

Analysis of possible investment in Santiago, Chile.

Where should I buy a new apartment?

If you plan to buy a property in Chile, either to live in it or as an investment, one of the first questions you should ask yourself is how expensive or cheap is the property you are going to buy. A metric that can help you answer this question is the value of the square meter in the commune in which the property that interests you is located. In this introduction I will briefly explain what the value of the square meter means and what the square meter values are for some communes in Santiago.

What is and how is the value of the square meter calculated?

The square meter is a unit measure that represents the commercial value of a real estate. The higher the value of a property's square meter, the more expensive the property is. And, logically, the lower the value of the square meter, the cheaper the property is.

The value of the square meter is calculated by dividing the commercial value of a property by its area. In Chile, the commercial value of the property is generally expressed in development units (UF), while the surface of the property is expressed in square meters (m²) (hence the name of the value of the square meter). Therefore, the value of the square meter is generally expressed in terms of UF / m².

For example, a property A that has a commercial value of 4,000 UF and an area of 70 m² has a value per square meter of $4,000 \text{ UF} / 70 \text{ m}^2 = 57 \text{ UF}$.

The value of the square meter is a unit measure because it does not depend on the size of the property. That is, it allows you to compare 2 or more properties regardless of their size. This is possible because its calculation is done by dividing by the size of the property as mentioned above.

Let's continue with the example: If I have a property B with a commercial value of 5,000 UF and an area of 95 m²:

Logically, property B is more expensive than property A in absolute terms: 5,000 UF for property B vs 4,000 for property A.

In terms of square meter value, property A is more expensive than property B: $5,000 \text{ UF} / 90 \text{ m}^2 = 52.6 \text{ UF} / \text{m}^2$ for property B vs $57 \text{ UF} / \text{m}^2$ for property A.

What are the values of square meter in Chile?

We present below the values of the square meter of new apartments, for the main communes of the metropolitan region, according to studies carried out by the company GFK Chile. These values are updated to the last quarter of 2019.

Departamentos nuevos	
Comuna	UF por m ²
Vitacura	106,9
Las Condes	100,6
Providencia	97,5
Lo Barnechea	93,2
Ñuñoa	82,0
La Reina	78,8
Santiago	71,2
Colina	67,9
Peñalolén	64,4
Macul	62,8
San Joaquín	62,0
San Miguel	58,4
Independencia	58,4
La Florida	57,4
Recoleta	55,3
Estación Central	54,9
Conchalí	54,7
La Cisterna	54,5
Huechuraba	54,0
Maipú	53,6
Quinta Normal	52,2
Quilicura	49,9
San Bernardo	47,7
Pudahuel	46,1
Cerrillos	43,8
Puente Alto	43,7
Renca	41,2
Buín	40,2
Lampa	31,7

Figure 1. UF/m2 values for different communes.

The most expensive square meter values

From these values we can highlight that the 5 communes with the highest values of square meter (that is, the most expensive communes to buy a property) are:

- **Vitacura**, with a value of **106.9 UF/m²**
- **Las Condes**, with a value of **100.6 UF/m²**
- **Lo Barnechea**, with a value of **93.2 UF/m²**
- **Providencia**, with a value of **97.5 UF/m²**
- **Ñuñoa**, with a value of **82.0 UF/m²**

The cheapest square meter values

On the opposite sidewalk, the 5 communes with the lowest square meter values (that is, the cheapest communes to buy a real estate) are:

- **Puente Alto**, with a value of **43.7 UF/m²**
- **Cerrillos**, with a value of **43.8 UF/m²**
- **Renca**, with a value of **41.2 UF/m²**
- **Buín**, with a value of **40.2 UF/m²**
- **Lampa**, with a value of **31.7 UF/m²**



Figure 2. Map of Santiago city divided by its main communes.

One of the first questions to ask a real estate investor close to making the investment in a real estate is what will be the capital gain that your property will have in a few more years. That is, what will be the increase in its commercial value over time.

As you know, the capital gain of a property will be fundamentally conditioned by the development of the area where it is located. Although no human being who does not have supernatural powers (or privileged information) can predict with certainty what the urban development of a neighborhood or commune will be like, being clear about the factors that influence the increase in value of a property helps to better understand the possibilities of added value of a real estate and betting on certain real estate investments with better prospects for the future.

Key factors influencing the capital gain of a property.

- Infrastructure: Starting from the basics, it is evident that an urban area establishes a higher base value if it has fundamental services of drinking water, electricity and sewerage, among others. In an urban area this may seem obvious but in an area moving from rural to urban it does make a difference. Along the same lines, the fact that an area improves its public lighting or its road infrastructure will also contribute to increasing the value of its properties.

- Services: Hospitals and medical centers, schools and colleges. Supermarkets, malls, bars, restaurants, etc. In short, an area will increase its surplus value to the extent that it knows how to better satisfy the health, education, and certain consumption and leisure needs of its inhabitants.

- Connectivity: Many people know the immediate rise in prices experienced by properties in a borough where the extension of a subway line or the construction of a highway has been announced. And it is that facilitating mobilization to an area opens up the possibility for many people to live in a commune that they had previously ruled out due to logistical issues (for example, it takes a long time to move to their workplace).

In addition, a greater flow of passers-by comes hand in hand with the development of commerce and services, which in turn contributes to increasing the quality of life of the commune.

- Security: A neighborhood or commune stigmatized by crime or violence does not represent a very attractive option to live. On the contrary, a commune that knows how to keep crimes at bay and become a safe option for living will foster the interest of new inhabitants. That is to say, your demand will increase and with it the added value of your properties.

- View: Although this factor does not influence too much in developed urban areas in which the housing density is high and the possibilities of obtaining a clear view are increasingly scarce, if it gains weight in real estate projects whose value proposition lies in locating a privileged sector with natural environments, in coastal areas among others.

I will focus this analysis on the study of 50m2 new apartments, and complement my findings taking a closer look on the 'Services' and 'Connectivity' indicators, with the support of the FOURSQUARE website/API.