



# BRAZIL BAHIA PROPERTY

## WHY BAHIA ?

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## Introduction to Bahia

As one of the largest states in Brazil, accounting for around 4.3% of national GDP, Bahia is a heavyweight in its own right. With 1200km of delightful coastline, an average temperature of around 27°C, the area is culturally, visually, historically and economically laden with reasons to invest or to visit.

Not only does Bahia boast the historical foundation of Brazil – Mount Pascoal in the south of the state was the first sighting by the Portuguese in 1500 - it is culturally diverse and replete with tourist attractions. The tropical location and short flight times from the south of the country ensure that Bahia is the No1 holiday destination for Brazilian people. Flight times from Spain and Portugal are a little over 8 hours.

Bahia has the longest coastline in Brazil, around 1,183km, and with At 567,295 km<sup>2</sup>, Bahia is only slightly smaller than France and is populated by around 14.2 million people, mainly based in coastal locations. The most important city is Salvador, a UNESCO world heritage site, boasting one of the largest collections of colonial architecture in Latin America.

Other places of major repute include Praia do Forte and the Litoral Norte (the coastal area north of Salvador), Morro de Sao Paulo, Peninsula de Marau, Itacare, Ilheus, Porto Seguro, Trancoso and Arraial d'Ajuda. Bahia also houses the awe-inspiring national park Chapada Diamantina, one of the most beautiful areas in the whole of Brazil. The two leading upmarket destinations are Praia do Forte and Trancoso.





## Property Market Underpinned by Domestic Demand

The property market in Bahia is under-pinned by strong demand from within the state, notably from Salvador, however there are 3 different sets of investors – people from Bahia, people from the rest of Brazil and foreign buyers.

With local buyers remaining the dominant force in the market - yet having a diverse set of investors - demand for property in Bahia is underpinned by solid fundamentals. With investment in real estate set to continue, the property market is expected to grow and develop in line with the wider Brazilian economy.

The local buyers from Salvador focus their property investments within Salvador as well as the areas to the north, mainly Lauro de Freitas and the Litoral Norte. As Salvador becomes more prosperous itself, many city dwellers increasingly have the means to buy places on the coast, either as a weekend retreat, or increasingly as a base from which to commute to the city to get away from urban lifestyle.

The principal areas of investment for Brazilian people from outside of Bahia include the Litoral Norte (due to the short journey time from Salvador International Airport), and areas like Trancoso, Arraial d'Ajuda and Porto Seguro, easily reachable from affluent states like Espirito Santos and land locked Minas Gerais. Trancoso is the No1 weekend choice for the Sao Paulo jet set and Praia do Forte draws buyers from all over Brazil.

In the far Northeast of Brazil, areas such as Recife, Fortaleza and Natal have longer journey times from the south of the country, ensuring Bahia remains the tropical destination of choice for holidays and second homes for Brazilians from the South.

A survey released in December by London-based property consultancy Knight Frank pointed out that Brazil currently has the most effervescent property market in the world. According to the Global House Price Index, produced by the company, prices in the country rose 15.2% in the 12 months until the third quarter of 2012, the largest increase globally.





## Excellent Economic Prospects

Bahia's economy is diverse and prosperous; it is considered the most vital state economically in the northeast. It is the sixth richest state in Brazil, with GDP 40% higher than in other northeast states, such as Rio Grande do Norte. The northeast is currently amongst the quickest growing areas economically in Brazil and performed particularly well during the economic downturn, with Bahia the engine of this growth.

Currently, the investor sentiment about Bahia is very strong. Many people believe that this is one of the best moments in Bahia's history because of the large investments that are coming in. The State of Bahia already has a portfolio of investments of over \$35 billion, primarily composed of private investments mainly in paper and pulp, wind power, and mining. These investments are scheduled to continue through to the year 2015.

The Brazilian government has added \$10 billion to the existing \$35 billion in Bahia, taking the total investment for the state to \$45 billion. Whilst there was a decline in the country's economic growth in 2012 and the flexible exchange rate hurt domestic companies, these factors are not keeping foreign investors away.

Close to Salvador, Camacari attracts many of the world's leading manufacturers – due to its strategic location in the northeast of Brazil, excellent infrastructure and cheap labour.

Major names include Ford (who have their largest plant globally there), Dow Chemicals; Petrobras (plants and production facilities all over Bahia); Dupont; Ambev (world's largest brewer); Firestone Tyres; Continental Tyres; Bridgestone Tyres; Pirelli Tyres; HP; Xerox; Toshiba; Magnetti Marelli; Monsanto and Bosch to name just a few.

### Recent Economic Statistics:

- Bahia is the 6th largest regional economy in Brazil and is currently amongst the fastest growing areas of Brazil.

- Bahia has a GDP of \$90bn; this represents 4.3% of Brazil and 36% of GDP for the Northeast as a whole.
- Bahia has a larger GDP than Bolivia, Uruguay and Paraguay put together.

