

Brazilian Real Estate Market

Record Foreign Investment

Private, national and international investors are increasingly investing in Brazil. Several sectors are attracting national and international investment, and after oil and gas, real estate is at the top of the list. A study conducted by Ernst & Young Terco indicates that the Brazilian real estate market had a record amount of foreign investment in the first half of 2012 (estimated between USD 2.5 and USD 4.3 billion). The main reason for this development is that the country will host the 2014 World Cup and the 2016 Olympics, and needs hotels, office buildings and infrastructural development. In addition, the growing middle classes, 54 percent of the population, are in the market for new homes. Experts foresee an even better economy and a new urbanism in the coming years.

Knight Frank: “prices in Brazil rose 15.2 percent in the 12 months until the third quarter of 2012, the largest increase globally”

“Legal certainty and the adoption of sound macroeconomic fundamentals over the last few years have been reinforcing Brazil as a good destination for international investment”, says Ana Carmen Alvarenga,

managing director of Tishman Speyer in Rio de Janeiro city. The North American company, one of the leading owners, developers, and fund managers of real estate in the world, is currently strengthening activities in the country, reflecting Brazil’s growing status as one of the safest and most profitable locations in the world when it comes to real estate investment.

Incentives for private developers

The three spheres of government (federal, state, municipal) have created attractive incentives for private developers. The municipality of Rio de Janeiro city, for instance, has adopted exemption from transfer and property taxes for new developments. Relating to the hotel sector in particular, there is funding of R\$ 2 billion (approximately USD 853.2 million), with special interest rates and terms, for developers building new units and/or renovating existing ones. This new financing line, ProCopa Turismo, is a result of a partnership between the Ministry of Tourism and Banco Nacional do Desenvolvimento Economico e Social (BNDES), the main financing agent for development in Brazil.

Regarding hotel units, in his interview with DORCHESTER Magazine, Gastao Vieira, the



Gastao Vieira

Minister of Tourism, says: “We have approximately 25,000 new rooms being built in the host cities. There is no shortage of lodging facilities in the country, and there are no foreseen difficulties related to them for the World

Cup”. According to data from Associacao de Dirigentes das Empresas do Mercado Imobiliario/ Rio de Janeiro (ADEMI-RJ), an association of real estate companies in Rio de Janeiro city, in the first six months of 2013, 510 hotel units were launched in “The Marvelous city” (Rio’s nickname; in Portuguese “Cidade Maravilhosa”).

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In addition to private investment, the Brazilian federal government launched a program called “Programa de Aceleracao do Crescimento” (PAC) in 2007. In the first phase (PAC 1), from 2007 to 2010, public investment approximately USD 280 billion was channeled into areas such as housing, sanitation, energy, and transportation. From 2011 to 2014 (PAC 2), the government will invest approximately USD 421.6 billion in public dwellings, infrastructure, and urbanism. It is important to highlight that the construction of public dwellings in Brazil is extremely urgent as the country has a reported housing shortage of eight million units.

Among the major cities attracting investments in real estate are Rio de Janeiro, host of the 2016 Olympics, Sao Paulo, Belo Horizonte, Natal, Salvador, Recife, Fortaleza, Cuiaba, Manaus, Curitiba, Porto Alegre, and the capital, Brasilia (the 12 cities that will host the 2014 World Cup). These real estate investments have been contributing to the



Aerial view of Sao Paulo, the most important city in Brazil



Porto Maravilha, one of the largest urban revitalization projects running in the world today

development of a new urbanism in these cities. "The World Cup and the Olympics are engines in this new urbanism", says Vicente Giffoni, president of AsBEA-RJ, an association of architectural offices in Rio.

The new urbanism

In Brazil, transportation, accessibility, and infrastructure problems, as well as housing shortages, have escalated over the years, despite the good economic climate. Last July, these problems and others (government corruption, poor quality public healthcare and education, high costs of governmental organization of the sports events) led millions of Brazilians to take to the streets in protest. Violent protests and reactions thereto made headlines in major newspapers all over the world. The current investment injection in the country has contributed to addressing and reducing such problems and to giving birth



Vicente Giffoni

to a new urbanism. This urbanism is still, unfortunately, restricted to the major Brazilian cities.

