

Real Estate Development in Developing Countries BRAZILIAN CASE

Fiabci/Brazil

**UN-HABITAT
Planning City Extensions:
Public and private space for expanding cities Expert Group Meeting
Barcelona, 16-18 September 2013**



FIABCI

THE INTERNATIONAL
REAL ESTATE FEDERATION



Global Real Estate Organization

Founded 1948

41 Chapters

90 Principal Members

50 Academic Member

Members from 61 countries:

Brokers, Developers, Urbanists,
Architects, Lawyers, Valuers,
Property Managers, RE
Consultants...

Since 1954, Special Consultant in the
UN Economic and Social Commission

Brazil - Economic Information



Brazil – basic facts



Population → 200 million.

Unemployment → 5.6% (jul/2013)

Area → 8.5 million sq km

Population density → 23.5 inhab/sqkm



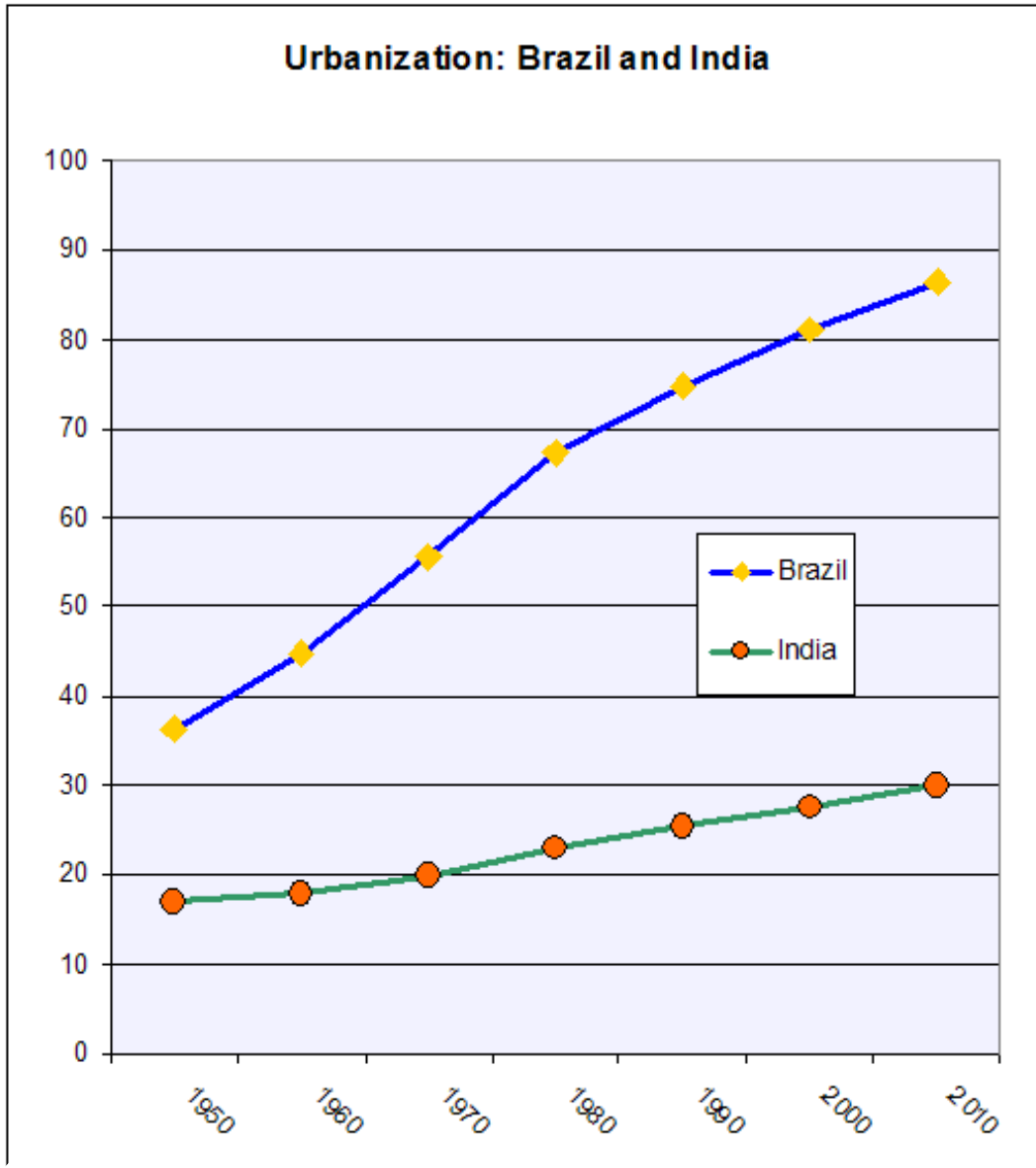
Consumer Market



	12 Most Populous Countries	Population millions	Private Consumption US\$ Trillions	Consumption Per Capita US' 000
1	U.S.	313	10.7	34.2
2	Japan	126	3.6	28.1
3	China	1348	2.6	1.9
4	Brazil	197	1.3	6.8
5	India	1241	0.9	0.8
6	Russia	143	0.9	6.0
7	Mexico	115	0.7	5.8
8	Indonesia	242	0.4	1.8
9	Philippines	95	0.2	1.7
10	Pakistan	177	0.2	1.0

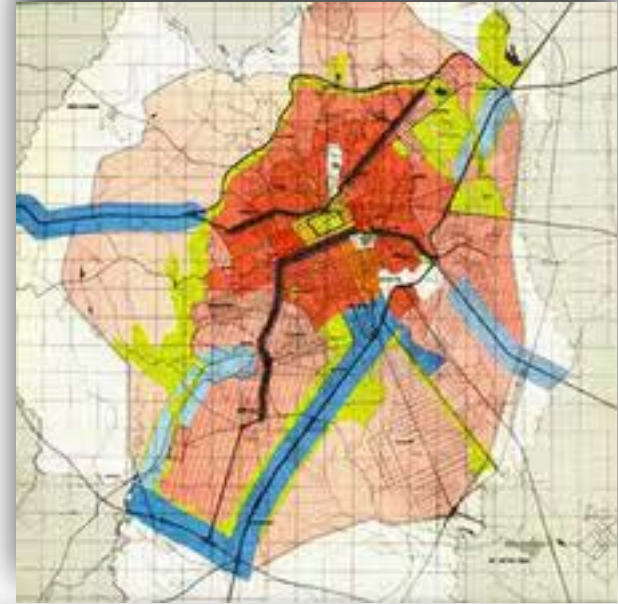
Sources: KKR, World Bank, IMF

Brazil – Urban Population



85% !

