



BRAZIL  
BAHIA  
PROPERTY

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*WHY BRAZIL?*

## WHY BRAZIL?

### INTRODUCTION

START NO FURTHER THAN THINKING ABOUT EVERYTHING YOU EVER IMAGINED ABOUT BRAZIL; GLORIOUS COAST LINE, BEACH LIFESTYLE, SPECTACULAR CARNIVALS, CRYSTAL BLUE SEAS, FRIENDLY PEOPLE, AND BY AND LARGE YOU WILL FIND THIS TO BE TRUE.

BRAZIL HAS A RAPIDLY EVOLVING DIVERSIFIED ECONOMY, ALREADY THE NINTH LARGEST IN THE WORLD, AND PREDICTED BY GOLDMAN SACHS TO BE AMONG THE LARGEST FIVE IN THE WORLD BY 2050, DESCRIBED AS PART OF THE BRIC BLOCK OF EMERGING ECONOMIES.

BRAZIL IS A LAND OF IMMENSE BEAUTY, AN EMERGING AGRICULTURAL SUPERPOWER, REplete WITH RESOURCES, AND BLESSED WITH A CLIMATE AND LIFESTYLE TO RIVAL ANYWHERE IN THE WORLD. POLITICALLY, BRAZIL IS A STABLE DEMOCRACY WELCOMING TO FOREIGN INVESTMENT, WITH AN INVESTMENT GRADE INTERNATIONAL CREDIT RATING, A ROBUST LEGAL SYSTEM, AN UNDERDEVELOPED YET RAPIDLY EVOLVING TOURIST INDUSTRY AND SOME OF THE BEST VALUE FOR MONEY PROPERTY IN THE WORLD.

TO UNDERSTAND THE LOGIC AND REASONING FOR INVESTING IN BRAZIL IT IS VITAL TO UNDERSTAND ITS CLIMATE, LOCATION, POLITICS, ECONOMY AND FAVOURABLE CONDITIONS FOR THE FOREIGN INVESTOR.

TO STAND BACK AND COMPARE THESE TO ITS RECENT ECONOMIC PERFORMANCE, IT SUDDENLY BECOMES APPARENT AS TO WHY SO MANY PEOPLE THINK BRAZIL IS NOT ONLY ON THE VERGE OF FURTHER ECONOMIC PROSPERITY, BUT THE PROPERTY MARKET IS IN THE EARLY STAGES OF WHAT WILL BECOME A SUSTAINED PROPERTY BOOM FOR MANY YEARS TO COME.



## WHY BRAZIL?

### *STABLE POLITICS AND FAVOURABLE DEMOGRAPHICS*

AS A NATION OF 185 MILLION PEOPLE, BRAZIL IS THE WORLD'S NUMBER 5 MOST POPULOUS COUNTRY - MAKING IT HUGELY APPEALING FOR INWARDS INVESTMENT - DUE TO THE SHEER SIZE OF ITS INTERNAL CONSUMER MARKET.

UNLIKE OTHER PARTS OF SOUTH AMERICA, BRAZIL IS CATEGORISED BY A SECURE AND STABLE POLITICAL SYSTEM AND IS A SECULAR DEMOCRACY. SIMILAR TO THE WESTERN DEMOCRACIES, IT HAS A SEPARATION OF EXECUTIVE, LEGISLATIVE AND JUDICIAL POWERS, AT FEDERAL, STATE AND MUNICIPAL LEVELS.

### *OUTSTANDING ECONOMIC PERFORMANCE AND PROSPECTS*

MANY WOULD BE SURPRISED TO LEARN THAT BRAZIL IS THE 9TH LARGEST ECONOMY IN THE WORLD AND WITH IMPRESSIVE ECONOMIC GROWTH; IT IS EXPECTED TO CONTINUE TO CLIMB THE LADDER FOR MANY YEARS INTO THE FUTURE. BRAZIL HAS AN ABUNDANCE OF NATURAL RESOURCES AS WELL AS A TRULY DIVERSIFIED ECONOMY.

THE NEW FOUND ROBUSTNESS OF BRAZIL'S ECONOMY WAS PROVEN DURING THE 2009 GLOBAL RECESSION WHERE BRAZIL WAS ONE OF THE BEST PERFORMING ECONOMIES IN THE WORLD; THE ECONOMY WAS ONLY BRIEFLY IN A RECESSION BEFORE POWERING OUT IN SPECTACULAR FASHION. SINCE THE COMMENCEMENT OF THE GLOBAL RECOVERY IN 2010, BRAZIL HAS SHOWN SOME OUTSTANDING GROWTH FIGURES, EXCEEDING 7% FOR THE FIRST 6 MONTHS OF THE YEAR. THE BANKING SYSTEM HAS BEEN RATED BY THE WORLD BANK AS ONE OF THE MOST SECURE IN THE WORLD.

