

BRAZIL REAL ESTATE & RESIDENTIAL TOURISM MARKET SURVEY

BRAZIL OVERVIEW

Brazil is the largest and most populous country in South America; and the fifth largest in the world in both area and population. Spanning a vast area between central South America and the Atlantic Ocean, it is the easternmost country of America and borders every other South American country except Ecuador and Chile. Brazil was colonised by Portugal and it is the only Portuguese-speaking country in the Americas. It is a multiracial country with a population composed of European, Amerindian, African and Asian elements. It has the largest Roman Catholic population in the world.

The Federal Republic of Brazil

Brazil is a federation consisting of twenty-six states (estados) and one federal district (Distrito Federal), making a total of 27 "federate units".

The Brazilian states enjoy a significant autonomy of government, law making, public security and taxation. The government of a state is headed by a Governor (governador), elected by popular vote, and also comprises

its own legislative body (assembléia legislativa). Each state is divided into municipalities (municípios) with their own legislative council (câmara de vereadores) and a mayor (prefeito), which are autonomous and hierarchically independent from both federal and state government. A municipality may include other towns (distritos) besides the municipal seat; those, however, have no separate government.

The judiciary is organised at the state and federal levels within districts called comarcas. One comarca may include several municipalities.

CULTURE

Brazilian culture is a Latin American culture of a very diverse nature. Its chief early influence was Portuguese culture, due to strong colonial ties with the Portuguese empire that spread the Portuguese language, legal system and other cultural inheritances. Other important influences came from other parts of Europe, the Native

South American peoples (such as the Tupi), Africa and Asia. Although some countries pride themselves on the diversity of multiple cultures and their generally peaceful coexistence, the Brazilian idea of culture is one of mixed unity.

Geography

Brazil is characterised by the extensive low-lying Amazon Rainforest in the north and a more open terrain of hills and low mountains to the south — home to most of the Brazilian population and its agricultural base. Along the Atlantic coast are also found several mountain ranges, reaching roughly 2,900 metres (9,500 ft) high.

The highest peak is the 3,014 metre (9,735 ft) Pico da Neblina (Myst's Peak) in Guiana's highlands. Major rivers include the Amazon, the largest river in the world in flowing water volume, and the second-longest in the world; the Paraná and its major tributary, the Iguazu River, where the Iguazu falls are located; the Negro, São Francisco, Xingu, Madeira and the Tapajós rivers.

Located mainly within the tropics, Brazil's climate has little seasonal variation. In southern most Brazil, however, there is subtropical temperate weather, occasionally experiencing frost and snow in the higher regions. Precipitation is abundant in the humid Amazon Basin, but more arid landscapes are found as well, particularly in the northeast. A number of islands in the Atlantic Ocean are part of Brazil:

- * Saint Peter and Saint Paul Archipelago
- * Rocas Atoll
- * Fernando de Noronha
- * Trindade and Martim Vaz

Geographically, mainland Brazil is commonly divided into five regions: North, Northeast, Central-West, Southeast and South.

The North

constitutes 45.27% of the surface of Brazil and it is the region with the lowest number of inhabitants. With the exception of Manaus, which hosts a tax-free industrial zone, and Belém, with the biggest metropolitan area of the region, it is a fairly unindustrialised and undeveloped region. It accommodates most of the largest rainforest of the world and many indigenous tribes.

The Northeast

has one third of Brazil's population. The region is culturally diverse, with roots from the Portuguese colonial period, Afro-Brazilian culture and some Brazilian Indian influence. It is well-known for its beautiful coast.

The Central-West

has a low demographic density compared to the other regions, mostly because of the Pantanal, the world's largest marshlands area, and a small part of the Amazon rainforest, in the northwest. However, much of the region is covered by Cerrado, the largest savanna in the world. It is also the most important area for agriculture in the country. The most important cities of this region are: Brasília (the capital), Goiânia, Campo Grande and Cuiabá.

The Southeast

is the richest and most densely populated region. It has more inhabitants than any other South American country, and hosts one of the largest megalopolis in the world, whereof the main cities are the country's two biggest ones; São Paulo and Rio de Janeiro. The region is very diverse, including the major business centre of São Paulo, the historical cities of Minas Gerais and its capital Belo Horizonte, the third largest metropolitan area in Brazil, the world famous beaches of Rio de Janeiro, and the acclaimed coast of Espírito Santo.

The South

is the wealthiest region by GDP per capita and has the best standard of living in the country. It is also the coldest region of Brazil, with occasional occurrences of frosts and snow in some of the higher altitude regions. The region has been heavily settled by European immigrants, mainly of Italian, German, Portuguese and Slavic genealogy, and shows clear influences from these cultures. The most important cities of this region are: Porto Alegre, Curitiba, Florianópolis, Blumenau, Novo Hamburgo, Londrina, Caxias do Sul, Pelotas, Passo Fundo and Joinville.

THE BRAZIL RISK

In recent decades, faced with the advance in the macroeconomic balance, Brazil has been transformed into a great attraction for investors. Political stability has brought inflation under control, and next, economic stability. The gradual growth of production activity, the growth of exportations and the respect of the rights of the investor has created a new vision.

