



BRAZIL BAHIA PROPERTY

The Right Way For Foreigners To Invest In Brazil Real Estate



The current low prices in Brazil offer a great investment opportunity for foreign investors. You should be able to make a tidy profit from your investment if you get the fundamentals right. Investing in a foreign country has its own learning curve and pitfalls. The main reason why many foreign investors make mistakes is their lack of knowledge of the local market.

Brazil Real Estate Investment Options



Brazil offers a wide range of investment options like undeveloped and developed [land](#), [islands](#), apartments, [houses](#), shops, [hotels](#), resorts and other [commercial](#) real estate. Due to the large geographical area, you have a vast choice of locations and the properties come in a large range of sizes, features and prices. Like in all large real estate markets, you can use a variety of strategies to profit from real estate investment.

Here are some common strategies:

1. Capital appreciation: Buying and holding a property in the expectation that prices will rise in the future.
2. Capital appreciation and rental income: Buying a residential or commercial property to generate income from rentals and to generate profits by selling it a higher price in the future.
3. Land banking: Buying large pieces of land and dividing it into several smaller lots. You profit because bulk purchase allows you to buy land at a low per unit cost and individual lots fetch much higher unit prices.
4. Land development: Buying a large piece of land and enhancing its value by getting a development plan approved and completing the necessary legal formalities. You can further improve it by putting in place basic infrastructure like utility connections, lighting and internal roads.
5. Construction: Buying land and then constructing on it. Depending on the size, it's possible to convert undeveloped land into a house, farm, resort, hotel or condo.
6. Tourism-based commercial investment: Buying a shop, restaurant, bar or hotel and actually running the business profitably. Once the business is established, it is usually worth a lot more than the total investment. You can then continue to run it or sell it for a huge profit.

7. Joint ventures with developers: Buying land and entering into a deal with a developer who brings in the required additional investment for development. The land owner gets a share in the profits when the property is sold to end-users.

Brazil Real Estate Investment Pitfalls And How To Avoid Them



As a foreign investor, if you don't have the right people to guide you, you are likely to get the fundamentals wrong or make costly mistakes. Here are some common pitfalls:

1. Assuming that property is very cheap in Brazil

While the market dynamics make property prices go up and down, it will be a mistake to assume that they are below the fair value everywhere. Brazil real estate market is powered by strong domestic demand and properties in premium areas usually command premium prices. They also offer excellent profit potential because the demand is always strong.

2. Not giving the required importance to location

There is no scarcity of land in Brazil and there are areas where you may get properties for a price that is about 25% less than what it may cost in other locations. This may sound like a bargain, but this is usually due to the lower land price in that area. These properties are usually located in deserted, low-demand areas and may be difficult to rent or resell. If you buy property in the wrong location, you could be stuck with it for years and you will be forced to pay maintenance and taxes without any corresponding income. When you buy property as an investment or for rental purposes, location is critical.

3. Excessive focus on beachfront properties

Brazil's long coastline obviously means that there is a lot of beachfront land. The problem is that many of these beaches are deserted or inaccessible and have no infrastructure. Instead of buying a beachfront property where there is nothing else, you are better off buying a property that is just a short walk or drive from a popular beach. If you buy the wrong beachfront property, it may take years before development catches up and you are able to get something out of it.

There is hardly any beachfront land available for purchase near popular beaches with good infrastructure. Even if you get one, it will usually come at an exorbitant price. On the other hand, an off-beach property near a popular beach will be a great investment both for capital appreciation and rental income. It will also be easier to exit at a good price.

The best way to avoid mistakes while buying real estate in Brazil is to have people with good knowledge about the local market on your side. You must not invest without hiring a good real

estate agent or agency.

How Can Real Estate Agents Help?



Here are some advantages of using good real estate agents.

1. They know the local market and the advantages and disadvantages of properties. They will alert you when properties are priced above or below their fair value. You will be able to pick the best bargains and avoid expensive mistakes.
2. They have a huge database of properties and are very familiar with all investment strategies. They will help you find the perfect property to achieve your investment goals irrespective of your strategy or the type of property that you want to invest in.
3. They will be able to predict your returns and likely cash flow from investment in a particular property.
4. They will help you sell or rent your property.
5. They will guide you if you choose to enter into a joint venture with a developer.
6. They will help you do the due diligence and complete the legal formalities.
7. They will advise you in all legal and financial matters related to your investment.



Real estate investment is always a risky business involving vast sums of money and long commitments. The Brazil real estate market is a great opportunity, but like all markets, it has its pitfalls. Trying to venture into it without proper knowledge or guidance will be like trying to walk blindfolded in unknown territory. If you find the right agent, you are likely to buy the right property that will help you achieve your investment goals.

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