



São Paulo Overview

- São Paulo, located in southeastern Brazil, is the capital city of the state of São Paulo and the largest city in South America. It has become one of the most developed cities in Latin America and the world, and sometimes it is called the “locomotive that pulls the rest of Brazil.”
- São Paulo has a population of over 11 million and a metropolitan population of over 19 million, making it the fifth most populous metropolitan region of the world. With 29 million inhabitants, São Paulo becomes the second most populous region in the world after Tokyo when adjacent metropolitan areas are included.
- In September 2006, United Nations named Brazil one of 10 best business locations for international companies, and São Paulo is considered to be one of the best places in Brazil to do business.
- São Paulo generates a significant percentage of Brazil’s GDP of over US \$1.6 trillion.

History

- São Paulo was the first highland settlement established in Brazil. It was founded by Portuguese Jesuit missionaries on January 25, 1554, which is the anniversary of the conversion of St. Paul.
- São Paulo officially became a city in 1711.
- My immigrants from Italy, Japan and other countries arrived in São Paulo to work at the coffee plantations after 1881.
- The Universidade de São Paulo’s Law School, Brazil’s first academic institution was founded on March 1st, 1828.

Climate & Geography

- With 588 square miles, São Paulo is the biggest city by area in Latin America. It is located at an elevation of 2,690 feet above the sea level.
- Sao Paulo has more than 30 parks totaling 161 million square feet of green areas.
- The Tropic of Capricorn and the elevation of the city give a pleasant climate to the city.
- With an average temperature of 58 °F, July is the coldest month during the year, and the warmest month is February with an average temperature of 69 °F.
- Rainfall is abundant during the summer season, which is from October through March. The averaging rainfall per year is 56 inches.



São Paulo, Brazil



São Paulo’s Old Downtown at night

Real Estate Market Overview

- Overall the real estate market in São Paulo is positive and it is expected to improve even more in the future. The economic profile of São Paulo has changed from a strong industrialized base to service and technology-oriented activities. Intensive manpower-consuming industries have been replaced by a great number of high-tech industries and service providers.
- São Paulo’s labor force and location is attracting many foreign and domestic enterprises, and nowadays it headquarters many companies from all over the world.
- During the past decade many new businesses have been established, colleges have been founded, and there has been a boom in many sectors, particularly shopping malls, entertainment, construction, and tourism.
- In 1947 there were only three skyscrapers in São Paulo, and now the entire city is studded with modern buildings. Edificio Italia, with a height of 558 feet, is the tallest building in the city.
- The central business district is surrounded by extensive areas devoted to manufacturing, wholesale, retail, and maintenance services.
- Except for warehouse space, it is easy to find space in São Paulo because at the present, the industrial, retail, and office markets have a decent amount of stock.



Some of São Paulo’s oldest skyscrapers

Labor Force & Education

- Brazil’s labor forces consist of approximately 20% agriculture, 14% industry, and 66% services.
- In 2006, the average monthly income in Brazil was US \$468.
- São Paulo has a well developed system of primary and secondary education, both public and private, and a variety of technical schools.
- 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.
- Other institutions of higher education include the Instituto Butanta, the Pontificia Universidade Catolica de São Paulo, and the Universidade Mackenzie.

Brazil’s Economic Indicators

	2005	2006
Inflation Rate	5.7%	5.6%
Unemployment Rate	9.9%	9.0%
GDP Growth Rate	2.5%	4.00%
Interest Rate	18%	16%
Foreign Debt	At its lowest in more than 10 years	



University of São Paulo

Some Multinationals in São Paulo

- Cisco
- IBM
- GE
- Cargill
- Vetco Gray
- General Motors
- Honda
- Toyota
- Coca-Cola
- Nestle
- Ford
- DuPont



Many multinationals have invested in São Paulo

Foreign Direct Investment

- Brazil is one of the largest destination for foreign direct investment among emerging markets after countries such as China and India.
- 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

- 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.



Paulista Avenue

Transportation & Logistics

- São Paulo has three airports. Guarulhos International Airports located 15 miles northeast, Congonhas International Airport within the city, and Viracopos-Campinas International Airport located 58 miles from the city.
- About over 30 million people use the three airports during the year, making São Paulo's air space the most crowded in Latin America. It is expected that the number will increase to 45 million in the next five years.
- The city has approximately 1.1 million feet 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.
- Marine transport is provided through the port of Santos.
- Modern highways connect with Santos, Rio de Janeiro, and all the states of Brazil.
- Despite street and highways improvements, traffic congestion remains to be a major problem in the city.