Evaluated positively by the international agencies that guide investors, Brazil has been constantly reclassified and has achieved a reduction in risk evaluation rates, which depicts sustained economic growth, stability attained in currency and politics, and the success of fiscal responsibility practiced by city, state and federal governments. One must also consider the competitiveness of Brazilian products which, despite the devaluation of the dollar, continue to gain preference in the international market. Indisputably, the series of factors pointed out here reveal an enduring phase of economic growth with unequaled benefits for investors and the consolidation of an outstanding position, for Brazil, in the international scenario. In addition to this, recent discoveries of new oil and natural gas wells reinforce the sense of economic vitality, creating important reserves and making it possible for the country to enter into the group of oil exporters. The natural gas reserves meet the needs of industry, reducing costs and increasing the competitiveness of Brazilian products in the international market. Recently the Brazilian government announced the accumulation of international reserves in an amount exceeding the country's total foreign debt, showing the correct fulfillment of economic goals and reducing even further the so-called "Brazil risk." It is important also to remember the increase in the harvest of grain, which is in a new record production, and the rise in value of agricultural commodities in the main international stock markets, pointing to new surpluses in the Brazilian commercial scale.

BRAZILIAN ECONOMY

Brazil has the ninth-largest economy in the world at purchasing power parity, with a diversified middle income economy with wide variations in development levels.

As an emerging property market, Brazil currently sits on the brink of a boom period with investment growth inevitable. The election of President Lula Da Silva in 2003 has resulted in inflation currently standing at about 7.6 % with the North-eastern coastal area of Brazil enjoying increased investment focus as inflation has decreased to manageable levels and Brazil is now politically more stable than ever before. The Northeast is the poorest region of Brazil, but is attracting new investment as the Government encourages the growth of tourism in this location. International flights arriving in Brazil have increased by 13% per annum over the last 3 years. Tourism is one of the fastest growing industries in Brazil with a growth of over 20% last year. However the vast majority of tourism is still home grown and Brazilians make up over 90% of the tourist market. This proportion is changing substantially as more and more international tourists are considering Brazil as their holiday destination. At present Brazil is generally better known among Portuguese, Spanish, Italian and other South American tourists but there are an ever increasing number of UK, Scandinavian and North American tourists now visiting the country. Brazil's rapid growth in tourism is creating a huge demand for property and shrewd property investors are acting early, purchasing good value properties with a view to generating good rental yields. The market is gaining momentum from the purchasing power of the international market and property prices are steadily pushing upwards. The Brazilian lending base rate has fallen from a high of 42% in 1996 to 12% in 2007. Brazil's economic expansion and low inflation levels could well result in central bankers in Brazil dramatically cutting their lending rates.

A reduced cost of borrowing for Brazilian citizens, making loans affordable will be another lever to accelerate property price growth.

Brazil Economy

The Brazilian economy has become significantly more stable in recent years and much more foreign capital is now invested in national activities. Brazil is attractive because of the levels of returning capital, the open economy with low competition costs, low risks and high yields. Besides, there are other economic highlights.

- Brazil, alongside China, India and Russia, is part of the BRIC, i.e. it will be one of the five largest economies in the world by 2050, according to a Goldman Sachs study.
- With solid democratic institutions, credit macroeconomic management and respect for foreign companies rights and agreements, Brazil is an example for Latin America and a paradise for international investors.
- Political and economic stability in the country are additional guarantees for foreign investors.
- Brazil is only one step away from reaching "investment grade", assuming that there will be an explosion in international investment in the country.
- The Brazilian economy represents almost half of Latin American GDP.
- The country presents massive opportunities because of the size of the domestic market, 186 million people.
- Brazil is nowadays one of the world's 20 major exporters, selling \$137.5 billion in products and services to other countries.
- Economic stability and inflation control are reducing poverty and increasing the size of the middle class. The new Brazilian middle class alone (35 million families) is 8% bigger than the population of Germany, or bigger than the populations of the Czech Republic, Belgium, Hungary, Portugal, Sweden, Austria, Finland Denmark, Norway, Ireland, New Zealand, Luxembourg and Iceland all together.
- Brazil is the fifth country worldwide in terms of purchasing power, with more than \$ 1 trillion in Purchasing Power Parity.
- According to a Goldman Sachs survey, the number of people living on more than \$ 3,000 per year will double in Brazil by 2015.
- There are no restrictions on exporting profits or disinvesting capital for foreign investors.

ECONOMIC FACTS

Brazil has varied mineral reserves that boost its economy and provide raw material for its industrial base and for exportation. Economic stability, with controlled inflation under 5% per year is a safe and optimistic sign for the investor. The country has significant currency reserves capable of meeting its international commitments and guaranteeing security with regard to the variations in the global economy. With 170 million inhabitants, the internal demand for goods and services shows a growing curve, representing a potential that cannot be overlooked. The recent discoveries of oil and natural gas fields indicate that Brazil in a short

time will become an exporter of these raw materials, as well as guaranteeing the supply of gas to the industrial sector. Such a position permits the reduction of internal costs and creates confidence, whether in new plant projects or in expansion projects for existing units. In any case, the benefits are immense, principally in the creation of jobs and increase in competitiveness.

The investments programmed for the infrastructure sector will increase the operational capacity of ports, stimulate exportations and allow better drainage for agricultural and industrial production. The reduction in costs will benefit the economy as a whole, improving even more the competitiveness of Brazilian products in the international market as well as reducing prices of products for internal supply. Economic growth, established on concrete foundations, offers the Brazilian worker better salary conditions and consequently greater participation in the consumer market. This lends more vigor to the economy, broadening the bases of credit to the consumer and forming a cycle of satisfaction that reaches every sector. Real estate credit should expand from the current 2% to 10% of the GDP by 2015, and the structure of the Real Estate Financing System, by uniting the securitization mechanisms of receivable real estate, similar to those in international markets, will leverage the growth of Real Estate Receivables Certificates with the consequent attraction of institutional investors, such as private pension plan entities, insurance companies and investment funds.

