



BRAZIL BAHIA PROPERTY

## A Wide Angle View Of Brazil Real Estate Investment



**In spite of the turbulent economy and government issues currently stealing the headlines, Brazil presents, in fact more so now, a very real opportunity for real estate investors**, those able to see the current state of affairs through a wider angle lens and to consider the longer term.

Brazil has a lot of positive aspects and it isn't really understood. Some broader factors to consider include; the new International trade deals with China and Russia, other heavy investment from abroad including India and the US, foreign interest in huge oil and mineral reserves, huge commodity exporter, an rapidly expanding middle class, the leading South American country and the looming 2016 Olympic Games in Rio de Janeiro.

Huge investment is already coming from the US, China and India with more on the horizon.

Brazil real estate prices have dropped and this presents an opportunity as the market bottoms out. There is a housing shortage in Brazil and the increasing demand from the burgeoning middle class will see it remain that way for a good while. The domestic rental market is also estimated to be 7 million strong and then there are tourist rental opportunities.

International investors are showing significant interest in the Brazilian real

estate market as a way to take advantage of the short-term political and economic turmoil.

### **Economic Prospects**

Brazil's population of 195 million has US companies remaining optimistic about Brazil's prospects and long-term growth. This large domestic market with exports only amounting to 10% of GDP provides insulation against global financial problems.



With a current middle class of 35 million, which continues to grow, many of them with a significant disposable income and as the 5th largest country in the World, predictions are that the economy will not slow down too much in the short to medium term. The long-term future is still brighter if you factor in the numerous trading agreements and investments coming from the other BRIC's nations.

The economic growth is accelerating from the low 1% in 2014. Any rise of interest rates from the Central Bank soon will reflect this acceleration.

### **Real Estate Boom And Growth**

In spite of the current economic climate there is a little known residential property boom going on in the region of Bahia on the North East coast of Brazil. The region is witnessing lots of coastal developments feeding the market for the growing middle class investor, investing in a second home or holiday rental. Bahia is an unspoiled paradise and the top holiday destination for Brazilians, the boom in developments here lean towards the luxury market and demand is high.

The housing shortage also brings strong demand from buyers that intend to live in their new homes.

### **The BRIC's, Trade & Investment**

Brazilian President Dilma Rousseff is making a serious effort to [land](#) further investment from the West and the East.

Rousseff recently met with Putin at the BRIC's summit in Siberia. A statement from the Russian Chamber of Commerce and Industry soon after stated "the five country members support Brazil's railway infrastructure project, which could be funded by the BRIC's Development Bank".

The BRIC's summit addressed multiple billion dollar initiatives and broader World challenges.

"Expectations include supporting Russia's long-standing view of the need to deepen BRICS cooperation with practicalities of... enhancing ties in all areas of social, economic and political life through outreach with involvement of different stakeholders."

"Priority social issues on the agenda, like healthcare, education and labour would certainly take their proper place with a number of concrete proposals,"

A reserve pool of \$100 Billion for BRIC's members was sanctioned as a proposal in the upper house of Russia's parliament in May 2015.

This pool would protect members national currencies and effectively remove the current reliance on the IMF (International Monetary Fund). This presents a new World of stability and currency control for BRIC's members. The Development Bank will be a direct alternative to the IMF. The new bank will be based in Shanghai and headed by an Indian private banker, K.V. Kamath. Terms of governance of five years each for Brazil and Russia will then follow.



Rousseff has recently met with Obama at the White House and with top executives at Google, Facebook, Apple and other tech companies in Silicon Valley. Brazil is the second largest market of users for Facebook and Apple.

The huge Brazilian oil reserves are drawing much interest from the US and India. US companies in particular are eager to get at the off shore deposits. Videocon Industries Ltd, an Indian company, are investing \$2.5 Billion in to Brazilian oil and gas in the next few years with more to follow.

Th first ever Olympics to be held in a South American country will kick off in Rio de Janeiro in 2016. China is set to invest \$50 Billion in the Brazilian infrastructure partly in support of the Olympics. A range of other deals to increase cooperation on trade, investment, transport, energy and agriculture between the two nations have also been signed by Rousseff and the Chinese Premier Li Keqiang.

## The Opportunity

As the governmental and economic problems continue to draw the attention of the mainstream media in the short-term, the huge investments flowing in from foreign governments and companies and the expanding middle class, the upcoming Olympics and the associated exposure for Brazil Internationally, falling house prices, the huge rental markets and the undermining of investor confidence all combine to make it clear that now is the ideal time for the savvy investor to consider a long-term investment in real estate in Brazil.



If you're looking to move money overseas as an investor you should get the opinion of those on the ground.

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