2020 (levels 2 and 3), as it can be seen in Table 2.

Table 2 – MCMVP in Porto Alegre - units completed and delivered per income level

Year	Units of Level 1		Units of Level 1,5	Units of Level 2	Units of Level 3
	Contracted	Delivered	Contracted and delivered	Contracted and delivered	Contracted and delivered
2009	1,032	1,020		1,250	49
2010	1,308	1,243		2,725	192
2011	160	160		1,879	141
2012	500	0		1,597	190
2013	3,238	1,674		817	170
2014	2,044	0		964	128
2015	0	0		1,241	417
2016	40	0		2,044	339
2017	1,298	991	605	963	209
2018	446	40	1,216	1,163	150
2019	0	0	299	780	117
2020	0	0	182	529	104
<b>Total</b>	<b>10,066</b>	<b>5,128</b>	<b>2,302</b>	<b>15,952</b>	<b>2,206</b>

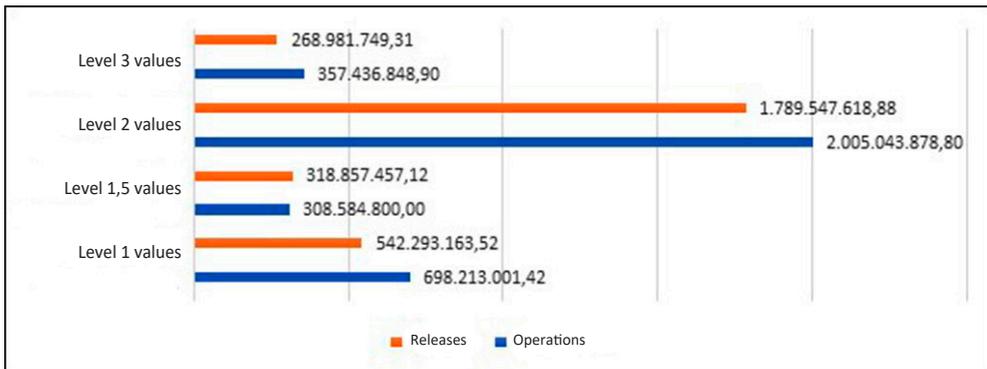
Source: made by Heleniza Campos and Nicolas Billig Giacometti, from the MDR Brazilian Open Data Portal. Available at: [https://dadosabertos.mdr.gov.br/dataset/cva\\_mcmv](https://dadosabertos.mdr.gov.br/dataset/cva_mcmv). Accessed on: Dec 28, 2021.

The data on contracted and delivered units per income bracket also show that there are recurring differences in all the years, with the quantities of projects delivered to Level 1 always being smaller. In the other ranges, there is precise compatibility between the two categories (contracted and delivered units), which reveals the low fulfillment of the social demands for the neediest beneficiaries. It is also noteworthy that, specifically in Level 1, the contracted units correspond to approximately twice the number of delivered units, with some years in which no residential units were delivered (2015, 2019, and 2020). In 2012, 2014, and 2016 there is hiring, but no delivery. Level 2 stands out as the range with the highest

number of contracted and delivered units, exceeding by 38% the number contracted in Level 1.

The disparities appear not only in the quantities of projects contracted and delivered but also in the amounts invested. Graphic 2 shows the differences in the distribution of the operating amounts (provided in the contract) and the amounts released for the construction/acquisition of properties in each income range, with great emphasis on the amounts undertaken for Income bracket 2. Consider that, between 2012 and 2020, the Banco do Brasil also participated as a financial agent, in addition to the Caixa Econômica Federal, for the three highest income brackets, which also tends to open options to beneficiaries in these conditions.

Graphic 2 – MCMVP in Porto Alegre –  
Operation and released values per income ranges - 2009 to 2020



Source: MDR Brazilian Open Data Portal. Available at: [https://dadosabertos.mdr.gov.br/dataset/cva\\_mcmv](https://dadosabertos.mdr.gov.br/dataset/cva_mcmv). Accessed on: Dec 28, 2021.

It can be seen in Graphic 2 that the amount released for Level 1 is equivalent to 30.30% of what was released for Level 2, demonstrating, once again, the importance of the market construction in the production of the city space and, consequently, reinforcement in the growth machine.

Considering these numbers together with the offers of new properties made available by Sinduscon, it is possible to have an idea of the importance that the Minha Casa Minha Vida Program has had as an incentive for the civil construction industry and the real estate market itself.

