

Coral Beach

Beach front apartments

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# Why Brazil

With Foreign Direct Investment pouring into Brazil from sources as diverse as David Beckham and Dubai International Capital the country is now well and truly on the radar of international property speculators, institutional funds and holiday home purchasers.

A truly beautiful country with some of the world's best beaches and friendliest people it is apparent that the economy and political culture have matured so successfully in recent times that the property market is now one of the most buoyant and exciting on earth.

With job creation at an all time high, both inflation and interest rates at record lows, an increasingly aspirational population and a tourist industry the envy of Latin America the country appears unfazed by the credit crunch.

According to Jonathan Garner of Morgan Stanley : "the best strategy could be to buy land and property in emerging economies. I have been recommending to my clients that they consider investing in growing markets such as Brazil for a number of reasons, the chief of which is the credit crunch has very limited relevance to many emerging markets. Not only are the banks in good shape, you've also got households that are not overextended".

We maintain that this is a fantastic time to invest in Brazil. Here is an overview of the major reasons why :

## **Economy:**

Brazil's economy grew at an annual rate of 5.8% in the first quarter of the year and was bolstered by rises in construction and food costs. It is Latin America's largest economy and rich in both human and natural resources. It is benefitting from commodity and farming booms as well as the fact consumer spending is increasing through rising incomes and the cheaper availability of credit.

Recent times have witnessed a massive growth in Foreign Direct Investment. In 2007 the figure doubles to \$37.4 billion exceeding both India and Japan. The first quarter of 2008 has seen almost \$12.7 bn reach its shores representing an increase of over 26% from the same period in 2007. Banking, trade, mining, property and vehicle sectors are booming leading to the US credit agency Standard and Poor recently upgrading its status to Investment grade,

As the Brazilian Finance minister argues "the subprime crisis hasn't arrived at the beaches of the Copacabana. As the crisis unfolds, Brazil stays unfazed. That shows we are a solid economy"

## **Politics:**

Responsible leadership of the macroeconomy and fiscal matters has seen Brazil achieve sustainable growth over the last decade. Record breaking export performances have translated into a growing economy that is creating millions of jobs. Inflation and interest rates have been lowered, the currency strengthened making it a good environment to invest in real estate. It is now a country committed to economic responsibility and the rule of law!

The government is actively encouraging foreign investment and is investing heavily in infrastructure improvements. The President, Luiz Inacio da Silva announced when re-elected in 2006 a growth acceleration package which included housing and infrastructure investment of around \$236 billion over a 4 year period.

They appreciate that tourism and property investment are intrinsically linked and are addressing what needs to be done in a positive manner.

### **Tourism:**

Brazil's tourism industry has grown almost 150% in last few years according to government official statistics. The target is to attract 9 million tourists each year fuelling the demand for short term rentals.

Large numbers of quality resorts are being built, particularly in regions such as Natal and Maceio. However demand still outstrips supply with a shortfall of approximately 8 million properties.

It is a very popular destination at the moment of course with over 5 million foreign tourists visiting in 2007. 700,000 of these travellers came from the States while almost 2 million arrived from throughout Europe

The tourism growth in Brazil is highlighted by reports from aviation industry experts who estimate that 300 extra passenger aircraft will be required over next 20 years to meet demand.

According to Airbus "Greater capacity is needed because the South American Country is becoming more popular with leisure travellers. Indeed, the rate of growth during the next few years will outpace the global average. Since the mid 1990's, international passenger traffic has doubled, and with Brazil being the major economic player in Latin America, air traffic has grown immensely, and will continue to do so with even more amplitude during the next 20 years at least"

### **The World Cup effect**

Brazil is to spend \$1.2 billion renovating its stadiums for the 2014 World Cup finals including rebuilding four stadia whilst the remaining 6 would undergo substantial renovation including the infamous Maracanã stadium in Rio de Janeiro, which hosted the 1950 World Cup final and has already undergone recent reforms at a cost 200 million reais (\$115 million). Economist Carlos Langoni estimates it will cost at least 6 billion dollars with the vast majority being spent on The remainder would be earmarked for infrastructure: roads, railways, airport modernization, telecommunications, power supply networks, hotels, etc.

The Brazilian government plans to make the most of the World Cup to spread information on the country, with a view to attracting more visitors, said Jeanine Pires, president of the state tourism organization Embratur, with the hope of attracting some half-a-million foreigners each of whom is estimated to spend about 112 dollars per day. Their very presence is already set to have an impact with a surge in demand for rental accommodation due to the influx of football fans, good news for people who already hold property investments in the Brazilian market.

With games traditionally played in a variety of locations throughout the host country, this is likely to showcase many of the country's major cities, potentially boosting interest from both holidaymakers and overseas property investors.

