



# Vitality

Sao Paulo, Brazil

EM Concepts  
Investment Summary



## Let us introduce ourselves...

EM Concepts was started to give our clients access to genuinely exciting and fully bespoke investment packages. With EM Concepts your comfort, knowledge and safety are paramount to our ethical principles, along with the desire to give you access to the most exciting property markets around.

We believe that our world of property ownership is changing and to make the smart moves today you need to look to the markets of tomorrow.

EM Concepts cast a wide net over the entire world in order to find you the best investments in the worlds emerging markets.

We have built relationships with the finest, most visionary developers and industry professionals in the market. Our structures and partners help you take the risk away from some of the most interesting and potentially lucrative investments you are ever likely to make.

Our company represents clients across a broad spectrum of investment needs.

- Sophisticated investors looking to be there first
- Those wishing to add property to their pension & investment portfolios
- First time buyers disillusioned with UK prices
- Explorers looking for those fascinating second homes
- Anyone looking for investments that can outstrip traditional housing markets

Our business philosophy is based on three core principles.  
***Knowledge. Performance. Integrity.***

“ In the past it was said that when the US caught a cold, Brazil got pneumonia... Now the US is in intensive care and we haven't even sneezed.”

Aloizio Mercadante, Senator and economic adviser. To President Lula da Silva.

# Brazil

## An Introduction

Brazil is a country of continental size and potential. Its economic performance has largely shaken off its corrupt and highly inflationary clothes worn for the last 15 years, and is now one of the fastest developing countries in the world with almost unimaginable potential. Brazil is the largest economy in South America and accounts for half of Latin Americas GDP - Sao Paulo alone generates equal economic drive to that of Argentina and Chile combined.

Brazil has a broad domestic industrial base with many large multinational investors playing a role in the opportunities that Brazil presents. The business environment is modern and sophisticated and participants in this economic success story from sole traders to heads of state – are acutely aware that transparency and good business practices are the main way to benefit from their economic boom. In line with this belief it seems that the bureaucracy and corruption of the past is being firmly tackled with a series of initiatives.

The Government's economic reform focuses on delivering long term cash savings and creating a more flexible environment for business. Some reforms include streamlining the tax system, modernisation of the labour code, new legislation to improve rights and access to credit, and like the MPC of the UK, operational autonomy for the Central Bank of Brazil.

Their long term economic strategy centers on achieving sustainable growth through the Growth Acceleration Plan (PAC), launched in early 2007. (PAC) centers on two major themes: investment in infrastructure and tax incentives to encourage private sector investment. In a major boost to this

plan Brazil's sovereign risk rating was upgraded from BB+ to BBB- by Standard & Poor's (April 2008) and by Fitch Ratings (May 2008), a worthy accolade for this emerging economy.

Our fully researched country guide for Brazil is available from the Country Guide link on our website, [www.emconcepts.co.uk](http://www.emconcepts.co.uk).



# Sao Paulo

Sao Paulo is Brazil's largest city and the centre of commerce for the new booming Brazil. It is the 19th richest city of the world and is expected to be the 13th richest by 2020. It is known locally as the "Brazilian locomotive" that drives the national economy. Almost every major industry in Brazil is based there (as well as most of the minor ones, too), and 15 percent of Brazil's gross national product is generated in Sao Paulo. The majority of the 1.6m new jobs that were created last year were generated in Sao Paulo.

Most of the country's big banks are based here, as are the main telecommunications, technology and media enterprises. The city is also now attracting international firms such as Citigroup and Hewlett-Packard. Conferences and trade fairs have boosted the business tourism industry (Sao Paulo gets around 9m travellers a year, nearly 75% come on business), generating a city-wide hotel construction boom.



## Sao Paulo's Property Market

Brazil, and Sao Paulo in particular, has a unique aspect to its property market in that it is driven almost solely by local demand. So much so that foreign investors will often find it difficult to find investments before they sell out completely to the local market. This demand is being driven by a number of factors. The key drivers are listed below.

## The Residents Rising Wealth

Although this social trend can be seen all over Brazil, in "Brazil's Locomotive" it is even more prevalent. The rising affluence in the city is causing unprecedented demand for better housing and white goods that can improve their quality of life.

New credit regulations have enabled banks to feel more secure in whom they lend to – often debiting repayments straight from wages - and this is allowing Sao Paulo's residents to upgrade their lifestyle.

## Mortgage Expansion

In Brazil's current credit boom, mortgage lending is a relatively small industry – although this is changing quickly. Secure jobs and transparent credit history means Brazil's new job market is allowing banks to feel more secure in who they lend to. Residents are able to now borrow up to 80% of the value on fixed asset (property) purchases.