### Growth Areas:

- Tourism.
- Alcohol and sugar.
- Fish farms.
- Fruit production.
- Floral production.
- Agriculture.
- Construction and property, notably in Salvador and the Litoral Norte.
- Bio-diesel and next generation fuels.
- Automobiles and manufacturing.
- Precious stones, titanium, iron and zinc.
- Minerals, large inwards investments continue, including a USD\$4bn investment in bauxite announced by mining giant Rio Tinto.
- Oil exploration off the coast, with significant finds predicted.

According to Antonio Carlos Magalhães Neto, mayor-elect of Salvador, Bahia, northeastern capitals now have more diversified economies and development has spread to the countryside. Many northeastern migrants who moved to São Paulo and other areas in the south are now returning to the northeast, he explained. Still, the gap between Brazil's south and northeast remains. yet government investment can help decrease disparities between the regions by improving infrastructure, especially ports and highways (there is a major new port being constructed in Ilheus). As Salvador prepares to host several games of the 2014 World Cup, Magalhães Neto mentioned the creation of Salvador Negócios, a government agency to attract foreign investment to the city, would likely add further to inwards investment.



# Bahia is one of Brazil's most Important Agricultural Areas

Bahia is the agricultural heart of Brazil, accounting for 15% of all of the country's' total agricultural output and 11% of Bahia's annual GDP. It also has more family farms than any other state in Brazil.

Fertile soils, water and sunshine in abundance contribute to Bahia's near perfect agricultural environment. For example, the Rio de Contas highlands situated in the heart of Bahia, at an altitude of 1300 to 1500 metres, offers many advantages: lower temperatures delay flowering and offer a slower maturation of fruits; low evapotranspiration reduces the water demands of plants; the low humidity reduces the risk of diseases and parasites; high rainfall and the presence of many rivers provide irrigated crops at a lower cost.

Furthermore, Bahia offers an impressive range of farming, with an exceptional agricultural climate, there is the possibility to produce a wide variety of products: mango; orange; apple; olive; coffee without forgetting timber: eucalyptus; pine or guanandim. The diversified farming that exists in Bahia offers more stability to the overall agricultural model, not being dependent on one particular commodity or produce.

Since the 2007 food crisis, there is a race to acquire farmland worldwide. According to the UN, we are rapidly losing land to development erosion and desertification, arable land disappears 10 to 100 times faster than it's being replaced. Moreover, global food demand and food prices continue to increase as the global population continues to soar.

Timber demand is also increasing, particularly in Brazil, which will need to increase its planted area by one million

hectares every year until 2020 just to meet its increased internal demand.

Add to this that Brazil accounts for 28% of primary forest in the world, one third of tropical forests and more than 20% of the surface flow of freshwater.

Furthermore, in light of the recent global economic crisis, investment products based on agriculture, arable land and forests appear a more sustainable and profitable option. Global funds have raced into agricultural land investments to benefit from the trend of higher food prices.

It is against this backdrop that we can begin to appreciate the economic potential of Bahia. It is perfectly situated to profit from this agricultural strength, being an agricultural giant within Brazil.

Western Bahia has also attracted interest from foreign investors. One is Agrifirma Brazil, a UK farm fund set up in 2008 and backed by Lord Rothschild and Jim Slater, the former corporate raider.

"Today, without a doubt, Bahia is better positioned because of the quality of land and logistics," says Mr Rodrigues at Agrifirma."





## Bahia is the No1 Holiday Destination for Brazilian People

Bahia is the undisputed number 1 area for Brazilian people to go on holiday; Porto Seguro is the number 1 domestic holiday location and Salvador is the second most visited city. Further investment in Bahia's tourist infrastructure is increasing all the time, so this trend will only increase.

The south of Brazil does not have the year round high temperature like the northern tropical regions – indeed the seasons are quite pronounced – therefore people flock to the northeast for their holidays.

Due to its cache and accessibility, Bahia is also highly desirable as a tropical location for second homes for the people of the populated south; indeed the short flight times make Bahia accessible for short breaks and for the private aircraft of the rich.

80% of Brazil's GDP is generated in the south of the country, from the main cities such as Rio de Janeiro and Sao Paulo. Therefore it is from here that the middle classes are – and will increasingly come from – those with the income and desire to purchase second homes in Bahia.

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## Salvador is a host city for the 2014 World Cup and 2016 Olympics!

Not only will these events focus more attention on Brazil and Bahia, but expect them to bring further infrastructure improvements, greater numbers of tourists as well as more inwards investment into the Bahia economy. All of these factors will further boost the fledgling property market.

Bahia's most famous football arena and one of the most distinguished landmarks in the Brazilian game, the Fonte Nova has just been given a complete facelift thanks to a 32-month construction project, which has turned it into a modern facility with a capacity of 48,744.

President Dilma Rousseff said in her speech at the re-opening ceremony of the stadium: "There is one word that sums my feelings about this unique building, one that reveals the spirit and creativity of the people of Bahia and Brazil. That word is 'pride'.