Office Market

- There has been a high level of leasing activity in the last three years, and demand remains strong for high quality office buildings.
- Most foreign enterprises target Grade A office when establishing presence in São Paulo.
- There are approximately 21 million square feet of Class A office space in the city.
- The absorption of available areas achieved the highest levels since 2001 during the first half of 2006.
- Rental values saw a considerable increase during 2006 due to high demand and low supply.
- Over one million square feet entered to the market during 2006.

Office Rental Rates
(US\$/SF/MONTH)

District	Low - High	Vacancy
CBD		
New Construction	\$2.50 - \$3.00	22%
Grade A	\$1.92 - \$2.58	20%
Grade B	\$0.92 - \$1.42	13%
Non-CBD		
New Construction	\$2.25 - \$3.25	33%
Grade A	\$1.75 - \$2.75	17%
Grade B	\$0.83 - \$1.50	9%



Downtown São Paulo

Retail Market

- The retail market is well developed and is spread over the city by zones according to specialty.
- During the past years many financial services companies such as Citibank, HSBC, and C&A have competed for top retail locations in São Paulo, and this has resulted in an increase in the land value.
- With over 20 shopping malls, São Paulo has the highest number in the country.
- Most Banks are concentrated in the central Triangulo of the city.

Major Office Districts

- Barra Funda
- Faria Lima
- Alphaville
- Paulista
- Berrini
- Jardins
- Itaim
- Marginal Pinheiros
- Avenida Paulista
- Santo Amaro
- Centro Velho
- Verbo Divino
- Vila Olimpia

Industrial Market

- With cities offering tax incentives, access to supplies, cheaper and well qualified labor force, and a better quality of life, the industrial market is starting to see a new trend; some companies are relocating their facilities from urban centers to the interior regions.
- Thousands of manufacturing establishments throughout the city provide employment to about 15 percent of the population.
- The industrial sector has been able to absorb only a small fraction of the growing labor force, hence creating unemployment and underemployment problems.
- São Paulo's leading industries produce textiles, mechanical and electrical appliances, furniture, foodstuffs, and chemical and pharmaceutical products. Lately, the industrial market has been focusing in Storage and Distribution Centers, as well as in light manufacturing.
- Major industrial regions are located in the southern neighborhoods, west of Vila Leopoldina, Anhanguera, and Bandeirantes.
- Most quality inventory is located within the new industrial parks, with very low vacancy rates.

Industrial Rental Rates			
(US\$/SF/MONTH)			
Type	Low	High	Vacancy
Warehouse	\$0.50	\$0.83	1%
Manufacturing	\$0.33	\$0.58	12%
High Tech/R&D	\$0.42	\$0.92	15%

Major Retail Zones




- Avenida Ibirapuera
- Boavista Shopping
- Tivoli Shopping
- Eusebio Matoso
- Shopping Penha
- Downtown
- Plaza Sui

Major Industrial Zones

- São Bernardo do Campo
- Diadema Region
- Vila Leopoldina
- Castelo Branco
- Bandeirantes
- Santo Andre
- Anhanguera
- Taubate
- Cubatao

Class A Retail Rental Rates			
(US\$/SF/MONTH)			
Area	Low	High	Vacancy
Downtown	\$1.25	\$3.00	15%
Neighborhood Service Centers	\$1.76	\$2.68	16%
Community Power Centers	\$1.84	\$2.42	15%
Regional Malls	\$2.42	\$3.08	14%
Solus Food Stores	\$2.00	\$2.67	10%

Short Term Outlook
Rental Rates

Office	
Industrial	
Retail	

Forecast for the rest of 2007

- **Office:**
 - Over 3.2 million square feet will be available when the three buildings that are under construction are completed.
 - Demand for better quality areas will continue to increase.
 - Rentals are expected to increase slightly due to high demand.
 - Vacancy rate is expected to drop.
- **Industrial:**
 - Some companies will migrate to recently built industrial parks that are close to the main highways on the city borders.
 - There will be few availability of class A facilities.
 - Most of the available good quality buildings are located within the new industrial parks, with very low vacancy rates.
 - There will be high demand of space; however, it is unlikely that rentals will experience a severe increase.
- **Retail:**
 - Demand for retail space will increase due to São Paulo's strong economic performance and expansion; however, rentals will not experience a drastic change.

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