

BRAZIL



A Pathfinder Report
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BACKGROUND

Brazil

Capital City: Brasília

Official Language: Portuguese

Population: 192,272,890

Area: 3,287,597 sq miles/8,514,877 sq km

Independence: from Portugal, 7 September 1822

Currency: Real

Dynamic and exuberant Brazil, the world's 5th-largest country, is a land of contrasts—stately colonial towns sit beside gleaming master-planned cities... the

industriousness that makes Brazil self-sufficient gives way to the fervent partying of Carnaval...and almost 5,000 miles of world-class beaches set off the lush Amazon basin.

One of the best things about Brazil, however, is the people. A melting pot of backgrounds, cultures, and religions, Brazilians welcome strangers gladly. They're some of the warmest, friendliest, passionate people you'll meet on your travels.

Rio de Janeiro, home to Copacabana and Ipanema beaches, is surprisingly lush and green, with mountains sloping down to white-sand beaches. The world's largest urban forest, Tijuca Park, runs along the mountain spines. Rio lives up to its beach reputation—every Sunday afternoon, streams of locals head home through the streets, in swimwear and flip-flops.

Salvador da Bahia is Brazil's Capital of Happiness. A center for Afro-Brazilian culture, Salvador has colonial architecture and a unique atmosphere. Restaurants serve the spicy, seafood-based cooking for which Salvador is famous. Museums, galleries, and plazas host cultural events, live music, and fairs.

The northeast state of Ceará is the number-one Brazilian tourist destination. I can't put it any better than *Frommer's*: "Everything in the northeast is different. The food richer, the cities more historic, the beaches longer and whiter, and the music more vibrant..."

Climate

Brazil's climate is mostly tropical meaning warm, balmy weather year-round, with temperatures averaging 77 °F, and ocean breezes in coastal areas. The topography varies from equatorial rainforests in the Amazon and northern regions; semiarid deserts in the northeast; coniferous forests in the south; and tropical savannah in the center of the country. Rainfall is lowest in the semiarid northeast, receiving less than 31 inches of rain annually. In the far south, the temperate

Brazil

Real Estate Purchase and Maintenance Costs

1. Purchase Costs.

ITBI - Imposto sobre Transmissão de Bens Imóveis (Turnover Tax) 2% of property value

If Navy Land: 'Laudêmio' Tax (owed to the Federal Union) 5% of property value

Notary Fees (Deed, Document Authentication, etc.) 1.5% of property value

Real Estate Registrar Fees (registration at 'Matricula') 1.5% of property value
Attorney Fees 0.5% to 2% of property value

2. Sale Costs.

Capital Gain Tax 15% of capital gain

Attorney Fees 0.5% to 2% of property value

conditions give cool winters, frost, and the occasional snowfall.

Economy

Brazil's economy was traditionally reliant on wood, followed by sugar, gold, coffee, and rubber. Following a boom from 1968 to 1973, during which GDP averaged 11% a year, a period of high inflation and increased foreign debt ensued. In 1994, the government brought in the Plano Real, a set of measures taken to stabilize the economy and liberalize trade. Part of the Plano Real was a new currency, the real, initially pegged to the U.S. dollar. Inflation fell from 1,000% in 1994 to 5% in 1997.

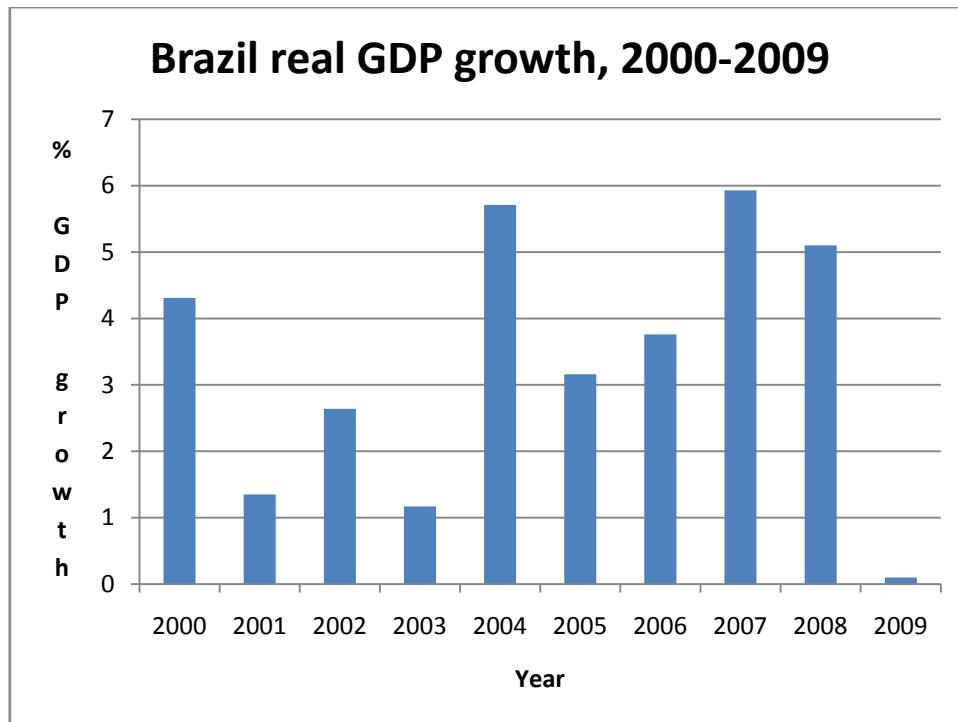
Brazil now ranks as one of the world's top economies; its GDP surpasses a trillion dollars. The country produces a diverse range of products—cars, cement, electronics, steel, petrochemicals, and aircraft. It even has a satellite-launching center. Energy-independent since 2006, Brazil is a pioneer in the production of ethanol—used as car fuel—and deep-water oil research. Eighty percent of the nation's fuel is hydroelectric. Brazil also has extensive resources of minerals, such as gold, nickel, and uranium.