PRESIDENT LULA, VOTED IN OVERWHELMINGLY FOR A SECOND TERM IN OCTOBER 2006, HAS PRESIDED OVER A PERIOD OF RAPIDLY IMPROVING PROSPECTS AND GROWING ECONOMIC STABILITY; HE IS PARTICULARLY REVERED BY THE POOR.

DURING LULA'S PERIOD IN POWER HE HAS INITIATED WIDESPREAD ECONOMIC REFORM, SUCH AS THE ENCOURAGEMENT OF FOREIGN INVESTMENT AND THE REPAYMENT OF FOREIGN DEBT. THE RESULTANT ECONOMIC PERFORMANCE HAS BEEN SPECTACULAR, AIDED BY IMF BACKED POLICIES OF FISCAL TIGHTENING, A STRICT INFLATION REGIME AND A FLOATING EXCHANGE RATE.

INTEREST RATES HIT A RECORD LOW DURING 2010, AND ARE EXPECTED TO CONTINUE FALLING OVER THE YEARS AHEAD. BRAZIL ALSO A HUGE TRADE SURPLUS, DRIVEN LARGELY BY ITS VAST ARRAY OF EXPORTS TO THE REST OF THE WORLD. THIS TRADE SURPLUS AND ACCUMULATION OF FOREIGN EXCHANGE RESERVES WILL ONLY CONTINUE, AS RECENT OIL FINDS COME ON LINE AND AS BRAZIL'S PROWESS AS AN EMERGING AGRICULTURAL SUPERPOWER INCREASES, AS WELL AS ENVIRONMENTALLY DRIVEN EXPORTS OF BIO-FUELS, SUCH AS ETHANOL. INFLATION IS CURRENTLY DOWN TO A HIGHLY RESPECTABLE LEVEL AROUND 5%, THIS HAS PARTICULARLY BENEFITTED THE POOR.

TO INSTIL THE VIRTUES OF BRAZIL'S RECENT ECONOMIC PERFORMANCE, DESPITE FALLING INTEREST RATES, WHERE TYPICALLY ONE WOULD EXPECT A CURRENCY TO DEPRECIATE - DUE TO LESSER RETURNS OF HOLDING THE CURRENCY - FOR A NUMBER OF FACTORS, BRAZIL HAS EXPERIENCED AN IMPRESSIVE CURRENCY APPRECIATION.

### *BRIC ECONOMY*

TO GIVE YOU AN INSIGHT INTO BRAZIL'S POTENTIAL, GOLDMAN SACHS - THE RESPECTED US INVESTMENT BANK - PUBLISHED A HIGHLY INFLUENTIAL REPORT, WHERE THEY COINED THE TERM BRIC. THEY INCLUDED BRAZIL AS ONE OF THE FOUR BRIC ECONOMIES, (BRAZIL, RUSSIA, INDIA AND CHINA) STATING THAT THESE FOUR GLOBAL ECONOMIES, WHOSE POTENTIAL AND RAPID GROWTH ARE SUCH, THAT THEIR ECONOMIES ARE CAPABLE OF ECLIPSING TODAY'S MAJOR ECONOMIES BY 2050. PLEASE CONTACT US FOR A COPY OF THIS DOCUMENT.

## WHY BRAZIL?

### FAVOURABLE INVESTMENT CLIMATE

BRAZIL IS BOTH OPEN AND WELCOMING TO FOREIGN INVESTMENT IN ITS WIDER ECONOMY AS WELL AS ITS PROPERTY MARKET. IN RECENT YEARS MANY LARGE INTERNATIONAL HOLIDAY COMPANIES HAVE, AND ARE INCREASINGLY INVESTING IN TOURIST INFRASTRUCTURE.

FOREIGN INVESTORS IN THE PROPERTY MARKET HAVE THE SAME RIGHTS AS BRAZILIAN PEOPLE AND OVERSEAS BUYERS ARE INCREASINGLY LOOKING TO BRAZIL FOR BOTH INVESTMENT PURPOSES AND AS AN EXOTIC LOCATION FOR A SECOND HOME.

### RICH RESOURCE ECONOMY

BRAZIL IS THE WORLD'S SECOND LARGEST PRODUCER OF NATURAL RESOURCES, SECOND ONLY TO AUSTRALIA.