So, we have a situation that can be summarized as follows:

a) Porto Alegre has maintained, in this last decade, the process of continuous expansion in the construction of new real state developments and buildings.

b) The Minha Casa Minha Vida Program contributed to this market dynamism, although it can always be said that it represents a specific market that does not encompass the more traditional middle class and the high-income bracket. Even so, certainly, MCMVP contributed to the large number of units built.

c) The growth machine was so overwhelming that the very data from Minha Casa Minha Vida Program show the immense difficulty in facing the housing deficit in the neediest strata of the population. Although the greatest need for housing is there, it was in Level 1 that not only a few units were built, but there were also difficulties even in contracting and finalizing the works. The little importance that the dynamics described here gave to the poorest is also evident when one notices that the website of the Demhab (Municipal Housing Department), formerly responsible for all the

Social Interest Housing programs in the city, accounts for the delivery of 1,456 units in seven real state developments until 2020, out of sync with the official data from the Brazilian Government.

The real estate market of the city presents, at the same time, concentration and pulverization. More than 300 companies are working in real estate construction; however, 15 companies (7.81% of the universe) concentrate 50.67% of the total units on offer (Sinduscon-RS, 2019, p. 5). These data are from 2018 but reflect a structure that has not changed in recent years and has systematically appeared in real estate surveys and censuses.

## The main construction companies

In this process of real estate production, we have the performance of several construction companies, from different origins in terms of capital. The construction cycle that began in 2008-2009 promoted a restructuring of the sector, both in terms of the concentration of the companies' capital and the different scales of their operations in the national territory, now much broader for large construction companies and developers (Sanfelici, 2013).

Soares and Aita (2019) analyzed the performance of four important real estate companies in Porto Alegre: Cyrela Goldsztejn, Melnick Even, Nex Group, and Rossi. In the first years of the analyzed period, these were the most active in the real estate market of Porto Alegre. These four construction companies, between 2007 and 2018, carried out almost a hundred real estate developments in Porto Alegre, as well as Melnick and Nex Group were active in large developments in municipalities

in the Metropolitan Region of Porto Alegre (RMPA), especially in Canoas, adjacent to Porto Alegre and the second-largest city in the Metropolitan Region.

The four real estate developers mentioned are all large companies. Two of them are the result of associations between local and São Paulo companies (Goldsztein-Cyrela, Melnick-Even), and Nex Group is the result of the merger of local Capa Engenharia, DHZ Construções, EGL Engenharia, and Lomando, Aita, which occurred in 2011, precisely to gain scale and resist the entry of the big players in the local-regional market (if we consider the Metropolitan Region). Rossi may be an exception, as it acted alone in the real estate market of Porto Alegre, but its performance was more concentrated in the first half of the period of analysis, and today it carries out a few projects. We can also include in this list two other "external" national players: MRV, which is standing out in the production of housing for the middle class and low-income sectors, and Multiplan Empreendimentos Imobiliários, from Rio de Janeiro, which is developing a mega-project along the Guaíba riverfront.

Currently, the main construction company in the Porto Alegre real estate market is Melnick Even, founded in 1970. It has been operating in both local and regional construction markets for over 50 years, in which it calls itself "the leading company in high standards". In 2008, it partnered with São Paulo's Even, a company of which it became a majority shareholder in 2015, through the Melpar investment fund, the financial branch of Melnick's partner-owner, and other big fortunes in RS. In September 2020, it became the first developer in southern

Brazil to go public on the new market of the Brazilian Stock Exchange (Melnick Even, 2020). It has a large number of high-standard real estate developments, mostly buildings, but also residential condominiums, commercial complexes, malls, and mixed-use enterprises (residential and commercial), with operations in Porto Alegre and Canoas. Regarding gated communities, it operates in Porto Alegre and the cities of Eldorado do Sul (on Porto Alegre's Metropolitan Region) and Xangri-lá (on the Rio Grande do Sul's northern coast).

A major project of the construction company is the so-called Health Hub, with the construction of complexes and residences focused on health services. This project is carried out in alliance with Hospital Moinhos de Vento (one of the main private hospitals in Porto Alegre) and with Zaffari Group (super and hypermarkets, shopping centers). Five hubs are planned, four in Porto Alegre and one in Canoas; of these, four are already under construction. This project also has the support of the Porto Alegre City Hall, since converting the city into a "national and continental health center of excellence" is among the municipality's economic priorities (Melnick Even, 2016). Two recent Melnick projects relate to developments started by other construction companies. This is the case of the Supreme developments, carried out in the planned neighborhood Central Parque (a large project initiated by Rossi), and the Pontal megaproject, one of the largest developments underway in the metropolis, closely related to the issue of restructuring the Guaíba waterfront (Rodrigues, 2019). This was started in 2006 by BM Par Empreendimentos, and Melnick officially took over the partnership in 2018. The current configuration of the project includes

a shopping center with 25,000 m<sup>2</sup> of gross leasable area, 160 stores, cinemas, as well as an events center, a Health hub, and a hotel under the Hilton chain (Melnick Even, 2018).