## Redevelopment

As a result of its size, Sao Paulo does not have a large amount of free land to expand and the city is undergoing a major redevelopment of areas considered less prestigious a decade ago.

The redevelopment of these areas is necessary to attend to this increased demand from the middle to lower middle class.

The construction industry in Brazil, especially in Sao Paulo, is one of the industries with the highest growth index and best market performance. This simply reflects the current housing deficit and the increased demand for good quality accommodation.

## Why Sao Paulo for investment?

- Brazil's largest city and 19th richest in the world
- Expected to be the 13th richest by 2020
- Property less per square meter than Rio de Janeiro
- Yields in excess of 9%
- Continued wealth growth in the targeted social class
- Simple exit strategy
- World cup investment to boost infrastructure

# The Development – Vitality

## Introduction

EM Concepts have secured an exclusive deal with the developer in order to offer this development to international investors. With 40% already sold to locals the market is very strong and the developer has given only 30 units to us for our clients to invest in.

With prices starting from as little £70,000 this is a truly exceptional deal, especially considering the quality of the building and superb location.

## The Development

The development consists of a total of 234 3 and 4 bedroom apartments, set within lush communal grounds. There are 3 separate towers of 27 floors each.

All the apartments that we have chosen are 3 bedroom 3 bathroom apartments which we believe will offer the best rental returns.

## Location

Vila Prudente is located in the east/central area of Sao Paulo. The historical Ipiranga area and prestigious Vila Mariana areas are nearby. As with all areas in Sao Paulo, Vila Prudente has busy roads and skyscrapers. Yet, it enjoys vast green areas and the Vila Prudente ecological park is a few steps from this development.

Vila Prudente has a population of 102,104 inhabitants and it has 0.867 Human Development Index\* which is considered high.

Vila Prudente preserves important aspects of the history of Sao Paulo with its historical churches and colonial buildings.

The area also has vast green areas and Vila Prudente Ecological park, Tiete park and Carmo park are excellent options for leisure.

The area also has a great variety of shops, restaurants, bars and several metro stations linking Vila Prudente to all other areas in Sao Paulo city.

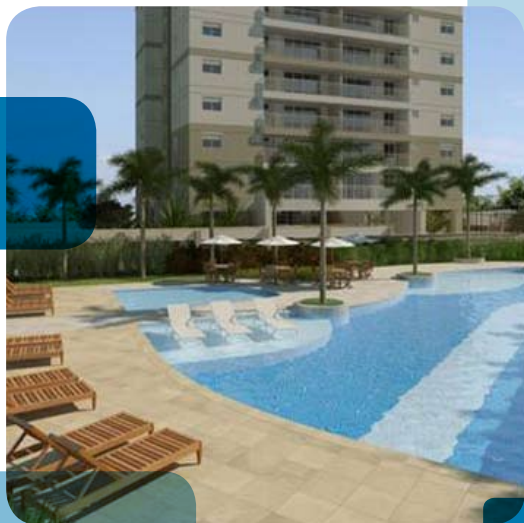
## The Metro System

The metro system in Sao Paulo is the main method of getting around the city and as such, an important consideration when looking at property for investment is its proximity to a metro station.

Vitality is located very close to the new Vila Prudente station which is being completed by 2010 (source <http://www.metro.sp.gov.br/ingles/expansion/green/teextension.shtml>).

Also within reach of the development is the recently completed Alto do Ipiranga station as well as the 2010 scheduled Tamanduateí station.

\* Human Development Index is an index combining normalized measures of life expectancy, literacy, educational attainment, and GDP per capita for countries worldwide





# Purchase Process

## Reservation

Upon reserving a unit in Vitality, EM Concepts will forward you a reservation document confirming the unit, payment schedule and next steps.

The reservation payment is 6% of the purchase price of which 30% will be non-refundable should the contract not exchange.

## Appoint a Lawyer

As soon as reservation is made you will need to appoint a lawyer. This is to obtain your Brazilian fiscal code. This code is a necessary required as cited by the central bank of Brazil to enable them to monitor all foreign financial transactions and property purchases. You will not be able to proceed with out one.

We recommend a Brazilian Lawyer based with a reputable legal company in London..

You are of course free to source your own lawyer if you wish

## Open account with Moneycorp

Moneycorp are the only currency company with the ability to transfer small Reais transactions at favorable exchange rates. Also due to strict anti money laundering regulations in Brazil, you should use an expert that understands the regulations of the market to avoid unexpected delays in your purchase.

## Contracts

Purchase contracts should be delivered within 4 weeks but can take up to 7 weeks. Upon signing this you are required to make your first payment and also choose your payment plan (see payment options)

## INCC

All Real Estate purchases need to have the purchase price adjusted in accordance with the INCC index.