In this scenario of urban expansion, there will be new express traffic corridors and streets, new commercial and residential buildings, malls, hotels, tunnels, leisure areas (sports stadiums, bike paths, parks etc.), and cultural spots (theatres, cinemas, libraries, cultural centres etc.) for the population. Many of these works have projects signed to foreign architects, among them Santiago Calatrava, Zaha Hadid, Foster + Partners, and Diller Scofidio + Renfro.

But why Brazil? The Belgian-Danish architect Julien De Smedt, who opened his Brazilian office in Belo Horizonte (capital of Minas Gerais state) in May 2011, says that it has a lot to do with 2014 World Cup and 2016 Olympic Games, but that is not the only reason for him. "The attitude of the Brazilian people really impresses me. They grasp life with happiness. So, of course, Brazil means great business opportunities, but also something very personal to me", he says.

The growing middle classes, 54 percent of the population, are in the market for new homes

De Smedt cites Brazilian bureaucracy as a problematic issue. He advises foreign architects considering projects in the country: "Spend more time with the Brazilians to understand their culture — of leaving everything to the last minute, for instance — and find good local partners".

The president of AsBEA-RJ sees no problem in having foreign architects working here. "Today we are on an equal footing", he says. In his opinion, this transfer of talent is an effect of globalization and contributes to better quality architecture for both sides. "My practice develops projects in countries like Switzerland and the United Arab Emirates", says Giffoni.

Brazil has the sixth largest economy in the world and further growth is conceivable

Brazilian architect Ignez Ferraz summarizes: "Together with the work of good Brazilian architects, foreign professionals will contribute to a better architecture and a new urbanism in the main cities of our country".

Rio de Janeiro, the city with a future

In Rio de Janeiro, no doubt the city that will benefit most from the World Cup and the Olympics, private companies, the government, architects, and other professionals have been investing money, time, and creativity in order to build this new urbanism. The 6.5 million people who live in Rio know that the city will change >



Juscelino Kubitschek Bridge in Brasilia, capital of Brazil at sunset



Porto Olimpico - conceptual image

radically in the coming years. In fact, this transformation process — in terms of mobility, urban infrastructure, landscaping etc. — has already begun.

Billions of dollars will be invested in Rio's slums up until 2020 by "Morar Carioca" program

"The World Cup and the Olympic Games have brought infrastructure, a new subway line, new office buildings, hotels etc. There is a new atmosphere in the city", says Rubem Vasconcelos, president of Patrimovel, a prestigious real estate brokerage in Rio.



Favela in Rio de Janeiro city

Joao Paulo Rio Tinto de Matos, president of ADEMI-RJ, agrees with Vasconcelos. "Rio de Janeiro is currently going through a major urban transformation. Last year 19,481 units were launched in the city. For 2013, we expect a growth of between 5 and 7 percent. This year five builders — Calçada, Calper, Even, Gafisa, and RJZ Cyrela — joined forces to launch a new planned neighbourhood, called Pontal Oceanico, in the West Zone. Five thousand units are expected to be launched. There will be a real revolution in the city in the coming years", he says.



Rubem Vasconcelos

Vasconcelos reports that currently a square metre of a three-bedroom apartment in the well-heeled Leblon district, in the South Zone of Rio city, costs between USD 16,784 and USD 25,167. "While there is demand, prices will go up", he comments. London-based property consultancy Knight Frank indicates that prices in Brazil rose 15.2 percent in the 12 months until the third quarter of 2012, the largest increase globally.

Among the major projects and programs related to this new urbanism in Rio city is the facelift and revitalizing of the Port Zone (5,000,000m²), which is expected to attract investments of billions of dollars — public and private. This revitalization project, currently being developed by Backheuser e Leonidio Arquitetura e Cidade (BLAC) practice, is called Porto Olimpico (or Porto Maravilha).

The project involves the construction of residential and office buildings, the designing of tunnels and new streets, the development of bike paths, the reconstruction of 700 km of public networks (water, sanitation, drainage, electricity, gas, and telecommunications), the launching of three new plants for sanitary treatment, and the planting of 15,000 trees, among other things.