Another large construction company operating in the city is Cyrela Goldsztein, the sector's largest company in market value (Exame, 2021). It is, like Melnick, the result of a merger between a local company (Goldsztein) and a national one (Cyrela), an alliance that began as a joint venture, in 2006, and ended with the final incorporation of Goldsztein by Cyrela in 2009. The construction company operates in the high-standard segment, competing in the local market with Melnick, both in the residential and commercial area, in which it develops the Medplex product (a complex of medical offices and health services), which competes directly with Melnick's Hubs.

Finally, in this section, it is worth highlighting Multiplan Empreendimentos and its relationship with the Guaíba waterfront. The construction company has been active in the Metropolitan Region since 2008, with the construction of BarraShoppingSul, a large shopping center located in the southern zone of Porto Alegre and which significantly changed the centralities of this sector of the city. From 2011 on, it also started to develop commercial and residential towers adjacent to the mall. In 2017, Multiplan opened ParkShopping in Canoas, the largest shopping center in Porto Alegre's Metropolitan Region outside the capital city. Currently, it is carrying out the megaproject of the "planned and private neighborhood" Golden Lake, a set of 18 residential towers in an area of 160 thousand m<sup>2</sup> and whose General Sales Value (GSV)

may reach 3 billion Reais. It is located in the former site of the Jockey Club of Porto Alegre, adjacent to BarraShoppingSul (which also occupied land belonging to the Jockey) and facing the Guaíba lake (Zero Hora, 2021). This development and the nearby Pontal are the "engines" of the ongoing restructuring of the Guaíba waterfront, indicating the possibility of the configuration of a new "regime of urban accumulation" in the metropolis of Porto Alegre.<sup>5</sup>

This *urban regime* is the result of a broad productive restructuring, which relocated the industry of the metropolitan core, being real estate capital the current major responsible for urban accumulation, as we will see below.

The performance of these large construction and development companies, given the volume, variety, and complexity of the capital mobilized, points to the already recognized process of financialization of real estate production.<sup>6</sup> The companies that are currently dominant in Porto Alegre's real estate market are capitalized in the stock market, besides having relationships with investment funds (in the shareholding composition) and using financial papers (real estate funds, receivables certificates) that make the largest projects feasible. Melnick has its investment fund, the Melpar Fund, which acquired Even's shareholding control, besides performing other operations in other investment areas. The Pontal project counts on real estate funds to leverage its sub-projects, especially the hotel.

Next, we will discuss the issue of population growth in Porto Alegre, demonstrating the gap between this and the growth of the local real estate sector.

## The population growth

Real estate needs a buyer's market. At first sight, it is necessary to examine whether there are customers with the capacity – disposable income – to buy these properties. In a city that is neither a tourist city nor an important hub for global connections, such as Porto Alegre, the potential buyer will mostly be a resident. For this reason, it is important to understand the population dynamics.

Porto Alegre is one of the capitals in the country that historically (since the 1991 census) has presented very low demographic growth rates, not only in the intercensal periods but also in population estimates. Let us start with the census data, presented in Table 3.

Between the last two demographic censuses (2000 and 2010), the population increased by only 48,760 people. The aging process is also noticeable, with a decrease in the number of young people (absolute decrease between 0 and 19 years old), a small increase between 20 and 39 years old (when most people access the real estate market), and an increase in the number of elderly people (absolute increase in the age brackets from 50 onwards). If we remember that all the marketing of real estate companies is focused on the acquisition of real estate by new – and young – couples, we can see a contradiction: the target audience is growing at an ever-slower rate. The 20 to 39 age group increased by 24,900 people between 2000 and 2010 (a difference of 24,900 people or 12,450 couples, in a simple mathematical operation). Available research (Exame Magazine, March 2015) indicates that the average age of the first-time homebuyer was 33.

Between 1991 and 2000, there was an increase of 60,874 residences, and between 2000 and 2010, there was an increase of 66,947 residences. There was no decrease in the number of vacant houses in this 20-year interval because these correspond to practically 10% of the city's house stock.