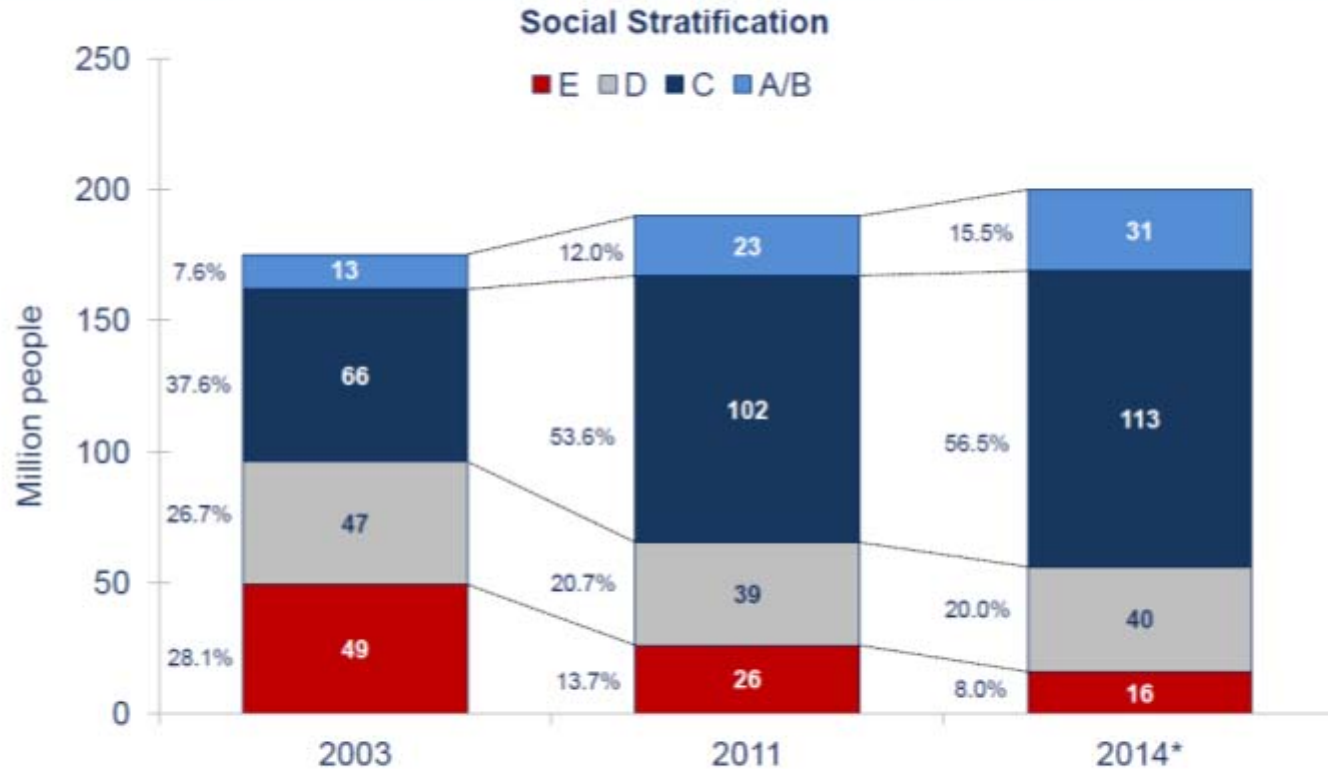
Contrasts in Brazilian Cities



NEW LEGAL FRAMEWORK

- **City Statute**
 - All city must have a Director Plan
 - Revision each 10 years
 - Popular participation
- **Mobility Plan**
 - All cities over 20,000 inhabitants must have a Mobility Plan
 - Up to jan/15
 - Integrated with urban development, housing and sanitation plans
 - Popular participation
- **Solid Waste Management Plan**
 - Implemented up to ago/14
-

Growing Middle Class → Expanding Consumer Market



monthly per capita incomes

A/B: above BRL 923 D: BRL 135 – 214
 C: BRL 214 – 923 E: below BRL 135

BRL 100 = USD56
 USD = 1.8 BRL (March 14, 2012)

DEMAND FOR NEW HOUSING UNITS

Demand for New Housing, 2013 to 2022				
New Units				
Year	New families	Elimination of substandard housing	Reducing home sharing	Total
2013	1.362.277	220.000	170.000	1.752.277
2014	1.390.298	220.000	170.000	1.780.298
2015	1.290.754	280.000	200.000	1.770.754
2016	1.314.905	280.000	200.000	1.794.905
2017	1.339.509	280.000	200.000	1.819.509
2018	1.364.572	280.000	200.000	1.844.572
2019	1.275.726	376.821	260.000	1.912.547
2020	1.297.632	376.821	260.000	1.934.453
2021	1.319.914	376.821	260.000	1.956.735
2022	1.342.579	376.821	260.000	1.979.400
Total	13.298.166	3.067.284	2.180.000	18.545.450

Another 18.5 million units in 9 years

Current rate is around 1 million units built/year

HOUSING PROGRAM MCMV

1. *Fully Subsidized Home ownership*

Family income between [US\\$ 250](#) and [US\\$ 750](#)