BRAZIL IS ONE OF THE FEW COUNTRIES IN THE WORLD TO BE SELF-SUFFICIENT IN OIL, MAINLY DUE TO ITS EVER-INCREASING OIL RESERVES AND THE FACT THAT A LARGE PERCENTAGE OF ITS CARS RUN ON DOMESTICALLY PRODUCED ENVIRONMENTALLY FRIENDLY ETHANOL. AROUND 85% OF BRAZIL'S ENERGY NEEDS ARE DERIVED FROM RENEWABLE SOURCES.

WITH VAST RESERVES OF MINERALS, INCLUDING SUBSTANTIAL IRON ORE DEPOSITS ALONG WITH OTHER NATURAL RESOURCES, THESE CURRENTLY ACCOUNT FOR A LARGE PERCENTAGE OF EXPORTS. BRAZIL ALSO HAS A THIRD OF THE WORLD'S DRINKING WATER RESERVES, WHICH IS SIGNIFICANT AS MANY HAVE PREDICTED THAT WATER WILL BECOME ONE OF THE MOST IN DEMAND COMMODITIES OF THE CENTURY.

BRAZIL IS RAPIDLY EMERGING AS A SIGNIFICANT INTERNATIONAL EXPORTER OF OIL. WITH SOME MAJOR RECENT FINDS IN ITS RESOURCE RICH ATLANTIC BASIN, BRAZIL IS PREDICTED TO EMERGE AS A MAJOR OIL EXPORTER, POTENTIALLY ON PAR THE MIDDLE EAST COUNTRIES. PETROBRAS,

THE STATE PETROLEUM CORPORATION, IS THE 8TH LARGEST OIL FIRM IN THE WORLD BY MARKET VALUE.

WITH COMMODITY PRICES HISTORICALLY HIGH - AND GLOBAL DEMAND PREDICTED TO INCREASE EXPONENTIALLY - BRAZIL CAN ONLY BENEFIT FURTHER FROM THESE TRENDS.

### EMERGING AGRICULTURAL SUPERPOWER

WITH AN EVER-GROWING GLOBAL POPULATION AND FOOD SHORTAGES AND FOOD SECURITY INCREASINGLY ON THE INTERNATIONAL AGENDA, BRAZIL IS IN A PRIME POSITION TO BENEFIT FROM THESE TRENDS; THIS WILL ONLY FURTHER ENHANCE EXPORTS AND ECONOMIC PROSPERITY. ALL OF THESE FACTORS WILL HAVE A SPILL OVER EFFECT ON THE DEMAND FOR PROPERTY.

THE AGRICULTURAL SECTOR IS BOOMING AND IS THEREFORE A LARGE CONTRIBUTOR TO EXPORTS ACCOUNTING FOR AROUND 10% OF GDP (30% WHEN INCLUDING AGRI-BUSINESSES) AND 40% OF BRAZILIAN EXPORTS. BRAZIL HAS THE WORLD'S LARGEST COMMERCIAL CATTLE HERD (50% LARGER THAN THE U.S.).

BRAZIL HAS ABUNDANT NATURAL RESOURCES; IT IS A HUGE AGRICULTURAL POWER - AND INDEED AN EMERGING SUPERPOWER - IT IS THE WORLD'S LARGEST PRODUCER OF COFFEE, SUGARCANE AND ORANGES; THUS ATTRACTS NUMEROUS INTERNATIONAL FOOD PROCESSING GROUPS.

SOURCE: FITA\* (FEDERATION OF INTERNATIONAL TRADE ASSOCIATIONS)

EXTRACT FROM FINANCIAL TIMES ARTICLE ON BRAZILIAN AGRICULTURE:  
OVER THE PAST COUPLE OF DECADES THE COUNTRY HAS EMERGED AS A GLOBAL AGRICULTURAL POWERHOUSE. IT IS NOW THE WORLD'S BIGGEST EXPORTER OF A HOST OF FOOD COMMODITIES, INCLUDING BEEF, CHICKEN, ORANGE JUICE, COFFEE, SUGAR, ETHANOL, TOBACCO AND THE "SOYA COMPLEX" OF BEANS, MEAL AND OIL, AS WELL AS ITS FOURTH BIGGEST EXPORTER OF MAIZE AND PORK.