Brazil / Why Investing in Brazil

The Federative Republic of Brazil is the largest and most populous country in Latin America, covering 47.3% of South America's territory, and is the fifth largest country in population and area in the world – covering 8.5 million square meters. It's population is over 186 million inhabitants. The Brazilian economy is the biggest in Latin America, with a gross domestic product of US\$ 1,066 trillion, placed 10th in the world, more than countries such as India, Russia, South Korea, Mexico and Australia. Brazil is recognized as one of the most open and tolerant countries for different cultures and is attractive because of the miscegenation of its people. The country is looked positively worldwide because of its happy and friendly people and the absence of ethnic and cultural conflicts. Besides its natural beauties, Brazil has many other potentials which make it attractive for investments in many sectors, for instance, Tourism and Real Estate. The following factors give Brazil good alternatives of investments:

Brazil / Real Estate Market

The Brazilian real estate market is now in a very positive phase. The sector has suffered in recent years, but has gained strength and has already exceeded its previous best results, with substantial increases in investments and credit availability and lower interest rates, maintaining the economy stability which has become more prevalent in Brazil. The strength of the Brazilian real estate market has attracted a significant amount of foreign capital and there are strong grounds to look forward to continued industry growth.

- Great potential and high growth rates in the real estate market based on a 7.9 million habitation unit deficit, as well as additional requirements to build 1.4 million houses a year.
- Falling interest rates have generated a succession of real estate financing records, set to exceed 2% of GDP and reach 12% in 2014.
- The great number of young people joining the labor market in the coming years, is generating an impact on the real estate market.
- Foreigners have the same rights when it comes to purchase property.
- A growing number of businesses are being open and issuing shares on the stock market. This has led the market to an increase in investments.

Brazil Tourism

Tourism is one of the highest growth activities in Brazil. In recent years, the government has started paying attention to the industry potential, setting development targets and increasing investment. Nowadays, this sector is going through a massive transformation causing an impact on the national economy. Besides natural beauty, cultural diversity and hospitality, improvements to Brazilian infrastructure have made it one of the best tourist destinations in the world.

- Brazilian tourism is growing substantially and the country has explosive potential because of the variety of natural and cultural attractions.
- The options that offer both natural beauty and rich historical expression and culture are creating additional interest in the country.
- According to data from the Ministry of Tourism (Mtur), Brazil received 5 million foreign tourists in 2006, and registered 46,345,828 passengers on all domestic flights.
- Foreign currency revenues from tourism in 2006 reached \$4.3 billion (11.78% up on the \$ 3.9 billion

registered in 2005, which had been a record-breaking figure since surveys began in 1969).

- As a result of the growing flow of investors and foreign tourists towards Brazil, the Federal Government is forecasting continued investment in the tourism sector, by building airports, Highways, improving basic sanitation, training labor, investing in energy and waste treatment.
- When it comes to events, Brazil is the seventh worldwide in terms of number of international shows. In 2006, it welcomed 207 international events taking the seventh place on the ICCA (International Congress and Convention Association) ranking. The ICCA is the leading international association for the industry events.
- Brazil received 804 regular international flights a week, operated by 38 airlines from 30 countries.
- According to the World Travel & Tourism Council (WTTC), the number of tourism-related jobs is set to rise more than 6% throughout Brazil in the coming years. The industry already employs more than 2 million people nationwide.
- In recent years, the number of foreign tourists has risen 70%.
- Of the 150 new developments being made in Brazil, according to data from the Exame Tourism Annual, around 20% are funded by international investors. According to data research for publication, in the next 3 years, Portuguese companies are set to invest about R\$ 2.2 billion in new tourism projects in Brazil – almost 100% of this money will be invested in the Northeast. The biggest investors are the Portuguese, followed by the Spanish, who intend to invest R\$ 1.3 billion by 2010.
- According to the World Tourism Organization (WTO), while the number of international travelers grew on average 50% worldwide, between 1995 and 2005, the increase over the same period in Brazil was 170%.

Northeast / Presentation

Made up of the states of Alagoas, Bahia, Ceará, Maranhão, Paraíba, Pernambuco, Piauí, Rio Grande do Norte e Sergipe, the Brazilian northeast stands out as one of the best destinations for real estate and tourism business worldwide. Its area covers approximately 1.558.196 km², equivalent to France, Italy, United Kingdom and Germany all together. The region has over 51 million inhabitants – almost 30% of the national population. – living in 1.793 municipalities, whose average annual temperature ranges around 24 to 28 degrees Centigrade. The geographical position of the region is very strategic, for the northeast is the closest Brazilian region regarding European and American markets. There are 18 airports, 9 international, that connect the nine states with the major destinations in the country and the world, making it possible the crescent increase of real estate and tourism business. The GNP is US\$ 95 billion – bigger than countries like New Zealand, Nigeria, the Philippines, Egypt and Rumania – and it shows a significant growth in recent years, what projects the northeast as a land of great opportunities for those who want to invest. With 3.300 km of beautiful beaches, the region attracts people not only for its exuberant and diverse nature but for other reasons. In all the states, the presence of culture celebrations is very strong, such as, typical celebrations in Alagoas, Iemanjá and Nosso Senhor do Bonfim celebrations in Bahia, the São João in Paraíba and the carnival in Olinda and Recife, always accompanied by the rhythm of “frevo”. Traveling to each northeast state is discovering different cultures, scenery and ways of life, but always with something in common, the joy and hospitality of the people. Once you get to the region the tourist has a hearty welcome and no soon he can feel at home and begins to explore all that is to be explored. The exotic sceneries, that range from busy beaches like Pipa, in the state of Rio Grande do Norte and Porto de Galinhas, in Pernambuco, to even wilder sceneries make the Brazilian northeast a place with nice itineraries that satisfy all tastes, from clear and tranquil waters to extreme sports practice, such as surfing and others. The gastronomy is a special part: the dishes are made of seafood and other typical items from the northeast and the visitors go wild with so many discoveries. For demonstrating so much diversity, together with contagious receptivity of its people, the Brazilian northeast is standing out as one of the most tourist destinations in the world.