An interesting analogy, which does not exhaust the question or all its nuances, but helps to think about the volume of new buildings in the city, is to compare the increase in population with the increase in the supply of real estate. Between the two censuses (from 2002 to 2010), the increase of properties for sale was 52,699 units (see Graphic 1), even though we do not have data for 2001. As mentioned above, between 2000 and 2010 the population increased by 48,760 people, it is possible to figure that the *real estate market offered more units than the entire population growth of the city*. This is equivalent to saying that every new resident in the decade had available for purchase a newly built property.

In addition, changes in reproductive behavior, combined with the dynamics of demographic transition, have consistently caused a decrease in the size of families and, consequently, a reduction in the average number of residents per household. This is valid both for the general population and for the population living in subnormal settlements, as can be seen in Table 4. This could be one of the reasons for the high number of new buildings, since, theoretically, a decrease in the size of families and an increase, for example, of properties with a single resident would imply the need for more housing. But, again, if we look at the data on the average number of inhabitants per household in the last Census

Table 3 – Resident population in Porto Alegre, by sex and selected age groups (2000-2010)

Resident population (people)		
Age group	Year	
	2000	2010
<b>Total</b>	<b>1,360,590</b>	<b>1,409,351</b>
0 a 19 years	438,794	367,306
20 a 29 years	229,941	248,264
30 a 39 years	208,102	214,679
40 a 49 years	192,396	191,801
50 a 65 years	177,893	239,085
Over 65	113,465	148,216

Source: IBGE's Demographic Census (2000; 2010).

Table 4 – Occupied private households and average number of residents in occupied private households in Porto Alegre

	Year		
	1991	2000	2010
Number of occupied private households	380,992	441,866	508,813
Average number of residents in occupied private households	3.29	3.06	2.75
Slums households	33,436	37,480	56,024
Average number of residents in slums households	4.07	3.82	3.44
Non-occupied private households (vacant)	48,598	42,736	48,934
<b>Total of households</b>	<b>430,357</b>	<b>503,536</b>	<b>574,831</b>

Source: IBGE's Demographic Census (1991; 2000; 2010).

and multiply it by the number of new units in the period, we get the following result:  $2.75 \times 52,699 = 144,922.25$ . In other words, the stock produced for sale in the decade would be enough for more than 144 thousand people. This number was much larger than the population increase.

As for more recent years, the demographic data are estimates, only, but they help to reflect whether the dynamics between population and real estate production remain similar.

The population estimates made by IBGE indicate an increase of around 75,000 people between 2011 and 2020. Since we have real estate data until 2018, we can equalize dates: the population increment, between 2011

and 2018, is estimated at 66,007 people. Despite indicating a small upward curve – slightly higher fertility – compared to the previous decade, the numbers still point to continued low population growth, a result of both fertility below the replacement rate and decreasing migration toward the metropolis.

If the survey in the next Census (2022) confirms a slightly larger population increase in the city, this time we would have a larger growth in inhabitants than in real estate property offers, which, as we have seen, is 52,327 new residential units. Still, the questioning of the relationship between the reduced population growth and the intense construction activity in Porto Alegre remains valid.

Table 5 – Population estimates in Porto Alegre (2011-2020)

Year	Brazilian Federation Unit and Municipality	
	Rio Grande do Sul	Porto Alegre
2011	10,733,030	1,413,094
2012	10,768,025	1,416,714
2013	11,164,043	1,467,816
2014	11,207,274	1,472,482
2015	11,247,972	1,476,867
2016	11,286,500	1,481,019
2017	11,322,895	1,484,941
2018	11,329,605	1,479,101
2019	11,377,239	1,483,771
2020	11,422,973	1,488,252
Population growth	689,943	75,158
Growth (2011-2020) (%)	6.43%	5.32%
Average annual growth rate (%)	0.64%	0.53%

Source: IBGE's Population Estimate (from 2011 to 2019).

## Urban space as a place of capital accumulation

Urbanization, I have long argued, has been a key means for the absorption of capital and labor surpluses throughout capitalism's history. It has a very particular function in the dynamics of capital accumulation because of the long working periods and turnover times and the long lifetimes of most investments in the built environment. It also has a geographical specificity such that the production of space and of spatial monopolies becomes integral to the dynamics of accumulation, not simply by virtue of the changing patterns of commodity flows over space but also by virtue of the very nature of the created and produced space and places over which such movements occur. But precisely because all of this activity – which, by the way, is a hugely important arena for value and surplus-value production – is so long-term, it calls for some combination of finance capital and state engagements as absolutely fundamental to its functioning. This activity is clearly speculative in the long term, and always runs the risk of replicating, at a much later date and on a magnified scale, the very overaccumulation conditions that it initially helps to relieve. (Harvey, 2014, pp. 61)

Harvey, as he informs above, has insisted on the importance of understanding that investment in the multiplication of the built environment goes beyond local effects and is connected to the more general process of capital accumulation. This is an interesting starting point, but it does not explain all the

differences between accumulation processes and distinct growth rhythms of different cities around the globe, nor is it enough to understand the nuances and even disparities of local policies. It is fundamental to add other explanations.