## *WHY BRAZIL?*

### *UNDERDEVELOPED MORTGAGE MARKET RAPIDLY EXPANDING*

AS BRAZIL CONTINUES TO ADVANCE ECONOMICALLY, ITS POLITICAL STABILITY, NEW MORTGAGE FRIENDLY LAWS AND EVER INCREASING PROSPERITY WILL PROVIDE A SOUND FOUNDATION FOR FURTHER CREDIT AND MORTGAGE EXPANSION; THIS WILL UNDERPIN THE PROPERTY MARKET FOR YEARS TO COME AND REMAINS INTEGRAL TO BRAZIL AS AN INVESTMENT LOCATION.

UNLIKE MANY WESTERN ECONOMIES, AT PRESENT BRAZIL HAS A SMALL BUT RAPIDLY EXPANDING MORTGAGE MARKET, WITH ONLY A SMALL PERCENTAGE OF THE POPULATION HAVING TAKEN OUT A MORTGAGE; HISTORICALLY MOST PROPERTY PURCHASES ARE CASH TRANSACTIONS. IN 2006, TOTAL CONSUMER MORTGAGE LOANS OUTSTANDING IN BRAZIL WAS \$0.7BN, COMPARED TO \$3.328BN IN THE USA, (SOURCE: BANCO CENTAL DO BRASIL, US FEDERAL RESERVE).

WITH THE MORTGAGE MARKET SET TO EXPAND, DOMESTIC BUYING POWER WILL INCREASE RAPIDLY, RESULTING IN A HUGE AMOUNT OF LOCALS WAKING UP TO THE POTENTIAL OF PROPERTY OWNERSHIP. THIS IS BEING ACTIVELY PROMOTED BY THE GOVERNMENT WHO HAVE PLEDGED TO GET A MILLION MORE LOWER INCOME BRAZILIANS INTO PROPERTY OWNERSHIP BY 2011, THROUGH THE 'MY HOUSE MY LIFE' PROGRAMME (MINHA CASA MINHA VIDA) WHICH PROVIDES CREDIT AND GRANTS THROUGH THE STATE OWNED CAIXA (DOMESTIC BANK WHOSE PURPOSE IS THE PROVISION OF CREDIT).

### *GROWTH IN LOCAL BUYING POWER AND A RAPIDLY EMERGING MIDDLE CLASS*

BRAZILIANS ARE RAPIDLY BECOMING MORE AFFLUENT, PRESIDENT LULA HAS CLAIMED THAT AS MANY AS SEVEN MILLION BRAZILIANS HAVE ENTERED THE MIDDLE CLASSES IN RECENT YEARS, AND THAT BRAZIL IS EXPERIENCING AN INTENSITY OF SOCIAL INTEGRATION LIKE NEVER SEEN BEFORE.

BRAZIL'S RECENT ECONOMIC PERFORMANCE HAS ENSURED THAT THE MIDDLE CLASSES ARE RAPIDLY EXPANDING, WITH INCOMES RAPIDLY INCREASING AND MORTGAGE LENDING ON THE UP - THIS IS RAPIDLY INCREASING THE DEMAND FOR PROPERTY - WHICH IN TERM IS BRINGING ABOUT A BOOM IN CONSTRUCTION (PARTLY DUE TO A STRUCTURAL NEED FOR NEW HOUSING).

THE WORLD RENOWNED ECONOMIST MAGAZINE RECENTLY PRODUCED A REPORT DESCRIBING A NEW LOWER MIDDLE CLASS 'EMERGING ALMOST OVERNIGHT.' IT DESCRIBES MILLIONS OF PEOPLE WHO ARE 'THE MAIN BENEFICIARIES OF THE REGION'S HARD-WON ECONOMIC STABILITY'.

### *WORLD CUP COMING TO BRAZIL IN 2014, OLYMPICS IN 2016!*

WITH THE FOOTBALL WORLD CUP BEING STAGED IN BRAZIL IN 2014 AND THE OLYMPICS BEING HELD IN RIO DE JANEIRO IN 2016, EXPECT THESE EVENTS TO FURTHER INCREASE BRAZIL'S INTERNATIONAL PROFILE WITH HUGE KNOCK ON EFFECTS FOR ITS ECONOMY AND TOURISM INDUSTRY.

NOT ONLY WILL THESE EVENTS ADD TO ECONOMIC GROWTH AND PERPETUATE THE BRAZIL SUCCESS STORY, BUT WILL ALSO BRING ABOUT FURTHER INVESTMENT IN INFRASTRUCTURE (SUCH AS A HIGH SPEED RAIL LINK BETWEEN SAO PAULO AND RIO DE JANEIRO) AS WELL AS INCREASED INWARD INVESTMENT INTO MANY DIFFERENT SECTORS OF THE ECONOMY.