Northeast / Why invest in the Northeast

The Northeast of Brazil has been the target of an explosion of investments on the part of international real estate and tourism groups. It is a general consensus among market specialists that the region will be one of the world's greatest tourist destinations and second-home destinations within the next few years. To consolidate the security in getting and generating investments in the region, companies, associations, entities, State and Federal Government have increased their interest in promoting the Brazilian northeast before potential investors, drawing the attention

to the principal reasons to invest in the region, such as:

- The Brazilian northeast is the only tropical region on the planet that is not affected by terrorism, natural disasters and so on.
- Over 3.300 kilometers of dazzling tropical beaches and more than 300 sunny days a year.
- A pleasant and hearty people, always willing to receive visitors and encourage good business.
- Extremely attractive prices on the real estate market and cost of living, specially when compared to Europe
- Excellent quality private healthcare system.
- The region has a diverse culture and the folklore is strong among its people. Each state preserves its roots and culture, what makes the Brazilian northeast a truly mosaic of rhythms, dances and habits
- The Brazilian northeast has a diverse cuisine with typical dishes done from proper ingredients (corn, cassava, dry meat, seafood and tropical juices. The gastronomy of the northeast is unique, for it gathers different peoples influence – Indians, Africans and Europeans – together with elements found in each state.
- 1,6 million km² of natural wonders where fascinating scenery is revealed such as Parque dos Lençóis no Maranhão – a truly ecological paradise with 155.000 hectare of dunes, rivers, lagoons and mangrove swamps
- Chapada Diamantina – mountain ridge region, located in central Bahia state, that features its beautiful vegetation and natural shaped landmarks such as Cachoeira da Fumaça that has 380 meters of free fall, Canyons , stony walls that rise from the waters of São Francisco river. These canyons are the favorite place for those who enjoy extreme sports.

OPPORTUNITIES

Real estate opportunities are happening in the already-built property segment as well as in the segment of residential and hotel enterprises yet to be constructed. Compared with other tourism or investment destinations, the cost of property in Brazil is lower and the price of labor for construction is very accessible. Constant appreciation makes investment extremely attractive and the diversity of offers meets the desires of the most demanding investors. Because of its characteristics, the Northeast is the preference of those who are seeking to unite recreation with investment, encouraging new projects and alternatives where nature always stands out. Environmental preservation is a constant concern, which gives value to the enterprises and creates agreeable spaces to be inhabited. The region has earned special attention from governmental agencies, and large foreign groups have invested in hotel and recreational projects, creating complementary and support business opportunities for these enterprises. In the interest of security, the expansion of gated condominiums and enterprises of the club-condominium type are anticipated. The internationalization of the Brazilian real estate market has stimulated an increase in the flow of foreign investments.

International companies have sought opportunities for investment in a direct way as well as through association with Brazilian companies. Some Brazilian construction companies that have made initial public offers have become associates of foreign groups determined to invest in the Brazilian real estate market.

RESIDENTIAL TOURISM

Constant investments, both public and private, in the tourism sector have given Brazil an appreciable increase in the preference of foreign tourists. Following the European trend, residential tourism has grown in the country, offering an excellent financial return, making vacations "self-sustaining" and enabling the maintenance of property without cost.

The broadening of this segment demands greater diversification, and various enterprises have appeared with privileged coastline locations.

Functional projects, designed by renowned architects, facilitate rental of the property during the period when it is not being used by the owner. The growth of this segment has awakened the interest of specialized companies that place the property in the international market for rental during a period of idleness. In fact, the success achieved by these real estate management companies has increased the demand for new units in order to expand the range of options, not only in terms of space, but also in finishing and location.

The aforementioned internationalization of the Brazilian real estate market makes it possible to reach various consumer markets with different vacation times that represent the highest occupation rate of the properties during the year. The long period of sun in the Northeast makes this a privileged region and competes, in an advantageous way, with other regions. It is a long summer available to all those inclined to make the most of it.

Brazil is in 11^o place in popularity for British and Irish investors

Over 100 national and international representatives of some of the most important companies of Brazil and abroad, attended the last meeting of ADIT Nordeste, that took place last Monday (25). Felipe Cavalcante, president of ADIT opened the event by presenting, with satisfaction, the importance of the meeting in Alagoas. Besides the president of ADIT Nordeste, the event had the presence of Virgínio Loureiro, Secretary of Tourism, representing the Alagoas Government; Hélio Abreu, vice-president of ADIT in Alagoas; Jubson Uchoa, president of ADEMI AL and Marco Fireman, Secretary of Infra-structure. Several companies and presidents of well known national and international hotel entities were present in the meeting. Among them, the Global Estúdios from Barcelona, one of the most important consultancies, national and international architecture companies, and resorts, the RCI Brazil and HVS International, companies that are world leaders in hotel consultancy and timeshare, the HIFX, one of the most important exchange rates companies of the world. Besides those companies, the CB Richard Ellis, Cushman & Wakefiel and Newmark Frank, the three biggest real estate agencies and consultancies of the world, were also present. On the occasion, ADIT Nordeste promoted a day of presentations directed to the real estate and tourism segments of the Northeast as well as the second-home market. The British journalist Trevor Little, from Overseas property Professional

(Opp Magazine), spoke about "The expansive real estate international business and how they operate". According to Trevor, the British and Irish spend 122 million euros, a day, with offers of second homes.