The INCC index (National Index of Construction Costs) is produced monthly and reflects the national inflationary impact on construction costs. The index is linked to inflation but other factors are taken into account. It can fall and rise.

### How is the price adjusted?

Reservation and first payments are exempt from adjustment. All other installments will then have an amount added to them which equates to the remaining balance due multiplied by the INCC index at the time.

### Why should this happen?

Rather than being backward this is actually a particularly advanced and prudent method of payment. Rather than the developer having to be concerned about building costs rising and this causing problems with the cost of construction the purchaser whom is benefiting from delaying the payment is responsible for the adjust.

Details of the INCC index can be viewed at [www.fgv.com.br](http://www.fgv.com.br) it is produced monthly.

## Our Payment Recommendation

EM Concepts have negotiated a 13.5% discount for clients who wish to pay 100% up front. The developer is a very experienced with shares floated on the Brazilian stock exchange, their solvency is unquestionable (see developer section). Guarantees are also specified in the contracts and your lawyer will be able to take you through these.

- By paying in this manner you will eliminate your exposure to the INCC index adjustment.
- The discounted benefit out weighs the opportunity cost of your capital (interest foregone) and so the benefit is clear.

# Payment Plans & Purchase Example

Apartment 223 - Floor 22, 3 bedroom - List Price 257,600 BRL

## Option 1 - Stage Payment Plan

Unit 223 (Floor 22, 3 bedroom)	%	List Price (BRL)	Indexation Payment*	Total Payment (BRL)
Reservation Deposit	6%	15,546	0	15456
Deposit	24%	61,824	0	61824
12 month payment	20%	51,520	10819.2	62339.2
18 month payment	20%	51,520	7728	59248
Completion (July 2010)	30%	77,280	4636.8	81916.8
<b>Total</b>		<b>257,600</b>	<b>23,184</b>	<b>280,784</b>
1 GBP = 3.07 BRL correct on 07.08.08		£83,908.80	£7,551.80	£91,460.60
Legal Fees	2%	5152		
Finishing Costs	10%	25,760		
Transfer Tax	2%	5152		
<b>Total Buying Costs</b>	<b>14%</b>	<b>36064.</b>		
1 GBP = 3.07 BRL correct on 07.08.08		£11,747.23		
<b>Total Purchase Cost</b>		<b>293,664</b>	<b>23,184</b>	<b>316,848</b>
1 GBP = 3.07 BRL correct on 07.08.08		£95,656.03	£7,551.80	£103,207.82
Expected Rent BRL*				34,800
Expected Rent Net tax 17.5%				28,710
<b>Forecast Net Yield</b>				<b>9.1%</b>

\*assuming indexation of 6% (2007 figure).  
Indexation is payment linked to inflation on balance remaining on property.

\*Taken from local rent comparables

## Option 2 - Up Front Payment

Unit 223	%	Total Payment (BRL)
Discounted Price	-13.5%	222,824
Reservation Deposit	6%	133,69.44
Deposit	94%	209,454.56
<b>Total</b>	<b>86.5%</b>	<b>222,824</b>
1 GBP = 3.07 BRL correct on 07.08.08		72,581.11
Legal Fees	2%	5152
Finishing Costs	10%	25,760
Transfer Tax	2%	5152
<b>Total Buying Costs</b>	<b>14%</b>	<b>36064</b>
1 GBP = 3.07 BRL correct on 07.08.08		£11,747.23
<b>Total Purchase Cost</b>		<b>258,888.00</b>
1 GBP = 3.07 BRL correct on 07.08.08		£84,328.34
Expected Rent BRL*		34,800
Expected Rent Net tax 17.5%		28,710
<b>Forecast Net Yield</b>		<b>10.88%</b>

## Vitality Pricing

All apartments we have sourced for international investment are 77m2 three bedroom 3 bathroom and have the option of 3 different layouts outlined on later pages.

Apartments start at 212,200 BRL (approx £69,120.52) on the ground floor and 265,400 BRL (approx £86,450) on the top floor. Please contact us for exact availability.