- Government acquires complete enterprise and resells to buyer families
 - Payments of 10% of the income
 - 42 m² simple housing
 - Fixed price
- Subsidies can reach more than 70%
- Main source of resources
 - National Treasury

HOUSING PROGRAM MCMV

2. *Financed Home Ownership*

Family income between *US\$ 750* and *US\$ 2.500*

- Acquisition by the family, with direct subsidies
 - Low interest financing
 - Subsidy available at down payment
 - Better characteristics of the product
- Subsidies can reach up to 25%
- Main source of resources
 - Private Compulsory Retirement Fund (FGTS)

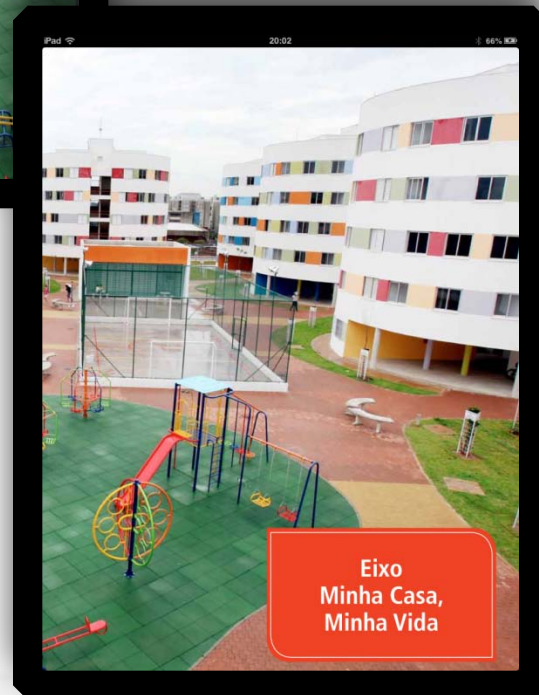
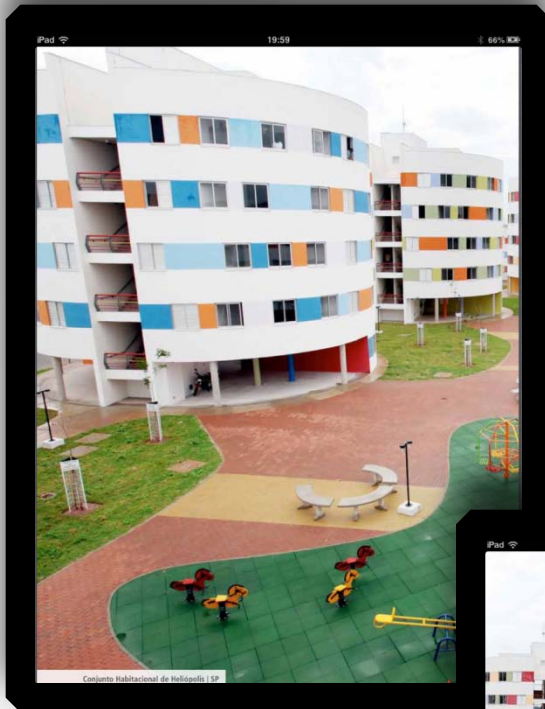
HOUSING PROGRAM MCMV

RESULTS

Contracted	New Owners	%
2,783,275	1,247,859	42

Jul/13

MCMV NEW HOUSING UNITS



MAJOR PROBLEMS TO OVERCOME IN BRAZIL

- **Bureaucracy and red tape**

- Brazil ranks: 131st place in ease of getting **construction permits**
109th place in ease of **registering property**

source: IMF, sample of 185 countries

- **Poor public policy choices in urban planning**

- Restrictions to **higher densities** in prime areas
 - » constrain supply and drive prices higher
- **Infrastructure** does not keep pace with new developments