11° place in the popularity of British and Irish buyers: this was the perspective of the journalist to Brazil. Factors like the media coverage, the economic growth and return on investments, together with the low cost of living and an easy process of buying, were named as responsible for Brazil to be the target for opportunities of investment.

Still in the meeting, João Crestana, president of Secovi, spoke about the potentials of the São Paulo Market for second home in the Brazilian northeast. According to Crestana, the Northeast has a great potential on this market, for, besides the natural beauties, the low cost of the square meter, is a determining factor for the investors.

Besides these, the guests José Carlos Mesquita, from Sol Corretora de Cambio, Pedro Klumb, from MSFI Serviço Financeiros and Diogo Canteras, director of HVS International, spoke about the real estate market, contributing to let the entrepreneurs to get to know the buying- and- selling process of real estate developments.

Evaluations

The participants had a positive evaluation of the meeting approving the new format that added to the agenda lectures in the afternoon.

For Emílio Tramullas, president of Gobal Sudios, "this ADIT meeting gathered a selected group of executives which permits to do a good networking and contributes a lot to the development of the Northeast once it is possible to get in touch with companies and form future business partnerships."

For Jorge Chaskelmann, director of the Aquiraz project, this meeting is very important, for it shows, to potential investors, that the Northeast is the future of Brazil. For him, the participation of ADIT is vital for the development of the Brazilian northeast, for it encourages the developers to act in a correct manner so that this region may grow as the real estate sector is growing.

Financial Times and Irish Mail on Sunday visit the Brazilian Northeast Alagoas, Bahia and Pernambuco: these were the tourist destinations visited by the team of British journalists, recently in Brazil. The group came to the country, from January 19 to 25, result of a partnership between ADIT Nordeste and APEX/ Brazil, through the Image Project. The aim of the visit was to get to know the natural beauties of the Brazilian northeast and to visit high-level real estate and tourism developments.

It participated in the Image Project, the journalist Liz Gill, Financial Times correspondent, a British newspaper that has a circulation of 440 copies. Gill is also a free-lance, specialized in writing about real estate property. Also present were Gordon Miller, the Irish Mail on Sunday correspondent, a paper that has a circulation of 2,5 copies. Miller writes for B and C classes, in the section of real estate property, and, the Public Relations for Tideway Communications, Kerry Clark, who writes for magazines that circulate in great part of Europe, and for sites, revealing the Brazilian northeast and the actions of ADIT.

During the visit, the journalists marveled over the tourist and real estate potential of the region, especially the natural beauties of the visited states and had the opportunity to get to know several developments. They showed great interest and said that they see many possibilities of business in the Brazilian northeast, principally in lots with standardized architectural projects.

This British attitude let all the Brazilian investors aware of the demands of the British market, once they begin to think about a new segment towards the high profitability foreign public.

For the journalist Kerry Clark, the first edition of the Image Project was a success, and opened a great opportunity for the journalists to get to know the Brazilian northeast, as well as its potential. The British journalist was mesmerized by the Brazilian developments, once, in the northeast, they respect the cultural identity of the region. "We can say we had a good impression and, we noticed the existence of international high-level hotels and restaurants.

High investment leaves behind 'stop and go', says Ipea

The investments in Brazil have grown at an average rate 2.4 times higher than the Gross Domestic Product (GDP) and leave behind the dynamic "stop and go", which marked the economy of the country at the end of the 90 decade to mid-2005. And not even the high-cycle of Selic rate will stop that process.

The evaluation is present in the Carta de Conjuntura of the Instituto de Pesquisa Econômica Aplicada (Ipea) disclosed yesterday.

The analysis on the little interference on the money problem in investments is based on two facts: The

investment plans are already underway and the current level of exchange rate also encourages and facilitates

imports of capital goods, which increases the productive capacity. Because of this, they estimate that the rate of investment may make high between 12.4% and 14.1%.

By continuing this pace of increase in investment, there are conditions to cool inflation. "We have the leasing of capital in machinery, equipment and infrastructure, a dynamic able to expand the production capacity installed and respond to the pressures of demand, by attacking inflation by the side of supply," said the coordinator of the group of the Análise e Previsões of Ipea, Miguel Bruno.

High productivity

Although the levels invested are at a constant growth, the team of Ipea sees that the degree of used capacity remains high (83%), "possibly reflecting the maturation of investments in the sector." They suggest, in the document, that it be taken together the productivity gains of the industry, so that the real condition of the offer is known to face the demand.

According to the text, between January 2006 and April this year, the Gross Fixed Capital (GFC) enter into a regular path of growth and, in parallel, the level of use of installed capacity and productivity trends share a common-tendency of developments, a sign that the Brazilian economy has already entered a path of growth.

