

Focus on Brazil

By Rachel Newcombe

One country that's currently piquing the interests of foreign property buyers is Brazil. In the past it has attracted fewer tourists than either Ireland or Austria, but thanks to a range of major new property developments and increased spending on transport links and infrastructure, it's been growing in popularity.

According to travel company Opodo, Brazil is predicted to be one of the top emerging destinations for travellers this year, which is of course good news for investors. For those looking to invest further afield in regions that are still in their early stage of development – and thus likely to yield good returns – Brazil could be a good option to explore.

The country has been attracting considerable interest from buyers, many of whom are keen to invest before the masses and gain a return on their investment. In fact, recent figures from the Resort Group indicate that British buyers purchased 73 properties at a new development in Natal in a mere six-week period, which “far surpassed” their expectations.

“Brazil is starting to dominate the overseas property market as investors realise this industrial powerhouse is perhaps one of the best-kept investment secrets around,” says Ian Clarke, director of Our Home Abroad. “Annually welcoming over five million tourists, Brazil already represents 42% of the gross domestic product of Latin America and this figure is expected to grow significantly as we move into a new era. Property prices are still low, but growing quickly as the country continues to benefit from its healthy economy. With a sound domestic market and a proven resale and rental market, Western investors are aplenty.”



Farrell's facts

Population:

190,010,647 (July 07 est.)

GDP per capita: B\$11,853 (£3,067)

Interest rate: 11.5%

Inflation: 3.5%

Unemployment: 9.6%

Foreign Direct Investment in millions (US\$): 2,500 (2006)

Tourist Trends:

Tourist arrivals: 5 million (Jan-July 2007)

Tourist expenditure (US\$million): 1,944 (2006)

Taxation:

Income tax: 25%

Corporation tax: 34%

Capital gains tax: 15%

Value added tax: 18%, increasing to 25% on luxury goods

Climate:

Mostly tropical, but temperate in the south

Average annual temperature:
Summer temperatures range between 57°F to 72°F (14°C-22°C)

Carriers:

Direct Routes:

Sao Paolo: British Airways TAM



Sun and samba in Brazil

Robin Barrasford, managing director of Overseas Dreams, agrees that the economic structure of Brazil is sound and puts it in a good position. "Brazil has an economy that surpasses that of many European countries and, although a diverse country, it is actually far ahead of many other global powers. Its banking system in particular is one of the most modern and advanced systems anywhere in the world," he says. It's also strongly tipped by Goldman Sachs to become one of the most dominant economies in the world.

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The largest of the Latin American countries, Brazil is bordered by 10 other countries and has thousands of kilometres of gorgeous beaches and rainforest. One of the key regions of interest to buyers at the moment is the north-east, where there are miles and miles of stunning coastline. It's one of the most accessible parts of Brazil from the UK and a new airport is being developed in Natal to make it even more so. It currently takes about 11 hours to get there from the UK (although it's possible that the new airport, with more direct flights, may cut down the journey time) and typically costs between £290 and £500 for a return trip.

As well as the new airport, there's a host of other major new developments taking place. "Natal is playing its part in boosting Brazil's tourist industry by

developing more than 10 golf courses and investing \$1.8 billion in new hotels. By June 2009 Natal will be home to the biggest airport in South America, the eighth-biggest in the world, which is a sure sign of a safe property investment," says Adam Cornwell, director of GEM Estates. Natal is the first region to benefit from the new investments, but other surrounding areas are expected to follow suit within the next five years.

Also in the north-east are the states of Alagoas, Bahia, Caera, Marnhao, Prnambuco, Paraiba, Piaui, Rio Grande do Norte and Sergipe. Like Natal, Maceio, the capital of the state of Alagoas, is also undergoing changes. With a year-round average climate of 27°C and a wealth of stunning beaches, there are various new developments taking shape. Many are located beside the beach, taking advantage of the market for sunseekers, and feature numerous floors of apartments, penthouses, leisure facilities and security.

"Compared to the north of Brazil, this region is actually undeveloped. The north has seen tremendous property investment in recent years and this region is expected to follow suit," explains Barrasford. "The infrastructure is already here and with the opening of the new international airport, those that invest at an early stage will see significant appreciation on their properties."

Whether a property will easily rent out is a key factor for many buyers, and the good news is that it seems there are good rental opportunities, especially in the north-east of the country. "The rental market here, especially for those buying into quality modern developments, is high. For example, a one-bedroom apartment can achieve as much as £300 per week and this figure could rise due to the lack of accommodation already in place," added Barrasford. ▶

Focus on BRAZIL

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It's common to find gated communities, or condominiums, being built in Brazil. Although they'll inevitably require service charges, they can work out very well when you're based a huge distance away from the property and want to ensure everything is being well kept in your absence, especially where rentals are concerned.

Buying in Brazil shouldn't pose too much of a problem. Depending on which company you're buying through and where they're based, prices may be quoted in British pounds, euros or dollars. Even though tourism is booming, property is still very well priced, but it does vary considerably so it's well worth shopping around and doing your research to find the best buy for you. As a rough guide, homes along the coast, for example, can be found for less than £60,000, two-bedroom apartments in

Natal have recently sold for £60,200 and a one-bedroom apartment on a new development in Maceio can be snapped up for as little as £25,000.

When you come to make your purchase, you'll need a tax identification number – called a CPF – which can be obtained from the Brazilian Embassy, plus your passport. Properties have to be registered with the public notary, whose fees are about 2–3% of the value of the property. If you're buying through a reputable UK company you can be assured of plenty of advice and help throughout the buying process.

With such temptingly low prices, good potential for returns, booming developments in progress and improving travel access, it's no wonder sun-kissed Brazil is proving popular.

Mortgages:

The mortgage market of Brazil is currently being restructured; international investors are advised to arrange financing within their own country of residence. However, it is envisaged that Brazilian mortgages will soon become available to investors in the near future.

Indicative property prices for Natal:

- 1 bedroom apartment – from £30,000
- 2 bedroom apartment – from £47,000
- 3 bedroom apartment – from £60,000
- 2 bedroom villa – from £75,000
- 3 bedroom villa – from £90,000

