

# São Paulo developers eye boom times ahead

**Despite violence last week, many see the Brazilian city as a future world hot spot.**

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**SÃO PAULO, BRAZIL** – When the Duke of Westminster talks about real estate, people listen.

As the richest man in Britain and head of a real estate company with \$8.6 billion in worldwide assets, his tips of where and when to buy are widely watched by the world's property developers.

So when his firm, the Grosvenor Group, suggested that São Paulo would be a 21st-century boomtown, many were a little surprised. Perhaps only in São Paulo, where the first signs of a property resurgence are already under way, was the Duke's affirmation treated with calm.

"It is no coincidence that he would say that," says Candido Malta Campos, one of the city's best-known urban planners. "We all believe that São Paulo is going to enter a new stage of development as a big international city."

Although a spokesperson for Grosvenor stressed the comment was not a tip to buy, the message was clear - São Paulo is catching the eye of international developers. When asked to name five future hot spots, Grosvenor cited São Paulo as one of three front-runners, along with Shanghai and the southern California corridor between San Diego and Los Angeles.

A report from Grosvenor notes that "the Latin American giant's famous *favelas* [slums] are already seeing signs of change." It adds that, "The chances are that the topography of the city will morph into a more structured format, precipitating a natural process of regeneration helped by external investors."

Those investors are motivated primarily by Brazil's unusually stable finances, experts say. While the economy is not growing as quickly as many would like, interest rates have fallen to 15.75 percent from a

crushing 20-odd percent, inflation is under control, and Brazil's real hit a five-year high against the dollar earlier this month.

The fall in interest rates is crucial, says Fabio Nogueira, director of Brazilian Mortgages, a real estate financing company. Until now, high rates meant those who could get mortgages had to pay them back in as little as five or 10 years. Only 22 percent of home and business owners have a mortgage, compared with more than 70 percent in Europe and the United States, according to Mr. Nogueira.

That will change as the rates are falling, the government is stimulating housing investment, and banks are taking advantage of a foreclosure law that makes it easier for them to force out those behind on payments, Nogueira says. The law was passed in 1999, but only recently have courts started applying it, he adds.

"That's fundamental," Nogueira says. "Banks didn't lend. But now they have more confidence in the legal system. It is going to get easier to get a mortgage; the uncertainty is going to diminish."

Greater São Paulo is not yet a city with construction sites on every corner, nor will it be, urban planners say. With about 19 million people spread over about 2.1 million acres, there is little room for horizontal growth and most changes will come vertically and qualitatively. One exception may be the downtown area, where there are hundreds of empty lots and about 20 percent of all buildings are empty, according to Nabil Bonduki, the urban planner charged with writing a master plan for the city's growth in 2002.

Further afield, however, new roads and tunnels have been built and the city has begun modernizing public transport. In the greater metropolitan area, renewal projects are under way or on the drawing board for Santo Andre, São Bernardo dos Campos, Alphaville, and Baueri.

Planners warn, however, that there must be controls. City, state, and federal authorities need to enforce existing laws that oblige constructors to help pay for roads, subways, parks, and other amenities, says Mr. Malta Campos.

More attention must be given to the city's *favelas* and to a housing deficit, other experts say. One million people have no home and another million live in substandard housing, says Nogueira. And unless the city makes plans to accommodate a fleet of cars that stands at 5.5 million and grows

by between 300,000 and 400,000 a year, its notorious gridlock could worsen.

"São Paulo can't support so many cars; if nothing is done to resolve the situation then the city will become paralyzed," Malta Campos says. "You can say they are going to expand the metro, that there are plans to build new avenues.... And I can tell you that ... it isn't going to be enough. There is no long-term planning."

City officials believe the security questions that came to the fore last week, when organized crime groups wrought havoc in choreographed attacks across the city, are surmountable.

"You can't ignore questions about security," says Francisco Vidal Luna, São Paulo's planning secretary. "But decisions on property aren't affected by them. If you consider that in São Paulo services are improving, land is cheap, and there is financial stability, you can see that our time is coming."



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