Lefebvre (1976) warned that precisely because construction provides higher than average profits, through space, money produces money (p. 101). While this phenomenon helps explain why real estate – and the production of built environments – is an integral part of the dynamics of accumulation, it also shows contradictions, since land ownership predates the development of capitalism. The development of capitalism, it is true, transforms property, but it does not eliminate it. And it does not eliminate it, as Harvey (2013, p. 462) reminds us, following the footsteps of Marx, because if the land were freely available to all, the formation of a class possessed only of its labor power, a necessary condition for the development of capitalist production, would not be possible. This contradiction leads to another: the land cannot be freely available, but it can (and should) be an exchange value since private ownership of the land performs a legitimizing function for private property in general (especially for the means of production). This means, in practical terms, that the search for private property (e.g., homeownership) should be stimulated, even for the working classes. The result, clear in today's cities, is the pulverization of private property, making it possible – in theory – for almost everyone to have access to some degree of land income.

So, there is a general interest in the appreciation of real estate assets. All property owners, even those who own only a small piece of real estate on the outskirts, look favorably on processes that increase prices because they see an increase in the value of their real estate. Of course, this general appreciation does not result in equal gains for everyone; indeed, not everyone gains.

Those who can turn capitalized rent into potential ground rent will win. As Smith (2012, p. 11) explains, capitalized land rent is the amount of land rent that is appropriated by the landowner, taking into account the present land use. Here it can already be seen that simply spreading ownership does not result in a gain for everyone. The owner of a single house (his own) cannot capitalize unless he sells it. But since this will practically force him to buy another one to continue living in minimal conditions, the appropriation of this income is canceled out by this necessity, which means that the initial income ends up in other hands, accumulated by others.

The result is that those who hold capital will seek more than one property in cities – or at least the constant investment in properties – as a way to monetize their gains. But in addition to monetizing present use, speculation can take another form. What is the potential use that a certain portion of land can have? For example, a middle-class neighborhood was mainly occupied by houses. With urban growth, this neighborhood, initially distant from the area considered central, is now considered part of

the centrality. In the case of Porto Alegre, an example of this process can be seen with the regionalization employed by the Participatory Budgeting (PB). The "Central Region" in the PB is an area that comprises the Historical Center and its adjacent neighborhoods such as Bom Fim, Cidade Baixa, Menino Deus, Independência, Moinhos de Vento, Rio Branco, Petrópolis, which are middle and upper-middle-class neighborhoods. If it is remembered that Menino Deus started as a "hamlet" of houses, some of them as second summer homes for an elite, and, today, it is a vertical neighborhood, with most of the land occupied by buildings, it is possible to understand the process. When the land in this neighborhood is occupied by a house, it can capitalize a certain amount of land rent. If the City Plan, as it happened with the 1999 Plan, allows higher buildings than before, this means that the allowed use is now different. So, the potential land rent is the amount that can be capitalized through better or higher land use. In other words, because of location, the neighborhood can now potentially capitalize higher amounts of rent with different use of land and space (*ibid.*, p. 118). Those who can capture these differences will obtain much higher rents than others. This is the essence of real estate speculation.<sup>7</sup>

Thus, at the same time, the city is formed by a dispute over locations (Villaça, 1998) and by a dispute over who can capture more income from the land. These two disputes, of course, are intertwined with each other and imbricated with urban politics.

## The political economy of the city: the growth machine

Homeownership has been lauded in the US as a tool to build wealth, revive failing neighborhoods and cities, reduce poverty, and engage the civically disengaged. When the US homeownership rate reached 69 percent in 2006, many celebrated as vast scores of Americans, including many people of color, achieved the much-celebrated American Dream – acquiring a home. But not everyone was celebrating. After decades of work to reverse redlining and disinvestment, some community organizations found themselves in the unusual position of questioning whether the influx of capital their neighborhoods experienced since the mid-1990s was beneficial or harmful. While some celebrated, others began to question whether their neighborhoods had increased access to capital or capital had increased its access to them. The dispute concerned whether access to capital produced a net benefit for homeowners and communities or whether it facilitated capital accumulation with little public benefit. Housing, of course, in addition to being “home” is also a major component of the US and other countries’ economies. (Newman, 2012, p. 219)

The construction and acquisition of real estate are not technical or legislative matters, only, just as it is not only an economic matter; it is also a political matter. In cities, this is an essential component in understanding economic and political disputes.