### **Increasing Local Demand:**

Due to a severe deficiency of available housing for Brazilian residents - some 20% of the population lacks adequate accommodation - there is a huge demand for additional properties. The country's construction and real estate companies are building as fast as they can to meet demand and help alleviate the housing deficit concern. Money that has been pouring in from foreign investment - around \$4.8 billion since September 2005 and a huge proportion of this is being invested in large scale housing projects. With a large proportion of Brazil's 190 million residents showing an increasing interest in buying property, the current introduction of new mortgage laws and the growth in property development should make home ownership a more likely option for an ever increasing proportion of the population.

# Natal :

## Overview :

"The Sunshine City" is undoubtedly one of the hippest and most talked about tourist destinations on the planet at the moment. Home to over 1.3 million citizens with some of the world's best beaches the international resort groups and tour operators have finally woken up to the fact that this is going to be an enduringly popular destination with millions visiting the region every year. It is the capital and biggest city in Rio Grande do Norte and is the focus of the government huge marketing campaign to promote the north east of Brazil

It has the best climate in the country with average temperatures of 27 degrees and acknowledged as being the safest capital in Brazil. It doesn't suffer from weather extremes and the cost of living is very low compared to the west. With the new airport opening in June 2009 and year round rental potential this is an area with some of the best investment opportunities available.

There are daily flights to the current airport from a multitude of American and European cities which will increase significantly when the new terminal is complete, making it the largest airport in the whole of Latin America.

## Regional Tourism :

The region has over 400 kilometres of coastline and numerous idyllic small beach communities. Watersports, golf, outdoor pursuits, buggy rides, local attractions, vibrant nightlife, cuisine and inspiring beaches are just some of the reasons that tourists continue to flock to Natal. Almost 2 million Brazilian nationals visited the area in 2005 alone highlighting its popularity among the domestic market. With the international hotel groups such as Ibis establishing resorts in the area and flight operators including BA and Emirates increasing their flight numbers it is clear that this is going to be an increasingly prominent tourist destination. Prodenture (the government agency set up to promote tourism) is targeting 9 million foreign tourists per annum and a significant proportion will be visiting the north east and Natal in particular. English and Spanish are widely taught as part of the high school curriculum to assist the development of the tourist economy.

## Local Economy :

The oil, agriculture and fishing industries are all vitally important to the regional economy as well as tourism.

Rio Grande do Norte is Brazil's second largest oil producing state with significant resources invested in the administration and services relevant to this burgeoning sector.

The city is vibrant and increasingly cosmopolitan. The regional centre for retail, music, the arts, fashion and media it has all one could hope and expect from a contemporary city that is witnessing vast levels of infrastructure investment and property development

### The airport effect :

The new international airport is due for completion in 2010 and will be the largest in Latin America. This will have a significant impact on the area on both a macro and micro level. More tourists and business travellers stimulate the economy which will have a desirable effect on property prices for investors who enter the market now!

# Coral Bay :

## Location :

Maracajau is less than 50 kilometres north of the city of Natal the location is undoubtedly one of the most desirable in the region. Known as the "Caribbean of Brazil" this idyllic and peaceful fishing village is about to undergo a transformation into a world class beach front destination. A Diver's paradise and home to approximately 2000 it is a place of stunning natural beauty with the biggest coral reef in Brazil, coconut groves lining the beach, natural lagoon's and sand dunes. The area receives around 150,000 tourists per annum at the moment and figures will increase significantly in the forthcoming years. An aquatic park, several golf courses, hotel resorts and beach front developments are all planned for the immediate area turning it into a year round tourist destination.

This project is able to deliver the peace and tranquillity of an exclusive locale within easy reach of the sophisticated centre of Natal, with all that this contemporary, cosmopolitan conurbation has to offer. Maracajau is only 45 minutes from the centre of Natal and 30 minutes from the new airport. It is nestled between the David Beckham soccer school and the Jacuma beach project, highlighting its status as a development in a prime location.

The beach front has a dazzling array of restaurants and bars serving the best indigenous cuisine at reasonable prices.

## The Investment :

This is a low rise complex designed to ensure each apartment has a sea view and overlooks the communal area. It is situated just over 100 metres from the warm waters of the Atlantic. Each two bedroom apartment comes with its own parking space and private terrace. The views of the Atlantic are uninterrupted and inspiring. This is an opportunity that will appeal to both the holiday home and investor market due to the price and location. There are 14 penthouses which have roof terraces complete with private jacuzzi's, shower and BBQ.

The standard apartments are 60 m<sup>2</sup> with terraces of approximately 12 m<sup>2</sup>. The corner units vary slightly and are 61 m<sup>2</sup> with 7 m<sup>2</sup> terraces.