MAIN RECOMMENDATION TO HAVE A SUSTAINABLE CITY DEVELOPMENT

- Focus on a better and sustainable quality of life to the people !
 - Holistic approach to mitigate risks
 - Social risks
 - » Respect local culture
 - » Planning built with high communities participation
 - » Political continuity
 - » City resilience
 - Environment risks
 - » to assure quality of life for future generations
 - Economic Risks
 - » Feasible technical solutions for implementation, operation and maintenance compatible with future budgets
 - Governance risks



United Nations
Economic Commission For Europe
(UNECE)

Working Party on Land Administration
(WPLA)

Real Estate Market Advisory Group
(REM)

POLICY FRAMEWORK FOR SUSTAINABLE REAL ESTATE MARKETS

Principles and guidance for the development
of a country's real estate sector



POLICY FRAMEWORK FOR SUSTAINABLE REAL ESTATE MARKETS

PRINCIPLES

- 1) Integrated Legal Framework
- 2) Efficient Land Register and Cadastre
- 3) Efficiency of Services
- 4) Prerequisites for Sound Real Estate Market
- 5) Good Governance
- 6) Sustainable Finance
- 7) Transparency and Advanced Finance Products
- 8) Property Valuation
- 9) Social Housing
- 10) Training and Capacity Building