Molotch (1988) argues that virtually all cities in the United States are dominated by a small elite whose members have professional

and business interests directly linked to local growth and development. These interests and businesses are tied to land ownership. This is because, since land and urban improvements (buildings) can be bought and sold as commodities, urban space becomes an arena, in which this elite of entrepreneurs seek to use local government and other civic institutions to maximize the return on their investments. In fact, the author is extremely assertive that such growth is the essence of local government; not just one of the functions performed by the municipal government, but the primary one (Molotch, 1976, p. 313). Hence, the expression *growth machine*. Cities are designed to maximize profits for this real estate elite. So, you don't necessarily have to be a large landowner, for example, because the local power coalition includes real estate developers and everyone who, in one way or another, owes their fortunes to the growth of a particular area of the city. It involves financial institutions, for the obvious reason that real estate investments require the advance of capital for construction and development; it involves the local media, because, as can be easily noticed, the local print newspapers carry a great deal of advertising of real estate launchings and defend hard the “progress” that would come from these new investments. Besides, the growth also interests small investors, because the areas in appreciation attract new businesses and services, such as law offices, bakeries, restaurants, bars, etc., and, on another level, construction material companies, real estate branches, home and/or office furniture stores, etc. This shortlist goes to show how the ideology of growth works.

It is interesting to notice that this urban growth machine is not necessarily linked to the process of productive capital accumulation. As a matter of fact, as many empirical pieces of research in Brazil have already verified, processes that provoke an increase in the price of urban areas may have, as a side effect, the deindustrialization of urban centers. Industry moves to the metropolitan periphery to escape agglomeration disadvantages, *but it does not necessarily decrease the price of land in the central core of the metropolis*. Capital accumulation is contradictory; it is not a win-win process. These relations ultimately help define different urban forms, which are therefore related to different ways in which the various fractions of capital and the different fractions of rentiers operate and connect themselves in the cities.

But, as stated, what makes the constitution and development of cities so similar to each other is the constitution of coalitions – political coalitions – that have a direct interest in the city as a growth machine.

Looking again at Porto Alegre and making a small digression on its recent past, we will see that one of the marks of the 1990s in the city was the successive elections of center-left governments, led by a coalition around the Workers' Party (PT). As it is well known, there was an attempt to deepen forms of democracy that were not purely representative, as demonstrated by the constitution of the Participatory Budgeting (Abers, 1998; Fedozzi, 1997; Tartaruga, 2003). There is no doubt that it was a period in which the fractions linked to capital and land rent had to give up some space for the implementation of redistributive and democratic public

policies. But it is important to remember that there were never any impediments to real estate enterprises. On the contrary, it was made regulatory instruments for land intervention capable of redistributing part of the gains of real estate capital. For example, a hypermarket was authorized to be installed in the South Zone as the initial development of a large urban project, in which, some years later, a shopping center would be built next to it (BarraShoppingSul). The installation permit was granted in exchange for the construction of new housing for the families that were precariously (and irregularly) occupying the area of the development. To this end, the law n. 8.093/1997 was proposed, authorizing the exchange of properties between the developers and the City Hall. We mean literally.

Article 3 - On the area to be transferred to the Municipality, the Developers will implement the housing units and respective urbanization, as per the approved Urban Feasibility Study (Administrative Process n. 2.284147.00.9), to enable the resettlement of the families currently occupying the slums identified as Campos do Cristal, Estaleiro Só and Foz do Arroio Cavalhada (stretch from Av. Diário de Notícias to the limits of the cavalry of Jockey Clube do Rio Grande do Sul). (Porto Alegre, 1997)

We are not arguing on the probable improvement in the living conditions of the residents of the occupation who received new houses; *we are remembering that what allowed the developers to accept these conditions was the existence of a potential ground rent much higher than the rent to be captured with the construction of popular*

*housing*. In fact, it was not only higher than the income capitalized in the popular subdivision but sufficient to cover the resettlement costs. In other words, the dynamics of the growth machine, in which exchange value overrides the use-value of land, has always been present in the city, even when the coalition in municipal government formally sought to emphasize the democratization of the city.

As we said, it was a digression, made in the sense of exemplifying the complexity of the situation. Research on the dynamics of the real estate sector at the time of the popular administration in Porto Alegre would certainly bring more examples to reinforce this thesis. But this example is based on data from the last decade, so let's move on.