## Price Comparables (based on stage payment plan)

### Direct Comparables in Villa Prudente

Project	Beds	Size (sqm)	Leisure Facilities	Age	Price	Price sqm	Difference
Vitality	3	77	Yes	Off Plan	212,000	2,753.25	0%
Belisimo	3	70	Yes	Off Plan	239,220	3,417.43	+19.44%
Unknown	2	52	Yes	Off Plan	195,000	3,750	+26.58%

### Other stock in Villa Prudente

Project	Beds	Size (sqm)	Leisure Facilities	Age	Price	Price sqm	Difference
	4	220	Yes	9 yrs	680,000	3,090.91	+10.92%
	3	175	Yes	8 yrs	550,000	3,142.86	+12.40%
	1	50	No	19 yrs	99,000	1,980.00	-39.05%
	3	60	Yes	9 yrs	191,000	3,183.33	+13.51%
	2	51	Yes	8 yrs	120,000	2,352.94	-17.01%
	1	40	Yes	New	110,000	2,750.00	-0.12%

### Regenerated Area - no metro link (Campo Belo)

Project	Beds	Size (sqm)	Leisure Facilities	Age	Price	Price sqm	Difference
Vision*	1	77	Yes	Off Plan	217,080	4211.00	+34.62%

\*source - Property Frontiers



## Vitality Rental

By targeting the lower to middle class, Vitality should maximise rental returns by appealing to this class that are looking for a new higher standard of living whilst saving for their first home of this kind. Because of the area and price vitality represent reasonably inexpensive housing for the local lettings market but fantastic rental yields for the owner. Below are current rental levels based on independent local research.

## Vitality Rental Comparables

Comparables with existing apartments in Villa Prudente

Beds	Bathroom	Leisure Facilities	Parking	Rent pcm	Rent Annual
1	1	none	1	800	9,600
4	2	none	4	2,500	30,000
3	2	none	4	1,500	18,000
2	2	Yes	2	1,900	22,800
3	2	Yes	1	2,200	26,400

sources: zlimoveis.com.br ; trovitbrasil.com.br; quebarato.com.br

Vitality*	3	3	Yes	2	2,900	34,800
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\*estimation of rental yields based on comparables

## Specifications

In Brazil it is standard practice for the developer to furnish and finish the communal areas however the finishes for a specific unit need to be undertaken by a separate contractor. The developer sources this and as with furniture pack is an extra cost. This cost is variable depending on the finish required. All apartments are 3 bedroom.

- All apartments come with flooring and tiles in all bathrooms and kitchen.
- All areas and rooms come decorated and painted.
- Flooring of living areas and bedrooms are not included.
- All apartments come with balcony.
- A complete service and a choice of packages will be offered to clients in order to choose apartments fittings and finishing.
- Clients will be contacted by the developer to discuss options and prices.
- Floor plan options will also be chosen by clients before exchange of contracts.
- All communal areas and spaces will have complete management.
- Administration and management of units are available (approx 10% of the rental value).



## Communal Areas and Leisure Facilities

These are all finished to highest, standard with all the facilities you would expect from a high end project.

- Central square / meeting point
- Jogging path
- Gym
- Sauna and relaxing area
- Multiple sports court
- Solarium
- Adult swimming pool
- Children's swimming pool
- Playground
- Games room for adults
- Games room for kids

## Communal Areas

- Restaurant
- BBQ area
- Party room for adults
- Party room for kids
- Visitors' parking
- 24 hour security
- Wet deck
- Teenage area with games and computers



# Floor Plans

Option Two  
(2 Bedroom, 2 Lounge)





## About the developer

As always we only source the best developers. Klabin Segall have made it part of their business strategy to not only target the growing lower to middle class market but also are actively targeting areas on the verge of, or undergoing significant redevelopment such as Villa Prudente.

Klabin Segall are floated on the Brazilian stock market (code KSSA3)

They have been operating in the Brazilian real estate market since 1994 and are one of the largest residential real estate developers operating in the states of São Paulo and Rio de Janeiro. The name “Klabin Segall” is highly regarded in the residential real estate development sector in the regions where the company conducts business; the name is synonymous with agility, efficiency and modernity, and it is esteemed by clients, partners, suppliers and brokers.

The main activities for developing residential buildings are the following:

- Identifying, assessing and purchasing land;
- defining and developing the project, adapting it to each client’s individual preferences;
- obtaining government and legal authorization;
- selling and managing unit sales;
- building, largely through third-party contractors;
- providing client financing, normally until building is completed; and
- post-sale client service and guarantees.

The company specializes in developing high-quality real estate products at competitive prices, targeting a range of economic segments from high-income to lower middle class. It is knowledgeable and experienced in identifying business opportunities and in launching innovative projects, including in areas that are appreciating in value and in urban areas undergoing revitalization.

All the Company’s projects provide its clients with personalized housing solutions developed by its team of highly qualified engineers and architects, which assist clients in customizing lay-outs, details, decoration and equipment.

Klabin Segall has already launched 32 projects, totaling 5,813 residential units and 933,814 m2 of construction. In the last three years alone, it launched 15 projects, with 4,429 residential units and 758,295 m2 of constructed area.

Further information is available on their website [www.ri.klabinsegall.com.br](http://www.ri.klabinsegall.com.br)



## For more information...

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