

Commercial Real Estate Market In Brazil - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The commercial real estate market in Brazil is expected to register a CAGR of over 6% during the forecast period. Large companies investing in real estate are one of the major factors boosting the growth of the industry. The emerging growth of the hospitality sector is another aspect propelling market performance. Commercial, residential, and rural land real estate transactions are all popular investment options in Brazil. The market has attracted many investors seeking tailored transactions on behalf of large multinational clients.

The COVID-19 pandemic had an adverse effect on the Brazilian commercial real estate market performance. However, real estate agents, contractors, and builders have been making efforts to reduce or waive off taxes that are charged on documentation and registrations while selling or buying a property which might help to get the industry performance back on track. Governments and private organizations are making active efforts to develop new projects in order to provide lucrative opportunities to companies in the industry.

Technological developments in the Brazilian commercial real estate market have played a vital part in the development of the industry so far. The rising number of innovations and adoption of new technologies such as 3D imaging, virtual reality, networking platforms, cloud-based mobile applications, smart sensor technology, big data analytics, and cloud technology in the field are boosting the growth of the commercial real estate industry.

Brazil Commercial Real Estate Market Trends

Increase in Sale of Real Estate Units in Brazil

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Since 2020, the Brazilian real estate market has improved significantly, overcoming the economic downturn notably in the residential sector, possibly leading to a novel cycle of new projects and expansion in the real estate market, which is expected to endure and match the economic development of other areas of the country. The great positive factor that has been making the expansion of the Brazilian real estate market possible has been and continues to be the constant reduction by the federal government of the national interest rate index, the so-called "SELIC rate." This movement has largely caused the reallocation of investments from financial assets to real estate assets.

Real estate financing also grew substantially in relation to the previous period of time, indicating that the reduction in interest rates has provided access to financing to a large number of people. In 2020, more than 138 thousand real estate properties were sold in Brazil, the highest figure reported in the indicated period. This was the fourth consecutive year of growth in the number of properties sold in the country and represented a Y-o-Y increase of 25%.

Drop in the Number of Commercial Real Estate Transactions in Brazil

There was a drop in the number of transactions in the fourth quarter, from 39 in the previous quarter to 28 transactions in Q4 2021. Even though the number of transactions was lower, sales volume increased by 13%. In addition, the total sq. m transacted was 16% higher than in Q3 2021 (697,407 sq. m). However, the average price/sq. m decreased by 2.98% in a quarter-over-quarter (QOQ) comparison. This outcome reflects the increased risks associated with real estate investment, mainly due to the country's macroeconomic situation, which presents a scenario of high inflation and high basic interest rates, in addition to the deteriorating fiscal situation.

The office market registered 16 transactions in Q4 2021, with only 13 of them in the state of Sao Paulo. Compared to the previous quarter, there were eight fewer transactions carried out. Despite this, employees are expected to gradually return to their offices. The industrial market maintained some stability in the number of transactions. There were 11 transactions in the fourth quarter, compared to 10 transactions recorded in the previous one. This was the second consecutive quarter in which the sector's results showed numbers close to those at the beginning of 2021 and lower than the office market.

Brazil Commercial Real Estate Market Competitor Analysis

Major players in Brazil's commercial real estate market are Multiplan Empreendimentos Imobiliarios SA, Cyrela Commercial Properties SA, and Log Commercial Properties. The commercial real estate market in Brazil is fragmented and competitive. The commercial property market will remain in despair as further political instability dampens investor sentiment and occupier appetite. The capital markets in Brazil are expected to generate opportunities for local and international players. There is an increase in the pace of launches of construction companies in the country. Furthermore, the market is primarily driven by rising new construction activity.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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