Nowadays (2020), popular administration seems more and more like a small distant utopia. In a time of ultraliberal inflection (Ribeiro, 2020a), the municipal government has been faithfully complying with the precepts that indicate the dominance of a coalition dedicated to the growth machine. In Porto Alegre, this inflection was initially not radical. The non-re-election of coalitions around the Workers' Party, in 2004, was the mark of the inflection. At first, timidly liberal; gradually, increasingly taking a stance toward ultraliberalism, represented by the election of the last mayor (2017-2020), Nelson Marchezan Jr. and his successor, Sebastião Mello, elected in 2020, who, although in partisan "opposition" to the previous incumbent, expanded the ultraliberal program throughout 2021, now with a looser majority in the municipal legislature.

As defined by Siqueira (2019), the dynamics of democracy in Porto Alegre have been experiencing a *power shift* in the sense

of decision-making power in participatory instances, such as the Municipal Council for Urban Environmental Development and the Participatory Budgeting itself. As mentioned in the previous paragraph, this shift towards ultraliberalism was slow and gradual. It started with the creation of the Municipal Secretariat for Political Coordination and Local Governance, in 2004, in the administration that succeeded the Workers' Party governments. Local Governance ended up being a forum above the PB, until then one of the highest instances of deliberation in Porto Alegre, subordinating it to pre-consensual planning, neutralizing conflicts, and passing on the idea of solidarity around the urban space that is ideological in the classical sense (by practicing both concealments of interests and lacunar discourse).

An example: by showing the entire proceeding of processing of the Complementary Law n. 721/2013, which, according to the amendment, "[...] establishes measures to encourage and support innovation and scientific and technological research in the business, academic and social environment in the Municipality of Porto Alegre and makes other provisions", Siqueira (ibid., pp. 180-182) reveals that the law has direct repercussion in the urban space, since it lists a series of incentives in an area that includes several neighborhoods in the city and totally or partially releases investments in municipal taxes, such as IPTU, ITBI, ISSQN, among others. To be able to approve such a change, it was necessary to make modifications to the City Plan. How to convince CMDUA's councilors linked to the popular representation to constantly approve changes in the City Plan that would facilitate entrepreneurs' initiatives?

Through the institution of trade-offs to the enterprise, besides the effort of the new government structures to approve projects of their interest.

The Municipal Department of Local Solidarity Governance has assigned an employee to participate in the Licensing Office exclusively to follow up on the processing of projects whose compensatory measures have the potential to meet demands through what became known among councilors as "social trade-offs" (Ordinary Minute nº 003/2016). After identifying such "trade-offs", the official should take them to the PB councilors, who will discuss the allocation through the theme Housing and Organization of the City Urban Environmental Development. Even though it is an action directly related to the Licensing Office, it is also linked to the CMDUA, because the council must analyze the projects of great impact on the city after being processed by the Licensing Office.

The process mentioned above, proposed by Local Solidarity Governance, leads to a paradox. For any community to have its demands contemplated through a compensatory measure or TCAP, the project must necessarily be approved in all instances, including the CMDUA. Therefore, the vote of the PB representative in the CMDUA is compromised. The tendency is that the vote is always favorable to the project. (Ibid., p. 182)

The example brought in the previous quote is illuminating in the practical transformation toward a coalition more explicitly dedicated to the growth machine. And it is extremely interesting because it also shows that any successful government coalition (meaning by this term the ability

to put into practice government proposals) needs the participation of various actors, including the consent of actors that, in theory, should present opposition to various measures of the government in question. The practical results are the reinforcement of the importance and power of the real estate sector in the production of urban space in Porto Alegre and the creation of a dependency of popular sectors in accepting the protagonism of this sector, as a counterpart for the fulfillment of demands and works in their communities. As a matter of fact, in this sense, the analogy with a "machine" is perfect: like any machine, at the same time it depends on people who direct it and put it to work, but also after the machine is "turned on", it can work with relative autonomy concerning these same people.

Finally, it should be remembered that the ultraliberal inflection is largely associated with financialization. Financialization means a deep and general spread of the characteristics of interest-bearing capital in the system as a whole (Fix and Paulani, 2019). The complexity here is that, in the city, through rent and land capitalization, finance has always been present. Interest-bearing capital is an essential element in the entire real estate system. It appears, for the final consumer of these goods, as access to credit, and it was exactly the access to credit that allowed the whole explosion of real estate investments and the constitution of the Minha Casa Minha Vida Program. As the data showed, earlier in this article, there is no denying that the intermingling of these elements (the financial and the real estate complex) is one of the main factors responsible for the production of urban space in Porto Alegre.