Apartments start at £49000 and are fixed in sterling. This project will not be subject to the INCC giving investor's peace of mind and assurances in terms of their stage payments. The investment is well packaged and the proposed completion date is April 2010. Please contact us for a full price list.

Overview :

- 56 two bedroom apartments over 4 floors
- All apartment's are approx 70 m2 square metres and have beach facing balconies
- Prices start at £49000 (please enquire for full price list)
- 14 penthouses with roof terraces and Jacuzzi's
- Competitively priced furniture packs
- Genuine beach front development
- Apartments fully finished
- Communal area's fully furnished
- Swimming pool, bar and restaurant
- 24 Hour security
- Management company on site
- Year round rental potential with high yield projection
- Car Parking area
- 1 km to new golf course
- 39 km to new airport

## Specifications :

The Coral Beach development will be built according to stringent building regulations with complete due diligence and to the specification detailed below.

All apartments include the following fixtures and fittings as standard:

- Living/dining room - tiled flooring, built-in spotlights, telephone point, internet accessibility, security system and provision for air conditioning.
- Kitchen - base and wall units, worktop and breakfast bar, cooker hood, dishwasher, fridge-freezer, oven and hob.
- Bedrooms - laminate flooring with complimentary finishings, built-in spotlights and provision for air conditioning.
- Bathrooms - mirror, vanity cabinet and towel hooks.
- Terraces - tiled flooring. Penthouse Terraces - Jacuzzi, shower, BBQ and stair access installed after completion.
  
- Apartment flooring: light beige ceramic tiles.
- Penthouse flooring: stone tiles.
- Apartment walls: smooth plaster painted with washable paint.
- Bathroom, kitchen and restroom walls: white enamelled ceramic tiles.
- Outside frames and doorframes: black anodized aluminium, window panes of 4mm smoked glass and door panes of 6mm smoked glass.
- Inside doorframes: made from jatobá, ready for white synthetic enamel paint.
- Inside skirting boards: 10 cm high made of the same ceramic as the floor. Bathrooms and kitchens: 10 cm high made from the same granite as the benches.
- Kitchen and utility room benches: made from granite (black or Ubatuba green) with a 10 cm high front edge and a 20 cm high backboard.
- Sanitary equipment: white, manufactured by Elizabeth (or a similar brand), from a product range to be chosen by the customer.
- Washbasins: white, oval, manufactured by Elizabeth (or a similar brand).
- Fittings: chrome-plated, manufactured by Elizabeth from the "C43" range.
- Kitchen bench basins: medium-sized, rectangular and made of stainless steel.
- Building roof: a brick border, built at the top of the outside walls to the same height as the crown of the roof.

## Growth projections

The following table is based upon the purchase of apartment 1001 at £49000 sterling. All the figures are in sterling.

Growth p.a	2009	2010	2011	2012	2013	ROI
10 %	53900	59290	65219	71741	78914	29914 61%
15 %	56350	64803	74523	85701	98557	49557 101%
20 %	58800	70560	84672	101606	121928	72928 149%

## Comparables

Direct comparables of two bedroom apartments in Natal region.

Project	Size	Price	Price per square metre
Coral beach	70 sq m	£49000	£700
Tibau Ocean Residences (Pipa)	117 sq m	£144000	£1230
Sol de Buzios	70sq m	£85000	£1214

## Rent Projections :

Based on apartment 1001 with a price of £49,000 fixed in sterling.

Estimated rental returns	Average Monthly rent	Return p.a	Yield %
Low	£300	£3600	7.3 %
Medium	£450	£5400	11%
High	£600	£7200	14.7%

One of the first completed projects in Maracajau has developed an association with a reputable tour operator and apartments there are generating yields of 10%.

Beach front 2 bedroom apartments in the Natal region can command anywhere from £400 to £600 per week during peak season. These websites give an indication of the weekly rentals that can be charged :

[www.holprop.com](http://www.holprop.com)

[www.rent-holiday-homes.com](http://www.rent-holiday-homes.com)

[www.holidaylettings.com](http://www.holidaylettings.com)

## Exit Strategy :

Property investment is all about buying at the right time and then formulating the optimum time to sell. Our developments are thoroughly researched to ensure our clients have options in terms of exit strategies and will receive a significant return on their investment. There are two key markets for resale opportunities :

Primary : Domestic market.

The majority of tourists that visit Natal are in fact Brazilians. For example 1.7 million Brazilians arrived in Natal during 2005. With the economic growth we are witnessing in a diverse array of business sectors, coupled with the fact that the domestic mortgage market is growing rapidly (600% increase in mortgage provision expected by 2014) we maintain that there will be a huge demand for resales and rentals among the emerging middle classes within Brazil.