Expectations contaminated

The worsening of inflationary index, say the economists of Ipea, has contaminated the expectations for next year. This way, in 2009, they appear above the central target of 4.5%. According to the Carta, this raising of future expectations is worrying because it may lead to a possible indexing process that in itself guarantees an

increase in inflation for next year. "The recent high inflation, mainly because it is guided by adjustments of food, has already triggered a sense of monetary loss by consumers, particularly those belonging to lower income classes of the population."

The positive factor, say the economists, is on the performance of administered prices that even accelerating in relation to 2007, should remain below the free prices Part of the behavior of the administered prices due to the effect of tax policy that, by reducing the contribution of Contribuição de Intervenção no Domínio Econômico (Cide), held by the edge, the readjustment of oil prices "Additionally, the fact that the tariffs for public services are less indexed to the Índice Gerais de Preços (IGPs) than in the recent past, has caused the

strong high indices in 2007 to have an impact on the administered prices eased, according to our predictions.

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Collection and surplus

Ipea also highlights the growth of higher revenue. The federal revenue recorded high of 12.1% in real values deflated by the IPCA (Índice de Preços ao Consumidor Amplo) between January to April compared to the same period of 2007. This has established a primary surplus record of 6.82% of GDP, a result that led to an unprecedented nominal surplus. **Fonte: Gazeta Mercantil**

Another private equity comes to the Country

São Paulo, June 27, 2008 - The growth potential of the Brazilian real estate market has attracted the attention of another international private equity fund, JER Partners, arm of Robert Companies, which opened its Brazilian office at the end of May this year and is already calculating investments in the country. To lead its activities in the country, the fund hired Roberto Perroni, who has worked for over two decades in that segment. Perroni held the post of chief superintendent of Camargo Correa Desenvolvimento Imobiliário. Last year, the real estate sector was highlighted by the attraction of investments in private equity. A study by PricewaterhouseCoopers (PWC) shows that in 2007 there were 21 private equity investments in shopping centers and 16 in construction. The previous year, it was only one in shopping centers and 13 in construction.

For this year, the prediction is for expansion. That's because the window of opportunity for the attraction of resources with public offerings of shares, which opened for companies in the industry in 2006 and 2007, has closed, says the executive.

Brazil and Latin America were chosen as key markets for expansion of JER, which in early May opened its office in Mexico, also under the command of Perroni. The target of the fund in Brazil is residential and shopping centers segments. The amount to be invested, however, Perroni does not reveal. Currently the fund

is present in the United States, Europe and Russia, with total investments of US\$ 4.5 billion. The next step is to go to the Middle East and to Asia.

Special Moment

The special moment of the property market in Latin America guided the choice of the fund, which focused on the region before the emerging markets of strong economic growth like China and India. Several reasons weighed in that choice. The crisis of subprime, which reduced the property loans in the international market, was very heavy.

The credit, crucial factor in the expansion of the sector, was scarce with the crisis, reducing the appetite for investment in the regions affected. In Latin America, the risk of happening the same is very small, Perroni said. In Brazil, it practically doesn't exist. "Here the banks are very cautious when they finance and the values

never reach 100% of the value of the property. The financing is of 80% of the value of the property. This way, the property remains secure."

The caution did not affect the good conditions of financing in Brazil, which along with the demand are attracting the private equities. There is a big difference between what happened in the past and what happens

today in the Brazilian property loans. The terms, the rates and the relationship between the developers and banks have changed. "The situation is favorable to the point that many customers who go to show rooms discover that the conditions of financing permit them to buy a building much larger than that they wanted," says the executive.

Until 2004, banks did not work with developers; the interests were IGP-M more 12%, the developers offered direct credit of only up to three years. Now, banks and developers work together, the terms of financing come to 30 years and the rates are TR (less than the IGP-M), plus interest of 9% to 12% per annum.

"The conditions of financing are leading people to postpone the purchase of new car to buy a real estate. Diluted by the lengthening of the term of financing, the monthly pay for the car becomes equal to the apartment."

Migration to Class C

The ease of credit and stability of the economy warm the demand. It is being created a very strong emerging class C: 20 million people have left the classes D and E. The growth of class C affects the overall scenario, benefiting the industry, shopping centers, in addition to the residential segment. In 2007, sales in shopping malls reached R\$ 58 billion, an important increase in relation to R\$ 45 billion in 2005. As to the current visits to these consumption paradises rose from 180 million to 300 million people from 2005 to 2007.

Fonte: Gazeta Mercantil

Hotel industry must invest R\$ 1 bi in Rio and in Niterói in the next 5 years

Private investments in the order of R\$ 1 billion will be implemented in the next five years, in the construction and restructuring of at least 18 hotels in the city of Rio and Niterói, as informed by the article of Isabela Bastos published in the Friday edition of the newspaper O Globo (full access only to subscribers). Among the licensed ventures, in the process of analysis or already in progress, according to the Associação Brasileira da Indústria de Hotéis do Rio (ABIH-RJ), nine are in Barra da Tijuca, five in Copacabana, one in Recreio dos Bandeirantes, one downtown and two in Niterói. The developments must add at least another five

thousand new hotel rooms to the network, which has currently 38 thousand units in the state, and 28 thousand in the capital.

The detail of investments in the industry should be the dossier of the candidacy of Rio to host the Olympics in 2016, which will be handed in to the International Olympic Committee (IOC) until February 12, 2009. Although the great number of new hotels has, on the distant horizon, the Olympics and the 2014 World Cup in Brazil, it is in the short term that lies the greatest motivation of the sector. According to the chairman of the ABIH-RJ, Alfredo Lopes, the hotel boom is due more to the growing demand caused by economic development of the state, which already accounts for 60% of the occupation of rooms.