Another evidence of this imbrication is presented by Melo (2021). The author shows that the coalitions of power present in Brazilian metropolises conform to an urban-real estate-financial complex, that is, a confluence of interests between economic sectors linked to urban accumulation and the financial market (*ibid.*, p. 46). Examining the data on electoral donations in the municipal elections, it is seen that, of the donations from legal entities identified in Porto Alegre, more than 65% come from sectors linked to this association. The construction sector alone accounted for more than 45% of the total contributions to parties and candidates. This information is also important because it shows the limits of financialization in Brazilian metropolises. The financial sector, by not spending much money on financing municipal electoral campaigns, shows that its main activity is not on this scale. In this sense, it is interesting to associate it with other recent research. Godechot (2015), studying the impact of financialization on the growth of inequality in 18 OECD countries and measuring the role of the various possible forms of financialization, concludes that the role of financialization of non-financial firms and households is marginal next to what he defined as the commodification of financialization, that is, the increasing volume (and energy spent) trading/exchanging financial instruments in financial markets. In other words, the main volume, including in monetary terms, involved in the financialization of the economy concerns the transformation of financial instruments into a commodity, traded as if it were a commodity like any other.

As already exposed, Molotch (1976; 1988) states that the growth machine is the essence of American cities. Could we say the

same about Porto Alegre? What has been exposed so far shows evidence that yes, business sectors somehow linked to the real estate market play a key role in the production of space in the city, and the concept of growth machine helps us to understand this process. Moreover, the recent history of this metropolis, with the presence of center-left coalitions governing the city in several periods, makes it evident that, certainly, the growth machine is much more contradictory than it seems at first sight, and often needs to yield to other actors to continue operating.

## Final considerations

This article showed data on the strong investments in housing production by real estate capital in Porto Alegre in the last decade, taking into account the volume of new developments in the city, either by direct market construction or through MCMVP.

The data presented reveal a consistent permanence of a high volume of real estate investments. It was also shown that the proportion of real estate investments focused on the construction of housing units is much higher than those concentrated in commercial real estate. In the same vein, the quantity of developments linked to the PMCMV expresses its relevance in the total contingent of buildings produced for housing in Porto Alegre.

Another aspect is the concentrated and pulverized performance of the real estate market in the city, resulting from the performance of more than 300 companies active in the construction of properties. All this

shows that there has never been a recession in housing production in Porto Alegre, with an increase of more than 5,000 housing units per year, even with oscillations of other economic indicators and a decrease in the pace of activities in other segments of the economy.

As a way of contextualizing this continuous and uninterrupted trend of growth of housing production, the rates of growth of the population living in the metropolis were observed, which could justify this increase, but have been going in the opposite direction, presenting smaller and smaller indexes.

Thus, the article points to a certain autonomy of the housing production market in the metropolis, which becomes an arena in which an elite of entrepreneurs benefits from

access to local governments and other civil institutions, aiming to increase the return on investments. This situation finds, in Molotch's (1976) reflection on the growth machine, a coherent and very close representation of what occurs in Porto Alegre.

To conclude, this article also indicates the need to think about the constitution of an "urban regime" in Porto Alegre, to be focused, in strong measure, on the continuous expansion of a complex of actors linked to the real estate sector, which announces a coalition around the State and real estate sector. Thus, the indicators reveal this real estate promotion assisted by a public system that ends up favoring the maintenance of this idea of a growth machine.

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## Notes

- (1) On the impacts of the 2014 World Cup in Porto Alegre, see Soares (2015).
- (2) On the 4th District, see Almeida & Campos (2022).
- (3) Verticalization is here understood simply as construction and predominance of a building typology. The height of buildings, for example, is not under discussion.
- (4) In the period studied, 2009-2020, the Minha Casa Minha Vida Program was divided into three levels (1, 2 and 3), corresponding to the income profile of those attended. In 2016, there was a change in the rules of the Program and in the income brackets. Four levels remained, as follows: Level 1: income up to R\$ 1,800.00; Level 1.5: up to R\$ 2,600.00; Level 2: up to R\$ 4,000.00; and Level 3: up to R\$ 9,000.00. In August 2020, the Program was formally replaced by another, "Casa Verde Amarela".
- (5) The Theory of Urban Regimes is later and it can be considered an unfolding or expansion of the idea of "growth machine" that we work on in this article. For a broad reading of this theory, see França (2019).
- (6) The recent literature on the process of financialization is quite extensive. We suggest the reading the various chapters of the book organized by Ribeiro (2020b).
- (7) It is worth noting that other neighborhoods in the central region of Porto Alegre are going through this process, such as Moinhos de Vento, Rio Branco, and Petrópolis.

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