

## Advogados em Londres falam das oportunidades do mercado brasileiro

*Não é de hoje que o Brasil desperta o interesse de investidores estrangeiros. Esse interesse vem aumentando com a proximidade das Olimpíadas de 2016, que vão acontecer no Rio de Janeiro. Com a proposta de apresentar para investidores o mercado brasileiro, dois advogados de Londres escreveram para a **Consultor Jurídico** um artigo exclusivo. Nele, **Bryan Pickup** e **Rachel Burns**, do escritório internacional SJBerwin, explicam quais as oportunidades e os desafios que o Brasil apresenta para os estrangeiros.*

*O SJBerwin é um dos maiores escritórios da Inglaterra, com braços em outros 11 países da Europa e Ásia. Bryan Pickup é sócio da banca desde 1988 e se especializou em Direito Imobiliário. É ele que comanda o departamento na área no escritório em Londres. Rachel Burns, advogada associada, também faz parte da divisão de Direito Imobiliário de Londres.*

*Leia abaixo o artigo em inglês.*

### **Is now the time for Brazil?**

With all eyes on Brazil over the next few years, as it hosts the biggest sporting events in the world, what opportunities does the country offer to global investors looking to branch out into the Brazilian commercial real estate market?

### **From strength to strength**

Billions of pounds have been committed to regeneration since Brazil became the first South American nation chosen to stage the Olympics and Paralympics, in 2016. Brazil is also hosting the 2013 FIFA Confederations Cup and the 2014 FIFA World Cup. The commercial real estate market though, has been getting stronger for a number of years.

Offshore oil discoveries and a boom for the gas industry have created a growing middle class and, together with falling interest rates and careful government policies, have driven strong economic growth. With average annual GDP growth at 5%, Brazil is one of the world's fastest growing major economies, overtaking the UK this year to become the world's sixth largest economy. Its strong reputation as an emerging business epicentre and an attractive prospect for global investment was highlighted in a recent study by Jones Lang LaSalle. Both Rio de Janeiro and São Paulo now feature in its top 30 cities for global real estate investment. The Association of Foreign Investors in Real Estate also ranked Brazil as its second top pick this year for global commercial real estate investors.

However, Brazil remains a daunting market for investors, who must weigh up potential returns against the risks and barriers to entry.

### **On the road to success**

There has been huge government investment to improve roads, railways and airports after the International Olympic Committee rated Brazil's transport infrastructure as low in terms of quality and

feasibility.

Although understandably much of the construction work is tied up locally, a foreign company with niche skills and local ground presence from which to easily export expertise, could benefit. Even if scope for direct investment is limited, the global investor still stands to benefit as a stronger Brazilian economy becomes more accessible.

In September 2012 figures showed that British companies had won transport and communications contracts in Brazil worth more than £70 million. Prime Minister David Cameron said: “With UK companies already working closely with Rio 2016, winning contracts and building business links, we are in an ideal position to boost British business in Brazil from Rio 2016 and beyond.”

### **A place to stay**

Current predictions are optimistic that there will be enough hotel rooms by the time the Olympics begin but there are still numerous opportunities for foreign investors looking to make good returns in the hospitality sector.

French hotel chain Accor recently bought 15 new hotels, 11 of which are in Brazil. Accor said this “was in line with intentions to reinforce its leadership in emerging markets.”

Host Hotels and Resorts, Inc are also set to develop a 150-room Novotel and a 255-room Ibis hotel in Rio – strategically located less than one mile from the Olympic Park.

The savvy global investor will also look beyond the Olympics. With increased media exposure, Brazil will only become more popular as a tourist destination. Given the current under supply of hotels, Rio and São Paulo certainly look able to absorb further developments. There is also scope for growth outside of these two cities as business culture and internal travel continue to expand.

### **Lack of high end office space**

São Paulo has historically been Brazil’s business and financial hub but low supply and increasing demand in Rio have led to soaring rents for high end office space. By 2011, Rio was rated fourth in the world (overtaking New York) for prime office rentals behind London, Tokyo and Hong Kong.

Global developers have seen the opportunities in Rio. Tishman Speyer have developed a high-end office complex – Ventura Corporate Towers comprising 100,000 square meters of prime lettable space. Other big regeneration projects underway include the large scale waterfront redevelopment of Port Maravilha and developments around Barra da Tijuca where over 3.2 million square feet of office and retail space is currently under construction. With expansion limited by the mountains on one side and the Atlantic on the other, retrofitting is being applied to modernise and upgrade existing buildings.

Larger businesses with international strategies are increasingly looking to Rio and São Paulo as a springboard to the wider South American market. Global property developer and manager Hines have operated in Brazil for years – starting out with an office in São Paulo before branching out into Rio and Buenos Aires, Argentina. Having developed more than 15 million square feet of office, industrial and residential space, Hines is an excellent example of a global real estate firm understanding the great

potential of the Brazilian market and tailoring a specific investment strategy for it.

### **Demand for luxury**

Between 1999 and 2009 over 31 million people joined the middle class. Low unemployment, a minimum wage and increased access to credit have contributed to a high demand for leisure and luxury brands. With 80% of the population living in urban areas, there are substantive opportunities in the retail sector for international brands willing to persevere with bureaucratic red tape and spend time building up knowledge of consumer behaviour patterns within a different market.

In the supermarket industry global players Carrefour and Walmart have recognised Brazil's significance as the third largest market in the world for groceries and have enjoyed huge success. The fashion industry offers enormous potential for international brands wanting to break into a market dominated by local and national brands and with approximately 70% of the population under the age of 35, growth is likely to continue. E-commerce is also expanding as communications and broadband become more accessible and demand for personal computers grows. Prologis, Inc have taken advantage of this, announcing in October that they had leased more than 1 million square feet in Brazil offering "modern distribution facilities" due to "significant demand from e-commerce operators."

### **A different way of dealing**

Deal structures in Brazil can be unfamiliar with title to larger properties often fragmented between different proprietors, for example, different levels in a shopping mall. Buying in the other interests to achieve full ownership is often a longer term aim. For a UK investor this is an alien concept.

Consequently, deal sizes are usually smaller as there is a limit on how much capital an investor can invest in a project. In addition, bank financing is not easy to arrange, which highlights the difficulties of a complex market.

### **Ample opportunities**

Despite geographical challenges, but with a huge population, Brazil remains an attractive, but cautious, prospect.

Demand is high in all sectors, interest rates are favourable and relative political stability remains, producing an economy which has the capacity to carry on growing. Foreign investment (not just in the commercial real estate market) is increasingly generating new jobs, additional income and consequently further demand within a comparatively young population.

There are openings for the global investor looking to create a diverse portfolio or expand into the Latin American market. The 2014 World Cup and the 2016 Olympics will undoubtedly create a legacy for Brazil, which will continue to drive Brazil's momentum towards becoming one of the world's major commercial real estate investment destinations.

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