



## Local Market

- In 2005, Brazil has a GDP of US \$1.6 trillion.
- São Paulo is responsible for one third of the nation's GDP.
- There is a downward trend in unemployment rate and inflation rate. In Brazil, the unemployment rate for 2005 was 9.9% and inflation rate was 5.7%.
- Brazilian currency is currently appreciating against the US dollar; this shows that the Brazilian economy is strengthening and investor's confidence is increasing in the region.



University of São Paulo



Offices on Paulista Avenue

## Labor Force

- In 2005, Brazil's labor forces consist of approximately 20% agriculture, 14% industry, and 66% services.
- In 2006, the average monthly income was US \$468, representing an increase of 1.1% from Feb 2005 to Jan 2006.
- Brazil's literacy rate is approximately 86.4%.
- The University of São Paulo (USP) is the largest institution of higher education and research in Brazil, and the third in size in Latin America. USP confers an average of 4,600 bachelor or equivalent diplomas each year.

## Logistics

- São Paulo has one international and two domestic airports. In 2005, about 33 million people flew in and out of São Paulo Guarulhos International Airport, making it the most crowded air space both in Latin America and the Southern Hemisphere.
- The city has approximately 1.1 million ft. of underground railway systems carrying over 3.5 million people on an average weekday.
- The public transportation is composed of approximately 17,000 buses and vans.
- São Paulo has the highest per capita helicopter ownership in the developing world and now rivals Tokyo and New York as the world's leading helicopter user.



São Paulo's Old Downtown at night

## Industrial Market

- Major industrial regions are located in the southern neighborhoods, west of Vila Leopoldina, Anhanguera and Bandeirantes.
- Most quality inventory is located within industrial parks, with very low vacancy rates.
- In 2005, the average industrial rental rate was US \$0.61/sq. ft./month, and the average industrial vacancy rate was 10.33%.

Office Rental Rates			
(US\$/ sq. ft/ month)			
District	Low	High	Vacancy
<b>CBD</b>			
New Construction	\$1.04	\$1.36	24%
Class A	\$0.84	\$1.04	22%
Class B	\$0.68	\$0.76	13%
<b>Suburban Office</b>			
New Construction	\$0.76	\$0.96	26%
Class A	\$0.60	\$0.84	17%
Class B	\$0.48	\$0.64	8%

## CBD Office Market

- In 2005, the average rental cost for office space was US \$1.52/sq.ft./month and vacancy rate was at 17.4%.
- Absorption during the first half of 2005 amounted to 2.7M sq. ft.
- Construction activity has also decreased with approximately 312,040 sq. ft. completed during the first half of 2005.
- Office market remained relatively constant during the 3<sup>rd</sup> quarter of 2005, as the Brazilian economy continued to grow.

Industrial Rental Rates			
(US\$/ sq. ft/ month)			
Type	Low	High	Vacancy
Warehouse	\$0.20	\$0.44	1%
Manufacturing	\$0.12	\$0.24	13%
R&D	\$0.16	\$0.48	17%

## Retail Market

- Many financial services companies like Citibank, HSBC, and C&A have been competing for top retail locations in São Paulo; this has resulted in an increase in the land value.
- In 2005, the average retail vacancy rate was 14.7%.
- São Paulo has over 20 shopping malls, the highest number in the country.
- Rental rates for areas such as Avenida Ibirapuera and Eusebio Matoso are beginning to increase in value.

Class A Retail Rental Rates			
(US\$/ sq. ft/month)			
Area	Low	High	Vacancy
Downtown	\$0.64	\$1.44	17%
Neighborhood Service Centers	\$0.80	\$1.20	15.5%
Community Power Centers	\$0.94	\$1.16	15%
Regional Malls	\$1.12	\$1.36	14%
Solus Food Stores	\$1.04	\$1.28	12%



Some of São Paulo's oldest skyscrapers

## Foreign Direct Investment

- In 2000, Brazil was the second largest destination for foreign direct investment among emerging markets after China, with a peak inflow of \$32.8 billion.
- In 2002, Congress approved a constitutional amendment permitting foreign investors to own up to 30% of media companies.
- Brazil has undertaken a significant reduction in trade barriers in recent years. In 2004, Brazil's average Normal Trade Relations tariff was 10.8%, versus 32% in 1990.

## Incentives

- Brazil's corporate income tax for 2005 is 34% and its individual income tax is 15% to 27.5%.
- In December 2004, Congress approved the Public-Private Investment (PPI) bill that promotes joint ventures in infrastructure investment, protecting investors in federal PPIs.
- In 2005, the National Monetary Council of the Brazilian Central Bank set forth important modifications to the Brazilian exchange market, which made it more flexible and more competitive.



## Some Multinationals in Sao Paulo

- Cisco
- IBM
- General Electric
- Cargill
- Vetco Gray
- General Motors
- Ford
- Honda
- Toyota
- Coca-Cola
- Nestle
- Dow Chemical
- DuPont

**Outlook 2006**

- Numerous new underground railroad lines and airports are expected to be constructed in the near future, which will benefit the transportation efficiency in Brazil.
- The vacancy rate is expected to decrease to 9% during mid 2006 and then to 4% by the end of 2006.
- Prediction for the amount of new space remains steady and demand remains strong.
- Rental values are expected to increase considerably over the next year due to the high demand for high quality office space and the relatively low amount of new space that is forecasted to enter the market.

**Short Term Outlook**

Rental Rates	
<b>Office</b>	
<b>Industrial</b>	
<b>Retail</b>	