

nuts about brazil

As one of the largest developing economies in the world, international financiers are predicting that Brazil will be the fifth biggest global economy by 2050. NICOLE RAPAPORT finds out why it is also tipped as the next big investment hotspot when it comes to property.

We all know that tourism is the world's fastest growing economy and with the beauty of having all year round sunshine, miles of virgin coastline and other natural riches, Brazil is set to become a leading destination. Popular places to buy include the major cities such as Rio de Janeiro and Sao Paulo and beach resorts such as Natal, where a new international airport and numerous new developments are attracting investors from around the world.

Nick Marr, chief executive officer of overseas property portal homesgofast.com predicts other hotspot areas to be Cumbuco, with its proliferation of windsurfers, Canoa Quabrada, due to the cheap beachfront landplots – going for as little as £5,000 – and the Fortaleza suburbs.

He adds: "The smart money goes on land that has got zoning permission where you can build your own property with ease. Determined investors know that there are no restrictions for foreign buyers wanting a piece of Brazil. No investor should buy without a lawyer, though – I have heard of stories where locals sell land that can never be built upon owing to the type of rock."

Moroccan Properties is marketing the five-star

Turtle Bay Beach and Golf Resort in Belmonte, Bahia. Prices start from approximately £15,300 for a 500-square-metre plot, and the obligatory construction of villas must begin in 2010. Director Pam Ball claims that capital appreciation on their products was at a massive 20 per cent, and is set to be the same for this year.

She says: "The demand for property is huge. Brazil has a population of 188 million, it is an emerging market, and out of this huge population it has a fast-growing middle class market, making its purchasing power the ninth largest in the world. With 50 per cent of the population under 25 years, Brazil boasts one of the youngest populations of the emerging nations. Brazil offers buyers fantastic buy to let and more importantly amazing capital growth and investment opportunities."

Matt Glazier, head of international developments at Winkworth, is promoting luxury developments in Sao Paulo and Rio de Janeiro. He says: "One of the main motives for purchasing a property abroad is its rental potential when not in use. The domestic rental market in Brazil is high, in part because nationals choose to holiday at home rather than abroad. This provides buy-to-let owners with a fall-back option, should the foreign holiday season ever suffer a lull. All in all this equates to a very secure buy-to-let opportunity for real estate investors."

It is easy for foreigners to buy in Brazil, with most properties being freehold. You need a CPF number (a right to buy), and then there are the relevant taxes to be paid; five per cent for the equivalent of stamp duty, 15 per cent for capital gains and income tax, and a one per cent properties tax. The mortgage market there is still in its development stage, so foreigners cannot yet



ABOVE AND BELOW Moroccan Properties has the Turtle Bay Beach and Golf Resort on their books; a unique land banking investment opportunity for the discerning investor. Land is being sold for approximately £732 per square metre, and construction is due to start in January 2010. The David Lloyd Group will manage the site, as well as dealing with the rentals. LEFT Propertyshowrooms.com is selling property at Jacuma Beach, in Rio Grande de Norte, one of the north-eastern states of Brazil from £63,000 (top left). For slightly less, at £60,500, the Palm Beach Resort in Ceara (bottom left) is also a good investment.

obtain a mortgage. However, buyers usually arrange alternative financing in their own countries, especially through equity release. Many off-plan developments in Brazil offer financing over a period of between 12 and 60 months.

Steve Binge, managing partner at propertyshowrooms.com believes that the rental market, though it's in its infancy, is heading in the right direction. Currently buyers can expect between an eight and ten per cent return per annum, though this is expected to rise.

He adds: "On the economic front, there's the favourable currency exchange rate for foreigners enabling people to get more for their cash than many other countries."

"President Luiz Inacio Lula da Silva has encouraged foreign investment with policies that have resulted in a reduction of inflation to an all-time low. Other economic factors include a cost of living at only 20 per cent of that in the UK/Europe, low maintenance costs, and the fact that Brazil could be self-sufficient in oil reserves within the next year."

Propertyshowrooms.com is selling apartments at the

BEWARE

- Be vigilant before purchasing. It's safe to say that if Brazilians have bought in the area then it has something going for it. Property in popular towns with laws protecting them from overdevelopment are a lucrative option, beachfront or not, particularly if there are local activities to attract and occupy the tourists.
- A detached villa on its own plot is vulnerable if left unoccupied for months on end. Stick to multiple-dwelling resorts, many of which are gated with security for peace of mind and garden maintenance is included.
- Keeping a paper trail is important when it comes to resale and extracting your money. Aside from marketing costs which may be treated separately and be payable in Europe, funds transferred to Brazil will be automatically registered by the Banco Central to conform with money laundering regulations.
- Read rental contracts carefully and do your research. Better to buy in an area with an active rental market or great facilities to attract tourists, then, whether the rental is guaranteed or not, you stand to make good money regardless.
- Finding efficient lawyers in Brazil can be tricky so perhaps ask your estate agent to recommend someone reliable.

INVESTMENT: BRAZIL

Palm Beach, Ceara, from around £60,500, and at the Jacuma Beach resort, Rio Grande de Norte, from £63,000.

Sean Golightly from International Property Estates comments: "One of Brazil's advantages over other destinations is that its own people drive the market. The burgeoning economy, fantastic medium-term economic dominance and self-reliant property market means that year-on-year as Brazilians become more wealthy, the property market benefits due to Brazilians traditionally reinvesting back into their own country. Brazilians and Argentinians make up a huge percentage of the north-east's tourism figures as they generally travel there for their holidays.

Brazil has been attracting investors because of the year-round sunshine, political stability, and good access via direct flights from many international airports. It's also an incredibly beautiful place. Add to that 7,000 kilometres of beaches, friendly people, and, of course, the best carnivals in the world and it's no surprise that all of this has resulted in a significant rise in tourism and property investment, further fuelling the economy.

www.homesoverseas.co.uk

CONTACTS

HOMESGOFAST

+44 (0)800 043 0096

www.homesgofast.com

MOROCCAN PROPERTIES

+44 (0)20 8572 2422

www.moroccanpropertiesltd.com

WINKWORTH INTERNATIONAL

+44 (0)20 7691 4269

www.international.winkworth.co.uk

PROPERTY SHOWROOMS

+44 (0)800 047 0597

www.propertyshowrooms.com

INTERNATIONAL PROPERTY ESTATES LTD

+44 (0)1661 821 418

www.internationalpropertyestates.com