Secondary : Tourism/International market.

As Brazil becomes increasingly popular with the international traveller then a significant secondary market is realised. The government is targeting 9 million foreign tourists per year and is spending millions globally to realise this objective. In a recent survey 96% of tourists said they would return to Brazil within 2 years. As flights become less expensive and the infrastructure improves more international investors are likely to enter the market. Buying a property is straightforward, getting visa's and residency are not complicated. Projects that are beach front are enduringly popular, particularly those within easy access of international airports and city centres.

# Buying Process :

Payment structure :

15% RESERVATION/DEPOSIT

25% CONTRACT

30% FOUNDATIONS

20% ROOF

10% COMPLETION (Dec 2010)

EXAMPLE

UNIT 1001 (£49000)	PERCENTAGE %	PRICE
RESERVATION/DEPOSIT	15	£7350
CONTRACT	25	£12250
FOUNDATION	30	£14700
ROOF	20	£9800
COMPLETION (APRIL 2010)	10	£4900
PROPERTY TOTAL		£4900
BUYING COSTS (taxes and admin and legal fees)	7 approx	£3430
TOTAL		£52430

## Q & A :

1. **Do I need a lawyer** : We would recommend that you use a lawyer to assist you with the purchase. Use a specialist and they can arrange organising a CPF number, opening bank accounts, signing the title deeds and advising on the tax/legal implications. We would advise using [www.cameiralaw.com](http://www.cameiralaw.com) but you are free to source your own.

2. **What is a CPF number?**

A CPF is a national Brazilian ID number, which you will need in order to buy property. To get a CPF in your home country, you will need to bring or send proof of identity and nationality to the Brazilian Consulate – i.e. a birth certificate. (In England, there is a consulate in London). After they are authenticated by the consulate, official copies will be sent to Brazil and originals will be returned to you. Upon request, we will be happy to send you detailed directions for obtaining your CPF.

Alternatively, if you are visiting Brazil and intend to buy a property, you should bring your birth certificate with you and marriage certificate, if applicable. Your CPF number can then be easily obtained during your visit.

3. **What are the closing costs** : Closing costs are 7% on average and cover taxes, administration and legal fees.
4. **Are the apartments freehold** : There are no restrictions on foreign ownership in Brazil and you will own the apartment 100% on a freehold basis.
5. **Is my money safe** : Your money will be safe. All funds transferred to Brazil are registered at the central bank. The monies will be held in your lawyers escrow account. Please discuss this with your legal representatives.

5. **What are the payment terms** : The payment terms are flexible and detailed in the brochure.

- 6 **Are mortgages available** : There are no mortgages available at this time to foreign nationals. If you require finance we would advise you raise it in your own country. The mortgage market is predicted to grow 600% in Brazil over the next 6 years and finance will undoubtedly be available to foreigners in the near future. This will have a significant impact on demand as more investors enter the market.

- 7 **What are the benefits of buying off plan?** Off-plan purchase offers investors the ability to buy at the lowest possible price and achieve maximum returns on investment

- 8 **How do I reserve a property?** Contact us and complete the reservation form. One team of consultants will guide you through the process.

- 9 Is there a management company?** There is a management company that you can choose to look after the rental, security and maintenance of your property.
- 10 What are the running costs?** The management company charge £80 a month for maintenance and security.
- 11 Are there furniture packs available?** There will be a choice of competitively priced furniture packs. Please enquire for more details.
- 12 Is there a builder's guarantee?** Each property will be sold with a builders guarantee.
- 13 How do I get to Maracajau?**
- 14 What's the climate like?** Very sunny with year long sunshine with a refreshingly tropical breeze from the sea which makes the temperature feel even more pleasant
- 15. Is Brazil safe?** The majority of crime in the country takes place in the favelas of Rio and Sao Paulo. These are massive metropolises and the violence tends not to affect tourists. The north east is acknowledged as a safe and relaxed area. Brazilians are very welcoming and friendly people.
- 16. Do I need a travel visa if I decide to visit Brazil?**
- Most travellers visiting Brazil will receive a 90 day tourist visa on entering the country. Please note that European Union or USA citizens do need to go to the Brazilian Consulate first to acquire a visa. You can apply for an additional 90 days on your tourist visa while in Brazil at the Federal Police station if you wish.
- 17. Is it easy for me to apply for a residency visa so that I can live in Brazil permanently?**
- You are able to apply for a permanent residence, although like most countries, Brazil expects you to meet certain criteria. Generally a permanent visa can be obtained by making an investment of US\$50,000 in Brazil. You can obtain more details from the Brazilian Embassy in your own country of residence.



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