According to Lopes, the creation of poles of economic development as the metal-mechanical of Resende, the steel of Itaguaí, petrochemical of Itaboraí, and the oil of Macaé, is attracting to Rio important companies and, consequently, business events that generate demand for hotels. Data from ABIH-RJ show that the number of rooms in the state is increasing the ratio of two thousand units per year, being half in the city of Rio

Most of the new ventures should be four stars, the average size of the hotels of Rio. The focus in Barra, says the chairman of the ABIH-RJ, is the result of the shortage of large spaces - capable of harboring enterprises of 300 to 400 units, international standard, so that the hotels are economically viable - in other parts of the shoreline.

The Minister of Tourism, Luiz Barretto, and the governor Sergio Cabral sign two agreements this Friday in a total of R\$ 25.3 million. Part of the resources will be used to the development of technical feasibility studies for construction of convention centers in the fluminense municipalities.

Fonte: Ademi

In 2007, the country accumulated \$ 94.7 billion, with a growing rate two times higher than Russia and China

In 2007, year of record in foreign trade and historical entry of Foreign Direct Investment (FDI), Brazil has accumulated more dollars than any other emerging country in the world. Last year, the Brazilian reserves jumped 110.77% - the equivalent of \$ 94.7 billion - a growing rate two times higher than that reached in Russia and China.

This strategy, widely supported by the Central Bank (BC), increases the protection of the country in situations like the present, in which investors look for markets considered as safer.

A survey based on data from the International Monetary Fund (IMF) and the central banks of emerging countries, shows that Brazil beat Russia and was the emerging country that showed the largest proportional growth of reserves in 2007. This ranking was led between 2003 and 2006 by Russia. At that time, the rise of oil prices fattened the Russian trade balance. Part of these resources was channeled by the Central Bank of that country into the reserves.

It was exactly this commercial revenue that Brazil used in 2007. "Brazil has been benefited by a conjunction not seen for a long time. The fast rise of commodities strongly increased the balance. On investment, Brazil again attracted companies interested mainly on the domestic market," says the professor of

economics from the Universidade de São paulo (USP), Fabio Kanczuk. "The Banco Central took advantage of

the international liquidity and the result of external accounts. It was a very positive period that included an avalanche of release of shares on the stock market," reinforces the chief economist of the brokerage Lopéz Leon, Flávio Serrano.

Balance favors Tourism

According to the World Tourism Organization, this activity grew by 6% between 2006 and 2007, measured by the number of international passenger arrivals - 898 million last year. South America was the destination of 2.2% of tourists from around the world, and Brazil, 0.6%. The largest local companies believe that 2007 was a good year and 2008 will be better, according to the Quarta Pesquisa Anual de Conjuntura Econômica do Turismo from FGV.

The position of the country in the world market of tourism, however, keeps on being unsatisfactory. With the 5 th largest area of the planet, 7.3 thousand kilometers of coastline and countless natural beauty, it is estimated the weight of tourism in Brazil in only 2.8% of GDP. And at the moment, with the dollar depreciated, tourism has become more expensive for foreign visitors.

A survey by the FGV shows the continuous expansion since 2004, from the 92 largest tourism companies of the country, which employs 90 thousand people and had a revenue, in 2007, of \$ 34.1 billion, 14.8% more than in 2006. And it was not the international market, but the domestic one that was the major responsible for the expansion.

The number of domestic trips, measured by national landings, increased 7.89% over 2006, reaching 50 million passengers, while international landings grew only 1.22%, corresponding to 6.4 million passengers. The difficulties with the currency and the air crisis did not affect all companies in the same way. The operators who work with transfers of foreign tourists had to cut costs and vacancies to adapt, but the rental cars and the tourism operators employed more staff and grew more than the GDP.

Tourism grows for the sixth consecutive year

The Minister of Tourism, Marta Suplicy, announces today (17/03), at 12h, in the auditorium of the Fundação Getúlio Vargas, in Rio de Janeiro, that the industry maintained for the sixth consecutive year its tendency of growth. The data are in the 4th Pesquisa Anual de Conjuntura Econômica do Turismo and show that the revenue of the 92 largest companies in the sector had last year, is an expressive result, totaling \$ 34.1 billion.

The survey conducted in partnership with the Fundação Getúlio Vargas, reflects the views of entrepreneurs and executives from the 92 largest companies, consulted in thesegments of operators, travel agencies, airlines, rental and road tourism, among others.

According to Marta Suplicy, the figures show the growth of the sector. "The revenue earned in 2006 was 116.02% higher than that of 2002 (\$ 2 billion), and the results of the last year maintain this trajectory of growth," she notes.

Fonte: Mercado e Eventos

The Northeast remains as the goal for big investors

Of the nearly 150 new tourism ventures under construction in the country, about 20% are owned by international investors. Over the next three years, companies of Portuguese capital will invest about \$ 2.2 billion in new tourist projects in Brazil. Almost 100% of these resources will be applied in the Northeast. After the Portuguese, the Spanish are the ones that invest most in the region, with an estimated volume of \$ 1.9 billion.

In the last four years, the Brazilian Northeast became the principal goal for large international real estate and tourist groups. It is estimated that it will be invested over the next three years, more than \$ 20 billion in condominiums and resorts integrated - five-star hotels, sport complexes and houses and apartments for a second home. The survey is of the Association for the Real Estate and Tourism Development in the Northeast of Brazil (Adit Nordeste).