THE INCREASED MEDIA ATTENTION AND INTERNATIONAL PROFILE WILL ALSO HELP TO EXTEND THE PROPERTY BOOM FOR MANY YEARS INTO THE FUTURE, AS INCREASING TOURISM BRINGS ABOUT MORE OVERSEAS BUYERS ADDING TO THE ALREADY STRONG DOMESTIC DEMAND FOR PROPERTY, WHICH ITSELF WILL BE FURTHER INFLATED BY GROWING ECONOMIC PROSPERITY AND VARIOUS OTHER STRUCTURAL FACTORS, SUCH AS THE WIDER PROVISION OF CREDIT.

## *WHY BRAZIL?*

### *UNTAPPED TOURIST POTENTIAL*

ALTHOUGH TOURISM IS EXPANDING RAPIDLY, BRAZIL CURRENTLY RECEIVES ONLY AROUND 5 MILLION INTERNATIONAL TOURISTS PER YEAR, WHICH RELATIVE TO ITS SIZE, LOCATION AND SUITABILITY FOR TOURISM, IS RELATIVELY SMALL, JUST A LITTLE OVER A QUARTER OF THE AMOUNT OF THE CARIBBEAN ISLANDS.

### *SECURITY OF INVESTMENT AND A ROBUST LEGAL SYSTEM*

BRAZIL, UNLIKE MANY PARTS OF THE WORLD, SUFFERS NO MAJOR HAZARDS OR NATURAL DISASTERS. IT HAS NO HURRICANES, TORNADOS, TSUNAMIS, VOLCANOES OR SOCIAL UNREST. CONTRAST THIS, FOR EXAMPLE, TO THE ANNUAL HURRICANE SEASON THE CARIBBEAN RECEIVES.

BRAZIL'S LEGAL SYSTEM IS HIGHLY DEVELOPED, ON PAR WITH WESTERN LEGAL STANDARDS. WE WILL HAPPILY RECOMMEND YOU INDEPENDENT LEGAL ADVICE.

### *FANTASTIC CULTURE AND PEOPLE*

BRAZILIAN PEOPLE ARE LAID BACK IN EVERY SENSE, WITH THEIR LOVE OF A PARTY AND PASSION FOR LIFE; THEY ARE GENUINELY SOME OF THE FRIENDLIEST PEOPLE ON EARTH. EMBODIED BY THEIR WORLD FAMOUS CARNIVALS, THE BRAZILIANS JOYOUSLY OOZE PASSION FOR FOOD, DANCE, MUSIC AND FOOTBALL.

EPONYMOUS TO THE BRAZILIAN CULTURE IS THE BEACH. THE CLIMATE AND LAID BACK TRADITIONS BRING RESONANCE TO THEIR MOST SACRED OF PASSIONS, SPENDING TIME ON THEIR GLORIOUS COASTLINE. NOT ONLY DO THEY LIKE TO LOOK BEAUTIFUL HERE, BUT LIKE CARNIVAL, IT IS A PLACE WHICH WELDS TOGETHER THE MANY FACETS OF THEIR CULTURE, NOTABLY SUN, SPORT, BEAUTY, DRINK, FOOD, DANCE AND FOOTBALL!

### *FAVOURABLE TAX REGIME*

CAPITAL GAINS ON PROPERTY IN BRAZIL ARE TAXABLE, TO BOTH BRAZILIANS AND FOREIGN INVESTORS ALIKE. OFTEN, THIS CAN BE SIGNIFICANTLY REDUCED OR NOTHING PAID, FOR EXAMPLE IF MONEY WAS SPENT IMPROVING THE PROPERTY.

BRAZILIAN RESIDENTS HAVE THEIR BURDEN REDUCED PROPORTIONALLY TOWARDS THE TIME THEY HOLD THAT PROPERTY. THE FLAT RATE IS SET AT ONLY 15% (FOR INTERNATIONAL BUYERS THIS IS DEPENDENT ON ANY DOUBLE TAXATION TREATIES YOUR COUNTRY MAY HAVE) AND THIS CAN BE AVOIDED COMPLETELY IF YOU:

A. REINVEST THE PROCEEDS IN BRAZIL.

B. HOLD THE PROPERTY FOR A SIGNIFICANT AMOUNT OF TIME (APPLIES ONLY TO BRAZILIAN RESIDENTS, ALTHOUGH THIS IS AMBIGUOUS, FOR EXAMPLE IF AN INVESTMENT VISA IS GAINED).



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