The country's agricultural sector operates on a grand scale. Brazil is responsible for eighty percent of the world's orange juice, and twenty-five percent of the world's exported sugar. It has the world's highest sales figures per country for chicken and beef, and is the world leader in soybean exports.

Brazil has low exposure to the world's consumer credit crisis. Bank lending policies for both home and personal loans have been conservative so Brazil's home mortgage debt amounts to just 1.7% of its GDP. Compare that to the UK's 83%, and the U.S.'s 76%.

This lack of credit exposure, combined with energy self-sufficiency, and strong industrial and agricultural sectors, means that Brazil should weather the world economic difficulties better than most. GDP growth returned to a positive level in the last quarter of 2009. Growth of 5% is expected in 2010 by the Central Bank.





Real Estate Overview

The real estate hotspot is Brazil's north-east coast, fuelled by the domestic market, and foreign investment. Direct flight access from the U.S. is opening up. Brazil—and Fortaleza, the capital of the north-east state of Ceará in particular—is getting serious about marketing to foreign tourists.

Fortaleza is already one of the biggest domestic tourist destinations in Brazil. In 2008, 3.25 million tourists (mostly Brazilian) visited the city, an increase of 16.8% on the previous year. Already, the demand for short-term rentals in Fortaleza is strong, but the supply of suitable units is tiny by comparison, with occupancy running close to 100%. Now the domestic mortgage market is opening up and Fortaleza is becoming increasingly popular as a holiday and retirement destination for Europeans.

On top of all this, the World Cup is coming to Brazil in 2014, with Fortaleza likely to be a host city.

Located 50 meters from Fortaleza's boardwalk, you'll find Beach Class Colonial, part of the Beach Class brand that has four developments in the city of Recife targeted at the executive market. Their Recife suites are perfect for short-term rental. Year-round occupancy is 86%, and average nightly rates are BRL240 (\$100). Buyers enjoyed capital appreciation during the build period with strong rental demand on completion.

Beach Class Colonial's units will be seriously high-spec. Amenities resemble that of a five-star hotel, and include a swimming pool, gym, sauna, crèche, game room, movie room, and a business center. Given the high rental yields you can get in this market right now—up to 15% a year for units like Beach Class—this is a rental play. Available units start at 233,500 reals (\$126,421 at an exchange rate of 1.84 reals to the \$). [Read more here](#).

The beaches west of Fortaleza are gorgeous. You'll find long, sweeping stretches of fine white sand,

backed by dunes dotted with palm trees. Blue skies meet an even bluer sea, and cooling ocean breezes keep the tropical temperatures balmy. Getting from one beach village to the next is quick and easy—by beach buggy.

Small, upscale boutique hotels cater to kite-surfers and European holidaymakers. Few North Americans make it here, but that is changing. Land parcels have been snapped up by developers aiming at the U.S. and European market.



Cumbuco, thirty minutes west of Fortaleza on the northeast coast, is rapidly shedding its fishing village infrastructure and amenities. The town's laid-back friendly charm carries on, though.

The dazzling-white sand beach has a curve of coconut palms hugging the bay. Off shore, the brilliant blue sky meets the deep blue of the ocean. Fishermen cast their nets from their little jangadas (boats), and the beachside bars serve up the day's catch—you don't get much fresher than that.

Many of Fortaleza's wealthy families own large homes in Cumbuco, but recently, it's caught the attention of developers as well.

The first golf course in the area is due to start, as part of a major development by a Portuguese group. The hotel for this project—called Vila Gale—is under construction. Another development by a Spanish group will have almost 1000 residential units...and a Brazilian developer next door is planning 1400 units.

Lots in a gated community close to the beach in Cumbuco are available. Averaging 400 square meters (4306 square feet), the start price is 70,000 reals (\$40,455). For something right on the sand, 250,728 reals (\$145,258) buys you a 75 square meter (807 square feet) condo, currently under construction.

The first high-end boutique condo-hotel is due to open soon. This is a major upgrade in the village, as this luxury hotel will be in a class of its own in Cumbuco. Once the new residential developments and golf course are complete, this village will have a market for the chic restaurants and cafes that will surely follow.

For now, enjoy the nicest, widest stretch of sand close to Fortaleza, before the crowds get here.

For more details on Fortaleza, Cumbuco, and other hotspots on Brazil's northeast coast, [click here](#).

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