## Accessibility

Direct access between Europe, America and Bahia is increasing all the time, with Salvador the main hub for international arrivals, particularly from Lisbon, Madrid, Frankfurt and Miami. Salvador airport is also well connected to other locations in Brazil and South America, therefore makes a great hub for your travels.

Many international visitors to Bahia opt to fly into Rio de Janeiro and Sao Paulo, in the south of the country, as they are well connected to many of the world's major cities. From here it is possible to get one of many connection flights to Bahia taking only 1.5 – 2 hours. As there are various domestic airports in Bahia, this allows accessibility to some of the more remote locations.

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## Climate

It is hard to imagine a better year round temperature than that of Bahia. Although the summer months can be as hot as Rio, temperatures in Bahia are rarely far from 28°C, it genuinely is a tropical paradise.

The coastal regions of Bahia experience a year round tropical breeze; this ensures the hottest days are bearable, making spending time in Bahia a pleasurable experience all year round.

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## Excellent Infrastructure Already in Place

Bahia was one of Brazil's first states to welcome and embrace tourism, so consequently has some of the best infrastructure in Brazil. The World Bank has given Bahia a \$16 billion infrastructure grant, as part of a 15 year initiative to attract tourists.

The local government actively supports tourism and development projects throughout Bahia, including financing renovation of old airports and construction of new ones.





## Booming yet Underdeveloped Tourist Market

In 2011, there were 11.3 million tourists in Bahia, with 95% (10,592,941) coming from domestic tourism, and the remaining 5% (558,000) coming from tourists travelling from other countries. Bahia receives more international travellers than all the States in the Brazilian northeast combined, with 558,000 visitors in 2011 (Bahia - 11,6%, Ceará - 3,7%, Pernambuco - 3,4%, Rio Grande do Norte - 2,5%, Alagoas - 1,1%, Maranhão - 0,9%, Paraíba - 0,7%, Sergipe - 0,3%, Piauí - 0,2%).

In 2011, Bahia's tourism revenue, according to FIPE, was R\$7 billion against R\$5.06 billion in 2009, a 38% increase. International revenue totalled R\$734.3 million, or 10.5% of the total for the entire country. Regarding domestic tourism revenue, Bahia ranks second, surpassed only by São Paulo. Bahia represents 13.2% of the Brazil's tourism GDP. São Paulo is responsible for 20.3%, while Santa Catarina is in third place with 9.1%.

With Brazil rapidly coming to terms with its potential for tourism and the positive benefits to its economy, it has set up a tourism board – EMBRATUR – to champion and promote tourism abroad.

Tourism employs over 150,000 people in the state and accounts for 7.5% of Bahia's gross domestic product, three times the national average.

Many of the major tourist and hotel groups have, or are setting up shop in Bahia. Much of Bahia suffers from a shortage of capacity, but this is being rapidly addressed, particularly with the Olympics and the World Cup on the horizon and tourism increasing year on year.

As Brazilians travel more and more people from outside of Bahia visit for short breaks as well as holidays, the demand for second homes will increase, especially in resorts/condominiums with full infrastructure and good accessibility.







## Growth in the Rental Market

The hotspots of Bahia offer excellent potential for renting your property, as and when you require this. With tourism predicted to increase both domestically and internationally, prospects for rentals look set to continue growing.

Praia do Forte and Trancoso are two of Brazil's Most Upmarket Weekend Locations

Bahia is home to two of Brazil's most sought after weekend and second house locations, Praia do Forte, 60km north of Salvador, and Trancoso, in the south of the state around 50km from Porto Seguro.

Praia do Forte has iconic status within Salvador, undoubtedly the number 1 weekend destination of choice with the wealthy elite, with beautiful beaches, organised condominiums and excellent infrastructure.

Trancoso's rustic charms and relative inaccessibility lend it to the international jet set, particularly popular with the A list crowd from Sao Paulo. In recent years it has featured prominently in the international media.





## Development Governed by Ecological Sensitivity

Unlike many other countries, Brazil is determined not to let development of its coastal areas spoil the unique environment and ecology it is blessed with; perhaps encouraged by negative publicity over the years regarding the Amazon region.

Due to this all construction is governed by environmental sensitivity and is only permitted where it meets stringent local standards, according to each area's individual ecological concerns (APA's). This is good news for property owners, as over-development is not allowed, ensuring the coastal areas are being developed in an ecologically sensitive and tasteful manner.



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## Fantastic Culture, Lifestyle and People

Whether you like the laid-back lifestyle or party culture, Bahia has the best of both worlds and is famed for its laid-back atmosphere and beach culture. Bahia also boasts a world renowned carnival, the largest street party of its kind anywhere in the world.

Bahia's numerous coastal resorts and villages provide scope to sit back and enjoy the vibe, or to immerse yourself in the musical delights and party like the Brazilians into the early hours!



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## Plenty to Do and See

Bahia is full of activities and places to see, including diving amongst the beautiful coral reefs, limitless beach activities, cultural pursuits, trekking, horse riding, inland river trips, world class fishing, jungle trips, beautiful scenery, exotic colonial towns, untouched fishing villages and amongst all welcoming and hospitable people.





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