The country has a reported housing shortage of eight million units

Tishman Speyer currently has three projects under development and construction in the Port Zone of Rio. "Tishman is a pioneer in private investments in Porto Maravilha. This is one of the largest urban revitalization projects running in the world today. It is a great opportunity for the company to direct its investment to an area that will be the next business centre of the city", says Ana Carmen Alvarenga.

According to her, Tishman believes that the harbour area will be consolidated within 3-5 years. The company will continue investing there for the coming years. "New multinationals will come. In the Port Corporate Tower project alone, Tishman will invest approximately USD 109 million, raised in the US through company funds exclusively for investments in Brazil. The building, with 18 floors of offices, totaling 35,767 square metres of rentable area, will be finished in the first semester of 2014", Ana Carmen says.

In addition to Porto Olimpico, four express corridors for articulated buses (one of which is already completed), a new subway line (Line 4), and the Olympic and Paralympic Village in Barra da Tijuca (West Zone), the fastest-growing district in the city, will be built in Rio city. After the Games, the Village will become a private residential development.

UNCTAD: "Brazil is the fifth most attractive country for foreign direct investment (FDI) for the period of 2012-2014"

Billions of dollars will be invested in Rio's slums up until 2020. This ambitious program by the Brazilian government is called "Morar Carioca". Its main objectives are to control the growth of the slums in Rio city, >



The country will host the 2014 World Cup and the 2016 Olympics, needs hotels, office buildings and infrastructural development

improve their infrastructure — sanitation, electricity, services etc., and to contribute to the economic and social development of those regions and to their integration with the rest of the city.

The following projects have already been concluded: the new Maracana stadium; "Bairro Carioca" program — 2,240 apartments (112 buildings) for people on the poverty line, flood victims, and people coming or removed from 'risk areas'; "Parque Madureira" (third largest municipal recreation area); and the new Sambadrome, where the most famous Carnival parades in the world are held.

Bet on Brazil

Brazil has been a safe investment destination since 2008, according to rating agencies, such as Standard & Poor's. This status has been responsible for positive development in the country: according to the 2013 World Investment Report, published by the United Nations Conference on Trade and Development (UNCTAD), Brazil is the fifth most attractive country for foreign direct investment (FDI) for the period of 2012-2014, trailing only China, India, the United States, and Russia. Undoubtedly, a great part of this investment has been going and will continue to go in to the Brazilian real estate market.

سوق العقارات البرازيلية تُسجّل رقماً قياسياً للاستثمارات الخارجية

وهنا لا بدّ من أن نسلط الضوء على أن بناء مساكن شعبية في البرازيل أمر مُلحّ للغاية وأساسي بما أن البلاد تقتدر إلى مساكن بمعدّل ٨ ملايين وحدة سكنية.

كما وتشهد مدينة ريو "Rio" بناء وحدات سكنية وخدماتية وفتح أنفاق وشق طرق جديدة، حيث ستستفيد المدينة من ٤ ممرات سريعة للباصات (وقد أنجز ممرٌ منها) وكذلك خط جديد للمetro "Metro" (الخط الرابع) والمدن الأولمبية "Olympic" والبارالمبية "Paralympic" في بارادا تيجوكا " Barra da Tijuca " (المنطقة الغربية)، إضافة إلى إعادة بناء ٧٠٠ كلم من الشبكات العامة (مياه وصرف صحي وتصريف وكهرباء وغاز وشبكات اتصالات وغيرها...) كل ذلك في منطقة المرفأ (٥ ملايين متر مربع)، "Port Zone" من خلال مشروع إعادة ترميم وتطوير بورتو أولمبيكو "Porto Olimpico" أو بورتو مارافيلها "Porto Maravilha".

واللافت، إلى أن مليارات الدولارات سوف تُستثمر في الأحياء الفقيرة في ريو "Rio" حتى العام ٢٠٢٠ وذلك من خلال برنامج مورار كاريوكا "Morar Carioca" الذي وُضع من قبل الحكومة البرازيلية ويهدف إلى العمل على تطوير الأحياء الفقيرة في المدينة، وتحسين بنيتها التحتية (الصرف الصحي والكهرباء والخدمات وغيرها...) ، إضافة إلى المساهمة في التنمية الاقتصادية والاجتماعية لهذه المناطق، وذلك لتتماشى مع بقية المدينة.