According to Adit Nordeste, Rio Grande do Norte, Bahia and Ceara lead the volume of new investment in the region. Pernambuco comes in second, and then Alagoas. The president of Adit Nordeste, Luiz Felipe Cavalcante, foresees that in the coming years Sergipe and Paraíba will also receive large investments from international groups. Sergipe, in fact, has already major projects in the process the study of environmental impact. More recently, Maranhão and Piauí, also endowed with a beautiful coastline, began to draw the attention of international investors.

Fonte: Antonio Roberto Rocha - Diário de Natal

The Northeast

The explosion of investments on the part of international real estate and tourist groups in the Northeast region - what Maranhão has in a timid way, despite the large volume of launches in recent months - must reach, in the next ten years to \$ 20 billion, as estimated by the Association for the Real Estate and Tourism Development in the Northeast of Brazil - Adit Nordeste.

So far, the sum of the already implemented Portuguese projects -(\$ 2.4 billion) with the Spanish -(\$ 1.3 billion)- reached \$ 3.7 billion. There are also developments in the region with French, English and even Nordic capital, demonstrating the immense potential of the region, which is consolidating to be, with more determination, part of the world market, including substantial investments in infrastructure, such as international airports.

Fonte: O Imparcial

Profitability of Brazilian companies reaches 16% and now exceeds the American's

A strong wave of global growth has increased the profitability of Brazilian companies and improved their capacity for investment. Last year, the return on equity of the companies traded on the Bolsa de Valores de Sao Paulo (Bovespa) reached 16.02% and surpassed even the rate of American (14.6%). In the case of the financial sector, for example, the return was almost twice as verified in the institutions of the United States: 19.6% versus 11.5%.

But, despite registering the biggest difference in relation to American institutions, the financial sector was not the champion of profitability in 2007. According to a survey, the industry of steel and metallurgy recorded the highest return on equity among all segments. The profitability of companies beat 31.3% in 2007 and stayed ahead of the sector of oil, with 31%, and mining, 27.5%.

According to the president of Economática, Fernando Exel, in spite of the season, balance sheets have not reached the end, the numbers of Brazilian companies already point to a record of profitability in 2007. "These companies (open capital) are fantastic and the world market is now discovering the quality of them," says the chief executive of the Instituto de Estudos para o Desenvolvimento (Iedi), Julio Sergio Gomes de Almeida. He explains that after suffering with international crises and foreign exchange, the Brazilian companies entered into a process of transformation and become more efficient. "It was a matter of survival." With the economic opening of the country from the 90s , they had to live with large multinationals and increasingly competitive products, which demanded changes in their strategies.

With the damage caused by the exchange rate devaluation of 1999, companies learned to work with lower levels of debt, says Almeida. At the same time, they had more access to the capital market, which has enabled

them to get money cheaper than that obtained through bank financing. To have an idea, between 2004 and 2007, 106 companies have made Oferta Pública Inicial (IPO, in English). In addition, 28 companies issued new shares and injected more resources in the business.

More competitive, the companies began to conquer foreign markets, and recently began a process of internationalization. It has also helped to improve the profitability and professionalism of business.

"In the past, companies had a financial management much more than economic. They earned a lot of money with the high inflation because it anticipated the future inflation," says the professor of the Escola de Administração de Empresas of Sao Paulo of the Fundação Getúlio Vargas (FGV), Ernesto Lozardo. Today, he

says, the environment is different. With the economic opening, companies have been forced to be more competitive. "And now with the dollar down and increased imports, they have to be even more efficient."

COMMODITIES

The fact that the country has a strong culture in the production and export of commodities also counts to improve the rates of return of open companies. It is no coincidence that the champions of profitability in 2007 were the sectors of metallurgy and steel and oil and gas. The price of aluminum, for example, rose 20% in 12 months; oil, more than 70%, and natural gas, more than 20%.

With the strong external demand, the national companies have benefited and they managed to compensate with the fall of dollar. Also there was an improvement in the economic activity in the internal market, with an increase in wages and consumption. "They ended up winning twice," says Almeida.

Europeans buy homes in the Northeast and attract new investors

In 1500, the Portuguese discovered Porto Seguro. More than half a century later, accompanied by Spanish, English and German, now they come only to spend the holidays.

And throughout the coast of the Northeast. In the last two years, the flow of Europeans in search of a summer property on the beaches of Ceara, Alagoas, Paraiba, Pernambuco, Rio Grande do Norte, and Bahia, has increased.

They do not come in caravels any longer, but on flights of TAP. Instead of baffled indians, they find real estate agents who know, in advance, of their arrival - and calculate, euro by euro converted to real, the valorization of each square meter.

It's a big jump: in the most targeted areas, the price went from \$ 4, eight years ago, to \$ 100, says Felipe Cavalcante, president of Adit (Association for the Real Estate and Tourism Development in the Northeast of Brazil).

"The European purchases, and not to leave the house closed in most part of the year, they rent it to others," he explains.

And they hardly buy isolated houses. Most of the constructions, whose prices reach \$ 4.5 million, use the hotel system.

The vein attracts investors from other parts of the country - and the world, like the British firm Alexander Richards, that specializes in our market.

Its director, the Indian Manoj Chawla, spoke with Folha in the hall of a hotel in Sao Paulo. "For the European standards, the cost of ownership (in the Northeast) is incredibly low, and the quality of life, incredibly high," he says.

For the next eight years, Adit foresees 80 thousand new units of second home to Europeans in the region.

Fonte: Folha