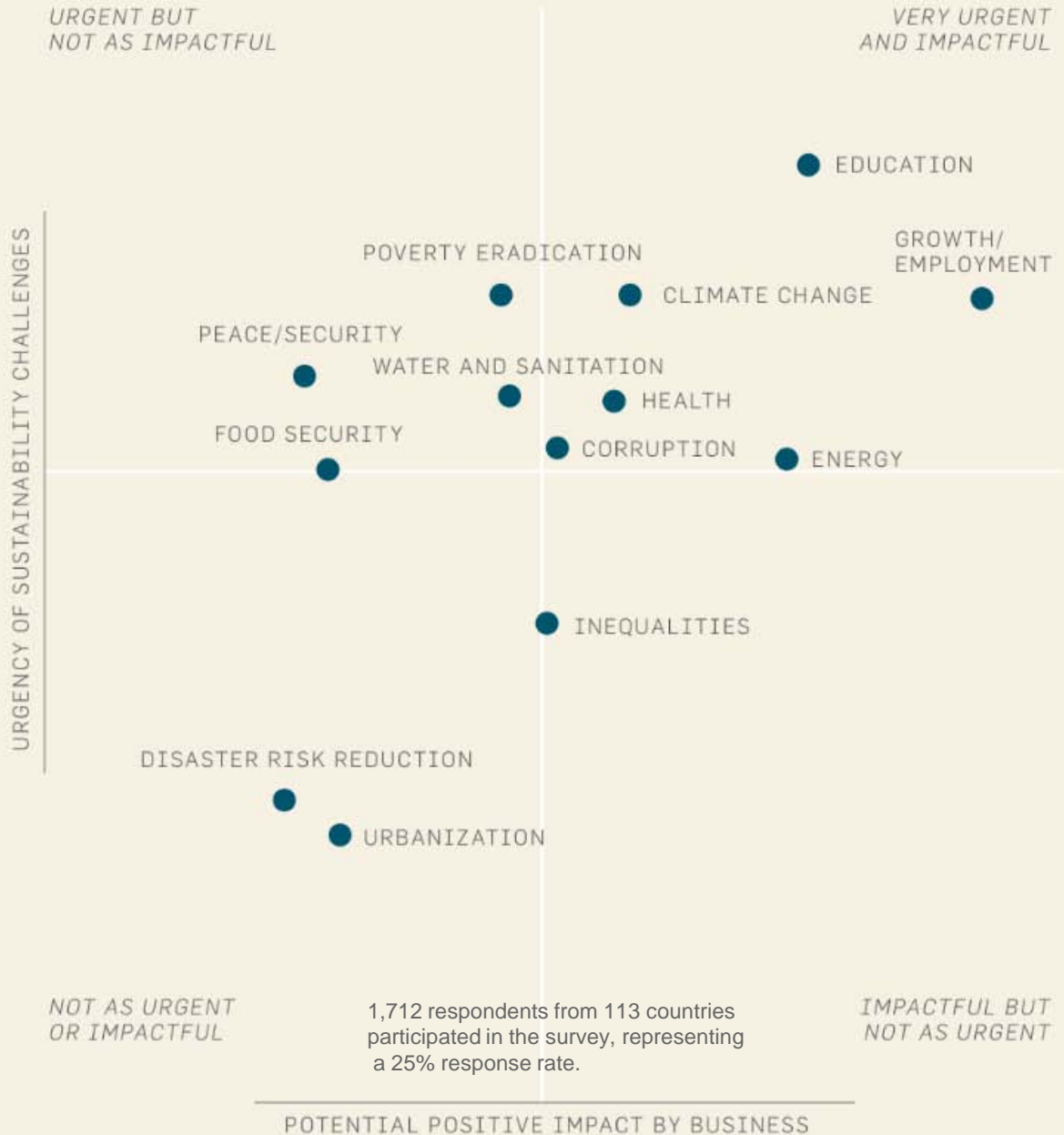


Urban Real Estate Sustainability Indicators

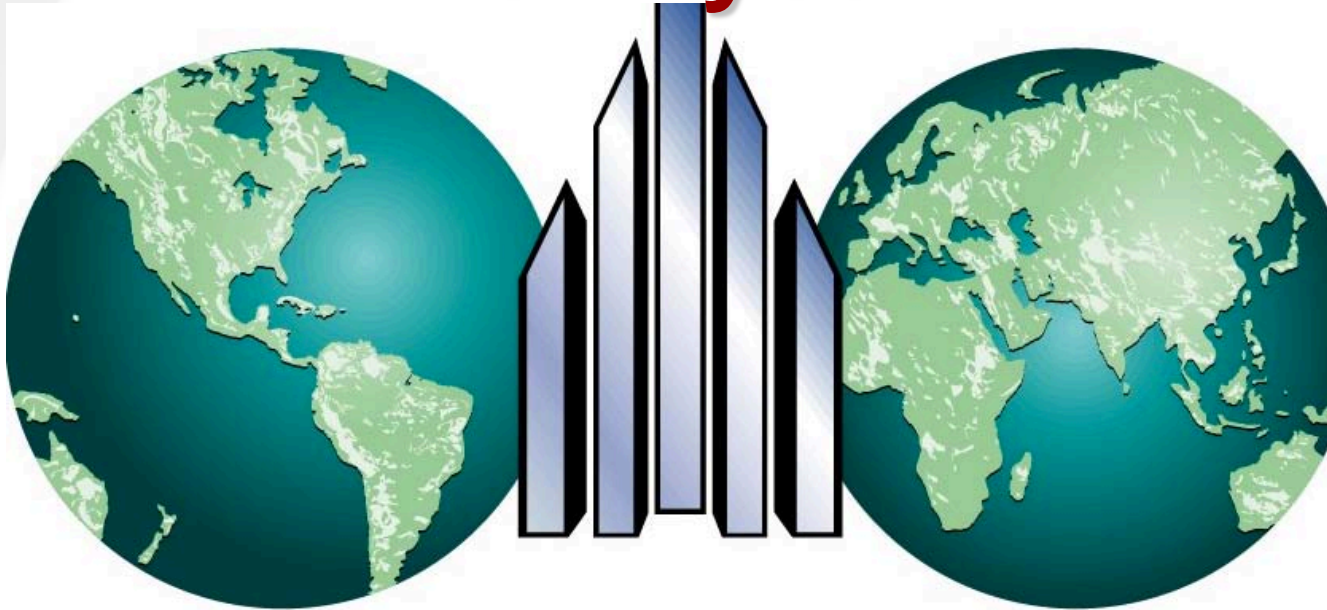


GLOBAL CORPORATE SUSTAINABILITY REPORT 2013

COMPANIES BELIEVE THEY CAN HAVE A POSITIVE IMPACT ON THE MOST URGENT SUSTAINABILITY CHALLENGES



Thank you!



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