تُعدّ البرازيل سادس أعظم دولة اقتصادياً في العالم وبإمكانها أن تحتلّ مراتب أعلى وتصبح من بين الرؤاد الاقتصاديين في المستقبل، تماماً مثل روسيا والهند والصين. أما التحدي الأكبر فيتمثل بإعمار البلاد وفق أسس ومعايير المدن الحديثة، فضلاً عن تحسين ظروف التعليم والصحة، وزيادة عائدات المواطنين البرازيليين ما ينعكس على النمو الاقتصادي البرازيلي، ويعوّل البرازيليون في ذلك على الاستثمارات العقارية المحلية والأجنبية.

This is a unique moment for Brazil, mostly stimulated by the World Cup and the Olympic Games. Brazil has the sixth largest economy in the world and further growth is conceivable. Brazil could be amongst the economic leaders of the future, along with Russia, India, and China (BRICs). It is faced with the grand and fundamental challenge of constructing a better country over the coming years; a country with an improved

تحوّلت البرازيل إلى قبلة المستثمرين من أفراد وشركات محلية وعالمية، وارتفعت نسبة الإستثمار في العديد من القطاعات، فمن بعد الغاز والنفط، تتركز شهية هؤلاء المستثمرين في الإستثمار في القطاع العقاري، وقد أظهرت دراسة أجرتها شركة ارنست اند يونغ تيركو "Ernst & Young Terco" أن سوق العقارات البرازيلية سجّلت رقماً قياسياً في الإستثمارات الخارجية في خلال النصف الأول من العام ٢٠١٢ (إذ قدّرت هذه الإستثمارات ما بين ٢,٥ و ٢,٢ و ٤ مليار دولار أميركي). وأشار تقرير صدر عن "Knight Frank" وهي شركة عالمية رائدة، متخصصة بالإستشارات العقارية، إلى أن أسعار العقارات في البرازيل ارتفعت ١٥,٢ في المئة خلال الإثني عشر شهراً حتى الفصل الثالث من العام ٢٠١٢ وشكّلت الزيادة الأعلى عالمياً. ويعود السبب في ذلك إلى أن البرازيل ستستضيف بطولة كأس العالم في كرة القدم للعام ٢٠١٤ والألعاب الأولمبية في العام ٢٠١٦، وبالتالي تحتاج البلاد إلى مرافق خدماتية مثل الفنادق والمكاتب، فضلاً عن حاجتها إلى تطوير بناها التحتية، ويضاف إلى ذلك عامل آخر يتمثل في أن الطبقة المتوسطة التي تُشكّل حوالي ٥٤ في المئة من السكان، تبحث اليوم عن منازل جديدة، وإزاء هذه المعطيات يتوقع الخبراء للبرازيل إقتصاداً مزدهراً وكذلك تنظيمياً مُدنياً جديداً في خلال السنوات المقبلة.

وإلى جانب الإستثمارات الخاصة أطلقت الحكومة الفيدرالية البرازيلية برنامجاً يدعى "Programa de Aceleracao do Crescimento" الإنماء" وذلك في العام ٢٠٠٧، وهو خاص بالإستثمارات العامة، تضمّن البرنامج مرحلتين، في المرحلة الأولى (من ٢٠٠٧ إلى ٢٠١٠) بلغت الإستثمارات حوالي ٢٨٠ مليار دولار أميركي، إندرجت في قطاعات الإسكان، الطاقة، الصرف الصحي والنقل وغيرها... وفي المرحلة الثانية (من ٢٠١١ إلى ٢٠١٤) سوف تستثمر الحكومة ما يقارب ٤٢١,٦ مليار دولار لبناء مساكن شعبية وبنى تحتية، إضافة إلى التنظيم المُدني.

economy, urbanized cities, better education and healthcare, less corruption, an increase of income for Brazilians, and greater growth prospects. Brazilians are well aware that real estate investment — public and private money, coming from Brazil and from abroad — can go a long way in making this challenge a reality.

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